REI - City of Philadelphia LOCs
Questions and Answers

1. Is it possible to provide the projected General Fund surpluses/deficits on a GAAP basis as would be presented in the City's ACFR for FY24, FY25 & FY26?
   No, the City's ACFR is released annually on February 25. The City does not produce forward looking audited financial statements. Refer to the Q1 FY25 Quarterly City Managers Report (QCMR, September 30, 2024) for the current FY25 projections and the FY25-FY29 Adopted Five Year Plan for the most recent longer-term projections.

2. Please provide context around:
   a. The lower FY24 GF deficit per the most recent Manager's Quarterly Update compared to the most recent 5-year plan and
      The unaudited FY24 fund balance came in higher than budgeted due to a combination of factors. Revenues were more than $50 million higher than budgeted, primarily due to higher interest earnings, outperformance of the Wage Tax, fewer Business Income and Receipts Tax (BIRT) credits taken, and in increase in EMS fees. Obligations came in approximately $18 million lower than expected, largely due to delays in hiring and contracting for services.
   b. The increased FY25 deficit per the Managers report compared to the most recent 5-year plan.
      The September 30, 2024 Quarterly City Managers Report (QCMR) include a $16 million reduction in Revenue projections, driven by a projected decrease in Real Estate Transfer Tax revenue as the real estate market continues to remain slow. In addition, the QCMR projects a $225 million increase in Obligations, reflective of increased costs of labor and indemnities.

3. Is a status update available on City's Union contracts, which includes the financial impact of the most recent contract agreements as well as potential impact for those currently being negotiated?
   The City and its municipal unions have all agreed to one-year extensions of their contracts, through June 30, 2025. Most recently, the City and the American Federation of State, County and Municipal Employees District Council 33 (AFSCME DC33) agreed to a one year contract on November 22, 2024, which has been submitted to members for ratification. Ratification is pending at the time of this Q&A posting. The projected cost of the AFSCME DC33 contract is $80.2 million over the five year plan. The City has $322.7 million currently budgeted through FY29 to offset the cost of future labor agreements.

4. The FY25 Budget projects a drawdown of the General Fund from $981.6MM at FYE23 (16% of Revenues) to $65.8MM at FYE29 (1% of Revenues). If correct, this would be below the City's own internal fund balance goal of at least 6% - 8% of revenues, and less than the GFOA's recommended level of 17% of revenues. How conservative is the projection and does the City expect to draw down its General Fund below its own internal fund balance target?
   In addition to the General Fund balance noted in the question, the FY2025-2029 Five Year Plan projects a Budget Stabilization Reserve Fund (BSRF) balance of $288.5 million in 2029. Combined, the City has reserves totaling $354.3 million, or approximately 5.4% of revenues in FY29. This total does not reflect the impact of the higher unaudited FY2024 fund balance;

projected fund balances for Fiscal Years 2026-2029 will be updated when the FY2026-2030 Five Year Plan is proposed in Spring 2025.

5. Please give an update on discussions with the external rating agencies Moody's, S&P, and Fitch regarding the City's current credit ratings. Does the City anticipate and changes to current Credit Ratings or Outlook given the FY25 Budget deficit and projected drawdown of the General Fund thru FYE29?
The City's GO and other General Fund-supported debt is currently rated A1/A+/A+ by Moody's, S&P, and Fitch, respectively. Please see the City's Investor Information website for the most recent reports.

6. Philadelphia's remaining $419MM of ARP Funds will be exhausted by December 2024. How does the city plan to address the revenue shortfall in FY25 and beyond?
Given the anticipated expiration of ARPA funds, what strategies is the city employing to ensure stable revenue streams and mitigate the impact of potential revenue shortfalls?
The City has been planning for the expiration of the ARP Funds since the end date of December 2024 was announced. This includes intentionally drawing down the funds gradually from 2021 through December 2024. At the same time, the City has been budgeting to increase reserves to establish a glide path to post-ARP structural balance. The City is required to produce an annual Five Year Financial Plan which has reflected the expiration of the ARP funds.

7. Please give a current breakdown of the City's General Fund private debt and Letter of Credit providers.
The City has no private General Fund debt. Aside from the series that is subject to this REI, the only Letter of Credit supporting General Fund debt is for the PAID Series 2007B-2 Bonds, provided by TD Bank.

8. Please provide proposed bond amort for the subject series.
The amortization for the GO Series 2009B Bonds is:

8/1/2027	30,535,000
8/1/2028	16,340,000
8/1/2029	17,010,000
8/1/2030	17,700,000
8/1/2031	18,415,000
Total	**$100,000,000**

9. Please give an update on the status of office space vacancies in the City – actions being taken to address material issues.
Philadelphia had an 18.5% office vacancy rate through the final quarter of 2022. In Tax Year 2025, Commercial Real Estate comprised approximately 12.3% of the City's Total Taxable Assessed Value.

10. Philadelphia has seen the closure of UArts, budget deficits at Drexel and Jefferson U. and financial weakness at several smaller private institutions. How does the city view the state of Phila higher education? Are there initiatives to provide support to the City's higher education institutions?
    The City provides direct financial support annually to the Community College of Philadelphia to prevent tuition increases, fund scholarships for low-income students, and established a workforce pipeline to municipal employment for graduating students.

11. How does the City plan to finance the proposed $16.2B capital plan?
    The City plans to finance its capital plan through a mix of bonds, pay-as-you-go capital, state and federal grants, and other funds. For more detail, please see the FY2025-2030 Capital Program and Budget.

12. How does Philadelphia plan to manage its debt levels in the coming years, particularly with the scheduled amortization of General Obligation bonds and the issuance of new debt for capital projects?
    The City has ample capacity for additional General Fund-supported debt, as its conservative debt profile amortizes more than 70% of existing principal within the next 10 years. New debt will be issued as needed an in accordance with the City's Debt Policy.