



The City of Philadelphia
2022 Investor Conference
General Obligation and Other Tax Backed Credits
November 3-4, 2022



Disclaimer

This Presentation is provided as of November 3, 2022 in connection with the City of Philadelphia (the “City”) Investors Conference. If you are viewing this presentation after November 3, 2022 there may have been events that occurred subsequent to such date that could have a material adverse effect on the information, financial or otherwise, that is presented herein. The City has not undertaken any obligation to update this Presentation beyond the aforementioned date thereof. Financial data, including revenues, expenditures, demographic statistics, debt service and other information provided herein are not warranted as to completeness or accuracy and are subject to change without notice.

This Presentation is provided for your information and convenience only. If and to the extent the City issues bonds after the date of this Presentation, any investment decisions regarding such bonds should only be made after a careful review of the complete Preliminary Official Statement prepared in connection therewith. You agree not to duplicate, copy, download, screen capture, electronically store or record this Presentation, nor to produce, publish or distribute this Investor Presentation in any form whatsoever.

This Presentation does not constitute a recommendation or an offer or solicitation for the purchase or sale of any security or other financial instrument, including any planned issuance of bonds by the City, or to adopt any investment strategy as it relates to any planned issuance of bonds by the City or any outstanding debt of the City. Any offer or solicitation with respect to future bonds will be made solely by means of the Preliminary Official Statement, which shall describe the actual terms of such bonds.

In no event shall the City be liable for any use by any party of, for any decision made or action taken by any party in reliance upon, or for any inaccuracies or errors in, or omissions from, the information contained herein and such information may not be relied upon by you in evaluating the merits of participating in any transaction relating to bonds issued by, or on behalf of, the City. The City makes no representations as to the legal, tax, credit or accounting treatment of any transactions relating to bonds issued by, or on behalf of, the City, or any other effects such transactions may have on you and your affiliates or any other parties to such transactions and their respective affiliates.

You should consult with your own advisors as to such matters and the consequences of the purchase and ownership of any bonds. To the extent any underwriter or financial advisor has participated in the preparation of this Presentation, they shall not be liable for any misinformation or misstatements contained herein, unless the information is explicitly sourced to such entity. Furthermore, no underwriter or financial advisor that has participated in the preparation of this Presentation has undertaken any obligation to update this Presentation beyond the aforementioned date thereof nor have, or will, they take any steps to verify the completeness or accuracy of the information contained herein.

Past performance is not indicative of future results, which will vary. This Presentation contains information on proposed budgets and financial plans as well as estimated financial results for current fiscal year. Information that is shown as “Estimated” or “Proposed” is subject to change in its entirety and subsequent proposals or final versions may deviate materially from the proposed information contained herein. There is no assurance that estimated financial results will be realized and actual financial results may differ, perhaps materially, from the estimates contained herein. By providing such information in this Presentation, the City has not undertaken any obligation to update such information or to update any changes in the events, circumstances or conditions on which such information is based.



Presentation Participants

Presenters:

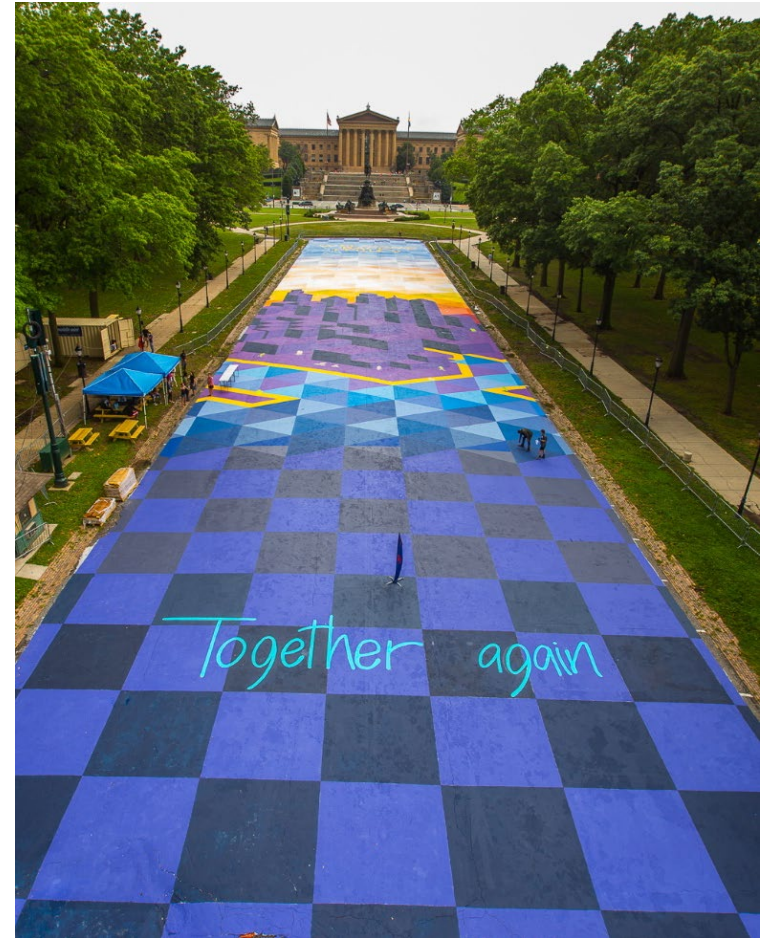
Rob Dubow
Director of Finance

Jackie Dunn
City Treasurer

Marisa Waxman
Budget Director

Moderator:

Natalia Dominguez Buckley
First Deputy City Treasurer



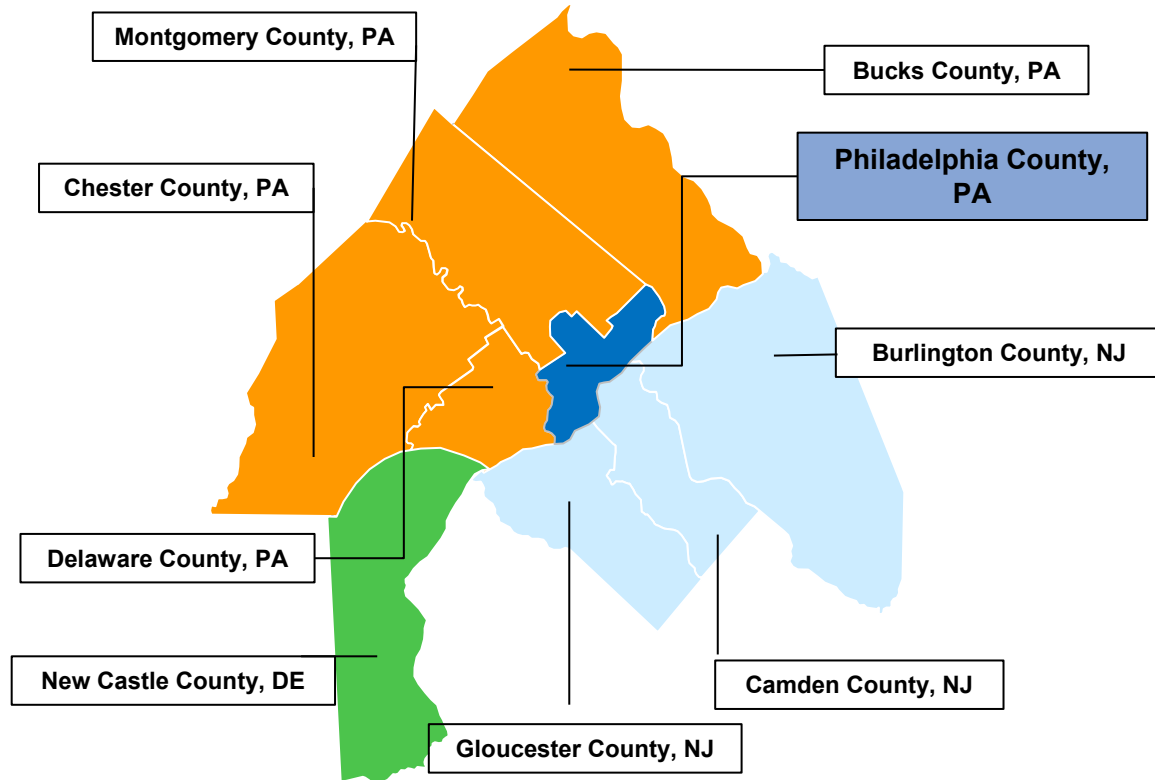


Philadelphia Credit Highlights



The City Is the Center of a Major Regional Economy

- The City of Philadelphia (the “City”) is central to a vibrant regional economy, which includes eight highly-rated surrounding counties
- Within a day’s drive of 50% of the nation’s population, the City is in a key position to access regional and international markets
- Non-residents from all over the region work in Philadelphia
- Non-resident workers are subject to the City’s Wage Tax
 - Non-resident portion of wage tax comprised approximately 10.4% of all General Fund revenue in FY22





Growing Economy & Strategic Location

- Several Fortune 500 companies have a major presence in the City such as Comcast, Aramark, and Crown Holdings
- Construction across the City continues to grow, with major projects under construction representing over \$4.0 billion in investment
- Approximately \$8.8 billion in development projects have been completed since 2020 or are in progress
- Diverse, knowledge-based economy with the number of employees in Education and Health Services growing more than 12% from 2012 to 2021
- From 2012 to 2021, the City gained 32,100 private sector jobs
- 6 higher education institutions, more than 30 hospitals, 5 medical schools, 2 dental schools, and 2 pharmacy schools



6th largest city in US

4th largest MSA - East Coast

2nd lowest cost of living in NE

- Major retail destination with more than \$1 billion in annual retail demand
- Philadelphia's key wealth metrics continue to improve, with growth of median household income and median family income both outpacing that of the region, state, and nation from 2011 to 2021
- Wage, Property, Business Income and Receipts, and Real Property Transfer tax provide diversity to the City's tax revenues

Source: U.S. Census Bureau, American Community Survey 2019, Census 2010, Census 2020, Bureau of Labor Statistics, Center City District & Central Philadelphia Development Corporation; City of Philadelphia, Council for Community and Economic Research (C2ER) Cost of Living Index (COLI)



City Positioned for Resiliency

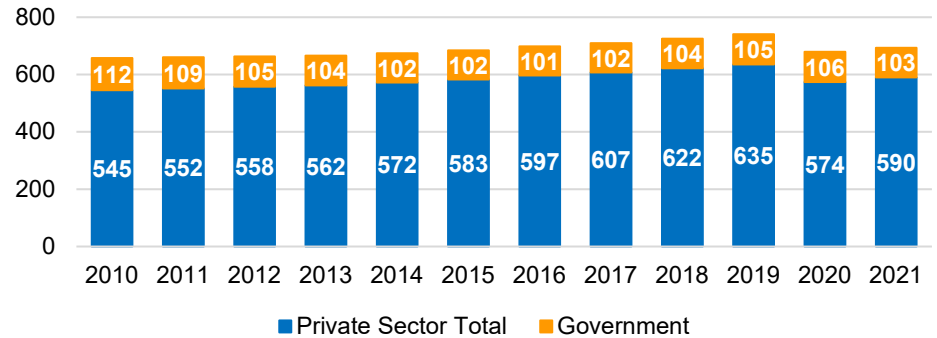
POPULATION GROWTH, 2000-2020 (000s)

- Since 2010, the City's population has grown faster than both the MSA and the Commonwealth

	2000	2010	2020	% Change 2000-2010	% Change 2010-2020
Philadelphia	1,518	1,528	1,603	0.66%	4.91%
Region*	5,687	5,972	6,245	5.01%	4.57%
Pennsylvania	12,281	12,712	12,964	3.51%	1.98%
United States	281,422	309,348	331,894	9.92%	7.29%

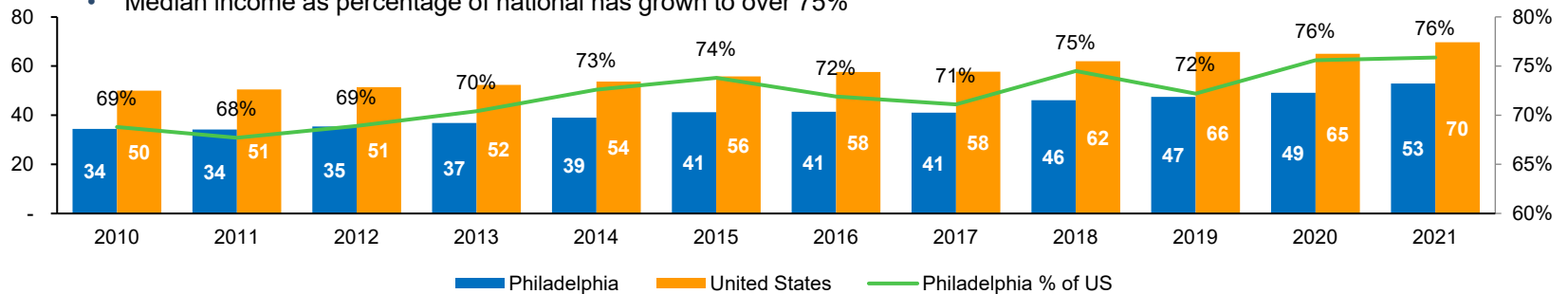
PRIVATE SECTOR JOB GROWTH, 2010-2021 (000s)

- Since 2010, the City's private sector payroll employment increased by 8%
- The City's average annual unemployment rate continues to improve, from 9.2% for calendar year 2021 to 6.4% as of August 2022



MEDIAN HOUSEHOLD INCOME,** 2010-2021 (000s)

- Between 2010 and 2021, Philadelphia's median income rose 53.8%, exceeding the national growth of 39.4%
- Median income as percentage of national has grown to over 75%



*Includes Philadelphia-Camden-Wilmington MSA

**Includes unrelated people living together

Sources: U.S. Census Bureau, Bureau of Labor Statistics, 2021 American Community Survey 1-Year Estimates



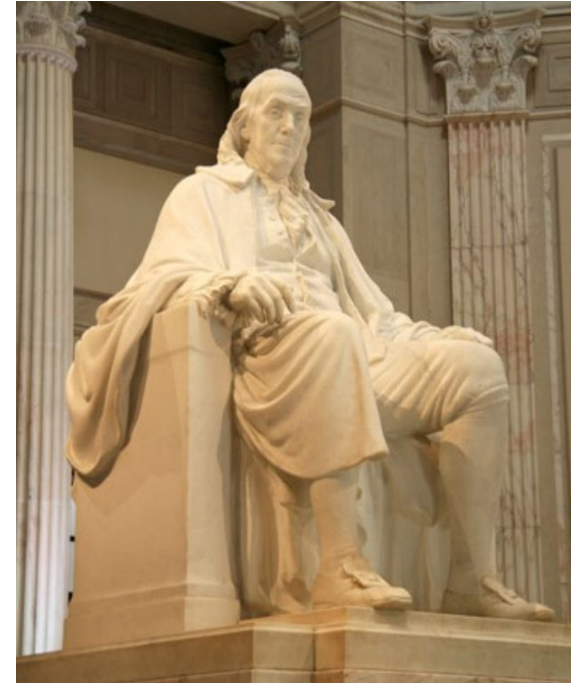
Financial Management and Budget Updates



Consistent and Conservative Financial Management

The City's financial management has been rooted in adhering to best practices, responsible budgeting, efficient operation and a focus on building fund balances and reserves

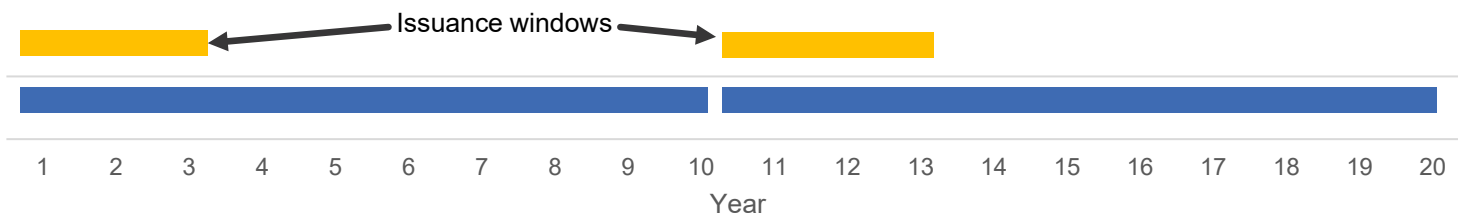
- Conservative forecasting; actual results consistently outperform budgeted results
 - In addition to statutory Budget Stabilization Reserve, multiple discretionary reserve line items including Labor and Recession & Reopening Reserves
- Managing pension liability to gradually reduce the risk profile of the plan
 - Annual pension contributions in excess of statutorily required amounts since 2014
 - Legislatively dedicating a portion of sales tax revenue to the pension fund
 - Development of the Revenue Recognition Policy (RRP)
 - Projected to be fully funded by 2031
- City provides 5 years of post-retirement health coverage for retirees and budgets for those OPEB costs in the Five-Year Plan on pay-go basis
- The City successfully renewed the PICA legislation to retain financial oversight and reporting requirements of PICA, including preparation of the Five-Year Plan and quarterly reports.





PICA Reauthorization

- The Pennsylvania Intergovernmental Cooperation Authority (PICA) was created by the Pennsylvania General Assembly in 1991 to assist Philadelphia in overcoming a severe financial crisis
- The PICA Act was recently amended by legislation in 2022 to:
 - Extend the duration of PICA until the later of January 2, 2047 or one year after the last outstanding PICA bonds are paid off
 - Continue the prohibition on the City declaring bankruptcy as long as PICA remains in place
 - Continue existing financial reporting and Five-Year Financial Plan requirements
 - Continue the dedicated PICA portion of the Wage Tax for as long as PICA remains in existence, regardless of existence of outstanding bonds
 - Allow PICA to issue new bonds at request of the City to support capital projects
 - Bonds may be issued each successive 10 years after an initial issuance AND...
 - Can issue additional bonds if within the first 3 years of each initial 10-year issuance



- City will evaluate the option of issuing under the PICA credit in future years. City will not issue new bonds under PICA prior to expiration of existing PICA bonds on June 15, 2023.



FY22 Unaudited Fund Balance Highlights

Unaudited FY22 General Fund Balance: \$779.1 million (14.6% of revenues)

- \$286 million more than the FY22 estimate (FY22 Q4 Quarterly City Manager's Report)
- Exceeds the City's internal goal of 6-8% of spending

Reasons for Improvement:

- **Tax revenues outperformed expectations:** The Realty Transfer and Business Income and Receipts taxes significantly outperformed expectations, leading to improvement in the ending fund balance compared to earlier estimates.
- **One-time spikes:** Local factors, like changes to the ten-year tax abatement, and broader economic conditions, both contribute to what we believe are one-time spikes in collections that will moderate in FY23.
- **One-time underspends:** Reduced headcounts or delays in hiring or contracting also contributed to lower than expected expenditures.

Areas for Monitoring:

- While the unaudited fund balance better positions the City heading into FY23 and beyond, the City is monitoring economic conditions, projections of a slowdown or recession, and the impact of inflation on revenues and expenditures.
- The fund balance is moderately dependent on federal relief. The FY22 unaudited fund balance includes a \$250 million draw on American Rescue Plan (APR) funds.
- The ending fund balance reflects services that went undelivered or delayed implementations and procurements in FY22 despite efforts to do so.

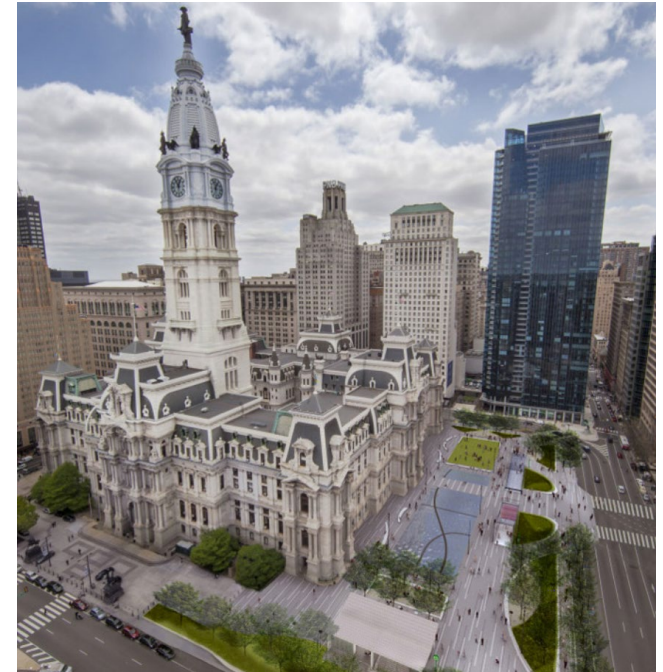
Source: FY22 Annual Financial Report (AFR) released October 28, 2022.



FY23 Budget and Five Year Plan

The City's adopted FY23 budget and FY23-FY27 Five Year Plan make critical investments and maintain fiscal discipline:

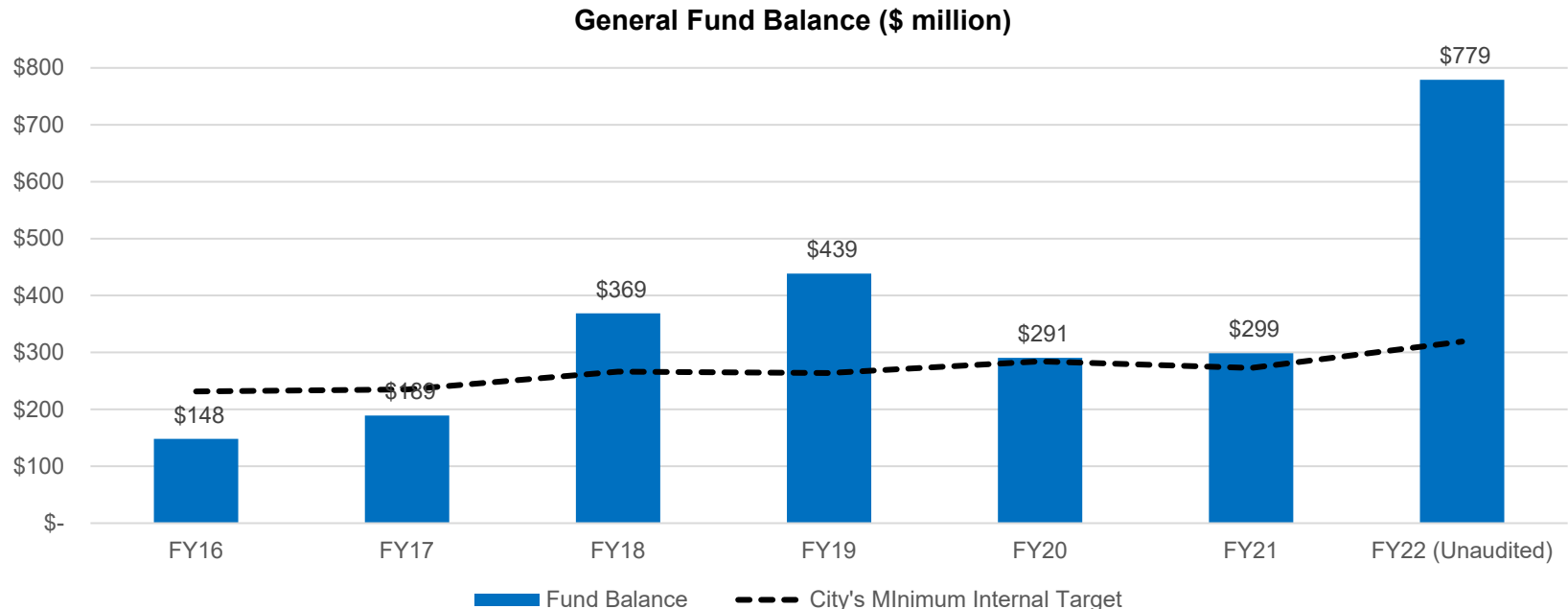
- Rebuild fund balances and total reserves in the post-pandemic period
- Provide substantial relief for homeowners and rental assistance and continued reductions in wage and business taxes
- Implement investments in reducing racial disparities, empowering communities, and advancing equitable outcomes
- Gradually draw down on the American Rescue Plan ("ARP") funding in order to ease burden on residents and taxpayers even as City rebuilds its reserves
- Continue the City's commitment to pension funding above required levels
- Fund Labor Reserve (\$54M in FY23 and \$517M over the Five Year Plan)





The City's Commitment to Building Reserves Created Resiliency and Flexibility When it Was Needed

- A healthy fund balance gives the City financial flexibility, makes it better able to meet its cash flow needs, mitigate current and future financial risks and ensure predictability of future services.
- The City's fund balance has historically been below levels recommended by government experts
- However, since FY18, the City's fund balance has annually met or exceeded its internal target of 6% to 8% of General Fund expenditures



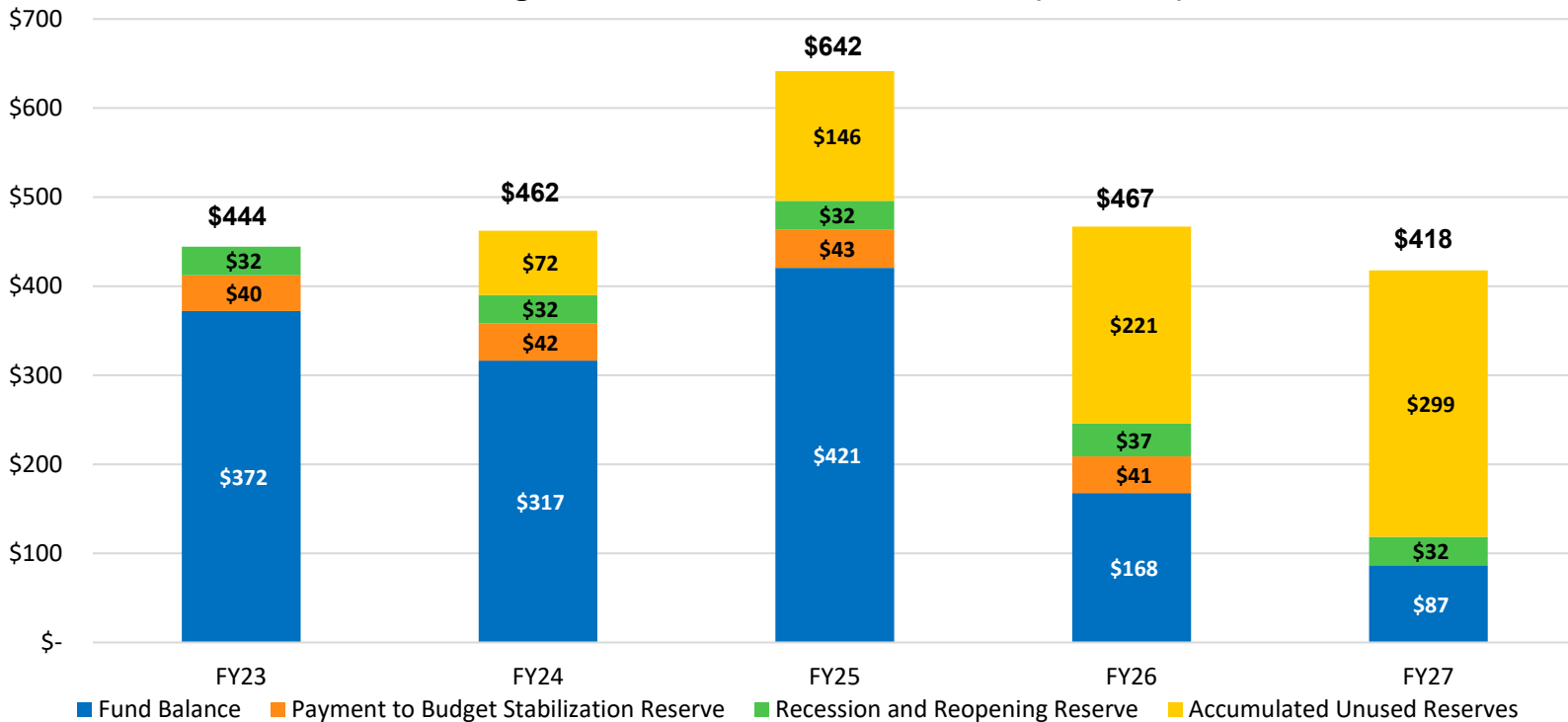
Source: Annual Comprehensive Financial Reports, FY16 – FY21; FY22 Annual Financial Report for unaudited estimate



The City Is Rebuilding Reserves

- The City's Five Year Plan projects payments to the Budget Stabilization Reserve in four of the five plan years and includes five years of funding for the Recession and Reopening Reserve
- While the Five Year Plan projects decreasing fund balances in the out years, the budgeted reserves should help stabilize the total fund balance.
- The impact of the unaudited fund balance and remaining ARP funds are not included in the below chart.

Budgeted Fund Balance and Reserves (\$ million)



Notes: Balances do not include ARP funds remaining in Grants Fund (until drawn) or funds allocated to the Labor Reserve for future labor costs (\$517M over the Five-Year Plan). Does not reflect increase in FY22 ending balance from FY23-27 FYP to FY22 AFR
Source: City of Philadelphia Five-Year Plan FY23-27



Gradual Use of ARP Funds

The American Rescue Plan (ARP) is a federal economic relief package that was signed into law on March 11, 2021.

- Included in the Plan is \$350 billion in relief funds for state, local, and tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.
- **Of that amount, Philadelphia received \$1.4 billion, which must be obligated by December 2024.**
- The City is using the ARP funds each year through Fiscal Year 2025 to support long-term investments in the safety, health and well-being of all Philadelphians.

Fiscal Year	2022	2023	2024	2025	Total
ARP Funds Budgeted	\$250 million	\$335 million	\$391 million	\$449 million	\$1.4 billion



Use of ARP Funds (continued)

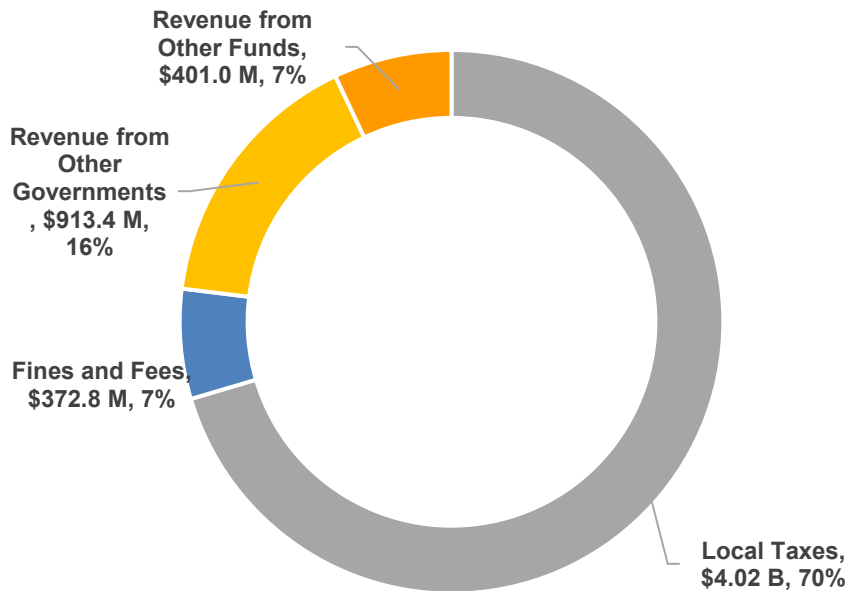
- The American Rescue Plan (ARP) represented a significant turning point for Philadelphia, not just in the fight against the effects of the pandemic but for the future of our city.
- ARP provided much-needed resources to save lives, to keep our residents healthy and housed, and to support our schools and small businesses.
- It also answered our call for direct and flexible funds that allow us to:
 - **Avoid painful cuts** to services and layoffs
 - Invest in the **long-term safety, health, and well-being** of Philadelphia and our residents
 - **Ensure an equitable investment** in the future of our city for all Philadelphians
- This one-time federal relief helps ease the effects of projected revenue declines stemming from the pandemic.
- At the same time, the funds we are receiving from the ARP are less than the actual need over five years to position our City to thrive: to fully fund service needs and priorities; and to keep city finances on a stable, sustainable path.
- **While the City received \$1.4 billion from the ARP, it was facing a \$1.5 billion gap over the course of the then current Five-Year Plan.** In part due to ARP funds, the current Five-Year Plan shows an ending balance of \$418 million.



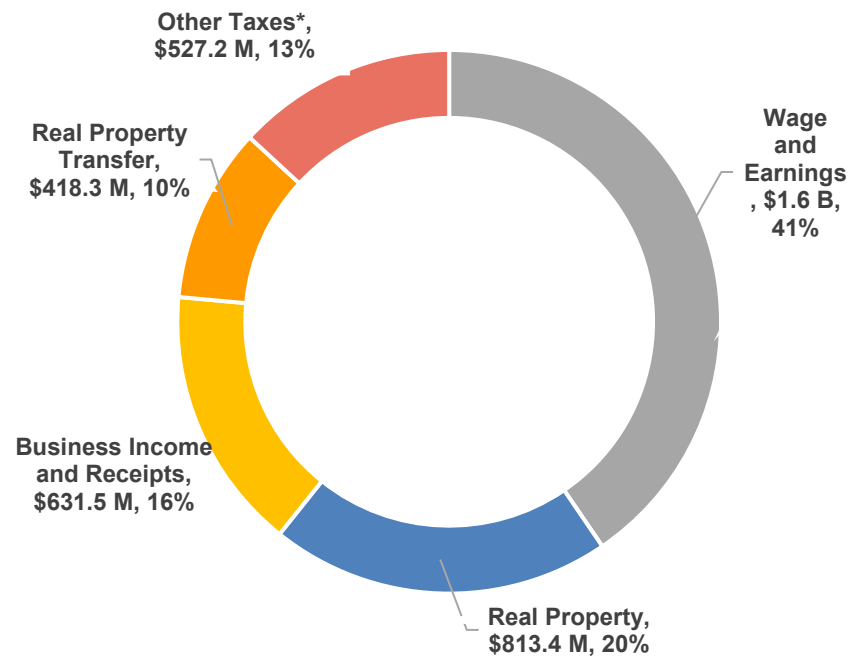
Revenue Overview

- For the General Fund, the City is estimated to receive a total of \$5.7 billion in FY23 revenues.
- The largest portion of our revenues, about \$4 billion or 70% of all revenues, comes from Local Taxes, like the wage tax. Other funding comes from fines and fees, aid from State and Federal Governments, and revenue from other City funds.

FY23 General Fund Revenues



FY23 General Fund Taxes



*Other Taxes include Sales, Amusement, Parking, Smokeless Tobacco, Philadelphia Beverage, Construction Impact, and Other.



Revenue Trend & Projection Summary

(\$ millions)

Tax	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Unaudited	FY22 Growth Rate
Wage/Earnings	\$1,582	\$1,599	\$1,451	\$1,654	13.99%
Real Estate	\$697	\$699	\$723	\$701	-3.04%
BIRT	\$541	\$534	\$542	\$750	38.38%
Realty Transfer	\$328	\$320	\$304	\$537	76.64%
Sales	\$224	\$205	\$230	\$278	20.87%
Parking	\$99	\$77	\$53	\$87	64.15%
Beverage	\$77	\$69	\$70	\$75	7.14%
Net Profits	\$36	\$29	\$44	\$27	-38.64%
Amusement	\$26	\$18	\$3	\$26	766.67%

Estimates are from the FY22 Annual Financial Report (AFR) released October 2022.



Key Investments

FY23 New and Expanded Investments

\$208M to Reduce and Prevent Violence

\$390M Investments in Education for PHLPreK, Community Schools, The School District, CCP, the Octavius Catto Scholarship and Adult Education

\$12.7M to preserve homeless services

\$29.1M for the Housing Trust Fund

\$9.8M increase to achieve stable five-day service at all City library locations

\$7.8M increase for Parks and Recreation

\$20M in operational support to ensure the City can apply, receive, and implement projects funded by the Infrastructure Investment Jobs Act (IIJA) and \$60M for Local Capital Matching Grants



Key Investments

Safer and More Just Philadelphia

- \$12M increase in funds for the Community Expansion Grant program, for a FY23 total of \$35M to expand violence prevention initiatives
- \$2M to expand Community Crisis Intervention Programs (CCIP) and Group Violence Intervention (GVI) programs for a total of \$10.3M in FY23
- \$1.5M new spending for the vacant lot maintenance and stabilization program
- \$5.5M for upgrades to the forensic science office upgrades

Quality Education for All

- \$14M increase over last year and \$104M increase since the beginning of the Administration for a total of \$269.9M in funding for the School District of Philadelphia in FY23
- \$2M in new spending for a total of \$50M in funding for the Community College of Philadelphia in FY23
- Funding for CPP has increased nearly \$20M since the beginning of the Administration
- 300 new slots in PHLpreK for a total of 4,300 slots in FY23 and 3 new Community Schools for a total of 20

Health Equity for All

- \$12.3M new spending for homeless services
- \$5.1M to support an increase of supportive services in Kensington
- \$462,000 to expand the Home Lead Remediation program

Inclusive and Thriving Economies

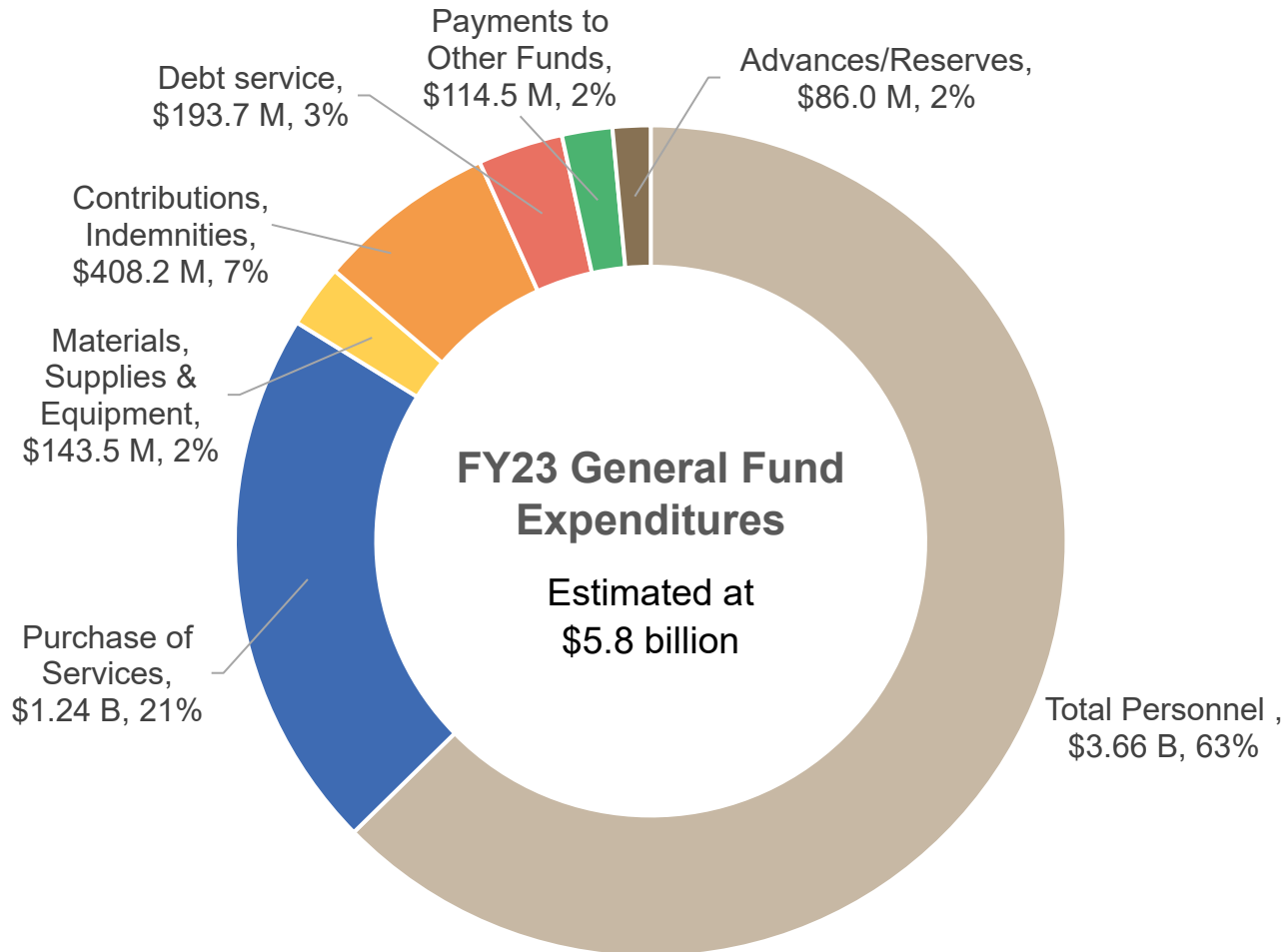
- \$7M investment to sustain the Taking Care of Business commercial corridor cleaning initiative in FY23
- \$4M in new spending to combat illegal dumping
- \$750,000 for a Citywide Youth Sports Plan
- \$175,000 in additional spending for the Color Me Back Same Day Pay program and Restorative Justice

Diverse, Inclusive, Efficient, and Effective Government

- \$275,000 new spending for racial equity training
- \$295,000 in new funding to drive diversity in recruitment
- \$100,000 to launch the Philadelphia Voices survey project to equitably capture input from residents



Expenditure Overview



Over 60% of FY23 expenditures go towards funding payroll and benefits for the City's dedicated employees who deliver the core services that support the City's residents, businesses, and visitors with services like public safety, healthcare, and trash collection.



Update on Current Matters



Status of Labor Agreements

- As of October 2022, the City had approximately 21,200 unionized employees representing approximately 80% of the City’s workers
- All of the City’s unions are covered by bargaining agreements or awards that expire at the end of FY24

Employee Group	Count
Fraternal Order of Police (FOP Lodge 5)	5,949
Deputy Sheriffs and Register of Wills (Lodge 5)	321
International Association of Fire Fighters (IAFF Local 22)	2,677
AFSCME District Council 33	6,929
Correctional Officers (Local 159 - District Council 33)	1,355
AFSCME District Council 47	3,554
Local 810 (District Council 47 Court Employees)	421
Non-Represented	1,118
Exempt	4,215
Total Employees	26,539

- The City’s Five Year Plan funds **\$517M in reserves**, beginning in FY23, to offset the potential costs of future labor agreements
- Previous agreements included significant reforms to improve the health of the City’s pension funds



Pension Reform Efforts

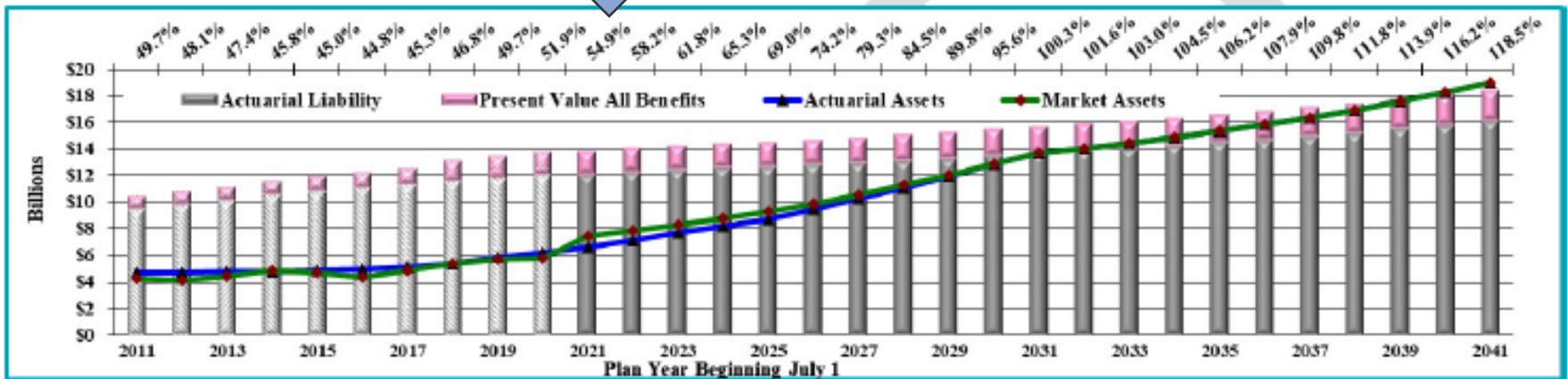
Working with its union partners and City Council, the Kenney Administration implemented a multi-part plan to improve the long-term health of the pension fund:

- The plan includes reforms which have been negotiated with all City unions (2016-2018). Those reforms include having current employees make increased contributions that rise as employee salaries increase. New employees would enter into a hybrid plan that includes a combination of a defined benefit plan and a 401K-type plan.
- In 2014, Sales Tax revenue enabled by the state legislature would be used to make payments above the state required amount.
 - Over the life of the five year plan, that Sales Tax is estimated to generate **\$456 million** for the pension fund.
 - From 2014 to 2022, the pension fund has received **\$281 million** in Sales Tax revenue.
- The pension board has changed its investment strategy in a way that increases returns and decreases fees by about \$15 million annually.
 - Current ratio of fees to assets under management (AUM) is 0.30%.
- For the **11th consecutive year**, the Pension Board also voted to reduce the assumed rate of return from 7.5% to 7.45% effective July 1, 2022 and 7.40% effective July 1, 2023.
- This combination of reforms, increased revenues and better investment returns is projected to get the system to the **80% funded level by 2028**.



Pension Funding Progress

- The City's continued commitment to pension funding and gradual reduction of the assumed rate of return improve the health of the pension fund over time.
- The City's pension fund is currently **54.9% funded** on an actuarial basis (July 1, 2021 valuation), up from 44% in just four years.
- The Fund's assets have increased by more than \$390 million from prior valuation.
- The proposed FY23 Budget and FY23-FY27 Five Year Plan continue to fully fund the pension in accordance with the Revenue Recognition Policy (RRP). Using the RRP, the fund is projected to **reach 70% funded during this Five Year Plan (FY27)**.
- The current actuarial valuation continues to show the plan reaching **over 80% funded in 2028** and **100% in 2031**.
- Additionally, the approved Five Year Plan also includes approximately \$5M annually to prepare for the City's significant 2029 Pension Obligation Bond debt service payment.



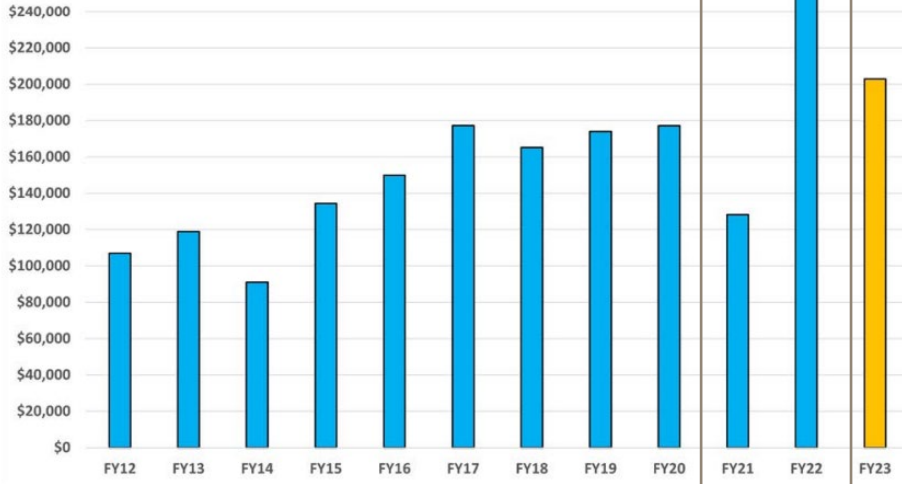
Source: July 1, 2021 Actuarial Valuation



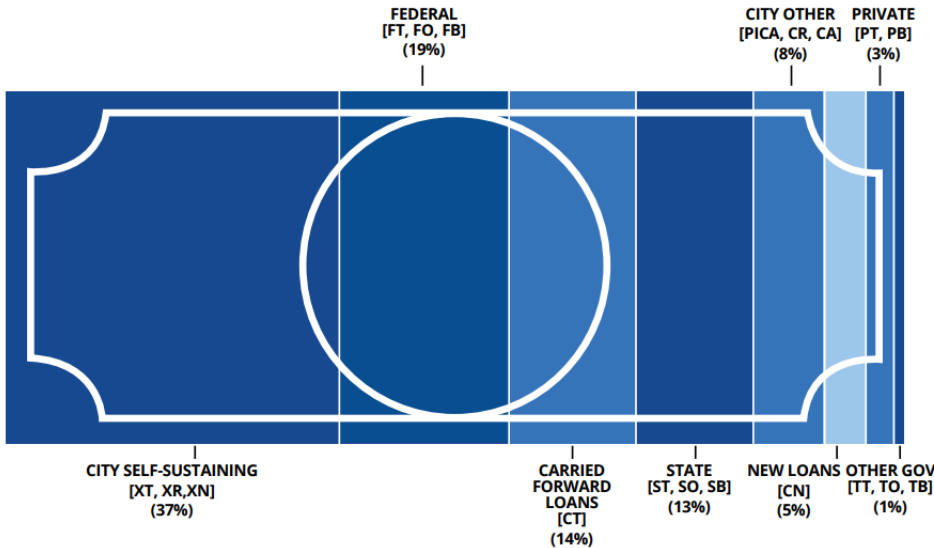
FY23 Capital Budget

HISTORICAL FUNDING LEVELS (CN APPROPRIATIONS)

General Obligation (CN) Appropriations for Capital Budgets
FY12 to FY23 Adopted (\$ thousands)



FY23 CAPITAL BUDGET SOURCE OF FUNDS

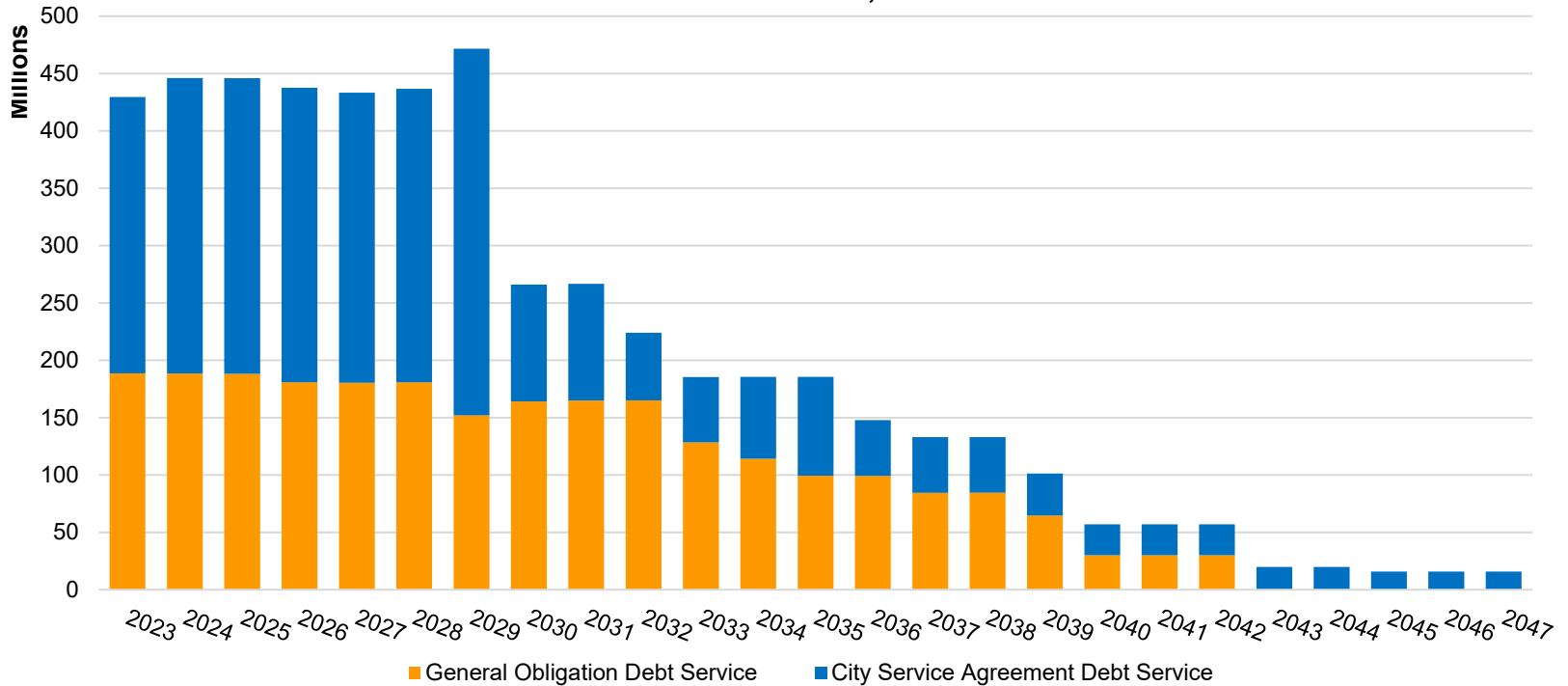


- The next GO Borrowing will include FY21 and FY22 authorizations totaling approximately \$420M.
- The FY23 capital authorization is \$203M.
- Additionally, \$60M is included in FY23 for Infrastructure Investment and Jobs Act (IIJA) local matching funds.



Outstanding General Fund Debt Service

General Obligation and City Service Agreement Debt Service
as of June 30, 2022



Summary Statistics

Maximum Annual Debt Service	\$471,642,204
Average Annual Debt Service	207,540,063
Percentage of Debt Amortized in 5 Years	42.26%
Percentage of Debt Amortized in 10 Years	74.35%



Future Financings

Timing	Borrowing	Description	Estimated Size
Fiscal 2023			
Early 2023	Philadelphia Energy Authority - City Service Agreement (LED Streetlights - Green)	Replace existing City-owned streetlight luminaires with high-efficiency LED fixtures and install a Lighting Management System	\$90 million
Mid 2023	Philadelphia Authority for Industrial Development - City Service Agreement (Rebuild Program)	2 nd Borrowing to invest in upgrading Parks, Recreation Centers, and Libraries throughout the City	\$85 million
Mid/Late 2023	Philadelphia Redevelopment Authority – City Service Agreement (Neighborhood Preservation Initiative - Social)	2 nd Borrowing to invest in Affordable Housing, Commercial Corridors, and other equity-based programs throughout the City	\$100 million
Fiscal 2024			
Summer 2023	General Obligation Bonds, New Money	Investment in the City's FY21 and FY22 approved capital plan projects	\$420 million

Note: Timing and size subject to change based on market conditions



Q&A



Visit the City's Investor Website at www.phila.gov/investor

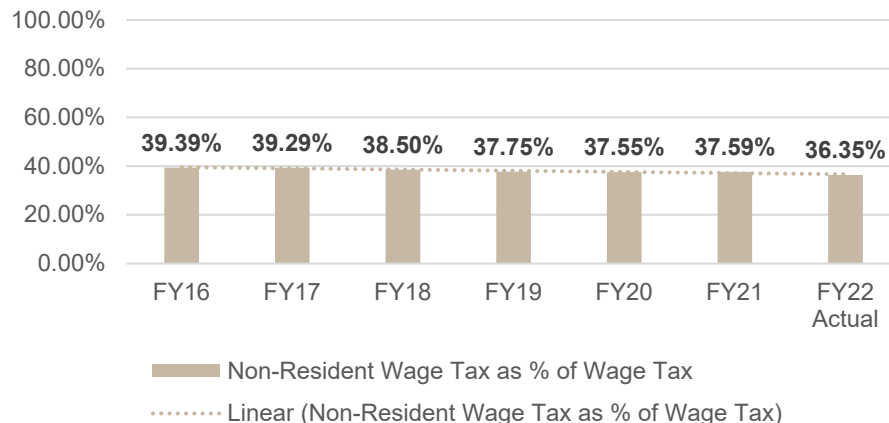


Appendix - Non-Resident Wage Tax Trends

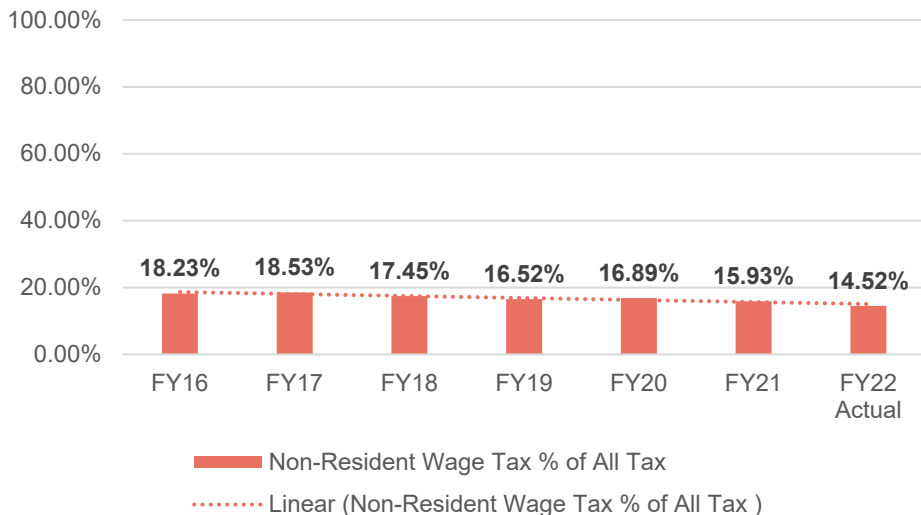
Key Trends

- The City has become less reliant on the non-resident wage tax over the last six years, likely a result of more nonresidents working from home.
- Non-Resident Wage Tax as % of Wage Tax has **decreased 3.04% from FY16 to FY22.**
- Non-Resident Wage Tax as % of All Tax has **decreased by 3.71% from FY16 to FY22.**
- Non-Resident Wage Tax as % of All General Fund Revenue **decreased by 3.14% from FY16 to FY22.**

Non-Resident Wage Tax as % of Wage Tax



Non-Resident Wage Tax % of All Tax



Non-Resident Wage Tax as % of All General Fund Revenue

