

CREDIT OPINION

5 June 2024



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City of Philadelphia, PA

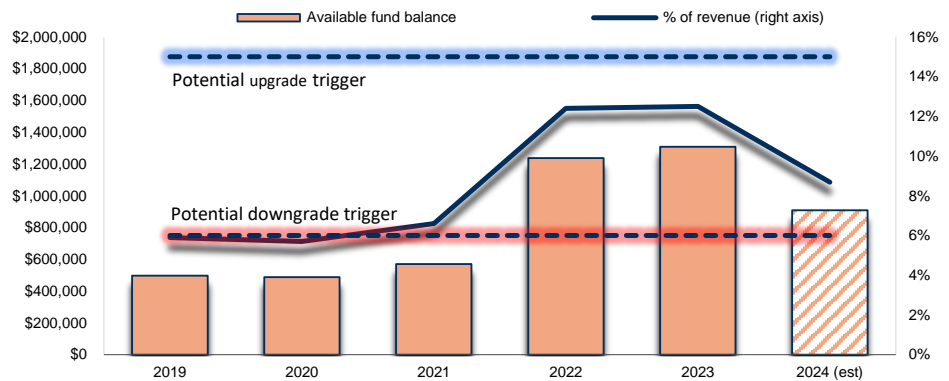
Update to credit analysis

Summary

Philadelphia, PA's (A1 stable) credit profile will probably moderate over the next few years after the city in fiscal 2023 achieved its strongest financial position in decades. Philadelphia's available fund balance of 12.5% is likely to decline from here as it invests in a new mayor's ambitious vision to make the city safer and greener. A low leverage burden (long-term liabilities are just 190% of revenue) will remain a key strength relative to peers. Philadelphia's commitment to funding its pension plan has contributed to the city having the lowest leverage of any big city. Philadelphia's biggest credit weakness is its challenging demographic profile, and it lags most other big cities in economic growth and income levels (resident income is 76% of the US median, the lowest among big cities). Other credit considerations include a hefty long-term capital plan, which could modestly add to leverage incrementally over time.

Exhibit 1

Philadelphia's financial position likely to weaken after reaching historic high
\$ in thousands



Moody's-adjusted available fund balance encompasses all governmental funds and business-type activities.
Source: Moody's Ratings

On June 5, we assigned an A1 rating to the Philadelphia Authority for Industrial Development's proposed \$91.8 million City Service Agreement Bonds (Rebuild Project), Series 2024, while affirming the city's A1 issuer rating and the A1 ratings on its outstanding general obligation, service agreement and lease debt.

Credit strengths

- » Lowest leverage of any big city
- » Strongest financial position in decades
- » Regional economic engine and hub for jobs, arts and culture, and sports
- » Demonstrated commitment to pension funding
- » Comprehensive long-term planning under state oversight

Credit challenges

- » Challenging demographic profile, with high poverty and low income
- » Heavy capital investment needs
- » Likely declines in reserves going forward
- » Economically sensitive revenue composition

Rating outlook

The stable outlook recognizes that the city will preserve its fiscal integrity even as it spends down its historically high reserves, thanks to comprehensive long-term planning and effective state supervision. Leverage will remain low and the city will remain a regional economic engine powered by numerous institutional anchors, albeit one with a challenging demographic profile.

Factors that could lead to an upgrade

- » Sustained available fund balance ratio above 15% of revenue
- » Material income growth and reduction in poverty

Factors that could lead to a downgrade

- » Indication that available fund balance could slip below 6% of revenue
- » Significant increase in leverage arising from heavy capital needs
- » Economic underperformance relative to the nation or region

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Philadelphia (City of) PA

	2020	2021	2022	2023	A Medians
Economy					
Resident income ratio (%)	73.9%	76.9%	76.0%	N/A	85.3%
Full Value (\$000)	\$91,741,956	\$99,268,222	\$100,781,161	\$105,789,486	\$765,032
Population	1,581,531	1,596,865	1,593,208	N/A	10,363
Full value per capita (\$)	\$58,008	\$62,164	\$63,257	N/A	N/A
Annual Growth in Real GDP	-3.9%	4.3%	1.7%	N/A	4.7%
Financial Performance					
Revenue (\$000)	\$8,598,553	\$8,664,614	\$9,985,439	\$10,463,839	\$22,589
Available fund balance (\$000)	\$487,692	\$570,119	\$1,237,910	\$1,308,720	\$9,301
Net unrestricted cash (\$000)	\$2,031,682	\$3,134,694	\$4,519,148	\$4,809,485	\$13,502
Available fund balance ratio (%)	5.7%	6.6%	12.4%	12.5%	40.7%
Liquidity ratio (%)	23.6%	36.2%	45.3%	46.0%	55.3%
Leverage					
Debt (\$000)	\$8,173,909	\$8,098,710	\$9,045,487	\$9,158,890	\$18,954
Adjusted net pension liabilities (\$000)	\$13,198,871	\$11,678,992	\$9,381,434	\$8,106,193	\$28,106
Adjusted net OPEB liabilities (\$000)	\$1,933,459	\$2,006,634	\$2,045,066	\$1,656,799	\$1,627
Other long-term liabilities (\$000)	\$1,005,900	\$1,130,800	\$1,088,700	\$1,061,900	\$749
Long-term liabilities ratio (%)	282.7%	264.5%	215.9%	191.0%	272.9%
Fixed costs					
Implied debt service (\$000)	\$549,594	\$585,355	\$568,041	\$631,735	\$1,360
Pension tread water contribution (\$000)	\$529,037	\$536,288	\$431,511	N/A	\$864
OPEB contributions (\$000)	\$104,600	\$97,800	\$97,800	\$101,100	\$56
Implied cost of other long-term liabilities (\$000)	\$44,716	\$72,035	\$79,314	\$76,035	\$47
Fixed-costs ratio (%)	14.3%	14.9%	11.8%	11.9%	12.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area.

Sources: US Census Bureau, Philadelphia (City of) PA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

Profile

Philadelphia is the sixth-largest city in the United States, with a population of 1.6 million and a nominal gross domestic product of \$120 billion.

Detailed credit considerations

Economy: Regional economic engine with challenged demographic profile

Philadelphia is simultaneously a powerful regional economic engine with a number of major institutional anchors, and an economically lagging city struggling with a challenging demographic profile. This will remain the case for the time being, as neither the city's high poverty and relatively low resident income, nor its status as a \$120 billion economy that acts as a hub for employers, arts and culture, sports, etc., is likely to change in the coming years.

Most of the ways we evaluate socioeconomic strength show Philadelphia as weak. Of the 20 biggest Moody's-rated cities by population, Philadelphia ranks last in median household income and full value per capita, and next-to-last in per capita income. (Most of these cities are rated higher than Philadelphia).

Exhibit 3

Philadelphia's economic health compared to the 20 biggest Moody's-rated cities

City	Median household income	Per capita income	Full value per capita
Philadelphia (A1)	76.0%	86.1%	\$63,257
San Jose (Aa1)	157.0%	191.4%	\$215,978
Hempstead (Aaa)	155.9%	134.9%	\$132,502
San Francisco (Aaa)	154.3%	201.9%	\$361,574
Seattle (Aaa)	135.9%	152.9%	\$376,112
Austin (Aa1)	116.5%	132.8%	\$189,350
San Diego (Aa2)	114.6%	99.1%	\$206,820
Denver (Aaa)	106.4%	159.7%	\$270,772
Charlotte (Aaa)	101.7%	120.5%	\$172,104
Fort Worth (Aa3)	93.5%	91.4%	\$94,493
Phoenix (Aa1)	92.5%	93.5%	\$107,856
Chicago (Baa3)	90.2%	105.2%	\$124,421
New York (Aa2)	90.2%	252.4%	\$149,875
Los Angeles (Aa2)	89.7%	100.1%	\$199,551
Columbus (Aaa)	89.2%	96.6%	\$64,839
Jacksonville (Aa2)	86.7%	87.1%	\$142,241
Indianapolis (Aaa)	83.9%	108.4%	\$93,136
San Antonio (Aaa)	83.4%	84.4%	\$90,325
Dallas (A1)	82.2%	111.5%	\$119,893
Houston (Aa3)	81.4%	106.9%	\$114,404

Median household income and per capita income are adjusted for the regional cost of living and shown relative to the US median. All figures shown as of 2022 for comparative purposes, except for Chicago's full value per capita, which is shown as of 2021.

Source: Moody's Ratings

Meanwhile, the ways we measure socioeconomic weakness likewise show Philadelphia as weak. Of the 20 biggest Moody's-rated cities in the US, Philadelphia as of 2022 had the highest rates (meaning the weakest) of poverty, unemployment, and households on public assistance or food stamps. (Again – most of the other cities are rated higher.)

Exhibit 4

Philadelphia's economic weakness compared to the 20 biggest Moody's-rated cities

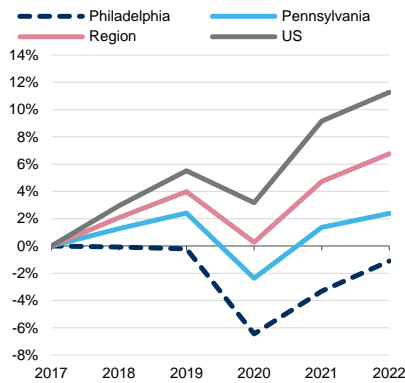
City	Poverty	Unemployment	Households on public assistance or food stamps
Philadelphia (A1)	22.7%	8.6%	27.4%
Hempstead (Aaa)	5.6%	5.1%	6.3%
San Jose (Aa1)	7.9%	4.7%	8.4%
Seattle (Aaa)	10.1%	4.2%	9.0%
San Francisco (Aaa)	10.5%	5.4%	9.9%
San Diego (Aa2)	11.4%	6.1%	9.5%
Charlotte (Aaa)	11.7%	4.7%	10.1%
Denver (Aaa)	11.7%	4.7%	9.3%
Austin (Aa1)	12.4%	4.4%	7.8%
Fort Worth (Aa3)	13.4%	5.3%	13.1%
Phoenix (Aa1)	14.6%	5.2%	12.7%
Jacksonville (Aa2)	14.8%	4.8%	16.4%
Indianapolis (Aaa)	15.9%	5.6%	13.2%
Los Angeles (Aa2)	16.6%	7.7%	14.9%
Chicago (Baa3)	16.9%	8.2%	19.3%
New York (Aa2)	17.2%	7.6%	21.2%
Dallas (A1)	17.5%	5.0%	12.5%
San Antonio (Aaa)	17.7%	5.9%	17.1%
Columbus (Aaa)	18.1%	5.2%	13.6%
Houston (Aa3)	19.6%	6.6%	15.4%

All figures are shown as of 2022 and come from the Census Bureau, which is a different survey from the Bureau of Labor Statistics.
 Source: US Census Bureau

The pandemic hit the city particularly hard. Philly lost 2.4% of its population from 2020 to 2022. While employment now exceeds pre-pandemic levels, the city's economy is still significantly underperforming the region, the state, and especially the nation.

Exhibit 5

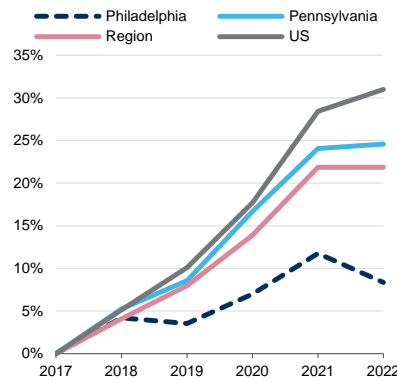
5-year real GDP growth



Source: Bureau of Economic Analysis

Exhibit 6

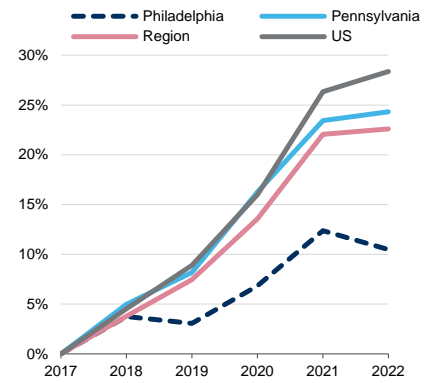
5-year personal income growth



Source: Bureau of Economic Analysis

Exhibit 7

5-year per capita personal income growth



Source: Bureau of Economic Analysis

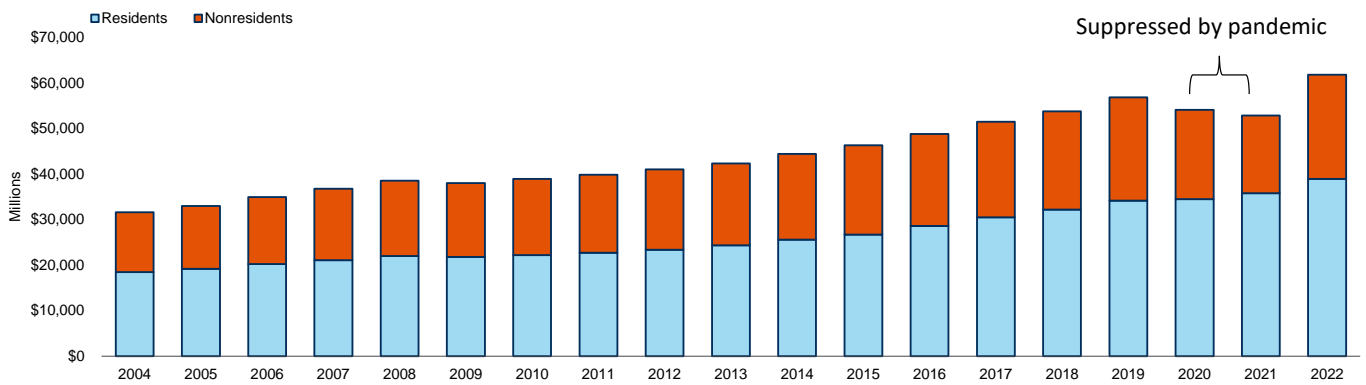
The city's economic growth remains slow, and payroll growth is now below the regional and US rate. We expect a challenging demographic profile and a difficult business climate will continue to hold the city back for the time being.

A few positives to highlight: median household income has been improving (the resident income ratio jumped from 70.5% in 2019 to 76% in 2022); the city has added more than 50,000 housing units over the past five years; and, after spiking well above the national rate during the pandemic, the city's unemployment rate (3.8%) is now lower than the national rate (3.9%).

More important, Philadelphia remains a regional economic engine in ways not fully reflected in economic data, powered by a number of anchors including the University of Pennsylvania, Penn Medicine, Comcast Corp., the Children's Hospital of Philadelphia, and many others.

The importance of the city's employment base can be seen in its taxable income, which determines its wage tax receipts (see financial performance below). The taxable income of both residents and nonresidents has been climbing, notwithstanding a difficult period during the pandemic.

Exhibit 8
Taxable income



Source: City of Philadelphia

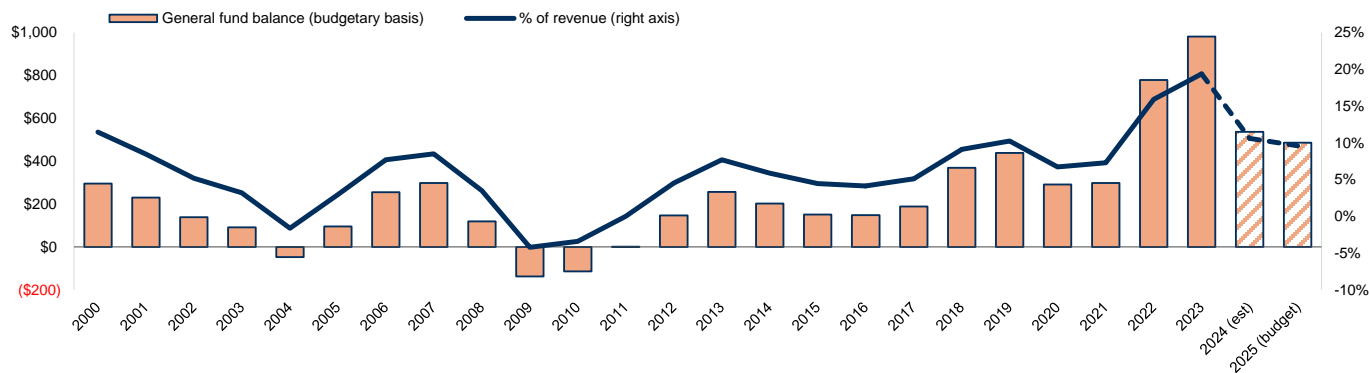
The dynamic of an employment hub with a significant eds and meds presence that also faces a challenging demographic profile will persist for the city indefinitely.

Financial performance: Solid financial position likely peaked in 2023

Philadelphia has taken substantial strides in improving its financial position, benefitting from federal aid and good tax revenue performance the past couple of years. The city is now sitting on its strongest financial position in decades, and some pullback is likely in the next few years.

Exhibit 9

General fund balance at its highest level in years



(Note that this exhibit shows for all years the general fund balance on a budgetary basis, which differs from our available fund balance calculation in a number of ways. Most important, this only includes the general fund, whereas our available fund balance includes all funds of the primary government. However, we believe the general fund balance is still a useful proxy for financial management and performance.)

Source: City of Philadelphia

A primary factor driving the fund balance higher has been that the city's various tax revenues have been performing well. To a greater extent than most other cities, Philadelphia's budget is funded by a variety of taxes, some of which are economically sensitive. Strong performance in the wage tax (19% growth from 2021 to 2023), business taxes (24%), and realty transfer tax (25%) post-pandemic helped drive the fund balance in 2023 to its apex.

Exhibit 10

Philadelphia revenue composition

General Fund revenue	2023 actual	% of general fund	Description
Wage tax	\$2,407,480	42%	3.79% wage tax for residents, 3.44% for non-residents
Property tax	\$809,568	14%	1.3998% property tax rate
Business income and receipts	\$673,256	12%	0.1415% on gross receipts and 5.81% on net income
Property transfer tax	\$378,782	7%	3.278% tax levied on property sales
Sales tax	\$302,201	5%	2% sales tax
Charges/fees/other	\$410,614	7%	Various
Parking lot tax	\$101,941	2%	22.5% parking tax
Intergovernmental	\$430,017	7%	Federal and state grants
Other	\$257,852	4%	Other
General Fund revenue	\$5,771,711	100%	
All revenue	2023 actual	% of all revenue	Description
General Fund revenue	\$5,771,711	55%	General fund total
Water and sewer	\$817,096	8%	Utility user rates
Intergovernmental revenue	\$2,892,749	28%	State and federal grants excluding general fund
Airport	\$502,615	5%	Airport revenues
Other	\$479,668	5%	Other
Total revenue	\$10,463,839	100%	

General Fund revenue includes net transfers in.

Source: Philadelphia, Moody's Ratings

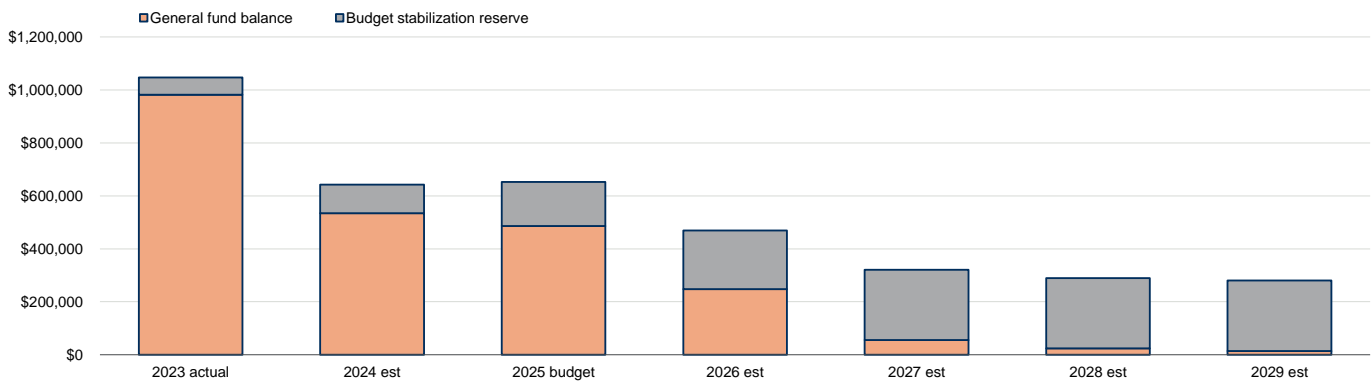
Financial position likely to weaken from here

Most likely, the 2023 fund balance represents the peak for now.

A new mayor took office this year with an ambitious agenda to invest \$2 billion in making the city safer, cleaner and greener. This ambition, combined with the fact that even after a likely draw from reserves in 2024 the city will be above its target of 6% to 8% fund balance¹, indicates likely further deficits the next few years. Other contributors to draws going forward include the city increasing its funding to the Philadelphia School District, lower than expected real estate transfer taxes, and catching up on personnel after several years of hiring challenges (most of the city's labor contracts expire at the end of June).

The city's latest proposed five-year financial plan shows the city's budget basis general fund balance rapidly declining, beginning with the current fiscal year.

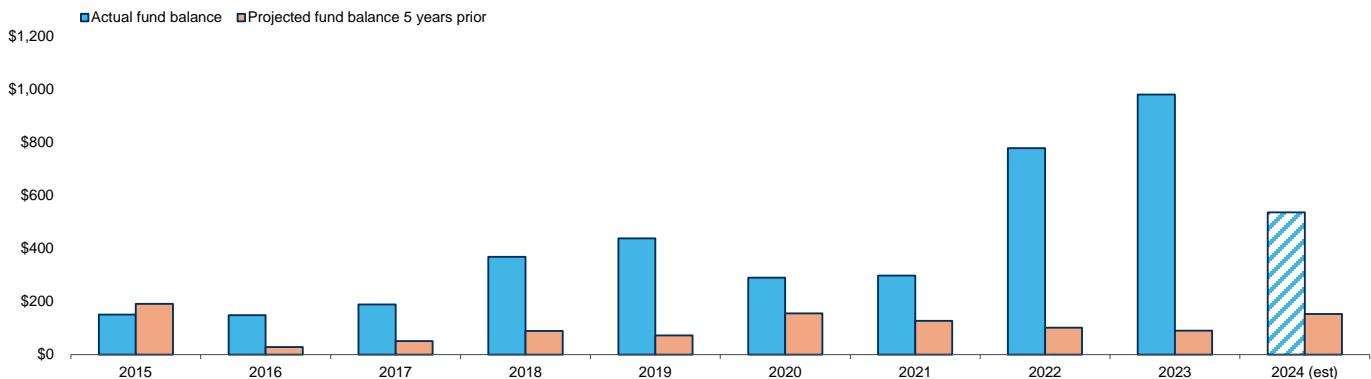
Exhibit 11
5-year plan shows sharp decline in fund balance beginning in 2024
 \$ in thousands



This shows the budget basis general fund balance. Our analysis of available fund balance includes all funds of the primary government.
 Source: City of Philadelphia

While we do expect some decline in fund balance, we note that the city's projections are always very conservative. Last year this time, the city projected a budget basis general fund balance of \$779 million for fiscal 2023, with less than three months to go in the fiscal year. The actual figure was \$982 million. Similarly, the city has outperformed its five-year financial plan substantially every year in recent memory. Even if the fund balance ends 2024 with the decline the city is now expecting, it would still be far higher than it projected five years ago.

Exhibit 12
Actual fund balance versus projection 5 years prior



Projections are taken from the city's initially proposed 5-year plan for each year, in order to be comparable with the currently proposed 5-year plan discussed above. These are often revised before being finalized.
 Source: City of Philadelphia

A favorable aspect of this fact pattern is that all of this is done under state oversight via the Pennsylvania Intergovernmental Cooperation Authority, and the state has extended PICA's oversight of Philly through at least 2047.

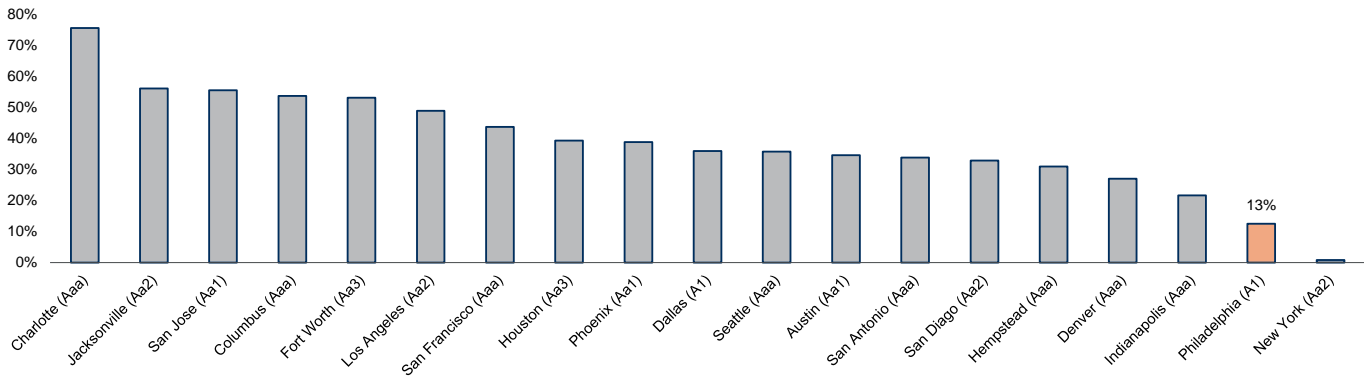
Thus far we have examined the budget basis general fund balance, which is the basis for the city's financial management strategy. Our analysis of the city's fiscal position takes a broader view, including not only the general fund but all governmental funds and business-type activities (mostly entailing the water fund and the airport fund). On this basis, the available fund balance of governmental funds and the unrestricted net current assets of its business-type activities sum to 12.5% of revenue, which is also up significantly from just a few years ago.

(One quick technical note on our adjusted fund balance: this adjusted figure incorporates a large negative balance in the city's grants fund, which in accounting terms reflects grants received in cash but not yet eligible to be spent. Excluding this noncash item, the adjusted fund balance is closer to 18% of revenue.)

In addition to the tax revenue performance that helped drive the general fund balance higher, the available fund balance for all funds has strengthened thanks to the performance of the city's water and sewer utility and aviation fund, which generated free cash flow (after debt service and capital investment) of nearly \$300 million last year.

Although the city's financial position represents a real improvement, it remains a laggard compared to many other higher-rated cities. Of the 20 biggest rated cities by population, Philadelphia has the third-lowest Moody's-calculated available fund balance.

Exhibit 13
Available fund balance for the 20 biggest rated cities



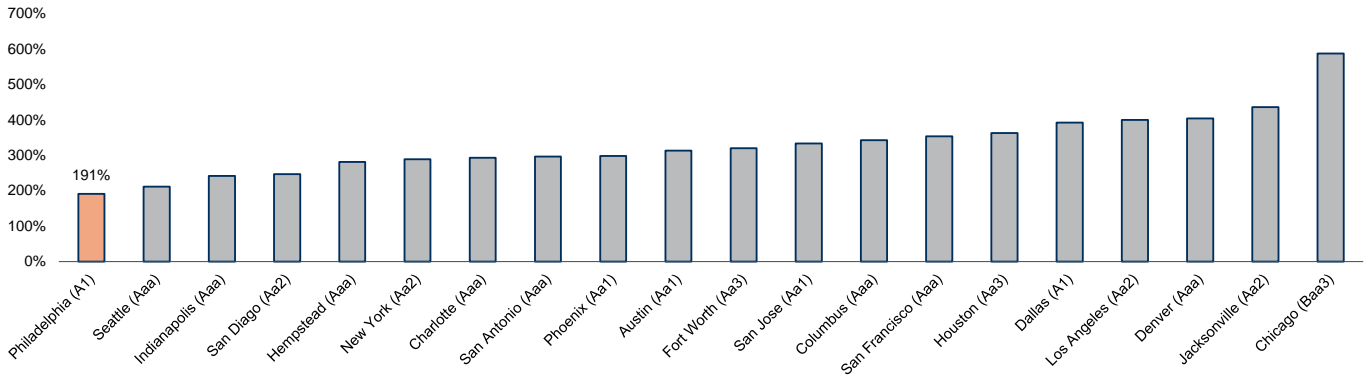
We have excluded from this chart the City of Chicago, which has a negative Moody's-calculated available fund balance due to the accounting treatment of a concession deal.
 Source: Moody's Ratings

Leverage: Modest debt, minimal OPEB, well-funded pension plan a key strength

Philadelphia's modest leverage relative to peers is a key strength, and its commitment to funding its pension plan will ensure it remains so.

Of the 20 biggest rated cities by population, Philadelphia's ratio of long-term liabilities to revenue is the lowest.

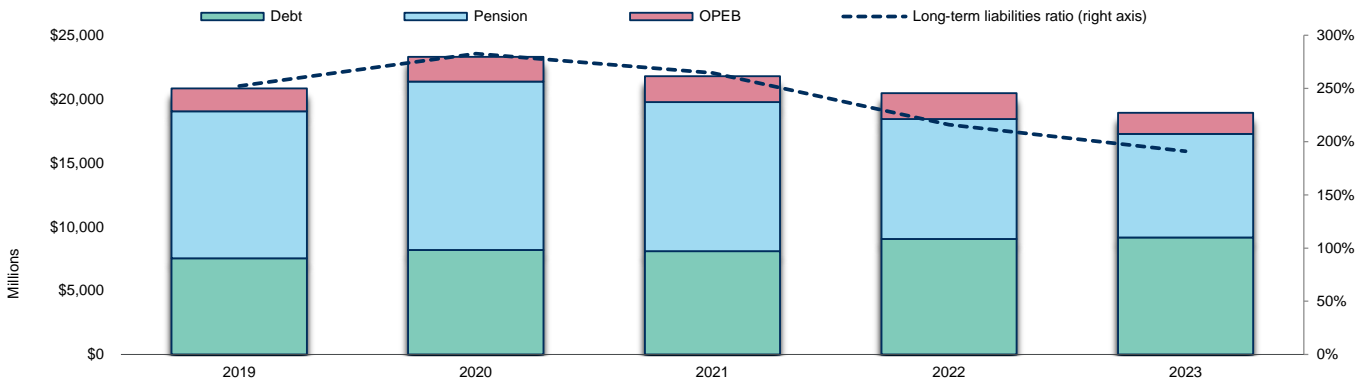
Exhibit 14
Philadelphia has the lowest leverage of any big city



Note that this shows the ratio in each case for the most recent year available, meaning some are shown as of 2022 and others as of 2023, and these Moody's-adjusted liabilities can fluctuate quite a lot from year to year. Seattle, whose liability here is shown as of 2022, had a slightly lower liability ratio than Philadelphia that year.
Source: Moody's Ratings

There are three primary components to our leverage metric: debt, pensions, and other post-employment benefits (OPEB). Philadelphia's leverage is modest on all three counts.

Exhibit 15
Philadelphia's leverage is modest



Pension and OPEB liabilities are Moody's-adjusted and shown on a net basis.
Source: Moody's Ratings

Debt

Philadelphia's debt totals \$9.16 billion, or a moderate 88% of revenue. The debt is split roughly evenly between governmental debt and enterprise debt (for the water and sewer utility and the airport).

Exhibit 16

Philly's debt portfolio \$ in millions

Type of debt	6/30/2023	Rating
Water and sewer bonds	\$2,701	A1
General obligation bonds	\$1,865	A1
Airport bonds	\$1,493	A2
Service agreement bonds	\$1,410	A1
Capital lease	\$640	Unrated
Stadium lease	\$167	A1
Airport commercial paper	\$165	Unrated*
HUD Section 108 loan	\$48	Unrated
<u>Water and sewer commercial paper</u>	<u>\$36</u>	<u>Unrated*</u>
Total (excluding bond premium)	\$8,524	

Included in our debt figure but not in the above table is \$635 million of bond premium. The commercial paper is unrated but we have bank bond ratings equivalent to the ratings of the respective utility.

Source: Philadelphia, Moody's Ratings

Philadelphia has significant infrastructure investment needs, and its proposed six-year capital program totals \$16.2 billion. While federal and state grants will fund a significant portion of this, the program implies some increase in debt going forward, though not substantially so as the city's debt amortizes rapidly. Philadelphia's modest debt is therefore likely to remain a strength relative to peers.

Pensions and OPEB

Philadelphia's pension liability is attributable to the city's Municipal Pension Fund, a single-employer defined-benefit plan. The city's commitment to funding this plan has resulted in a Moody's-adjusted net pension liability that is unusually low for a big city. Of the 20 biggest cities, only four besides Philadelphia have a Moody's-adjusted net pension liability lower than 100% – and all four are rated Aaa.

Exhibit 17

Philadelphia pension statistics

Actuarially reported	2019	2020	2021	2022	2023
Gross liability	\$11,521,772	\$11,781,206	\$12,034,845	\$12,265,116	\$12,551,953
Pension assets	<u>\$5,566,397</u>	<u>\$5,685,321</u>	<u>\$7,313,497</u>	<u>\$6,878,697</u>	<u>\$7,747,327</u>
Net liability	\$5,955,375	\$6,095,885	\$4,721,348	\$5,386,419	\$4,804,626
Moody's-adjusted	2019	2020	2021	2022	2023
Gross liability	\$17,074,541	\$18,884,192	\$18,992,488	\$16,260,130	\$15,853,520
Pension assets	<u>\$5,566,397</u>	<u>\$5,685,321</u>	<u>\$7,313,497</u>	<u>\$6,878,697</u>	<u>\$7,747,327</u>
Net liability	\$11,508,144	\$13,198,871	\$11,678,991	\$9,381,433	\$8,106,193
% of revenue	135%	154%	135%	94%	77%
Tread water indicator	\$541,581	\$529,036	\$536,288	\$431,511	\$469,491
Actual contribution	\$780,697	\$755,751	\$776,644	\$852,213	\$1,155,908

Source: Philadelphia, Moody's Ratings

It is worth highlighting Philadelphia's strong commitment to funding this plan, including by devoting sales tax to the plan in addition to its regular contribution. Our tread water indicator shows the pension contribution that would be required to prevent the reported net pension liability from growing, assuming all actuarial assumptions are met. Philadelphia's pension contribution in 2023 is well more than double this indicator.

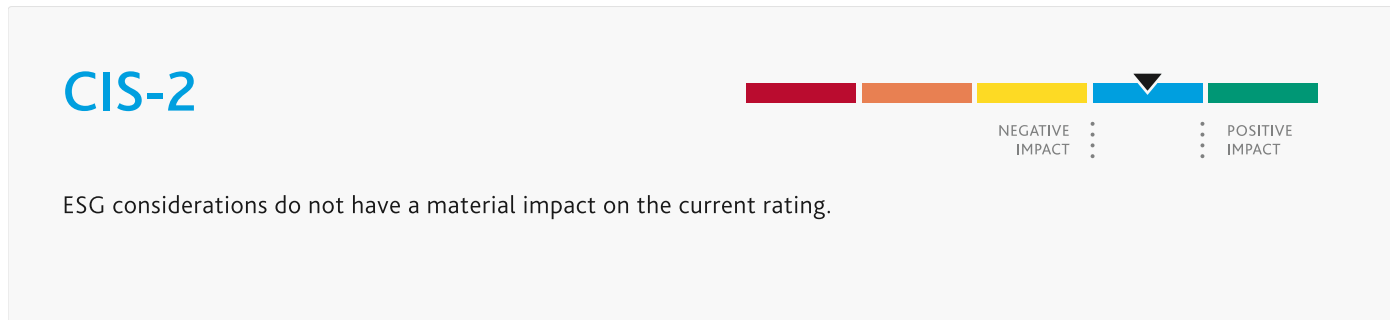
The city's OPEB liability is modest, at just 16% of revenue, another strength for the city in the leverage category.

ESG considerations

Philadelphia (City of) PA's ESG credit impact score is CIS-2

Exhibit 18

ESG credit impact score



Source: Moody's Ratings

Philadelphia's ESG Credit Impact Score is CIS 2 reflecting neutral to low negative exposure to social and environmental risks, and a very strong overall governance profile, tempered by a rather weak institutional framework. These factors, as well as the city's solid tax base growth and improving financials over the past decade, inform the city's rating.

Exhibit 19

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Philadelphia's overall E issuer profile score is **E-2**, reflecting relatively low exposure to environmental risks across most categories, including physical climate risk, carbon transition, natural resources management, waste and pollution.

Social

The city's S issuer profile score is **S-3** reflecting moderate exposure across most categories including demographics, education, housing, and access to basic services. The city faces challenges associated with high resident poverty and relatively modest resident wealth, which impacts the city's infrastructure needs as well as its revenue structure. The city has also grappled with increased gun violence over the past several years and its health and safety score is thus moderately negative.

Governance

Philadelphia's solid governance profile supports its rating as captured by a neutral G issuer profile score (**G-2**). This reflects the city's very strong credibility and effectiveness as well as its excellent transparency and disclosure. Actual financial performance has been invariably favorable to budget projections in the city's recent history, and though the city was hard-hit by the effects of the coronavirus pandemic, proactive budget adjustments were made to address revenue shortfalls. Given the historic slimness of the city's reserves, its budget management score is neutral. These governance strengths are somewhat offset by a neutral institutional structure, due primarily to the city's reliance on economically sensitive revenue streams, offset by strong governance provided by PICA. The city produces long range financial forecasts and capital plans and updates budget projections quarterly.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 20

Philadelphia (City of) PA

	Measure	Weight	Score
Economy			
Resident income ratio	76.0%	10.0%	Baa
Full value per capita	130,286	10.0%	Aa
Economic growth metric	-1.3%	10.0%	A
Financial Performance			
Available fund balance ratio	12.5%	20.0%	Baa
Liquidity ratio	46.0%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	191.0%	20.0%	Aa
Fixed-costs ratio	11.9%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			A1
Assigned Rating			A1

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Philadelphia (City of) PA's financial statements and Moody's Ratings

Appendix

Exhibit 21

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
Financial performance		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
Leverage		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
Fixed costs		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

Endnotes

1 This refers to the budgetary basis general fund balance, which differs from our available fund balance calculation.

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