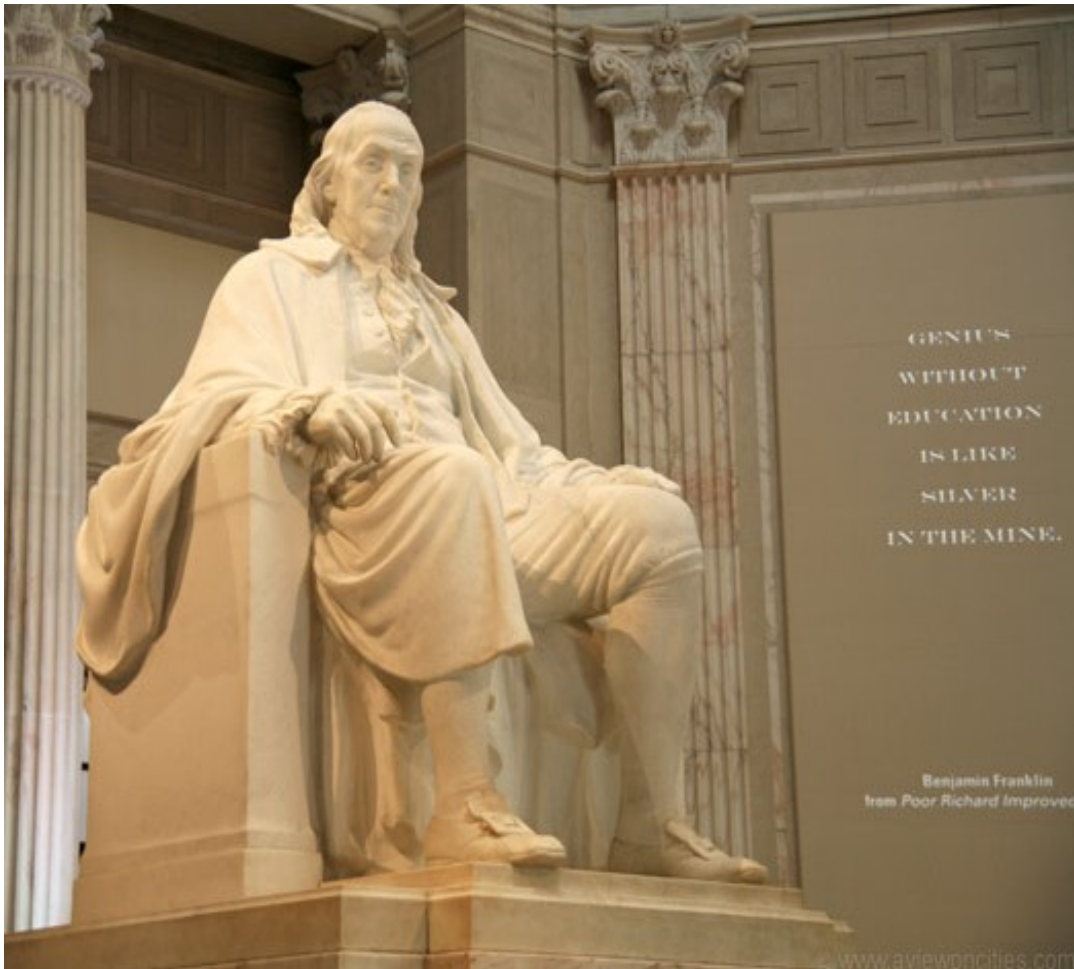


# City of Philadelphia

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

*Founded 1682*



Statue of Ben Franklin

## Comprehensive Annual

## Financial Report

Fiscal Year Ended June 30, 2020



# City of Philadelphia

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

## Comprehensive Annual Financial Report

### Fiscal Year Ended June 30, 2020



**James F. Kenney**  
Mayor

Prepared by:

**Office of the Director of Finance**

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## City of Philadelphia

### OFFICE OF THE DIRECTOR OF FINANCE

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**ROB DUBOW**

Director of Finance

February 25, 2021

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

We are pleased to present the City of Philadelphia's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This report must be published by February 25<sup>th</sup> of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

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

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2020. The City Controller is an independently elected public official and is required by City Home Rule Charter (City Charter) section 6-401 to appoint a certified public accountant as the deputy in charge of auditing and complete an annual audit of all City accounts. The independent auditor's report is located at the front of the financial section of this report.

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

### PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682, incorporated in 1789, and was merged with the County of Philadelphia in 1854. The City occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five-county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in Southeast Pennsylvania.

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

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

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

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

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services and prisons. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport, which handled approximately 23.8 million passengers in fiscal year 2020, as well as cargo, and Northeast Philadelphia Airport which handles private aircraft and some cargo. The Philadelphia International Airport handled 32.2 million passengers in fiscal year 2019. The reason for the passenger decrease was the COVID-19 pandemic, which affected the entire airline industry for the fourth quarter of fiscal year 2020.

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

Blended component units included in this report are:

- Philadelphia Municipal Authority
- Pennsylvania Intergovernmental Cooperation Authority

Discretely presented component units included in this report are:

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

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

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



## FACTORS AFFECTING ECONOMIC CONDITION

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

### Local Economy

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

Prior to the impacts of COVID-19, Philadelphia's medium-term economic outlook was moderately optimistic. Wage Tax revenue was projected to continue to increase as IHS Markit, the City's economic consultants, projected payroll growth to continue to grow next year due to very solid gains in number of employees. However, IHS expected total payroll growth to downshift significantly in 2021 and beyond, as the region reached full employment. In line with its prediction for the U.S., IHS predicted that Philadelphia's Real Gross Metropolitan Product growth would also slow over the next few years, from 1.9% growth in 2020, to 1.7% growth in 2021, and to 1.2% growth in 2022 and 2023. Furthermore, compared to the prior year, low unemployment, solid growth in personal income, and a stable housing market were supportive of growth in consumer spending. While Philadelphia was much better prepared for a recession than it was in 2008, Moody's Recession Preparedness report released in December 2019 found that, like most of the 25 largest cities in the country, Philadelphia was only moderately prepared for a recession.

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

Despite experiencing about a decade of consistent growth, the City's population experienced a slight decline in 2020. Prior to the COVID-19 outbreak, the City's annual average unemployment rate had returned to pre-Great Recession levels and personal income and per capita income have increased from 2009 levels by 67.8% and 63.9%, respectively. However, as economists evaluate the dire impacts of the COVID-19 outbreak, the real economic impacts on personal income, employment, and overall growth are yet to be determined.

Other challenges also remain. At 23.3%, the City's poverty rate is the highest of the 10 largest cities in the country, and personal income levels also remain relatively low in comparison to the region. These factors create an ongoing challenge to fund public services from a weaker tax base. While the City has benefited from recent population growth, the number of parent-aged adults (age 35-54) and school-aged children (age 5-19 years) has declined over the past five years, which is a trend that has negative implications for the tax base.

Calendar Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (3)	Unemployment Rate
2019	1,584,064	90,711,866	57,265	5.5%
2018	1,584,138	88,311,658	55,747	5.5%
2017	1,580,863	88,081,991	55,718	6.2%
2016	1,567,872	80,973,410	51,645	6.8%
2015	1,567,442	77,903,831	49,701	6.9%
2014	1,560,297	66,495,223	42,617	8.0%
2013	1,553,165	65,473,002	42,155	10.0%
2012	1,547,607	64,151,742	41,452	10.5%
2011	1,538,567	62,632,520	40,708	10.8%
2010	1,526,006	56,970,074	37,333	10.8%

(1) US Census Bureau

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

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

The City now has “A” category ratings for its General Obligation debt from all three major rating agencies: A2 (Moody’s), A (Standard & Poor’s), and A- (Fitch). December 2013 was the first time that the City has been rated in the “A” category by all three rating agencies. On April 17, 2020, S&P lowered its outlook on Philadelphia’s General Obligation Bonds to stable from positive as a part of a systemwide change that impacted issuers across the country in light of financial challenges posed by COVID-19. S&P stated, “While we expect the economic effects of the pandemic and ensuing recession will result in delayed revenue collections and lower overall collections, we believe the city’s improved reserve position, access to internal and external liquidity, and commitment to improving pension funding provide stability at the current rating level.” Fitch revised the City’s General Obligation outlook from positive to stable in August 2020, citing a high level of uncertainty that many issuers faced regarding the extent of the financial impacts from COVID-19. Moody’s has maintained the City’s rating since November 2018, when it revised the outlook from negative to stable.

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

City of Philadelphia's General Obligation Bond Ratings

Fiscal Year End	Moody's	Standard & Poor's	Fitch
2020	A2	A	A-
2019	A2	A	A-
2018	A2	A	A-
2017	A2	A+	A-
2016	A2	A+	A-
2015	A2	A+	A-
2014	A2	A+	A-
2013	A2	A-	A-
2012	A2	BBB+	A-
2011	A2	BBB	A-

The consistent efforts of Philadelphia’s economic development agencies and others have spurred significant economic changes throughout the City. Development in the Navy Yard has, over time, transitioned a former

naval property and active military base to a growing hub for business. Over the last two decades, the efforts of Philadelphia’s economic development agencies and others have spurred significant economic revitalization throughout the City.

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

<b>Project Name, by Neighborhood</b>	<b>Project Type</b>	<b>Cost in Millions</b>	<b>Est. Completion Date</b>
<b>CENTER CITY</b>			
Comcast Innovation and Technology Center	Commercial / Hotel	\$1,200	Completed 2019
2400 Market	Commercial	\$230	2020
W Hotel/Element	Hotel	\$359	2020
Fashion District of Philadelphia	Commercial	\$400	Q2 2020
1911 Walnut	Mixed Use	\$300	2021
SLS Residences	Residential and Hotel	\$253	2021
Police Headquarters in Inquirer Building	Public	\$300	Q1 2021
<b>OLD CITY</b>			
I-95 Overcap Park	Public	\$225	2024
<b>OTHER NEIGHBORHOODS</b>			
2100 Hamilton	Residential	\$24	2021
<b>UNIVERSITY CITY</b>			
4601 Market	Mixed Use	\$250	2021
Penn Health Tower	Health Care	\$1,500	2021
<b>TOTAL</b>		<b>\$5,041</b>	

Source: Philadelphia Department of Planning and Development.

**Long-Term Financial Planning**

The impacts of COVID-19 on Philadelphia were felt almost immediately – raising costs for existing services, necessitating new programs and service to respond to the pandemic, and reducing revenues. With most of the City’s General Fund revenue originating from local taxpayers, the City’s fiscal health is highly dependent on local economic conditions. Given the devastating impact of the COVID-19 pandemic, and with business closures, the City anticipated a reduction in the size of its tax base and lowered revenue projections. Driven by significant revenue losses not able to be offset by federal stimulus funds, and increased costs for existing and new pandemic-related services which were offset by federal funds, the City spent down reserves, reduced and reallocated planned spending, and made modest changes to enhance revenues. The result of these budget balancing actions is a reduced projection for the fund balance to end fiscal year 2021.

One of the most important measures of the City’s financial health is its fund balance. Having a healthy fund balance gives the City financial flexibility, and makes it better able to meet its cash flow needs, mitigates current and future financial risks and ensures predictability of future services. The City’s fund balance has historically been well below the almost 17% recommended by the Government Finance Officers Association (GFOA) but had recently exceeded the City’s target of 6% to 8% of General Fund spending (\$438.7 million or 9% in fiscal year 2019). In fiscal year 2020, the City ended with a fund balance of \$290.7 million, a \$148.0 million decrease from fiscal 2019, due primarily to the impact of COVID-19 in the fourth quarter. At 5.77 % of spending, the fund balance came close to meeting the internal goal but the reduction from the prior year indicates the need for careful financial management amidst the COVID-19 pandemic. The General Fund is projected to end fiscal 2021 with a fund balance of \$29.1 million, which is 0.5% of the City’s projected obligations. This is much less than the City’s target of 6% to 8%, and below the GFOA’s recommend level of 17%.

The table below illustrates the City’s General Fund year-end balance for the past 5 years, and the projected Fiscal Year 2021 year-end balance as noted in the City’s Quarterly City Managers Report (period ending December 31, 2020).

General Fund  
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance	Projection/Actual
2021	29,089	Projection
2020	290,672	Actual
2019	438,680	Actual
2018	368,783	Actual
2017	189,243	Actual
2016	148,315	Actual

Source: Quarterly City Managers Report and the AFR.

**Relevant Financial Policies**

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

**Fund Balance Target:** Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of approximately 6% to 8%. The GFOA recommends general-purpose governments maintain unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Unfortunately, the devastating impacts on revenues and spending caused by the COVID-19 outbreak have meant a much lower fund balance for the City. At a projected \$29.1 million for fiscal year 2021, the City's fund balance covers approximately three days and not two months of regular government spending (17%) as recommended by the GFOA.

**Wage and Business Tax Changes:** The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees who work within the City limits but live elsewhere, as well as all residents regardless of work location. The Business Income and Receipts Tax (BIRT) is the third largest source of General Fund revenue and is based on both gross receipts (sales) and net income (profits). Philadelphia remains committed to reducing business taxes but due to COVID-related revenue losses, the City paused incremental rate reductions to the net income portion of the BIRT, leaving the rate at 6.20%. The FY21-25 Plan resumes BIRT rate cuts in fiscal year 2024, with the rate reducing to 6.15% and then to 6.10% in fiscal year 2025. The shift to Market-Based Sourcing will proceed as planned in fiscal year 2023. The Administration did not propose increasing the Resident Wage Tax rate in the FY21-FY25 Five Year Plan given the negative impact on the City's competitiveness and negative impact on Philadelphia's already high poverty rate. The current rate of 3.8712% will remain in place until fiscal year 2024, when planned cuts will resume. The non-resident wage tax rate increased from 3.4481% to 3.5019% in FY21. That rate will stay in place through fiscal year 2023 and rate reductions will resume in fiscal year 2024.

**Reassessments:** The Real Property Tax is levied on the taxable assessed value of all property in the City and is the second largest source of tax revenue in the City. Philadelphia is unlike other cities and counties which rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In fiscal year 2013, the City completed the Actual Value Initiative (AVI), which involved a comprehensive reassessment of all properties in the City – approximately 579,000 parcels –

to correct outdated and partial assessments. The intent of AVI was to ensure that properties are examined annually to ensure that values reflect the market.

For tax year 2020, the OPA reassessed and revalued all properties using the ratio trend valuation method (or “trending”) while it also implements recommendations from an expert consultant on ways to further improve the quality of assessments. Delays related to COVID-19 forced the City to postpone the next full reassessment until tax year 2022.

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

The first part of the Mayor’s pension reform program is a commitment to increasing the City’s annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City’s annual contribution to the pension fund, totaling more than \$649.4 million in FY20 (the all funds total is \$768.7 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying minimum municipal obligation (MMO), the amount required under state law, the City meets its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY21-FY25 Five Year Plan, the sales tax revenues due to the pension fund are projected to be worth about \$225.3 million.

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

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost \$15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.55% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the MMO, the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Moreover, the City follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the pension fund in excess of the amount required by the MMO.

**Managing 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.

## Major Initiatives

**Philadelphia Beverage Tax and Funded Programs:** In June 2016, City Council passed, and the Mayor signed the Philadelphia Beverage Tax (PBT). The PBT taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The PBT provides funding for pre-kindergarten, community schools, recreation centers and libraries. Since its inception, revenue collection for the PBT has continued to grow. In FY20, the City collected approximately \$69.9 million in revenues from the PBT. However, the City projected a decline in annual revenues over the Five Year Plan to reflect national trends in decreased consumption of sweetened beverages, even before the impacts of COVID-19. The FY21 Adopted Budget and FY21-25 Five Year Plan project that the PBT will generate \$67.4 million in FY21.

**COVID-19 Recovery:** In April 2020, the City established a Recovery Office to oversee federal, state and local grant funding received to support its response to and recovery from the COVID-19 pandemic. These funding sources, which include Coronavirus Aid, Relief, and Economic Security (CARES) Act grants and Federal Emergency Management Agency (FEMA) Public Assistance, are being used to reimburse the City for public health and safety costs incurred in response to the pandemic, as well as to fund new initiatives aimed at addressing the economic impacts of the pandemic, such as providing rental assistance and business assistance relief programs. In FY20, the City used \$64.0 million of the \$276.4 million in Coronavirus Relief Funds received through the CARES Act to reimburse the General Fund for costs related to its pandemic response. The remainder of the \$276.4 million was allocated by the end of calendar year 2020. Recovery will continue to be a key area of focus over the Five Year Plan.

**Education:** Lastly, education continues to be a key area of focus and investment for this Administration. For the FY21-25 Five Year Plan, the City's contribution to the School District of Philadelphia includes a funding package of \$1.4 billion over five years, providing the District with increased financial stability and helping to ensure that the District continues to build on progress achieved during recent years. The City's contribution to the Community College of Philadelphia includes \$196.5M in operating support over the Five Year Plan in addition to a combined \$47.4M in support for the Catto Scholarship, which launched in early calendar year 2021. The Catto Scholarship provides last-dollar tuition support, basic needs supports, and wraparound services to eligible low-income Philadelphia high school graduates.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the fortieth consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Sincerely,



**ROB DUBOW**  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
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Pennsylvania**

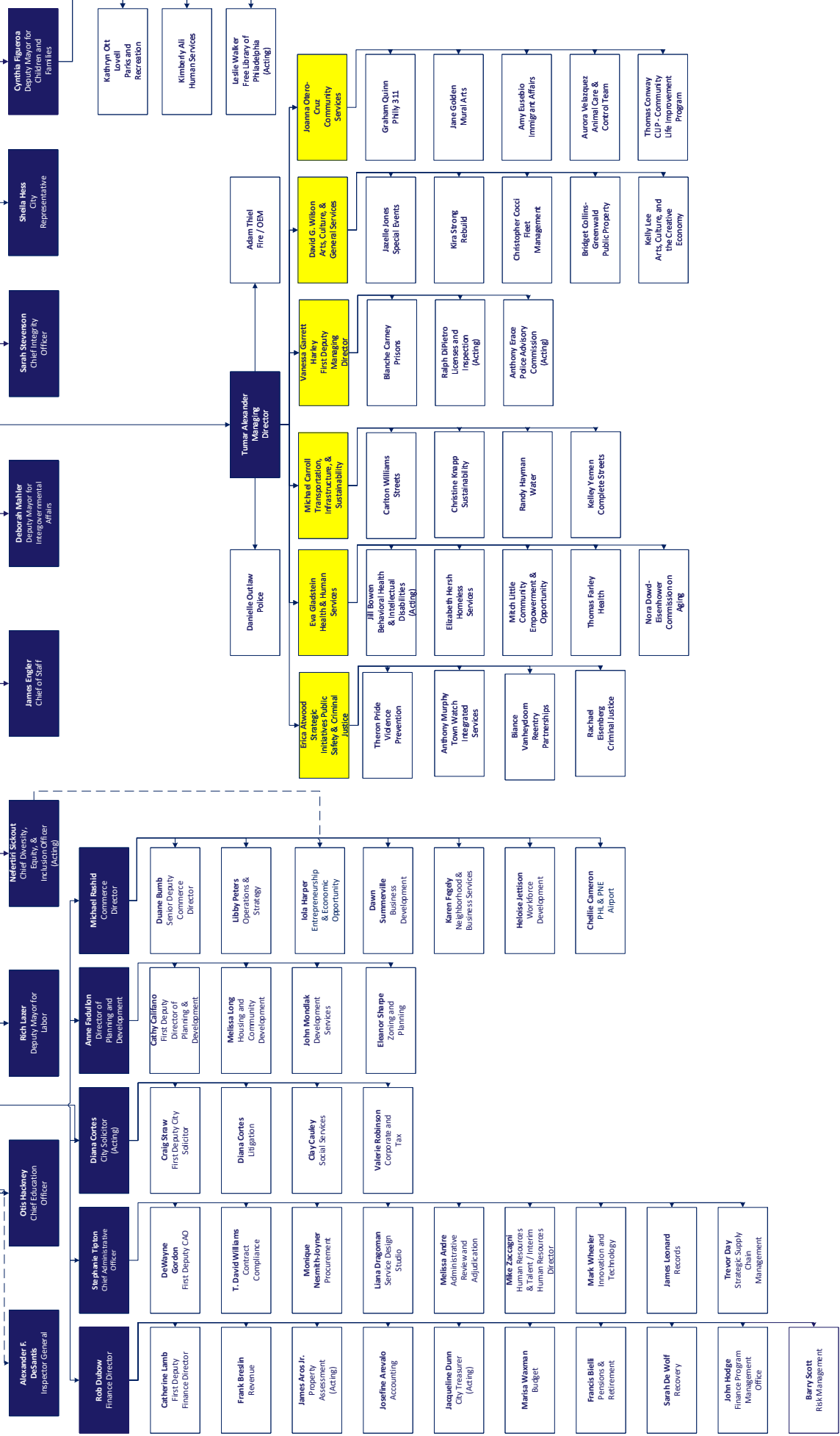
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO

**James F. Kenney**  
Mayor







## Elected Officials

Mayor .....	James F. Kenney
<b>City Council</b>	
President, 5th District .....	Darrell L. Clarke
1st District .....	Mark Squilla
2nd District .....	Kenyatta Johnson
3rd District .....	Jamie Gauthier
4th District .....	Curtis Jones, Jr.
6th District .....	Bobby Henon
7th District .....	Maria D. Quinones-Sanchez
8th District .....	Cindy Bass
9th District .....	Cherelle L. Parker
10th District .....	Brian J. O'Neill
At-Large .....	Kendra Brooks
At-Large .....	Allan Domb
At-Large .....	Derek Green
At-Large .....	Katherine Gilmore Richardson
At-Large .....	Helen Gym
At-Large .....	David Oh
At-Large .....	Isaiah Thomas
District Attorney .....	Lawrence S. Krasner
City Controller .....	Rebecca Rhynhart
<b>City Commissioners</b>	
Chairwoman .....	Lisa M. Deeley
Commissioner .....	Al Schmidt
Commissioner .....	Omar Sabir
Register of Wills .....	Tracy L. Gordon
Sheriff .....	Rochelle Bilal
<b>First Judicial District of Pennsylvania</b>	
President Judge, Court of Common Pleas .....	Idee Fox
President Judge, Municipal Court .....	Patrick F. Dugan



## Appointed Cabinet Members

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



# CITY OF PHILADELPHIA

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

REBECCA RHYNHART  
City Controller

CHRISTY BRADY  
Deputy City Controller

## INDEPENDENT AUDITOR’S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania’s basic financial statements as listed in the table of contents.

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

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

### *Auditor’s Responsibility*

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

	<b>Percent Audited by Other Auditors</b>		
	<b><u>Total Assets</u></b>	<b><u>Total Net Position/Fund Balances</u></b>	<b><u>Total Revenues</u></b>
<b>Governmental Activities</b>	3%	1%	8%
<b>Business-Type Activities</b>	0%	0%	0%
<b>Aggregate Discretely Presented Component Units</b>	60%	31%	42%
<b>Major Funds</b>	0%	0%	0%
<b>Aggregate Remaining Fund Information</b>	89%	92%	62%

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

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

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

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

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter - Correction of an Error - Change in Accounting Principle***

As discussed in Note III.14.A. to the financial statements, a prior period adjustment was made to correct an error for an understatement of the City of Philadelphia, Pennsylvania's liability for accumulated unpaid sick leave as of June 30, 2019. As of July 1, 2019, the City of Philadelphia, Pennsylvania's net position for the Governmental Activities, Water and Sewer Fund, and Aviation Fund were restated to reflect the impact of the change. The correction of the error represents a change in applying generally accepted accounting principles. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 35, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audit for the year ended June 30, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2020, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying

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

accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2020, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Philadelphia, Pennsylvania as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated February 25, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. The 2019 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The 2019 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

*Other Information*

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



CHRISTY BRADY, CPA  
Deputy City Controller  
Philadelphia, Pennsylvania  
February 25, 2021



# City of Philadelphia

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

## *Management's Discussion & Analysis*

The City's management prepared this narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2020. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the City's financial statements immediately following this discussion and analysis.

### **Financial Highlights**

The City of Philadelphia, along with virtually every governmental entity in the country, has been affected by the COVID-19 pandemic. The pandemic had a major effect on the 4th quarter operations of the City, impacting not only revenue and expenses, but also the basic operations of the City. The effects of the pandemic are detailed throughout the MD&A and the notes to the financial statements of the City.

At the end of FY20, the liabilities and deferred inflows of the City of Philadelphia exceeded its assets and deferred outflows by \$5,383.1 million. Its unrestricted net position showed a deficit of \$9,195.2 million. The major underlying causes of this deficit are the net pension liability (\$6,095.9 M), the net OPEB liability (\$1,935.3 M), and the outstanding pension obligation bonds (\$0.987 M). This deficiency will have to be funded from resources generated in future years.

The City's total June 30, 2020 year-end net position decreased by (\$354.1) million from the prior year June 30, 2019 net position. The major cause of this decrease was a prior period adjustment in the Governmental Activities, Water and Sewer Fund, and Aviation Fund for an understatement of the City's liability for accumulated unpaid sick leave at June 30, 2020, which resulted in an adjustment to the July 1, 2019 Net Position of (\$319.5) million. The governmental activities of the City experienced a decrease of (\$399.5) million, while the business type activities had an increase of \$45.4 million.

For FY20, the City's governmental funds reported a combined ending fund balance of \$1,046.0 million, an increase of \$53.9 million from last year. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of \$330.5 million, an increase in the deficit of \$128.9 million from last year.

At the end of FY20, unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of the fund balance) for the general fund was \$414.5 million, of which, \$0.0 was *unassigned* which represents the residual amounts that have not been assigned to other funds. The *unassigned fund balance* decreased (\$125.8) in comparison with the prior year.

On the legally enacted budgetary basis, the City's general fund ended the fiscal year with a surplus fund balance of \$290.7 million, as compared to a \$438.7 million surplus last year. The decrease of (\$148.0) million was due to an decrease in revenues that resulted in an operating deficit of (\$202.9) million and cancelations of prior year obligations.

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

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

- Government-wide financial statements which provide both long-term and short-term information about the City's overall financial condition.

- Fund financial statements which provide a more detailed look at major individual portions, or funds, of the City.
- Notes to the financial statements which explain some of the information contained in the financial statements and provide more detailed data.
- Other supplementary information which further explains and supports the information in the financial statements.

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

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

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

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

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

These two activities comprise the primary government of Philadelphia.

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

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

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



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

The City maintains twenty-two individual governmental funds. Financial information is presented separately for the general fund, grants revenue fund and health choices behavioral health fund, which are considered major funds. Data for the remaining nineteen are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the form of combining statements in the supplementary information section of this financial report.

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

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

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

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

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

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

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

### Government-wide Financial Analysis

**Net position.** As noted earlier, net positions are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities and deferred inflows exceeded its assets and deferred outflows by \$5,383.1 million.

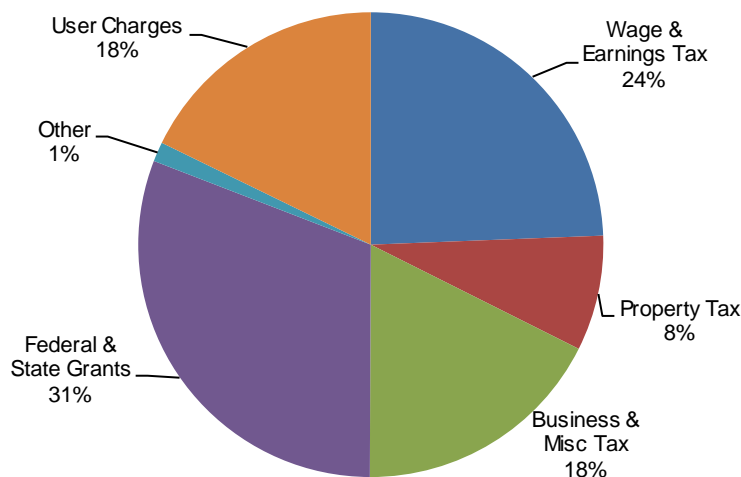
Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, \$2,031.5 million. Although these capital assets assist the City in providing services to its citizens, they are generally not available to fund the operations of future periods.

A portion of the City's net position, \$1,780.7 million, is subject to external restrictions as to how they may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$9,195.2 million. The governmental activities reported negative *unrestricted net position* of \$8,803.6 million. The business type activities reported an unrestricted net position deficit of \$391.6 million. Any deficits will have to be funded from future revenues.

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

City of Philadelphia's Net Position (millions of USD)									
	Governmental Activities			Business-type Activities			Total Primary Government		
	2020	2019	% Change	2020	2019	% Change	2020	2019	% Change
Current and other assets	3,388.3	3,027.6	11.91%	2,225.9	2,141.0	3.97%	5,614.2	5,168.1	8.63%
Capital assets	2,672.0	2,650.0	0.83%	4,930.3	4,787.8	2.98%	7,602.3	7,438.2	2.21%
<b>Total assets</b>	<b>6,060.3</b>	<b>5,677.6</b>	6.74%	<b>7,156.2</b>	<b>6,928.8</b>	3.28%	<b>13,216.5</b>	<b>12,606.3</b>	4.84%
<b>Deferred Outflows</b>	637.9	487.0	30.99%	106.6	90.7	17.53%	744.5	577.7	28.87%
Long-term liabilities	4,953.8	4,523.9	9.50%	3,999.5	3,880.7	3.14%	8,953.2	8,404.6	6.57%
Other liabilities	8,875.6	8,351.6	6.27%	1,312.8	1,234.0	6.13%	10,188.5	9,585.6	6.26%
<b>Total liabilities</b>	<b>13,829.4</b>	<b>12,875.5</b>	7.41%	<b>5,312.3</b>	<b>5,114.7</b>	3.86%	<b>19,141.7</b>	<b>17,990.2</b>	6.40%
<b>Deferred Inflows</b>	178.8	199.5	-10.38%	23.6	23.5	0.43%	202.4	223.0	-9.24%
<b>Net Position:</b>									
Net Investment in capital assets	538.6	738.6	-27.08%	1,492.8	1,437.6	3.84%	2,031.5	2,176.2	-6.65%
Restricted	955.0	867.8	10.05%	825.7	835.5	-1.17%	1,780.7	1,703.3	4.54%
Unrestricted	(8,803.6)	(8,516.9)	-3.37%	(391.6)	(391.6)	0.00%	(9,195.2)	(8,908.5)	-3.22%
<b>Total Net Position</b>	<b>(7,310.0)</b>	<b>(6,910.5)</b>	-5.78%	<b>1,926.9</b>	<b>1,881.5</b>	2.41%	<b>(5,383.1)</b>	<b>(5,029.0)</b>	-7.04%

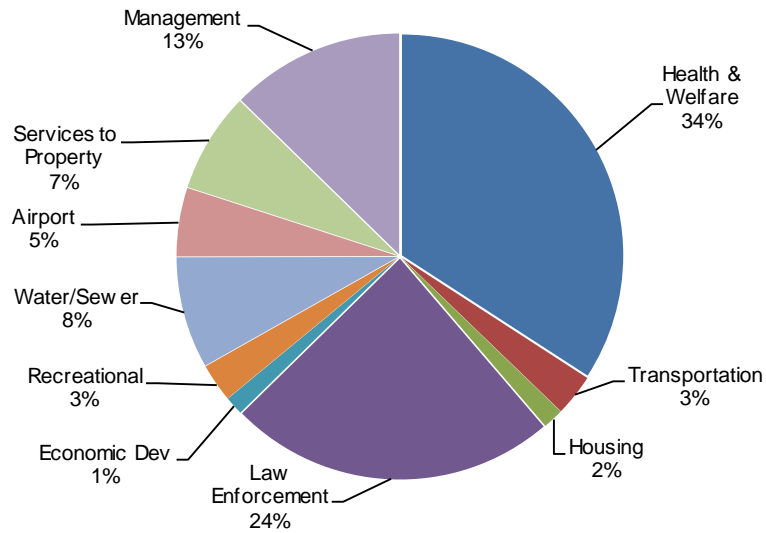
**Changes in net position.** The City's total revenues this year, \$8,677.6 million, failed to exceed the total costs of \$8,712.3 million. Approximately 50% of all revenue came from wage and earnings taxes, property taxes, business and miscellaneous taxes. State, Federal and local grants account for another 31%, and the remaining 19% of the revenue comes from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 65% are related to the health, welfare and safety of the general public (See Exhibit II for further breakdown).



- Total revenues increased by \$74.7 million, and total expenses increased by \$620.7 million over last year. This resulted in the Change in Net Position, before prior period adjustments, being (\$546.0) million less than in the previous year.
- The City's Operating Grants and Contributions revenue increased by \$122.0 million, and the City's Unrestricted Grants revenues revenue increased by \$63.2 million, primarily due to the CARES Act funding that the City received. The City's Charges for Goods and Services decreased by (\$147.1) million. The Governmental Activities – Charges for Goods and Services decreased by (\$19.8) million, mainly from a reduction in Business Taxes, Sales Taxes, Amusement Taxes, and Parking Lot Taxes which were affected directly by the COVID 19 pandemic. Additionally, the Business-Type Activities Charges for Goods and Services decreased by (\$127.3) million due to decrease in Aviation fares and other revenues with the implementation of travel bans and stay at home orders related to the COVID-19 public safety measures. Since the start of the COVID-19 crisis, Real Estate Transfer Taxes were down by (\$8.7) million, (2.7%). The Local Taxes for the top three Residential Building Types were down by (\$24.8) million, (33.4%) in Fiscal Year 2020 when compared to Fiscal Year 2019.
- The Conservation of Health expenses increased by \$195.8 million due to an increase in purchase of services related to COVID-19, and the City's General Management and Support expenses increased by \$158.0 million, mainly due to increased CARES act spending of \$60.0 million, increased legal liabilities of \$49.0 million related to the filing of lawsuits or notice being provided of overturned conviction cases, and a budgeted increase to the School District of Philadelphia of \$49.0 million.

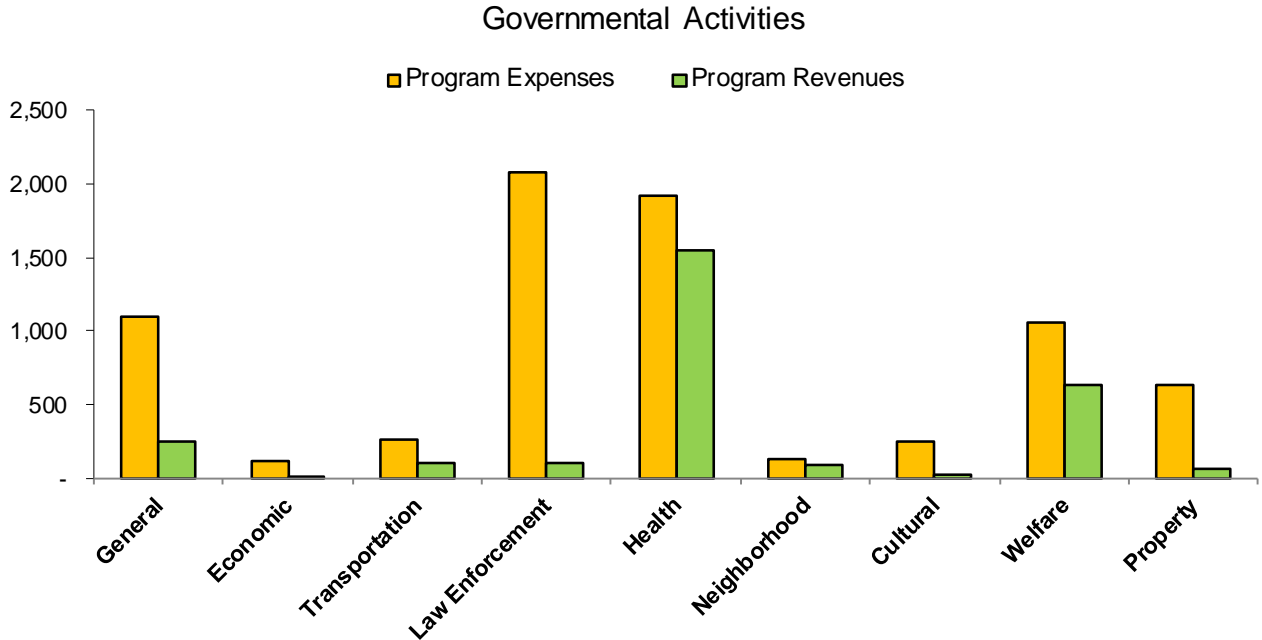
Net positions increased or decreased in the following activities, as noted below:

<u>Increases (Decreases) in Revenues</u>		<u>Increases (Decreases) in Expenses</u>	
Charges for Services	(\$147.1)	Economic Development	\$8.3
Operating Grants & Contributions	122.0	Transportation	18.3
Capital Grants & Contributions	36.0	Judicial & Law Enforcement	98.7
Wage & Earnings Taxes	0.9	Conservation of Health	195.8
Property Taxes	3.9	Housing & Neighborhoods	25.4
Other Taxes	(7.0)	Cultural & Recreational	(1.7)
Unrestricted Grants	63.2	General Welfare	62.8
Unrestricted Interest	2.8	Services to Taxpayer Property	10.7
Total Revenues	<u>\$74.7</u>	General Management	158.0
		Interest on Long Term Debt	10.3
		Water and Waste Water	25.6
		Airport	6.4
		Industrial Land Bank	2.1
		Special Item - Impairment Loss	-
		Total Expenses	<u>\$620.7</u>



**Governmental Activities**

The governmental activities of the City resulted in a (\$95.4) million decrease in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program			Program			Net		
	Costs			Revenues			Cost		
	2020	2019	%Change	2020	2019	%Change	2020	2019	%Change
General Welfare	\$ 1,060.1	\$ 997.3	6.3%	\$ 632.4	\$ 638.0	-0.9%	\$ 427.7	\$ 359.3	19.0%
Judiciary & Law Enforcement	2,083.1	1,984.4	5.0%	105.1	113.8	-7.6%	1,978.0	1,870.6	5.7%
Public Health	1,916.2	1,720.4	11.4%	1,548.4	1,428.5	8.4%	367.8	291.9	26.0%
General Governmental	1,105.1	936.7	18.0%	255.3	262.6	-2.8%	849.8	674.1	26.1%
Services to Property	633.6	622.9	1.7%	68.6	62.4	9.9%	565.0	560.5	0.8%
Housing, Economic & Cultural	761.3	711.0	7.1%	208.4	186.5	11.7%	552.9	524.5	5.4%
	<b>\$ 7,559.4</b>	<b>\$ 6,972.7</b>	8.4%	<b>\$ 2,818.2</b>	<b>\$ 2,691.8</b>	4.7%	<b>\$ 4,741.2</b>	<b>\$ 4,280.9</b>	10.8%

The cost of all governmental activities this year was \$7,559.4 million; the amount that taxpayers paid for these programs through tax payments was \$4,344.6 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$2,382.0 million, while those who benefited from the programs paid \$436.2 million in fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$301.2 million. The difference of (\$95.4) million represents a decrease in net position.

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

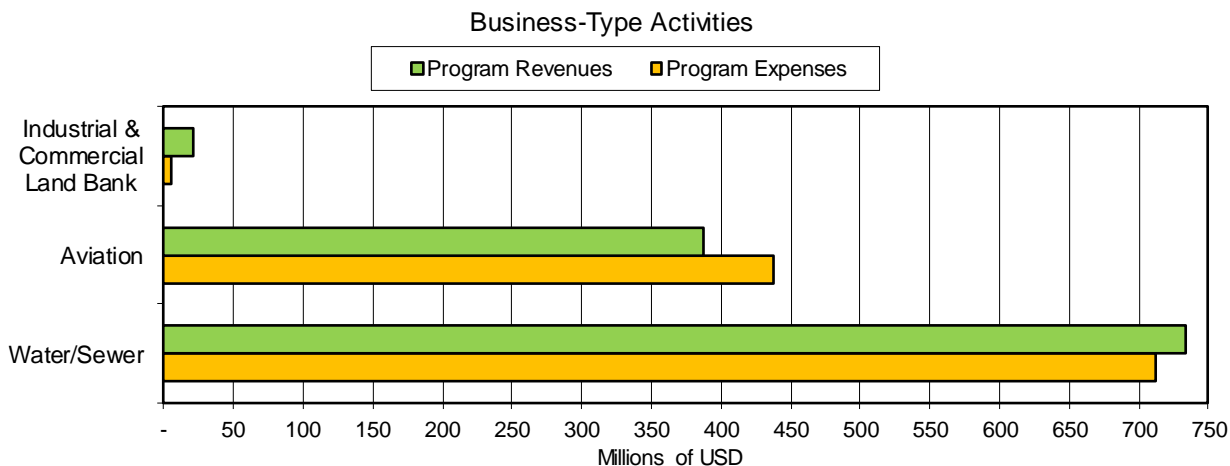
**City of Philadelphia-Net Position**

(millions of USD)	Governmental Activities		Business-type Activities		Total		% Change
	2020	2019	2020	2019	2020	2019	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 436.2	\$ 456.0	\$ 1,106.4	\$ 1,233.7	\$ 1,542.6	\$ 1,689.7	-8.7%
Operating grants and contributions	2,337.0	2,215.2	0.9	0.7	2,337.9	2,215.9	5.5%
Capital grants and contributions	44.9	20.5	34.3	22.7	79.2	43.2	83.3%
General revenues:							
Wage and earnings taxes	2,115.6	2,114.7	-	-	2,115.6	2,114.7	0.0%
Property taxes	695.8	691.9	-	-	695.8	691.9	0.6%
Other taxes	1,533.1	1,540.1	-	-	1,533.1	1,540.1	-0.5%
Unrestricted grants and contributions	197.3	190.8	58.2	1.5	255.5	192.3	32.9%
Unrestricted Interest and Misc.	69.2	64.7	48.7	50.3	117.9	115.0	2.4%
<b>Total revenues</b>	<b>7,429.1</b>	<b>7,293.9</b>	<b>1,248.5</b>	<b>1,308.9</b>	<b>8,677.6</b>	<b>8,602.8</b>	<b>0.9%</b>
<b>Expenses:</b>							
Economic development	118.0	109.7	-	-	118.0	109.7	7.6%
Transportation	266.7	248.4	-	-	266.7	248.4	7.4%
Judiciary & law enforcement	2,083.1	1,984.4	-	-	2,083.1	1,984.4	5.0%
Conservation of health	1,916.2	1,720.4	-	-	1,916.2	1,720.4	11.4%
Housing & neighborhood development	132.0	106.6	-	-	132.0	106.6	23.8%
Cultural & recreational	244.6	246.3	-	-	244.6	246.3	-0.7%
Improvement of the general welfare	1,060.1	997.3	-	-	1,060.1	997.3	6.3%
Services to taxpayer property	633.6	622.9	-	-	633.6	622.9	1.7%
General management	946.5	788.5	-	-	946.5	788.5	20.0%
Interest on long term debt	158.6	148.3	-	-	158.6	148.3	6.9%
Water & waste water	-	-	711.4	685.8	711.4	685.8	3.7%
Airport	-	-	437.1	430.7	437.1	430.7	1.5%
Industrial land bank	-	-	4.4	2.3	4.4	2.3	0.0%
<b>Total expenses</b>	<b>7,559.4</b>	<b>6,972.8</b>	<b>1,152.9</b>	<b>1,118.8</b>	<b>8,712.3</b>	<b>8,091.6</b>	<b>7.7%</b>
Increase (dec.) in net position before transfers & special items							
	(130.3)	321.1	95.6	190.1	(34.7)	511.2	
Transfers & Special Items	34.7	39.9	(34.7)	(39.9)	-	-	
<b>Increase (dec) in Net Position</b>	<b>(95.6)</b>	<b>361.0</b>	<b>60.9</b>	<b>150.2</b>	<b>(34.7)</b>	<b>511.2</b>	
Net Position - Beginning	(6,910.5)	(7,271.5)	1,881.5	1,741.6	(5,029.0)	(5,529.9)	-9.1%
Adjustment (1)	(304.1)	-	(15.4)	(10.3)	(319.5)	(10.3)	
<b>Net Position - End</b>	<b>\$ (7,310.2)</b>	<b>\$ (6,910.5)</b>	<b>\$ 1,927.0</b>	<b>\$ 1,881.5</b>	<b>\$ (5,383.3)</b>	<b>\$ (5,029.0)</b>	<b>7.0%</b>

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

### Business-type Activities

Business-type activities resulted in a \$60.9 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for water/wastewater of \$11.3 million, an increase for aviation of \$33.0 million, and an increase for industrial and commercial development operations of \$16.6 million. The increase was due primarily to an increase in Aviation's Federal, State, and Local Grants of \$56.2 million as compared to prior year. This increase was primarily related to funds received under the CARES Act.



### Financial Analysis of the Government's Funds

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

At the end of the fiscal year the City's governmental funds reported a *combined fund balance* of \$1,046.0 million, an increase of \$53.9 million over last year. Of the total fund balance, \$3.8 million represents *non-spendable fund balance*.

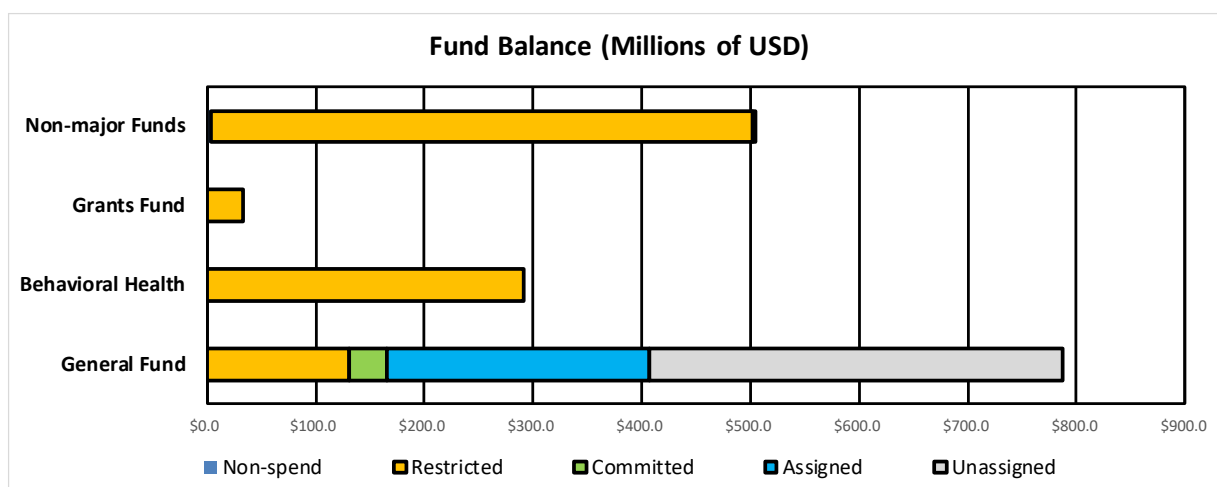
In addition, \$953.3 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:



Neighborhood Revitalization	\$ 0.3
Economic Development	3.1
Public Safety Emergency Phone System	33.1
Streets & Highways	63.2
Housing and Neighborhood Development	66.3
Health Services	22.7
Behavioral Health	291.1
Parks & Recreation	1.2
Libraries & Museums	2.5
Intergovernmental Financing	24.1
Stadium Financing	10.5
Cultural & Commercial Corridor Project	1.0
Pension Obligation Bonds	-
Debt Service Reserve	16.0
Capital Projects	278.5
Affordable Housing Project	11.0
Art Museum Project	1.8
Rebuild	77.7
Home Repair Program	39.5
Trust Purposes	9.7
<b>Total Restricted Fund Balance</b>	<b><u>\$ 953.3</u></b>

The fund balance is further broken down as *committed fund balance* for the Budget Stabilization Reserve Fund of \$34.3 million, Prisons of \$3.3 million, and Parks and Recreation of \$1.5 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is a deficit of (\$330.5) million which constitutes *unassigned fund balance*, this deficit must be funded by future budgets.

The general fund, the primary operating fund of the City, reported *assigned fund balance* of \$380.2 million and *unassigned fund balance* of \$0.0 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund decreased by (\$70.3) million during the current fiscal year, compared to an increase of \$214.9 million in the prior fiscal year. Some of the key factors contributing to this change are:

Revenues:

- Total current year revenues (\$4,325.5 ) million increased between fiscal years, with a \$50.2 million (1.2%) increase from the prior fiscal year (\$4,275.3 ) million.
- This increase was primarily due to (\$51.5) million increase in Revenue from Other Governments for revenues received under the CARES Act.
- All other revenues remained relatively flat compared to the prior fiscal year.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) (\$4,395.8 million) increased between fiscal years, with a \$335.3 million (8.3%) increase from prior fiscal year (\$4,060.5 million) .
- This increase was primarily due to a \$10.4 million (5.9%) increase in expenditures related to Transportation (Streets and Highways and Mass Transit) a \$83.2 million (4.38%) increase in expenditures related to Judiciary and Law Enforcement, and a \$62.5 million (14.5%) increase in expenditures related to General Welfare (Social Services, Education, and Inspections and Demolitions), and a \$30.2 million (15.7%) increase in expenditures related to Health Services, as well as a \$125.4 million (17.1%) increase in expenditures related to General Management and Support.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of \$291.1 million. The entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance decreased during the fiscal year by (\$23.2) million, mainly as a result of the City's increased payments to providers for expanded Health Services.

The Grants Revenue fund has a total fund balance deficit of \$280.8 million which is comprised of a positive restricted fund balance of \$33.1 million for emergency telephone system programs and a positive restricted fund balance of \$0.3 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of (\$314.1) million. Because most programs accounted for in the grants revenue fund are reimbursement based, it is not unusual for the grants revenue fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the grants revenue fund experienced a decrease of \$2.6 million during the current fiscal year.

**Proprietary funds.** The City's proprietary funds provide the same type of financial information found in the government-wide financial statements, but in slightly more detail. The *total net position* of the proprietary funds increased by \$45.5 million during the current fiscal year. This increase is attributable to the water/wastewater system which had an increases of \$4.7 million, airport operations which experienced an increase of \$24.2 million, and industrial and commercial land bank operations which also experienced an increase of \$16.6 million.

The proprietary funds reported an *unrestricted net position* deficit of \$391.6 million. The table below indicates the unrestricted net position for the water and wastewater operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

	Unrestricted Net Position (deficit)		
	2020	2019	Change
Water and Waste Water	(\$370.5)	(\$373.0)	\$2.5
Aviation	(\$103.6)	(\$84.5)	(\$19.1)
Land Bank	\$82.5	\$65.9	\$16.6
	<u>(\$391.6)</u>	<u>(\$391.6)</u>	<u>\$0.0</u>

**General Fund Budgetary Highlights**

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

*(Millions of USD)*

General Fund at June 30	Fund Balance Available for Appropriation	Increase (Decrease)
2020	\$ 290.7	\$ (148.0)
2019	438.7	69.9
2018	368.8	179.6
2017	189.2	40.9
2016	148.3	(3.2)

The general fund's budgetary fund balance surplus of \$290.7 million differs from the general fund's fund financial statement unassigned fund balance of \$0.0 by \$290.7 million, which represents the following:

- The unearned portion of the Business Income and Receipts Tax of \$166.4 million and the Philadelphia Beverage Tax – Unobligated amount of \$138.4 million. Business Income and Receipts tax (BIRT pre-pays) revenue is received prior to being earned but has no effect on budgeted cash receipts.
- Since governments cannot report a deficit in unassigned fund balance (GASB No. 54, paragraph 15), the resulting (\$14.1) million deficit is reclassified to assigned fund balance.

The charts below illustrate:

- 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)

*(Millions of USD)*

<b>A. Budget to GAAP Basis Reconciliation</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>
Budget Basis Fund Balance	\$ 290.7	\$ 438.7	\$ 368.8	\$ 189.2	\$ 148.3
1. Less: BIRT six (6) months pre-pays	(166.4)	(192.0)	(173.8)	(165.6)	(169.5)
2. Add: Encumbrances &	255.9	201.4	127.0	128.4	99.2
3. Add: Reserves	165.3	167.7	78.9	38.1	54.5
Modified Accrual Basis Fund Balance	<u>\$ 545.5</u>	<u>\$ 615.8</u>	<u>\$ 400.9</u>	<u>\$ 190.1</u>	<u>\$ 132.5</u>

<b>B. Modified Accrual Basis Fund Balance</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>
Restricted	\$ 165.3	\$ 167.7	\$ 78.9	\$ 38.1	\$ 54.5
Assigned					
Encumbrances	255.9	201.4	127.0	128.4	99.2
* Phila. Beverage Tax - Unobligated	138.4	120.9	-	-	-
Reclassification of Unassigned	(14.1)	-	-	-	(21.2)
Assigned	<u>380.2</u>	<u>322.3</u>	<u>127.0</u>	<u>128.4</u>	<u>78.0</u>
Unassigned	-	125.8	195.0	23.6	-
Modified Accrual Basis Fund Balance	<u>\$ 545.5</u>	<u>\$ 615.8</u>	<u>\$ 400.9</u>	<u>\$ 190.1</u>	<u>\$ 132.5</u>

<b>C. Budget to GAAP Basis Reconciliation</b>	<b>6/30/2020</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>
Budget Basis Fund Balance	\$ 290.7	\$ 438.7	\$ 368.8	\$ 189.2	\$ 148.3
1. Less: BIRT six (6) months pre-pays	(166.4)	(192.0)	(173.8)	(165.6)	(169.5)
2. Less: Reclass to Assigned Fund Balance	14.1	-	-	-	21.2
3. Less: Phila Beverage Tax - Unobligated	(138.4)	(120.9)	-	-	-
Unassigned Fund Balance	<u>\$ 0.0</u>	<u>\$ 125.8</u>	<u>\$ 195.0</u>	<u>\$ 23.6</u>	<u>\$ -</u>

\* In FY 2019, the Philadelphia Beverage Tax (PBT) unobligated amount was reclassified from unassigned fund balance. The change in classification was made to be in accordance with GASB guidelines which define assigned fund balance amounts that are constrained by a government's intent to be used for a specific purpose. The change in treatment means that amounts from prior years are not directly comparable to the FY19 amount.

Differences between the original budget and the final amended budget resulted primarily from a slight decrease in revenue estimates and increases to appropriations. Total appropriations increased by \$207.4 million, from an original budget of \$5,025.3 million to a final amended budget of \$5,232.7 million. The largest increases were required to support the following activities:

- \$31.8 million for Police operations
- \$24.8 million for Street maintenance and repair
- \$32.2 million for Fire operations
- \$90.8 million for Managing Director's operations
- \$53.0 million for Capital operations

### Capital Asset and Debt Administration

**Capital assets.** The City of Philadelphia's investment in capital assets for its governmental and business-type activities amounts to \$7.6 billion, net of accumulated depreciation, at the end of the current fiscal year. These capital assets include items such as roads, runways, bridges, water and sewer mains, streets and street lighting, land, buildings, improvements, sports stadiums, vehicles, commuter trains, machinery, computers and general office equipment. The table below shows a breakdown of the City's Capital Improvements over the past five fiscal years.

(millions of USD)

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Airport Terminal & Airfield Improvements	\$ 109.7	\$ 107.9	\$ 209.2	\$ 183.9	\$ 161.1
Water & Wastewater Improvements	271.1	314.9	231.2	239.3	176.0
Streets, Highways & Bridges Improvements	55.8	51.7	27.6	43.8	77.9
Transit System Improvements	5.6	7.3	7.3	0.8	10.6
Parks, Playgrounds, Museums & Recreational Facilities	25.2	42.6	63.6	38.1	37.9
Libraries Improvements	2.1	1.1	8.8	2.3	1.6
Police & Fire Facilities	17.7	16.7	10.9	6.7	7.7
City Hall & Municipal Buildings Improvements	8.4	7.2	12.8	2.0	2.7
Computers, Servers, Software & IT Infrastructure	43.0	18.3	16.7	15.5	11.4
Economic Development	19.2	17.4	18.3	4.5	11.2
Other and Non-Enterprise Vehicles	39.8	38.2	28.9	14.7	32.3
	<u>\$ 597.6</u>	<u>\$ 623.3</u>	<u>\$ 635.3</u>	<u>\$ 551.6</u>	<u>\$ 530.4</u>

The following table shows the capital assets by category.

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

(millions of USD)

	Governmental activities			Business-type activities			Total		
	2020	2019	Inc/(Dec)	2020	2019	Inc/(Dec)	2020	2019	Inc/(Dec)
Land	\$ 927	\$ 900	\$ 27	\$ 237	\$ 236	\$ 0	\$ 1,164	\$ 1,136	\$ 27
Fine Arts	1	1	-	-	-	-	1	1	-
Property Available for Sale	-	10	(10)	-	-	-	-	10	(10)
Buildings	856	882	(26)	1,572	1,601	(29)	2,428	2,483	(55)
Improvements other than buildings	103	103	-	186	172	14	289	275	14
Machinery & equipment	200	179	21	50	47	3	250	226	24
Infrastructure	483	478	5	1,836	1,667	169	2,319	2,145	174
Construction in progress	18	13	5	1,040	1,056	(15)	1,058	1,069	(10)
Transit	41	46	(5)	-	-	-	41	46	(5)
Intangible Assets	43	38	5	9	8	1	52	46	6
<b>Total</b>	<u>\$ 2,672</u>	<u>\$ 2,650</u>	<u>\$ 22</u>	<u>\$ 4,930</u>	<u>\$ 4,788</u>	<u>\$ 143</u>	<u>\$ 7,602</u>	<u>\$ 7,438</u>	<u>\$ 165</u>

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

**Long-term debt.** At year-end, the City had \$7.3 billion in long-term debt outstanding. Of this amount, \$6.0 billion represents bonds outstanding (comprised of \$2.1 billion of debt backed by the full faith and credit of the City, and \$3.9 billion of debt secured solely by specific revenue sources) while \$1.3 billion represents other long-term obligations.

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

*City of Philadelphia's Long Term Debt Outstanding*

(millions of USD)

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
<b><u>Bonds Outstanding:</u></b>						
General obligation bonds	\$ 2,091.9	\$ 1,927.2	\$ -	\$ -	\$ 2,091.9	\$ 1,927.2
Revenue bonds	-	-	3,934.2	3,826.9	3,934.2	3,826.9
<b>Total Bonds Outstanding</b>	<b>2,091.9</b>	<b>1,927.2</b>	<b>3,934.2</b>	<b>3,826.9</b>	<b>6,026.1</b>	<b>5,754.1</b>
<b><u>Other Long Term Obligations:</u></b>						
Service agreements	1,688.7	1,797.6	-	-	1,688.7	1,797.6
Employee related obligations	118.7	479.7	66.5	51.8	185.2	531.5
Indemnities	815.5	75.2	5.2	6.6	820.7	81.8
Leases	238.9	244.2	-	-	238.9	244.2
<b>Total Other Long Term Obligations</b>	<b>2,861.9</b>	<b>2,596.7</b>	<b>71.7</b>	<b>58.4</b>	<b>1,308.9</b>	<b>2,655.1</b>
<b>Total Long Term Debt Outstanding</b>	<b>\$ 4,953.8</b>	<b>\$ 4,523.9</b>	<b>\$ 4,005.9</b>	<b>\$ 3,885.3</b>	<b>\$ 7,335.0</b>	<b>\$ 8,409.2</b>

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows temporary loan funds to smooth out unevenness in the City's cash flow created by the receipt of two major sources of tax revenue – the property tax and the business income and receipts tax – in the second half of the year. The City did not borrow Tax and Revenue Anticipation Notes in fiscal year 2020; in accordance with statute, there are no temporary loans outstanding at year-end.
- In January 2020, the City issued \$118.0 million of General Obligation Refunding Bonds Series 2020A. The proceeds of the sale were used to refund the City's General Obligation Series 2013A Bonds maturing on July 15, 2022 through July 15, 2025 and July 15, 2028 through July 15, 2033, which are subject to optional redemption on July 15, 2021, and to pay for the cost of issuance of the bonds.
- In July 2019, the City issued \$293.4 million of General Obligation Bonds, Series 2019B Bonds. The proceeds will be used to (i) pay all or a portion of the costs of certain projects in the City's capital budgets, and (ii) pay the costs relating to the issuance of the 2019B Bonds.
- In August 6, 2019, the City issued \$250.7 million of Water and Wastewater Revenue Bonds, Series 2019B. The 2019B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements to the

City's Water and Wastewater Systems, and (ii) a deposit to the Debt Reserve Account of the Sinking Fund, and (iii) the costs of issuance relating to the issuance of the 2019B bonds.

- In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of \$127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of \$135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be \$138.6 million (which includes a premium of \$10.9 million).

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

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

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax-supported general obligation debt it may issue. The limitation is equal to 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2020, the legal debt limit was \$11,052.0 million. There is \$2,228.8 million of outstanding tax supported debt leaving a legal debt margin of \$8,823.3 million.

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

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

The following factors are key factors to consider when reviewing the City of Philadelphia's budget for the 2020 fiscal year:

- *Fund Balance:* In FY2020, the General Fund ended with a fund balance of \$290.7 million, a \$148.0 million decrease from FY2019, primarily due to the impact of COVID-19 in the fourth quarter.
- *Budgeted Revenue Projections for FY2021:* COVID-19 has had an enormous economic impact on the City leading to reduced revenues. COVID-19 impacted City revenues during the fourth quarter of FY2020, which inadvertently impacted FY2021 revenues. Wage and Earnings Tax revenue is budgeted to decline by 6.04%, Sales Tax revenue is budgeted to decline by 0.013%, Real Property revenue is budgeted to decline by 3.50%, and Real Estate Transfer Tax revenue is budgeted to decline by 9.87%, while Business Income and Receipts Tax revenue is budgeted to decline by 9.75%.
- *Wage and Business Tax Rates:* The FY2021-2025 Five-Year Plan does not include an increase to the Resident Wage Tax rate, given the expected negative impact on the City's economic competitiveness and racial equity and on Philadelphia's already high poverty rate. The residential rate was 4.3010% in FY2006, is 3.8712% in FY2021, and will remain in place until FY2024 when rate reductions resume and the rate changes to 3.8516% in FY2024 and 3.8519% in FY2025. The non-resident wage tax rate increased from 3.4481% to 3.5019%, and will remain in place until FY2024 when rate reductions resume and the rate changes to 3.4395% in FY2024 and 3.4309% in FY2025. Philadelphia remains committed to reducing business taxes but, due to COVID-related revenue losses, the City paused incremental rate reductions to the net income portion of the BIRT, leaving the rate at 6.20% in FY2021.

The Plan resumes cuts in FY2024, with the rate dropping to 6.15% in FY2024 and then to 6.10% in FY2025. The shift to Market-Based Sourcing will proceed as planned in FY2023. The FY2021 rate for gross receipts is 0.1415%.

- *Return to Local Control:* As of July 1, 2018, the School District of Philadelphia is governed by a Board of Education, with all of its members appointed by the Mayor. In FY2021, the City's direct General Fund contribution to the District is \$252.6 million, which is \$30.1 million higher than the audited actual amount for Fiscal Year 2019 (\$222.5 million).
- *Philadelphia Beverage Tax:* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City's parks, recreation centers, and libraries. The FY2021 Adopted Budget projects that the PBT will generate \$67.4 million in FY2021.
- *Contract Negotiations:* Approximately 82% of City employees are represented by one of the City's municipal unions. The City is committed to working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. All of the City's unions are covered by bargaining agreements through June 30, 2021.

In FY17, District Council 33 (DC33) negotiated a new, four-year contract. In FY18, the Fraternal Order of Police (FOP) and International Association of Firefighters (IAFF) received three-year arbitration awards and District Council 47 (DC47) ratified a three-year contract with the City. Each of these agreements included significant reforms to improve the health of the City's pension fund, which keeps the City on track to achieve its goal of having the City Pension Fund 80% funded by 2029.

The table below presents employee wage increases from FY17 to FY21 for each bargaining unit. The shaded cells indicate the most recent contract terms.

Fiscal Year	FOP Lodge	Sheriff's Office & Register of Wills (FOP Lodge 5)	IAFF LOCAL2 2	AFSCME DC33	Correctional Officers (DC33 LOCAL 159)	AFSCME DC47 (Local 2187)	AFSCME DC47 (Local 2186)	Local 810 Court Employees (DC47)
FY17	3.25%	3.25%	3.25%	3% + \$500 Lump sum	3.25% + \$500 Lump sum	3.0%	3.0%	3.0%
FY18	3.25%	3.0%	3.25%	3.0%	3.0%	3.0%	3.0%	3.0%
FY19	3.50%	3.25%	3.50%	2.5%	3.25%	2.5%	2.5%	2.5%
FY20	3.75%	3.25%	3.75%	3.0%	3.25%	3.00%	3.00%	3.0%
FY21	2.5% + \$750 Bonus	2.25% + \$400 Bonus	2.5%	* 2% + \$750 / \$475 Bonus	* 2% + \$750 / \$475 Bonus	* 2% + \$750 / \$475 Bonus	* 2% + \$750 / \$475 Bonus	2.0%

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

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

- *Pension Fund Challenges:* In FY2021, pension costs are budgeted to represent 13.5% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now 46.8% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the pension fund.

In FY2021, General Fund pension payments are projected to total \$633.9 million compared to \$627.4 million in FY20.

*Pension Reforms:* To address the pension challenge, the Kenney Administration, working with municipal employees, the Pension Board, and City Council, launched a three-pronged approach to improve the health of the Pension Fund to 80% funded by FY2029 and 100% funded by FY2033.

The first part of the Mayor's pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. The General Fund contribution makes up the vast majority of the City's annual contribution to the pension fund, totaling more than \$649.4 million in FY20 (the all funds total is \$769.7 million). In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO) which is the amount required under state law, the City has met and will continue to meet its MMO independent of these revenues, so that sales tax dollars directed to the Fund will be over and above the MMO. Over the FY21-FY25 Five Year Plan, the sales tax revenues are projected to be worth about \$279.0 million.

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

Third, the Board of Pensions has made significant changes to its investment strategy to reduce costs while improving earnings. The Board is making greater use of indexing, which lowered management fees by almost \$15 million a year, and has almost entirely divested from hedge funds, as the returns did not justify the fees. In addition, the Pension Board has gradually lowered the assumed rate of return to 7.55% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the minimum municipal obligation (MMO), the actuarial amount required to be paid to the pension fund under state law, has increased in recent years. Reductions in earnings assumptions allow pension funds to moderate the risk of the investments, which can also reduce the likelihood of losses.

- *Employee Healthcare Costs:* The City will continue to work with its union partners to help address the rising costs of health insurance and promote wellness. The municipal unions each provide benefits for members through union administered Health and Welfare Funds, and the City has minority representation on those boards. Non-union employees are provided benefits through the City Administered Benefits Program (CAP). In FY10, the City moved from a fully-insured model to a self-insurance arrangement. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities. In FY2015, the City added a tobacco user surcharge and employees pay an additional copay for each prescription if using a pharmacy that sells tobacco products.



### Requests for information

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

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



**Basic  
Financial  
Statements**

City of Philadelphia  
Statement of Net Position  
June 30, 2020

Exhibit I

Amounts in thousands of USD

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
<b>Assets</b>				
Cash on Deposit and on Hand	38,738	30	38,768	647,322
Equity in Pooled Cash and Investments	-	-	-	504,408
Equity in Treasurer's Account	1,565,516	386,079	1,951,595	-
Investments	41,319	-	41,319	83,903
Due from Component Units	36,760	-	36,760	-
Due from Primary Government	-	-	-	136,933
Internal Balances	7,479	(7,479)	-	-
Amounts Held by Fiscal Agent	131,032	-	131,032	-
Notes Receivable - Net	-	-	-	53,967
Accounts Receivable - Net	725,841	200,617	926,458	390,808
Interest and Dividends Receivable	4,800	-	4,800	28,238
Due from Other Governments - Net	753,856	21,462	775,318	307,602
Inventories	13,674	74,336	88,010	181,405
Other Assets	69,273	707	69,980	98,265
Restricted Assets:				
Cash and Cash Equivalents	-	1,177,767	1,177,767	239,608
Other Assets	-	372,216	372,216	619,583
Capital Assets:				
Land and Other Non-Depreciated Assets	946,087	1,276,987	2,223,074	665,187
Other Capital Assets (Net of Depreciation)	1,725,932	3,653,496	5,379,428	4,327,897
Total Capital Assets, Net	<u>2,672,019</u>	<u>4,930,483</u>	<u>7,602,502</u>	<u>4,993,084</u>
Total Assets	<u>6,060,307</u>	<u>7,156,218</u>	<u>13,216,525</u>	<u>8,285,126</u>
<b>Deferred Outflows of Resources</b>				
	<u>637,912</u>	<u>106,617</u>	<u>744,529</u>	<u>873,023</u>
<b>Liabilities</b>				
Notes Payable	64,747	155,262	220,009	974
Vouchers Payable	125,919	11,889	137,808	84,437
Accounts Payable	308,803	104,908	413,711	287,539
Salaries and Wages Payable	114,006	8,676	122,682	201,073
Accrued Expenses	49,024	56,893	105,917	219,233
Due to Fiduciary	56,162	-	56,162	-
Due to Primary Government	-	-	-	58,623
Due to Component Units	37,787	5,838	43,625	-
Funds Held in Escrow	18,008	1,667	19,675	12,058
Due to Other Governments	3,762	-	3,762	50,516
Unearned Revenue	625,224	87,003	712,227	187,371
Overpayment of Taxes	267,261	-	267,261	24,412
Other Current Liabilities	-	4,548	4,548	122,677
Derivative Instrument Liability	44,704	5,240	49,944	-
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	332,158	156,550	488,708	412,383
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,621,547	3,842,913	8,464,460	4,986,011
Net OPEB Liability	1,721,567	213,760	1,935,327	596,348
Net Pension Liability	5,438,757	657,128	6,095,885	4,012,372
Total Liabilities	<u>13,829,436</u>	<u>5,312,275</u>	<u>19,141,711</u>	<u>11,256,027</u>
<b>Deferred Inflows of Resources</b>				
	<u>178,817</u>	<u>23,622</u>	<u>202,439</u>	<u>420,282</u>
<b>Net Position</b>				
Net Investment in Capital Assets	538,627	1,492,844	2,031,471	814,908
Restricted For:				
Capital Projects	257,405	291,213	548,618	5,516
Debt Service	15,234	382,590	397,824	346,513
Pension Oblig Bond Refunding Reserve	-	-	-	9,500
Behavioral Health	291,376	-	291,376	-
Neighborhood Revitalization	269	-	269	-
Philadelphia Art Museum Project	1,793	-	1,793	-
Affordable Housing Project	11,007	-	11,007	-
Cultural & Commercial Corridor Project	1,050	-	1,050	-
Rebuild Project	77,684	-	77,684	-
Home Repair Program	39,497	-	39,497	-
Grant Programs	151,131	-	151,131	29,443
Rate Stabilization	-	151,878	151,878	-
Libraries & Parks:				
Expendable	3,209	-	3,209	-
Non-Expendable	3,827	-	3,827	-
Educational Programs	-	-	-	18,840
Other	101,441	-	101,441	11,142
Unrestricted (Deficit)	<u>(8,803,584)</u>	<u>(391,587)</u>	<u>(9,195,171)</u>	<u>(3,754,022)</u>
Total Net Position	<u>(7,310,034)</u>	<u>1,926,938</u>	<u>(5,383,096)</u>	<u>(2,518,160)</u>

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

City of Philadelphia  
Statement of Activities  
For the Fiscal Year Ended June 30, 2020

Exhibit II

Amounts in thousands of USD

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business Type Activities		
<b>Primary Government:</b>								
Governmental Activities:								
Economic Development	117,988	-	399	94	(117,495)		(117,495)	
Transportation:								
Streets & Highways	175,725	9,780	50,768	33,957	(81,220)		(81,220)	
Mass Transit	90,981	2,313	283	-	(88,385)		(88,385)	
Judiciary and Law Enforcement:								
Police	1,350,260	7,204	10,364	-	(1,332,692)		(1,332,692)	
Prisons	369,821	1,252	-	-	(368,569)		(368,569)	
Courts	362,974	39,282	46,980	-	(276,712)		(276,712)	
Conservation of Health:								
Emergency Medical Services	74,164	11,240	9,272	-	(53,652)		(53,652)	
Health Services	1,842,038	63,531	1,462,434	1,962	(314,111)		(314,111)	
Housing and Neighborhood Development:								
Development	132,021	18,099	68,253	-	(45,669)		(45,669)	
Cultural and Recreational:								
Recreation	122,482	3,103	7,119	3,685	(108,575)		(108,575)	
Parks	10,700	797	-	1,006	(8,897)		(8,897)	
Libraries and Museums	111,431	1,106	7,608	-	(102,717)		(102,717)	
Improvements to General Welfare:								
Social Services	739,703	7,022	560,624	-	(172,057)		(172,057)	
Education	263,166	-	-	-	(263,166)		(263,166)	
Inspections and Demolitions	57,247	64,730	-	-	7,483		7,483	
Service to Property:								
Sanitation	163,522	14,466	3,265	-	(145,791)		(145,791)	
Fire	470,092	44,467	6,417	-	(419,208)		(419,208)	
General Management and Support	946,503	147,791	103,241	4,237	(691,234)		(691,234)	
Interest on Long Term Debt	158,560	-	-	-	(158,560)		(158,560)	
Total Governmental Activities	<u>7,559,378</u>	<u>436,183</u>	<u>2,337,027</u>	<u>44,941</u>	<u>(4,741,227)</u>		<u>(4,741,227)</u>	
Business Type Activities:								
Water and Sewer	711,350	732,458	860	304	-	22,272	22,272	
Aviation	437,148	366,790	-	20,328	-	(50,030)	(50,030)	
Industrial and Commercial Development:								
Commercial Development	4,412	7,200	-	13,628	-	16,416	16,416	
Total Business Type Activities	<u>1,152,910</u>	<u>1,106,448</u>	<u>860</u>	<u>34,260</u>	<u>-</u>	<u>(11,342)</u>	<u>(11,342)</u>	
Total Primary Government	<u>8,712,288</u>	<u>1,542,631</u>	<u>2,337,887</u>	<u>79,201</u>	<u>(4,741,227)</u>	<u>(11,342)</u>	<u>(4,752,569)</u>	
<b>Component Units:</b>								
Gas Operations	502,566	577,983	12,548	-				87,965
Housing	457,624	58,233	469,443	20,924				90,976
Parking	252,294	265,121	-	-				12,827
Education	4,070,715	37,359	1,240,338	6,926				(2,786,092)
Health	992,722	-	993,566	-				844
Economic Development	154,829	1,319	89,955	-				(63,555)
Total Component Units	<u>6,430,750</u>	<u>940,015</u>	<u>2,805,850</u>	<u>27,850</u>				<u>(2,657,035)</u>
General Revenues:								
Taxes:								
Property Taxes					695,792	-	695,792	829,376
Wage & Earnings Taxes					2,115,618	-	2,115,618	-
Business Taxes					590,369	-	590,369	-
Other Taxes					942,780	-	942,780	469,856
Grants & Contributions Not Restricted to Specific Programs					197,336	58,189	255,525	1,462,750
Unrestricted Interest & Investment Earnings					69,230	48,662	117,892	(221)
Miscellaneous					-	-	-	12,506
Special Items - Gain on Sale of Capital Asset					-	-	-	2,600
Transfers					34,682	(34,682)	-	61,296
Total General Revenues, Special Items and Transfers					<u>4,645,807</u>	<u>72,169</u>	<u>4,717,976</u>	<u>2,838,163</u>
Change in Net Position					(95,420)	60,827	(34,593)	181,128
Net Position - July 1, 2019					(6,910,479)	1,881,510	(5,028,969)	(2,699,002)
Adjustment					(304,135)	(15,399)	(319,534)	(286)
Net Position Adjusted - July 1, 2019					<u>(7,214,614)</u>	<u>1,866,111</u>	<u>(5,348,503)</u>	<u>(2,699,288)</u>
Net Position - June 30, 2020					<u>(7,310,034)</u>	<u>1,926,938</u>	<u>(5,383,096)</u>	<u>(2,518,160)</u>

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

City of Philadelphia  
Balance Sheet  
Governmental Funds  
June 30, 2020

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash on Deposit and on Hand	12,362	-	97	26,279	38,738
Equity in Treasurer's Account	715,131	62,893	281,696	505,796	1,565,516
Investments	-	-	-	41,319	41,319
Due from Other Funds	21,002	-	-	20,210	41,212
Due from Component Units	36,760	-	-	-	36,760
Amounts Held by Fiscal Agent	131,032	-	-	-	131,032
Taxes Receivable	821,678	-	-	30,623	852,301
Accounts Receivable	477,242	-	1,788	3,679	482,709
Due from Other Governmental Units	1,241	255,397	411,212	86,006	753,856
Allowance for Doubtful Accounts	(608,175)	-	-	(14,300)	(622,475)
Interest and Dividends Receivable	2,407	97	-	20	2,524
Other Assets	-	-	-	642	642
Total Assets	<u>1,610,680</u>	<u>318,387</u>	<u>694,793</u>	<u>700,274</u>	<u>3,324,134</u>
<b>Liabilities</b>					
Vouchers Payable	61,594	646	37,870	25,809	125,919
Accounts Payable	128,842	7,166	116,628	55,397	308,033
Salaries and Wages Payable	105,831	2	7,671	502	114,006
Payroll Taxes Payable	-	-	-	136	136
Due to Other Funds	55,258	-	904	21,002	77,164
Due to Component Units	8,781	19,501	5,764	3,741	37,787
Funds Held in Escrow	13,387	-	-	4,621	18,008
Due to Other Governmental Units	3,762	-	-	-	3,762
Unearned Revenue	172,166	-	440,732	12,326	625,224
Overpayment of Taxes	267,261	-	-	-	267,261
Total Liabilities	<u>816,882</u>	<u>27,315</u>	<u>609,569</u>	<u>123,534</u>	<u>1,577,300</u>
<b>Deferred Inflows of Resources</b>	<u>248,269</u>	<u>-</u>	<u>366,033</u>	<u>86,539</u>	<u>700,841</u>
<b>Fund Balances</b>					
Nonspendable	-	-	-	3,827	3,827
Restricted	131,031	291,072	33,355	497,894	953,352
Committed	34,276	-	-	4,856	39,132
Assigned	380,222	-	-	-	380,222
Unassigned	-	-	(314,164)	(16,376)	(330,540)
Total Fund Balances	<u>545,529</u>	<u>291,072</u>	<u>(280,809)</u>	<u>490,201</u>	<u>1,045,993</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>1,610,680</u>	<u>318,387</u>	<u>694,793</u>	<u>700,274</u>	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,672,019
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	701,224
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,953,705)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	593,208
e. Other	(29,249)
f. Net Pension & OPEB Liabilities are not reported in the funds	(7,160,324)
g. Deferred Inflows (with the exception of Unavailable Revenue) are not reported in the funds	(179,200)
Net Position of Governmental Activities	<u>(7,310,034)</u>

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

**City of Philadelphia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit IV**

*Amounts in thousands of USD*

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Tax Revenue	3,581,529	-	-	777,801	4,359,330
Locally Generated Non-Tax Revenue	367,898	5,587	47,652	26,410	447,547
Revenue from Other Governments	362,596	1,034,862	1,048,382	106,798	2,552,638
Other Revenues	13,463	-	-	11,416	24,879
<b>Total Revenues</b>	<b>4,325,486</b>	<b>1,040,449</b>	<b>1,096,034</b>	<b>922,425</b>	<b>7,384,394</b>
<b>Expenditures</b>					
Current Operating:					
Economic Development	48,220	-	399	64,947	113,566
Transportation:					
Streets & Highways	101,884	-	3,282	32,033	137,199
Mass Transit	86,310	-	283	-	86,593
Judiciary and Law Enforcement:					
Police	1,299,060	-	7,854	-	1,306,914
Prisons	359,809	-	-	1,258	361,067
Courts	321,863	-	36,151	-	358,014
Conservation of Health:					
Emergency Medical Services	64,819	-	9,272	-	74,091
Health Services	222,993	1,063,688	366,644	183,980	1,837,305
Housing and Neighborhood Development	26,285	-	28,733	77,006	132,024
Cultural and Recreational:					
Recreation	105,654	-	7,119	-	112,773
Parks	-	-	-	2,193	2,193
Libraries and Museums	96,633	-	7,038	342	104,013
Improvements to General Welfare:					
Social Services	173,953	-	561,993	-	735,946
Education	263,166	-	-	-	263,166
Inspections and Demolitions	56,273	-	-	-	56,273
Service to Property:					
Sanitation	151,290	-	3,265	7,314	161,869
Fire	461,059	-	6,678	-	467,737
General Management and Support	858,201	-	14,548	56,482	929,231
Capital Outlay	-	-	-	211,043	211,043
Debt Service:					
Principal	5,270	-	-	192,760	198,030
Interest	20,898	-	-	86,542	107,440
Bond Issuance Cost	14,857	-	-	3,783	18,640
<b>Total Expenditures</b>	<b>4,738,497</b>	<b>1,063,688</b>	<b>1,053,259</b>	<b>919,683</b>	<b>7,775,127</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(413,011)	(23,239)	42,775	2,742	(390,733)
<b>Other Financing Sources (Uses)</b>					
Issuance of Debt	-	-	-	293,360	293,360
Issuance of Refunding Debt	147,615	-	-	178,601	326,216
Bond Issuance Premium	29,338	-	-	64,546	93,884
Capital Lease Proceeds	-	-	-	2,198	2,198
Payment to Refunded Bonds Escrow Agent	(161,880)	-	-	(143,818)	(305,698)
Transfers In	536,476	-	-	283,238	819,714
Transfers Out	(208,847)	-	(40,178)	(536,007)	(785,032)
<b>Total Other Financing Sources (Uses)</b>	<b>342,702</b>	<b>-</b>	<b>(40,178)</b>	<b>142,118</b>	<b>444,642</b>
<b>Net Change in Fund Balance</b>	<b>(70,309)</b>	<b>(23,239)</b>	<b>2,597</b>	<b>144,860</b>	<b>53,909</b>
Fund Balance - July 1, 2019	615,838	314,311	(283,406)	345,341	992,084
Adjustment	-	-	-	-	-
<b>Fund Balance Adjusted - July 1, 2019</b>	<b>615,838</b>	<b>314,311</b>	<b>(283,406)</b>	<b>345,341</b>	<b>992,084</b>
<b>Fund Balance - June 30, 2020</b>	<b>545,529</b>	<b>291,072</b>	<b>(280,809)</b>	<b>490,201</b>	<b>1,045,993</b>

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, 2020**

**Exhibit V**

*Amounts in thousands of USD*

<b>Net Change in Fund Balances - Total Governmental Funds.....</b>	<b>53,909</b>
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (206,869) exceeded depreciation (172,876) in the current period.....	33,993
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	39,275
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds (652,888) exceeded repayments (577,212).....	(75,676)
d. The increase in the Net Pension Liability and Net OPEB Liability reported in the statement of activities does not require the use of current financial resources and therefore is not reported as and expenditure in governmental funds.....	(31,999)
e. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.....	(104,922)
f. Proceeds from the disposition of capital assets is revenue in the governmental funds but decreases capital assets in the statement of net position.....	(10,000)
 <b>Change in Net Position of governmental activities.....</b>	 <b><u>(95,420)</u></b>

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, 2020

Exhibit VI

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Total
<b>Assets</b>				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	132,453	243,389	10,237	386,079
Due from Other Governments	-	938	20,524	21,462
Accounts Receivable	174,112	43,214	-	217,326
Allowance for Doubtful Accounts	(15,282)	(1,427)	-	(16,709)
Inventories	17,135	5,511	51,690	74,336
Other Assets	707	-	-	707
Total Current Assets	309,155	291,625	82,451	683,231
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	613,872	563,895	-	1,177,767
Sinking Funds and Reserves	194,951	157,761	-	352,712
Grants for Capital Purposes	-	12,343	-	12,343
Receivables	2,151	5,010	-	7,161
Total Restricted Assets	810,974	739,009	-	1,549,983
Capital Assets:				
Land	5,969	230,643	-	236,612
Infrastructure	2,738,473	1,293,702	-	4,032,175
Construction in Progress	772,229	268,146	-	1,040,375
Buildings and Equipment	1,778,098	2,517,080	-	4,295,178
Less: Accumulated Depreciation	(2,511,493)	(2,162,364)	-	(4,673,857)
Total Capital Assets, Net	2,783,276	2,147,207	-	4,930,483
Total Non-Current Assets	3,594,250	2,886,216	-	6,480,466
Total Assets	3,903,405	3,177,841	82,451	7,163,697
<b>Deferred Outflows of Resources</b>	78,669	27,948	-	106,617
<b>Liabilities</b>				
Current Liabilities:				
Vouchers Payable	6,061	5,828	-	11,889
Accounts Payable	16,865	8,627	-	25,492
Salaries and Wages Payable	4,552	4,124	-	8,676
Construction Contracts Payable	54,820	24,596	-	79,416
Due to Other Funds	7,479	-	-	7,479
Due to Component Units	5,838	-	-	5,838
Accrued Expenses	36,551	20,342	-	56,893
Funds Held in Escrow	1,667	-	-	1,667
Unearned Revenue	11,853	75,150	-	87,003
Commercial Paper Notes	-	155,262	-	155,262
Bonds Payable-Current	87,860	68,690	-	156,550
Other Current Liabilities	2,138	2,410	-	4,548
Total Current Liabilities	235,684	365,029	-	600,713
Derivative Instrument Liability	-	5,240	-	5,240
Net OPEB Liability	145,279	68,481	-	213,760
Net Pension Liability	440,944	216,184	-	657,128
Non-Current Liabilities:				
Bonds Payable, net of Unamortized Premiums/Discounts	2,272,455	1,502,812	-	3,775,267
Other Non-Current Liabilities	44,861	22,785	-	67,646
Total Non-Current Liabilities	2,317,316	1,525,597	-	3,842,913
Total Liabilities	3,139,223	2,180,531	-	5,319,754
<b>Deferred Inflows of Resources</b>	16,088	7,534	-	23,622
<b>Net Position</b>				
Net Investment in Capital Assets	655,874	836,970	-	1,492,844
Restricted For:				
Capital Projects	193,970	97,243	-	291,213
Debt Service	195,498	187,092	-	382,590
Rate Stabilization	151,878	-	-	151,878
Unrestricted	(370,457)	(103,581)	82,451	(391,587)
Total Net Position	826,763	1,017,724	82,451	1,926,938

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

**City of Philadelphia**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit VII**

*Amounts in thousands of USD*

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Operating Revenues:				
Charges for Goods and Services	719,662	74,474	-	794,136
Rentals and Concessions	-	215,703	-	215,703
Operating Grants	860	-	-	860
Miscellaneous Operating Revenues	12,796	5,228	7,200	25,224
<b>Total Operating Revenues</b>	<b>733,318</b>	<b>295,405</b>	<b>7,200</b>	<b>1,035,923</b>
Operating Expenses:				
Personal Services	152,939	86,386	-	239,325
Purchase of Services	125,163	107,925	-	233,088
Materials and Supplies	38,465	8,862	-	47,327
Employee Benefits	146,417	66,410	-	212,827
Indemnities and Taxes	3,189	5,525	-	8,714
Depreciation	125,834	102,393	-	228,227
Cost of Goods Sold	-	-	4,412	4,412
<b>Total Operating Expenses</b>	<b>592,007</b>	<b>377,501</b>	<b>4,412</b>	<b>973,920</b>
<b>Operating Income (Loss)</b>	<b>141,311</b>	<b>(82,096)</b>	<b>2,788</b>	<b>62,003</b>
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	550	57,639	-	58,189
Passenger and Customer Facility Charges	-	71,385	-	71,385
Interest Income	23,167	25,343	152	48,662
Debt Service - Interest	(87,106)	(59,290)	-	(146,396)
Other Revenue (Expenses)	(32,237)	(357)	-	(32,594)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(95,626)</b>	<b>94,720</b>	<b>152</b>	<b>(754)</b>
Income (Loss) Before Contributions & Transfers	45,685	12,624	2,940	61,249
Transfers In/(Out)	(34,682)	-	-	(34,682)
Capital Contributions	304	20,328	13,628	34,260
<b>Change in Net Position</b>	<b>11,307</b>	<b>32,952</b>	<b>16,568</b>	<b>60,827</b>
Net Position - July 1, 2019	822,084	993,543	65,883	1,881,510
Adjustment	(6,628)	(8,771)	-	(15,399)
<b>Net Position Adjusted - July 1, 2019</b>	<b>815,456</b>	<b>984,772</b>	<b>65,883</b>	<b>1,866,111</b>
<b>Net Position - June 30, 2020</b>	<b>826,763</b>	<b>1,017,724</b>	<b>82,451</b>	<b>1,926,938</b>

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

City of Philadelphia  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2020

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	730,217	310,197	-	1,040,414
Payments to Suppliers	(161,125)	(123,374)	-	(284,499)
Payments to Employees	(297,772)	(150,023)	-	(447,795)
Internal Activity-Payments to Other Funds	-	(7,540)	-	(7,540)
Claims Paid	(3,189)	-	-	(3,189)
Other Receipts (Payments)	-	1,204	-	1,204
Net Cash Provided (Used)	<u>268,131</u>	<u>30,464</u>	<u>-</u>	<u>298,595</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Grants Received	1,410	56,083	-	57,493
Operating Subsidies and Transfers from/(to) Other Funds	(17,688)	-	-	(17,688)
Net Cash Provided (Used)	<u>(16,278)</u>	<u>56,083</u>	<u>-</u>	<u>39,805</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Debt Issuance	300,004	598,786	-	898,790
Capital Grants & Contributions Received	-	22,927	-	22,927
Acquisition and Construction of Capital Assets	(274,033)	(113,255)	-	(387,288)
Interest Paid on Debt Instruments	(100,823)	(76,543)	-	(177,366)
Principal Paid on Debt Instruments	(105,372)	(650,391)	-	(755,763)
Passenger Facility Charges	-	81,995	-	81,995
Other Receipts (Payments)	285	-	-	285
Net Cash Provided (Used)	<u>(179,939)</u>	<u>(136,481)</u>	<u>-</u>	<u>(316,420)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sale and Maturities of Investments	-	13,583	-	13,583
Interest and Dividends on Investments	16,613	25,050	152	41,815
Net Cash Provided (Used)	<u>16,613</u>	<u>38,633</u>	<u>152</u>	<u>55,398</u>
Net Increase (Decrease) in Cash and Cash Equivalents	88,527	(11,301)	152	77,378
Cash and Cash Equivalents, July 1 (including \$545.0 mil for Water & Sewer and \$576.1 mil for Aviation reported in restricted accounts)	<u>657,828</u>	<u>818,585</u>	<u>10,085</u>	<u>1,486,498</u>
Cash and Cash Equivalents, June 30 (including \$613.9 mil for Water & Sewer and \$563.9 mil for Aviation reported in restricted accounts)	<u>746,355</u>	<u>807,284</u>	<u>10,237</u>	<u>1,563,876</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	141,311	(82,096)	2,788	62,003
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	125,834	102,393	-	228,227
Bad Debts, Net of Recoveries	-	-	-	-
Changes in Assets and Liabilities:				
Receivables, Net	(4,214)	(20,385)	(7,200)	(31,799)
Unearned Revenue	1,114	36,381	-	37,495
Inventories	(1,348)	(30)	4,412	3,034
Accounts and Other Payables	5,775	(5,799)	-	(24)
Accrued Expenses	(341)	-	-	(341)
Net Cash Provided by Operating Activities	<u>268,131</u>	<u>30,464</u>	<u>-</u>	<u>298,595</u>
<b>Schedule of non-cash capital activities:</b>				
Contributions of capital assets	-	-	-	-

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

City of Philadelphia  
Statement of Net Position  
Fiduciary Funds  
June 30, 2020

Exhibit IX

Amounts in thousands of USD

	Pension Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>Assets</u></b>		
Cash on Deposit and on Hand	22,433	147,606
Equity in Treasurer's Account	6,243,112	68,109
Investments	-	2,470
Securities Lending Collective Investment Pool	391,234	-
Allowance for Unrealized Loss	3	-
Accounts Receivable	5,090	-
Due from Brokers for Securities Sold	215,472	-
Interest and Dividends Receivable	1,519	-
Due from Other Governmental Units	9,943	-
Due from Other Funds	42,732	699
	<hr/>	<hr/>
Total Assets	6,931,538	218,884
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Vouchers Payable	82	78
Accounts Payable	203	-
Salaries and Wages Payable	174	-
Payroll Taxes Payable	-	23,207
Funds Held in Escrow	-	195,599
Due on Return of Securities Loaned	391,234	-
Due to Brokers for Securities Purchased	210,233	-
Accrued Expenses	3,120	-
Other Liabilities	371	-
	<hr/>	<hr/>
Total Liabilities	605,417	218,884
	<hr/>	<hr/>
Net Position Restricted for Pensions	<u>6,326,121</u>	<u>-</u>

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

City of Philadelphia  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2020

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds
<b><u>Additions:</u></b>	
Contributions:	
Employers' Contributions	798,135
Employees' Contributions	113,344
	<hr/>
Total Contributions	911,479
	<hr/>
Investment Income:	
Interest and Dividends	143,557
Net Decline in Fair Value of Investments	(35,865)
(Less) Investments Expenses	(8,178)
Securities Lending Revenue	2,069
Securities Lending Unrealized Gain	-
(Less) Securities Lending Expenses	(310)
	<hr/>
Net Investment Gain	101,273
	<hr/>
Miscellaneous Operating Revenues	164
	<hr/>
Total Additions	1,012,916
	<hr/>
<b><u>Deductions</u></b>	
Personal Services	3,878
Purchase of Services	1,685
Materials and Supplies	35
Employee Benefits	5,302
Pension Benefits	908,980
Refunds of Members' Contributions	8,279
Administrative Expenses Paid	168
Other Operating Expenses	91
	<hr/>
Total Deductions	928,418
	<hr/>
Change in Net Position	84,498
	<hr/>
Net Position - July 1, 2019	6,241,623
	<hr/>
Net Position - June 30, 2020	6,326,121
	<hr/> <hr/>

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

City of Philadelphia  
Statement of Net Position  
Component Units  
June 30, 2020

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Authority for Industrial Development*	Total
<b>Assets</b>									
Cash on deposit and on hand	172,267	220,133	61,857	78,646	2	21,212	6,449	86,756	647,322
Equity in Pooled Cash and Investments	-	-	-	-	504,408	-	-	-	504,408
Investments	-	-	14,361	15,360	-	54,182	-	-	83,903
Due from Primary Government	-	-	10,753	-	-	-	126,180	-	136,933
Notes Receivable	-	29,066	24,901	-	-	-	-	-	53,967
Taxes Receivable	-	-	-	-	154,902	-	-	-	154,902
Accounts Receivable-Net	83,681	21,757	10,511	70,304	41,492	5,926	1,039	1,196	235,906
Interest and Dividends Receivable	-	161	27,056	123	898	-	-	-	28,238
Due from Other Governments	-	93,532	-	-	209,011	2,712	-	2,347	307,602
Inventories	46,706	759	132,976	-	964	-	-	-	181,405
Other Assets	59,718	6,695	5,906	572	9,509	-	15,865	-	98,265
Restricted Assets:									
Cash and Cash Equivalents	-	54,270	15,173	101,054	40,377	-	-	28,734	239,608
Other Assets	105,560	4,233	7,677	-	478,905	13,338	-	9,870	619,583
Capital Assets:									
Land and Other Non-Depreciated Assets	91,944	147,784	170	27,869	347,225	39,192	-	11,003	665,187
Other Capital Assets (Net of Depreciation)	1,399,476	976,244	338	150,954	1,565,559	119,398	8,622	105,316	4,327,897
Total Capital Assets	1,491,420	1,126,028	508	178,823	1,912,784	158,590	8,622	116,319	4,993,084
Total Assets	1,959,352	1,556,634	311,679	444,882	3,353,252	255,960	158,155	245,222	8,295,126
<b>Deferred Outflows of Resources</b>	131,441	6,979	-	50,425	677,821	5,936	421	-	873,023
<b>Liabilities</b>									
Notes Payable	-	-	974	-	-	-	-	-	974
Vouchers Payable	69,657	-	-	-	-	14,780	-	-	84,437
Accounts Payable	9,468	9,468	17,651	31,678	214,949	-	8,502	5,291	287,539
Salaries and Wages Payable	6,106	2,804	568	-	187,775	3,820	-	-	201,073
Accrued Expenses	100,061	12,773	14,182	421	-	1,555	90,241	-	219,233
Funds Held in Escrow	-	1,699	8,240	-	-	243	-	1,876	12,058
Due to Other Governments	-	163	-	4,970	10,781	270	-	34,332	50,516
Due to Primary Government	-	-	-	40,968	-	-	-	17,655	58,623
Unearned Revenue	14,176	1,247	40,896	-	25,099	2,360	4,833	88,760	187,371
Overpayment of Taxes	-	-	-	-	24,412	-	-	-	24,412
Other Current Liabilities	-	12,583	-	-	63,127	-	46,967	-	122,677
Non-Current Liabilities:									
Due within one year	53,765	49,776	4,475	16,407	279,935	8,025	-	-	412,383
Due in more than one year	946,059	151,469	50,961	116,562	3,636,346	62,950	-	21,664	4,986,011
Net OPEB Liability	248,209	-	1,628	19,347	179,237	143,625	4,302	-	596,348
Net Pension Liability	237,552	82,223	-	121,109	3,571,478	-	-	-	4,012,372
Total Liabilities	1,675,595	325,633	137,947	351,462	8,193,139	237,628	154,845	179,578	11,256,027
<b>Deferred Inflows of Resources</b>	119,671	3,892	-	29,698	189,910	75,455	1,656	-	420,282
<b>Net Position</b>									
Net Investment in Capital Assets	523,543	661,982	168	95,608	(664,273)	104,726	8,622	84,522	814,908
Restricted For:									
Capital Projects	-	-	-	-	-	5,516	-	-	5,516
Debt Service	102,824	-	12,715	3,514	227,460	-	-	-	346,513
Behavioral Health	-	-	-	-	9,500	-	-	-	9,500
Educational Programs	-	-	-	-	6,531	12,309	-	-	18,840
Grant Programs	-	-	-	-	-	-	-	29,443	29,443
Other	2,736	8,351	-	-	55	-	-	-	11,142
Unrestricted	(333,576)	563,545	160,849	15,025	(3,931,249)	(173,748)	(6,547)	(48,321)	(3,754,022)
Total Net Position	295,927	1,233,688	173,732	114,147	(4,351,976)	(51,197)	2,075	65,644	(2,518,160)

\* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2020. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2018. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2020.

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

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Position										
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corp.	Philadelphia Authority for Industrial Development*	Total
Gas Operations Gas Works	502,566	577,963	12,548	-	87,965	-	-	-	-	-	-	-	-	87,965
Housing														
Housing Authority	426,932	55,747	422,381	20,924	-	72,120	-	-	-	-	-	-	-	72,120
Redevelopment Authority	30,692	2,486	47,062	-	-	-	18,856	-	-	-	-	-	-	18,856
	457,624	58,233	469,443	20,924	-	-	-	-	-	-	-	-	-	-
Parking														
Parking Authority	252,294	265,121	-	-	-	-	-	12,827	-	-	-	-	-	12,827
Education														
School District	3,831,250	5,410	1,177,145	6,926	-	-	-	-	-	-	-	-	-	-
Community College	139,465	31,949	63,193	-	-	-	-	-	-	-	-	-	-	-
Total	4,070,715	37,359	1,240,338	6,926	-	-	-	-	(2,741,769)	(44,323)	-	-	-	(2,741,769) (44,323)
Health														
Community Behavioral Health	992,722	-	993,566	-	-	-	-	-	-	-	844	-	-	844
Economic Development														
Authority for Ind. Development	154,829	1,319	89,955	-	-	-	-	-	-	-	-	-	(63,555)	(63,555)
Total	154,829	1,319	89,955	-	-	-	-	-	-	-	-	-	-	-
Total Component Units	6,430,750	940,015	2,805,850	27,850	-	-	-	-	-	-	-	-	-	(2,657,035)
General Revenues:														
Property Taxes	-	-	-	-	-	-	-	-	829,376	-	-	-	-	829,376
Other Taxes	-	-	-	-	-	-	-	-	469,856	-	-	-	-	469,856
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	15,278	-	-	1,373,186	74,286	-	-	-	1,462,750
Unrestricted Interest & Investment Earnings	-	-	-	-	-	(1,631)	1,665	(3,840)	-	2,176	453	-	954	(221)
Miscellaneous	-	-	-	-	-	10,424	-	-	-	2,082	-	-	-	12,506
Special Item-Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	(8)	-	-	-	-	2,608
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	64,858	61,296
Total General Revenue	-	-	-	-	-	24,071	1,665	(3,840)	2,672,410	76,546	-	-	64,858	2,838,163
Special Items and Transfers	87,965	96,191	20,521	-	87,965	96,191	20,521	8,967	(69,359)	34,223	1,297	-	1,303	181,128
Change in Net Position	207,562	1,137,697	105,160	-	207,562	1,137,697	105,160	105,160	(4,282,331)	(85,420)	778	-	64,341	(2,699,002)
Net Position - July 1, 2019	-	-	-	-	-	-	-	-	(286)	-	-	-	-	(286)
Net Position Adjusted - July 1, 2019	207,562	1,137,697	105,160	-	207,562	1,137,697	105,160	105,160	(4,282,331)	(85,420)	778	-	64,341	(2,699,286)
Net Position - June 30, 2020	295,527	1,233,888	173,732	-	295,527	1,233,888	173,732	114,147	(4,351,976)	(51,197)	2,075	-	65,644	(2,518,160)

\* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2020. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2019. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2020.

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





**Notes to the Financial Statements**  
**FYE 06/30/2020**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. REPORTING ENTITY**

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

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASBS) No. 14 which has been amended by GASB Statements No. 39, No. 61, and No. 80. Certain other organizations also met the criteria for inclusion, however, they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

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

**A. BLENDED COMPONENT UNITS**

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

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

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

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

**B. DISCRETELY PRESENTED COMPONENT UNITS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## 2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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#### A. PRIMARY GOVERNMENT

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

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

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

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

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

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

*The City reports the following major governmental funds:*

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

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

*The City reports on the following fiduciary funds:*

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

*The City reports the following major proprietary funds:*

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

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

## **B. COMPONENT UNITS**

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

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

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

## **4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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## 5. INVENTORIES

### A. PRIMARY GOVERNMENT

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

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

### B. COMPONENT UNITS

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

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

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## 6. CAPITAL ASSETS

### A. PRIMARY GOVERNMENT

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

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

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

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

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

**B. COMPONENT UNITS**

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

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

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

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

**8. INSURANCE**

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

**9. RECEIVABLES AND PAYABLES**

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2020 and 2019. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

All trade and property receivables in the governmental-wide financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 36.21% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are \$1.3998 on each \$100 assessment, \$0.6317 for the City and \$0.7681 for the School District of Philadelphia. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

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

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

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

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

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

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

(Amounts in Thousands of USD)

<b>Deferred Outflows of Resources</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Component Units</b>
Derivative Instrument	44,704	5,240	13,888
Deferred Charge of Refunding	84,060	40,379	106,403
Deferred Pension Expense	333,768	39,407	646,716
Deferred Outflow OPEB	175,380	21,590	106,017
<b>Total</b>	<b>637,912</b>	<b>106,617</b>	<b>873,023</b>

(Amounts in Thousands of USD)

<b>Deferred Inflows of Resources</b>	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Component Units</b>
Deferred Gain of Refunding	9,647	3,631	18,210
Deferred Pension Revenue	12,498	952	223,208
Unavailable Government Revenue	(384)	-	-
Deferred Inflow OPEB	157,055	19,039	178,863
<b>Total</b>	<b>178,817</b>	<b>23,622</b>	<b>420,281</b>

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

(Amounts in Thousands of USD)

<b>Deferred Inflows of Resources</b>	<b>General Fund</b>	<b>Grants Revenue Fund</b>	<b>Other Governmental Funds</b>
Unavailable Tax Revenue	107,680	-	1,958
Unavailable Agency Revenue	103,415	-	-
Unavailable Government Revenue	37,174	366,033	84,581
<b>Total</b>	<b>248,269</b>	<b>366,033</b>	<b>86,539</b>



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#### 11. COMPENSATED ABSENCES

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It is the City's policy to allow employees to accumulate earned but unused vacation and sick leave benefits. Vacation is accrued when earned in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements. Sick leave is accrued in the government-wide financial statements and in the proprietary and fiduciary-fund financial statements based on an estimate of future payouts.

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#### 12. CLAIMS AND JUDGMENTS

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

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#### 13. UNEARNED REVENUE

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GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance (\$5.8 million) and Business Income and Receipts Tax (BIRT) (\$166.4 million).

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#### 14. NEW ACCOUNTING STANDARDS

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In January 2017, **GASB issued Statement No. 84, Fiduciary Activities**. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Per GASB Statement No. 95; implementation of GASB Statement No. 84 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2017, **GASB issued Statement No. 87, Leases**. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Per GASB Statement No. 95; implementation of GASB Statement No. 87 has been postponed by 18 months, making the effective date for reporting periods beginning after June 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2018, **GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements**. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The City's adoption of Statement No. 88 resulted in additional disclosures related to direct borrowings, direct placements, and lines of credits.

In June 2018, **GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period**. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Per GASB Statement No. 95; implementation of GASB Statement No. 89 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2020. The City has not completed the process of evaluating the impact of adopting this Statement.

In August 2018, **GASB issued Statement No. 90, Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61**. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Per GASB Statement No. 95; implementation of GASB Statement No. 90 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2019. The City has not completed the process of evaluating the impact of adopting this Statement.

In May 2019, **GASB issued Statement No. 91, Conduit Debt Obligations**. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Per GASB Statement No. 95; implementation of GASB Statement No. 91 has been postponed by one year, making the effective date for reporting periods beginning after December 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

In January 2020, **GASB issued Statement No. 92, Omnibus 2020**. This Statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports are effective upon issuance, Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan, are effective for fiscal years beginning after June 15, 2020, The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits, are effective for fiscal years beginning after June 15, 2020, The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements are effective for reporting periods beginning after June 15, 2020, Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition are effective for reporting periods beginning after June 15, 2020, Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and Terminology used to refer to derivative instruments. Per GASB Statement No. 95; implementation of GASB Statement No. 92 has been postponed by one year, making the effective date for reporting periods beginning after June 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2020, **GASB issued Statement No. 93, Replacement of Interbank Offered Rates**. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR/IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The City has not completed the process of evaluating the impact of adopting this Statement.

In March 2020, **GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City has not completed the process of evaluating the impact of adopting this Statement.

In May 2020, **GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance**. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, **GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements**. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City has not completed the process of evaluating the impact of adopting this Statement.

In June 2020, **GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32**. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City has not completed the process of evaluating the impact of adopting this Statement.

## II. LEGAL COMPLIANCE

### 1. BUDGETARY INFORMATION

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

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

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

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

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

## III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

### 1. DEPOSITS AND INVESTMENTS

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#### A. City

##### **City Deposits**

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the bank balance for City deposits was \$453.2 million.

##### **City Investments**

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

As of June 30, 2020, the total investments of the City, as well as both Pension Trust Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

*(Amount in Thousands)*

Classification	City (1)	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
State of PA - Invest Program	\$ 930	\$ -	\$ -	\$ -	\$ 930
Short-Term Investment Pools	408,827	1,150	20,906	369,287	800,170
Commercial Paper	375,102	-	-	250	375,352
U.S. Government Securities	1,543,713	41	42,655	126,722	1,713,131
U.S. Government Agency Securities	636,344	118	39,648	78,606	754,716
Municipal/Other Debt	16,662	482	1,202	14,958	33,304
Foreign Debt	-	-	-	5,578	5,578
Corporate Bonds	345,392	212	81,814	415,705	843,123
CDO's	-	-	-	271	271
Government Bonds	-	-	-	116,066	116,066
Asset Backed Securities	-	-	5,672	28,541	34,213
Mortgage Backed Securities	-	16	1,834	96,832	98,682
Other Bonds and Investments	-	2,317	-	-	2,317
Corporate Equities	-	3,645	350,708	3,225,086	3,579,439
Limited Partnerships	-	-	-	41,737	41,737
Hedge Funds	-	-	-	21,340	21,340
Real Estate	-	-	-	597,760	597,760
Private Equity	-	-	-	574,376	574,376
<b>Grand Total</b>	<b>\$ 3,326,970</b>	<b>\$ 7,981</b>	<b>\$ 544,439</b>	<b>\$ 5,713,115</b>	<b>\$ 9,592,505</b>

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

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

#### **City Investments - Credit Risk**

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

The City's investment in US Government securities (46.40%) or US Government Agency obligations (19.13%) are allowable investments up to 100% of the portfolio. The US Government Agency obligations must be rated AAA by Standard & Poor's Corp. (S&P) or Aaa by Moody's Investor Services. All US Government Securities meet the criteria.

The City's investment in commercial paper (11.27%) is limited to 25% of the portfolio and must be rated A1 by S&P or P1 by Moody's Investor's Services, Inc. (Moody's) and the senior long-term debt of the issuer must not be rated lower than A by S&P or Aa2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (10.38%) is limited to 25% of the portfolio and had a S&P rating of AAA to AA or Moody's rating of Aa2 or better. All corporate investments meet the criteria.

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

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

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

#### **City Investments - Interest Rate Risk**

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

(Amounts in thousands of USD)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Total
Commercial Paper	374,853	249	-	-	375,102
U.S. Government Security	1,110,342	213,990	145,815	73,566	1,543,713
U.S. Government Agency Securities	277,398	155,296	65,188	138,462	636,344
Municipal Debt	8,519	415	7,728	-	16,662
Corporate Bonds	49,103	215,512	60,857	19,920	345,392
Grand Total	1,820,215	585,462	279,588	231,948	2,917,213

**City Investments – Fair Value Measurement**

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

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

The City has the following recurring fair value measurements as of June 30, 2020:

- Commercial paper securities of \$375.1 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- U.S. Treasury securities of \$1,543.7 million are valued using quoted prices from active markets (Level 1)
- U.S. Agency securities of \$636.3 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)
- Municipal Debt/Other securities of \$16.7 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2)
- Corporate bond securities of \$345.4 million are valued using quoted prices for similar securities in active markets and via matrix pricing models (Level 2)

The City's money market and short-term investment pools of \$409.8 million are valued at the published amortized cost-based net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

The Fairmount Park Trust Fund has the following recurring fair value measurements as of June 30, 2020:

- Equity Stock securities of \$1.5 million are valued using quoted prices from active markets (Level 1)
- ETF and Mutual funds of \$3.7 million are valued using quoted prices from active markets (Level 1)
- U.S. Treasury securities of \$0.04 million, U.S. Agency securities of \$0.1 million, Corporate bond securities of \$0.2 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2)

The Free Library Trust Fund's mutual funds of \$2.3 million are valued at the published net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

**Municipal Pension Fund**

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

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

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

**B. Blended Component Units**

**1) PICA**

**Deposits:**

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

At June 30, 2020, PICA's deposits consist of the following:

Cash	\$ 1,052,121
Certificates of Deposit	<u>3,185,000</u>
Total	<u>\$ 4,237,121</u>

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

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2020, the Authority's book balance was \$4,237,121 and the bank balance was \$4,239,983. Of the bank balance, \$3,435,000 was covered by federal depository insurance and \$804,983 was collateralized under Act 72.

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

*Fair Value of Investments* - Investments and derivatives are recorded at fair value as of June 30, 2020. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

The following table summarizes PICA's investments within the fair value hierarchy at June 30, 2020:

<u>Investment Type</u>	<u>Fair Value Measurements Using</u>			<u>Totals</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market Funds	13,813,150	-	-	13,813,150
US Treasury & Agency Obligations	12,783,041	9,278,691	-	22,061,732
Municipal Bonds/short-term notes	-	-	-	-
Commercial Paper	-	-	-	-
Total	<u>26,596,191</u>	<u>9,278,691</u>	<u>-</u>	<u>35,874,882</u>

**Investment Derivative Instruments:**

As of June 30, 2020, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

Fair Value as of June 30, 2020:					
<u>Government</u>					<u>Notional</u>
<u>Activities</u>	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Amount</u>
2003 Basis Cap	Investment Income	4,291	Investment	128,370	25,120,000
1999 Basis Cap	Investment Income	11,001	Investment	447,003	56,020,000

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

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

For the 1999 basis cap transaction, beginning June 15, 2009, the counterparty pays PICA a fixed rate each month of .46% per year times the notional amount times the day count fraction and PICA will pay the counterparty a variable rate based on the greater of (a) the average of SIFMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction, or (b) zero. The notional amount and term of the agreement equals the notional amount and term of the 1999 interest rate swap noted above. If the ratio of SIFMA/LIBOR rises sharply, the anticipated benefit may not be realized.

*Fair Value* - As of June 30, 2020, the 2003 basis cap had a positive fair value of \$128,370. This means that PICA would receive this amount to terminate the 2003 basis cap. As of June 30, 2020, the 1999 basis cap had a positive fair value of \$447,003. This means that PICA would receive this amount to terminate the 1999 basis cap. The fair values of these swaps were measured using the zero-coupon discount method and are categorized within Level 2 of the fair value hierarchy.

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



2) PHILADELPHIA MUNICIPAL AUTHORITY

INVESTMENTS AND DEPOSITS

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

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

A summary of the investments at June 30, 2020 is as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money Market Funds*	\$ 11,447,702	\$ 11,447,702	N/A
Total	<u>\$ 11,447,702</u>	<u>\$ 11,447,702</u>	

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

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

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

Custodial Credit Risk

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

PMA's depository cash accounts consisted of \$204,149 on deposit with two local banks as of June 30, 2020. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in PMA's name. As of June 30, 2020, PMA did not have uninsured deposits on hand.

Interest Rate Risk

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

Fair Value Measurement

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

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

PMA's investments qualify as Level 1 investments.

## C. Discretely Presented Component Units

### 1. Philadelphia Authority for Industrial Development Basis Swap

*Objective:* PAID entered into a basis swap that became effective on July 1, 2004, that provided PAID with ten equal payments of \$1.2 million with the first payment due on July 1, 2004. PAID executed the basis swap to create a benefit similar to entering into a synthetic refunding, using a swap based on a percentage of LIBOR, without having to issue bonds or eliminate future advance refunding opportunities. In July, 2006, a portion of the existing basis swap was restructured such that the variable rate received by PAID was converted from a percentage of one month LIBOR to a percentage of the five year LIBOR swap rate, on a forward starting basis. This was intended to provide for potentially significant long-term savings while also providing for a diversification of the City's variable rate index on its entire swap portfolio. The restructured portion of the swap was terminated in December 2009 at a benefit.

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

A portion of the original transaction in the amount of \$105 million was amended such that the variable payments received by PAID were computed as 62.89% of five-year LIBOR + 20 basis points (replacing 67% of one-month LIBOR + 20 basis points). The amendment effective date was October 1, 2006, with variable payments to be made (as described above) through October 1, 2020. On December 1, 2009, PAID terminated that portion of the swap that was subject to the amendment and received a termination payment of \$3,049,000.

In September 2019, the Basis Swap was fully terminated by PAID with MLCS.

### 2. School District of Philadelphia Basis Swaps

#### Objective, Terms, Fair Value and Accounting of Derivative Instruments:

The School District, on November 21, 2006, entered into two qualified interest rate management agreement basis swaps initially related to its 2003B School Lease Revenue Bonds. Subsequently, on December 28, 2006, the District refunded these 2003B bonds under School Lease Revenue Bonds 2006B. Further, on November 16, 2016 a portion of the 2006B bonds were refunded under the 2016A School Lease Revenue Bonds. Thus, the derivatives are following the debt.

The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps for compliance with GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments". Fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

The swaps where the School District pays and receives floating rates--basis swaps--are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

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

*Credit risk:* This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk, at the reporting date, is the total mark-to-market value of swaps netting, or aggregating, under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2020, the School District has no credit risk exposure on swap contracts because the swaps were terminated as of January 29, 2020.

*Termination risk:* Only the School District may terminate the two existing basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination, the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's mark-to-market value. The School District terminated the swaps on January 29, 2020 with a total negative mark-to-market value of \$1,415,824. Therefore, the School District has no termination risk exposure as of June 30, 2020.

The chart below presents the details of this change:

Associated Bonds	Accrued Interest as of June 30, 2019	Valuation Amount (Fair Value (GASBS 72) as of June 30, 2019)	Accrued Interest as of January 29, 2020 (Termination Date)	Valuation Amount (Fair Value (GASBS 72) as of January 29, 2020 (Termination Date))	Change in Fair Value as of January 29, 2020 (Termination Date)
Series 2006B & 2016A School Lease Revenue Bonds	\$ 4,390.55	\$ 1,441,747.35	\$ 34,809.79	\$ 1,900,000.00	\$ (251,747.35)
Series 2006B & 2016A School Lease Revenue Bonds	\$ 10,244.62	\$ 3,364,077.15	\$ 81,222.84	\$ 2,200,000.00	\$ (1,84,077.15)
		<u>\$ 4,805,824.50</u>		<u>\$ 3,390,000.00</u>	<u>\$ (1,415,824.50)</u>

On January 29, 2020, the District received a termination fee of \$3,390,000 from the counterparties.

## 2. SECURITIES LENDING

### A. GOVERNMENTAL FUNDS:

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

### B. PENSION TRUST FUNDS

#### 1. City Plan (Municipal Pension Fund):

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

#### 2. Philadelphia Gas Works (PGW) Plan

- The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of these funds to participate in securities lending transactions.
- As of June 1, 2014, the Plan no longer participates in a securities lending program. In December 2011, Wells Fargo, the custodian of the Plan, with the written consent of the Plan, assigned the securities lending program to Citibank. The agreement between the parties gave both parties the right to terminate the arrangement with at least 15 days' notice. On May 9, 2014, Citibank gave written communication to the Plan that they wished to terminate the arrangement effective June 1, 2014.

## 3. AMOUNTS HELD BY FISCAL AGENT

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

### A. GOVERNMENTAL FUNDS

The General Fund consists of cash and investment balances related to the net proceeds of PAID's Sports Stadium Financing Lease 2007 Series B Revenue Bonds, PAID's City Service Agreement Refunding Revenue Series Bond 2012, PAID's City Agreement - Cultural & Commercial Corridor Program - Revenue Refunding Series Bond 2016A, PAID's City Agreement - Philadelphia Central Library Project - Revenue Refunding Series Bond 2016B, PAID's City Service Agreement - Affordable Housing Preservation 2017 Series Bonds, PAID's City Service Agreement - Museum of Art Series 2018A Revenue Bonds, PAID's City Service Agreement - One

Parkway Series 2018B Revenue Refunding Bonds, PAID's City Service Agreement – Rebuild Project – Revenue Bonds Series 2018, PAID's Lease Revenue Refunding Series 2019 Bonds, and PRA's City Service Agreement Revenue Bonds Series 2018.

Grants Revenue Fund - There are no amounts reported for fiscal year 2020 for the Grants Revenue Fund.

**B. PROPRIETARY FUNDS**

There are no amounts reported for fiscal year 2020 - Proprietary Funds.

**4. INTERFUND RECEIVABLES AND PAYABLES**

**A. PRIMARY GOVERNMENT**

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

*(Amounts in Thousands)*

<u>Interfund Receivables Due to:</u>						
	<u>General</u>	<u>Non major Special Revenue</u>	<u>Capital</u>	<u>Pension Fund</u>	<u>Other Funds</u>	<u>Total</u>
<b><u>Interfund Payables Due From:</u></b>						
General	\$ -	\$ 2,101	\$ 9,726	\$ 42,732	\$ 699	\$ 55,258
Grants Revenue Fund	-	904		-	-	904
Water & Sewer Fund	-	7,479		-	-	7,479
Non major Special Revenue Funds	21,002	-		-	-	21,002
Total	<u>\$ 21,002</u>	<u>\$ 10,484</u>	<u>\$ 9,726</u>	<u>\$ 42,732</u>	<u>\$ 699</u>	<u>\$ 84,643</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)*

<u>Receivables Due to:</u>											
	<u>General</u>	<u>Aviation</u>	<u>CBH</u>	<u>PRA</u>	<u>PAID</u>	<u>PGW</u>	<u>PPA</u>	<u>PHA</u>	<u>CCP</u>	<u>Timing Difference</u>	<u>Total</u>
<b><u>Payables Due From:</u></b>											
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 7,442	\$ 1,290	\$ 5	\$ 43	\$ -	\$ -	\$ 8,780
Behavioral Health	-	-	19,501	-	-	-	-	-	-	-	19,501
Grants Revenue	-	-	1,472	4,251	-	-	-	36	5	-	5,764
Community Dev.	-	-	-	28	-	-	-	-	-	-	28
Capital Improvement	-	-	-	519	918	-	-	-	-	-	1,437
Housing Trust	-	-	-	2,276	-	-	-	-	-	-	2,276
Water Fund	-	-	-	-	3,341	2,468	29	-	-	-	5,838
PPA	-	33,702	-	-	-	-	-	-	-	7,266	40,968
PAID	36,760	-	-	-	-	-	-	-	-	(19,105)	17,655
Timing Difference	-	(33,702)	105,207	3,679	(11,701)	(3,758)	(34)	(79)	(5)	-	59,165
Total	<u>\$ 36,760</u>	<u>\$ -</u>	<u>\$ 126,180</u>	<u>\$ 10,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,839)</u>	<u>\$ 161,412</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2020 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	900.0	27.0	-	927.0
Fine Arts	1.0	-	-	1.0
Property Available for Sale	10.0	-	(10.0)	-
Construction In Process	13.0	5.0	-	18.0
Total capital assets not being depreciated	924.0	32.0	(10.0)	946.0
<u>Capital assets being depreciated:</u>				
Buildings	2,558.0	46.0	(3.0)	2,601.0
Other Improvements	387.0	9.0	-	396.0
Equipment	588.0	56.0	(17.0)	627.0
Infrastructure	1,782.0	49.0	-	1,831.0
Intangibles	52.0	12.0	-	64.0
Transit	292.0	-	-	292.0
Total capital assets being depreciated	5,659.0	172.0	(20.0)	5,811.0
<u>Less accumulated depreciation for:</u>				
Buildings	(1,676.0)	(72.0)	3.0	(1,745.0)
Other Improvements	(284.0)	(9.0)	-	(293.0)
Equipment	(409.0)	(35.0)	17.0	(427.0)
Infrastructure	(1,304.0)	(44.0)	-	(1,348.0)
Intangibles	(14.0)	(7.0)	-	(21.0)
Transit	(246.0)	(5.0)	-	(251.0)
Total accumulated depreciation	(3,933.0)	(172.0)	20.0	(4,085.0)
Total capital assets being depreciated, net	1,726.0	-	-	1,726.0
Governmental activities capital assets, net	2,650.0	32.0	(10.0)	2,672.0

Capital Asset activity of the primary government, business-type activities for the year ended June 30, 2020 was as follows:

*(Amounts in Millions of USD)*

<b>Business-Type Activities - Enterprise Funds</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<u>Capital assets not being depreciated:</u>				
Land	236.3	0.3	-	236.6
Construction In Process	1,055.5	373.7	(388.8)	1,040.4
Total capital assets not being depreciated	1,291.8	374.0	(388.8)	1,277.0
<u>Capital assets being depreciated:</u>				
Buildings	3,649.1	92.2	(55.7)	3,685.6
Other Improvements	402.9	31.9	-	434.8
Equipment	183.0	20.2	(28.5)	174.8
Intangible Assets	21.8	2.4	-	24.2
Infrastructure	3,754.0	254.5	(0.5)	4,008.0
Total capital assets being depreciated	8,010.8	401.3	(84.7)	8,327.4
<u>Less accumulated depreciation for:</u>				
Buildings	(2,047.7)	(106.8)	41.0	(2,113.4)
Other Improvements	(230.7)	(17.8)	-	(248.5)
Equipment	(136.0)	(15.0)	25.8	(125.2)
Intangible Assets	(13.9)	(1.4)	-	(15.3)
Infrastructure	(2,086.4)	(85.0)	-	(2,171.5)
Total accumulated depreciation	(4,514.7)	(226.0)	66.8	(4,673.9)
Total capital assets being depreciated, net	3,496.0	175.3	(17.8)	3,653.5
Business-type activities capital assets, net	4,787.8	549.3	(406.6)	4,930.5

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

*(Amounts in Millions of USD)*

<b>Governmental Activities:</b>	
Economic Development	2
Transportation:	
Streets & Highways	49
Mass Transit	4
Judiciary and Law Enforcement:	
Police	26
Prisons	6
Courts	1
Conservation of Health:	
Health Services	4
Cultural and Recreational:	
Recreation	14
Parks	13
Libraries and Museums	7
Improvements to General Welfare:	
Social Services	2
Service to Property:	
Fire	10
General Management & Support	34
Total Governmental Activities	172

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

(Amounts in Millions of USD)

**Business-Type Activities:**

Water and Sewer	126
Aviation	102
<b>Total Business Type Activities</b>	<b>228</b>

**B. DISCRETELY PRESENTED COMPONENT UNITS**

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the year ended June 30, 2020:

(Amounts in Millions of USD)

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Ending Balance</b>
<u>Capital assets not being depreciated:</u>					
Land	129.2	-	-	0.1	129.3
Construction In Process (1)	152.9	135.0	-	(70.0)	217.9
Total capital assets not being depreciated	282.1	135.0	-	(69.9)	347.2
<u>Capital assets being depreciated:</u>					
Buildings	1,766.5	0.8	-	0.7	1,768.0
Other Improvements (2)	1,371.4	61.2	-	69.2	1,501.8
Intangible Assets (3)	79.2	0.7	-	-	79.9
Personal Property & Equipment (4)	194.6	5.9	(5.8)	-	194.7
Total capital assets - Depreciated	3,411.7	68.6	(5.8)	69.9	3,544.4
<u>Less accumulated depreciation for:</u>					
Buildings	(762.7)	(30.0)	-	-	(792.7)
Other Improvements (5)	(924.4)	(44.0)	-	-	(968.4)
Intangible Property (6)	(63.3)	(3.6)	-	-	(66.9)
Personal Property & Equipment (7)	(145.4)	(14.1)	5.3	-	(154.2)
Total accumulated depreciation	(1,895.8)	(91.7)	5.3	-	(1,982.2)
Total capital assets being depreciated, net	1,515.9	(23.1)	(0.5)	69.9	1,562.2
<b>Governmental Activity - Capital Assets, Net</b>	<b>1,798.0</b>	<b>111.9</b>	<b>(0.5)</b>	<b>-</b>	<b>1,909.4</b>

1. The beginning balance for Construction in Progress was adjusted to reflect a (\$194,689) prior period adjustment for non-capitalizable expenditures, as well as (\$10,980,859) to establish the Development in Progress category for future intangible assets currently in the development stage.
2. The beginning balance for Improvements was adjusted by (\$7,605,420) to reduce the value incorrectly recorded as Improvements. See (3) below.
3. The beginning balance for Intangibles was adjusted by \$7,605,420 to increase the value incorrectly recorded as Improvements. See (2) above.
4. The beginning balance for Personal Property was adjusted by (\$95,100) to reduce the value to reflect the correction of recording errors. See (7) below.
5. The beginning balance for Improvements Accumulated Depreciation was adjusted by \$7,605,420 to reduce the value incorrectly recorded as Improvements. See (6) below.
6. The beginning balance for Intangibles Accumulated Depreciation was adjusted by (\$7,605,420) to increase the value incorrectly recorded as Improvements. See (5) above.
7. The beginning balance for Personal Property Accumulated Depreciation was adjusted by \$3,510 to reduce the value associated with the correction of recording errors. See (4) above.

(Amounts in Millions of USD)

<b>Business-type Activities:</b>	<b>Beginning Balance</b>	<b>Adjustment</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<u>Capital assets not being depreciated:</u>					
Land	91.0	-	0.0	(0.1)	90.9
Fine Arts	0.8	-	0.1	-	0.9
Construction In Process	265.8	-	208.3	(248.0)	226.2
Total capital assets not being depreciated	357.6	-	208.5	(248.1)	318.0
<u>Capital assets being depreciated:</u>					
Buildings	2,502.6	-	2.0	129.3	2,633.8
Other Improvements	384.0	-	8.8	(0.2)	392.6
Equipment	589.7	-	16.3	(0.4)	605.6
Infrastructure	2,043.3	-	111.7	(2.7)	2,152.3
Total capital assets being depreciated	5,519.6	-	138.7	126.1	5,784.3
<u>Less accumulated depreciation for:</u>					
Buildings	(1,442.1)	-	(57.9)	6.4	(1,493.6)
Other Improvements	(225.0)	-	(11.5)	(0.7)	(237.2)
Equipment	(271.9)	-	(18.4)	(1.8)	(292.1)
Infrastructure	(950.0)	-	(43.9)	(2.1)	(996.0)
Total accumulated depreciation	(2,888.9)	-	(131.7)	1.8	(3,018.9)
Total capital assets being depreciated, net	2,630.7	-	7.0	127.8	2,765.5
Capital assets, net	2,988.3	-	215.4	(120.3)	3,083.4

## 6. NOTES PAYABLE

The Aviation Fund established a commercial paper (CP) program, which closed on August 22, 2019, in the amount of \$350 million to provide funding for capital projects currently approved by airlines. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia International Airport's CP Program will enable projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were \$155.3 million notes outstanding at June 30, 2020.

As of June 30, 2020, the Aviation fund had outstanding letters of credit of \$155.3 million and unused letters of credit equal to \$194.7 million related to the CP program.

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2020, \$12.8 million of CDBG program income funds had been used to repay the debt. Collateral for repayment of the HUD Section 108 loans includes future CDBG entitlements due to the City from HUD.

As of June 30, 2020, HUD had disbursed \$150.0 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was \$64.8 million. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position. The total amount of loans made from HUD to PIDC and amount of HUD loans that are left to be repaid differ from the amounts disclosed in the PIDC 12/31/19 audit report, as PIDC's audit reports are done on a calendar year basis and the HUD Contingent Liability Report is done on a fiscal year basis.



Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2020 are as follows:

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

Year ending June 30,	
2021	3,840,000
2022	4,170,000
2023	4,381,000
2024	4,608,000
2025	2,807,000
Thereafter	44,941,000
Total	<u>\$ 64,747,000</u>

**PGW**, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may sell short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also issue additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. As of December 1, 2017, all notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. Prior to that, all notes were supported by two irrevocable letters of credit and a security interest in PGW's revenues. The Note Purchase and Credit Agreement supporting PGW's combined commercial paper programs set the maximum level of outstanding notes plus interest at \$120.0 million in FY 2020 and FY 2019, respectively. The commitment amount is \$120.0 million under the current credit agreements. The expiration date of the credit agreements is December 31, 2021. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2020 and 2019.

**PPA**, On January 29, 2015, The Authority borrowed \$6,000,000 for the Philadelphia Airport Parking Garage Project in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is \$4,793,700, respectively.

On January 29, 2015, The Authority borrowed \$15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures April 1, 2021, as a result of a two-year extension. The balance of the note payable at March 31, 2020 and 2019, is \$13,488,093, respectively.

The aggregate annual principal and sinking fund payments of debt at March 31, 2020, are as follows:

Fiscal Year Ending March 31,	Notes Payable				Total
	Revenue Bonds Principal Amount	Revenue Bonds Interest Amount	Principal Amount	Notes Payable Interest Amount	
2021	\$ 16,406,688	\$ 4,596,320	\$ -	\$ 397,556	\$ 21,400,564
2022	15,286,943	3,794,940	18,281,793	-	37,363,676
2023	15,946,943	3,060,147	-	-	19,007,090
2024	16,636,943	2,283,665	-	-	18,920,608
2025	10,386,943	1,646,457	-	-	12,033,400
2026-2030	34,674,860	3,882,598	-	-	38,557,458
	<u>\$ 109,339,320</u>	<u>\$ 19,264,127</u>	<u>\$ 18,281,793</u>	<u>\$ 397,556</u>	<u>\$ 147,282,796</u>

7. DEBT PAYABLE

A. PRIMARY GOVERNMENT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania for bonded indebtedness (General Obligation Bonds) payable principally from property taxes. As of June 30, 2020, the statutory limit for the City is \$11.0 billion, the General Obligation Debt, net of deductions authorized by law, is \$2.2 billion; leaving a legal debt borrowing capacity of \$8.8 billion. Termination Compensation costs and Worker's Compensation claims are paid by whichever governmental fund incurs them. Indemnity claims are typically paid by the General Fund. The following schedule reflects the changes in long-term liabilities for the fiscal year:

Long Term Debt Governmental Changes - Primary Government		<i>(Amounts In Millions of USD)</i>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activity</b>					
Bonds Payable - General Obligation Bonds					
Term Bonds	28.6			28.6	-
Refunding Bonds	947.4	118.0	(59.5)	1,005.9	52.3
Serial Bonds	532.1	293.4	(136.0)	689.5	35.8
Add: Bond Premium	116.1	64.5	(25.3)	155.3	-
Less: Unamortized Discount	(0.0)		-	(0.0)	-
<b>Total Bonds Payable - General Obligation Bonds</b>	<b>1,624.2</b>	<b>475.9</b>	<b>(220.8)</b>	<b>1,879.3</b>	<b>88.1</b>
Bonds Payable - Blended Component Units					
Term Bonds - PMA	153.0		(4.9)	148.1	5.1
Term Bonds - PICA	129.7	56.1	(129.7)	56.1	22.1
Add: Bond Premium	20.3		(11.9)	8.4	-
<b>Total Bonds Payable - Blended Component Units</b>	<b>303.1</b>	<b>56.1</b>	<b>(146.5)</b>	<b>212.6</b>	<b>27.2</b>
<b>Total Bonds Payable</b>	<b>1,927.2</b>	<b>532.0</b>	<b>(367.3)</b>	<b>2,091.9</b>	<b>115.3</b>
Obligations Under Lease & Service Agreements					
Pension Service Agreement	772.3	19.6	(104.9)	687.0	70.0
Neighborhood Transformation	196.8	-	(11.6)	185.2	12.2
One Parkway	24.8	-	(2.6)	22.2	2.7
Sports Stadium	117.0	-	(49.4)	67.7	4.9
Notes from Direct Placement & Direct Borrowing	117.3	-	(117.3)	-	-
Stadium Series 2019A	0.0	147.6	-	147.6	10.2
Library	4.3	-	(0.7)	3.7	0.7
Cultural Corridor Bonds	80.7	-	(4.5)	76.1	4.7
City Service Agreement	299.8	-	-	299.8	23.2
Affordable Housing Preservation Project	51.2	-	(1.8)	49.3	1.9
Philadelphia Museum of Art	9.9	-	(0.3)	9.6	0.3
PAID Rebuild Project Series 2018	79.5	-	(2.8)	76.6	3.0
Add: Bond Premium	44.1	29.3	(9.5)	64.0	-
<b>Total Obligations Under Lease &amp; Service Agreements</b>	<b>1,797.6</b>	<b>196.5</b>	<b>(305.4)</b>	<b>1,688.7</b>	<b>133.8</b>
Other Long-term Liabilities					
Legal Claims	51.8	94.4	(47.7)	98.5	-
Worker's Compensation Claims	232.6	73.6	(65.0)	241.2	-
Medical Claims	23.4	96.6	(99.8)	20.2	20.2
Termination Compensation Payable (1)	551.2	73.4	(50.3)	574.3	57.4
Leases	244.2	-	(5.3)	238.9	5.5
<b>Total Other Long-term Liabilities</b>	<b>1,103.2</b>	<b>338.0</b>	<b>(268.1)</b>	<b>1,173.2</b>	<b>83.1</b>
<b>Total Bonds Payable, Obligations Under Lease &amp; Svc Agreements, and OLTL</b>	<b>4,828.1</b>	<b>1,066.6</b>	<b>(940.8)</b>	<b>4,953.8</b>	<b>332.2</b>
Net Pension and OPEB Liability					
Net Pension Liability	5,313.8	126.2	(1.2)	5,438.8	-
OPEB Liability	1,623.6	120.2	(22.2)	1,721.6	-
<b>Total Net Pension and OPEB Liability</b>	<b>6,937.4</b>	<b>246.4</b>	<b>(23.4)</b>	<b>7,160.4</b>	<b>-</b>
<b>Governmental Activity Long-term Liabilities</b>	<b>11,765.5</b>	<b>1,313.0</b>	<b>(964.2)</b>	<b>12,114.2</b>	<b>332.2</b>

(1) Termination Compensation Payable FY20 beginning balance adjusted to record \$304.1 million of accumulated unpaid sick leave.

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

*(Amounts in Millions of USD)*

	<b>Interest</b>				<b>Principal</b>		<b>Due Dates</b>		
	<b>Rates</b>								
<b>Governmental Funds:</b>									
City	1.716 %	to	5.250 %	1,723.9	Fiscal	2021	to	2042	
PMA	2.625 %	to	5.087 %	148.1	Fiscal	2021	to	2044	
PICA	5.000 %	to	5.000 %	56.1	Fiscal	2021	to	2023	
				1,928.1					

- In January 2020, the City issued \$118.0 million of General Obligation Refunding Bonds Series 2020A. The proceeds of the sale were used to refund the City's General Obligation Series 2013A Bonds maturing on July 15 2022 through July 15, 2025 and July 15, 2028 through July 15, 2033, which are subject to optional redemption on July 15, 2021, and to pay for the cost of issuance of the bonds. The interest rates of the Bonds that were refunded ranged from 4.125% to 5.250%. The interest rates of the newly issued Bonds ranged from 1.716% to 3.014%. The transaction resulted in a total savings to the City of \$17.8 million over the next 14 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was \$14.6 million.
- In August 2019, the City issued \$293.4 million of General Obligation Bonds, Series 2019B Bonds. The proceeds will be used to (i) pay all or a portion of the costs of certain projects in the City's capital budgets, and (ii) pay the costs relating to the issuance of the 2019B Bonds. The 2019B Bonds were issued at an interest rate of 5.000%. The total proceeds were \$357.9 million (which includes a premium of \$64.5 million).
- The City's notes from direct placement and direct borrowings related to governmental activities of \$117.3 million contain a provision that in the event of default, the purchaser may declare the outstanding amount immediately due and payable. The City's notes from direct placement and direct borrowings were refunded with the issuance of the PAID Series 2019 Lease Revenue Refunding Bonds of \$147.6 million.
- The City's GO bonds series 2009B, 2011, 2012A, 2013A, 2014A, 2015A, 2015B, 2017, 2017A, 2019A, 2019B, and 2020A have certain provisions where should a Bondholder fail to receive payment of principal and interest when due and payable, a suit may be brought against the City to seek a judgement for the unpaid amount. A judgement creditor may cause the court to issue a writ commanding the City Treasurer to cause the judgement to be paid out of any unappropriated monies of the City, and if there be no such monies, out of the first monies that shall be received for the use of the City. The City's Home Rule Charter requires that, if any obligations of the City are not paid or provided for within the fiscal year in which such obligations are payable, the annual operating budget ordinance for the following fiscal year shall provide for discharging the resulting deficit.
- Philadelphia Municipal Authority (PMA) 2012A, 2012B, 2014B, 2017 bonds have certain provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements
- The City has General Obligation Bonds authorized and un-issued at year-end of \$563.8 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

Fiscal Year	City Fund		Blended Component Units			
	General Fund		PMA		PICA	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	88.1	79.8	5.1	6.9	22.1	2.8
2022	92.2	75.4	5.4	6.7	23.1	1.7
2023	97.6	70.8	5.6	6.4	10.9	0.5
2024	102.1	66.2	5.9	6.1	-	-
2025	106.8	61.2	6.2	5.8	-	-
2026-2030	527.6	229.5	29.1	24.6	-	-
2031-2035	460.6	110.2	36.7	17.7	-	-
2036-2040	232.8	27.9	39.3	8.2	-	-
2041-2044	16.3	0.8	14.7	1.6	-	-
Totals	1,723.9	721.7	148.0	84.0	56.1	5.0

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

(Amounts in Millions of USD)

Fiscal Year	Lease & Service Agreements							
	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	66.5	33.3	12.2	9.0	2.7	1.1	15.2	9.7
2022	66.7	38.1	12.8	8.4	2.9	1.0	16.1	9.0
2023	25.0	34.8	13.4	7.8	3.0	0.8	16.9	8.2
2024	27.5	37.6	12.8	7.1	3.2	0.7	17.7	7.4
2025	25.5	39.2	13.4	6.5	3.3	0.5	18.5	6.6
2026-2030	475.9	94.4	81.5	21.6	7.1	0.5	106.5	18.6
2031-2035	-	-	28.2	4.7	-	-	24.4	0.6
2036-2040	-	-	11.0	1.1	-	-	-	-
Totals	687.0	277.4	185.2	66.1	22.2	4.6	215.3	60.1

Fiscal Year	Central Library		Cultural Corridors		City Svc Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	0.7	0.1	4.7	3.7	23.2	11.8
2022	0.7	0.1	5.0	3.4	19.0	10.9
2023	0.7	0.1	5.2	3.2	64.7	10.2
2024	0.8	0.0	5.5	2.9	62.0	7.6
2025	0.8	0.0	5.8	2.6	64.8	5.2
2026-2030	-	-	33.8	8.4	66.0	2.6
2031-2035	-	-	16.1	0.8	-	-
Totals	3.7	0.4	76.1	25.1	299.8	48.3

*(Amounts in Millions of USD)*

Fiscal Year	Affordable Housing		Museum of Art		Rebuild Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	1.9	2.4	0.3	0.5	3.0	3.8
2022	2.0	2.3	0.4	0.5	3.1	3.7
2023	2.1	2.2	0.4	0.4	3.3	3.5
2024	2.2	2.1	0.4	0.4	3.4	3.4
2025	2.3	2.0	0.4	0.4	3.6	3.2
2026-2030	10.5	8.3	2.4	1.7	16.3	13.3
2031-2035	16.4	5.1	3.1	1.0	25.4	8.6
2036-2040	12.0	0.9	2.2	0.2	18.5	1.9
Totals	<u>49.3</u>	<u>25.4</u>	<u>9.6</u>	<u>5.1</u>	<u>76.6</u>	<u>41.4</u>

**(2) Business Type Debt Payable**

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

**Long Term Debt Business Changes - Business Type**

*(Amounts in Millions of USD)*

Business-Type Activity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Bonds Payable</b>					
General Obligation Bonds	-	-	-	-	-
Revenue Bonds	3,417.8	250.7	(169.7)	3,498.7	156.6
Notes from Direct Placement & Direct Borrowing	122.8		(2.3)	120.5	2.4
Add: Bond Premium	286.3	55.2	(26.5)	315.0	-
<b>Total Bonds Payable</b>	<u>3,826.9</u>	<u>305.8</u>	<u>(198.5)</u>	<u>3,934.2</u>	<u>159.0</u>
<b>Other Long Term Liabilities</b>					
Indemnity Claims (1)	6.6	3.8	(5.2)	5.2	-
Worker's Compensation Claims	28.8	4.4	(6.3)	26.9	-
(1) Termination Compensation Payable	38.4	5.0	(3.8)	39.6	4.0
Arbitrage	-			-	-
<b>Total Other Long Term Liabilities</b>	<u>73.8</u>	<u>13.2</u>	<u>(15.3)</u>	<u>71.7</u>	<u>4.0</u>
<b>Total Bonds Payable &amp; Other Long Term Liabilities</b>	<u>3,900.7</u>	<u>319.1</u>	<u>(213.9)</u>	<u>4,005.9</u>	<u>163.0</u>
<b>Net Pension and OPEB Liability</b>					
Net Pension Liability	641.6	15.6	(0.1)	657.1	-
Net OPEB Liability	201.5	14.9	(2.6)	213.8	-
<b>Total Net Pension and OPEB Liability</b>	<u>843.1</u>	<u>30.5</u>	<u>(2.7)</u>	<u>870.8</u>	<u>-</u>
<b>Business-Type Activity Long-term Liabilities</b>	<u>4,743.8</u>	<u>349.6</u>	<u>(216.6)</u>	<u>4,876.7</u>	<u>163.0</u>

(1) Beginning balance adjusted to establish a prior period liability related to unpaid sick leave.

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

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

*(Amounts in Millions of USD)*

	<b>Interest Rates</b>			<b>Principal</b>		<b>Due Dates</b>		
Water Fund	1.411 %	to	5.125 %	2,149.5	Fiscal	2021	to	2055
Aviation Fund	2.797 %	to	5.250 %	1,469.8	Fiscal	2021	to	2048
Total Revenue Debt Payable				3,619.3				

- In August 6, 2019, the City issued \$250.7 million of Water and Wastewater Revenue Bonds, Series 2019B. The 2019B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements to the City's Water and Wastewater Systems, and (ii) a deposit to the Debt Reserve Account of the Sinking Fund, and (iii) the costs of issuance relating to the issuance of the 2019B bonds. The total proceeds were \$305.8 million (which includes a premium of \$55.1 million). The 2019B bonds were issued at an interest rate of 5.000%.
- In February 2019, the City Bond Committee approved the terms and provisions of its Water and Wastewater Revenue Refunding Bonds Series 2020 (Forward Delivery) to allow for the issuance in October 2020 of \$127.7 million of the Series 2020 Bonds to refund all the outstanding Series 2011A Bonds in the amount of \$135.0 million and to pay the costs of issuing the Series 2020 Bonds. The total proceeds of the Series 2020 Bonds will be \$138.6 million (which includes a premium of \$10.9 million). The interest rates of the bonds to be refunded will range from 4.500% to 5.000%. The interest rates of the newly issued bonds will be 5.000%. The transaction will result in a total savings to the City of \$17.2 million over the next 21 years and will result in an economic gain of \$10.1 million.
- In April 2017, the City issued \$125.0 million of Airport Revenue Bonds Series 2017 (Direct Purchase Federally Taxable Loan) to fund capital improvements for the Philadelphia Airport. As of June 30, 2020, the City has outstanding bonded debt that qualify as direct placements and direct borrowing related to business-type activities of \$120.5 million for the Series 2017 bonds. The City's debt from direct placements and direct borrowing related to business-type activities contain certain provisions where (i) Purchaser has the right to cause the Bonds to be subject to optional tender in full on April 26, 2022 and each five-year anniversary thereof (ii) If there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding 2017 Bondholders a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all 2017 Bonds may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences
- Aviation's 2005C, 2010A, 2010D, 2011A, 2011B, 2015A, 2017A, 2017B, as well as Water's 1997B, 2010C, 2011A, 2011B, 2012, 2013A, 2014A, 2015A, 2015B, 2016, 2017A, 2017B, 2018A, 2019A, 2019B bonds have certain provisions where if there is a payment default and such payment default continues for a period of thirty (30) days, upon the request of at least 25% of the outstanding Bondholders of such series which are in default, a trustee can be appointed and after thirty (30) days prior written notice to the City, the unpaid principal of all Bonds of such series in default may be declared due and payable with interest at the rates stated in the bonds until final payment, and, if all defaults shall be made good then to annul such declaration and its consequences.
- In July 2010, the City of Philadelphia - Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B); bringing the total financing from PENNVEST to \$214.9 million. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment is due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

<u>Date</u>	<u>Series</u>	<u>Maximum Loan Amount</u>	<u>Amount Received Through 6/30/20</u>	<u>Current Balance Outstanding 6/30/20</u>	<u>Purpose</u>
Oct 2009	2009B	42,886,030	31,216,779	17,023,901	Water Plant Improvements
Oct 2009	2009C	57,268,193	49,157,776	29,405,657	Water Main Replacements
Mar 2010	2009D	84,759,263	75,744,096	45,780,493	Sewer Projects
Jul 2010	2010B	30,000,000	30,000,000	21,024,289	Green Infrastructure Project
	<b>Totals</b>	<b>214,913,486</b>	<b>186,118,651</b>	<b>113,234,340</b>	

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

*(Amounts in Millions of USD)*

<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>
2021	87.9	99.6	68.7	65.2	2.4	3.3
2022	81.7	95.6	76.1	61.8	118.1	2.9
2023	79.2	92.1	79.9	58.1	-	-
2024	62.7	88.5	83.7	54.4	-	-
2025	65.5	85.9	87.6	50.5	-	-
2026-2030	327.8	387.6	320.9	195.4	-	-
2031-2035	287.5	320.0	210.9	132.8	-	-
2036-2040	317.7	252.7	199.1	81.4	-	-
2041-2045	376.4	164.4	122.6	41.7	-	-
2046-2050	247.5	83.1	99.9	7.7	-	-
2051-2055	215.6	23.6	-	-	-	-
Totals	<b>2,149.5</b>	<b>1,693.2</b>	<b>1,349.3</b>	<b>749.1</b>	<b>120.5</b>	<b>6.2</b>

**(3) Defeased Debt**

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

*(Amounts In Millions of USD)*

<b>Governmental Funds:</b>	
General Obligation Bonds	235.4
<b>Enterprise Funds:</b>	
Water Fund Revenue Bonds	162.1
	<u>397.5</u>

**(4) Short -Term Borrowings**

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City did not issue Tax Revenue Anticipation Notes for fiscal year 2020. In accordance with statute, there are no temporary loans outstanding at year-end.

**(5) Arbitrage Liability**

The City has several series of General Obligation and Revenue Bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on the proceeds of these issues over interest expense paid on the bonds be paid to the federal government at the end of a five-year period. At June 30, 2020, the City had an arbitrage liability of \$1,400.00, all attributable to PGW.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivatives are as follows:

*(Amounts in thousands)*

<u>Governmental Activities</u>	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2020</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Cash Flow Hedges:					
Pay fixed interest rate sw aps	Deferred Outflow	8,804	Debt	(30,552)	100,000
	Deferred Outflow	(2,175)	Debt	(10,615)	50,745
	Deferred Outflow	(12,103)	Debt	-	-
	Deferred Outflow	(976)	Debt	(3,537)	16,910
	Deferred Outflow	(4,053)	Debt	-	-
<b><u>Business Type Activities:</u></b>					
Cash Flow Hedges:					
Pay fixed interest rate sw aps	Deferred Outflow	660	Debt	(5,240)	74,100

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2020, along with the credit rating of the associated counterparty.

City Entity:	City GO	Airport
Related Bond Series	2009B1 (1)	2005C Refunding
Initial Notional Amount	\$313,505,000	\$189,500,000
Current Notional Amount	\$100,000,000	\$74,100,000
Termination Date	8/1/2031	6/15/2025
Product	Fixed Payer Swap	Fixed Payer Swap (2)
Rate Paid By Dealer	SIFMA	SIFMA
Rate Paid By City Entity	3.83%	Multiple Fixed Rates
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.
Dealer Rating	Aa2/AA-	Aa2/A+
Fair Value (3)	(\$30,551,542)	(\$5,240,126)

1. On 7/28/2009, the City terminated a portion of the swap in the amount of \$213,505,000 in conjunction with the refunding of its Series 2007B bond with the Series 2009A fixed rate bonds. The City made a termination payment of \$15,450,000 to RBC.
2. The City received an upfront payment of \$6,536,800 for the related swaption. JPM exercised its option to enter into the swap on 6/15/2005. The swap includes a knock-out option whereby JPM has the right to terminate the swap if the 180-day SIFMA average exceeds 7.00%.
3. Fair values are shown from the City's perspective and include accrued interest.

a. City of Philadelphia 2009B General Obligation Bond Swap

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

**Terms:** The swap was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2020, the swap had a notional amount of \$100 million and the associated variable rate bonds had a \$100 million principal amount. The bonds mature on August 1, 2031.



*Fair Value:* As of June 30, 2020, the swap had a negative fair value of \$30.552 million. This means that the City would have to pay this amount to terminate the swap. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

*Risk:* As of June 30, 2020, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2020, the rates were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900%
Variable rate payment from RBC under swap	SIFMA	-0.13000%
Net interest rate swap payments		3.69900%
Variable rate bond coupon payments	Weekly reset	0.12000%
Synthetic interest rate on bonds		3.81900%

*Swap payments and associated debt:*

As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

<u>Fiscal Year Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2021	\$0	\$120,000	\$3,699,000	\$3,819,000
2022	0	120,000	3,699,000	3,819,000
2023	0	120,000	3,699,000	3,819,000
2024	0	120,000	3,699,000	3,819,000
2025	0	120,000	3,699,000	3,819,000
2026-2030	63,885,000	507,108	15,631,604	16,138,712
2031-2031	<u>36,115,000</u>	<u>65,436</u>	<u>2,017,065</u>	<u>2,082,501</u>
Total:	\$100,000,000	\$1,172,544	\$36,143,669	\$37,316,213

City Entity:	City Lease PAID	City Lease PAID
Related Bond Series	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	\$217,275,000	\$72,400,000
Current Notional Amount	\$50,744,727	\$16,910,273
Termination Date	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	SIFMA
Rate Paid by City Entity	3.9713%	3.9713%
Dealer	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	Aa2/A+	A2/A- (Bank of America Corp.)
Fair Value (1)	(\$10,169,445)	(\$3,388,762)

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

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

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

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

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

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

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

As of June 30, 2020, the swaps together had a notional amount of \$67.655 million which matched the principal amount of the associated variable rate bond deals. Payments under these swaps are lease rental obligations of the City.

*Fair Value:* As of June 30, 2020, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of \$10.17 million, the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of \$3.389 million, This means that **PAID** would have to pay these amounts to terminate the swaps. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

*Risks:* As of June 30, 2020, **PAID** was not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk on the SIFMA-based swaps should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2020, the rates for the JPMorgan SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed	3.97130%
Variable rate payment from JP Morgan	SIFMA	-0.13000%
Net interest rate swap payments		3.84130%
Variable rate bond coupon payments	Weighted Average Weekly resets	0.12000%
Synthetic interest rate on bonds		3.96130%

As of June 30, 2020, the rates for the Merrill Lynch SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to MLCS	Fixed	3.97130%
Variable rate payment from MLCS	SIFMA	-0.13000%
Net interest rate swap payments		3.84130%
Variable rate bond coupon payments	Weighted Average Weekly Resets	0.12000%
Synthetic interest rate on bonds		3.96130%

*Swap payments and associated debt:*

As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

For the JPM SIFMA Swaps:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate		Total Interest
	Principal	Interest	Swaps Net		
2021	\$ 3,708,364	\$ 60,894	\$ 1,949,257	\$ 2,010,151	
2022	\$ 3,865,864	\$ 56,444	\$ 1,806,808	\$ 1,863,251	
2023	\$ 4,031,636	\$ 51,805	\$ 1,658,308	\$ 1,710,113	
2024	\$ 4,204,522	\$ 46,967	\$ 1,503,441	\$ 1,550,408	
2025	\$ 4,384,136	\$ 41,921	\$ 1,341,933	\$ 1,383,854	
2026-2030	\$ 24,913,182	\$ 126,004	\$ 4,033,488	\$ 4,159,492	
<u>2031-2031</u>	<u>\$ 5,637,023</u>	<u>\$ 6,764</u>	<u>\$ 216,535</u>	<u>\$ 223,299</u>	
Total:	\$ 50,744,727	\$ 390,798	\$ 12,509,770	\$ 12,900,568	

For the Merrill Lynch SIFMA Swaps:

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate		Total Interest
	Principal	Interest	Swaps Net		
2021	\$ 1,236,636	\$ 20,292	\$ 649,574	\$ 669,867	
2022	\$ 1,289,136	\$ 18,808	\$ 602,071	\$ 620,880	
2023	\$ 1,343,364	\$ 17,261	\$ 552,552	\$ 569,813	
2024	\$ 1,400,478	\$ 15,649	\$ 500,949	\$ 516,599	
2025	\$ 1,460,864	\$ 13,969	\$ 447,153	\$ 461,121	
2026-2030	\$ 8,301,818	\$ 41,990	\$ 1,344,140	\$ 1,386,130	
<u>2031-2031</u>	<u>\$ 1,877,977</u>	<u>\$ 2,254</u>	<u>\$ 72,139</u>	<u>\$ 74,392</u>	
Total:	\$ 16,910,273	\$ 130,224	\$ 4,168,578	\$ 4,298,802	

**c. Philadelphia Airport Swap**

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

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

As of June 30, 2020, the swap had a notional amount of \$74.1 million and the associated variable-rate bonds had a \$74.1 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

*Fair Value:* As of June 30, 2020, the swap had a negative fair value of \$5.240 million. This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

*Risk:* As of June 30, 2020, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2020, the rates were:

<u>Terms</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan	Fixed-declining	<b>3.23199%</b>
Variable rate payment from JP Morgan	SIFMA	-0.13000%
Net interest rate swap payments		3.10199%
Variable rate bond coupon payments	Weekly resets	0.16000%
Synthetic interest rate on bonds		3.26199%

*Swap payments and associated debt:*

As of June 30, 2020, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows.

<u>Fiscal Year Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
<u>June 30</u>				
2021	\$13,700,000	\$118,560	\$2,064,936	\$2,183,496
2022	14,300,000	96,640	1,529,306	1,625,946
2023	14,900,000	73,760	997,026	1,070,786
2024	15,400,000	49,920	570,350	620,270
2025	15,800,000	25,280	240,750	266,030
Total:	\$74,100,000	\$364,160	\$5,402,368	\$5,766,528

**(7) Pension Service Agreement**

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The fiscal year 2020 Pension Funding Bonds liability of \$687.0 million is reflected in the City's financial statements as another Long-Term Obligation.

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

In March 2005, **PRA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of \$25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of \$44.0 million, with interest rates ranging from 4.75% through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for \$81.3 million and mature through 2031. In Fiscal 2012, **PRA** issued \$91.3 million City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Series 2012 Bonds. These bonds were issued to refund the City of Philadelphia Revenue Bonds, Series 2002A, originally issued in the aggregate principal amount of \$124 million. The bonds are subject to optional redemption prior to maturity. Interest on the series bonds range from 2% to 5% and is payable on April 15 and October 15 each year until maturity in 2026. In April 2015, **PRA** issued the Series 2015A, \$73.2 million and the Series

2015B, \$38.3 million - Revenue Refunding Bonds. The 2015A and 2015B Bonds were issued for the purpose of Refunding the 2005B and 2005C bonds and to pay for the cost of issuance of the 2015A & 2015B Bonds. The fiscal year 2020 NTI Service Agreement liability of \$185.2 million is reflected in the City's financial statements as another Long-Term Obligation.

**(9) Sports Stadium Financing Agreement**

In FY 2002, PAID issued \$346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of PAID. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. In October 2007 PAID issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. PAID assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, PAID treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2020, the Sports Stadium Financing Agreement liability of \$67.7 million is reflected in the City's financial statements as Other Long-Term Liabilities.

**(10) Philadelphia Free Library**

In August of 2005, PAID issued \$10,780,000 of Lease Revenue Bonds for the Philadelphia Free Library Project. These bonds were issued to provide financing for a portion of the construction costs related to the expansion and renovation of the Central library of the Free Library of Philadelphia. The bonds are non-recourse obligations of PAID, payable solely from rental payments made by the City to PAID, which will be sufficient to pay the principal and interest due. The cumulative principal repayment on the Lease Revenue Bonds as of December 31, 2016 and 2015 was \$4,125,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Philadelphia Central Library Project, Series 2016B. In fiscal 2020 the liability of \$3.7 million is reflected in the City's financial statements as Other Long-Term Liabilities.

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

In December 2006, PAID issued \$135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds were used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and PAID signed a service agreement, whereby PAID manages a portion of the funds and the City makes payments equal to the yearly debt service. PAID will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, PAID treats this as conduit debt, and therefore, does not include these transactions in its statements. The Series A Bonds began principal repayment in 2010. The Series B Bonds were paid off during 2009. As of December 31 2016 and 2015, the cumulative principal balance repaid for the Series A Bonds was \$22,230,000. Effective February 3, 2016, the Cultural and Commercial Corridors Bonds were refinanced by the Revenue Refunding Bonds – Cultural and Commercial Corridors Program, Series 2016A. In fiscal 2020 the liability of \$76.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

**(12) City Service Agreement**

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

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

In August 2017, PAID issued \$52.9 million of City Service Agreement Revenue Bonds Series 2017. The total proceeds of the 2017 Bonds were \$60.8 million (which includes a premium of \$7.9 million). The 2017 Bonds were issued to finance certain costs of the City's affordable housing preservation programs and to pay the costs of issuing the 2017 Bonds. The interest rates for the 2017 Bonds range from 3.0% to 5.0%. In fiscal year 2020, the \$49.3 million liability for the Affordable Housing Preservation Series 2017 Bonds is reflected in the City's financial statement as another Long-Term Obligation.

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

In April 2018, PAID issued \$37.9 million of City Service Agreement Revenue Bonds Series 2018A and Series 2018B. The total proceeds of the 2018A Bonds were \$11.6 million (which includes a premium of \$1.3 million). The Philadelphia Museum of Art - Series 2018A Bonds were issued to finance certain costs of the Energy Project of

the Philadelphia Museum of Art. The interest rates for the 2018A Bonds is 5.0%. The total proceeds of the One Benjamin Franklin Parkway – Series 2018B Bonds were \$30.5 million (which includes a premium of \$2.9 million). The 2018B Bonds were issued to refund all \$29.6 million of the Series 2007C Bonds and to pay the costs of issuing the 2018B Bonds. The interest rates for the 2018B Bonds is 5.0%. The interest rates of the refunded bonds range from 4.1% to 5.3%. The transaction resulted in a total savings to the City of \$2.3 million over the next 9 years. The difference between the present value of the debt service payments on the old debt versus the new debt (economic gain) was \$2.1 million. In fiscal year 2020, the liability of \$9.6 million for the Philadelphia Museum of Art - Series 2018A Bonds and the \$22.2 million liability for the One Benjamin Franklin Parkway – Series 2018B Bonds, is reflected in the City's financial statement as another Long-Term Obligation.

**(15) City Service Agreement – PRA - Home Repair Program – Series 2018**

In October 2018, PRA issued \$40.0 million of City Service Agreement Revenue Bonds Series 2018. The total proceeds were \$40.0 million (and the Bonds were issued with no premium). The proceeds of the sale were used to finance the Authority's Home Repair Program and to pay the costs of issuing the 2018 Bonds. The interest rates of the newly issued Bonds range from 3.171% to 4.552%.

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

In November 2018, PAID issued \$79.5 million in City Service Agreement Revenue Bonds, Series 2018. The total proceeds were \$87.7 million (which includes a premium of \$8.2 million). The 2018 bonds were issued at an interest rate of 5%. The 2018 bonds were issued for the purpose of providing funds to (A) finance certain costs of improvements to, and construction, demolition, renovation, and equipping of, certain City parks, libraries, playgrounds, recreation centers and other related facilities (Rebuild Project), and (B) pay the costs of issuing the 2018 bonds. In fiscal year 2020, the liability of \$76.6 million for the City's Parks and Recreation and the Free Library System of Philadelphia – City Service Agreement Revenue Bonds, Series 2018, is reflected in the City's financial statement as another Long-Term Obligation.

**(17) PAID** series 2007B-2, 2016A, 2016B, 2017, 2018A, 2018B, 2018, 2019, and PRA series 2012, 2015A, 2015B, 2018 bonds have provisions where, upon occurrence of Event of Default, Bondholders may declare the outstanding amount immediately due and payable; however, Bondholders do not have the right to accelerate lease payments by the City under the respective Prime Leases/Service Agreements.

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

**(19) Net Pension Liability**

Net Pension Liabilities at June 30, 2014 was \$404.7 million and \$49.7 million for the Governmental and Business Type Activities, respectively. As a result of a change in accounting principle (implementation of GASB 68) the beginning FY 2015 Net Position was adjusted by \$4.7 billion and \$579.7 million for Governmental and Business Type Activities respectively. During FY 2020, the Governmental Activities' Net Pension Liabilities (NPL) increased by \$125.0 million, resulting in a Net Pension Liability of \$5.4 Billion. During FY 2020, the Business Type Activities' NPL increased by \$15.5 million, resulting in a Net Pension Liability of \$657.1 million.

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

**(1) Governmental Debt Payable**

The **SDP** has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total \$3,277.9 million in principal, with interest rates from 1.25% to 6.765% and have due dates from 2019 to 2045. The following schedule reflects the changes in long-term liabilities for the **SDP**:

Long-Term Obligations (1)					
(Dollars in Millions)					
	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds/Lease Rental Debt	\$ 2,957.3	\$ 793.2	\$ (472.6)	\$ 3,277.9	\$ 149.3
Bond Premium	226.5	91.5	(46.6)	271.4	23.5
Bond Discounts	(1.4)	(0.3)	0.3	(1.4)	(0.2)
Total Bonded Debt	<u>3,182.4</u>	<u>884.4</u>	<u>(518.9)</u>	<u>3,547.9</u>	<u>172.6</u>
Termination Compensation Payable	183.3	25.3	(14.0)	194.6	14.0
Due to Other Governments					
-Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities (2)	106.9	32.3	(29.4)	109.8	31.4
Incurred But Not Received (IBNR) Payable (3)	17.2	-	(0.7)	16.5	16.5
OPEB Life Insurance Liability	15.9	1.4	(0.4)	16.9	-
PSERS OPEB Liability	158.2	10.3	(8.6)	159.9	-
PSERS Pension Liability	3,643.7	211.3	(336.8)	3,518.2	-
Governmental Activity-Long-Term Liabilities	<u>\$ 7,352.9</u>	<u>\$ 1,165.0</u>	<u>\$ (908.8)</u>	<u>\$ 7,609.1</u>	<u>\$ 279.8</u>
<b>Business-Type Activities:</b>					
Termination Compensation Payable	\$ 2.0	\$ 0.3	\$ (0.1)	\$ 2.2	\$ 0.2
PSERS OPEB Liability	2.5	0.1	(0.1)	2.5	-
PSERS Pension Liability	55.2	3.2	(5.1)	53.3	-
Business-Type Activity-Long-Term Liabilities	<u>\$ 59.7</u>	<u>\$ 3.6</u>	<u>\$ (5.3)</u>	<u>\$ 58.0</u>	<u>\$ 0.2</u>

1. Termination (Compensated absences), unemployment, workers' compensation, claims and judgments liabilities are accrued to the governmental funds to which the individual is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
2. Other Liabilities Workers' Compensation, Unemployment Compensation Claims, Arbitrage and Claims & Judgments.
3. IBNR is included with the Self Insurance Health Care Internal Service Fund.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2020 is summarized as follows: (Excludes debt issued through the State Public School Building Authority).

<u>Governmental Activities</u>				
(Dollars in Thousands)				
Year Ending June 30	Interest Rates	Principal	Interest <sup>(1)</sup>	Total
2021	1.250 - 5.550	\$ 124,555	\$ 118,680	\$ 243,235
2022	3.000 - 6.059	144,645	107,978	252,623
2023	3.000 - 6.615	151,165	101,509	252,674
2024	3.000 - 6.615	109,985	95,749	205,734
2025	3.000 - 6.615	106,550	90,344	196,894
2026-2030	3.000 - 6.615	530,340	369,342	899,682
2031-2035	3.000 - 6.765	514,515	217,268	731,783
2036-2040	3.000 - 6.765	310,955	122,322	433,277
2041-2045	3.000 - 5.060	344,495	41,042	385,537
Total		<u>\$ 2,337,205</u>	<u>\$ 1,264,234</u>	<u>\$ 3,601,439</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:

<i>(Amounts In Thousands of USD)</i>			
<u>Entity</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Due Dates</u>
PGW	2.00% to 5.25%	911,610	Fiscal 2020 to 2047
PPA	2.58% to 5.25%	109,339	Fiscal 2019 to 2029
CCP	2.00% to 5.00%	70,057	Fiscal 2021 to 2039
PHA	3.00% to 5.50%	48,075	Fiscal 2020 to 2047
Total Revenue Debt Payable		<u>1,139,082</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
2021	53.77	37.14	16.41	4.60	7.56	3.39	10.21	2.24
2022	54.82	34.50	15.29	3.79	7.60	3.02	10.65	1.81
2023	56.69	31.71	15.94	3.06	7.98	2.64	4.04	1.34
2024	58.20	29.32	16.64	2.28	6.24	2.24	1.24	1.20
2025	54.02	27.42	10.39	1.65	6.55	1.93	0.85	1.17
2026-2030	233.19	113.67	34.67	3.88	21.31	5.15	3.68	5.33
2031-2035	175.10	73.85			7.11	2.01	4.49	4.52
2036-2040	125.97	41.99			5.72	0.43	5.41	3.61
2041-2045	67.78	18.52					6.87	2.15
2046-2047	32.10	2.43					5.03	0.39
2048 - 2072								
Totals	<u>911.61</u>	<u>410.53</u>	<u>109.34</u>	<u>19.26</u>	<u>70.06</u>	<u>20.80</u>	<u>52.48</u>	<u>23.75</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2020

‡ - PHA amounts are presented as of March 31, 2020

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

† PHA Principal amounts for years 2021 through 2025 do not include the Capital Lease Obligation of \$4.4 million.

### (3) Defeased Debt

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

*(Amounts In Millions)*

Philadelphia Gas Works †	\$ 67.1
School District of Philadelphia	172.8
Total	<u>\$ 239.9</u>

† Gas Works amounts are presented as of August 31, 2020

**PGW** assets pledged, primarily noncallable U.S. Government securities, had a market value of \$69.2 million at August 31, 2019, bearing interest on face value from 1.25% to 5.88%. In FY 2019, the Fiscal Agent with respect to the Gas Works Revenue Bonds (Escrow Agent with respect to the Escrow Deposit Agreement), paid the maturing principal of the Defeased Bonds in the amount of \$5.4 million in a manner consistent with the Notices of Defeasance for the 12th Series B Gas Works Revenue Bonds.

The investments held by the trustee and the defeased bonds are not recognized on **PGW's** balance sheets in accordance with the terms of the Indentures of Defeasance. The investments pledged for the redemption of the defeased debt have maturities and interest payments scheduled to coincide with the trustee cash requirements for debt service.

**SDP**, as in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As of June 30, 2020, \$172.8 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities. This consists of \$172.1 million for advance refunded debt and \$0.7 million related to Sale of District property.

#### (4) Arbitrage

**SDP**, Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2019, the arbitrage rebate calculation indicates a liability totaling \$54,833.

This arbitrage liability of \$54,833 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required "Installment Rebate Payment Date" is subject to change due to bond and investment activity, if any, occurring after June 30, 2019. Pursuant to the Regulations, the next required "Installment Rebate Payment" must be paid no later than 60 days after June 30, 2020. The School District will continue to perform an annual rebate calculation until all funds have been expended.

The School District has reserved as of June 30, 2020, \$54,833 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

#### (5) Derivative Instruments

##### a. PGW Interest Rate Swap Agreement

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

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

As of August 31, 2020, the swaps had a notional amount of \$122.8 million and the associated variable rate debt had a \$122.8 million principal amount, broken down by series as follows:

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

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

*Fair value* – As of August 31, 2020, the swaps had a combined negative fair value of approximately \$25.3 million. The fair values of the interest rate swaps were estimated using the zero-coupon method and are classified as Level 2 within the fair value hierarchy. That method calculates the future net settlement payments required by the swap, assuming current forward rates are implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

*Risks* – As of August 31, 2020, the City is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the City would be exposed to credit risk in the amount of the swaps' fair value. The swaps include a termination event additional to those in the standard ISDA master agreement based on credit ratings. The swaps may be terminated by the City if the rating of the counterparty falls below A3 or A- (Moody's/S&P), unless the counterparty has: (i) assigned or transferred the swap to a party acceptable to the City; (ii) provided a credit support provider acceptable to the City whose obligations are pursuant to a credit support document acceptable to the City; or (iii) executed a credit support annex, in form and substance acceptable to the City, providing for the collateralization by the counterparty of its obligations under the swaps.

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

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

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

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2020 and 2019 is as follows (thousands of U.S. dollars):

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

	Interest Rate Swap Liability	Deferred outflows of resources
August 31, 2018 Balance	14,796	594
Change in fair value through August 31, 2019	8,318	8,318
Amortization of terminated hedge	-	1,420
<u>August 31, 2019 Balance</u>	<u>23,114</u>	<u>10,332</u>

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

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

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

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

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

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

*Fair Value of Investments:*

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3
First American US Treasury Class Z Portfolio (FOZXX)	\$ 193,238,560	\$ -	\$ -
US Treasury Bills	1,035,469	-	-
Federal Home Loan Bank (FHLB)	11,068,805		
US Treasury Bond/Note	-	25,306,015	-
Commercial paper	-	139,485,154	-
<b>Total</b>	<b>\$ 205,342,834</b>	<b>\$ 165,791,169</b>	<b>\$ -</b>

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

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

## 8. LEASE COMMITMENTS AND LEASED ASSETS

### A. CITY AS LESSOR

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

*(Amounts In Thousands of USD)*

	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
Minimum Rentals	3,733	55,615	2,659
Additional	-	158,485	140
Sublease	13,459	-	3,122
Total Rental Income	<u>17,192</u>	<u>214,100</u>	<u>5,921</u>

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

(Amounts In Thousands of USD)

Fiscal Year Ending <u>June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
2021	15,172	44,358	3,580
2022	14,690	30,894	2,492
2023	12,752	18,249	2,098
2024	12,507	6,094	1,827
2025	12,797	6,094	465
2026-2030	35,298	27,268	1,179
2031-2035	18,027	22,875	760
2036-2040	17,993	17,724	571
2041-2045	17,993	17,705	342
Total	<u>157,229</u>	<u>191,262</u>	<u>13,314</u>

**B. CITY AS LESSEE**

**1) OPERATING LEASES**

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

(Amounts In Thousands of USD)

	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
Minimum Rentals	178,052	50,416	16,680
Additional Rentals	-	-	80
Sublease	-	-	3,122
Total Rental Expense	<u>178,052</u>	<u>50,416</u>	<u>19,882</u>

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

(Amounts In Thousands of USD)

Fiscal Year Ending <u>June 30</u>	<u>Primary Government</u>		<u>Component Units</u>
	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	
2021	36,548	393	13,623
2022	34,569	393	15,655
2023	30,121	393	10,501
2024	28,511	393	9,235
2025	27,420	393	9,378
2026-2030	81,518	1,964	29,958
2031-2035	17,093	1,964	18,361
2036-2040	-	1,964	11,962
2041-2045	-	1,964	-
Total	<u>255,780</u>	<u>9,822</u>	<u>118,672</u>

2) CAPITAL LEASES

**Primary Government:**

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

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

As a result of this lease agreement, the City recorded an initial capital asset (lease hold asset) in the amount of \$252.5 million. At June 30, 2020, the net book value of assets acquired under this lease agreement was \$221.0 million (\$252.5 million gross value, net of \$31.5 million accumulated depreciation). For the year ended June 30, 2020, the City recorded \$12.6 million in depreciation expense related to assets acquired under the lease.

Future minimum lease payments under this agreement are as follows:

	<i>(In Thousands)</i>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	5.5	9.7
2022	5.7	9.4
2023	6	9.2
2024	6.2	9.0
2025	6.5	8.7
2026 - 2030	66.7	55.3
2031 - 2035	108.7	33.0
2036 - 2040	33.7	1.8
Total	<u>\$ 239.0</u>	<u>\$ 136.1</u>

**Component Unit:**

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

<u>Fiscal Year Ending</u>	<u>Principal</u>
<u>June 30</u>	
2021	468,149
2022	378,632
2023	71,482
Totals	<u>918,263</u>

## 9. DEFERRED COMPENSATION PLANS

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### A. PRIMARY GOVERNMENT

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

### B. COMPONENT UNITS

**PGW** offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. **PGW** provides an annual 10.0% matching contribution of applicable wages that immediately vests to the employee. **PGW** contributed \$0.4 million in both FY2020 and FY2019. PGW's contributions are accounted for as part of administrative and general expenses.

## 10. FUND BALANCE POLICIES

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

- **Non-Spendable Fund Balance** – Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Permanent Funds (\$3.8 million) were non-spendable.
- **Restricted Fund Balance** – Includes amounts for which constraints have been placed on the use of resources which are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The General Fund had a restricted fund balance of \$131.0 million at June 30, 2020. The fund balances in the following Special Revenue Funds were restricted: Health-Choices Behavioral Health (\$291.1 million); Grants Revenue (\$33.4 million); County Liquid Fuels (\$12.1 million); Special Gasoline Tax (\$51.1 million); Hotel Room Rental Tax (\$3.1 million); Car Rental Tax (\$10.5 million); Housing Trust (\$66.3 million); Acute Care Hospital Assessment (\$22.7 million); Departmental (\$10.2 million); Municipal Authority Administrative (\$0.0 million); PICA Administrative (\$24.1 million). The Debt Service Fund had a Restricted Fund Balance of (\$16.0 million) and the entire fund balance of the Capital Improvement (\$278.5 million) funds was restricted. The Permanent Fund had a restricted fund balance of (\$3.2 million) at June 30, 2020.
- **Committed Fund Balance** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by an ordinance passed by Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the ordinance that was employed when the funds were initially committed. The General Fund had a committed fund balance of \$34.3 million at June 30, 2020. The fund balances in the following Special Revenue Funds were committed: Riverview Residents \$.03 million, Philadelphia Prisons \$3.3 million, and Departmental \$1.5 million.
- **Assigned Fund Balance** – Includes amounts that are constrained by a government's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Budget Director, other authorized department heads or their designees, to which the Finance Director has granted the authority to assign amounts to be used for specific purposes. There is no prescriptive action to be taken by the authorized officials in removing or modifying the constraints imposed on the use of the assigned amounts. The General Fund reported an assigned fund balance of \$380.2 million at June 30, 2020, which represents \$241.8 million of encumbrance balances and \$138.4 million of the unobligated Philadelphia Beverage Tax revenue at the end of the reporting period.

- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General Fund had a (\$0.0 million) unassigned fund balance at June 30, 2020. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of (\$314.2 million), the Community Development Fund had a negative unassigned fund balance of (\$16.2 million) and the Municipal Authority Administrative had a negative unassigned fund balance of (\$0.2 million); at June 30, 2020.

City Council and the Mayor established a Budget Stabilization Reserve through amendment to the City's Charter. Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent (5%) of General Fund Appropriations: (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus (2) When projected General Fund Balance for the end of the fiscal year to which the operating budget relates, without taking into account any deposits to the Budget Stabilization Reserve required by subsection (2), equals or exceeds three percent of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and upon recommendation of the Mayor. The Director of Finance shall allow withdrawals from the Budget Stabilization Reserve only upon (1) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve, pursuant to Section 2-300(6) of the City Charter, and only for the purposes set forth in such transfer ordinance; and (2) either: (a) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (1%) less than the General Fund Revenues set forth in the Mayor's estimate of receipts pursuant to Section 2-300(3) of the City Charter; or (b) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to Section 2-301(a) of the City Charter. Such certification must be approved either by (1) a resolution adopted by two-thirds of all of the members of the Council, or (2) an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City. At June 30, 2020 the stabilization balance of \$34.3 million was reported as committed fund balance in the City's General Fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding non-spendable. To the extent that funds are available for expenditure in these other categories, except for the non-spendable fund balance, the order of use shall be; committed balances, assigned amounts, and lastly, unassigned amounts. The table below presents a more detailed breakdown of the City's fund balances at June 30, 2020:



City of Philadelphia  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020

Exhibit XIII

Amounts in Thousands

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b><u>Nonspendable:</u></b>					
Inventory	-	-	-	-	-
Permanent Fund (Principal)	-	-	-	3,827	3,827
<b>Subtotal Nonspendable</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,827</b>	<b>3,827</b>
<b><u>Restricted for:</u></b>					
Neighborhood Revitalization	-	-	269	-	269
Economic Development	-	-	-	3,052	3,052
Public Safety Emergency Phone System	-	-	33,086	-	33,086
Streets & High ways	-	-	-	63,155	63,155
Housing and Neighborhood Dev	-	-	-	66,313	66,313
Health Services	-	-	-	22,747	22,747
Behavioral Health	-	291,072	-	-	291,072
Parks & Recreation	-	-	-	1,243	1,243
Libraries & Museums	-	-	-	2,477	2,477
Intergovernmental Financing	-	-	-	24,103	24,103
Stadium Financing	-	-	-	10,529	10,529
Cultural & Commercial Corridor Project	1,050	-	-	-	1,050
Pension Obligation Bonds	-	-	-	-	-
Debt Service Reserve	-	-	-	16,035	16,035
Capital Projects	-	-	-	278,530	278,530
Affordable Housing Project	11,008	-	-	-	11,008
Art Museum Project	1,793	-	-	-	1,793
Rebuild	77,683	-	-	-	77,683
Home Repair Program	39,497	-	-	-	39,497
Trust Purposes	-	-	-	9,710	9,710
<b>Subtotal Restricted</b>	<b>131,031</b>	<b>291,072</b>	<b>33,355</b>	<b>497,894</b>	<b>953,352</b>
<b><u>Committed, Reported in:</u></b>					
Budget Stabilization Reserve	34,276	-	-	-	34,276
Social Services	-	-	-	30	30
Prisons	-	-	-	3,339	3,339
Parks & Recreation	-	-	-	1,487	1,487
<b>Subtotal Committed</b>	<b>34,276</b>	<b>-</b>	<b>-</b>	<b>4,856</b>	<b>39,132</b>
<b><u>Assigned to:</u></b>					
General Management & Support	148,432	-	-	-	148,432
Social Services	26,458	-	-	-	26,458
Economic Development	11,889	-	-	-	11,889
Libraries & Museums	-	-	-	-	-
Prisons	-	-	-	-	-
Health Services	9,885	-	-	-	9,885
Other	45,203	-	-	-	45,203
Phila. Beverage Tax - Unobligated	138,355	-	-	-	138,355
<b>Subtotal Assigned</b>	<b>380,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>380,222</b>
Unassigned Fund Balances:	-	-	(314,164)	(16,376)	(330,540)
<b>Subtotal Unassigned</b>	<b>-</b>	<b>-</b>	<b>(314,164)</b>	<b>(16,376)</b>	<b>(330,540)</b>
<b>Total Fund Balances</b>	<b>545,529</b>	<b>291,072</b>	<b>(280,809)</b>	<b>490,201</b>	<b>1,045,993</b>

**11. INTERFUND TRANSACTIONS**

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

Transfers between fund types during the year were:

(Amounts in Thousands of USD)

Transfers From:	Transfers To:				
	Governmental	Non Major Governmental			Total
	General	Special Revenue	Debt Service	Capital Improvement	
General Fund	\$ -	\$ 36,387	\$ 167,360	\$ 5,100	\$ 208,847
Grants Revenue Fund	35,539	1,242	3,397	-	40,178
Non major Special Rev. Fds	495,943	-	32,921	4,500	533,364
Permanent Funds	-	-	-	-	-
Capital Improvements	-	2,643	-	-	2,643
Water Fund	4,994	29,688	-	-	34,682
Total	\$ 536,476	\$ 69,960	\$ 203,678	\$ 9,600	\$ 819,714

**12. TAX ABATEMENTS**

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

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

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

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

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

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

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

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

Gross dollar amount, on an accrual basis, by which the City's tax revenues were reduced as a result of the CDC Tax Credit program for fiscal year 2020 totaled, **\$3,222,800.**

**Job Creation Tax Credit:**

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

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

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

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

There are no provisions for recapture of this tax credit.

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

Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the Job Creation Tax Credit program for fiscal year 2020 totaled, **\$604,237.**

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

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

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

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

Specific taxes being abated are Real Estate taxes.

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

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

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

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

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

There are no provisions to recapture abated taxes.

Gross dollar amounts, on an accrual basis, by which the City's tax revenues were reduced as a result of the Real Estate tax abatement programs for fiscal year 2020 were:

- **State ACT 175, \$1,532,863.**
- **Ord. 961, \$7,613,512.**
- **Ord. 1130, \$42,772,031.**
- **Ord. 1456-A, \$27,579,743.**

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

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

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

**Keystone Opportunity Zone (KOZ)**

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

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

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

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

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

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

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

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

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

Commitments made by recipients include;

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

Gross dollar amounts, on accrual basis, by which the City's tax revenues were reduced as a result of the KOZ Real Estate tax abatement programs for fiscal year 2020 were:

**City of Philadelphia**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit XIII**

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 7,280,122
Net Profit Tax (KOZ Credit)	15,588,994
<u>Business Income and Receipt Tax (KOZ Credit)</u>	<u>94,690,137</u>
	\$ 117,559,253

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 2020 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

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

Community Development Corporation (CDC) Tax Credit	\$ 3,222,800
Job Creation Tax Credit	604,237
<u></u>	<u>\$ 3,827,037</u>

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

Development State ACT 175,	\$ 1,532,863
Ord. 961,	7,613,512
Ord. 1130,	42,772,031
Ord. 1456-A,	27,579,743
<u></u>	<u>\$ 79,498,149</u>

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

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 7,280,122
Net Profit Tax (KOZ Credit)	15,588,994
<u>Business Income and Receipt Tax (KOZ Credit)</u>	<u>94,690,137</u>
	\$ 117,559,253

As of June 30, 2020, the grand total of forgone revenues as a result of all the tax abatement programs was:	\$ 200,884,439
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**Tax Increment Financing (TIF)**

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

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

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

The total gross dollar amount, on an accrual basis, by which the City's fiscal year 2020 tax revenues were redirected as result of the TIF program was **\$2,007,729**.

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

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

*(Amounts in Millions)*

Bonds Payable	\$	2,091.9
Service Agreements	\$	1,688.7
Indemnity Claims	\$	118.7
Employee Related Obligations	\$	815.5
Leases	\$	238.9
Total Adjustment:	\$	<u>4,953.7</u>

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

**A. PRIMARY GOVERNMENT**

A prior period adjustment was made to correct an error in the Governmental Activities, Water and Sewer Fund, and Aviation Fund for an understatement of the City’s liability for accumulated unpaid sick leave at June 30, 2019. The correction of the error represents a change in applying generally accepted accounting principles for compensated absences with reported amounts now reflecting a liability for accumulated unpaid sick leave.

The following table shows the changes to the beginning net position as of July 1, 2019, for the Governmental Activities, Water and Sewer Fund, and Aviation Fund:

*Amounts in Thousands*

	Governmental Activities	Water and Sewer Fund	Aviation Fund
Net position as of June 30, 2019, as reported	\$ (6,910,479)	\$ 822,084	\$ 993,543
Liability for Accumulated Unpaid Sick Leave at June 30, 2019	<u>(304,135)</u>	<u>(6,628)</u>	<u>(8,771)</u>
Net position as of July 1, 2019, as restated	<u>\$ (7,214,614)</u>	<u>\$ 815,456</u>	<u>\$ 984,772</u>

**B. COMPONENT UNIT**

1. The SDP Governmental Funds:

*Prior Period Adjustment:*

Capital Assets: District-wide net position beginning balances were decreased by \$286,279. These adjustments involved: (1) a decrease in WIP in the amount of \$194,689 to adjust for non-capitalizable expenditures, (2) a decrease in Improvements in the amount of \$7,605,420 to reduce the account balance to remove the value associated with Intangibles, (3) an increase in Intangibles in the amount of \$7,605,420 to properly record the value previously recorded in the Improvement account, (4) a decrease in Personal Property in the amount of \$95,100 to reflect the correction of recording errors, (5) a reduction to Improvement Accumulated Depreciation in the amount of \$7,605,420 to remove depreciation incorrectly associated with the Improvement account, (6) an increase to the Intangibles Accumulated Depreciation in the amount of \$7,605,420 to properly record the value previously recorded in Improvement Accumulated Depreciation, and (7) a decrease in Personal Property Accumulated Depreciation in the amount of \$3,510 to reflect the correction of recording errors.

**2. Philadelphia Housing Authority (PHA)**

On October 4, 2019, PHA acquired the Investor Limited Partner, Centerline Guaranteed Corporate Partners II, L.P. – Series A, and the Special Limited Partner, RCC Guaranteed SLP II, L.P. – Series A limited partnership interest in Richard Allen Phase III L.P. of 99.99% for an agreed upon sales price of \$1,107,491 assuming responsibility for the annual Tax Credit Investor's Transaction costs of \$11,582 for total consideration of \$1,119,073. With the acquisition of the 99.99% limited partnership interests, Richard Allen Phase III L.P., is now considered a blended component unit of PHA.

The consideration paid by RA Phase 3 LLC for the partnership interest is recognized as a capital investment. It was determined as of March 31, 2020, that a loss of \$1,119,073 should be recognized.

Richard Allen Phase III, L.P. prior year net position per prior year audited financial statements was \$1,493,718. All assets and liabilities were accounted for at carrying value. PHA recognized the following changes in beginning net positions as of restatements:

	<u>Primary Government</u>	<u>Discrete Component Unit</u>
Richard Allen III Phase III, L.P.	\$ (1,493,718)	\$ 1,493,718
Total restatements - net position	<u>\$ (1,493,718)</u>	<u>\$ 1,493,718</u>

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

Richard Allen III Phase III, L.P.	\$ 2,084,709	\$ (2,084,709)
Total restatements - cash and cash equivalents	<u>\$ 2,084,709</u>	<u>\$ (2,084,709)</u>

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

The government-wide statement of net position reports \$1,780.6 million of restricted net position, of which \$167.8 million is restricted by enabling legislation as follows:

	<i>(Amounts in Thousands of USD)</i>	
	<u>Restricted Net Position</u>	<u>Restricted by Enabling Legislation</u>
Capital Projects	548,618	
Debt Service	397,824	
Pension Oblig Bond Refunding Reserve	-	
Behavioral Health	291,376	
Neighborhood Revitalization	269	
Philadelphia Art Museum Project	1,793	
Affordable Housing Project	11,007	
Cultural & Commercial Corridor Project	1,050	
Rebuild Project	77,684	66,313
Home Repair Program	39,497	
Grant Programs	151,131	
Rate Stabilization	151,878	
Libraries & Parks:	-	
Expendable	3,209	
Non-Expendable	3,827	
Educational Programs	-	101,441
Other	101,441	
Total	<u>1,780,604</u>	<u>167,754</u>

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**16. FUND DEFICITS**

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- The Grants Revenue Fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$280.8 million. The deficit was primarily caused by the recording of reimbursed costs and corresponding revenues for services provided by the Department of Human Services to the grants fund, and the delay of billing and receiving reimbursements from the state.
- The Community Development Fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$16.2 million.

**IV. OTHER INFORMATION**

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**1. PENSION PLANS**

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

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

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

**A. PRIMARY GOVERNMENT**

**(1) City Plan**

**a. PENSION FUND DESCRIPTION**

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

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

Plan Membership.

At July 1, 2019, the date of the most recent actuarial valuation, pension plan membership consisted of the following:



Actives	28,596
Terminated Vesteds	965
Disabled	3,883
Retirees	22,241
Beneficiaries	8,574
DROP	2,069
<b>Total City Members</b>	<b>66,328</b>
Annual Salaries	\$ 1,842,554,883
Average Salary per Active Member	\$ 64,434
Annual Retirement Allowances	\$ 774,067,324
Average Retirement Allowance	\$ 22,309

**Contributions.**

Per Title 22 of the Philadelphia Code, members contribute to the Fund at various rates based on bargaining unit, uniform/non-uniform/elected/exempt status, and entry date into the Fund. Beginning July 1, 2019, members contributed at one of the following rates:

Employee Contribution Rates  
For the Period of July 1, 2019 to June 30, 2020

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 87	3.49%	10.75%	6.84%	6.84%
Plan 87 - 50% of Aggregate Normal Cost (3)	4.15%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (4)	4.25%	12.78%	N/A	N/A
Plan 87 Prime (5)	4.49%	11.75%	7.84%	7.84%
Plan 10	2.33%	N/A	7.34%	7.34%
Plan 10 - Accelerated Vesting	2.75%	N/A	N/A	N/A
Plan 16 (6)	4.04%	N/A	N/A	N/A
Plan 16 - Accelerated Vesting (7)	4.53%	N/A	N/A	N/A

- 1- For the Municipal Plan 67 members 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 \$532,080 under plan 87 Elected, normal cost or \$300,735 under Plan 87 Municipal and annual payroll of \$3,298,255.
- 3- This represents 50% of aggregate Normal Cost for all members in Plan Y and applies to Deputy Sheriffs hired between 1/1/2012 and 6/20/2018
- 4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in five years and Elected Officials (L8) eligible to be vested in eight years instead of 10.
- 5- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87. New hires after 7/1/2017 in Police and Fire Plan 87 Prime pay 8.50%
- 6- Beginning January 1, 2019, all Municipal groups (except elected officials) will participate in Plan 16.
- 7- Member rate for Municipal Plan 16 members eligible to vest in 7 years instead of 10 years.

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

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

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

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

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

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

**City's Funding Policy:**

The initial July 1, 1985 UAL was amortized over 34 years ending June 30, 2020, with payments increasing at 3.3% per year, the assumed payroll growth. Other changes in the actuarial liability are amortized in level-dollar payments as follows:

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

In fiscal year 2020, the City and other employers' contributions of \$768.7 million was less than the actuarially determined employer contribution (ADEC) of \$839.7 million. In the event that the City contributes less than the funding policy, an experience loss will be created which will be amortized in accordance with funding policy over a closed 20-year period.

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

**Minimum Municipal Obligation (MMO):**

For the purposes of the MMO under Act 205 reflecting the fresh start amortization schedule, the July 1, 2009 UAL was "fresh started" to be amortized over 30 years ending June 30, 2039. This is a level dollar amortization of the UAL. All future amortization periods will follow the City's Funding Policies as outlined above.

In the fiscal year 2020, the City and other employers' contributions of \$768.7 million exceeded the Minimum Municipal Obligation of \$675.8 million.

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

**Revenue Recognition Policy (RRP)**

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

In the fiscal year 2020, the City and other employers' contributions of \$768.7 million exceeded the contribution under Revenue Recognition Policy of \$704.6 million.

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

**b. BENEFITS**

The Fund provides retirement, disability, and death benefits according to the provisions of Title 22 of the Philadelphia Code. These provisions prescribe retirement benefit calculations, vesting thresholds, and

minimum retirement ages that vary based on bargaining unit, uniform/non-uniform status, and entry date into the System.

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

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

Service-connected death benefits are payable to:

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

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

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost of living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2019, the date of the most recent actuarial valuation, there was \$1,225,114 in the PAF and the Board voted to make PAF distributions of \$0 during the fiscal year ended June 30, 2020.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the 4-year period, the City will make no further contributions for the participant. The participant would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the 4-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the 4-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2020 is \$156.0 million.

### c. INVESTMENTS

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

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

The Fund seeks an annual total rate of return of not less than 7.55% over a full market cycle. It is anticipated that this return standard should enable the Fund to meet its current actuarially assumed earnings projection of 7.55% over a market cycle. There was no change in investment return assumption from the prior fiscal year. The Fund's investment program will pursue its 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 November 14, 2019:

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

**Money-Weighted Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Method Used to Value Investments**

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

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

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

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

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

**Income Taxes**

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

**Related Parties**

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

**Use of Estimates in Preparing Financial Statements**

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

**Risks and Uncertainties**

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

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

**Administrative Expenses**

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

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

**Legal Provisions**

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

**Custodial Credit Risk**

Custodial credit risk for Deposits is the risk that in the event of a bank failure, the Fund's deposits may not be returned to them. The Fund's cash deposits are held in two banks as of June 30, 2020. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name. The Fund classifies Money Market funds held by custodian institution, JPMorgan, N.A., as cash equivalents. The Fund also classifies Treasury Bills as cash equivalent if the date of maturity is three months or less from the acquisition date. Custodial credit risk for Investments is the risk that in the event of counter-party failure, the Fund may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department are uninsured and are not registered in the name of the Fund. The Fund requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Fund. Certain investments may be held by the managers in the Fund's name.

**Interest Rate Risk**

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

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

The table below details the exposure to interest rate changes based upon maturity dates of the fixed income securities at June 30, 2020:

2020 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 28,541	\$ 1,239	\$ 4,862	\$ 8,281	\$ 14,159
CDO	271	271	-	-	-
CMO/REMIC	5,977	1,663	18	68	4,228
Commercial Mortgage Backed Securities	20,525	6,901	402	1,352	11,870
Corporate Bonds	415,705	106,229	86,980	141,201	81,295
Government Bonds	325,457	144,925	67,561	51,431	61,540
Mortgage Backed Securities	70,330	320	297	4,919	64,794
Municipal Bonds	14,958	-	2,234	3,882	8,842
Total Credit Risk of Debt Securities	<u>\$ 881,764</u>	<u>\$ 261,548</u>	<u>\$ 162,354</u>	<u>\$ 211,134</u>	<u>\$ 246,728</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, 2020, the Fund has no single issuer that exceeds 5% of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

#### Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fund is subject to credit risk on \$881.8 million of directly owned fixed income securities. The Fund's directly owned rated debt investments as of June 30, 2020 were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2020 (in Thousands)	Total Fair Value	Credit Rating											
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR	
Asset Backed Securities	\$ 28,541	\$ 8,189	\$ 1,524	\$ 2,185	\$ 5,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,872
CDO	271	271	-	-	-	-	-	-	-	-	-	-	-
CMO/REMIC	5,977	753	4,619	-	-	301	-	-	-	-	-	-	304
Commercial Mortgage Backed Securities	20,525	8,241	9,107	420	-	-	176	59	-	-	-	-	2,522
Corporate Bonds	415,705	544	8,018	137,225	135,149	61,460	42,963	17,284	383	22	-	-	12,657
Government Bonds	325,457	11,218	213,662	17,638	56,918	14,345	8,535	632	1,291	14	1,040	-	164
Mortgage Backed Securities	70,330	-	70,330	-	-	-	-	-	-	-	-	-	-
Municipal Bonds	14,958	2,227	5,292	5,005	1,538	896	-	-	-	-	-	-	-
Total Credit Risk of Debt Securities	<u>\$ 881,764</u>	<u>\$ 31,443</u>	<u>\$ 312,562</u>	<u>\$162,473</u>	<u>\$199,376</u>	<u>\$ 77,002</u>	<u>\$ 51,674</u>	<u>\$ 17,975</u>	<u>\$ 1,674</u>	<u>\$ 36</u>	<u>\$ 1,040</u>	<u>\$ -</u>	<u>\$ 26,519</u>

#### Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 38.5% of the total investment in equities.

The Fund's exposure to foreign currency risk at June 30, 2020 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro (EUR)	\$ 1,728	\$ 12,897	\$ 326,881	\$ 282	\$ 341,788
Japanese Yen (JPY)	329	-	248,018	(46)	248,301
Pound Sterling (GBP)	149	945	148,887	(242)	149,739
Canadian Dollar (CAD)	159	815	107,739	(4)	108,709
Hong Kong Dollar (HKD)	90	-	94,933	-	95,023
Swiss Franc (CHF)	635	-	86,510	3	87,148
Australian Dollar (AUD)	145	6,773	75,156	(360)	81,714
Swedish Krona (SEK)	174	-	29,377	3	29,554
South Korean Won (KRW)	-	-	29,274	5	29,279
Mexican Peso (MXN)	25	19,333	4,112	45	23,515
Danish Krone (DKK)	105	-	19,183	5	19,293
Brazilian Real (BRL)	-	3,833	10,758	(194)	14,397
Malaysian Ringgit (MYR)	-	6,663	6,110	-	12,773
South African Rand (ZAR)	21	5,257	7,275	(205)	12,348
Indonesian Rupiah (IDR)	43	7,269	4,486	47	11,845
Singapore Dollar (SGD)	127	-	10,887	-	11,014
Polish Zloty (PLN)	51	7,445	2,402	-	9,898
Colombian Peso (CLP)	-	6,896	483	37	7,416
Norwegian Krone (NOK)	78	-	6,777	381	7,236
New Zealand Dollar (NZD)	120	-	5,148	160	5,428
Thai Baht (THB)	6	-	4,911	-	4,917
Israeli New Shekel (ILS)	77	-	4,258	-	4,335
All Others	2,681	6,987	8,967	231	18,866
	<u>\$ 6,743</u>	<u>\$ 85,113</u>	<u>\$ 1,242,532</u>	<u>\$ 148</u>	<u>\$ 1,334,536</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 at June 30, 2020 in addition to the fair value and change in the fair value of derivatives.

List of Derivatives Aggregated by Investment Type

List of Derivatives Aggregated by Investment Type					
Classification	Change in Fair Value		Fair Value at June 30, 2020		Notional
Investment Derivatives					
Forwards Currency Contracts	Net Appreciation (Depreciation) in Investments	\$ (271,167)	Investments	\$ 143,489	\$ 355,664,602
Futures	Net Appreciation (Depreciation) in Investments	(382,194)	Investments	18,578	176
Grand Totals		<u>\$ (653,361)</u>		<u>\$ 162,067</u>	<u>\$ 355,664,778</u>

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

**Credit risk:**

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

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

**Swap agreements:**

These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were no received-fixed interest rate Swaps during 2020. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Fund's net payment on the swap increases. Alternatively, on its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the Fund's net payment on the swap increases.

**Futures contracts:**

These derivative instruments are types of contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of a specific financial instrument at a predetermined date and price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. Futures contracts are standardized and are traded on exchanges. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Fund enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The realized gain from Futures contracts was \$132,253.



**Forward contracts:**

The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized loss from forward contracts was (\$6,784,985).

**Termination risk:**

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

**Rollover risk:**

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

**Fair Value Measurement**

The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2020 (expressed in thousands):

	June 30, 2020	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)
<b>Investments by Fair Value Level</b>				
U.S. Treasury Securities	\$ 125,207	\$ -	\$ 125,207	\$ -
Agency Bonds	78,606	-	78,606	-
Asset Backed Securities	28,541	-	28,541	-
Collateralized Debt Obligation	271	-	271	-
Corporate Bonds	415,705	-	415,705	-
Government Bonds	116,066	-	116,066	-
Mortgage Backed Securities	96,832	-	96,832	-
Municipal Bonds	14,958	-	14,958	-
Sovereign Debt	5,578	-	5,578	-
Mutual Funds	1,064	1,064	-	-
Equity	3,224,022	3,221,830	530	1,662
<b>Total Investments by Fair Value Level</b>	<b>4,106,850</b>	<b>3,222,894</b>	<b>882,294</b>	<b>1,662</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Credit Distressed Hedge Fund	\$ 1,174			
Equity Long/Short Hedge funds	20,166			
Real Estate	597,760			
Private Equity	574,376			
Fixed Income Hedge Funds	41,737			
<b>Total Investments Measured at the NAV</b>	<b>1,235,213</b>			
<b>Total Investments Measured at Fair Value</b>	<b>\$ 5,342,063</b>			
<b>Investment Derivative Instruments</b>				
Equity Index Futures (Assets)	\$ 36	\$ 36	\$ -	
Equity Index Futures (Liabilities)	(54)	(54)	-	
Currency Futures (Assets)	37	37	-	
Forward Currency Contracts (Assets)	2,035	-	2,035	
Forward Currency Contracts (Liabilities)	(1,892)	-	(1,892)	
<b>Total Investment Derivative Instruments</b>	<b>\$ 162</b>	<b>\$ 19</b>	<b>\$ 143</b>	

Equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Equities in Level 3 are valued using discounted cash flow techniques.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark for foreign exchange rates.

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

<u>Investment Measured at the Net Asset Value (NAV)</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Credit Distressed Hedge Fund	\$ 1,174	\$ -	Quarterly	90 days
Equity Long/Short Hedge funds	20,166	-	Quarterly	90 days' notice
Real Estate	597,760	7,901	N/A	N/A
Private Equity	574,376	286,044	N/A	N/A
Fixed Income Hedge Funds	41,737	-	Quarterly	90-120 days
Total Investments Measured at the NAV	<u>\$ 1,235,213</u>			

**1. Credit distressed hedge funds:** The Funds seek to identify and exploit event driven opportunities both on the long and short side in the stressed and distressed corporate debt markets. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The Funds maintain the flexibility to invest globally and across capital structures of stressed and distressed companies. Investments generally target secondary U.S. credit opportunities across all tranches of a company's debt capital structure. The Funds may also invest opportunistically in certain equities, long and short. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90 days' notice.

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

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

**4. Private equity funds:** The primary goal of these Funds is to generate returns for investors that exceed private equity industry benchmarks and are commensurate with asset class risk through the construction of a portfolio of opportunistic, highly performing private equity investments. Investments these funds may undertake include early-stage venture capital, later-stage growth financings, leveraged buyouts of medium and large-sized companies, mezzanine investments, PIPES and investments in companies that are being taken private. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the underlying assets of the fund would be liquidated over five to 10 years. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Once a buyer has been identified, the investee fund's management is required to approve of the buyer before the sale of the investments can be completed.

**5. Fixed income hedge funds:** The primary goal of these Funds is to create alpha by sourcing proprietary opportunities, avoiding capital loss, buying securities below their intrinsic value and selling securities above their intrinsic value. Firms look for opportunities that are currently mispriced, based on fundamentals or potentially an event that may improve the price of the holding. Investments are generally driven by fundamental, value-oriented analysis, and specific credit events. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments can be redeemed with a 90-120 days' notice.

**Securities Lending Program**

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

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

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

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2020, the weighted average maturity was 48 days and the final maturity was 351 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2020, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2020, the fair value of securities on loan was \$378.1 million. Associated collateral totaling \$391.2 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2020, the invested cash collateral was \$391.2 million and is valued at amortized cost.

**f. INVESTMENT ADVISORS**

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

**g. NET PENSION LIABILITY**

The components of the net pension liability as of June 30, 2020 were as follows:

Total Pension Liability	\$ 11,983,391,471
Plan Fiduciary Net Position	5,782,890,966
Collective Net Pension Liability	<u>\$ 6,200,500,505</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 48.3%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2019 and was rolled forward to June 30, 2020. The June 30, 2019 actuarial valuation used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.55% compounded annually, net of expenses
Salary Increases:	Age based table

The investment return assumption remained unchanged at 7.55% from the prior year valuation to the current year valuation.

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

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

The measurement date for the net pension liability (NPL) is June 30, 2020. Measurements are based on the fair value of assets as of June 30, 2020 and the total pension liability (TPL) as of the valuation date, July 1, 2019, updated to June 30, 2020. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments. During the measurement year, the collective NPL increased by approximately \$115 million. The service cost and interest cost increased the collective NPL by approximately \$ 1.06 billion while contributions plus investment income offset by administrative expenses decreased the collective NPL by approximately \$957 million.

Additionally, there was an actuarial experience loss during the year of approximately \$9 million primarily due to mortality experience and from participants in transition from active to non-active status.

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

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

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Broad Fixed Income	1.6 %
High Yield	5.3 %
Global Aggregate	1.1 %
Emerging Market Debt	5.2 %
U.S. Large Cap Core Equity	7.2 %
U.S. Mid Cap Core Equity	7.5 %
U.S. Small Cap Core Equity	7.9 %
Global Low Volatility Equity	6.9 %
International Developed Large Cap Equity	7.5 %
International Small Cap Equity	7.8 %
Emerging Market Equity	8.1 %
Hedge Funds	5.7 %
Core Real Estate	5.6 %
Public REITs	5.9 %
Opportunistic Real Estate	11.2 %
Global Infrastructure	7.1 %
Private Equity	11.4 %

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

**Discount Rate:** The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

**Sensitivity of the net pension liability:** The following presents the net pension liability of the Fund, calculated using the discount rate of 7.55%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.55%	Discount Rate 7.55%	1% Increase 8.55%
Total Pension Liability	\$ 13,209,508,185	\$ 11,983,391,471	\$ 10,939,076,304
Plan Fiduciary Net Position	5,782,890,966	5,782,890,966	5,782,890,966
Collective Net Pension Liability	<u>\$ 7,426,617,219</u>	<u>\$ 6,200,500,505</u>	<u>\$ 5,156,185,338</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.8%	48.3%	52.9%

**h. GUARANTEE OF BENEFITS**

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

**i. PARTICIPATION IN THE PENSION FUND**

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

**j. REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS**

**Changes in Collective Net Pension Liability:** The following table shows the changes in total pension liability (TPL), the plan fiduciary net position (i.e., fair value of the System assets) (FNP), and the net pension liability (NPL) during the measurement period ending on June 30, 2020.

	Change in Collective Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at 6/30/2019</b>	\$ 11,774,268,695	\$ 5,688,383,351	\$ 6,085,885,344
<b>Changes for the year:</b>			
Service cost	190,456,944		190,456,944
Interest	871,381,015		871,381,015
Changes of benefits	0		0
Differences between expected and actual experience	9,482,477		9,482,477
Changes of assumptions	0		0
Contributions - employer		768,720,687	(768,720,687)
Contributions - member		111,824,994	(111,824,994)
Net investment income		87,150,696	(87,150,696)
Benefit payments	(862,197,660)	(862,197,660)	0
Administrative expense		(10,991,102)	10,991,102
<b>Net changes</b>	<u>209,122,776</u>	<u>94,507,615</u>	<u>114,615,161</u>
<b>Balances at 6/30/2020</b>	<u>\$ 11,983,391,471</u>	<u>\$ 5,782,890,966</u>	<u>\$ 6,200,500,505</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).

<b>Schedule of Pension Amounts by Employer</b>					
For the year ended	PPA	PMA	PHDC	City	Total
Collective pension expenses	\$ 11,449,456	\$ 374,165	\$ 1,346,995	\$ 735,159,835	\$ 748,330,451
Change in proportion	(22,619,894)	38,721	(1,847,449)	24,428,622	-
Contribution difference	6,065,299	78,317	505,439	(6,649,054)	-
Employer pension expense	<u>(5,105,139)</u>	<u>491,203</u>	<u>4,985</u>	<u>752,939,403</u>	<u>748,330,451</u>
Net pension liability 6/30/19	121,109,118	3,042,943	10,954,594	5,950,778,689	6,085,885,344
Net pension liability 6/30/20	<u>94,867,658</u>	<u>3,100,250</u>	<u>11,160,901</u>	<u>6,091,371,696</u>	<u>6,200,500,505</u>
Change in net pension liability	<u>(26,241,460)</u>	<u>57,307</u>	<u>206,307</u>	<u>140,593,007</u>	<u>114,615,161</u>
Deferred outflow s 6/30/19	14,583,914	712,752	1,237,713	235,767,146	252,301,525
Deferred outflow s 6/30/20	<u>16,695,920</u>	<u>699,828</u>	<u>1,660,871</u>	<u>371,962,899</u>	<u>391,019,518</u>
Change in deferred outflow s	<u>2,112,006</u>	<u>(12,924)</u>	<u>423,158</u>	<u>136,195,753</u>	<u>138,717,993</u>
Deferred inflow s 6/30/19	(29,582,073)	(93,147)	(2,918,062)	(11,442,756)	(44,036,038)
Deferred inflow s 6/30/20	<u>(33,999,230)</u>	<u>(14,836)</u>	<u>(1,070,613)</u>	<u>(12,663,956)</u>	<u>(47,748,635)</u>
Change in deferred inflow s	<u>(4,417,157)</u>	<u>78,311</u>	<u>1,847,449</u>	<u>(1,221,200)</u>	<u>(3,712,597)</u>
Employer contributions	18,831,170	499,282	2,069,286	747,320,949	768,720,687
Employer pension expense	(5,105,139)	491,203	4,985	752,939,403	748,330,451

**Reconciliation of Net Pension Liability**

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

<b>Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability</b>			
<i>(Amounts in thousands of USD)</i>			
Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	6,091,372	-	6,091,372
PPA	94,868	94,868	-
PMA	3,100	-	3,100
PHDC (1)	11,161	11,161	-
Collective Net Pension Liability	<u>6,200,501</u>	<u>106,029</u>	<u>6,094,472</u>
State Pension Fund			
PICA			1,413
City's Primary Government Net Pension Liability (Exhibit I)			<u>6,095,885</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 and contribution differences.

<b>Schedule of Employer's Deferred Outflows</b>					
	<b>PPA</b>	<b>PMA</b>	<b>PHDC</b>	<b>CITY</b>	<b>Total</b>
Proportionate Shares	1.53%	0.05%	0.18%	98.24%	100%
Experience	\$ 328,628	\$ 10,739	\$ 38,662	\$ 21,100,950	\$ 21,478,979
Assumption changes	896,558	29,299	105,477	57,567,245	58,598,579
Investment return	4,026,858	131,597	473,748	258,561,122	263,193,325
Proportion change	-	351,098	-	34,733,582	35,084,680
Contribution difference	11,443,876	177,095	1,042,984	-	12,663,955
	<u>\$ 16,695,920</u>	<u>\$ 699,828</u>	<u>\$ 1,660,871</u>	<u>\$ 371,962,899</u>	<u>\$ 391,019,518</u>

**Deferred Inflows by Employer**

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

<b>Schedule of Employer's Deferred Inflows</b>					
	<b>PPA</b>	<b>PMA</b>	<b>PHDC</b>	<b>CITY</b>	<b>Total</b>
Proportionate Shares	1.53%	0.05%	0.180%	98.24%	100%
Experience	\$ -	\$ -	\$ -	\$ -	\$ -
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	(33,999,230)	(14,836)	(1,070,613)	-	(35,084,679)
Contribution difference	-	-	-	(12,663,956)	(12,663,956)
	<u>\$ (33,999,230)</u>	<u>\$ (14,836)</u>	<u>\$ (1,070,613)</u>	<u>\$ (12,663,956)</u>	<u>\$ (47,748,635)</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.

<b>Schedule of Employer's Recognition of Deferred Outflows and Inflows</b>					
<b>For Year ending</b>	<b>PPA</b>	<b>PMA</b>	<b>PHDC</b>	<b>CITY</b>	<b>Total</b>
2021	\$ (8,604,999)	\$ 207,086	\$ (303,193)	\$ 86,653,317	\$ 77,952,211
2022	(2,992,773)	206,535	302,832	93,289,934	90,806,528
2023	(2,789,434)	213,180	326,754	106,346,166	104,096,666
2024	(2,916,105)	58,192	263,866	73,009,526	70,415,479
2025	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	<u>\$ (17,303,311)</u>	<u>\$ 684,993</u>	<u>\$ 590,259</u>	<u>\$ 359,298,943</u>	<u>\$ 343,270,884</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 others. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

The Plan consists of Philadelphia Gas Works ("PGW" or the "Company"), a component unit of the City and is included in the City's Comprehensive Annual Financial Report as a trust and agency fund.

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for all eligible employees of Philadelphia Gas Works, and other eligible class employees of Philadelphia Facilities Management Corporation (PFMC) and Philadelphia Gas Commission (PGC).

The Plan is administered by the Sinking Fund Commission of the City of Philadelphia (the "Commission"). The Commission is responsible for the administration of the Plan. Certain administrative aspects of the Plan are delegated to PGW. The Commission acts in a fiduciary matter with regards to the assets of the Plan. The Commission was established by the City Charter and consists of the Director of Finance, the City Controller and an experienced banker or investment banker appointed by the Mayor. Alternates for these members are allowed by written authorization of the Mayor.

As of the latest available actuarial valuation (June 30, 2020), the Plan's membership consisted of:

Active participants	1,163
Retired participants	2,195
Vested terminated participants	<u>319</u>
Total plan participants	3,677
Total Payroll	\$ 95,933,744
Average pay	82,488

The Plan is currently open to all employees of PGW.

b. **BENEFITS PROVIDED**

*Normal Retirement Benefits:* The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25 percent of the first \$6,600 of Final Average Earnings plus 1.75 percent of the excess of Final Average Earnings over \$6,600, times years of credited service, with a maximum of 60 percent of the highest annual earnings during the last 10 years of credited service, applicable to all participants; or,
- 2 percent of total earnings received during the period of credited service plus 22.5 percent of the first \$1,200 of such amount, applicable only to participants who were employees on or prior to March 24, 1967.

Final Average Earnings are the employees' average pay, over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

Except as noted in the following paragraph, covered employees are not required to contribute to the Pension Plan.

In December 2011, the Pension Plan was amended by Ordinance and a new deferred compensation plan was authorized by Ordinance as well. Newly hired employees have an irrevocable option to join either a new deferred



compensation plan created in accordance with the Internal Revenue Service Code Section 401 or the existing defined-benefit plan. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. The defined-benefit plan provides for a newly hired employee contributions equal to 6.0% of applicable wages. The Ordinance did not affect the retirement benefits of active employees, current retirees and beneficiaries, or terminated employees entitled to benefits but not yet receiving them.

*Funding Policy:* The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2020 and the contribution rate as of percentage of payroll was 30.66%.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General fund must provide any shortfall.

Contributing participants (Non-covered employees) in the Plan are required to make annual contributions totaling 6% of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100% vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100% vested in their accrued benefit. Contributions from contributing participants for the Plan year ending June 30, 2020 totaled \$1,519,517.

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

#### **Basis of Accounting**

Plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. The pension benefits are paid monthly and recorded as paid. As a result, there are no pension benefits payable at June 30, 2020.

#### **Method Used to Value Investments**

The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the statement of changes in fiduciary net position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.

Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to \$18,029,802 for the year ended June 30, 2020. Net unrealized loss for the year ended June 30, 2020 totaled \$(15,810,485).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

#### **Due From and To Brokers**

Due from brokers represents the value of investments sold by brokers prior to year-end, for which the settlement date of the sale occurred subsequent to year end. Similarly, due to brokers represents the value of investments purchased by brokers prior to year-end, for which the settlement date of the purchase occurred subsequent to year end.

#### **Fair Value of Financial Instruments**

The carrying values of financial instruments including interest and dividends receivable, due from brokers, accounts payable, and amounts due to PGW and brokers approximate their fair market value due to the relative short maturity of these instruments.

#### **Investment Advisors**

The Fund utilizes numerous investment advisors to manage debt and equity portfolios. The Sinking Fund Commission must approve all investment advisors.

#### **Income Taxes**

The Plan is not subject to Federal, state or local income taxes.

**Trend Information**

Historical trend information related to the Plan is presented in the Supplemental Information section. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

**Related Parties**

The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides bookkeeping services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefits payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to \$55,061,155 and \$167,729, respectively for the year ended June 30, 2020.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at June 30, 20, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

**Risks and Uncertainties**

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

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions, in the near term, would be material to the financial statements.

**Deposits and Investments**

The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury or agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and impose limitations on the amounts invested in certain types of securities.

*Investments:* The Commission maintains a Statement of Investment Guidelines (“Policy”) consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on November 25, 2019. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the investment goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian and any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at:  
<http://www.phila.gov/Treasurer/Documents/PGWPP.pdf>.

The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy as described above. As of June 30, 2020, the Plan had investments of approximately \$522 million, comprised of \$351 million in equities and \$171 million in fixed-income investments. The ratio of equities to fixed income is 67% to 33% which is in line with the Policy guidelines of 60-70% equities and 30-40% fixed income.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of investment expense was 2.83%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2020, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (Millions)
<u>Equity Managers</u>		
RhumbLine Asset Management	Domestic Large Cap Index	\$ 119.6
RhumbLine Asset Management	International Markets	34.7
PineBridge Investments	Domestic Large Cap Index	61.5
Northern Trust Company	Domestic Large Cap Index	27.7
Acadian Asset Management	International Markets	35.1
Earnest Partners, LLC	International Markets	29.3
Copeland Capital Management	Domestic and International	21.4
Rhumblin Small CAP	Domestic Small Cap Index	<u>21.4</u>
		350.7
<u>Bond Managers</u>		
Weaver Barksdale	Core	42.0
Met Life Inc	Investment Grade	15.1
Met Life Inc	Core	37.6
Garcia Hamilton	Intermediate	33.7
Lazard Asset Management	Intermediate Plus	31.4
Sky Harbor Capital Management	High Yield	<u>11.9</u>
		<u>171.7</u>
Total		<u>\$ 522.4</u>

At its quarterly meetings, the Commission, with the assistance of PFM Asset Management LLC monitors the performance of the investment managers over various periods of time and will change a manager when the Commission deems it necessary. Each of the managers and other vendors (except for those marked 'fund') are contracted for a period of one year, with one-year extensions at the discretion of the Commission.

#### Interest Rate Risk

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

	<u>Total Fair Value</u>	<u>Below 1 Year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>10 years and over</u>
U.S. Govt. Treasuries	\$ 41,480,401	\$ 4,111,599	\$ 23,591,656	\$ 7,846,768	\$ 5,930,378
U.S. Govt. Agencies	39,648,397	20,228,360	14,718,151	1,867,390	2,834,496
Municipal Bonds	1,201,462	-	188,389	668,409	344,664
Corporate Bonds	81,814,060	8,161,752	31,538,791	29,268,595	12,844,922
Asset Backed Securities	<u>7,505,542</u>	<u>3,614,754</u>	<u>2,411,482</u>	<u>1,042,823</u>	<u>436,483</u>
	<u>\$ 171,649,862</u>	<u>\$ 36,116,465</u>	<u>\$ 72,448,469</u>	<u>\$ 40,693,985</u>	<u>\$ 22,390,943</u>

#### Custodial Credit Risk

In the event of counter-party failure, the Plan may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department, are uninsured and are not registered in the name of the Plan. The Plan requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Plan. Certain investments may be held by the managers in the Plan's name.

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2020 were rated by Standard and Poor ("S&P"), a nationally recognized statistical rating agency and are presented below using S&P's rating scale:

S&P Credit Rating	U.S. Government Securities	U.S. Government Agency Securities	Municipal Bonds	Corporate Bonds	Asset-Backed Securities	Total Fair Value
AAA	\$ -	\$ -	\$ -	\$ 167,358	\$ 5,213,515	\$ 5,380,873
AA+	41,480,401	36,857,783	-	531,686	386,973	79,256,843
AA	-	-	-	244,638	326,219	570,857
AA-	-	-	668,409	929,298	309,007	1,906,714
A+	-	-	-	2,888,187	69,530	2,957,717
A	-	-	-	5,249,078	335,480	5,584,558
A-	-	-	-	22,184,303	183,347	22,367,650
BBB+	-	-	-	15,422,546	-	15,422,546
BBB	-	-	-	12,216,245	31,094	12,247,339
BBB-	-	-	533,053	7,288,833	-	7,821,886
BB+	-	-	-	1,972,674	21,979	1,994,653
BB	-	-	-	1,624,024	24,891	1,648,915
BB-	-	-	-	1,229,656	-	1,229,656
B+	-	-	-	1,188,608	-	1,188,608
B	-	-	-	2,124,808	-	2,124,808
B-	-	-	-	2,862,019	136,871	2,998,890
CCC+	-	-	-	1,629,711	18,670	1,648,381
CCC	-	-	-	1,540,617	-	1,540,617
CCC-	-	-	-	466,967	-	466,967
NR/NA	-	2,790,614.00	-	52,804	447,966	3,291,384
	<u>\$ 41,480,401</u>	<u>\$ 39,648,397</u>	<u>1,201,462</u>	<u>\$ 81,814,060</u>	<u>\$ 7,505,542</u>	<u>\$ 171,649,862</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, 2020, no single investment, not guaranteed by the U.S. government exceeds 5% of the Plan's net fiduciary financial position.

**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.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 81,814,060	\$ -	\$ 81,814,060
Common and preferred stock	327,817,304	22,887,986	2,749	350,708,039
U.S. government securities	41,480,401	39,648,397	-	81,128,798
Asset backed securities	-	7,505,542	-	7,505,542
Municipal obligations	-	1,201,462	-	1,201,462
	<u>\$ 369,297,705</u>	<u>\$ 153,057,447</u>	<u>\$ 2,749</u>	<u>\$ 522,357,901</u>

**e. ADVANCE FROM THE PHILADELPHIA GAS WORKS**

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW at June 30, 2020 of \$132,652 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan. Such amount will be settled in the subsequent Plan year.

**f. NET PENSION LIABILITY**

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund at June 30, 2020, were as follows (dollar amounts in thousands):

Total pension liability	\$ 780,792
Plan fiduciary net position	<u>543,230</u>
Net pension liability	<u>\$ 237,562</u>

Plan fiduciary net position as a percentage of of the total pension liability	69.57%
--	--------

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions:

Salary increases	Salaries are assumed to increase by an amount based on years of service.
General inflation	2%
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020.

**Change in Assumptions**

The total pension liability reflects a decrease of approximately \$24.9 million as a result of changes actuarial assumptions for the Plan year ended June 30, 2020. The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2018 to the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020 to better reflect actual and future mortality experience.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current, actuarially determined funding policy. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate remains the same as the prior valuation period.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2020 is calculated using the discount rate of 7.30%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 % lower (6.30%) or 1% higher (8.30%) than the current rate (dollar amounts in thousands):

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
	<b>6.30%</b>	<b>7.30%</b>	<b>8.30%</b>
Total Pension Liability	\$869,083	780,792	707,156
Plan Fiduciary Net Position	543,230	543,230	543,230
Net Pension Liability	325,853	237,562	163,926

**Subsequent Events**

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of January 19, 2021 which is the date the financial statements were available to be issued.

Subsequent to the Plan's year-end, the Sinking Fund Commission voted to transition the Plan's custody banking service from Wells Fargo to US bank with a target date of November 1, 2020.

Management is currently evaluating the introduction of the COVID-19 virus to the United States during March 2020, and its impact on the Plan, and has concluded that while it is reasonably possible that the virus could have a negative effect on the Plan's net assets, and changes therein, the specific impact is not readily determinable as of the date the financial statements were available to be issued.

**B. DISCRETELY PRESENTED COMPONENT UNITS**

**(1) Philadelphia Gas Works**

**a. Plan Description**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

**b. Benefits Provided**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided

**c. Employees Covered by Benefit Terms**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

**d. Contributions**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided - Funding Policy and Employee Contributions

**e. Net Pension Liability**

PGW's net pension liability as of August 31, 2020 and 2019 was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and June 30, 2019, respectively.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	2020	2019
Inflation	2.00 %	2.00 %
Investment rate of return	7.30	7.30
Salary increases		
Years of service		
—	8.86	4.50
1	8.59	4.50
2	8.31	4.50
3	8.04	4.50
4	7.77	4.50
5	7.49	4.50
6	7.22	4.50
7	6.94	4.50
8	6.67	4.50
9	6.39	4.50
10	6.12	4.50
11	5.84	4.50
12	5.57	4.50
13	5.29	4.50
14	5.02	4.50
15	4.74	4.50
16	4.54	4.50
17	4.33	4.50
18	4.12	4.50
19	3.91	4.50
20 or more	3.71	4.50

*Mortality rates.* Mortality rates for FY 2019 were based on the RP-2014 mortality tables for males and females generationally projected with scale MP-2018. Mortality rates for FY 2020 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2020. The mortality rates for FY 2020 were updated based upon the experience study using retirement rates for active and terminated vested participants from 2014 through 2019.

*Long-term rate of return.* The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for FY 2020 are summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity	35.0 %	55.0 %	45.0 %	8.7 %
International equity	10.0	30.0	20.0	8.8
Fixed income	25.0	45.0	35.0	5.0
Cash equivalents	—	10.0	—	
			<u>100.0 %</u>	

*Discount rate.* The discount rate used to measure the total pension liability at June 30, 2020 and 2019 was 7.3%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Company contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee contributions. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2019	\$ 800,486	553,240	247,246
Changes for the year:			
Service cost	6,400	—	6,400
Interest	56,893	—	56,893
Differences between expected and actual experience	(3,034)	—	(3,034)
Contributions – employer	—	29,414	(29,414)
Contributions – employee	—	1,520	(1,520)
Net investment income	—	14,286	(14,286)
Benefit payments, including refunds of employee contributions	(55,061)	(55,061)	—
Administrative expenses	—	(168)	168
Change in assumptions	(24,891)	—	(24,891)
Net changes	(19,693)	(10,009)	(9,684)
Balances at August 31, 2020	\$ 780,793	543,231	237,562

Changes in Net Pension Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a)-(b)
Balances at September 1, 2018	\$ 804,507	543,246	261,261
Changes for the year:			
Service cost	6,554	—	6,554
Interest	57,241	—	57,241
Differences between expected and actual experience	(12,089)	—	(12,089)
Contributions – employer	—	28,570	(28,570)
Contributions – employee	—	1,249	(1,249)
Net investment income	—	34,260	(34,260)
Benefit payments, including refunds of employee contributions	(53,893)	(53,893)	—
Administrative expenses	—	(192)	192
Change in assumptions	(1,834)	—	(1,834)
Net changes	(4,021)	9,994	(14,015)
Balances at August 31, 2019	\$ 800,486	553,240	247,246

*Sensitivity of the net pension liability to changes in the discount rate:*

The following table presents the net pension liability of the Company at June 30, 2020, calculated using the discount rate of 7.30%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.30%) or one-percentage point higher (8.30%) than the current rate:



	1% Decrease 6.30%	Current discount rate 7.30%	1% Increase 8.30%
	(Thousands of U.S. dollars)		
Net pension liability	\$ 325,853	237,562	163,926

*Pension Plan fiduciary net position.* Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report.

**f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended August 31, 2020 and 2019, the Company recognized pension expense of \$19.5 million and \$30.3 million, respectively. At August 31, 2020 and 2019, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (thousands of U.S. dollars):

	August 31, 2020		August 31, 2019	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 3,499	8,047	8,067	8,949
Changes of assumptions	—	20,100	—	5,039
Net difference between projected and actual earnings on pension plan investments	14,742	—	—	4,242
Contributions made after measurement date	6,167	—	6,354	—
Total	<u>\$ 24,408</u>	<u>28,147</u>	<u>14,421</u>	<u>18,230</u>

The \$6.2 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2020 will be recognized as a reduction of the net pension liability in the Company's FY 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (thousands of U.S. dollars):

Fiscal year:	
2021	\$ (9,086)
2022	(5,871)
2023	8
2024	5,043

**g. Fair Value Measurements**

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – d. Disclosures About Fair Value of Financial Instruments.

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (the System) is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSRS issues a publicly available financial report that can be obtained at [www.pfers.state.pa.us](http://www.pfers.state.pa.us).

b. Benefits provided:

The System provides retirement and disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes- (1) Membership Class T-E (Class T-E) and (2) Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Code (Code) of multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and T-F members) or who has at least five years of credited services (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Members Contributions:

Active members who joined prior to July 22, 1983, contribute at 5.25 % (Membership Class T-C) or at 6.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25 % (Membership Class T-C) or 7.50 % (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50 % (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2020 was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District made a combined total of \$361.0 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2020.

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2020 was 72.09%.

**d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

- (a) At June 30, 2020, the District reported a liability of \$3,571.5 million for its proportionate share of the net pension liability of which \$3,518.2 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2019, the District's proportion was 7.6342 percent, which was a decrease of .0709 percent from its proportion measured as of June 30, 2018.
- (b) For the year ended June 30, 2020, the District recognized net pension expense of \$30,686.1 thousand of which \$30,228.7 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$457.49 thousand was under the Business-type Activity section of the Government-wide Statements.
- (c) At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pens

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual	\$ 19,667.0	\$ (118,375.0)
Change in assumption	34,142.0	-
Net difference between projected and actual investment earnings	-	(10,231.0)
Change in proportions	168,150.0	(33,910.0)
Difference between employer contributions and proportionate share of total contributions	-	(2,224.3)
Contributions subsequent to the measurement date	361,051.9	-
	<u>\$ 583,010.9</u>	<u>\$ (164,740.3)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$361,051.9 thousand and will be recognized as a reduction of net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current period.

The District recognized net deferred outflows of \$57,218.7 thousand reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2020	\$ 313,708.8	\$ (231,088.1)	\$ 82,620.7
2021	50,015.8	(37,368.4)	12,647.4
2022	(165,300.5)	120,948.2	(44,352.3)
2023	23,534.9	(17,232.0)	6,302.9
<b>Total</b>	<u>\$ 221,959.0</u>	<u>\$ (164,740.3)</u>	<u>\$ 57,218.7</u>

Of the \$57,218.7 thousand reported as net deferred outflows, \$56,366.1 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$827.9 thousand and \$24.7 thousand, respectively.

*Actuarial assumptions*

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

*Investments:* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 6.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**e. Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:**

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<i>(Dollars in Thousands)</i>		
	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
District's proportionate share of the net pension liability	\$4,448,668	\$3,571,478	\$2,828,713

**f. Pension plan fiduciary net position:**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**2. ACCUMULATED UNPAID SICK LEAVE**

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. SDP employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 60% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave.

**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. PRIMARY GOVERNMENT**

**Plan description:** The City of Philadelphia self-administers a single employer, defined benefit plan that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits provided:** The City of Philadelphia subsidizes health care for five years from the time of coverage election for eligible retirees. Certain union represented employees may defer their coverage until a later date, but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to \$7,500 coverage and all other employees receive \$6,000 in coverage. The plan does not issue stand-alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

**Funding Policy:** The City's funding policy is to pay the net expected benefits for the current retirees. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts and is self-insured for non-union employees. The City's contributions are estimated to be about \$104.6 million for fiscal year ending June 30, 2020.

**Employees covered by benefit terms:** At July 1, 2018, the following employees were covered by the benefit terms:

<u>Medical Coverage:</u>	
Inactive employees or beneficiaries currently receiving medical coverage	3,572
DROPS with medical coverage	1,944
Inactive employees entitled to, but not yet receiving medical coverage	444
Active employees	28,845
<b>Total</b>	<b>34,805</b>
<u>Life Insurance Coverage</u>	
Inactive employees or beneficiaries currently receiving life insurance coverage	27,798
Active employees	28,845
<b>Total</b>	<b>56,643</b>

**Total OPEB Liability:**

The City's total OPEB liability of \$1,935,300,000 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018.

**Actuarial assumptions and other inputs.**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

**Measurement Date:** June 30, 2018 and June 30, 2019; Reporting dates June 30, 2019 and June 30, 2020.

**Discount rate:**

- 3.50% per annum for the valuation measured as of June 30, 2019
- 3.87% per annum for the valuation measured as of June 30, 2018

**Salary Increase Rate:**

Age	Municipal and Elected Officials	
	Municipal and Elected Officials	Uniformed
<20	20.00%	20.00%
20 - 24	18.00%	11.00%
25 - 29	10.00%	7.00%
30 - 34	7.00%	5.00%
35 - 39	5.75%	4.25%
40 - 44	5.00%	4.00%
45 - 49	4.60%	3.50%
50 - 54	4.35%	3.30%
55 - 59	4.10%	3.00%
60 - 64	3.85%	3.00%
65 +	3.50%	2.75%

**Per Person Cost Trends:**

The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

To Year	Medical		Rx		Medical/Rx Combined	
	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible	Pre Medicare	Medicare Eligible
Beginning July 1						
2019	8.00%	6.00%	9.00%	8.00%	8.20%	6.40%
2020	7.50%	5.75%	8.75%	7.75%	7.75%	6.15%
2021	7.00%	5.50%	8.50%	7.50%	7.30%	5.90%
2022	6.50%	5.25%	8.25%	7.25%	6.85%	5.65%
2023	6.28%	5.24%	7.74%	6.91%	6.57%	5.57%
2024	6.06%	5.23%	7.23%	6.56%	6.29%	5.49%
2025	5.84%	5.22%	6.72%	6.22%	6.02%	5.42%
2026	5.62%	5.21%	6.21%	5.87%	5.74%	5.34%
2027	5.40%	5.19%	5.69%	5.53%	5.46%	5.26%
2028	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2029	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2030	5.18%	5.18%	5.18%	5.18%	5.18%	5.18%
2031	4.87%	4.87%	4.87%	4.87%	4.87%	4.87%
2032	4.68%	4.68%	4.68%	4.68%	4.68%	4.68%
2033	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
2034	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
2035	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
2036	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
2037	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%
2038	4.19%	4.19%	4.19%	4.19%	4.19%	4.19%
2039	4.06%	4.06%	4.06%	4.06%	4.06%	4.06%
2040 +	3.94%	3.94%	3.94%	3.94%	3.94%	3.94%

Dental and vision costs are assumed to increase at 3% per year.

**Retirees Share of Benefit related costs:**

Percent of Retirees Electing Coverage

Participation rate for medical coverage

- 85% of future retirees from Non-Represented groups are assumed to elect post-retirement medical covers.
- 100% of future retirees from represented groups (DC 33, DC 47, Fire, and Police) are assumed to elect post-retirement medical coverage.
- 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rate for life insurance

- 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

**Mortality Rates:**

It is assumed deaths of active municipal and elected members, 110% and 115%, for males and females, respectively, follows RP-2014 Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

It is assumed deaths of active uniformed members follow 85% of the RP-2014 Blue Collar Employee Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, 127% and 119% for males and females, respectively, the rate of post-retirement and post-disability mortality follow RP-2014 Healthy Annuitant Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-retirement and post-disability mortality follow 115% of the RP-2014 Blue Collar Healthy Annuitant Table projected from base year of 2006 to 2021 using mortality improvement scale MP-2017.

For municipal and elected members, the rate of post-disability mortality follows 95% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

For uniformed members, the rate of post-disability mortality follows 80% of the RP-2014 Disabled Retiree Table projected from base year 2006-2021 using mortality improvement scale MP-2017.

**Change in the Total OPEB Liability:**

The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e., the fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2019.

	Change in Net OPEB Liability		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2018	\$ 1,823,900,000	\$ 0	\$ 1,823,900,000
<b>Changes for the year:</b>			
Service cost	82,400,000		82,400,000
Interest	71,900,000		71,900,000
Changes of benefits	0		0
Differences between expected/actual	0		0
Changes of assumptions	54,000,000		54,000,000
Contributions - employer		96,900,000	(96,900,000)
Contributions - non employer		0	0
Contributions - member		0	0
Net investment income		0	0
Benefit payments	(96,900,000)	(96,900,000)	0
Administrative expense		0	0
Net changes	111,400,000	0	111,400,000
Balances at 6/30/2019	\$ 1,935,300,000	\$ 0	\$ 1,935,300,000

During the measurement year, the NOL increased by approximately \$111.4 million. The service cost and interest cost increased the NOL by approximately \$154.3 million while contributions decreased the NOL by approximately \$96.9 million. The employer contribution of \$96.9 million is based on a blend of actual contributions provided by the City of Philadelphia and estimated contributions based on the prior report. Because a portion of the contribution is estimated, this was reviewed by the City for reasonability.

There were no material changes in benefits during the year. Because the beginning and ending values are based on the same valuation and there were no significant events, there were no liability gains or losses during the year due to experience.

There was an assumption change due to the change in the 20-year bond buyer index rate. The discount rate changed from 3.87% to 3.50% as of June 30, 2019, increasing the liability by \$54.0 million.

There were no benefit changes during the measurement period.

**Sensitivity of the total OPEB liability to changes in the discount rate:**

The Following represents the total OPEB liability (TOL) of the City, as well as what the City's total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate.



Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

<b>Sensitivity of Net OPEB Liability to Changes in Discount Rate</b>			
	<b>1% Decrease 2.50%</b>	<b>Discount Rate 3.50%</b>	<b>1% Increase 4.50%</b>
Total OPEB Liability	\$ 2,091,100,000	\$ 1,935,300,000	\$ 1,793,400,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 2,091,100,000</u>	<u>\$ 1,935,300,000</u>	<u>\$ 1,793,400,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A one percent decrease in the discount rate increases the TOL and NOL by approximately 8%. A one percent increase in the discount rate decreases the TOL and NOL by approximately 7%.

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The Following represents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

<b>Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates</b>			
	<b>1% Decrease</b>	<b>Healthcare Trend</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 1,744,800,000	\$ 1,935,300,000	\$ 2,160,000,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,744,800,000</u>	<u>\$ 1,935,300,000</u>	<u>\$ 2,160,000,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A one percent decrease in the healthcare trends decreases the TOL and NOL by approximately 10%. A one percent increase in the healthcare trend rate increases the TOL and NOL by approximately 12%.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.**  
For the year ended June 30, 2020, the City recognized OPEB expense of \$135,100,000. The table below shows the development of OPEB expense.

Calculation of OPEB Expense		
Fiscal Year Ending Measurement Year Ending	June 30, 2020 June 30, 2019	June 30, 2019 June 30, 2018
Change in Net OPEB Liability	\$ 111,400,000	\$ (37,700,000)
Change in Deferred Outflows	(41,700,000)	(50,500,000)
Change in Deferred Inflows	(31,500,000)	116,300,000
Non Employer Contributions	-	-
Employer Contributions	96,900,000	96,400,000
<b>OPEB Expense</b>	<b>\$ 135,100,000</b>	<b>\$ 124,500,000</b>
<b>OPEB Expense as % of Payroll</b>	<b>7.33%</b>	<b>6.90%</b>
<b>Operating Expenses</b>		
Service cost	\$ 82,400,000	\$ 81,800,000
Employee contributions	-	-
Administrative expenses	-	-
Total	\$ 82,400,000	\$ 81,800,000
<b>Financing Expenses</b>		
Interest cost	\$ 71,900,000	\$ 67,900,000
Expected return on assets	-	-
Total	\$ 71,900,000	\$ 67,900,000
<b>Changes</b>		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	(25,500,000)	(31,500,000)
Recognition of liability gains and losses	6,300,000	6,300,000
Recognition of investment gains and losses	-	0
Total	\$ (19,200,000)	\$ (25,200,000)
<b>OPEB Expense</b>	<b>\$ 135,100,000</b>	<b>\$ 124,500,000</b>

At June 30, 2020, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2020 Projected Fiscal Year End June 30, 2019 Measurement Date		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,200,000	\$ 0
Changes in assumptions	48,000,000	175,300,000
Net difference between projected and actual earnings on OPEB plan investments	0	0
Contributions subsequent to the measurement date	(104,600,000)	0
<b>Total</b>	<b>\$ (12,400,000)</b>	<b>\$ 175,300,000</b>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	(19,200,000)
2022	(19,200,000)
2023	(19,200,000)
2024	(19,100,000)
2025	(4,100,000)
Thereafter	\$ (2,300,000)

The subsequent contributions after the measurement date are reflected as a deferred outflow, but this is not subject to a deferred recognition period in the OPEB expense. Instead, this will be fully recognized in the OPEB expense for the Fiscal Year ending June 30, 2021.

**Required Supplementary Information:** The schedule below shows the changes in NOL and related ratios required by GASB.

<b>Schedule of Changes in Net OPEB Liability and Related Ratios</b>			
<b>Measurement Year Ending</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
<b>Total OPEB Liability</b>			
Service cost (BOY)	\$ 82,400,000	\$ 81,800,000	\$ 89,300,000
Interest (includes interest on service cost)	71,900,000	67,900,000	56,100,000
Changes of benefit terms	0	0	0
Differences between expected and actual experience	0	56,800,000	0
Changes of assumptions	54,000,000	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
<b>Net change in total OPEB liability</b>	<b>\$ 111,400,000</b>	<b>\$ (37,700,000)</b>	<b>\$ (75,000,000)</b>
<b>Total OPEB liability - beginning</b>	<b>1,823,900,000</b>	<b>1,861,600,000</b>	<b>1,936,600,000</b>
<b>Total OPEB liability - ending</b>	<b>\$ 1,935,300,000</b>	<b>\$ 1,823,900,000</b>	<b>\$ 1,861,600,000</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 96,900,000	\$ 96,400,000	\$ 114,800,000
Contributions - non-employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
Administrative expense	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability - ending</b>	<b>\$ 1,935,300,000</b>	<b>\$ 1,823,900,000</b>	<b>\$ 1,861,600,000</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>\$ 1,842,600,000</b>	<b>\$ 1,805,400,000</b>	<b>\$ 1,744,700,000</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>105.03%</b>	<b>101.02%</b>	<b>106.70%</b>

The Plan is not currently being pre-funded and so there is no actuarially determined contribution shown below. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. The Actuarial Required Contribution (ARC) determined under GASB 45 is not a recommended contribution under Actuarial Standards of Practice, and thus is not shown below. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

## B. COMPONENT UNITS

### 1) School District of Philadelphia (SDP) OPEB

The Governmental Accounting Standards Board (GASB) released new accounting standards for public postemployment benefits other than pension (OPEB). The new standards have substantially revised the accounting requirements previously mandated under GASB Statements (GASBS) No. 43 and 45. The most notable change is the elimination of the Annual Required Contribution (ARC) with the Net OPEB liability (Total OPEB liability for unfunded plans), to be recognized on the balance sheets of participating employers. GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning June 15, 2017.

#### Life Insurance Benefits

##### Plan Description:

The SDP provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or aged 62 with 10 years of service or 35 years of service regardless of age. Effective

November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefit provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

**Funding Policy:**

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2018, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees
<b>Active</b>	14,124
<b>Retirees</b>	10,352
<b>Total</b>	24,476

**Total OPEB Life Insurance liability:**

At June 30, 2019, the District reported a liability of \$16.9 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide Statements. For the June 30, 2020 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2019." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2019. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2019 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

**Actuarial Methods and Assumptions:**

*Discount Rate:* 3.87 % per annum as of June 30, 2018 to 3.50% as of June 30, 2019 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District).

*Salary Increases:* 3.00 % per year (based on input from District)

*Mortality:* RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement. As a generational table, it reflects mortality improvements both before and after the measurement date. This industry standard table published by the Society of Actuaries (SOA) was selected based on the population covered and the recent SOA exposure draft on public plan mortality experience.

*Termination:* Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

<u>If less than 5 Years of Service</u>		<u>If 5 or more Years of Service</u>	
<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 the June 30, 2017 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

*Disability:* None assumed.

*Life Insurance Benefits Claimed:* All life insurance benefits are assumed to be claimed upon the retiree's death.

*Life Insurance Coverage while Employed:* Only active employees who have life insurance coverage as of June 30, 2019 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.

*Benefits Not Valued:* The accelerated death benefit was not valued as the estimated liability impact was de minimus as only disabled retirees prior to age 65 can elect this benefit.

*Special Data Adjustments:* PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

**Actuarial Cost Method:**

In accordance with GASBS No. 75, the Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

**Changes since Prior Valuation:**

The discount rate has been changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

<b>Total OPEB Life Insurance Liability</b>			
<b>Most Recent Measurement Date</b>	<b>Total OPEB Life Insurance Liability</b>	<b>Active Covered Payroll</b>	<b>Total OPEB Life Insurance Liability as a percentage of covered payroll</b>
6/30/2019	\$16,870,466	\$792,975,829	2.12749%

Other Postemployment Benefits (OPEB) Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

**Changes in the Total OPEB Life Insurance Liability:**

	<b>Increase (Decrease) Total OPEB Life Insurance Liability</b>
<b>Total OPEB Life Insurance Benefit Liability as of July 1, 2019</b>	<b>\$ 15,917,810</b>
Changes for the year (2019-2020):	
Service Cost	80,443
Interest on total OPEB Life insurance Liability	610,290
Effect of Assumption changes or inputs	723,274
Benefit Payments	(461,351)
<b>Total OPEB Life Insurance Benefit Liability as of June 30, 2020</b>	<b>\$ 16,870,466</b>

*Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:*

The following presents the total liability, calculated using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

	2018-2019 Measurement Period (Dollars in Thousands)		
	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
District's total OPEB Life Insurance Liability	19,147	16,870	15,038

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>(Dollar in Thousands)</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 414.0	\$ -
Effect of liability gains or losses	-	(20.1)
Effect of assumptions changes or inputs	562.5	(802.3)
	<b>\$ 976.5</b>	<b>\$ (822.4)</b>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$0.4 million and will be recognized as a reduction of total OPEB liability in the next fiscal period rather than in the current period.

*OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:*

- For the year ended June 30, 2020, the District recognized net OPEB expense of \$344.9 thousand of which all under the Governmental Activity section of the Government-wide Statements.
- The \$259.9 thousand reported as deferred inflows was under the Governmental-Activities column of the Government-wide statements. Amounts currently reported as deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Net Deferred Outflows of Resources
2020	\$ (506.5)	\$ 160.7	\$ (345.8)
2021	(247.6)	160.7	(86.9)
2022	(68.3)	160.7	92.4
2023	-	80.4	80.4
Thereafter	-	-	-
	<u>\$ (822.4)</u>	<u>\$ 562.5</u>	<u>\$ (259.9)</u>

**PSERS Other Postemployment Benefits**

Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- At June 30, 2020, the District reported a liability of \$162.4 million for its proportionate share of the net OPEB liability of which \$159.8 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 7.6342 percent, which was a decrease of 0.0709 percent from its proportion measured as of June 30, 2019.
- For the year ended June 30, 2020, the District recognized net OPEB expense of \$1,061.8 thousand of which \$1,045.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$16.5 thousand was under the Business-type Activity section of the Government-wide Statements.

- At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**(Dollars in Thousands)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 913.0	\$ (26.6)
Change in assumption	5,380.0	(4,825.0)
Net difference between projected and actual investment earnings	273.0	-
Change in proportions	11,109.0	(1,285.0)
Difference between employer contributions and proportionate share of total contributions	4.6	-
Contributions subsequent to the measurement date	9,077.3	-
	<u>\$ 26,756.9</u>	<u>\$ (6,136.6)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$9.1 million and will be recognized as a reduction of net OPEB liability in the next fiscal period rather than in the current period. The District recognized \$11.5 million as deferred outflows of resources and deferred inflows of resources related to OPEB which will be recognized in OPEB expense as follows:

**(Dollars in Thousands)**

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2020	\$ 3,426.1	\$ (1,187.9)	\$ 2,238.2
2021	3,428.1	(1,188.9)	2,239.2
2022	3,363.1	(1,166.9)	2,196.2
2023	3,307.0	(1,146.9)	2,160.1
2024	3,626.1	(1,258.9)	2,367.2
Thereafter	529.2	(187.1)	342.1
<b>Total</b>	<u>\$ 17,679.6</u>	<u>\$(6,136.6)</u>	<u>\$ 11,543.0</u>

Of the \$11,543.0 thousands reported as net deferred outflows, \$11,363.60 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$175.4 thousand and \$4.0 thousand respectively.

*Actuarial assumptions:* The total OPEB liability as of June 30, 2019 was determined by rolling forward the System's total OPEB liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%



The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

*Investments:* Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core-Fixed Income	83.1%	1.0%
Non-US Developed fixed	3.7%	0.0%
	<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, 2019.

*Discount rate:* The discount rate used to measure the total OPEB liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

*Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:*

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	(Dollars in Thousands)		
	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB Liability	162,342	162,367	162,388

*Sensitivity of the District's proportionate share of the net pension to changes in the discount rate:*

The following presents the net liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage point higher (3.79%) than the current rate:

	(Dollars in Thousands)		
	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	184,972	162,367	143,634

*OPEB plan fiduciary net position:*

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

## **2) Philadelphia Gas Works (PGW) OPEB**

### **Plan Description:**

**PGW** sponsors a single-employer defined-benefit healthcare plan and provided postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in FY 2020 and FY 2019, respectively, in accordance with their retiree medical program.

The OPEB Plan comprises (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

### **Benefits Provided**

*Medical Benefits:* For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross including Personal Choice, Blue Cross Blue Shield with Major Medical, or Keystone HMO's. Employees who retire after December 1, 2001 are provided the Keystone 5 Plan at PGW's expense and they can buy up to a more expensive plan. Employees who retire on or after September 1, 2007 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Union employees who retire after August 31, 2011 are provided the Keystone 15 Plan at PGW's expense and can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of \$0.3 million on pre-65 Medical and Prescription Drug claims.

Eligible pre-65 retirees who relocate outside of the Keystone coverage area may elect to participate in the PGW Retiree Health Reimbursement Arrangement (HRA). Under the HRA, the Keystone base plan premium-equivalent will be credited to a participant's HRA account and will be available to reimburse the participant for eligible medical insurance premiums.

Medicare eligible retirees are provided a fully insured Medicare Supplement Plan through Independence Blue Cross.

Opt-out benefits of \$1,500 per year for single coverage and \$3,000 per year for married coverage are available to eligible retirees. This benefit is not available to a married couple who both retired from PGW and who are eligible for Medicare benefits. Retirees can maintain prescription drug and dental coverage even if they opt out of medical coverage.

*Prescription Drug Benefits:* Employees who retired on or after April 15, 1976 and prior to December 1, 2001, are offered a Prescription Drug Plan that has been established specifically for retirees and is separate from the plan that is offered to active employees. The retiree Prescription plan consists of a \$2 copay for generic drugs, a \$2 copay for brand name drugs when no generic drugs are available, and a \$15 copay for brand name drugs when generic drugs are available. There are no deductibles and no lifetime maximums. Employees who retired prior to

April 15, 1976 or on or after December 1, 2001 but before September 1, 2007 have a \$5 copay for generics and a \$10 copay for brand drugs. Employees who retire on or after September 1, 2007 have a \$5 copay for generics and a \$15 copay for brand drugs.

Effective, January 1, 2012, PGW moved Medicare eligible retirees into an Employee Group Waiver Plan arrangement. Covered drugs and copays remain the same. Prescription drug benefits are self-funded for all retirees.

*Dental Benefits:* For employees who retired after April 15, 1978, a basic dental plan is offered at no cost to the retiree. For employees who retired after June 1, 1984, an enhanced dental plan is offered. For eligible retirees who enroll in the enhanced dental plan, the retiree must pay the difference between the basic and enhanced plans. The dental plans were fully insured through August 31, 2016. Effective September 1, 2016, the dental benefits are self-funded.

*Death Benefits:* Nonunion employees are offered voluntary life insurance equal to two times their salary at retirement. At age 65, the life insurance benefit decreases by 5.0% per year for 15 years until the benefit equals 25.0% of the original life insurance benefit at age 65. PGW pays the cost of the first \$75,000 of coverage. Retirees in this category pay \$0.35 per \$1,000 per month for coverage in excess of \$75,000.

Union employees are offered voluntary life insurance equal to one times their salary at retirement. At retirement, the life insurance benefit decreases by 10.0% per year for 5 years until the benefit equals 50.0% of the original life insurance benefit at retirement. Retirees in this category pay \$0.35 per \$1,000 of coverage per month, PGW pays the balance.

Upon the death of an active employee prior to satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive 2 years of health coverage paid by PGW. Upon the death of an active employee on or after satisfying the requirements for Preretirement Spouse's Death Benefits, surviving spouses and dependents are entitled to receive health coverage for life (or for 5 years if hired on or after May 21, 2011 if Union or hired on or after December 21, 2011 if Nonunion) paid by PGW.

**Contributions**

The OPEB Plan pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided the Keystone 5/Keystone 10/Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

**Participants Covered**

At December 31, 2019, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	<u>Number</u>
Retirees	1,455
Beneficiaries	408
Active employees – Union	1,144
Active employees – Management	527
Total number of participants	<u>3,534</u>

Contributions to the OPEB Plan are the amounts received (additions) from PGW as sponsor of the Plan. These contributions include both amounts paid by PGW out of general resources to fund benefits on a pay-as-you-go basis, and contributions related to rate surcharges approved by the PUC in May 2010 and continued in July 2015. For the OPEB Plan year ended December 31, 2019, PGW contributed \$28.8 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources. For the OPEB Plan year ended December 31, 2018, PGW contributed \$28.7million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

**Net OPEB Liability**

The Company's net OPEB liability as of August 31, 2020 and 2019 was measured as of December 31, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019 and 2018, respectively. The September 1, 2018 actuarial valuation was rolled forward to the December 31, 2018 measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the entry age normal actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- Benefit assumptions: the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- Demographic assumptions: including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels.
- The demographic assumptions were updated based upon the 2019 experience study data from 2015 through 2018.
- Economic assumptions: the discount rate and health care cost trend rates.

**Benefit Assumptions:**

*Per capita claims: Using actuarial standards, specifically ASOP6, the annual age specific per capita claims cost rates were projected at the following assumed trend rates for future years (whole U.S. dollars):*

Age	Medical		Prescription drug
	Existing retirees and dependents	Future retirees and dependents	
<50	\$ 7,196	7,174	2,382
50-54	8,200	8,176	2,768
55-59	10,008	9,978	3,497
60-64	12,323	12,286	4,271
65-69	2,475	2,421	4,107
70-74	2,386	2,334	4,883
75-79	2,536	2,481	5,226
80-84	2,829	2,767	5,278
85+	3,086	3,019	5,099

*Life insurance:* The claims cost for life insurance is based on the actuarial present value of projected life insurance claims increased by 15.0% to reflect the cost of the insurance funding vehicle.

*Morbidity:* The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased usage as a result of aging:

Age	Medical	Prescription Drug
50-54	4.20 %	5.10 %
55-59	4.00	4.20
60-64	4.60	4.30
65-69	(2.20)	5.10
70-74	0.90	1.90
75-79	1.90	0.50
80-84	3.00	(1.30)
85+	—	—

Demographic assumptions:

*Mortality rates:* Mortality rates for FY 2019 were based on the sex-distinct RP-2014 Employee Healthy Annuitant and Disabled Retiree Mortality tables (head-count weighted) projection with scale MP-2018. Mortality rates for FY 2020 were based on the Public Pension General (PUB-G) Employee Healthy Annuitant and Disabled Retiree Mortality tables (head-count weighted) projection with scale MP-2019.

*Retirement rates:* Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

Age	Service less than 30-years	Service at least 30-years
55-60	10.0 %	15.0 %
61	10.0	30.0
62-64	25.0	50.0
65-69	50.0	50.0
70+	100.0	100.0

*Withdrawal rates:* Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

Age	Years of service					
	0	1	2	3	4	5
20	23.20 %	17.40 %	14.40 %	11.60 %	8.80 %	5.80 %
25	18.80	14.00	11.80	9.40	7.00	4.60
30	14.80	11.00	9.20	7.40	5.60	3.60
35	11.20	8.40	7.00	5.60	4.20	2.80
40	8.80	6.60	5.60	4.40	3.40	2.20
45	7.20	5.40	4.60	3.60	2.80	1.80
50	5.20	3.80	3.20	2.60	2.00	1.20
55	—	—	—	—	—	—

*Salary increases:* 4/5%

*Participation Rate:* Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare upon retirement.

*Disability rates:* Disability rates vary by age with illustrative rates as follows:

Age	Percent Expected to Become Disabled In the Next Year
30	0.06%
35	0.07%
40	0.11%
45	0.22%
50	0.46%
55	1.02%
60	1.62%

Economic assumptions:

*Long-term rate of return:* The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. The target allocation for each major asset class as of December 31, 2019 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	8.2 %
Domestic equity small cap	10.0	15.0	12.5	7.9
Emerging market equity	5.0	10.0	7.5	11.2
International equity	15.0	20.0	17.5	8.5
Fixed income	20.0	40.0	30.0	3.2
Commodities/Real Assets	—	10.0	—	—
Cash equivalents	—	5.0	—	—
			100.0 %	

*Healthcare cost trend:*

Fiscal year beginning (January 1)	Healthcare cost trend rates			
	Medical (pre-65)	Medical (post-65)	Prescription Drugs	Dental
2020	5.5 %	4.5 %	7.0 %	4.0 %
2021	5.0	4.5	6.5	4.0
2022	4.5	4.5	6.0	4.0
2023	4.5	4.5	5.5	4.0
2024	4.5	4.5	5.0	4.0
2025+	4.5	4.5	4.5	4.0

*Discount rate:* The discount rate used for determining the Total OPEB Liability is the long-term expected rate of return on plan investments of 7.30% as of December 31, 2019, December 31, 2018, and December 31, 2017, which represents the long-term expected rate of return on Plan investments at the applicable measurement date.

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2019	\$ 520,533	184,454	336,079
Changes for the year:			
Service cost	5,867	—	5,867
Interest	37,374	—	37,374
Differences between expected and actual experience	(16,787)	—	(16,787)
Assumption changes	(24,572)	—	(24,572)
Benefit Payments	(28,845)	—	(28,845)
Contributions-employer	—	47,345	(47,345)
Project investment return on year	—	14,139	(14,139)
Plan asset gain/(loss)	—	28,305	(28,305)
Benefit payments	—	(28,845)	28,845
Administrative expenses and bank fees	—	(37)	37
Net changes	(26,963)	60,907	(87,870)
Balances at August 31, 2020	\$ 493,570	245,361	248,209

Changes in Net OPEB Liability

(Thousands of U.S. dollars)

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (a)-(b)
Balances at September 1, 2018	\$ 559,631	180,743	378,888
Changes for the year:			
Service cost	6,268	—	6,268
Interest	40,262	—	40,262
Differences between expected and actual experience	(64,606)	—	(64,606)
Assumption changes	7,707	—	7,707
Benefit Payments	(28,729)	—	(28,729)
Contributions-employer	—	47,229	(47,229)
Project investment return on year	—	13,868	(13,868)
Plan asset gain/(loss)	—	(28,622)	28,622
Benefit payments	—	(28,729)	28,729
Administrative expenses and bank fees	—	(35)	35
Net changes	(39,098)	3,711	(42,809)
Balances at August 31, 2019	\$ 520,533	184,454	336,079

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:* The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current discount rate	1% Increase
	6.30 %	7.30 %	8.30 %
	(Thousands of U.S. dollars)		
Net OPEB liability	\$ 309,766	248,209	197,259

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the Total OPEB liability of the Company, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current healthcare cost trend rates	1% Increase
		(Thousands of U.S. dollars)	
Net OPEB liability	\$ 197,715	248,209	309,704

*OPEB Plan's fiduciary net position:* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to the Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia PA 19122.

**OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits**

For the years ended August 31, 2020 and 2019, the Company recognized OPEB expense of \$10.9 million and \$28.4 million, respectively. At August 31, 2020 and 2019, the Company reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	August 31, 2020		August 31, 2019	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ —	60,526	—	67,281
Changes of assumptions	29,177	20,954	42,995	2,593
Net difference between projected and actual earnings on OPEB plan investments	—	10,043	15,919	—
Contributions made after measurement date	32,021	—	32,262	—
<b>Total</b>	<b>\$ 61,198</b>	<b>91,523</b>	<b>91,176</b>	<b>69,874</b>

The \$32.0 million and \$32.3 reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2019 and 2018, respectively, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal periods. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:	
2021	\$ (18,278)
2022	(10,548)
2023	(19,588)
2024	(13,932)

**Fair Value Measurements**

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31, 2019, (thousands of U.S. Dollars):

	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 233,857	—	—	233,857
U.S. government securities	11,406	—	—	11,406
	<u>\$ 245,263</u>	<u>—</u>	<u>—</u>	<u>245,263</u>

All investments of the OPEB Plan at December 31, 2018 are publicly traded mutual funds categorized in Level 1 of the fair value hierarchy.



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#### 4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

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**PICA**, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, **PICA** was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, **PICA** is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon **PICA's** approval of a request of the City to **PICA** for financial assistance, **PICA** shall have certain financial and oversight functions. First, **PICA** shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, **PICA** also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

**PICA** bonds are payable from the proceeds of a **PICA** tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the **PICA** tax so that the total tax remains the same. **PICA** returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2020 this transfer amounted to \$496.0 million.

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#### 5. RELATED PARTY TRANSACTIONS

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The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

##### A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$86.29 million to SEPTA.

##### B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled \$108.97 million during the year to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund for Philadelphia Incorporated

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#### 6. RISK MANAGEMENT

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##### A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was \$391.8 million for the Primary Government. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2018 resulted from the following:

*(Amounts in Millions of USD)*

	<u>Beginning Liability</u>	<u>Current Year Claims &amp; Changes In Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
Fiscal 2018	365.1	199.3	(211.4)	353.0
Fiscal 2019	353.0	207.9	(217.0)	343.9
Fiscal 2020	343.9	271.9	(224.1)	391.8

The City's Unemployment Compensation and Workers' Compensation coverage are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverage are funded by a pro rata charge to the various funds. Payments for the year were \$3.07 million for Unemployment Compensation claims and \$71.36 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$267.9 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$352.8 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$245.4 million (discounted) and \$325.3 million (undiscounted).

During the last five (5) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

**B. COMPONENT UNITS**

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$0.5 million except for losses incurred from windstorm, fire, flood and earthquake which have a deductible of \$1.0 million and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling \$126.3 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures. At June 30, 2020, the amount of these liabilities totaled \$126.3.0 million.

Additionally, **PGW** and **PPA** are self-insured for various risks.

At June 30, 2020, the amount of these liabilities totaled \$136.5 million, which includes, \$126.3 million for **SDP**, \$9.4 million for **PGW**, and \$0.8 million for **PPA**.

Changes in the balances of claims and liabilities during the past two (2) years are as follows:

*(Amounts in Millions)*

<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>
2020	\$ 134.4	\$ 208.2	\$ (206.0)	\$ 136.5
2019	\$ 135.9	\$ 224.3	\$ (225.8)	\$ 134.4

## 7. COMMITMENTS

### A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

*(Amounts in Thousands of USD)*

<u>Fund</u>	<u>Amounts</u>
General Fund	338,223
Grants Revenue Fund	258,712
Community Behavioral Health Fund	118,255
Water Enterprise Fund	655,180
Aviation Enterprise Fund	179,095
Non-Major Governmental Funds	372,357
Total	1,921,821

### B. COMPONENT UNITS

#### SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:

#### Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2020 are summarized as follows:

New Construction and Land	\$ 971,050
Environmental Management	450
Alterations and Improvements	5,106,754
Major Renovations	433,313
Total	<u>\$ 6,511,567</u>

#### Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2020 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 6,653,286	\$ 502,258

#### Categorical Fund Commitments

Categorical Funds encumbrances totaled \$11.3 million at June 30, 2020.

## 8. CONTINGENCIES

### A. PRIMARY GOVERNMENT

#### 1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a \$500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately \$371.6 million. Of this amount, \$32.0 million is charged to the current operations of the Enterprise Funds. The remaining \$339.6 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City, for which a loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately \$64.8 million from the General Fund, \$2.6 million from the Water Fund, and \$3.1 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 12, 2021.

Significant cases included in the current litigation against the City are as follows:

#### 2018 Tax Reassessment Cases

- On September 14, 2017, the first plaintiffs filed suit in the Court of Common Pleas of Philadelphia County, alleging the 2018 property tax reassessment performed by the City's Office of Property Assessment (the "OPA") violated the Uniformity Clause of the Pennsylvania Constitution, and the statutes controlling assessments in Pennsylvania and first-class counties, seeking the reduction of their 2018 tax bills to levels based on 2017 values. Plaintiffs allege, following a countywide property tax reassessment for tax year 2014, the City made no subsequent reassessments until tax year 2018 when it reassessed only commercial, but not residential, properties. Plaintiffs claim, such disparate treatment of different categories of real property violates the state constitution's Uniformity Clause, and thus is null and void. Plaintiffs sought declaratory relief, an injunction forbidding the collection of taxes based on the allegedly unconstitutional valuations, and an order directing the OPA to "recertify" Plaintiffs' properties at their 2017 values.

All of the cases, which in total encompass over 500 plaintiffs, were consolidated for management purposes. The School District of Philadelphia, which receives a portion of the City's real estate tax revenues and all of a separate Use and Occupancy Tax which is also based upon OPA assessment values, was added as a defendant to the lawsuits. The City filed preliminary objections contesting the legal sufficiency of the claims, as well as the failure of the plaintiffs to appeal their assessments to the Board of Revision of Taxes (the "BRT"), the administrative agency statutorily designated to hear assessment appeals, and to appeal any decision adverse to them through the Local Agency Law process. The Court overruled those preliminary objections but dismissed mandamus claims and claims against individual defendants. The City filed Answers with New Matter to each complaint.

The cases were tried in the Philadelphia Court of Common Pleas in early June 2019. On July 18, 2019, the Court issued a Decree and Findings of Fact and Conclusions of Law determining that the assessments at issue were unconstitutional and that the real estate property taxes for Tax Year 2018 for the properties at issue in the litigation shall be reset to the assessments for those properties for tax year 2017.

The real estate tax revenue associated with the increase of taxable assessed values for the properties in question currently exceeds \$36 million, with approximately 55% allocated to the School District and 45% to the City, not including the separate Use and Occupancy tax revenue for the School District. The City filed post-trial motions challenging the Court's determination. On September 25, 2019, the Court issued its Opinion and Order effectuating the decision discussed above. The City has appealed. The City is now attempting to consolidate these cases in Commonwealth Court.

**Liberty Resources v. City**

- Two organizations and four disabled persons filed a class action complaint in Federal Court in late August 2019 alleging various violations of the Americans with Disabilities Act and other federal laws. The allegations include failures by the City to meet provisions of the laws related to the conditions of crosswalks and sidewalks in the City of Philadelphia. The plaintiffs are represented by a national legal advocacy organization, Disability Rights Advocates, and experienced local counsel.

On July 7, 2020, the Court granted the City's partial motion to dismiss as well as the plaintiffs' motion for class certification on the remaining claims. The Court's decision on the dismissal motion significantly narrowed the claims against the City and its potential liability, but several significant claims remain. The City filed its Answer to the Plaintiffs' Complaint on August 18, 2020, and the case has proceeded through discovery, with expert reports due soon. Should the case proceed as far as trial, the City could potentially face a verdict substantially in excess of \$8 million.

**Henderson Inverse Condemnation**

- In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County, Pennsylvania, against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desired to acquire the Property for Airport purposes and had numerous discussions with representatives for the Hendersons over time. The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession of the Property and paid the Hendersons estimated just compensation of \$54.5 million. The Hendersons' de facto taking case was dismissed with prejudice.

The Board of View which was appointed by the Court of Common Pleas in Delaware County (the "Court") issued its Report, which was filed on October 19, 2020, awarding damages to the Hendersons in the amount of \$139,120,000 as "just compensation" for the taking of the Property. The amount of \$54,500,000 referenced above is to be deducted from this amount. The City has filed an appeal to the damage award to the Court raising objections, as a matter of law, to the Report. The Court will decide whether to modify and change the Report, refer it back to the same or a new board of viewers, or deny the City's request. If the request is denied, there will be a trial de novo in the Court. The City is represented by outside counsel.

**Fraternal Order of Police, Lodge 5 (Deplorable Conditions) v. City of Philadelphia**

- The FOP filed a grievance alleging that the City violated their union labor contract's human dignity clause based on the condition of all police facilities and sought extensive remedies. Following a lengthy arbitration, an interim award was issued on April 26, 2013. Pursuant to the terms of that award, the arbitrator found that the City had violated the contract but ordered only that the parties meet on a monthly basis to identify and prioritize issues, work out budgets, and work through the issues identified by the union. In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates were set, and there has not been any activity on this matter since July of 2018. Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than \$8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options. There has been no communication on this matter for two years (last communication was in July of 2018).

**James Dennis v. City of Philadelphia**

- Mr. Dennis has filed suit in federal court alleging that he was wrongfully incarcerated for 25 years due to the withholding and fabrication of evidence by the Philadelphia Police Department. Mr. Dennis received a new trial after his conviction, but in 2016 pled no contest to murder rather than going to trial again. This case has been stayed pending an appeal. Mr. Dennis is represented by an experienced civil rights attorney, and if liability is established, the City could potentially face an \$8 million verdict.

**Simmons v. City of Philadelphia, No. 19-1648**

- Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because detectives fabricated evidence against him. Plaintiff has made a \$15 million demand, and the case is in suspense pending a related criminal trial.

**Frazier v. City of Philadelphia, No. 19-1692**

- Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to misconduct of a former Philadelphia police detective. The case is in suspense pending related criminal charge cases.

**Johnny Berry v. City of Philadelphia, No. 19-3699**

- Plaintiff was arrested and convicted of murder in 1994 and alleges that he was wrongfully incarcerated for 24 years. The conviction was overturned in 2018 and plaintiff now makes claims of malicious prosecution and fabrication of evidence. Specifically, Plaintiff alleges that the assigned detectives coerced witnesses into identifying Plaintiff as the murderer and withheld exculpatory evidence. The case is still in discovery, and Plaintiff is now represented by outside counsel. Damages are difficult to calculate, but, if liability is established, could exceed \$8 million considering the length of time spent in incarceration.

**Dwayne Thorpe v. City of Philadelphia**

- Mr. Thorpe alleges that he was maliciously prosecuted and wrongfully incarcerated for 11 years for a crime he did not commit. The case is in active discovery, and Plaintiff is represented by outside counsel. Damages are difficult to calculate at this stage of the case, but, if liability is established, could exceed \$8 million considering the length of time spent in incarceration.

**John Miller v. City of Philadelphia, 20-3054**

- Mr. Miller was convicted of murder and alleges that he was wrongfully incarcerated for approximately 22 years. Represented by counsel, he has reached out to explore early resolution of the litigation. Given the length of time Mr. Miller spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million if liability is established.

**Willie Veasy v. City of Philadelphia, 20-5107**

- Mr. Veasy was convicted of murder and alleges that he was wrongfully incarcerated for approximately 27 years. Represented by counsel, he has reached out to explore early resolution of the litigation. Given the length of time Mr. Veasy spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million if liability is established.

**Consolidated Civil Actions Arising out of Civil Unrest Cases**

- Multiple civil actions have been filed alleging that the Police Department engaged in civil rights violations during periods of protests and civil unrest from May 30-June 1, 2020. The aggregate exposure of these matters, which have already reached over 200 plaintiffs, could amount to several million dollars.

**Zilka Wage Tax Refund Exposure**

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

**Host International, Inc. v. MarketPlace PHL, LLC**

- In May 2019, Host International, Inc. ("Host") instituted suit against MarketPlace PHL, LLC ("MarketPlace"), which manages all retail concession operations at Philadelphia International Airport pursuant to a January 1, 2015, concession agreement (the "Agreement") with the City, through its Commerce Department, Division of Aviation. The suit, filed in Federal court in the Eastern District of Pennsylvania, alleges breaches of antitrust laws in connection with MarketPlace having entered into a Beverage Services and Sponsorship Agreement with a company doing business as Pepsi Beverages Company. MarketPlace, filed a Motion to Dismiss (the "Motion") in July 2019. The Motion was granted, and Host has filed an appeal, which is pending. MarketPlace and the City believe the underlying claims are without merit. Should the appeal be successful, and should the court thereafter find against MarketPlace and find that the claims have merit and if such a result has an impact on MarketPlace, such result may have an impact on the City based upon the Agreement.

**First Transit, Inc. (Demand Letter)**

- First Transit contracted with the Department of Commerce, Division of Aviation (the "Airport"), for the provision of shuttle bus services to and from the Airport's various parking lots and facilities. As a result of the COVID-19 pandemic, the Airport's utilization of First Transit's services significantly declined, and the Contract has been suspended with termination likely during 2021 based on Airport requirements. First Transit's attorneys have written to the Airport claiming that they are prepared to engage in litigation over First Transit's "estimated \$11 million in unreimbursed losses." At this early stage, we are unable to estimate the likelihood of success or potential exposure; however, based on an initial review of the contract and applicable case law, we consider liability, if any, to be far below the disclosure threshold and include this matter here in the interest of extreme caution.

**2) Guaranteed Debt**

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. During fiscal year 2019, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2020, the City of Philadelphia has provided approximately \$13.4 million in funds in its role as guarantor of these bonds. The 1999A Indenture provides for the Authority to repay the City for any funds paid by the City as a result of its guarantee. In the event of a sale of the parking lot, any funds received in excess of the bond principal and accrued interest will be used to repay the City. The current portion is \$850,000 as of March 31, 2020. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$9.35 million at March 31, 2020.

**3) Single Audit**

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions as specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits and relating to the City or its component units could become a liability of the General Fund or other applicable funds. In the opinion of City Officials, the only significant contingent liabilities related to matters of compliance, are the timely filing of the City's audit report, data collection form and reporting package, detailed below and the unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the year ended June 30, 2020, which accounted for \$656.1 million for all open programs as of November 30, 2020. Of this amount, \$517.3 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2020. \$125.2 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the years ended June 30, 2019 and prior, and \$13.6 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

In addition to the Single Audit contingencies noted above, Uniform Guidance §200.512 requires that the audit must be completed, and the data collection form and reporting package must be submitted within, the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The City has regularly failed to meet this filing requirement. As a result of the City's continued failure to meet this filing requirement, there is a chance that future funding could be affected.

**4) HUD Section 108 Loans**

As detailed in Note III. 6., collateral for repayment of the City's HUD Section 108 loans includes future Community Development Block Grant entitlements due to the City from HUD.

**5) Act 148 Children and Youth and Other Major Programs**

In previous fiscal years the Act 148 and all of the Children and Youth Programs reimbursed by the Commonwealth of Pennsylvania, was accounted for in the General Fund. Starting in fiscal year 2012, the reimbursable portion of this program was accounted for in the Grants Revenue Fund, and the non-reimbursable portion continues to be accounted for in the General Fund. At June 30, 2019, the Grants Revenue Fund had a \$211.93 million receivable for the Children and Youth Programs. In FY 2020 the Grants Revenue Fund had expenditures totaling \$506.8 million and revenue totaling \$534.7 million. At June 30, 2020, the Grants Revenue Fund had a \$163.7 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing polices, the city has 24 months after the current fiscal year-end date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed ineligible, such non-reimbursable costs will be charged to the General Fund.

**6) Global Pandemic Uncertainties and Support**

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

The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the City's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. In addition, the City's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the City having to curtail or eliminate some services. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop and evolve.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$276.0 million from the Coronavirus Relief Fund (CFR) to the City, with \$212.4 million remaining to be spent at June 30, 2020. The funds are anticipated to be fully utilized on allowable expenses by December 31, 2021, however, any monies unspent at that time will revert back to the U.S. Treasury.

The Aviation Fund was awarded \$116.4 million in CARES Act funding from the FAA. As of June 30, 2020, the Aviation Fund received and spent \$53.8 million on allowable expenses. The remaining \$62.6 million of awarded funds are anticipated to be fully utilized on allowable expenses within the timeframe permitted by the Federal Government.

Additionally, The City has received other Cares Act funding from various Federal Agencies to provide support for specific operations within the City.

**B. COMPONENT UNITS**

**1) Claims and Litigation**

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

*Special Education and Civil Rights Claims* – There are estimated nine hundred fifty (709) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.4 million. Of those, four hundred fifty (450) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the School District, four hundred fifty (450) unfavorable outcomes are deemed probable in the aggregate of \$4.4 million.

*Other Matters* - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$79.1 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed reasonably possible in the amount of \$2.3 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of \$3.7 million and \$8.4 million, respectively, arising from personal injury and property damage claims and lawsuits.

*Administrative Appeals in Pennsylvania Department of Education* – The School District has received several state subsidy withholding requests filed with PDE, pursuant to Section 1725-A of the Charter School Law, by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates to be paid by the School District to charter schools. The issues relate to whether the charter school per-pupil rates should be calculated using a school district's allocated expenditures reflected in its initial budget, in its amended adopted budget, or in its final audited financial report for the prior fiscal year. These issues have been raised in a number of withholding requests submitted to PDE by charter schools seeking payments from many school districts in Pennsylvania.



*First Phila. Prep. Charter School, et al. v. Pennsylvania Department of Education Philadelphia et al.*, Commonwealth Court of Pennsylvania, 159 M.D. 2017. This case was brought in 2017 by seven Philadelphia charter schools against PDE, the School District, the Superintendent, the Governor, the Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. § 1725-A(a)(2) and (3) as stated in PDE's former PDE-363 Guidelines. Based on PDE's Guidelines, which applied statewide, the School District made payments to charter schools in accordance with prior-year budgeted expenditures, but toward the end of the school year, the School District adjusted the rates after calculating them based upon actual expenditures. Those rates were then applied to the entire school year. Because this adjustment caused the rates to go down, the charter schools argued that the Guidelines should be disregarded or voided because they were inconsistent with the Charter School Law, specifically, 24 P.S. §§ 17-1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District and by PDE and held that PDE's Guidelines were invalid. The case was remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid in the correct amounts. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website.

*Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al.*, Commonwealth Court of Pennsylvania, 289 M.D. 2017. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. In addition to the issue raised in the First Philadelphia case described above, the charter schools raised the issue of whether they were entitled to per-pupil payments at the proper rates for the 2015-2016 school year when they made their payment requests to PDE, and not to the School District, after October 1, 2016. In July 2016, the General Assembly had amended the language of Section 1725-A(a)(5) to include a provision stating that charter schools must provide to their chartering school districts by October 1st following the end of a school year "final documentation of payment to be made" to them. In April 2017, the charter schools asked PDE to withhold funds from the School District under authority of 24 P.S. § 1725-A(a)(5), but PDE refused to make withholdings because the schools failed to show that they complied with the statutory deadline of October 1, 2016. All parties filed motions for summary relief. On August 5, 2019, the Commonwealth Court denied the School District's motion and found that the only significance of the schools' missing the October 1st deadline was it relieved PDE of the obligation to make withholdings. The court held that, regardless of whether charter schools meet the October 1st deadline, the school District has a "duty to pay charter schools the statutory amount" and ordered that the matters proceed before PDE. The School District decided not to appeal the court's decision. The parties have settled the October 1 issue for \$1,820,108 and are proceeding with the federal funds' deduction issues before PDE. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of \$10.7 million for the 2015-16 school year.

*Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al.*, Commonwealth Court of Pennsylvania, 167 M.D. 2019. This is a charter school funding dispute brought by eight brick and mortar and cyber charter schools against PDE and the School District. The School District initially objected to withholdings for payments made to the charter schools for the 2016-2017 school year. The Commonwealth Court in the First Philadelphia case then invalidated PDE's 363 Guidelines. The School District later paid these charter schools at the proper rates calculated using budgeted expenditures, as required under the First Philadelphia decision. Accordingly, the School District withdrew its objections to the withholdings made by PDE. The charter schools still wanted to be heard, however, on their federal fund deduction claims, so they brought this separate action. After the School District and PDE filed preliminary objections and briefs in mid-September 2019, the charter schools moved their federal funds deduction claims to PDE; however, the case before Commonwealth Court has not been dismissed. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of \$8.5 million for the 2016-17 school year.

*Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al.*, Commonwealth Court of Pennsylvania, 431 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. The School District initially objected to withholdings for payments made to the charter schools for the 2017-2018 school year. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of \$6.4 million for the 2017-18 school year. The charter schools brought this action to make the same federal funds claims as presented in the prior case (167 M.D. 2019). The School District's response to the petition for review was filed in early October 2019. The charter schools moved their federal funds deductions claims to PDE and discontinued the Commonwealth Court case in March 2020.

These three matters are assigned to a hearing officer and the hearings began on November 9, 2020.

*Federal Funds Deduction Administrative Actions.* As a result of the Commonwealth Court's order in *Antonia Pantoja*, 289 M.D. 2017, related to the 2015-16 school year and the charter schools' moving their federal funds claims for the 2016-17 (*Antonia Pantoja*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja*, 431 M.D. 2019) school years to PDE, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen

docketed matters related to the 2016-2017 school year, and twelve docket matters related to the 2017-2018 school year involving the federal funds deduction issue. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; and (iii) in excess of \$6.4 million for the 2017-18 school year. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome on the federal funds deduction issue involving claims for the 2016-17 and 2017-2018 school year in the amounts detailed above is reasonably possible.

*Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al.*, Court of Common Pleas of Philadelphia County, September Term, 2017, Case No. 153. This consolidated proceeding by commercial property owners and tenants in the City alleges that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019.

On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District's interests. If that ruling stands, it would have an estimated \$35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed a notice of appeal of the Court's decision, which has been docketed with Commonwealth Court on November 4, 2019.

The parties are waiting to receive the briefing schedule from Commonwealth Court. During this appeal, the ruling of the Court of Common Pleas will be automatically stayed. Although it is impossible to determine with any certainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately \$35.0 million.

*Adoption of an Amended Financial Plan for Chester Upland School District, Del. Cty. CCP, No. 12-9781. Chester Upland School District ("CUSD")* is a public school district serving the City of Chester, the Borough of Upland, and Chester Township in Delaware County, Pennsylvania. Upon petition by the Pennsylvania Secretary of Education, CUSD was placed into receivership on December 13, 2012. The receivership has been extended twice and currently terminates on June 3, 2022. A Revised Financial Recovery Plan was submitted to the court on December 19, 2019. In November 2019, Chester Community Charter School ("CCCS") petitioned the court to direct CUSD and its Receiver to issue a Request for Proposals to convert CUSD schools to charter schools to take over the entire pre-K to 8th grade program, along with CUSD school buildings. Approximately 1,500 Philadelphia resident children were enrolled in CCCS during fiscal year 2018-2019, and enrollment for 2019-2020 was projected at 1,400 Philadelphia resident students. For fiscal year 2018-2019, the School District paid approximately \$15.6 million to CCCS, and projected payments for 2019-2020 were approximately \$19.6 million. Pursuant to the Charter School Law, the School District must also transport all children to a charter school, such as CCCS, within a ten-mile radius of Philadelphia. In fiscal year 2018-2019, the transportation expenditure to transport Philadelphia resident students to CCCS was approximately \$1,546,000. The court twice denied the Philadelphia School District's petitions to intervene in the case. The School District argued that, due to the number of Philadelphia students attending CCCS, the School District has a stake in the matter, and that any CUSD schools converted to charter schools should have enrollment limited to CUSD residents. On May 14, 2020, the court accepted and approved the Financial Recovery Plan. The court authorized the Receiver to issue RFPs to address the options for the management and delivery of education for Pre-K through 12th grade, including converting CUSD schools to charter schools through a competitive RFP, a demonstration of financial savings, and public evaluation. Any recommendation for changes to school management or grade levels have to be approved by the court through an amendment to the Financial Recovery Plan. On June 5, 2020, the School District filed a motion to intervene and on June 15, 2020, the School District filed a notice to appeal the May 14, 2020 Order. The court has not ruled or scheduled hearings on either filing. The School District has also filed another appeal regarding the court's denial of the School District's June 5, 2020 petition to intervene. The court has scheduled a status hearing regarding the Financial Recovery Plan for January 11, 2021. The School District cannot predict the potential financial impact if the Financial Recovery Plan is implemented in its present form.

**9 SUBSEQUENT EVENTS**

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In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2020 through and including February 25, 2021. The following events are described below:

• **PRIMARY GOVERNMENT**

1. In August 2020, the City issued \$296.6 million Water and Wastewater Revenue and Refunding Bonds, Series 2020 A & B. The Series 2020 A&B bonds were issued at an interest rate of 5%. The 2020 A&B bonds were issued for the purpose of providing funds which, together with the other available funds of the City, will be used to finance (i) capital improvements of the City's Water and Wastewater systems, (ii) the current refunding of the City's outstanding Water and Wastewater Revenue Bonds Variable Rate Series 1997B and Water and Wastewater Revenue Bonds, Series 2010C, (iii) the advance refunding of all or a portion of the City's outstanding Water and Wastewater Revenue Refunding Bonds, Series 2011B, Water and Wastewater Revenue Refunding Bonds, Series 2012 and Water and Wastewater Revenue Refunding Bonds, Series 2013A, (iv) the costs of issuance relating to the Tax Exempt Bonds and (v) the costs of issuance relating to the Taxable Bonds.
2. On February 10, 2021, the City of Philadelphia, through the Water Department, closed a loan with the Pennsylvania Infrastructure Investment Authority ("PENNVEST") for \$80,821,155 to fund the rehabilitation of the Torresdale Filtered Water Pump Station. The low interest loan is evidenced by and payables secured on a parity basis with water and wastewater revenue bonds which will bear interest of 1.00% during the first five years of amortization and 1.727% for the remaining fifteen years.
3. In November 2020, the City of Philadelphia, through the Water Department, submitted two financing applications to the PENNVEST Board of Directors. The City was awarded the loans on or about January 20, 2021. The low interest loans evidenced by and payables secured on a parity basis with water and wastewater revenue bonds will bear interest of 1.00% during the first five years of amortization and 1.727% for the remaining fifteen years. The financings, described below, are required to close within 270 days of the award date.
  - a. \$100,115,000 Northeast Water Pollution Control Plant Project; The City of Philadelphia signed a consent order and agreement with the Pennsylvania Department of Environmental Protection and the US Environmental Protection Agency. This agreement requires the City to reduce overflows from its combined sewer system. A major step in achieving compliance is the construction of a new facility at the City's Northeast Water Pollution Control Plant (NEWPCP). This new facility, termed the "New Preliminary Treatment Building," will increase the plant's wet-weather treatment capacity by 50%.
  - b. \$6,720,000 Lawncrest Stormwater Practices Project; The Lawncrest Streets Southwest Project, also part of the City's CO&A obligations, is composed of 31 systems, a combination of tree trenches, stormwater bumpouts, and stormwater trees, managing over 13 acres of drainage area from the right-of-way in the Lawncrest neighborhood of North Philadelphia. The project count towards Philadelphia's compliance targets.
4. In September 2020, the City issued \$300.0 million Tax and Revenue Anticipation Notes, Series A of 2020–2021. The City is issuing the Notes in anticipation of receipt of FY-2021 taxes and revenues. The proceeds will be used: (i) to provide cash to supplement the receipts of the City in the General Fund for the purpose of paying general expenses of the City prior to the receipt of income from taxes and other sources of revenue, (ii) to pay the cost of issuance of the Notes.
5. In October 2020, the City issued Airport Refunding Bonds, Series 2020A, B, & C in the original principal amount of \$389.2 million. The 2020A Bonds were issued for the purpose of providing funds, together with other available moneys, to: (i) refund all of the outstanding Series 2010A Airport Revenue Bonds, and (ii) pay the cost of issuance of the 2020A Bonds. The 2020B Bonds were issued for the purpose of providing funds to (i) refinance certain outstanding Commercial Paper Notes, and (ii) pay the cost of issuance of the 2020B Bonds. The 2020C Bonds were issued for the purpose of providing funds to (i) refund all of the outstanding Series 2010D Airport Revenue Bonds, (ii) refinance certain outstanding Commercial Paper Notes, and (iii) pay the cost of issuance of the 2020C Bonds.
6. In October 2020, the City issued \$253.9 million Philadelphia Gas Works Revenue and Refunding Bonds, Sixteenth Series A&B. The Series A Bonds will be used to (i) finance a portion of PGW's ongoing Capital Improvement Program, (ii) make a deposit to the Sinking Fund Reserve, and (iii) pay the cost of issuance of the Series A Bonds. The Series B Bonds will be used to (i) refund certain bonds currently outstanding, and (ii) pay the cost of issuance of the Series B Bonds.

7. In the Spring of 2021, the City has scheduled the following bond sales:
  - a. General Obligation Refunding Bonds, Series 2021, \$250.0 million.
  - b. Philadelphia International Airport Revenue Bonds, Series 2021, \$150.0 million
  - c. Philadelphia Authority for Industrial Development, City Service Agreement Refunding Bonds (Pension Obligation Bonds Restructuring), Series 2021, \$100.0 million.
  - d. Philadelphia Authority for Industrial Development, City Service Agreement Revenue Bonds (Rebuild Project), \$85.0 million.

• **COMPONENT UNITS**

1. **SDP Subsequent Events**

a. Tax Anticipation Revenue Notes (TRAN)

In July 2020, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Note Series of 2020-2021 which was issued as fixed rate notes in the aggregate principal amount of \$533.2 million with a maturity date of June 30, 2021.

On July 1, 2020, the Board of Education authorized the issuance of \$533.2 million of Tax and Revenue Anticipation Notes, Series A of 2020-2021 through a negotiated sale. The Notes were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2021. The Notes received the highest short-term ratings from both Moody's and Fitch, MIG1 and F1+, respectively. The Notes were sold at a coupon of 4.00% with a yield of 0.55%. Note proceeds were received on the closing date of July 9, 2020.

b. Federal Relief Appropriations Due to COVID-19

The District received federal awards in Fiscal Year 2020 pursuant to the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, which was signed by President Trump into law on March 27, 2020 for addressing the ongoing COVID-19 pandemic. The District received approximately \$138.7 million to be spent in Fiscal Year 2021 forward, less an amount for Equitable Share to non-public schools.

The District will be receiving additional funds pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act, Pub. L. No 116-260, passed by Congress and signed by President Trump at the end of December 2020. While no award has been made at this time, the District is projected to receive \$565.0 million for the period between the times the bill became law through September 30, 2023.

c. University of Pennsylvania Private Grant for Environmental Hazard Abatements:

On November 17, 2020 the University of Pennsylvania announced that it will contribute \$100.0 million to the School District representing a significant commitment to the City and its public school children. This is the largest private contribution to the School District in its history. Penn's \$100.0 million contribution to the School District (\$10.0 million annually for 10 years beginning in Fiscal Year 2021) will be used to remediate environmental hazards, including asbestos and lead, in our public school buildings.

d. Settlement Agreement with KIPP Philadelphia Charter School:

Based on a final settlement agreement reached in October 2020 KIPP Philadelphia Charter School agreed to pay the School District of Philadelphia \$3.0 million regarding enrollment disputes arising from the 2013-14 and 2014-15 school years. The payment will be made in five (5) installments of \$600,000 each beginning with the 2020-21 school year.

2. **PHA Subsequent Events:**

PHA and Enterprise executed a lease agreement whereby Enterprise will lease additional 50 vehicles to PHA during the year ending March 31, 2021. PHA will pay Enterprise approximately \$2.2 million for the vehicles.

On December 2019, PHA acquired the partnership interest of the limited partner investor in Cambridge Plaza II, L.P., a discrete component unit of PHA. Pursuant to the terms of the Purchase and Sale agreement, the partnership interest was purchased by PHA or its affiliate for \$100, an any transfer of taxes and transaction costs in connection with the transfer, including legal cost of \$5000. The transaction was completed in July 2020.

On March 2020, the Coronavirus Aid, Relief, and Economic Security Act (Cares Act) was enacted in response to the COVID-19 pandemic. The Cares Act provided additional funding to Housing Authorities under the Housing Choice Voucher Program and the Public Housing Program. The additional funding is intended to offset additional Housing Authority administrative, housing, and operating expenses related to current program activities affected or new activities necessary as a result of the pandemic. PHA was awarded \$21.4 million for the Public Housing Program and \$8.1 million for the Housing Choice Voucher Program. The additional funding will be received during fiscal year ending March 31, 2021.

3. PAID Subsequent Event:

PAID evaluated its December 31, 2019 financial statements for subsequent events through November 12, 2020, the date the financial statements were available to be issued. PAID is not aware of any subsequent events that would require recognition or disclosure in the financial statements other than as mentioned below.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report, Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers and other key stakeholders.

4. PGW Subsequent Event:

Base Rates

On February 28, 2020, PGW filed for an increase in its distribution base rates with the PUC. The filing sought a general rate increase calculated to produce \$70.0 million, or 10.5%, in additional annual operating revenues based upon a twenty-year normal weather assumption. The filing also requested to increase the fixed monthly customer charge component, as well as the volumetric delivery charge component of base rates.

On August 26, 2020, PGW filed a Joint Petition for Partial Settlement (Settlement Agreement) in which all rate case parties joined or did not oppose except the Environmental Stakeholders group that is opposing PGW's rate increase request. The Settlement Agreement provided PGW with a general rate increase of \$35.0 million in annual operating revenues in three increments: \$10.0 million for service rendered on or after January 1, 2021; \$10.0 million on for service rendered on or after July 1, 2021; and \$15.0 million for service rendered on or after on January 1, 2022. Settlement agreements with reduced revenue requirements are typical in PUC base rate proceedings and are the product of compromise between the parties diverse interests. The PUC has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.

On October 5, 2020, the ALJ recommended approval of the Partial Settlement with the following modifications: (1) the start of the phased-in rate increases be delayed by six months, beginning July of 2021; (2) PGW should not file a general rate increase any sooner than January 1, 2023, absent emergency relief, tariff changes or as authorized by Commission order or industry-wide changes in regulatory policy which affect PGW's rates; and (3) no later than 90 days following entry of the Final Order in this matter, and biannually through 2022, PGW must meet with the Commission's Pipeline Safety Division to review PGW's increasing costs of pipeline replacement and to develop a plan to reduce pipeline replacement costs and leaks.

On November 19, 2020, the PUC entered its Order and Opinion in the case, which granted the exceptions filed by the Commission's Bureau of Investigation and Enforcement (I&E), the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Philadelphia Industrial and Commercial Gas Users Group (PICGUG), and PGW; modified the ALJ recommended decision regarding the settled and litigated issues; and approved the Joint Petition for Partial Settlement, in its entirety, without modification. The new rates approved by the Settlement Agreement will become effective on January 1, 2021.



**City of Philadelphia**  
PENNSYLVANIA

**Required  
Supplementary  
Information**

**(Other than Management's Discussion and Analysis)**

City of Philadelphia  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Fiscal Year Ended June 30, 2020

Exhibit XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<b><u>Revenues</u></b>				
Tax Revenue	3,636,492	3,522,792	3,555,945	33,153
Locally Generated Non-Tax Revenue	353,328	362,177	365,113	2,936
Revenue from Other Governments	845,172	884,989	858,539	(26,450)
Revenue from Other Funds	83,011	90,476	53,995	(36,481)
	<u>4,918,003</u>	<u>4,860,434</u>	<u>4,833,592</u>	<u>(26,842)</u>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	1,820,084	1,904,935	1,874,182	30,753
Pension Contributions	749,051	759,566	759,510	56
Other Employee Benefits	662,912	652,397	603,869	48,528
Sub-Total Employee Compensation	<u>3,232,047</u>	<u>3,316,898</u>	<u>3,237,561</u>	<u>79,337</u>
Purchase of Services	1,001,324	1,058,278	1,016,807	41,471
Materials and Supplies	76,315	92,275	81,576	10,699
Equipment	47,367	57,537	44,067	13,470
Contributions, Indemnities and Taxes	322,432	346,382	342,543	3,839
Debt Service	187,483	187,483	159,227	28,256
Payments to Other Funds	103,189	156,279	154,753	1,526
Advances, Subsidies, Miscellaneous	55,108	17,522	-	17,522
	<u>5,025,265</u>	<u>5,232,654</u>	<u>5,036,534</u>	<u>196,120</u>
Operating Surplus (Deficit) for the Year	<u>(107,262)</u>	<u>(372,220)</u>	<u>(202,942)</u>	<u>169,278</u>
Fund Balance Available for Appropriation, July 1, 2019	297,666	438,680	438,680	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	24,000	44,000	54,934	10,934
Other Adjustments	(4,500)	(981)	-	981
	<u>317,166</u>	<u>481,699</u>	<u>493,614</u>	<u>11,915</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>209,904</u>	<u>109,479</u>	<u>290,672</u>	<u>181,193</u>

\* Refer to the notes to required supplementary information.



City of Philadelphia  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 HealthChoices Behavioral Health Fund  
 For the Fiscal Year Ended June 30, 2020

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
<b>Revenues</b>				
Locally Generated Non-Tax Revenue	2,800	4,500	5,587	1,087
Revenue from Other Governments	<u>1,297,200</u>	<u>1,195,500</u>	<u>1,034,862</u>	<u>(160,638)</u>
Total Revenues	1,300,000	1,200,000	1,040,449	(159,551)
<b>Other Sources</b>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>56,991</u>	<u>56,991</u>
Total Revenues and Other Sources	<u>1,300,000</u>	<u>1,200,000</u>	<u>1,097,440</u>	<u>(102,560)</u>
<b>Expenditures and Encumbrances</b>				
Personal Services	800	783	326	457
Purchase of Services	1,299,083	1,299,083	1,129,285	169,798
Payments to Other Funds	<u>117</u>	<u>134</u>	<u>134</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,129,745</u>	<u>170,255</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(100,000)</u>	<u>(32,305)</u>	<u>67,695</u>
Fund Balance Available for Appropriation, July 1, 2019	21,486	124,476	124,476	-
<b>Operations in Respect to Prior Fiscal Years</b>				
Commitments Cancelled - Net	-	-	9,067	9,067
Prior Period Adjustments	<u>-</u>	<u>(124,476)</u>	<u>-</u>	<u>124,476</u>
Adjusted Fund Balance, July 1, 2019	<u>21,486</u>	<u>-</u>	<u>133,543</u>	<u>133,543</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>21,486</u>	<u>(100,000)</u>	<u>101,238</u>	<u>201,238</u>

\* Refer to the notes to required supplementary information.

City of Philadelphia  
Required Supplementary Information  
Budgetary Comparison Schedule  
Grants Revenue Fund  
For the Fiscal Year Ended June 30, 2020

Exhibit XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
<b>Revenues</b>				
Locally Generated Non-Tax Revenue	157,485	106,225	47,652	(58,573)
Revenue from Other Governments	<u>1,580,472</u>	<u>1,320,853</u>	<u>1,023,408</u>	<u>(297,445)</u>
Total Revenues	1,737,957	1,427,078	1,071,060	(356,018)
<b>Other Sources</b>				
Decrease in Unreimbursed Commitments	-	-	(13,124)	(13,124)
Decrease in Financed Reserves	<u>-</u>	<u>-</u>	<u>962</u>	<u>962</u>
Total Revenues and Other Sources	<u>1,737,957</u>	<u>1,427,078</u>	<u>1,058,898</u>	<u>(368,180)</u>
<b>Expenditures and Encumbrances</b>				
Personal Services	201,599	227,887	167,185	60,702
Pension Contributions	34,594	16,413	9,460	6,953
Other Employee Benefits	<u>37,760</u>	<u>62,610</u>	<u>45,845</u>	<u>16,765</u>
Sub-Total Employee Compensation	273,953	306,910	222,490	84,420
Purchase of Services	1,058,745	1,038,940	823,236	215,704
Materials and Supplies	37,432	29,954	12,881	17,073
Equipment	24,464	24,634	5,474	19,160
Contributions, Indemnities and Taxes	1	1	-	1
Short-Term Interest	-	-	(1,947)	1,947
Payments to Other Funds	123,362	118,834	36,406	82,428
Advances, Subsidies, Miscellaneous	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>1,737,957</u>	<u>1,519,273</u>	<u>1,098,540</u>	<u>420,733</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(92,195)</u>	<u>(39,642)</u>	<u>52,553</u>
Fund Balance Available for Appropriation, July 1, 2019	-	(287,099)	(317,722)	(30,623)
<b>Operations in Respect to Prior Fiscal Years</b>				
Commitments Cancelled - Net	-	-	66,869	66,869
Revenue Adjustments - Net	-	-	(23,669)	(23,669)
Prior Period Adjustments	<u>-</u>	<u>287,099</u>	<u>-</u>	<u>(287,099)</u>
Adjusted Fund Balance, July 1, 2019	<u>-</u>	<u>-</u>	<u>(274,522)</u>	<u>(274,522)</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>-</u>	<u>(92,195)</u>	<u>(314,164)</u>	<u>(221,969)</u>

\* Refer to the notes to required supplementary information.

**City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios (Amounts of USD)**

	FYE 2019	FYE 2018	FYE 2017
<b>Total OPEB Liability</b>			
Service Cost (BOY)	82,400,000	81,800,000	89,300,000
Interest (includes interest on service cost)	71,900,000	67,900,000	56,100,000
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	56,800,000	-
Changes of assumptions	54,000,000	(147,800,000)	(105,600,000)
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
<b>Net change in total OPEB liability</b>	<b>111,400,000</b>	<b>(37,700,000)</b>	<b>(75,000,000)</b>
<b>Total OPEB liability - beginning</b>	<b>1,823,900,000</b>	<b>1,861,600,000</b>	<b>1,936,600,000</b>
<b>Total OPEB liability - ending</b>	<b>1,935,300,000</b>	<b>1,823,900,000</b>	<b>1,861,600,000</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	96,900,000	96,400,000	114,800,000
Contributions - non-employer	-	-	-
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(96,900,000)	(96,400,000)	(114,800,000)
Administrative expense	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net OPEB liability - ending</b>	<b>1,935,300,000</b>	<b>1,823,900,000</b>	<b>1,861,600,000</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Covered-employee payroll</b>	<b>1,842,600,000</b>	<b>1,805,400,000</b>	<b>1,864,800,000</b>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>105.03%</b>	<b>101.02%</b>	<b>99.83%</b>

**City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability (Amounts of USD)**

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
<b>Total Pension Liability</b>						
Service Cost (MOY)	190,456,944	183,755,848	164,137,303	157,607,110	148,370,075	143,556,347
Interest (includes interest on service cost)	871,381,015	857,348,582	843,171,926	823,959,345	802,450,569	791,298,503
Changes of benefit terms	-	378,455	4,064,886	-	-	-
Differences between expected and actual experience	9,482,477	11,097,845	28,937,167	103,878,650	151,918,733	34,909,464
Changes of assumptions	-	53,488,769	106,021,273	51,441,475	85,147,737	48,146,352
Benefit payments, including refunds of member contributions	(862,197,660)	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,464,964)
<b>Net change in total pension liability</b>	<b>209,122,776</b>	<b>263,600,872</b>	<b>318,066,512</b>	<b>315,391,353</b>	<b>298,543,990</b>	<b>136,445,702</b>
<b>Total Pension liability - beginning</b>	<b>11,774,268,695</b>	<b>11,510,667,823</b>	<b>11,192,601,311</b>	<b>10,877,209,958</b>	<b>10,578,665,968</b>	<b>10,442,220,266</b>
<b>Total Pension liability - ending</b>	<b>11,983,391,471</b>	<b>11,774,268,695</b>	<b>11,510,667,823</b>	<b>11,192,601,311</b>	<b>10,877,209,958</b>	<b>10,578,665,968</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	768,720,687	797,805,518	781,984,326	706,236,698	660,246,511	577,195,412
Contributions - member	111,824,994	99,179,683	83,288,635	73,607,359	67,055,003	58,657,817
Net investment income	87,150,696	303,735,946	440,326,787	566,624,580	(145,681,480)	13,838,367
Benefit payments, including refunds of member contributions	(862,197,660)	(842,468,627)	(828,266,043)	(821,495,227)	(889,343,124)	(881,666,036)
Administrative expense	(10,991,102)	(11,154,696)	(10,123,004)	(8,873,657)	(8,553,837)	(10,478,541)
<b>Net change in plan fiduciary net position</b>	<b>94,507,615</b>	<b>347,097,824</b>	<b>467,210,701</b>	<b>516,099,753</b>	<b>(316,276,927)</b>	<b>(242,452,981)</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,688,383,351</b>	<b>5,341,285,527</b>	<b>4,874,074,826</b>	<b>4,357,975,073</b>	<b>4,674,252,416</b>	<b>4,916,705,397</b>
<b>Plan fiduciary net position - ending</b>	<b>5,782,890,966</b>	<b>5,688,383,351</b>	<b>5,341,285,527</b>	<b>4,874,074,826</b>	<b>4,357,975,073</b>	<b>4,674,252,416</b>
<b>Net pension liability - ending</b>	<b>6,200,500,505</b>	<b>6,085,885,344</b>	<b>6,169,382,296</b>	<b>6,318,526,485</b>	<b>6,519,234,885</b>	<b>5,904,413,552</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>48.26%</b>	<b>48.31%</b>	<b>46.40%</b>	<b>43.55%</b>	<b>40.07%</b>	<b>44.19%</b>
<b>Covered payroll</b>	<b>1,902,161,113</b>	<b>1,842,554,883</b>	<b>1,805,400,096</b>	<b>1,744,728,288</b>	<b>1,676,548,962</b>	<b>1,597,848,869</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>325.97%</b>	<b>330.30%</b>	<b>341.72%</b>	<b>362.15%</b>	<b>388.85%</b>	<b>369.52%</b>

**City of Philadelphia  
Required Supplementary Information  
Other Post Employment Benefits (OPEB) and Pension Plans**

**City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)**

	Last 10 Fiscal Years Amounts in Thousands									
	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially determined Contribution Contributions in Relation to the Actuarially Determined Contribution	675,751 768,721	688,281 797,806	661,257 781,984	629,620 706,237	594,975 660,247	556,030 577,195	523,368 553,179	727,604 781,823	534,039 555,690	463,375 470,155
Contribution Deficiency/(Excess)	(92,970)	(129,525)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)
Covered Payroll	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274
Contributions as a Percentage of Covered Payroll	40.41%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%

**City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)**

	Last 10 Fiscal Years Amounts in Thousands									
	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially determined Contribution Contributions in Relation to the Actuarially Determined Contribution	704,589 768,721	680,808 797,806	662,139 781,984	629,620 706,237	594,975 660,247	556,030 577,195	523,368 553,179	727,604 781,823	534,039 555,690	463,375 470,155
Contribution Deficiency/(Excess)	(64,132)	(116,988)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)	(54,219)	(21,651)	(6,780)
Covered Payroll	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274
Contributions as a Percentage of Covered Payroll	40.41%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%

**City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)**

	Last 10 Fiscal Years Amounts in Thousands									
	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011
Actuarially determined Contribution Contributions in Relation to the Actuarially Determined Contribution	839,691 768,721	874,706 797,806	871,802 781,984	881,356 706,237	846,283 660,247	798,043 577,195	823,885 553,179	738,010 781,823	722,491 555,690	715,544 470,155
Contribution Deficiency/(Excess)	70,970	76,900	89,818	175,119	186,036	220,847	270,706	(43,813)	166,801	245,389
Covered Payroll	1,902,161	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421	1,429,723	1,372,174	1,371,274
Contributions as a Percentage of Covered Payroll	40.41%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%	54.68%	40.50%	34.29%

**Notes to Schedule**

**Valuation Date** 7/1/2018  
**Timing** Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.

**Key Methods and Assumptions Used to Determine Contribution Rates:**  
**Actuarial cost method** Entry Age  
**Asset valuation method** Ten-year smoothed market  
**Amortization method** Gain/Losses are amortized over closed 20-year periods, assumption changes over 15 years, benefit changes for actives over 10 year, and benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years.  
Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019, with payments increasing 3.3% per year, the assumed payroll growth.  
Under the MMIO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.  
Under the RRP Funding Policy, sales tax revenue and additional member contributions are dedicated to fund the unfunded liability instead of reducing the City's obligation such that this revenue is in addition to the MIMO would be without these additional assets.

**Discount rate** 7.60%  
**Amortization growth rate** 3.30%  
**Mortality** Age based salary scale separated by employee classification  
RP-2014 Mortality Tables projected from base year of 2006 to 2021 using mortality improvement scale MP-2017

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the July 1, 2018 actuarial valuation.

**Philadelphia Gas Works - Schedule of Changes in Net Pension Liability (Amounts in thousands USD)**

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Total Pension Liability					
Service Cost	6,400	6,554	6,103	5,823	5,400
Interest Cost	56,893	57,240	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-	-	-
Differences between expected and actual experience	(3,034)	(12,089)	15,706	2,182	(8,841)
Changes in assumptions	(24,891)	(1,834)	(3,864)	(7,952)	26,748
Benefit Payments	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
<b>Net Change in Total Pension Liability</b>	<b>(19,693)</b>	<b>(4,022)</b>	<b>21,036</b>	<b>4,120</b>	<b>28,763</b>
<b>Total Pension Liability (Beginning)</b>	<b>800,485</b>	<b>804,507</b>	<b>783,471</b>	<b>779,351</b>	<b>750,588</b>
<b>Total Pension Liability (Ending)</b>	<b>780,792</b>	<b>800,485</b>	<b>804,507</b>	<b>783,471</b>	<b>779,351</b>
Plan Fiduciary Net Position					
Contributions-Employer	29,414	28,570	29,143	27,918	21,123
Contributions - Member	1,519	1,249	1,078	852	602
Net Investment Income	14,286	34,260	44,310	61,002	2,872
Benefit Payments	(55,061)	(53,893)	(52,627)	(51,376)	(50,446)
Administrative Expense	(168)	(192)	(184)	(129)	(1,611)
Other	-	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>(10,010)</b>	<b>9,994</b>	<b>21,720</b>	<b>38,267</b>	<b>(27,460)</b>
<b>Plan Fiduciary Net Position (Beginning)</b>	<b>553,240</b>	<b>543,246</b>	<b>521,526</b>	<b>483,259</b>	<b>510,719</b>
<b>Plan Fiduciary Net Position (Ending)</b>	<b>543,230</b>	<b>553,240</b>	<b>543,246</b>	<b>521,526</b>	<b>483,259</b>
<b>Net Pension Liability (Ending)</b>	<b>237,562</b>	<b>247,245</b>	<b>261,261</b>	<b>261,945</b>	<b>296,092</b>
Total Pension Liability	780,792	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position	543,230	553,240	543,246	521,526	483,259
<b>Net Pension Liability (Ending)</b>	<b>237,562</b>	<b>247,245</b>	<b>261,261</b>	<b>261,945</b>	<b>296,092</b>
Net Position as a percentage of Pension Liability	69.57%	69.11%	67.53%	66.57%	62.01%
Covered Payroll	95,934	98,454	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	247.63%	251.13%	257.98%	276.41%	325.88%

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

**Philadelphia Gas Works - Schedule of Actuarially Determined Contribution (Amounts in thousands USD)**

	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	26,844	28,797	28,395	29,260	26,476
Contributions Made	29,414	28,570	29,143	27,918	21,123
Contribution Deficiency/(Excess)	(2,570)	227	(748)	1,342	5,353
Covered Payroll	95,934	98,454	101,271	94,768	90,860
Contributions as a percent of covered payroll	27.98%	29.25%	28.04%	30.88%	29.14%

**Notes to Required Supplementary Information:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2020
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method.
Asset Valuation Method	Assets smoothed over 5 year period
Salary Increases	Varies by participant years of service.
General Inflation	2.00%
Investment Rate of Return	7.30%
Cost of Living	N/A
Mortality rates	Pri-2012 mortality table projected generationally from the central year using Scale MP-2020.

**I. BASIS OF BUDGETING**

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

**II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION**

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
<b><u>Revenues</u></b>			
Budgetary Comparison Schedule	4,833,592	1,040,449	1,071,060
Transfers	(536,475)	-	-
Program Income	-	-	48,642
Adjustments applicable to Prior Years Activity	-	-	(631)
Change in Amount Held by Fiscal Agent	2,786	-	-
Change in BPT Adjustment	25,583	-	-
Return of Loan	-	-	-
Other	-	-	(23,037)
	4,325,486	1,040,449	1,096,034
Statement of Revenues, Expenditures & Changes in Fund Balance	4,325,486	1,040,449	1,096,034
<b><u>Expenditures and Encumbrances</u></b>			
Budgetary Comparison Schedule	5,036,534	1,129,745	1,098,540
Transfers	(208,847)	-	(40,178)
Transfer to Budget Stabilization Fund	(34,276)	-	-
Bond Issuance Costs	15,072	-	-
Expenditures applicable to Prior Years Budgets	90,690	18,418	18,064
Program Income	-	-	48,642
Capital Outlay for New Police Headquarters	-	-	-
Change in Amount Held by Fiscal Agent	39,468	-	-
Current Year Encumbrances	(200,145)	(84,475)	(71,809)
	4,738,496	1,063,688	1,053,259
Statement of Revenues, Expenditures & Changes in Fund Balance	4,738,496	1,063,688	1,053,259

**Other  
Supplementary  
Information**

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**COUNTY LIQUID FUELS TAX** - Established to account for funds made available by Public Law No. 149.

**SPECIAL GASOLINE TAX** - Established to account for funds made available by Public Law No. 588.

**HOTEL ROOM RENTAL TAX** - Established to account for the tax levied to promote tourism.

**COMMUNITY DEVELOPMENT** - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

**CAR RENTAL TAX** - Established to account for the tax levied to retire new municipal stadium debt.

**HOUSING TRUST** - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

**ACUTE CARE HOSPITAL ASSESSMENT** - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

**RIVERVIEW RESIDENTS** - Established to maintain a commissary and provide other benefits for the residents.

**PHILADELPHIA PRISONS** - Established to operate a workshop and to provide benefits for the prison inmates.

**ARBITRATION APPEALS** - Established to account for certain court fees and provide funds for the arbitration board.

**DEPARTMENTAL** - Established to account for various activities of the Free Library and Parks and Recreation.

**MUNICIPAL AUTHORITY ADMINISTRATIVE** - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE** - Established to account for PICA revenues from taxes and deficit financing transactions.



## **NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)**

### **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**CITY** - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

**MUNICIPAL AUTHORITY** - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE** - Established to account for the debt service activities related to the deficit financing provided by PICA.

### **CAPITAL IMPROVEMENT FUNDS**

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

**CITY** - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

**MUNICIPAL AUTHORITY** - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

### **PERMANENT FUNDS**

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

**LIBRARIES & PARKS** - Established to account for trust of the Free Library and Parks and Recreation.

**City of Philadelphia**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2020**

Schedule I

Amounts in thousands of USD

	Special Revenue											Total	
	County Liquids Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Hospital Assessment	Riverview Residents	Philadelphia Prisons	Departmental	Municipal Authority Administrative		PICA Administrative
<b>Assets</b>													
Cash on Deposit and on Hand	13,153	57,630	2,140	-	10,212	74,207	-	30	3,903	7,697	204	10,761	18,662
Equity in Treasurer's Account	-	-	-	-	-	34,640	-	-	4,268	-	-	-	200,183
Investments	-	-	-	-	-	-	-	-	1,049	-	-	13,540	14,589
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	10,484	-	10,484
Due from Component Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	1,994	-	298	15,269	-	-	67	1,028	-	13,062	30,623
Taxes Receivable	-	-	-	2,584	-	-	-	-	-	-	-	-	3,679
Accounts Receivable	-	-	-	13,503	-	(13,742)	-	-	-	-	-	-	13,503
Due from Other Governmental Units	-	-	(558)	-	19	-	-	-	-	-	-	-	(14,300)
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	-	-	-	-	19
Interest and Dividends Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	96	527	19	642
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>13,153</b>	<b>57,630</b>	<b>3,576</b>	<b>16,087</b>	<b>10,529</b>	<b>74,207</b>	<b>36,167</b>	<b>30</b>	<b>3,903</b>	<b>13,177</b>	<b>12,243</b>	<b>37,382</b>	<b>278,084</b>

<b>Liabilities</b>													
Notes Payable	-	1,357	-	334	-	1,166	11,578	-	117	90	-	-	14,666
Vouchers Payable	24	5,204	93	7,620	-	4,452	134	-	-	172	12,429	81	31,227
Accounts Payable	1,042	-	-	252	-	-	181	-	-	-	-	-	434
Salaries and Wages Payable	1	-	-	-	-	-	-	-	-	-	-	136	136
Payroll Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Expenses	-	-	-	7,940	-	-	-	-	-	-	-	13,062	21,002
Due to Other Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Primary Government	-	-	-	28	-	2,276	-	-	-	1,207	-	-	2,304
Due to Component Units	-	-	-	-	-	-	-	-	-	-	-	-	1,654
Funds Held in Escrow	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>1,067</b>	<b>6,561</b>	<b>93</b>	<b>16,174</b>	<b>-</b>	<b>7,894</b>	<b>11,893</b>	<b>-</b>	<b>564</b>	<b>1,469</b>	<b>12,429</b>	<b>13,279</b>	<b>71,423</b>

<b>Deferred Inflows of Resources</b>													
	-	-	431	16,103	-	-	1,527	-	-	-	-	-	18,061

<b>Fund Balances</b>													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	12,086	51,069	3,052	-	10,529	66,313	22,747	30	3,339	10,221	-	24,103	200,120
Committed	-	-	-	-	-	-	-	-	-	1,487	-	-	4,856
Assigned	-	-	-	(16,190)	-	-	-	-	-	-	(186)	-	(16,376)
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>12,086</b>	<b>51,069</b>	<b>3,052</b>	<b>(16,190)</b>	<b>10,529</b>	<b>66,313</b>	<b>22,747</b>	<b>30</b>	<b>3,339</b>	<b>11,708</b>	<b>(186)</b>	<b>24,103</b>	<b>188,600</b>
<b>Total Liabilities, Deferred Inflows of Resources, and F-Und Balances</b>	<b>13,153</b>	<b>57,630</b>	<b>3,576</b>	<b>16,087</b>	<b>10,529</b>	<b>74,207</b>	<b>36,167</b>	<b>30</b>	<b>3,903</b>	<b>13,177</b>	<b>12,243</b>	<b>37,382</b>	<b>278,084</b>

City of Philadelphia  
 Combining Balance Sheet  
 Non-Major Governmental Funds (Continued)  
 June 30, 2020

Schedule I

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent		Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
<b>Assets</b>									
Cash on Deposit and on Hand	-	-	7,290	7,290	-	-	-	327	26,279
Equity in Treasurer's Account	183	-	-	183	305,430	-	305,430	-	505,796
Investments	-	48	8,521	8,569	-	11,399	11,399	6,762	41,319
Due from Other Funds	-	-	-	-	-	9,726	9,726	-	20,210
Due from Component Units	-	-	-	-	-	-	-	-	-
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-	30,623
Accounts Receivable	-	-	-	-	-	-	-	-	3,679
Due from Other Governmental Units	-	-	-	-	72,503	-	72,503	-	86,006
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(14,300)
Interest and Dividends Receivable	-	-	1	1	-	-	-	-	20
Inventories	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	642
<b>Total Assets</b>	<b>183</b>	<b>48</b>	<b>15,812</b>	<b>16,043</b>	<b>377,933</b>	<b>21,125</b>	<b>399,058</b>	<b>7,089</b>	<b>700,274</b>
<b>Liabilities</b>									
Notes Payable	-	-	-	-	-	-	-	-	-
Vouchers Payable	-	-	-	-	11,143	-	11,143	-	25,809
Accounts Payable	-	-	8	8	24,109	-	24,109	53	55,397
Salaries and Wages Payable	-	-	-	-	68	-	68	-	502
Payroll Taxes Payable	-	-	-	-	-	-	-	-	136
Accrued Expenses	-	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-	21,002
Due to Primary Government	-	-	-	-	-	-	-	-	-
Due to Component Units	-	-	-	-	1,437	-	1,437	-	3,741
Funds Held in Escrow	-	-	-	-	2,967	-	2,967	-	4,621
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	12,326	-	12,326	-	12,326
General Obligation Bonds	-	-	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	-	-	-	-	-
Unamortized Loss - Refunded Debt	-	-	-	-	-	-	-	-	-
Unamortized Discount on Revenue B	-	-	-	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>8</b>	<b>52,050</b>	<b>-</b>	<b>52,050</b>	<b>53</b>	<b>123,534</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,478</b>	<b>-</b>	<b>68,478</b>	<b>-</b>	<b>86,539</b>
<b>Fund Balances</b>									
Nonspendable	-	-	-	-	-	-	-	-	3,827
Restricted	183	48	15,804	16,035	257,405	21,125	278,530	3,209	497,894
Committed	-	-	-	-	-	-	-	-	4,856
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(16,376)
<b>Total Fund Balances</b>	<b>183</b>	<b>48</b>	<b>15,804</b>	<b>16,035</b>	<b>257,405</b>	<b>21,125</b>	<b>278,530</b>	<b>7,036</b>	<b>490,201</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>183</b>	<b>48</b>	<b>15,812</b>	<b>16,043</b>	<b>377,933</b>	<b>21,125</b>	<b>399,058</b>	<b>7,089</b>	<b>700,274</b>

Schedule II

City of Philadelphia  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-Major Governmental Funds  
 For the Fiscal Year Ended June 30, 2020

Amounts in thousands of USD

	Special Revenue													Total	
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative		
<b>Revenues</b>															
Tax Revenue	-	-	52,827	-	5,388	-	190,623	-	-	-	-	-	528,983	777,801	
Locally Generated Non-Tax Revenue	79	359	-	2,616	127	14,823	-	-	2,155	225	3,607	97	720	24,608	
Revenue from Other Governments	6,734	36,622	-	35,285	-	-	-	-	-	-	-	-	-	76,641	
Other Revenues	-	-	-	-	-	-	-	-	-	-	326	-	235	561	
Total Revenues	6,813	36,981	52,827	37,901	5,495	14,823	190,623	-	2,155	225	3,933	97	529,938	881,611	
<b>Expenditures</b>															
Current Operating:															
Economic Development	-	-	64,947	-	-	-	-	-	-	-	-	-	-	64,947	
Transportation:															
Streets & Highways	5,788	26,245	-	-	-	-	-	-	-	-	-	-	-	32,033	
Judiciary and Law Enforcement:															
Prisons	-	-	-	-	-	-	-	-	1,258	-	-	-	-	1,258	
Conservation of Health:															
Health Services	-	-	-	-	-	-	183,980	-	-	-	-	-	-	183,980	
Housing and Neighborhood Development	-	-	-	44,717	-	32,289	-	-	-	-	-	-	-	77,006	
Cultural and Recreational:															
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	2,193	-	-	2,193	
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	110	-	-	110	
Improvements to General Welfare:															
Service to Property:															
Sanitation	-	7,314	-	-	-	-	-	-	-	-	-	-	-	7,314	
General Management and Support	-	500	-	39	-	-	-	-	972	225	2,925	50,495	1,252	56,408	
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt Service:															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditures	5,788	34,059	64,947	44,756	-	32,289	183,980	-	2,230	225	5,228	50,495	1,252	425,249	
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,025	2,922	(12,120)	(6,855)	5,495	(17,666)	6,643	-	(75)	-	(1,295)	(50,398)	528,686	456,362	
<b>Other Financing Sources (Uses)</b>															
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bond Issuance Discount or payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers In	-	-	-	-	-	18,285	(4,500)	-	-	-	1,150	50,525	-	66,960	
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	(528,864)	(533,364)	
Total Other Financing Sources (Uses)	-	-	-	-	-	18,285	(4,500)	-	-	-	1,150	50,525	(528,864)	(463,404)	
Net Change in Fund Balances	1,025	2,922	(12,120)	(6,855)	5,495	619	2,143	-	(75)	-	(145)	127	(178)	(7,042)	
Fund Balance - July 1, 2019	11,061	48,147	15,172	(9,335)	5,034	65,894	20,604	30	3,414	-	11,853	(313)	24,281	195,642	
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fund Balance Adjusted - July 1, 2019	11,061	48,147	15,172	(9,335)	5,034	65,894	20,604	30	3,414	-	11,853	(313)	24,281	195,642	
Fund Balance - June 30, 2020	12,086	51,069	3,052	(16,190)	10,529	66,313	22,747	30	3,339	-	11,708	(186)	24,103	188,600	

Schedule II

City of Philadelphia  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Non-Major Governmental Funds(Continued)  
 For the Fiscal Year Ended June 30, 2020

	Debt Service				Capital Improvement			Permanent		Total Non-Major Governmental Funds
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Funds	
<b>Revenues</b>										
Tax Revenue	-	-	-	-	-	-	-	-	777,801	
Locally Generated Non-Tax Revenue	6	1	1,252	1,259	-	195	195	348	26,410	
Revenue from Other Governments	-	-	-	-	28,157	-	28,157	-	106,798	
Other Revenues	-	-	651	651	204	10,000	10,204	-	114,116	
Total Revenues	6	1	1,903	1,910	28,361	10,195	38,556	348	922,425	
<b>Expenditures</b>										
Current Operating:										
Economic Development	-	-	-	-	-	-	-	-	64,947	
Transportation:										
Streets & Highways	-	-	-	-	-	-	-	-	32,033	
Judiciary and Law Enforcement:										
Prisons	-	-	-	-	-	-	-	-	1,258	
Conservation of Health:										
Health Services	-	-	-	-	-	-	-	-	183,980	
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	77,006	
Cultural and Recreational: Parks & Recreation Libraries and Museums	-	-	-	-	-	-	-	-	2,193	
Improvements to General Welfare: Service to Property: Sanitation	-	62	12	74	-	-	-	-	342	
General Management and Support Capital Outlay	-	-	-	-	211,043	-	211,043	-	7,314	
Debt Service:										
Principal	84,510	4,860	103,390	192,760	-	-	-	-	56,482	
Interest	74,732	7,047	4,763	86,542	-	-	-	-	211,043	
Bond Issuance Cost	1,225	-	652	1,877	1,906	-	1,906	-	192,760	
Total Expenditures	160,467	11,969	108,817	281,253	212,949	-	212,949	232	86,542	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(160,461)	(11,968)	(106,914)	(279,343)	(184,588)	10,195	(174,393)	116	3,763	
<b>Other Financing Sources (Uses)</b>										
Issuance of Debt	-	-	-	-	293,360	-	293,360	-	293,360	
Issuance of Refunding Bonds	118,030	-	60,571	178,601	-	-	-	-	178,601	
Bond Issuance Premium	-	-	-	-	64,546	-	64,546	-	64,546	
Bond Issuance Discount or payment Proceeds from Lease & Service Agreements	-	-	2,198	2,198	-	-	-	-	-	
Payment to Refunded Bonds Escrow Agent	(116,804)	-	(27,014)	(143,818)	9,600	-	9,600	-	(143,818)	
Transfers In	158,789	11,968	32,921	203,678	-	(2,643)	(2,643)	-	283,238	
Transfers Out	-	-	-	-	387,506	(2,643)	384,863	-	(536,007)	
Total Other Financing Sources (Uses)	160,015	11,968	68,676	240,659	387,506	(2,643)	384,863	-	142,118	
Net Change in Fund Balances	(446)	-	(38,238)	(38,684)	182,918	7,552	190,470	116	144,860	
Fund Balance - July 1, 2019	629	48	54,042	54,719	74,487	13,573	88,060	6,920	345,341	
Adjustment	-	-	-	-	-	-	-	-	-	
Fund Balance Adjusted - July 1, 2019	629	48	54,042	54,719	74,487	13,573	88,060	6,920	345,341	
Fund Balance - June 30, 2020	183	48	15,804	16,035	257,405	21,125	278,530	7,036	490,201	

City of Philadelphia  
Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
June 30, 2020

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<b><u>Assets</u></b>			
Cash on Deposit and on Hand	22,433	-	22,433
Equity in Treasurer's Account	522,358	5,720,754	6,243,112
Securities Lending Collective Investment Pool	-	391,234	391,234
Allowance for Unrealized Loss	-	3	3
Accounts Receivable	-	5,090	5,090
Due from Brokers for Securities Sold	2,595	212,877	215,472
Interest and Dividends Receivable	1,519	-	1,519
Due from Other Governmental Units	-	9,943	9,943
Due from Other Funds	-	42,732	42,732
	<u>548,905</u>	<u>6,382,633</u>	<u>6,931,538</u>
Total Assets			
<b><u>Liabilities</u></b>			
Vouchers Payable	-	82	82
Accounts Payable	203	-	203
Salaries and Wages Payable	-	174	174
Due on Return of Securities Loaned	-	391,234	391,234
Due to Brokers for Securities Purchased	5,339	204,894	210,233
Accrued Expenses	-	3,120	3,120
Other Liabilities	133	238	371
	<u>5,675</u>	<u>599,742</u>	<u>605,417</u>
Total Liabilities			
Net Position Restricted for Pensions	<u>543,230</u>	<u>5,782,891</u>	<u>6,326,121</u>

**City of Philadelphia**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule IV**

*Amounts in thousands of USD*

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<b><u>Additions</u></b>			
Contributions:			
Employer's Contributions	29,414	768,721	798,135
Employees' Contributions	1,519	111,825	113,344
Total Contributions	<u>30,933</u>	<u>880,546</u>	<u>911,479</u>
Investment Income:			
Interest and Dividends	13,575	129,982	143,557
Net Gain (Decline) in Fair Value of Investments	2,219	(38,084)	(35,865)
(Less) Investments Expenses	(1,508)	(6,670)	(8,178)
Securities Lending Revenue	-	2,069	2,069
(Less) Securities Lending Expenses	-	(310)	(310)
Net Investment Gain	<u>14,286</u>	<u>86,987</u>	<u>101,273</u>
Miscellaneous Operating Revenues	-	164	164
Total Additions	<u>45,219</u>	<u>967,697</u>	<u>1,012,916</u>
<b><u>Deductions</u></b>			
Personal Services	-	3,878	3,878
Purchase of Services	-	1,685	1,685
Materials and Supplies	-	35	35
Employee Benefits	-	5,302	5,302
Pension Benefits	55,061	853,919	908,980
Refunds of Members' Contributions	-	8,279	8,279
Administrative Expenses Paid	168	-	168
Other Operating Expenses	-	91	91
Total Deductions	<u>55,229</u>	<u>873,189</u>	<u>928,418</u>
Change in Net Position	(10,010)	94,508	84,498
Net Position - July 1, 2019	<u>553,240</u>	<u>5,688,383</u>	<u>6,241,623</u>
Net Position - June 30, 2020	<u><u>543,230</u></u>	<u><u>5,782,891</u></u>	<u><u>6,326,121</u></u>

City of Philadelphia  
Combining Statement of Fiduciary Net Position  
Agency Funds  
June 30, 2020

Schedule V

Amounts in thousands of USD

	<u>Escrow Fund</u>	<u>Employee Health &amp; Welfare Fund</u>	<u>Departmental Custodial Accounts</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash on Deposit and on Hand	-	-	147,606	147,606
Equity in Treasurer's Account	32,519	35,590	-	68,109
Investments	-	-	2,470	2,470
Due from Other Funds	-	-	699	699
	<u>32,519</u>	<u>35,590</u>	<u>150,775</u>	<u>218,884</u>
Total Assets	<u>32,519</u>	<u>35,590</u>	<u>150,775</u>	<u>218,884</u>
<b><u>Liabilities</u></b>				
Vouchers Payable	49	29	-	78
Payroll Taxes Payable	-	23,207	-	23,207
Funds Held in Escrow	32,470	12,354	150,775	195,599
	<u>32,519</u>	<u>35,590</u>	<u>150,775</u>	<u>218,884</u>
Total Liabilities	<u>32,519</u>	<u>35,590</u>	<u>150,775</u>	<u>218,884</u>
Net Position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



City of Philadelphia  
Statement of Changes in Fiduciary Net Position  
Agency Funds  
For the Fiscal Year Ended June 30, 2020

Schedule VI

Amounts in thousands of USD

	Balance 7-1-2019	Additions	Deductions	Balance 6-30-2020
<b><u>Escrow Fund</u></b>				
<b><u>Assets</u></b>				
Equity in Treasurer's Account	75,378	550,960	593,819	32,519
<b><u>Liabilities</u></b>				
Funds Held in Escrow	74,415	550,994	592,939	32,470
Vouchers Payable	963	50,422	51,336	49
<b><u>Total Liabilities</u></b>	<b><u>75,378</u></b>	<b><u>601,416</u></b>	<b><u>644,275</u></b>	<b><u>32,519</u></b>
<b><u>Employee Health and Welfare Fund</u></b>				
<b><u>Assets</u></b>				
Equity in Treasurer's Account	37,685	1,041,247	1,043,342	35,590
<b><u>Liabilities</u></b>				
Vouchers Payable	1	9,073	9,045	29
Payroll Taxes Payable	23,654	1,092,586	1,093,033	23,207
Funds Held in Escrow	14,030	84,843	86,519	12,354
<b><u>Total Liabilities</u></b>	<b><u>37,685</u></b>	<b><u>1,186,502</u></b>	<b><u>1,188,597</u></b>	<b><u>35,590</u></b>
<b><u>Departmental Custodial Accounts</u></b>				
<b><u>Assets</u></b>				
Cash on Deposit and on Hand	126,384	426,651	405,429	147,606
Investments	2,439	31	-	2,470
Due from Other Funds	699	-	-	699
<b><u>Total Assets</u></b>	<b><u>129,522</u></b>	<b><u>426,682</u></b>	<b><u>405,429</u></b>	<b><u>150,775</u></b>
<b><u>Liabilities</u></b>				
Funds Held in Escrow	129,522	426,682	405,429	150,775
<b><u>Totals - Agency Funds</u></b>				
<b><u>Assets</u></b>				
Cash on Deposit and on Hand	126,384	426,651	405,429	147,606
Equity in Treasurer's Account	113,063	1,592,207	1,637,161	68,109
Investments	2,439	31	-	2,470
Due from Other Funds	699	-	-	699
<b><u>Total Assets</u></b>	<b><u>242,585</u></b>	<b><u>2,018,889</u></b>	<b><u>2,042,590</u></b>	<b><u>218,884</u></b>
<b><u>Liabilities</u></b>				
Vouchers Payable	964	59,495	60,381	78
Payroll Taxes Payable	23,654	1,092,586	1,093,033	23,207
Funds Held in Escrow	217,967	1,062,519	1,084,887	195,599
<b><u>Total Liabilities</u></b>	<b><u>242,585</u></b>	<b><u>2,214,600</u></b>	<b><u>2,238,301</u></b>	<b><u>218,884</u></b>

City of Philadelphia  
City Related Schedule of Bonded Debt Outstanding  
June 30, 2020

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2020 Outstanding	Maturities	Interest Rates	FY 2021 Debt Service Requirements	
						Interest	Principal
<b>Governmental Activities</b>							
<b>General Obligation Bonds:</b>							
Series 2009B (Refunding)	8/13/2009	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,811,384	-
Series 2011	4/19/2011	139,150,000	5,870,000	8/2020 to 8/2021	5.00 to 6.50	217,788	2,860,000
Series 2011 (Refunding)	4/19/2011	114,570,000	9,825,000	8/2020	3.00 to 5.25	213,038	9,825,000
Series 2012A (Refunding)	5/8/2012	21,295,000	10,040,000	9/2020 to 9/2021	5.00	502,000	-
Series 2013A	7/30/2013	201,360,000	16,585,000	7/2020 to 7/2021	5.00	627,125	8,085,000
Series 2014A (Refunding)	2/6/2014	154,275,000	141,850,000	7/2020 to 7/2038	5.00 to 5.25	7,135,213	4,535,000
Series 2015A (Refunding)	7/8/2015	138,795,000	113,525,000	8/2020 to 8/2031	5.00	5,472,750	8,140,000
Series 2015B	9/30/2015	191,585,000	166,790,000	8/2020 to 8/2035	4.00 to 5.00	7,878,950	6,990,000
Series 2017 (Refunding)	2/2/2017	262,865,000	243,200,000	8/2020 to 8/2041	4.00 to 5.00	11,667,100	9,760,000
Series 2017A	8/2/2017	250,845,000	235,425,000	8/2020 to 8/2037	5.00	11,564,500	8,270,000
Series 2017A (Refunding)	8/2/2017	80,770,000	80,770,000	8/2021 to 8/2036	5.00	4,038,500	-
Series 2019A (Refunding)	5/14/2019	188,660,000	188,660,000	8/2020 to 8/2031	5.00	8,966,625	18,655,000
Series 2019B	8/8/2019	293,360,000	293,360,000	2/2021 to 2/2039	5.00	14,668,000	9,605,000
Series 2020A (Refunding)	1/16/2020	118,030,000	118,030,000	7/2020 to 7/2033	1.72 to 3.01	3,025,814	1,385,000
<u>Total New Money Bonds</u>		<u>1,076,300,000</u>	<u>718,030,000</u>			<u>34,956,363</u>	<u>35,810,000</u>
<u>Total Refunding Bonds</u>		<u>1,179,260,000</u>	<u>1,005,900,000</u>			<u>44,832,423</u>	<u>52,300,000</u>
<u>Total General Obligation Bonds</u>		<u>2,255,560,000</u>	<u>1,723,930,000</u>			<u>79,788,785</u>	<u>88,110,000</u>
<b>Business Type Activities</b>							
<b>Revenue Bonds</b>							
<b>Water and Sewer Revenue Bonds:</b>							
Series 1997B	11/25/1997	100,000,000	41,200,000	8/2020 to 8/2027	variable	39,187	4,400,000
Series 2009B	10/14/2009	31,216,779	17,023,900	7/2020 to 6/2033	1.193	346,850	1,231,123
Series 2009C	10/14/2009	49,157,776	29,405,657	7/2020 to 6/2033	1.193	598,636	2,176,804
Series 2009D	3/31/2010	75,744,096	45,780,493	7/2020 to 6/2033	1.193	930,664	3,526,956
Series 2010B	6/17/2010	30,000,000	21,024,289	7/2020 to 6/2033	1.193	429,607	1,390,299
Series 2010C	8/5/2010	185,000,000	4,275,000	8/2020 to 8/2035	3.00 to 5.00	130,388	3,230,000
Series 2011A	11/16/2011	135,000,000	135,000,000	1/2033 to 1/2041	5.00	6,737,000	-
Series 2011B (Refunding)	11/16/2011	49,855,000	12,600,000	11/2020 to 11/2026	5.00	587,750	1,690,000
Series 2012 (Refunding)	11/1/2012	70,370,000	34,400,000	11/2028	5.00	1,720,000	-
Series 2013A	8/22/2013	170,000,000	128,880,000	1/2021 to 1/2043	4.00 to 5.125	6,454,150	31,880,000
Series 2014 (Refunding)	1/23/2014	93,170,000	67,700,000	7/2020 to 7/2027	3.00 to 5.00	3,121,750	7,140,000
Series 2014	1/23/2014	30,000,000	30,000,000	7/2041 to 7/2043	5.00	1,500,000	-
Series 2015A	4/16/2015	275,820,000	275,820,000	7/2036 to 7/2045	5.00	13,791,000	-
Series 2015B (Refunding)	4/16/2015	141,740,000	131,375,000	7/2020 to 7/2033	4.00 to 5.00	6,019,350	10,900,000
Series 2016 (Refunding)	11/3/2016	192,680,000	177,985,000	10/2020 to 10/2035	3.00 to 5.00	8,290,313	3,975,000

City of Philadelphia  
City Related Schedule of Bonded Debt Outstanding  
June 30, 2020

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2020 Outstanding	Maturities	Interest Rates	FY 2021 Debt Service Requirements	
						Interest	Principal
Series 2017A	4/13/2017	279,865,000	239,865,000	10/2020 to 10/2052	5.00 to 5.25	12,116,125	-
Series 2017B (Refunding)	8/10/2017	174,110,000	171,205,000	11/2020 to 10/2034	5.00	8,410,750	5,980,000
Series 2018A	11/28/2018	276,935,000	266,935,000	10/2020 to 10/2053	5.00	13,096,750	10,000,000
Series 2019A (Refunding)	2/27/2019	68,335,000	68,335,000	10/2020 to 10/2040	2.83 to 4.29	2,698,094	340,000
Series 2019B	8/14/2019	250,660,000	250,660,000	11/2023 to 11/2054	5.00	12,533,000	-
<b>Total New Money Bonds</b>		<b>1,889,398,651</b>	<b>1,485,869,339</b>			<b>68,703,356</b>	<b>57,835,183</b>
<b>Total Refunding Bonds</b>		<b>790,260,000</b>	<b>663,600,000</b>			<b>30,848,006</b>	<b>30,025,000</b>
<b>Total Water Revenue Bonds</b>		<b>2,679,658,651</b>	<b>2,149,469,339</b>			<b>99,551,362</b>	<b>87,860,183</b>
<b>Aviation Revenue Bonds:</b>							
Series 2005C (Refunding)	6/2/2005	189,500,000	74,100,000	6/2021 to 6/2025	variable	2,174,630	13,700,000
Series 2010A	11/15/2010	273,065,000	232,235,000	6/2021 to 6/2040	3.75 to 5.25	11,662,963	7,005,000
Series 2010D (Refunding)	11/15/2010	272,475,000	132,705,000	6/2021 to 6/2028	4.00 to 5.25	6,916,000	19,475,000
Series 2011A (Refunding)	12/14/2011	199,040,000	138,075,000	6/2021 to 6/2028	4.625 to 5.00	6,848,156	8,540,000
Series 2011B (Refunding)	12/14/2011	34,790,000	21,915,000	6/2021 to 6/2031	3.375 to 5.00	974,500	1,615,000
Series 2015A (Refunding)	9/3/2015	97,780,000	80,320,000	6/2021 to 6/2035	4.00 to 5.00	3,930,450	3,735,000
Series 2017	4/27/2017	125,000,000	120,450,000	7/2020 to 4/2022	2.797	3,307,196	2,410,000
Series 2017A (Refunding)	12/20/2017	138,630,000	132,155,000	7/2020 to 7/2047	3.00 to 5.00	6,077,044	4,270,000
Series 2017B (Refunding)	12/20/2017	553,900,000	537,830,000	7/2020 to 7/2047	5.00	26,632,750	10,350,000
<b>Total New Money Bonds</b>		<b>398,065,000</b>	<b>352,685,000</b>			<b>14,970,159</b>	<b>9,415,000</b>
<b>Total Refunding Bonds</b>		<b>1,486,115,000</b>	<b>1,117,100,000</b>			<b>53,553,530</b>	<b>61,685,000</b>
<b>Total Aviation Revenue Bonds</b>		<b>1,884,180,000</b>	<b>1,469,785,000</b>			<b>68,523,689</b>	<b>71,100,000</b>
<b>Total Revenue Bonds</b>		<b>4,563,838,651</b>	<b>3,619,254,339</b>			<b>168,075,051</b>	<b>158,960,183</b>
<b>Total All Bonds</b>		<b>6,819,398,651</b>	<b>5,343,184,339</b>			<b>247,863,836</b>	<b>247,070,183</b>

NOTES:

<sup>1</sup> Assumes interest rate to be fixed swap rate on hedged variable rate bonds

<sup>2</sup> Based on latest available estimated rates at June 30, 2020

City of Philadelphia  
 Budgetary Comparison Schedule  
 Water Operating Fund  
 For the Fiscal Year Ended June 30, 2020

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	703,269	703,727	710,318	6,591
Revenue from Other Governments	1,000	1,000	860	(140)
Revenue from Other Funds	<u>122,278</u>	<u>111,489</u>	<u>68,583</u>	<u>(42,906)</u>
Total Revenues	826,547	816,216	779,761	(36,455)
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	152,931	152,931	150,765	2,166
Pension Contributions	81,640	81,790	87,299	(5,509)
Other Employee Benefits	65,799	65,649	57,761	7,888
Sub-Total Employee Compensation	<u>300,370</u>	<u>300,370</u>	<u>295,825</u>	<u>4,545</u>
Purchase of Services	203,207	210,207	184,960	25,247
Materials and Supplies	52,378	52,263	46,481	5,782
Equipment	10,366	10,481	7,578	2,903
Contributions, Indemnities and Taxes	8,120	8,120	4,410	3,710
Debt Service	218,106	218,106	206,392	11,714
Payments to Other Funds	<u>74,000</u>	<u>74,000</u>	<u>60,976</u>	<u>13,024</u>
Total Expenditures and Encumbrances	<u>866,547</u>	<u>873,547</u>	<u>806,622</u>	<u>66,925</u>
Operating Surplus (Deficit) for the Year	<u>(40,000)</u>	<u>(57,331)</u>	<u>(26,861)</u>	<u>30,470</u>
Fund Balance Available for Appropriation, July 1, 2019	-	-	-	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>40,000</u>	<u>40,000</u>	<u>26,861</u>	<u>(13,139)</u>
Adjusted Fund Balance, July 1, 2019	<u>40,000</u>	<u>40,000</u>	<u>26,861</u>	<u>(13,139)</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>-</u>	<u>(17,331)</u>	<u>-</u>	<u>17,331</u>

**City of Philadelphia**  
**Budgetary Comparison Schedule**  
**Water Residual Fund**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule IX**

*Amounts in thousands of USD*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	50	-	447	447
Revenue from Other Funds	<u>37,000</u>	<u>37,000</u>	<u>34,965</u>	<u>(2,035)</u>
Total Revenues	37,050	37,000	35,412	(1,588)
<b><u>Expenditures and Encumbrances</u></b>				
Payments to Other Funds	33,000	34,994	34,994	-
Advances, Subsidies, Miscellaneous	<u>4,000</u>	<u>2,006</u>	<u>-</u>	<u>2,006</u>
Total Expenditures and Encumbrances	<u>37,000</u>	<u>37,000</u>	<u>34,994</u>	<u>2,006</u>
Operating Surplus (Deficit) for the Year	<u>50</u>	<u>-</u>	<u>418</u>	<u>418</u>
Fund Balance Available for Appropriation, July 1, 2019	15,433	15,344	15,665	321
Fund Balance Available for Appropriation, June 30, 2020	<u>15,483</u>	<u>15,344</u>	<u>16,083</u>	<u>739</u>

**City of Philadelphia**  
**Budgetary Comparison Schedule**  
**County Liquid Fuels Tax Fund**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule X**

*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>		
<b><u>Revenues</u></b>				
Revenue from Other Governments	<u>8,524</u>	<u>8,524</u>	<u>6,813</u>	<u>(1,711)</u>
Total Revenues	<u>8,524</u>	<u>8,524</u>	<u>6,813</u>	<u>(1,711)</u>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	<u>3,734</u>	<u>3,734</u>	<u>2,731</u>	<u>1,003</u>
Purchase of Services	<u>3,320</u>	<u>3,320</u>	<u>3,081</u>	<u>239</u>
Materials and Supplies	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
Payments to Other Funds	<u>19</u>	<u>19</u>	<u>14</u>	<u>5</u>
Total Expenditures and Encumbrances	<u>7,273</u>	<u>7,273</u>	<u>5,826</u>	<u>1,447</u>
Operating Surplus (Deficit) for the Year	<u>1,251</u>	<u>1,251</u>	<u>987</u>	<u>(264)</u>
Fund Balance Available for Appropriation, July 1, 2019	<u>10,718</u>	<u>10,020</u>	<u>10,020</u>	<u>-</u>
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>25</u>	<u>25</u>	<u>156</u>	<u>131</u>
Adjusted Fund Balance, July 1, 2019	<u>10,743</u>	<u>10,045</u>	<u>10,176</u>	<u>131</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>11,994</u>	<u>11,296</u>	<u>11,163</u>	<u>(133)</u>

City of Philadelphia  
 Budgetary Comparison Schedule  
 Special Gasoline Tax Fund  
 For the Fiscal Year Ended June 30, 2020

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>	
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	-	-	358	358
Revenue from Other Governments	34,500	34,500	36,622	2,122
Total Revenues	34,500	34,500	36,980	2,480
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	6,795	11,461	10,009	1,452
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	7,795	12,461	11,009	1,452
Purchase of Services	16,729	17,035	17,467	(432)
Materials and Supplies	5,962	4,357	3,837	520
Equipment	6,424	6,468	6,168	300
Payments to Other Funds	30	30	11	19
Total Expenditures and Encumbrances	36,940	40,351	38,492	1,859
Operating Surplus (Deficit) for the Year	(2,440)	(5,851)	(1,512)	4,339
Fund Balance Available for Appropriation, July 1, 2019	32,904	41,612	41,612	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	500	500	1,921	1,421
Adjusted Fund Balance, July 1, 2019	33,404	42,112	43,533	1,421
Fund Balance Available for Appropriation, June 30, 2020	30,964	36,261	42,021	5,760

City of Philadelphia  
 Budgetary Comparison Schedule  
 Hotel Room Rental Tax Fund  
 For the Fiscal Year Ended June 30, 2020

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>		
<b><u>Revenues</u></b>				
Taxes	<u>77,562</u>	<u>61,770</u>	<u>52,827</u>	<u>(8,943)</u>
Total Revenues	<u>77,562</u>	<u>61,770</u>	<u>52,827</u>	<u>(8,943)</u>
<b><u>Expenditures and Encumbrances</u></b>				
Contributions, Indemnities and Taxes	<u>77,562</u>	<u>77,562</u>	<u>77,562</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>77,562</u>	<u>77,562</u>	<u>77,562</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(15,792)</u>	<u>(24,735)</u>	<u>(8,943)</u>
Fund Balance Available for Appropriation, July 1, 2019	7,390	8,220	8,220	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>1,504</u>	<u>1,504</u>
Adjusted Fund Balance, July 1, 2019	<u>7,390</u>	<u>8,220</u>	<u>9,724</u>	<u>1,504</u>
Fund Balance Available for Appropriation, June 30, 2020	<u><u>7,390</u></u>	<u><u>(7,572)</u></u>	<u><u>(15,011)</u></u>	<u><u>(7,439)</u></u>



City of Philadelphia  
 Budgetary Comparison Schedule  
 Aviation Operating Fund  
 For the Fiscal Year Ended June 30, 2020

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	497,797	449,480	359,692	(89,788)
Revenue from Other Governments	2,913	56,704	57,491	787
Revenue from Other Funds	<u>1,527</u>	<u>1,527</u>	<u>1,333</u>	<u>(194)</u>
Total Revenues	502,237	507,711	418,516	(89,195)
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	87,641	88,606	85,496	3,110
Pension Contributions	38,695	41,481	41,051	430
Other Employee Benefits	<u>27,366</u>	<u>24,580</u>	<u>24,041</u>	<u>539</u>
Sub-Total Employee Compensation	153,702	154,667	150,588	4,079
Purchase of Services	139,192	139,192	117,325	21,867
Materials and Supplies	9,373	9,373	6,071	3,302
Equipment	8,159	8,159	4,806	3,353
Contributions, Indemnities and Taxes	8,812	8,812	5,525	3,287
Debt Service	134,825	134,825	123,448	11,377
Payments to Other Funds	<u>20,023</u>	<u>20,023</u>	<u>7,541</u>	<u>12,482</u>
Total Expenditures and Encumbrances	<u>474,086</u>	<u>475,051</u>	<u>415,304</u>	<u>59,747</u>
Operating Surplus (Deficit) for the Year	<u>28,151</u>	<u>32,660</u>	<u>3,212</u>	<u>(29,448)</u>
Fund Balance Available for Appropriation, July 1, 2019	123,806	179,117	179,117	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>15,000</u>	<u>15,000</u>	<u>16,281</u>	<u>1,281</u>
Adjusted Fund Balance, July 1, 2019	<u>138,806</u>	<u>194,117</u>	<u>195,398</u>	<u>1,281</u>
Fund Balance Available for Appropriation, June 30, 2020	<u><u>166,957</u></u>	<u><u>226,777</u></u>	<u><u>198,610</u></u>	<u><u>(28,167)</u></u>

City of Philadelphia  
 Budgetary Comparison Schedule  
 Community Development Fund  
 For the Fiscal Year Ended June 30, 2020

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>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	500	500	2,616	2,116
Revenue from Other Governments	104,642	84,642	33,587	(51,055)
Total Revenues	105,142	85,142	36,203	(48,939)
<b><u>Other Sources</u></b>				
Decrease in Financed Reserves	-	-	9,804	9,804
Total Revenues and Other Sources	105,142	85,142	46,007	(39,135)
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	7,204	7,206	4,770	2,436
Pension Contributions	3,034	3,024	2,469	555
Other Employee Benefits	2,009	2,018	1,457	561
Sub-Total Employee Compensation	12,247	12,248	8,696	3,552
Purchase of Services	72,615	72,615	48,541	24,074
Materials and Supplies	200	135	99	36
Equipment	55	121	53	68
Payments to Other Funds	25	25	24	1
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	105,142	105,144	57,413	47,731
Operating Surplus (Deficit) for the Year	-	(20,002)	(11,406)	8,596
Fund Balance Available for Appropriation, July 1, 2019	-	(8,386)	(9,335)	(949)
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	-	-	4,551	4,551
Prior Period Adjustments	-	8,386	-	(8,386)
Adjusted Fund Balance, July 1, 2019	-	-	(4,784)	(4,784)
Fund Balance Available for Appropriation, June 30, 2020	-	(20,002)	(16,190)	3,812

**City of Philadelphia**  
**Budgetary Comparison Schedule**  
**Car Rental Tax Fund**  
**For the Fiscal Year Ended June 30, 2020**

**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>		
<b><u>Revenues</u></b>				
Taxes	6,272	5,920	5,369	(551)
Locally Generated Non-Tax Revenue	<u>25</u>	<u>50</u>	<u>127</u>	<u>77</u>
Total Revenues	6,297	5,970	5,496	(474)
<b><u>Expenditures and Encumbrances</u></b>				
Purchase of Services	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total Expenditures and Encumbrances	7,000	7,000	-	7,000
Operating Surplus (Deficit) for the Year	<u>(703)</u>	<u>(1,030)</u>	<u>5,496</u>	<u>6,526</u>
Fund Balance Available for Appropriation, July 1, 2019	<u>4,727</u>	<u>5,034</u>	<u>5,034</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2020	<u><u>4,024</u></u>	<u><u>4,004</u></u>	<u><u>10,530</u></u>	<u><u>6,526</u></u>

City of Philadelphia  
 Budgetary Comparison Schedule  
 Housing Trust Fund  
 For the Fiscal Year Ended June 30, 2020

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>	
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	14,745	13,582	14,623	1,041
Revenue from Other Funds	<u>13,285</u>	<u>13,285</u>	<u>18,285</u>	<u>5,000</u>
Total Revenues	28,030	26,867	32,908	6,041
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	2,250	2,250	458	1,792
Purchase of Services	<u>66,166</u>	<u>66,166</u>	<u>48,909</u>	<u>17,257</u>
Total Expenditures and Encumbrances	68,416	68,416	49,367	19,049
Operating Surplus (Deficit) for the Year	<u>(40,386)</u>	<u>(41,549)</u>	<u>(16,459)</u>	<u>25,090</u>
Fund Balance Available for Appropriation, July 1, 2019	20,831	34,451	34,451	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	12,000	12,000	6,676	(5,324)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	7,555	-	-	-
Other Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Fund Balance, July 1, 2019	<u>40,386</u>	<u>46,451</u>	<u>41,127</u>	<u>(5,324)</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>-</u>	<u>4,902</u>	<u>24,668</u>	<u>19,766</u>

City of Philadelphia  
 Budgetary Comparison Schedule  
 General Capital Improvement Funds  
 For the Fiscal Year Ended June 30, 2020

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Locally Generated Non-Tax Revenue	751,009	751,159	118	(751,041)
Revenue from Other Governments	643,539	643,689	28,865	(614,824)
Revenue from Other Funds	<u>167,678</u>	<u>167,828</u>	<u>9,600</u>	<u>(158,228)</u>
Total Revenues	1,562,226	1,562,676	38,583	(1,524,093)
<b><u>Other Sources (Uses)</u></b>				
Increase in Unreimbursed Commitments	-	-	771	771
Proceeds from Bond Sales	<u>-</u>	<u>-</u>	<u>356,000</u>	<u>356,000</u>
Total Revenues and Other Sources	1,562,226	1,562,676	395,354	(1,167,322)
<b><u>Expenditures and Encumbrances</u></b>				
Capital Outlay	<u>1,562,226</u>	<u>1,562,676</u>	<u>210,133</u>	<u>1,352,543</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>185,221</u>	<u>185,221</u>
Fund Balance Available for Appropriation, July 1, 2019	-	-	(191,219)	(191,219)
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>7,593</u>	<u>7,593</u>
Adjusted Fund Balance, July 1, 2019	<u>-</u>	<u>-</u>	<u>(183,626)</u>	<u>(183,626)</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>-</u>	<u>-</u>	<u>1,595</u>	<u>1,595</u>

City of Philadelphia  
 Budgetary Comparison Schedule  
 Acute Care Hospital Assessment Fund  
 For the Fiscal Year Ended June 30, 2020

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>Revenues</u></b>				
Tax Revenue	<u>317,000</u>	<u>235,707</u>	<u>190,623</u>	<u>(45,084)</u>
Total Revenues	<u>317,000</u>	<u>235,707</u>	<u>190,623</u>	<u>(45,084)</u>
<b><u>Other Sources</u></b>				
Increase in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>504</u>	<u>504</u>
Total Revenues and Other Sources	<u>317,000</u>	<u>235,707</u>	<u>191,127</u>	<u>(44,580)</u>
<b><u>Expenditures and Encumbrances</u></b>				
Personal Services	8,521	8,521	3,828	4,693
Pension Contributions	30	42	-	42
Other Employee Benefits	<u>238</u>	<u>225</u>	<u>-</u>	<u>225</u>
Sub-Total Employee Compensation	<u>8,789</u>	<u>8,788</u>	<u>3,828</u>	<u>4,960</u>
Purchase of Services	304,898	304,898	180,017	124,881
Materials and Supplies	1,354	1,354	78	1,276
Equipment	-	-	584	(584)
Payments to Other Funds	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>319,541</u>	<u>319,540</u>	<u>189,007</u>	<u>130,533</u>
Operating Surplus (Deficit) for the Year	<u>(2,541)</u>	<u>(83,833)</u>	<u>2,120</u>	<u>85,953</u>
Fund Balance Available for Appropriation, July 1, 2019	2,204	20,604	20,604	-
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>2,000</u>	<u>2,000</u>	<u>23</u>	<u>(1,977)</u>
Adjusted Fund Balance, July 1, 2019	<u>4,204</u>	<u>22,604</u>	<u>20,627</u>	<u>(1,977)</u>
Fund Balance Available for Appropriation, June 30, 2020	<u>1,663</u>	<u>(61,229)</u>	<u>22,747</u>	<u>83,976</u>

**City of Philadelphia**  
**Schedule of Budgetary Actual and Estimated Revenues and Obligations**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)**

**Schedule XIX**

*Amounts in thousands of USD*

	Budgeted Amounts		FY 2020 Actual	Final Budget to Actual Positive (Negative)	FY 2019 Actual	Increase (Decrease)
	Original	Final				
<b>Revenue</b>						
<b>Taxes</b>						
Real Property Tax:						
Current	653,359	653,930	671,767	17,837	658,208	13,559
Prior Years	37,565	37,565	27,283	(10,282)	38,395	(11,112)
Total Real Property Tax	690,924	691,495	699,050	7,555	696,603	2,447
Wage and Earnings Taxes:						
Current	1,628,251	1,597,922	1,591,884	(6,038)	1,577,549	14,335
Prior Years	5,400	5,400	7,278	1,878	4,350	2,928
Total Wage and Earnings Taxes	1,633,651	1,603,322	1,599,162	(4,160)	1,581,899	17,263
Business Taxes:						
Business Income & Receipts Taxes:						
Current	462,317	479,049	494,888	15,839	506,653	(11,765)
Prior Years	35,000	35,000	39,351	4,351	34,220	5,131
Total Business Income & Receipts Taxes	497,317	514,049	534,239	20,190	540,873	(6,634)
Net Profits Tax:						
Current	33,544	31,888	22,539	(9,349)	29,455	(6,916)
Prior Years	4,700	4,700	6,667	1,967	6,353	314
Total Net Profits Tax	38,244	36,588	29,206	(7,382)	35,808	(6,602)
Total Business Taxes	535,561	550,637	563,445	12,808	576,681	(13,236)
Other Taxes:						
Sales Tax	227,856	194,202	204,591	10,389	224,199	(19,608)
Amusement Tax	28,919	18,500	18,446	(54)	26,406	(7,960)
Beverage Tax	75,881	65,758	69,921	4,163	76,855	(6,934)
Real Property Transfer Tax	339,271	313,474	319,794	6,320	328,446	(8,652)
Parking Lot Tax	100,192	80,699	77,266	(3,433)	99,312	(22,046)
Smokeless Tobacco	986	962	1,056	94	957	99
Miscellaneous Taxes	3,251	3,743	3,214	(529)	3,482	(268)
Total Other Taxes	776,356	677,338	694,288	16,950	759,657	(65,369)
Total Taxes	3,636,492	3,522,792	3,555,945	33,153	3,614,840	(58,895)
<b>Locally Generated Non-Tax Revenue</b>						
Rentals from Leased City Properties	3,732	3,150	2,637	(513)	3,182	(545)
Licenses and Permits	68,061	62,640	65,020	2,380	71,993	(6,973)
Fines, Forfeits, Penalties, Confiscated						
Money and Property	19,385	15,235	17,684	2,449	18,814	(1,130)
Interest Income	8,418	13,635	18,320	4,685	18,573	(253)
Service Charges and Fees	153,478	184,432	189,144	4,712	169,834	19,310
Other	100,254	83,085	72,308	(10,777)	66,666	5,642
Total Locally Generated Non-Tax Revenue	353,328	362,177	365,113	2,936	349,062	16,051
<b>Revenue from Other Governments</b>						
United States Government:						
Grants and Reimbursements	45,782	119,157	86,127	(33,030)	21,961	64,166
Commonwealth of Pennsylvania:						
Grants and Other Payments	235,678	217,538	214,504	(3,034)	214,802	(298)
Other Governmental Units	563,712	548,294	557,908	9,614	567,935	(10,027)
Total Revenue from Other Governments	845,172	884,989	858,539	(26,450)	804,698	53,841
<b>Revenue from Other Funds</b>						
	83,011	90,476	53,995	(36,481)	51,677	2,318
Total Revenues	4,918,003	4,860,434	4,833,592	(26,842)	4,820,277	13,315

City of Philadelphia  
 Schedule of Budgetary Actual and Estimated Revenues and Obligations  
 General Fund  
 For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2020 Actual	Final Budget	FY 2019 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
<b>Obligations</b>						
<b>General Government</b>						
City Council	17,928	18,679	17,406	1,273	16,537	869
Mayor's Office:						
Mayor's Office	6,114	6,298	6,137	161	5,460	677
Scholarships	200	201	201	-	157	44
Mural Arts Program	2,500	2,545	2,130	415	2,367	(237)
Labor Relations	2,455	2,511	2,217	294	1,770	447
Chief Administrative Office	7,438	7,520	6,765	755	5,996	769
Community Schools & Pre-K	45,350	45,350	43,089	2,261	26,141	16,948
Community Services	90	91	91	-	88	3
Inspector General	1,680	1,742	1,497	245	1,514	(17)
Sustainability	1,213	1,226	1,226	-	956	270
Office of Information Technology	112,434	117,206	95,894	21,312	78,605	17,289
Office of Property Assessment	17,318	17,318	14,711	2,607	13,935	776
Law	16,085	16,400	16,573	(173)	15,463	1,110
Board of Ethics	1,102	1,102	969	133	926	43
City Planning Commission	-	-	-	-	-	-
Commission on Human Relations	2,386	2,401	2,333	68	2,127	206
Arts & Culture	4,098	4,419	4,375	44	4,310	65
Board of Revision of Taxes	1,061	1,106	1,106	-	978	128
Department of Planning & Development	11,811	18,252	18,252	-	12,482	5,770
<b>Total General Government</b>	<b>251,263</b>	<b>264,367</b>	<b>234,972</b>	<b>29,395</b>	<b>189,812</b>	<b>45,160</b>
<b>Operation of Service Departments</b>						
Housing	-	-	-	-	-	-
Managing Director	106,219	197,059	155,916	41,143	96,879	59,037
Police	741,165	772,964	774,399	(1,435)	727,905	46,494
Streets	157,033	181,810	174,845	6,965	159,471	15,374
Fire	298,549	330,755	330,900	(145)	309,672	21,228
Public Health	160,572	162,121	168,574	(6,453)	142,684	25,890
Office-Behavioral Health/Mental Retardation	15,895	15,911	15,911	-	17,115	(1,204)
Parks and Recreation	65,058	67,683	64,969	2,714	67,144	(2,175)
Atwater Kent Museum	-	-	-	-	250	(250)
Public Property	209,920	214,542	209,916	4,626	202,181	7,735
Department of Human Services	118,965	119,168	112,544	6,624	107,447	5,097
Philadelphia Prisons	238,184	252,668	243,999	8,669	237,043	6,956
Office of Supportive Housing	59,946	60,822	60,113	709	56,770	3,343
Office of Fleet Management	67,401	67,401	64,349	3,052	64,304	45
Licenses and Inspections	41,283	42,392	38,894	3,498	38,312	582
Board of L & I Review	174	174	137	37	140	(3)
Board of Building Standards	80	80	80	-	84	(4)
Zoning Board of Adjustment	-	-	-	-	-	-
Records	4,910	4,942	4,221	721	4,382	(161)
Philadelphia Historical Commission	-	-	-	-	-	-
Art Museum	2,550	2,550	2,550	-	2,550	-
Philadelphia Free Library	45,760	46,269	46,269	-	42,596	3,673
<b>Total Operations of Service Departments</b>	<b>2,333,664</b>	<b>2,539,311</b>	<b>2,468,586</b>	<b>70,725</b>	<b>2,276,929</b>	<b>191,657</b>
<b>Financial Management</b>						
Office of Director of Finance	71,320	35,702	16,950	18,752	38,298	(21,348)
Department of Revenue	32,879	33,229	30,322	2,907	31,623	(1,301)
Sinking Fund Commission	296,705	296,705	266,354	30,351	256,996	9,358
Procurement	5,675	5,704	5,084	620	5,026	58
City Treasurer	1,483	1,510	1,456	54	1,652	(196)
Audit of City Operations	9,384	9,984	9,984	-	9,051	933
<b>Total Financial Management</b>	<b>417,446</b>	<b>382,834</b>	<b>330,150</b>	<b>52,684</b>	<b>342,646</b>	<b>(12,496)</b>



City of Philadelphia  
 Schedule of Budgetary Actual and Estimated Revenues and Obligations  
 General Fund  
 For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2020 Actual	Final Budget	FY 2019 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
<b>Obligations (Continued)</b>						
<b>City-Wide Appropriations Under the Director of Finance</b>						
Fringe Benefits	1,411,963	1,411,963	1,371,238	40,725	1,371,075	163
Community College of Philadelphia	33,759	36,059	36,059	-	30,409	5,650
Hero Award	25	25	-	25	-	-
Refunds	250	250	12	238	19	(7)
Indemnities	49,246	25	-	25	-	-
Office of Risk Management	3,380	3,595	3,526	69	3,230	296
Witness Fees	172	172	43	129	99	(56)
Payments to Capital	28,285	81,285	63,000	18,285	72,129	(9,129)
Payments to Housing Trust	34,276	34,276	18,285	15,991	29,131	(10,846)
Payments to Budget Stabilization	-	-	34,276	(34,276)	20,000	14,276
Contribution to School District	222,456	227,106	227,106	-	180,871	46,235
Total City-Wide Under Director of Finance	1,783,812	1,794,756	1,753,545	41,211	1,706,963	46,582
<b>Promotion and Public Relations</b>						
City Representative	1,250	1,285	1,029	256	1,034	(5)
Commerce	32,523	32,959	30,882	2,077	43,583	(12,701)
Total Promotion and Public Relations	33,773	34,244	31,911	2,333	44,617	(12,706)
<b>Personnel</b>						
Civic Service Commission	205	205	191	14	199	(8)
Personnel Director	6,874	6,890	5,965	925	5,695	270
Total Personnel	7,079	7,095	6,156	939	5,894	262
<b>Administration of Justice</b>						
Register of Wills	4,552	4,892	4,892	-	4,369	523
District Attorney	38,909	45,282	45,282	-	42,281	3,001
Sheriff	27,047	30,280	30,280	-	29,153	1,127
First Judicial District	114,136	115,880	115,924	(44)	112,102	3,822
Total Administration of Justice	184,644	196,334	196,378	(44)	187,905	8,473
<b>City-Wide Appropriations Under the First Judicial District</b>						
Juror Fees	1,367	653	653	-	1,136	(483)
<b>Conduct of Elections</b>						
City Commissioners	12,217	13,060	14,183	(1,123)	16,487	(2,304)
Total Obligations	5,025,265	5,232,654	5,036,534	196,120	4,772,389	264,145
<b>Operating Surplus (Deficit) for the Year</b>	<u>(107,262)</u>	<u>(372,220)</u>	<u>(202,942)</u>	<u>169,278</u>	<u>47,888</u>	<u>(250,830)</u>

**City of Philadelphia**  
**Schedule of Budgetary Actual and Estimated Revenues and Obligations**  
**Water Operating Fund**  
**For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)**

**Schedule XX**

*Amounts in thousands of USD*

	Budgeted Amounts		FY 2020 Actual	Final Budget to Actual	FY 2019 Actual	Increase (Decrease)
	Original	Final		Positive (Negative)		
<b><u>Revenue</u></b>						
<b><u>Locally Generated Non-Tax Revenue</u></b>						
Sales and Charges - Current	598,975	583,726	592,511	8,785	600,287	(7,776)
Sales and Charges - Prior Years	36,128	40,750	39,195	(1,555)	38,949	246
Fire Service Connections	3,509	3,559	3,690	131	3,598	92
Surcharges	5,300	4,647	4,957	310	4,699	258
Fines and Penalties	235	293	348	55	279	69
Miscellaneous Charges	2,026	2,233	2,571	338	2,113	458
Charges to Other Municipalities	38,544	39,050	39,326	276	39,515	(189)
Licenses and Permits	4,640	6,462	5,039	(1,423)	6,500	(1,461)
Interest Income	1,500	3,100	3,256	156	3,724	(468)
Fleet Management - Sale of Vehicles & Equipment	80	10	19	9	18	1
Contributions from Sinking Fund Reserve	7,500	14,500	12,000	(2,500)	-	12,000
Reimbursement of Expenditures	197	180	1,794	1,614	200	1,594
Repair Loan Program	3,333	4,317	4,678	361	4,365	313
Other	1,302	900	933	33	955	(22)
Total Locally Generated Non-Tax Revenue	<u>703,269</u>	<u>703,727</u>	<u>710,317</u>	<u>6,590</u>	<u>705,202</u>	<u>5,115</u>
<b><u>Revenue from Other Governments</u></b>						
State	1,000	1,000	860	(140)	698	162
Federal	-	-	-	-	-	-
Total Revenue from Other Governments	<u>1,000</u>	<u>1,000</u>	<u>860</u>	<u>(140)</u>	<u>698</u>	<u>162</u>
<b><u>Revenue from Other Funds</u></b>	<u>122,278</u>	<u>111,489</u>	<u>68,583</u>	<u>(42,906)</u>	<u>39,967</u>	<u>28,616</u>
Total Revenues	<u>826,547</u>	<u>816,216</u>	<u>779,760</u>	<u>(36,456)</u>	<u>745,867</u>	<u>33,893</u>
<b><u>Obligations</u></b>						
Mayor's Office of Information Services	30,850	30,850	23,528	7,322	23,718	(190)
Managing Director's Office	139	139	139	-	139	-
Public Property	4,270	4,270	4,270	-	4,266	4
Office of Fleet Management	8,847	8,847	7,358	1,489	7,434	(76)
Water Department	427,602	438,512	399,811	38,701	396,581	3,230
Office of the Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	81,600	87,299	87,299	-	78,857	8,442
Other Employee Benefits	65,839	60,140	58,174	1,966	54,912	3,262
Contributions, Indemnities and Taxes	7,500	3,590	-	3,590	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Department of Revenue	17,473	17,473	15,590	1,883	15,816	(226)
Sinking Fund Commission	218,106	218,106	206,392	11,714	190,908	15,484
Procurement Department	105	105	72	33	90	(18)
Law	3,304	3,304	3,302	2	3,303	(1)
Mayor's Office of Sustainability	94	94	94	-	94	-
Water, Sewer and Stormwater Rate Board	818	818	592	226	170	422
Total Obligations	<u>866,547</u>	<u>873,547</u>	<u>806,621</u>	<u>66,926</u>	<u>776,288</u>	<u>30,333</u>
<b>Operating Surplus (Deficit) for the Year</b>	<u>(40,000)</u>	<u>(57,331)</u>	<u>(26,861)</u>	<u>30,470</u>	<u>(30,421)</u>	<u>3,560</u>

City of Philadelphia  
Schedule of Budgetary Actual and Estimated Revenues and Obligations  
Aviation Operating Fund  
For the Fiscal Year Ended June 30, 2020 (with comparative actual amounts for the Fiscal Year Ended June 30, 2019)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts		FY 2020 Actual	Final Budget to Actual Positive (Negative)	FY 2019 Actual	Increase (Decrease)
	Original	Final				
<b>Revenue</b>						
<b>Locally Generated Non-Tax Revenue</b>						
Concessions	59,489	48,360	50,748	2,388	62,350	(11,602)
Space Rentals	175,153	172,086	112,032	(60,054)	143,837	(31,805)
Landing Fees	105,431	97,389	70,929	(26,460)	91,839	(20,910)
Parking	45,402	33,603	35,079	1,476	37,426	(2,347)
Car Rentals	25,562	14,945	16,932	1,987	19,761	(2,829)
Payment in Aid - Terminal Building				-		-
Interest Earnings	2,095	4,100	9,852	5,752	3,334	6,518
Sale of Utilities	4,693	2,077	2,340	263	2,773	(433)
Passenger Facility Charge	35,754	31,200	31,200	-	31,189	11
Overseas Terminal Facility Charges	25	-	8	8	9	(1)
International Terminal Charge	39,580	19,683	22,422	2,739	40,941	(18,519)
Other	4,613	26,037	8,150	(17,887)	22,184	(14,034)
Total Locally Generated Non-Tax Revenue	497,797	449,480	359,692	(89,788)	455,643	(95,951)
<b>Revenue from Other Governments</b>						
State	-	-	-	-	-	-
Federal	2,913	56,704	57,491	787	1,061	56,430
Total Revenue from Other Governments	2,913	56,704	57,491	787	1,061	56,430
<b>Revenue from Other Funds</b>						
	1,527	1,527	1,333	(194)	1,409	(76)
Total Revenue	502,237	507,711	418,516	(89,195)	458,113	(39,597)
<b>Obligations</b>						
Mayor's Office of Information Services Managing Director	2,999	2,999	1,380	1,619	1,368	12
Police	18,032	18,032	17,692	340	16,998	694
Fire	9,320	10,285	9,570	715	8,929	641
Public Property	26,900	26,900	20,091	6,809	19,808	283
Office of Fleet Management	8,401	8,401	6,127	2,274	7,218	(1,091)
Director of Finance	-	-	-	-	-	-
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	38,680	41,466	41,051	415	38,229	2,822
Other Employee Benefits	27,381	24,595	24,041	554	24,483	(442)
Purchase of Services	4,146	4,146	2,614	1,532	2,672	(58)
Contributions, Indemnities and Taxes	2,512	1,172	-	1,172	-	-
Advances, Subsidies, Miscellaneous	-	-	-	-	-	-
Sinking Fund Commission	134,826	134,826	123,448	11,378	133,410	(9,962)
Procurement	-	-	-	-	-	-
Commerce	199,188	200,528	167,592	32,936	182,047	(14,455)
Law	1,607	1,607	1,604	3	1,604	-
Mayor's Office of Transportation	-	-	-	-	-	-
Mayor's Office of Sustainability	94	94	94	-	94	-
Total Obligations	474,086	475,051	415,304	59,747	436,860	(21,556)
<b>Operating Surplus (Deficit) for the Year</b>	<b>28,151</b>	<b>32,660</b>	<b>3,212</b>	<b>(29,448)</b>	<b>21,253</b>	<b>(18,041)</b>

**City of Philadelphia**  
**Budgetary Comparison Schedule**  
**Budget Stabilization Fund**  
**For the Fiscal Year Ended June 30, 2020**

**Schedule XXII**

*Amounts in thousands of USD*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Revenue from Other Funds	<u>34,132</u>	<u>34,276</u>	<u>34,276</u>	<u>-</u>
Total Revenues	<u>34,132</u>	<u>34,276</u>	<u>34,276</u>	<u>-</u>
<b><u>Expenditures and Encumbrances</u></b>				
Purchase of Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Payments to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>34,132</u>	<u>34,276</u>	<u>34,276</u>	<u>-</u>
Fund Balance Available for Appropriation, July 1, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Operations in Respect to Prior Fiscal Years</u></b>				
Commitments Cancelled - Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Fund Balance, July 1, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2020	<u><u>34,132</u></u>	<u><u>34,276</u></u>	<u><u>34,276</u></u>	<u><u>-</u></u>

## 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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**City of Philadelphia**  
**Net Position by Component**  
**For the Fiscal Years 2011 Through 2020**

**Table 1**

*Amounts in millions of USD*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<i>(full accrual basis of accounting)</i>										
<b><u>Governmental Activities</u></b>										
Net Investment in Capital Assets	(47.5)	83.9	232.5	176.8	1,040.8	955.2	1,006.6	645.2	738.6	538.6
Restricted	789.5	621.8	586.8	630.3	576.5	625.1	553.8	793.2	867.9	955.0
Unrestricted	(2,495.5)	(2,478.2)	(2,588.9)	(2,771.8)	(7,880.6)	(7,904.4)	(7,767.3)	(8,709.9)	(8,516.9)	(8,803.6)
Total Governmental Activities Net Position	(1,753.5)	(1,772.5)	(1,769.6)	(1,964.7)	(6,263.3)	(6,324.1)	(6,206.9)	(7,271.5)	(6,910.4)	(7,310.0)
<b><u>Business-Type Activities</u></b>										
Net Investment in Capital Assets	845.1	887.8	982.5	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0	1,437.6	1,492.8
Restricted	550.6	591.8	628.9	685.5	766.0	650.5	692.5	762.6	835.5	825.7
Unrestricted	234.3	257.9	173.4	200.7	(278.5)	(279.3)	(251.9)	(423.0)	(391.6)	(391.6)
Total Business-Type Activities Net Position	1,630.0	1,737.5	1,784.8	1,893.6	1,575.6	1,694.9	1,771.1	1,741.6	1,881.5	1,926.9
<b><u>Primary Government</u></b>										
Net Investment in Capital Assets	797.6	971.7	1,215.0	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2	2,176.2	2,031.4
Restricted	1,340.1	1,213.6	1,215.7	1,315.8	1,342.5	1,275.6	1,246.3	1,555.8	1,703.4	1,780.7
Unrestricted	(2,261.2)	(2,220.3)	(2,415.5)	(2,571.1)	(8,159.1)	(8,183.7)	(8,019.2)	(9,132.9)	(8,908.5)	(9,195.2)
Total Primary Government Net Position	(123.5)	(35.0)	15.2	(71.1)	(4,687.7)	(4,629.2)	(4,435.8)	(5,529.9)	(5,028.9)	(5,383.1)

City of Philadelphia  
Changes in Net Positions  
For the Fiscal Years 2011 Through 2020

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<i>(full accrual basis of accounting)</i>										
<b>Expenses</b>										
Governmental Activities:										
Economic Development	92.2	96.5	94.2	95.1	97.4	115.3	111.4	113.7	109.7	118.0
Transportation:										
Streets & Highways	136.3	115.6	112.9	143.9	122.4	136.8	122.8	148.1	159.1	175.7
Mass Transit	75.2	74.0	71.0	72.1	76.2	76.1	84.3	86.4	89.3	91.0
Judiciary and Law Enforcement:										
Police	1,048.1	1,094.2	1,087.9	1,262.7	1,098.7	1,232.4	1,198.8	1,282.0	1,277.3	1,350.3
Prisons	340.4	336.7	342.2	371.2	353.0	381.6	387.6	386.4	349.2	369.8
Courts	315.0	326.2	318.1	338.5	323.4	339.6	349.7	344.8	357.8	363.0
Conservation of Health:										
Emergency Medical Services	53.3	48.4	49.7	69.3	66.4	66.3	77.2	69.7	70.0	74.2
Health Services	1,524.6	1,500.1	1,464.9	1,519.1	1,420.5	1,579.1	1,613.6	1,661.9	1,650.4	1,842.0
Housing and Neighborhood Development	126.1	137.7	102.9	80.3	80.9	80.1	81.1	94.3	106.6	132.0
Cultural and Recreational										
Recreation	98.7	97.3	102.3	113.1	113.1	116.6	120.3	125.7	131.4	122.5
Parks	14.0	9.0	8.6	8.2	10.6	8.4	9.5	6.9	5.5	10.6
Libraries and Museums	75.7	80.8	76.1	84.5	84.3	88.8	90.4	96.4	109.4	111.4
Improvements to General Welfare:										
Social Services	718.4	675.5	625.3	657.5	687.8	688.7	733.8	732.0	727.4	739.7
Education	64.0	74.3	94.4	167.5	126.0	134.5	134.2	134.7	213.3	263.2
Inspections and Demolitions	30.1	26.5	38.0	43.3	41.7	65.3	45.4	54.3	56.7	57.2
Service to Property:										
Sanitation	143.0	153.2	136.7	153.1	151.1	157.0	161.1	160.0	153.7	163.5
Fire	285.9	292.2	296.8	386.6	350.8	370.7	373.4	410.6	469.2	470.1
General Management and Support	561.0	678.4	743.4	538.0	605.3	648.1	693.3	729.1	788.5	946.5
Interest on Long Term Debt	136.3	112.1	161.8	159.0	166.2	158.2	151.1	155.7	148.3	158.6
Total Governmental Activities Expenses	5,838.3	5,928.7	5,927.2	6,263.0	5,975.8	6,443.6	6,539.0	6,792.7	6,972.8	7,559.3
Business-Type Activities:										
Water and Sewer	520.2	490.8	513.4	543.5	550.2	569.0	601.8	631.1	685.8	711.4
Aviation	336.0	343.1	358.9	376.5	374.3	400.2	419.9	442.9	430.7	437.2
Industrial and Commercial Development	1.9	-	0.6	-	-	-	16.5	0.5	2.3	4.4
Total Business-Type Activities Expenses	858.1	833.9	872.9	920.0	924.5	969.2	1,038.2	1,074.5	1,118.8	1,153.0
Total Primary Government Expenses	6,696.4	6,762.6	6,800.1	7,183.0	6,900.3	7,412.8	7,577.2	7,880.1	8,091.6	8,712.3
<b>Program Revenues</b>										
Governmental Activities:										
<b>Charges for Services:</b>										
Economic Development	-	1.1	2.6	0.1	0.1	0.1	-	-	-	-
Transportation:										
Streets & Highways	5.1	5.2	5.3	5.2	7.3	5.8	7.1	6.6	10.0	9.8
Mass Transit	0.6	1.3	1.9	1.9	2.1	2.2	2.2	2.5	2.7	2.3
Judiciary and Law Enforcement:										
Police	3.5	5.5	6.3	4.5	5.2	5.1	8.2	6.8	7.2	7.2
Prisons	0.5	0.9	0.7	0.4	0.4	0.3	0.3	0.5	1.7	1.3
Courts	45.6	60.6	59.9	50.3	51.6	50.3	53.6	56.5	55.6	39.3
Conservation of Health:										
Emergency Medical Services	34.7	27.5	33.3	36.3	36.2	45.7	65.0	51.9	16.8	11.2
Health Services	16.7	14.8	16.7	18.9	14.4	14.1	30.3	27.6	46.4	63.5
Housing and Neighborhood Development	23.1	28.6	23.5	16.7	20.1	18.1	27.2	21.0	23.2	18.1
Cultural and Recreational:										
Recreation	2.8	2.2	3.8	2.8	3.7	4.6	3.4	5.8	4.9	3.1
Parks	5.0	4.8	3.3	2.2	1.1	1.0	3.6	1.8	1.0	0.8
Libraries and Museums	1.8	1.2	1.0	2.0	1.1	1.2	1.4	1.9	1.5	1.1

**Table 2**  
**Amounts in millions of USD**

**City of Philadelphia**  
**Changes in Net Positions**  
**For the Fiscal Years 2011 Through 2020**

<i>(full accrual basis of accounting)</i>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Improvements to General Welfare:										
Social Services	6.8	5.2	8.3	5.6	4.4	1.2	1.4	7.3	6.2	7.0
Education	-	-	0.1	-	-	-	-	-	-	-
Inspections and Demolitions	45.5	50.0	53.9	50.1	52.4	54.1	59.4	64.8	72.8	64.7
Service to Property:										
Sanitation	11.6	15.9	16.2	35.5	24.9	16.5	13.8	14.1	14.0	14.5
Fire	0.5	0.3	0.9	0.3	2.9	0.3	0.6	0.4	40.8	44.5
General Management and Support	136.6	139.7	134.2	177.7	150.2	158.3	159.5	160.1	151.0	147.8
Interest on Long Term Debt	9.2	0.3	-	0.2	0.2	0.2	-	-	0.2	-
Operating Grants and Contributions	2,223.5	2,102.1	1,986.4	1,967.3	2,011.2	2,090.9	2,199.5	2,262.9	2,215.2	2,337.0
Capital Grants and Contributions	32.1	43.2	48.9	35.3	60.1	61.8	22.2	27.3	20.5	44.9
Total Governmental Activities Program Revenues	<u>2,605.2</u>	<u>2,510.4</u>	<u>2,407.2</u>	<u>2,413.3</u>	<u>2,449.6</u>	<u>2,531.8</u>	<u>2,658.7</u>	<u>2,719.8</u>	<u>2,691.7</u>	<u>2,818.1</u>
Business-Type Activities:										
<b>Charges for Services:</b>										
Water and Sewer	558.5	598.3	608.7	638.6	675.9	670.0	714.7	726.4	745.3	732.4
Aviation	258.1	263.2	291.4	315.4	322.4	433.7	431.9	471.1	486.2	366.8
Industrial and Commercial Developments	0.5	0.4	0.4	0.4	0.5	0.5	19.9	0.1	2.2	7.2
Operating Grants and Contributions	4.8	3.5	2.3	1.4	0.9	0.9	1.3	0.6	0.7	0.9
Capital Grants and Contributions	105.9	91.6	58.2	93.6	161.3	26.8	10.6	29.0	22.7	34.3
Total Business-Type Activities Program Revenues	<u>927.8</u>	<u>957.0</u>	<u>961.0</u>	<u>1,049.4</u>	<u>1,161.0</u>	<u>1,131.9</u>	<u>1,178.4</u>	<u>1,227.2</u>	<u>1,257.1</u>	<u>1,141.6</u>
Total Primary Government Revenues	<u>3,533.0</u>	<u>3,467.4</u>	<u>3,368.2</u>	<u>3,462.7</u>	<u>3,610.6</u>	<u>3,663.7</u>	<u>3,837.1</u>	<u>3,947.0</u>	<u>3,948.8</u>	<u>3,959.7</u>
Net (Expense)/Revenue	(3,233.1)	(3,418.3)	(3,520.0)	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)	(4,072.9)	(4,281.1)	(4,741.2)
Governmental Activities	69.7	123.1	88.1	129.4	236.5	162.7	140.2	152.7	138.3	(11.4)
Business-Type Activities	(3,163.4)	(3,295.2)	(3,431.9)	(3,720.3)	(3,289.7)	(3,749.1)	(3,740.1)	(3,920.2)	(4,142.8)	(4,752.6)
Total Primary Government Net Expense										
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	506.6	500.8	553.8	530.2	551.3	550.2	578.7	649.0	691.9	695.8
Wage & Earnings Taxes	1,504.6	1,551.7	1,598.7	1,639.8	1,737.2	1,816.8	1,920.7	2,027.8	2,114.7	2,115.6
Business Taxes	364.2	399.2	452.4	469.2	453.4	505.6	440.2	456.1	556.1	590.4
Other Taxes	645.8	663.6	706.0	735.8	666.7	733.5	817.6	947.7	984.1	942.8
Unrestricted Grants & Contributions	173.8	223.2	187.4	229.5	185.1	185.4	184.5	191.6	190.8	197.3
Interest & Investment Earnings	35.8	33.3	17.9	21.7	24.1	28.0	27.4	49.6	64.7	69.2
Special Items	-	-	-	-	-	-	-	(38.4)	-	-
Transfers	24.9	27.5	21.4	28.3	30.2	31.6	28.5	33.3	39.9	34.7
Total Governmental Activities	<u>3,255.7</u>	<u>3,399.3</u>	<u>3,537.6</u>	<u>3,654.5</u>	<u>3,648.0</u>	<u>3,851.1</u>	<u>3,997.6</u>	<u>4,316.7</u>	<u>4,642.2</u>	<u>4,645.8</u>
Business-Type Activities:										
Interest & Investment Earnings	6.9	9.0	12.7	5.3	4.1	8.3	11.4	23.6	47.8	48.7
Unrestricted Grants & Contributions	-	2.9	42.2	2.5	1.9	1.9	2.5	3.3	3.9	58.2
Transfers	(24.9)	(27.5)	(21.4)	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)	(39.9)	(34.7)
Total Business-Type Activities	<u>(18.0)</u>	<u>(15.6)</u>	<u>33.5</u>	<u>(20.5)</u>	<u>(24.3)</u>	<u>(21.4)</u>	<u>(14.6)</u>	<u>(6.2)</u>	<u>11.8</u>	<u>72.2</u>
Total Primary Government	<u>3,237.7</u>	<u>3,383.7</u>	<u>3,571.1</u>	<u>3,634.0</u>	<u>3,623.7</u>	<u>3,829.7</u>	<u>3,983.0</u>	<u>4,310.5</u>	<u>4,654.0</u>	<u>4,718.0</u>
Change in Net Position										
Governmental Activities	22.6	(19.0)	17.6	(195.2)	121.8	(60.7)	117.3	243.8	361.1	(95.4)
Business-Type Activities	51.7	107.5	121.6	108.9	212.2	141.3	125.6	146.5	150.1	60.8
Total Primary Government	<u>74.3</u>	<u>88.5</u>	<u>139.2</u>	<u>(86.3)</u>	<u>334.0</u>	<u>80.6</u>	<u>242.9</u>	<u>390.3</u>	<u>511.2</u>	<u>(34.6)</u>



**Table 3**  
**City of Philadelphia**  
**Fund Balances**  
**Governmental Funds**  
**For the Fiscal Years 2011 Through 2020**

*(modified accrual basis of accounting)*  
*Amounts in millions of USD*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>General Fund</b>										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	2.3	2.3	2.3	2.0	2.0	1.7	1.7	-	-	-
Stadium Financing	0.3	0.5	2.1	3.8	4.3	0.6	0.6	-	-	-
Cultural & Commercial Corridor Project	19.2	15.3	12.2	11.6	10.6	7.4	2.7	1.5	1.2	1.1
Long Term Loan	-	-	79.7	68.2	56.7	44.8	33.1	21.8	10.8	-
Affordable Housing Project	-	-	-	-	-	-	-	44.3	27.3	11.0
Art Museum Project	-	-	-	-	-	-	-	11.4	6.3	1.8
Rebuild Project	-	-	-	-	-	-	-	-	82.9	77.7
Home Repair Program	-	-	-	-	-	-	-	-	39.2	39.5
Committed to:										
General Fund	-	70.5	98.0	103.1	81.9	78.0	128.4	127.0	322.3	34.3
Assigned to:	(45.7)	-	90.0	23.0	-	-	23.7	195.0	125.8	380.2
Unassigned:	(23.9)	88.6	284.4	211.7	155.5	132.5	190.1	401.0	615.8	545.5
<b>Total General Fund:</b>										
<b>All Other Governmental Funds</b>										
Non-spendable:	2.6	2.6	2.8	3.2	3.5	3.1	3.4	3.5	3.5	3.8
Permanent Fund (Principal)	250.1	230.7	233.7	188.6	199.6	220.1	262.3	279.4	314.3	291.1
Behavioral Health	61.3	51.6	34.2	30.6	29.6	0.0	0.1	0.2	0.2	0.3
Neighborhood Revitalization	36.9	29.6	24.5	27.5	35.2	40.8	31.5	31.2	34.1	33.1
Public Safety Emergency Phone System	6.6	10.3	7.2	6.8	11.8	12.3	13.7	13.9	15.2	3.1
Economic Development	21.1	21.7	33.9	34.0	28.3	25.5	25.2	24.9	24.3	24.1
Intergovernmentally Financed Pgms	24.5	18.9	-	-	-	-	-	-	-	-
Streets & Highways	18.3	23.2	23.9	26.2	31.9	37.1	46.0	57.1	59.2	63.2
Housing & Neighborhood Development	10.5	10.5	15.0	16.6	18.5	20.8	30.6	33.3	65.7	66.3
Health Services	8.8	9.5	15.2	10.1	11.0	11.2	17.4	17.4	20.6	22.7
Debt Service	82.8	82.4	81.5	83.1	81.5	81.6	72.4	62.9	54.7	16.0
Capital Improvements	267.7	128.5	29.2	191.6	70.2	133.1	24.8	161.0	88.1	278.5
Trust Purposes	8.1	8.3	8.9	11.8	12.3	10.2	10.2	9.4	10.0	9.7
Parks & Recreation	0.3	0.4	0.4	0.4	0.6	0.8	0.9	1.2	1.4	1.2
Libraries & Museums	0.1	0.1	0.1	0.1	0.0	0.0	3.3	3.1	2.5	2.5
Stadium Financing	6.3	6.4	6.8	7.3	6.7	6.4	6.0	5.8	5.0	10.5
Committed to:										
Capital Improvements	-	-	-	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	-	-	-	-
Housing & Neighborhood Development	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Trust Purposes	-	-	-	-	-	-	-	-	-	-
Intergovernmental Financing	-	-	-	-	-	-	-	-	-	-
Social Services	-	-	-	-	-	-	-	-	-	-
Prisons	3.6	4.2	4.4	3.5	3.2	2.9	3.4	3.5	3.4	3.3
Parks & Recreation	0.5	0.9	0.7	0.8	0.9	1.7	1.3	1.1	1.4	1.5
Assigned to:										
Behavioral Health	-	-	-	-	-	-	-	-	-	-
PICA Rebate Fund	-	-	-	-	-	-	-	-	-	-
PMA	-	-	-	-	-	-	-	-	-	-
Unassigned:	(4.0)	(6.5)	(7.2)	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)	(9.3)	(16.2)
Housing & Neighborhood Dev	(34.3)	(175.1)	(217.1)	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)	(317.7)	(314.2)
Grants Revenue Fund	-	-	-	-	-	-	-	-	(0.3)	(0.2)
General Mgmt & Support	-	-	-	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>771.7</b>	<b>458.1</b>	<b>298.1</b>	<b>360.7</b>	<b>324.7</b>	<b>282.7</b>	<b>245.9</b>	<b>411.6</b>	<b>376.2</b>	<b>500.4</b>

<sup>1</sup> Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occurred.

**Table 4**  
**City of Philadelphia**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Years 2011 Through 2020**

Amounts in millions of USD

(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Tax Revenue	2,995.0	3,112.5	3,304.4	3,370.8	3,397.1	3,632.7	3,761.3	4,112.4	4,345.2	4,359.3
Locally Generated Non-Tax Revenue	370.6	336.5	348.6	387.1	376.6	367.3	400.5	417.1	448.0	447.5
Revenue from Other Governments	2,366.4	2,226.1	2,212.0	2,169.0	2,280.2	2,245.2	2,466.1	2,440.6	2,409.2	2,552.6
Other Revenues	25.8	27.5	27.9	20.2	16.9	19.6	18.6	20.7	16.5	24.9
<b>Total Revenues</b>	<b>5,757.8</b>	<b>5,702.6</b>	<b>5,892.9</b>	<b>5,947.1</b>	<b>6,070.8</b>	<b>6,264.8</b>	<b>6,646.5</b>	<b>6,990.8</b>	<b>7,218.9</b>	<b>7,384.3</b>
<b>Expenditures</b>										
<b>Current Operating:</b>										
Economic Development	82.6	88.9	85.9	83.7	82.5	101.1	100.5	104.2	102.0	113.5
Transportation:										
Streets & Highways	87.4	75.6	81.6	98.1	96.2	105.1	98.7	108.4	139.8	137.2
Mass Transit	67.1	67.7	66.5	67.5	71.7	76.1	79.9	82.0	84.9	86.6
Judiciary and Law Enforcement:										
Police	955.9	1,020.0	1,089.4	1,164.9	1,104.6	1,162.5	1,169.7	1,237.6	1,256.9	1,306.9
Prisons	315.9	318.2	338.7	346.3	343.9	365.1	372.6	375.1	336.9	361.1
Courts	294.9	312.3	309.2	317.9	321.5	329.9	339.6	339.5	350.3	358.1
Conservation of Health:										
Emergency Medical Services	50.7	46.7	50.0	65.8	66.1	64.9	75.8	68.7	70.0	74.1
Health Services	1,514.8	1,492.7	1,464.6	1,510.3	1,419.8	1,573.1	1,608.3	1,656.5	1,646.4	1,837.3
Housing and Neighborhood Development:										
Development	126.1	133.8	102.8	80.3	80.9	80.1	81.4	94.3	106.7	132.0
Cultural and Recreational:										
Recreation	82.9	85.9	90.3	98.6	103.9	104.8	107.1	112.3	117.9	112.8
Parks	5.8	6.1	3.9	1.2	1.8	1.5	3.4	2.9	2.7	2.2
Libraries and Museums	68.7	71.9	72.0	74.9	79.1	81.4	84.4	91.9	100.3	104.0
Improvements to General Welfare:										
Social Services	701.8	674.3	624.3	655.3	687.8	687.1	731.7	730.6	726.7	735.9
Education	64.0	94.4	167.5	167.5	126.0	134.5	134.7	213.3	213.3	263.2
Inspections and Demolitions	34.8	32.2	45.8	40.8	41.5	64.0	44.5	53.1	56.3	56.3
Service to Property:										
Sanitation	133.9	146.2	137.2	144.8	146.9	152.4	154.3	153.5	150.3	161.9
Fire	258.1	267.8	295.9	344.2	346.4	355.0	353.5	399.4	471.8	467.7
General Management and Support	568.5	619.1	622.8	646.7	662.3	686.4	718.1	789.9	810.1	929.2
Capital Outlay	134.9	202.0	161.1	140.1	189.7	206.1	145.5	455.7	208.0	211.0
Debt Service:										
Principal	91.4	103.2	114.1	120.3	339.8	139.5	145.0	152.6	139.7	198.0
Interest	105.6	105.2	112.2	118.0	120.7	107.5	106.2	112.7	114.2	107.4
Bond Issuance Cost	2.2	1.6	4.4	5.0	7.2	3.3	3.2	3.9	3.4	18.6
<b>Total Expenditures</b>	<b>5,748.0</b>	<b>5,945.7</b>	<b>5,967.1</b>	<b>6,292.2</b>	<b>6,440.3</b>	<b>6,581.4</b>	<b>6,657.6</b>	<b>7,259.5</b>	<b>7,208.6</b>	<b>7,775.0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>9.8</b>	<b>(243.1)</b>	<b>(74.2)</b>	<b>(345.1)</b>	<b>(369.5)</b>	<b>(316.6)</b>	<b>(11.1)</b>	<b>(268.7)</b>	<b>10.3</b>	<b>(390.7)</b>
<b>Other Financing Sources (Uses)</b>										
Issuance of Debt	139.1	12.6	299.8	293.8	30.0	191.6	-	314.1	119.5	293.4
Issuance of Refunding Debt	114.6	112.6	231.2	363.6	195.7	234.2	346.1	108.3	188.7	326.2
Bond Issuance Premium	5.0	16.6	0.8	31.4	21.3	53.9	40.7	60.2	33.5	93.8
Proceeds from Lease & Service Agreements	28.1	-	(252.7)	-	-	-	-	-	-	-
Capital Lease Proceeds	(117.6)	(127.3)	(190.5)	(382.2)	-	(259.6)	(383.5)	(123.1)	(212.5)	(305.7)
Payment to Refunded Bonds Escrow Agent	583.1	600.8	613.1	616.3	661.9	686.3	731.4	802.5	925.5	819.70
Transfers In	(558.1)	(573.3)	(591.7)	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)	(885.6)	(785.0)
Transfers Out										
<b>Total Other Financing Sources (Uses)</b>	<b>194.2</b>	<b>42.0</b>	<b>110.0</b>	<b>335.0</b>	<b>277.3</b>	<b>251.7</b>	<b>31.8</b>	<b>645.3</b>	<b>169.1</b>	<b>444.6</b>
<b>Net Change in Fund Balances</b>	<b>204.0</b>	<b>(201.1)</b>	<b>35.8</b>	<b>(10.1)</b>	<b>(92.2)</b>	<b>(64.9)</b>	<b>20.7</b>	<b>376.6</b>	<b>179.4</b>	<b>53.9</b>
<b>Debt Service as a Percentage of Non-capital Expenditures</b>	<b>3.5%</b>	<b>3.6%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>7.4%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>3.6%</b>	<b>4.0%</b>
<b>Total Debt Service</b>	<b>194.1</b>	<b>193.3</b>	<b>186.4</b>	<b>186.4</b>	<b>208.4</b>	<b>226.3</b>	<b>238.3</b>	<b>265.3</b>	<b>253.9</b>	<b>305.4</b>

<sup>1.0</sup> Effective April 15, 2003, the City implemented a change to the basis on which the Business Income and Receipts Tax is collected requiring an estimated payment applicable to the next year's tax liability. \$166.9 million of these estimated tax payments were deferred in the general fund in FY2013 because the underlying events had not occurred.

**City of Philadelphia  
Comparative Schedule of Operations  
Municipal Pension Fund  
For the Fiscal Years 2011 through 2020**

**Table 5**

*Amounts in millions of USD*

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Additions:</b>										
<b>Contributions:</b>										
Employee Contributions	52.7	50.0	49.6	53.7	58.7	67.1	73.6	83.3	99.1	111.8
Employer's:										
City of Philadelphia	455.8	539.8	763.7	533.4	556.1	629.4	678.8	756.1	772.6	747.4
Quasi-Governmental Agencies	14.2	16.2	18.1	19.8	21.1	30.8	27.4	25.9	25.2	21.4
<b>Total Employer's Contributions</b>	<b>470.1</b>	<b>556.0</b>	<b>781.8</b>	<b>553.2</b>	<b>577.2</b>	<b>660.2</b>	<b>706.2</b>	<b>782.0</b>	<b>797.8</b>	<b>768.8</b>
<b>Total Contributions</b>	<b>522.8</b>	<b>606.0</b>	<b>831.4</b>	<b>606.9</b>	<b>635.9</b>	<b>727.3</b>	<b>779.8</b>	<b>865.3</b>	<b>896.9</b>	<b>880.6</b>
Interest & Dividends	79.5	86.2	122.9	102.2	98.4	101.5	108.5	127.9	132.7	130.0
Net Gain (Decline) in Fair Value of Investments	618.5	(57.7)	213.9	585.4	(76.8)	(239.8)	462.9	318.2	176.6	(38.1)
(Less) Investment Expenses	0.0	(13.3)	(12.2)	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)	(7.5)	(6.7)
Net Securities Lending Revenue	1.5	2.1	3.0	4.2	2.2	1.9	1.8	1.8	2.2	2.1
Securities Lending Unrealized Loss	0.0	(1.9)	118.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Less) Securities Lending Expenses	0.0	(0.9)	(0.3)	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
<b>Net Investment Income (Loss)</b>	<b>699.5</b>	<b>14.5</b>	<b>445.3</b>	<b>681.0</b>	<b>13.7</b>	<b>(145.8)</b>	<b>564.9</b>	<b>440.1</b>	<b>303.7</b>	<b>87.0</b>
Miscellaneous Operating Revenue	1.4	0.0	0.5	0.5	0.1	0.1	1.8	0.2	0.1	0.1
<b>Total Additions</b>	<b>1,223.7</b>	<b>620.5</b>	<b>1,277.2</b>	<b>1,288.4</b>	<b>649.7</b>	<b>581.6</b>	<b>1,346.5</b>	<b>1,305.6</b>	<b>1,200.7</b>	<b>967.7</b>
<b>Deductions:</b>										
Pension Benefits	681.9	706.2	740.7	802.6	876.4	882.0	813.3	819.8	832.4	854.0
Refunds to Members	5.1	6.5	5.7	6.0	5.3	7.4	8.2	8.5	10.0	8.3
Administrative Costs	8.0	0.0	8.2	8.3	10.4	8.4	8.8	10.0	11.1	10.8
Other Operating Expenses	0.0	15.2	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total Deductions</b>	<b>695.0</b>	<b>727.9</b>	<b>754.8</b>	<b>816.9</b>	<b>892.1</b>	<b>897.9</b>	<b>830.4</b>	<b>838.4</b>	<b>853.6</b>	<b>873.2</b>
<b>Net Increase (Decrease)</b>	<b>528.7</b>	<b>(107.4)</b>	<b>522.4</b>	<b>471.5</b>	<b>(242.4)</b>	<b>(316.3)</b>	<b>516.1</b>	<b>467.2</b>	<b>347.1</b>	<b>94.5</b>
<b>Net Assets: Adjusted Opening Closing</b>	<b>3,501.6</b> <b>4,030.2</b>	<b>4,030.2</b> <b>3,922.8</b>	<b>3,922.8</b> <b>4,445.2</b>	<b>4,445.2</b> <b>4,916.7</b>	<b>4,916.7</b> <b>4,674.3</b>	<b>4,674.3</b> <b>4,358.0</b>	<b>4,358.0</b> <b>4,874.1</b>	<b>4,874.1</b> <b>5,341.3</b>	<b>5,341.3</b> <b>5,688.4</b>	<b>5,688.4</b> <b>5,782.9</b>
<b>Ratios:</b>										
<b>Pension Benefits Paid as a Percent of Net Members Contributions Closing Net Assets</b>	<b>1432.56%</b> <b>16.92%</b>	<b>1623.45%</b> <b>18.00%</b>	<b>1687.24%</b> <b>16.66%</b>	<b>1682.60%</b> <b>16.32%</b>	<b>1640.28%</b> <b>18.75%</b>	<b>1477.39%</b> <b>20.24%</b>	<b>1243.58%</b> <b>16.69%</b>	<b>1095.99%</b> <b>15.35%</b>	<b>934.23%</b> <b>14.63%</b>	<b>825.12%</b> <b>14.77%</b>
<b>Coverage of Additions over Deductions</b>	<b>176.07%</b>	<b>85.25%</b>	<b>169.21%</b>	<b>157.72%</b>	<b>72.83%</b>	<b>64.77%</b>	<b>162.15%</b>	<b>155.73%</b>	<b>140.66%</b>	<b>110.82%</b>
<b>Investment Earnings as % of Pension Benefits</b>	<b>102.58%</b>	<b>2.05%</b>	<b>60.12%</b>	<b>84.85%</b>	<b>1.56%</b>	<b>-16.53%</b>	<b>69.46%</b>	<b>53.68%</b>	<b>36.48%</b>	<b>10.19%</b>

**City of Philadelphia**  
**Wage and Earnings Tax Taxable Income**  
**For the Calendar Years 2010 Through 2019**

**Table 6**  
*Amounts in millions of USD*

Year	City Residents			Non-City Residents			Total Taxable Income	Total Direct Rate
	Taxable Income	% of Total	Direct Rate <sup>1</sup>	Taxable Income	% of Total	Direct Rate <sup>1</sup>		
2010	22,170.8	57.02%	3.92880%	16,713.5	42.98%	3.49910%	38,884.3	3.74410%
2011	22,726.3	57.06%	3.92800%	17,102.2	42.94%	3.49850%	39,828.5	3.74357%
2012	23,461.6	57.26%	3.92800%	17,513.6	42.74%	3.49850%	40,975.2	3.74442%
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,609.5	58.69%	3.90530%	20,140.1	41.31%	3.47845%	48,749.6	3.72895%
2017	30,461.1	59.19%	3.89555%	21,005.2	40.81%	3.46975%	51,466.3	3.72177%
2018	32,170.7	59.88%	3.88580%	21,550.3	40.12%	3.46105%	53,721.0	3.71541%
2019	33,928.9	59.66%	3.87120%	22,940.1	40.34%	3.44810%	56,869.0	3.70053%

**Note:**

The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

<sup>1</sup> In 2010, the rate changed on January 1st & July 1st. Also, in 2013 to 2015, the rate changed on July 1st. The direct rate is an average of the two rates involved during that calendar year.

**City of Philadelphia  
Direct and Overlapping Tax Rates  
For the Ten Fiscal Years 2011 through 2020**

<b>Tax Classification</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Wage and Earnings Tax:</b>										
<sup>a</sup> City Residents	3.9280% <sup>b</sup>	3.9280% <sup>b</sup>	3.9280% <sup>b</sup>	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%
Non-City Residents	3.4985% <sup>b</sup>	3.4985% <sup>b</sup>	3.4985% <sup>b</sup>	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax

<sup>d</sup> **Real Property: (% on Assessed Valuation)**

City	4.123%	4.123%	4.462%	0.602%	0.602%	0.632%	0.632%	0.632%	0.632%	0.632%
School District of Philadelphia	4.959%	5.309%	5.309%	0.738%	0.738%	0.768%	0.768%	0.768%	0.768%	0.768%
Total Real Property Tax	9.082%	9.432%	9.771%	1.340%	1.340%	1.400%	1.400%	1.400%	1.400%	1.400%
<sup>e</sup> Assessment Ratio	28.05%	28.87%	28.68%	224.40%	213.95%	167.26%	167.14%	167.14%	132.88%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.548%	2.723%	2.802%	3.007%	2.867%	2.341%	2.340%	2.340%	1.860%	NA

The City and the School District impose a tax on all real estate in the City. Real Estate Tax bills are sent out in December and are due and payable March 31st without penalty or interest. If you pay your bill on or before the last day of February, you receive a 1% discount.

**Real Property Transfer Tax**

City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.3%	3.3%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.1%	4.1%	4.3%	4.3%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

<sup>c</sup> **Business Income and Receipts Taxes**

(% on Gross Receipts)	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
<sup>f</sup> (% on Net Income)	6.4500%	6.4500%	6.4500%	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%	6.2500%	6.2000%

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.

<sup>c</sup> **Net Profits Tax:**

<sup>a</sup> City Residents	3.9280%	3.9280%	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%	3.8712%
Non-City Residents	3.4985%	3.4985%	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%	3.5019%

Net Profits Tax is levied on the net profits from the operation of a trade, business, profession, enterprise or other activity conducted by individuals, partnerships, associations or estates and trusts.

**City of Philadelphia  
Direct and Overlapping Tax Rates  
For the Ten Fiscal Years 2011 through 2020**

**Table 7**

<u>Tax Classification</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Sales Tax</b>										
City	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>Amusement Tax</b>	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.										
<b>Parking Lot Tax</b>	20.0%	20.0%	20.0%	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%	22.5%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City.										
<b>Hotel Room Rental Tax</b>	8.2%	8.2%	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
<b>Rate of Tourism &amp; Marketing Tax</b>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	9.2%	9.2%	9.2%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
<b>Vehicle Rental Tax</b>	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.										

<sup>a</sup> Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

<sup>b</sup> Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

<sup>c</sup> Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

<sup>d</sup> Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

<sup>e</sup> The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

<sup>f</sup> 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

**City of Philadelphia**  
**Principal Wage and Earnings Tax Remitters <sup>1</sup>**  
**Current Calendar Year and Nine Years Ago**

**Table 8**

*Amounts in millions of USD*

Remittance Range	2019			2010		
	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted	# of Remitters (Employers)	Total Amount Remitted	Percentage of Total Remitted
Greater than \$10 million	20	\$578.9	27.51%	16	\$384.9	26.44%
Between \$1 million & \$10 million	216	518.3	24.63%	158	367.4	25.23%
Between \$100,000 & \$1 million	2,120	557.9	26.51%	1,468	374.8	25.75%
Between \$10,000 & \$100,000	11,395	340.2	16.16%	8,274	244.2	16.77%
Less than \$10,000	44,761	109.1	5.19%	36,879	84.6	5.81%
Total	58,512	\$2,104.5	100.00%	46,795	\$1,455.9	100.00%

<sup>1</sup> Wage & Earnings information for individual remitters is confidential

**City of Philadelphia**  
**Assessed Value and Estimated Value of Taxable Property**  
**For the Calendar Years 2011 through 2020**

**Table 9**

Amounts in millions of USD

Calendar Year of Levy	Assessed Value on Certification Date	Less: Tax-Exempt Property	Less: Homestead Exemption	Total Taxable Assessed Value	Adjustments between Certification Date and Billing Date	Total Taxable Assessed Value on Billing Date	Total Direct Tax Rate	STEB Ratio	Estimated Actual Taxable Value (STEB)	Sales Ratio	Estimated Actual Taxable Value (Sales)
2011	17,940	5,593		12,347		12,347	4.123%	28.05%	44,018	13.35%	92,487
2012	18,022	5,685		12,337		12,337	4.123%	28.87%	42,733	13.13%	93,960
2013	18,181	5,765		12,416		12,416	4.462%	28.68%	43,291	11.88%	104,512
2014	137,404	37,462	5,429	94,513	(2,590)	91,923	0.602%	224.40%	42,118	90.48%	104,457
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	213.95%	43,331	90.60%	102,326
2016	136,295	38,386	6,372	91,537	(1,369)	90,168	0.632%	167.26%	54,727	92.96%	98,469
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	167.14%	54,889	94.20%	97,390
2018	152,995	41,738	6,268	104,989	(811)	104,178	0.632%	167.14%	62,815	95.78%	109,615
2019	164,672	42,767	6,349	115,556	(3,313)	112,243	0.632%	132.88%	86,963	106.00%	109,015
2020	168,263	44,095	8,592	115,576	(1,225)	114,351	0.632%	NA	NA	NA	NA

<sup>1</sup> Real property tax bills are normally sent out in December and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

<sup>2</sup> Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-2005 as amended, approved October 11, 1984, provides for a maximum thirty month tax abatement to developers of residential property.

Bill #274, approved July 1, 1997, provides a maximum ten year tax abatement for conversion of eligible deteriorated commercial or other business property to commercial non-owner occupied residential property.

Bill #788A, approved December 30, 1998, provides a maximum twelve year tax exemption, abatement or credit of certain taxes within the geographical area designated as the Philadelphia Keystone Opportunity Zone.

<sup>3</sup> Source: Office of Property Assessment. Beginning in 2014:

- a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
- b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

<sup>4</sup> Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

<sup>5</sup> The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

<sup>6</sup> This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

<sup>7</sup> Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners.



**City of Philadelphia**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

**Table 10**

*Amounts in millions of USD*

Taxpayer	2020			2011		
	Assessment <sup>1</sup>	Rank	Percentage of Total Assessments	Assessment <sup>1</sup>	Rank	Percentage of Total Assessments
Liberty Property Phila	358.9	1	0.31	-	-	-
EQC Nine Penn Center Prop.	352.1	2	0.30	54.1	3	0.14
NG 1500 Market St. LLC	349.9	3	0.30	43.8	5	0.11
Phila Liberty Pla E Lp	315.0	4	0.27	54.4	2	0.14
Park Towne Place Assoc.	276.9	5	0.24	-	-	-
Commerce Square Partners	266.4	6	0.23	33.3	9	0.09
Phila Plaza Phaze II	252.7	7	0.22	33.9	8	0.09
Philadelphia Market Street	250.3	8	0.22	-	-	-
Brandywine Operating	236.4	9	0.20	40.6	6	0.11
401 North Broad Fee Inter.	223.1	10	0.19	-	-	-
Franklin Mills Associates	-	-	-	57.6	1	0.15
PRU 1901 Market LLC	-	-	-	35.2	7	0.09
Phila Shipyard Development Corp	-	-	-	30.3	10	0.08
Sugarhouse HSP Gaming L P	-	-	-	48.3	4	0.13
	<u>2,881.7</u>		<u>2.49</u>	<u>431.5</u>		<u>1.12</u>
Taxable Assessments (before Homestead) <sup>2</sup>	<u>124,168.0</u>		<u>100.00</u>	<u>38,584.8</u>		<u>100.00</u>
Less Homestead Exemption <sup>2</sup>	<u>8,592.2</u>			<u>0.0</u>		
Total Taxable Assessments	<u>115,575.8</u>			<u>38,584.8</u>		

<sup>1</sup> Source: Office of Property Assessment.

a) 2020 Assessment as of March 2019.

b) 2011 Assessment as of November 2010.

<sup>2</sup> In calendar year 2014,

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) the City initiated a new \$30,000 Homestead Exemption to all homeowners.

**City of Philadelphia  
Real Property Tax Levied and Collected  
For the Calendar Years 2011 through 2020  
General Fund**

**Table 11**

*Amounts in millions of USD*

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on Adjusted Assessment **2	Collected in the Calendar Year of Levy **3	Percentage Collected in the Calendar Year of Levy **5	Collected in Subsequent Years **4	Total Collected to Date: All Years	Percentage Collected to Date: All Years **5
2011	509.1	NA	440.9	86.6%	47.7	488.6	96.0%
2012	508.6	490.6	459.2	93.6%	26.2	485.4	98.9%
2013	554.0	537.3	505.6	94.1%	27.9	533.5	99.3%
2014	553.2	514.3	482.1	93.7%	29.9	512.0	99.6%
2015	547.4	516.7	489.1	94.7%	26.9	516.0	99.9%
2016	569.9	548.8	525.2	95.7%	21.1	546.3	99.5%
2017	580.5	564.7	542.9	96.1%	19.5	562.4	99.6%
2018	658.1	628.4	604.4	96.2%	14.9	619.3	98.6%
2019	709.4	686.1	660.4	96.3%	9.4	669.8	97.6%
2020	722.7	709.2	644.2	NA	NA	644.2	NA

\*\*1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

\*\*2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid.

For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.

\*\*3 For 2020, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2020.

\*\*4 Includes payments from capitalized interest. This capitalization occurs only after the first year of the levy on any amount that remains unpaid at that time.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.

The collection percentages for the school district are the same as for the General Fund.

\*\*5 For calendar year 2011, "percentage collected in the calendar year of levy" and "percentage collected to date: all years" are based on "taxes levied for the year", since

"taxes levied based on adjusted assessment" data is unavailable for these years. For calendar year 2020, data is unavailable for "percentage collected in the calendar year of levy" and

"percentage collected to date: all years", since collections in the calendar year does not include the full 12 months; it includes collections through the end of June 2020.

**City of Philadelphia**  
**Ratios of Outstanding Debt by Type**  
**For the Fiscal Years 2011 through 2020**

**Table 12**

*Amounts in millions of USD (except per capita)*

Fiscal Year	Governmental Activities										Business-Type Activities			Ratios							
	General Obligation Bonds	Capital Leases	Pension Service Agreement	City Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	PAID School District	Affordable Housing Project	Museum of Arts	PAID Rebuild Project	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Population (1)
2011	2,135.0	51.7	1,407.3	-	247.8	43.4	314.9	8.1	126.4	-	-	-	4,334.6	1.0	1,738.2	1,450.8	3,190.0	7,524.6	13.21%	1,526,006	4,931
2012	2,041.1	40.6	1,379.3	-	240.3	41.9	310.0	7.7	122.8	-	-	-	4,183.7	-	1,819.9	1,383.1	3,203.0	7,386.7	11.79%	1,538,567	4,801
2013	1,968.7	28.9	1,171.3	423.3	234.1	41.8	313.0	7.7	119.9	-	-	-	4,308.7	-	1,830.4	1,355.4	3,185.8	7,494.5	11.68%	1,547,607	4,843
2014	2,139.7	16.9	1,121.4	299.8	225.5	39.6	300.6	7.2	116.0	27.3	-	-	4,294.0	-	1,935.3	1,291.7	3,227.0	7,521.0	11.49%	1,553,165	4,842
2015	1,996.0	12.9	1,063.2	299.8	216.4	37.3	291.9	6.7	111.8	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	2,073.6	8.8	997.5	299.8	205.8	34.9	277.2	6.7	108.5	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	1,953.1	4.4	927.2	299.8	195.8	32.4	263.6	6.0	102.2	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	2,078.4	249.3	852.3	299.8	185.3	30.4	248.9	5.3	96.3	-	60.2	-	4,117.7	-	1,993.2	1,625.4	3,618.6	7,736.3	8.78%	1,580,863	4,894
2019	1,927.2	244.2	772.3	299.8	213.3	27.1	234.3	4.6	90.4	-	57.7	-	3,969.1	-	2,175.8	1,651.1	3,826.9	7,796.0	8.83%	1,584,138	4,921
2020	2,091.8	239.0	687.0	299.8	199.4	24.0	241.1	3.8	84.4	-	55.1	-	4,019.5	-	2,360.3	1,573.9	3,934.2	7,963.7	8.77%	1,584,064	5,021

(1) See Table 17 for Personal Income and Population Amounts

**City of Philadelphia**  
**Ratios of General Bonded Debt Outstanding**  
**For the Fiscal Years 2011 through 2020**

**Table 13**

*Amounts in millions of USD (except per capita)*

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property	Assessed Ratio	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita
		<sup>1</sup>	<sup>2</sup>			<sup>3</sup>
2011	2,135.0	12,347.1	28.05%	44,018.2	4.85%	1,387.65
2012	2,041.1	12,337.0	28.87%	42,732.9	4.78%	1,318.87
2013	1,968.7	12,416.0	28.68%	43,291.5	4.55%	1,267.54
2014	2,139.7	94,513.0	224.40%	42,118.1	5.08%	1,371.34
2015	1,996.0	92,707.0	213.95%	43,331.2	4.61%	1,273.41
2016	2,073.6	91,536.5	167.26%	54,727.1	3.79%	1,322.56
2017	1,953.1	91,741.2	167.14%	54,888.8	3.56%	1,235.46
2018	2078.4	104,988.9	167.14%	62,814.9	3.31%	1,312.01
2019	1927.2	115,555.5	132.88%	86,962.3	2.22%	1,216.62
2020	2091.8	115,575.8	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

<sup>1</sup> Source: Office of Property Assessment

<sup>2</sup> The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

<sup>3</sup> See Table 17 for Population Amounts

**City of Philadelphia**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2020**

**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>
<b><u>Governmental Unit</u></b>			
School District of Philadelphia	<u>3,547.8</u>	<u>100.00%</u>	<u>3,547.8</u>
<sup>1</sup> <b>City Direct Debt</b>			<u>4,019.5</u>
Total Direct and Overlapping Debt			<u><u>7,567.3</u></u>

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

<sup>1</sup> Refer to Table 12

City of Philadelphia  
 Legal Debt Margin Information  
 For the Fiscal Years 2011 through 2020

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2020										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit (notes 2, 3, 4, and 5)	1,571.9	1,622.3	1,670.0	3,011.1	4,288.7	5,454.0	6,629.5	8,001.0	9,534.0	11,052.1
Total Net Debt Applicable to Limit	1,474.6	1,542.5	1,617.9	1,673.4	1,751.0	1,841.4	1,952.0	2,051.3	2,130.8	2,228.8
Legal Debt Margin	97.3	79.8	52.1	1,337.7	2,537.7	3,612.6	4,677.5	5,949.7	7,403.2	8,823.3
Total Net Debt Applicable to the Limit as a Percent of Total Debt	93.81%	95.08%	96.88%	55.57%	40.83%	33.76%	29.44%	25.64%	22.35%	20.17%

Assessed Value  
 Debt Limit 81,867.8  
 11,052.1

1 Debt Applicable to Limit:  
 Tax Supported General Obligation Debt:  
 Issued & Outstanding 1,723.7  
 Authorized but Unissued 514.8  
 Total 2,238.5

Less: Amount set aside for  
 repayment of general  
 obligation debt 9.7

Total Net Debt Applicable to Limit 2,228.8

Legal Debt Margin 8,823.3

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 Tax Years 2011-2013 assessed values were provided by OPA via The Department of Revenue...  
 4 Calendar Year 2013 Tax Year 2014 assessed values were provided by OPA. The higher amount was due to the implementation of the AVI (Actual Value Initiative) in 2013.  
 5 Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average, prior to this change, the Tax Year assessed values was used.

Calendar Year of assessment	Tax Year of assessment	3, 4 R.E. Assessments
2010	2011	13,522,847,116
2011	2012	13,602,484,741
2012	2013	13,755,670,566
2013	2014	107,209,023,547
2014	2015	106,062,882,977
2015	2016	98,288,051,621
2016	2017	99,343,238,214
2017	2018	114,493,581,457
2018	2019	126,865,207,235
2019	2020	125,555,031,478
Ten Year average		81,667,801,895
Limit per art 9		13,50%
Legal Debt Limit		11,052,153,256

**City of Philadelphia**  
**Pledged Revenue Coverage**  
**For the Fiscal Years 2011 through 2020**

**Table 16**

*Amounts in millions of USD*

No.		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Water and Sewer Revenue Bonds</b>											
1	Total Revenue and Beginning Fund Balance	589.7	613.3	638.4	680.4	-	-	-	-	-	-
1a	Total Revenue	-	-	-	-	676.8	678.9	720.6	750.1	741.6	746.7
2	Net Operating Expenses	357.7	375.1	399.3	410.8	422.3	433.0	480.3	506.2	522.4	543.7
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	-	-	-	(19.4)	(24.1)	(24.6)	(32.4)	(30.4)	(26.9)
3	Transfer To (From) Rate Stabilization Fund	10.9	8.5	(4.7)	22.9	21.4	(1.6)	(4.6)	(24.6)	(4.3)	(33.1)
4	Net Revenues	221.1	229.7	243.8	246.7	252.5	271.6	269.5	300.9	253.9	263.0
Debt Service:											
5	Revenue Bonds Outstanding	184.3	191.4	201.0	201.7	205.3	219.3	206.1	218.4	190.9	206.2
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	-	-	-	11.0	19.0	-	-
6a	Other Adjustments	-	-	-	-	-	(0.3)	(1.2)	(0.2)	-	0.2
7	Pennvest Loan	1.2	1.0	-	-	-	-	-	-	-	-
8	Total Debt Service	185.5	192.4	201.0	201.7	205.3	219.0	215.9	237.2	190.9	206.4
9	Net Revenue after Debt Service	35.6	37.3	42.8	45.0	47.2	52.6	53.6	63.7	63.0	56.6
10	Transfer to General Fund	-	1.1	0.6	-	-	-	-	-	-	-
11	Transfer to Capital Fund	18.1	18.9	19.4	20.2	20.7	21.5	22.3	34.8	24.9	26.6
12	Transfer to Residual Fund	17.5	17.3	22.8	24.8	26.5	31.1	31.3	28.9	38.1	30.0
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.20	1.20	1.21	1.22	1.23	1.24	1.31	1.38	1.33	1.28
	Coverage B (Line 4/(Line 5 + Line 11))	1.09	1.09	1.11	1.11	1.12	1.13	1.18	1.19	1.18	1.13
<b>Airport Revenue Bonds</b>											
1	Fund Balance	77.6	65.9	69.3	66.5	66.3	71.2	87.9	107.8	126.8	144.2
2	Project Revenues	260.8	269.6	291.8	316.9	322.8	341.2	362.0	381.7	393.4	390.2
3	Passenger Facility Charges	32.4	31.6	31.2	31.2	31.2	31.2	33.7	31.2	31.2	31.2
4	Total Fund Balance and Revenue	370.8	367.1	392.3	414.6	420.3	443.6	483.6	520.7	551.4	565.6
5	Net Operating Expenses	98.1	99.0	110.7	117.3	126.0	132.1	136.5	151.0	161.2	151.7
6	Interdepartmental Charges	88.6	92.7	101.9	103.9	108.7	106.8	116.7	116.7	121.1	123.0
7	Total Expenses	186.7	191.7	212.6	221.2	234.7	238.9	253.2	267.7	282.3	274.7
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	272.7	268.1	281.6	297.3	294.3	311.5	347.1	369.7	390.2	413.9
9	All Bonds (Line 4-Line 7)	184.1	175.4	179.7	193.4	185.6	204.7	230.4	253.0	269.1	290.9
Debt Service:											
10	Revenue Bonds	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0	127.9
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	102.4	103.0	109.8	125.4	125.2	120.6	122.6	127.8	126.0	127.9
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.66	2.60	2.56	2.37	2.35	2.58	2.83	2.89	3.10	3.24
	Total Debt Service - Test "B" (Line 9/Line 12)	1.80	1.70	1.64	1.54	1.48	1.69	1.88	1.98	2.14	2.27

**Note:**

The rate covenant of the Aviation issues permit inclusion of Fund Balance at the beginning of the period with project revenues for the period to determine adequacy of coverage.

Coverage "A" requires that Net Revenues equal at least 120% of the Debt Service Requirements while Coverage "B" requires that Net Revenues equal at least 100% of the Debt Service Requirements plus Required Capital Account Transfers. Test "A" requires that Project Resources be equal to Net Operating Expenses plus 150% of Revenue Bond Debt Service for the year. Test "B" requires Project Resources be equal to Operating Expenses for the year plus all debt service requirements for the year except any General Obligation Debt Service not applicable to the project.

Amounts in the above statement have been extracted from reports submitted to the respective Fiscal Agents in accordance with the reporting requirements of the General Ordinance and Supplemental Ordinance relative to rate covenants. Water and Sewer Coverage is calculated on the modified accrual basis; Aviation Fund on the accrual basis.

Prior to FY 2015, Commitments Cancelled were included as part of Total Revenue and Beginning Fund Balance. Commitments Cancelled represent the liquidation of encumbrances. An encumbrance is an expense that is anticipated to be charged to the Water Fund. Beginning in FY 2015 these amounts were reclassified as contra-expenses and reported under Net Operating Expenses.

Prior to FY 2017, Water and Sewer Revenue Bonds Debt Service Coverage B was calculated as (Line4/(Line 8 + Line 11)).

**City of Philadelphia**  
**Demographic and Economic Statistics**  
**For the Calendar Years 2010 through 2019**

**Table 17**

Calendar Year	Population <sup>1</sup>	Personal Income <sup>2</sup> (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate <sup>3</sup>
2010	1,526,006	56,970,074	37,333	10.8%
2011	1,538,567	62,632,520	40,708	10.8%
2012	1,547,607	64,151,742	41,452	10.5%
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%
2017	1,580,863	88,081,991	55,718	6.2%
2018	1,584,138	88,311,658	55,747	5.5%
2019	1,584,064	90,711,866	57,265	5.5%

<sup>1</sup> US Census Bureau

<sup>2</sup> US Department of Commerce, Bureau of Economic Analysis

<sup>3</sup> US Department of Labor, Bureau of Labor Statistics



**City of Philadelphia**  
**Principal Employers**  
**Current Calendar Year and Nine Years Ago**

Table 18

*Listed Alphabetically*

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2019

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ALBERT EINSTEIN MEDICAL  
CHILDRENS' HOSPITAL OF PH  
CITY OF PHILA  
COMCAST CORPORATION  
HOSPITAL OF THE UNIVERSITY OF PENNSYLVANIA  
SCHOOL DIST OF PHILA  
SEPTA  
TEMPLE UNIVERSITY  
THOMAS JEFFERSON UNIVERSITY HOSPITALS  
UNIVERSITY OF PENNSYLVANIA

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2010

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ALBERT EINSTEIN MEDICAL  
CHILDRENS' HOSPITAL OF PH  
CITY OF PHILA  
COMCAST CORPORATION  
HOSPITAL OF THE UNIVERSITY OF PENNSYLVANIA  
SCHOOL DIST OF PHILA  
SEPTA  
TEMPLE UNIVERSITY  
THOMAS JEFFERSON UNIVERSITY HOSPITALS  
UNIVERSITY OF PENNSYLVANIA

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**City of Philadelphia**  
**Full Time Employees by Function**  
 For the Fiscal Years 2011 through 2020

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Governmental Activities:</b>										
Economic Development	27	28	31	29	33	43	39	47	69	63
Transportation:										
Streets & Highways	499	524	517	525	506	512	538	609	655	669
Mass Transit	9	13	15	15	12	12	1	1	1	2
Judiciary and Law Enforcement:										
Police	7,439	7,292	7,270	7,177	7,267	7,750	7,213	7,276	7,336	7,201
Prisons	2,173	2,150	2,245	2,257	2,286	2,280	2,257	2,208	2,084	1,882
Courts	3,225	3,249	3,260	3,234	3,255	3,276	3,367	3,317	3,364	3,428
Conservation of Health:										
Emergency Medical Services	341	338	375	494	576	534	592	416	467	533
Health Services	1,139	1,143	1,117	1,097	1,084	1,062	1,105	1,132	1,161	1,206
Housing and Neighborhood Development	94	83	75	72	74	66	67	73	71	76
Cultural and Recreational:										
Recreation	601	605	596	587	628	636	630	670	682	678
Parks	1	-	-	-	-	-	-	-	-	-
Libraries and Museums	682	658	651	637	674	666	677	659	670	688
Improvements to General Welfare:										
Social Services	1,989	1,924	1,832	1,809	1,801	1,779	1,837	1,860	1,804	1,827
Inspections and Demolitions	214	230	286	288	319	323	336	378	421	394
Service to Property:										
Sanitation	1,185	1,154	1,152	1,158	1,155	1,159	1,153	1,094	1,179	1,144
Fire	1,838	1,700	1,705	1,643	1,719	1,871	1,896	2,036	2,187	2,227
General Management and Support	2,225	2,454	2,384	2,456	2,497	2,601	2,749	2,744	3,164	2,911
Total Governmental Activities	23,681	23,545	23,511	23,478	23,886	24,570	24,457	24,520	25,315	24,929
<b>Business Type Activities:</b>										
Water and Sewer	2,116	2,228	2,218	2,302	2,347	2,358	2,481	2,519	2,217	2,498
Aviation	1,010	1,021	1,057	1,040	1,021	1,032	1,035	1,056	1,071	1,048
Total Business-Type Activities	3,126	3,249	3,275	3,342	3,368	3,390	3,516	3,575	3,288	3,546
<b>Fiduciary Activities:</b>										
Pension Trust	65	61	53	50	55	56	56	60	56	54
Total Primary Government	26,872	26,855	26,839	26,870	27,309	28,016	28,029	28,155	28,659	28,529

**City of Philadelphia  
Operating Indicators by Function  
For the Fiscal Years 2011 through 2020**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Governmental Activities:</b>										
<b>Transportation:</b>										
<b>Streets &amp; Highways</b>										
Street Resurfacing (miles)	36	37	51	34	40	43	56	77	95	65
Potholes Repaired	24,406	14,451	12,093	45,077	48,274	35,541	31,589	57,002	59,514	37,971
<b>Judiciary and Law Enforcement:</b>										
<b>Police</b>										
Arrests	73,310	70,971	71,109	71,650	71,661	55,693	46,268	45,531	42,444	40,702
Calls to 911	2,949,231	3,118,648	2,979,990	2,879,620	2,978,527	3,703,809	2,760,452	2,432,404	2,616,735	2,390,540
<b>Prisons</b>										
Average Inmate Population	7,935	8,240	8,987	8,759	8,254	7,685	6,925	6,158	4,815	4,190
Inmate Beds (city owned)	8,200	8,417	8,417	8,417	8,417	8,428	6,991	6,085	5,019	4,047
<b>Conservation of Health:</b>										
<b>Emergency Medical Services</b>										
Medic Unit Runs	227,147	273,557	280,877	239,403	243,127	283,754	267,266	271,450	274,659	266,090
First Responder Runs	66,763	60,972	57,047	60,296	49,529	48,965	47,456	48,797	49,526	47,864
<b>Health</b>										
Patient Visits	339,032	348,472	341,305	309,911	290,000	72,479	336,445	335,937	350,948	324,388
<b>Cultural and Recreational:</b>										
<b>Parks</b>										
Athletic Field Permits Issued	2,714	1,978	2,442	873	1,634	2,501	2,579	2,120	1,351	1,892
<b>Libraries</b>										
Items borrowed	7,210,217	7,503,031	6,579,054	6,502,087	6,511,582	5,926,481	5,419,516	5,293,138	6,482,481	5,207,069
Visitors to all libraries	6,103,528	6,020,321	6,116,762	5,563,015	5,891,382	5,839,145	5,128,715	4,973,288	4,915,649	3,841,395
Visitors to library website	6,131,726	6,886,339	7,301,311	8,194,626	9,907,573	7,971,946	5,029,713	6,361,655	6,699,581	6,099,144
<b>Improvements to General Welfare:</b>										
<b>Social Services</b>										
Children Receiving Services	28,572	28,939	27,391	17,761	18,982	19,697	18,955	18,798	17,002	13,369
Children in Placement	7,122	7,839	8,509	8,548	7,809	8,463	8,782	8,731	8,230	7,125
Emergency Shelter Beds (average)	2,520	2,987	2,116	2,544	2,708	2,196	2,143	2,170	3,725	3,855
Transitional Housing Units (new placements)	510	558	539	509	509	517	415	284	728	374
<b>Service to Property:</b>										
<b>Sanitation</b>										
Refuse Collected (tons per day)	2,254	2,299	2,179	2,132	2,139	2,270	2,311	2,310	2,475	2,351
Recyclables Collected (tons per day)	441	461	470	490	442	425	444	404	355	327
<b>Fire</b>										
Fires Handled	7,945	7,319	6,365	6,120	6,364	6,143	5,901	6,614	7,810	7,350
Fire Marshall Investigations	2,711	2,387	2,135	1,943	2,183	1,715	2,242	2,099	1,969	1,889
<b>Business Type Activities:</b>										
<b><sup>2</sup> Water and Sewer</b>										
Millions of gallons of treated water	93,886	87,341	89,616	90,213	86,416	84,573	82,846	81,485	80,943	78,239
Percent of time Philadelphia's drinking water met or surpassed state & federal standards	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Miles of pipeline surveyed for leakage	995	1,137	962	775	637	682	1,022	742	747	796
Water main breaks repaired	962	563	755	918	907	703	655	977	754	596
Average time to repair a water main break upon crew arrival at site (hours)	7.7	7.7	5.8	6.2	5.7	6.8	6.7	6.5	6.7	6.2
Percent of hydrants available	99.58%	99.70%	99.68%	99.68%	99.61%	99.60%	99.60%	99.57%	99.43%	99.15%
Number of storm drains cleaned	71,771	84,395	100,251	94,653	103,056	98,105	107,784	103,535	103,053	84,640
<b><sup>1</sup> Aviation</b>										
Passengers Handled (PIA)	31,225,470	30,612,150	30,358,905	30,539,430	30,601,985	31,336,138	29,641,556	30,553,378	32,244,112	23,782,297
Air Cargo, Tons (PIA)	449,683	416,731	388,383	395,661	402,194	414,891	424,009	487,086	554,606	573,499
Aircraft Movements (PIA and NPA)	525,339	517,842	506,261	493,272	487,096	456,269	434,707	427,214	455,352	385,403

<sup>1</sup> PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo

<sup>2</sup> In prior year Comprehensive Annual Financial Report (CAFR), Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment

**City of Philadelphia  
Capital Assets Statistics by Function  
For the Fiscal Years 2011 through 2020**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Governmental Activities:</b>										
<b>Transportation:</b>										
<b>Streets &amp; Highways</b>										
1 Total Miles of Streets	2,575	2,575	2,575	2,575	2,575	2,575	2,575	2,550	2,550	2,550
Streetlights	104,219	104,600	105,151	105,151	105,151	105,151	104,595	106,092	106,092	124,846
<b>Judiciary and Law Enforcement:</b>										
<b>Police</b>										
Stations and Other Facilities	31	32	37	39	40	50	48	55	55	55
<b>Prisons</b>										
Major Correctional Facilities	6	6	6	6	6	6	6	5	4	3
<b>Conservation of Health:</b>										
<b>Health Services</b>										
Health Care Centers	9	9	9	9	9	8	8	8	8	8
<b>Cultural and Recreational:</b>										
<b>Recreation</b>										
5 Recreation Centers	153	184	185	184	155	164	313	313	721	717
2 Athletic Venues	1,148	1,102	1,101	1,107	1,108	1,107	1,030	1,030	1,129	1,120
4 Neighborhood Parks and Squares	-	-	-	-	-	-	-	-	-	-
<b>Parks</b>										
Parks	150	177	177	177	209	209	211	211	405	409
Baseball/Softball Fields	407	404	404	403	403	404	412	404	414	411
<b>Libraries</b>										
Branch & Regional Libraries	54	54	54	54	54	54	54	54	54	57
<b>Service to Property:</b>										
<b>Fire</b>										
Stations and Other Facilities	63	68	68	68	69	63	69	67	73	73
<b>Business Type Activities:</b>										
<b>Water and Sewer:</b>										
Water System Piping (miles)	3,164	3,172	3,174	3,176	3,176	3,187	3,184	3,185	3,183	3,178
Fire Hydrants	25,353	25,321	25,355	25,364	25,364	25,398	25,419	25,419	25,234	25,020
Treated Water Storage Capacity ( x 1000 gallons)	1,065,400	1,065,400	1,065,400	1,065,400	1,065,000	1,065,000	1,065,000	950,000	950,000	1,010,000
Sanitary Sewers (miles)	758	759	762	762	762	763	765	766	767	761
Stormwater Conduits (miles)	731	734	738	737	737	740	747	744	752	755
3 Sewerage Treatment Capacity ( x 1000 gallons)	1,044,000	1,044,000	1,065,400	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,059,000	1,059,000
<b>Aviation</b>										
Passenger Gates (PIA)	126	126	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	3,144,000	3,144,000	3,144,000	3,254,354	3,254,354	3,254,354	3,240,537	3,240,537	3,240,537	3,240,537
Runways (length in feet) (PIA & NPA)	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500

1 Street System-83% city streets, 2% park streets, 15% state highways  
 2 Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools  
 3 PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo.  
 4 FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.  
 5 Includes playgrounds and spraygrounds