

City of Philadelphia

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

Founded 1682



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023



City of Philadelphia

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

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023



Cherelle Parker
Mayor

Prepared by:

Office of the Director of Finance

Rob Dubow
Director of Finance

Josefine Arevalo
Chief Accounting Officer

Accounting Office

Kevin Barr

Jamika Baucom

Nana Boateng

Randy Boucher

Sharon Donaldson

Isaac Fowowe

Gary Hanna

Victoria Heads

Bea Irungu

Christopher Kennedy

Christal Lewis

Jason Mak

Gladwin Mathew

Eugene McCauley

Rowaida Mohamed

Mary Powell-Civera

Shenika Ruff

Dino Sam

Rich Sensenbrenner

Amit Shah

Yashesh Shah

Shantae Thorpe

Binex Varghese

Edward Wiler



Table of Contents

Introductory Section

Letter of Transmittal.....	1
GFOA Certificate of Achievement	8
Organizational Chart.....	9
List of Elected and Appointed Officials	10

Financial Section

Independent Auditor’s Report	13
Management’s Discussion and Analysis	18
Basic Financial Statements	
Government Wide Financial Statements	
Exhibit I Statement of Net Position	36
Exhibit II Statement of Activities	37
Fund Financial Statements	
Governmental Funds Financial Statements	
Exhibit III Balance Sheet	38
Exhibit IV Statement of Revenues, Expenditures and Changes in Fund Balances	39
Exhibit V Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	40
Proprietary Funds Financial Statements	
Exhibit VI Statement of Fund Net Position	41
Exhibit VII Statement of Revenues, Expenses and Changes in Fund Net Position	42
Exhibit VIII Statement of Cash Flows	43
Fiduciary Funds Financial Statements	
Exhibit IX Statement of Fiduciary Net Position	44
Exhibit X Statement of Changes in Fiduciary Net Position.....	45
Component Units Financial Statements	
Exhibit XI Statement of Net Position.....	46
Exhibit XII Statement of Activities	47
Exhibit XIII Notes to the Financial Statements	49

Required Supplementary Information Other than Management’s Discussion and Analysis

Budgetary Comparison Schedules-Major Funds	
Exhibit XIV General Fund.....	166
Exhibit XV HealthChoices Behavioral Health Fund	167
Exhibit XVI Grants Revenue Fund	168
Exhibit XVII Other Post Employment Benefits (OPEB) and Pension Plans	
– City of Philadelphia - Schedule of Changes in Net OPEB Liability.....	169
– Municipal Pension Plan - Schedule of Changes in Net Pension Liability	169
– Municipal Pension Plan - Schedule of Collective Contributions	170
– Philadelphia Gas Works - Schedule of Changes in Net Pension Liability	171
– Philadelphia Gas Works – Schedule of Actuarially Determined Contributions.....	171
Exhibit XVIII Notes to Required Supplementary Information.....	172

**City of Philadelphia
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023**

Financial Section (Continued)

Other Supplementary Information

Schedule I	Combining Balance Sheet - Non-Major Governmental Funds	176
Schedule II	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds.....	178
Schedule III	Combining Statement of Fiduciary Net Position – Pension Trust Funds.....	180
Schedule IV	Combining Statement of Changes in Fiduciary Net Position–Pension Trust Funds	181
Schedule V	Combining Statement of Fiduciary Net Position - Custodial Funds.....	182
Schedule VI	Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	183
Schedule VII	City Related Schedule of Bonded Debt Outstanding.....	184
Schedule VIII	Budgetary Comparison Schedule - Water Operating Fund	186
Schedule IX	Budgetary Comparison Schedule - Water Residual Fund	187
Schedule X	Budgetary Comparison Schedule - County Liquid Fuels Tax Fund.....	188
Schedule XI	Budgetary Comparison Schedule - Special Gasoline Tax Fund	189
Schedule XII	Budgetary Comparison Schedule - Hotel Room Rental Tax Fund	190
Schedule XIII	Budgetary Comparison Schedule - Aviation Operating Fund.....	191
Schedule XIV	Budgetary Comparison Schedule - Community Development Fund	192
Schedule XV	Budgetary Comparison Schedule - Car Rental Tax Fund	193
Schedule XVI	Budgetary Comparison Schedule - Housing Trust Fund	194
Schedule XVII	Budgetary Comparison Schedule - General Capital Improvement Funds.....	195
Schedule XVIII	Budgetary Comparison Schedule - Acute Care Hospital Assessment Fund.....	196
Schedule XIX	Schedule of Budgetary Actual and Estimated Revenues and Obligations – General Fund	197
Schedule XX	Schedule of Budgetary Actual and Estimated Revenues and Obligations – Water Operating Fund.....	200
Schedule XXI	Schedule of Budgetary Actual and Estimated Revenues and Obligations – Aviation Operating Fund.....	201
Schedule XXII	Budgetary Comparison Schedule – Budget Stabilization Reserve Fund	202
Schedule XXIII	Budgetary Comparison Schedule – County Demolition Fund	203

Statistical Section

Table 1	Net Position by Component	205
Table 2	Changes in Net Positions.....	206
Table 3	Fund Balances-Governmental Funds	208
Table 4	Changes in Fund Balances-Governmental Funds.....	209
Table 5	Comparative Schedule of Operations-Municipal Pension Fund	210
Table 6	Wage and Earnings Tax Taxable Income.....	211
Table 7	Direct and Overlapping Tax Rates.....	212
Table 8	Principal Wage and Earnings Tax Remitters	214
Table 9	Assessed Value and Estimated Value of Taxable Property	215
Table 10	Principal Property Taxpayers.....	216
Table 11	Real Property Taxes Levied and Collected	217
Table 12	Ratios of Outstanding Debt by Type	218
Table 13	Ratios of General Bonded Debt Outstanding	219
Table 14	Direct and Overlapping Governmental Activities Debt.....	220
Table 15	Legal Debt Margin Information.....	221
Table 16	Pledged Revenue Coverage.....	222
Table 17	Demographic and Economic Statistics	223
Table 18	Principal Employers	224
Table 19	Full Time Employees by Function.....	225
Table 20	Operating Indicators by Function	226
Table 21	Capital Assets Statistics by Function.....	227



City of Philadelphia
OFFICE OF THE DIRECTOR OF FINANCE
1401 John F. Kennedy Blvd.
Suite 1330, Municipal Services Bldg.
Philadelphia, Pennsylvania 19102-1693

ROB DUBOW
Director of Finance

February 24, 2024

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

I am pleased to present the City of Philadelphia's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. This report must be published by February 25 of every year to fulfill the continuing disclosure requirements related to the City's outstanding bonds and as outlined in SEC Rule 15c2-12.

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

The City Controller has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2023. 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. This independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

Under the City Charter, there are two principal governmental entities in the City: (i) the City, which performs municipal and county functions; and (ii) the School District, which has boundaries coterminous with the City and responsibility for all public primary and secondary education. Under Article XII of the City Charter, the School District of Philadelphia operates as a separate and independent home rule school district. The Board of Education, which governs the District, has nine members, each of whom is appointed by the Mayor with the approval of City Council.

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

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

The City of Philadelphia provides a full range of services, including police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services and prisons. The City operates water and wastewater systems that service the residents of Philadelphia; and two airports: Philadelphia International Airport, which handles passengers and cargo; and Northeast Philadelphia Airport, which handles private aircraft and some cargo.

This report includes the financial statements of the primary government, as well as its component units, which are legally separate organizations in which the primary government is financially accountable. In addition, when a component unit functions as an integral part of the primary government, its financial data is blended with the primary government, and treated just as though it were funds of the primary government. Otherwise, the component unit is presented discretely from the primary government. Blended component units included in this report are the Philadelphia Municipal Authority and Pennsylvania Intergovernmental Cooperation Authority; discretely presented component units included in this report are the Philadelphia Gas Works, Philadelphia Redevelopment Authority, Philadelphia Parking Authority, School District of Philadelphia, Community College of Philadelphia, Community Behavioral Health, Inc., Philadelphia Housing Authority, and the Philadelphia Authority for Industrial Development. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

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

FACTORS AFFECTING ECONOMIC CONDITION

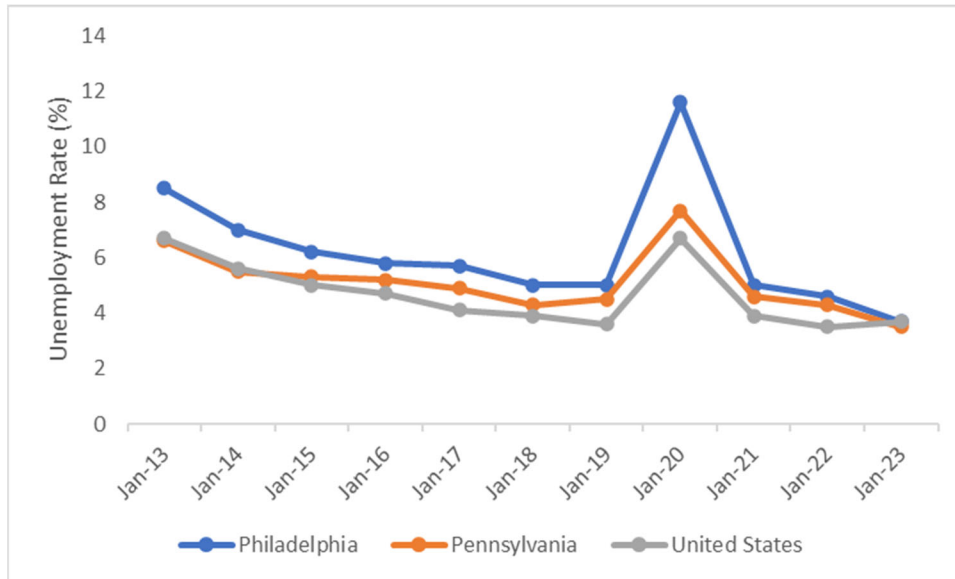
The information presented in this report is best understood in the context of the environment in which the City of Philadelphia operates. A more comprehensive analysis of these factors is available in the City's Five-Year Plan, which is presented by the Mayor each year pursuant to the Pennsylvania Intergovernmental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

Local Economy

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

Philadelphia's economy was performing well in the decade before the pandemic – matching and in some years outperforming the nation in job generation. But COVID-19 halted that progress, and the city's recovery continues to lag behind that of the national economy. The U.S. Bureau of Labor Statistics' monthly employment data for November 2023 showed a modest increase of 5,400 jobs in the city over the preceding month. The education and health services sector continued showing gains by adding another 2,700 jobs over the preceding month. The sector now has more than recovered its pandemic-era job losses.

As of December 2023, Philadelphia’s unemployment rate has dropped to 3.7 percent. The following chart shows the trend in Philadelphia’s unemployment rate as compared to Pennsylvania’s and the U.S. overall from 2013 to 2023. While Philadelphia’s unemployment rate has returned to pre-pandemic levels, it continues to be high relative to the rest of Pennsylvania. As of December 2023, the non-seasonally adjusted rate shows Philadelphia with an unemployment rate of 3.7 percent, Pennsylvania with an unemployment rate of 3.5 percent, and the U.S. with an unemployment rate of 3.7 percent. Higher unemployment means that more individuals are without wages, impacting their household stability and purchasing power in the local economy.



The estimated 2022 median household income in Philadelphia was \$57,537, which is a \$13,793 (or 32 percent) increase since 2018, outpacing state (23 percent) and national (25 percent) growth rates. Despite the improvement, poverty and resident hardship within Philadelphia is persistent. The City’s median household income remains lower than the estimated 2022 national median income of \$75,149 and the statewide figure of \$73,170. Philadelphia has the lowest median household income of the top 10 largest U.S. cities by population. Median owner-occupied home values increased by 34 percent from \$142,300 in 2012 to \$215,500 in 2022, with median rent rising 43 percent from \$872 in 2012 to \$1,250 in 2022. Philadelphia continues to have high levels of homeownership, with homeowners occupying 52.2 percent of the housing stock.

Calendar Year	Population ¹	Per Capita Personal Income ²	Unemployment Rate ²
2022	1,567,258	56,764	5.4%
2021	1,576,251	60,869	9.2%
2020	1,578,487	58,941	12.4%
2019	1,584,064	57,265	5.5%
2018	1,584,138	55,747	5.5%

¹ US Census Bureau

² US Department of Labor, Bureau of Labor Statistics

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. Adopted FY24 General Fund expenditures are projected to total \$6.195 billion, a \$277.0 million increase (4.7%) from FY23 actuals. As with prior years, the largest costs to the City’s budget are to pay for City employees who design, manage, and implement programs and services for residents, businesses, and visitors. The single largest expenditure in the General Fund budget is compensation for employees. The pay-related cost for General Fund employees is budgeted to be \$2.17 billion in FY24, a 9.7% increase

over FY23's level, reflecting salary increases and new positions. Additional investments are discussed in greater detail in the major initiatives section below.

The City has been rated in the 'A' category by all three rating agencies since 2013. In July 2022, Fitch Ratings upgraded the City's rating from 'A-' to 'A'. Then, in April 2023, Standard & Poor's improved the City's Outlook to Positive, and in May 2023, Moody's upgraded the City's rating from A2 to A1, making the City's General Obligation (GO) ratings the highest combination they have been in more than four decades.

City of Philadelphia's General Obligation Bond Ratings

Fiscal Year End	Moody's	Standard & Poor's	Fitch
2023	A1	A	A
2022	A2	A	A-
2021	A2	A	A-
2020	A2	A	A-
2019	A2	A	A-

The FY24 Approved Capital Budget provides approximately \$214 million in new, City-supported general obligation borrowing (identified as CN funds) and \$611 million of prior year, tax-supported City loans. This City commitment will help leverage \$3.92 billion from federal, state, private, City self-sustaining enterprise, operating, and revolving fund sources for a total FY24 budget of \$4.75 billion. Over six years, the FY24-29 Capital Program includes a commitment of nearly \$1.20 billion in new CN borrowing as part of a proposed \$13.30 billion in total capital investment.

Roughly four years after the onset of the COVID-19 pandemic, the City's General Fund revenues, primarily originating from local and regional taxpayers, continue to exhibit a mix of growth and decline. For the General Fund, the City is estimated to receive a total of \$6.0 billion in FY24, a decrease of 0.5% over FY23 actuals. The largest portion of General Fund revenue comes from local taxes, with an estimated \$4.1 billion, or nearly 70% of the total, coming from tax receipts in FY24.

Long-term Financial Planning and Major Initiatives

Unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund at year-end was 16.2% of total General Fund revenues. This amount was above the City's goal of at least 6-8% and just below the Government Finance Officers Association (GFOA) recommendation of two months of general fund revenues, or approximately 16.7%. The fund balance is higher than the amount included for FY23 in the adopted FY24-28 Five Year Financial and Strategic Plan due to two main factors. The first is underspending, as the City, like many other employers, has struggled to attract and retain staff amid a complicated landscape in the labor market in the wake of the pandemic; funds had been budgeted for salaries for positions that have stayed vacant as well as for programs whose ramp-up has been delayed. The second significant factor was higher-than-anticipated tax collections, notably from three taxes: the volatile Business Income and Receipts Tax (BIRT), the Wage Tax, and Revenue from Other Governments (Medicaid drawdowns).

The table below illustrates the City's General Fund year-end balance (legal basis) for the past five years, along with the projected FY24 year-end balance as noted in the City's Quarterly City Managers Report (for the period ending December 31, 2023).

General Fund
Year End Fund Balance (Legal Basis)

Fiscal Year End	Fund Balance (in thousands)	Projection/Actual
2024	504,349	Projection
2023	981,572	Actual
2022	779,144	Actual
2021	298,542	Actual
2020	290,672	Actual

Source: Quarterly City Managers Report dated December 31, 2023

Relevant Financial Policies

PICA Act and Requirements: The Pennsylvania Intergovernmental Cooperation Authority (PICA) was created in 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the PICA Act) to provide financial assistance for the City of Philadelphia. Under this Act and for as long as PICA remains in place, the City is required to submit to PICA: (i) a five-year financial plan on an annual basis; and (ii) quarterly financial reports. The five-year financial plan includes projected revenues and expenditures of the principal operating funds of the City, beginning with the current fiscal year. Each five-year plan, which must be approved by PICA, is required to, among other things, eliminate any projected deficits, balance the fiscal year budget and provide procedures to avoid fiscal emergencies. The quarterly reports must be submitted to PICA so that PICA may determine whether the City is following the then-current five-year plan. The PICA Act was renewed in 2022 and PICA will remain in place until the later of when its bonds are retired or 2047.

Fund Balance Target: Recognizing the importance of maintaining adequate fund balances, the City developed a target fund balance of at least 6% to 8% of the budget. The GFOA recommends that general-purpose governments maintain unrestricted budgetary fund balance in the general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. At a projected \$504.3 million for FY24 (as of the City's second-quarter Quarterly City Managers Report), the City's fund balance is 8.5% of revenues, well short of the two months of regular government spending (16.7%) as recommended by the GFOA.

Wage and Business Tax Changes: The City's largest portion of tax revenue comes from the City's Wage and Earnings Tax. This tax is collected from all employees who work within the city limits but live elsewhere, as well as all residents regardless of work location. The Business Income and Receipts Tax (BIRT) is the third-largest source of General Fund revenue and is based on both gross receipts (sales) and net income (profits). The adopted FY24-28 Five Year Financial and Strategic Plan includes wage and business tax relief. The wage tax relief reduces the resident rate to 3.75% in FY24 (from 3.79% in FY23), while the non-resident rate remains at 3.44%. The business tax relief reduces the net profit portion of the Business Income Receipts Tax (BIRT) from 5.99% to 5.81%.

Revaluations: The Real Property Tax is levied on the taxable assessed value of all property in the city and is the second-largest source of City tax revenue. Philadelphia is unlike other cities and counties which rely more heavily on the property tax portion of their budget. Philadelphia's property tax is split between the City and the School District of Philadelphia. In Fiscal Year 2013, the City completed the Actual Value Initiative (AVI), which involved a comprehensive revaluation 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 2023, the Office of Property Assessment (OPA) conducted a comprehensive revaluation, which resulted an average residential increase of 31%. Following the Tax Year 2023 revaluation, roughly 11,500 appeals and over 19,000 first-level reviews were filed with the Board of Revision of Taxes and OPA, respectively.

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

The first part of the pension reform program is a commitment to increasing the City's annual contribution to the Pension Fund. In 2014, with strong local legislative support, the State Legislature required that the City dedicate a portion of local sales tax revenue to the Fund. Although the additional sales tax revenues could be counted toward satisfying the minimum municipal obligation (MMO), the amount required under state law, the City meets its MMO independent of these revenues,

so that Sales Tax dollars directed to the Fund will be over and above the MMO. Over the adopted FY24-FY28 Five Year Plan, the Sales Tax revenues due to the Pension Fund are projected to be worth about \$553.5 million.

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

Third, the Pensions Board has changed its investment strategy to reduce costs. The Board is making greater use of indexing, which lowered management fees by \$81 million from FY15 through FY23, 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 7.35% from 8.75% since 2008. Partially as a result of this change in assumed rate of return, the MMO has increased in recent years. Moreover, the City follows the Revenue Recognition Policy (RRP) to finance the unfunded actuarial liability. Under the RRP, the City provides contributions to the Pension Fund that are in excess of the MMO.

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

Major Initiatives to Make Philadelphia the Safest, Cleanest, and Greenest Big City in the Nation with Economic Opportunity for All

Violence Prevention and Public Safety: The City continues to work tirelessly in response to the national public health emergency that gun violence presents. On this front, the City has acted swiftly, investing in anti-violence initiatives that both address the immediate crisis and tackle the systemic, root causes of violence. In FY24, more than \$233 million is dedicated to anti-violence investments.

Pre-Kindergarten, Community Schools, and Improvements to Recreation Centers and Libraries: In June 2016, City Council passed and the Mayor signed the Philadelphia Beverage Tax (PBT) into law. The PBT taxes the distribution of sweetened drinks at 1.5 cents per ounce and became effective January 1, 2017. The PBT provides funding for pre-kindergarten (Pre-K), community schools, and improvements to recreation centers and libraries. Pre-K and Community Schools will expand in FY24 to \$66.0 million for Pre-K and \$10.6 million for community schools. The City is adding 1,250 new PHLpreK slots in FY24, for a total of 5,250; and funding 20 Community Schools, bringing quality learning and resources to Philadelphians across the city. Through the Rebuild Initiative, the City is making investments to improve parks, recreation centers, playgrounds, and libraries for the next generation of Philadelphians.

COVID-19 Recovery and Grants: Since 2020, the City received several large grants to support its response to, and recovery from the COVID-19 pandemic. These funding sources include Coronavirus Aid, Relief, and Economic Security (CARES) Act grants, Federal Emergency Management Agency (FEMA) Public Assistance, and American Rescue Plan Act (ARPA) relief funds. Relief from federal and state funding enables the City to continue to provide core services and pandemic responses, avoid layoffs, build back up reserves along with the fund balance to help with future disruptions, and to make strategic investments as described above to help lift Philadelphians out of poverty. The ARPA funds are programmed through the end of calendar year 2024, as required by US Treasury.

Education: Education continues to be a key area of focus and investment. In addition to the investments in pre-K and community schools enabled by the PBT, the City is making significant investments in K-12 education and the Community College of Philadelphia (CCP). These investments include \$1.4 billion over the life of the FY24-28 Five Year Plan for the School District of Philadelphia, in addition to local tax revenues that support the District. Following a \$270.0 million contribution in FY23, FY24 includes \$282.1 million in funding for the District. The City is also investing \$255.0 million in CCP over the FY24-28 Five Year Plan. This includes funding for the Octavius Catto Scholarship, through which eligible Scholars receive tuition-free enrollment through a "last-dollar" tuition model that closes the gap between other financial aid and students' remaining tuition balance; enhanced staff supports; and funding for basic needs, such as books, transportation, and food.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Philadelphia for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. This was the forty-third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting our current ACFR to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2022. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Office of the Director of Finance and, in particular the City's central Accounting unit, as well as various City departments and component units. Each has my sincere appreciation for its valuable contributions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Rob Dubow', with a stylized, cursive style.

Rob Dubow, Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

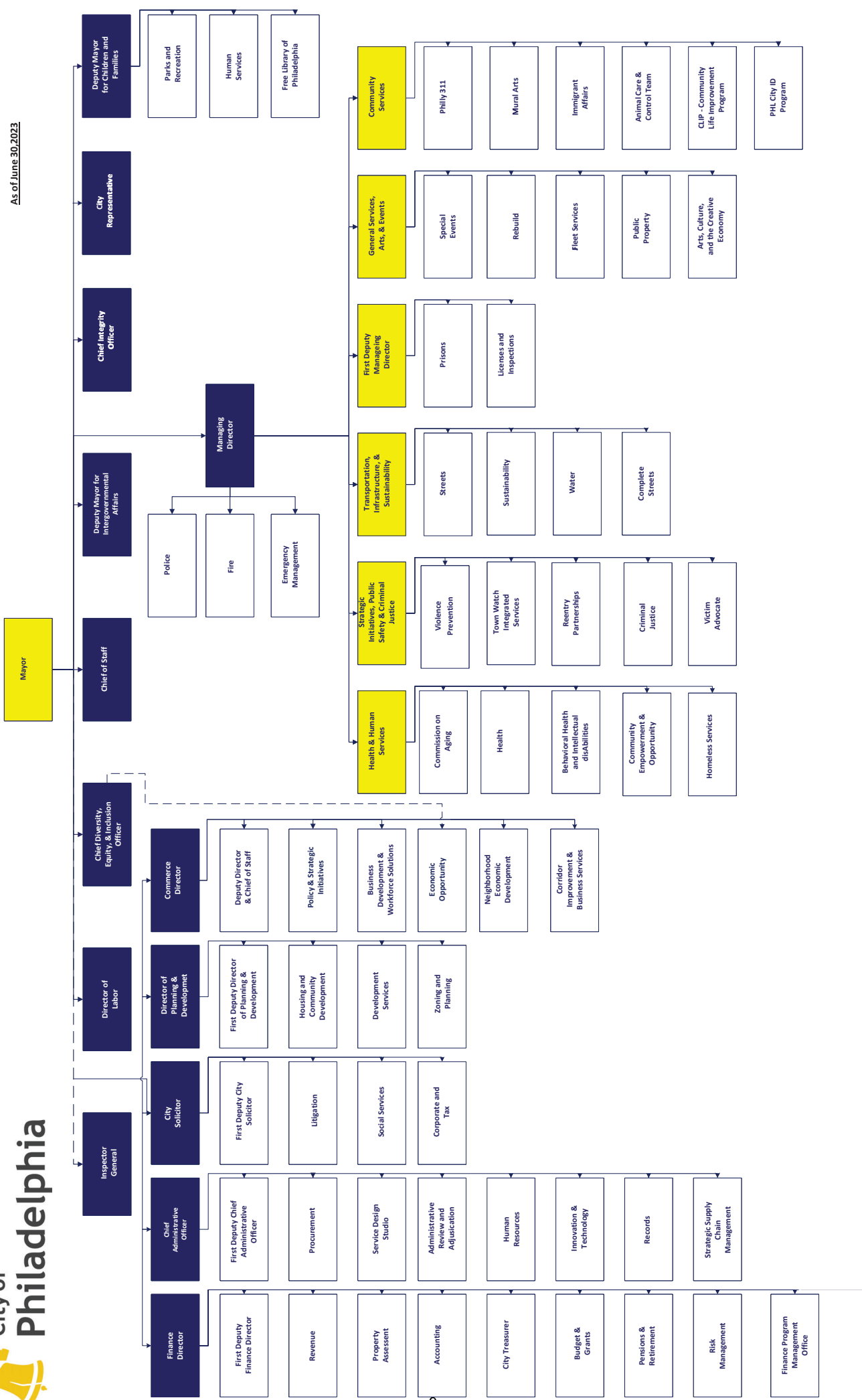
**City of Philadelphia
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO





Elected Officials

Mayor	Cherelle L. Parker
City Council	
President, 2nd District.....	Kenyatta Johnson
1st District	Mark Squilla
3rd District	Jamie Gauthier
4th District	Curtis Jones, Jr.
5th District.....	Jeffrey Young, Jr.
6th District	Michael Driscoll
7th District	Quetcy Lozada
8th District	Cindy Bass
9th District	Anthony Phillips
10th District	Brian J. O'Neill
At-Large.....	Katherine Gilmore Richardson
At-Large.....	Isaiah Thomas
At-Large.....	Jim Harrity
At-Large.....	Nina Ahmad
At-Large.....	Rue Landau
At-Large.....	Kendra Brooks
At-Large.....	Nicolas O'Rourke
District Attorney	Lawrence S. Krasner
City Controller.....	Christy Brady
City Commissioners	
Chair	Omar Sabir
Commissioner	Lisa M. Deeley
Commissioner	Seth Bluestein
Register of Wills	John Sabatina
Sheriff.....	Rochelle Bilal
First Judicial District of Pennsylvania	
President Judge, Court of Common Pleas	Nina Wright Padilla
President Judge, Municipal Court.....	T. Francis Shields



Appointed Cabinet Members

Chief of Staff.....	Tiffany W. Thurman
Chief Deputy Mayor for Intergovernmental Affairs	Sinceré Harris
Chief Deputy Mayor of Planning & Strategic Initiatives	Aren Platt
Managing Director	Adam K. Thiel
Finance Director.....	Rob Dubow
Budget Director	Robert McDermott
Police Commissioner.....	Kevin J. Bethel
City Solicitor.....	Renee Garcia
Commerce Director.....	Alba Martinez
Acting Fire Commissioner	Craig Murphy
Chief Public Safety Director	Adam N. Geer
Director, Clean & Green Initiative.....	Carlton Williams
Director of Minority Business Success	Rachel Branson
Chief Integrity Officer.....	Danielle Gardner Wright
Chief Legal Counsel-Office of the Mayor	Kristin Bray





CITY OF PHILADELPHIA

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

CHRISTY BRADY
City Controller

CHARLES EDACHERIL
Deputy City Controller

INDEPENDENT AUDITOR’S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Pennsylvania’s basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

	Percent Audited by Other Auditors		
	<u>Total Assets</u>	<u>Total Net Position/Fund Balances</u>	<u>Total Revenues</u>
Governmental Activities	6%	2%	8%
Business-Type Activities	0%	0%	0%
Aggregate Discretely Presented Component Units	59%	45%	40%
Major Funds	0%	0%	0%
Aggregate Remaining Fund Information	89%	91%	76%

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Philadelphia, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change in Accounting Principle

As discussed in Notes I.15 and III.9 to the financial statements, in the year ended June 30, 2023, the City of Philadelphia, Pennsylvania adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Philadelphia, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Philadelphia, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 33, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2023, 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, 2023, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2023, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of other auditors, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated February 25, 2023, 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 2022 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations for the year ended June 30, 2022, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial statements. The 2022 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations were subjected to the audit procedures applied in the audit of the 2022 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the 2022 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, 2022.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the Introductory Section and Statistical Section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CHARLES EDACHERIL, CPA
Deputy City Controller



CHRISTY BRADY, CPA
City Controller

Philadelphia, Pennsylvania
February 24, 2024



City of Philadelphia

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

Management's Discussion & Analysis

Our discussion and analysis of the financial performance of the City of Philadelphia (the City), Pennsylvania, provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. The information presented here should be read in conjunction with additional information contained in our letter of transmittal, which can be found beginning on page 1, and the City's financial statements immediately following this discussion and analysis.

Financial Highlights

- On the Government-Wide Financial Statements, total liabilities plus deferred inflows of the City exceeded its total assets plus deferred outflows at the close of the fiscal year by \$2.3 billion (net position), which represents an increase of 1.41 billion, or 37.5% as compared to fiscal year 2022. The Governmental Activities of the City had an increase of 1.13 billion, while the Business-type activities had an increase of \$0.28 billion.
- On the Government-Wide Financial Statements, the City's unrestricted net position reported a deficit of \$7.03 billion. The major underlying causes of this deficit are the net pension liability of \$4.8 billion, the net OPEB liability of \$1.79 billion, and the outstanding pension obligation bonds of \$0.87 billion. This deficiency will have to be funded from resources generated in future years.
- The governmental funds reported a combined ending fund balance of \$1.8 billion, an increase of \$44.0 million as compared to fiscal year 2022. The unassigned fund balance of the governmental funds ended the fiscal year with a surplus of 74.1 million, an increase of \$93.3 million.
- The unrestricted fund balance (the total of the committed, assigned, and unassigned component of fund balance) for the General Fund was \$1.2 billion, of which, \$668.2 million was unassigned which represents the residual amounts that have not been assigned to other funds. The unassigned fund balance increased by \$257.5 million as compared to the prior year.
- On the legally enacted budgetary basis, the City's General Fund ended the fiscal year with a fund balance of \$981.6 million, as compared to \$779.1 last year. The City's General Fund reported total revenues of \$6.05 billion, which is a \$279.5 million increase from prior years. The increase in revenues was primarily the result of an increase in tax receipts from the Pennsylvania Intergovernmental Cooperation Authority of \$119.2 million and an increase of \$85.0 million of revenue replacement funds provided by the American Rescue Plan. General Fund expenditures totaled \$5.92 billion, which is a \$579.9 million increase from prior years. Within this, contributions to the Capital Fund, Housing Trust Fund, and Budget Stabilization Fund increased by \$137.6 million, \$22.2 million, and \$65.1 million, respectively. Expenditures for the purchases of good and services increased by \$235.0 million, reflecting an increase in demand for governmental services as well as rising costs due to inflation.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

2. **Proprietary funds:** The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds which are a type of proprietary funds - the airport, water and wastewater operations, and industrial land bank. These enterprise funds are the same as the business-type activities in the government-wide financial statements, but they provide more detail and additional information, such as cash flows.

3. **Fiduciary funds:** The City of Philadelphia is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for the Gas Works' employees' retirement reserve assets. Both of these fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. They are not reflected in the government-wide financial statements because the assets are not available to support the City's operations.

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

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

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

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

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

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

Government-wide Financial Analysis

Net position: As noted earlier, net positions are useful indicators of a government's financial position. At the close of the fiscal year ended June 30, 2023, the City of Philadelphia's liabilities and deferred inflows exceeded its assets and deferred outflows by \$2.3 billion.

Capital assets (land, buildings, roads, bridges, and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net position, at \$2.4 billion. Although these capital assets assist the City in providing services to its residents, they are generally not available to fund the operations of future periods.

A portion of the City's net position, \$2.4 billion, is subject to external restrictions as to how it may be used. The remaining component of net position is unrestricted. Unrestricted net position ended the fiscal year with a deficit of \$7.0 billion. The governmental activities reported a negative *unrestricted net position* of \$7.0 billion, and the business type activities reported an unrestricted net position surplus of \$1.1 million. Any deficits will have to be funded from future revenues.

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

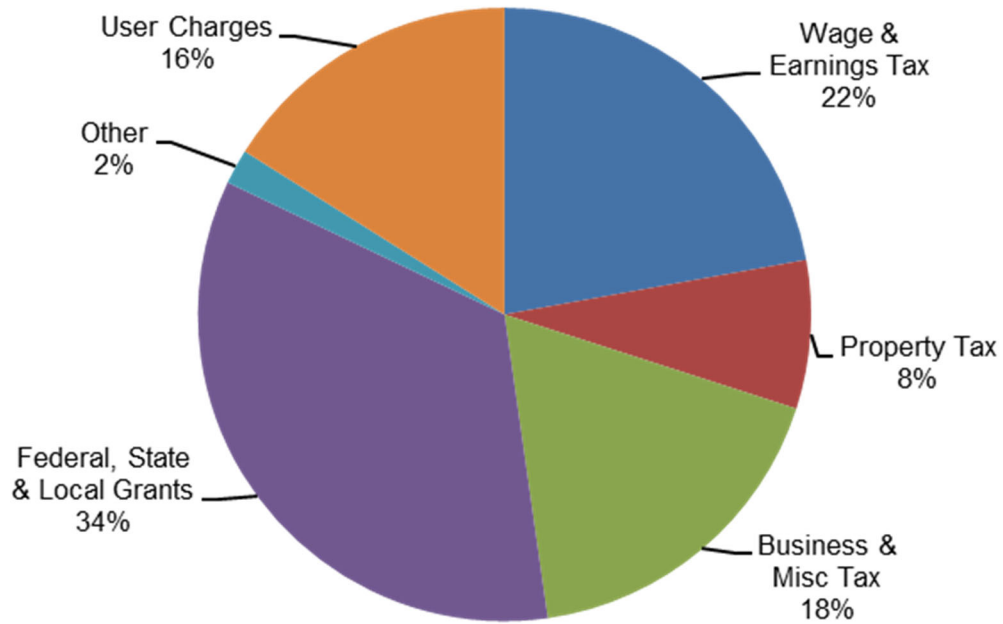
City of Philadelphia's Net Position

(millions of USD)

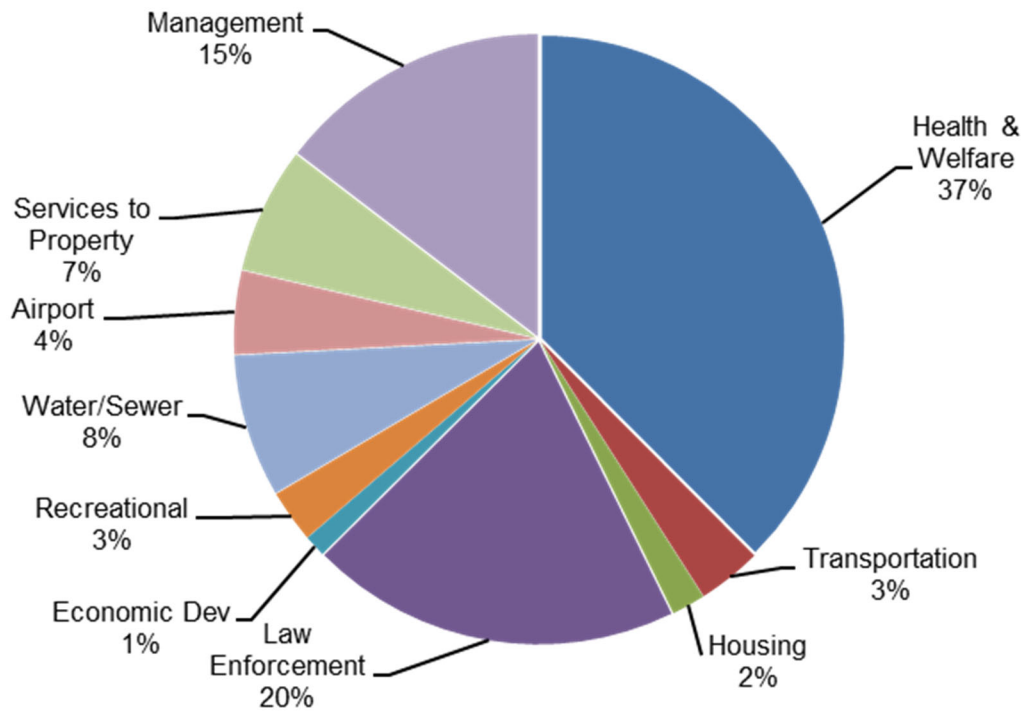
	Governmental			Business-type			Total		
	Activities		%	Activities		%	Primary Government		%
	2023	2022	Change	2023	2022	Change	2023	2022	Change
Current and other assets	6,119.5	5,797.2	5.56%	3,034.2	2,643.4	14.78%	9,153.7	8,440.6	8.45%
Capital assets	3,203.3	3,098.7	3.38%	5,489.2	5,293.4	3.70%	8,692.5	8,392.1	3.58%
Total assets	9,322.8	8,895.9	4.80%	8,523.4	7,936.8	7.39%	17,846.2	16,832.7	6.02%
Deferred Outflows	679.8	802.7	-15.31%	115.4	133.1	-13.30%	795.2	935.8	-15.02%
Long-term liabilities	5,220.3	5,418.5	-3.66%	4,751.3	4,531.0	4.86%	9,971.6	9,949.5	0.22%
Other liabilities	8,892.8	9,847.7	-9.70%	1,209.7	1,228.2	-1.51%	10,102.5	11,075.9	-8.79%
Total liabilities	14,113.1	15,266.2	-7.55%	5,961.0	5,759.2	3.50%	20,074.1	21,025.4	-4.52%
Deferred Inflows	614.1	286.5	114.35%	231.4	140.0	65.29%	845.5	426.5	98.24%
Net Position:									
Net Investment in									
capital assets	837.7	622.6	34.55%	1,559.9	1,516.6	2.86%	2,397.6	2,139.2	12.08%
Restricted	1,465.0	1,115.4	31.34%	885.4	816.8	8.40%	2,350.4	1,932.2	21.64%
Unrestricted	(7,027.2)	(7,592.3)	7.44%	1.1	(162.6)	-100.68%	(7,026.1)	(7,754.9)	9.40%
Total Net Position	(4,724.5)	(5,854.3)	19.30%	2,446.4	2,170.8	12.70%	(2,278.1)	(3,683.5)	38.15%

Changes in net position: The City's total revenues for the fiscal year ended June 30, 2023, at \$10.8 billion, exceeded the City's total costs of \$9.5 billion. Approximately 48% of all revenue came from wage and earnings taxes, property taxes, and business and miscellaneous taxes. Federal, State and Local grants accounted for another 34%, and the remaining 18% of the revenue came from user charges, fines, fees, and various other sources. The City's expenses cover a wide range of services, the vast majority of which are related to the health, welfare, and safety of the general public (See Exhibit II for further breakdown).

Revenue by Source



Expenses by Function



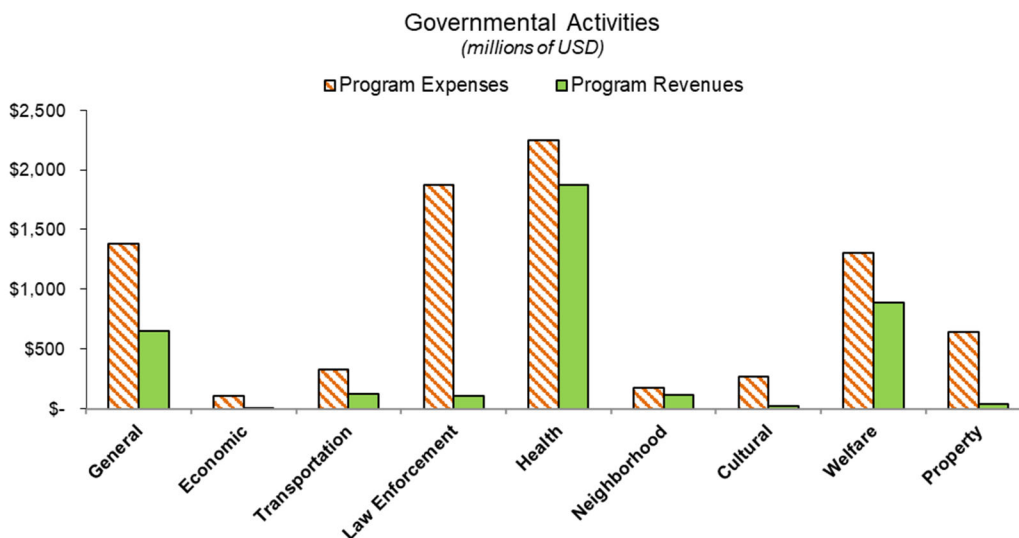
Net positions increased or decreased in the following activities, as noted below (millions of USD):

<u>Increases (Decreases) in Revenues</u>		<u>Increases (Decreases) in Expenses</u>	
Charges for Services	\$209.6	Economic Development	\$9.6
Operating Grants & Contributions	(33.9)	Transportation	61.8
Capital Grants & Contributions	27.5	Judicial & Law Enforcement	(6.9)
Wage & Earnings Taxes	169.3	Conservation of Health	65.4
Property Taxes	145.2	Housing & Neighborhoods	(62.0)
Other Taxes	(80.5)	Cultural & Recreational	45.8
Unrestricted Grants	50.5	General Welfare	175.6
Unrestricted Interest and Misc.	147.6	Services to Taxpayer Property	(19.3)
Total Revenues	\$635.3	General Management	237.0
		Interest on Long Term Debt	(5.4)
		Water and Waste Water	31.1
		Airport	22.4
		Total Expenses	\$555.1

- Total revenues increased by \$635.3 million, and total expenses increased by \$555.1 million over last year. This resulted in the Change in Net Position, before prior period adjustments, of \$1,405.4 million more than in the previous year.
- The City's Wage and Earning Tax revenue increased by \$169.3 million primarily due to a continued tight labor market and rising labor costs. Property Tax revenue increased by \$145.2 million as a result of property reassessments of residential, commercial, industrial, and institutional properties that were effective for tax year 2023, and better than expected collections.
- The City's charges for goods and services increased by \$209.6 million as compared to last year. Governmental Activities charges for services increased by \$71.7 million primarily due to \$200.1 million in revenue recognized from the Opioid Settlement offset by decreases of \$101.9 million and \$21.9 million in charges related to general management and health services, respectively. Additionally, Business Type Activities charges for service increased by \$138.3 million with an increase of \$50.4 million in charges for services in the Water & Sewer Enterprise fund, and an increase of \$87.9 million in rental, concession, customer and facility fees in the Aviation Enterprise fund.
- Unrestricted Interest and Investment Earnings and Miscellaneous Revenue increased by 147.6 million due to favorable market conditions and higher savings interest rates.
- The City's General Management and Support expenses increased by \$237.0 million, primarily as a result of increased employer pension contributions and other fringe benefit increases.
- Expenses related to improvement of General Welfare of residents were increased by \$175.6 million. General Welfare expenses related to education increased primarily due to increased contributions to the School District of Philadelphia and Community College of Philadelphia of 14.0 million and \$15.0 million, respectively. General Welfare payments related to social services increased primarily due to increased expenditures related to the City's Neighborhood Preservation Initiative and Children and Youth state grant programs.
- The Conservation of Health expenses increased by \$65.4 million primarily due to increased payments to providers of children's social services and behavioral health services. Transportation expenses increased by \$61.8 million primarily due to increased payroll and fringe benefit charges. Housing and Neighborhoods expenses decreased by \$62.0 million primarily due to the end of the Emergency Rental Assistance Program funded under the American Rescue Plan.

Governmental Activities

The governmental activities of the City resulted in a \$1.1 billion increase in net position before prior period adjustments. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs			Program Revenues			Net Cost	
	2023	2022	% Change	2023	2022	% Change	2023	2022
	General Welfare	\$ 1,306.4	\$ 1,130.8	15.5%	\$ 886.3	\$ 643.2	37.8%	\$ 420.1
Judiciary & Law Enforcement	1,874.9	1,881.8	-0.4%	104.8	91.4	14.7%	1,770.1	1,790.4
Public Health	2,246.9	2,181.4	3.0%	1,876.8	1,956.5	-4.1%	370.1	224.9
General Governmental	1,354.0	1,122.3	20.6%	654.3	671.6	-2.6%	699.7	450.7
Services to Property	638.8	658.1	-2.9%	41.3	35.1	17.7%	597.5	623.0
Housing, Economic & Cultural	872.3	817.1	6.8%	265.0	339.4	-21.9%	607.3	477.7
	\$ 8,293.3	\$ 7,791.5	6.4%	\$ 3,828.5	\$ 3,737.2	2.4%	\$ 4,464.8	\$ 4,054.3

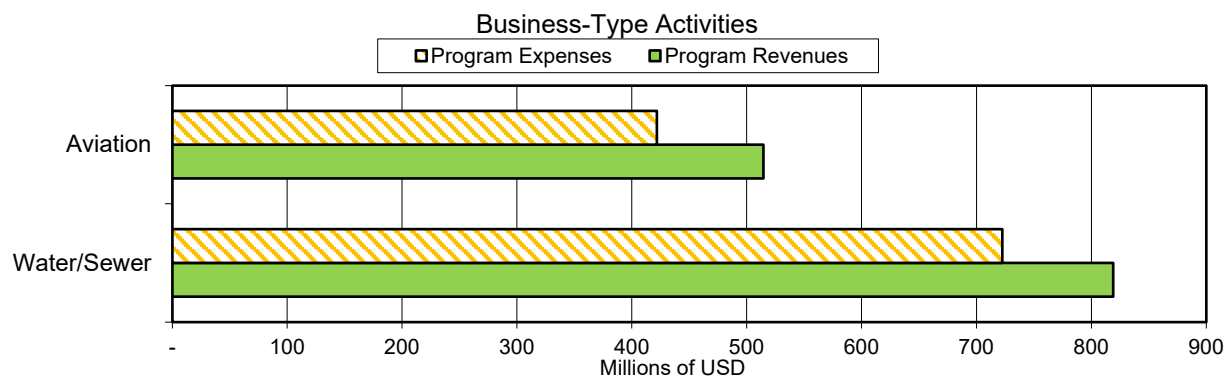
The cost of all governmental activities this year was \$8.3 billion; the amount that taxpayers paid for these programs through tax payments was \$5.2 billion. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of \$3.1 billion while those who benefited from the programs paid \$637.6 million through fees and charges. Unrestricted grants and contributions and other general types of revenues accounted for the balance of revenues in the amount of \$414.4 million. The difference of \$1.1 billion represents an increase in net position, as shown in the City of Philadelphia - Net Position table below.

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

City of Philadelphia-Net Position							
For the Year Ended June 30, 2023 (in millions)							
	Governmental Activities		Business Type Activities		Total Government		% Change
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program revenues:							
Charges for services	\$ 637.6	\$ 565.9	\$ 1,286.3	\$ 1,148.4	\$ 1,923.9	\$ 1,714.3	12.2%
Grants and Contributions							
Operating	3,101.9	3,136.1	0.8	0.5	3,102.7	3,136.6	-1.1%
Capital	89.0	35.1	46.5	72.9	135.5	108.0	25.5%
General revenues:							
Wage and earnings taxes	2,402.7	2,233.4	-	-	2,402.7	2,233.4	7.6%
Property taxes	848.5	703.3	-	-	848.5	703.3	20.6%
Other taxes	1,929.0	2,009.5	-	-	1,929.0	2,009.5	-4.0%
Unrestricted grants and contributions	231.5	202.7	76.3	54.6	307.8	257.3	19.6%
Unrestricted Interest and Misc.	125.5	36.0	74.1	16.0	199.6	52.0	283.8%
Total revenues	9,365.7	8,922.0	1,484.0	1,292.4	10,849.7	10,214.4	6.2%
Expenses:							
Economic development	110.4	100.8	-	-	110.4	100.8	9.5%
Transportation	324.2	262.4	-	-	324.2	262.4	23.6%
Judiciary & law enforcement	1,874.9	1,881.8	-	-	1,874.9	1,881.8	-0.4%
Conservation of health	2,246.9	2,181.5	-	-	2,246.9	2,181.5	3.0%
Housing & neighborhood development	170.9	232.9	-	-	170.9	232.9	-26.6%
Cultural & recreational	266.8	221.0	-	-	266.8	221.0	20.7%
Improvement of the general welfare	1,306.4	1,130.8	-	-	1,306.4	1,130.8	15.5%
Services to taxpayer property	638.8	658.1	-	-	638.8	658.1	-2.9%
General management	1,232.2	995.2	-	-	1,232.2	995.2	23.8%
Interest on long term debt	121.7	127.1	-	-	121.7	127.1	-4.2%
Water & waste water	-	-	729.2	698.1	729.2	698.1	4.5%
Airport	-	-	421.8	399.4	421.8	399.4	5.6%
Total expenses	8,293.2	7,791.6	1,151.0	1,097.5	9,444.2	8,889.1	6.2%
Increase in net position before transfers & special items	1,072.5	1,130.4	333.0	194.9	1,405.5	1,325.3	6.1%
Transfers & Special Items	57.4	48.4	(57.4)	(48.4)	-	-	
Increase in Net Position	1,129.9	1,178.8	275.6	146.5	1,405.5	1,325.3	6.1%
Net Position - July 1	(5,854.3)	(7,057.8)	2,170.8	2,024.3	(3,683.5)	(5,033.5)	-26.8%
Adjustment	-	24.7	-	-	-	24.7	
Net Position - June 30	\$ (4,724.4)	\$ (5,854.3)	\$ 2,446.4	\$ 2,170.8	\$ (2,278.0)	\$ (3,683.5)	-38.2%

Business-type Activities

Business-type activities resulted in a \$275.6 million increase in net position before prior period adjustments. This increase was comprised of an increase in net position for Water/Sewer of \$67.8 million, an increase for Aviation of \$209.0 million, and a decrease for Industrial and Commercial Development operations of \$1.2 million. The increase was primarily due to an increase of \$50.4 million in charges for services in the Water & Sewer Enterprise fund, and an increase of \$87.9 million in rental, concession, customer and facility fees in the Aviation Enterprise fund. Additionally, interest income increased by \$41.5 million and \$45.9 million in the Water & Sewer and Aviation funds, respectively.



Financial Analysis of the Government's Funds

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

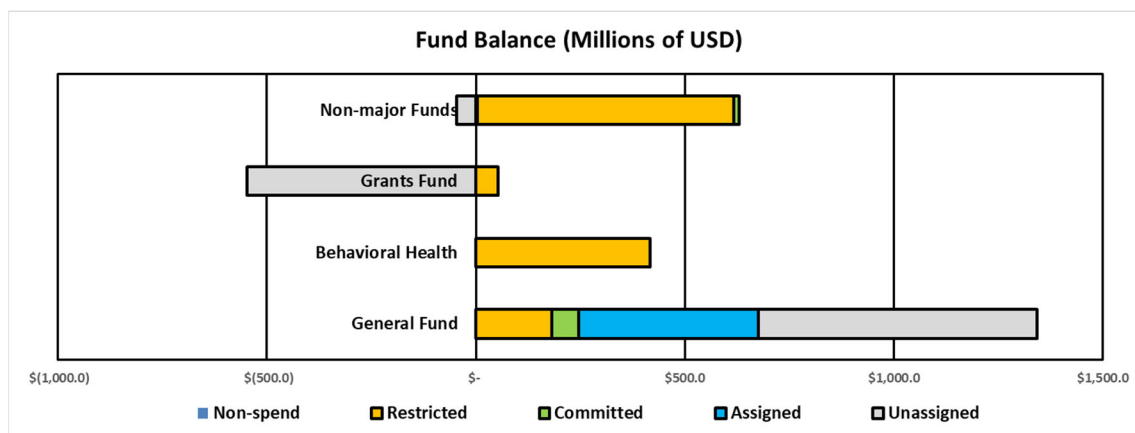
At the end of the fiscal year, the City's governmental funds reported a *combined fund balance* of \$1,848.6 million, an increase of \$44.0 million over last year. Of the total fund balance, \$4.2 million represents *non-spendable fund balance*.

In addition, \$1,264.8 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, for the following purposes:

Neighborhood Revitalization	\$	139.5
Economic Development		17.0
Public Safety Emergency Phone System		38.5
Streets & Highways		70.1
Housing and Neighborhood Development		82.0
Health Services		20.9
Behavioral Health		416.7
Libraries & Museums		2.5
Intergovernmental Financing		19.3
Opioid Abatement		14.0
Demolition		0.3
Stadium Financing		8.5
Cultural & Commercial Corridor Project		0.4
Pension Obligation Bonds		0.1
Debt Service Reserve		0.6
Capital Projects		377.5
Rebuild		4.7
Home Repair Program		37.3
Trust Purposes		14.9
Total Restricted Fund Balance	\$	1,264.8

The fund balance is further broken down as *committed fund balance* for the Budget Stabilization Reserve of \$65.1 million, Prisons of \$5.8 million, and Parks and Recreation of \$5.9 million. The difference between the non-spendable, restricted, committed, assigned and combined fund balance is surplus of \$74.1 million which constitutes *unassigned fund balance*.

The general fund, the primary operating fund of the City, reported an *assigned fund balance* of \$428.6 million and *unassigned fund balance* of \$668.2 million at the end of the fiscal year.



Overall, the total fund balance of the General Fund increased by \$97.5 million in FY 2023, compared to an increase of \$689.0 million in FY 2022. Some of the key factors contributing to this change are:

Revenues:

- Total FY 2023 General Fund revenue was \$5,064.3 million. This marks a \$172.5 million (3.5%) increase from the prior fiscal year, which had \$4,891.8 million in revenue.
- This increase was due primarily to a \$109.1 million increase in Tax Revenue. The increase in Tax Revenue was due to increases in Real Estate Tax, and Wage and Earnings Tax of \$108.9 million and \$78.9 million, respectively. The increases were partially offset by a decrease in Real Estate Transfer Tax of \$158.1 million. The recognition of previously unearned business taxes (BIRT) increased by \$94.1 million.

Expenditures and Other Financing Sources (Uses):

- Total current year Expenditures and Other Financing Sources (Uses) total \$4,966.8 million, a \$763.9 million (18.2%) increase from the prior fiscal year \$4,202.9 million.
- This increase was primarily due to \$377.1 million increase in expenditures related to General Management and Support, partly due to increased employer pension payments. Additionally, there was a \$101.3 million increase in expenditures related to General Welfare (Social Services, Education, and Inspections and Demolitions); a \$98.9 million increase in expenditures related to Judiciary and Law Enforcement; and a \$59.9 million increase in expenditures related to Cultural and Recreational.

The Health Choices Behavioral Health Fund ended the fiscal year with a total fund balance of \$416.8 million; the entire amount is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by \$25.9 million compared to a 53.8 increase in fiscal year 2022, mainly as a result of the City's increase in Revenue from Other Governments due to additional support from the State offset by increases to expenditures for payments to behavioral health and children's social services providers.

The Grants Revenue Fund has a total fund balance deficit of \$495.0 million which is comprised of a positive restricted fund balance of \$38.5 million for emergency telephone system programs, a positive restricted fund balance of \$14.0 million for Opioid Abatement, a positive restricted fund balance of \$0.3 million for Neighborhood Revitalization Programs and a deficit unassigned fund balance of \$547.8 million. Because most programs accounted for in the Grants Revenue Fund are reimbursement-based, it is not unusual for the Grants Revenue Fund to end the fiscal year with a deficit unassigned fund balance. The overall fund balance of the Grants Revenue fund experienced a decrease of \$120.8 million during the current fiscal year. Both Revenue from Other Governments and Transfers Out increased primarily due to a \$85.0 million increase in the ARPA drawdown for revenue replacement funds.

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 \$275.6 million during the current fiscal year. This increase is attributable to the water/wastewater system, which had an

increase of \$67.8 million; airport operations, which had an increase of \$209.0 million; industrial and commercial land bank operations net position decreased by \$1.2 million.

The proprietary funds reported an *unrestricted net position* of \$1.1 million. The table below indicates the unrestricted net position for the water and wastewater operations, the airport, and the industrial and commercial land bank operations for the current and previous fiscal years.

	(millions of USD)		
	Unrestricted Net Position		
	2023	2022	Change
Water and Waste Water	(\$270.7)	(\$284.5)	\$13.8
Aviation	\$159.1	\$8.0	\$151.1
Land Bank	\$112.7	\$114.0	(\$1.3)
	<u>\$1.1</u>	<u>(\$162.5)</u>	<u>\$163.6</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)
2023	\$ 981.6	\$ 202.5
2022	779.1	480.6
2021	298.5	7.8
2020	290.7	(148.0)
2019	438.7	69.9

The General Fund's budgetary fund balance surplus of \$981.6 million differs from the General Fund's fund financial statement unassigned fund balance of \$668.2 million by \$313.4 million, which represents the following:

- The unearned portion of the Business Income and Receipts Tax (BIRT prepays) of \$147.5 million is received prior to being earned but has no effect on budgeted cash receipts.
- The Philadelphia Beverage Tax – Unobligated amount of \$168.1 is classified as assigned in the governmental fund.
- Lease Related Activities of \$2.2 million is not reported in budgetary fund balance.

The charts below illustrate:

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

(Millions of USD)

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
A. Budget to GAAP Basis Reconciliation					
Budget Basis Fund Balance	\$ 981.6	\$ 779.1	\$ 298.5	\$ 290.7	\$ 438.7
1. Less: BIRT six (6) months pre-pays	(147.5)	(204.5)	(167.3)	(166.4)	(192.0)
2. Add: Encumbrances	260.5	493.9	311.5	255.9	201.4
3. Add: Reserves & Budget Stabilization Fund	246.8	176.4	114.4	165.3	167.7
4. Add: Lease Related Activities	2.2	1.2	-	-	-
Modified Accrual Basis Fund Balance	\$ 1,343.6	\$ 1,246.1	\$ 557.1	\$ 545.5	\$ 615.8
B. Modified Accrual Basis Fund Balance					
Restricted & Committed	\$ 246.8	\$ 176.4	\$ 114.4	\$ 165.3	\$ 167.7
Assigned					
Encumbrances	260.5	493.9	311.5	255.9	201.4
Phila. Beverage Tax - Unobligated	168.1	165.1	154.1	138.4	120.9
Reclassification of Unassigned	-	-	(22.9)	(14.1)	-
Assigned	428.6	659.0	442.7	380.2	322.3
Unassigned	668.2	410.7	-	-	125.8
Modified Accrual Basis Fund Balance	\$ 1,343.6	\$ 1,246.1	\$ 557.1	\$ 545.5	\$ 615.8
C. Budget to GAAP Basis Reconciliation					
Budget Basis Fund Balance	\$ 981.6	\$ 779.1	\$ 298.5	\$ 290.7	\$ 438.7
1. Less: BIRT six (6) months pre-pays	(147.5)	(204.5)	(167.3)	(166.4)	(192.0)
2. Less: Reclasp to Assigned Fund Balance	-	-	22.9	14.1	-
3. Less: Phila Beverage Tax - Unobligated	(168.1)	(165.1)	(154.1)	(138.4)	(120.9)
4. Add: Lease Related Activities	2.2	1.2	-	-	-
Unassigned Fund Balance	\$ 668.2	\$ 410.7	\$ (0.0)	\$ 0.0	\$ 125.8

The differences between the original budget and the final amended budget resulted primarily from a slight increase in revenue estimates and increases to appropriations. Total appropriations increased by \$263.3 million from an original budget of \$5,842.5 million to a final amended budget of \$6,105.8 million. The largest increases were required to support the following activities:

- \$136.0 million for Capital projects
- \$41.1 million for Police operations
- \$35.7 million for Prisons operations
- \$18.5 million for Streets operations
- \$15.8 million for Fire 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 \$8.7 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 2023	FY 2022	FY 2021	FY 2020	FY 2019
Airport Terminal & Airfield Improvements	\$ 142.9	\$ 161.3	\$ 138.0	\$ 109.7	\$ 107.9
Water & Wastewater Improvements	285.4	237.2	268.0	271.1	314.9
Streets, Highways & Bridges Improvements	71.1	46.9	71.7	55.8	51.7
Transit System Improvements	10.9	11.4	2.9	5.6	7.3
Parks, Playgrounds, Museums & Recreational Facilities	46.0	26.4	27.9	25.2	42.6
Libraries Improvements	1.5	0.5	0.3	2.1	1.1
Police & Fire Facilities	16.3	17.0	23.3	17.7	16.7
City Hall & Municipal Buildings Improvements	10.5	9.2	10.8	8.4	7.2
Computers, Servers, Software & IT Infrastructure	24.4	21.8	18.7	43.0	18.4
Economic Development	15.0	13.0	10.4	19.2	17.4
Other and Non-Enterprise Vehicles	22.3	43.3	36.7	39.8	38.2
	\$ 646.3	\$ 588.0	\$ 608.7	\$ 597.6	\$ 623.4

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		
	2023	2022	Inc/(Dec)	2023	2022	Inc/(Dec)	2023	2022	Inc/(Dec)
	Land	\$ 1,014.7	\$ 979.3	\$ 35.4	\$ 243.7	\$ 242.8	\$ 0.9	\$ 1,258.4	\$ 1,222.1
Lease Asset - Land	-	-	-	11.3	11.3	-	11.3	11.3	-
Fine Arts	1.0	1.0	-	-	-	-	1.0	1.0	-
Buildings	622.3	631.0	(8.7)	1,679.4	1,739.2	(59.8)	2,301.7	2,370.2	(68.5)
Lease Asset - Buildings	591.0	561.0	30.0	15.4	17.2	(1.8)	606.4	578.2	28.2
Improvements other than buildings	103.2	101.0	2.2	284.0	313.2	(29.2)	387.2	414.2	(27.0)
Machinery & equipment	215.8	206.2	9.6	45.8	35.1	10.7	261.6	241.3	20.3
Lease Asset - Equipment	2.0	2.0	-	0.1	0.4	(0.3)	2.1	2.4	(0.3)
Infrastructure	557.5	513.1	44.4	1,913.4	1,922.9	(9.5)	2,470.9	2,436.0	34.9
Construction in progress	15.5	21.0	(5.5)	1,286.8	1,002.9	283.9	1,302.3	1,023.9	278.4
Transit	27.6	32.0	(4.4)	-	-	-	27.6	32.0	(4.4)
Intangible Assets	50.7	51.0	(0.3)	9.3	10.0	(0.7)	60.0	61.0	(1.0)
Subscription Assets	2.0	-	2.0	-	-	-	2.0	-	2.0
Total	\$ 3,203.3	\$ 3,098.6	\$ 104.7	\$ 5,489.2	\$ 5,295.0	\$ 194.2	\$ 8,692.5	\$ 8,393.6	\$ 298.9

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

Long-term debt: At year end, the City had \$10.0 billion in long-term debt outstanding. Of this amount, \$6.7 billion represents bonds outstanding (comprised of \$2.0 billion of debt backed by the full faith and credit of the City, and \$4.7 billion of debt secured solely by specific revenue sources) while \$3.3 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	
	2023	2022	2023	2022	2023	2022
<u>Bonds Outstanding:</u>						
General obligation bonds	2,016.1	2,166.4	-	-	2,016.1	2,166.4
Revenue bonds	-	-	4,637.7	4,423.1	4,637.7	4,423.1
Total Bonds Outstanding	2,016.1	2,166.4	4,637.7	4,423.1	6,653.8	6,589.5
<u>Other Long Term Obligations:</u>						
Service agreements	1,615.5	1,661.7	-	-	1,615.5	1,661.7
Employee related obligations	876.3	866.0	74.7	74.1	951.0	940.1
Indemnities	99.1	143.8	9.4	4.8	108.5	148.6
Arbitrage	-	-	2.4	-	2.4	-
Leases	611.0	580.6	27.1	29.0	638.1	609.6
Subscriptions	2.3	2.9	-	-	2.3	2.9
Total Other Long Term Obligations	3,204.2	3,255.0	113.6	107.9	3,317.8	3,362.9
Total Long Term Debt Outstanding	5,220.3	5,421.4	4,751.3	4,531.0	9,971.6	9,952.4

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City may borrow temporary loan funds to smooth out unevenness in the City’s cash flow created by the receipt of two major sources of tax revenue, the Property Tax and the Business Income and Receipts Tax, in the second half of the year. The City did not borrow Tax Revenue Anticipation Notes in Fiscal Year 2023. In accordance with statute, there are no temporary loans outstanding at year end.
- In August 2022, the City issued \$294.8 million of Water and Wastewater Revenue Bonds Series 2022C. The total proceeds were \$338.5 million (which includes a premium of \$43.7 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 Ratings, Inc.
General Obligation Bonds	A1	A	A
Water Revenue Bonds	A1	A+	A+
Aviation Revenue Bonds	A2	A+	A

The City is subject to a statutory limitation established by the Commonwealth of Pennsylvania as to the amount of tax supported general obligation debt it may issue. The limitation is equal to 13.50% of the average assessed valuations of properties over the past ten years. As of June 30, 2023, the legal debt limit was \$16.2 billion. The City has \$2.4 billion of outstanding tax supported debt leaving a legal debt margin of \$13.8 billion.

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

Economic Factors and Next Year’s Budgets and Rates

The following factors are key factors to consider when reviewing the City of Philadelphia’s budget for the 2023 fiscal year:

- *Fund Balance:* In FY23, the General Fund ended with a fund balance of \$981.6 million, a \$202.4 million increase from FY22. The \$981.6 million is higher than the amount included in the approved FY24-FY28 Five Year Plan primarily for two reasons. The first is underspending, as the City, like many other employers, has struggled to attract and retain staff amid a complicated landscape in the labor market in the wake of the pandemic; funds had been budgeted for salaries for positions that have stayed vacant. The second significant factor was higher than anticipated tax collections, notably from two taxes—the volatile Business Income and Receipts Tax (BIRT) and the Wage Tax.
- *Budgeted Revenue Projections for FY24:* Compared to FY23 unaudited actuals, as of the FY24 Q2 Quarterly City Managers Report (QCMR), FY24 Wage and Earnings Tax revenue is projected to increase by 6.4%, Sales Tax revenue is projected to increase by 3.3%, Real Property revenue is projected to increase by 3.3%, while Real Estate Transfer Tax revenue is projected to decline by 26.4% and Business Income and Receipts Tax revenue is projected to decrease by 7.4%. Under the federal American Rescue Plan Act, the City was awarded \$1.4 billion in Coronavirus State and Local Fiscal Recovery Funds. The City will use the entirety of these funds to replace a portion of lost revenues through the end of calendar year 2024 to support critical core services and policy priorities.
- *Tax Relief:* The Approved FY24-28 Five Year Plan includes Wage Tax reductions that will reduce the residential rate to 3.75% in FY24 (from 3.79% in FY23) and business tax relief by reducing the net income portion of the Business Income Receipts Tax (BIRT) from 5.99% in FY23 to 5.81% in FY24.
- *Investments in Education:* Since July 1, 2018, the School District of Philadelphia has been governed by a Board of Education, with all of its members appointed by the Mayor. In the FY24 Adopted Budget, the City’s direct contribution to the School District from the General Fund is \$282 million, which is \$12 million higher than the unaudited actual amount for Fiscal Year 2023 (\$270 million).
- *Pre-Kindergarten, Community Schools and Rebuild:* In 2016, the Philadelphia Beverage Tax (PBT) was enacted to fund free, quality pre-Kindergarten (pre-K) education for children; expand community schools in high-needs neighborhoods; and launch Rebuild, a capital improvement program for the City’s parks, recreation centers, and libraries. In FY23, the City collected approximately \$73.4 million in revenues from the PBT. The FY24 Q2 Quarterly City Manager’s Report estimates FY24 collections of \$72.3 million.

- **Contract Negotiations.** More than 81% of City employees are represented by one of the City's municipal unions.

The City works with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. Contracts with District Council 33 and District Council 47 cover the term of July 1, 2021 through June 30, 2024. Contracts covering the term of July 1, 2021 through June 30, 2024 with the Fraternal Order of Police Lodge 5, Sheriff's Office and Register of Wills (FOP Lodge 5), and the International Association of Firefighters have each been extended an additional year through June 30, 2025. 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.

The table below presents employee wage increases from FY20 to FY24 (plus FY25, if applicable) for each bargaining unit.

Fiscal Year	FOP Lodge 5	Sheriff's Office & Register of Wills (FOP Lodge 5)	IAFF LOCAL22	AFSCME DC33 (1)	Correctional Officers (DC33 LOCAL 159)	AFSCME DC47 (Local 2187)	AFSCME DC47 (Local 2186)	Local 810 Court Employees (DC47)
FY20	2.5%	2.25% - Sheriff 2% (ROW)	2.50%	2.0%	2.25%	2.0%	2.0%	2.0%
FY21 (2)	2.5% + \$750 Bonus	2.25% + \$400 Bonus (Sheriff) 2% (ROW)	2.5%	2% + \$750/\$475 Bonus	2% + \$750/\$475 Bonus	2% + \$750/\$475 Bonus	2% + \$750/\$475 Bonus	2.0%
FY22	2.75% + \$1,500 Bonus	2.75% + \$1,300 Bonus (Sheriff) 2.5% + \$1,200 Bonus (ROW)	2.75% + \$1,500 Bonus	2.5% + \$1,200 Bonus	2.75% + \$1,300/\$2,000 Bonus (3)	2.5% + \$1,200 Bonus	2.5% + \$1,200 Bonus	2.5% + \$1,200 Bonus
FY23	3.5%	3.25%	3.5%	3.25%	3.25%	3.25%	3.25%	3.25%
FY24	3.5%	3.25%	3.5%	3.25%	3.25%	3.25%	3.25%	3.25%
FY25 (4)	5.0% + \$1800 Bonus	4.5% + \$1,500 Bonus (Sheriff) TBD ROW	5.0% + \$1800 Bonus	TBD	TBD	TBD	TBD	TBD

1. District Council 33 includes school crossing guard.
2. One-year extension agreements were reached in Spring 2020 with all the City's unions and included wage increases effective May 2020.
3. Two \$1,300 retention bonuses to all employees hired as April 20, 2022 and remain employed when bonus is paid, first payment 30 days after ratification and second on June 30, 2023. A \$2,000 hiring bonus for employees hired as Correctional Officer Trainees and Juvenile Detention Counselor Trainee.
4. One-year extension agreements were reached in fall 2023 with the Fraternal Order of Police Lodge 5, Sheriff's Office and Register of Wills (FOP Lodge 5), and the International Association of Firefighters, effective July 1, 2024.

- **Pension Fund Challenges:** In FY24, pension costs are projected to represent 14% of General Fund expenditures. The significant share of costs attributed to pensions, combined with the Pension Fund's current funding status – it is now approximately 62% funded – make it clear that the City will not attain fiscal stability until it has solidified the financial condition of the Pension Fund. To address this challenge, the City, working with municipal employees, the Pension Board, and City Council, implemented a three-pronged approach to improve the health of the Pension Fund to 80% funded by Fiscal Year 2029 and 100% funded by Fiscal Year 2033.

In FY24, General Fund pension payments are projected to total \$868.2 million.

- **Employee Healthcare Costs:** The City will continue to work with its union partners to help address the rising costs of health insurance and promote wellness. The municipal unions each provide benefits for members through union administered Health and Welfare Funds, and the City has minority representation on those boards. Non-

union employees are provided benefits through the City Administered Plan (CAP). In FY10, the City moved from a fully insured model to a self-insurance arrangement. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities.

Requests for information

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

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



City of Philadelphia
PENNSYLVANIA

**Basic
Financial
Statements**

City of Philadelphia
Statement of Net Position
June 30, 2023

Exhibit I

Amounts in thousands of USD

	Primary Government		Total	Component Units
	Governmental Activities	Business Type Activities		
Assets				
Cash on Deposit and on Hand	63,821	30	63,851	610,749
Equity in Pooled Cash and Investments	-	-	-	889,059
Equity in Treasurer's Account	4,061,419	674,990	4,736,409	-
Investments	9,225	-	9,225	60,976
Due from Component Units	50,018	-	50,018	-
Due from Primary Government	-	-	-	287,497
Internal Balances	16,296	(16,296)	-	-
Amounts Held by Fiscal Agent	181,659	-	181,659	204,542
Notes Receivable - Net	-	-	-	86,724
Accounts Receivable - Net	505,326	203,245	708,571	484,445
Lease Receivable	75,677	-	75,677	-
Interest and Dividends Receivable	13,046	-	13,046	37,085
Due from Other Governments - Net	1,045,835	30,283	1,076,118	639,260
Inventories	46,584	100,520	147,104	216,777
Other Assets	50,600	31,925	82,525	199,015
Restricted Assets:				
Cash and Cash Equivalents	-	1,498,084	1,498,084	383,059
Other Assets	-	511,461	511,461	262,324
Capital Assets:				
Land and Other Non-Depreciated Assets	1,031,202	1,541,835	2,573,037	1,099,663
Other Capital Assets (Net of Depreciation)	2,172,110	3,947,348	6,119,458	4,870,140
Total Capital Assets, Net	<u>3,203,312</u>	<u>5,489,183</u>	<u>8,692,495</u>	<u>5,969,803</u>
Total Assets	<u>9,322,818</u>	<u>8,523,425</u>	<u>17,846,243</u>	<u>10,331,315</u>
Deferred Outflows of Resources	<u>679,789</u>	<u>115,375</u>	<u>795,164</u>	<u>906,531</u>
Liabilities				
Notes Payable	47,507	201,683	249,190	7,931
Vouchers Payable	119,422	26,951	146,373	13,064
Accounts Payable	530,746	116,945	647,691	309,906
Salaries and Payroll Deductions Payable	79,569	7,969	87,538	387,638
Accrued Expenses	45,451	60,190	105,641	286,335
Due to Fiduciary	214,565	-	214,565	-
Due to Primary Government	-	-	-	16,516
Due to Component Units	106,204	836	107,040	-
Funds Held in Escrow	45,628	1,637	47,265	9,334
Due to Other Governments	5,993	-	5,993	20,109
Unearned Revenue	1,488,937	81,031	1,569,968	347,819
Overpayment of Taxes	324,691	-	324,691	85,686
Other Current Liabilities	-	6,356	6,356	265,118
Derivative Instrument Liability	6,978	-	6,978	-
Long-term Liabilities:				
Due within one year				
Bonds Payable & Other Long-term Liabilities	399,573	141,103	540,676	441,892
Due in more than one year				
Bonds Payable & Other Long-term Liabilities	4,820,707	4,603,777	9,424,484	8,602,172
Net OPEB Liability	1,588,082	196,941	1,785,023	388,271
Net Pension Liability	4,289,001	515,625	4,804,626	353,644
Total Liabilities	<u>14,113,054</u>	<u>5,961,044</u>	<u>20,074,098</u>	<u>11,535,435</u>
Deferred Inflows of Resources	<u>614,076</u>	<u>231,360</u>	<u>845,436</u>	<u>340,490</u>
Net Position				
Net Investment in Capital Assets	837,691	1,559,908	2,397,599	1,370,966
Restricted For:				
Capital Projects	377,504	364,051	741,555	12,643
Debt Service	570	387,322	387,892	335,077
Pension Oblig Bond Refunding Reserve	72	-	72	-
Behavioral Health	416,754	-	416,754	-
Neighborhood Revitalization	139,508	-	139,508	-
Cultural & Commercial Corridor Project	406	-	406	-
Rebuild Project	4,681	-	4,681	-
Home Repair Program	37,307	-	37,307	-
Grant Programs	369,159	-	369,159	105,615
Rate Stabilization	-	133,985	133,985	-
Educational Programs	-	-	-	23,013
Other	119,025	-	119,025	34,977
Unrestricted(Deficit)	<u>(7,027,200)</u>	<u>1,130</u>	<u>(7,026,070)</u>	<u>(2,520,370)</u>
Total Net Position	<u>(4,724,523)</u>	<u>2,446,396</u>	<u>(2,278,127)</u>	<u>(638,079)</u>

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

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Primary Government:								
Governmental Activities:								
Economic Development	110,359	-	1,960	144	(108,255)		(108,255)	
Transportation:								
Streets & Highways	218,755	12,479	50,955	58,534	(96,787)		(96,787)	
Mass Transit	105,588	3,318	501	-	(101,769)		(101,769)	
Judiciary and Law Enforcement:								
Police	1,175,035	11,138	7,596	-	(1,156,301)		(1,156,301)	
Prisons	322,692	32	-	-	(322,660)		(322,660)	
Courts	377,216	29,749	56,265	-	(291,202)		(291,202)	
Conservation of Health:								
Emergency Medical Services	89,672	26,333	768	-	(62,571)		(62,571)	
Health Services	2,157,156	55,305	1,794,394	-	(307,457)		(307,457)	
Housing and Neighborhood Development:								
Development	170,862	20,631	93,397	-	(56,834)		(56,834)	
Cultural and Recreational:								
Recreation	162,737	3,365	6,692	(1,535)	(154,215)		(154,215)	
Parks	4,685	2,003	-	2,510	(172)		(172)	
Libraries and Museums	99,333	527	9,518	-	(89,288)		(89,288)	
Improvements to General Welfare:								
Social Services	919,967	201,977	604,696	-	(113,294)		(113,294)	
Education	330,965	-	-	-	(330,965)		(330,965)	
Inspections and Demolitions	55,457	79,638	-	-	24,181		24,181	
Service to Property:								
Sanitation	193,775	20,905	1,086	-	(171,784)		(171,784)	
Fire	445,062	12,369	6,947	-	(425,746)		(425,746)	
General Management and Support	1,232,226	157,871	467,082	29,362	(577,911)		(577,911)	
Interest on Long Term Debt	121,725	-	-	-	(121,725)		(121,725)	
Total Governmental Activities	<u>8,293,267</u>	<u>637,640</u>	<u>3,101,857</u>	<u>89,015</u>	<u>(4,464,755)</u>		<u>(4,464,755)</u>	
Business Type Activities:								
Water and Sewer	729,249	816,304	792	1,877	-	89,724	89,724	
Aviation	421,825	469,879	-	44,637	-	92,691	92,691	
Industrial and Commercial Development:								
	-	114	-	-	-	114	114	
Total Business Type Activities	<u>1,151,074</u>	<u>1,286,297</u>	<u>792</u>	<u>46,514</u>	<u>-</u>	<u>182,529</u>	<u>182,529</u>	
Total Primary Government	<u>9,444,341</u>	<u>1,923,937</u>	<u>3,102,649</u>	<u>135,529</u>	<u>(4,464,755)</u>	<u>182,529</u>	<u>(4,282,226)</u>	
Component Units:								
Gas Operations	621,093	670,493	54,533	-				103,933
Housing	510,202	58,034	503,210	11,652				62,694
Parking	292,040	304,488	-	-				12,448
Education	4,427,673	30,654	1,624,456	50,342				(2,722,221)
Health	1,283,542	-	1,283,304	-				(238)
Economic Development	154,651	991	65,365	-				(88,295)
Total Component Units	<u>7,289,201</u>	<u>1,064,660</u>	<u>3,530,868</u>	<u>61,994</u>				<u>(2,631,679)</u>
General Revenues:								
Taxes:								
Property Taxes					848,466	-	848,466	1,017,290
Wage & Earnings Taxes					2,402,664	-	2,402,664	-
Business Taxes					760,676	-	760,676	-
Other Taxes					1,168,307	-	1,168,307	511,676
Grants & Contributions Not Restricted to Specific Programs					231,494	76,412	307,906	1,746,435
Unrestricted Interest & Investment Earnings					124,464	70,449	194,913	59,911
Miscellaneous					1,002	3,673	4,675	11,506
Special Items - Gain on Sale of Capital Asset					-	-	-	525
Transfers					57,440	(57,440)	-	86,214
Total General Revenues, Special Items and Transfers					<u>5,594,513</u>	<u>93,094</u>	<u>5,687,607</u>	<u>3,433,557</u>
Change in Net Position					1,129,758	275,623	1,405,381	801,878
Net Position - July 1, 2022					(5,854,281)	2,170,773	(3,683,508)	(1,435,689)
Adjustment					-	-	-	(4,268)
Net Position Adjusted - July 1, 2022					<u>(5,854,281)</u>	<u>2,170,773</u>	<u>(3,683,508)</u>	<u>(1,439,957)</u>
Net Position - June 30, 2023					<u>(4,724,523)</u>	<u>2,446,396</u>	<u>(2,278,127)</u>	<u>(638,079)</u>

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit III

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on Deposit and on Hand	28,113	-	328	35,380	63,821
Equity in Treasurer's Account	1,906,676	416,922	1,044,863	692,958	4,061,419
Investments	-	-	-	9,225	9,225
Due from Other Funds	39,833	-	-	19,420	59,253
Due from Component Units	50,018	-	-	-	50,018
Amounts Held by Fiscal Agent	181,659	-	-	-	181,659
Taxes Receivable	662,354	-	-	47,357	709,711
Accounts Receivable	400,085	-	181,389	5,726	587,200
Lease Receivable	33,275	-	-	58,698	91,973
Due from Other Governmental Units	2,264	100,639	631,827	131,509	866,239
Allowance for Doubtful Accounts	(611,152)	-	-	(20,256)	(631,408)
Interest and Dividends Receivable	9,860	1,074	-	73	11,007
Other Assets	-	-	-	597	597
Total Assets	2,702,985	518,635	1,858,407	980,687	6,060,714
Liabilities					
Vouchers Payable	41,054	39	37,531	40,798	119,422
Accounts Payable	224,693	7,587	201,947	96,519	530,746
Salaries and Payroll Deductions Payable	75,028	1	4,150	228	79,407
Payroll Taxes Payable	-	-	-	162	162
Due to Other Funds	214,555	-	-	39,833	254,388
Due to Component Units	6,796	94,254	3,760	1,394	106,204
Funds Held in Escrow	39,898	-	203	5,527	45,628
Due to Other Governmental Units	5,993	-	-	-	5,993
Unearned Revenue	153,408	-	1,322,695	12,834	1,488,937
Overpayment of Taxes	324,691	-	-	-	324,691
Total Liabilities	1,086,116	101,881	1,570,286	197,295	2,955,578
Deferred Inflows of Resources	273,273	-	783,096	200,194	1,256,563
Fund Balances					
Nonspendable	-	-	-	4,239	4,239
Restricted	181,659	416,754	52,807	613,532	1,264,752
Committed	65,128	-	-	11,751	76,879
Assigned	428,615	-	-	-	428,615
Unassigned	668,194	-	(547,782)	(46,324)	74,088
Total Fund Balances	1,343,596	416,754	(494,975)	583,198	1,848,573
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,702,985	518,635	1,858,407	980,687	

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

a. Capital Assets used in governmental activities are not reported in the funds	3,203,312
b. Unavailable Revenue are reported as Deferred Inflows of Resources in the funds	1,148,539
c. Long Term Liabilities, including bonds payable are not reported in the funds	(5,220,280)
d. Derivatives and Deferred Outflows of Resources are not reported in the funds	672,811
e. Other	5,657
f. Net Pension & OPEB Liabilities are not reported in the funds	(5,877,083)
g. Deferred Inflows (with the exception of Unavailable Revenue) are not reported in the funds	(506,052)
Net Position of Governmental Activities	(4,724,523)

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, 2023

Exhibit IV

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	4,211,293	-	-	949,281	5,160,574
Locally Generated Non-Tax Revenue	410,614	15,345	70,866	28,901	525,726
Revenue from Other Governments	430,017	1,280,955	1,437,239	174,555	3,322,766
Other Revenues	12,409	-	-	6,077	18,486
Total Revenues	5,064,333	1,296,300	1,508,105	1,158,814	9,027,552
Expenditures					
Current Operating:					
Economic Development	43,605	-	1,960	69,748	115,313
Transportation:					
Streets & Highways	121,988	-	5,498	42,454	169,940
Mass Transit	100,699	-	501	-	101,200
Judiciary and Law Enforcement:					
Police	1,352,968	-	5,627	-	1,358,595
Prisons	339,555	-	-	1,154	340,709
Courts	385,812	-	35,284	-	421,096
Conservation of Health:					
Emergency Medical Services	102,226	-	753	-	102,979
Health Services	210,489	1,270,395	502,684	187,911	2,171,479
Housing and Neighborhood Development	26,595	-	31,278	112,987	170,860
Cultural and Recreational:					
Recreation	159,507	-	6,902	-	166,409
Parks	-	-	-	2,055	2,055
Libraries and Museums	99,410	-	8,948	165	108,523
Improvements to General Welfare:					
Social Services	316,426	-	612,462	-	928,888
Education	330,965	-	-	-	330,965
Inspections and Demolitions	64,190	-	-	627	64,817
Service to Property:					
Sanitation	205,877	-	1,086	3,159	210,122
Fire	525,596	-	5,013	-	530,609
General Management and Support	1,231,376	-	36,048	97,182	1,364,606
Capital Outlay				300,488	300,488
Debt Service:					
Principal	43,306	-	528	125,017	168,851
Interest	12,270	-	19	88,289	100,578
Bond Issuance Cost	1,362	-	-	-	1,362
Total Expenditures	5,674,222	1,270,395	1,254,591	1,031,236	9,230,444
Excess (Deficiency) of Revenues Over (Under) Expenditures	(609,889)	25,905	253,514	127,578	(202,892)
Other Financing Sources (Uses)					
Issuance of Debt	99,455	-	-	-	99,455
Issuance of Refunding Debt	24,625	-	-	-	24,625
Bond Issuance Premium	2,531	-	-	-	2,531
Leases (as lesse)	1,144	-	-	61,622	62,766
Transfers In	1,043,345	-	-	540,473	1,583,818
Transfers Out	(463,722)	-	(374,310)	(688,346)	(1,526,378)
Total Other Financing Sources (Uses)	707,378	-	(374,310)	(86,251)	246,817
Net Change in Fund Balance	97,489	25,905	(120,796)	41,327	43,925
Fund Balance - July 1, 2022	1,246,107	390,849	(374,179)	541,871	1,804,648
Fund Balance - June 30, 2023	1,343,596	416,754	(494,975)	583,198	1,848,573

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, 2023

Exhibit V

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds.....	43,925
 Amounts reported for governmental activities in the statement of activities are different because:	
 a. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (328,503) exceeded depreciation (220,542),	
	107,961
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....	
	336,173
c. Proceeds from debt obligations and lease financing provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which the proceeds (188,233) were exceeded by repayments (326,121)	
	137,888
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 an expenditure in governmental funds.....	
	488,365
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.....	
	15,446
 Change in Net Position of governmental activities.....	 <u>1,129,758</u>

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

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Total
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
Assets				
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	175,235	489,175	10,580	674,990
Due from Other Governments	554	822	28,907	30,283
Accounts Receivable	194,725	28,845	-	223,570
Allowance for Doubtful Accounts	(20,314)	(11)	-	(20,325)
Inventories	22,605	4,660	73,255	100,520
Other Assets	676	31,249	-	31,925
Total Current Assets	373,511	554,740	112,742	1,040,993
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	859,794	638,290	-	1,498,084
Sinking Funds and Reserves	217,807	136,927	-	354,734
Grants for Capital Purposes	-	20,065	-	20,065
Receivables	2,615	134,047	-	136,662
Total Restricted Assets	1,080,216	929,329	-	2,009,545
Capital Assets:				
Land	5,969	249,111	-	255,080
Infrastructure	3,030,562	1,369,947	-	4,400,509
Construction in Progress	801,783	484,972	-	1,286,755
Buildings and Equipment	2,216,760	2,945,023	-	5,161,783
Less: Accumulated Depreciation	(2,884,201)	(2,730,743)	-	(5,614,944)
Total Capital Assets, Net	3,170,873	2,318,310	-	5,489,183
Total Non-Current Assets	4,251,089	3,247,639	-	7,498,728
Total Assets	4,624,600	3,802,379	112,742	8,539,721
Deferred Outflows of Resources	92,249	23,126	-	115,375
Liabilities				
Current Liabilities:				
Vouchers Payable	5,206	21,745	-	26,951
Accounts Payable	24,039	-	-	24,039
Salaries and Payroll Deductions Payable	6,226	1,743	-	7,969
Construction Contracts Payable	54,358	38,548	-	92,906
Due to Other Funds	16,296	-	-	16,296
Due to Component Units	719	117	-	836
Accrued Expenses	28,854	31,336	-	60,190
Funds Held in Escrow	1,637	-	-	1,637
Unearned Revenue	16,529	64,502	-	81,031
Commercial Paper Notes	36,340	165,343	-	201,683
Bonds Payable-Current	83,783	57,320	-	141,103
Other Current Liabilities	4,138	2,218	-	6,356
Total Current Liabilities	278,125	382,872	-	660,997
Net OPEB Liability	132,912	64,029	-	196,941
Net Pension Liability	340,523	175,102	-	515,625
Non-Current Liabilities:				
Bonds Payable, net of Unamortized Premiums/Discounts	2,889,759	1,606,818	-	4,496,577
Other Non-Current Liabilities	70,927	36,273	-	107,200
Total Non-Current Liabilities	2,960,686	1,643,091	-	4,603,777
Total Liabilities	3,712,246	2,265,094	-	5,977,340
Deferred Inflows of Resources	45,813	185,547	-	231,360
Net Position				
Net Investment in Capital Assets	644,628	915,280	-	1,559,908
Restricted For:				
Capital Projects	232,267	131,784	-	364,051
Debt Service	218,631	168,691	-	387,322
Rate Stabilization	133,985	-	-	133,985
Unrestricted	(270,721)	159,109	112,742	1,130
Total Net Position	958,790	1,374,864	112,742	2,446,396

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, 2023

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	803,020	114,963	-	917,983
Rentals and Concessions	-	272,731	-	272,731
Operating Grants	792	-	-	792
Miscellaneous Operating Revenues	13,284	8,294	114	21,692
Total Operating Revenues	817,096	395,988	114	1,213,198
Operating Expenses:				
Personal Services	166,016	77,026	-	243,042
Purchase of Services	152,876	125,459	-	278,335
Materials and Supplies	58,233	6,991	-	65,224
Employee Benefits	90,597	30,883	-	121,480
Indemnities and Taxes	11,557	5,720	-	17,277
Depreciation	148,296	121,462	-	269,758
Total Operating Expenses	627,575	367,541	-	995,116
Operating Income (Loss)	189,521	28,447	114	218,082
Non-Operating Revenues (Expenses):				
Federal, State and Local Grants	589	75,823	-	76,412
Passenger and Customer Facility Charges	-	73,891	-	73,891
Investment Earnings	34,912	37,194	(1,657)	70,449
Debt Service - Interest	(100,338)	(54,284)	-	(154,622)
Other Revenue (Expenses)	(1,336)	3,358	315	2,337
Total Non-Operating Revenues (Expenses)	(66,173)	135,982	(1,342)	68,467
Income (Loss) Before Contributions & Transfers	123,348	164,429	(1,228)	286,549
Transfers In/(Out)	(57,440)	-	-	(57,440)
Capital Contributions	1,877	44,637	-	46,514
Change in Net Position	67,785	209,066	(1,228)	275,623
Net Position - July 1, 2022	891,005	1,165,798	113,970	2,170,773
Net Position Adjusted - July 1, 2022	891,005	1,165,798	113,970	2,170,773
Net Position - June 30, 2023	958,790	1,374,864	112,742	2,446,396

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, 2023

Exhibit VIII

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			Totals
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	805,700	388,667	-	1,194,367
Payments to Suppliers	(215,017)	(137,388)	-	(352,405)
Payments to Employees	(293,792)	(126,721)	-	(420,513)
Internal Activity-Payments to Other Funds	-	(5,978)	-	(5,978)
Claims Paid	(11,557)	-	-	(11,557)
Other Receipts (Payments)	-	1,242	-	1,242
Net Cash Provided (Used)	<u>285,334</u>	<u>119,822</u>	<u>-</u>	<u>405,156</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,380	75,792	-	77,172
Operating Subsidies and Transfers from/(to) Other Funds	(65,940)	-	-	(65,940)
Net Cash Provided (Used)	<u>(64,560)</u>	<u>75,792</u>	<u>-</u>	<u>11,232</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	413,027	1,073,580	-	1,486,607
Capital Grants & Contributions Received	-	34,383	-	34,383
Acquisition and Construction of Capital Assets	(289,112)	(138,118)	-	(427,230)
Interest Paid on Debt Instruments	(111,930)	(76,023)	-	(187,953)
Principal Paid on Debt Instruments	(87,363)	(1,088,425)	-	(1,175,788)
Passenger Facility Charges	-	72,138	-	72,138
Other Capital Receipts (Payments)	923	3,258	-	4,181
Net Cash Provided (Used)	<u>(74,455)</u>	<u>(119,207)</u>	<u>-</u>	<u>(193,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	5,117	-	5,117
Interest, Dividends and Losses on Investments	29,861	36,422	315	66,598
Net Cash Provided (Used)	<u>29,861</u>	<u>41,539</u>	<u>315</u>	<u>71,715</u>
Net Increase (Decrease) in Cash and Cash Equivalents	176,180	117,946	315	294,441
Cash and Cash Equivalents, July 1 (including \$687.4 mil for Water & Sewer and \$630.3 mil for Aviation reported in restricted accounts)	<u>858,879</u>	<u>1,009,519</u>	<u>10,265</u>	<u>1,878,663</u>
Cash and Cash Equivalents, June 30 (including \$859.8 mil for Water & Sewer and \$638.3 mil for Aviation reported in restricted accounts)	<u>1,035,059</u>	<u>1,127,465</u>	<u>10,580</u>	<u>2,173,104</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	189,521	28,447	114	218,082
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	148,296	121,462	-	269,758
Changes in Assets and Liabilities:				
Receivables, Net	(12,899)	(62,670)	(631)	(76,200)
Unearned Revenue	1,504	56,590	-	58,094
Inventories	(407)	(96)	517	14
Accounts and Other Payables	(3,150)	(23,911)	-	(27,061)
Accrued Expenses	(37,531)	-	-	(37,531)
Net Cash Provided by Operating Activities	<u>285,334</u>	<u>119,822</u>	<u>-</u>	<u>405,156</u>
Schedule of non-cash capital activities:				
Contributions of capital assets	-	-	-	-

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

City of Philadelphia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

Exhibit IX

Amounts in thousands of USD

	<u>Pension Trust Funds (Fiduciary Component Units)</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash on Deposit and on Hand	23,847	124,525
Equity in Treasurer's Account	8,147,249	1,117
Investments	-	2,562
Securities Lending Collective Investment Pool	398,878	-
Accounts Receivable	3,611	-
Due from Brokers for Securities Sold	286,322	-
Interest and Dividends Receivable	2,002	-
Due from Other Governmental Units	4,943	-
Due from Other Funds	<u>210,732</u>	<u>699</u>
Total Assets	<u>9,077,584</u>	<u>128,903</u>
<u>Liabilities</u>		
Vouchers Payable	22	51
Accounts Payable	70	-
Salaries and Wages Payable	85	-
Funds Held in Escrow	-	4,594
Due on Return of Securities Loaned	398,878	-
Due to Brokers for Securities Purchased	261,409	-
Accrued Expenses	4,403	-
Other Liabilities	<u>495</u>	<u>-</u>
Total Liabilities	<u>665,362</u>	<u>4,645</u>
<u>Net Position</u>		
Net Position Restricted for Pensions	8,412,222	-
Restricted for Individuals, Organizations & Other Governments	<u>-</u>	<u>124,258</u>
Total Net Position	<u>8,412,222</u>	<u>124,258</u>

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

City of Philadelphia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

Exhibit X

Amounts in thousands of USD

	Pension Trust Funds (Fiduciary Component Units)	Custodial Funds
<u>Additions:</u>		
Contributions:		
Employers' Contributions	1,194,974	-
Employees' Contributions	122,906	-
Total Contributions	<u>1,317,880</u>	<u>-</u>
Investment Income:		
Interest and Dividends	211,596	-
Net Gain in Fair Value of Investments	440,204	-
(Less) Investments Expenses	(16,124)	-
Securities Lending Revenue	3,930	-
(Less) Securities Lending Expenses	(2,167)	-
Net Investment Gain	<u>637,439</u>	<u>-</u>
Other Income:		
Collection of Human Services fees, contributions, and holdings	-	980
Collection of Judicial charges, fees, and holdings	-	40,699
Collection of prisoner holdings	-	6,460
Collection of recording fees for other governments	-	5,037
Collection of Sheriff and Police forfeitures, seizures, and holdings	-	132,479
Collection of unclaimed monies	-	7,846
Miscellaneous Operating Revenues	361	-
Total Other Income	<u>361</u>	<u>193,501</u>
Total Additions	<u>1,955,680</u>	<u>193,501</u>
<u>Deductions</u>		
Personal Services	4,151	-
Purchase of Services	1,709	-
Materials and Supplies	67	-
Employee Benefits	2,950	-
Pension Benefits	1,023,717	-
Refunds of Members' Contributions	16,025	-
Administrative Expenses Paid	361	-
Other Operating Expenses	60	-
Distribution of Human Service fees, contributions and holdings	-	980
Distribution of Judicial charges, fees, and holdings	-	42,521
Distribution of prisoner holdings	-	6,460
Distribution of recording fees for other governments	-	5,037
Distribution of Sheriff and Police forfeitures, seizures, and holdings	-	144,929
Distribution of unclaimed monies	-	7,846
Total Deductions	<u>1,049,040</u>	<u>207,773</u>
Change in Net Position	906,640	(14,272)
Net Position - July 1, 2022	7,505,582	138,530
Net Position - June 30, 2023	<u>8,412,222</u>	<u>124,258</u>

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

City of Philadelphia
Statement of Net Position
Component Units
June 30, 2023

	<i>Amounts in thousands of USD</i>									
	Philadelphia Gas Works	Philadelphia Housing Authority	Philadelphia Redevelopment Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health	Philadelphia Authority for Industrial Development	Total	
Assets										
Cash on Deposit and on Hand	139,302	238,930	54,139	38,816	-	60,539	11,129	67,894	610,749	
Equity in Pooled Cash and Investments	-	-	-	-	889,059	-	-	-	889,059	
Investments	-	-	-	16,341	-	44,635	-	-	60,976	
Due from Primary Government	-	-	33,710	-	49	4,081	249,657	-	287,497	
Amounts Held by Fiscal Agent	-	-	-	-	204,542	-	-	-	204,542	
Notes Receivable	-	84,449	2,275	-	-	-	-	-	86,724	
Taxes Receivable	-	-	-	-	190,530	-	-	-	190,530	
Accounts Receivable-Net	91,957	32,906	4,176	84,583	21,570	41,824	859	18,146	295,821	
Allowance for Doubtful Accounts	-	-	-	-	-	(1,906)	-	-	(1,906)	
Interest and Dividends Receivable	-	901	34,178	39	1,967	-	-	-	37,085	
Due from Other Governments	79,454	3,886	132,507	-	353,797	4,812	-	3,243	639,260	
Inventories	73,826	9,962	36,141	9,579	4,712	1,369	53,145	10,281	216,777	
Other Assets	-	-	-	-	-	-	-	-	199,015	
Restricted Assets:										
Cash and Cash Equivalents	-	98,205	19,767	58,005	109,776	-	-	97,306	383,059	
Other Assets	156,089	5,744	17,483	-	56,534	21,178	-	5,296	262,324	
Capital Assets:										
Land and Other Non-Depreciated Assets	167,346	205,555	170	21,225	653,877	40,487	-	11,003	1,099,663	
Other Capital Assets (Net of Depreciation)	1,648,123	1,033,334	57	118,570	1,783,061	164,385	5,931	116,079	4,870,140	
Total Capital Assets	1,815,469	1,239,489	227	139,795	2,436,938	204,872	5,931	127,082	5,969,803	
Total Assets	2,356,097	1,991,980	334,603	347,158	4,270,404	381,204	320,721	329,248	10,331,315	
Deferred Outflows of Resources	148,891	43,321	-	39,452	659,239	15,083	545	-	906,531	
Liabilities										
Notes Payable	-	-	7,897	-	-	34	-	-	7,931	
Vouchers Payable	-	-	-	-	-	13,064	-	-	13,064	
Accounts Payable	80,632	16,581	18,280	22,333	74,460	-	78,054	19,566	309,906	
Salaries and Wages Payable	6,978	3,208	-	-	366,937	10,515	-	-	387,638	
Accrued Expenses	81,304	14,016	15,165	152	-	5,022	170,676	-	286,335	
Funds Held in Escrow	-	2,519	5,653	-	-	527	-	635	9,334	
Due to Other Governments	-	178	-	19,463	247	221	-	-	20,109	
Due to Primary Government	-	-	-	13,415	-	-	-	3,101	16,516	
Unearned Revenue	9,528	6,106	83,836	-	38,655	19,119	-	190,575	347,819	
Overpayment of Taxes	-	-	-	-	85,686	-	-	-	85,686	
Other Current Liabilities	-	13,188	-	1,604	188,637	-	61,689	-	265,118	
Non-Current Liabilities:										
Due within one year	60,255	39,453	3,794	3,382	327,556	6,497	-	955	441,892	
Due in more than one year	1,054,138	212,011	47,367	92,511	7,083,446	81,575	-	21,124	8,602,172	
Net OPEB Liability	208,706	1,447	-	18,194	-	154,214	5,710	-	388,271	
Net Pension Liability	229,433	82,910	-	41,301	-	-	-	-	353,644	
Total Liabilities	1,730,974	391,617	181,992	212,355	8,175,624	290,788	316,129	235,956	11,535,435	
Deferred Inflows of Resources	45,732	22,892	3,302	57,504	139,229	60,751	1,482	9,588	340,490	
Net Position	828,274	738,051	56	55,731	(457,213)	94,532	5,931	105,004	1,370,966	
Net Investment in Capital Assets Restricted For:										
Capital Projects	-	-	-	-	-	12,643	-	-	12,643	
Debt Service	109,561	-	14,636	4,289	206,571	-	-	-	335,077	
Educational Programs	-	-	-	-	6,677	16,336	-	-	23,013	
Grant Programs	-	3,014	-	-	-	-	-	102,601	105,615	
Other	2,778	18,231	-	-	13,968	-	-	-	34,977	
Unrestricted	(212,351)	860,796	134,617	56,731	(3,155,213)	(78,763)	(2,276)	(123,911)	(2,520,370)	
Total Net Position	728,282	1,620,692	149,309	116,751	(3,385,210)	44,748	3,655	83,694	(638,079)	

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2023. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2022. The Philadelphia Parking Authority and Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2023.

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

Exhibit XII

Amounts in thousands of USD

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2023

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position							Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Housing Authority*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*		Philadelphia Authority for Industrial Development*
Gas Operations Gas Works	621,083	670,483	54,533	-	103,933	-	-	-	-	-	-	-	103,933
Housing Housing Authority	482,802	56,392	478,619	11,652	63,861	-	-	-	-	-	-	-	63,861
Redevelopment Authority	27,400	1,642	24,591	-	-	(1,167)	-	-	-	-	-	-	(1,167)
	510,202	58,034	503,210	11,652	-	-	-	-	-	-	-	-	-
Parking Parking Authority	292,040	304,488	-	-	-	-	12,448	-	-	-	-	-	12,448
Education School District	4,278,035	6,579	1,574,279	50,342	-	-	-	-	-	-	-	-	-
Community College	149,638	24,075	50,177	-	-	-	-	-	-	-	-	-	-
Total	4,427,673	30,654	1,624,456	50,342	-	-	-	-	(2,646,835)	(75,386)	-	-	(2,646,835) (75,386)
Health Community Behavioral Health	1,283,542	-	1,283,304	-	-	-	-	-	-	-	(238)	-	(238)
Economic Development Authority for Ind. Development	154,651	981	65,365	-	-	-	-	-	-	-	(86,295)	-	(86,295)
Total	154,651	981	65,365	-	-	-	-	-	-	-	-	-	-
Total Component Units	7,289,201	1,064,660	3,530,868	61,994	-	-	-	-	-	-	-	-	(2,631,679)
General Revenues:													
Property Taxes	-	-	-	-	-	-	-	-	1,017,290	-	-	-	1,017,290
Other Taxes	-	-	-	-	-	-	-	-	511,676	-	-	-	511,676
Grants & Contributions Not Restricted to Specific Programs	-	-	-	-	-	-	-	-	1,627,145	91,779	-	-	1,746,435
Unrestricted Interest & Investment Earnings	-	-	-	-	-	-	-	-	45,163	5,331	182	2,174	59,911
Miscellaneous	-	-	-	-	-	-	-	-	-	4,561	-	-	11,506
Special Item-Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	525	525
Transfers	-	-	-	-	-	-	-	-	-	-	-	86,214	86,214
Total General Revenue, Special Items and Transfers	-	-	-	-	-	-	-	-	3,201,274	101,671	182	86,913	3,433,557
Change in Net Position	103,933	100,416	1,520,276	624,039	624,039	310	310	310	14,896	26,285	(56)	618	801,878
Net Position - July 1, 2022	624,349	1,520,276	1,620,692	1,620,692	1,620,692	1,620,692	1,620,692	1,620,692	101,755	18,463	3,711	286	(4,268)
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Position Adjusted - July 1, 2022	624,349	1,520,276	1,620,692	1,620,692	1,620,692	1,620,692	1,620,692	1,620,692	101,755	18,463	3,711	286	(4,268)
Net Position - June 30, 2023	728,282	1,116,751	1,116,751	1,116,751	1,116,751	1,116,751	1,116,751	1,116,751	3,385,210	44,748	3,655	83,694	(638,079)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2023. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2022. The Philadelphia Parking Authority and the Philadelphia Housing Authority are presented as of the close of their fiscal year, March 31, 2023.

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



Notes to the Financial Statements
FYE 06/30/2023

Table of Contents

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	50
1.	Reporting Entity	50
2.	Government-Wide and Fund Financial Statements	51
3.	Basis of Accounting, Measurement Focus and Financial Statements	52
4.	Deposits and Investments	53
5.	Inventories	54
6.	Capital Assets.....	54
7.	Bonds and Related Premiums, Discounts and Issuance Costs.....	55
8.	Insurance	55
9.	Receivables and Payables	55
10.	Deferred Outflows/Inflows of Resources and Net Position	55
11.	Compensated Absences	57
12.	Claims and Judgments.....	57
13.	Unearned Revenue	57
14.	Leases.....	57
15.	New Accounting Standards.....	58
II.	LEGAL COMPLIANCE.....	59
1.	Budgetary Information	59
III.	DETAILED NOTES ON ALL FUNDS AND ACCOUNTS.....	59
1.	Deposits and Investments	59
2.	Securities Lending	64
3.	Amounts Held by Fiscal Agent	64
4.	Interfund Receivables and Payables.....	64
5.	Capital Asset Activity	66
6.	Notes Payable	69
7.	Debt Payable	71
8.	Leases	87
9.	Subscription-Based Information Technology Arrangements.....	90
10.	Deferred Compensation Plans	91
11.	Fund Balance Policies.....	92
12.	Interfund Transactions.....	94
13.	Tax Abatements.....	95
14.	Reconciliation of Government-Wide and Fund Financial Statements.....	99
15.	Prior Period Adjustments and Cumulative Effect of Change in Accounting Principle.....	99
16.	Net Position Restricted by Enabling Legislation.....	100
17.	Fund Deficits.....	100
IV.	OTHER INFORMATION	100
1.	Pension Plans.....	100
2.	Accumulated Unpaid Sick Leave.....	132
3.	Other Post Employment Benefits (OPEB).....	132
4.	Pennsylvania Intergovernmental Cooperation Authority	152
5.	Related Party Transactions	153
6.	Risk Management.....	153
7.	Commitments	154
8.	Contingencies.....	156
9.	Subsequent Events.....	163

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. REPORTING ENTITY

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

As required by GAAP, the financial statements of the City of Philadelphia include those of the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The financial statements of these component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The criteria to determine an entity as a component unit is established by Governmental Accounting Standards Board Statement (GASB) No. 14 which has been amended by GASB Statements No. 39, No. 61, No. 80, No. 84, No. 85, No. 90, and No. 97. Certain other organizations also met the criteria for inclusion; however, they are not included in the City's financial statements because they are not significant to a fair representation of the City's reporting entity. Individual financial statements can be obtained directly from their administrative offices by writing to the addresses provided.

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

A. BLENDED COMPONENT UNITS

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

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

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

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

B. DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

PHA was established to provide low-cost housing and other social services to the residents of the City. PHA is governed by a nine-member board with all members appointed by the City. In addition, the Mayor of Philadelphia has the ability to remove a majority of PHA's board without cause during any calendar year. Since the City appoints a voting majority of PHA's board and can impose its will, due to the Mayor's ability to remove

a majority of the board at will, PHA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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

PRA was established to rehabilitate blighted sections of the City. It is governed by a five-member board appointed by the City and must submit its budgets to the City for review and approval. PRA's reported amounts include the financial activity of the Head House Retail Associates, L.P., which is PRA's discretely presented component unit whose fiscal year ended December 31, 2022. PRA meets the criteria for inclusion as a discretely presented component unit in accordance with GASB.

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

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

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

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

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

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

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

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

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

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

C. FIDUCIARY COMPONENT UNITS

The City reports two component units in the fiduciary statements:

- The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain quasi-governmental organizations.
- The Philadelphia Gas Works Retirement Reserve Fund accumulates resources to provide pension benefit payments to qualified employees of the Philadelphia Gas Works.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

the primary government is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

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

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

3. BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENTS

A. PRIMARY GOVERNMENT

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business income and receipts, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources. General capital asset acquisition, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

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

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

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

- The HealthChoices Behavioral Health Fund accounts for resources received from the Commonwealth of Pennsylvania. These resources are restricted to providing managed behavioral health care to Philadelphia residents.
- The Grants Revenue Fund accounts for the resources received from various federal, state, and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

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

The City reports on the following fiduciary funds:

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

The City reports the following major proprietary funds:

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

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

B. COMPONENT UNITS

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

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

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

4. DEPOSITS AND INVESTMENTS

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

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

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. The Pension Trust Fund is also authorized to invest in corporate bonds, common stocks, private markets, hedge funds, and real estate.

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

5. INVENTORIES

A. PRIMARY GOVERNMENT

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

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

B. COMPONENT UNITS

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

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

6. CAPITAL ASSETS

A. PRIMARY GOVERNMENT

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

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

Cost of construction for proprietary fund capital assets includes all direct contract costs plus overhead costs. Overhead costs include direct and indirect engineering costs and interest incurred during the construction period for projects financed with bond proceeds. After adoption of GASB No.89, interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.

Depreciation on the capital assets for all City funds is provided on the straight-line method over their estimated useful lives: buildings and improvements - 20 to 50 years; equipment and storage facilities - 3 to 25 years; and transmission and distribution lines - 50 years. Leased and software subscription assets (SBITAs) are amortized over the shorter of the lease or subscription term or the useful life of the underlying asset.

Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The City has collections of art, historical treasures and statuary that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved and cared for and (3) should any items be sold, the proceeds are used only to acquire other items for the collections. Among the City's collections are historical artifacts at the Ryers

Museum & Library, Loudoun Mansion, Fort Mifflin, and the Betsy Ross House. The City also has sculptures, paintings, murals, and other works of art on display on public property and buildings throughout the City.

B. COMPONENT UNITS

Depreciation on the capital assets for component units is provided on the straight-line method over their estimated useful lives: buildings and improvements - 7 to 50 years; equipment and storage facilities - 3 to 50 years; and leased and software subscription (SBITAs) assets – term of contract.

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense and reported in the period incurred.

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

8. INSURANCE

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

9. RECEIVABLES AND PAYABLES

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

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2023 and 2022. Credit balance receivables have been included in unearned revenue in the statement of net position. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's Law Department if deemed uncollectible. Accounts are written off when recommended by the Law Department.

All trade and property receivables in the governmental-wide financial statements are shown net of allowance for uncollectible. The real estate tax receivable allowance is equal to 28.12% of outstanding real estate taxes at June 30. Property taxes are levied on a calendar year basis. The City's property taxes levied on assessed valuation as of January 1, are due and payable on or before March 31. Taxes levied are intended to finance the fiscal year in which they become due. The City of Philadelphia and the School District of Philadelphia both impose a tax on all real estate in the City. Current real estate rates are \$1.3998 on each \$100 assessment; \$0.6317 for the City and \$0.7681 for the School District of Philadelphia. Delinquent charges are assessed at 1.5% per month on all unpaid balances as of April 1. Real estate tax delinquents are subject to lien as of the following January 1. The City has established real estate improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties. Certain incremental tax assessments are earmarked to repay loans from the City to developers who improve properties under Tax Increment Financing agreements.

10. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES AND NET POSITION

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

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

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

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

Eight component units, including **PGW, PRA, PPA, SDP, CCP, CBH, PAID** and **PHA** have items that qualify in some of the categories, which are deferred derivatives, deferred refunding, lease related, pension related, and OPEB related categories. These items have been reported as deferred outflows or deferred inflows on both the City's and the component unit's Statement of Net Position.

(Amounts in Thousands of USD)

Deferred Outflows of Resources	Governmental Activities	Business Type Activities	Component Units
Derivative Instrument	6,978	-	-
Deferred Charge on Refunding	82,116	43,777	44,987
Deferred Outflow s - Pension	390,155	46,925	699,135
Deferred Outflow s - OPEB	200,540	24,673	162,409
Total	679,789	115,375	906,531

(Amounts in Thousands of USD)

Deferred Inflows of Resources	Governmental Activities	Business Type Activities	Component Units
Derivative Instrument	-	665	5,204
Deferred Gain on Refunding	3,023	12,201	10,000
Deferred Inflow s - Leases	108,023	157,995	41,758
Deferred Inflow s - Pension	104,226	11,241	157,850
Deferred Inflow s - OPEB	398,804	49,258	125,678
Total	614,076	231,360	340,490

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

(Amounts in Thousands of USD)

Deferred Inflows of Resources	General Fund	Grants Revenue Fund	Other Governmental Funds
Deferred Inflow s - Leases	31,109	-	76,914
Unavailable Tax Revenue	148,250	-	2,244
Unavailable Agency Revenue	57,764	-	-
Unavailable Government Revenue	36,150	783,096	121,036
Total	273,273	783,096	200,194

11. COMPENSATED ABSENCES

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

12. CLAIMS AND JUDGMENTS

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

13. UNEARNED REVENUE

GASB Statement No.65 prohibits the usage of the term "deferred" on any line items other than deferred inflows or outflows. Therefore, the term "Deferred Revenue" has been replaced by "Unearned Revenue". Unearned Revenue as reported in all the City's fund financial statements represents revenue received in advance with the exception of the General Fund. The General Fund reports two types of unearned revenue, Revenue Received in Advance (\$5.9 million) and Business Income and Receipts Tax (BIRT) (\$147.5 million).

14. LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

The City is a lessee for various leases of land, buildings, and equipment. The City has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). As lessee or subscriber, the City recognizes a lease liability or subscription liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a lease or SBITA, the City initially measures the lease liability or subscription at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease liability or subscription liability is reduced by the principal portion of lease payments made. The lease asset or subscription asset is initially measured as the initial amount of the lease liability or subscription liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the lease asset or subscription asset is amortized on a straight-line basis over the shorter of the lease or subscription term or the useful life of the underlying asset.

The City determines (1) the discount rate it uses to discount the expected lease or subscription payments to present value, (2) lease or subscription term, and (3) lease or subscription payments.

- The City uses the interest rate stated in the agreement as the discount rate. When the interest rate is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease or subscription term includes the non-cancellable period of the lease or subscription. Lease or subscription payments included in the measurement of the lease liability or subscription liability are composed of fixed payments. For leases, any purchase option price that the City is reasonably certain to exercise is also included in the lease liability.

The City monitors changes in circumstances that would require a remeasurement of a lease or SBITA and will remeasure the lease asset or subscription asset and the liability if certain changes occur that are expected to significantly affect the amount of the lease liability or subscription liability.

Lease assets or subscription assets are reported with other capital assets and lease liabilities or subscription liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for various leases of land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

15. NEW ACCOUNTING STANDARDS - ADOPTED

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

In March 2020, **GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**. The primary objective of this Statement is to address and improve financial reporting issues related to public-private and public-public partnership arrangements (PPPs). The adoption of this statement had no effect on previously reported amounts.

In May 2020, **GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements**. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The adoption of this statement had no material impact on the City's financial statements.

In April 2022, **GASB issued Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement has been partially adopted for requirements effective for the reporting period. All the applicable changes have been made to the financial statements.

New Accounting Standards – To Be Adopted:

In April 2022, **GASB issued Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

In June 2022, **GASB issued Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62**. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

In June 2022, **GASB issued Statement No. 101, Compensated Absences**. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

In December 2023, **GASB issued Statement No. 102, Certain Risk Disclosures**. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

The new standards must be adopted as follows:

GASB Statement No. 99 – Requirements in paragraphs 4-10 are effective July 1, 2023 for financial statements for fiscal year ending June 30, 2024.

GASB Statement No. 100 - Effective July 1, 2023 for financial statements for fiscal year ending June 30, 2024.

GASB Statement No. 101 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.

GASB Statement No. 102 - Effective July 1, 2024 for financial statements for fiscal year ending June 30, 2025.

The effect of these statements has not yet been determined.

II. LEGAL COMPLIANCE

1. BUDGETARY INFORMATION

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

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

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

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

A. City

City Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the bank balance for City deposits was \$456.5 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, 2023, the total investments of the City, as well as both Pension Funds and the Fairmount Park and Free Library Trust Funds, consisted of:

Classification	(Amount in Thousands)				
	City (1)	City Trust Funds	PGW Pension Fund	Municipal Pension Fund	Grand Total
Short-Term Investment Pools	\$ 564,861	\$ 1,064	\$ 22,045	\$ 404,848	\$ 992,818
Commercial Paper	1,261,943	-	-	-	1,261,943
U.S. Government Securities	3,702,244	131	42,301	2,896	3,747,572
U.S. Government Agency Securities	945,505	207	49,626	25,332	1,020,670
Municipal/Other Debt	6,855	451	260	11,412	18,978
Foreign Debt	-	-	9,004	1,083	10,087
Corporate Bonds	263,577	216	58,158	319,536	641,487
Government Bonds	-	-	-	374,031	374,031
Asset Backed Securities	-	-	-	22,513	22,513
Mortgage Backed Securities	-	-	-	267,484	267,484
Other Bonds and Investments	-	2,644	987	6,557	10,188
Corporate Equities	-	4,247	423,383	4,532,751	4,960,381
Limited Partnerships	-	-	-	18,552	18,552
Hedge Funds	-	-	-	26,074	26,074
Real Estate	-	-	-	498,303	498,303
Private Equity	-	-	-	1,039,404	1,039,404
Grand Total	<u>\$ 6,744,985</u>	<u>\$ 8,960</u>	<u>\$ 605,764</u>	<u>\$ 7,550,776</u>	<u>\$ 14,910,485</u>

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

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

City Investments - Credit Risk

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

The City's investment in US Government securities (54.89%) or US Government Agency obligations (14.02%) are allowable investments up to 100% of the portfolio.

The City's investment in commercial paper (18.71%) 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 A2 by Moody's. All commercial paper investments meet the criteria.

The City's investment in corporate bonds (3.91%) is limited to 25% of the portfolio and had an S&P rating of AAA to AA or Moody's rating of Aa2 or better. All corporate investments meet the criteria.

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

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

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

City Investments - Interest Rate Risk

The City's investment portfolio is managed to accomplish preservation of principal, maintenance of liquidity and maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates, the

City's investment policy limits fixed income investments to maturities of no longer than two years, except in Sinking Fund Reserve Portfolios.

In accordance with the PICA Trust Indenture, the City received a transfer of remaining funds from the PICA Debt Service Reserve Fund due to bond maturity. Since these funds were currently invested, the securities were transferred to the City rather than liquidated. The transferred holdings include securities that exceed the two-year maturity limitation of the City's Investment Policy. If the securities were liquidated at the time of transfer, the City would incur a loss. These securities will be held until they can be sold without incurring a loss or otherwise held until maturity.

(Amounts in thousands of USD)

Classifications	Less than 6 months	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months	Total
Commercial Paper	\$ 996,319	\$ 265,624	\$ -	\$ -	\$ -	\$ 1,261,943
U.S. Government Security	1,805,353	1,531,931	259,078	105,208	674	3,702,244
U.S. Government Agency Securities	570,071	239,400	81,536	50,236	4,262	945,505
Municipal Debt	4,298	263	1,845	449	-	6,855
Corporate Bonds	68,997	96,465	50,756	47,359	-	263,577
Grand Total	\$ 3,445,038	\$ 2,133,683	\$ 393,215	\$ 203,252	\$ 4,936.00	\$ 6,180,124

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, 2023:

- Commercial paper securities of \$1,261.9 million are valued using quoted prices for identical securities in markets that are not active and via matrix pricing models (Level 2).
- U.S. Treasury securities of \$3,702.2 million are valued using quoted prices from active markets (Level 1).
- U.S. Agency securities of \$945.5 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).
- Municipal Debt/Other securities of \$6.9 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 \$263.6 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 \$564.9 million are valued at the published amortized cost-based net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

The Fairmount Park Trust Fund has the following recurring fair value measurements as of June 30, 2023:

- Equity Stock securities of \$1.5 million are valued using quoted prices from active markets (Level 1).
- ETF and Mutual funds of \$4.3 million are valued using quoted prices from active markets (Level 1).
- U.S. Treasury securities of \$0.1 million, U.S. Agency securities of \$0.2 million, and Corporate bond securities of \$0.2 million are valued using quoted prices for identical securities traded in active markets when sufficient activity exists (Level 2).

For FY 2023, the Free Library Trust Fund's mutual funds of \$2.6 million are valued at the published net asset value per share/unit for each fund. There are no limitations or restrictions on withdrawals.

B. Blended Component Units

1) PICA

Deposits:

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

At June 30, 2023, PICA's deposits consist of the following:

Cash	\$ 3,986,833
Certificates of Deposit	490,000
Total	<u>\$ 4,476,833</u>

PICA's deposits include bank certificates of deposit that have a remaining maturity, at the time of purchase, of one year or less. Money market funds 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, PICA's deposits may not be returned to it. PICA has no policy, other than as noted above, that further limits its custodial credit risk. As of June 30, 2023, PICA's book balance was \$4,476,833 and the bank balance was \$4,477,540. Of the bank balance, \$740,000 was covered by federal depository insurance.

Investments:

As of June 30, 2023, PICA had the following investments:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money Market Funds	<u>\$ 14,986,413</u>	<u>\$ 14,986,413</u>	less than 1 year

Credit Risk

PICA's investments in money market funds are rated AAA by S&P.

Interest Rate Risk

PICA does not have a formal investment policy, other than complying with Pennsylvania statutes and trust indentures, that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value of Investments

Investments and derivatives are recorded at fair value as of June 30, 2023. GASB Statement No. 72 – Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of value inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

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

PICA's investments in Money market funds are Level 1 investments and fair value is based on active market quotes.

2) PMA

INVESTMENTS AND DEPOSITS

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

A summary of the investments at June 30, 2023 is as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity Date</u>
Money Market Funds*	\$ 83,901	\$ 83,901	N/A
Total	<u>\$ 83,901</u>	<u>\$ 83,901</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 2012 Energy Conservation and Direct Subsidy Bond Issues in money market funds during the year.

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

Custodial Credit Risk

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

PMA's depository cash accounts consisted of \$5,717,884 on deposit with two local banks as of June 30, 2023. 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, 2023, PMA was not exposed to custodial credit risk.

Interest Rate Risk

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

Fair Value Measurement

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

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

PMA's investments qualify as Level 1 investments.

2. SECURITIES LENDING

A. GOVERNMENTAL FUNDS:

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

B. PENSION TRUST FUNDS

1. City Plan (Municipal Pension Fund):

- The Board of Directors of the Municipal Pension Fund has authorized management of the Fund to participate in securities lending transactions.

2. Philadelphia Gas Works (PGW) Plan

- The Board of Directors of the Sinking Fund Commission on behalf of Philadelphia Gas Works Retirement Reserve Fund ("PGWRR") has authorized the management of the Fund to participate in securities lending transactions.

3. AMOUNTS HELD BY FISCAL AGENT

Two of the City's component units (**PAID** and **PRA**) have issued debt that, in accordance with GASB No. 91, is considered conduit debt. Therefore, no asset related to the bond proceeds or liability related to the bonds is shown on their respective financial statements. However, since the City, through various agreements, is responsible for the debt, the proceeds of the issuance are shown as assets of the City.

A. GOVERNMENTAL FUNDS

The General Fund consists of cash and investment balances related to the net proceeds of PAID's Cultural and Commercial Corridor Lease Revenue Bonds Series 2006, PAID's Rebuild Project City Service Agreement Revenue Bonds Series 2018, PRA's Home Repair City Service Agreement Revenue Bonds Series 2018, PAID's City Service Agreement Refunding Revenue Bonds Series 2021, and PRA's Neighborhood Preservation Initiative City Service Agreement Revenue Bonds Series 2021A & 2023A&B.

4. INTERFUND RECEIVABLES AND PAYABLES

A. PRIMARY GOVERNMENT

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

(Amounts in Thousands)

	Interfund Receivables Due to:				
	General	Non major Special Revenue	Pension Fund	Other Funds	Total
Interfund Payables Due From:					
General	\$ -	\$ 3,124	\$ 210,732	\$ 699	\$ 214,555
Water & Sewer Fund	-	16,296	-	-	16,296
Non major Special Revenue Funds	39,833	-	-	-	39,833
Total	<u>\$ 39,833</u>	<u>\$ 19,420</u>	<u>\$ 210,732</u>	<u>\$ 699</u>	<u>\$ 270,684</u>

B. COMPONENT UNITS

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

(Amounts in Thousands)

	Receivables Due to:										Total
	General	CBH	PRA	PAID	PGW	SDP	PPA	PHA	CCP	Timing Difference	
Payables Due From:											
General Fund	\$ -	\$ 108	\$ 1,024	\$ 3,161	\$ 292	\$ -	\$ 3	\$ 188	\$ 2,020	\$ -	\$ 6,796
Behavioral Health	-	94,254	-	-	-	-	-	-	-	-	94,254
Grants Revenue	-	1,507	-	-	-	2,253	-	-	-	-	3,760
Capital Improvement	-	-	1,244	-	-	-	-	-	-	-	1,244
Housing Trust	-	-	150	-	-	-	-	-	-	-	150
Water Fund	-	-	613	47	59	-	-	-	-	-	719
Aviation Fund	-	-	-	-	117	-	-	-	-	-	117
PPA	14,246	-	-	-	-	-	-	-	-	(831)	13,415
PAID	35,772	-	-	-	-	-	-	-	-	(32,671)	3,101
Timing Difference	-	153,788	30,679	(3,208)	(468)	(2,204)	(3)	(188)	2,061	-	180,457
Total	<u>\$ 50,018</u>	<u>\$ 249,657</u>	<u>\$ 33,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,081</u>	<u>\$ (33,502)</u>	<u>\$ 304,013</u>

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity of the primary government for the year ended June 30, 2023 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	979.3	35.4	-	1,014.7
Fine Arts	1.0	-	-	1.0
Construction In Progress	21.0	15.6	(21.1)	15.5
Total capital assets not being depreciated	<u>1,001.3</u>	<u>51.0</u>	<u>(21.1)</u>	<u>1,031.2</u>
<u>Capital assets being depreciated:</u>				
Buildings	2,457.0	43.3	-	2,500.3
Lease Asset - Building	612.0	82.0	(3.0)	691.0
Other Improvements	411.0	11.2	-	422.2
Equipment	678.0	56.8	(40.0)	694.8
Lease Asset - Equipment*	3.0	-	-	3.0
Infrastructure	1,955.0	94.0	-	2,049.0
Intangibles	89.0	13.6	(5.0)	97.6
Transit	292.0	-	-	292.0
Subscription Assets*	3.0	-	-	3.0
Total capital assets being depreciated	<u>6,500.0</u>	<u>300.9</u>	<u>(48.0)</u>	<u>6,752.9</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(1,826.0)	(52.0)	-	(1,878.0)
Lease Asset - Building	(51.0)	(51.0)	2.0	(100.0)
Other Improvements	(310.0)	(9.0)	-	(319.0)
Equipment	(471.8)	(45.2)	38.0	(479.0)
Lease Asset - Equipment	(1.0)	(1.0)	1.0	(1.0)
Infrastructure	(1,441.9)	(49.6)	-	(1,491.5)
Intangibles	(38.0)	(9.9)	1.0	(46.9)
Transit	(260.0)	(4.4)	-	(264.4)
Subscription Assets	-	(1.0)	-	(1.0)
Total accumulated depreciation	<u>(4,399.7)</u>	<u>(223.1)</u>	<u>42.0</u>	<u>(4,580.8)</u>
Total capital assets being depreciated, net	2,100.3	77.8	(6.0)	2,172.1
Governmental activities capital assets, net	<u>3,101.6</u>	<u>128.8</u>	<u>(27.1)</u>	<u>3,203.3</u>

*With the implementation of GASB 96 in the current fiscal year, it was required to restate the prior fiscal year ending balance for the subscription assets.

(Amounts in Millions of USD)

Business-Type Activities - Enterprise Funds	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	242.8	0.9	-	243.7
Right to use Lease Assets -Land	11.3	-	-	11.3
Construction In Progress	1,002.9	444.1	(160.2)	1,286.8
Total capital assets not being depreciated	1,257.0	445.0	(160.2)	1,541.8
<u>Capital assets being depreciated:</u>				
Buildings	4,059.8	63.7	(10.5)	4,113.0
Right to use Lease Assets - Building	19.0	-	-	19.0
Other Improvements	830.9	3.3	-	834.2
Equipment	185.1	23.3	(8.3)	200.1
Right to use Lease Assets - Equipment	0.5	-	(0.2)	0.3
Intangible Assets	28.5	1.1	-	29.6
Infrastructure	4,279.7	89.0	(2.6)	4,366.1
Total capital assets being depreciated	9,403.5	180.4	(21.6)	9,562.3
<u>Less accumulated depreciation for:</u>				
Buildings	(2,320.6)	(121.5)	8.5	(2,433.6)
Right to use Lease Assets - Building	(1.8)	(1.8)	-	(3.6)
Other Improvements	(517.7)	(32.5)	-	(550.2)
Equipment	(150.0)	(14.7)	10.4	(154.3)
Right to use Lease Assets - Equipment	(0.1)	(0.1)	-	(0.2)
Intangible Assets	(18.5)	(1.8)	-	(20.3)
Infrastructure	(2,356.8)	(97.4)	1.5	(2,452.7)
Total accumulated depreciation	(5,365.5)	(269.8)	20.4	(5,614.9)
Total capital assets being depreciated, net	4,038.0	(89.4)	(1.2)	3,947.4
Business-type activities capital assets, net	5,295.0	355.6	(161.4)	5,489.2

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

(Amounts in Millions of USD)

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
Economic Development	2.0	Water and Sewer	148.3
Transportation:		Aviation	121.5
Streets & Highways	57.0	Total Business Type Activities	269.8
Mass Transit	4.0		
Judiciary and Law Enforcement:			
Police	15.0		
Prisons	5.0		
Courts	1.0		
Conservation of Health:			
Health Services	4.0		
Cultural and Recreational:			
Recreation	14.0		
Parks	12.0		
Libraries and Museums	6.0		
Improvements to General Welfare:			
Social Services	2.0		
Inspections and Demolitions	1.0		
Service to Property:			
Fire	14.0		
General Management & Support	86.1		
Total Governmental Activities	223.1		

B. DISCRETELY PRESENTED COMPONENT UNITS

The following schedule reflects the combined activity in capital assets for the discretely presented component units for the fiscal year ended June 30, 2023:

(Amounts in Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	130.6	11.7	-	-	142.3
Construction In Progress	342.6	192.8	-	(55.1)	480.3
Development In Progress	31.3	-	-	-	31.3
Total capital assets not being depreciated	<u>504.5</u>	<u>204.5</u>	<u>-</u>	<u>(55.1)</u>	<u>653.9</u>
<u>Capital assets being depreciated:</u>					
Buildings	1,845.4	5.4	-	12.1	1,862.9
Right to Use-Buildings	4.4	1.2	(0.9)	-	4.7
Other Improvements	1,759.8	5.3	-	43.0	1,808.1
Intangible Assets (1)	89.7	1.6	(0.2)	-	91.1
Personal Property	117.8	12.5	(4.3)	-	126.0
Right to Use - Personal Property	16.5	5.1	(6.5)	-	15.1
Subscription Assets (2)	67.0	3.8	-	-	70.8
Total capital assets - Depreciated	<u>3,900.6</u>	<u>34.9</u>	<u>(11.9)</u>	<u>55.1</u>	<u>3,978.7</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(831.8)	(30.4)	-	-	(862.2)
Right to Use-Buildings	(1.7)	(1.3)	0.9	-	(2.1)
Other Improvements	(1,077.3)	(56.0)	-	-	(1,133.3)
Intangible Assets	(76.4)	(2.6)	0.1	-	(78.9)
Personal Property	(74.1)	(11.7)	4.0	-	(81.8)
Right to Use - Personal Property	(9.0)	(1.1)	6.5	-	(3.6)
Subscription Assets (2)	(27.8)	(9.7)	-	-	(37.5)
Total accumulated depreciation	<u>(2,098.1)</u>	<u>(112.8)</u>	<u>11.5</u>	<u>-</u>	<u>(2,199.4)</u>
Total capital assets being depreciated, net	<u>1,802.5</u>	<u>(77.9)</u>	<u>(0.4)</u>	<u>55.1</u>	<u>1,779.3</u>
 Governmental Activity - Capital Assets, Net	 <u>2,307.0</u>	 <u>126.6</u>	 <u>(0.4)</u>	 <u>-</u>	 <u>2,433.2</u>

- (1) The beginning balance for Intangible Assets was adjusted by (\$3.4) million to reflect Prior period adjustments. SDP determined assets did not meet criteria under GASB 51 to be capitalized.
- (2) The beginning balance for Subscription Assets was adjusted by \$67.0 million and Accumulated Depreciation – Subscription Assets by (\$27.8) million due to implementation of GASB 96.

(Amounts in Millions of USD)

Business-type Activities:	Beginning Balance	Adjustment	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>					
Land	102.2	-	9.1	(0.3)	111.0
Fine Arts	0.9	-	-	-	0.9
Construction In Progress	294.4	-	210.5	(171.0)	333.9
Total capital assets not being depreciated	<u>397.5</u>	<u>-</u>	<u>219.6</u>	<u>(171.3)</u>	<u>445.8</u>
<u>Capital assets being depreciated:</u>					
Buildings	2,809.8	-	96.5	(39.5)	2,866.8
Other Improvements (1)	81.0	(3.4)	6.5	-	84.1
Equipment (1)	661.8	(41.2)	31.7	(34.3)	618.0
Infrastructure	2,368.9	-	106.1	(1.9)	2,473.1
Lease Assets (1)	1.5	44.6	163.0	(0.9)	208.2
Subscription Assets (2)	-	13.5	0.6	(0.9)	13.2
Total capital assets being depreciated	<u>5,923.0</u>	<u>13.5</u>	<u>404.4</u>	<u>(77.5)</u>	<u>6,263.4</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(1,612.4)	-	(62.5)	10.9	(1,664.0)
Other Improvements	(34.5)	-	(3.4)	-	(37.9)
Equipment (1)	(299.6)	29.6	(19.3)	21.9	(267.4)
Infrastructure	(1,109.3)	-	(49.0)	1.3	(1,157.0)
Lease Assets (1)	(1.2)	(29.6)	(10.4)	1.0	(40.2)
Subscription Assets (2)	-	(4.1)	(2.9)	0.9	(6.1)
Total accumulated depreciation	<u>(3,057.0)</u>	<u>(4.1)</u>	<u>(147.5)</u>	<u>36.0</u>	<u>(3,172.6)</u>
Total capital assets being depreciated, net	<u>2,866.0</u>	<u>9.4</u>	<u>256.9</u>	<u>(41.5)</u>	<u>3,090.8</u>
Capital assets, net	<u>3,263.5</u>	<u>9.4</u>	<u>476.5</u>	<u>(212.8)</u>	<u>3,536.6</u>

- (1) CCP and PAID re-classed their beginning balances for Other Improvements and Equipment, including accumulated depreciation, as Lease Assets.
- (2) CCP and PGW adjusted their beginning balance for Subscription Assets and Accumulated Depreciation – Subscription Assets due to implementation of GASB 96.

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 enables projects to be financed on an as-needed basis; lower the Airport's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until long-term bonds are issued to refund the outstanding commercial paper. There were \$165.3 million in notes outstanding at June 30, 2023.

The Water Fund established a commercial paper (CP) program, which closed on July 29, 2021, in the amount of \$250 million, and expanded to \$400 million on July 28, 2022 to provide funding for capital projects. CP is a short-term financing tool with a maximum maturity of 270 days. The Philadelphia Water Department's CP Program is primarily used to provide up-front cash to take advantage of below market rate of federal and state loan programs that work on a reimbursement basis. The CP Program enables projects to be financed on an as-needed basis; lower the Department's cost of borrowing, as amounts drawn can be closely matched to capital cash flow requirements; and limit negative arbitrage during the construction period for projects. CP Notes will be "rolled over" until loan reimbursements are received from the federal and state programs to pay off the outstanding commercial paper, or long-term bonds are issued to refund the outstanding commercial paper. There were \$36.3 million notes outstanding at June 30, 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Airport Commercial Paper Notes	\$ 125,343,000	\$ 40,000,000	\$ -	\$ 165,343,000
Water Commercial Paper Notes	\$ 3,000,000	\$ 63,000,000	\$ 29,660,000	\$ 36,340,000

Pursuant to a contract between the City and the United States Department of Housing and Urban Development (HUD), the City borrows funds through the HUD Section 108 loan program for the purpose of establishing loan pools to finance qualifying businesses and specific development projects. These funds are placed in custodial accounts established by the Philadelphia Industrial Development Corporation (PIDC), as designee of the City, and are being administered on behalf of the City by PIDC. While the City is the primary borrower, PIDC, acting as the City's designee, makes the repayments on the City's HUD Section 108 Notes Payable. Loan repayments and investment proceeds from un-loaned funds are used to repay the Notes Payable. If there is a deficiency in these resources, the City authorizes PIDC to use Community Development Block Grant (CDBG) program income funds on hand at PIDC to repay the Notes Payable. From fiscal year 2006 through 2023, \$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, 2023, HUD had disbursed \$150.0 million in loans to PIDC and the amount of outstanding HUD Section 108 Notes Payable was \$47.5 million. In connection with this Notes Payable, a corresponding receivable due from PIDC has been recorded under Other Assets on the Governmental Activities Statement of Net Position.

Scheduled repayments of the HUD Section 108 Notes Payable for the next five years and thereafter as of June 30, 2023 are as follows:

HUD Section 108 Notes Payable, 5 Years and Thereafter

Fiscal Year Ending June 30,

2024	\$ 5,409,000
2025	3,635,000
2026	3,778,000
2027	4,073,000
2028	4,227,000
Thereafter	<u>26,385,000</u>
Total	<u>\$ 47,507,000</u>

PGW, Pursuant to the provisions of the City of Philadelphia Note Ordinances, PGW may issue short-term notes to either support working capital requirements or pay the costs of certain capital projects and other project costs. PGW may issue short-term notes in a principal amount, which, together with interest, may not exceed \$150.0 million outstanding to support working capital requirements. PGW may also sell additional short-term notes in an aggregate principal amount, which may not exceed \$120.0 million outstanding at any time to pay the costs of certain capital projects and other project costs. All notes are supported by a Note Purchase and Credit Agreement and a security interest in PGW's revenues. 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 2023 and FY 2022. The commitment amount is \$120.0 million under the current credit agreement. The expiration date of the credit agreements is June 16, 2026. There were no Gas Works Revenue Capital Project Commercial Paper Notes (Capital Project Notes) or Gas Works Revenue Notes outstanding at August 31, 2023 and 2022.

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 matured September 1, 2021, as a result of an extension. During the year ended March 31, 2022, the note payable was fully refunded with the issuance of the series 2021B Revenue Bonds.

On January 29, 2015, The Authority borrowed \$15,000,000 for the Philadelphia Airport Parking Garage in anticipation of a future bond financing. The structure of the loan is a tax-exempt bond anticipation note to be paid over a two-year period at a fixed interest rate of 3.07% and matures September 1, 2021, as a result of an extension. During the year ended March 31, 2022, the note payable was fully refunded with the issuance of the series 2021B Revenue Bonds.

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, 2023, the statutory limit for the City is \$16.2 billion, the General Obligation Debt, net of deductions authorized by law, is \$2.4 billion; leaving a legal debt borrowing capacity of \$13.8 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 (Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable - General Obligation Bonds					
Term Bonds	28.6	-	-	28.6	-
Refunding Bonds	913.7	-	(72.4)	841.3	75.5
Serial Bonds	898.9	-	(36.1)	862.8	37.9
Add: Bond Premium	175.3	-	(24.5)	150.8	-
Total Bonds Payable - General Obligation Bonds	2,016.5	-	(133.0)	1,883.5	113.4
Bonds Payable - Blended Component Units					
Term Bonds - PMA	137.6	-	(5.7)	131.9	5.9
Term Bonds - PICA	10.8	-	(10.8)	-	-
Add: Bond Premium	1.5	-	(0.8)	0.7	-
Total Bonds Payable - Blended Component Units	149.9	-	(17.3)	132.6	5.9
Total Bonds Payable	2,166.4	-	(150.3)	2,016.1	119.3
Obligations Under Lease & Service Agreements					
Pension Service Agreement	961.3	6.7	(94.7)	873.3	111.5
Sports Stadium	184.0	-	(16.9)	167.1	17.7
Neighborhood Transformation	124.4	24.6	(36.9)	112.1	11.2
Cultural Corridor	66.4	-	(5.3)	61.1	5.5
Central Library	2.3	-	(0.7)	1.6	0.8
Affordable Housing Preservation	45.4	-	(2.0)	43.4	2.2
Home Repair	35.8	-	(1.5)	34.3	1.5
Rebuild Project	70.5	-	(3.2)	67.3	3.4
Museum of Art	8.9	-	(0.4)	8.5	0.4
One Parkway	16.6	-	(3.0)	13.6	3.2
Neighborhood Preservation	98.6	99.5	(3.7)	194.4	4.3
Add: Bond Premium	47.5	2.5	(11.2)	38.8	-
Total Obligations Under Lease & Service Agreements	1,661.7	133.3	(179.5)	1,615.5	161.7
Other Long-term Liabilities					
Legal Claims	117.2	26.7	(68.9)	75.0	-
Worker's Compensation Claims	270.6	89.0	(88.1)	271.5	-
Medical Claims	26.6	111.2	(113.7)	24.1	24.1
Termination Compensation Payable - Vacation Leave	282.8	36.3	(28.3)	290.8	29.1
Termination Compensation Payable - Sick Leave	312.6	32.7	(31.3)	314.0	31.4
Leases	580.6	62.8	(32.4)	611.0	33.5
Subscriptions*	2.9	-	(0.6)	2.3	0.5
Total Other Long-term Liabilities	1,593.3	358.7	(363.3)	1,588.7	118.6
Total Bonds Payable, Obligations Under Lease & Svc Agreements, and OLTL	5,421.4	492.0	(693.1)	5,220.3	399.6
Net Pension and OPEB Liability					
Net Pension Liability	4,806.2	46.3	(563.5)	4,289.0	-
OPEB Liability	1,918.5	-	(330.4)	1,588.1	-
Total Net Pension and OPEB Liability	6,724.7	46.3	(893.9)	5,877.1	-
Governmental Activity Long-term Liabilities	12,146.1	538.3	(1,587.0)	11,097.4	399.6

*With the implementation of GASB 96 in the current fiscal year, it was required to restate the prior fiscal year ending balance for the subscription liabilities.

In addition, **PMA**, a blended component unit of the City, has debt that is classified on its balance sheet as General Obligation debt payable. **PICA** did not have any outstanding debt at fiscal year ended on June 30, 2023. The following schedule summarizes the General Obligation Bonds outstanding for the City and PMA:

(Amounts in Millions of USD)

	Interest Rates				Principal	Due Dates		
	Governmental Funds:							
City	0.482 %	to	5.000 %	1,732.7	Fiscal	2024	to	2042
PMA	3.250 %	to	5.087 %	131.9	Fiscal	2024	to	2044
				<u>1,864.6</u>				

- The City has General Obligation Bonds authorized and unissued at year-end of \$690.4 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts in Millions of USD)

Fiscal Year	City Fund		Blended Component Units	
	General Fund		PMA	
	Principal	Interest	Principal	Interest
2024	113.4	75.2	5.9	6.1
2025	118.6	69.7	6.2	5.8
2026	116.6	64.3	6.5	5.5
2027	121.8	58.7	6.9	5.2
2028	127.9	53.0	7.2	4.9
2029-2033	586.9	188.1	29.4	20.6
2034-2038	404.5	77.5	42.1	12.3
2039-2043	143.0	12.3	23.8	3.4
2044-2048	-	-	3.9	0.2
Totals	<u>1,732.7</u>	<u>598.8</u>	<u>131.9</u>	<u>64.0</u>

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

(Amounts in Millions of USD)

Fiscal Year	Pension Service Agreement		Sports Stadium		Neighborhood Transformation		Cultural Corridors	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2024	109.8	42.4	17.7	7.4	11.2	5.5	5.5
2025	110.3	41.9	18.5	6.6	11.6	5.0	5.8	2.6
2026	113.4	38.7	19.4	5.7	12.2	4.5	6.1	2.4
2027	121.9	31.4	20.3	4.7	13.9	3.9	6.4	2.0
2028	129.1	24.3	21.2	3.8	14.6	3.2	6.7	1.7
2029-2033	231.4	17.4	70.0	5.0	48.6	4.8	30.6	3.2
2034-2038	57.4	3.0	-	-	-	-	-	-
Totals	<u>873.3</u>	<u>199.1</u>	<u>167.1</u>	<u>33.2</u>	<u>112.1</u>	<u>26.9</u>	<u>61.1</u>	<u>14.8</u>

(Amounts in Millions of USD)

Fiscal Year	Central Library		Affordable Housing		Home Repair		Rebuild Project	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0.8	0.1	2.2	2.1	1.5	1.5	3.4	3.4
2025	0.8	-	2.3	2.0	1.6	1.4	3.6	3.2
2026	-	-	2.4	1.9	1.7	1.4	3.8	3.0
2027	-	-	2.6	1.8	1.7	1.3	4.0	2.8
2028	-	-	2.7	1.6	1.8	1.2	4.2	2.6
2029-2033	-	-	12.2	6.6	10.2	4.9	18.9	10.7
2034-2038	-	-	19.0	2.5	12.9	2.2	29.4	4.6
2039-2043	-	-	-	-	2.9	0.1	-	-
Totals	1.6	0.1	43.4	18.5	34.3	14.0	67.3	30.3

(Amounts in Millions of USD)

Fiscal Year	Museum of Art		One Parkway		Neighborhood Preservation	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	0.4	0.4	3.2	0.7	4.3	6.6
2025	0.4	0.4	3.3	0.5	7.5	7.7
2026	0.4	0.4	3.5	0.3	7.7	7.4
2027	0.5	0.4	3.6	0.2	8.0	7.2
2028	0.5	0.3	-	-	8.2	7.0
2029-2033	2.8	1.3	-	-	36.1	31.2
2034-2038	3.5	0.6	-	-	54.3	21.2
2039-2043	-	-	-	-	60.2	8.4
2044-2048	-	-	-	-	8.1	0.2
Totals	8.5	3.8	13.6	1.7	194.4	96.9

Pension Service Agreement

In Fiscal 1999, PAID issued Pension Funding Bonds Series 1999 in the amount of \$1.3 billion. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of PAID. The City entered into a Service Agreement with PAID agreeing to make yearly payments equal to the debt service on the bonds. PAID assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB 91, PAID treats this as conduit debt and does not include conduit debt transactions in its financial statements.

In December 2012, PAID issued the City Service Agreement Refunding Revenue Bonds Series 2012 in the amount of \$299.8 million. The proceeds of the bonds were used to finance the current refunding of certain maturities of the Pension Funding Bonds Series 1999B, fund interest on the Series 2012 bonds, make a deposit to the City Retirement System, and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.664% to 3.964% and is payable on April 15 and October 15 each year until maturity in 2026.

In March 2021, PAID issued City Service Agreement Revenue Refunding Bonds Series 2021 in the amount of \$137.0 million. The proceeds of the bonds were used to finance the refunding of certain maturities of the Pension Funding Bonds Series 1999B, certain maturities of the City Service Agreement Refunding Revenue Bonds Series 2012, fund interest on the Series 2021 bonds, and pay the cost of issuance related to the bonds. Interest on the bonds range from 0.939% to 3.180% and is payable on April 15 and October 15 each year until maturity in 2035. The fiscal year 2023 Pension Service Agreement liability of \$873.3 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Sports Stadium Financing Agreement

In October 2007, PAID issued Lease Revenue Refunding Bonds Series 2007B in the amount of \$234.3 million. The proceeds of the bonds were used to finance the advanced refunding of the Sports Stadium Lease Revenue

Bonds Series 2001B and pay the cost of issuance related to the bonds. Interest on the bonds is payable monthly until maturity in 2030.

In September 2019, **PAID** issued Lease Revenue Refunding Bonds Series 2019 in the amount of \$147.6 million. The proceeds of the bonds, together with other available funds, were used to finance the refunding of the Sports Stadium Lease Revenue Refunding Bonds Series 2007B-3 and 2014A, pay certain costs of terminating swap agreements, and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 1 and October 1 each year until maturity in 2030. The fiscal year 2023 Sports Stadium Service Agreement liability of \$167.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Neighborhood Transformation Initiative

In April 2015, **PRA** issued City Service Agreement Revenue Refunding Bonds Series 2015A&B in the amount of \$111.5 million. The proceeds of the bonds, together with other available funds, were used to finance the current refunding of the City of Philadelphia Neighborhood Transformation Initiative (NTI) Revenue Refunding Bonds Series 2005B&C and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 15 and October 15 each year until maturity in 2031.

In May 2023, **PRA** issued City Service Agreement Revenue Refunding Bonds Series 2023C in the amount of \$24.6 million. The proceeds of the bonds, together with other available funds, were used to finance the current refunding of the City of Philadelphia Neighborhood Transformation Initiative Revenue Refunding Bonds Series 2012 and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on April 15 and October 15 each year until maturity in 2026. The fiscal year 2023 NTI Service Agreement liability of \$112.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Cultural and Commercial Corridors Program

In February 2016, **PAID** issued City Agreement Revenue Refunding Bonds Series 2016A in the amount of \$89.2 million. The proceeds of the bonds were used to finance the advanced refunding of the Cultural and Commercial Corridors Program Revenue Bonds Series 2006A and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.000% to 5.000% and is payable on June 1 and December 1 each year until maturity in 2031. The fiscal year 2023 Cultural and Commercial Corridors Program Service Agreement liability of \$61.1 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Central Library Project

In February 2016, **PAID** issued City Agreement Revenue Refunding Bonds Series 2016B in the amount of \$6.2 million. The proceeds of the bonds were used to finance the current refunding of the Central Library Project Lease Revenue Bonds Series 2005 and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.000% to 4.000% and is payable on June 1 and December 1 each year until maturity in 2024. The fiscal year 2023 Central Library Project Service Agreement liability of \$1.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Affordable Housing Preservation Programs Project

In August 2017, **PAID** issued City Service Agreement Revenue Bonds Series 2017 in the amount of \$52.9 million. The proceeds of the bonds were used to finance certain costs of the Affordable Housing Preservation Programs Project and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.000% to 5.000% and is payable on June 1 and December 1 each year until maturity in 2037. The fiscal year 2023 Affordable Housing Preservation Programs Project Service Agreement liability of \$43.4 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Home Repair Program

In October 2018, **PRA** issued City Service Agreement Revenue Bonds Series 2018 in the amount of \$40.0 million. The proceeds of the bonds were used to finance certain costs of the Home Repair Program and pay the cost of issuance related to the bonds. Interest on the bonds range from 3.171% to 4.634% and is payable on May 1 and November 1 each year until maturity in 2038. The fiscal year 2023 Home Repair Service Agreement liability of \$34.3 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Rebuild Project

In November 2018, **PAID** issued City Service Agreement Revenue Bonds Series 2018 in the amount of \$79.5 million. The proceeds of the bonds were used to finance certain costs of the Rebuild Project and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on May 1 and November 1 each year until maturity in 2038. The fiscal year 2023 Rebuild Project Service Agreement liability of \$67.3 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Museum of Art Energy Savings Project

In April 2018, **PAID** issued City Agreement Revenue Bonds Series 2018A in the amount of \$10.3 million. The proceeds of the bonds were used to finance certain costs of the Museum of Art Energy Savings Project and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on February 15 and August 15 each year until maturity in 2038. The fiscal year 2023 Museum of Art Energy Savings Project Service Agreement liability of \$8.5 million is reflected in the City's financial statements as Other Long-Term Liabilities.

One Benjamin Franklin Parkway Project

In April 2018, **PAID** issued City Agreement Revenue Refunding Bonds Series 2018B in the amount of \$27.6 million. The proceeds of the bonds were used to finance the refunding of the One Benjamin Franklin Parkway Project Lease Revenue Refunding Bonds Series 2007C and pay the cost of issuance related to the bonds. Interest on the bonds is 5.000% and is payable on February 15 and August 15 each year until maturity in 2027. The fiscal year 2023 One Benjamin Franklin Parkway Project Service Agreement liability of \$13.6 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Neighborhood Preservation Initiative

In October 2021, **PRA** issued City Service Agreement Revenue Bonds Series 2021A&B in the amount of \$98.6 million. The proceeds of the bonds were used to finance certain costs of the Neighborhood Preservation Initiative (NPI) and pay the cost of issuance related to the bonds. Interest on the bonds range from 0.468% to 5.000% and is payable on March 1 and September 1 each year until maturity in 2041.

In May 2023, **PRA** issued City Service Agreement Revenue Bonds Series 2023A&B in the amount of \$99.5 million. The proceeds of the bonds were used to finance certain costs of the Neighborhood Preservation Initiative and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.719% to 5.590% and is payable on March 1 and September 1 each year until maturity in 2043. The fiscal year 2023 NPI Service Agreement liability of \$194.4 million is reflected in the City's financial statements as Other Long-Term Liabilities.

Net Pension Liability

Net Pension Liabilities at June 30, 2023 were \$4.3 billion and \$515.6 million for the Governmental and Business Type Activities, respectively. During FY 2023, Governmental and Business Type Net Pension Liabilities decreased overall by \$517.2 million and \$64.6 million, respectively.

(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			Ending	
	Balance	Additions	Reductions	Balance	Due Within One Year
Bonds Payable					
Revenue Bonds	3,867.3	352.8	(139.6)	4,080.5	138.4
Notes from Direct Placement & Direct Borrowing	115.5	-	(2.6)	112.9	2.7
Add: Bond Premium	440.3	43.7	(39.7)	444.3	-
Total Bonds Payable	4,423.1	396.5	(181.9)	4,637.7	141.1
Other Long Term Liabilities					
Legal Claims	4.8	12.3	(7.7)	9.4	-
Worker's Compensation Claims	30.1	7.3	(7.2)	30.2	-
Termination Compensation Payable - Vacation Leave	26.5	3.0	(2.7)	26.8	2.7
Termination Compensation Payable - Sick Leave	17.5	1.9	(1.7)	17.7	1.8
Arbitrage	-	2.4	-	2.4	-
Leases	29.0	-	(1.9)	27.1	1.9
Total Other Long Term Liabilities	107.9	26.9	(21.2)	113.6	6.4
Total Bonds Payable & Other Long Term Liabilities	4,531.0	423.4	(203.1)	4,751.3	147.5
Net Pension and OPEB Liability					
Net Pension Liability	580.2	5.6	(70.2)	515.6	-
Net OPEB Liability	238.2	-	(41.3)	196.9	-
Total Net Pension and OPEB Liability	818.4	5.6	(111.5)	712.5	-
Business-Type Activity Long-term Liabilities	5,349.4	429.0	(314.6)	5,463.8	147.5

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

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

(Amounts in Millions of USD)

	<u>Interest Rates</u>		<u>Principal</u>		<u>Due Dates</u>			
Water Fund	0.447 %	to	5.500 %	2,700.6	Fiscal	2024	to	2055
Aviation Fund	1.513 %	to	5.000 %	1,492.8	Fiscal	2024	to	2052
Total Revenue Debt Payable				4,193.4				

- In August 2022, the City issued \$294.8 million of Water and Wastewater Revenue Bonds Series 2022C. The total proceeds were \$338.5 million (which includes a premium of \$43.7 million). The proceeds of the bonds were used to finance capital improvements to the City's Water and Wastewater Systems, a deposit to the Debt Reserve Account of the Sinking Fund and pay the cost of issuance related to the bonds. Interest on the bonds ranges from 5.000% to 5.500%.
- The City of Philadelphia - Water Department received approval from the Pennsylvania Infrastructure Investment Authority (PENNVEST) for the funding of sewer, storm water and drinking water projects totaling \$476.4 million. During fiscal year 2023, PENNVEST drawdowns totaled \$58.0 million. The funding is through low interest loans of 1.000% during the construction period and for the first five years of amortization (interest only payment is due during the construction period up to three years) and 1.727% to 2.107% for the remaining years. Individual loan information is as follows:

(Amounts in Millions of USD)

<u>Date</u>	<u>Series</u>	<u>Maximum Loan Amount</u>	<u>Amount Received Through 6/30/2023</u>	<u>Current Balance Outstanding 6/30/2023</u>	<u>Purpose</u>
Oct 2009	2009B	42.9	31.2	13.3	Water Plant Improvements
Oct 2009	2009C	57.3	49.2	22.7	Water Main Replacements
Mar 2010	2009D	84.8	75.7	35.0	Sewer Projects
Jul 2010	2010B	30.0	30.0	16.8	Green Infrastructure Project
Apr 2021	2021A	80.8	24.7	24.7	Torresdale Pump Station
Nov 2021	2021D	5.8	4.3	4.3	Lawncrest SW Stormwater
Apr 2022	2022A	16.3	7.1	7.1	Flat Rock Dam Manayunk Canal
Jul 2022	2022B	35.9	15.8	15.7	Linear Assets Line Replacement
Sep 2022	2022D	106.9	13.8	13.8	Pretreatment Facility
Oct 2022	2022E	8.2	4.0	4.0	GSI Packer Park
Oct 2022	2022F	7.5	0.8	0.8	GSI Saunders Park
Totals		476.4	256.6	158.2	

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

(Amounts in Millions of USD)

Fiscal Year	Water Fund		Aviation Fund		Notes from Direct Placement	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	83.8	115.2	54.6	64.1	2.7	1.7
2025	88.4	111.5	82.7	61.1	2.8	1.6
2026	98.9	107.6	77.6	57.2	2.9	1.6
2027	104.6	103.6	82.5	53.2	3.1	1.5
2028	89.0	99.8	86.7	49.0	3.2	1.5
2029-2033	411.6	452.8	270.6	196.9	17.9	6.7
2034-2038	416.2	365.6	248.2	137.9	21.7	5.1
2039-2043	503.9	268.7	197.9	86.5	26.4	3.3
2044-2048	461.9	159.9	222.9	40.3	32.2	1.0
2049-2053	383.0	60.9	56.2	5.1	-	-
2054-2058	59.3	2.5	-	-	-	-
Totals	2,700.6	1,848.1	1,379.9	751.3	112.9	24.0

(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)

Governmental Funds:	
General Obligation Bonds	116.7
Enterprise Funds:	
Water Fund Revenue Bonds	315.8
	<u>432.5</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 may borrow funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City did not borrow Tax Revenue Anticipation Notes in Fiscal Year 2023. 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, 2023, the City had an arbitrage liability of \$2.4 million attributable to the Water Fund.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding as of June 30, 2023, classified by type, and the changes in fair value of such derivatives are as follows:

(Amounts in thousands)

Governmental Activities	Changes in Fair Value		Fair Value at June 30, 2023		
	Classification	Amount	Classification	Amount	Notional
Cash Flow Hedges:					
Pay fixed interest rate sw aps	Deferred Outflow	(4,327)	Debt	(5,111)	100,000
	Deferred Outflow	(1,632)	Debt	(1,400)	39,139
	Deferred Outflow	(544)	Debt	(466)	13,041
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate sw aps	Deferred Outflow	(465)	Debt	665	31,200

The following table displays the objective and terms of the City's hedging derivative instruments outstanding on June 30, 2023, along with the credit rating of the associated counterparty.

City Entity:	City GO	Airport
Related Bond Series	2009B ⁽¹⁾	2005C Refunding
Initial Notional Amount	\$313,505,000	\$189,500,000
Current Notional Amount	\$100,000,000	\$31,200,000
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	3.829%	Multiple Fixed Rates
Dealer	Royal Bank of Canada	JP Morgan Chase Bank, N.A.
Dealer Rating (M/S)	Aa2/AA-	Aa2/A+
Fair Value ⁽³⁾	(\$5,111,018)	\$665,429

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 Royal Bank of Canada (RBC).

Terms: The swap was originally executed with RBC, commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of \$ 313.5 million). The swap confirmation was amended and restated effective August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2023, 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, 2023, the swap had a negative fair value of \$5.111 million. A negative value (mark-to-market) means that the City would owe a payment if the swap is terminated. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2023, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to

counterparty credit risk in the amount of the swap's mark-to-market value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2023, the rates were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to RBC under swap	Fixed	3.82900%
Variable rate payment from RBC under swap	SIFMA	-3.48967%
Net interest rate swap payments		0.33933%
Variable rate bond coupon payments	Weekly reset	3.95000%
Synthetic interest rate on bonds		4.28933%

Swap payments and associated debt: As of June 30, 2023, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the above current interest rates remain the same, were as follows:

<u>Fiscal Year</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	<u>Total Interest</u>
<u>June 30</u>				
2024	-	3,950,000	339,330	4,289,330
2025	-	3,950,000	339,330	4,289,330
2026	-	3,950,000	339,330	4,289,330
2027	-	3,950,000	339,330	4,289,330
2028	30,535,000	3,950,000	339,330	4,289,330
2029-2033	<u>69,465,000</u>	<u>6,996,240</u>	<u>601,021</u>	<u>7,597,261</u>
Total:	<u>100,000,000</u>	<u>26,746,240</u>	<u>2,297,671</u>	<u>29,043,911</u>

b. Philadelphia Airport Swap

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

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

As of June 30, 2023, the swap had a notional amount of \$31.2 million and the associated variable-rate bonds had a \$31.2 million principal amount. The bonds' variable-rate coupons are based on SIFMA-based index. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2023, the swap had a fair value of \$0.665 million. A positive value (mark-to-market) means that the City would be owed a payment if the swap is terminated. The fair value reflects the effect of non-performance risk, which includes credit risk. The fair value of the swap was measured using the income approach and is categorized within Level 2 of the fair value hierarchy.

Risk: As of June 30, 2023, the Airport was exposed to counterparty credit risk in the amount of the swap's mark-to-market value. Because the bonds and swap both reset at a rate linked to SIFMA, the Airport is not subject to basis risk. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2.

As of June 30, 2023, the rates were:

<u>Terms</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed	2.29270%
Variable rate payment from JP Morgan under swap	SIFMA	-3.17097%
Net interest rate swap payments		-0.87827%
Variable rate bond coupon payments	Weekly resets	4.31000%
Synthetic interest rate on bonds		3.43173%

Swap payments and associated debt: As of June 30, 2023, 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>	
2024	15,400,000	1,344,720	(378,432)	966,288
2025	15,800,000	680,980	(239,723)	441,257
Total:	<u>31,200,000</u>	<u>2,025,700</u>	<u>(618,154.82)</u>	<u>1,407,545</u>

c. Philadelphia Authority for Industrial Development (PAID) 2007B Swaps

City Entity:	City Lease PAID	City Lease PAID
Related Bond Series	2007B-2 (Stadium) ⁽¹⁾	2007B-2 (Stadium) ⁽²⁾
Initial Notional Amount	\$217,275,000	\$72,400,000
Current Notional Amount	\$39,138,863	\$13,041,137
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	3.971%	3.971%
Dealer	JPMorgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Dealer Rating	Aa2/A+	A2/A-
Fair Value ⁽³⁾	(\$1,399,985)	(\$466,517)

1. July 15, 2014, PAID terminated a portion of the swap in the amount of \$41,555,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$4,171,000 to JPMorgan. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$33,455,654 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$6,051,000 to JPMorgan.
2. On July 15, 2014, PAID terminated a portion of the swap in the amount of \$13,840,000 in conjunction with the refunding of its Series 2007B bonds with the Series 2014B fixed rate bonds. PAID made a termination payment of \$1,391,800 to Merrill Lynch. On September 11, 2019, PAID terminated a portion of the swap in the amount of \$11,149,346 in conjunction with the refunding of a portion of its Series 2007B bonds with the Series 2019 bonds. PAID made a termination payment of \$1,998,000 to Merrill Lynch.
3. Fair values are shown from the City's perspective and include accrued interest.

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

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

In May 2014, PAID fully refunded the 2007B-1 bonds with the 2014A bonds, a directly purchased note. The 2014As pay interest on a LIBOR-linked index. Concurrently, the two swaps were amended such that the floating rate index on the portions allocable to the 2007B-1 bonds were converted from SIFMA to the same LIBOR-based index as the 2014A bonds. One of the LIBOR-based swaps, with a notional amount of \$87.96 million, was documented under a separate trade confirmation with JP Morgan Chase Bank. The other LIBOR-based swap, with a notional amount of \$29.31 million, was documented under a separate trade confirmation with Merrill Lynch Capital Services, Inc. Under the LIBOR-based swaps, PAID 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, 2023, the swaps together had a notional amount of \$52.180 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, 2023, the SIFMA-based swap with JP Morgan Chase Bank had a negative fair value of \$1.400 million, and the SIFMA-based swap with Merrill Lynch Capital Services, Inc. had a negative fair value of \$0.466 million. Negative values (mark-to-market) mean that the City would owe payments if the swaps are terminated. The fair values reflect the effect of non-performance risk, which includes credit risk. The fair values of the swaps were measured using the income approach and are categorized within Level 2 of the fair value hierarchy.

Risks: As of June 30, 2023, PAID was not exposed to counterparty credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, PAID would be exposed to counterparty credit risk in the amount of the swaps' mark-to-market value. The City is subject to traditional basis risk on the SIFMA-based swaps should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2023, the rates for the JPMorgan SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to JP Morgan under swap	Fixed	3.97130%
Variable rate payment from JP Morgan under swap	SIFMA	-3.52219%
Net interest rate swap payments		0.44911%
Variable rate bond coupon payments	Weekly resets	3.95000%
Synthetic interest rate on bonds		4.39911%

As of June 30, 2023, the rates for the Merrill Lynch SIFMA-based swap were:

<u>Term</u>	<u>Rates</u>	
Interest Rate Swap		
Fixed payment to MLCS under swap	Fixed	3.97130%
Variable rate payment from MLCS under swap	SIFMA	-3.48967%
Net interest rate swap payments		0.48163%
Variable rate bond coupon payments	Weekly resets	3.95000%
Synthetic interest rate on bonds		4.43163%

Swap payments and associated debt: As of June 30, 2023, 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:

JPMorgan

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2024	\$ 4,204,522	1,545,985	175,777	1,721,762
2025	4,384,136	1,379,906	156,894	1,536,800
2026	4,575,773	1,206,733	137,204	1,343,937
2027	4,770,773	1,025,990	116,654	1,142,644
2028	4,972,886	837,545	95,228	932,772
2029-2033	<u>16,230,773</u>	<u>1,300,021</u>	<u>147,811</u>	<u>1,447,832</u>
Total:	<u>39,138,863</u>	<u>7,296,181</u>	<u>829,566</u>	<u>8,125,747</u>

Merrill Lynch

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps Net</u>	
2024	\$ 1,400,478	515,125	62,810	577,935
2025	1,460,864	459,806	56,065	515,871
2026	1,524,227	402,102	49,029	451,131
2027	1,589,227	341,895	41,688	383,583
2028	1,657,114	279,120	34,034	313,154
2029-2033	<u>5,409,227</u>	<u>433,239</u>	<u>52,826</u>	<u>486,064</u>
Total:	<u>13,041,137</u>	<u>2,431,287</u>	<u>296,451</u>	<u>2,727,738</u>

B. COMPONENT UNIT LONG-TERM DEBT PAYABLE

(1) Governmental Debt Payable

The SDP has debt that is classified as General Obligation debt payable. The General Obligation Bonds outstanding at year-end total \$3,089.6 million in principal, with interest rates from 2.716% to 6.765% and have due dates from 2025 to 2047. The following schedule reflects the changes in long-term liabilities for the SDP:

LONG-TERM OBLIGATIONS (1)

(Dollars in Millions)

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental					
General Obligation Bonds	\$ 2,398.1	\$ -	\$ (171.4)	\$ 2,226.7	\$ 117.1
SPSBA-Lease Rental	890.0	-	(27.1)	862.9	49.6
Bond Premium					
General Obligation Bonds	173.5	-	(22.8)	150.7	20.0
SPSBA-Lease Rental	47.1	-	(6.8)	40.3	6.6
Unamortized Bond Discounts	(0.6)	-	0.0	(0.6)	-
Total Bonded Debt	3,508.1	-	(228.1)	3,280.0	193.3
Compensated Absences	202.7	24.6	(18.4)	208.9	14.6
Lease Obligations	10.6	6.0	(2.2)	14.4	5.1
SBITA Obligations (4)	40.7	3.8	(8.7)	35.8	8.9
Due to Other Governments					
-Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities (2)	113.0	36.8	(31.6)	118.2	38.8
Incurred but Not Received (IBNR) Payable (3)	24.9	-	(3.5)	21.4	21.4
OPEB Life Insurance Liability	20.1	0.6	(3.9)	16.8	-
PSERS OPEB Liability	185.2	-	(40.8)	144.4	-
PSERS Pension Liability	3,205.9	662.5	(389.3)	3,479.1	-
Governmental Activity-Long-Term Liabilities	\$ 7,356.5	\$ 734.3	\$ (726.5)	\$ 7,364.3	\$ 327.4
Business-Type Activities:					
Compensated Absences	2.0	-	(0.1)	1.9	-
Lease Obligations	-	0.7	-	0.7	0.1
PSERS OPEB Liability	3.0	-	(0.7)	2.3	-
PSERS Pension Liability	47.2	11.2	(6.6)	51.8	-
Business-Type Activity-Long-Term Liabilities	\$ 52.2	\$ 11.9	\$ (7.4)	\$ 56.7	\$ 0.1

Notes:

1. Long-term obligations include compensated absences, unemployment, workers' compensation and claims and judgments liabilities are accrued to the governmental funds to which the individual fund is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
2. Other liabilities reported on the financial statements under long-term obligations include workers' compensation, unemployment liabilities, claims & judgments, and arbitrage liabilities.
3. IBNR is included with the Self Insurance Health Care Internal Service Fund.
4. The beginning balance for SBITA Obligations was adjusted by \$40.7 million due to the implementation of GASB 96.

The **SDP** Debt service to maturity on general obligation bonds at June 30, 2023 is summarized as follows:
(Excludes debt issued through the State Public School Building Authority)

Governmental Activities
(Dollars in Thousands)

Year Ending June 30	Interest Rates	Principal	Interest	Total
2024	3.000 - 6.059	\$ 117,085	\$ 109,234	\$ 226,319
2025	3.000 - 6.209	114,015	103,464	217,479
2026	3.000 - 6.615	120,260	97,603	217,863
2027	3.000 - 6.615	114,330	92,102	206,432
2028	3.000 - 6.765	114,670	85,486	200,156
2029 -2033	3.000 - 6.765	584,940	327,167	912,107
2034- 2038	3.000 - 6.765	439,855	194,858	634,713
2039 - 2043	3.000 - 6.765	469,185	100,845	570,030
2044 - 2048	3.000 - 6.765	152,400	9,410	161,810
Total		\$ 2,226,740	\$ 1,120,169	\$ 3,346,909

Debt service to maturity on debt issued through the State Public School Building Authority on June 30, 2023, is summarized as follows:

<u>Governmental Activities</u> <i>(Dollars in Thousands)</i>				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2024	2.716 - 5.500	\$ 49,630	\$ 40,034	\$ 89,664
2025	2.754 - 5.500	52,580	37,928	90,508
2026	2.854 - 5.500	54,160	35,678	89,838
2027	2.966 - 5.500	65,955	33,342	99,297
2028	3.046 - 5.500	73,735	30,406	104,141
2029 -2033	3.096 - 5.500	520,065	94,089	614,154
2034- 2038	5.000	46,745	4,585	51,330
Total		<u>\$ 862,870</u>	<u>\$ 276,062</u>	<u>\$ 1,138,932</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>			
Entity	Interest Rates	Principal	Due Dates
PGW	2.00% to 5.00%	943,250	Fiscal 2028 to 2050
PPA	2.58% to 5.25%	30,064	Fiscal 2024 to 2029
CCP	2.00% to 5.00%	61,505	Fiscal 2024 to 2040
PHA	3.00% to 5.00%	26,715	Fiscal 2024 to 2047
Total Revenue Debt Payable		<u>1,061,534</u>	

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

<i>(Amounts in Millions of USD)</i>								
Fiscal Year	Philadelphia Gas Works †		Philadelphia Parking Authority		Community College of Philadelphia		Philadelphia Housing Authority ‡	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal *	Interest
2024	60.3	44.1	3.4	1.0	6.2	2.7	0.6	1.2
2025	56.5	41.2	3.4	0.9	6.5	2.4	0.6	1.2
2026	59.0	38.6	3.5	0.8	6.0	2.0	0.7	1.2
2027	59.9	35.9	3.6	0.6	6.3	1.7	0.7	1.1
2028	62.6	33.2	2.9	0.5	7.6	1.4	0.7	1.1
2029-2033	186.5	132.8	13.3	0.7	11.6	4.5	4.2	4.8
2034-2038	197.7	86.0	-	-	14.0	2.0	5.0	4.0
2039-2043	122.7	49.7	-	-	3.3	0.2	6.2	2.8
2044-2048	113.5	21.8	-	-	-	-	8.0	1.0
2049-2053	24.6	1.9	-	-	-	-	-	-
Totals	<u>943.3</u>	<u>485.2</u>	<u>30.1</u>	<u>4.5</u>	<u>61.5</u>	<u>16.9</u>	<u>26.7</u>	<u>18.4</u>

† - Gas Works amounts are presented as of its fiscal year ended August 31, 2023.

‡ - PHA amounts are presented as of March 31, 2023.

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

(3) Defeased Debt

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

(Amounts in Millions)

School District of Philadelphia	0.9
Total	<u>\$ 0.9</u>

As in prior years, **SDP** defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As of June 30, 2023, \$0.9 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities related to Sale of District property.

(4) Derivative Instruments

a. PGW Interest Rate Swap Agreement

Objective – In January 2006, the City entered into a fixed rate pay or floating rate receiver interest rate swap to create a synthetic fixed rate for the Sixth Series Bonds. The interest rate swap was used to hedge interest rate risk.

Terms – The swap had an original termination date of August 1, 2031, which was subsequently amended to August 1, 2028. The swaps require the City to pay a fixed rate of 3.6745% and receive a variable rate equal to 70.0% of one-month LIBOR until maturity.

In August 2016, the underlying variable rate bonds maturing in FY2017 through FY2023 were refunded with fixed rate bonds and the related portions of the swaps, totaling \$102.7 million in notional amount, were terminated. PGW made a termination payment of 13.9 million to fund this partial termination of the swaps which is included in unamortized loss on bond refunding on the Company’s balance sheet.

As of August 31, 2023, 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, 2023, the swaps had a combined negative fair value of approximately \$1.9 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, 2023, 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 of Philadelphia Gas Works Revenue Bonds falls below Baa2 or BBB (Moody’s/S&P). However, because the City’s swap payments are insured by

Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at A2/AA (Moody's/S&P).

The City is exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month SOFR plus 0.0801% received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month SOFR plus 0.0801% received on the swap.

The impact of the interest rate swaps on the financial statements as of and for the year ended August 31, 2023 is as follows (thousands of U.S. dollars):

	Interest Rate Swap Liability	Deferred outflows of resources	Deferred inflows of resources
Balance at August 31, 2022	(6,044)	-	(2,477)
Change in fair value through August 31, 2023	4,147	-	(4,147)
Amortization of terminated hedge	-	-	1,420
Balance at August 31, 2023	<u>(1,897)</u>	<u>-</u>	<u>(5,204)</u>

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

8. LEASES

A. CITY AS LESSEE

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City leases and subleases a significant amount of nonfinancial assets such as land, buildings, equipment and infrastructure. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and associated lease asset is recognized on the government-wide Statement of Net Position.

The City has a variety of variable payment clauses, within its lease arrangements, which include payments dependent on indexes and rates (such as the Consumer Price Index and a market interest rates), including variable payments based on future performance and usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. The City did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions.

The City also enters into lease arrangements with third parties in which the City is a sublessee.

As of June 30, 2023, the City had minimum principal and interest payment requirements for its leasing activities, with a remaining term more than one year, for its Governmental and Business-Type Activities as follows (in thousands):

Governmental Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2024	\$ 33,371	\$ 14,554	\$ 47,925
2025	31,842	13,823	45,665
2026	30,848	13,126	43,974
2027	41,667	12,374	54,041
2028	46,041	11,388	57,429
2029 - 2033	214,220	42,098	256,318
2034 - 2038	137,489	20,745	158,234
2039 - 2043	42,426	10,270	52,696
2044 - 2048	33,041	3,156	36,197
Total	<u>\$ 610,945</u>	<u>\$ 141,534</u>	<u>\$ 752,479</u>

Business-Type Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2024	\$ 1,899	\$ 558	\$ 2,457
2025	1,838	518	2,356
2026	1,719	480	2,199
2027	1,749	443	2,192
2028	1,835	405	2,240
2029 - 2033	8,769	1,402	10,171
2034 - 2038	1,033	932	1,965
2039 - 2043	1,149	816	1,965
2044 - 2048	1,277	687	1,964
2049 - 2053	1,421	543	1,964
2054 - 2058	1,580	384	1,964
2059 - 2063	1,758	206	1,964
2064 - 2066	1,032	31	1,063
Total	<u>\$ 27,059</u>	<u>\$ 7,405</u>	<u>\$ 34,464</u>

B. CITY AS LESSOR

Additionally, as the lessor, the City leases, and subleases City-owned properties such as buildings, land, terminal concessions, and advertising space. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. Revenue recognized under these lease contracts including interest during the year ended June 30, 2023 was \$3.6 and \$54.2 million, for the Governmental and Business-Type Activities, respectively. These amounts include variable payments not previously included in the measurement of the lease receivable.

The City's variable payments clause within its lease arrangements as the lessor, is similar to the arrangements made as lessee. The City did not incur revenue related to residual value guarantees or lease termination penalties. It also does not currently have agreements that include sale-leaseback and lease-leaseback transactions.

The following are schedules by year of minimum payments to be received under lease contracts that are included in the measurement of the lease receivable as of June 30, 2023 (in thousands):

Governmental Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2024	\$ 2,850	\$ 3,771	\$ 6,621
2025	3,081	3,680	6,761
2026	3,265	3,582	6,847
2027	3,347	3,481	6,828
2028	3,617	3,374	6,991
2029 - 2033	23,415	14,877	38,292
2034 - 2038	16,618	11,063	27,681
2039 - 2043	15,611	7,516	23,127
2044 - 2048	20,169	2,648	22,817
Total	<u>\$ 91,973</u>	<u>\$ 53,992</u>	<u>\$ 145,965</u>

Business-Type Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2024	\$ 31,249	\$ 4,189	\$ 35,438
2025	26,479	3,307	29,786
2026	22,306	2,594	24,900
2027	18,655	1,988	20,643
2028	15,452	1,473	16,925
2029 - 2033	20,683	4,005	24,688
2034 - 2038	8,043	2,488	10,531
2039 - 2043	8,039	1,298	9,337
2044 - 2048	4,409	267	4,676
2049 - 2053	287	17	304
2054	20	-	20
Total	<u>\$ 155,622</u>	<u>\$ 21,626</u>	<u>\$ 177,248</u>

As of June 30, 2023 the City reported lease receivable of \$92.0 million and \$155.6 million for its Governmental and Business-type Activities, respectively. The City also reported a deferred inflow of resources in the amount of \$108.0 million and \$158.0 million for its Governmental and Business-type Activities, respectively, at June 30, 2023.

C. REGULATED LEASES

The Aviation Department does not recognize a lease receivable or a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. Regulated leases include the following:

Airline Use Agreements:

On July 1, 2015, the Aviation Department entered into an Airport-Airline Use and Lease Agreements (Agreements) with 15 airlines operating at PHL. These Agreements while regulated by the FAA are not within the disclosures, since they expired on June 30, 2022 and are considered short term as defined in GASB 87.

Fixed Base Operators:

The Aviation Department has entered into a contract with Fixed Base Operator (FBO) for the lease of certain airport system property. This FBO is a commercial enterprise that provides aeronautical services such as fueling, aircraft parking and storage to general aviation operators, and are therefore considered to be regulated lease. The agreement is scheduled to expire in April 2028. Revenues for FBOs were \$4.5 million in Fiscal Year 2023.

Hangers Ground Rentals:

The Aviation Department has entered into several agreements for aircraft maintenance facilities, cargo facilities and ramps, buildings, and land, which are regulated and whose term extends beyond June 30, 2023. Revenue recognized for these leases was \$2.7 million in Fiscal Year 2023.

Other Regulated Leases:

The Aviation Department has entered into an agreement with an airline fueling consortium at PHL. As defined by GASB 87, fuel consortium agreements are considered regulated. Revenue recognized for this agreement was \$2.0 million in Fiscal Year 2023.

Expected future minimum lease payments from Regulated Leases at June 30, 2023 are as follows (in thousands):

Business-Type Activities	
Fiscal Year Ending	Future Minimum Expected Receipts
June 30	
2024	\$ 5,498
2025	5,518
2026	5,449
2027	5,442
2028	5,047
2029 - 2033	14,550
2034 - 2038	11,623
2039 - 2043	13,743
2044 - 2048	12,247
2049 - 2053	657
2054 - 2058	632
2059 - 2063	632
2064 - 2068	632
2069	32
Total	<u>\$ 81,702</u>

9. SUBSCRIPTION-BASED INFOMRATOIN TECHNOLOGY ARRANGEMENTS (SBITA)

A SBITA is defined as a contractual agreement that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction.

The City uses various SBITA assets that it contracts through cloud computing arrangements, such as software as a service and platform as a service. The related obligations are presented in the amounts equal to the present value of subscription payments, payable during the remaining SBITA term. A SBITA asset is presented in the Capital Asset section, on the government-wide financial statements.

The City has a variety of variable payment clauses, within its SBITA arrangements, including variable payments based on future performance or usage of the underlying asset. Components of variable payments that are fixed in substance, are included in the measurement of the SBITA liability presented in the table below. The City did not incur expenses related to its SBITA activities such as termination penalties, not previously included in the measurement of the SBITA liability, or losses due to impairment.

As of June 30, 2023, the City (excluding discretely presented component units) had minimum principal and interest payment requirements for its SBITA activities, with a remaining term in excess of one year, as follows (in thousands):

Governmental Activities			
Fiscal Year Ending			
June 30	Principal	Interest	Total
2024	\$ 543	\$ 81	\$ 624
2025	571	59	630
2026	601	36	637
2027	633	12	645
Total	<u>\$ 2,348</u>	<u>\$ 188</u>	<u>\$ 2,536</u>

10. DEFERRED COMPENSATION PLANS

A. PRIMARY GOVERNMENT

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As required by the Code and Pennsylvania laws in effect at June 30, 2014, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended by GASB Statement No. 84 and GASB Statement No. 97, the City does not include the assets or activity of the plan in its financial statements.

The City of Philadelphia deferred compensation plan (457 plan) is considered a defined contribution pension plan for reporting purposes. Only employees participating in Pension Plan 10 and Plan 16 are eligible for the City match; provided that any Plan 16 employees whose annual salary is greater than the Stacked Hybrid Cap of \$65,000. The City will provide a match of 50% of employees' contribution up to maximum of 1.5% of the employee's annual salary. These contributions from both the employee and employer are deposited in a trust account held and administered by a third-party. The accounts are held in the name of each employee and the employee has control over how the investments are managed (which investments to choose, and when to withdraw investments). The City provides no guarantees on investment returns and has no liability to the plan beyond providing the match previously described. The employee contributions are immediately vested (no restrictions on withdraw). The employer contributions are vested after five years of credited service. If the employee separates from service prior to completion of five (5) years of Credited Service, the employee's City match will be forfeited. Any forfeitures of employer contributions are used to offset future employer contributions or plan costs. In FY 2023, the City contributed \$0.7 million to the plan, net of any forfeitures.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The Plan is available to all **PGW** employees with at least 30 days of service, permits them to defer a portion of their salary until future years. PGW provides an annual 50.0% matching contribution of applicable wages, up to a maximum of \$1000, that immediately vests to the employee. PGW contributed 1.1 million in FY 2023. PGW's contributions are accounted for as part of administrative and general expenses on the statements of revenues and expenses and changes in net positions.

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

contributions are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District does not withhold those taxes.

11. FUND BALANCE POLICIES

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

- Non-Spendable Fund Balance – Includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The Permanent Funds had a non-spendable fund balance of \$4.2 million at June 30, 2023.
- 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 \$181.7 million at June 30, 2023. The fund balances in the following Special Revenue Funds were restricted: Health-Choices Behavioral Health \$416.7 million; Grants Revenue \$52.8 million; County Liquid Fuels Tax \$14.6 million; Special Gasoline Tax \$55.5 million; Hotel Room Rental Tax \$17.0 million; Car Rental Tax \$8.5 million; Housing Trust \$82.0 million; Acute Care Hospital Assessment \$20.9 million; County Demolition fund \$0.3 million; Arbitration Appeals \$0.2 million; Departmental \$13.4 million; PICA Administrative \$19.3 million. The Debt Service Fund had a Restricted Fund Balance of \$0.6 million and the entire fund balance of the Capital Improvement \$377.5 million funds was restricted. The Permanent Fund had a restricted fund balance of \$3.8 million at June 30, 2023.
- 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 \$65.1 million at June 30, 2023. The fund balances in the following Special Revenue Funds were committed: Riverview Residents \$.03 million, Philadelphia Prisons \$5.8 million, and Departmental \$5.8 million. The Permanent Fund had a committed fund balance of \$0.2 million at June 30, 2023.
- 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 \$428.6 million at June 30, 2023, which represents \$260.5 million of encumbrance balances and \$168.1 million of the unobligated Philadelphia Beverage Tax revenue at the end of the reporting period.
- Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed, restricted or non-spendable. The General Fund had a \$668.2 million unassigned fund balance at June 30, 2023. Within the Special Revenue Funds, the Grants Revenue Fund had a negative unassigned fund balance of (\$547.8 million), the Community Development Fund had a negative unassigned fund balance of (\$28.3 million), and Municipal Authority Administrative Fund had a negative unassigned balance of (\$18.0 million) at June 30, 2023.

The City Council and the Mayor established a Budget Stabilization Reserve (more commonly known as the "rainy day fund") through amendment to the City's Charter, which was approved by the voters at the election held on November 9, 2011.

Appropriation To The Budget Stabilization Reserve - City Code Section 2-300 (7)

Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent (5%) of General Fund Appropriations:

- (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus
- (2) When projected General Fund Balance for the end of the fiscal year to which the operating budget relates, without taking into account any deposits to the Budget Stabilization Reserve required by subsection , equals or exceeds three percent of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus
- (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and upon recommendation of the Mayor.

Withdrawals From The Budget Stabilization Reserve - City Charter Article VI, Chapter 1, Section 6-110

The Director of Finance shall allow withdrawals from the Budget Stabilization Reserve only upon (1) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve, pursuant to Section 2-300(6) of the City Charter, and only for the purposes set forth in such transfer ordinance; and (2) either:

- (1) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (1%) less than the General Fund Revenues set forth in the Mayor's estimate of receipts pursuant to Section 2-300(3) of the City Charter; or
- (2) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to Section 2-301(a) of the City Charter. Such certification must be approved either by (1) a resolution adopted by two-thirds of all of the members of the Council, or (2) an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

Beginning in Fiscal Year 2025, the provisions relating to the Budget Stabilization Reserve were further amended to expand the requirements of for the annual minimum appropriations to the Budget Stabilization Reserve, which was approved by the voters at the election held on May 16, 2023, as follows:

Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed seventeen percent of projected General Fund Revenues for end of the current fiscal year as of the first business day after February 14:

- (1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus
- (2) When, as of the first business day after February 14, the Projected General Fund Balance for the end of the current fiscal year equals or exceeds:
 - (i) three percent (3%) of, but is less than five percent (5%) of, projected General Fund Revenues for end of the current fiscal year, an amount equal to three-quarters of one percent (.75%) of projected Unrestricted Local General Fund Revenues for the upcoming fiscal year;
 - (ii) five percent (5%) of, but is less than eight percent (8%) of, projected General Fund Revenues for the end of the current fiscal year, an amount equal to one percent (1.0%) of projected Unrestricted Local General Fund Revenues for the upcoming fiscal year; or
 - (iii) eight percent (8%) of projected General Fund Revenues for the end of the current fiscal year, the amount that exceeds such eight percent (8%) threshold or (1.0%) of projected Unrestricted Local General Fund Revenues for the upcoming fiscal year, whichever is greater; plus
- (3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor.

At June 30, 2023 the Budget Stabilization Reserve fund had a balance of \$65.1 million that was reported as committed fund balance in the City's General Fund.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the non-spendable category, funds shall be expended first from 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, 2023:

	<i>Amounts in Thousands</i>				
	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>					
Inventory	-	-	-	13	13
Permanent Fund (Principal)	-	-	-	4,226	4,226
Subtotal Nonspendable	-	-	-	4,239	4,239
<u>Restricted for:</u>					
Neighborhood Revitalization	139,193	-	315	-	139,508
Economic Development	-	-	-	16,972	16,972
Public Safety Emergency Phone System	-	-	38,479	-	38,479
Streets & Highways	-	-	-	70,126	70,126
Housing and Neighborhood Dev	-	-	-	81,967	81,967
Health Services	-	-	-	20,867	20,867
Behavioral Health	-	416,754	-	-	416,754
Libraries & Museums	-	-	-	2,483	2,483
Intergovernmental Financing	-	-	-	19,288	19,288
Opioid Abatement	-	-	14,013	-	14,013
Demolition	-	-	-	296	296
Stadium Financing	-	-	-	8,518	8,518
Cultural & Commercial Corridor Project	406	-	-	-	406
Pension Obligation Bonds	72	-	-	-	72
Debt Service Reserve	-	-	-	570	570
Capital Projects	-	-	-	377,511	377,511
Rebuild	4,681	-	-	-	4,681
Home Repair Program	37,307	-	-	-	37,307
Trust Purposes	-	-	-	14,934	14,934
Subtotal Restricted	181,659	416,754	52,807	613,532	1,264,752
<u>Committed, Reported in:</u>					
Budget Stabilization Reserve	65,128	-	-	-	65,128
Social Services	-	-	-	30	30
Prisons	-	-	-	5,797	5,797
Parks & Recreation	-	-	-	5,924	5,924
Subtotal Committed	65,128	-	-	11,751	76,879
Assigned to:					
General Management & Support	107,412	-	-	-	107,412
Social Services	37,385	-	-	-	37,385
Economic Development	7,167	-	-	-	7,167
Libraries & Museums	5,655	-	-	-	5,655
Prisons	24,481	-	-	-	24,481
Health Services	22,156	-	-	-	22,156
Other	56,298	-	-	-	56,298
Phila. Beverage Tax - Unobligated	168,061	-	-	-	168,061
Subtotal Assigned	428,615	-	-	-	428,615
Unassigned Fund Balances:	668,194	-	(547,782)	(46,324)	74,088
Subtotal Unassigned	668,194	-	(547,782)	(46,324)	74,088
Total Fund Balances	1,343,596	416,754	(494,975)	583,198	1,848,573

12. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. These transactions are recorded as transfers and are reported as other financial sources (uses) in the Governmental Funds and as transfers in the Proprietary Funds. 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	\$ -	\$ 56,653	\$ 198,667	\$ 208,402	\$ 463,722
Grants Revenue Fund	369,608	1,307	3,395	-	374,310
Non major Special Rev. Fds	664,660	-	9,021	5,457	679,138
Permanent Funds	-	131	-	-	131
Capital Improvements	9,077	-	-	-	9,077
Water Fund	-	57,440	-	-	57,440
Total	\$ 1,043,345	\$ 115,531	\$ 211,083	\$ 213,859	\$ 1,583,818

13. TAX ABATEMENTS

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

TAX CREDIT AGREEMENTS ENTERED INTO BY THE CITY OF PHILADELPHIA

Community Development Corporation (CDC) Tax Credit:

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

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

The CDC tax credit is available to a maximum of 42 businesses in any given tax year. 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 2023 totaled **\$1,952,407**.

Job Creation Tax Credit:

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

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

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

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

There are no provisions for recapturing of this tax credit.

Gross dollar amount, on accrual basis, by which the City's tax revenues were reduced as a result of the Job Creation Tax Credit program for fiscal year 2023 totaled, **\$706,953**.

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 2023 were:

- **State Act 175: \$2,147,307**
- **Ord. 961: \$12,062,846**
- **Ord. 1130: \$51,682,595**
- **Ord. 1456-A: \$39,907,408**

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 2023 were:

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 5,975,958
Business Income and Receipt Tax (KOZ Credit)	48,688,727
	<u>\$ 54,664,685</u>

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

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

The following summarizes the fiscal year 2023 tax abatement agreements, and their respective dollar totals, entered into by the City of Philadelphia and Other Governments.

Tax Credit Agreements entered into by the City of Philadelphia

Community Development Corporation Tax Credit	\$ 1,952,407
Job Creation Tax Credit	706,953
	<u>\$ 2,659,360</u>

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

DEVELOPMENT STATE ACT 205/175	\$ 2,147,307
ORD 961 UNCAPPED	12,062,846
ORD 1130 AS AMENDED 10 YRS	51,682,595
ORD 1456-A/983 AS AMENDED - 10 YEARS RESIDENTIAL	39,907,408
	<u>\$ 105,800,156</u>

Tax Abatement Agreements entered into by Other Governments

Keystone Opportunity Zone (KOZ) Real Estate Tax Credits	\$ 5,975,958
Business Income & Receipt Tax (KOZ Credit)	48,688,727
	<u>\$ 54,664,685</u>

As of June 30, 2023, the grand total of forgone revenues as a result of all the tax abatement programs was:	<u><u>\$ 163,124,201</u></u>
---	------------------------------

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 2023 tax revenues were redirected as result of the TIF program was **\$399,818**.

14. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes reconciliation to the Net Position of Governmental Activities. One element of that reconciliation states 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	\$	2,016.1
Service Agreements	\$	1,615.5
Indemnity Claims	\$	99.1
Employee Related Obligations	\$	876.3
Leases	\$	611.0
Subscriptions	\$	2.3
Total Adjustment:	\$	<u>5,220.3</u>

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

A. COMPONENT UNIT

1. Philadelphia Gas Works

For the fiscal year ending August 31, 2022, PGW’s net position was increased by \$310,000 as a result of the implementation of GASB 96 SBITA.

2. Philadelphia Housing Authority

During the fiscal year ended March 31, 2023, a PHA solely owned entity purchased the 99.99% investor limited partner interest Cambridge III, L.P. With the acquisition of the 99.99% investor limited partnership interest, Cambridge III, L.P. is now considered a blended component unit of PHA. The consideration paid by CPLP3 LLC for the partnership interests is recognized as a capital investment. It was determined as of March 31, 2023, that a loss of \$31,109 should be recognized. The following tables are summaries of the acquisition:

Acquisition Details

Entity Acquired	Acquired Date	PHA Owned Acquiring Entity	Former Investor Limited Partner
Cambridge III, L.P.	5/25/2022	CPLP 3 LLC	TCIG Guaranteed Tax Credit Fund VI, LLC

Acquisition Costs

Entity Acquired	Sales Price	Related Settlement Costs	Total Consideration
Cambridge III, L.P.	\$ 100	\$ 31,009	\$ 31,109
	<u>\$ 100</u>	<u>\$ 31,009</u>	<u>\$ 31,109</u>

3. The School District of Philadelphia

The District determined that certain costs that were capitalized in Fiscal Year 2022 did not meet the intangible asset capitalization criteria as determined under GASB 51. Therefore, the District reduced its intangible asset value and reduced its net position by \$3,424,002. This adjustment had no impact on the Governmental Fund Statements.

The District implemented GASB Statement 96, subscription-based information technology arrangements. The District identified nineteen (19) subscriptions that meet the criteria of a right-to-use asset based on GABS 96 guidance. The impact of this standard on the governmental activities was an increase in right-to-use assets of \$67,041,917, an increase in accumulated depreciation of \$27,763,801, and increase in other non-current

liabilities of \$40,717,961 and a decrease in net investment in capital assets of \$1,439,845. This adjustment had no impact on the Governmental Fund Statements.

4. Philadelphia Authority for Industrial Development (PAID)

For the fiscal year ending December 31, 2021, PAID's net position was increased by \$286,000 as a result of the implementation of GASB 87, Leases.

16. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$2,350.3 million of restricted net position, of which \$201.0 million is restricted by enabling legislation as follows:

	<i>(Amounts in Thousands of USD)</i>	
	Restricted Net Position	Restricted by Enabling Legislation
Capital Projects	741,555	-
Debt Service	387,892	-
Pension Oblig Bond Refunding Reserve	72	-
Behavioral Health	416,754	-
Neighborhood Revitalization	139,508	-
Cultural & Commercial Corridor Project	406	-
Rebuild Project	4,681	-
Home Repair Program	37,307	-
Grant Programs	369,159	81,967
Rate Stabilization	133,985	-
Other	119,025	119,025
Total	2,350,344	200,992

17. FUND DEFICITS

- The Grants Revenue fund, which is a Special Revenue Fund, has a Fund Balance Deficit at year-end of \$495.0 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 \$28.3 million. This deficit was primarily caused by the recording of reimbursed costs and corresponding revenues for services provided under the Community Development Block Grant, and the delay of billing and receiving reimbursements.

IV. OTHER INFORMATION

1. PENSION PLANS

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

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

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

A. PRIMARY GOVERNMENT

(1) City Plan

a. PENSION FUND DESCRIPTION

Plan Administration

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

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

Plan Membership

At July 1, 2022, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Actives	26,723
Terminated Vested	832
Disabled	3,757
Retirees	22,392
Beneficiaries	8,523
DROP	1,921
Total City Members	<u>64,148</u>
Annual Salaries	\$ 1,921,141,531
Average Salary per Active Member	\$ 71,891
Annual Retirement Allowances	\$ 828,187,638
Average Retirement Allowance	\$ 23,886

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, 2022, members contributed at one of the following rates:

Employee Contribution Rates
For the Period of July 1, 2022 to June 30, 2023

	Municipal (1)	Elected (2)	Police	Fire
Plan 67	7.00%	N/A	6.00%	6.00%
Plan 87	3.63%	12.01%	6.84%	6.84%
Plan 87 - 50% of Aggregate Normal Cost (3)	4.38%	N/A	N/A	N/A
Plan 87 - Accelerated Vesting (4)	4.61%	13.46%	N/A	N/A
Plan 87 Prime (5)	4.63%	13.01%	7.84%	7.84%
Plan 10	2.44%	N/A	7.34%	7.34%
Plan 10 - Accelerated Vesting	2.93%	N/A	N/A	N/A
Plan 16 (6)	4.14%	N/A	N/A	N/A
Plan 16 - Accelerated Vesting (7)	4.52%	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 \$589,721 under plan 87 Elected, normal cost or \$338,869 under Plan 87 Municipal and annual payroll of \$3,200,320.
- 3- This represents 50% of aggregate Normal Cost for all members in Plan Y and applies to Deputy Sheriffs hired between 1/1/2012 and 6/20/2018.
- 4- Member rates for Municipal Plan 87 (Y5) members eligible to vest in five years and Elected Officials (L8) eligible to be vested in eight years instead of 10.
- 5- Plan 87 Prime refers to new hires who have the option to elect Plan 10 but have elected to stay in Plan 87. New hires after 7/1/2017 in Police and Fire Plan 87 Prime pay 8.50% and are not reflected above.
- 6- All Municipal groups (except elected officials) hired after January 1, 2019 participate in Plan 16.
- 7- Member rate for Municipal Plan 16 members eligible to vest in 7 years instead of 10 years.

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

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

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

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

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

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

City's Funding Policy:

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

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

- Plan changes for inactive members – 1 year.
- Plan changes mandated by the State – 20 years.

In fiscal year 2023, the City and other employers' contributions of \$1.2 billion was more than the actuarially determined employer contribution (ADEC) of \$801.7 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 Supplementary Information and provides a 10-year presentation of the employer contributions.

Minimum Municipal Obligation (MMO):

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

In fiscal year 2023, the City and other employers' contributions of \$1.2 billion exceeded the Minimum Municipal Obligation of \$664.1 million.

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

Revenue Recognition Policy (RRP)

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

In fiscal year 2023, the City and other employers' contributions of \$1.2 billion exceeded the contribution under Revenue Recognition Policy of \$726.5 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. Uniformed employees may retire at either age 45 with up to 100% of AFC or age 50 with up to either 100% or 35% of AFC, depending on entry date into the Fund. Survivorship selections may result in an actuarial reduction to the calculated benefit.

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

Service-connected death benefits are payable to:

1. surviving spouse/life partner at 60% of final rate of pay plus up to 2 children under age 18 at 10% each of final rate of pay (maximum payout: 80%);

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

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

A Pension Adjustment Fund (PAF) is funded with 50% of the excess earnings that are between 1% and 6% above the actuarial assumed earnings rate. Each year within 60 days of the end of the fiscal year, by majority vote of its members, the Board of Directors of the Fund (the Board) shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost of living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. As of July 1, 2022, the date of the most recent actuarial valuation, there was \$34.3 million in the PAF and the Board voted to make PAF distributions of \$29.7 million during the fiscal year ended June 30, 2023.

The Fund includes a Deferred Retirement Option Plan (DROP Plan). The DROP Plan allows a participant to declare that they will retire within 4 years. During the four-year period, the City will make no further contributions for the participant. The participants would continue to work and to receive their salary; however, any increases would not be counted towards their pension benefit. During the four-year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the four-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment. The balance in the DROP Plan as of June 30, 2023, is \$173.2 million.

c. INVESTMENTS

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

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

The Fund seeks an annual total rate of return of not less than 7.35% 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 7.35% over a market cycle. The investment return assumption was reduced by the Board from 7.40% to 7.35% 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 Staff and approval by a majority of the Pension Board. In order to document and communicate the objectives, restrictions, and guidelines for the Fund's investment staff and investments, a continuously updated Investment Policy Statement is maintained. The Investment Policy Statement is updated (and re-affirmed) each year at the January Board meeting. The following was the Board's approved asset allocation policy as of April 22, 2021:

(see pension plan's investment policy: <http://www.phila.gov/pensions/PDF/ips.pdf>)

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

Money-Weighted Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

d. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Method Used to Value Investments

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

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

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

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

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

Income Taxes

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

Related Parties

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

Use of Estimates in Preparing Financial Statements

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

Risks and Uncertainties

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

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

Administrative Expenses

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

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

Legal Provisions

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

Custodial Credit Risk

Custodial credit risk for Deposits is the risk that in the event of a bank failure, the Fund's deposits may not be returned to them. The Fund's cash deposits are held in two banks as of June 30, 2023. Amounts are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation (FDIC). Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Fund's name. The Fund classifies Money Market funds held by custodian institution, Northern Trust, as cash equivalents. The Fund also classifies Treasury Bills and Commercial Papers as cash equivalent if the date of maturity is three months or less from the acquisition date.

Custodial 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, 2023:

2023 (in Thousands)	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 22,513	\$ 1	\$ 10,170	\$ 4,010	\$ 8,332
Commercial Mortgage Backed Securities	17,799	-	656	2,577	14,566
Corporate Bonds	319,536	3,739	118,640	137,525	59,632
Fixed Income ETF	6,557	6,557	-	-	-
Government Agencies	25,332	391	9,454	7,390	8,097
Government Bonds	374,031	8,427	132,389	134,174	99,041
Government Mortgage Backed Securities	244,517	3,753	454	3,994	236,316
Gov't-issued Commercial Mortgage Backed	4,651	-	4,542	42	67
Municipal Bonds	11,412	-	1,249	2,729	7,434
Non-Gov't Baked C.M.O.s	517	-	-	-	517
Sukuk	1,083	-	767	316	-
Total Interest Rate Risk of Debt Securities	<u>\$ 1,027,948</u>	<u>\$ 22,868</u>	<u>\$ 278,321</u>	<u>\$ 292,757</u>	<u>\$ 434,002</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, 2023, 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 \$716.2 million of directly owned fixed income securities. The Fund's directly owned rated debt investments as of June 30, 2023, were rated by Standard & Poor's, a nationally recognized statistical rating agency and are presented below using Standard and Poor's rating scale:

2023 (in Thousands)	Credit Rating										
	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR
Asset Backed Securities	\$ 22,136	\$ 9,986	\$ 3,747	\$ 422	\$ 1,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,575
Commercial Mortgage Backed Securities	17,799	4,948	904	-	625	-	-	-	-	-	11,322
Corporate Bonds	319,536	3,076	6,520	53,439	73,649	78,225	68,447	10,032	145	61	25,942
Fixed Income ETF	6,557	-	-	-	-	-	-	-	-	-	6,557
Government Agencies	19,520	1,815	9,575	-	2,769	859	205	196	-	-	4,101
Government Bonds	96,325	2,975	97	1,344	28,769	13,813	3,229	1,708	-	1,027	43,363
Government Mortgage Backed Securities	216,775	-	216,012	-	-	-	-	-	-	-	763
Govt-issued Commercial Mortgage Backed	4,584	-	4,584	-	-	-	-	-	-	-	-
Municipal Bonds	11,412	-	6,406	2,235	70	655	-	-	-	-	2,046
Non-Govt Baked C.M.O.s	517	104	-	12	-	-	11	-	-	-	390
Sukuk	1,083	-	-	-	767	-	-	-	-	-	316
Total Credit Risk of Debt Securities	<u>\$ 716,244</u>	<u>\$ 22,904</u>	<u>\$ 247,845</u>	<u>\$ 57,452</u>	<u>\$ 108,055</u>	<u>\$ 93,552</u>	<u>\$ 71,892</u>	<u>\$ 11,936</u>	<u>\$ 145</u>	<u>\$ 1,088</u>	<u>\$ 101,375</u>
U.S. Govt Guaranteed*	311,704										
	<u>\$1,027,948</u>										

* U.S. government agency securities explicitly guaranteed by the U.S. government are categorized here.

Foreign Currency Risk

The Fund's exposure to foreign currency risk derives from its position in foreign currency-denominated cash and investments in fixed income, equities, and derivatives. The foreign currency investment in equity securities is 40.51% of the total investment in equities. The Fund's exposure to foreign currency risk on June 30, 2023 was as follows (expressed in thousands):

Currency	Cash	Fixed Income	Equities	Derivatives	Total
Euro	\$ 1,057	\$ 5,769	\$ 508,493	\$ (1,217)	\$ 514,102
Japanese yen	854		331,331	(950)	331,235
British pound sterling	337	17,295	238,797	(479)	255,950
Canadian dollar	399	1,700	185,154	(1,473)	185,780
Swiss franc	1,338		121,098	-	122,436
Hong Kong dollar	348		114,029	(120)	114,257
Australian dollar	261		105,601	(477)	105,385
Danish krone	174		41,796	-	41,970
South Korean won			40,393	-	40,393
Swedish krona	302		38,510	-	38,812
Mexican peso	106	21,303	7,411	-	28,820
Singapore dollar	221		25,421	-	25,642
Brazilian real	8	9,017	13,610	-	22,635
South African rand		6,146	7,051	-	13,197
Norwegian krone	211		12,136	-	12,347
Indonesian rupiah	8	2,713	6,722	-	9,443
Thai baht		1,159	7,516	-	8,675
New Israeli shekel	154		8,163	-	8,317
Colombian peso	60	7,452	92	-	7,604
Malaysian ringgit	5	1,042	5,067	-	6,114
New Zealand dollar	186	1,009	4,409	-	5,604
Philippine peso	212		4,791	-	5,003
Polish zloty	2	1,074	3,306	-	4,382
New Taiwan dollar	2,461		573	-	3,034
All Others	659	5,563	4,724	-	10,946
	<u>\$ 9,363</u>	<u>\$ 81,242</u>	<u>\$ 1,836,194</u>	<u>\$ (4,716)</u>	<u>\$ 1,922,083</u>

Derivatives

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

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

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

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

Derivative Instruments

The following table summarizes aggregate notional or contractual amounts for the Fund's derivative financial instruments on June 30, 2023 in addition to the fair value and change in the fair value of derivatives (in thousands).

List of Derivatives Aggregated by Investment Type			
Classification	Change in Fair Value	Fair Value at June 30, 2023	Notional
Investment Derivatives			
Forwards Currency Contracts	Net Appreciation (Depreciation) in Investments	\$ 1,514	Investments \$ (2,703) \$ 234,750
Futures	Net Appreciation (Depreciation) in Investments	-	Investments - 21,097
Grand Totals		\$ 1,514	\$ (2,703) \$ 255,847

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

Credit risk:

The Fund is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the Fund's policy to require counterparty collateral posting provisions in its non-exchange-traded hedging derivative instruments. These terms require full collateralization

of the fair value of hedging derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Fitch Ratings and Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The city has never failed to access collateral when required.

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

Swap agreements:

These derivative instruments provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes, or interest rates. Under fixed interest rate type swap arrangements, the Fund receives the fixed interest rate on certain equity or debt securities or indexes in exchange for a fixed charge. There were no fixed interest rate Swaps during 2023. 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 \$666,852 and is included in the net change in fair value of investments in the statement of changes in fiduciary net position.

Forward contracts:

The Fund is exposed to basis risk on its forward contracts because of a possible mismatch between the price of the asset being hedged and the price at which the forward contract is expected to settle. The realized loss from forward contracts was (\$7,656,474) and is included in the net change in fair value of investments in the statement of changes in fiduciary net position.

Termination risk:

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

Rollover risk:

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

Fair Value Measurement

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Municipal Pension Fund has the following recurring fair value measurement as of June 30, 2023 (expressed in thousands):

	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Asset Backed Securities	\$ 22,513	\$ -	\$ 22,513	\$ -
Commercial Mortgage Backed	17,799	-	17,154	645
Corporate Bonds	319,536	-	319,381	155
Fixed Income ETF	6,557	6,557	-	-
Government Agencies	25,332	-	25,332	-
Government Bonds	374,031	-	366,628	7,403
Government Mortgage Backed Securities	244,517	-	244,517	-
Gov't-issued Commercial Mortgage Backed	4,651	-	4,651	-
Municipal Bonds	11,412	-	11,412	-
Non-Government Backed C.M.O.s	517	-	218	299
Sukuk	1,083	-	1,083	-
Equity	4,532,751	4,529,325	29	3,397
Total Investments by Fair Value Level	5,560,699	4,535,882	1,012,918	11,899
Investments Measured at the Net Asset Value (NAV)				
Fixed Income Hedge Funds	\$ 18,552			
Private Market	1,039,404			
Real Estate	498,303			
Equity Long/Short Hedge funds	26,074			
Total Investments Measured at the NAV	1,582,333			
Total Investments Measured at Fair Value	\$ 7,143,032			
Investment Derivative Instruments				
Forward Currency Contracts (Assets)	1,121	-	1,121	
Forward Currency Contracts (Liabilities)	(3,824)	-	(3,824)	
Total Investment Derivative instruments	\$ (2,703)	\$ -	\$ (2,703)	

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

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

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

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

<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>
Fixed Income Hedge Funds	\$ 18,552	\$ -	Quarterly	90-120 days
Private Market	1,039,404	278,781	N/A	N/A
Real Estate	498,303	23,097	N/A	N/A
Equity Long/Short Hedge funds	26,074	-	Quarterly	90 days' notice
Total Investments Measured at the NAV	\$ 1,582,333			

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

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

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

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized Northern Trust to act as the Fund's agent in lending the Fund's securities to approved borrowers. Northern Trust, as agent, enters into Securities Loan Agreements with borrowers.

Securities are loaned versus collateral that may include cash; U.S. government and select OECD government debt securities; and domestic and international equities from major indices as defined specifically in the non-cash collateral guidelines within the Securities Lending Authorization Agreement. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. Non-Cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of City of Philadelphia Board of Pensions and Retirement loans was approximately 80 days as of June 30, 2023.

Cash open collateral is invested in a short-term investment pool, the NT Coll SL Core S/T Inv Fund, which had an interest sensitivity of 24 days as of this statement date.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable

Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

As of June 30, 2023, the fair value of securities on loan was \$334.7 million. Associated collateral totaling \$341.2 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, 2023, the invested cash collateral was \$341.2 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, 2023 were as follows (in thousands):

Total Pension Liability	\$ 12,650,397
Plan Fiduciary Net Position	7,808,089
Collective Net Pension Liability	<u>\$ 4,842,308</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability: 61.7%

Actuarial assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2022 and was rolled forward to June 30, 2023. The June 30, 2022 actuarial valuation used the following actuarial assumptions, applied to all periods including the measurement period:

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	7.35% compounded annually, net of expenses
Salary Increases:	Age based table

The investment return assumption was changed from 7.40% from the prior year valuation to 7.35% for the current year valuation.

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

Mortality Rates: For Municipal and Elected Officials, 109% and 126%, for males and females, respectively, of the Pub-2010(B) General Healthy Annuitant Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021. For Uniform employees, 118% and 122%, for males and females, respectively, of the Pub-2010(B) Safety Healthy Annuitant Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

The measurement date for the net pension liability (NPL) is June 30, 2023. Measurements are based on the fair value of assets as of June 30, 2023 and the total pension liability (TPL) as of the valuation date, July 1, 2022, updated to June 30, 2023. The roll-forward procedure included the addition of service cost and interest cost offset by actual benefit payments and an adjustment to reflect changes in assumptions.

There were no changes in benefits during the year. Effective July 1, 2023, there was an assumption change, approved by the Board, reducing the expected long-term return on assets from 7.40% to 7.35% which increased the TPL by approximately \$59 million.

During the measurement year, the collective NPL decreased by approximately \$592 million. The service cost and interest cost increased the collective NPL by approximately \$1.1 billion while contributions and investment gains offset by administrative expenses decreased the collective NPL by approximately \$1.8 billion. Additionally, there was an actuarial experience loss during the year of approximately \$74 million.

As defined under title §22-311 of the Philadelphia Code, the Pension Adjustment Fund (PAF) provides for additional benefit distributions to retirees and beneficiaries through the use of excess earnings. The Fiduciary Net Position (FNP) balances as of the beginning and end of the measurement period include the PAF assets.

PAF distributions are reflected when the additional benefits are actually paid out of the FNP balance. During the measurement year, PAF distributions increased the collective NPL by approximately \$30 million.

Long-term expected rate of return:

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

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Broad Fixed Income	4.8 %
High Yield	8.4 %
Global Aggregate	3.8 %
Emerging Market Debt	7.5 %
U.S. Large Cap Core Equity	6.9 %
U.S. Mid Cap Core Equity	7.4 %
U.S. Small Cap Core Equity	8.0 %
Global Low Volatility Equity	6.5 %
International Developed Large Cap Equity	7.6 %
International Small Cap Equity	8.1 %
Emerging Market Equity	7.8 %
Hedge Funds	5.3 %
Core Real Estate	6.5 %
Public REITs	5.8 %
Opportunistic Real Estate	11.0 %
Global Infrastructure	6.9 %
Private Market	11.1 %

The above table reflects the expected real rate of return for each major asset class. The expected inflation rate is projected at 2.75% for the same period.

Discount Rate: The discount rate used to measure the total pension liability was 7.35%. 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 7.35%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

	1% Decrease 6.35%	Discount Rate 7.35%	1% Increase 8.35%
Total Pension Liability	\$ 13,939,721	\$ 12,650,397	\$ 11,550,772
Plan Fiduciary Net Position	7,808,089	7,808,089	7,808,089
Collective Net Pension Liability	<u>\$ 6,131,632</u>	<u>\$ 4,842,308</u>	<u>\$ 3,742,683</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.0%	61.7%	67.6%
---	-------	-------	-------

h. GUARANTEE OF BENEFITS

Benefits under the Fund are guaranteed by statute. In the event if 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, 2023.

Change in Collective Net Pension Liability			
Increase (Decrease)			
<i>(Amounts in thousands of USD)</i>			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2022	\$ 12,374,126	\$ 6,939,834	\$ 5,434,292
Changes for the year:			
Service cost	191,726		191,726
Interest	900,854		900,854
Changes of benefits	-		-
Differences between expected and actual experience	74,248		74,248
Changes of assumptions	59,179		59,179
Contributions - employer		1,164,974	(1,164,974)
Contributions - member		120,691	(120,691)
Net investment income		570,957	(570,957)
Benefit payments	(949,736)	(949,736)	-
Administrative expense		(8,938)	8,938
PAF Distributions		(29,693)	29,693
Net Changes	<u>276,271</u>	<u>868,255</u>	<u>(591,984)</u>
Balances at 6/30/2023	<u>\$ 12,650,397</u>	<u>\$ 7,808,089</u>	<u>\$ 4,842,308</u>

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

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

Schedule of Pension Amounts by Employer					
<i>(Amounts in thousands of USD)</i>					
For the year ended	PPA	PMA	PHDC	City	Total
Collective pension expenses	\$ 3,763	\$ 294	\$ 1,000	\$ 582,940	\$ 587,997
Change in proportion	(18,540)	64	(356)	18,832	-
Contribution difference	6,853	149	849	(7,850)	-
Employer pension expense	<u>(7,924)</u>	<u>507</u>	<u>1,493</u>	<u>593,922</u>	<u>587,997</u>
Net pension liability 6/30/22	41,301	2,174	7,608	5,383,212	5,434,295
Net pension liability 6/30/23	<u>30,991</u>	<u>2,421</u>	<u>8,232</u>	<u>4,800,664</u>	<u>4,842,308</u>
Change in net pension liability	<u>(10,310)</u>	<u>247</u>	<u>624</u>	<u>(582,548)</u>	<u>(591,987)</u>
Deferred outflow s 6/30/22	16,462	931	2,204	514,827	534,424
Deferred outflow s 6/30/23	<u>14,542</u>	<u>1,153</u>	<u>3,662</u>	<u>435,356</u>	<u>454,713</u>
Change in deferred outflow s	<u>(1,920)</u>	<u>222</u>	<u>1,458</u>	<u>(79,471)</u>	<u>(79,711)</u>
Deferred inflow s 6/30/22	(44,177)	(879)	(1,965)	(165,243)	(212,264)
Deferred inflow s 6/30/23	<u>(31,265)</u>	<u>(596)</u>	<u>(1,263)</u>	<u>(114,437)</u>	<u>(147,561)</u>
Change in deferred inflow s	<u>12,912</u>	<u>283</u>	<u>702</u>	<u>50,806</u>	<u>64,703</u>
Employer contributions	13,379	764	3,030	1,147,801	1,164,974
Employer pension expense	(7,924)	507	1,493	593,922	587,997

Reconciliation of Net Pension Liability

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

Reconciliation of Collective Net Pension Liability to the Primary Government Net Pension Liability			
<i>(Amounts in thousands of USD)</i>			
Municipal Pension Fund	Proportionate Share of NPL	Discretely Presented Component Units	City and Blended Component Units
City	4,800,664	-	4,800,664
PPA	30,991	30,991	-
PMA	2,421	-	2,421
PHDC (1)	8,232	8,232	-
Collective Net Pension Liability	<u>4,842,308</u>	<u>39,223</u>	<u>4,803,085</u>
State Pension Fund			
PICA			1,541
City's Primary Government Net Pension Liability (Exhibit I)			<u>4,804,626</u>

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

Deferred Outflows by Employer

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

Schedule of Employer's Deferred Outflows					
<i>(Amounts in thousands of USD)</i>					
	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	0.64%	0.05%	0.17%	99.14%	100%
Experience	\$ 392	\$ 31	\$ 104	\$ 60,768	\$ 61,295
Assumption changes	1,154	90	306	178,700	180,250
Investment return	1,068	83	284	165,506	166,941
Proportion change	-	643	1,227	30,382	32,252
Contribution difference	11,928	306	1,741	-	13,975
	<u>\$ 14,542</u>	<u>\$ 1,153</u>	<u>\$ 3,662</u>	<u>\$ 435,356</u>	<u>\$ 454,713</u>

Deferred Inflows by Employer

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

Schedule of Employer's Deferred Inflows					
<i>(Amounts in thousands of USD)</i>					
	PPA	PMA	PHDC	CITY	Total
Proportionate Shares	0.64%	0.05%	0.17%	99.14%	100%
Experience	\$ 649	\$ 51	\$ 172	\$ 100,462	\$ 101,334
Assumption changes	-	-	-	-	-
Investment return	-	-	-	-	-
Proportion change	30,616	545	1,091	-	32,252
Contribution difference	-	-	-	13,975	13,975
	<u>\$ 31,265</u>	<u>\$ 596</u>	<u>\$ 1,263</u>	<u>\$ 114,437</u>	<u>\$ 147,561</u>

Recognition of Deferred Outflows and Inflows by Employer

The following table shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Schedule of Employer's Recognition of Deferred Outflows and Inflows					
<i>(Amounts in thousands of USD)</i>					
For Year ending	PPA	PMA	PHDC	CITY	Total
2024	\$ (10,862)	\$ 109	\$ 606	\$ 78,294	\$ 68,147
2025	(7,319)	50	350	4,651	(2,268)
2026	1,391	251	897	221,371	223,910
2027	69	147	546	16,602	17,364
2028	-	-	-	-	-
Thereafter	-	-	-	-	-
Total	<u>\$ (16,721)</u>	<u>\$ 557</u>	<u>\$ 2,399</u>	<u>\$ 320,918</u>	<u>\$ 307,153</u>

(2) Philadelphia Gas Works (PGW) Plan

a. PLAN DESCRIPTION

The City of Philadelphia (the "City") maintains two pension systems providing benefits for its employees and several of its component units: The City's pension system includes the Municipal Pension (the "Fund") and the Gas Works Plan (the "Plan"). Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the other. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

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

The Plan consists of Philadelphia Gas Works (“PGW” or the “Company”), a component unit of the City and is included in the City’s Annual Comprehensive Financial Report as a fiduciary fund.

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

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

As of the latest available actuarial valuation (June 30, 2023), the Plan’s membership consisted of:

Active participants	1,119
Retired participants	2,217
Vested terminated participants	311
Total plan participants	3,647
Total payroll	\$ 102,708,631
Average pay	91,786

The Plan is currently open to all employees of PGW.

b. BENEFITS PROVIDED

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

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

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

Contributions

In December 2011, the City of Philadelphia City Council approved Bill No. 110830 An Ordinance effecting PGW workers hired on or after May 21, 2011. The ordinance states, in part, that employees commencing employment on or after May 21, 2011 shall become a participant in the Plan only upon completion of an irrevocable written election to participate in the Plan. Such election must be made within thirty days after their employment commencement date, or if later, thirty days after the effective date of the ordinance. All such employees who elect to participate in the Plan are deemed contributing participants.

Contributing participants (Non-covered employees) in the Plan are required to make annual contributions totaling 6% of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100% vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100% vested in their accrued benefit. Contributions from contributing participants for the Plan year ended June 30, 2023 totaled \$2,214,748.

In addition, newly hired employees who commence employment on or after May 21, 2011 who opt out of the Plan will enter into the newly formed Philadelphia Gas Works Employees' Defined Contribution Plan, a tax qualified defined contribution plan pursuant to Section 401(a) of the Internal Revenue Code of 1986 as amended. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. Assets of this plan are not a part of the City of Philadelphia Gas Works Retirement Reserve Fund and are not reported in these financial statements.

Funding Policy

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2023 and the contribution rate as a percentage of payroll was 29.21%.

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

Investments

The Commission maintains a Statement of Investment Guidelines ("Policy") consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on November 25, 2019. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the investment goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian, and any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at:
<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, 2023, the Plan had investments of approximately \$581.9 million, comprised of \$424.4 million in equities and \$157.5 million in fixed-income investments. The ratio of equities to fixed income is 73% to 27%, which is in line with the Policy guidelines of 45-75% equities and 25-45% fixed income.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of investment expense was 12.56%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2023, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (Millions)
<u>Equity Managers</u>		
RhumbLine Asset Management	Domestic Large Cap Index	\$ 114.7
RhumbLine International	International Markets	29.8
PineBridge Investments	Domestic Large Cap Index	89.1
Northern Trust Company	Domestic Large Cap Index	37.6
Acadian Asset Management	International Markets	47.9
Earnest Partners, LLC	International Markets	44.0
Copeland Capital Management	Domestic and International	33.6
Rhumblin Small CAP	Domestic Small Cap Index	<u>27.7</u>
		424.4
<u>Bond Managers</u>		
Weaver Barksdale	Core	44.1
Met Life Inc	Investment Grade	16.8
Met Life Inc	Core	44.4
Garcia Hamilton	Intermediate	38.1
Sky Harbor Capital Management	High Yield	<u>14.1</u>
		<u>157.5</u>
Total		<u>\$ 581.9</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.

c. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Fund adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB). The Board has a fiduciary responsibility for the investments within the fiduciary fund. The Fund includes a fiduciary fund which accounts for assets held by the government in a trustee capacity for a pension trust fund. The pension trust fund includes a defined benefit plan which is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions to the defined benefit pension plans are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

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

Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to \$4,719,325 for the year ended June 30, 2023. Net unrealized gain for the year ended June 30, 2023 totaled \$47,612,527.

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

Due From and To Brokers

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

Fair Value of Financial Instruments

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

Investment Advisors

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

Income Taxes

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

Trend Information

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

Related Parties

The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides accounting services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefit payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to \$60,312,348 and \$361,088, respectively for the year ended June 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on June 30, 2023, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

Risks and Uncertainties

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

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would-be material to the financial statements.

Cash Deposits, Investments, and Securities Lending

The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury and agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and impose limitations on the amounts invested in certain types of securities.

Interest Rate Risk

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

	Total Fair Value	Below 1 Year	1 to 5 years	5 to 10 years	10 years and over
U.S. Govt. Treasuries	\$ 40,498,447	\$ 142,973	\$ 26,500,923	\$ 5,550,582	\$ 8,303,969
U.S. Govt. Agencies	49,626,265	-	662,792	1,408,601	47,554,872
Municipal Bonds	260,228	-	-	-	260,228
Corporate Bonds	58,157,569	2,601,843	29,397,142	15,464,532	10,694,052
Foreign Bonds	9,004,332	230,680	4,963,157	1,936,228	1,874,267
	<u>\$ 157,546,841</u>	<u>\$ 2,975,496</u>	<u>\$ 61,524,014</u>	<u>\$ 24,359,943</u>	<u>\$ 68,687,388</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, 2023 were rated by Standard and Poor's ("S&P"), a nationally recognized statistical rating agency, and are presented below using S&P's rating scale:

S&P Credit Rating	U.S. Government Treasuries	U.S. Government Agency Securities	Municipal Obligations	Corporate Bonds	Foreign Bonds	Total Fair Value
AAA	\$ -	\$ -	\$ -	\$ 2,300,835	\$ 400,887	\$ 2,701,722
AA+	-	47,982,637	-	825,229	-	48,807,866
AA	-	-	-	579,490	-	579,490
AA-	-	-	-	1,217,328	69,667	1,286,995
A+	-	-	-	2,922,386	202,505	3,124,891
A	-	-	260,228	2,251,765	447,851	2,959,844
A-	-	-	-	8,798,229	1,571,990	10,370,219
BBB+	-	-	-	8,999,253	1,329,645	10,328,898
BBB	-	-	-	7,397,141	1,149,073	8,546,214
BBB-	-	-	-	5,748,187	779,663	6,527,850
BB+	-	-	-	2,959,679	149,058	3,108,737
BB	-	-	-	1,791,430	143,679	1,935,109
BB-	-	-	-	2,467,303	1,051,286	3,518,589
B+	-	-	-	1,829,251	474,579	2,303,830
B	-	-	-	2,300,679	318,885	2,619,564
B-	-	-	-	994,479	316,036	1,310,515
CCC+	-	-	-	466,692	-	466,692
CCC	-	-	-	253,966	-	253,966
CCC-	-	-	-	118,900	-	118,900
C	-	-	-	2,068	-	2,068
NR/NA	-	-	-	3,933,279	599,528	4,532,807
	<u>\$ -</u>	<u>\$ 47,982,637</u>	<u>\$ 260,228</u>	<u>\$ 58,157,569</u>	<u>\$ 9,004,332</u>	<u>\$ 115,404,766</u>
U.S. Govt. Guaranteed	40,498,447	1,643,628				42,142,075
	<u>\$ 40,498,447</u>	<u>\$ 49,626,265</u>	<u>\$ 260,228</u>	<u>\$ 58,157,569</u>	<u>\$ 9,004,332</u>	<u>\$ 157,546,841</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, 2023, no single investment not guaranteed by the U.S. government exceeds 5% of the Plan's net fiduciary financial position.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized US Bank to act as the Fund's agent in lending the Fund's securities to approved borrowers. US Bank, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, US Bank lent, on behalf of the Fund, certain securities of the Fund held by US Bank as custodian and received cash collateral. US Bank does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 101% of the market value of the loaned securities.

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

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2023, the weighted average maturity was 4 days, and the final maturity was 397 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2023, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2023, the fair value of securities on loan was \$56.6 million. Associated collateral totaling \$57.7 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, 2023, the invested cash collateral was \$57.7 million and is valued at amortized cost.

d. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and

common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales.

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

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 58,157,569	\$ -	\$ 58,157,569
Common and preferred stock	423,380,582	-	2,480	423,383,062
U.S. government securities	40,498,447	49,626,265	-	90,124,712
Foreign bonds	-	9,004,332	-	9,004,332
Municipal obligations	-	260,228	-	260,228
Mutual funds	987,079	-	-	987,079
	<u>\$ 464,866,108</u>	<u>\$ 117,048,394</u>	<u>\$ 2,480</u>	<u>\$ 581,916,982</u>

e. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW on June 30, 2023 of \$361,088 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan. Such amount will be settled in the subsequent Plan year.

f. NET PENSION LIABILITY

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund on June 30, 2023, were as follows (dollar amounts in thousands):

Total pension liability	\$ 833,566
Plan fiduciary net position	604,133
Net pension liability	<u>\$ 229,433</u>
Plan fiduciary net position as a percentage of of the total pension liability	72.48%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023 using the following actuarial assumptions:

Salary increases:	Salaries are assumed to increase by an amount based on years of service.
General inflation:	2%
Investment rate of return:	7.00%, net of pension plan investment expense, including inflation.

Mortality rates were based on the Pri-2012 mortality table projected generationally from the central year using Scale MP-2021.

Change in Assumptions

The total pension liability reflects an increase of approximately \$6.7 million because of changes in actuarial assumptions for the Plan year ended June 30, 2023. The increase is primarily driven from the demographic changes, which is approximately \$4.5 million higher than expected based on the prior year's actuarial valuation. There was no change in the mortality table from the prior year.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using 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, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	7.7 %
International Equity	7.5 %
Fixed Income	4.0 %

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for June 30, 2023. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current, actuarially determined funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2023 is calculated using the discount rate of 7.00%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 922,312	\$ 833,566	\$ 758,461
Plan Fiduciary Net Position	604,133	604,133	604,133
Net Pension Liability	\$ 318,179	\$ 229,433	\$ 154,328

Subsequent Events

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 19, 2023, which is the date the financial statements were available to be issued.

Based on this evaluation, the Plan has determined that no subsequent event has occurred which requires disclosure in the financial statements.

B. DISCRETELY PRESENTED COMPONENT UNITS

(1) Philadelphia Gas Works

a. Plan Description

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

b. Benefits Provided

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided

c. Employees Covered by Benefit Terms

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – a. Plan Description

d. Contributions

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – b. Benefits Provided - Funding Policy and Employee Contributions

e. Net Pension Liability

PGW's net pension liability as of August 31, 2023 was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023.

The total pension liability was determined using the entry age normal actuarial method and the following actuarial assumptions:

	<u>2023</u>
Inflation	2.00 %
Investment rate of return	7.00 %
Salary increases:	
Years of service	
0	8.86
1	8.59
2	8.31
3	8.04
4	7.77
5	7.49
6	7.22
7	6.94
8	6.67
9	6.39
10	6.12
11	5.84
12	5.57
13	5.29
14	5.02
15	4.74
16	4.54
17	4.33
18	4.12
19	3.91
20 or more	3.71

Mortality rates

Mortality rates for FY 2023 were based on the Pri-2012 mortality tables projected generationally from the central year using Scale MP-2021.

Long-term rate of return

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability - Long-Term Expected Rate of Return

Discount rate

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability – Discount Rate

Sensitivity of the net pension liability to changes in the discount rate

See Footnote IV. A. (2) Philadelphia Gas Works (PGW) Plan – f. Net Pension Liability – Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Changes in net pension liability: The following tables show the changes in total pension liability (TPL), the plan fiduciary net position (FNP), and the net pension liability (NPL) as of August 31, 2023 (thousands of U.S. dollars):

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a)-(b)
Balances at September 1, 2022	\$ 826,830	565,748	261,082
Changes for the year:			
Service cost	8,713	—	8,713
Interest	56,413	—	56,413
Differences between expected and actual experience	1,923	—	1,923
Contributions – employer	\$ —	30,000	(30,000)
Contributions – employee	—	2,215	(2,215)
Net investment income	—	66,844	(66,844)
Benefit payments, including refunds of employee contributions	(60,313)	(60,313)	—
Administrative expenses	—	(361)	361
Net changes	6,736	38,385	(31,649)
Balances at August 31, 2023	\$ 833,566	604,133	229,433

Pension Plan's fiduciary net position

Detailed information about the Pension Plan's fiduciary net position is available in the separately issued Pension Plan financial report. Requests for additional information should be addressed to Chief Investment Officer, Philadelphia Board of Pensions and Retirements, 1500 J.F.K. Blvd, 17th floor, Philadelphia, PA 19102.

f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended August 31, 2023, PGW recognized pension expense of \$31.5 million. At August 31, 2023, PGW reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources (thousands of U.S. dollars):

	August 31, 2023	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 6,003	—
Changes of assumptions	4,734	—
Net difference between projected and actual earnings on pension plan investments	11,927	—
Contributions made after measurement date	6,396	—
Total	\$ 29,060	—

The \$6.4 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of June 30, 2023 will be recognized as a reduction of the net pension liability in PGW's FY 2024. 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:		
2024	\$	9,520
2025		(1,314)
2026		20,103
2027		(5,647)

(2) School District of Philadelphia

a. Plan Description

Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multiple-employer defined benefit plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public-school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

b. Benefits provided:

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

c. Contributions

Member's Contributions:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 01, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 01, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 01, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 01, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 01, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2023 was 34.31% 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 \$422.7 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2023.

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year (school) 2022-2023 was 71.36%.

d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

- (a) At June 30, 2023, the District reported a liability of \$3,530.9 million for its proportionate share of the net pension liability of which \$3,479.1 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 7.9420 percent, which was an increase of .0186 percent from its proportion measured as of June 30, 2022.
- (b) For the year ended June 30, 2023, the District recognized net pension expense of \$145,342.8 thousand of which \$142,966.0 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$2,376.8 thousand was under the Business-type Activity section of the Government-wide Statements.

- (c) At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,601.0	\$ (30,540.0)
Change in assumption	105,437.0	-
Net difference between projected and actual investment earnings		(59,902.0)
Change in proportions	68,252.0	-
Difference between employer contributions and proportionate share of total contributions	1,492.4	-
Contributions subsequent to the measurement date	422,721.2	-
	<u>\$ 599,503.6</u>	<u>\$ (90,442.0)</u>

Deferred outflows of resources for contributions subsequent to the measurement date was \$422,721.2 thousand will be recognized as a reduction of net pension liability/collective net pension liability in the next fiscal period.

The remaining deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Dollars in Thousands)

Year ended June 30	Deferred Outflows of Resources	Deferred inflows of Resources	Net Deferred Outflows and Inflows of Resources
2024	\$ 102,580.5	\$ (52,517.3)	\$ 50,063.2
2025	86,813.6	(44,564.4)	42,249.2
2026	(185,370.9)	95,775.9	(89,595.0)
2027	172,759.2	(89,136.2)	83,623.0
Total	<u>\$ 176,782.4</u>	<u>\$ (90,442.0)</u>	<u>\$ 86,340.4</u>

Of the \$86,340.4 thousand reported as net deferred outflows, \$85,569.6 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 \$729.7 thousand and \$41.1 thousand, respectively.

Changes in Actuarial assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021.
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return - 7.00% includes inflation at 2.50%.
- Salary growth - Effective average of 4.50% comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.

- Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/ MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Financing (LIBOR)	-11.0%	0.5%
	100.0%	

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, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

e. Sensitivity of the 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	<i>(Dollars in Thousands)</i>		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of net pension liability	\$ 4,566,993	\$ 3,530,912	\$ 2,657,370

f. Pension plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

2. ACCUMULATED UNPAID SICK LEAVE

City and certain component unit employees are credited with varying amounts of sick leave according to type of employee and/or length of service. City employees may accumulate unused sick leave to predetermined balances. SDP employees have an unlimited maximum accumulation, and Gas Works' employees' sick leave is non-cumulative. Non-uniformed employees (upon retirement only) and uniformed employees (upon retirement or in case of death while on active duty) are paid varying amounts ranging from 25% to 60% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description

The City of Philadelphia self-administers a single-employer defined benefit plan that provides OPEB for all eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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 continues to provide medical coverage after five years, at full cost to the 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 \$101.1 million for fiscal year ending June 30, 2023.

Employees covered by benefit terms:

As of July 1, 2022, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

<u>Medical Coverage:</u>	
Retired and inactive employees deferring medical coverage	3,960
DROP employees with medical coverage	1,917
Active employees	26,715
Total	32,592
<u>Life Insurance Coverage</u>	
Inactive employees or beneficiaries currently receiving life insurance coverage	27,769
Active employees	26,715
Total	54,484

Total OPEB Liability

The City's total OPEB liability reported as of June 30, 2023 of \$1,784,500,000, was measured as of June 30, 2022 based on an actuarial valuation as of July 1, 2022.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Measurement Date

- June 30, 2022, for reporting date June 30, 2023
- June 30, 2021, for reporting date June 30, 2022

Discount rate

- 3.54% per annum for the valuation measured as of June 30, 2022
- 2.16% per annum for the valuation measured as of June 30, 2021

Salary Increase Rate

Age	Municipal and	
	Elected Officials	Uniformed
<20	20.00%	18.00%
20	18.00%	16.50%
25	10.00%	10.00%
30	7.00%	6.25%
35	5.75%	4.50%
40	4.50%	4.00%
45	4.25%	3.75%
50	4.00%	3.50%
55	3.75%	3.25%
60	3.50%	3.00%
65 +	3.25%	2.75%

Per Person Cost Trends

The trend rates represent the annual rate of increase in employer claim payments, employer premiums (including those paid to union-sponsored plans), and retiree contributions.

To Year Beginning	<u>Medical - Uniformed</u>		<u>Rx</u>		<u>Medical /Rx Combined - City Administered</u>	
	<u>Pre Medicare</u>	<u>Medicare Eligible</u>	<u>Pre Medicare</u>	<u>Medicare Eligible</u>	<u>Pre Medicare</u>	<u>Medicare Eligible</u>
July 1						
2023	8.00%	8.00%	9.00%	9.00%	8.20%	7.80%
2024	7.75%	7.75%	8.75%	8.75%	7.95%	7.55%
2025	7.50%	7.50%	8.50%	8.50%	7.70%	7.30%
2026	7.00%	7.00%	8.25%	8.25%	7.25%	7.05%
2027	6.66%	6.66%	7.70%	7.70%	6.87%	6.70%
2028	6.32%	6.32%	7.16%	7.16%	6.49%	6.36%
2029	5.99%	5.99%	6.61%	6.61%	6.11%	6.01%
2030	5.65%	5.65%	6.06%	6.06%	5.73%	5.66%
2031	5.31%	5.31%	5.52%	5.52%	5.35%	5.32%
2032	4.97%	4.97%	4.97%	4.97%	4.97%	4.97%
2033	4.80%	4.80%	4.80%	4.80%	4.80%	4.80%
2034	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%
2035	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%
2036	4.39%	4.39%	4.39%	4.39%	4.39%	4.39%
2037	4.35%	4.35%	4.35%	4.35%	4.35%	4.35%
2038	4.32%	4.32%	4.32%	4.32%	4.32%	4.32%
2039	4.29%	4.29%	4.29%	4.29%	4.29%	4.29%
2040	4.28%	4.28%	4.28%	4.28%	4.28%	4.28%
2041	4.26%	4.26%	4.26%	4.26%	4.26%	4.26%
2042	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%
2043	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%
2044	4.14%	4.14%	4.14%	4.14%	4.14%	4.14%

Dental and vision costs are assumed to increase at 3% per year.

Percent of Retirees Electing Coverage

Participation rate for medical coverage

- 85% of future retirees from non-represented groups are assumed to elect post-retirement medical coverage.
- 100% of future retirees from represented groups (DC 33, DC 47, Fire, and Police) are assumed to elect post-retirement medical coverage.
- 100% of DROP participants are assumed to continue in DROP for the remainder of their DROP period (maximum four years) and then retire with a medical benefit.

Participation rate for life insurance

- 95% of current and future retired firefighters who participated in the pension plan are assumed to be covered by City-provided life insurance.
- 87% of all other current and future retired pension plan participants are assumed to be covered by City-provided life insurance.

Mortality Rates

Rates of Pre-retirement Mortality

- Municipal and Elected members: 109% and 126%, for males and females, respectively, of the Pub-2010(B) General Employee Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.
- Uniformed members: 118% and 122%, for males and females, respectively, of the Pub-2010(B) Safety Employee Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

Rate of Post-retirement Mortality

- Municipal and Elected members: 109% and 126%, for males and females, respectively, of the Pub-2010(B) General Healthy Annuitant Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.
- Uniformed members: 118% and 122%, for males and females, respectively, of the Pub-2010(B) Safety Healthy Annuitant Below-Median Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

Rate of Post-Disability Mortality

- Municipal and Elected members: 108% and 105%, for males and females, respectively, of the Pub-2010 General Disabled Annuitant Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.
- Uniformed members: 135% for males only of the Pub-2010 Safety Disabled Annuitant Table projected from base year of 2010 to 2025 using mortality improvement scale MP-2021.

Change in the Total OPEB Liability

The table below shows the changes in the Total OPEB Liability (TOL), the plan fiduciary net position (i.e., the fair value of Plan assets) (FNP), and the Net OPEB Liability (NOL) during the measurement period ending on June 30, 2022.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2021	\$ 2,156,100,000	\$ -	\$ 2,156,100,000
Changes for the year:			
Service cost	118,100,000		118,100,000
Interest	47,900,000		47,900,000
Changes of benefits	-		-
Differences between expected/actual	(65,000,000)		(65,000,000)
Changes of assumptions	(354,300,000)		(354,300,000)
Contributions - employer		118,300,000	(118,300,000)
Contributions - non employer		-	-
Contributions - member		-	-
Net investment income		-	-
Benefit payments	(118,300,000)	(118,300,000)	-
Administrative expense			-
Net changes	(371,600,000)	-	(371,600,000)
Balances at 6/30/2022	\$ 1,784,500,000	\$ -	\$ 1,784,500,000

The employer contribution of \$118.3 million is based on a blend of actual contributions provided by the City of Philadelphia and estimated contributions based on the prior report.

There was a gain of \$65.0 million due to experience. This is due to the change in population between the June 30, 2020 valuation and the June 30, 2022 valuation and updated valuation data as of the valuation date.

There was a net gain in the liability of \$354.3 million related to changes in the assumptions. This net gain is primarily due to the experience study assumption updates, the increase in the discount rate from 2.16% to 3.54%, and changes to the medical claims and trend assumptions.

There were no benefit changes during the measurement period.

Sensitivity of the total OPEB liability to changes in the discount rate

The following represents the total OPEB liability (TOL) of the City, calculated using the discount rate of 3.54%, as well as what the City's total liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL, and higher discount rates produce a lower TOL. The table below shows the sensitivity of the NOL to the discount rate.

	1/ Decrease 2.54%	Discount Rate 3.54%	1/ Increase 4.54%
Total OPEB Liability	\$ 1,931,800,000	\$ 1,784,500,000	\$ 1,651,000,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,931,800,000</u>	<u>\$ 1,784,500,000</u>	<u>\$ 1,651,000,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A 1% decrease in the discount rate increases the TOL and NOL by approximately 8%. A 1% increase in the discount rate decreases the TOL and NOL by approximately 7%.

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following represents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that is 1% lower or 1% higher than the current discount rate:

Changes in healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL, and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the NOL to the healthcare trends.

	1/ Decrease	Healthcare Trend	1/ Increase
Total OPEB Liability	\$ 1,625,700,000	\$ 1,784,500,000	\$ 1,970,600,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,625,700,000</u>	<u>\$ 1,784,500,000</u>	<u>\$ 1,970,600,000</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%

A 1% decrease in the healthcare trends decreases the TOL and NOL by approximately 9%. A 1% increase in the healthcare trend rate increases the TOL and NOL by approximately 10%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$105,700,000. The table below shows the development of OPEB expense.

<u>Calculation of OPEB Expense</u>	
Fiscal Year Ending	June 30, 2023
Measurement Year Ending	June 30, 2022
Change in Net OPEB Liability	\$ (371,600,000)
Change in Deferred Outflow s	23,600,000
Change in Deferred Inflow s	335,400,000
Non Employer Contributions	-
Employer Contributions	118,300,000
OPEB Expense	\$ 105,700,000
OPEB Expense as % of Payroll	5.50%
Operating Expenses	
Service cost	\$ 118,100,000
Employee contributions	-
Administrative expenses	-
Total	\$ 118,100,000
Financing Expenses	
Interest cost	\$ 47,900,000
Expected return on assets	-
Total	\$ 47,900,000
Changes	
Benefit changes	\$ -
Recognition of assumption changes	(60,500,000)
Recognition of liability gains and losses	200,000
Recognition of investment gains and losses	-
Total	\$ (60,300,000)
OPEB Expense	\$ 105,700,000

At June 30, 2023, 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, 2023 Projected Fiscal Year End June 30, 2022 Measurement Date		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,400,000	\$ 56,900,000
Changes in assumptions	86,600,000	390,800,000
Net differences between projected and actual earnings on OPEB plan investments	-	-
Contributions subsequent to measurement date	101,100,000	-
Total	\$ 225,100,000	\$ 447,700,000
Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:		
	Year Ended in June 30:	
	2024	(60,200,000)
	2025	(45,200,000)
	2026	(45,200,000)
	2027	(45,300,000)
	2028	(35,100,000)
	Thereafter	\$ (92,700,000)

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, 2024.

The Plan is not currently being pre-funded, so, there is no actuarially determined contribution shown below. The actuarially determined contribution is a target or recommended contribution to the OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. If the Plan decides to pre-fund the liabilities, we will provide an appropriate actuarially determined contribution.

B. COMPONENT UNITS

1) School District of Philadelphia OPEB

The SDP recognized and recorded (1) the actuarially determined total OPEB liability for unfunded plans and (2) the net OPEB liability or, for multi-employer cost sharing plans, the entity's share of the net OPEB liability in the entity's financial statements. Currently, the District has two OPEB benefits (1) Life Insurance Benefits and (2) PSERS OPEB. The following schedule presents the aggregate of OPEB liabilities, deferred outflows and inflows of resources, and the current year OPEB expense for the District during Fiscal Year 2023:

	Governmental Activities	Business-type Activities	Total
OPEB Liabilities	\$ (161,224,988)	\$ (2,273,415)	\$ (163,498,403)
Deferred Outflows of Resources	37,394,398	579,671	37,974,069
Deferred Inflows of Resources	(38,349,668)	(593,758)	(38,943,426)
Current Year Expenses	(1,753,946)	(30,054)	(1,784,000)

Life Insurance Benefits:

Plan Description:

The SDP provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of

service or age 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefits provided by the 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 the School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

There have been no significant changes between the valuation dates and the measurement year ends.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2022, the effective date of the biennial OPEB valuation, follows.

	<u>Number of Employees</u>
Active	15,176
Retirees	<u>10,429</u>
Total	25,605

Total OPEB Life Insurance liability:

On June 30, 2023, the District reported a liability of \$16.8 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, 2023 reporting date (which is the plan's and/or employer's fiscal year ending date), the "Valuation Date is June 30, 2022." This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2022. This is the date as of which the total OPEB Life Insurance liability was determined.

The District's actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2022 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: 2.16% per annum as of June 30, 2021 and 3.54% as of June 30, 2022 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District).

Salary Increases: 3.00% per year (based on input from District)

Mortality: A 50/50 blend of the headcount-weighted Pub-2010 Mortality Tables for teachers (PubT.H-2010) and general employees (PubG.H-2010), projected on a generational basis with Scale MP-2020, with employee rates before retirement and healthy retiree rates after retirement. As a generational table, it reflects mortality improvements both before and after the measurement date. This blend of standard tables published by the Society of Actuaries (SOA) was selected based on the population covered.

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, 2021 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 (age 57 for Class T-G members) with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Class T-G members are eligible for superannuation retirement at the earlier of (1) age 67 with 3 years of service or (2) any combination of age and service that totals 97 with at least 35 years of service. Class T-H members are eligible for superannuation retirement at the earlier of age 67 with 3 years of service. For purposes of this valuation, Class DC members were assumed to have the same retirement eligibility as Class T-H members. Sample rates are shown below.

Sample Early Retirement Rates				
Age	Class TC & TD		Class TE, TF, TG, & TH	
	Male	Female	Male	Female
55	14.50%	14.50%	14.50%	14.50%
60	14.50%	15.00%	14.50%	15.00%

Sample Superannuation Retirement Rates				
Age	Class TC & TD		Class TE, TF, TG, & TH	
	Male	Female	Male	Female
55	25.00%	16.00%	16.30%	19.50%
60	29.00%	31.00%	16.30%	19.50%
65	23.00%	28.00%	16.30%	19.50%
70	20.00%	23.00%	16.30%	19.50%
75	25.00%	25.00%	16.30%	19.50%
80	100.00%	100.00%	100.00%	100.00%

Disability: None assumed.

Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death, selected by the District.

Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of the valuation date are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.

Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimis as only disabled retirees prior to age 65 can elect this benefit.

Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the 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:

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 2.16% as of June 30, 2021, to 3.54% as of June 30, 2022.

Most Recent Measurement Date	Total OPEB Life Insurance Liability		Total OPEB Liability as a % of Covered Payroll
	Total OPEB Liability	Covered Payroll	
6/30/2022	\$ 16,824,403	\$ 945,795,239	1.78%

OPEB Life Insurance Benefits Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

Changes in the Total OPEB Life Insurance Liability:

	Increase/(Decrease) Total OPEB Life Insurance Liability
Beginning of Year Balance	\$ 20,164,273
Changes for the year (2022-2023):	
Service Cost	130,073
Interest on total OPEB Life insurance Liability	432,545
Effect of economic/demographic gains or losses	(129,739)
Effect of Assumption changes or inputs	(3,231,571)
Benefit Payments	(541,178)
End of Year Balance	<u>\$ 16,824,403</u>

Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current rate:

	<u>2021-22 Measurement Period</u>		
	<i>(Dollars in Thousands)</i>		
	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
District's Total OPEB Life Insurance Liability	\$ 19,081.3	\$ 16,824.4	\$ 14,999.3

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>(Dollars in Thousands)</i>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 547.2	\$ -
Differences between expected and actual experience	-	(234.1)
Effect of assumptions changes or inputs	1,361.0	(2,585.2)
	<u>\$ 1,908.2</u>	<u>\$ (2,819.3)</u>

\$547.2 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts of (\$1,458.3) thousand reported as deferred outflows of resources and deferred inflows of resources related to OPEB Life Insurance will be recognized in OPEB expense per the schedule below.

OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:

- For the year ended June 30, 2023, the District recognized net OPEB expense of \$573.9 thousand which was all under the Governmental Activity section of the Government-wide Statements.
- The other \$1,458.3 thousand reported as net deferred outflows was under the Governmental Activities column of the Government-wide statements. Amounts currently reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
2023	\$ 0.8	\$ (1.6)	\$ (0.8)
2024	128.4	(265.9)	(137.5)
2025	604.5	(1,252.2)	(647.7)
2026	627.3	(1,299.6)	(672.3)
Total	<u>\$ 1,361.0</u>	<u>\$ (2,819.3)</u>	<u>\$ (1,458.3)</u>

PSERS Other Postemployment Benefits

Other OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

- At June 30, 2023, the District reported a liability of \$146.7 million for its proportionate share of the net OPEB liability of which \$144.4 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, 2022 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, 2021 to June 30, 2022. 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, 2023, the District's proportion was 7.9681 percent, which was an increase of 0.0274 percent from its proportion measured as of June 30, 2022.
- For the year ended June 30, 2023, the District recognized net OPEB expense of (\$1,810.7) thousand of which (\$1,780.6) thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of (\$30.1) thousand was under the Business-type Activity section of the Government-wide Statements.
- At June 30, 2023, 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
Differences between expected and actual experience	\$ 1,351.0	\$ (786.0)
Change in assumption	16,285.0	(34,641.0)
Net difference between projected and actual investment earnings	398.0	-
Change in proportions	8,722.0	(643.0)
Difference between employer contributions and proportionate share of total contributions	38.0	(54.1)
Contributions subsequent to the measurement date	<u>9,271.8</u>	<u>-</u>
	<u>\$ 36,065.8</u>	<u>\$ (36,124.1)</u>

\$9,271.8 thousand reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the next fiscal period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Inflows of Resources
2023	\$ 1,431.1	\$ (1,930.2)	\$ (499.1)
2024	691.6	(934.6)	(243.0)
2025	6,657.1	(8,976.7)	(2,319.6)
2026	7,873.5	(10,611.1)	(2,737.6)
2027	10,140.7	(13,671.5)	(3,530.8)
Total	<u>\$ 26,794.0</u>	<u>\$ (36,124.1)</u>	<u>\$ (9,330.1)</u>

Of the (\$9,330.1) thousands reported as net deferred inflows, (\$9,308.6) thousand was under the Governmental-Activities column of the Government-wide statements and (\$21.5) thousand was under the Business-type Activities column.

Actuarial assumptions: The total OPEB liability as of June 30, 2022 was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return from 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, which is comprised of inflation of 2.50% and 2.00% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020:

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments: Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	100.00%	0.5%
	<u>100.00%</u>	

Discount rate & Changes in Actuarial Assumptions:

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, 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, 2022, 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 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year and 582 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, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<i>(Dollars in Thousands)</i>		
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	146,660	146,674	146,686

Sensitivity of the District's proportionate share of net OPEB liability to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage point higher (5.09%) than the current rate:

	<i>(Dollars in Thousands)</i>		
	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	165,871	146,674	130,611

OPEB plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at www.psers.pa.gov.

Changes in Actuarial Assumptions:

- The discount rate used to measure the Total OPEB Liability increased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation.
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

2) Philadelphia Gas Works (PGW) OPEB

Plan Description:

PGW sponsors a single employer defined benefit healthcare plan, which provides postemployment healthcare and life insurance benefits to retirees and their beneficiaries and dependents in accordance with their retiree medical program.

The OPEB Plan comprises (1) the PGW OPEB Trust (the Trust), which is used to receive, hold, and disburse assets accumulated to pay for some of the postemployment benefits other than pensions provided by PGW to its eligible retired employees and other eligible beneficiaries and (2) OPEB expenses paid for directly by PGW out of its general resources rather than through the Trust. The Trust was established for the exclusive benefit of PGW's retired employees and other eligible beneficiaries designated under the plan. Management believes that the OPEB Plan is in compliance with all applicable laws.

Benefits Provided

Medical Benefits: For pre-65 retirees, a choice of medical plans is offered through Independence Blue Cross including Personal Choice, Blue 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 retired between January 1, 2023 and August 31, 2023 are provided the Keystone 10 Plan at PGW's expense, and they can buy up to a more expensive plan. Management employees who retire after August 31, 2011 continue to receive the Keystone 10 as the base plan and can buy up to a more expensive plan.

Reinsurance provides specific stop-loss coverage of \$0.3 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. Dependents are entitled to receive health coverage up to age 19 or age 23 for full-time students.

Contributions

The OPEB Plan pays the full cost of medical, basic dental, and prescription coverage for employees who retired prior to December 1, 2001. Employees who retire after December 1, 2001 are provided the Keystone 5, Keystone 10, or Keystone 15 plan at PGW's expense and can buy up to a more expensive plan. Retirees also contribute toward enhanced medical, dental plan and life insurance coverage as described above. PGW pays 100.0% of the cost for the prescription drug plan after drug copays.

Participants Covered

At December 31, 2022, the date of the latest actuarial valuation, the OPEB Plan's combined membership consisted of the following:

	<u>Number</u>
Retirees	1,480
Beneficiaries	369
Active employees – Union	1,021
Active employees – Management	<u>494</u>
Total number of participants	<u>3,364</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, 2022, PGW contributed \$25.7 million on a pay-as-you-go basis, \$16.0 million resulting from rate surcharges, and \$2.5 million of its resources.

Net OPEB Liability

PGW's net OPEB liability as of August 31, 2023 was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The valuation and measurement date were December 31, 2022.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continual revision as actual amounts are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques

that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the entry age, level percent of pay actuarial method and the following actuarial assumptions used to value the postemployment medical liabilities can be categorized into the following three groups:

- *Benefit assumptions:* the initial per capita cost rates for medical coverage, and the face amount of employer-paid life insurance.
- *Demographic assumptions:* including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participation rates) and coverage levels. The demographic assumptions were based on a review of plan experience during the period December 31, 2021 to December 31, 2022.
- *Economic assumptions:* the discount rate and health care cost trend rates.

Benefit Assumptions:

Per capita claims: Using actuarial standards, specifically Actuarial Standard of Practice No.6, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions, the annual age specific per capita claims cost rate was projected at the following assumed trend rates for future years (whole U.S. dollars):

Age	Medical		
	Medical	Prescription drug	Dental
50	\$ 6,876	2,328	180
55	8,760	2,976	180
60	10,992	3,732	180
64	13,260	4,500	180
65	2,700	4,956	180
70	2,592	4,764	180
75	2,772	5,088	180

Life insurance: The claims cost for life insurance is based on the actuarial present value of projected life insurance claims.

Morbidity: The below healthcare cost for prescription drug coverage and pre-65 medical coverage reflects the following changes due to increased or decreased usage as a result of aging:

Ages	Blended Medical/Rx
50-54	5.03 %
55-59	4.84
60-64	4.68
65-69	(1.01)
70-74	1.09
75-79	1.70
80-84	1.87
85+	—

Demographic assumptions:

Mortality rates: Mortality rates for FY2023 is assumed to follow:

- Pre-retirement Mortality – Pri-2012 Total Employee Headcount Weighted Table, projected with SOA Scale MP-2021.
- Post-retirement Mortality – Pri-2012 Total Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021.

- Disabled Retirement Mortality – Pri-2012 Total Disabled Retiree Headcount Weighted Table, Projected with SOA Scale MP-2021.

Salary Scale: Salary Scale is based on years of service as follows:

Years of service	Annual increase	Years of service	57 increase
0	8.86 %	11	5.84 %
1	8.59	12	5.57
2	8.31	13	5.29
3	8.04	14	5.02
4	7.77	15	4.74
5	7.49	16	4.54
6	7.22	17	4.33
7	6.94	18	4.12
8	6.67	19	3.91
9	6.39	20 or more	3.71
10	6.12		

Retirement rates: Retirement rates applicable once an employee is eligible for retirement benefits vary by age and service with rates as follows:

Age	Service < 30	Service > 30	Age	Service < 30	Service > 30
50	— %	15.00 %	61	10.00 %	15.00 %
51	—	15.00	62	10.00	40.00
52	—	15.00	63	10.00	25.00
53	—	15.00	64	10.00	25.00
54	—	15.00	65	20.00	25.00
55	5.00	15.00	66	20.00	40.00
56	5.00	15.00	67	20.00	40.00
57	10.00	15.00	68	20.00	40.00
58	10.00	15.00	69	20.00	40.00
59	10.00	15.00	70+	100.00	100.00
60	10.00	15.00			

Withdrawal rates: Turnover rates applicable before an employee is eligible for retirement benefits vary by age and service with illustrative rates as follows:

Age	Service < 1 year	1 year of service	2 years of service	3 years of service	4 years of service	Service > 4 years
18-37	25.00 %	15.00 %	12.00 %	10.00 %	7.00 %	3.00 %
38	23.00	15.00	12.00	9.00	6.60	2.80
39	21.00	15.00	12.00	8.00	6.20	2.60
40	19.00	15.00	12.00	7.00	5.80	2.40
41	17.00	15.00	12.00	6.00	5.40	2.20
42	15.00	15.00	12.00	5.00	5.00	2.00
43	14.00	14.00	10.60	4.60	4.60	3.00
44	13.00	13.00	9.20	4.20	4.20	3.00
45	12.00	12.00	7.80	3.80	3.80	3.00
46	11.00	11.00	6.40	3.40	3.40	3.00
47	10.00	10.00	5.00	3.00	3.00	3.00
48	10.00	10.00	5.00	2.80	2.80	3.00
49	10.00	10.00	5.00	2.60	2.60	3.00
50	10.00	10.00	5.00	2.40	2.40	3.00
51	10.00	10.00	5.00	2.20	2.20	3.00
52+	10.00	10.00	5.00	2.00	2.00	3.00

Participation Rate: Participation assumes 100% of future retirees who meet the eligibility requirements will participate in the postemployment welfare plans upon retirement.

Disability rates: Disability rates vary by age with illustrative rates as follows:

Age	Males	Females	Age	Males	Females
18-27	0.03 %	0.03 %	47	0.23 %	0.33 %
28	0.03	0.04	48	0.28	0.37
29	0.03	0.04	49	0.31	0.40
30	0.03	0.04	50	0.37	0.45
31	0.03	0.06	51	0.43	0.49
32	0.03	0.06	52	0.51	0.55
33	0.03	0.07	53	0.59	0.60
34	0.03	0.07	54	0.68	0.66
35	0.04	0.08	55	0.77	0.71
36	0.04	0.09	56	0.86	0.77
37	0.06	0.10	57	0.96	0.83
38	0.07	0.11	58	1.06	0.89
39	0.08	0.13	59	1.17	0.95
40	0.09	0.14	60	1.28	1.00
41	0.10	0.17	61	1.40	1.07
42	0.11	0.19	62	1.54	1.13
43	0.13	0.21	63	1.68	1.17
44	0.16	0.25	64	1.83	1.22
45	0.18	0.27	65+	—	—
46	0.20	0.30			

Economic assumptions:

Long-term rate of return: The long-term expected rate of return on OPEB Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected 12-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions). The target allocation for each major asset class as of December 31, 2022 is summarized in the following table:

Asset class	Minimum	Maximum	Target	Expected annual return
Domestic equity large cap	27.5 %	37.5 %	32.5 %	8.1 %
Domestic equity small cap	10.0	15.0	12.5	8.4
Emerging market equity	5.0	10.0	7.5	10.4
International equity	15.0	20.0	17.5	10.0
Fixed income	10.0	45.0	30.0	5.0
Commodities/real assets	—	10.0	—	3.4
Cash equivalents	—	5.0	—	2.6
			100.0 %	

Inflation Rate: 2.5%

Healthcare cost trend:

Year	Medical (Pre-65)	Medical (Post-65)	Prescription drugs	Dental
2023	6.25 %	4.50 %	7.25 %	4.00 %
2024	5.75	4.50	6.75	4.00
2025-2029	5.25	4.50	6.50	4.00
2030-2039	5.00	4.00	6.25	4.00
2040-2049	4.75	4.00	5.75	4.00
2050-2069	4.50	4.00	5.25	4.00
2070+	4.00	4.00	4.50	4.00

Discount rate: The discount rate used for determining the total OPEB Liability is the long-term expected rate of return on plan investments of 7.0% as of December 31, 2022, 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, 2022	\$ 515,175	365,944	149,231
Changes for the year:			
Service cost	6,597	—	6,597
Interest	35,641	—	35,641
Differences between expected and actual experience	695	—	695
Assumption changes	(3,089)	—	(3,089)
Benefit payments	(25,677)	—	(25,677)
Contributions-employer	—	44,177	(44,177)
Project investment return on year	—	(63,740)	63,740
Benefit payments	—	(25,677)	25,677
Administrative expenses and bank fees	—	(68)	68
Net changes	<u>14,167</u>	<u>(45,308)</u>	<u>59,475</u>
Balances at August 31, 2023	<u>\$ 529,342</u>	<u>320,636</u>	<u>208,706</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Net OPEB liability, in thousands of U.S. Dollars, of PGW at December 31, 2022, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease	Current discount rate	1% Increase
	6.00%	7.00%	8.00%
Net OPEB liability	\$ 280,881	208,706	149,770

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents Net OPEB liability, in thousands of U.S. dollars, of PGW at December 31, 2022, as well as what the Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current healthcare cost trend rates	1% Increase
	Net OPEB liability	\$ 150,328	208,706

OPEB Plan's fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB Plan financial report. Requests for additional information should be addressed to the Administrator – PGW OPEB Trust, 800 W. Montgomery Avenue, Philadelphia, PA 19122.

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the year ended August 31, 2023, PGW recognized OPEB expense of \$4.8 million. At August 31, 2023, PGW reported deferred outflows of resources and deferred inflow of resources related to other postemployment benefits from the following sources (thousands of U.S. dollars):

	August 31, 2023	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 580	32,875
Changes of assumptions	23,481	7,497
Difference between projected and actual earnings on OPEB plan investments	45,824	—
Contributions made after measurement date	30,183	—
Total	<u>\$ 100,068</u>	<u>40,372</u>

The \$30.2 million reported as deferred outflows of resources related to employer contributions made after the measurement date as of December 31, 2022, will be recognized as a reduction of the net OPEB liability in FY 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (thousands of U.S. dollars):

Fiscal year:	
2024	\$ (6,002)
2025	7,931
2026	12,397
2027	16,077
2028	(851)
Thereafter	(39)

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, 2022, (thousands of U.S. Dollars):

	Level 1	Level 2	Level 3	Total
Domestic equity mutual funds	\$ 151,110	—	—	151,110
International equity mutual funds	74,856	—	—	74,856
Corporate bonds	—	431	—	431
U.S. treasuries	7,778	—	—	7,778
U.S. government agency	—	1,138	—	1,138
Bond mutual funds	67,204	—	—	67,204
Municipal bonds – mutual funds	17,980	—	—	17,980
	<u>\$ 318,928</u>	<u>1,569</u>	<u>—</u>	<u>320,497</u>

Mutual funds consist of open-end mutual funds that are registered with the SEC and are valued daily using quoted prices in active markets as provided by the pricing vendor for these securities (Level 1 inputs).

Fixed Income consists of corporate bonds, U.S. Government and agency securities, and mortgage/asset backed securities. The fair values of these investments are determined using third-party pricing services using quoted prices in active markets (Level 1 inputs) or prices derived from observable market inputs such as benchmark curves, broker/dealer quotes, and other industry and economic factors (Level 2 inputs).

Investment Policy

The Trust's investment policy in regard to the allocation of invested assets is defined in its Statement of Investment Guidelines (the Guidelines) developed in conjunction with the Trust's Board and its financial advisors. The long-term goals of the Guidelines are to manage the assets in a manner in the best of interest of participants, produce investment return that meets the actuarially assumed rate, and to produce consistent performance to protect against excessive volatility. There has not been any significant change in the Trust's investment policy during the reporting period.

The asset allocation strategy was as follows (as adjusted in February 2019):

	<u>Target</u>	<u>Actual</u>
Domestic equity large cap	32.5 %	32.5 %
Domestic equity small cap	12.5	14.4
Emerging market international equity	7.5	5.8
Developed market international equity	17.5	17.4
Fixed income	30.0	29.3
Cash and cash equivalents	—	0.6

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (16.97%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's.

Custodial Credit Risk

The assets of the Plan are held by the Trust. Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to the Trust. The cash and cash equivalents held by the trust at December 31, 2022 were not covered by federal deposit insurance. Custodial credit risk for investments is the risk that, in the event of a failure to a counterparty to a transaction, the value of the investment or collateral securities that are in possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Trust, or are held by either the counterparty or the counterparty's trust department or agent but not in the Trust's name. The Trust's investments are not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income investments. The Trust's investment policy does not specifically address limitations on the maturities of investments.

Investment Concentration Risk

Investment concentration risk is the risk that the investment portfolio is disproportionately exposed to market changes in specific sectors or securities. As of December 31, 2022, the Trust held the following investments in excess of 5.0% of the fair value of the Trust's net position: DFA US Small Cap Fund, American Funds Europac Growth R6 Fund, Vanguard Total Stock Market Index Fund, Vanguard Total Bond Market Index Fund, Baird Core Bond Fund, and MainStay MacKay High Yield Fund.

4. PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

PICA, a body corporate and politic, was organized in June 1991 and exists under and by virtue of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the Act). Pursuant to the Act, PICA was established to provide financial assistance to cities of the first class. The City currently is the only city of the first class in the Commonwealth of Pennsylvania. Under the Act, PICA is administered by a governing Board consisting of five voting members and two ex officio non-voting members. The Governor of Pennsylvania, the President Pro Tempore of the Pennsylvania Senate, the Minority Leader of the Pennsylvania Senate, the Speaker of the Pennsylvania House of Representatives and the Minority Leader of the Pennsylvania House of Representatives each appoints one voting member to the Board.

The Act provides that, upon PICA's approval of a request of the City to PICA for financial assistance, PICA shall have certain financial and oversight functions. First, PICA shall have the power to issue bonds and grant or lend the proceeds thereof to the City. Second, PICA also shall have the power, in its oversight capacity, to exercise certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City and to certify noncompliance by the City with its then-current five-year financial plan (which certification would require the Secretary of the Budget of the Commonwealth of Pennsylvania to cause certain Commonwealth payments due to the City to be withheld).

PICA bonds are payable from the proceeds of a PICA tax on the wages and income earned by City residents. The City has reduced the amount of wage and earnings tax that it levies on City residents by an amount equal to the PICA tax so that the total tax remains the same. PICA returns to the City any portion of the tax not required to meet their debt service and operating expenses. In Fiscal 2023 this transfer amounted to \$674.3 million.

5. RELATED PARTY TRANSACTIONS

The City is associated, through representation on the respective Board of Directors, with several local governmental organizations and certain quasi-governmental organizations created under the laws of the Commonwealth of Pennsylvania. These organizations are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate independent governmental entities. A list of such related party organizations and a description of significant transactions with the City, where applicable, is as follows:

A. SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA)

During the year the City provided an operating subsidy of \$100.7 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments which totaled \$135.1 million during the year to the following organizations:

- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- The Philadelphia City Fund

6. RISK MANAGEMENT

A. PRIMARY GOVERNMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City (except for Aviation Fund operations, the Municipal Authority and PICA) is self-insured for fire damage, casualty losses, public liability, Workers' Compensation and Unemployment Compensation. The Aviation Fund is self-insured for Workers' Compensation and Unemployment Compensation and insured through insurance carriers for other coverage. The City is self-insured for medical benefits provided to employees in the Fraternal Order of Police, its city-administered health plan, the International Association of Fire Fighters and District Council 47.

The City covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claim expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, 2023 the amount of these liabilities was \$410.1 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, 2021 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims & Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2021	\$ 391.8	\$ 321.2	\$ (222.6)	\$ 490.4
Fiscal 2022	490.4	194.1	(235.2)	449.3
Fiscal 2023	449.3	246.4	(285.6)	410.1

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 \$2.1 million for Unemployment Compensation claims and \$95.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are \$301.6 million discounted at 3.5%. On an undiscounted basis, these liabilities total \$393.7 million. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers' compensation total \$268.5 million (discounted) and \$353.1 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 \$500,000. The perils of Windstorm, Flood & Earthquake are subject to a \$1.0 million deductible and a limit of \$500.0 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 \$139.6 million in the district-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro-rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

Additionally, **PGW** and **PPA** are self-insured for various risks. At June 30, 2023, the amount of these liabilities totaled \$154.4 million, which includes \$139.6 million for **SDP**, \$6.8 million for **PGW**, and \$8.0 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>
2022	\$ 146.8	\$ 237.8	\$ (230.4)	\$ 154.2
2023	\$ 154.2	\$ 240.1	\$ (239.9)	\$ 154.4

7. COMMITMENTS

A. PRIMARY GOVERNMENT

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of open encumbrances for both, the current and prior fiscal years, were as follows:

(Amounts in Thousands of USD)

<u>Fund</u>	<u>Amounts</u>
General Fund	\$ 383,391
Grants Revenue Fund	416,982
Community Behavioral Health Fund	97,222
Water Enterprise Fund	946,947
Aviation Enterprise Fund	300,346
Non-Major Governmental Funds	476,133
Total	<u>\$ 2,621,021</u>

B. COMPONENT UNITS

SDP

Capital Projects Fund Construction and Equipment Purchase Commitments:

The School District's outstanding contractual commitments at June 30, 2023 are summarized as follows:

New Buildings and Additions	\$ 26,815,948
Environmental Management	478,986
Alterations and Improvements	27,074,302
Major/Building Renovations	12,018,100
Technology and Operations Projects	9,392,854
Total	<u>\$ 75,780,189</u>

Operating Fund Services and Supplies Commitments:

Outstanding contractual commitments in the School District's operating funds at June 30, 2023 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$15,305,216	\$1,902,208

Categorical Fund Commitments:

Categorical Funds encumbrances totaled \$195.9 million at June 30, 2023.

PGW

Commitments for major construction and maintenance contracts were approximately \$70.9 million as of August 31, 2023.

PGW, in the normal course of conducting business, has entered into long term contracts for the supply of natural gas, firm transportation, and long-term firm gas storage service. PGW's cumulative obligations for demand charges for all these services are approximately \$5.8 million per month in perpetuity.

PGW has entered into long term and seasonal contracts with suppliers providing PGW with natural gas. PGW has the ability to fix the price of the purchase of natural gas with these contracts.

PGW's FY 2024 Capital Budget was approved by City Council in the amount of \$192.4 million. Within this approval, funding was provided to continue the implementation of an 18-mile CIMR Program. The cost for this program in FY 2024 is expected to be \$31.5 million. The total six-year cost of the CIMR Program is forecasted to be \$193.9 million. In addition to the 18-mile CIMR Program, the FY 2024 Capital Budget includes funding for an accelerated CIMR Program which PGW will include in its DSIC surcharge. This incremental program in FY 2024 is expected to cost \$41.0 million. The total six-year cost of this incremental program is forecasted to be \$246.0 million. The FY 2024 Capital Budget also includes \$1.2 million for the purchase of smartpoint devices for the Automatic Meter

Infrastructure (AMI) units, which will replace the Automatic Meter Reading (AMR) devices. The total six-year cost of this program to replace AMR units is approximately \$1.8 million.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Department, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a \$500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions, or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases, lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately \$386.0 million. Of this amount, \$39.6 million is charged to the current operations of Enterprise Funds. The remaining \$346.4 million pertaining to the General Fund is reflected in the Government Wide Statements.

In addition to the above, there are certain lawsuits against the City, for which a loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimate of the amount of loss from these lawsuits in which some amount of loss is reasonably possible is approximately \$102.6 million from the General Fund, \$2.0 million from the Water Fund, and \$4.4 million from the Aviation Fund. This represents the best estimate of the entire current inventory of such litigation and pre-suits as of February 16, 2024.

Significant cases included in the current litigation against the City are as follows:

City of Philadelphia v. Sugarhouse HSP Gaming, L.P., et al., No. 230400812 (C.P. Phila. Co.)

The City filed suit against the owners of Rivers Casino, alleging that the casino had breached the parties' 2011 settlement agreement by failing to make certain payments totaling more than \$11 million. In their Answer, Defendants raise several counterclaims, including (a) for restitution of certain past payments (totaling approximately \$13.5 million) on the theory that the payment provisions are void as against public policy and (b) for breach of contract based on the City's enactment of the Actual Value Initiative in 2013 and the City's COVID-19 business restrictions. Defendants seek approximately \$20 million in damages for the breach of contract. The City and Defendants have reached an agreement in principal and are in the process of negotiating the final settlement agreement which will result in a dismissal of this Action.

Henderson Condemnation

In early September 2016, a Petition for the Appointment of a Board of View pursuant to the Pennsylvania Eminent Domain Code 26 Pa. C. Section 502(c) was filed in Delaware County, Pennsylvania, against the City by numerous Henderson related entities and trusts (the "Hendersons"). The Petition alleged that the City effected a de facto taking of the Hendersons properties (the "Property"), which Property is proximate to the Philadelphia International Airport and located in Tinicum Township, Delaware County. The City desired to acquire the Property for Airport purposes and had numerous discussions with representatives for the Hendersons over time.

The City filed Preliminary Objections to the Petition and there was a hearing on the Petition and the Preliminary Objections scheduled for January 2018. Prior to the hearing, the City filed its own Declaration of Taking in September 2017 and made an offer of just compensation. The City and the Hendersons then settled the foregoing matters. The City obtained possession of the Property and paid the Hendersons estimated just compensation of \$54.5 million. The Hendersons' de facto taking case was dismissed with prejudice.

The Board of View, which was appointed by the Court of Common Pleas in Delaware County (the "Trial Court"), issued its Report, which was filed on October 19, 2020, awarding damages to the Hendersons in the amount of \$139,120,000 as "just compensation" for the taking of the Property. The amount of \$54,500,000 referenced above is to be deducted from this amount. On November 12, 2020, the City filed an appeal to the damage award to the Trial Court raising objections, as a matter of law, to the Report. The Trial Court then asked the parties to brief the issue respecting the preliminary determination of whether the Report issued by the Board was legally erroneous.

On November 9, 2021, after multiple rounds of briefing, the Trial Court issued an order overruling the City's objections. The City filed a timely notice of appeal to the Commonwealth Court, and the Hendersons filed a Motion to Quash the appeal as interlocutory. The Commonwealth Court has the Motion to Quash be listed with merits of the appeal. The Trial Court has stayed the action pending disposition of the City's appeal in the Commonwealth Court. In December, the Commonwealth Court quashed the City's appeal. The City has petitioned the Supreme Court of Pennsylvania for allocatur and that petition remains pending. A payout of this matter, if any, will be coming out of the Aviation Fund and deemed a possible loss.

Fraternal Order of Police, Lodge 5 (Deplorable Conditions) v. City of Philadelphia

The FOP filed a grievance alleging that the City violated their union labor contract's human dignity clause based on the condition of all police facilities and sought extensive remedies. Following a lengthy arbitration, an interim award was issued on April 26, 2013. Pursuant to the terms of that award, the arbitrator found that the City had violated the contract but ordered only that the parties meet on a monthly basis to identify and prioritize issues, work out budgets, and work through the issues identified by the union.

In July of 2018, the FOP requested hearings before the arbitrator regarding the conditions of the police facilities, but no dates were set, and there has not been any activity on this matter since July of 2018.

Although the union has not specified its concerns, the City's attorneys believe that the union wishes the arbitrator to force the City to significantly renovate or replace existing facilities. The City's attorneys are unable in their professional judgment to evaluate the likely cost of an unfavorable outcome but estimate that if renovations such as the union has previously sought were necessary, it could cost the city more than \$8 million. City attorneys believe the probability of such an award being issued to be highly unlikely and would contest any such award vigorously through available appellate options. There has been no communication on this matter for over six 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. Mr. Dennis is represented by Paul Messing, an experienced civil rights attorney, and if the case goes forward and liability is established, the City could potentially face an \$8 million verdict.

Garcia v. City of Philadelphia, No. 21-2884

Plaintiff alleges that he was wrongfully convicted and imprisoned for six years because Detective Nordo, who allegedly groomed him for sexual encounters, fabricated evidence against him. Mr. Garcia was a key witness in the criminal prosecution of Mr. Nordo, who was recently found guilty by a local jury. The City has calculated Garcia's time of incarceration based on the homicide prosecution at 14 months. Plaintiff is currently incarcerated as a result of an aggravated assault conviction. Given Plaintiff has not agreed to this calculation, the circumstances surrounding his arrest and prosecution, and damages are difficult to calculate at this stage of the case, damages could exceed \$8 million.

Simmons v. City of Philadelphia, No. 19-1648

Plaintiff alleges that he was wrongfully convicted and imprisoned for almost ten years because Detectives Norma Serrano and Philip Nordo fabricated evidence against him. Mr. Nordo has been convicted, and the case is now reopening. Given damages are difficult to calculate at this stage of the case, length of time Plaintiff was incarcerated, and the circumstances surrounding his arrest and prosecution, damages could exceed \$8 million.

Frazier v. City of Philadelphia, No. 19-1692

Plaintiff alleges that he was wrongfully convicted and imprisoned for seven years due to former police detective Philip Nordo's misconduct. The case was in suspense because criminal charges were pending against Mr. Nordo. Mr. Nordo has now been convicted, and the case is now reopening. Frazier has been subsequently convicted for a second shooting incident following his release for the overturned homicide conviction. Given damages are difficult to calculate at this stage of the case, length of time Plaintiff was incarcerated, and the circumstances surrounding his arrest and prosecution, damages could exceed \$8 million.

Bennett v. City of Philadelphia, No. 19-2988

Mr. Bennett was convicted of murder and spent 12.5 years in prison before his conviction was vacated and, upon being re-tried by the Philadelphia District Attorney's Office, was acquitted. Represented by Ross Feller Casey, he has filed suit in federal court, naming individual detectives and the City of Philadelphia as defendants. The case is in discovery. Given the length of time Mr. Bennett spent in custody, damages, while difficult to calculate at this stage, could exceed \$8 million.

Oniyah v. City of Philadelphia, No. 22-1556

Mr. Oniyah was convicted of murder and spent nearly ten years in prison before his conviction was vacated and nolle prosequi. He alleges that Detective James Pitts coerced his confession to that murder, and his allegations form the basis of criminal charges that issued against Detective Pitts in late February 2022. The case will likely be stayed pending the criminal proceedings. Given the length of time Mr. Oniyah spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Hicks v. City of Philadelphia (22-977)

Termaine Hicks was convicted of rape and spent 18 years in prison before his conviction was vacated. A complaint was filed in mid-March 2022. Though the case is in its early stages, given the length of time Mr. Hicks spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Swainson v. City of Philadelphia (22-2163)

Andrew Swainson was convicted of murder and spent 32 years in prison before his conviction was vacated. A complaint was filed recently, in June 2022. Given the length of time Mr. Swainson spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Martinez v. City of Philadelphia 22-3437

Antonio Martinez (a.k.a. Pedro Alicia) was convicted of murder and spent 31 years in prison before his conviction was vacated. Plaintiff has filed suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Martinez spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Crosland v. City of Philadelphia 22-2416

Curtis Crosland was convicted of murder and spent 32 years in prison before his conviction was vacated. Plaintiff has filed suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Crosland spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

India Spellman v. City, No. 23-2163

India Spellman was convicted of murder and spent roughly 13 years in prison before her conviction was vacated. A complaint was filed recently, in September of 2023 where Plaintiff claims Detectives fabricated evidence against her. Given the length of time Ms. Spellman spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

John In v. Officer Roger Birch: No. 24-0021

John In was convicted of a home-invasion burglary and robbery and spent roughly 15 years in prison before his conviction was vacated. A complaint was filed recently, in November of 2023 where Plaintiff claims that evidence was fabricated against him. Given the length of time Mr. In spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Satterfield v. Thomas, No. 24-0484

Mr. Satterfield was convicted of murder and spent 38 years in prison. He alleges Detectives deliberately withheld evidence and the District Attorney's Office used unconstitutional jury selection practices. He filed suit in February 2024. While difficult to assess the merits of this claim or calculate damages at this early stage, given the length of time Mr. Satterfield spent in custody, damages could exceed \$8 million.

Coulston v. City of Philadelphia, et al., No. 23-4077

Troy Coulston was convicted of murder and served just over 30 years in prison before his conviction was vacated. Plaintiff has filed suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Coulston spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Bowman v. City of Philadelphia, et al., No. 24-637

Kevin Bowman was convicted of murder and served approximately 34 years in prison before his conviction was vacated. Plaintiff filed suit in state court, and the Defendants removed to federal court. Given the length of time Mr. Bowman spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

Johnson v. City of Philadelphia, et al., No. 24-36

William Johnson was convicted of murder and served approximately 15 years in prison before his conviction was vacated. Plaintiff has filed suit in federal court and is represented by experienced civil rights attorneys. Given the length of time Mr. Johnson spent in custody, damages, while difficult to calculate at this early stage, could exceed \$8 million.

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, 575 U.S. 542 (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. The City's position was upheld by the Tax Review Board, the Court of Common Pleas, the Commonwealth Court, and the Pennsylvania Supreme Court, which decided the case 3-2 in our favor in November 2023. We anticipate that the taxpayer will soon file a petition for a writ of certiorari with the United States Supreme Court. The City estimates the cost of current appeals to be approximately \$10 million.

2) Guaranteed Debt

During Fiscal Year 2014, the City implemented GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 had no significant effect on the City's financial statements. The City has guaranteed certain debt payments of one component unit (PPA). Under a contract with PPA authorized by City Council Ordinance, the City agreed to annually pay such amounts as necessary to restore any deficiency in the debt service reserve fund for PPA's Parking System Revenue Bonds Series 1999A. During fiscal year 2020, the 1999A indenture (i.e., the parking lot at 8th & Chestnut Streets) did operate at a deficit. The City was not required to cover the debt service this fiscal year due to contingent payments from a third party. As of March 31, 2021, 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 \$985,000 as of March 31, 2023. The 1999A bonds, which mature in fiscal year 2029, had an outstanding principal balance of \$6.67 million at March 31, 2023.

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, 2023, which accounted for \$897.33 million for all open programs as of November 30, 2023. Of this amount, \$727.51 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2023. \$165.5 million represents unresolved costs due to the inability to obtain audit reports from sub-recipients for the years ended June 30, 2022 and prior, and \$4.3 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, 2022, the Grants Revenue Fund had \$101.7 million receivable for the Children and Youth Programs. In FY 2023, the Grants Revenue Fund had expenditures totaling \$539.9 million

and revenue totaling \$478.4 million. At June 30, 2023, the Grants Revenue Fund had \$181.5 million receivable for the Children and Youth Programs. Due to the nature of the programs' billing policies, the city has 24 months after the current fiscal year-end date to submit a final reimbursement request. If receivables for program costs submitted for reimbursement are subsequently deemed ineligible, such non-reimbursable costs will be charged to the General Fund.

B. COMPONENT UNITS

1) Claims and Litigation

SDP

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

Special Education and Civil Rights Claims

There are estimated seven hundred one (701) open special education matters, including due process matters, at various stages of the administrative process against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.0 million.

These seven hundred one (701) matters represent administrative due process hearings and appeals to the state appeals panel pending against the School District. These matters specifically involve claims by parents alleging breaches by the School District of its obligation to provide a Free and Appropriate Public Education to students under federal and state civil rights laws, including the Individuals with Disabilities Education Act ("IDEA"), Section 504 of the Rehabilitation Act, Americans with Disabilities Act, and federal anti-discrimination laws. In the opinion of the General Counsel of the School District, the seven hundred one (701) unfavorable outcomes are deemed probable in the aggregate of \$4.0 million, but none of which individually reaches the materiality threshold.

Other Matters

The School District is a party to various claims, legal actions, arbitrations, and complaints in the ordinary course of business, which aggregate to a total potential liability of \$22.3 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, there are pending commercial lawsuits against the School District which are deemed reasonably possible in the aggregate amount of \$2.0 million. In addition, there are compromised settlements or unfavorable outcomes deemed reasonably possible in the amount of \$1.7 million in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed reasonably possible in the aggregate amounts of \$7.7 million, respectively, arising from personal injury and property damage claims and lawsuits.

Administrative Appeals in Pennsylvania Department of Education - Federal Funds Deduction Administrative Actions

Currently, there are two sets of administrative actions pending before the Pennsylvania Department of Education (PDE) or on appeal to the Commonwealth Court. Between these two sets of actions, originally 15 brick and mortar and cyber charter schools claimed that PDE impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds, prekindergarten expenses, and certain portions of the Ready to Learn grant funds from total expenditures when calculating per-pupil rates and those deductions are not expressly permitted under the Charter School Law. Some of the administrative matters had originated in actions brought by the charter schools against the School District and PDE in the Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 289 M.D. 2017, related to the 2015-16 school year, ordered the matter to proceed at PDE, and the charter schools moved their claims for the 2016-17 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 431 M.D. 2019) school years to PDE.

For the charter schools involved in Set 1, there were 12 docketed matters before PDE related to the 2015-2016 school year, there were 12 docketed matters before PDE related to the 2015-2016 school year, and 13 docketed matters related to the 2016-2017 school year. After a 7-day hearing and briefing, in November 2022, the Secretary issued a decision in favor of the School District in Set 1 regarding the rates used for the 2015-2016 and 2016-2017 school years, a significant win for the School District and all districts in Pennsylvania. Five of the eight charter schools in Set 1 appealed the Secretary's decision to Commonwealth Court ("Commonwealth Court Appeals"), although two of the five charter schools have since withdrawn their appeals as a result of a Release and Settlement Agreement with the School District, as discussed below, which did not result in the School District paying any funds

related to the claims being litigated in the Commonwealth Court Appeal. The Commonwealth Court Appeals filed by the remaining three charter schools have been consolidated and remain pending with the charter schools' briefs filed on October 25, 2023, and the School District's brief yet to be submitted.

PDE has stayed the remaining administrative actions in Set 2 ("PDE Appeals") while the Commonwealth Court Appeals move forward. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; and in excess of \$6.4 million for the 2017-18 school year.

As mentioned above, a few of these charter schools have also, more recently, unsuccessfully sought withholdings for subsequent school years on the same basis, and those matters would also be included within the pending PDE Appeals. Although it is impossible to determine with any degree of certainty, the likelihood of an unfavorable outcome on the federal funds deduction issue in the amounts detailed above is reasonably possible.

The School District entered into a global settlement agreement with two of the charter schools which recently withdrew from the Commonwealth Court Appeals and the PDE Appeals discussed above, and with their management company on or about September 21, 2023. In addition, the School District also entered into a global settlement agreement with a cyber charter school which is involved with the Commonwealth Court Appeals and PDE Appeals discussed above. This cyber charter school has not yet withdrawn from the cases but is expected to once the settlement agreement has been fully executed.

PGW

PGW's material legal proceedings are as described below. PGW believes that it has valid defenses to these legal proceedings and intends to defend them vigorously. PGW records reserves for estimated losses from contingencies when information available indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. Management has assessed the following matters based on current information and made a judgment concerning their potential outcomes, considering the nature of the claim, the amount and nature of damages sought, and the probability of success. PGW is unable to predict the outcome of these legal proceedings or reasonably estimate the scope or amount of any associated costs and potential liabilities.

Philadelphia Gas Works, Petitioner v. Pennsylvania Public Utility Commission and SBG Management Services, et. al., Respondents, Pennsylvania Commonwealth Court Docket Nos. 1291 CD 2018, 1405 CD 2018 and 1404 CD 2018. These are an appeal by PGW dated October 19, 2018 from the Orders of the PUC issued (a) December 8, 2016, and the related Opinions and Orders denying reconsideration that were issued on May 18, 2018 and on August 23, 2018; (b) September 20, 2018; and (c) October 4, 2018.

Eight complaints were filed by landlords and by SBG Management Services, Inc. (collectively, SBG), the property management company that manages the day-to-day operations of certain residential properties owned by the landlords. The complaints which challenged amounts owned by SBG to PGW that, inter alia, were subject to late payment charges by PGW were divided into three groups by the Commission. The Commission's Regulations and PGW's Commission approved tariff authorizes PGW to charge interest (in the form of a late payment charge) at the rate of 1.5% per month on the overdue balance of a utility bill. In addition, if a customer does not pay for natural gas services provided by PGW, a municipal lien (which is created by operation of the Pennsylvania Municipal Claim and Tax Lien Law, 53 P.S. §§ 7101, et. seq. (MCTLL)) may be docketed with the appropriate local court. The Commission held that it lacks jurisdiction over unpaid amounts for natural gas service provided by PGW when a municipal lien is docketed under the MCTLL. Based upon that conclusion, the Commission determined that once a lien is docketed, PGW may not apply rules set forth in its Commission approved tariff to the arrearage amount giving rise to the lien and may not show that arrearage amount on its monthly bills to nonpaying customers. The PUC assessed civil penalties in the total amount of approximately \$0.1 million against PGW, ordered PGW to refund sums totaling approximately \$1.0 million to the complainants, correct its practices in the assessment of late payment charges on unpaid balances, and modify the payment application sequence associated with partial payments. This would require PGW to make changes to PGW's billing system.

In response to the PUC's determination, PGW filed timely appeals with the Pennsylvania Commonwealth Court from the PUC's decision in each group of complaints. Oral argument took place on November 12, 2019.

On December 9, 2019, the Pennsylvania Commonwealth Court reversed the orders of the PUC related to amounts owed by SBG Management Services, Inc. to PGW that, inter alia, were subject to late payment charges by PGW. The Commonwealth Court found that (i) the PUC committed an error of law in holding that it lacked jurisdiction over gas charges subject to docketed liens, (ii) the PUC committed an error of law in holding that PGW could not continue to impose late fees of 1.5% per month on delinquent accounts once the City docketed a lien, and (iii) the PUC erred in imposing penalties, ordering refunds of previously imposed late fees, and directing billing changes

relating to charges subject to docketed liens.

On January 8, 2020, SBG petitioned the Pennsylvania Supreme Court ("PA Supreme Court") to reverse the decision of the Commonwealth Court. On June 23, 2020, the PA Supreme Court granted SBG's petition for appeal. On December 1, 2020, the parties presented oral arguments before the PA Supreme Court. On April 29, 2021, the PA Supreme Court reversed the order of the Commonwealth Court, and held that liens filed of record under Section 7106(b) of the Municipal Claims and Tax Lien Law (53 P.S. § 7106(b)) have the effect of judgments, and accordingly accrue interest at the "lawful rate" of post-judgment interest of 6% per annum. (See 42 Pa.C.S. §8101; 41 P.S. § 202).

On May 13, 2021, PGW filed an "Application for Reargument" with the PA Supreme Court. In its Application, PGW requested that the PA Supreme Court grant reargument on a number of grounds, including due to PGW's assertion that the determination of the interest rate on liens was not properly the subject of the appeal before the PA Supreme Court.

On June 15, 2021, Philadelphia Gas Works' Application for Reargument was granted in part by the PA Supreme Court. The case was remanded to the Commonwealth Court for consideration of any outstanding issues. (PGW's Application for Relief (including the request for reargument) was denied in all other respects.) On August 3, 2021, the Commonwealth Court issued an order establishing a Supplemental Briefing Schedule for the matter on remand, and also fixed the questions on remand. The parties' briefs were filed in September/October of 2021. Oral argument took place on February 7, 2022 before the Commonwealth Court, and on March 16, 2022 the Commonwealth Court held that PGW II applies retroactively only to the parties of PGW II as well as other proceeding pending at the time PGW II was decided on April 28, 2021. The Commonwealth Court remanded the proceeding to the Commission for a determination of the correct amounts.

Upon remand to the Commission, PGW filed a motion to dismiss the issue related to the amounts due on docketed liens. PGW argued that the amount due on docketed liens (which are judgments according to PGW II) are outside of the Commission's jurisdiction. In response, SBG argued that it is proper for the Commission to determine how much SBG was overcharged. The motion was argued before the Administrative Law Judge (the "ALJ") on November 8, 2022. An evidentiary hearing was scheduled for January 19, 2023.

SBG Management Services, Inc. Et Al. v. City of Philadelphia c/o Philadelphia Gas Works. In a separate, but related matter to the SBG matter described above, various and several new SBG entities filed a Praecipe for Writ of Summons against "the City of Philadelphia c/o PGW" in the Philadelphia Court of Common Pleas on April 29, 2021 and docketed a complaint on August 24, 2021. The complaint sets forth a cause of action for "recoupment" (Count I), a claim for unjust enrichment (Count II), a cause of action for fraud (Count III), and a claim for violation of the UTCPL (Count IV). Under SBG's view of the decision of the Pennsylvania Supreme Court (PGW v. PUC, 249 A.3d 963 (Pa. 2021)) in the above-described litigation, SBG is entitled to damages based on the amounts paid by them to satisfy the judgments (docketed municipal liens) against them for unpaid gas service. In their complaint, Plaintiffs allege they have incurred hundreds of millions of dollars in damages from PGW's billing practices since at least 2004 and are seeking a refund of late payment charges paid to PGW in excess of \$10.2 million, as well as other substantial (including punitive and treble) damages, interest, costs, fees and penalties based upon allegations of unjust enrichment, fraud, and unfair trade practices arising from PGW's late payment charges. PGW filed its response to the complaint in September 2021, wherein it raised objections and defenses to all the causes of action raised in the complaint. On January 20, 2022, the Court issued an order in response to PGW's Preliminary Objections, dismissing two of SBG's claim with prejudice (fraud and unfair trade practices), and dismissing a third claim (breach of contract) without prejudice, and leave to SBG to amend its complaint. SBG has subsequently filed multiple amended complaints including a Third Amended Complaint ("TAC"). The TAC asserts claim of breach of contract (Count 1) and unjust enrichment (Count II). PGW responded by filing preliminary objections to the TAC. On August 10, 2022, the Court sustained one of PGW's preliminary objections and dismissed the nine other property owners. PGW's other preliminary objections were overruled. PGW filed an answer with new matter on August 30, 2022. SBG's reply was filed on September 23, 2022.

Pennsylvania Public Utility Commission, Bureau of Investigation and Enforcement v. Philadelphia Gas Works. Docket No. C-2019-3013933. On December 19, 2019, an explosion occurred on the 1400 Block of South Eighth Street in Philadelphia that resulted in two fatalities. The Commission's Bureau of Investigation and Enforcement ("BI&E") conducted an investigation, Part of the investigation is to gather physical evidence at the scene as described in 49 CFR 190.203

On July 15, 2022, BI&E filed a formal complaint against PGW alleging violations of the Public Utility Code arising from the incident. The formal complaint seeks corrective actions and civil penalties of \$1,311,882. PGW responded to the complaint on August 23, 2022, denying the allegations.

9. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, the City has reviewed events that occurred subsequent to June 30, 2023 through February 24, 2024. The following events are described below:

A. PRIMARY GOVERNMENT

- a. In August 2023, Philadelphia Energy Authority (PEA) issued City Service Agreement Revenue Bonds Series 2023 A&B in the amount of \$83.5 million. The proceeds of the bonds were used to finance certain costs of the Streetlight Improvement Project and pay the cost of issuance related to the bonds. Interest on the bonds range from 5.000% to 5.587% and is payable on May 1 and November 1 each year until maturity in 2043.
- b. In September 2023, the City issued \$564.8 million in Water and Wastewater Revenue Bonds Series 2023B. The total proceeds were \$601.9 million (which includes a premium of \$37.1 million). The proceeds of the bonds were used to finance capital improvements to the City's Water and Wastewater Systems, a deposit to the Debt Reserve Account of the Sinking Fund, the advanced refunding of Water and Wastewater Revenue Bonds Series 2019A and 2020B and pay the cost of issuance related to the bonds. Interest on the bonds range from 4.500% to 5.500% and is payable on March 1 and September 1 each year until maturity in 2053. The aggregate difference in debt service between the refunding debt and the refunded debt is \$4.51 million resulting in a net economic gain of \$3.25 million.

B. COMPONENT UNITS

1. PGW Subsequent Event:

a. Rate Case

On November 9, 2023, the PUC entered its Order and Opinion in the case, which approved an annual operating revenue increase of \$26.2 million, or 3.15% over present rates. The Order and Opinion granted, in part, exceptions filed by the Office of Consumer Advocate (OCA), the Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG), and PGW filed the new tariff November 28, 2023 with rate increase for service rendered on or after November 29, 2023. The Commission will review PGW's request to reconsider points from the Order. PGW is expecting a final Order at the December 21, 2023 public meeting.

b. WNA Order

PGW filed a Petition with the commission on August 2, 2022, to become effective October 1, 2022. On December 6, 2022, PGW voluntarily agreed to move the suspension deadline to October 5, 2023. In the Petition, PGW requested: (1) approval of tariff modifications on less than the statutorily established notice of sixty (60) days; and (2) to revise its Gas Services Tariff by adding a control cap to its WNA, to prevent customers from being billed a WNA charge or credit that is greater than 25% of total delivery charges excluding the WNA, on any given bill. In the Order dated September 21, 2023, the Administrative Law Judge (ALJ) found that the elimination of May from the WNA calculation is just and reasonable. This means that the new applicable period for the WNA to be applied will be October 1 through April 30. The ALJ affirmed that removing May from the WNA formula will help eliminate rate shock resulting from abnormal weather patterns. Additionally, the ALJ found that although the removal of May from the WNA calculation is an effective fix to the issues with the WNA in the short-term, a more in-depth review of the WNA mechanism, as it functions for PGW's customers, should be undertaken in the future. Accordingly, the ALJ recommended that the Commission direct PGW to address issues with the WNA when it files its next Base Rate Case after 2023.

c. Retirees

Effective, September 1, 2023, PGW provides its Medicare eligible retirees a Blue Medicare Advantage Secure Preferred (PPO) Medical plan. The new plan will replace PGW's Medicare supplemental insurance called Medigap Plan F. The change was estimated to save PGW almost \$2.4 million over a two-year period.

2. PHA Subsequent Events:

Vehicle Lease - On April 7, 2017, PHA and Enterprise executed a contract whereby PHA will commence leasing vehicles from Enterprise for a term of 5 years. In fiscal 2024, PHA will lease replacement vehicles for vehicles that have reached a term of 5 years. Therefore, for 2024 (Phase VIII), PHA will be replacing 2019 vehicles (Phase III) with an estimated budget of \$2.3 million.

3. **PPA** Subsequent Event:
On August 16, 2023, the City of Philadelphia – Aviation Department extended the Authority’s Provider agreement that continues Authority parking operations at the Philadelphia International Airport. The extension is valid through June 30, 2024.

4. **SDP** Subsequent Events
 - a. *Tax Revenue Anticipation Notes (TRAN)*
In October 2023, 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 which was issued as fixed rate notes in the aggregate principal amount of \$399.0 million with a maturity date of June 28, 2024.

On October 19, 2023, the Board of Education authorized the issuance and sale of TRAN Notes Series A of 2023-2024 in the amount of \$399,040,000 through a negotiated sale. The purchase was issued as fixed rate notes at a rate of 5.000% per annum to yield 4.200% calculated on the basis of actual days elapsed in a 365/366-day year. Notes proceeds were received on the closing date of October 26, 2023. The Notes were issued for the purpose of financing the current operating expenses incurred during Fiscal Year 2023.

 - b. *General Obligation Bonds Series A of 2023 and Series B of 2023*
On October 19, 2023, the Board of Education, through a resolution, authorized the issuance of General Obligation Bonds (GOB) Series A and Series B in the amount of \$342.7 million. On November 16, 2023 the District closed on Series A of 2023 issued in the aggregate amount of \$292.9 million and Series B of 2023 issued as “Green Bonds” in the aggregate amount of \$49.8 million. Both series of bonds will fund the Capital Improvement Program.

City of Philadelphia
PENNSYLVANIA

**Required
Supplementary
Information**

(Other than Management's Discussion and Analysis)

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2023

Exhibit XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual*	
Revenues				
Tax Revenue	4,015,653	4,166,315	4,154,299	(12,016)
Locally Generated Non-Tax Revenue	372,765	379,831	415,117	35,286
Revenue from Other Governments	913,380	986,821	1,096,581	109,760
Revenue from Other Funds	400,959	394,584	381,017	(13,567)
Total Revenues	5,702,757	5,927,551	6,047,014	119,463
Expenditures and Encumbrances				
Personal Services	2,057,006	2,074,397	1,976,579	97,818
Pension Contributions	842,532	929,580	929,580	-
Other Employee Benefits	760,978	673,496	695,383	(21,887)
Sub-Total Employee Compensation	3,660,516	3,677,473	3,601,542	75,931
Purchase of Services	1,236,034	1,278,633	1,207,275	71,358
Materials and Supplies	92,412	100,680	95,261	5,419
Equipment	51,117	86,060	72,483	13,577
Contributions, Indemnities and Taxes	408,158	470,733	480,792	(10,059)
Debt Service	193,710	193,710	190,496	3,214
Payments to Other Funds	114,532	270,532	270,532	-
Advances, Subsidies, Miscellaneous	86,000	28,012	-	28,012
Total Expenditures and Encumbrances	5,842,479	6,105,833	5,918,381	187,452
Operating Surplus (Deficit) for the Year	(139,722)	(178,282)	128,633	306,915
Fund Balance Available for Appropriation, July 1, 2022	492,417	779,145	779,144	(1)
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,000	37,532	73,795	36,263
Funding for Future Obligations	(4,500)	(4,500)	-	4,500
Adjusted Fund Balance, July 1, 2022	511,917	812,177	852,939	40,762
Fund Balance Available for Appropriation, June 30, 2023	372,195	633,895	981,572	347,677

* 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, 2023

Exhibit XV

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>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	246	10,070	15,345	5,275
Revenue from Other Governments	1,338,932	1,329,108	1,280,955	(48,153)
Total Revenues	1,339,178	1,339,178	1,296,300	(42,878)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(38,283)	(38,283)
Increase in Financed Reserves	-	-	(100,829)	(100,829)
Total Revenues and Other Sources	1,339,178	1,339,178	1,157,188	(181,990)
<u>Expenditures and Encumbrances</u>				
Personal Services	1,261	1,261	304	957
Purchase of Services	1,337,817	1,337,817	1,271,266	66,551
Payments to Other Funds	100	100	40	60
Total Expenditures and Encumbrances	1,339,178	1,339,178	1,271,610	67,568
Operating Surplus (Deficit) for the Year	-	-	(114,422)	(114,422)
Fund Balance Available for Appropriation, July 1, 2022	-	201,015	201,015	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	(201,015)	39,497	240,512
Adjusted Fund Balance, July 1, 2022	-	-	240,512	240,512
Fund Balance Available for Appropriation, June 30, 2023	-	-	126,090	126,090

* 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, 2023

Exhibit XVI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual*</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	93,942	101,323	70,866	(30,457)
Revenue from Other Governments	<u>3,199,946</u>	<u>2,065,868</u>	<u>1,415,149</u>	<u>(650,719)</u>
Total Revenues	3,293,888	2,167,191	1,486,015	(681,176)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(18,424)	(18,424)
Increase in Financed Reserves	<u>-</u>	<u>-</u>	<u>(16,362)</u>	<u>(16,362)</u>
Total Revenues and Other Sources	<u>3,293,888</u>	<u>2,167,191</u>	<u>1,451,229</u>	<u>(715,962)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	247,269	255,447	160,029	95,418
Pension Contributions	20,405	56,585	47,752	8,833
Other Employee Benefits	81,115	51,718	32,478	19,240
Sub-Total Employee Compensation	<u>348,789</u>	<u>363,750</u>	<u>240,259</u>	<u>123,491</u>
Purchase of Services	1,456,220	1,455,913	992,230	463,683
Materials and Supplies	52,858	46,981	23,153	23,828
Equipment	40,108	45,555	5,792	39,763
Contributions, Indemnities and Taxes	1	1	955	(954)
Payments to Other Funds	395,912	395,899	371,071	24,828
Advances, Subsidies, Miscellaneous	<u>1,000,000</u>	<u>672,312</u>	<u>-</u>	<u>672,312</u>
Total Expenditures and Encumbrances	<u>3,293,888</u>	<u>2,980,411</u>	<u>1,633,460</u>	<u>1,346,951</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>(813,220)</u>	<u>(182,231)</u>	<u>630,989</u>
Fund Balance Available for Appropriation, July 1, 2022	-	(410,623)	(410,623)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	71,697	71,697
Revenue Adjustments - Net	-	-	(29,839)	(29,839)
Prior Period Adjustments	<u>-</u>	<u>410,623</u>	<u>3,214</u>	<u>(407,409)</u>
Adjusted Fund Balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>(365,551)</u>	<u>(365,551)</u>
Fund Balance Available for Appropriation, June 30, 2023	<u>-</u>	<u>(813,220)</u>	<u>(547,782)</u>	<u>265,438</u>

* Refer to the notes to required supplementary information.

City of Philadelphia
 Required Supplementary Information
 Other Post Employment Benefits (OPEB) and Pension Plans

City of Philadelphia - Schedule of Changes in Net OPEB Liability and Related Ratios (Amounts in thousands USD)

	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017
Total OPEB Liability						
Service Cost (BOY)	118,100	110,900	93,900	82,400	81,800	89,300
Interest (includes interest on service cost)	47,900	47,500	69,200	71,900	67,900	56,100
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(65,000)	-	18,100	-	56,800	-
Changes of assumptions	(354,300)	8,300	75,300	-	(147,800)	(105,600)
Benefit payments, including refunds of member contributions	(118,300)	(97,800)	(104,600)	(96,900)	(96,400)	(114,800)
Net change in total OPEB liability	(371,600)	68,900	151,900	111,400	(37,700)	(75,000)
Total OPEB liability - beginning	2,156,100	2,087,200	1,935,300	1,823,900	1,861,600	1,936,600
Total OPEB liability - ending	1,784,500	2,156,100	2,087,200	1,935,300	1,823,900	1,861,600
Plan fiduciary net position						
Contributions - employer	118,300	97,800	104,600	96,900	96,400	114,800
Contributions - non-employer	-	-	-	-	-	-
Contributions - member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(118,300)	(97,800)	(104,600)	(96,900)	(96,400)	(114,800)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-	-
Net OPEB liability - ending	1,784,500	2,156,100	2,087,200	1,935,300	1,823,900	1,861,600
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	1,921,100	1,886,500	1,921,200	1,842,600	1,805,400	1,744,700
Net OPEB liability as a percentage of covered-employee payroll	92.89%	114.29%	108.64%	105.03%	101.02%	106.70%

Note: There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan. The schedules of changes in net OPEB liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available.

City of Philadelphia - Municipal Pension Plan - Schedule of Changes in Net Pension Liability (Amounts in thousands USD)

	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
Total Pension Liability									
Service Cost (MOY)	191,726	186,294	187,598	190,457	183,756	164,137	157,607	148,370	145,556
Interest (includes interest on service cost)	900,854	879,400	884,099	871,381	857,349	843,172	823,959	802,450	791,299
Changes of benefit terms	-	-	-	-	378	4,065	-	-	-
Differences between expected and actual experience	74,248	(200,733)	(2,417)	9,483	11,098	28,937	103,879	151,919	34,910
Changes of assumptions	59,179	220,153	57,076	53,489	(842,469)	106,022	51,441	85,148	48,146
Benefit payments, including refunds of member contributions	(949,736)	(929,291)	(891,445)	(862,198)	(842,469)	(828,266)	(821,495)	(889,343)	(881,465)
Net change in total pension liability	276,271	155,823	234,911	209,123	263,601	318,067	315,391	298,544	136,446
Total Pension liability - beginning	12,374,126	12,218,303	11,963,392	11,774,269	11,510,668	11,192,601	10,877,210	10,578,666	10,442,220
Total Pension liability - ending	12,650,397	12,374,126	12,218,303	11,983,392	11,774,269	11,510,668	11,192,601	10,877,210	10,578,666
Plan fiduciary net position									
Contributions - employer	1,164,874	859,766	788,483	768,720	797,806	781,984	706,237	660,247	577,195
Contributions - member	120,691	110,447	111,273	111,825	99,180	83,289	73,607	67,055	58,658
Net investment income	570,957	(479,763)	1,643,490	87,151	303,736	440,327	566,625	(145,682)	13,838
Benefit payments, including refunds of member contributions	(949,736)	(929,291)	(891,445)	(862,198)	(842,469)	(828,266)	(821,495)	(889,343)	(881,666)
Administrative expense	(8,938)	(8,933)	(9,709)	(10,991)	(11,155)	(10,123)	(8,874)	(8,554)	(10,478)
PAF Distributions	(29,693)	(37,395)	-	-	-	-	-	-	-
Net change in plan fiduciary net position	868,255	(485,149)	1,642,092	94,507	347,098	467,211	516,100	(316,277)	(246,453)
Plan fiduciary net position - beginning	6,539,834	7,424,983	5,762,891	5,688,384	5,341,286	4,874,075	4,357,975	4,674,252	4,916,705
Plan fiduciary net position - ending	7,408,089	6,939,834	7,424,983	5,782,891	5,688,384	5,341,286	4,874,075	4,357,975	4,674,252
Net pension liability - ending	4,842,308	5,434,292	4,793,320	6,200,501	6,085,885	6,169,382	6,318,526	6,519,235	5,904,414
Plan fiduciary net position as a percentage of the total pension liability	61.72%	56.08%	60.77%	48.26%	48.31%	46.40%	43.55%	40.07%	44.19%
Covered payroll	2,025,114	1,921,142	1,886,512	1,921,217	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849
Net pension liability as a percentage of covered payroll	239.11%	282.87%	254.06%	322.74%	330.30%	341.72%	362.15%	388.85%	369.52%

Note: The schedules of changes in net pension liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available.

City of Philadelphia Schedule of Collective Contributions (Based on Minimum Municipal Obligations)

Last 10 Fiscal Years
 Amounts in Thousands

	FYE2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Actuarially determined Contribution	664,067	678,192	673,884	675,751	668,281	661,257	629,620	594,975	556,030	523,368
Contributions in Relation to the Actuarially Determined Contribution	1,164,974	859,787	788,483	768,721	797,806	781,984	706,237	660,247	577,195	553,179
Contribution Deficiency/(Excess)	(500,907)	(181,595)	(114,599)	(92,970)	(129,525)	(120,727)	(76,617)	(65,272)	(21,165)	(29,811)
Covered Payroll	2,025,114	1,921,142	1,886,512	1,921,217	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421
Contributions as a Percentage of Covered Payroll	57.53%	44.75%	41.80%	40.01%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%

City of Philadelphia Schedule of Collective Contributions (Based on Revenue Recognition Policy)

Last 10 Fiscal Years
 Amounts in Thousands

	FY2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Actuarially determined Contribution	726,501	727,430	712,978	704,589	680,808	662,139	629,620	594,975	556,030	523,368
Contributions in Relation to the Actuarially Determined Contribution	1,164,974	859,787	788,483	768,721	797,806	781,984	706,237	660,247	577,195	553,179
Contribution Deficiency/(Excess)	(438,473)	(132,357)	(75,505)	(64,132)	(116,998)	(119,845)	(76,617)	(65,272)	(21,165)	(29,811)
Covered Payroll	2,025,114	1,921,142	1,886,512	1,921,217	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421
Contributions as a Percentage of Covered Payroll	57.53%	44.75%	41.80%	40.01%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%

City of Philadelphia Schedule of Collective Contributions (Based on Funding Policy)

Last 10 Fiscal Years
 Amounts in Thousands

	FY2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
Actuarially determined Contribution	801,674	826,407	856,456	839,691	874,706	871,802	881,356	846,283	798,043	823,885
Contributions in Relation to the Actuarially Determined Contribution	1,164,974	859,787	788,483	768,721	797,806	781,984	706,237	660,247	577,195	553,179
Contribution Deficiency/(Excess)	(363,300)	(33,380)	67,973	70,970	76,900	89,818	175,119	186,036	220,847	270,706
Covered Payroll	2,025,114	1,921,142	1,886,512	1,921,217	1,842,555	1,805,400	1,744,728	1,676,549	1,597,849	1,495,421
Contributions as a Percentage of Covered Payroll	57.53%	44.75%	41.80%	40.01%	43.30%	43.31%	40.48%	39.38%	36.12%	36.99%

Notes to Schedule

Valuation Date July 1, 2021
 Timing Actuarially determined contribution rates are calculated based on the actuarial valuation two years prior to the beginning of the plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method Entry Age
 Asset valuation method Ten-year smoothed market
 Amortization method Gain/Losses are amortized over closed 20-year periods, assumption changes over 15years, benefit changes for actives over 10 year, and benefit changes for inactive members over 1 year, and plan changes mandated by state over 20 years.
 Under the City's Funding policy, the initial July 1, 1985 unfunded actuarial liability (UAL) is amortized over 34 years ending June 30, 2019. Future Amortization periods follow the MMO funding policy.
 Under the MMO Funding Policy, the July 1, 2009 unfunded actuarial liability (UAL) was "fresh started", to be amortized over 30 years, ending June 30, 2039. This is level dollar amortization of the UAL.
 Under the RRP Funding Policy, sales tax revenue and additional member contributions are dedicated to fund the unfunded liability instead of reducing the City's obligation such that this revenue is in addition to what the MMO would have been without these additional assets.
 Discount rate 7.45%
 Amortization growth rate 3.30%
 Salary increases Age based salary scale separated by employee classification
 Mortality RP-2014 Mortality Tables projected from base year of 2006 to 2021 using mortality improvement scale MP-2017

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2023 can be found in the July 1, 2021 actuarial valuation report.

City of Philadelphia
Required Supplementary Information
Other Post Employment Benefits (OPEB) and Pension Plans

Exhibit XVII

Philadelphia Gas Works - Schedule of Changes in Net Pension Liability (Amounts in thousands USD)

	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Total Pension Liability								
Service Cost	8,713	7,152	7,178	6,400	6,554	6,103	5,823	5,400
Interest Cost	56,413	55,276	55,454	56,893	57,240	55,718	55,443	55,903
Changes in Benefit Terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	1,923	9,665	2,057	(3,034)	(12,089)	15,706	2,182	(8,841)
Changes in assumptions	-	1,481	22,923	(24,891)	(1,834)	(3,864)	(7,952)	26,748
Benefit Payments	(60,312)	(58,502)	(56,646)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
Net Change in Total Pension Liability	6,737	15,072	30,966	(19,693)	(4,022)	21,036	4,120	28,763
Total Pension Liability (Beginning)	826,830	811,758	780,792	800,485	804,507	783,471	779,351	750,588
Total Pension Liability (Ending)	833,567	826,830	811,758	780,792	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position								
Contributions-Employer	30,000	30,042	29,728	29,414	28,570	29,143	27,918	21,123
Contributions - Member	2,215	1,854	1,607	1,519	1,249	1,078	852	602
Net Investment Income	66,844	(80,988)	155,840	14,286	34,260	44,310	61,002	2,872
Benefit Payments	(60,312)	(58,502)	(56,646)	(55,061)	(53,893)	(52,627)	(51,376)	(50,446)
Administrative Expense	(361)	(200)	(217)	(168)	(192)	(184)	(129)	(1,611)
Other	-	-	-	-	-	-	-	-
Net Change in Fiduciary Net Position	38,386	(107,794)	130,312	(10,010)	9,994	21,720	38,267	(27,460)
Plan Fiduciary Net Position (Beginning)	565,748	673,542	543,230	553,240	543,246	521,526	483,259	510,719
Plan Fiduciary Net Position (Ending)	604,134	565,748	673,542	543,230	553,240	543,246	521,526	483,259
Net Pension Liability (Ending)	229,433	261,082	138,216	237,562	247,245	261,261	261,945	296,092
Total Pension Liability	833,567	826,830	811,758	780,792	800,485	804,507	783,471	779,351
Plan Fiduciary Net Position	604,134	565,748	673,542	543,230	553,240	543,246	521,526	483,259
Net Pension Liability (Ending)	229,433	261,082	138,216	237,562	247,245	261,261	261,945	296,092
Net Position as a percentage of Pension Liability	72.48%	68.42%	82.97%	69.57%	69.11%	67.53%	66.57%	62.01%
Covered Payroll	102,709	97,435	97,959	95,934	98,454	101,271	94,768	90,860
Net Pension Liability as a percentage of Payroll	223.38%	267.96%	141.10%	247.63%	251.13%	257.98%	276.41%	325.88%

Valuation Date: actuarial liabilities and assets are calculated as of the Fiscal Year end date.

Note: The schedule of changes in net pension liability and related ratios are intended to show information for 10 years. Additional years will be displayed as they become available

Philadelphia Gas Works - Schedule of Actuarially Determined Contribution (Amounts in thousands USD)

	FYE 2023	FYE 2022	FYE 2021	FYE 2020	FYE 2019	FYE 2018	FYE 2017	FYE 2016
Actuarially Determined Contribution	30,000	30,000	30,000	26,844	28,797	28,395	29,260	26,476
Contributions in Relation to the Actuarially Determined Contribution	30,000	30,043	29,728	29,414	28,570	29,143	27,918	21,123
Contribution Deficiency/(Excess)	-	(43)	272	(2,570)	227	(748)	1,342	5,353
Covered Payroll	102,709	97,435	97,959	95,934	98,454	101,271	94,768	90,860
Contributions as a percent of covered payroll	29.21%	30.83%	30.35%	30.66%	29.02%	28.78%	29.46%	23.25%

Notes to Required Supplementary Information:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2023
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Contributions based on greater of 20 year level dollar open amortization method and 30 year level dollar closed amortization method.
Asset Valuation Method	Assets smoothed over a 5 year period
Salary Increases	Varies by participant years of service.
General Inflation	2.00%
Investment Rate of Return	7.00%
Cost of Living	N/A
Mortality rates	Pri-2012 mortality table projected generationally from the central year using Scale MP-2021.
Discount Rate	7.00%

I. BASIS OF BUDGETING

The budgetary comparison schedules presented differ from the GAAP basis statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures. In accordance with the Philadelphia Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The major funds presented as Required Supplementary Information are subject to annual operating budgets adopted by City Council. These budgets appropriate funds by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies & equipment; contributions, indemnities & taxes; debt service; payments to other funds; and advances & other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes must have council approval.

Appropriations that are not expended or encumbered at year end are lapsed. Comparisons of budget to actual activity at the legal level of compliance are reported in the City's "Supplemental Report of Revenues & Obligations", a separately published report.

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

II. BASIS OF BUDGETING TO GAAP BASIS RECONCILIATION

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund
<u>Revenues</u>			
Budgetary Comparison Schedule	6,047,014	1,296,300	1,486,015
Transfers	(1,043,345)	-	-
Program Income	-	-	51,928
Adjustments applicable to Prior Years Activity	-	-	(6,913)
Change in Amount Held by Fiscal Agent	2,668	-	-
Change in BIRT Adjustment	56,994	-	-
Return of Loan	-	-	-
Other	1,002	-	(22,925)
	<u>5,064,333</u>	<u>1,296,300</u>	<u>1,508,105</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>5,064,333</u>	<u>1,296,300</u>	<u>1,508,105</u>
<u>Expenditures and Encumbrances</u>			
Budgetary Comparison Schedule	5,918,381	1,271,610	1,633,460
Transfers	(463,723)	-	(374,310)
Transfer to Budget Stabilization Fund	(65,128)	-	-
Debt Service Principal and Interest	25,249	-	-
Bond Issuance Costs	1,362	-	-
Expenditures applicable to Prior Years Budgets	350,792	1,400	33,771
Program Income	-	-	51,929
Lease Activity	1,144	-	-
Change in Amount Held by Fiscal Agent	97,430	-	-
Current Year Encumbrances	(191,285)	(2,615)	(90,259)
	<u>5,674,222</u>	<u>1,270,395</u>	<u>1,254,591</u>
Statement of Revenues, Expenditures & Changes in Fund Balance	<u>5,674,222</u>	<u>1,270,395</u>	<u>1,254,591</u>

**Other
Supplementary
Information**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

COUNTY DEMOLITION - Established to account for fees collected to be used for the demolition of blighted properties for the purpose of increasing economic development.

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 (Continued)
 June 30, 2023

Schedule I

Amounts in thousands of USD

	Debt Service			Capital Improvement			Permanent		Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	
Assets									
Cash on Deposit and on Hand	-	-	-	-	-	-	-	392	35,380
Equity in Treasurer's Account	492	-	-	492	449,316	-	449,316	-	692,958
Investments	-	76	-	76	-	8	8	7,908	9,225
Due from Other Funds	-	-	-	-	-	-	-	-	19,420
Taxes Receivable	-	-	-	-	-	-	-	-	47,357
Accounts Receivable	-	-	-	-	-	-	-	-	5,726
Lease Receivable	-	-	-	-	-	-	-	-	58,698
Due from Other Governmental Units	-	-	-	-	100,088	-	100,088	-	131,509
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(20,256)
Interest and Dividends Receivable	2	-	-	2	-	-	-	-	73
Other Assets	-	-	-	-	-	-	-	-	597
Total Assets	494	76	-	570	549,404	8	549,412	8,300	980,687
Liabilities									
Vouchers Payable	-	-	-	-	15,348	-	15,348	-	40,798
Accounts Payable	-	-	-	-	49,077	-	49,077	75	96,519
Salaries and Wages Payable	-	-	-	-	2	-	2	-	228
Payroll Taxes Payable	-	-	-	-	-	-	-	-	162
Due to Other Funds	-	-	-	-	-	-	-	-	39,833
Due to Component Units	-	-	-	-	1,244	-	1,244	-	1,394
Funds Held in Escrow	-	-	-	-	42	-	42	-	5,527
Unearned Revenue	-	-	-	-	12,834	-	12,834	-	12,834
Total Liabilities	-	-	-	-	78,547	-	78,547	75	197,295
Deferred Inflows of Resources	-	-	-	-	93,354	-	93,354	-	200,194
Fund Balances									
Nonspendable	-	-	-	-	-	-	-	4,226	4,239
Restricted	494	76	-	570	377,503	8	377,511	3,830	613,532
Committed	-	-	-	-	-	-	-	169	11,751
Unassigned	-	-	-	-	-	-	-	-	(46,324)
Total Fund Balances	494	76	-	570	377,503	8	377,511	8,225	583,198
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	494	76	-	570	549,404	8	549,412	8,300	980,687

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, 2023

	<i>Amounts in thousands of USD</i>									
	Debt Service			Capital Improvement			Permanent		Total	
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds	
Revenues										
Tax Revenue	-	-	-	-	-	-	-	-	949,281	
Locally Generated Non-Tax Revenue	28	3	401	432	532	-	532	1,080	28,901	
Revenue from Other Governments	-	-	-	-	70,404	-	70,404	-	174,555	
Other Revenues	-	-	1	1	3,678	-	3,678	-	6,077	
Total Revenues	28	3	402	433	74,614	-	74,614	1,080	1,158,814	
Expenditures										
Current Operating:										
Economic Development	-	-	-	-	-	-	-	-	69,748	
Transportation:										
Streets & Highways	-	-	-	-	-	-	-	-	42,464	
Judiciary and Law Enforcement:										
Prisons	-	-	-	-	-	-	-	-	1,154	
Conservation of Health:										
Health Services	-	-	-	-	-	-	-	-	187,911	
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	112,987	
Cultural and Recreational:										
Parks & Recreation	-	-	-	-	-	-	-	83	2,055	
Libraries and Museums	-	-	-	-	-	-	-	6	165	
Improvements to General Welfare:										
Inspections and Demolitions	-	-	-	-	-	-	-	-	627	
Service to Property:										
Sanitation	-	-	-	-	-	-	-	-	3,159	
General Management and Support	-	-	7	7	-	-	-	-	97,182	
Capital Outlay	-	-	-	-	219,882	-	219,882	-	300,488	
Debt Service:										
Principal	108,470	5,635	10,870	124,975	-	-	-	-	125,017	
Interest	81,342	6,402	544	88,288	-	-	-	-	88,289	
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	
Total Expenditures	189,812	12,037	11,421	213,270	219,882	-	219,882	89	1,031,236	
Excess (Deficiency) of Revenues Over (Under) Expenditures	(189,784)	(12,034)	(11,019)	(212,837)	(145,268)	-	(145,268)	991	127,578	
Other Financing Sources (Uses)										
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	-	-	-	-	-	-	-	-	-	
Leases (as lessee)	-	-	-	-	-	-	-	-	61,622	
Transfers In	190,025	12,037	9,021	211,083	213,659	-	213,659	-	540,473	
Transfers Out	-	-	(9,077)	(9,077)	-	-	-	(131)	(688,346)	
Total Other Financing Sources (Uses)	190,025	12,037	(56)	202,006	213,659	-	213,659	(131)	(86,251)	
Net Change in Fund Balances	241	3	(11,075)	(10,831)	68,591	-	68,591	860	41,327	
Fund Balance - July 1, 2022	253	73	11,075	11,401	308,912	8	308,920	7,365	541,871	
Adjustment	-	-	-	-	-	-	-	-	-	
Fund Balance Adjusted - July 1, 2022	253	73	11,075	11,401	308,912	8	308,920	7,365	541,871	
Fund Balance - June 30, 2023	494	76	-	570	377,503	8	377,511	8,225	555,198	

City of Philadelphia
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2023

Schedule III

Amounts in thousands of USD

	Gas Works Retirement Reserve <u>Fund</u>	Municipal Pension <u>Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash on Deposit and on Hand	23,847	-	23,847
Equity in Treasurer's Account	581,917	7,565,332	8,147,249
Securities Lending Collective Investment Pool	57,668	341,210	398,878
Accounts Receivable	-	3,611	3,611
Due from Brokers for Securities Sold	757	285,565	286,322
Interest and Dividends Receivable	2,002	-	2,002
Due from Other Governmental Units	-	4,943	4,943
Due from Other Funds	-	210,732	210,732
	<u>666,191</u>	<u>8,411,393</u>	<u>9,077,584</u>
Total Assets			
<u>Liabilities</u>			
Vouchers Payable	-	22	22
Accounts Payable	70	-	70
Salaries and Wages Payable	-	85	85
Due on Return of Securities Loaned	57,668	341,210	398,878
Due to Brokers for Securities Purchased	4,033	257,376	261,409
Accrued Expenses	-	4,403	4,403
Other Liabilities	287	208	495
	<u>62,058</u>	<u>603,304</u>	<u>665,362</u>
Total Liabilities			
Net Position Restricted for Pensions	<u><u>604,133</u></u>	<u><u>7,808,089</u></u>	<u><u>8,412,222</u></u>

City of Philadelphia
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2023

Schedule IV

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
<u>Additions</u>			
Contributions:			
Employer's Contributions	30,000	1,164,974	1,194,974
Employees' Contributions	2,215	120,691	122,906
	<u>32,215</u>	<u>1,285,665</u>	<u>1,317,880</u>
Total Contributions			
Investment Income:			
Interest and Dividends	16,003	195,593	211,596
Net Gain in Fair Value of Investments	52,332	387,872	440,204
(Less) Investments Expenses	(1,654)	(14,470)	(16,124)
Securities Lending Revenue	1,855	2,075	3,930
(Less) Securities Lending Expenses	(1,753)	(414)	(2,167)
	<u>66,783</u>	<u>570,656</u>	<u>637,439</u>
Net Investment Gain			
Miscellaneous Operating Revenues	60	301	361
	<u>99,058</u>	<u>1,856,622</u>	<u>1,955,680</u>
Total Additions			
<u>Deductions</u>			
Personal Services	-	4,151	4,151
Purchase of Services	-	1,709	1,709
Materials and Supplies	-	67	67
Employee Benefits	-	2,950	2,950
Pension Benefits	60,312	963,405	1,023,717
Refunds of Members' Contributions	-	16,025	16,025
Administrative Expenses Paid	361	-	361
Other Operating Expenses	-	60	60
	<u>60,673</u>	<u>988,367</u>	<u>1,049,040</u>
Total Deductions			
Change in Net Position	38,385	868,255	906,640
Net Position - July 1, 2022	<u>565,748</u>	<u>6,939,834</u>	<u>7,505,582</u>
Net Position - June 30, 2023	<u><u>604,133</u></u>	<u><u>7,808,089</u></u>	<u><u>8,412,222</u></u>

City of Philadelphia
 Combining Statement of Fiduciary Net Position
 Custodial Funds
 June 30, 2023

	Police	Human Services	Prisons	Homeless Services	Records	Finance	District Attorney	Sheriff	1st Judicial District	Total
Assets										
Cash on Deposit and on Hand	12,171	61	1,629	15	441	304	1,646	32,059	76,199	124,525
Equity in Treasurer's Account	-	-	-	-	-	1,117	-	-	-	1,117
Investments	2,562	-	-	-	-	-	-	-	-	2,562
Due from Other Funds	-	-	-	-	-	699	-	-	-	699
Total Assets	14,733	61	1,629	15	441	2,120	1,646	32,059	76,199	128,903
Liabilities										
Vouchers Payable	-	-	-	-	-	51	-	-	-	51
Funds Held in Escrow	3	61	1,629	15	441	2,069	-	67	309	4,594
Total Liabilities	3	61	1,629	15	441	2,120	-	67	309	4,645
Net Position Restricted for Individuals, Organizations & Other Governments	14,730	-	-	-	-	-	1,646	31,992	75,890	124,258

City of Philadelphia
 Combining Statement of Changes in Fiduciary Net Position
 Custodial Funds
 For the Fiscal Year Ended June 30, 2023

	Police	Human Services	Prisons	Homeless Services	Records	Finance	District Attorney	Sheriff	1st Judicial District	Total
Additions:										
Collection of Human Services fees, contributions, and holdings	137	841	-	2	-	-	-	-	-	980
Collection of Judicial charges, fees, and holdings	-	-	-	-	-	-	-	-	40,699	40,699
Collection of prisoner holdings	-	-	6,460	-	-	-	-	-	-	6,460
Collection of recording fees for other governments	-	-	-	-	5,037	-	-	-	-	5,037
Collection of Sheriff and Police forfeitures, seizures, and holdings	2,520	-	-	-	-	-	471	129,488	-	132,479
Collection of unclaimed monies	-	-	-	-	-	7,846	-	-	-	7,846
Total Additions	2,657	841	6,460	2	5,037	7,846	471	129,488	40,699	193,501
Deductions:										
Distribution of Human Service fees, contributions and holdings	137	841	-	2	-	-	-	-	-	980
Distribution of Judicial charges, fees, and holdings	-	-	-	-	-	-	-	-	42,521	42,521
Distribution of prisoner holdings	-	-	6,460	-	-	-	-	-	-	6,460
Distribution of recording fees for other governments	-	-	-	-	5,037	-	-	-	-	5,037
Distribution of Sheriff and Police forfeitures, seizures, and holdings	3,071	-	-	-	-	-	845	141,013	-	144,929
Distribution of unclaimed monies	-	-	-	-	-	7,846	-	-	-	7,846
Total Deduction	3,208	841	6,460	2	5,037	7,846	845	141,013	42,521	207,773
Change in net position	(551)	-	-	-	-	-	(374)	(11,525)	(1,822)	(14,272)
Net Position - July 1, 2022	15,281	-	-	-	-	-	2,020	43,517	77,712	138,530
Net Position - June 30, 2023	14,730	-	-	-	-	-	1,646	31,992	75,890	124,258

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2023

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2023 Outstanding	Maturities	Interest Rates	FY 2024 Debt Service Requirements	
						Interest	Principal
Governmental Activities							
General Obligation Bonds:							
Series 2009B (Refunding)	8/13/2009	100,000,000	100,000,000	8/2027 to 8/2031	variable	3,839,027	-
Series 2014A (Refunding)	2/6/2014	154,275,000	10,815,000	7/2023 to 7/2024	5.00	409,000	5,270,000
Series 2015A (Refunding)	7/8/2015	138,795,000	87,835,000	8/2023 to 8/2031	5.00	4,155,375	9,455,000
Series 2015B	9/30/2015	191,585,000	144,725,000	8/2023 to 8/2035	4.00 to 5.00	6,747,450	8,120,000
Series 2017 (Refunding)	2/2/2017	262,865,000	208,100,000	8/2023 to 8/2041	4.00 to 5.00	9,789,600	14,660,000
Series 2017A	8/2/2017	250,845,000	209,320,000	8/2023 to 8/2037	5.00	10,225,875	9,605,000
Series 2017A (Refunding)	8/2/2017	80,770,000	76,470,000	8/2023 to 8/2036	5.00	3,740,875	3,305,000
Series 2019A (Refunding)	5/14/2019	188,660,000	123,995,000	8/2023 to 8/2031	5.00	5,447,125	30,105,000
Series 2019B	8/8/2019	293,360,000	263,080,000	2/2024 to 2/2039	5.00	13,154,000	11,120,000
Series 2020A (Refunding)	1/16/2020	118,030,000	105,020,000	7/2023 to 7/2033	1.72 to 3.01	2,702,960	10,420,000
Series 2021A	8/11/2021	294,715,000	274,240,000	5/2024 to 5/2042	4.00 to 5.00	12,576,950	9,075,000
Series 2021B (Refunding)	8/11/2021	132,085,000	129,090,000	7/2023 to 7/2038	0.38 to 2.52	2,381,364	2,245,000
Total New Money Bonds		1,030,505,000	891,365,000			42,704,275	37,920,000
Total Refunding Bonds		1,175,480,000	841,325,000			32,465,326	75,460,000
Total General Obligation Bonds		2,205,985,000	1,732,690,000			75,169,601	113,380,000
Business Type Activities							
Revenue Bonds							
Water and Sewer Revenue Bonds:							
Series 2009B (Pennvest)	10/14/2009	31,216,779	13,251,400	7/2023 to 6/2033	2.107	266,591	1,311,381
Series 2009C (Pennvest)	10/14/2009	49,157,776	22,735,326	7/2023 to 6/2033	2.107	456,726	2,318,713
Series 2009D (Pennvest)	3/31/2010	75,744,096	34,972,923	7/2023 to 6/2033	2.107	700,737	3,756,884
Series 2010B (Pennvest)	6/17/2010	30,000,000	16,764,028	7/2023 to 6/2033	2.107	338,971	1,480,935
Series 2021A (Pennvest)	2/10/2021	24,700,701	24,700,701	2/2024 to 1/2044	1.000 to 1.727	243,458	1,758,468
Series 2021D (Pennvest)	10/21/2021	4,281,920	4,281,920	5/2024 to 4/2044	1.000 to 1.727	42,767	46,180
Series 2022D (Pennvest)	9/19/2022	13,839,667	13,839,667	10/2025 to 9/2045	1.000 to 1.727	137,227	-
Series 2022A (Pennvest)	4/14/2022	7,133,220	7,133,220	4/2025 to 3/2045	1.000 to 1.743	70,669	-
Series 2022B (Pennvest)	7/26/2022	15,750,708	15,750,708	2/2025 to 1/2045	1.000 to 1.743	156,370	-
Series 2022E (Pennvest)	10/12/2022	3,978,371	3,978,371	10/2025 to 9/2045	1.000 to 1.743	39,596	-
Series 2022F (Pennvest)	10/12/2022	808,307	808,307	10/2025 to 9/2045	1.000 to 1.743	7,987	-
Series 2014 (Refunding)	1/23/2014	93,170,000	35,285,000	7/2023 to 7/2027	3.00 to 5.00	1,543,200	8,200,000
Series 2015B (Refunding)	4/16/2015	141,740,000	96,970,000	7/2023 to 7/2033	4.00 to 5.00	4,571,600	-
Series 2016 (Refunding)	11/3/2016	192,680,000	161,865,000	10/2023 to 10/2035	3.00 to 5.00	7,068,063	20,805,000
Series 2017A	4/13/2017	279,865,000	239,865,000	10/2023 to 10/2052	5.00 to 5.25	12,116,125	-
Series 2017B (Refunding)	8/10/2017	174,110,000	155,495,000	11/2023 to 10/2034	5.00	7,577,375	7,895,000
Series 2018A	11/28/2018	276,935,000	241,935,000	10/2023 to 10/2053	5.00	12,096,750	-
Series 2019A (Refunding)	2/27/2019	68,335,000	67,280,000	10/2023 to 10/2040	2.83 to 4.29	2,637,408	2,320,000
Series 2019B	8/14/2019	250,660,000	250,660,000	11/2023 to 11/2054	5.00	12,293,125	9,595,000
Series 2020 (Refunding)	10/07/2020	127,740,000	127,740,000	10/2032 to 10/2040	5.00	6,387,000	-

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2023

Schedule VII

Amounts in USD

	Date of Issuance	Issued	Fiscal 2023 Outstanding	Maturities	Interest Rates	FY 2024 Debt Service Requirements	
						Interest	Principal
Series 2020A (Refunding)	8/06/2020	201,530,000	200,880,000	11/2023 to 10/2050	5.00	9,925,000	4,760,000
Series 2020B (Refunding)	8/06/2020	95,025,000	84,605,000	10/2023 to 10/2035	0.693 to 2.434	1,472,862	4,250,000
Series 2021B (Refunding)	6/30/2021	368,720,000	356,060,000	7/2023 to 07/2045	0.247 to 2.926	10,027,877	260,000
Series 2021C	10/07/2021	231,930,000	231,930,000	10/2023 to 10/2051	2.75 to 5.00	9,800,250	4,170,000
Series 2022C	8/16/2022	294,810,000	291,790,000	6/2024 to 6/2052	5 to 5.5	15,220,250	10,855,000
<u>Total New Money Bonds</u>		<u>1,590,811,545</u>	<u>1,414,396,571</u>			<u>63,987,599</u>	<u>35,292,561</u>
<u>Total Refunding Bonds</u>		<u>1,463,050,000</u>	<u>1,286,180,000</u>			<u>51,210,384</u>	<u>48,490,000</u>
<u>Total Water Revenue Bonds</u>		<u>3,053,861,545</u>	<u>2,700,576,571</u>			<u>115,197,983</u>	<u>83,782,561</u>
Aviation Revenue Bonds:							
Series 2005C (Refunding)	6/2/2005	189,500,000	31,200,000	6/2024 to 6/2025	variable	636,756	15,400,000
Series 2015A (Refunding)	9/3/2015	97,780,000	68,545,000	6/2024 to 6/2035	4.00 to 5.00	3,341,700	4,325,000
Series 2017	4/27/2017	125,000,000	112,930,000	7/2023 to 6/2025	1.513	1,671,045	2,710,000
Series 2017A (Refunding)	12/20/2017	138,630,000	118,625,000	7/2023 to 7/2047	3.00 to 5.00	5,382,794	4,980,000
Series 2017B (Refunding)	12/20/2017	553,900,000	496,795,000	7/2023 to 7/2047	5.00	24,427,125	16,505,000
Series 2020A (Refunding)	10/08/2020	187,140,000	187,140,000	7/2024 to 7/2040	4.00 to 5.00	8,415,950	-
Series 2020B (Refunding)	10/08/2020	43,140,000	43,130,000	7/2023 to 7/2050	3.00 to 5.00	1,609,575	5,000
Series 2020C (Refunding)	10/08/2020	158,935,000	132,465,000	7/2023 to 7/2050	4.00 to 5.00	5,917,400	13,390,000
Series 2021 (Refunding)	7/07/2021	122,405,000	122,405,000	7/2023 to 7/2031	5.00	6,120,250	-
Series 2021	7/07/2021	179,635,000	179,630,000	7/2023 to 7/2051	4.00 to 5.00	8,244,750	5,000
<u>Total New Money Bonds</u>		<u>304,635,000</u>	<u>292,560,000</u>			<u>9,915,795</u>	<u>2,715,000</u>
<u>Total Refunding Bonds</u>		<u>1,491,430,000</u>	<u>1,200,305,000</u>			<u>55,851,550</u>	<u>54,605,000</u>
<u>Total Aviation Revenue Bonds</u>		<u>1,796,065,000</u>	<u>1,492,865,000</u>			<u>65,767,345</u>	<u>57,320,000</u>
<u>Total Revenue Bonds</u>		<u>4,849,926,545</u>	<u>4,193,441,571</u>			<u>180,965,328</u>	<u>141,102,561</u>
<u>Total All Bonds</u>		<u>7,055,911,545</u>	<u>5,926,131,571</u>			<u>256,134,928</u>	<u>254,482,561</u>

NOTES:

¹ Assumes interest rate to be fixed swap rate on hedged variable rate bonds

City of Philadelphia
Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2023

Schedule VIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	778,676	778,681	775,864	(2,817)
Revenue from Other Governments	500	792	792	-
Revenue from Other Funds	64,722	82,890	40,220	(42,670)
Total Revenues	843,898	862,363	816,876	(45,487)
<u>Expenditures and Encumbrances</u>				
Personal Services	185,992	185,992	164,532	21,460
Pension Contributions	67,002	72,266	68,614	3,652
Other Employee Benefits	71,760	71,496	65,209	6,287
Sub-Total Employee Compensation	324,754	329,754	298,355	31,399
Purchase of Services	229,532	236,880	219,833	17,047
Materials and Supplies	62,089	68,634	66,258	2,376
Equipment	8,950	8,922	7,290	1,632
Contributions, Indemnities and Taxes	6,510	6,510	7,505	(995)
Debt Service	200,992	200,992	199,767	1,225
Payments to Other Funds	51,071	51,071	47,103	3,968
Total Expenditures and Encumbrances	883,898	902,763	846,111	56,652
Operating Surplus (Deficit) for the Year	(40,000)	(40,400)	(29,235)	11,165
Fund Balance Available for Appropriation, July 1, 2022	-	-	-	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	40,000	40,400	29,235	(11,165)
Adjusted Fund Balance, July 1, 2022	40,000	40,400	29,235	(11,165)
Fund Balance Available for Appropriation, June 30, 2023	-	-	-	-

City of Philadelphia
Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2023

Schedule IX

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	-	416	416
Revenue from Other Funds	<u>28,905</u>	<u>28,905</u>	<u>12,433</u>	<u>(16,472)</u>
Total Revenues	28,905	28,905	12,849	(16,056)
<u>Expenditures and Encumbrances</u>				
Purchase of Services	8,000	8,000	-	8,000
Materials and Supplies	8,000	8,000	-	8,000
Payments to Other Funds	<u>16,994</u>	<u>16,994</u>	<u>12,433</u>	<u>4,561</u>
Total Expenditures and Encumbrances	<u>32,994</u>	<u>32,994</u>	<u>12,433</u>	<u>20,561</u>
Operating Surplus (Deficit) for the Year	<u>(4,089)</u>	<u>(4,089)</u>	<u>416</u>	<u>4,505</u>
Fund Balance Available for Appropriation, July 1, 2022	12,232	16,108	16,108	-
Fund Balance Available for Appropriation, June 30, 2023	<u>8,143</u>	<u>12,019</u>	<u>16,524</u>	<u>4,505</u>

City of Philadelphia
 Budgetary Comparison Schedule
 County Liquid Fuels Tax Fund
 For the Fiscal Year Ended June 30, 2023

Schedule X

Amounts in thousands of USD

	<u>Budgeted Amounts</u>			Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	-	133	520	387
Revenue from Other Governments	9,024	10,524	6,434	(4,090)
Total Revenues	9,024	10,657	6,954	(3,703)
<u>Expenditures and Encumbrances</u>				
Personal Services	3,734	3,539	2,848	691
Purchase of Services	6,720	6,335	6,332	3
Materials and Supplies	400	980	934	46
Payments to Other Funds	19	19	14	5
Total Expenditures and Encumbrances	10,873	10,873	10,128	745
Operating Surplus (Deficit) for the Year	(1,849)	(216)	(3,174)	(2,958)
Fund Balance Available for Appropriation, July 1, 2022	11,618	16,463	16,463	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	25	25	-	(25)
Adjusted Fund Balance, July 1, 2022	11,643	16,488	16,463	(25)
Fund Balance Available for Appropriation, June 30, 2023	9,794	16,272	13,289	(2,983)

City of Philadelphia
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2023

Schedule XI

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	40	550	654	104
Revenue from Other Governments	30,000	36,100	36,101	1
Total Revenues	30,040	36,650	36,755	105
<u>Expenditures and Encumbrances</u>				
Personal Services	11,294	11,294	11,086	208
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	12,294	12,294	12,086	208
Purchase of Services	16,689	17,951	17,898	53
Materials and Supplies	5,463	5,973	4,900	1,073
Equipment	6,424	4,652	4,566	86
Payments to Other Funds	30	30	30	-
Total Expenditures and Encumbrances	40,900	40,900	39,480	1,420
Operating Surplus (Deficit) for the Year	(10,860)	(4,250)	(2,725)	1,525
Fund Balance Available for Appropriation, July 1, 2022	38,262	49,488	49,488	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	500	500	1,902	1,402
Adjusted Fund Balance, July 1, 2022	38,762	49,988	51,390	1,402
Fund Balance Available for Appropriation, June 30, 2023	27,902	45,738	48,665	2,927

City of Philadelphia
 Budgetary Comparison Schedule
 Hotel Room Rental Tax Fund
 For the Fiscal Year Ended June 30, 2023

Schedule XII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	60,000	75,000	77,379	2,379
Locally Generated Non-Tax Revenue	-	257	298	41
Total Revenues	60,000	75,257	77,677	2,420
<u>Expenditures and Encumbrances</u>				
Contributions, Indemnities and Taxes	60,000	75,000	75,000	-
Total Expenditures and Encumbrances	60,000	75,000	75,000	-
Operating Surplus (Deficit) for the Year	-	257	2,677	2,420
Fund Balance Available for Appropriation, July 1, 2022	-	(19,974)	(19,974)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	19,717	-	(19,717)
Adjusted Fund Balance, July 1, 2022	-	(257)	(19,974)	(19,717)
Fund Balance Available for Appropriation, June 30, 2023	-	-	(17,297)	(17,297)

City of Philadelphia
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2023

Schedule XIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	357,319	361,301	425,524	64,223
Revenue from Other Governments	83,006	92,600	75,792	(16,808)
Revenue from Other Funds	1,304	1,304	1,299	(5)
Total Revenues	441,629	455,205	502,615	47,410
<u>Expenditures and Encumbrances</u>				
Personal Services	81,731	81,731	77,724	4,007
Pension Contributions	27,253	27,253	26,227	1,026
Other Employee Benefits	29,816	29,816	21,392	8,424
Sub-Total Employee Compensation	138,800	138,800	125,343	13,457
Purchase of Services	120,979	134,990	134,652	338
Materials and Supplies	6,870	7,536	5,901	1,635
Equipment	12,369	14,192	12,061	2,131
Contributions, Indemnities and Taxes	8,812	8,812	5,723	3,089
Debt Service	119,361	119,361	116,338	3,023
Payments to Other Funds	20,019	20,019	17,583	2,436
Total Expenditures and Encumbrances	427,210	443,710	417,601	26,109
Operating Surplus (Deficit) for the Year	14,419	11,495	85,014	73,519
Fund Balance Available for Appropriation, July 1, 2022	265,479	330,794	330,794	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	15,000	15,000	10,594	(4,406)
Prior Period Adjustments	-	-	28	28
Adjusted Fund Balance, July 1, 2022	280,479	345,794	341,416	(4,378)
Fund Balance Available for Appropriation, June 30, 2023	294,898	357,289	426,430	69,141

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2023

Schedule XIV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	500	500	1	(499)
Revenue from Other Governments	111,828	91,827	53,117	(38,710)
Total Revenues	112,328	92,327	53,118	(39,209)
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	-	-	(13,533)	(13,533)
Total Revenues and Other Sources	112,328	92,327	39,585	(52,742)
<u>Expenditures and Encumbrances</u>				
Personal Services	7,932	8,399	4,856	3,543
Pension Contributions	3,319	3,511	2,411	1,100
Other Employee Benefits	2,234	2,076	1,554	522
Sub-Total Employee Compensation	13,485	13,986	8,821	5,165
Purchase of Services	78,562	78,062	54,020	24,042
Materials and Supplies	256	198	30	168
Equipment	-	58	28	30
Payments to Other Funds	20,000	20,000	-	20,000
Advances, Subsidies, Miscellaneous	25	25	24	1
Total Expenditures and Encumbrances	112,328	112,329	62,923	49,406
Operating Surplus (Deficit) for the Year	-	(20,002)	(23,338)	(3,336)
Fund Balance Available for Appropriation, July 1, 2022	-	(19,323)	(19,323)	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	19,323	14,364	(4,959)
Adjusted Fund Balance, July 1, 2022	-	-	(4,959)	(4,959)
Fund Balance Available for Appropriation, June 30, 2023	-	(20,002)	(28,297)	(8,295)

City of Philadelphia
 Budgetary Comparison Schedule
 Car Rental Tax Fund
 For the Fiscal Year Ended June 30, 2023

Schedule XV

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	Final Budget to Actual Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	6,504	7,000	7,082	82
Locally Generated Non-Tax Revenue	<u>25</u>	<u>125</u>	<u>178</u>	<u>53</u>
Total Revenues	6,529	7,125	7,260	135
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Total Expenditures and Encumbrances	7,000	7,000	7,000	-
Operating Surplus (Deficit) for the Year	<u>(471)</u>	<u>125</u>	<u>260</u>	<u>135</u>
Fund Balance Available for Appropriation, July 1, 2022	<u>7,737</u>	<u>8,258</u>	<u>8,258</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2023	<u><u>7,266</u></u>	<u><u>8,383</u></u>	<u><u>8,518</u></u>	<u><u>135</u></u>

City of Philadelphia
 Budgetary Comparison Schedule
 Housing Trust Fund
 For the Fiscal Year Ended June 30, 2023

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts		Actual	Final Budget to Actual Positive (Negative)
	Original	Final		
Revenues				
Locally Generated Non-Tax Revenue	16,434	14,600	15,020	420
Revenue from Other Funds	29,066	29,066	29,066	-
Total Revenues	45,500	43,666	44,086	420
Expenditures and Encumbrances				
Personal Services	3,251	3,251	2,191	1,060
Purchase of Services	80,491	80,491	56,293	24,198
Materials and Supplies	-	-	-	-
Equipment	150	150	-	150
Total Expenditures and Encumbrances	83,892	83,892	58,484	25,408
Operating Surplus (Deficit) for the Year	(38,392)	(40,226)	(14,398)	25,828
Fund Balance Available for Appropriation, July 1, 2022	24,787	32,450	32,450	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	13,605	37,243	2,188	(35,055)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	-	-
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2022	38,392	69,693	34,638	(35,055)
Fund Balance Available for Appropriation, June 30, 2023	-	29,467	20,240	(9,227)

City of Philadelphia
 Budgetary Comparison Schedule
 General Capital Improvement Funds
 For the Fiscal Year Ended June 30, 2023

Schedule XVII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	2,124,251	1,811,602	532	(1,811,070)
Revenue from Other Governments	-	-	64,932	64,932
Revenue from Other Funds	-	-	212,903	212,903
Total Revenues	2,124,251	1,811,602	278,367	(1,533,235)
Total Revenues and Other Sources	2,124,251	1,811,602	278,367	(1,533,235)
<u>Expenditures and Encumbrances</u>				
Capital Outlay	2,124,251	1,811,602	256,650	1,554,952
Operating Surplus (Deficit) for the Year	-	-	21,717	21,717
Fund Balance Available for Appropriation, July 1, 2022	-	-	10,308	10,308
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	-	-	24,369	24,369
Adjusted Fund Balance, July 1, 2022	-	-	34,677	34,677
Fund Balance Available for Appropriation, June 30, 2023	-	-	56,394	56,394

City of Philadelphia
Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2023

Schedule XVIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Tax Revenue	<u>250,000</u>	<u>250,000</u>	<u>191,230</u>	<u>(58,770)</u>
Total Revenues	<u>250,000</u>	<u>250,000</u>	<u>191,230</u>	<u>(58,770)</u>
<u>Other Sources</u>				
Decrease in Unreimbursed Commitments	<u>-</u>	<u>-</u>	<u>(45)</u>	<u>(45)</u>
Total Revenues and Other Sources	<u>250,000</u>	<u>250,000</u>	<u>191,185</u>	<u>(58,815)</u>
<u>Expenditures and Encumbrances</u>				
Personal Services	11,039	11,039	5,233	5,806
Pension Contributions	42	-	-	-
Other Employee Benefits	227	269	269	-
Sub-Total Employee Compensation	<u>11,308</u>	<u>11,308</u>	<u>5,502</u>	<u>5,806</u>
Purchase of Services	242,448	242,448	182,812	59,636
Materials and Supplies	1,490	730	153	577
Equipment	-	760	37	723
Payments to Other Funds	<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total Expenditures and Encumbrances	<u>259,746</u>	<u>259,746</u>	<u>193,004</u>	<u>66,742</u>
Operating Surplus (Deficit) for the Year	<u>(9,746)</u>	<u>(9,746)</u>	<u>(1,819)</u>	<u>7,927</u>
Fund Balance Available for Appropriation, July 1, 2022	17,483	22,048	22,048	-
<u>Operations in Respect to Prior Fiscal Years</u>				
Commitments Cancelled - Net	<u>2,000</u>	<u>2,000</u>	<u>638</u>	<u>(1,362)</u>
Adjusted Fund Balance, July 1, 2022	<u>19,483</u>	<u>24,048</u>	<u>22,686</u>	<u>(1,362)</u>
Fund Balance Available for Appropriation, June 30, 2023	<u>9,737</u>	<u>14,302</u>	<u>20,867</u>	<u>6,565</u>

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2023 (with comparative actual amounts for the Fiscal Year Ended June 30, 2022)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2023 Actual	Final Budget	FY 2022 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Revenue						
Taxes						
Real Property Tax:						
Current	785,242	793,928	780,285	(13,643)	670,754	109,531
Prior Years	28,164	29,284	29,283	(1)	29,882	(599)
Total Real Property Tax	813,406	823,212	809,568	(13,644)	700,636	108,932
Wage and Earnings Taxes:						
Current	1,619,811	1,714,354	1,730,139	15,785	1,648,128	82,011
Prior Years	5,400	5,400	2,703	(2,697)	5,750	(3,047)
Total Wage and Earnings Taxes	1,625,211	1,719,754	1,732,842	13,088	1,653,878	78,964
Business Taxes:						
Business Income & Receipts Taxes:						
Current	596,530	667,754	650,774	(16,980)	727,175	(76,401)
Prior Years	35,000	23,000	22,482	(518)	22,690	(208)
Total Business Income & Receipts Taxes	631,530	690,754	673,256	(17,498)	749,865	(76,609)
Net Profits Tax:						
Current	31,726	40,909	33,868	(7,041)	21,963	11,905
Prior Years	4,700	4,700	5,122	422	5,323	(201)
Total Net Profits Tax	36,426	45,609	38,990	(6,619)	27,286	11,704
Total Business Taxes	667,956	736,363	712,246	(24,117)	777,151	(64,905)
Other Taxes:						
Sales Tax	277,642	290,853	302,201	11,348	277,690	24,511
Amusement Tax	22,701	32,315	36,144	3,829	26,055	10,089
Beverage Tax	77,894	72,594	73,444	850	75,367	(1,923)
Real Property Transfer Tax	418,307	381,304	378,782	(2,522)	536,894	(158,112)
Parking Lot Tax	93,140	101,589	101,941	352	86,621	15,320
Smokeless Tobacco	1,175	1,106	574	(532)	737	(163)
Miscellaneous Taxes	18,221	7,225	6,557	(668)	4,361	2,196
Total Other Taxes	909,080	886,986	899,643	12,657	1,007,725	(108,082)
Total Taxes	4,015,653	4,166,315	4,154,299	(12,016)	4,139,390	14,909
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	3,481	3,481	3,851	370	3,696	155
Licenses and Permits	75,248	74,313	76,756	2,443	85,660	(8,904)
Fines, Forfeits, Penalties, Confiscated						
Money and Property	27,812	12,955	12,138	(817)	13,377	(1,239)
Interest Income	5,415	33,380	72,990	39,610	(3,048)	76,038
Service Charges and Fees	185,517	164,442	160,160	(4,282)	190,609	(30,449)
Other	75,292	91,260	89,222	(2,038)	106,070	(16,848)
Total Locally Generated Non-Tax Revenue	372,765	379,831	415,117	35,286	396,364	18,753
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	64,410	36,508	92,345	55,837	22,751	69,594
Commonwealth of Pennsylvania:						
Grants and Other Payments	222,983	249,680	253,053	3,373	235,158	17,895
Other Governmental Units	625,987	700,633	751,183	50,550	673,283	77,900
Total Revenue from Other Governments	913,380	986,821	1,096,581	109,760	931,192	165,389
Revenue from Other Funds						
	400,959	394,584	381,017	(13,567)	300,567	80,450
Total Revenues	5,702,757	5,927,551	6,047,014	119,463	5,767,513	279,501

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2023 (with comparative actual amounts for the Fiscal Year Ended June 30, 2022)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2023 Actual	Final Budget to Actual	FY 2022 Actual	Increase (Decrease)
	Original	Final		Positive (Negative)		
Obligations						
General Government						
City Council	21,876	21,876	17,642	4,234	17,070	572
Mayor's Office:						
Mayor's Office	7,149	7,214	6,757	457	6,333	424
Scholarships	100	100	76	24	200	(124)
Mural Arts Program	3,282	3,282	3,199	83	2,470	729
Labor Relations	4,004	4,214	3,390	824	2,700	690
Chief Administrative Office	14,878	15,591	13,745	1,846	7,162	6,583
Community Schools & Pre-K	464	503	503	-	378	125
Community Services	1,895	1,940	1,704	236	1,509	195
Inspector General	2,296	2,296	1,625	671	1,515	110
Sustainability	1,664	2,169	2,169	-	1,549	620
Office of Information Technology	121,264	122,382	107,096	15,286	99,558	7,538
Office of Property Assessment	17,858	17,858	15,366	2,492	14,953	413
Law	21,876	24,626	24,888	(262)	21,424	3,464
Board of Ethics	1,182	1,182	1,009	173	859	150
Commission on Human Relations	2,574	2,579	2,388	191	2,313	75
Board of Revision of Taxes	1,113	1,138	1,092	46	1,041	51
Department of Planning & Development	30,213	35,760	34,759	1,001	13,401	21,358
Total General Government	253,688	264,710	237,408	27,302	194,435	42,973
Operation of Service Departments						
Managing Director	194,884	199,022	165,757	33,265	132,468	33,289
Police	788,044	829,179	829,211	(32)	774,948	54,263
Streets	217,840	236,343	223,507	12,836	189,739	33,768
Fire	380,890	396,682	395,727	955	370,064	25,663
Public Health	161,210	161,329	132,075	29,254	153,934	(21,859)
Office-Behavioral Health	27,314	28,414	27,986	428	22,325	5,661
Parks and Recreation	73,136	77,207	75,227	1,980	66,049	9,178
Atwater Kent Museum	-	-	-	-	-	-
Public Property	245,161	256,594	259,727	(3,133)	218,817	40,910
Department of Human Services	189,225	190,017	184,753	5,264	172,562	12,191
Philadelphia Prisons	246,111	281,781	235,170	46,611	224,170	11,000
Office of Homeless Services	68,947	70,436	78,342	(7,906)	55,281	23,061
Office of Fleet Management	70,749	78,757	78,311	446	57,722	20,589
Licenses and Inspections	41,626	41,626	38,917	2,709	38,135	782
Board of L & I Review	181	181	180	1	145	35
Board of Building Standards	84	84	84	-	77	7
Records	4,277	4,277	4,113	164	4,056	57
Art Museum	2,040	2,040	2,040	-	2,040	-
Philadelphia Free Library	58,450	61,968	50,534	11,434	41,822	8,712
Total Operations of Service Departments	2,770,169	2,915,937	2,781,661	134,276	2,524,354	257,307
Financial Management						
Office of Director of Finance	24,457	18,360	21,668	(3,308)	37,693	(16,025)
Department of Revenue	27,809	27,811	25,543	2,268	22,677	2,866
Sinking Fund Commission	308,798	308,798	292,885	15,913	284,469	8,416
Procurement	6,875	7,850	6,349	1,501	5,003	1,346
City Treasurer	4,718	4,718	4,797	(79)	2,617	2,180
Audit of City Operations	10,808	10,808	9,734	1,074	10,005	(271)
Total Financial Management	383,465	378,345	360,976	17,369	362,464	(1,488)

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2023 (with comparative actual amounts for the Fiscal Year Ended June 30, 2022)

Schedule XIX

Amounts in thousands of USD

	Budgeted Amounts		FY 2023 Actual	Final Budget	FY 2022 Actual	Increase (Decrease)
	Original	Final		to Actual Positive (Negative)		
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	1,603,508	1,603,075	1,626,169	(23,094)	1,686,521	(60,352)
Community College of Philadelphia	39,309	54,309	56,329	(2,020)	48,128	8,201
Hero Award	50	50	24	26	54	(30)
Refunds	250	250	124	126	52	72
Indemnities	49,246	-	-	-	-	-
Office of Risk Management	4,677	4,604	4,087	517	3,861	226
Witness Fees	172	172	90	82	138	(48)
Payments to Capital	62,188	198,188	198,188	-	153	198,035
Payments to Housing Trust	69,194	69,194	29,066	40,128	6,860	22,206
Payments to Budget Stabilization	-	25,000	65,128	(40,128)	-	65,128
Contribution to School District	269,953	269,953	269,953	-	255,953	14,000
Total City-Wide Under Director of Finance	2,098,547	2,224,795	2,249,158	(24,363)	2,001,720	247,438
Promotion and Public Relations						
Commerce	43,843	45,871	44,120	1,751	33,995	10,125
Total Promotion and Public Relations	43,843	45,871	44,120	1,751	33,995	10,125
Personnel						
Civic Service Commission	54,212	28,223	183	28,040	171	12
Personnel Director	7,418	8,913	7,658	1,255	6,132	1,526
Total Personnel	61,630	37,136	7,841	29,295	6,303	1,538
Administration of Justice						
Register of Wills	4,857	5,002	4,734	268	4,519	215
District Attorney	44,344	50,125	50,124	1	43,732	6,392
Sheriff	30,854	32,389	31,658	731	28,897	2,761
First Judicial District	120,653	121,324	121,636	(312)	116,997	4,639
Total Administration of Justice	200,708	208,840	208,152	688	194,145	14,007
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,367	845	845	-	606	239
Conduct of Elections						
City Commissioners	29,062	29,354	28,220	1,134	20,505	7,715
Total Obligations	5,842,479	6,105,833	5,918,381	187,452	5,338,527	579,854
Operating Surplus (Deficit) for the Year	(139,722)	(178,282)	128,633	306,915	428,986	(300,353)

City of Philadelphia
 Schedule of Budgetary Actual and Estimated Revenues and Obligations
 Water Operating Fund

Schedule XX

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2023 (with comparative actual amounts for the Fiscal Year Ended June 30, 2022)

	Budgeted Amounts		FY 2023 Actual	Final Budget to Actual	FY 2022 Actual	Increase (Decrease)
	Original	Final		Positive (Negative)		
<u>Revenue</u>						
<u>Locally Generated Non-Tax Revenue</u>						
Sales and Charges - Current	666,939	672,026	646,903	(25,123)	610,011	36,892
Sales and Charges - Prior Years	51,184	47,596	59,573	11,977	51,184	8,389
Fire Service Connections	3,661	3,558	3,818	260	3,661	157
Surcharges	6,043	4,647	5,136	489	6,043	(907)
Fines and Penalties	200	200	751	551	589	162
Miscellaneous Charges	1,243	1,243	3,764	2,521	3,367	397
Charges to Other Municipalities	39,785	39,785	42,280	2,495	36,339	5,941
Licenses and Permits	6,640	6,640	7,934	1,294	7,230	704
Interest Income	1,000	1,000	1,473	473	(832)	2,305
Fleet Management - Sale of Vehicles & Equipment	520	525	46	(479)	458	(412)
Reimbursement of Expenditures	501	501	186	(315)	112	74
Repair Loan Program	-	-	3,998	3,998	4,370	(372)
Other	960	960	2	(958)	-	2
Total Locally Generated Non-Tax Revenue	778,676	778,681	775,864	(2,817)	722,532	53,332
<u>Revenue from Other Governments</u>						
State	500	792	792	-	464	328
Total Revenue from Other Governments	500	792	792	-	464	328
<u>Revenue from Other Funds</u>						
	64,722	82,890	40,220	(42,670)	30,585	9,635
Total Revenues	843,898	862,363	816,876	(45,487)	753,581	63,295
<u>Obligations</u>						
Office of Innovation and Technology	35,235	35,235	27,629	7,606	24,329	3,300
Managing Director's Office	139	139	-	139	-	-
Public Property	4,612	4,612	4,612	-	4,490	122
Department of Fleet Management	9,237	9,237	8,206	1,031	7,763	443
Water Department	466,548	486,163	452,543	33,620	430,982	21,561
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	66,962	72,226	68,614	3,612	67,511	1,103
Other Employee Benefits	71,800	71,536	65,209	6,327	63,161	2,048
Contributions, Indemnities and Taxes	6,000	250	1,011	(761)	-	1,011
Department of Revenue	17,237	17,237	13,780	3,457	10,613	3,167
Sinking Fund Commission	200,992	200,992	199,767	1,225	176,993	22,774
Procurement Department	114	114	84	30	114	(30)
Law	4,131	4,131	4,053	78	3,924	129
Mayor's Office of Sustainability	133	133	133	-	133	-
Water, Sewer and Stormwater Rate Board	758	758	470	288	373	97
Total Obligations	883,898	902,763	846,111	56,652	790,386	55,725
Operating Surplus (Deficit) for the Year	(40,000)	(40,400)	(29,235)	11,165	(36,805)	7,570

City of Philadelphia
Schedule of Budgetary Actual and Estimated Revenues and Obligations
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2023 (with comparative actual amounts for the Fiscal Year Ended June 30, 2022)

Schedule XXI

Amounts in thousands of USD

	Budgeted Amounts		FY 2023 Actual	Final Budget to Actual Positive (Negative)	FY 2022 Actual	Increase (Decrease)
	Original	Final				
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	43,920	43,920	60,545	16,625	37,478	23,067
Space Rentals	130,812	130,812	131,568	756	140,251	(8,683)
Landing Fees	73,869	73,869	72,058	(1,811)	85,676	(13,618)
Parking	20,343	20,343	66,452	46,109	21,851	44,601
Car Rentals	15,713	15,713	21,655	5,942	21,542	113
Interest Earnings	4,000	8,000	15,452	7,452	(1,304)	16,756
Sale of Utilities	2,594	2,594	5,998	3,404	2,811	3,187
Passenger Facility Charge	32,125	32,125	16,890	(15,235)	18,350	(1,460)
Overseas Terminal Facility Charges	72	72	12	(60)	33	(21)
International Terminal Charge	26,769	26,769	28,844	2,075	22,365	6,479
Other	7,102	7,084	6,050	(1,034)	4,836	1,214
Total Locally Generated Non-Tax Revenue	357,319	361,301	425,524	64,223	353,889	71,635
Revenue from Other Governments						
Federal	83,006	92,600	75,792	(16,808)	54,081	21,711
Total Revenue from Other Governments	83,006	92,600	75,792	(16,808)	54,081	21,711
Revenue from Other Funds						
	1,304	1,304	1,299	(5)	1,357	(58)
Total Revenue	441,629	455,205	502,615	47,410	409,327	93,288
Obligations						
Office of Innovation and Technology	2,720	2,720	2,187	533	1,780	407
Police	16,144	17,871	17,871	-	18,153	(282)
Fire	9,904	9,904	9,829	75	9,740	89
Public Property	14,000	14,000	16,264	(2,264)	14,000	2,264
Department of Fleet Management	13,256	13,256	12,749	507	3,193	9,556
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	27,238	27,238	26,227	1,011	24,966	1,261
Other Employee Benefits	29,831	29,831	21,392	8,439	22,342	(950)
Purchase of Services	4,800	4,800	3,942	858	3,631	311
Contributions, Indemnities and Taxes	2,512	684	-	684	-	-
Sinking Fund Commission	119,362	119,361	116,337	3,024	114,814	1,523
Procurement	-	-	-	-	-	-
Commerce	185,701	202,303	189,107	13,196	142,104	47,003
Law	1,631	1,631	1,585	46	1,540	45
Mayor's Office of Sustainability	111	111	111	-	111	-
Total Obligations	427,210	443,710	417,601	26,109	356,374	61,227
Operating Surplus (Deficit) for the Year	14,419	11,495	85,014	73,519	52,953	32,061

City of Philadelphia
Budgetary Comparison Schedule
Budget Stabilization Fund
For the Fiscal Year Ended June 30, 2023

Schedule XXII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Revenue from Other Funds	<u>40,128</u>	<u>65,128</u>	<u>65,128</u>	<u>-</u>
Total Revenues	<u>40,128</u>	<u>65,128</u>	<u>65,128</u>	<u>-</u>
<u>Expenditures and Encumbrances</u>				
Total Expenditures and Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Surplus (Deficit) for the Year	<u>40,128</u>	<u>65,128</u>	<u>65,128</u>	<u>-</u>
Fund Balance Available for Appropriation, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Fund Balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2023	<u>40,128</u>	<u>65,128</u>	<u>65,128</u>	<u>-</u>

City of Philadelphia
Budgetary Comparison Schedule
County Demolition Fund
For the Fiscal Year Ended June 30, 2023

Schedule XXIII

Amounts in thousands of USD

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget to Actual Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Locally Generated Non-Tax Revenue	<u>2,250</u>	<u>1,000</u>	<u>923</u>	<u>(77)</u>
Total Revenues	<u>2,250</u>	<u>1,000</u>	<u>923</u>	<u>(77)</u>
<u>Expenditures and Encumbrances</u>				
Purchase of Services	<u>2,250</u>	<u>1,000</u>	<u>627</u>	<u>373</u>
Total Expenditures and Encumbrances	<u>2,250</u>	<u>1,000</u>	<u>627</u>	<u>373</u>
Operating Surplus (Deficit) for the Year	<u>-</u>	<u>-</u>	<u>296</u>	<u>296</u>
Fund Balance Available for Appropriation, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Operations in Respect to Prior Fiscal Years</u>				
Adjusted Fund Balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Available for Appropriation, June 30, 2023	<u>-</u>	<u>-</u>	<u>296</u>	<u>296</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.

Table 1	Net Position by Component	205
Table 2	Changes in Net Positions	206
Table 3	Fund Balances-Governmental Funds	208
Table 4	Changes in Fund Balances-Governmental Funds.....	209
Table 5	Comparative Schedule of Operations-Municipal Pension Fund	210

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue source, the wage and earnings tax. Property tax information is also presented.

Table 6	Wage and Earnings Tax Taxable Income	211
Table 7	Direct and Overlapping Tax Rates	212
Table 8	Principal Wage and Earnings Tax Remitters	214
Table 9	Assessed Value and Estimated Value of Taxable Property	215
Table 10	Principal Property Tax Payers	216
Table 11	Real Property Taxes Levied and Collected	217

Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.

Table 12	Ratios of Outstanding Debt by Type.....	218
Table 13	Ratios of General Bonded Debt Outstanding	219
Table 14	Direct and Overlapping Governmental Activities Debt	220
Table 15	Legal Debt Margin Information	221
Table 16	Pledged Revenue Coverage.....	222

Demographic & Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Table 17	Demographic and Economic Statistics	223
Table 18	Principal Employers	224

Operating Information

These tables contain service and infrastructure information data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

Table 19	Full Time Employees by Function.....	225
Table 20	Operating Indicators by Function.....	226
Table 21	Capital Assets Statistics by Function.....	227

City of Philadelphia
Net Position by Component
For the Fiscal Years 2014 Through 2023

Table 1

Amounts in millions of USD

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>(full accrual basis of accounting)</i>										
<u>Governmental Activities</u>										
Net Investment in Capital Assets	176.8	1,040.8	955.2	1,006.6	645.2	738.6	538.6	655.4	622.6	837.7
Restricted	630.3	576.5	625.1	553.8	793.2	867.9	955.0	842.7	1,115.4	1,465.0
Unrestricted	(2,771.8)	(7,880.6)	(7,904.4)	(7,767.3)	(8,709.9)	(8,516.9)	(8,803.6)	(8,555.8)	(7,592.3)	(7,027.2)
Total Governmental Activities Net Position	(1,964.7)	(6,263.3)	(6,324.1)	(6,206.9)	(7,271.5)	(6,910.4)	(7,310.0)	(7,057.7)	(5,854.3)	(4,724.5)
<u>Business-Type Activities</u>										
Net Investment in Capital Assets	1,007.4	1,088.1	1,323.7	1,330.5	1,402.0	1,437.6	1,492.8	1,509.0	1,516.6	1,559.9
Restricted	685.5	766.0	650.5	692.5	762.6	835.5	825.7	749.2	816.8	885.4
Unrestricted	200.7	(278.5)	(279.3)	(251.9)	(423.0)	(391.6)	(391.6)	(234.0)	(162.6)	1.1
Total Business-Type Activities Net Position	1,893.6	1,575.6	1,694.9	1,771.1	1,741.6	1,881.5	1,926.9	2,024.2	2,170.8	2,446.4
<u>Primary Government</u>										
Net Investment in Capital Assets	1,184.2	2,128.9	2,278.9	2,337.1	2,047.2	2,176.2	2,031.4	2,164.4	2,139.2	2,397.6
Restricted	1,315.8	1,342.5	1,275.6	1,246.3	1,555.8	1,703.4	1,780.7	1,591.9	1,932.2	2,350.4
Unrestricted	(2,571.1)	(8,159.1)	(8,183.7)	(8,019.2)	(9,132.9)	(8,908.5)	(9,195.2)	(8,789.8)	(7,754.9)	(7,026.1)
Total Primary Government Net Position	(71.1)	(4,687.7)	(4,629.2)	(4,435.8)	(5,529.9)	(5,028.9)	(5,383.1)	(5,033.5)	(3,683.5)	(2,278.1)

**City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2014 Through 2023**

**Table 2
Amounts in millions of USD**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>(full accrual basis of accounting)</i>										
Expenses										
Governmental Activities:										
Economic Development	95.1	97.4	115.3	111.4	113.7	109.7	118.0	70.1	100.8	110.3
Transportation:										
Streets & Highways	143.9	122.4	136.8	122.8	148.1	159.1	175.7	167.2	166.3	218.8
Mass Transit	72.1	76.2	76.1	84.3	86.4	89.3	91.0	89.5	96.1	105.6
Judiciary and Law Enforcement:										
Police	1,262.7	1,098.7	1,232.4	1,198.8	1,282.0	1,277.3	1,350.3	1,140.7	1,219.8	1,175.0
Prisons	371.2	353.0	381.6	387.6	386.4	349.2	369.8	289.1	313.4	322.7
Courts	338.5	323.4	339.6	349.7	344.8	357.8	363.0	321.7	348.6	377.2
Conservation of Health:										
Emergency Medical Services	69.3	66.4	66.3	77.2	69.7	70.0	74.2	71.0	95.5	89.7
Health Services	1,519.1	1,420.5	1,579.1	1,613.6	1,661.9	1,650.4	1,842.0	1,978.7	2,085.9	2,157.2
Housing and Neighborhood Development	80.3	80.9	80.1	81.1	94.3	106.6	132.0	124.0	232.9	170.9
Cultural and Recreational										
Recreation	113.1	113.1	116.6	120.3	125.7	131.4	122.5	117.3	129.8	162.7
Parks	8.2	10.6	8.4	9.5	6.9	5.5	10.6	10.4	7.0	4.7
Libraries and Museums	84.5	84.3	88.8	90.4	96.4	109.4	111.4	89.7	84.2	99.3
Improvements to General Welfare:										
Social Services	657.5	687.8	688.7	733.8	732.0	727.4	739.7	726.8	774.5	920.0
Education	167.5	126.0	134.5	134.2	134.7	213.3	263.2	294.2	297.9	331.0
Inspections and Demolitions	43.3	41.7	65.3	45.4	54.3	56.7	57.2	51.3	58.4	55.4
Service to Property:										
Sanitation	153.1	151.1	157.0	161.1	160.0	153.7	163.5	150.2	186.6	193.8
Fire	386.6	350.8	370.7	373.4	410.6	469.2	470.1	411.6	471.5	445.1
General Management and Support	538.0	605.3	648.1	693.3	729.1	788.5	946.5	1,162.4	995.2	1,232.2
Interest on Long Term Debt	159.0	166.2	158.2	151.1	155.7	148.3	158.6	121.9	127.1	121.7
Total Governmental Activities Expenses	6,263.0	5,975.8	6,443.6	6,539.0	6,792.7	6,972.8	7,559.3	7,387.8	7,791.5	8,293.3
Business-Type Activities:										
Water and Sewer	543.5	550.2	569.0	601.8	631.1	685.8	711.4	636.4	698.1	729.2
Aviation	376.5	374.3	400.2	419.9	442.9	430.7	437.2	378.3	399.4	421.8
Industrial and Commercial Development	-	-	-	16.5	0.5	2.3	4.4	5.9	-	-
Total Business-Type Activities Expenses	920.0	924.5	969.2	1,038.2	1,074.5	1,118.8	1,153.0	1,020.6	1,097.5	1,151.0
Total Primary Government Expenses	7,183.0	6,900.3	7,412.8	7,577.2	7,880.1	8,091.6	8,712.3	8,408.4	8,889.0	9,444.3
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	0.1	0.1	0.1	-	-	-	-	0.1	0.1	-
Transportation:										
Streets & Highways	5.2	7.3	5.8	7.1	6.6	10.0	9.8	9.9	11.6	12.5
Mass Transit	1.9	2.1	2.2	2.2	2.5	2.7	2.3	1.7	3.0	3.3
Judiciary and Law Enforcement:										
Police	4.5	5.2	5.1	8.2	6.8	7.2	7.2	5.6	8.2	11.1
Prisons	0.4	0.4	0.3	0.3	0.5	1.7	1.3	0.4	0.1	-
Courts	50.3	51.6	50.3	53.6	56.5	55.6	39.3	31.7	30.7	29.7
Conservation of Health:										
Emergency Medical Services	36.3	36.2	45.7	65.0	51.9	16.8	11.2	-	25.6	26.3
Health Services	18.9	14.4	14.1	30.3	27.6	46.4	63.5	67.6	77.3	55.3
Housing and Neighborhood Development	16.7	20.1	18.1	27.2	21.0	23.2	18.1	25.3	24.4	20.6
Cultural and Recreational:										
Recreation	2.8	3.7	4.6	3.4	5.8	4.9	3.1	1.6	3.1	3.4
Parks	2.2	1.1	1.0	3.6	1.8	1.0	0.8	3.0	(0.6)	2.0
Libraries and Museums	2.0	1.1	1.2	1.4	1.9	1.5	1.1	1.5	0.7	0.5

**City of Philadelphia
Changes in Net Positions
For the Fiscal Years 2014 Through 2023**

**Table 2
Amounts in millions of USD**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<i>(full accrual basis of accounting)</i>										
Improvements to General Welfare:										
Social Services	5.6	4.4	1.2	1.4	7.3	6.2	7.0	5.7	5.6	202.0
Education	-	-	-	-	-	-	-	-	-	-
Inspections and Demolitions	50.1	52.4	54.1	59.4	64.8	72.8	64.7	76.2	86.5	79.6
Service to Property:										
Sanitation	35.5	24.9	16.5	13.8	14.1	14.0	14.5	17.1	23.6	20.9
Fire	0.3	2.9	0.3	0.6	0.4	40.8	44.5	3.5	5.5	12.5
General Management and Support	177.7	150.2	158.3	159.5	160.1	151.0	147.8	153.4	260.5	157.9
Interest on Long Term Debt	0.2	0.2	0.2	-	-	0.2	-	-	-	-
Operating Grants and Contributions	1,967.3	2,011.2	2,090.9	2,199.5	2,262.9	2,215.2	2,337.0	2,713.8	3,136.1	3,101.9
Capital Grants and Contributions	35.3	60.1	61.8	22.2	27.3	20.5	44.9	49.7	35.1	89.0
Total Governmental Activities Program Revenues	2,413.3	2,449.6	2,531.8	2,658.7	2,719.8	2,691.7	2,818.1	3,167.8	3,737.1	3,828.5
Business-Type Activities:										
Charges for Services:										
Water and Sewer	638.6	675.9	670.0	714.7	726.4	745.3	732.4	715.8	765.9	816.4
Aviation	315.4	322.4	433.7	431.9	471.1	486.2	366.8	329.0	382.0	469.9
Industrial and Commercial Developments	0.4	0.5	0.5	19.9	0.1	2.2	7.2	5.6	0.4	-
Operating Grants and Contributions	1.4	0.9	0.9	1.3	0.6	0.7	0.9	2.7	0.5	0.8
Capital Grants and Contributions	93.6	161.3	26.8	10.6	29.0	22.7	34.3	40.6	72.9	46.5
Total Business-Type Activities Program Revenues	1,049.4	1,161.0	1,131.9	1,178.4	1,227.2	1,257.1	1,141.6	1,093.7	1,221.7	1,333.6
Total Primary Government Revenues	3,462.7	3,610.6	3,663.7	3,837.1	3,947.0	3,948.8	3,959.7	4,261.5	4,958.8	5,162.1
Net (Expense)/Revenue	(3,849.7)	(3,526.2)	(3,911.8)	(3,880.3)	(4,072.9)	(4,281.1)	(4,741.2)	(4,220.0)	(4,054.4)	(4,464.8)
Governmental Activities	129.4	236.5	162.7	140.2	152.7	138.3	(11.4)	73.1	124.2	182.6
Business-Type Activities	(3,720.3)	(3,289.7)	(3,749.1)	(3,740.1)	(3,920.2)	(4,142.8)	(4,752.6)	(4,146.9)	(3,930.2)	(4,282.2)
Total Primary Government Net Expense										
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	530.2	551.3	550.2	578.7	649.0	691.9	695.8	720.2	703.2	848.4
Wage & Earnings Taxes	1,639.8	1,737.2	1,816.8	1,920.7	2,027.8	2,114.7	2,115.6	1,991.2	2,233.4	2,402.7
Business Taxes	469.2	453.4	505.6	440.2	456.1	556.1	590.4	589.8	746.2	760.7
Other Taxes	735.8	666.7	733.5	817.6	947.7	984.1	942.8	883.9	1,263.3	1,168.3
Unrestricted Grants & Contributions	229.5	185.1	185.4	184.5	191.6	190.8	197.3	197.8	202.7	232.5
Interest & Investment Earnings	21.7	24.1	28.0	27.4	49.6	64.7	69.2	52.1	36.0	124.5
Special Items	-	-	-	-	(38.4)	-	-	-	-	-
Transfers	28.3	30.2	31.6	28.5	33.3	39.9	34.7	37.2	48.4	57.4
Total Governmental Activities	3,654.5	3,648.0	3,851.1	3,997.6	4,316.7	4,642.2	4,645.8	4,472.2	5,233.2	5,594.5
Business-Type Activities:										
Interest & Investment Earnings	5.3	4.1	8.3	11.4	23.6	47.8	48.7	2.7	(15.2)	70.4
Unrestricted Grants & Contributions	2.5	1.9	1.9	2.5	3.3	3.9	58.2	64.6	85.9	80.1
Transfers	(28.3)	(30.3)	(31.6)	(28.5)	(33.3)	(39.9)	(34.7)	(37.2)	(48.4)	(57.4)
Total Business-Type Activities	(20.5)	(24.3)	(21.4)	(14.6)	(6.2)	11.8	72.2	30.1	22.3	93.1
Total Primary Government	3,634.0	3,623.7	3,829.7	3,983.0	4,310.5	4,654.0	4,718.0	4,502.3	5,255.5	5,687.6
Change in Net Position										
Governmental Activities	(195.2)	121.8	(60.7)	117.3	243.8	361.1	(95.4)	252.2	1,178.8	1,129.7
Business-Type Activities	108.9	212.2	141.3	125.6	146.5	150.1	60.8	103.2	146.5	275.7
Total Primary Government	(86.3)	334.0	80.6	242.9	390.3	511.2	(34.6)	355.4	1,325.3	1,405.4

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2014 Through 2023

(modified accrual basis of accounting)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Non-spendable:										
Restricted for:										
Central Library Project	-	-	-	-	-	-	-	-	-	-
Stadium Financing	2.0	2.0	1.7	1.7	-	-	-	-	-	-
Cultural & Commercial Corridor Project	3.8	4.3	0.6	0.6	-	-	-	-	-	-
Long Term Loan	11.6	10.6	7.4	2.7	1.5	1.2	1.1	0.9	0.9	0.4
Affordable Housing Project	68.2	56.7	44.8	33.1	21.8	10.8	-	6.5	3.2	0.1
Art Museum Project	-	-	-	-	44.3	27.3	11.0	0.0	-	-
Rebuild Project	-	-	-	-	11.4	6.3	1.8	0.4	-	-
Home Repair Program	-	-	-	-	-	82.9	77.7	66.8	44.6	4.7
Neighborhood Revitalization	-	-	-	-	-	39.2	39.5	39.8	127.7	37.3
Committed to:										
General Fund	-	-	-	-	-	-	34.3	-	-	65.1
Assigned to:	103.1	81.9	78.0	128.4	127.0	322.3	-	442.7	659.0	428.6
Unassigned:	23.0	-	-	23.7	195.0	125.8	380.2	-	410.7	668.2
Total General Fund:	211.7	155.5	132.5	190.1	401.0	615.8	545.5	557.1	1,246.1	1,343.6
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	3.2	3.5	3.1	3.4	3.5	3.5	3.8	4.0	4.0	4.3
Restricted for:										
Behavioral Health	188.6	199.6	220.1	262.3	279.4	314.3	291.1	337.1	390.9	416.8
Neighborhood Revitalization	30.6	29.6	0.0	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Public Safety Emergency Phone System	27.5	35.2	40.8	31.5	31.2	34.1	33.1	35.0	36.2	38.5
Economic Development	6.8	11.8	12.3	13.7	13.9	15.2	3.1	5.8	9.1	17.0
Intergovernmental Financing	34.0	28.3	25.5	25.2	24.9	24.3	24.1	20.9	20.1	19.3
Intergovernmentally Financed Prgms	-	-	-	-	-	-	-	-	-	14.0
Streets & Highways	26.2	31.9	37.1	46.0	57.1	59.2	63.2	59.7	72.5	70.1
Housing & Neighborhood Development	16.6	18.5	20.8	30.6	33.3	65.7	66.3	79.0	80.4	82.0
Health Services	10.1	11.0	11.2	13.4	17.4	20.6	22.7	23.3	22.1	20.9
Debt Service	83.1	81.5	81.6	72.4	62.9	54.7	16.0	13.0	11.4	0.6
Capital Improvements	191.6	70.2	133.1	24.8	161.0	88.1	278.5	112.7	308.9	377.5
Trust Purposes	11.8	12.3	10.2	10.2	9.4	10.0	9.7	9.5	14.8	14.9
Parks & Recreation	0.4	0.6	0.8	0.9	1.2	1.4	1.2	2.5	-	-
Libraries & Museums	0.1	0.0	3.0	3.3	3.1	2.5	2.5	3.0	2.0	2.5
Stadium Financing	7.3	6.7	6.4	6.0	5.8	5.0	10.5	8.4	8.3	8.5
Demolition	-	-	-	-	-	-	-	-	-	0.2
Committed to:										
Prisons	3.5	3.2	2.9	3.4	3.5	3.4	3.3	4.7	5.4	5.8
Parks & Recreation	0.8	0.9	1.7	1.3	1.1	1.4	1.5	1.5	2.0	5.9
Assigned to:										
Behavioral Health	-	-	-	-	-	-	-	-	-	-
PICA Rebate Fund	-	-	-	-	-	-	-	-	-	-
PMA	-	-	-	-	-	-	-	-	-	-
Unassigned:	(7.9)	(7.1)	(5.3)	(8.4)	(8.7)	(9.3)	(16.2)	(10.0)	(19.3)	(28.3)
Housing & Neighborhood Dev	(273.3)	(213.0)	(322.5)	(294.3)	(288.5)	(317.7)	(314.2)	(366.8)	(410.6)	(547.8)
Grants Revenue Fund	-	-	-	-	-	(0.3)	(0.2)	-	-	(18.0)
General Mgmt & Support	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	360.7	324.7	282.7	245.9	411.6	376.2	500.4	343.7	558.5	504.9

Table 4

**City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2014 Through 2023**

(Amounts in millions of USD)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Tax Revenue	3,370.8	3,397.1	3,632.7	3,761.3	4,112.4	4,345.2	4,359.3	4,173.5	4,936.4	5,160.6
Locally Generated Non-Tax Revenue	387.1	376.6	367.3	400.5	417.1	448.0	447.5	436.5	481.6	525.7
Revenue from Other Governments	2,169.0	2,280.2	2,245.2	2,466.1	2,440.6	2,409.2	2,552.6	2,915.2	3,320.8	3,322.8
Other Revenues	20.2	16.9	19.6	18.6	20.7	16.5	24.9	19.3	27.1	18.5
Total Revenues	5,947.1	6,070.8	6,264.8	6,646.5	6,990.8	7,218.9	7,384.3	7,544.5	8,765.9	9,027.6
Expenditures										
Current Operating:										
Economic Development	83.7	82.5	101.1	100.5	104.2	102.0	113.5	58.1	90.8	115.3
Transportation:										
Streets & Highways	98.1	96.2	105.1	98.7	108.4	139.8	137.2	132.4	131.8	169.9
Mass Transit	67.5	71.7	76.1	79.9	82.0	84.9	86.6	85.2	91.7	101.2
Judiciary and Law Enforcement:										
Police	1,164.9	1,104.6	1,162.5	1,169.7	1,237.6	1,256.9	1,306.9	1,223.1	1,316.8	1,358.6
Prisons	346.3	343.9	365.1	372.6	375.1	336.9	361.1	324.3	340.7	340.7
Courts	317.9	321.5	329.9	339.6	339.5	350.3	358.1	343.6	374.7	421.1
Conservation of Health:										
Emergency Medical Services	65.8	66.1	64.9	75.8	68.7	70.0	74.1	79.1	102.6	103.0
Health Services	1,510.3	1,419.8	1,573.1	1,608.3	1,656.5	1,646.4	1,837.3	1,983.7	2,102.1	2,171.5
Housing and Neighborhood Development:										
Development	80.3	80.9	80.1	81.4	94.3	106.7	132.0	123.9	232.8	170.8
Cultural and Recreational:										
Recreation	98.6	103.9	104.8	107.1	112.3	117.9	112.8	114.2	123.9	166.4
Parks	1.2	1.8	1.5	3.4	2.9	2.7	2.2	2.5	1.4	2.1
Libraries and Museums	74.9	79.1	81.4	84.4	91.9	100.3	104.0	90.9	86.2	108.5
Improvements to General Welfare:										
Social Services	655.3	687.8	687.1	731.7	730.6	726.7	735.9	726.5	779.9	928.9
Education	167.5	126.0	134.5	134.2	134.7	213.3	263.2	294.2	297.9	331.0
Inspections and Demolitions	40.8	41.5	64.0	44.5	53.1	56.3	56.3	54.7	61.3	64.8
Service to Property:										
Sanitation	144.8	146.9	152.4	154.3	153.5	150.3	161.9	159.6	194.8	210.1
Fire	344.2	346.4	355.0	353.3	399.4	471.8	467.7	463.2	508.4	530.6
General Management and Support	646.7	662.3	686.4	718.1	789.9	810.1	929.2	1,053.8	1,077.5	1,364.6
Capital Outlay	140.1	189.7	206.1	145.5	455.7	208.0	211.0	219.9	206.8	300.5
Debt Service:										
Principal	120.3	339.8	139.5	145.0	152.6	139.7	198.0	214.0	164.9	168.9
Interest	118.0	120.7	107.5	106.2	112.7	114.2	107.4	114.4	106.5	100.5
Bond Issuance Cost	5.0	7.2	3.3	3.2	3.9	3.4	18.6	1.6	4.1	1.4
Total Expenditures	6,292.2	6,440.3	6,581.4	6,657.6	7,259.5	7,208.6	7,775.0	7,844.2	8,381.2	9,230.4
Excess of Revenues Over (Under) Expenditures	(345.1)	(369.5)	(316.6)	(11.1)	(268.7)	10.3	(390.7)	(299.7)	384.7	(202.8)
Other Financing Sources (Uses)										
Issuance of Debt	293.8	30.0	191.6	-	314.1	119.5	293.4	-	393.3	99.5
Issuance of Refunding Debt	363.6	195.7	234.2	346.1	108.3	188.7	326.2	137.0	132.1	24.6
Bond Issuance Premium	31.4	21.3	53.9	40.7	60.2	33.5	93.8	-	75.7	2.5
Capital Lease Proceeds	-	-	-	-	252.5	0.4	2.2	0.4	-	-
Payment to Refunded Bonds Escrow Agent	(382.2)	-	(259.6)	(383.5)	(123.1)	(212.5)	(305.7)	(20.0)	(130.9)	-
Leases (as lessee)	616.3	661.9	686.3	731.4	802.5	925.5	819.7	864.2	1,160.2	62.8
Transfers In	(587.9)	(631.6)	(654.7)	(702.9)	(769.2)	(885.6)	(785.0)	(827.0)	(1,111.6)	(1,526.4)
Transfers Out	335.0	277.3	251.7	31.8	645.3	169.1	444.6	154.6	519.2	246.8
Total Other Financing Sources (Uses)	(10.1)	(92.2)	(64.9)	20.7	376.6	179.4	53.9	(145.1)	903.9	44.0
Net Change in Fund Balances	3.9%	7.4%	3.9%	3.9%	3.9%	3.6%	4.0%	4.3%	3.3%	3.0%
Debt Service as a Percentage of Non-capital Expenditures										

Table 5
City of Philadelphia
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2014 through 2023
Amounts in millions of USD

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Additions:										
Contributions:										
Employee Contributions	53.7	58.7	67.1	73.6	83.3	99.1	111.8	111.3	110.4	120.7
Employer's:										
City of Philadelphia	533.4	556.1	629.4	678.8	756.1	772.6	747.4	768.2	844.6	1,147.8
Quasi-Governmental Agencies	19.8	21.1	30.8	27.4	25.9	25.2	21.4	20.3	15.2	17.2
Total Employer's Contributions	553.2	577.2	660.2	706.2	782.0	797.8	768.8	788.5	859.8	1,165.0
Total Contributions	606.9	635.9	727.3	779.8	865.3	896.9	880.6	899.8	970.2	1,285.7
Interest & Dividends	102.2	98.4	101.5	108.5	127.9	132.7	130.0	127.7	175.2	195.6
Net Gain (Decline) in Fair Value of Investments	585.4	(76.8)	(239.8)	462.9	318.2	176.6	(38.1)	1,521.8	(646.9)	387.9
(Less) Investment Expenses	(10.2)	(9.8)	(9.1)	(8.0)	(7.5)	(7.5)	(6.7)	(7.2)	(8.9)	(14.5)
Net Securities Lending Revenue	4.2	2.2	1.9	1.8	1.8	2.2	2.1	1.2	1.0	2.1
(Less) Securities Lending Expenses	(0.6)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.4)
Net Investment Income (Loss)	681.0	13.7	(145.8)	564.9	440.1	303.7	87.0	1,643.3	(479.8)	570.7
Miscellaneous Operating Revenue	0.5	0.1	0.1	1.8	0.2	0.1	0.1	0.2	0.1	0.3
Total Additions	1,288.4	649.7	581.6	1,346.5	1,305.6	1,200.7	967.7	2,543.3	490.5	1,856.7
Deductions:										
Pension Benefits	802.6	876.4	882.0	813.3	819.8	832.4	854.0	883.6	953.3	963.5
Refunds to Members	6.0	5.3	7.4	8.2	8.5	10.0	8.3	7.9	13.4	16.0
Administrative Costs	8.3	10.4	8.4	8.8	10.0	11.1	10.8	9.7	9.0	8.9
Other Operating Expenses	-	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-
Total Deductions	816.9	892.1	897.9	830.4	838.4	853.6	873.2	901.2	975.7	988.4
Net Increase (Decrease)	471.5	(242.4)	(316.3)	516.1	467.2	347.1	94.5	1,642.1	(485.2)	868.3
Net Assets: Adjusted Opening	4,445.2	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4	5,782.9	7,425.0	6,939.8
Closing	4,916.7	4,674.3	4,358.0	4,874.1	5,341.3	5,688.4	5,782.9	7,425.0	6,939.8	7,808.1
Ratios:										
Pension Benefits Paid as a Percent of Net Members Contributions	1682.60%	1640.28%	1477.39%	1243.58%	1095.99%	934.23%	825.12%	854.55%	982.78%	920.25%
Closing Net Assets	16.32%	18.75%	20.24%	16.69%	15.35%	14.63%	14.77%	11.90%	13.74%	12.34%
Coverage of Additions over Deductions	157.72%	72.83%	64.77%	162.15%	155.73%	140.66%	110.82%	282.21%	50.27%	187.85%
Investment Earnings as % of Pension Benefits	84.85%	1.56%	-16.53%	69.46%	53.68%	36.48%	10.19%	185.98%	-50.33%	59.23%

City of Philadelphia
Wage and Earnings Tax Taxable Income
For the Calendar Years 2013 Through 2022

Table 6
Amounts in millions of USD

Year	City Residents			Non-City Residents			Total	
	Taxable Income	% of Total	Direct Rate ¹	Taxable Income	% of Total	Direct Rate ¹	Taxable Income	Direct Rate
2013	24,320.8	57.50%	3.92600%	17,974.3	42.50%	3.49675%	42,295.1	3.74358%
2014	25,602.1	57.70%	3.92200%	18,767.3	42.30%	3.49325%	44,369.4	3.74065%
2015	26,668.6	57.62%	3.91510%	19,611.3	42.38%	3.48715%	46,279.9	3.73375%
2016	28,609.5	58.69%	3.90530%	20,140.1	41.31%	3.47845%	48,749.6	3.72895%
2017	30,461.1	59.19%	3.89555%	21,005.2	40.81%	3.46975%	51,466.3	3.72177%
2018	32,170.7	59.88%	3.88580%	21,550.3	40.12%	3.46105%	53,721.0	3.71541%
2019	34,119.7	60.10%	3.87605%	22,649.7	39.90%	3.45240%	56,769.4	3.70702%
2020	34,431.6	63.67%	3.87120%	19,649.9	36.33%	3.47500%	54,081.5	3.72725%
2021	35,756.8	67.69%	3.83980%	17,065.2	32.31%	3.44810%	52,822.0	3.71325%
2022	38,895.6	62.98%	3.79000%	22,866.3	37.02%	3.44000%	61,761.9	3.66042%

Note:
The Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax.

¹ 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 2014 through 2023**

Tax Classification	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Wage and Earnings Tax:										
^a City Residents	3.9240%	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%	3.8712%	3.8398%	3.7900%
Non-City Residents	3.4950%	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%	3.5019%	3.4481%	3.4400%

Wage and Earnings Tax is a tax on salaries, wages and commissions and other compensation paid to an employee who is employed by or renders services to an employer. All Philadelphia residents owe this tax regardless of where they perform services. Non-residents who perform services in Philadelphia must also pay this tax

Real Property: (% on Assessed Valuation)	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City	0.602%	0.602%	0.632%	0.632%	0.632%	0.632%	0.632%	0.632%	0.632%	0.632%
School District of Philadelphia	0.738%	0.738%	0.768%	0.768%	0.768%	0.768%	0.768%	0.768%	0.768%	0.768%
Total Real Property Tax	1.340%	1.340%	1.400%	1.400%	1.400%	1.400%	1.400%	1.400%	1.400%	1.400%
^d Assessment Ratio	224.40%	213.95%	167.26%	167.14%	167.14%	132.88%	125.08%	124.89%	119.13%	NA
Effective Tax Rate (Real Property Rate x Assessment Ratio)	3.007%	2.867%	2.341%	2.340%	2.340%	1.860%	1.751%	1.748%	1.668%	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	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
City	3.0%	3.0%	3.0%	3.1%	3.1%	3.3%	3.3%	3.3%	3.3%	3.3%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.1%	4.1%	4.3%	4.3%	4.3%	4.3%	4.3%

Realty Transfer Tax is levied on the sale or transfer of real estate located in Philadelphia. The tax also applies to the sale or transfer of an interest in a corporation or partnership that owns real estate. Certain long term leases are also subject to this tax.

Business Income and Receipts Taxes	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
(% on Gross Receipts)	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%	0.1415%
^e (% on Net Income)	6.4300%	6.4100%	6.3900%	6.3500%	6.3000%	6.2500%	6.2000%	6.2000%	5.9900%	5.8100%

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BIRT Return.

Net Profits Tax:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
^a City Residents	3.9200%	3.9102%	3.9004%	3.8907%	3.8809%	3.8712%	3.8712%	3.8398%	3.7900%	3.7500%
Non-City Residents	3.4915%	3.4828%	3.4741%	3.4654%	3.4567%	3.4481%	3.5019%	3.4481%	3.4400%	3.4400%

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 2014 through 2023**

Table 7

<u>Tax Classification</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales Tax										
City	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Commonwealth of Pennsylvania	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total Sales Tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amusement Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Imposed on the admission fee charged for attending any amusement in the City. Included are concerts, movies, athletic contests, night clubs and convention shows for which admission is charged.										
Parking Lot Tax	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%	22.5%	25.0%	22.5%	22.5%
Parking Tax is levied on the gross receipts from all financial transactions involving the parking or storing of automobiles or other motor vehicles in outdoor or indoor parking lots and garages in the City.										
Hotel Room Rental Tax	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Rate of Tourism & Marketing Tax	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Imposed on the rental of a hotel room to accommodate paying guests. The term "hotel" includes an apartment, hotel, motel, inn, guest house, bed and breakfast or other building located within the City which is available to rent for overnight lodging or use of facility space to persons seeking temporary accommodations.										
Vehicle Rental Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Imposed on any person acquiring the custody or possession of a rental vehicle in the City under a rental contract for money or other consideration.										

^a Pursuant to an agreement with the Pennsylvania Intergovernmental Cooperation Authority (PICA), PICA's share of the Wage, Earnings and Net Profits Tax is 1.5% of City residents portion only.

^b Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

^c Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

^d The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

^e 60% of the Net Income portion of the Business Income and Receipts Tax is allowed to be credited against the Net Profits Tax.

City of Philadelphia
Principal Wage and Earnings Tax Remitters ¹
Current Calendar Year and Nine Years Ago

Table 8

Amounts in millions of USD

Remittance Range	2022			2013		
	# 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	\$640.6	28.20%	16	\$408.2	25.78%
Between \$1 million & \$10 million	226	575.9	25.35%	161	387.9	24.50%
Between \$100,000 & \$1 million	2,385	630.1	27.74%	1,661	425.6	26.88%
Between \$10,000 & \$100,000	13,009	387.6	17.06%	9,137	269.2	17.00%
Less than \$10,000	69,645	37.2	1.65%	40,133	92.4	5.84%
Total	85,285	\$2,271.4	100.00%	51,108	\$1,583.3	100.00%

¹ Wage & Earnings information for individual remitters is confidential

City of Philadelphia
Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2014 through 2023

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)
2014	137,404	37,462	5,429	94,513	(2,590)	91,923	0.602%	224.40%	42,118	90.48%	104,457
2015	136,341	37,223	6,411	92,707	(1,777)	90,930	0.602%	213.95%	43,331	90.60%	102,326
2016	136,295	38,386	6,372	91,537	(1,369)	90,168	0.632%	167.26%	54,727	92.96%	98,469
2017	136,682	38,552	6,389	91,741	105	91,846	0.632%	167.14%	54,889	94.20%	97,390
2018	152,995	41,738	6,268	104,989	(811)	104,178	0.632%	167.14%	62,815	95.78%	109,615
2019	164,672	42,767	6,349	115,556	(3,313)	112,243	0.632%	132.88%	86,963	106.00%	109,015
2020	168,263	44,095	8,592	115,576	(1,225)	114,351	0.632%	125.08%	92,402	98.80%	116,980
2021	170,224	44,356	9,714	116,154	(641)	115,513	0.632%	124.89%	93,005	97.09%	119,635
2022	171,347	45,325	10,058	115,964	(56)	115,908	0.632%	119.13%	97,342	98.01%	118,319
2023	204,602	49,547	18,402	136,653	1,514	138,167	0.632%	NA	NA	NA	NA

¹ Real property tax bills are normally sent out in December and are payable by March 31 without penalty or interest.

² Bill #1130, approved February 8, 1978, provides relief from real estate taxes on improvements to deteriorated industrial, commercial or other business property for a period of five years. Bill #982, approved July 9, 1990, changed the exemption period from five years to three years. Bill #225, approved October 4, 2000, extended the exemption period from three years to ten years.

Bill #1456A, approved January 28, 1983, provides for a maximum three year tax abatement for owner-occupants of newly constructed residential property. Bill #226, approved September 12, 2000, extended the exemption period from three years to ten years.

Legislative Act #5020-2005 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.

³ Source: Office of Property Assessment. Beginning in 2014:

- a) the Assessed Value Certification Date was moved up to 3/31/2013; in prior years, the Certification Date occurred on or slightly before the Billing Date (in November)
- b) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

⁴ Total Direct Tax Rate is City portion only and excludes the School District portion (see statistical table #7 for breakdown).

⁵ The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. See Table 13.

⁶ This ratio is compiled by the Office of Property Assessment based on sales of property during the year.

⁷ The City provides for a \$80,000 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	2023			2014		
	Assessment ¹	Rank	Percentage of Total Assessments	Assessment ¹	Rank	Percentage of Total Assessments
EQC Nine Penn Center Prop.	422.2	1	0.31	232.6	2	0.23
Kim Sub Cira Square LP	370.6	2	0.27	-	-	-
Liberty Property Phila	368.1	3	0.27	-	-	-
NG 1500 Market St. LLC	362.6	4	0.27	265.7	1	0.27
Phila Liberty Pla E LP	335.3	5	0.25	207.7	3	0.21
Brandywine Cira Walnut 1	298.1	6	0.22	-	-	-
PRU 1901 Market LLC	278.0	7	0.20	-	-	-
Brandywine Cira LP	272.1	8	0.20	-	-	-
Commerce Square Partners	268.3	9	0.20	178.2	6	0.18
Phila Plaza Phaze II	259.0	10	0.19	170.1	7	0.17
Philadelphia Market	-	-	-	203.7	4	0.20
Tenet Health System Hahnem	-	-	-	192.1	5	0.19
Franklin Mills Associates	-	-	-	163.2	8	0.16
Brandywine Operating	-	-	-	159.4	9	0.16
NINN 1818 Market Street 37	-	-	-	146.8	10	0.15
	<u>3,234.3</u>		<u>2.38</u>	<u>1,919.5</u>		<u>1.92</u>
Taxable Assessments (before Homestead) ²	<u>155,054.7</u>		<u>100.00</u>	<u>99,941.6</u>		<u>100.00</u>
Less Homestead Exemption ²	<u>18,402.0</u>			<u>0.0</u>		
Total Taxable Assessments	<u>136,652.7</u>			<u>99,941.6</u>		

¹ Source: Office of Property Assessment.

a) 2023 Assessment as of March 2022.

b) 2014 Assessment as of March 2013.

² In calendar year 2014.

a) the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI).

b) The City provides for a \$80,000 Homestead Exemption (amount subject to change) to all homeowners.

**City of Philadelphia
Real Property Tax Levied and Collected
For the Calendar Years 2014 through 2023
General Fund**

Table 11

Amounts in millions of USD

Calendar Year	Taxes Levied for the Year **1	Taxes Levied Based on		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
		Assessment **2	Adjusted Assessment **2					
2014	553.2	512.2	482.1	482.1	94.1%	31.0	513.1	100.2%
2015	547.4	516.4	489.1	489.1	94.7%	28.1	517.2	100.2%
2016	569.9	548.3	525.2	525.2	95.8%	22.6	547.8	99.9%
2017	580.5	564.7	542.9	542.9	96.1%	22.5	565.4	100.1%
2018 **6	658.1	626.6	604.4	604.4	96.5%	3.9	608.3	97.1%
2019	709.4	680.4	660.4	660.4	97.1%	15.6	676.0	99.4%
2020	722.7	701.0	672.3	672.3	95.9%	24.4	696.7	99.4%
2021	729.7	715.3	692.2	692.2	96.8%	19.9	712.1	99.6%
2022	732.2	723.2	705.7	705.7	97.6%	8.5	714.2	98.8%
2023	872.8	852.4	755.2	755.2	NA	NA	755.2	NA

**1 Taxes are levied on a calendar year basis, this column represents the initial bill. They are due on March 31st.

**2 Adjustments include assessment appeals, a 1% discount for payment in full by the end of February (for years in effect), the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent. Starting with tax year 2021, the 1% discount is no longer in effect. It is however included for all prior years.

**3 For 2023, "collections in the calendar year of levy" does not include the full 12 months; it only includes collections through the end of June 2023.

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

**5 For calendar year 2023, 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 2023.

**6 As a result of Duffield House Assocs. v. City of Philadelphia legal case, commercial properties in Philadelphia saw reduced payments for 2018 that have not yet been reflected in the assessment data provided by OPA. Once the reduced assessments are reflected in Column B, the collection figures for 2018 will be in line with historical trends.

Note that all amounts in this table pertain to the General Fund only and do not include amounts levied and collected for the school district.

The collection percentages for the school district are the same as for the General Fund.

City of Philadelphia
Ratios of Outstanding Debt by Type
For the Fiscal Years 2014 through 2023

Table 12

Amounts in millions of USD (except per capita)

Fiscal Year	Governmental Activities											Business-Type Activities				Ratios					
	General Obligation Bonds	Leases (2)	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	Water Revenue Bonds	Airport Revenue Bonds	Leases (2)	Total Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita
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	11.5	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	11.0	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	10.6	4,019.5	2,360.3	1,573.9	-	3,934.2	7,953.7	8.77%	1,584,064	5,021
2021	1,950.5	233.4	631.2	394.6	185.2	20.8	221.6	3.1	78.3	-	52.6	10.1	3,861.2	2,500.9	1,595.5	-	4,096.4	7,957.6	8.55%	1,578,487	5,041
2022	2,166.4	580.6	566.8	394.6	271.4	17.5	201.6	2.3	72.0	-	49.9	9.7	4,408.7	2,684.1	1,739.0	29.0	4,452.1	8,860.8	9.24%	1,576,251	5,621
2023	2,016.1	611.0	543.4	329.9	351.2	14.2	181.0	1.6	65.7	-	47.3	9.2	4,242.6	2,973.6	1,664.1	27.0	4,664.7	8,907.3	10.01%	1,567,258	5,683

(1) See Table 17 for Personal Income and Population Amounts
(2) Following implementation of GASB 87 in fiscal year 2022, the lease liability was restated

City of Philadelphia
Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2014 through 2023

Table 13

Amounts in millions of USD (except per capita)

Fiscal Year	General Obligation Bonds	Assessed Taxable Value of Property ¹	Assessed Ratio ²	Actual Taxable Value of Property	% of Actual Taxable Value of Property	Per Capita ³
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	2,078.4	104,988.9	167.14%	62,814.9	3.31%	1,312.01
2019	1,927.2	115,555.5	132.88%	86,962.3	2.22%	1,216.62
2020	2,091.8	115,575.8	125.08%	92,401.5	2.26%	1,325.19
2021	1,950.5	116,153.8	124.89%	93,004.9	2.10%	1,237.43
2022	2,166.4	115,963.6	119.13%	97,342.1	2.23%	1,382.29
2023	2,016.1	136,652.6	NA	NA	NA	NA

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

¹ Source: Office of Property Assessment

² The State Tax Equalization Board (STEB) annually determines a ratio of assessed valuation to true value for each municipality in the Commonwealth of Pennsylvania. The ratio is used for the purpose of equalizing certain state school aid distribution.

³ See Table 17 for Population Amounts

City of Philadelphia
Direct and Overlapping Governmental Activities Debt
June 30, 2023

Table 14

Amounts in millions of USD

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
School District of Philadelphia	<u>3,330.1</u>	<u>100.00%</u>	<u>3,330.1</u>
¹ City Direct Debt			<u>4,244.9</u>
Total Direct and Overlapping Debt			<u><u>7,575.0</u></u>

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundaries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundaries. This schedule attempts to show the entire debt burden borne by City residents and businesses.

¹ Refer to Table 12

City of Philadelphia
 Legal Debt Margin Information
 For the Fiscal Years 2014 through 2023

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2023

Assessed Value	120,418.7
Debt Limit	16,256.5
1 Debt Applicable to Limit:	
Tax Supported General Obligation Debt:	
Issued & Outstanding	1,732.7
Authorized but Unissued	690.4
Total	<u>2,423.1</u>
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	<u>2,423.1</u>
Legal Debt Margin	<u>13,833.4</u>

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt Limit (notes 2 and 3)	3,011.1	4,288.7	5,454.0	6,629.5	8,001.0	9,534.0	11,052.1	12,607.9	14,163.0	16,256.5
Total Net Debt Applicable to Limit	<u>1,673.4</u>	<u>1,751.0</u>	<u>1,841.4</u>	<u>1,952.0</u>	<u>2,051.3</u>	<u>2,130.8</u>	<u>2,228.8</u>	<u>2,284.5</u>	<u>2,316.5</u>	<u>2,423.1</u>
Legal Debt Margin	<u>1,337.7</u>	<u>2,537.7</u>	<u>3,612.6</u>	<u>4,677.5</u>	<u>5,949.7</u>	<u>7,403.2</u>	<u>8,823.3</u>	<u>10,323.4</u>	<u>11,846.5</u>	<u>13,833.4</u>
Total Net Debt Applicable to the Limit as a Percent of Total Debt	55.57%	40.83%	33.76%	29.44%	25.64%	22.35%	20.17%	18.12%	16.36%	14.91%

¹ Refer to Purdon's Statutes 53 P.S. Section 15721

² The legal limit is based on the Pennsylvania Constitution article IX Section 12.

³ Beginning in 2014, the Finance Department began using calendar Year assessed value to calculate the proceeding 10 year average; prior to this change, the Tax Year assessed values was used.

Calendar Year of assessment	Tax Year of assessment	R.E. Assessments
2013	2014	107,209,023,547
2014	2015	106,062,882,977
2015	2016	98,268,051,621
2016	2017	99,343,238,214
2017	2018	114,483,581,457
2018	2019	126,865,207,235
2019	2020	125,555,031,478
2020	2021	128,770,069,988
2021	2022	128,790,111,318
2022	2023	168,829,528,524
	Ten Year average	<u>120,418,672,636</u>
	Limit per art. 9	13.50%
	Legal Debt Limit	16,256,520,806

City of Philadelphia
Pledged Revenue Coverage
For the Fiscal Years 2014 through 2023

Table 16

Amounts in millions of USD

No.		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water and Sewer Revenue Bonds											
1	Total Revenue and Beginning Fund Balance	680.4	-	-	-	-	-	-	-	-	-
1a	Total Revenue	-	676.8	678.9	720.6	750.1	741.6	746.7	730.5	753.6	809.1
2	Net Operating Expenses	410.8	422.3	433.0	480.3	506.2	522.4	543.7	545.1	547.2	603.8
2a	Commitments Cancelled (formally Beg. Fund Bal.)	-	(19.4)	(24.1)	(24.6)	(32.4)	(30.4)	(26.9)	(23.9)	(36.8)	(29.2)
3	Transfer To (From) Rate Stabilization Fund	22.9	21.4	(1.6)	(4.6)	(24.6)	(4.3)	(33.1)	(27.0)	15.0	(7.8)
4	Net Revenues	246.7	252.5	271.6	269.5	300.9	253.9	263.0	236.3	228.2	242.3
Debt Service:											
5	Revenue Bonds Outstanding	201.7	205.3	219.3	206.1	218.4	190.9	206.2	186.2	177.0	199.3
6	Transfer to Escrow Account to Redeem Bonds	-	-	-	11.0	19.0	-	-	-	-	-
6a	Other Adjustments	-	-	(0.3)	(1.2)	(0.2)	-	0.2	0.1	-	0.5
7	Pennvest Loan	-	-	-	-	-	-	-	-	-	-
8	Total Debt Service	201.7	205.3	219.0	215.9	237.2	190.9	206.4	186.3	177.0	199.8
9	Net Revenue after Debt Service	45.0	47.2	52.6	53.6	63.7	63.0	56.6	50.0	51.2	42.5
10	Transfer to General Fund	-	-	-	-	-	-	-	-	-	-
11	Transfer to Capital Fund	20.2	20.7	21.5	22.3	34.8	24.9	26.6	27.8	29.2	30.1
12	Transfer to Residual Fund	24.8	26.5	31.1	31.3	28.9	38.1	30.0	22.2	22.0	12.4
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
Debt Service Coverage:											
	Coverage A (Line 4/Line 5)	1.22	1.23	1.24	1.31	1.38	1.33	1.28	1.27	1.29	1.22
	Coverage B (Line 4/(Line 5 + Line 11))	1.11	1.12	1.13	1.13	1.19	1.18	1.13	1.10	1.11	1.06
Airport Revenue Bonds											
1	Fund Balance	66.5	66.3	71.2	87.9	107.8	126.8	144.2	160.9	173.7	173.7
2	Project Revenues	316.9	322.8	341.2	362.0	381.7	393.4	390.2	331.8	356.0	535.6
3	Passenger Facility Charges	31.2	31.2	31.2	33.7	31.2	31.2	31.2	49.6	32.0	25.6
4	Total Fund Balance and Revenue	414.6	420.3	443.6	483.6	520.7	551.4	565.6	542.3	561.7	734.9
5	Net Operating Expenses	117.3	126.0	132.1	136.5	151.0	161.2	151.7	130.1	150.0	149.3
6	Interdepartmental Charges	103.9	108.7	106.8	116.7	116.7	121.1	123.0	109.8	103.0	117.6
7	Total Expenses	221.2	234.7	238.9	253.2	267.7	282.3	274.7	239.9	253.0	266.9
Available for Debt Service:											
8	Revenue Bonds (Line 4-Line 5)	297.3	294.3	311.5	347.1	369.7	390.2	413.9	412.2	411.7	585.6
9	All Bonds (Line 4-Line 7)	193.4	185.6	204.7	230.4	253.0	269.1	290.9	302.4	308.7	468.0
Debt Service:											
10	Revenue Bonds	125.4	125.2	120.6	122.6	127.8	126.0	127.9	124.3	118.0	160.4
11	General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
12	Total Debt Service	125.4	125.2	120.6	122.6	127.8	126.0	127.9	124.3	118.0	160.4
Debt Service Coverage:											
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	2.37	2.35	2.58	2.83	2.89	3.10	3.24	3.32	3.49	3.65
	Total Debt Service - Test "B" (Line 9/Line 12)	1.54	1.48	1.69	1.88	1.98	2.14	2.27	2.43	2.62	2.92

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 2013 through 2022

Table 17

Calendar Year	Population ¹	Personal Income ² (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate ³
2013	1,553,165	65,473,002	42,155	10.0%
2014	1,560,297	66,495,223	42,617	8.0%
2015	1,567,442	77,903,831	49,701	6.9%
2016	1,567,872	80,973,410	51,645	6.8%
2017	1,580,863	88,081,991	55,718	6.2%
2018	1,584,138	88,311,658	55,747	5.5%
2019	1,584,064	90,711,866	57,265	5.5%
2020	1,578,487	93,038,320	58,941	12.4%
2021	1,576,251	95,944,257	60,869	9.2%
2022	1,567,258	88,964,392	56,764	5.4%

¹ US Census Bureau

² US Department of Commerce, Bureau of Economic Analysis

³ US Department of Labor, Bureau of Labor Statistics

**City of Philadelphia
Principal Employers
Current Calendar Year and Nine Years Ago**

Table 18

Listed Alphabetically

2022	2013
Albert Einstein Medical Children's Hospital of Philadelphia City of Philadelphia Comcast Corporation School District of Philadelphia SEPTA (Southeastern Pennsylvania Transit Authority) Temple University Thomas Jefferson University Hospitals University Of Pennsylvania Hospital of the University of Pennsylvania	Albert Einstein Medical Children's Hospital of Philadelphia City of Philadelphia Comcast Corporation School District of Philadelphia SEPTA (Southeastern Pennsylvania Transit Authority) Temple University Thomas Jefferson University Hospitals University Of Pennsylvania Hospital of the University of Pennsylvania

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2014 through 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental Activities:										
Economic Development	29	33	43	39	47	69	63	40	37	53
Transportation:										
Streets & Highways	525	506	512	538	609	655	669	627	636	680
Mass Transit	15	12	12	1	1	1	2	1	3	3
Judiciary and Law Enforcement:										
Police	7,177	7,267	7,750	7,213	7,276	7,336	7,201	6,847	6,681	6,335
Prisons	2,257	2,286	2,280	2,257	2,208	2,084	1,882	1,556	1,319	1,288
Courts	3,234	3,255	3,276	3,367	3,317	3,364	3,428	3,301	3,109	3,172
Conservation of Health:										
Emergency Medical Services	494	576	534	592	416	467	533	419	414	430
Health Services	1,097	1,084	1,062	1,105	1,132	1,161	1,206	1,169	1,150	1,134
Housing and Neighborhood Development	72	74	66	67	73	71	76	75	83	90
Cultural and Recreational:										
Parks and Recreation	587	628	636	630	670	682	678	667	633	699
Libraries and Museums	637	674	666	677	659	670	688	648	619	738
Improvements to General Welfare:										
Social Services	1,809	1,801	1,779	1,837	1,860	1,804	1,827	1,765	1,755	1,683
Inspections and Demolitions	288	319	323	336	378	421	394	371	352	328
Service to Property:										
Sanitation	1,158	1,155	1,159	1,153	1,094	1,179	1,144	1,163	1,298	1,266
Fire	1,643	1,719	1,871	1,896	2,036	2,187	2,227	2,259	2,258	2,356
General Management and Support	2,456	2,497	2,601	2,749	2,744	3,164	2,911	2,749	2,760	2,956
Total Governmental Activities	23,478	23,886	24,570	24,457	24,520	25,315	24,929	23,657	23,107	23,211
Business Type Activities:										
Water and Sewer	2,302	2,347	2,358	2,481	2,519	2,217	2,498	2,428	2,403	2,421
Aviation	1,040	1,021	1,032	1,035	1,056	1,071	1,048	977	840	833
Total Business-Type Activities	3,342	3,368	3,390	3,516	3,575	3,288	3,546	3,405	3,243	3,254
Fiduciary Activities:										
Pension Trust	50	55	56	56	60	56	54	55	58	57
Total Primary Government	26,870	27,309	28,016	28,029	28,155	28,659	28,529	27,117	26,408	26,522

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2014 through 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	34	40	43	56	77	95	65	42	49	51
Potholes Repaired	45,077	48,274	35,541	31,589	57,002	59,514	37,971	22,815	59,164	38,136
Judiciary and Law Enforcement:										
Police										
Arrests	71,650	71,661	55,693	46,268	45,531	42,444	40,702	30,697	27,496	28,486
Calls to 911	2,879,620	2,978,527	3,703,809	2,760,452	2,432,404	2,616,735	2,390,540	2,335,370	2,862,919	2,960,592
Prisons										
Average Inmate Population	8,759	8,254	7,685	6,925	6,158	4,815	4,190	4,709	4,396	4,421
Inmate Beds (city owned)	8,417	8,417	8,428	6,991	6,085	5,019	4,047	4,903	4,903	5,053
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	239,403	243,127	263,754	267,266	271,450	274,659	266,090	271,494	251,501	268,332
First Responder Runs	60,296	49,529	48,965	47,456	48,797	49,526	47,864	49,321	48,440	52,890
Health										
Patient Visits	309,911	290,000	72,479	336,445	335,937	350,948	324,388	300,073	332,000	300,691
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	873	1,634	2,501	2,579	2,120	1,351	1,892	571	1,062	1,096
Libraries										
Items borrowed	6,502,087	6,511,582	5,926,481	5,419,516	5,293,138	6,482,481	5,207,089	4,002,577	5,241,011	4,155,752
Visitors to all libraries	5,563,015	5,891,382	5,839,145	5,128,715	4,973,288	4,915,649	3,841,395	176,619	1,829,104	-
Visitors to library website	8,194,626	9,907,573	7,971,946	5,029,713	6,361,655	6,699,581	6,099,144	4,071,281	4,827,886	5,300,000
Improvements to General Welfare:										
Social Services										
Children Receiving Services	17,761	18,982	19,697	18,955	18,798	17,002	13,369	11,533	10,465	14,430
Children in Placement	8,548	7,809	8,463	8,782	8,731	8,230	7,125	6,355	5,730	5,112
Emergency Shelter Beds (average)	2,544	2,708	2,196	2,143	2,170	3,725	3,855	2,526	2,501	2,747
Transitional Housing Units (new placements)	509	509	517	415	284	728	374	419	404	415
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,132	2,139	2,270	2,311	2,310	2,475	2,351	2,841	2,645	2,430
Recyclables Collected (tons per day)	490	442	425	444	404	355	327	207	242	308
Fire										
Fires Handled	6,120	6,364	6,143	5,901	6,614	7,810	7,350	3,413	7,161	8,314
Fire Marshall Investigations	1,943	2,183	1,715	2,242	2,099	1,969	1,889	1,954	1,783	2,093
Business Type Activities:										
Water and Sewer										
Millions of gallons of treated water	90,213	86,416	84,573	82,846	81,485	80,943	78,239	84,424	84,342	85,817
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	775	637	682	1,022	742	747	796	560	478	1,141
Water main breaks repaired	918	907	703	655	977	754	596	759	779	606
Average time to repair a water main break upon crew arrival at site (hours)	6.2	5.7	6.8	6.7	6.5	6.7	6.2	6.7	6.9	7
Percent of hydrants available	99.68%	99.61%	99.60%	99.60%	99.57%	99.43%	99.15%	98.91%	98.95%	99.00%
Number of storm drains cleaned	94,653	103,056	98,105	107,784	103,535	103,053	84,640	97,849	64,427	80,909
Aviation										
Passengers Handled (PIA)	30,539,430	30,601,985	31,336,138	29,641,556	30,553,378	32,444,112	23,782,297	13,039,500	23,204,502	26,824,404
Air Cargo Tons (PIA)	395,661	402,194	414,891	424,009	487,086	554,606	573,499	582,469	575,274	532,198
Aircraft Movements (PIA and NPA)	493,272	487,096	456,269	434,707	427,214	455,352	385,403	287,679	380,979	392,595

¹ PIA (Philadelphia International Airport)-passenger aircraft and cargo, NPA (Northeast Philadelphia Airport)-private aircraft and cargo
² In prior Year Annual Comprehensive Financial Report (ACFR), Philadelphia Water Department (PWD) reported the following metrics: new connections, the number of water main breaks, average and peak daily treated water delivered, average daily water sewage treatment
³ Hardware issues prevented fiscal year 2023 statistic from being tracked. New hardware equipment is planned for installation.

**City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2014 through 2023**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Governmental Activities:										
Transportation:										
Streets & Highways										
¹ Total Miles of Streets	2,575	2,575	2,575	2,575	2,550	2,550	2,550	2,550	2,552	2,552
Streetslights	105,151	105,151	105,151	104,595	106,092	106,092	124,846	126,924	141,554	141,518
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	39	40	50	48	55	55	55	58	56	57
Prisons										
Major Correctional Facilities	6	6	6	6	5	4	3	3	3	4
Conservation of Health:										
Health Services										
Health Care Centers	9	9	8	8	8	8	8	8	8	8
Cultural and Recreational:										
Recreation										
⁴ Recreation Centers	184	155	164	313	313	721	717	731	738	742
² Athletic Venues	1,107	1,108	1,107	1,030	1,030	1,129	1,120	1,118	1,112	1,101
Parks										
Parks	177	209	209	211	211	405	409	410	414	406
Baseball/Softball Fields	403	403	404	412	404	414	411	411	410	410
Libraries										
Branch & Regional Libraries	54	54	54	54	54	54	57	57	57	54
Service to Property:										
Fire										
Stations and Other Facilities	68	69	63	69	67	73	73	73	73	73
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,176	3,176	3,187	3,184	3,185	3,183	3,178	3,180	3,179	3,179
Fire Hydrants	25,364	25,364	25,398	25,419	25,419	25,234	25,020	25,192	25,142	25,142
Treated Water Storage Capacity (x 1000 gallons)	1,065,400	1,065,000	1,065,000	1,065,000	950,000	950,000	1,010,000	1,010,000	1,010,000	973,000
Sanitary Sewers (miles)	762	762	763	765	766	767	761	767	767	767
Stormwater Conduits (miles)	737	737	740	747	744	752	755	756	757	759
³ Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,059,000	1,059,000	1,059,000	1,059,000	1,059,000
Aviation										
Passenger Gates (PIA)	126	126	126	126	126	126	126	126	126	126
Terminal Buildings (square footage) (PIA)	3,254,354	3,254,354	3,254,354	3,240,537	3,240,537	3,240,537	3,240,537	3,240,537	3,254,354	3,254,354
Runways (length in feet) (PIA & NPA)	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500	43,500

¹ Street System: 83% city streets, 2% park streets, 15% state highways
² Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools
³ PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.
⁴ Includes playgrounds and spraygrounds