NEW ISSUE - BOOK-ENTRY ONLY RATING: See "Rating" herein

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the 2012A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax; however, interest on the 2012A Bonds is included in "adjusted current earnings" for computing the alternative minimum tax imposed on corporations. Interest on the 2012B Bonds, which are being issued as Qualified Energy Conservation Bonds (Direct Subsidy), is included in gross income for federal income tax purposes. See "TAX MATTERS" herein for more detailed discussion including concerning additional federal tax consequences. In the opinion of Bond Counsel, under existing laws of the Commonwealth of Pennsylvania (the "Commonwealth"), the 2012 Bonds and the income thereon are exempt from personal property taxes in the Commonwealth and interest on the 2012 Bonds is exempt from Commonwealth personal income tax and corporate income tax.

PHILADELPHIA MUNICIPAL AUTHORITY
CITY OF PHILADELPHIA, PENNSYLVANIA
$12,605,000
City Agreement Revenue Bonds
(Government Building Energy Conservation Project)
Series 2012, consisting of

$6,355,000 Tax-Exempt Bonds, Series 2012A, and $6,250,000 Federally Taxable Qualified Energy Conservation Bonds, Series 2012B (Direct Subsidy)

Dated: Date of Delivery **Due: March 15, as shown on inside cover**

The Philadelphia Municipal Authority (the "Authority") will issue its City Agreement Revenue Bonds, (Government Building Energy Conservation Project), Series 2012, consisting of its $6,355,000 Tax-Exempt Bonds, Series 2012A (the "2012A Bonds") and its $6,250,000 Federally Taxable Qualified Energy Conservation Bonds, Series 2012B (Direct Subsidy) (the "2012B Bonds", and together with the 2012A Bonds, sometimes hereinafter referred to collectively, as the "2012 Bonds") pursuant to a Trust Indenture dated as of May 15, 2012, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The 2012 Bonds will mature on the dates and in the amounts, and bear interest at the rates, set forth on the inside front cover hereof. Interest on the 2012 Bonds is payable semiannually on each March 15 and September 15 commencing September 15, 2012. The 2012 Bonds are issuable as fully registered bonds without coupons, in denominations of $5,000 and any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository for the 2012 Bonds. Purchases of beneficial ownership interests in the 2012 Bonds shall be made in book-entry only form. Purchasers ("Beneficial Owners") will not receive certificates representing their beneficial interest in the 2012 Bonds. Principal of and interest on the 2012 Bonds is payable directly to Cede & Co., for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. So long as Cede & Co., as nominee of DTC, is the Bondholder, references herein to Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "THE 2012 Bonds - Book-Entry Only System."

THE 2012 BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY, AS DESCRIBED HEREIN.

The proceeds of the 2012 Bonds will be used to finance the: (i) evaluation and implementation of energy conservation and efficiency measures (the "Energy Conservation Project") at four (4) properties owned or leased, and operated, by the City, located, respectively, at (1) Broad Street & Market Street, Philadelphia, PA 19107 ("City Hall"), (2) 1301 Filbert Street, Philadelphia, PA 19107 (the "Criminal Justice Center"), (3) 1401 JFK Boulevard, Philadelphia, PA 19102 (the "Municipal Services Building"), and (4) 1515 Arch Street, Philadelphia, PA 19102 ("One Parkway Building"; collectively with City Hall, the Criminal Justice Center and the Municipal Services Building, the "Project Premises"), and (ii) payment of the costs of issuance for the 2012 Bonds.

The 2012 Bonds are limited obligations of the Authority and will be payable solely from the Trust Estate which consists of: (i) revenues derived by the Authority under a Service Agreement dated as of May 15, 2012, (the "Service Agreement") between the Authority and

THE CITY OF PHILADELPHIA

(the "City"), and (ii) the Pledged Revenues pledged under the Indenture. Under the Indenture, the Authority has assigned to the Trustee all of its right, title and interest in and to the Service Agreement, including the payments to be made by the City thereunder (except for certain reserved rights). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS."

NEITHER THE GENERAL CREDIT NOR THE TAXING POWER OF THE CITY OR THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2012 BONDS, NOR WILL THE 2012 BONDS BE OR BE DEEMED TO BE OBLIGATIONS OF THE CITY, THE COMMONWEALTH OF PENNSYLVANIA OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2012 Bonds are offered when, as and if issued by the Authority and received by the Underwriters and subject to receipt of the approving opinion of Kutak Rock LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by Austin J. McGreal, Esquire, Philadelphia, Pennsylvania, Counsel to the Authority, for the City by the Office of the City Solicitor and for the Underwriters by their Counsel, The Smyler Firm, Philadelphia, Pennsylvania. It is anticipated that the 2012 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 31, 2012.

Janney Montgomery Scott **Siebert Brandford Shank & Co., L.L.C.**

Date of this Official Statement is May 17, 2012.

PHILADELPHIA MUNICIPAL AUTHORITY
CITY OF PHILADELPHIA, PENNSYLVANIA
$12,605,000
City Agreement Revenue Bonds
(Government Building Energy Conservation Project) Series 2012

MATURITY SCHEDULE
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND CUSIPS

$6,355,000 Tax-Exempt Bonds,
Series 2012A

Maturity (March 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP* (717904)
2014	$640,000	3.000%	1.010%	103.518%	JD9
2015	660,000	3.000	1.240	104.808	JE7
2016	680,000	3.000	1.410	105.844	JF4
2017	700,000	5.000	1.660	115.312	JG2
2018	735,000	5.000	1.920	116.795	JH0
2019	770,000	2.000	2.170	98.930	JJ6
2020	785,000	5.000	2.470	117.822	JK3
2021	825,000	2.625	2.740	99.104	JL1
2022	560,000	2.750	2.900	98.727	JM9

$6,250,000 Federally Taxable Qualified Energy Conservation Bonds,
Series 2012B (Direct Subsidy)

$2,085,000 4.837% Term Bonds due March 15, 2024, Yield 4.837%, Price 100.000; CUSIP*: 717904 JN7

$4,165,000 5.087% Term Bonds due March 15, 2028, Yield 5.087%, Price 100.000; CUSIP*: 717904 JP2

Applicable Qualified Tax Credit Rate as of May 17, 2012: 4.280%
(70% of which is the QECB Subsidy rate: 2.996%)

* The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, City or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the Authority, the City nor the Underwriters has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

THE PHILADELPHIA MUNICIPAL AUTHORITY
1515 Arch Street, 9th Floor
Philadelphia, Pennsylvania 19102

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2012 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE 2012 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS WITHOUT PRIOR NOTICE.

This Official Statement does not constitute an offer to sell the 2012 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, salesman or other person has been authorized by The Philadelphia Municipal Authority, the City of Philadelphia or the Underwriters to give any information or to make any representation other than that contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. Neither the delivery of this Official Statement nor the sale of any of the 2012 Bonds implies that the information herein is correct as of any time subsequent to the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the 2012 Bonds. All summaries of statutes and documents are qualified by reference to such statutes and documents in their entireties, respectively, and do not purport to be complete statements of any or all of such provisions.

The information set forth herein has been provided by The Philadelphia Municipal Authority, the City of Philadelphia and by other sources which the Underwriters believe are reliable, but it is not guaranteed as to its accuracy or completeness, and it is not to be construed as a representation by the Underwriters.

This Official Statement is submitted in connection with the sale of the 2012 Bonds referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The 2012 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2012 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY OF PHILADELPHIA AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE 2012 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement speaks only as of the date printed on the cover page hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof in any of the information set forth herein since the date hereof or the date as of which particular information was given, if earlier. This Official Statement will be made available through the Electronic Municipal Market Access System ("EMMA"), which is the sole Nationally Recognized Municipal Securities Information Repository under Securities Exchange Commission Rule 15c2-12.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Table of Contents

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OFFICIAL STATEMENT
Relating To

PHILADELPHIA MUNICIPAL AUTHORITY
CITY OF PHILADELPHIA, PENNSYLVANIA
$12,605,000
City Agreement Revenue Bonds
(Government Building Energy Conservation Project), Series 2012
consisting of

$6,355,000 Tax-Exempt Bonds, Series 2012A

and

$6,250,000 Federally Taxable Qualified Energy Conservation Bonds,
Series 2012B (Direct Subsidy)

INTRODUCTION

Purpose

This Official Statement, including the cover page, the inside cover page and the attached Appendices, is furnished in connection with the offering by The Philadelphia Municipal Authority, Philadelphia, Pennsylvania (the "Authority") of $12,605,000 of its City Agreement Revenue Bonds, (Government Building Energy Conservation Project) Series 2012, consisting of its $6,355,000 Tax-Exempt Bonds, Series 2012A (the “2012A Bonds”) and its $6,250,000 Federally Taxable Qualified Energy Conservation Bonds, Series 2012B (Direct Subsidy) (the “2012B Bonds”, and together with the 2012A Bonds, sometimes hereinafter referred to collectively, as the “2012 Bonds”). The 2012 Bonds are being issued pursuant to the provisions of the Pennsylvania Municipality Authorities Act (the Act of June 19, 2001, P.L. 287, as amended) (the "Act"), and of a Trust Indenture dated as of May 15, 2012 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The 2012 Bonds and any other bonds issued pursuant to the Indenture are sometimes referred to herein as "Bonds." Any terms capitalized herein and not otherwise defined shall have the respective meanings set forth in APPENDIX D hereto.

The proceeds of the 2012 Bonds will be used to finance the: (i) evaluation and implementation of energy conservation and efficiency measures (the “Energy Conservation Project”) at four (4) properties owned or leased, and operated, by the City, located, respectively, at (1) Broad Street & Market Street, Philadelphia, PA 19107 ("City Hall"), (2) 1301 Filbert Street, Philadelphia, PA 19107 (the "Criminal Justice Center"), (3) 1401 JFK Boulevard, Philadelphia, PA 19102 (the "Municipal Services Building"), and (4) 1515 Arch Street, Philadelphia, PA 19102 ("One Parkway Building"; collectively with City Hall, the Criminal Justice Center and the Municipal Services Building, the "Project Premises"), and (ii) payment of the costs of issuance for the 2012 Bonds. See "ESTIMATED SOURCES AND USES" and "PLAN OF FINANCING" for a more detailed description of the uses of the proceeds of the 2012 Bonds.

Authorization for the 2012 Bonds

The 2012 Bonds are being issued pursuant to the Act and a resolution of the Authority adopted May 11, 2012 (the “Resolution”). The Service Agreement was authorized by the City Council by Ordinance (Bill No. 110788) passed by City Council on December 8, 2011 and signed by Mayor Michael Nutter on December 14, 2011 (the “2011 Ordinance”). In addition to the 2011 Ordinance, simultaneously

City Council adopted and the Mayor approved two other ordinances related to the Energy Conservation Project. One (Bill No. 110789) authorized the Authority to enter into agreements for the reduction of energy and utility costs at specified City property, and the other (Bill No. 110787) specifically authorized the guaranteed energy savings agreements pursuant to which the Energy Conservation Project will be undertaken.

The Philadelphia Municipal Authority

The Authority was organized by the Council of the City of Philadelphia in 1976 under the Act as The Equipment Leasing Authority of Philadelphia. On April 4, 1983, the Secretary of the Commonwealth of Pennsylvania issued a Certificate of Amendment to the Authority under which the name of the Authority was changed to The Philadelphia Municipal Authority. See "THE AUTHORITY" herein. The Authority's address is One Parkway Bldg., 1515 Arch Street, 9th Floor, Philadelphia, PA 19102.

Qualified Energy Conservation Bonds

In the Resolution, the Authority designated the 2012B Bonds as “Qualified Energy Conservation Bonds” pursuant to Section 54D of the Internal Revenue Code of 1986 (the “Tax Code”) and pursuant to Section 6431 of the Code, irrevocably elected to receive periodic interest subsidy payments (the “QECB Direct Subsidy Payments”) from the United States Treasury on or before each interest payment date for the 2012B Bonds as further described herein. The QECB Direct Subsidy Payments are not pledged as security for the Bonds. See “TAX MATTERS” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS” herein.

Guaranteed Energy Savings Contract

The Energy Conservation Project will be effected pursuant to a Guaranteed Energy Savings Contract, dated March 9, 2012 ("GESC"), between the Authority and NORESCO, LLC (the "ESCO"). Under the GESC, the ESCO will serve as the general contractor for the acquisition and installation of the Energy Conservation Measures ("ECMs") that are the subject of the contract.

In the GESC, the ESCO guarantees that specified annual savings will be achieved. In the event that there is a shortfall in annual savings in any year, the ESCO is required to remit an amount equal to such shortfall to the City. In the event savings exceed the annual guaranteed savings in any year ("Excess Savings"), the Excess Savings inure solely to the benefit of the City.

The GESC will be implemented by the Authority, on behalf of the City, pursuant to a Guaranteed Energy Savings Agreement, dated March 9, 2012, between the Authority and the City ("GESA"). The GESA is coterminous with the GESC and sets forth, *inter alia*, the allocation, between the Authority and the City, of responsibilities for the Energy Conservation Project.

City’s Obligation to Appropriate for Service Fee

Pursuant to the City’s Home Rule Charter, City Council of the City (“City Council”) may authorize service contracts for a period of more than one year which are valid and binding on the City, and City Council is required to make subsequent annual appropriations sufficient to make payments under such contracts. Pursuant to the 2011 Ordinance, City Council has authorized the Service Agreement (hereinafter defined) as such a service contract, and the Service Agreement contains an agreement by the City to: (i) include amounts necessary to pay the Service Fee (hereinafter defined) in its annual operating budget for each fiscal year of the City (“Fiscal Year”); (ii) make appropriations in each Fiscal Year in such amounts as required to pay the Service Fee due in each such year; and (iii) pay the Service Fee pursuant to the Service Agreement.

While the Service Fee is payable only out of current revenues of the City, the City's obligation to pay the Service Fee is absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived or diminished.

The City's obligations under the Service Agreement are not a general obligation debt of the City within the meaning of any constitutional or statutory provision relating to the incurrence of debt by the City, and the City has not pledged its full faith and credit or taxing power for the payment of its obligations thereunder. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The information about the GESC is included herein for informational purposes only and is not to be construed as indicating that the success of the implementation of the Energy Conservation Project or the level of savings actually achieved are material to holders of the 2012 Bonds. As set forth below, the City's obligations under the Service Agreement are absolute and unconditional and are not dependent on the success of the Energy Conservation Project or the achievement of any level of annual savings. The savings expected to be achieved under the GESC are not pledged to the Trust Estate under the Indenture. See "SECURITY FOR AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Security for the 2012 Bonds

The 2012 Bonds are limited obligations of the Authority and are payable solely from the Trust Estate which consists of: (i) revenues derived by the Authority under a Service Agreement dated as of May 15, 2012 (as it may be amended and supplemented, the "Service Agreement") between the Authority and the City and (ii) the Pledged Revenues pledged under the Indenture. The Service Agreement was authorized by the City Council by Ordinance (Bill No. 110788) passed by City Council on December 8, 2011 and signed by Mayor Michael Nutter on December 14, 2011 (the "2011 Ordinance"). Under the Indenture, the Authority assigned and granted to the Trustee a security interest in all of the right, title and interest of the Authority in and to the Service Agreement (except for certain reserved rights), the Revenues and all monies, investments and securities held in the Funds and Accounts (except the Rebate Fund) established under the Indenture (the "Trust Estate"). The City agrees in the Service Agreement to pay to the Trustee, as assignee of the Authority, an amount (the "Service Fee") sufficient to: (i) make the Authority's required payments of principal, premium, if any, and interest then becoming due on Bonds issued under the Indenture, including the 2012 Bonds, whether by maturity (other than by reason of acceleration), redemption or otherwise, without regard to the QECB Direct Subsidy Payments, which are not pledged as part of the Trust Estate; (ii) pay defined Administrative Expenses of the Authority; (iii) pay any credit facility payment obligation or swap payment obligation becoming due (none exist or are currently contemplated in respect of the 2012 Bonds); and (iv) restore a deficiency in any debt service reserve fund established under the Indenture (no such debt service reserve fund currently exists, nor is one being established in connection with the issuance of the 2012 Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS" herein.

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THE 2012 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE REVENUES PLEDGED UNDER THE INDENTURE FOR THEIR PAYMENT AND ARE NOT OBLIGATIONS OF THE CITY, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF. NEITHER THE GENERAL CREDIT OF THE AUTHORITY, NOR THE CREDIT OR TAXING POWER OF THE CITY, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE 2012 BONDS OR INTEREST THEREON OR ANY PREMIUM OR OTHER COST INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

The Service Fee will be payable only out of the current revenues of the City, and the City agrees in the Service Agreement to provide for the payment of the Service Fee and include the same in its annual operating budget for each Fiscal Year. If the City's current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same becomes due and payable, the City covenants in the Service Agreement to include amounts not so paid in its operating budget for the ensuing Fiscal Year and to produce sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of the Service Fee due for such ensuing year. The failure of the City to pay the Service Fee for a period of two (2) Business Days after the date specified for payment shall constitute a default under the Service Agreement. Defaults under the Service Agreement do not cause an acceleration of the amounts payable thereunder. The City covenants in the Service Agreement to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in each of the City's Fiscal Years.

The Service Agreement provides that the City is required to pay the Service Fee and additional sums required under the Service Agreement with respect to administrative fees and expenses. The Service Agreement provides that so long as any of the 2012 Bonds remain outstanding, or sufficient money for the payment of the 2012 Bonds in full, including principal, interest or redemption price, if any, is not held by the Trustee in trust therefor, the obligation of the City to pay the Service Fee shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived or diminished regardless of any cause or circumstance.

Book-Entry Only System

The 2012 Bonds are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2012 Bonds. Purchases of the 2012 Bonds will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners (as hereinafter defined) will not receive certificates representing their interest in the 2012 Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2012 Bonds. See "THE 2012 BONDS — Book-Entry Only System" herein.

Additional Bonds

The Indenture provides for the issuance of Additional Bonds (i) to pay the cost of Capital Additions or to reimburse expenditures of the Authority or the City for any such costs and (ii) to pay the cost of refunding any bonds previously issued under the Indenture, under the circumstances and upon satisfaction of certain conditions therein described. See APPENDIX D.

Trustee

The Bank of New York Mellon Trust Company, N.A., is a national banking association formed under the laws of the United States of America and will serve as Trustee for the 2012 Bonds. The address of the designated corporate trust office of The Bank of New York Mellon Trust Company, N.A. is The Bank of New York Mellon Trust Company, N.A., Global Corporate Trust, 1735 Market Street, Philadelphia, Pennsylvania 19103.

Forward Looking Statements

Any statements or estimates regarding future results are subject to uncertainty related to the realization of assumptions and the occurrence of future events. Accordingly, no assurance is given that any projected future results will be achieved. All estimates and assumptions of financial and other information are based on information currently available, are believed to be reasonable and are not to be construed as assurances of actual outcomes. All estimates of future performance or events constituting "forward looking statements" may or may not be realized because of a wide variety of economic and other circumstances. Included in such forward looking statements are numbers and other information from adopted and proposed budgets of the City, including the City's Twentieth and Twenty-First Five-Year Plans.

Information Regarding the City of Philadelphia

Certain financial, socio-economic and related information concerning the City is included as Appendices A and B hereto. The City’s Comprehensive Annual Financial Report for Fiscal Year 2011 is contained in Appendix C hereto. Audited financial statements from prior Fiscal Years are available from the City. Certain information contained herein regarding the City is for periods prior to or subsequent to June 30, 2011. As a result, certain of the information in Appendix C is, at times, at variance with corresponding information concerning the City in Appendix A.

The City’s Comprehensive Annual Financial Report and other information about the City can be found at the City’s website (“City Investor Website”), www.phila.gov/investor. The “Terms of Use” statement of the City Investor Website, which applies to all users of the City Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2012 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

Miscellaneous

Brief descriptions of the Authority, the 2012 Bonds, the Service Agreement and the Indenture are included in this Official Statement. The summaries of the documents contained herein, including the 2012 Bonds, do not purport to be complete, comprehensive or definitive and are qualified by reference to the definitive texts of such documents in their entireties. All such descriptions are further qualified by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors’ rights.

Copies of the Indenture and the Service Agreement may be obtained from the Authority and, during the initial offering period, at the principal offices of the Representative of the Underwriters. After initial delivery of the 2012 Bonds, such copies may be obtained from the Trustee at its designated corporate trust office.

This Official Statement speaks only as of the date printed on the cover hereof. The information contained herein is subject to change. This Official Statement will be made available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, accessible at http://emma.msrb.org.

THE AUTHORITY

Organization

The Authority, a body corporate and politic, was organized and exists under and by virtue of the laws of the Commonwealth of Pennsylvania. It was incorporated on January 9, 1976 under the name of the Equipment Leasing Authority of Philadelphia, pursuant to the Act and an ordinance of Council of the City of Philadelphia ("City Council") approved December 23, 1975 (Bill No. 2201) for the purpose of leasing equipment to the City. By ordinance effective March 24, 1983 (Bill No. 1530), City Council approved a change to the Authority's present name and expanded the Authority's powers to include the acquisition and operation of facilities for disposal of city waste. City Council adopted an ordinance (Bill No. 225) approved by the Mayor on July 9, 1984, which expanded the Authority's powers to permit it to acquire, hold, construct, improve, maintain, own and lease facilities and equipment for the conduct of judicial proceedings and/or facilities and equipment for the incarceration, detention, correction and rehabilitation of prisoners in the City. By ordinance approved March 25, 1988 (Bill No.14), City Council approved amendments to the Articles of Incorporation of the Authority to allow the Authority to lease, for the purpose of subleasing to the City, certain buildings or portions of buildings to be used as office space for City employees or employees of City-approved entities. City Council adopted an ordinance (Bill No. 487) approved by the Mayor on August 3, 1989, which expanded the Authority's power to permit it to acquire certain buildings to be leased to the City. City Council adopted an ordinance (Bill No. 513) approved by the Mayor on August 8, 1989, which further expanded the Authority's power to permit it to acquire the headquarters of the Philadelphia Gas Works. City Council adopted an ordinance (Bill No. 071082) approved by the Mayor on January 3, 2008, which extended the term of the Authority's existence to January 1, 2054.

In addition to the 2011 Ordinance, simultaneously City Council adopted and the Mayor approved two other ordinances related to the Energy Conservation Project. One (Bill No. 110789) authorized the Authority to enter into agreements for the reduction of energy or utility costs at specified City properties, and the other (Bill No. 110787) specifically authorized the GESC or GESA pursuant to which the Energy Conservation Project will be undertaken.

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Board of the Authority

The governing body of the Authority is a Board of five members, appointed by an affirmative vote of two-thirds of all members of City Council from nominations made by the Mayor of Philadelphia. Members of the Board are appointed for five-year terms, staggered one year apart. Currently serving on the Board are:

	Term Expires*
Kemel Dawkins (Chairman)	January 1, 2014
Robert A. Zuritsky (Vice Chairman)	January 1, 2016
Emily Bittenbender	January 1, 2015
Leonard V. Cid	January 1, 2013
Nancy E. Winkler**	January 1, 2017

*If term expires, the Board Member continues to serve until successor is appointed.
** Nancy E. Winkler is the City Treasurer of the City.

Financing Program of the Authority

The Authority has a number of limited obligation bond issues outstanding and may issue others from time to time. Each such issue is payable solely from revenues derived from the project being financed, from special funds established therefor or from other financing arrangements. Each issue is separately secured, and is separate and independent from the 2012 Bonds as to sources of payment and security.

The 2012 Bonds are payable solely from the funds pledged under the Indenture, and other obligations issued by the Authority are payable solely from funds specifically pledged for the payment of such other obligations. Accordingly, a default on another issue of obligations issued by the Authority would not constitute a default on the 2012 Bonds. The Authority may from time to time enter into further financing transactions with other entities in connection with projects unrelated to the 2012 Bonds. Such transactions will provide for the issuance of bonds or notes to be secured by separate sources of revenues or other security.

PLAN OF FINANCING

The proceeds of the 2012 Bonds will be used to (i) finance the Energy Conservation Project which consists of the evaluation and implementation of energy conservation and efficiency measures designed to reduce energy, water, wastewater or other consumption or operating costs including, without limitation, the power to evaluate, design, install, finance, own, operate, maintain and lease (in the capacity of either lessor or lessee) related facilities, structures, fixtures, improvements, systems or technologies, and the power to provide related services at four (4) properties owned or leased, and operated, by the City, located, respectively, at the Project Premises; and (ii) payment of the costs associated with the issuance of the 2012 Bonds.

See "ESTIMATED SOURCES AND USES" for a more detailed description of the uses of the proceeds of the 2012 Bonds.

No lien on the Project will secure the 2012 Bonds; the 2012 Bonds are secured solely by the Trust Estate pledged under the Indenture. The Trust Estate does not include the QECB Direct Subsidy Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS" herein.

ESTIMATED SOURCES AND USES

The following table sets forth estimated sources and uses of funds in connection with the 2012 Bonds:

Sources of Funds

	2012A Bonds	2012B Bonds	Total
Par Amount	$6,355,000	$6,250,000	$12,605,000
Plus Net Original Issue Premium	441,757	-	441,757
Total Sources of Funds	$6,796,757	$6,250,000	$13,046,757

Uses of Funds

	2012A Bonds	2012B Bonds	Total
Project Funds	$6,499,732	$6,028,766	$12,528,499
Capitalized Interest	176,428	99,334	275,762
Costs of Issuance*	120,597	121,899	242,497
Total Uses of Funds	$6,796,757	$6,250,000	$13,046,757

*Includes legal fees, financial advisory fees and rating agency fees, Underwriters' discount, printing and other expenses of the offering.

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FISCAL YEAR DEBT SERVICE REQUIREMENTS

Set forth below is the schedule of fiscal year debt service on the 2012 Bonds.

	Series 2012A		Series 2012B		
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest*	Total Debt Service on 2012 Bonds
2013	-	$176,427.86	-	$247,573.96	$424,001.82
2014	$640,000.00	222,856.25	-	312,725.00	1,175,581.25
2015	660,000.00	203,656.25	-	312,725.00	1,176,381.25
2016	680,000.00	183,856.25	-	312,725.00	1,176,581.25
2017	700,000.00	163,456.25	-	312,725.00	1,176,181.25
2018	735,000.00	128,456.25	-	312,725.00	1,176,181.25
2019	770,000.00	91,706.25	-	312,725.00	1,174,431.25
2020	785,000.00	76,306.25	-	312,725.00	1,174,031.25
2021	825,000.00	37,056.25	-	312,725.00	1,174,781.25
2022	560,000.00	15,400.00	$290,000.00	312,725.00	1,178,125.00
2023	-	-	875,000.00	298,697.70	1,173,697.70
2024	-	-	920,000.00	256,373.95	1,176,373.95
2025	-	-	965,000.00	211,873.55	1,176,873.55
2026	-	-	1,015,000.00	162,784.00	1,177,784.00
2027	-	-	1,065,000.00	111,150.95	1,176,150.95
2028	-	-	1,120,000.00	56,974.40	1,176,974.40
Total	$6,355,000.00	$1,299,177.86	$6,250,000.00	$4,159,953.51	$18,064,131.37

*Includes amounts payable by the City under the Service Agreement in respect of debt service on the 2012 Bonds and does not include the application of the QECB Direct Subsidy Payments which have not been pledged under the Indenture.

THE 2012 BONDS

General

The 2012 Bonds will be dated their date of delivery and will bear interest at the respective rates per annum and will mature in the amounts and on the dates set forth on the inside cover page hereof. The 2012 Bonds are being issued as fully registered bonds without coupons in the denomination of $5,000 and integral multiples thereof. Interest on the 2012 Bonds will be payable semi-annually on each March 15 and September 15 commencing September 15, 2012 (each such date being an "Interest Payment Date"). Interest will be computed on the basis of a year of 360 days consisting of twelve 30-day months.

The principal of the 2012 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of the 2012 Bonds by the registered owners thereof Interest on each 2012 Bond is payable by check or draft of the Trustee mailed to the person in whose name each 2012 Bond is registered on the registration books maintained by the Trustee at the close of business on the Record Date (which is the first day of the month, whether or not a Business Day, in which an Interest Payment Date occurs) or by wire transfer to the registered owner of at least $1,000,000 in aggregate principal amount of the 2012 Bonds upon written notice provided by the registered owner to the Trustee not less than five (5) days prior to the applicable Record Date.

The 2012 Bonds will be issued initially in "book-entry" form only, as described under "Book-Entry Only System" below.

Designation of the 2012B Bonds as Qualified Energy Conservation Bonds; Election to Receive Interest Subsidy Payments

The Authority, in the Resolution, designated the 2012B Bonds as “Qualified Energy Conservation Bonds” pursuant to Section 54D of the Tax Code. Section 54D was added to the Code under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, which was signed into law by the President of the United States on February 17, 2009. Pursuant to Section 54D, the total amount of Qualified Energy Conservation Bonds to be issued nationally for calendar year 2009 is limited to 3.2 billion dollars of which the Commonwealth has been allocated $129,144,000 (“Commonwealth QECB Allocation”). The Secretary of the Commonwealth (the “Secretary”) has allocated a portion of the Commonwealth QECB Allocation to the City in the amount of $15,015,921.47 (the “City QECB Allocation”). The 2012B Bonds are being issued utilizing a portion of the City QSCB Allocation.

Pursuant to Section 6431 of the Code, the Authority has, in the Resolution, irrevocably elected to receive the QECB Direct Subsidy Payments from the United States Treasury on each interest payment date for the 2012B Bonds in the amounts equal to those obtained by applying the rate of 2.996% per annum, to the outstanding principal amounts of the 2012B Bonds, which is seventy percent (70%) of the amount of interest that would have been payable with respect to the 2012B Bonds on such date if the interest were determined at the applicable tax credit rate of 4.280% for the 2012B Bonds established pursuant to Section 54A(b)(3) of the Code. Such applicable tax credit rate is the rate denominated as such and published by the Secretary of the Treasury as in effect on the May 17, 2012, date of the purchase contract for the 2012 Bonds. Under the Code, interest on the 2012B Bonds is includible in gross income of the holders thereof for federal income tax purposes. See “TAX MATTERS” herein. The QECB Direct Subsidy Payments are not pledged as security for the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS” herein.

Book-Entry Only System

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, City and the Trustee make no representation as to the accuracy of such information.

DTC will act as securities depository for the 2012 Bonds. The 2012 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provision of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for National Securities Clearing Corporation and Fixed Income Clearing Corporation, both of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of 2012 Bonds (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2012 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all the 2012 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Bonds are credited on the record date.

Payments of principal, premium, if any, and interest on the 2012 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City or its agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the 2012 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2012 Bonds at any time by giving reasonable notice to the City, and the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, 2012 Bond certificates are required to be printed and delivered.

NEITHER THE AUTHORITY, THE CITY NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A BONDHOLDER WITH RESPECT TO EITHER: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2012 BONDS; (3) THE DELIVERY OR THE TIMELINESS OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE OWNER OF THE 2012 BONDS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK- ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC. THE AUTHORITY, THE CITY AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF.

Transfer and Exchange

Subject to the provisions described under "Book-Entry Only System" above, the 2012 Bonds may be transferred and exchanged upon delivery thereof to the designated corporate trust office of the Trustee, to the extent and upon the conditions set forth in the Indenture. No service charge shall be made for any exchange or transfer, but the Authority or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed.

Neither the Authority nor the Trustee is required to transfer or exchange any 2012 Bonds during the fifteen (15) days immediately preceding the date of selection of 2012 Bonds to be redeemed and ending at the close of business on the date on which the notice of redemption is given, or to transfer or exchange any 2012 Bond selected or called for redemption in whole or in part. No transfer or exchange made other than as described above and in the Indenture shall be valid or effective for any purposes thereunder.

If any 2012 Bond is mutilated, lost, stolen or destroyed, the Authority shall execute and the Trustee shall authenticate and deliver a new 2012 Bond of like tenor and denomination. The Authority and the Trustee may require reasonable indemnification and may charge the holder of the 2012 Bond with the cost of replacing any 2012 Bond mutilated, lost, stolen or destroyed.

Redemption Provisions

Extraordinary Optional Redemption of the 2012 Bonds from Actual Destruction, Condemnation or Damage to the Property. The 2012 Bonds are subject to extraordinary optional redemption in the event that there is an actual destruction or condemnation of, or damage to, all or part of the Project Premises or the capital improvements installed thereon as part of the Energy Conservation Project (for purposes of this paragraph, collectively, the "Project Property") as the result of which the Authority, the City or the Trustee realizes any insurance or condemnation proceeds, in which case (to the extent such proceeds are not applied to repair or replace the Project Property), but subject to the satisfaction of the requirements of the Indenture, the Authority, at the written request of the City, may direct the Trustee to effect an extraordinary optional redemption, at par, of a principal amount of 2012 Bonds equal to the amount of such insurance or condemnation proceeds, on any Interest Payment Date; provided that, in the event of a condemnation of the Project Property, the 2012 Bonds shall be subject to extraordinary optional redemption only to the extent that such condemnation is not initiated or effected by the City or an entity controlled by or related to the City. As a precondition to any extraordinary optional redemption, the City shall deliver to the Authority and the Trustee a Consulting Engineer's Certificate (as defined in the Indenture) stating: (a) that there has been an actual destruction or condemnation of, or damage to, all or part of the Project Property, which has resulted in the payment of insurance or condemnation proceeds; (b) the dollar amount of such insurance or condemnation proceeds realized; and (c) that, in the judgment of the Consulting Engineer, the repair or replacement of the Project Premises with such insurance or condemnation proceeds is impractical.

Mandatory Redemption of the 2012B Bonds. The 2012B Bonds maturing on March 15, 2024 and March 15, 2028, shall be subject to mandatory redemption (as selected by lot in such manner as the Trustee may determine) prior to maturity on March 15 of each of the years and in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date.

$2,085,000 2012B Bonds Due March 15, 2024

Year	Principal Amount*
2022	$290,000
2023	875,000
2024*	920,000

*By Maturity

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$4,165,000 2012B Bonds Due March 15, 2028

Year	Principal Amount
2025	$965,000
2026	1,015,000
2027	1,065,000
2028*	1,120,000

*By Maturity

Extraordinary Optional Redemption of the 2012B Bonds for an Extraordinary Event. The 2012B Bonds are subject to extraordinary redemption by the Authority prior to maturity at the direction of the City, in whole or in part, and if in part, in such order of maturity and principal amount within a maturity as the Authority, at the Direction of the City, may direct in writing on any Business Day upon the occurrence of an "Extraordinary Event" (as defined below), at a redemption price equal to the greater of: (A) the principal amount of such 2012B Bonds to be redeemed, or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the 2012B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 100 basis points plus accrued interest on the 2012B Bonds being redeemed to the date fixed for redemption.

An "Extraordinary Event" means any determination by the Authority that a material adverse change has occurred (i) with respect to the 2012B Bonds, to Section 54AA or 6431 of the Code, or (ii) with respect to 2012B Bonds, to Section 54A, 54D or 6431 of the Code, or any other applicable Section of the Code or there is any guidance published by the Internal Revenue Service or the Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the Treasury, pursuant to which Direct Payments from the Treasury with respect to the Taxable Bonds to be redeemed are reduced, eliminated or adversely adjusted.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available four Business Days (as defined below) prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2012B Bonds of such series to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded Treasury securities adjusted to a constant maturity of one year will be used. "Business Day" means any day other than a day on which banks in New York, New York, Chicago, Illinois, or the city in which the Trustee maintains its designated office are required or authorized to close. The Treasury Rate will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority at the Authority's expense.

Extraordinary Mandatory Redemption of the 2012B Bonds from Unexpended Bond Proceeds. The 2012B Bonds are subject to extraordinary mandatory redemption, in whole or in part, and if in part, *pro rata*, within 90 days after the expiration of the three-year expenditure period commencing on the date of issue of the 2012B Bonds, or, in the event of an extension negotiated with the Internal Revenue Service, on any date not later than 90 days after the end of such extension period, in authorized denominations, at a redemption price equal to the principal amount of the 2012B Bonds called for redemption plus accrued interest, in an amount sufficient to redeem all nonqualified 2012B Bonds resulting from the failure to expend all proceeds of the 2012B Bonds, but only to the extent that the Authority fails to expend all of the proceeds of the 2012B Bonds within three years of issuance and any extension of the period for expenditure granted by the Internal Revenue Service.

Notice of Redemption. Notice of any redemption shall be given not less than 30 days prior to the redemption date by mailing by first class mail (certified mail return receipt requested in the case of Registered Owners of $1,000,000 or more) a copy of the redemption notice to the Registered Owner of each 2012 Bond to be redeemed in whole or in part at the address shown on the registration books kept by the Trustee. 2012 Bonds called for redemption will be payable at the designated corporate trust office of the Trustee. Notice of an optional redemption may be conditioned upon the deposit of monies with the Trustee on or prior to the date fixed for redemption, and, if conditional, such notice shall be of no effect unless such monies are so deposited. All 2012 Bonds or portions thereof so called for redemption shall cease to accrue interest on the specified redemption date.

Any notice of redemption mailed in accordance with the requirements set forth in the Indenture shall be conclusively presumed to have been duly given, whether or not such notice is actually received by the Bondholder. No defect in the notice with respect to any 2012 Bond (whether in the form of notice or the mailing thereof) shall affect the validity of the redemption proceedings for any other 2012 Bond.

SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS

The 2012 Bonds are limited obligations of the Authority and are payable solely from revenues derived by the Authority under the Service Agreement and the Pledged Revenues pledged under the Indenture. In order to secure the payment of the principal or the redemption price of, and interest on the 2012 Bonds and the performance and observance by the Authority of all of the covenants, expressed or implied, in the Indenture or the Bonds, the Authority pursuant to the Indenture has assigned the Trust Estate to the Trustee. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT—Pledge of the Trust Estate" in Appendix D hereto.

The City agrees in the Service Agreement to pay to the Trustee, as assignee of the Authority, the Service Fee in amounts sufficient to: (i) make the Authority's required payments of principal and premium, if any, and interest then becoming due on Bonds issued under the Indenture, including the 2012 Bonds, whether by maturity (other than by reason of acceleration), redemption or otherwise, without regard to the QECB Direct Subsidy Payments; (ii) pay defined Administrative Expenses of the Authority; (iii) pay any credit facility payment obligations or swap payment obligation becoming due (none exist or are currently contemplated in respect of the 2012 Bonds); and (iv) restore a deficiency in any fund established under the Indenture (no such fund currently exists, nor is any such fund, including without limitation, a debt service reserve fund being established in connection with the issuance of the 2012 Bonds). The Service Fee will be payable only out of the current revenues of the City and the City agrees in the Service Agreement to provide for the payment of Service Fee and include the same in its annual operating budget for each Fiscal Year. The City covenants in the Service Agreement to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all Service Fee payments due and payable under the Service Agreement in each of the City's Fiscal Years. If the City's current revenues are insufficient to pay the total Service Fee in any Fiscal Year as the same become due and payable, the City covenants in the Service Agreement to include amounts not so paid in its operating budget for the ensuing Fiscal Year in order to provide sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of Service Fee due for such ensuing year. The failure of the City to make any payments required by the Service Fee provisions of the Service Agreement for a period of two (2) Business Days after the date specified for payment shall constitute a default thereunder. Defaults under the Service Agreement do not cause an acceleration of payments thereunder.

The Service Agreement provides that the City is required to pay any additional sums required under the Service Agreement with respect to administrative fees and expenses. The Service Agreement provides that so long as any of the 2012 Bonds remain outstanding, or sufficient money for the payment of the 2012 Bonds in full, including principal, interest or redemption price, if any, is not held by the Trustee in trust therefor, the obligation of the City to pay the Service Fee shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived or diminished, regardless of any cause or circumstance, including any defense, rights of setoff, recoupment or counterclaim that the City might otherwise have or assert against the Authority, the Trustee, any Bondholder or any other person.

The City's obligations under the Service Agreement are not a general obligation debt of the City within the meaning of any constitutional or statutory provision relating to the incurrence of debt by the City, and the City has not pledged its full faith and credit or taxing power for the payment of its obligations thereunder.

NO LITIGATION

There is no controversy or litigation of any nature now pending or threatened seeking to restrain or enjoin the issuance, sale, execution or delivery of the 2012 Bonds or contesting any proceedings of the Authority with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the 2012 Bonds or the existence or powers of the Authority or the validity or enforceability of the Service Agreement.

RATING

Moody's Investors Service ("Moody's"), has assigned the 2012 Bonds a rating of "A2". An explanation of the significance of such credit ratings may be obtained from Moody's.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that any such credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such credit rating agency if, in its judgment, circumstances so warrant. Neither the Authority, the City nor the Underwriters have undertaken any responsibility to assure the maintenance of any rating. The City has agreed, in the Continuing Disclosure Agreement, to report actual rating changes on the 2012 Bonds. See "CONTINUING DISCLOSURE AGREEMENT" herein and APPENDIX E. Any downward change in or withdrawal of a credit rating may have an adverse effect on the marketability or market price of the 2012 Bonds.

APPROVAL OF LEGAL MATTERS

The 2012 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the receipt of the approving opinion of Kutak Rock LLP, Philadelphia, Pennsylvania, Bond Counsel, a copy of which will be printed on or attached to the 2012 Bonds in substantially the form set forth in Appendix F hereto. Certain other legal matters will be passed upon for the Authority by Austin J. McGreal, Esquire, Philadelphia, Pennsylvania, Counsel to the Authority, for the City, including with respect to the obligations of the City under the Service Agreement, by the Office of the City Solicitor and for the Underwriters by their Counsel, The Smyler Firm, Philadelphia, Pennsylvania.

TAX MATTERS

Certain General Federal Income Tax Considerations

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2012 Bonds for the investors described below and is based on the advice of Kutak Rock LLP, Philadelphia, Pennsylvania, as Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Tax Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Bonds. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

Treasury Circular 230 Disclosure

To ensure compliance with Treasury Circular 230, taxpayers are hereby notified that: (a) any discussion of U.S. federal tax issues in this Official Statement is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Tax Code; (b) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Federal Tax-Exemption — 2012A Bonds

General.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2012A Bonds (including original issue discount treated as interest, if any) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Tax Code that must be met subsequent to the issuance of the 2012A Bonds. Failure to comply with such requirements could cause interest on the 2012A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2012A Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2012A Bonds.

The accrual or receipt of interest on the 2012A Bonds may otherwise affect the federal income tax liability of the owners of the 2012A Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the 2012A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the 2012A Bonds.

Original Issue Discount.

Certain maturities of the 2012A Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (other than "qualified stated interest") constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond, to the extent such amounts do not exceed the cost basis of the owners thereof as adjusted by the amount of original issue discount accrued on the Discount Bond up to the disposition date, will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such discount Bond for a particular semiannual accrual period is equal to the difference between (i) the product of (a) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, and (ii) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discounted Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Market Discount.

A purchaser (other than a person who purchases a 2012A Bond upon issuance at the issue price) who buys a 2012A Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount) will be subject to the market discount rules of the Tax Code. In general, the market discount rules of the Tax Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the 2012A Bonds.

Original Issue Premium.

Certain maturities of the 2012A Bonds may be issued at an initial public offering price which is in excess of the stated redemption price of such 2012A Bonds at maturity (collectively, the "Premium

Bonds”). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium, if any). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the 2012A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Tax Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the 2012A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Federally Taxable Qualified Energy Conservation Bonds - 2012B Bonds

The 2012B Bonds are being issued as Qualified Energy Conservation Bonds authorized by sections 54A, 54D and 6431 of the Tax Code (“QECB Law”).

In General.

The Authority has elected to designate the 2012B Bonds as taxable “Qualified Energy Conservation Bonds” pursuant to Section 54D of the Tax Code and as “Qualified Bonds” pursuant to Section 54A(d) of the Tax Code. Although the 2012B Bonds are issued by the Authority, interest on the 2012B Bonds (including original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. Interest on the 2012B Bonds will be fully subject to federal income taxation. Thus, owners of the 2012B Bonds generally must include interest (including original issue discount) on the 2012B Bonds in gross income for federal income tax purposes. **In addition, an owner of a 2012B Bond will not be entitled to a tax credit with respect thereto.**

Qualified Energy Conservation Bonds.

The 2012B Bonds are being issued as taxable Qualified Energy Conservation Bonds as authorized by the QECB Law. Pursuant to the QECB Law, the Authority will receive QECB Direct Subsidy Payments from the United States Treasury on each interest payment date in amounts equal to those obtained by applying the rate of 2.996% per annum to the outstanding principal amount of the 2012 Bonds, which is 70% of the interest that would be payable on the 2012B Bonds on such date, if such interest were determined at the 4.28% applicable credit rate in effect under Section 54A(b)(3) of the Tax Code on May 17, 2012, the date of the purchase contract for the 2012 Bonds. The Tax Code imposes requirements on the 2012B Bonds that must continue to be met after the 2012B Bonds are issued so that the QECB Direct Subsidy Payments continue to be received. These requirements generally involve the way that 2012B Bond proceeds must be invested and ultimately used. If these requirements are not met, it is possible that the Authority may not receive the QECB Direct Subsidy payments and the 2012B Bonds may fail to be "Qualified Energy Conservation Bonds" under Section 54D of the Tax Code and "Qualified Bonds" under Section 54A(d) of the Tax Code retroactively to the date of issuance of the 2012B Bonds. Any such failure to qualify as Qualified Energy Conservation Bonds will not alter the Authority's obligation to pay the principal and interest due on the 2012B Bonds. **An owner of a 2012B Bond will not be entitled to a federal tax credit with respect thereto.**

In certain circumstances, the QECB Direct Subsidy Payments to be made to the Authority may be reduced (offset) by amounts determined to be applicable under the Tax Code and Regulations. For example, offsets may occur by reason of any past-due legally enforceable debt of the Authority to any federal agency. The amount of any such offset is not predictable, and the Authority does not currently expect that any such offsets will apply to the credits the Authority expects to receive. Any such offset does not alter the Authority's obligation to pay principal and interest due on the 2012B Bonds.

Characterization of the 2012B Bonds as Indebtedness.

Bond Counsel will render on the closing date, with respect to the 2012B Bonds, its opinion to the effect that the 2012B Bonds will be characterized as indebtedness of the Authority rather than as an interest in the Authority or any assets of the Authority for federal income tax purposes. The owners of the 2012B Bonds, by accepting such 2012B Bonds, have agreed to treat the 2012B Bonds as indebtedness of the Authority for federal income tax purposes. The Authority intends to treat the 2012B Bond transaction as a financing reflecting the 2012B Bonds as its indebtedness for tax and financial accounting purposes.

Taxation of Interest Income of the 2012B Bonds.

Payments of interest with regard to the 2012B Bonds will be includible as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Tax Code. If the 2012B Bonds are deemed to be issued with original issue discount, Section 1272 of the Tax Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest (as defined below) allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Payments of interest received with respect to the 2012B Bonds will also constitute investment income for purposes of certain limitations of the Tax Code concerning the deductibility of investment interest expense. Potential holders of the 2012B Bonds should consult their own tax advisors concerning the treatment of interest payments with regard to the 2012B Bonds.

A purchaser (other than a person who purchases a 2012B Bond upon issuance at the issue price) who buys a 2012B Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount) will be subject to the market discount rules of the Tax Code. In general, the market discount rules of the Tax Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond, that does not exceed the accrued market discount for any taxable year, will be deferred. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the 2012B Bonds.

In the event that the 2012B Bonds are considered to be purchased by a holder at a price greater than their remaining stated redemption price at maturity, they will be considered to have been purchased at a premium. The holder of a 2012B Bond may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the 2012B Bonds. Special rules apply to determine the amount of premium on a “variable rate debt instrument” and certain other debt instruments. Prospective holders of a 2012B Bond should consult their tax advisors regarding the amortization of bond premium.

Sale or Exchange of 2012B Bonds.

If a Bondholder sells a 2012B Bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Bondholder's basis in such Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, for individual taxpayers, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a 2012B Bond was, subsequent to its initial issuance, purchased at a discount (i.e., market discount), a portion of such gain will be recharacterized as interest and therefore ordinary income. In February of 2009, President Barack Obama proposed increasing the long-term capital gains rate to 20%. The Authority and Bond Counsel cannot predict whether this increase will receive Congressional approval. The federal income tax provisions that relate to capital gains and losses are complex and contain exceptions to the general rules stated herein. Therefore, any potential holders of 2012B Bonds are advised to consult their tax advisors regarding the application of those tax provisions to their ownership, sale, or other disposition of a 2012B Bond.

If any term of a 2012B Bond was materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions. Each potential holder of a 2012B Bond should consult its own tax advisor concerning the circumstances in which the 2012B Bonds would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of the 2012B Bonds may result in a deemed sale or exchange of such 2012B Bonds under certain circumstances. Owners of such 2012B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding.

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the 2012B Bonds if the purchasers, upon issuance or subsequent purchase, fail to supply their brokers, or any other person required to collect such information pursuant to the Tax Code, with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Tax Code) properly, or, under certain circumstances, fail to provide a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the 2012B Bonds and the amount of tax withheld thereon.

State, Local or Foreign Taxation.

The Authority makes no representations regarding the tax consequences of purchase, ownership or disposition of the 2012B Bonds under the tax laws of any other state, locality or foreign jurisdiction. Investors considering an investment in the 2012B Bonds should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors.

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Tax Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Tax Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. However, as noted above, bond counsel has rendered its opinion that the 2012B Bonds will be characterized as debt for federal income tax purposes. Therefore, except to the extent any holder of a 2012B Bond incurs acquisition indebtedness with respect to a 2012B Bond, interest paid or accrued with respect to such Bondholder may be excluded by such tax-exempt Bondholder from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a 2012B Bond is urged to consult its own tax advisor regarding the application of these provisions.

Foreign Investors.

A holder of a 2012B Bond which is not a U.S. person (“foreign holder”) will not be subject to U.S. federal income or withholding tax in respect of interest income or gain on the such Bonds if certain conditions are satisfied, including: (1) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person, (2) the foreign holder is not a “10 percent shareholder” or “related controlled foreign corporation” with respect to the Authority, and (3) the interest income is not effectively connected with a United States trade or business of the foreign holder. The foregoing exemption does not apply to contingent interest or market discount. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the 2012B Bonds, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the 2012B Bonds at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. A “U.S. person” is: (i) a citizen or resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

Generally, a foreign holder will not be subject to federal income tax on any amount which constitutes capital gain upon the sale, exchange, retirement or other disposition of a 2012B Bond unless such foreign holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met, or unless the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder. If the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder, such holder will generally be subject to U.S. federal income tax with respect to such gain in the same manner as U.S. holders, as described above, and a foreign holder that is a corporation could be subject to a branch profits tax on such income as well.

ERISA Considerations.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Tax Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Tax Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Tax Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a 2012B Bond could be viewed as violating those prohibitions. In addition, Tax Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Tax Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the Authority or any Dealer of the 2012B Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Tax Code, with respect to an ERISA Plan or a plan or arrangement subject to Tax Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Tax Code may arise if 2012B Bonds are acquired by such plans or arrangements with respect to which the Authority or any Dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Tax Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Tax Code on an investment in the 2012B Bonds. The sale of the 2012B Bonds to a plan is in no respect a representation by the Authority or the underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the 2012B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Tax Code and other applicable law.

Pennsylvania Tax Exemption

In the opinion of Bond Counsel, under existing laws of the Commonwealth, the 2012 Bonds and the income thereon are exempt from personal property taxes in the Commonwealth and interest on the 2012 Bonds is exempt from Commonwealth personal income tax and corporate income tax.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

UNDERWRITING

The 2012 Bonds are being purchased by the firms listed on the front cover page of this Official Statement (the “Underwriters”), for whom Janney Montgomery Scott LLC is acting as the Representative, subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Authority and the Underwriters, at an aggregate purchase price of $12,954,260.75, which reflects the par amount of the 2012 Bonds, plus net original issue premium of $441,757.35 less an underwriters' discount of $92,496.60.

The initial public offering prices of the 2012 Bonds may be changed from time to time by the Underwriters without notice. The Underwriters may offer and sell the 2012 Bonds to certain dealers (including dealers depositing 2012 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the offering prices set forth on the cover page hereof. The purchase contract for the 2012 Bonds provides that the Underwriters' obligation to purchase the 2012 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the 2012 Bonds if any 2012 Bonds are purchased.

FINANCIAL ADVISOR

Acacia Financial Group, Inc., Marlton, New Jersey, is acting as financial advisor (the "Financial Advisor") to the City in connection with the issuance of the 2012 Bonds. The Financial Advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2012 Bonds. The Financial Advisor has not undertaken to make independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

LIMITATION OF RIGHTS AND REMEDIES UNDER FEDERAL BANKRUPTCY CODE

The rights and remedies of holders of the 2012 Bonds may be subject to the provisions of the United States Bankruptcy Code (the “Federal Bankruptcy Code”), which permits, under prescribed circumstances, a public agency or instrumentality of a state to file a petition for relief, in the nature of an adjustment in the repayment of debts, in a bankruptcy court of the United States, to other reorganization and insolvency proceedings, and to general principles of equity, whether asserted in a proceeding at law or in equity. The Authority is not authorized to file for relief under the Federal Bankruptcy Code.

The Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act") prevents the City from filing a petition for relief under Chapter 9 of the Federal Bankruptcy Code as long as the Pennsylvania Intergovernmental Cooperation Authority ("PICA") has outstanding any bonds issued pursuant to the PICA Act; as of May 9, 2012, PICA had $494,710,000 aggregate principal amount of bonds outstanding. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Federal Bankruptcy Code were invoked, such provisions could limit the enforcement of Bondholders' rights and remedies. See "PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY" in APPENDIX A.

CONTINUING DISCLOSURE AGREEMENT

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the City will enter into a Continuing Disclosure Agreement with the Trustee for the 2012 Bonds which shall constitute a written undertaking for the benefit of the owners and beneficial owners of the 2012 Bonds. The proposed form of the Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX E.

CERTAIN RELATIONSHIPS

Kutak Rock LLP, Bond Counsel, and The Smyler Firm, Counsel to the Underwriters, each provide ongoing legal services to the City. Kutak Rock LLP has represented syndicates of which the Underwriters have been members, in transactions unrelated to the issuance of the 2012 Bonds. Nancy E. Winkler, City Treasurer, is a member of the Board of the Authority.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2012 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with the foregoing statements. Certain information about the City is available at its website www.phila.gov/investor. The City makes no representations or warranties to investors as to the accuracy or timeliness of any other information available at such website, nor any hyperlinks referenced therein.

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The execution and distribution of this Official Statement has been duly authorized by the Authority and approved by the City.

THE PHILADELPHIA MUNICIPAL AUTHORITY

By: /s/ Albert A. Childs
Executive Director

Approved:

THE CITY OF PHILADELPHIA

By: /s/ Rob Dubow
Director of Finance

APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION REGARDING THE CITY

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TABLE OF CONTENTS

APPENDIX A

GOVERNMENT AND FINANCIAL INFORMATION

THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City of Philadelphia, Pennsylvania (the "City" or "Philadelphia"), was incorporated in 1789 by an Act of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854, the General Assembly of the Commonwealth, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly of the Commonwealth (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, also provides for the governance of The School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as currently in effect, there are two principal governmental entities in the City: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

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

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow Generally Accepted Government Auditing Standards ("GAGAS") established by the federal

Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public Accountants. As of February 29, 2012, the Office of the City Controller had 117 employees, including 65 auditors, 20 of whom were certified public accountants.

The City Controller post-audits and reports on the City's and the School District's comprehensive Annual Financial Reports, federal assistance received by the City and the performance of City departments. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority ("PICA") on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), the City Solicitor (the "City Solicitor"), the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce") and the City Representative (the "City Representative"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director, in coordination with the Deputy Mayors for Public Safety, Health and Opportunity, Transportation and Utilities, Economic Development and Environmental and Community Resources, and the Director of Commerce, is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry. The City Representative is the Ceremonial Representative of the City and especially of the Mayor. The City Representative is charged with the responsibility of giving wide publicity to any items of interest reflecting the activities of the City and its inhabitants, and for the marketing and promotion of the image of the City.

The City Solicitor is head of the Law Department and acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City.

The Director of Finance is the chief financial and budget officer of the City and is selected from three names submitted to the Mayor by a Finance Panel. The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution; the collection of revenues through the Department of Revenue; and the oversight of pension administration as Chairperson of the Board of Pensions and Retirement. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office manages the City's debt program and serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Nutter, his Chief of Staff, the Director of Finance and the City Treasurer:

Michael A. Nutter, Mayor, was sworn in as the City's 98th Mayor on January 7, 2008. He won the Democratic nomination in a five-way primary election. Elected to Philadelphia City Council in 1992, the Mayor represented the City's Fourth Council District for nearly fifteen years. He was reelected and was sworn in for his second term as Mayor on January 2, 2012. During his time in City Council, he engineered groundbreaking ethics reform legislation, led successful efforts to pass a citywide smoking ban, worked to lower taxes for Philadelphians and to reform the City's tax structure, and labored to increase the number of Philadelphia police officers patrolling the streets and to create a Police Advisory Board to provide a forum for discussion between citizens and the Police Department. Mayor Nutter received his B.A. from the Wharton School of Business at the University of Pennsylvania in 1979.

Everett A. Gillison, Chief of Staff to the Mayor and Deputy Mayor for Public Safety, was appointed Chief of Staff by Mayor Nutter on October 19, 2011. Mr. Gillison has served as Deputy Mayor for Public Safety since January 7, 2008, and will continue in his role as Deputy Mayor for Public Safety in addition to his role as the Mayor's Chief of Staff. Mr. Gillison previously served as a Senior Trial Lawyer for the Defender Association of Philadelphia where he worked for more than 30 years.

Rob Dubow, Director of Finance, was appointed on January 7, 2008. Prior to his appointment, Mr. Dubow was the Executive Director of PICA. He has also served as Chief Financial Officer of the Commonwealth, from 2004 to 2005 and as Budget Director for the City, from 2000 to 2004.

Nancy E. Winkler, City Treasurer, was appointed City Treasurer effective January 31, 2011. Prior to her tenure with the City, Ms. Winkler worked for over twenty-eight years with Public Financial Management (the PFM Group), from 1990 to 2011 as Managing Director, with responsibility to manage the firm's municipal, state and authority practices in New York and Maryland.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of local streets, highways, and bridges; trash collection, disposal and recycling; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate PGW for the benefit of the City.

On February 13, 2012, Mayor Michael Nutter released an analysis prepared by Lazard Freres & Co, LLC, the City's strategic advisor, recommending that the City "pursue a process to transfer ownership and operation of PGW to a private entity via a strategic sale." The City is in the process of procuring advisors to assist with such process. A sale would require the approval of City Council. The City is not obligated to sell PGW if the process does not produce the desired results.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City. Certain of these entities are comprised of governing boards, the members of which are either appointed or nominated, in whole or part, by the Mayor, while others are independent of the Mayor's appointment or recommendation.

Mayoral-Appointed or Nominated Agencies.

PIDC/PAID. The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones. Of the thirty members of the board of PIDC, seven are City officers or officials (the Mayor, the Director of Commerce, the President of City Council or a designee, the Chairman of the City Planning Commission, the City Solicitor, the Managing Director, and the Director of Finance), fifteen are nominated jointly by the President of the Greater Philadelphia Chamber of Commerce and the Director of Commerce, and eight are nominated by the President of the Greater Philadelphia Chamber of Commerce. The board of PAID is appointed by the Mayor.

PMA. The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings. The PMA is governed by a five-member board appointed by City Council from nominations made by the Mayor.

PEA. The Philadelphia Energy Authority ("PEA") was established by the City and incorporated in 2011 for the purpose of facilitating and developing energy generation projects, facilitating and developing energy efficiency projects, the purchase or facilitation of energy supply and consumer energy education. The PEA is authorized to participate in projects on behalf of the City, other government agencies, institutions and businesses. The PEA is governed by a five-member board of energy professionals appointed by City Council from four nominations made by the Mayor and one nomination from City Council.

Redevelopment Authority. The Philadelphia Redevelopment Authority (formerly known as the Redevelopment Authority of the City of Philadelphia) (the "PRA"), supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas. The PRA is governed by a five-member board appointed by the Mayor and must submit its budgets to the City for review and approval.

Housing Authority. The Philadelphia Housing Authority (the "Housing Authority") is responsible for developing and managing low and moderate income rental units and limited amounts of for-sale housing in the City. The Housing Authority is normally governed by a five-member board with two members appointed by the Mayor, two appointed by the City Controller and a tenant member elected by the other members; however, on March 4, 2011, the U.S. Department of Housing and Urban Development ("HUD") took control of the Housing Authority for approximately a year, subject to extension, under the terms of a Co-operative Endeavor Agreement ("CEA"). On August 4, 2011, Michael P. Kelly was appointed Executive Director of the Housing Authority by the board. Mr. Kelly had previously acted as interim executive director and as administrative receiver for the Housing Authority at the request of HUD. On February 29, 2012, the HUD receivership of the Housing Authority was extended by agreement of HUD and the Mayor of the City pursuant to the terms of the CEA for a period which is expected to be less than one year.

Hospitals Authority. The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes. The Hospitals Authority is governed by a five-member board appointed by City Council from nominations made by the Mayor.

SEPTA. The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region. Two of the fifteen members of SEPTA's board are appointed by the Mayor and confirmed by City Council.

Convention Center Authority. The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25, 1993. The Pennsylvania Convention Center is owned by the Commonwealth and leased to the Convention Center Authority. An expansion of the Pennsylvania Convention Center was completed in March 2011. This expansion enlarged the Pennsylvania Convention Center to approximately 2,300,000 square feet with the largest contiguous exhibit space in the Northeast, the largest convention center ballroom in the East and the ability to host large tradeshows or two major conventions simultaneously. Of the fifteen members of the board of the Convention Center Authority, two are appointed by the Mayor and one by each of the President and Minority Leader of City Council. The Commonwealth, the City and the Convention Center Authority have entered into an operating agreement with respect to the operation and financing of the Pennsylvania Convention Center.

The School District. The School District of Philadelphia (the "School District") was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Comprehensive Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, the School District is governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the "School Code"), effective December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law are suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission. As of the date hereof, the School Reform Commission has not delegated any duties to the Board. Two of the five members of the School Reform Commission are appointed by the Mayor and three by the Governor of Pennsylvania.

Non-Mayoral-Appointed or Nominated Agencies.

PICA. PICA was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. 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 of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights. The City is required to develop an annual five-year financial plan and obtain annual approval of such five-year financial plan from PICA; the City is also required to prepare and submit quarterly reports to PICA. See "SUMMARY FINANCIAL INFORMATION" for a further discussion of PICA, its relationship to the City and its financial oversight role.

Parking Authority. The Philadelphia Parking Authority (the "Parking Authority") is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations. The members of the Parking Authority's board are appointed by the Governor of Pennsylvania, with certain nominations from the General Assembly of the Commonwealth.

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DISCUSSION OF FINANCIAL OPERATIONS

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds. The Fiscal Year 2012 Operating Budget moves the activities of the Department of Human Services from the General Fund to the Grants Revenue Fund.

Fund Accounting

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 can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The funds' financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2011), presents data separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining twenty funds are combined into a single aggregated presentation.

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 that are a type of proprietary funds - airport, water and wastewater operations, and industrial land bank.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2011), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Overview of City Response to Economic Downturn

Since October of 2008, the City has implemented significant actions to balance the budget and its five-year plans, including reducing overtime costs, reducing General Fund full and part time employee headcount by 1,652 (from December 31, 2008 to December 31, 2011), implementing a temporary five year sales tax increase and a 9.9% Real Estate Tax increase in Fiscal Year 2011, pension funding changes, freezing City funded and business privilege tax reductions until Fiscal Year 2014, increasing fees, and instituting spending cuts throughout the government. During this period of time, the City has improved its public safety results due to important changes in policing and has maintained delivery of its services.

The City undertook these measures as a result of the impact of the national and global recession. Beginning in August 2008, the City began to experience adverse budgetary performance for Fiscal Year 2009 as a result of the recession. In November 2008, the City projected a $1 billion gap over the five year period of the Seventeenth Five-Year Plan, and the City took a series of measures to close the projected gap for Fiscal Year 2009 and over the period of the Seventeenth Five-Year Plan. However, the economy deteriorated further and revenues declined at a greater pace than had been projected, leaving the City with a Fiscal Year 2009 operating deficit of $286.8 million resulting in a deficit of $236.8 million after prior year net adjustments of $41.8 million and a cumulative adjusted year-end General Fund balance deficit of $137.2 million. Tax receipts continued to display weakness in Fiscal Year 2010, increasing the projected gap for both Fiscal Year 2010 and the period of the Eighteenth Five-Year Plan. In total during the six year period Fiscal Years 2009-2014, the projected shortfall reached $2.4 billion. As a result of a number of steps outlined herein, in Fiscal Year 2010, the City had a cumulative adjusted year-end General Fund balance deficit of $114.0 million. In Fiscal Year 2011, the City had a cumulative adjusted year-end General Fund balance surplus of approximately $92,000 (as shown in Table 1). See also "CITY FINANCES AND FINANCIAL PROCEDURES -- Budget Stabilization Reserve."

Proposed Fiscal Year 2013 Budget.

The City's Fiscal Year 2013 budget was presented to City Council on March 8, 2012, and is currently under review. The process and required timing for the approval of the budget is described under "CITY FINANCES AND FINANCIAL PROCEDURES-Budget Procedures" herein.

Fiscal Year 2012 Adopted Budget

The City's Fiscal Year 2012 budget was presented to City Council on March 3, 2011, was approved by City Council on June 23, 2011, and signed by the Mayor on June 24, 2011. The process and required timing for the approval of the budget is described under "CITY FINANCES AND FINANCIAL PROCEDURES-Budget Procedures" herein. The budget projects estimated revenues of $3.503 billion, obligations of $3.470 billion, an operating surplus of $57.1 million and an ending fund balance of $60.6 million on the legally enacted basis.

The Fiscal Year 2012 budget conforms to the Twentieth Five-Year Plan (hereinafter defined) which was submitted to PICA (hereinafter defined) on July 7, 2011, and approved by PICA on July 26, 2011.

For the past several years, the financial position of the City's General Fund has been distorted by the timing of the receipt of reimbursements from the Commonwealth for the Department of Human Services. For a variety of reasons, those reimbursements have not been received in the same year as the costs were incurred. As a result, the costs are reflected in the City's fund balances, but the reimbursements are not, leading to fund balances that are distorted and artificially low. In some years, the late receipt of reimbursements has led to changes of tens of millions of dollars in the City's fund balance.

The Fiscal Year 2012 budget moves reimbursed costs and corresponding revenues for services provided by the Department of Human Services of approximately $495.1 million to the Grants Revenue Fund. As a result of this change the City's General Fund balance will better reflect the City's financial condition.

Fiscal Year 2012 Current Estimate

The Mayor's Operating Budget in Brief for Fiscal Year 2013 (the "Proposed Fiscal 2013 Budget") contains revised estimates for Fiscal Year 2012. Revenue estimates have been revised upward $33.4 million versus the adopted budget. Tax Revenues for Fiscal Year 2012 are projected to be $17.8 million lower than the adopted budget due to reduction in projections for Wage and Earnings Tax – $20.2 million, Sales Tax - $6.3 million, Net Profits Tax - $5.4 million, Real Property Transfer Tax - $5.0

million and Amusement Tax - $2.0 million which are being partially offset by higher tax revenues from Real Property Taxes - $4.8 million and the Business Income & Receipts Tax (formerly called the Business Privilege Tax) – $17.1 million. Locally Generated Non-Tax Revenues are revised downward by $7.2 million, largely the result of a lower projection of interest earnings and traffic fines of $4 million and $2 million, respectively; the estimate for Real Property Tax revenue does not include the potential impact, if any, of the ruling by STEB (hereinafter defined) discussed under "REVENUES OF THE CITY - Assessment and Collection of Real and Personal Property Taxes." Revenues from Other Governments are projected to be $56.8 million higher than forecasted largely due to additional funds for Pension Aid (Act 205) of $34.9 million, one-time payment of funds owed to the City of $12.5 million, payment of $11.0 million from the Philadelphia Parking Authority, and additional funds from PICA for a settlement with J.P. Morgan of $7.5 million, which are being partially offset by lower than estimated gaming revenues in the amount of $5.5 million. The revised estimate of obligations includes $20.39 million in higher than budgeted obligations primarily due to increased costs for personal services including higher overtime costs for Police, Fire, Prisons and Sheriff and higher vehicle fuel costs. The revised estimate projects revenues for Fiscal Year 2012 of $3.536 billion, obligations of $3.490 billion, an operating surplus of $68.4 million and an ending fund balance of $68.5 million.

Fiscal Year 2011 Budget

The City's Fiscal Year 2011 budget was signed by the Mayor on June 1, 2010. The budget projected estimated revenues of $3.909 billion, obligations of $3.853 billion, an operating surplus of $80.5 million and an ending fund balance of $42.6 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. The budget included a 9.9% Real Estate Tax increase. The Nineteenth Five-Year Plan (hereinafter defined) was approved by PICA on August 10, 2010.

Fiscal Year 2011 Results

The Comprehensive Annual Financial Report for Fiscal Year 2011, released on February 24, 2012, reported that the City had revenues of $3.860 billion, obligations of $3.785 billion and an ending fund balance of a positive $0.1 million after discharging the Fiscal Year 2010 fund balance deficit on the legally enacted basis. These figures were unchanged from the City's Annual Financial Report for Fiscal Year 2011, released on October 28, 2011. The City is required by the Home Rule Charter to release its unaudited financial statements within 120 days of the end of the fiscal year; historically, these results have not changed between the release of the unaudited and the audited financials.

Current City Practices

It is the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, in addition to certain other information such as the City's bond ratings and information about upcoming debt issuances with the Municipal Securities Rulemaking Board ("MSRB") as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2011 was deposited with the MSRB on February 24, 2012, through the MSRB's Electronic Municipal Market Access (EMMA) system. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2011. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. The CAFR is also available online at the City's Investor Information website: http://www.phila.gov/investor (the "City's Investor Website"). The City's Quarterly City Manager's Reports are also available at the City's Investor Website, which is described below.

The "Terms of Use" statement of the City's Investor Website, which applies to all users of the City's Investor Website, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors. The information contained on the City Investor Website does not constitute an offer to buy or sell securities, nor is it a solicitation therefor. The information contained on the City Investor Website is not incorporated by reference in this Official Statement and persons considering a purchase of the 2012 Bonds should rely only on information contained in this Official Statement or incorporated by reference herein.

The foregoing statement as to filing or furnishing of additional information reflects the City's current practices, but is not a contractual obligation to the holders of the City's bonds or notes.

The City also expects to provide financial and other information from time to time to Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

CITY FINANCES AND FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report and Notes therein.

Governmental funds account for their activities 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 in the case of full accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due; however, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues, such as Real Estate Taxes, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, 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.

Revenue that is considered to be program revenue includes: (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; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

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

- The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.

- 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.

In Fiscal Year 2012, the City transferred the majority of the Department of Human Services revenues and obligation to the Grants Revenue Fund.

The City also 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 require the principal to remain intact, while only the earnings may be used for the programs.

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 accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on 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 City's airports. 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 nonoperating revenues and expenses.

Legal Compliance

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles ("GAAP"). In accordance with the 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, Wage Tax Reduction, Acute Care Hospital Assessment and Housing Trust 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.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next fiscal year.

Schedules prepared on the legally enacted basis differ from the GAAP basis 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.

Budget Procedure

At least ninety days before the end of the Fiscal Year the operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table 22 for a summary of the City's capital improvement program for the Fiscal Years 2012 through 2017.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from City Council appropriated funds, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Budget Stabilization Reserve

In April 2011, the City adopted an Amendment to the Home Rule Charter adding the following language to Section 7 thereof ("Budget Stabilization Reserve"), in addition to directions for implementation.

> (a) The annual operating budget ordinance shall provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund which shall not be commingled with any other funds of the City. 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 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 the Projected General Fund Balance for the end of the fiscal year to which the operating budget relates (the "upcoming fiscal year"), without taking into account any deposits to the Budget Stabilization Reserve required by this subsection (2), equals or exceeds three percent (3%) 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 only upon recommendation of the Mayor.

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SUMMARY FINANCIAL INFORMATION

Tables 1 and 2 below should be read in conjunction with the discussion concerning financial procedures of the City described under "CITY FINANCES AND FINANCIAL PROCEDURES."

Table 1
General Fund
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate[4,6] 2012
Revenues							
Real Property Taxes[1]	395.8	397.5	402.8	400.1	402.2	482.7	491.4
Wage and Earnings Tax	1,111.2	1,167.4	1,184.8	1,117.0	1,114.2	1,134.3	1,168.4
Net Profits Tax	14.6	15.3	12.5	12.2	14.5	8.8	12.1
Business Privilege Tax	415.5	436.4	398.8	386.0	364.7	376.9	386.4
Sales Tax[2]	127.8	132.6	137.3	128.2	207.1	244.6	250.2
Other Taxes[3]	304.1	286.7	260.3	209.3	213.9	211.8	213.1
Total Taxes	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,521.6
Locally Generated Non-Tax Revenue	235.9	247.9	265.8	256.3	229.4	280.0	252.7
Revenue from Other Governments[5]	924.5	1,032.9	1,033.4	993.4	1,076.4	1,066.5	708.6
Receipts from Other City Funds[5]	24.9	27.4	27.2	135.4	31.9	54.6	53.2
Total Revenue	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,536.2
Obligations/Appropriations							
Personnel Services	1,250.2	1,327.6	1,390.7	1,406.3	1,358.5	1,360.4	1,344.0
Purchase of Services	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.8	761.2
Materials, Supplies and Equipment	82.1	89.1	92.1	82.7	68.7	78.3	84.3
Employee Benefits	760.2	890.3	983.0	973.2	831.4	967.0	1027.9
Indemnities, Contributions and Grants	110.9	119.0	120.9	130.0	128.0	111.1	118.2
City Debt Service	82.9	89.1	87.2	100.9	105.5	110.4	123.7
Other	38.6	31.2	32.3	22.7	26.0	0.0	4.0
Payments to Other City Funds	35.4	38.7	24.8	25.3	24.2	30.3	27.1
Total Obligations/Appropriations	3,426.0	3,736.6	3,919.8	3,915.3	3,653.7	3,785.3	3,490.4
Operating Surplus (Deficit) for the Year	128.2	7.5	(197.0)	(277.4)	0.6	75.0	45.8
Net Adjustments – Prior Year	30.1	35.9	18.6	20.7	22.6	39.1	22.6
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	96.2	254.5	297.9	119.5	(137.2)	(114.0)	0.1
Cumulative Adjusted Year End Fund Balance (Deficit)	254.5	297.9	119.5	(137.2)	(114.0)	0.1	68.5

(1) Actual 2011 reflects a 9.9% increase. See "Revenues of the City – Assessment and Collection of Real and Personal Property Taxes" herein.

(2) Reflects 1% increase effective October 8, 2009.

(3) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.

(4) From the estimates for the Proposed Fiscal 2013 Budget; the estimate for Real Property Tax revenue does not include the potential impact, if any, of the ruling by STEB discussed under "REVENUES OF THE CITY - Assessment and Collection of Real and Personal Property Taxes."

(5) State gaming revenues are reported as a Receipt from Other City Funds in 2009 and as Revenue from Other Governments in 2010, 2011 and 2012.

(6) The reduction in Revenue from Other Governments (State and Federal funding) in Fiscal Year 2012 is largely the result of transferring the majority of the Department of Human Services revenues and obligations to the Grants Revenue Fund.

Source: City of Philadelphia Department of Finance
Figures may not add up due to rounding.

Table 2
Principal Operating Funds (Debt Related)
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate(5,6) 2012
Revenues							
General Fund	3,554.3	3,744.1	3,722.8	3,637.9	3,654.3	3,860.3	3,536.2
Water Fund(1)	490.3	519.7	589.7	543.5	546.7	567.5	623.7
Aviation Fund(2)	271.5	268.6	287.9	294.1	290.2	304.8	303.8
Other Operating Funds(3)	41.9	44.9	113.2	49.5	50.1	48,1	54.7
Total Revenue	4,358.0	4,577.3	4,713.6	4,525.0	4,541.3	4,780.7	4,518.4
Obligations/Appropriations							
Personnel Services	1,412.9	1,498.2	1,568.9	1,579.0	1,523.6	1,525.0	1,516.4
Purchase of Services	1,233.5	1,328.5	1,441.4	1,369.2	1,312.8	1,344.2	1,025.2
Materials, Supplies and Equipment	136.2	145.9	151.1	140.7	128.9	135.2	154.6
Employee Benefits	845.3	990.1	1,095.8	1,091.4	932.8	1,092.2	1,168.6
Indemnities, Contributions and Taxes	116.5	122.6	127.1	135.9	134.4	118.7	129.8
Debt Service(4)	337.6	348.8	346.7	384.8	397.8	398.4	421.1
Other	38.6	31.2	32.3	22.7	24.2	0.0	4.0
Payments to Other City Funds	119.4	144.9	154.7	88.1	98.5	101.3	105.2
Total Obligations/Appropriations	4,240.0	4,610.2	4,917.9	4,811.8	4,553.0	4,715.0	4,524.8
Operating Surplus (Deficit) for the Year	118.0	(32.8)	(204.3)	(286.8)	(11.6)	65.7	(6.4)
Net Adjustments Prior Year	60.6	69.6	51.0	41.8	58.1	70.5	52.8
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.9	311.5	348.3	195.0	(50.0)	(3.4)	132.7
Cumulative Adjusted Year End Fund Balance (Deficit)	311.5	348.3	195.0	(50.0)	(3.4)	132.7	179.1

(1) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was $4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was $4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000. For Fiscal Year 2009, the transferred amount was $4,185,463. For Fiscal Year 2010, the transferred amount was $2,303,986, for Fiscal Year 2011, the amount transferred was $1,229,851 and the current estimate for Fiscal Year 2012 is $500,000.

(2) Airport revenues are not available for other City purposes.

(3) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(4) Excludes PICA bonds.

(5) From the estimates for the Proposed Fiscal 2013 Budget; the estimate for Real Property Tax revenue does not include the potential impact, if any, of the ruling by STEB discussed under "REVENUES OF THE CITY - Assessment and Collection of Real and Personal Property Taxes."

(6) The reduction in General Fund revenues for Fiscal Year 2012 is largely the result of transferring the majority of the Department of Human Services revenues and obligations to the Grants Revenue Fund.

Figures may not add up due to rounding.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011 (the "Fiscal Year 2011 Comprehensive Annual Financial Report"), which can be found at the City's Investor Website.

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Pennsylvania Intergovernmental Cooperation Authority

PICA was created on June 5, 1991 by the PICA Act to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. 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 of PICA's board. The Secretary of the Budget of the Commonwealth and the Director of Finance of the City serve as ex officio members of PICA's board with no voting rights.

The PICA Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures 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 non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. PICA is also required to certify non-compliance if, among other things, no approved five-year plan is in place; and PICA is required to certify non-compliance with an approved five-year plan if the City has failed to file mandatory revisions to an approved five-year plan. Under the PICA Act, any such certification of non-compliance would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "DEBT OF THE CITY -- PICA Bonds." Under the PICA Act, the City is required to make quarterly financial reports to PICA, as further described under "Quarterly Reporting to PICA" below.

Five-Year Plans of the City

The PICA Act requires the City to annually develop a five-year financial plan and obtain PICA's approval of it. The original five-year plan, which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992. In each subsequent year, the City updated the previous year's five-year plan, each of which was approved by PICA.

The City's Eighteenth Five-Year Plan (the "Eighteenth Five-Year Plan"), covering Fiscal Years 2010-2014, included a one percent City Sales Tax increase through Fiscal Year 2014 and a partial deferral of the City's pension payment in Fiscal Year 2010 ($150 million) and Fiscal Year 2011 ($80 million) to be paid back in full by Fiscal Year 2014, as permitted under Act 44 of 2009 of the General Assembly of the Commonwealth ("Act 44"). In addition to the deferrals, the City changed the amortization period from 20 years to 30 years and lowered the interest rate assumption from 8.75% to 8.25%. On October 28, 2010, the City's Board of Pensions and Retirement (the "Board of Pensions") voted to further lower the pension fund's annual earnings assumption from 8.25% to 8.15%. This is reflected in subsequent five-year plans through the Twentieth Five-Year Plan. In February of 2012, the Board of Pensions voted to lower the Municipal Pension Fund's annual earnings assumption from 8.15% to 8.10%; this is reflected in the Twenty-First Five-Year Plan (defined below). At PICA's request, the Eighteenth Five-Year Plan was revised to include at least $25 million in additional savings or recurring revenues in each year of the Eighteenth Five-Year Plan. PICA approved the revised Eighteenth Five-Year Plan on September 16, 2009, subject to the enactment of the legislation authorizing the increase in the City's sales tax and change in the City's pension fund payments. The Commonwealth enacted such legislation on September 18, 2009.

The Mayor presented the Nineteenth Five-Year Plan (the "Nineteenth Five-Year Plan") to City Council on March 4, 2010. City Council approved the Fiscal Year 2011 Operating Budget on May 20, 2010, and the Mayor signed it on June 1, 2010. The Nineteenth Five-Year Plan was approved by PICA on August 10, 2010. The Nineteenth Five-Year Plan included a temporary 9.9% Real Estate Tax increase through Fiscal Year 2012. The Mayor presented the Twentieth Five-Year Plan (the "Twentieth Five-Year Plan") to City Council on March 3, 2011. The adopted Fiscal Year 2012 Operating Budget conforms to the Twentieth Five-Year Plan. The Twentieth Five-Year Plan was approved by PICA on July 26, 2011.

The Mayor presented the Twenty-First Five-Year Plan (the "Twenty-First Five-Year Plan") to City Council on March 8, 2012. City Council is in the process of reviewing the Proposed Fiscal 2013 Budget and Twenty-First Five-Year Plan. The Proposed Fiscal 2013 Budget conforms to the Twenty-First Five-Year Plan.

Quarterly Reporting to PICA

The PICA Act requires the City to prepare and submit quarterly reports to PICA so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for each month in the previous quarter and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act. PICA last declared a variance in February 2009. It has since been removed and there are no current variances.

Awards

For the thirty-first consecutive year, the Government Finance Officers Association of the United States and Canada ("GFOA") awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting ("GFOA Awards") to the City for its Comprehensive Annual Financial Report

("CAFR") for the fiscal year ended June 30, 2010. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements. The City has applied for the GFOA Award for its 2011 CAFR.

REVENUES OF THE CITY

General

In 1932, the General Assembly of the Commonwealth adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the Real Estate Tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax (which will be renamed the Business Income and Receipts Tax in May 2012).

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table 3 below for revenues by major source for Fiscal Years 2002-2012 and Table 4 below for General Fund tax revenues for Fiscal Years 2006-2012. The following descriptions do not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 2002 through 2011 are contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

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Table 3

Summary of Principal Operating Funds (Debt Related)

Revenues by Major Source

Fiscal Years 2002-2012 (Legal Basis)

(Amounts in Millions of USD)

	General Fund Tax Revenues													
Fiscal Year	Real Property Taxes[1]	Wage Earnings & Net Profits Taxes[1]	Business Privilege Tax[1]	Sales and Use Tax[1]	Other Taxes[2]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Governments	Revenue from Other City Funds	Total Revenues
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1 [3]	4,713.6
2009	400.1	1,129.2	386.0	128.2	209.3	2,252.8	484.5	291.3	258.3	3,286.9	1,025.4	212.7 [4]	4,525.0
2010	402.2	1,128.7	364.7	207.1[5]	213.9	2,316.6	516.4	290.2	224.5	3,347.7	1,110.7[6]	82.7	4,541.3
2011	482.7[7]	1,143.1	376.9	244.6	211.8	2,459.1	537.5	302.7	280.2	3,579.5	1,100.0	91.1	4,770.7
2012 (Current Estimate)[8,9]	491.4	1,168.4	386.4	250.2	213.1	2,521.6	568.0	298.7	252.8	3,641.1	744.2	133.1	4,518.4

[1] See Table 7 in the Fiscal Year 2011 Comprehensive Annual Financial Report for Tax Rates.
[2] Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
[3] In Fiscal Year 2008, there was an increase of $73 million in payment from Water Fund to Water Residual Fund.
[4] In Fiscal Year 2009, there was an $86 million payment from the Wage Tax Reduction Fund.
[5] Reflects 1% increase effective October 8, 2009.
[6] In Fiscal Year 2010, the Wage Tax Reduction payment is shown in the Revenue from Other Governments column.
[7] Reflects a Real Estate Tax increase of 9.9%.
[8] From the estimates for the Proposed Fiscal 2013 Budget ;the estimate for Real Property Tax revenue does not include the potential impact, if any, of the ruling by STEB discussed under "Assessment and Collection of Real and Personal Property Taxes."
[9] The reduction in Revenue from Other Governments in Fiscal Year 2012 is largely the result of the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

Figures may not add up due to rounding.

Table 4
General Fund Tax Revenues[(1)]
Fiscal Years 2006-2012
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate[(5)] 2012
Real Property Taxes							
Current	354.1	367.2	366.5	365.6	364.3	454.7[(4)]	458.4
Prior	41.7	30.3	36.3	34.4	37.9	28.0	33.0
Total	395.8	397.5	402.8	400.0	402.2	482.7	491.4
Wage and Earnings Tax[(2)]							
Current	1,104.0	1,162.4	1,176.5	1,105.9	1,102.3	1,127.4	1,158.4
Prior	7.2	5.1	8.3	11.1	11.9	6.9	10.0.
Total	1,111.2	1,167.5	1,184.8	1,117.0	1,114.2	1,134.3	1,168.4
Business Taxes							
Business Privilege							
Current & Prior	415.5	436.4	398.8	386.0	364.7	376.9	386.4
Net Profits Tax							
Current	11.8	10.9	9.1	9.5	12.1	5.7	9.6
Prior	2.8	4.3	3.4	2.7	2.4	3.1	2.5
Subtotal Net Profits Tax	14.6	15.3	12.5	12.2	14.5	8.8	12.1
Total Business Taxes	430.1	451.6	411.3	398.2	379.2	385.8	398.4
Other Taxes							
Sales and Use Tax	127.8	132.6	137.3	128.3	207.1[(3)]	244.6	250.2
Amusement Tax	17.0	16.4	18.0	21.4	21.8	20.8	19.6
Real Property Transfer Tax	236.4	217.3	184.0	115.1	119.2	116.6	115.8
Parking Taxes	48.4	50.3	55.5	70.4	70.5	71.6	74.3
Other Taxes	2.3	2.6	2.8	2.4	2.4	2.7	3.4
Subtotal Other Taxes	431.9	419.2	397.6	337.6	421.0	456.3	463.3
TOTAL TAXES	2,369.0	2,435.9	2,396.5	2,252.8	2,316.6	2,459.1	2,521.6

(1) See Table 7 in the Fiscal Year 2011 Comprehensive Annual Financial Report for Tax Rates.
(2) Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.
(3) Effective October 8, 2009, there was a 1% increase to the City Sales tax.
(4) Reflects a Real Estate Tax increase of 9.9%.
(5) From the estimates for the Proposed Fiscal 2013 Budget; the estimate for Real Property Tax revenue does not include the potential impact, if any, of the ruling by STEB discussed under "Assessment and Collection of Real and Personal Property Taxes."

Figures may not add up due to rounding.

Wage, Earnings, and Net Profits Taxes

The largest tax revenue source (comprising 47% of all tax revenues) is the Wage, Earnings, and Net Profits (Wage) Tax. The Wage Tax is collected from all employees working within City limits, and all City residents regardless of work location. In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. See "DEBT OF THE CITY-- PICA Bonds" for a description of the pledge of the PICA Tax to secure PICA's bonds. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 2002-2012, and the annual wage and earnings tax receipts in Fiscal Years 2002-2011, and the current estimate for Fiscal Year 2012.

Table 5
Summary of Wage, Earnings and Net Profits Tax Rates and Receipts

Fiscal Year	Resident Wage, Earnings and Net Profits Tax Rates[1]	Non-Resident Wage, Earnings and Net Profits Tax Rates	Annual Wage, Earnings and Net Profits Tax Receipts (including PICA Tax) (Amounts in Millions of USD)
2002	4.5385	3.9462	1,297.3
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.4625 (Jul. 1)	3.8801 (Jul. 1)	1,387.5
	4.3310 (Jan. 1)	3.8197 (Jan. 1)	
2006	4.3310 (Jul. 1)	3.8197 (Jul. 1)	1,435.6
	4.3010 (Jan. 1)	3.7716 (Jan. 1)	
2007	4.3010 (Jul. 1)	3.7716 (Jul. 1)	1,510.6
	4.2600 (Jan. 1)	3.7557 (Jan. 1)	
2008	4.2600 (Jul. 1)	3.7557 (Jul. 1)	1,527.5
	4.2190 (Jan. 1)	3.7242 (Jan. 1)	
2009[2]	3.9800 (Jul. 1)	3.5392 (Jul. 1)	1,477.8
	3.9300 (Jan. 1)	3.5000 (Jan. 1)	
2010	3.9296	3.4997	1,472.0
2011	3.9280	3.4985	1,501.8
2012	3.9280	3.4985	1,536.4 Current Estimate[3]

(1) Includes PICA Tax.
(2) There were two rate decreases during Fiscal Year 2009.
(3) From the estimates for the Proposed Fiscal 2013 Budget.

Commonwealth funding from gaming revenues is mandated by statute to be used to reduce the resident and nonresident wage tax rate. Gaming revenues were first used to reduce the wage tax rates in 2009. Revenues from gaming revenues were $86.545 million in Fiscal Year 2009, $86.270 million in Fiscal Year 2010, $86.277 million in Fiscal Year 2011 and are currently estimated to be $86.273 million in Fiscal Year 2012. Accordingly, the wage tax rates in 2009, 2010, 2011 and 2012 reflect a rate reduction due to these revenues.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from the Fiscal Year 2008 level of 4.2190% for residents and 3.7242% for non-residents to 3.60% for residents and 3.25% for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded with Commonwealth funds from gaming proceeds. In Fiscal Year 2009 there were two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth, Twentieth and proposed Twenty-First Five-Year Plans all include resumption of City-funded rate reductions in Fiscal Year 2014.

Business Income and Receipts Tax

In 1984, the Commonwealth of Pennsylvania passed legislation known as The First Class City Business Tax Reform Act of 1984 authorizing the City Council of Philadelphia to impose a business tax measured by Gross Receipts, Net Income or the combination of the two. The same year, the City Council by ordinance repealed the Mercantile License Tax and the General Business Tax and imposed the Business Privilege Tax. Starting on May 1, 2012 the Business Privilege Tax will be renamed to the Business Income and Receipts Tax ("BIRT"). Rental activities are usually considered to be business activities. Every estate or trust (whether the fiduciary is an individual or a corporation) must file a BIRT return if the estate or trust is engaged in any business or activity for profit within the City of Philadelphia.

The BIRT allows for particular allocations and tax computation for regulated industries, public utilities, manufacturers, wholesalers and retailers. There are also credit programs where meeting the requirement of the program allows for a credit against the BIRT. All persons subject to both the BIRT and the Net Profits Tax are entitled to apply a credit of 60% of the net income portion of their BIRT liability against what is due on the Net Profits Tax to the maximum of the Net Profit Tax liability for that Tax Year.

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the BIRT with plans of eventually eliminating the gross receipts portion of the tax. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2014. In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Eighteenth Five-Year Plan suspended future City-funded rate reductions until Fiscal Year 2015. The Nineteenth Five-Year Plan and the Twentieth Five-Year Plan suspended future City rate reductions until Fiscal Year 2014. Through cooperation with City Council, major changes have been made to the BIRT that took effect calendar year 2012 with changes phasing in through calendar year 2016. These change the prior proposed schedule of rate reductions. The City Council has approved certain changes to the BIRT, further described below.

Table 6
Summary of Business Income and Receipts Tax Rates

Tax Year	Business Privilege Tax Rates	Net Income
2003	2.300 mills	6.50%
2004	2.100 mills	6.50%
2005	1.900 mills	6.50%
2006	1.665 mills	6.50%
2007	1.540 mills	6.50%
2008	1.415 mills	6.45%
2009	1.415 mills	6.45%
2010	1.415 mills	6.45%
2011	1.415 mills	6.45%
2012	1.415 mills	6.45%

The proposed Twenty-First Five-Year Plan includes the legislative changes passed by City Council and signed by the Mayor in 2011 which incorporated several changes intended to help businesses grow in Philadelphia. These tax changes intend to help small and medium sized businesses and spur lower costs associated with starting a new business in order to stimulate new business formation and increase employment in Philadelphia. The business privilege license fee for all businesses will be eliminated in Fiscal Year 2014. In addition, business taxes for the first two years of operations for all new businesses that employ at least three employees in their first year and six in their second would be eliminated beginning in Fiscal Year 2013. These legislative changes also provide for across the board exclusions on the gross receipts portion for all businesses scaled in over a three year period beginning in Fiscal Year 2015 and reductions in the net income portion of the BIRT. When the exclusions are fully phased in, the first $100,000 of receipts will be excluded. Lastly, these legislative changes call for implementation of single sales factor apportionment. This enables businesses to pay BIRT based solely on sales, not on property or payroll. By taxing property and payroll, the BIRT previously had provided disincentives to firms to locate in the city.

Real Property Taxes

A Real Estate Tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries as assessed by the Office of Property Assessment. Real estate taxes benefit both the City and the School District with the millage split changing over the years bringing more benefit to the School District. Due to the recent economic crisis, the City portion of the real estate tax was raised in 2011 and in calendar year 2012 the School District portion of the tax was increased. Before this, the last overall increase in the Real Estate Tax rate was in 1990. Real estate taxes are billed annually and due on March 31 of the year of the taxes. The City offers a 1% discount on current real estate taxes paid before March 1. The Department of Revenue also offers two (2) special payment plans covering current year tax for low income households and low income senior citizen households.

The tax rates for tax years 2003-2012 are set forth below:

Table 7
Real Property Tax History and Allocation

Calendar Year	City	School	Total
2003-2007	3.474%	4.790%	8.264%
2008-2010	3.305%	4.959%	8.264%
2011	4.123%	4.959%	9.082%
2012	4.123%	5.309%	9.432%

The City is in the process of completing its Actual Value Initiative (AVI) whereby all properties in the City will be assessed at actual market values for tax year 2013 and forward. This will be the City's first city wide reassessment in decades, and it will ensure that property owners have fair, accurate, and more easily understood real estate tax bills. Cumulative assessed values will increase dramatically as a result of AVI because properties are currently assessed at only a fraction of what is considered to be the actual market values, and because increases in market values throughout the City have not always been captured in assessments previously.

As assessed values will dramatically increase as a result of AVI, Bill Number 120175 is currently pending before City Council to prevent unintended real estate tax increases. This bill provides for a reduction of the tax rate and other provisions related to the calculation of real estate tax bills using a formula that will result in a "target revenue number" of $512,617,248 for tax year 2013 and of $531,516,059 for tax year 2014 for the General Fund. There can be no assurance that Bill Number 120175 will be adopted by City Council in its present form.

Sales and Use Tax

In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget assumed an increase to 2% from the then-current 1% rate. The General Assembly of the Commonwealth enacted legislation authorizing this increase effective October 8, 2009. The Eighteenth Five-Year Plan, the Nineteenth Five-Year Plan, the Twentieth Five-Year Plan and the proposed Twenty-First Five-Year Plan assume this temporary increase will sunset on June 30, 2014.

The table below sets forth the City Sales Tax collected in Fiscal Years 2002 through 2011 and the current estimate for Fiscal Year 2012.

Table 8
Summary of City Sales Tax Collections
(Amounts in Millions of USD)

Fiscal Year	City Sales Tax Collections
2002	108.1
2003	108.0
2004	108.0
2005	119.9
2006	127.8
2007	132.6
2008	137.3
2009	128.0
2010	207.1
2011	244.6
2012 (Current Estimate[(1)])	250.2

[(1)] From the estimates for the Proposed Fiscal 2013 Budget.

Other Taxes

The City also collects real property transfer taxes, parking taxes, amusement tax, valet parking tax, outdoor advertising tax, smokeless tobacco tax and other miscellaneous taxes.

Other Locally Generated Non-Tax Revenues

These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue from Other Governments

The City's Fiscal Year 2011 General Fund received 27.6% of General Fund revenues from other governmental jurisdictions, including: (1) $542.2 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $165.4 million from the Federal government; and (3) $63.5 million from other governments, in which revenues are primarily rentals and payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $293.8 million are included in "Revenue from Other Governments."

The City's Fiscal Year 2012 General Fund current estimate projects that approximately 20.0% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $240.4 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $89.8 million from the Federal government; and (3) $88.2 million from other governments, in which revenues are primarily rentals and payments from PGW and parking fines and fees from the Philadelphia Parking Authority. In addition, the net collections of the PICA Tax of $289.7 million are included in "Revenue from Other Governments." The decrease in Fiscal Year 2012 Revenue from Other

Governments is largely due to the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Assessment and Collection of Real and Personal Property Taxes

Historically, the Board of the Revision of Taxes (the "BRT") was responsible for both the property assessment and assessment appeals functions for the City. The BRT consists of a seven-member panel that is appointed by the Judges of the First Judicial District of Pennsylvania. On December 17, 2009, City Council passed legislation that would disband the BRT and replace it with separate offices for assessments and appeals, subject to the approval of City voters. In the May 10, 2010, primary election voters approved the separation of the assessment and appeals functions. On June 16, 2010 a new Chief Assessment Officer, Rich McKeithen, was appointed by the Mayor and approved by City Council on June 17, 2010 to lead the new Office of Property Assessment.

According to the legislation, the BRT would cease to exist at the end of September 2010 and the changes described above would take effect; however, the Pennsylvania Supreme Court ruled on September 20, 2010 that the City could not abolish the existing appeals board because only the General Assembly of the Commonwealth has the authority to do so. Accordingly, legislation, Senate Bill 1302, was introduced to the Commonwealth legislature that, among other things, would confirm and authorize the changes approved by the voters in the 2010 primary election. Senate Bill 1302 would establish an Appeals Board and provides that members appointed to the Appeals Board shall be appointed by the Mayor from a group of nominees identified by a panel of industry experts and subject to approval by City Council. Senate Bill 1302 was passed unanimously in the Pennsylvania Senate on March 12, 2012, and is now before the Pennsylvania House of Representatives. The BRT remains in place as the assessment appeals board; however, the separation of the assessment function from the property appeals function proceeds as per the original legislation.

Beginning on October 1, 2010, the new Office of Property Assessment was formally created to conduct the annual assessment of all real estate located within the City. The Office of Property Assessment has begun the work to conduct a complete reassessment of the approximately 577,000 parcels in the City as further described above under "Real Property Taxes." Completion of the reassessment is a major priority for the Mayor's administration and is expected to be finalized in 2012. In the interim, there is a moratorium on all routine property assessments - exceptions to the moratorium include newly constructed properties, improved properties and consolidated or subdivided properties.

In absence of an assessment appeal, the Office of Property Assessment certifies the assessments to the Department of Revenue. According to the existing appeals mechanism, the BRT has the authority to increase or decrease the property assessments in response to an appeal by the taxpayer or taxing authority. After any such assessment appeal is concluded and any appropriate revision made, the certified assessment is provided to the Department of Revenue.

Real Estate Taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the Real Estate Tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2011 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

Currently, real estate tax bills for Philadelphia's 577,000 properties are calculated as follows: certified fair market value multiplied by established predetermined ratio (EPR) multiplied by tax rate. The applicable EPR is currently 32%. However, for properties that are the subject of tax assessment appeals, the EPR is replaced with the common level ratio (CLR) issued by the State Tax Equalization Board (STEB) if the CLR differs from the EPR by more than 15%. STEB had initially issued a CLR of 18.1%, but the City and the School District filed timely objections to that figure. STEB has since vacated the 18.1% CLR and has issued a ruling indicating that the new CLR will be approximately 25%. Both the City and taxpayers have the right to appeal that ruling to the Commonwealth Court, and the Commonwealth Court's consideration of the issue is de novo.

Approximately 2,000 property tax assessment appeals were timely filed for 2012. The School District has filed cross-appeals in all of those cases to preserve its right to assert that the fair market value of the property is greater than the current certified fair market value. Under a worst case scenario - if all tax assessment appeals still pending were to be decided at a 25% CLR and if the School District were unsuccessful in arguing that the properties' real fair market values are higher than their current certified fair market values - the loss to the City's General Fund would be roughly $18 million. The CLR will not be used in 2013 tax assessment appeals if AVI is adopted.

The Pennsylvania Senate recently passed Senate Bill 1301 referred to as the "Homestead Exemption." The legislation is currently in the Pennsylvania House of Representatives. The Homestead Exemption would allow the City to provide the same exemption from real property taxes allowed by other jurisdictions, but does not require the City to provide such exemptions, nor does it set an amount for those exemptions. The legislation would allow for an exemption from real estate property tax for up to fifty percent (50%) of the median assessed value of homesteads. Partner property tax legislation submitted to the City Council includes a $15,000 homestead exemption.

Table 9
City of Philadelphia
Real Property Taxes Levied and Collected
For the Calendar Years 2001 through 2011
as of June 30, 2011
(Amounts in Millions of USD)

		Collected within the Year of the Levy			Total Collections to Date	
Calendar Year of Levy[1]	Taxes Levied for the Year	Amount	Percentage of Levy	Collected in Subsequent Years	Amount[2]	Percentage of Levy
2001	356.6	326.7	91.6	25.8	352.5	98.9
2002	368.2	340.4	92.4	26.4	366.8	99.6
2003	359.4	326.8	90.9	27.2	354.0	98.5
2004	372.5	340.9	91.5	25.9	366.8	98.5
2005	373.5	350.3	93.8	21.6	371.9	99.6
2006	385.6	339.6	88.1	22.3	361.9	93.9
2007	391.7	347.5	88.7	22.3	369.8	94.4
2008	390.2	346.4	88.8	22.6	369.0	94.6
2009	396.5	315.4	79.6	37.9	353.3	89.1
2010	405.8	353.7	87.2	23.0	376.7	92.8
2011	509.1	440.9[3]	86.6	N/A	440.9	86.6

1 Real Estate Tax bills are sent out in November and are payable at 1% discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.
2 Includes collections through June 30, 2011.
3 Includes collections through June 30, 2011. It is estimated that approximately 91% of the amount levied for 2011 will be collected within the year of levy.

Table 10
Principal Real Estate Taxpayers
2011 and 2002
(Amounts in Millions of USD)

	2011		2002	
Taxpayer	Assessment*,**	Percentage of Total Assessments	Assessment*	Percentage of Total Assessments
Franklin Mills Associates	57.6	0.47	48.1	0.49
Phila Liberty Place E LP	54.4	0.44	64.3	0.61
Nine Penn Center Associates	54.1	0.44	52.0	0.53
HUB Properties Trust	43.8	0.36	59.5	0.61
Brandywine Operating Partners	40.6	0.33	-	-
PRU 1901 Market LLC	35.2	0.29	32.3	0.33
Maguire/Thomas	33.9	0.28	32.0	0.33
Commerce Square Partners	33.3	0.27	32.3	0.33
Phila Shipyard Development Corp	30.3	0.25	-	-
Philadelphia Market Street	28.8	0.24	30.4	0.31
Total	412.0	3.37	350.9	3.54
Total Taxable Assessments ***	12,225.0		9,953.3	

* Assessment Values rounded to the nearest $100,000 and only include the largest assessed property for each taxpayer -- additional properties owned by the same taxpayer are not included.
** All listed taxpayers, other than the Philadelphia Shipyard Development Corporation, have filed assessment appeals.
*** Total Taxable Assessment as of May 5, 2011.
Source: City of Philadelphia, Board of Revision of Taxes.

Table 11
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2011
(Amounts in Millions of USD)

Location	2011 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment	Exempt Thru Tax Year
1701 John F Kennedy Blvd.*	181.5	58.1	2.9	55.2	2017
1001 N Delaware Ave	150.9	48.3	12.8	35.5	2020
2929L Arch St.	117.0	37.4	0.0	37.4	2015
1500 Spring Garden St.	54.8	17.5	2.9	14.6	2020
2201 Park Towne Pl.*	48.0	15.4	13.5	1.9	2012
3401 Chestnut St.	35.3	11.3	0.7	10.6	2017
1327-39 Chestnut St.*	35.0	11.2	10.9	0.3	2016
4000 Monument Rd.	31.8	10.2	6.2	4.0	2017
1601 N 15th St.	31.5	10.1	0.2	9.9	2017
200 W Washington Sq.	30.6	9.8	0.7	9.1	2014

* Taxpayer has filed assessment appeal.
Source: City of Philadelphia, Board of Revision of Taxes.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied and then, in a limited amount and upon satisfaction of certain other conditions.

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000 amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for Fiscal Years 2006 through 2008, the transferred amount was $4,994,000. In Fiscal Years 2009, 2010 and 2011, the transferred amounts were $4,185,463, $2,303,986, and $1,229,851 respectively. In Fiscal Year 2012, the current estimated transfer is $500,000.

The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005, the City agreed to forgo the $18,000,000 payment, and for Fiscal Years 2006, 2007, 2008, 2009 and 2010, the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Nineteenth Five-Year Plan assumed that the $18,000,000 payment would be made in each of Fiscal Years 2011 through 2015 and that the City would grant back such payment to PGW in each such Fiscal Year. See also "EXPENDITURES OF THE CITY - Annual Payments to PGW." The City's Twentieth Five-Year Plan included the PGW annual payment of $18,000,000 to the City's General Fund but discontinued the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016. The City's proposed Twenty-First Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund and discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2013, 2014, 2015, 2016 and 2017.

Philadelphia Parking Authority Revenues

The Philadelphia Parking Authority ("PPA") was established by City ordinance pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorize PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at Philadelphia International Airport (the "Airport" or "PHL"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2006 through 2011 that totaled $30,186,642, $33,184,918, $33,570,037, $31,239,909, $23,732,623 and $28,008,554, respectively. The Fiscal Year 2012 currently estimated amount is $28,500,000.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the "FAA Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement. According to PPA's audited financial statements, as filed with the City, PPA has been in compliance with the FAA Letter Agreement since its execution.

EXPENDITURES OF THE CITY

The major City expenditures are for personal services (including pensions and other employee benefits), purchase of services (including payments to SEPTA), and debt service.

Personal Services (Personnel)

As of June 30, 2011, the City employed 26,560 full-time employees, 22,020 of which had salaries paid from the General Fund. Additional employment is supported by other funds, including the Grants Fund, Water Fund and the Aviation Fund.

Additional operating funds for employing personnel are contributed by other governments, primarily for categorical grants, as well as for the conduct of the community development program. These activities are not undertaken if funding is not received.

The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

Table 12
Filled, Full Time Positions - All Operating Funds
as of June 30 (Actual)

	2006	2007	2008	2009	2010	2011	2012[1,2]
General Fund							
Police	7,287	7,424	7,367	7,443	7,378	7,219	7,371
Streets	1,858	1,814	1,839	1,724	1,693	1,689	1,785
Fire	2,270	2,399	2,326	2,252	2,187	2,146	2,229
Health	662	664	665	662	662	661	731
Courts	1,936	1,928	1,970	1,889	1,756	1,869	1,909
Prisons	2,225	2,176	2,131	2,294	2,254	2,166	2,310
Human Services	1,703	1,721	1,784	1,743	1,751	1,668	0
All Other	4,878	4,941	5,029	4,905	4,616	4,602	4,960
Total General Fund	22,819	23,067	23,111	22,912	22,297	22,020	21,295
Other Funds	4,616	4,598	4,642	4,570	4,566	4,540	7,162
Total - All Funds	27,435	27,665	27,753	27,482	26,863	26,560	28,457

(1) Reflects budgeted full-time positions for Fiscal Year 2012 from the December 31, 2011 Quarterly City Manager's Report.
(2) Reflects the transfer of the majority of the Department of Human Services revenue and obligations from the General Fund to the Grants Revenue Fund.

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("IAFF Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

On July 10, 2008, an arbitration panel awarded a one-year contract to the FOP effective July 1, 2008. The award called for a 2% wage increase effective July 1, 2008, a 2% wage increase effective January 1, 2009 and a 1% increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,303 per member to $1,165 per member. The contract expired June 30, 2009.

On December 18, 2009, an arbitration panel awarded a five-year contract to the FOP effective July 1, 2009 which calls for no raise the first year, a 3% wage increase and one percent stress differential increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and reopeners on wages in Fiscal Year 2013 and 2014. The award also includes higher employee co-pays in the police medical plan, reduced City contributions to the union's healthcare fund in Fiscal Year 2010, self-insurance for employee health benefits and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan for the first time.

On June 21, 2011, an arbitration award was issued for a smaller unit comprised of uniformed employees of the Sheriff's Office and civilian employees of the Register of Wills. The award deferred wages and improvements for the civilian employees pending the outcome of negotiations with District Council 33. Uniformed employees of the Sheriff's Office received wage increases of 2.5% on July 1, 2010, 2.5% on July 1, 2011, and reopeners in Fiscal Year 2013 and 2014. A new pension plan similar to that for uniformed police was created, but with a lower benefit level. Since these employees were not in the uniformed division of the City's pension plan, the award created a new pension plan for the municipal division of the pension plan which must be approved by City Council in order to be implemented. Employees in the Sheriff's Office have the choice of having a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan. New employees of the Register of Wills Office are required to enter the hybrid plan.

On October 17, 2008, an arbitration panel awarded a one-year contract to the IAFF Local 22 effective July 1, 2008. The award called for a 2% wage increase effective July 1, 2008, a 2% wage increase effective January 1, 2009, and a 1% increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,444 per member to $1,270 per member. The contract expired on June 30, 2009.

On October 15, 2010, an arbitration panel awarded a four year contract to the IAFF Local 22 effective July 1, 2009 which calls for no raise the first year, a 3% wage increase effective July 1, 2010, a 3% wage increase effective July 1, 2011, and a 3% wage increase effective July 1, 2012. The award also includes a change from purchase of health insurance to self-insurance as of January 1, 2011, higher employee co-pays in the Fire medical plan, the union's healthcare fund will be responsible for the first $5 million in self-insurance costs, and a requirement that new employees choose between a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan for the first time. The City appealed the economic provisions of the award other than the revisions to the pension plan. The award has been vacated, and all provisions with the exception of the new pension plan, and changes in vacation scheduling removed. The award has been returned to the panel to issue a revised award consistent with the requirements of PICA. Hearings are scheduled in late June 2012.

The City reached a one year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement called for a lump sum bonus of $1,100 per member. The agreement also called for no increase in the current per member per month health benefit payment. The contract expired June 30, 2009. Negotiations are currently underway with District Councils 33 and 47.

On March 16, 2012, an arbitration panel issued an award covering approximately 2,100 prison guards and related employees of the City, who are part of District Council 33. This award covered the time period from July 1, 2008 through June 30, 2014. The award provided a one-time $1,100 lump sum bonus, equivalent to that received by the larger unit of District Council 33 in 2008, and wage increases of 2.5% effective July 1, 2012 and July 1, 2013. If the City agrees to any wage increases in the District Council negotiations described in the preceding paragraph for years prior to July 1, 2012, the prison guards and related City employees would also receive these increases. Overtime compensation was reformed so that employees who use sick leave and other leave time and then work additional hours in a week will not receive the overtime premium rate for these extra hours of work. Covered employees will now have the choice of having a 20% increase in pension contributions over the amount current employees pay or entering a hybrid plan that includes a defined benefit portion combined with a voluntary 401(k) type retirement plan. New employees are required to enter the hybrid plan. Additionally, current employees will be required to make increased contributions for their pension plans effective July 1, 2013. It is estimated that employees covered under Plan 87 (further described under "Municipal Pension Fund") will see an increase from 30% of normal cost to 50% of normal cost which will increase the employee contribution by 1% of salary. Employees in Plan 67 (further described under "Municipal Pension Fund") will also pay 50% of normal cost, but will no longer receive an offset while contributing toward FICA which will increase the employee contribution by 2% of salary.

The following table presents employee wage increases for the Fiscal Years 2006 through 2012.

Table 13
Employee Wage Increases
Fiscal Years 2006-2012

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0%[(1)]	3.0%[(1)]	3.0%	3.0%
2008	4.0%[(2)]	4.0%[(2)]	4.0%	4.0%
2009	No increase[(3)]	No increase[(3)]	4.0%[(4)]	4.0%[(4)]
2010	[(5)]	[(5)]	0.0%[(6)]	0.0%[(7)]
2011	[(5)]	[(5)]	3.0%[(6)]	3.0%[(7)]
2012	[(5)]	[(5)]	3.0%[(6)]	3.0%[(7)]

(1) Third year of a four year contract: 3% effective July 1, 2006.
(2) Fourth year of a four year contract: 4% effective July 1, 2007.
(3) Cash bonus of $1,100 paid 15 days after ratification.
(4) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.
(5) Contract expired on June 30, 2009, negotiations are currently underway. An increase of 2.5% for 2012 was awarded to certain prison guards and related employees which are part of District Council 33.
(6) Five year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, and re-openers on wages in Fiscal Years 2013 and 2014.
(7) Four year contract: 0% effective July 1, 2009, 3% effective July 1, 2010, 3% effective July 1, 2011, 3% effective July 1, 2012. The contract award was appealed by the City and has been returned to the arbitration panel.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2006 through 2012 are shown in the following table.

Table 14
General Fund Employee Benefit Expenditures
Fiscal Years 2006-2012
(Amounts in Millions of USD)

	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Current Estimate [2] 2012
Pension Contribution[1]	346.5	436.8	430.8	459.0	346.7	485.2	554.3
Health/Medical/Dental	291.8	331.5	421.0	377.0	349.7	346.3	334.3
Social Security	60.8	64.1	69.7	68.8	65.2	64.6	64.9
Other	61.1	57.9	61.5	68.4	69.5	70.9	74.4
Total	760.2	890.3	983.0	973.2	831.4	967.0	1,029.9

[1] The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999, which were outstanding in the principal amount of $1,448,975 on February 29, 2012.
[2] From the estimates for the Proposed Fiscal 2013 Budget.

Municipal Pension Fund (Related to All Funds)

The Board of Pensions and Retirement (the "Pension Board") is charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound retirement system providing benefits for all City employees. The Pension Board, pursuant to the Home Rule Charter, is composed of the Director of Finance, who serves as chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City. The elected members serve a four-year term of office.

The Pension Board formally approves all benefit applications, but its major role is that of "trustee," to ensure that the retirement system remains actuarially and financially sound for the benefit of current and future benefit recipients. The Pension Board, with the assistance of its professional consultants, develops the policies and strategies which enable the Pension Board to successfully execute its fiduciary obligations.

Court decisions have interpreted the requirement to maintain a retirement system, described above, to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs; and

B. Amortization of the unfunded actuarial accrued liability ("UAAL").

Prior to July 1, 2009, the amortization of the UAAL was determined in accordance with the provisions of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, 1984 ("Act 205"), as amended from time to time. Any increases or decrease in unfunded liabilities were amortized according to Act 205; however, effective for the July 1, 2009 valuation, which defines the City's contribution obligation for the Fiscal Year ending on June 30, 2010, and subsequent valuations, which define the City's contribution obligation in subsequent fiscal years, and as further described below, the unfunded liability may be amortized over a fixed 30 year period as a level dollar amount pursuant to Act 44.

The allocation of assets in the Municipal Pension Fund as of February 29, 2012 as well as the target allocation is set forth below:

Asset Allocation as of February 29, 2012

	Domestic Equity	Non-US Equity	Total Fixed Income	Real Estate	Private Equity	Hedge Funds	Real Assets	Cash
Current Allocation	21.5%	20.8%	27.5%	3.9%	13.5%	7.3%	1.8%	3.7%
Target Allocation	20.0%	21.5%	25.5%	5.0%	13.0%	10.0%	5.0%	De minimis*

*Sufficient cash is kept on hand to meet monthly liabilities.

The Pension Board's investment policy provides, in part:

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

- The Fund seeks an annual total rate of return of not less than 8.10% over a full market cycle with a standard deviation of not greater than 13.43%. It is anticipated that this return standard should enable the Fund to meet its actuarially assumed earnings projections (currently 8.10%) over a market cycle. Accordingly, the Fund's investment program will pursue its aforestated total rate of return by a combination of income and appreciation, relying upon neither exclusively in evaluating a prospective investment for the Fund. Any exceptions, an investment made solely for income with no prospect of appreciation or an investment made solely for appreciation prospects with no income contribution, will be made only upon recommendation of the Fund's Investment Committee and approval by a majority of the Pension Fund Board.

Based on the City's actuarial report dated March 22, 2012, for the period ending July 1, 2011 (the "2011 Actuarial Report"), the UAAL was $4.768 billion which equals a funding ratio of 50% and a UAAL as a percentage of covered payroll of 348%, each based on actuarial assets of $4.719 billion. The market value of the assets in the Municipal Pension Fund was $4.259 billion as of July 1, 2011, and the funding ratio based on such market value was 45%. As of February 29, 2012, the market value of assets in the Municipal Pension Fund was $3.773 billion.

The 2011 Actuarial Report, which sets forth further information regarding the City's pension obligations, including projections of assets and liabilities in the Municipal Pension Fund and future City contributions, is available on the City's Investor Website. See "DISCUSSION OF FINANCIAL OPERATIONS-Current City Practices."

As part of Act 44, which provided for a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline, the City adopted the fresh start amortization alternative of 30 years (previously 20 years remaining) and lowered the assumed rate of interest for funding valuation purposes from 8.75% to 8.25%. Along with these changes the asset smoothing method was changed from a five year period to a ten year period with the additional requirement that the actuarial asset value is not more than 120% nor less than 80% of the market value of assets. On October 28, 2010, the Pension Board voted to further lower the Municipal Pension Fund's annual earnings assumption from 8.25% to 8.15. In February of 2012, the Board of Pensions voted to lower the Municipal Pension Fund's annual earnings assumption from 8.15% to 8.10%. Additionally, the legislation allowed the City to defer a portion of its minimum municipal obligation payment in the amount of $150 million in Fiscal Year 2010 and $80 million in Fiscal Year 2011 to be paid back (including interest due annually as accrued on the outstanding deferral) over the period ending in Fiscal Year 2014; $106 million is budgeted to be paid back in Fiscal Year 2013 with the balance of $124 million in Fiscal Year 2014. The change in amortization period and the partial deferral were approved by the Pennsylvania General Assembly as part of Act 44.

A schedule of funding progress as of July 1, 2011, a comparative schedule of operations of the City's Municipal Pension Fund for Fiscal Years 2002 through 2011, the City's annual pension cost and net pension obligation for Fiscal Years 2009, 2010 and 2011, the actuarial valuation method for determining the City's contributions (subject to the changes described above), and a description of the derivatives and other financial contracts utilized by the Pension Board, among other items, are contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Non-uniformed represented employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Generally, uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service. City employees participate in arrangements set forth under one of two municipal pensions programs known as Plan 67 or Plan 87 (except as described for certain police employees below), depending, primarily, on such employee's date of hire. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60) for non-uniformed employees and also for Plan 67 (age 45) and Plan 87 (age 50) for uniformed employees.

Police employees hired on or after January 1, 2010 will have the option to participate in a defined benefit plan with a different benefit calculation formula and eligibility and vesting rules and a defined contribution plan with eligibility for City matching contributions, or enter Plan 87 but with an increased employee contribution rate of 6.0% instead of 5.0%.

Other Post-Employment Benefits

The City self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage.

The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts (other than police) and is self-insured for nonunion employees and union police employees.

The City's annual other post-employment benefit ("OPEB") expense is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years.

For Fiscal Year 2011, the City's ARC was $101.2 million and it contributed $65.5 million for OPEB expense; its net OPEB obligation for Fiscal Year 2011 was $79.5 million.

Further information on the City's annual OPEB expense and net OPEB obligation for Fiscal Years 2009, 2010 and 2011 and the funded status of the OPEB benefits is contained in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2006 through 2012.

Table 15
Purchase of Service in the General Fund
Fiscal Years 2006-2012
(Amounts in Millions of USD)

	Actual						Current Estimate (9,10)
	2006	2007	2008	2009	2010	2011	2012
Human Services(1)	467.9	495.3	515.3	499.0	465.5	448.2	68.4
Public Health	61.1	65.5	65.1	67.9	64.7	66.1	65.7
Public Property(2)	137.9	156.3	139.5	142.6	136.2	138.7	140.6
Streets(3)	54.8	58.3	58.4	51.0	55.8	51.0	46.8
Sinking Fund - Lease Debt(4)	77.0	84.3	85.1	86.1	79.9	87.5	93.2
Legal Services(5)	33.6	35.4	37.3	37.3	35.9	36.6	37.1
First Judicial District	24.4	24.8	25.6	23.6	23.7	22.9	22.0
Licenses & Inspections(6)	11.5	11.4	11.9	9.6	8.2	4.1	7.1
Supportive Housing (7)	28.6	31.3	33.9	32.3	31.7	30.2	30.4
Prisons	82.8	87.5	93.6	110.7	106.4	106.6	104.0
All Other(8)	86.4	101.5	123.0	114.1	103.4	131.0	145.9
Total	1,065.7	1,151.6	1,188.7	1,174.2	1,111.4	1,127.9	761.2

(1) Includes payments for care of dependent and delinquent children.
(2) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Managing Director – Office of Innovation and Technology ("OIT"). Services purchased for OIT appear in the table under the category "All Other."
(3) Includes solid waste disposal costs.
(4) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(5) Includes payments to the Defender Association to provide legal representation for indigents.
(6) Includes payments for demolition in Fiscal Year 2006 through Fiscal Year 2012.
(7) Includes homeless shelter and boarding home payments.
(8) Includes payment for Convention Center Subsidy and Vehicle leasing.
(9) From the estimates for the Proposed Fiscal 2013 Budget.
(10) The reduction in Human Services purchases in Fiscal Year 2012 is largely the result of the transfer of the majority of the Department of Human Services revenue and obligations to the Grants Revenue Fund.

Figures may not add up due to rounding.

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional $2 million, bringing the total contribution to $37 million. In Fiscal Year 2010, the City made a $38.5 million contribution. In Fiscal Year 2011, the City made a $38.6 million contribution. The Fiscal Year 2012 adopted budget includes an additional contribution of $10 million, bringing the total contribution to approximately $48 million.

Section 696 of the School Code (commonly referred to as "Act 46") imposed on the City a maintenance of effort obligation with respect to the School District. For so long as the School District remains subject to a declaration of "distress" by the Secretary of Education, the City is obligated to continue paying over to the School District each year an amount at least equal to the amount paid over to the School District in the previous year; and is obligated to continue authorizing for the School District a rate of taxation at least equal to the rate of taxation authorized by the City for the School District in the previous year. The School District was declared distressed effective December 22, 2001. See "THE GOVERNMENT OF THE CITY OF PHILADELPHIA - Local Government Agencies - The School District."

Annual Payments to PGW

In order to assist PGW, (i) the City agreed to forgo the $18 million annual payment in Fiscal Year 2004, (ii) for Fiscal Years 2005, 2006, 2007, 2008, 2009 and 2010 the City made a grant to PGW equal to the annual payment received from PGW in such fiscal years, In Fiscal Year 2011, PGW remitted to the City the required annual payment of $18,000,000. The City's Twentieth Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund but discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2012, 2013, 2014, 2015 and 2016. The City's proposed Twenty-First Five-Year Plan includes the PGW annual payment of $18,000,000 to the City's General Fund and discontinues the City's grant back to PGW equal to the annual payment received from PGW for Fiscal Years 2013, 2014, 2015, 2016 and 2017.

City Payments to SEPTA

The City made operating subsidy payments to SEPTA in Fiscal Years 2008, 2009, 2010 and 2011 of $61.3 million, $62.9 million, $64.2, and $65.9 million, respectively. The Fiscal Year 2012 budget projects operating subsidy payments to SEPTA of $66.4 million. The proposed Twenty-First Five-Year Plan provides that the City's contribution to SEPTA will increase to $71.4 million by Fiscal Year 2017.

City Payments to Convention Center Authority

In connection with the financing of the expansion to the Pennsylvania Convention Center and the refinancing of debt for the original Pennsylvania Convention Center construction, the Commonwealth, the City and the Convention Center Authority entered into an operating agreement in 2010, providing for the operation of the Convention Center by the Convention Center Authority and pursuant to which the City agreed to pay the Convention Center Authority an annual service fee of $15,000,000 in each Fiscal Year through Fiscal Year 2040 and specified percentages of the City's hotel room rental tax and hospitality promotion tax, subject to certain conditions.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

General Fund Cash Flow

Because the receipts of General Fund revenues lag behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; and (2) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

The City issued $285 million of Tax and Revenue Anticipation Notes in July 2010. These notes were repaid on June 30, 2011. The City issued Tax and Revenue Anticipation Notes in the amount of $173 million in December 2011 which are due in June 2012.

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the following procedures:

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the Home Rule Charter, the City Treasurer is the City Official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional money managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to Revenue Bonds for Water and Sewer and the Airport are directly deposited and held separately in trust. A Fiscal Agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy. In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with Federal or State reporting.

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19-202. In furtherance of the City, State, and Federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that first went into effect in August 1994 and most recently was revised in January 2011. The Policy supplements other legal requirements and establishes a comprehensive investment policy for the overall administration and effective management of all monetary funds (except the Municipal Pension Fund and PGW Retirement Reserve Fund).

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. government securities, U.S. treasuries, U.S. agencies, repurchase agreements, commercial paper, corporate bonds, money market mutual funds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States, all of investment grade rating or better.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio. Repurchase agreements, money market mutual funds, commercial paper, and corporate bonds are limited to investment of no more than 25% of the total portfolio. Obligations of the Commonwealth and collateralized banker's acceptances and certificates of deposit are limited to no more than 15% of the total portfolio. Collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 5% of the total portfolio.

U.S. government treasury and agency securities carry no limitation as to the percent of the total portfolio per issuer. Repurchase agreements and money market mutual funds are limited to no more than 10% of the total portfolio per issuer. Commercial paper, corporate bonds, obligations of the Commonwealth, collateralized banker's acceptances and certificates of deposit, and collateralized mortgage obligations and pass-through securities directly issued by a federal agency of the United States are limited to no more than 3% of the total portfolio per issuer.

The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by the City or money managers in accordance with the Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance and the City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, PGW and PMA. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy.

The Policy expressly forbids the use of any derivative investment product as well as investments in any security whose yield or market value does not follow the normal swings in interest rates. Examples of these types of securities include, but are not limited to: structured notes, floating rate or inverse floating rate instruments, securities that could result in zero interest accrual if held to maturity, and mortgage derived interest and principal only strips. The City currently makes no investments in derivatives.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of May 9, 2012, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,622,314,000. This amount is based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10 year rolling average. The total amount of authorized debt applicable to the debt limit was $1,542,470,000, including $570,599,000 of authorized but unissued debt, leaving a legal debt margin of $79,844,000. The calculation of the legal debt margin is as follows:

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Table 16
General Obligation Bonded Debt
May 9, 2012
(in Thousands)

Authorized, issued and outstanding	$1,326,105
Authorized and unissued	570,599
Total	1,896,704
Less: Self-supporting debt	(354,234)
Less: Serial bonds maturing within a year	-
Total amount of authorized debt applicable to debt limit	1,542,470
Legal debt limit	1,622,314
Legal debt margin	$ 79,844

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $173 million of Tax and Revenue Anticipation Notes on December 7, 2011, payable on June 29, 2012.

Long-Term Debt

The table below presents a synopsis of the bonded debt of the City and its component units as of the date indicated. In addition, for tables setting forth a ten-year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2011, see the Fiscal Year 2011 Comprehensive Annual Financial Report. For a listing of recent long term debt issued or supported by the City see "Recent and Upcoming Financings" hereof.

Of the total balance of City tax-supported general obligation bonds issued and outstanding on May 9, 2012, approximately 18% is scheduled to mature within five fiscal years and approximately 39% is scheduled to mature within ten fiscal years.

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Table 17
Bonded Debt -- City of Philadelphia and Component Units
as of May 9, 2012
(Amounts in Thousands)

(Unaudited)

Tax-supported bonds		
General Fund		$1,326,105
PA Intergovernmental Cooperation Authority		494,710
Subtotal: Tax-supported bonds		1,820,815
Other Long-Term Debt-Related Obligations		
Philadelphia Municipal Authority		
Municipal Services Building	$ 19,303	
Criminal Justice Center	121,120	
Juvenile Justice Center	96,945	237,368
Philadelphia Authority for Industrial Development		
Pension Bonds	1,370,970	
Stadiums	325,560	
Library	8,655	
Cultural and Commercial Corridor	119,425	
One Parkway	43,470	1,868,080
Parking Authority		14,820
Redevelopment Authority		227,595
Subtotal		4,168,678
Revenue bonds		
Water Fund		1,924,232
Aviation Fund		1,417,055
Gas Works		1,141,715
Subtotal: Revenue bonds		4,483,002
Grand total		$ 8,651,680

Source: Office of Director of Finance

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Table 18
City of Philadelphia
Annual Debt Service on City-Related Long-Term Debt
As of June 30, 2011
(Amounts in Millions of USD)

	Tax Supported Bonds[1]			Other Long-Term Obligations[2]			Total		
Fiscal Year	Principal	Interest[3]	Total	Principal	Interest[3]	Total	Principal	Interest	Total
2012	$41.76	$67.44	$109.20	$75.71	$132.58	$208.29	$117.47	$200.02	$317.49
2013	48.54	68.44	116.98	82.53	139.30	221.83	131.06	207.74	338.80
2014	50.74	66.22	116.95	82.74	140.33	223.06	133.47	206.54	340.02
2015	53.45	63.55	117.00	84.00	143.93	227.93	137.45	207.48	344.93
2016	52.01	60.86	112.87	83.92	140.23	224.15	135.93	201.09	337.02
2017	54.57	58.20	112.77	84.11	139.85	223.96	138.67	198.05	336.73
2018	57.21	55.35	112.56	89.56	139.03	228.59	146.77	194.38	341.15
2019	60.12	52.34	112.45	74.57	138.25	212.82	134.68	190.59	325.27
2020	62.56	49.50	112.05	64.12	138.01	202.13	126.68	187.50	314.18
2021	54.36	46.37	100.72	64.28	137.88	202.16	118.64	184.25	302.89
2022	57.89	43.58	101.47	64.62	137.58	202.20	122.50	181.16	303.66
2023	60.70	40.52	101.22	65.12	137.11	202.23	125.82	177.62	303.44
2024	63.80	37.24	101.04	65.76	136.51	202.26	129.56	173.75	303.30
2025	67.00	33.79	100.79	66.73	135.57	202.30	133.73	169.37	303.10
2026	62.93	30.38	93.31	80.13	121.38	201.51	143.06	151.76	294.82
2027	66.02	27.00	93.02	158.97	43.77	202.74	224.99	70.77	295.76
2028	69.82	23.61	93.42	164.13	34.54	198.67	233.95	58.15	292.10
2029	42.84	20.90	63.74	277.50	17.61	295.11	320.34	38.51	358.85
2030	58.20	18.39	76.58	53.73	7.81	61.53	111.92	26.20	138.12
2031	61.32	15.37	76.68	56.27	5.32	61.58	117.58	20.69	138.27
2032	64.58	12.18	76.76	13.63	3.21	16.84	78.21	15.39	93.60
2033	28.16	9.70	37.86	4.90	2.71	7.61	33.06	12.42	45.47
2034	14.70	8.38	23.07	5.22	2.39	7.61	19.91	10.77	30.68
2035	15.71	7.36	23.07	5.56	2.06	7.61	21.27	9.42	30.68
2036	16.80	6.28	23.07	5.92	1.69	7.61	22.71	7.97	30.68
2037	17.96	5.12	23.07	6.30	1.31	7.61	24.26	6.43	30.68
2038	19.22	3.85	23.07	6.71	0.90	7.61	25.93	4.75	30.68
2039	20.59	2.48	23.07	7.15	0.46	7.61	27.74	2.95	30.68
2040	8.52	1.50	10.02	0.00	0.00	0.00	8.52	1.50	10.02
2041	9.10	0.93	10.02	0.00	0.00	0.00	9.10	0.93	10.02
2042	9.71	0.32	10.02	0.00	0.00	0.00	9.71	0.32	10.02
TOTAL	$1,370.80	$937.14	$2,307.94	$1,893.85	$2,181.32	$4,075.17	$3,264.65	$3,118.46	$6,383.11

[1] Includes General Obligation bonds.
[2] Includes PAID, PMA, Parking Authority, and Redevelopment Authority bonds.
[3] Assumes interest rate to be fixed swap rate on hedged variable rate bonds.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations, as shown on Table 18. The City budgets all other long-term debt-related obligations as a single budget item with the exception of the Parking Authority which has a budget of $1,334,700 for Fiscal Year 2013.

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of CCP, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in Fiscal Year 2008 was $24,467,924. The amount paid in Fiscal Year 2009 and Fiscal Year 2010 was $26,467,924 each year. The amount paid in Fiscal Year 2011 was $25,409,207. The budgeted amount for Fiscal Year 2012 is $25,409,207. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

PICA Bonds

PICA has previously issued eleven series of bonds. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued by it. Two series of bonds remain outstanding: (i) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2009 issued in the original aggregate principal amount of $354,925,000, having a final stated maturity date of June 15, 2023 and (ii) Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2010 in the original principal amount of $206,960,000, having a final stated maturity date of June 15, 2022. As of the close of business on May 9, 2012, the principal amount of PICA bonds outstanding was $494,710,000.

The proceeds of the previous series of bonds issued by PICA were used (a) to make grants to the City to fund General Fund deficits of the City, to fund the costs of certain capital projects undertaken by the City, to provide other financial assistance to the City to enhance productivity in the operation of City government, and to defease certain general obligation bonds of the City, (b) to refund other bonds of PICA and (c) to pay costs of issuance.

The PICA Act authorized the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the adoption of the first Five-Year Plan, the City reduced the wage, earnings, and net profits tax on City residents by 1.5% and enacted a PICA Tax of 1.5% tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding. PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account (as described below) and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 2002 through 2011 and the current estimate for Fiscal Year 2012 are set forth below.

Table 19
Summary of PICA Tax Remitted to PICA by the State Treasurer and Net Taxes Remitted to the City
(Amounts in Millions of USD)

Year	PICA Tax	PICA Annual Debt Service and Investment Expenses	Net taxes remitted to the City[1]
2002	278.0	107.3	170.7
2003	281.5	79.2	202.3
2004	285.0	78.9	206.1
2005	300.2	85.9	214.3
2006	309.9	87.1	222.8
2007	327.9	86.0	241.9
2008	341.8	86.4	255.4
2009	348.5	86.4	262.1
2010	343.3	68.9	274.4
2011	358.7	64.9	293.8
2012 (Current Estimate)[2]	355.9	66.2	289.7

(1) Does not include additional one-time grants to the City from PICA reserves in certain years.
(2) From the estimates for the Proposed Fiscal 2013 Budget.

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OTHER FINANCING RELATED MATTERS

Swap Information

The City has entered into various swaps related to its outstanding General Fund supported bonds as detailed in the following table:

Table 20
Summary of Swap Information for General Fund Supported Bonds as of April 30, 2012

City Entity	City GO	City Lease - PAID	City Lease - PAID	City Lease - PAID
Related Bond Series	2009B[1]	2001 (Stadium)	2007B (Stadium)	2007B (Stadium)
Initial Notional Amount	$313,505,000	$298,485,000	$217,275,000	$72,400,000
Current Notional Amount	$100,000,000	$193,520,000	$217,275,000	$72,400,000
Termination Date	8/1/2031	10/1/2030	10/1/2030	10/1/2030
Product	Fixed Payer Swap	Basis Swap[2]	Fixed Payer Swap	Fixed Payer Swap
Rate Paid by Dealer	SIFMA	67% 1-month LIBOR + 0.20%, plus fixed annuity	SIFMA	SIFMA
Rate Paid by City Entity	3.829%	SIFMA	3.9713%	3.9713%
Dealer	Royal Bank of Canada	Merrill Lynch Capital Services, Inc.	JP Morgan Chase Bank, N.A.	Merrill Lynch Capital Services, Inc.
Fair Value[3]	($23,592,432)	($4,342,625)	($46,959,785)	($15,648,209)

(1) On July 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 bonds with the Series 2009A fixed rate bonds and the Series 2009B variable rate bonds. The City made a termination payment of $15,450,000.

(2) PAID receives annual fixed payments of $1,216,500 from July 1, 2004 through July 1, 2013. As the result of an amendment on July 14, 2006, $104,965,000 of the total notional was restructured as a constant maturity swap (the rate received by PAID on that portion was converted from a percentage of 1-month LIBOR to a percentage of the 5-year LIBOR swap rate from October 1, 2006 to October 1, 2020). The constant maturity swap was terminated in December 2009. The City received a termination payment of $3,049,000.

(3) Fair values are as of April 30, 2012, and are shown from the City's perspective and include accrued interest.

While the City is party to several interest rate swap agreements, for which there is General Fund exposure and on which the swaps currently have a negative mark against the City, the City has no obligation to post collateral on these swaps while the City's underlying ratings are investment grade.

For more information related to certain swaps entered into in connection with revenue bonds issued for PGW, Water and the Airport, see the Fiscal Year 2011 Comprehensive Annual Financial Report. In addition, PICA has entered into swaps which are detailed in the Fiscal Year 2011 Comprehensive Annual Financial Report.

Letter of Credit and Liquidity Agreements

The City has entered into various letter of credit and standby agreements related to its General Fund supported bonds:

Table 21
Summary of Letter of Credit and Standby Agreements for General Fund Supported Bonds as of February 29, 2012

Variable Rate Bond Series	Amount Outstanding	Provider	Expiration Date
General Obligation Bonds, Series 2009B	$ 100,000,000	RBC	08/04/2014
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-1	117,275,000	JP Morgan	05/24/2013
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2*	72,400,000	Bank of America	05/24/2013
PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-3	44,605,000	PNC Bank	05/23/2014

*On May 31, 2012, the City, through the Philadelphia Authority for Industrial Development anticipates remarketing its PAID Multi-Modal Lease Revenue Refunding Bonds, Series 2007B-2 to be secured by a new direct pay letter of credit issued by TD Bank, N.A., with an anticipated expiration date of May 29, 2015.

Recent and Upcoming Financings

In June 2012, the City, together with Philadelphia International Airport, expects to issue its Airport Revenue Notes, Commercial Paper Series A, in the amount of approximately $350 million.

From time to time, the City considers additional new money and/or refunding financings as market opportunities arise.

The following is a list of financings that the City has entered into since the close of Fiscal Year 2011:

In May 2012, the City issued General Obligation Refunding Bonds, Series 2012A in the amount of $21.295 million.

In May 2012, the City, through the Philadelphia Redevelopment Authority, issued Revenue Refunding Bonds, Series 2012 (City of Philadelphia Neighborhood Transformation Initiative) in the amount of $91.305 million.

In December 2011, the City, together with Philadelphia International Airport, remarketed the City's Airport Revenue Bonds, Series 2005C in the amount of $162.6 million and issued $233.83 million of AMT revenue refunding bonds.

In December 2011, the City issued tax and revenue anticipation notes in the amount of $173 million.

In November 2011, the City, together with the Water Department, issued $135 million of Water and Wastewater Revenue Bonds, Series 2011A and $49.8 million of Water and Wastewater Revenue Refunding Bonds, Series 2011B.

In September 2011, the City along with PGW, remarketed the Eighth Series B-E bonds in the amount of approximately $225.5 million and issued approximately $88.8 million of Twentieth (1975 Ordinance) and Tenth (1998 Ordinance) Series Refunding Bonds.

In September 2011, the City along with the Water Department, remarketed the Water and Wastewater Revenue Bonds, Variable Rate Series 1997B Bonds in the amount of approximately $70 million.

In August 2011, the City remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B in the amount of $100 million.

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2012-2017 contemplates a total budget of $8,990,983,000 of which $1,972,365,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2012-2017 on June 23, 2011.

Table 22
Fiscal Years 2012-2017
Capital Improvement Program
(Amounts in Thousands of USD)

City Funds – Tax Supported	2012	2013	2014	2015	2016	2017	2012-2017
Carried-forward Loans	240,051	0	0	0	0	0	240,051
Operating Revenue	33,509	9,529	8,029	7,029	6,029	3,729	67,854
New Loans	107,012	106,050	86,985	81,625	84,079	80,534	546,285
Pre-financed Loans	3,268	1,000	1,000	1,000	1,000	1,000	8,268
PICA Pre-financed Loans	26,492	0	0	0	0	0	26,492
Tax-supported Subtotal	410,332	116,579	96,014	89,654	91,108	85,263	888,950
City Funds – Self-Sustaining							
Carried-forward Loans	1,094,637	0	0	0	0	0	1,094,637
Operating	179,625	37,322	43,689	44,062	46,444	47,000	398,142
New Loans	683,803	791,680	668,941	866,664	972,741	635,060	4,618,889
Self-Sustaining Subtotal	1,958,065	829,002	712,630	910,726	1,019,185	682,060	6,111,668
Revolving Funds	18,000	0	0	0	0	0	18,000
Other Than City Funds							
Carried-Forward Other Government	17,171	0	0	0	0	0	17,171
Other Governments Off Budget	461	695	869	1,114	1,303	1,421	5,863
Carried-Forward State	67,944	0	0	0	0	0	67,944
State Off Budget	61,495	99,336	123,622	155,243	164,204	165,191	769,091
State	23,707	7,552	6,232	6,507	6,532	6,507	57,037
Carried-Forward Private	74,446	0	0	0	0	0	74,446
Private	17,020	25,120	25,020	25,020	25,020	25,020	142,220
Carried-Forward Federal	298,025	0	0	0	0	0	298,025
Federal Off Budget	25,548	30,258	30,579	7,324	7,324	9,154	110,187
Federal	132,460	86,311	57,340	48,690	50,490	55,090	430,381
Other Than City Funds Subtotal	718,277	249,272	243,662	243,898	254,873	262,383	1,972,365
TOTAL	$3,104,674	$1,194,853	$1,052,306	$1,244,278	$1,365,166	$1,029,706	$8,990,983

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Division of Aviation, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Division of Aviation, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property 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 repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the $500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $30.2 million for Fiscal Year 2001, $30.0 million for Fiscal Year 2002, $24.1 million for Fiscal Year 2003, $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007, $29.8 million for Fiscal Year 2008, $34.5 million for Fiscal Year 2009, $32.7 million for Fiscal Year 2010, and $33.7 million for Fiscal Year 2011. Estimates of settlements and judgments from the General Fund are $33.12 million for each of the Fiscal Years 2012 through 2016, respectively (based on the Twentieth Five-Year Plan). In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2011, payments for claims arising from labor settlements in the General Fund were $1.31 million of which $1.3 million were paid from the Indemnities account, and $6,000 from the operating budgets of the affected departments. For Fiscal Year 2010, payments for claims arising from labor settlements in the General Fund were $1.4 million of which $1.38 million was paid from the Indemnities account, and $13,000 from the operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $31.4 million per year over the five years from Fiscal Year 2007 through Fiscal Year 2011.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; civil rights claims; contract disputes; union arbitrations; and a dispute regarding City-wide property valuations. The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in this paragraph are not currently predictable.

Various claims in addition to the lawsuits described in the preceding paragraph have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2009 which resulted from these claims and lawsuits was $5.0 million, and $4.9 million in Fiscal Year 2010. The aggregate loss for Fiscal Year 2011 was $5.4 million. The Water Fund's budget for Fiscal Year 2012 contains an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is for only $3.5 million in Fiscal Year 2012. The Water Fund is the first source of payment for any of the claims against the Water Department.

In addition, various claims have been asserted against the Division of Aviation and in some cases lawsuits have been instituted. Many of these Division of Aviation claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Division of Aviation. The aggregate loss for Fiscal Year 2009 which resulted from these claims and lawsuits was $430,000 and $881,600 for Fiscal Year 2010. The aggregate loss for Fiscal Year 2011 was $1.7 million. The Indemnities budget for Aviation Fund claims for Fiscal Year 2012 contains an appropriation in the amount of $2.5 million, although the current estimate, based on the prior three fiscal years' expenditures, is only $1.7 million in Fiscal Year 2012. The Division of Aviation is the first source of payment for any of the claims against the Division of Aviation.

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

TABLE OF CONTENTS

APPENDIX B

CITY SOCIOECONOMIC INFORMATION

INTRODUCTION

The City of Philadelphia (the "City" or "Philadelphia") is the fifth-largest city in the nation, with the third largest residential downtown, and is at the center of the United States' sixth largest metropolitan statistical area. The Philadelphia MSA (further described below) includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries. The City has the second largest concentration of students on the East Coast in a metropolitan statistical area with 101 degree granting institutions of higher education and a total enrollment of 300,000 students of whom 156,740 live within the geographic boundaries of the City. Some of the City's top priorities include attracting and retaining knowledgeable workers, increasing educational attainment among Philadelphians, attracting development, and promoting Philadelphia as a desirable location for business.

According to the 2010 U.S. Census, the City increased its population by 0.6% in the ten years since 2000 to 1.526 million residents, ending six decades of population decline. Although the change was modest, it was an indicator of the growth and development that Philadelphia has witnessed throughout the last two decades. The City is positioned for continued growth, given its diverse economy.

Over the past four years, substantial private and public investment aggregating over $12.7 billion (based on building permit information) has led to a revitalization of the City. Philadelphia continues to capitalize on its assets to realize its economic priorities. The City benefits from its strategic geographical location, relative affordability, cultural and recreational amenities, and its growing strength in key industries. The City is a major business and personal services center with strengths in professional services like insurance, law, finance, healthcare and higher education, and leisure and hospitality. Philadelphia's cost of living is relatively moderate compared to other major metropolitan areas. In addition, the City, as one of the country's education centers, offers the business community a large and diverse labor pool.

Geography

The City includes within its boundaries an area of approximately 130 square miles along the southeastern border of the Commonwealth of Pennsylvania (the "Commonwealth") and is located at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is the largest city in the Commonwealth, co-terminous with the County of Philadelphia, and is the County seat.

Philadelphia Metropolitan Statistical Area (MSA), highlighted in light and dark gray, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing an area of approximately 5,118 square miles with approximately 5,965,343 residents.[1]

Philadelphia Primary Metropolitan Statistical Area (PMSA), outlined in light gray, is a 5-county area that is within the Philadelphia MSA that lies in the Commonwealth. Sometimes called the Philadelphia Metropolitan Division, in this discussion it is referred to as the Philadelphia Primary Statistical Area (PMSA). The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

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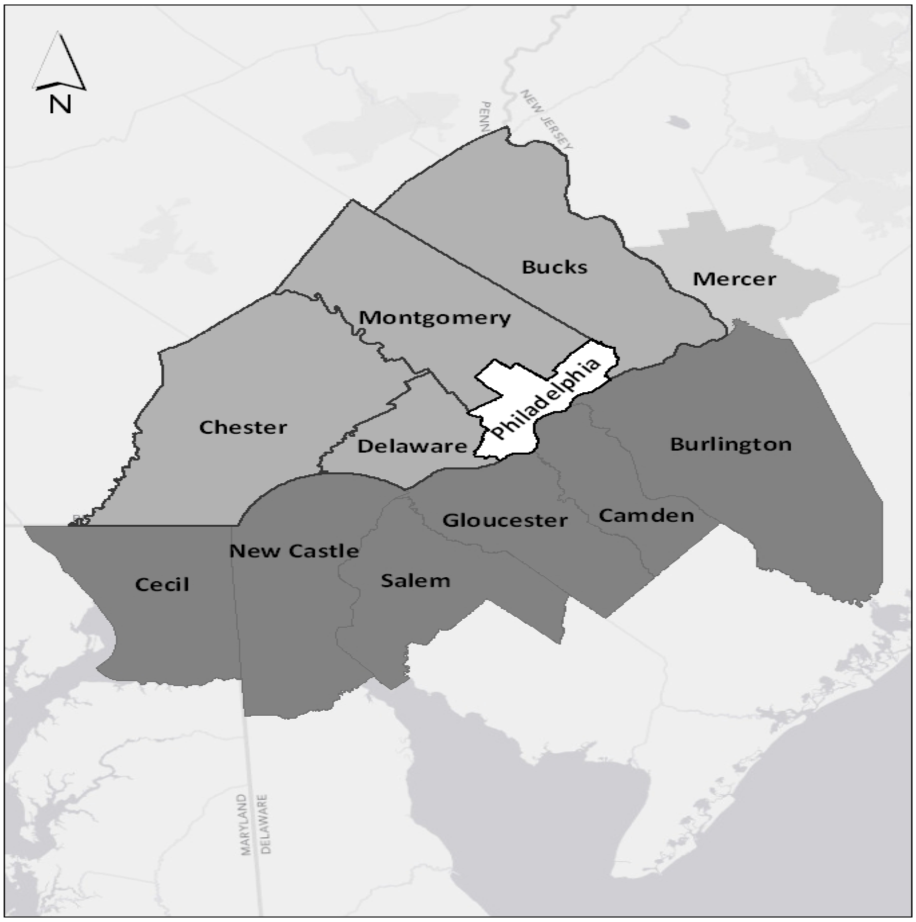
[1] Due to its close proximity and impact on the region's economy, Mercer County, NJ, is included in the MSA by many regional agencies, although it is not included in the area defined by the U.S. Office of Management and Budget.

Figure 1. Map of Philadelphia Region, including the MSA, PMSA, and Mercer County, NJ
Source: 2009 TIGER County Shapefiles



Strategic Location

The City is within a day's drive of 50% of the nation's population and accessible to regional and international markets, due to the transportation infrastructure centered in the City, including the Philadelphia International Airport ("PHL" or the "Airport"), AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the Port of Philadelphia.

Notable Districts

Several key areas within the City have been instrumental in the economic development of Philadelphia over the past two decades and the population stability from the 2000 to the 2010 U.S. Census.

Center City - An area that has seen a resurgence over the last two decades, Center City is Philadelphia's central business and office region within the City. In addition, the area contains a sizeable residential population and provides ample access to retail, dining, arts and culture, entertainment, and mass transportation services, to both residents and daily commuters. It is estimated that approximately 309,000 riders take public transportation into Center City daily. The professional services and leisure and hospitality sectors play significant roles in the Center City area.

Greater Center City - The areas of greater Center City result from a growing desire for urban living among young people who find these areas more affordable than Center City. These areas have experienced increased population, educational attainment, and family income within the last decade.

University City – Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors. It includes the campuses of the University of Pennsylvania, Drexel University, University of the Sciences, the University of Pennsylvania Health System, the Children's Hospital of Philadelphia and the Wistar Institute, as well as the University City Science Center, a biomedical incubator.

The Navy Yard - Deeded to the City by the U.S. Navy in 2000 as a result of the federal Base Realignment and Closure Act (BRAC), the 1,000-acre Philadelphia Navy Yard represents a successful transition of a former naval property with a 125-year history as an active military base to a growing hub for business. Largely through the work of the Philadelphia Industrial Development Corporation, the City began investing in infrastructure at the Navy Yard, providing an urban alternative to suburban office parks and a base for the rejuvenation of the industrial sector. Today, the Navy Yard has attracted over 115 companies with over 8,500 employees. In excess of 6.0 million square feet of space is currently occupied with significant additional capacity available for office, industrial, retail and residential development.

City Identified Peer Group

Certain information about the City in this Appendix is presented in comparison to certain other cities determined by the City. The City has chosen its comparison cities based on a variety of factors, with some cities falling into multiple categories, including comparable population size, similar industrial history, similar assets such as a port or a redeveloped military base, comparable geography along the Northeast corridor and similar socio-economic statistics. Comparison cities are: Baltimore, Boston, Chicago, Cleveland, Detroit, Houston, Los Angeles, Memphis, Milwaukee, Phoenix, San Antonio, San Diego and Washington, DC.

POPULATION AND DEMOGRAPHICS

Philadelphia is the nation's fifth largest city, with 1.526 million residents, based on the 2010 U.S. Census. While modest, Philadelphia's population gain in the last decade was its first in 60 years. The U.S. Census Bureau estimates the City's population at 1.536 million residents as of July 1, 2011.

The greatest share of Philadelphia's population is composed of residents between the ages of 18 and 34. Of comparison cities, Philadelphia trails only three cities, Boston, Washington, DC and Milwaukee, in its share of residents in that age group. The City's many universities and diverse employment bases are likely draws for residents in the 18 to 34 age group. In addition, as noted in Pew Charitable Trusts Philadelphia Research Initiative report, "A City Transformed: the Racial and Ethnic Changes in Philadelphia Over the Last 20 Years", the City's immigrant population grew significantly, with the City's Asian population increasing 126.6% and the Hispanic or Latino population growing by 110.3%.

Table 1
Population
City, MSA, Pennsylvania & Nation

	1990	2000	2010	% Change 1990-2000	% Change 2000-2010
Philadelphia	**1,585,577**	**1,517,550**	**1,526,006**	**-4.3%**	**0.6%**
Philadelphia-Camden-Wilmington MSA	5,437,468	5,687,147	5,965,343	4.6%	9.7%
Pennsylvania	11,881,643	12,281,054	12,702,379	3.4%	3.4%
United States	248,709,873	281,421,906	308,745,538	13.2%	9.7%

Source: U.S. Census Bureau, Census 2010, Census 2000, Census 1990.

Philadelphia exceeds most cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Four of the top five cities that have the largest share of students in higher education are located in the Northeast region. However, because of the population differences of these cities, Philadelphia has 47,905 more students in higher education than top ranked Boston. Philadelphia has the fifth highest share of its residents in higher education of the selected cities shown in Table 2 below and the fourth largest university student population.

Table 2
2010 Total Number of Students, and as a Percent of Total Population of Selected Cities, Ranked by Percent of Total Population enrolled in Higher Education

City	Total Number of Students Enrolled in School (all years)	Total Number of Students Enrolled in Higher Education	Percent of All Students Enrolled in Higher Education	Percent of Total Population enrolled in Higher Education
Boston, MA	196,802	111,921	56.87%	18.01%
Washington, DC	158,455	76,003	47.97%	12.57%
San Diego, CA	389,810	162,066	41.58%	12.35%
Milwaukee, WI	188,043	63,672	33.86%	10.69%
Philadelphia, PA	**431,360**	**156,740**	**36.34%**	**10.26%**
Baltimore, MD	163,071	59,152	36.27%	9.53%
Los Angeles, CA	1,048,029	333,611	31.83%	8.79%
Chicago, IL	723,940	227,881	31.48%	8.44%
Memphis, TN	178,140	53,921	30.27%	8.32%
San Antonio, TX	392,897	107,745	27.42%	8.07%
Detroit, MI	205,059	53,373	26.03%	7.50%
Cleveland, OH	105,921	29,269	27.63%	7.39%
Houston, TX	560,316	150,723	26.90%	7.15%
Phoenix, AZ	402,214	94,134	23.40%	6.49%
United States	**82,724,222**	**23,451,209**	**28.35%**	**7.60%**

Source: 2010 U.S. Census

ECONOMIC DEVELOPMENT

Mission and Goals

The goal of the City's economic development strategy is to create, maintain, and develop: (1) jobs by fostering an improved business environment; (2) increases in population; and (3) enhanced quality of life within the City—all in order to grow the City's tax base and market competitiveness. Strategic public and private investments, as well as location-based assets, have created a stable economic base and positioned Philadelphia for growth. This economic development infrastructure strives to make Philadelphia a place of choice by increasing jobs and population in our City.

Economic Development Infrastructure

The Deputy Mayor for Economic Development and Commerce Director manages a portfolio of City and quasi-public agencies who work together to advance economic development strategies within the City. These agencies serve a variety of functions, including economic development, land use and planning, housing development and historical preservation and regulatory oversight. Furthermore, the City provides additional programs to businesses and individuals as incentive to relocate and/or develop within the City. These programs include tax incentives such as access to designated Keystone Opportunity Zones and real estate tax abatements. Finally, the City has found the private sector to be a valuable partner in advancing the overall economic development initiatives within the City, including but not limited to investment in the Parkway District, the Avenue of the Arts District and the Navy Yard.

Economic Development

The Philadelphia Department of Commerce drives and implements policies to help both small businesses and major corporations in Philadelphia thrive. The Department coordinates activities along neighborhood commercial corridors, with small businesses and entrepreneurs, major real estate development projects, large-scale business attraction and retention efforts, as well as efforts to increase minority-owned business contracting opportunities. At the direction of the Department of Commerce, the Philadelphia Industrial Development Corporation (PIDC) plans and implements real estate and financing transactions that attract investment, jobs and tax ratables to the City.

Land Use and Planning

The Philadelphia City Planning Commission is responsible for the City’s land use and strategic planning policies. The Commission maintains the City’s comprehensive plan and monitors land use by applying the zoning code to proposed development. After four years of work, a revised zoning code was adopted by City Council in December 2011. The new, streamlined code is designed to increase efficiency in the development process by expanding what is allowable by right; thus, limiting the number of variance requests. When variances are needed, the Zoning Board of Adjustment is the appointed arbiter of those land use requests.

Housing Development

The Office of Housing and Community Development (OHCD) manages planning, policy and investment in low income housing through several assistance programs. Most significantly, OHCD creates and manages implementation of the Consolidated Plan, a federally-mandated plan and budget that must be updated yearly in order to receive federal Community Development Block Grant funding. The Philadelphia Redevelopment Authority (PRA) is the public government agency charged with the redevelopment of the City. The PRA focuses on planning and developing balanced, mixed-use communities to create thriving, well-served neighborhoods. The PRA manages disposition of City-owned land. Philadelphia Housing Development Corporation (PHDC) focuses on service to Philadelphia’s low- and moderate-income households through development of new housing and rehabilitation of existing homes in partnership with community development corporations. The Philadelphia Housing Authority (PHA) is funded primarily by the federal government and is the largest landlord in Pennsylvania. PHA develops, acquires, leases and operates affordable housing for City residents with limited incomes. PHA works in partnership with the City and state governments, as well as private investors.

Historical Preservation and Regulatory Oversight

The City is home to historic resources documenting more than three centuries of local, regional, and national history. The Philadelphia Historical Commission is the City’s regulatory agency responsible for ensuring the preservation of that collection of historic resources including buildings, structures, sites, objects, interiors, and districts. The Philadelphia Art Commission is the City's charter-mandated design review board for architecture and public art.

The Department of Licenses & Inspections reviews construction plans and conducts building inspections to ensure the safety of workers and the public. Building permits are required before beginning projects to enlarge, repair, change, add to or demolish a structure, and to install equipment or systems in a structure. The Department also issues licenses, permits and certificates to conduct certain business operations.

Lending, Land Use and Employer-Based Strategies to Expand Business and Investment

As the City's landholding and financing arm, PIDC manages public and private resources that are used to leverage even greater investments from a diverse range of governmental, for-profit and non-profit clients throughout Philadelphia. Since its founding in 1958, PIDC has placed more than $10 billion of PIDC financing and conveyed more than 3,000 acres of land in commercial and industrial projects. These transactions have leveraged $19 billion in total project investment and attracted or retained more than 400,000 jobs.

Through PIDC, the City offers a broad range of financing incentives, including below-market loans, grants, and tax-exempt financing designed to encourage economic growth in Philadelphia. Generally, financing is targeted to capital projects (building acquisition and renovation, new construction, machinery and equipment) that retain or grow employment in Philadelphia where the borrower is not otherwise able to fully fund the project with private-sector debt and equity. PIDC also offers financial assistance for working capital associated with business growth and employee training and additional capital programs for construction projects that incorporate sustainability measures. Incentives are capitalized by federal, state and local governmental resources, as well as private sector funds, and are available to for-profit and non-profit corporations both small and large.

The City also utilizes several place-based economic development strategies to spur development in Philadelphia. These strategies include: (i) a 10-year real estate tax abatement on all construction, as well as on improvements to existing properties; (ii) Commonwealth-designated Keystone Opportunity Zones (KOZ) in which eligible businesses may be exempt from all state and local business taxes until a specified date; (iii) tax increment financing; and (iv) commercial corridor revitalization through support of Business Development Districts (BIDs) and reimbursement for certain storefront improvements.

The City also supports business formation and job creation incentives in a variety of ways, including use of a Job Creation Tax Credit which may be applied against the City's Business Income and Receipts Tax liability. The City works with the Philadelphia business community to build internal and external alliances with minority, women and disabled owned business enterprises, and with private industries to help develop and promote these companies. The City also supports entrepreneurship and small business formation through a dedicated office, the Office of Business Services. With the growth of Philadelphia's immigrant population, the City has actively pursued multilingual business outreach programming.

Key Development Achievements

Despite the national recession, public and private development has continued throughout Philadelphia, supporting a diverse set of industries. Table 3 below presents the 4-year trend of total value of building permits issued by the City.

Table 3
Total Permit Values by Year Completed

Calendar Year	Commercial	Institutional	Miscellaneous Site Work	Residential	Total
2008	$ 1,621,168,416	$ 98,719,913	$ 2,126,715	$ 563,140,276	$ 2,285,155,320
2009	1,395,253,093	703,575,931	2,790,315	943,939,675	3,045,559,014
2010	2,270,044,948	761,256,771	211,140	756,116,210	3,787,629,069
2011	2,109,766,594	430,459,314	1,285,450	767,219,433	3,308,730,791
TOTAL	$ 7,396,233,051	$ 1,994,011,929	$ 6,413,620	$3,030,415,594	$12,427,074,194

Source: City Department of Licenses & Inspections

Convention, Hospitality and Tourism

With Philadelphia's historic assets, the City has natural appeal as a tourist destination. In 1993, with support from the Commonwealth, the Pennsylvania Convention Center was completed, providing a total of 624,000 square feet of saleable space across its four exhibit halls, ballroom and banquet spaces. In 2011, a $786 million expansion, across 20 acres of central Philadelphia real estate, increased the facility to 2.3 million square feet. It is the largest single public works project in Pennsylvania history.

The Convention Center has booked 225 meetings and conventions for 2012, with over 565,000 total hotel room nights, and an estimated economic impact of more than $813 million. In 2011, over 2.77 million room nights were sold within the City, which is the most in Philadelphia's history.

The Pennsylvania Convention Center expects an average annual growth of 5% in hotel rooms booked each year from 2012 to 2018. Currently the Convention Center is on track to book 860,000 hotel room nights in 2018, and has conferences committed through 2026.

The number of hotel rooms available in the City in 1993 was 5,613, with annual demand of 1,331,684 hotel rooms, representing 65% occupancy. In 2011, the City's hotel room inventory increased 89% to 10,586 rooms, with 71% occupancy. The City, working with leaders in the hotel industry, seeks to build an additional 1,000 hotel rooms as an anchor to the Pennsylvania Convention Center. Table 4 lists notable hotel developments since 2008, representing $391 million dollars in investment.

Table 4
Notable Hotel Developments since 2008

Four Points by Sheraton	$14m (Estimate)
Kimpton Hotel Palomar	94m
Le Meridien	61m (Estimate)
Hotel Monaco by Kimpton	88m
Hilton Home2 Suites	60m
Homewood Suites University City	43m
Marriot Courtyard, Navy Yard	31m (Pending)
Total	***$391 million***

Source: City of Philadelphia Commerce Department and PIDC

Despite a drop during the national recession beginning in 2008, 2011 employment in the hospitality sector was at pre-recession levels, employing more than 58,000 people in the City.

In 2010, the City formed the Mayor's Hospitality Advisory Board, a collaborative effort between public, private, and nonprofit entities working to grow the hospitality sector in Philadelphia. The board proactively addresses issues such as customer experience and quality of life, hotel development, and marketing (including international marketing). Beyond working to increase convention business, the City and its regional partners work to increase leisure travelers as well. According to a 2011 report by the Greater Philadelphia Tourism and Marketing Corporation, since 1997, leisure hotel stays have tripled in Center City, Philadelphia, from 254,000 to 827,000 in 2010. This can be attributed to a number of factors, notably, an increased supply of hotel rooms and marketing of the region. The City, through the Greater Philadelphia Tourism and Marketing Corporation, supports domestic marketing efforts.

The City supports international marketing efforts through the Philadelphia Convention and Visitors Bureau (PCVB). The U.S. Office of Travel and Tourism Industries reported that international visitors to Philadelphia in 2010 numbered 633,000. While the PCVB continues to work to attract international visitors from Western Europe, 2012 priorities include increasing the share of visitors from growth markets like China, India, and Brazil.

Table 5
Greater Philadelphia† Visitation Growth, 1997-2010
(in millions)

	1997	*2010*	*Net Change*	*Percent Growth*
Total Visitation	**26.7**	**37.4**	**10.7**	**40%**
Day	18.0	23.0	5.0	28%
Overnight	8.7	14.4	5.7	66%
Leisure	22.8	33.1	10.3	45%
Business	3.9	4.3	0.4	12%

†Bucks, Chester, Delaware, Montgomery and Philadelphia counties.
Source: Greater Philadelphia Tourism and Marketing Corporation, Tourism Economics, Longwoods International

The Center City District reports that one-in-three tourists who come to Center City Philadelphia cite museums and cultural events as the primary reason for their visit. With almost 350 arts and culture organizations, Philadelphia's robust arts and culture sector is an invaluable asset to both the City and the region. In 2011, Travel + Leisure magazine ranked Philadelphia as the number one city for arts and culture in the United States. According to the Cultural Vitality Index, developed by the City's Office of Arts, Culture and the Creative Economy with assistance from the Western States Art Federation, when comparing Philadelphia to national benchmarks, the City's creative economy was 54% stronger than the nation as a whole in 2010. Organizations like the Philadelphia Museum of Art, the Kimmel Center, the Philadelphia Orchestra, and the many smaller cultural organizations throughout the City help improve the quality of life for residents and visitors, as well as contribute to the estimated $580 million in revenue that the Philadelphia MSA's cultural organizations generated in 2010. Part of the wider economic impact generated by this revenue is demonstrated in the over 17,000 creative jobs that the sector supports.

Table 6
2011 Attendance Levels Philadelphia Visitor Center & Select Attractions

Visitor Center/Attraction	***Attendance***
Reading Terminal Market	6,350,706
Independence Visitor Center	2,338,400
Liberty Bell Center	2,045,680
Philadelphia Zoo	1,178,285
Franklin Institute	845,272
National Constitution Center	817,227
Independence Hall	689,723
Philadelphia Museum of Art	635,035
Please Touch Museum	574,692
Eastern State Penitentiary	264,671
University of Pennsylvania Museum of Archaeology and Anthropology	211,713
Academy of Natural Sciences	165,158

Source: Philadelphia Area Hospitality Snapshot, PKF Consulting; Greater Philadelphia Tourism Marketing Corporation, 2011.

Historic District Investments

As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall and Elfreth's Alley, the nation's oldest residential street. The City continues to invest in the maintenance and expansion of the Historic District's tourist experience. Table 7 lists several key attractions that have been added since 2001, complementing existing historic assets. Coupled with proposed developments, public and private, this district is expected to remain competitive in the national and international tourism markets for years to come.

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Table 7
Select Historic District Investments since 2001

Select Completed Investments	***Estimated Cost (Millions)***
Independence Visitors Center	$38.0
Independence National Historic Park Landscaping	18.0
National Constitution Center	185.0
Liberty Bell Center	13.0
Presidents House	7.1
Historic Philadelphia Franklin Square	10.0
Independence Park Institute	2.0
National Museum of Jewish American History	150.0
Select Completed Investment Total	***$423.1***
Select Future Investments	
Franklin Court Museum (Underway)	$21.0
Lights of Liberty (Underway)	10.0
Lafayette Hotel by Kimpton (Underway)	88.0
National Center For the American Revolution (Planned)	100.0
Independence Hall Tower Investments	4.8
Select Future Investment Total	***$223.80***
Total	***$646.9***

Source: City of Philadelphia Department of Commerce and PIDC

Avenue of the Arts and North Broad Street Investment

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for nearly two decades. Serious consideration of a performing arts district began with the work of the Central Philadelphia Development Corporation and others in the early 1980s. Cultural institutions, the William Penn Foundation, local property owners and civic leaders advanced the idea of a performing arts district on South Broad Street anchored by the Academy of Music and modeled after successful performing arts districts around the country. The transformation of South Broad Street into the Avenue of the Arts progressed in the 1990s. The Avenue of the Arts became a key element of the City's strategy to strengthen Center City as the region's premier cultural destination and an important element in the City's bid to expand its convention and tourism industries. Table 8 provides an overview of investment to date in this district.

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Table 8
Avenue of the Arts Development Projects

Development Project	***Estimated Cost (Millions)***
Academy of Music Upgrades 1994-2002	$30.0
Wilma Theater 1996	8.0
Philadelphia High School for the Creative and Performing Arts (CAPA) 1997	25.0
Ritz Carlton Hotel 2000	88.0
Kimmel Center 2001	235.0
University of the Arts 2008	3.0
Symphony House Condominiums 2008	165.0
Philadelphia Theatre Company 2007	19.5
Brandywine Workshop Upgrades 2009	1.0
Philadelphia Clef Club Upgrades 2009	0.5
Dranoff Residential/Restaurant/Retail 777 N. Broad 2009 / 2010	60.0
Residences at the Ritz 2010	175.0
Marine Club Condo	20.0
Broad & South Dranoff Development (Proposed)	30.0
Rock School/PA Ballet	2.0
Broad Street Improvements	6.3
Union League Civil War Museum (Underway)	2.4
Academy of Music Upgrades (Underway)	2.2
Kimmel Center Improvements (Underway)	14.0
Total	***$886.9***

Source: City of Philadelphia Department of Commerce and PIDC

The 2011 expansion of the Pennsylvania Convention Center reignited development efforts along the key corridor of North Broad Street. Recently opened Lenfest Plaza, adjacent to the Pennsylvania Academy of Fine Arts (PAFA), and across the street from the Convention Center's new front door, is home to Paint Torch, a new sculpture by world-renowned American artist Claes Oldenburg. Further north at Broad and Wood Streets, the Pennsylvania Ballet is poised to build their new $17.5 million headquarters, which will house rehearsal spaces and corporate offices when it opens in 2013.

At Spring Garden Street, the former State office building and the building currently home to the Inquirer and Daily News have been sold and are slated for housing and commercial development. At 600 N. Broad Street just north of Spring Garden, a former auto dealership and an adjacent former dress factory have been redeveloped to include 101 new residential lofts, new restaurants and a catering facility. The redevelopment of this block was initiated at 640 N. Broad with the conversion of an empty building into a mixed use development with 250 fully-leased apartments.

Temple University is undergoing a transformation to accommodate a student population that wants to live near campus. Temple is planning $1.2 billion of investment over the next decade to further develop their North Broad Street frontage. Planned upgrades include a new student recreation facility, new academic buildings such as a new library and a science research lab, and a new high rise residence hall featuring additional classroom space and a dining hall.

Tying the corridor together is a planned streetscape enhancement project featuring trees, landscaping and decorative light masts, funded with a mix of federal, state and City funding. Table 9 is a complete list of recent, planned, and proposed, projects on the north Broad Street corridor.

Table 9
North Broad Street Development Projects

Development Project	***Estimated Cost (Millions)***
Pennsylvania Academy of the Fine Arts Hamilton Bldg 2005	$21.0
School District Administration Building Renovation 2005	92.0
640 N. Broad Apts/Retail 2006	50.0
Convention Center Expansion 2011	786.0
PAFA Lenfest Plaza 2011	3.5
600 N. Broad Apts/Retail 2011	43.0
Avenue of the Arts N. Streetscape Improvements 2012	13.6
Ave Arts N. Beech (1600 N. Broad)	20.0
Progress Plaza/Fresh Grocer	14.0
1220 N. Broad Apt. Building Renovations (Pinzuk)	2.3
Beech Int'l House	22.0
12th and Arch Hotel (Underway)	45.7
Community Legal Services N. HQ (Underway)	8.0
Uptown Theatre (Underway)	2.0
PA Ballet (Underway)	17.0
State Building Development (Proposed)	71.0
Daily News Building Development (Proposed)	100.0
Blue Horizon Development (Proposed)	14.0
Total	***$1,239.1***

Source: City of Philadelphia Department of Commerce and PIDC

Parkway Investments

Conceived as early as 1871, and opening in 1929, the Benjamin Franklin Parkway runs from the area of City Hall to the Philadelphia Museum of Art and is at the heart of the City's museum district. A signature public investment, the Parkway was originally designed to ease traffic and beautify the City. Today it is central public space and is a principal tourist attraction. Key Parkway features include the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, the Academy of Natural History, the Swann Memorial Fountain, Cathedral Basilica of Saints Peter and Paul on Logan Square and numerous pieces of public art.

As detailed in Table 10, since 2004 the Parkway has undergone additional transformation, improving streetscape and pedestrian access, and adding additional amenities that serve citizens of Philadelphia and visitors alike. Improvements include parks and open space and additions to the City's inventory of arts assets: The Barnes Foundation Philadelphia Campus and improvements to the Rodin Museum.

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Table 10
Select Parkway Investments Since 2004

Select Investments	***Estimated Cost (Millions)***
Art Museum Renovations and Improvements	$141.0
Sister Cities Plaza, Café Cret, Aviator Park & Other Improvements	17.2
Perelman Wing – Philadelphia Museum of Art	90.0
Franklin Institute	50.0
Waterworks	5.8
Select Completed Investment Total	***$304.00***
Museum Loading Dock (Underway)	$57.7
Rodin Museum Renovations (Underway)	20.9
Barnes Foundation (Underway)	100.0
Mormon Temple (Underway)	70.0
Free Library Renovations (Underway)	20.0
Franklin Institute (Planned)	65.0
Museum Expansion (Planned)	500.0
Holocaust Memorial (Planned)	3.5
Paines Skate Park (In Design)	5.0
Select Future Investment Total	***$842.10***
Total	***$1,146.1***

Source: City of Philadelphia Department of Commerce and PIDC

The addition of the Barnes Foundation to the City's impressive roster of arts facilities is expected to have a significant impact on the City's leisure and hospitality industry. Arts and culture visitors represent 17%, or about 1.36 million, visitors to Philadelphia annually. According to a 2011 report from the Greater Philadelphia Tourism Marketing Corporation, arts and culture visitors spend 54% more than the average visitor, stay longer, and are more likely to stay in a hotel.

South Philadelphia Sports Complex

Another key element of Philadelphia's hospitality industry is professional sports. Philadelphia is the only city to have a professional hockey, basketball, baseball, and football team playing in a single district within a city, the Sports Complex Special Services District, created by the City in 2000.

Today, the South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (NHL) and Philadelphia 76ers (NBA); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (NFL); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (MLB). The City leveraged its $300 million investment to obtain $200 million in State funding, and significant team contributions to new stadium development, $172 million from the Phillies and $310 million from the Eagles; the total project represents $1.01 billion in total investment. The Phillies and the Eagles are contractually obligated to play in Philadelphia for 30 years and each team is required to make a $30 million contribution to a special Philadelphia Children's fund.

Since 2009, the Phillies have had a paid home season attendance in excess of 100% of actual seating at Citizen's Bank Park. In 2010, the Phillies had the second highest attendance of any team in Major League Baseball, and in 2011 the Phillies registered the highest home attendance of any team in Major League Baseball. Paid home season attendance for the Eagles in Lincoln Financial Field has exceeded 100% of actual seating, since its opening in 2003.

The latest development for the area is Xfinity Live! Philadelphia, a 50,000 square foot sports entertainment and dining complex which opened in March 2012. The privately funded, $60 million venue includes a sports field, hosting a variety of sports leagues, an outdoor theater accommodating sports games and family films, and a dozen dining and bar establishments. The complex, a Comcast-Spectacor and Cordish owned company, also hosts the first ever, NBC Sports Arena, featuring a 32-foot LED HD television, displaying the NBC Sports Ticker, and in-game promotions. The entire complex will be open year-round and employ about 750 people when fully operational.

Waterfront Developments

Taking advantage of the City's geographic assets, the Schuylkill River and the Delaware River, the City is redeveloping its waterfront to accommodate a variety of developments, including mixed-use projects and housing, parks and recreational trails, and hotels. These projects improve quality of life for residents and improve the visitor experience, but also are a catalyst for environmental remediation of former industrial property within the City.

Delaware River Waterfront Corporation. The Delaware River has historically been Philadelphia's front door, a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The Master Plan for the Central Delaware, adopted by the City in 2011, recognizes this character and aims to create region-serving amenities while also reconnecting the City's residents and visitors with the waterfront. Delaware River Waterfront Corporation (DRWC), in partnership with the City, is a nonprofit corporation that works to transform the central Delaware River waterfront into a vibrant destination for recreational, cultural, and commercial activities, and serves as a catalyst for investment in public parks, trails, maritime, residential, retail, hotel and other improvements that create a vibrant amenity for residents and visitors.

Schuylkill River Development Corporation. The tidal Schuylkill River has more than 16 miles of riverfront through 27 neighborhoods, and includes four national historic landmarks. Redevelopment along the river is managed by a partnership between the Schuylkill River Development Corporation (SRDC), the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, state, City and private agencies to coordinate, plan and implement economic, recreational, environmental and cultural improvements and tourism initiatives on the Schuylkill River. From 1992 to 2012, SRDC worked with the City to create 1.8 miles of riverfront trails within 17 acres of premiere park space in the heart of the City, and added amenities to the Schuylkill River Park such as floating docks, fishing piers, and composting toilets. SRDC continues to work towards meeting its goal of creating and maintaining 10 miles of trail and 70 acres of green space along the tidal Schuylkill River in Philadelphia.

Penn Park. Although not a publically funded project, The University of Pennsylvania's Penn Park is a significant piece of infrastructure that strengthens the connection between University City and Center City, improving the resident and visitor experience. It lies along the west bank of the Schuylkill River, and complements the work of the SRDC.

The University of Pennsylvania opened Penn Park in 2011, increasing the University's green space by 20%. The park includes 24 acres of playing fields, open recreational space and pedestrian walkways located between Walnut and South Streets. Formerly parking lots, the park embraces sustainable features, including underground basins that capture rainwater and mitigate storm water overflow into the Schuylkill River. 45,000 cubic yards of soil, 2,200 pilings and more than 500 trees were installed to create canopied hills, picnic areas and vibrant green space.

Strategic Business Improvement Districts (BID)

Since 1990, in partnerships with business owners, residents, and non-profit organizations, the City has successfully created key business improvement districts within the City to revitalize neighborhood commercial areas. BIDs provide an agreed-upon set of business services and improvements to businesses within an established boundary in exchange for a mandatory annual assessment from those businesses. BIDs are authorized by City Council. Currently, Philadelphia has twelve (12) BIDs/Special Services Districts and two (2) voluntary services districts. Since their inception, these districts have seen population growth, increased property values, lowered vacancy rates, and are some of the most desirable places to live and work in Philadelphia. The Center City District and the University City District are the largest business improvement districts in the City.

The Center City District was founded in 1990 as a private-sector business improvement district. The district encompasses 120 blocks and more than 4,500 individual properties in an area that extends beyond the central business district, roughly from Vine Street to Spruce Street and 30th Street to 4th Street. Center City District provides security, cleaning and promotional services that supplement, but do not replace, basic services provided by the City and the fundamental responsibilities of property owners. Center City District also makes physical improvements to the downtown, installing and maintaining lighting, signs, banners, trees and landscape elements. The type of improvements managed by the Center City District are often credited with the area's increased desirability as a place to live and work, attracting a population with higher educational attainment and higher household income than national averages. At 28% of the population, greater Center City has more than twice the national average of residents ages 25-34, and 66 percent of Center City residents 25 and older had a Bachelor of Arts degree or higher, compared to the national average of 28 percent. From 2000 to 2010, household income in Center City increased 49 percent to $59,345 from $39,715.

The work of the University City District complements the capital projects of the major institutions within its boundaries. Both Drexel University and the University of Pennsylvania have planned or undertaken significant capital investment in the area. Drexel University currently has $232 million in active construction projects, including a new mixed use residential and retail project on Chestnut Street, new construction for the LeBow School of Business and an additional $300 million of capital projects planned between 2012 and 2016. Since 2006, the University of Pennsylvania has completed or planned approximately twenty capital improvement projects, totaling in excess of $1.5 billion.

Office Market and New Development

Philadelphia currently has approximately 43.7 million square feet of office space, and the market is showing positive signs since the national recession. Vacancy rates in the trophy market of the Central Business District are at their lowest levels in two years, and absorption for 2011 ended in the positive for the first time since 2007. Although the Central Business District is still not near its production in 2007, leasing in 2011 was active and steady, and overall vacancy rates are stable. In the third quarter of 2011, Cushman & Wakefield ranked Philadelphia's downtown office market as having the seventh best vacancy rate among the twenty largest downtown office markets in the United States, with a vacancy rate of 14.7%.

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Table 11
Comparative Office Vacancy Rates, 20 Largest Office Markets
Third Quarter 2011

Market	*Overall Vacancy Rate*
Manhattan (Midtown South)	6.1%
Manhattan (Midtown)	10.0
Washington DC	11.6
Portland	12.4
San Francisco	12.4
Cleveland	12.5
Philadelphia	**14.7**
Houston	15.9
Denver	16.1
All Markets Average	**17.10**
Boston	18.2
Minneapolis	18.8
Orange County	18.8
Los Angeles	19.0
Chicago	19.2
Pittsburgh	19.5
Seattle	20.2
Atlanta	22.2
Dallas	23.4
Phoenix	25.7
Detroit	25.8

Source: Cushman Wakefield US Market Beat,
Third Quarter 2011

Retail Market

In 2010 the U.S. Census reported 87,367 employees in 4,263 retail stores and 3,291 food service and drinking places in Philadelphia. Additionally, there are nearly 7,000 employees in personal and services across 1,088 repair and maintenance, hair and nail care, and laundry and dry cleaning service establishments. The number of retail stores has returned to pre-recessionary levels, with a .06% average annual gain from 2007 to 2010.

The following table reflects taxable retail sales for the City from Fiscal Years 2007 to 2010.

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Table 12
Taxable Retail Sales 2007-2010
(Amounts in Thousands of USD)

Fiscal Year	Taxable Sales
2007	13,643,582
2008	13,704,958
2009	13,211,446
2010	13,050,202

Source: Figures determined by dividing the City's local sales tax reported by the Pennsylvania Department of Revenue by the applicable local sales tax rate.

Philadelphia has experienced a revival in restaurant establishments especially in the Center City District, indicating an improved quality of life and vibrancy of that area. From 1992 to 2010, the number of fine dining establishments within the Center City District increased 328%.

Navy Yard

Acquired in 2000 by the Philadelphia Industrial Development Corporation through the Base Realignment and Closure process of the federal government, the Philadelphia Navy Yard represents the successful transition of a former naval property with a 125-year history as an active military base to a growing industrial asset. The Navy Yard is a 1,200 acre mixed-use office, research and industrial park, serving more than 115 companies and 8,500 employees, including diverse tenants such as: the Aker Philadelphia Shipyard, one of the world's most advanced commercial shipbuilding facilities, the corporate headquarters for retailer Urban Outfitters, a new 205,000 square foot, LEED certified office building for pharmaceutical company GlaxoSmithKline, and a LEED-Silver certified baking facility for the Tasty Baking Company.

Recent real estate developments include: new facilities for GlaxoSmithKline and Iroko Pharmaceuticals, both breaking ground in 2011; currently in design is the expansion of Urban Outfitters headquarters, adding over 1,000 jobs to the Navy Yard; and expansion of the Navy Yard Commerce Center, adding 100,000 square feet in two buildings.

The Navy Yard is also home to the Greater Philadelphia Innovation Cluster (GPIC), a consortium of universities, businesses, and economic development groups, working to develop energy efficient building technologies. GPIC is the recipient of $160 million in State and Federal funding and part of a U.S. Department of Energy program to create national Energy Innovation Hubs.

In 2004, the Navy Yard unveiled a master plan, detailing a new, comprehensive vision for the Navy Yard. In the plan were specific recommendations for adding over 12 million square feet of new construction and historic renovation supporting office, R&D, industrial and residential development and complemented with commercial retail amenities, open spaces and expanded mass transit. At full build, The Navy Yard will support more than 20,000 employees and over $2 billion in private investment.

Airport

The Airport System consists of Philadelphia International Airport (the "Airport" or "PHL") and the Northeast Philadelphia Airport ("PNE") and is owned by the City and operated by the Division of Aviation.

Since 2000, $1.5 billion has been invested in capital improvements at PHL. The Airport recently completed a 10-year planning and environmental review process in January 2011 as the Federal Aviation Administration (the "FAA") issued a Record of Decision approving the Airport's Capacity Enhancement Program (the "CEP") and in September 2011 awarded a $466.5 million letter of intent to provide funding for certain elements of the CEP. The CEP provides for a new runway, which will allow independent simultaneous aircraft operations in poor weather conditions, to significantly reduce delays; two runway extensions; enlarging and reconfiguring the existing terminal complex; relocating several off-airport facilities; developing a centralized ground transportation center; developing additional parking facilities; and constructing an automated people mover for the transport of passengers between terminals that will interface with the existing SEPTA rail line. In 2010, the cost of the CEP was estimated to be $6.4 billion and the total period for the phased construction is anticipated to be approximately 13 calendar years, lasting from 2013 through 2025. A portion of the funding for this longer-term capital program will require the issuance of additional airport revenue bonds.

Port of Philadelphia

The Port of Philadelphia is located on the Delaware River within the City limits. Port facilities are serviced by three Class I railroads (CP Rail, CSX and Norfolk Southern) and provide service to major eastern Canadian points as well as Midwestern, southern and southeastern U.S. destinations. Terminal facilities, encompassing 4 million square feet of warehousing, are located in close proximity to I-95 and I-76. Over 300 local trucking companies operate in the MSA, with a combined total of over 15,000 trucks.

The Port of Philadelphia moved 3,993,616 metric tons of cargo in 2011, and is in the midst of an expansion project which will ultimately increase cargo capacity in the MSA. The Port of Philadelphia is the #1 meat port in the United States, and is among the nation's leaders for fruit, cocoa, forest products and steel.

ECONOMIC BASE AND EMPLOYMENT

The Philadelphia Economy

The City's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal services center with strengths in insurance, law, finance, health, education, and utilities. Given the geographic proximity of the City to the other four counties (Bucks, Chester, Delaware and Montgomery) that, together with the City, comprise the Philadelphia PMSA, the Philadelphia economy can be viewed to include portions of these counties. As of 2009, there were approximately 170,000 residents of the four suburban counties working within the City. An additional 117,000 commuters came to Philadelphia from counties outside the PMSA. The City also provides a destination for entertainment, arts, dining and sports for residents of the suburban counties, as well as for those residents of the counties comprising the extended Philadelphia MSA. (See Philadelphia Metropolitan Statistical Area (MSA) herein for further information.)

The cost of living in the City is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Key Industries

Although dominated by manufacturing for much of the twentieth century, Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services, and leisure and hospitality. In its January 2012 Monthly Labor Review, the Bureau of Labor Statistics predicts that these sectors will grow nationally in the decade between 2010 and 2020. Healthcare and social assistance is predicted to grow 3%, educational services will grow 2.3%, professional and business services will grow 2.1%, while financial activities and leisure and hospitality are predicted to both see a 1% gain.

In 2011 these sectors collectively represented 60% of total employment in the City, and 68% of total wages. Philadelphia has recovered over 5,000 jobs since 2009 and the City's job levels are consistent with average levels dating from 2004. As reflected in Table 13, employment has generally trended upwards in education and health services and leisure and hospitality over the period shown. These sectors provide stability to the City's overall economy.

In total, Philadelphia demonstrates concentrations in seven sectors when compared to the United States: educational services, health care and social assistance, management of companies and enterprises, finance and insurance, professional and technical services, transportation and warehousing, and arts, entertainment, and recreation. Of these seven sectors, the City has a higher concentration of employment than the Commonwealth of Pennsylvania in four sectors: education services, health care and social assistance, finance and insurance, and professional and technical services.

The concentration of education services not only provides stable support to the local economy, but also generates a steady and educated workforce, especially fueling the City's professional services and healthcare industries. The City is capitalizing on the region's assets to become an incubator for research generated by life sciences and educational institutions. Several sites now foster incubator opportunities, including the Navy Yard, the Science Center in West Philadelphia and the west bank of the Schuylkill River bordered by the University of Pennsylvania, Children's Hospital of Pennsylvania and Drexel University.

The City's economy also enjoys a large market share of for-profit creative industry companies which are technology-driven, known as businesses representing the "creative economy". The sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development.

Table 13
Ratio of Philadelphia and Pennsylvania Industry Concentrations
Compared to the United States

Industry	Pennsylvania	Philadelphia County
Educational Services	1.65	4.75
Health Care and Social Assistance	1.23	1.72
Management of Companies and Enterprises	1.42	1.40
Finance and Insurance	1.03	1.23
Professional and Technical Services	0.91	1.14
Transportation and Warehousing	1.13	1.10
Arts, Entertainment, and Recreation	1.05	1.05

Source BLS: 2011 Location Quotient, Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

Educational Institutions

The City has the second largest concentration of students on the East Coast with 101 degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

Hospitals and Medical Centers

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, five medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

Major research facilities are also located in the City, including those located at its universities, medical schools, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia has recently completed the construction of a new $400 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A Comprehensive Cancer Center is also located at the University of Pennsylvania.

Table 14 lists the number of beds in each of the major hospitals and medical centers in the City, as of June 2011, and does not reflect any mergers, consolidations or closures that have occurred since that date.

Table 14
Hospitals and Medical Centers as of June 2011

Institution Name	Total Beds
Aria Health System[1]	485
Belmont Center for Comprehensive Treatment	147
Chestnut Hill Hospital	119
Department of Veterans Affairs Medical Center-Philadelphia	142
Einstein Medical Center - Philadelphia	711
Fairmount Behavioral Health System	185
Fox Chase Cancer Center	100
Friends Hospital	192
Girard Medical Center/Continuing Care Hospital of Philadelphia	51
Good Shepherd Penn Partners	38
Hahnemann University Hospital	510
Hospital of the University of Pennsylvania	776
Jeanes Hospital	176
Kensington Hospital	35
Magee Rehabilitation Hospital	96
Mercy Hospital of Philadelphia	180
Methodist Hospital Division - TJUH	165
Nazareth Hospital	195
Penn Presbyterian Medical Center	245
Pennsylvania Hospital	435
Roxborough Memorial Hospital	141
Shriners Hospitals for Children - Philadelphia	39
St. Christopher's Hospital for Children	175
St. Joseph's Hospital	146
Temple University Hospital[2]	740
The Children's Hospital of Philadelphia	461
Thomas Jefferson University Hospital	701
Triumph Hospital Philadelphia	58

Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report, June 2011.
[1]Aria Health System includes data for all three divisions - Frankford, Torresdale and Bucks County.
[2]Temple includes data for Episcopal Hospital.

Children's Hospital Expansion. The Children's Hospital of Philadelphia ("CHOP") is one of the largest and oldest children's hospitals in the world. Since 2002, CHOP has invested over $2.6 billion in its expansion in Philadelphia, which is one of the largest hospital expansions in the U.S. The $500 million Ruth and Tristram Colket, Jr. Translational Research Building opened in 2010. The Trustees of CHOP recently approved an additional investment of $2.7 billion in CHOP's expansion in Philadelphia through 2017. CHOP is currently completing design on a $500 million Ambulatory Care Facility, which began excavation in 2011, and will start full construction in the second quarter of 2012 and be opened in late 2013.

University of Pennsylvania. The University of Pennsylvania, a private Ivy League institution, sits on a 300 acre campus in West Philadelphia across the river from downtown Philadelphia. Its more than 20,000 undergraduate, graduate and professional full time students attend more than 12 graduate and professional schools on its single campus within the City. The University and its health system is the largest private sector employer in Philadelphia employing over 30,000 staff with an annual budget of $6 billion. The University recently completed a new $370 million medical research building. Penn will continue more than $61 million in fit out to three floors in the facility through the winter of 2012/2013. In 2011, Penn broke ground on its Krishna P. Singh Center for Nanotechnology, a new $88 million nanotechnology research facility combining expertise from both Penn's School of Arts and Sciences and its School of Engineering and Applied Science (SEAS).

The Wistar Institute. The Wistar Institute was founded in 1892 and was the nation's first independent biomedical research facility. The Institute has started construction on a $100 million expansion and renovation project that will significantly increase its ability to carry out its mission.

Drexel University. Founded in 1891 as the Drexel Institute of Science, Art and Industry, the University occupies a 74-acre University City Main Campus. To date, $232 million has been allocated for construction already in progress and scheduled for completion in 2011, and an estimated $300 million will be allocated for projected construction projects through 2016. In September, 2011 Drexel University opened the doors to its new $69-million science building, the Constantine N. Papadakis Integrated Sciences Building. The University has also begun site preparation for a $92 million 12-story facility for its LeBow School of Business. The building is scheduled to open in 2014.

Principal Employers in the City

Table 15 lists Philadelphia's 15 largest employers, by wage tax revenue, five are hospitals and providers of other medical services, three are renowned universities, and four are in the finance and insurance industry. Other sectors represented include: GlaxoSmithKline LLC, an international researcher and manufacturer of pharmaceuticals, the headquarters for Comcast Corporation, one of the country's largest IT and communications providers, and Aramark Corporation, an employer of food service workers. This list highlights Philadelphia's strength in its centers of medicine and higher learning.

Two of the City's largest employers, Aramark Corporation and Comcast Corporation are also Fortune 500 companies. Although not among the largest employers, other Fortune 500 companies found in Philadelphia are Crown Holdings Inc., Cigna Corporation, and Sunoco Inc. A number of Fortune 1000 companies are also within the City: FMC Corporation, Urban Outfitters Inc., and Radian Group Inc.

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Table 15
Principal Employers by Wage Tax Revenue, January 2012

Employer	***Sector***	***Employees within Philadelphia***
University of Pennsylvania	Education	16,539
University of Pennsylvania Health System	Health	15,827
Drexel University	Education	9,356
Children's Hospital of Philadelphia	Health	9,355
Thomas Jefferson University Hospitals	Health	8,147
Temple University	Education	7,673
Albert Einstein Medical	Health	5,907
Independence Blue Cross	Insurance	3,894*
PNC Bank NA	Finance	3,847
Temple University Health System	Health	3,385
Comcast Corporation	Communications	3,250
Wells Fargo Bank	Finance	2,291
Aramark Corporation	Food Service	1,805
Ace Insurance Company	Insurance	1,388
GlaxoSmithKline LLC	Bio-tech	1,300*
	Total	93,964

Source: City of Philadelphia Department of Revenue
* Estimate

The Labor Force

The City demonstrates strength in education and health services relative to its surrounding Pennsylvania suburbs. Just under a third of Philadelphia's employment is in education and health services. While considerable in suburban counties, this sector represents under one-fifth of their combined economy.

While suburban counties continue to lose jobs, Philadelphia has experienced two straight years of employment gains. Both areas experienced employment losses during the early decade recession and the subprime mortgage crisis and employment gains throughout the housing bubble years of 2004 and 2008. However, employment gains and losses in the past decade have been much more pronounced in the suburbs, where construction of single-family housing developments far exceeded housing construction in the City.

Table 16 shows non-farm payroll employment in the City over the last decade by industry sectors.

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Table 16
Philadelphia
Non-Farm Payroll Employment[1]
(Amounts in Thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011[2]	% Change from 2002 (%)	Average Annual % Change (%)	2011 Share Total Emp.
Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.9	12.1	10.1	10.0	10.0	-22.48	-2.58	1.5%
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.5	27.8	25.7	24.8	24.1	-36.07	-4.82	3.7
Trade, Transportation, & Utilities	98.5	95.8	90.9	90.0	88.5	87.7	87.8	85.9	86.8	85.9	-12.79	-1.49	13.1
Information	17.0	15.9	13.6	13.2	12.8	12.6	12.5	12.6	12.3	12.2	-28.24	-3.52	1.9
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	45.5	44.9	42.8	42.3	-19.12	-2.32	6.4
Profession al & Business Services	82.6	80.9	80.3	82.4	84.2	85.8	85.3	80.1	81.3	79.8	-3.39	-0.35	12.1
Education & Health Services	181.0	185.3	184.1	186.8	192.2	197.1	201.6	204.8	207.5	212.2	17.24	1.78	32.3
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.0	57.9	56.9	58.4	60.9	12.36	1.33	9.3
Other Services	29.9	29.0	28.5	28.5	28.2	28.0	27.8	26.6	26.5	26.7	-10.70	-1.24	4.1
Government	117.1	114.7	113.0	111.4	108.6	105.9	104.3	105.1	106.3	103.6	-11.53	-1.34	15.7
Total	683.2	671.5	658.0	660.3	662.5	662.6	662.6	652.7	656.7	657.7	-3.73	-0.42	100.0

Source: Bureau of Labor Statistics (BLS) 2011 **.**
(1) Includes persons employed within the City, without regard to residency.
(2) Preliminary average employment estimates through December.

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Unemployment

Philadelphia's unemployment rate increased by 2.7% the year following the major economic downturn in 2008-2009, which increase is 0.2% lower than the total increase for the country. Philadelphia's overall increase in unemployment during the recessionary period between 2008 and 2010 was 3.8%, which is 0.2% lower than the average increase for the country during that period. Philadelphia's unemployment rate decreased by 0.4% between the years 2010 and 2011.

Table 17 below shows five years of unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

Table 17
Unemployment
Five-Year Unemployment in Selected Geographical Areas, 2007-2011

Geographical Area	2007	2008	2009	2010	2011	*Change 2007-2011*
United States	4.6%	6.6%	9.5%	9.2%	8.3%	3.7%
Pennsylvania	4.4	5.4	8.0	8.5	7.9	3.5
Philadelphia-Camden-Wilimington MSA	4.3	5.3	8.3	9.0	8.6	4.3
Philadelphia	**6.0**	**7.1**	**9.8**	**10.9**	**10.5**	**4.5**

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

Throughout the 1990s and as late as 2009, Philadelphia narrowed the gap between its unemployment levels and national levels. The effects of the recession are reflected in 2010 and 2011.

Median and Average Household Income

Table 18 and 19 below show median family income and median household (including unrelated individuals living together) income for Philadelphia, the MSA, the Commonwealth and the United States. Table 20 shows the average household income for the same areas. Over the period 2005-2009, median household income for Philadelphia increased by12.1%, while average household income increased by 17.6% as a result of an influx of higher income households.

Table 18
Median Family Income for Selected Geographical Areas, 2005-2010

Geographical Area	2005	2006	2007	2008	2009	2010	*Change 2005-2010*
United States	$55,832	$58,526	$60,374	$63,211	$62,367	$62,112	$6,280
Pennsylvania	55,904	58,148	60,243	63,071	62,772	63,040	7,136
Philadelphia-Camden-Wilmington MSA	67,830	70,781	73,536	76,978	76,812	76,710	8,880
Philadelphia	**40,534**	**43,049**	**44,134**	**46,365**	**45,826**	**45,148**	**4,614**

Source: American Community Survey, Annual and 3-Year Estimates

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Table 19
Median Household Income for Selected Geographical Areas, 2005-2010

Geographical Area	2005	2006	2007	2008	2009	2010	*Change 2005-2010*
United States	$46,242	$48,451	$50,007	$52,175	$51,369	$51,222	**$4,980**
Pennsylvania	44,537	46,259	47,913	50,272	50,028	50,289	5,752
Philadelphia-Camden-Wilmington MSA	53,555	55,593	57,831	60,331	60,232	60,037	6,482
Philadelphia	**32,753**	**33,229**	**34,767**	**36,222**	**36,725**	**35,952**	**3,199**

Source: American Community Survey, Annual and 3-Year Estimates

Table 20
Average Household Income for Selected Geographical Areas
2000-2009

Year	City of Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as % of US
2000	$ 63,975	$ 91,695	$ 77,278	$ 79,967	80.00%
2001	65,744	93,854	78,414	81,785	80.39
2002	69,410	96,609	80,121	82,335	84.30
2003	72,077	99,382	82,135	84,038	85.77
2004	74,191	103,811	85,426	88,346	83.98
2005	76,764	107,515	88,016	92,206	83.25
2006	81,298	115,503	94,112	97,992	82.96
2007	85,593	119,560	98,745	102,370	83.61
2008	89,505	124,088	102,781	106,537	84.01
2009	90,260	120,454	99,618	101,721	88.73

Source: IHS Global Insight

Effective Buying Income (EBI)

Philadelphia benefits from having a relatively low cost-of-living. While median household incomes in Philadelphia are lower than the average for selected cities, Philadelphia's buying income is only $104 less than the average of these cities plus New York. Table 21 below shows Philadelphia's effective buying income in comparison to certain cities including select comparison cities.

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Table 21
2009 Effective Buying Income, Selected Cities, Ranked by Principal City, Ranked by Media Market*

City	*Media Market*	*Principal City*
Washington	$59,696	$40,072
Boston	51,735	41,678
Baltimore	50,675	31,590
San Diego	50,383	49,085
New York (Manhattan)	49,008	38,873
Los Angeles	47,986	38,783
Chicago	46,886	36,729
Philadelphia	**46,649**	**31,110**
Houston	44,880	37,098
Phoenix	44,575	41,174
Detroit	43,944	27,676
Milwaukee	$41,385	30,593
Cleveland	$39,674	26,105
San Antonio	$39,107	36,831
Memphis	$36,468	30,672

Source: Sales & Marketing Management, 2009 Median Effective Household Buying Income for Media Markets and Cities
* Media Market is defined as the Nielsen designated market area.

HOUSING

The 2010 U.S. Census reported 670,171 housing units in Philadelphia, with 599,736 occupied and 70,435 vacant, representing a vacancy rate of 10.5%. Of occupied housing units, 54.1% were owner-occupied and 45.9% were renter-occupied. The homeowner vacancy rate was just 2.1% while rental vacancy rate was 8.9%.

While the nation continues to see weakness in the housing market despite record low interest rates, Philadelphia was fortunate not to experience the drastic shifts in the housing market that have plagued many American cities. According to IHS Global Insight, the average residential real estate property value in the City increased from $144,082 in 2004 to $180,330 in 2011. From 2010 to 2011 the average value decreased by 0.3%.

Relative to other major cities, the Philadelphia housing market has remained more stable through the recent recessionary period. Additionally, throughout 2011, house prices showed signs of stabilization, although prices declined in the last quarter of the year resulting in an overall drop of 18% since their peak in 2007. However, Philadelphia’s total house price deflation is well below the average of 33% that has afflicted the twenty largest U.S. cities.

In the fourth quarter of 2011, 2,861 homes changed owners. While this is on par with the 2,817 homes that sold in the same quarter in 2010, it is 36% below the historic average of sales activity, and 64% below the pace of sales that occurred during the boom years in the middle of the last decade.

KEY CITY-RELATED SERVICES AND BUSINESSES

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to PHL and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the

Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Airport in 1985. The line places PHL less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to the other major cities and markets in the United States. According to a February 2010 Amtrak report, Philadelphia's 30th Street Amtrak Station is the 3rd busiest station in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I-95; the Vine Street Expressway (I-676), running east-to-west through the Central Business District between I-76 and I-95; and the "Blue Route" (I-476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I-95 and thereby feeds into the Schuylkill Expressway (I-76) and thus into Center City Philadelphia.

The Airport was opened in 1940, is owned by the City and operated by the Division of Aviation, and serves residents of and visitors to a broad geographic area that includes portions of four states: Pennsylvania, New Jersey, Delaware and Maryland. The primary service region of the Airport consists of the Philadelphia and Wilmington Metropolitan Statistical Areas. The Airport is located partly in the southwestern section of the City and partly in the northeastern section of Delaware County 7.2 miles from Center City Philadelphia. PHL is situated over 2,300 acres of land. It is adjacent to I-95 and is served by a SEPTA commuter rail line with direct service to Center City Philadelphia. Philadelphia Northeast Airport (PNE), located on the northeast part of the City, provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service.

PHL is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to the Airport Council International, in calendar year 2010, the Airport was ranked 18th in passenger traffic among U.S. airports and served a total of approximately 30.8 million passengers. According to Airport Council International Traffic Movements 2010, with 460,779 aircraft movements in 2010, PHL ranked the 12th busiest airport in the world in terms of aircraft movements. Origin-destination traffic for Fiscal Year 2011 accounted for approximately 56% of annual passengers, with the remaining 44% being passengers who connected between flights. As of July 2011, the airlines serving the Airport provided a total of 590 average daily departures to 118 cities, including 86 domestic and 32 international destinations.

Water and Wastewater

The water and wastewater systems of the City are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 57% of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 476,100 retail customers through 3,159 miles of mains, 3 water treatment plants, 15 pumping stations and provides fire protection through more than 25,200 fire hydrants. The water treatment plants continue to meet and /or exceed their Safe Drinking Water Act as well as partnership for Safe Water standards.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of retail customer accounts is approximately 478,900, excluding approximately 35,150 stormwater only accounts. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 21 pumping stations, and approximately 3,657 miles of sewers. The wastewater treatment plants continue to meet and/or exceed their National Pollutant Discharge Elimination System permit limits.

Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 2,400 tons of solid waste per day are collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The contract is currently in its last year, and the City is soliciting bids for a new contract, which will be awarded during the course of this fiscal year.

Parks

The City was originally designed by William Penn and Thomas Holme around five urban parks, each of which remains in Center City to this day. The City's parklands total over 10,300 acres, and include Fairmount Park, which at 9,200 acres is the world's largest landscaped urban park, and includes Pennypack Park and the Philadelphia Zoo, the country's first zoo. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell.

Libraries

The Free Library of Philadelphia, the City's public library system, is one of the pre-eminent libraries in the world, comprised of 54 branches and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department and the divisions within it are responsible for the City's large network of streets and roadways. The Department is also responsible for the ongoing collection and disposal of residential trash and recyclables, as well as the construction, cleanliness and maintenance of the street system. The streets system in Philadelphia totals 2,575 miles - 2,180 miles of city streets, 35 miles of Fairmount Park roads and 360 miles of state highways. The Highway Unit and Sanitation Division annually collects and disposes of approximately 700,000 tons of rubbish and 100,000 tons of recycling, completes over 42,000 miles of mechanical street cleaning, clears 1,500 major illegal dump sites, and removes over 150,000 abandoned tires.

APPENDIX C

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF PHILADELPHIA FOR THE YEAR ENDED JUNE 30, 2011

Office of the Director of Finance • 1330 MSB • Philadelphia, PA 19102

Table of Contents

Introductory Section

Financial Section

Financial Section(Continued)

Other Supplementary Information

Statistical Section

Cover photo courtesy of Mitchell Leff & Kait Privitera for Mayor's Photography Internship Program

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 21, 2012

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

The Comprehensive Annual Financial Report of the City of Philadelphia for the fiscal year ended June 30, 2011, is hereby submitted. The financial statements were prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City.

The Philadelphia Home Rule Charter (Charter) requires an annual audit of all City accounts by the City Controller, an independently elected official. The Charter further requires that the City Controller appoint a Certified Public Accountant in charge of auditing. These requirements have been complied with and the audit done in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

Management has provided a narrative to accompany the basic financial statements. This narrative is known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Philadelphia was founded in 1682 and was merged with the County of Philadelphia in 1854. The City currently occupies an area of 135 square miles along the Delaware River, serves a population in excess of 1.5 million and is the hub of a five county metropolitan area including Bucks, Chester, Delaware and Montgomery Counties in southeast Pennsylvania. The City is governed largely under the Home Rule 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. 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.

This report includes all the funds of the City as well as its component units. The Philadelphia Municipal Authority's and the Pennsylvania Intergovernmental Cooperation Authority's statements are blended with the City's statements. The Philadelphia Gas Works', the Philadelphia Redevelopment Authority, the Philadelphia Parking Authority's, the School District of Philadelphia's, the Community College of Philadelphia's, Community Behavioral Health, Inc.'s, the Delaware River Waterfront Corporation's, and the Philadelphia Authority for Industrial Development's statements are presented discretely. A component unit is considered to be part of the City's reporting entity when it is concluded that the City is financially accountable for the entity or that the nature and significance of the relationship between the City and the entity is such that exclusion would cause the City's financial statements to be misleading or incomplete. The relationship between the City and its component units is explained further in the *Notes to the Financial Statements*.

Reflected in this report is the extensive range of services provided by the City of Philadelphia. These services include police and fire protection, emergency medical services, sanitation services, streets maintenance, recreational activities and cultural events, and traditional county functions such as health and human services, as well as the activities of the previously mentioned public agencies and authorities. The City operates water and wastewater systems that service the citizens of Philadelphia and the City operates two airports, Philadelphia International Airport which handles in excess of 30 million passengers annually as well as cargo and Northeast Philadelphia Airport which handles private aircraft and some cargo.

City government is responsible for establishing and maintaining internal controls designed to protect the assets of the City from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. This internal control is subject to periodic evaluation by management and the City Controller's Office in order to determine its adequacy. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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 FINANCIAL CONDITION

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

Local Economy

Philadelphia is showing progress on several fronts, despite continued fiscal challenges that arise from the demographic and economic changes that have occurred over the last half century. After 50 years of losing residents to the suburbs, the City has experienced new investment in many of its neighborhoods spurred by the relative affordability of housing and the City's extensive array of cultural amenities. Still, significant challenges remain. While fewer people live and work here than in previous decades, social needs continue to grow just as the cost of providing services are rising considerably.

The City's tax base is under pressure as personal income levels remain relatively low in comparison to the region and poverty in the region has become increasingly concentrated in the City. These factors create an ongoing challenge to fund those public services required by a growing segment of our population with a revenue base that is unduly burdensome on the City and regional economy.

These challenges are only heightened in the current environment of a severe economic recession, which officially began in December 2007, and from which the nation and City are only beginning to emerge. The recession – the longest recession in the post WWII period – has been characterized by high unemployment, tight credit, decreased consumer spending and significant job loss. The erosion of the financial markets has in turn generated significant fiscal strain across the economy.

State and local governments have and continue to face large budget shortfalls primarily as a result of depressed tax collections and pension fund market losses. However, the City of Philadelphia had, at the close of fiscal year 2011, a positive fund balance of $0.1 million.

In response to projected deficits, the City implemented significant expenditure reductions and efficiency savings, improved delinquent tax collections, and temporarily suspended scheduled wage and business tax rate reductions. In addition, the City implemented workforce reductions through layoffs and by leaving positions vacant. The City also implemented temporary sales and property tax increases.

As a result of these efforts, by the end of the current fiscal year 2012, the city is projecting a surplus of $59.7 million.

While the recession officially ended in June 2009, unemployment remains high and many economists anticipate a slow and long recovery. This is particularly relevant to state and local governments, whose tax revenues generally lag economic conditions.

The table below shows how Philadelphia's local economy has trended in the past five years, characterized by population fluctuations, increases in total compensation and rising unemployment rates due to the impact of the recession in the last three years.

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
		(thousands of USD)	(USD)	
2006	1,520,251	47,566,075	31,288	6.2%
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	53,689,351	34,855	7.1%
2009	1,547,297	54,125,507	34,981	9.8%
2010	1,528,306	54,565,206	35,703	10.9%

Long Term Financial Planning

Long term financial planning for the City and for businesses and governments around the world has been made much more challenging with the sudden and dramatic rate of deterioration in the economy in the past three and a half years. As discussed above, the City has made significant changes to its budget and five-year plan to compensate for projected deficits and will continue to make those adjustments as necessary.

Some of the largest and fastest growing expenditures in the City's budget include employee health and pension benefits. In fiscal 2011, employee benefits (12%) and pensions (13%) combined, will comprise 25% of the proposed budget expenditures.

In order to address the challenges these long term structural costs present, the City is seeking changes to its health and pension benefits by reducing the cost to the City, implementing efficiency savings and seeking increased employee contributions and risk sharing. Some of these changes are already being made to the City-administered programs and those related to the Fraternal Order of Police (FOP) as a result of the December 18, 2009 Act 111 arbitration award. Additionally, the City was awarded similar pension changes in the October 12, 2010 Act 111 arbitration award with the International Association of Fire Fighters (IAFF). While the economic provisions of the award are being appealed by the City, the award's pension provisions are not under appeal by the City or the IAFF. The City is seeking similar changes with the remaining bargaining units whose contracts expired in July of 2009. Also, during fiscal year 2011 the City introduced a new hybrid pension plan with defined benefit and defined contribution components.

Despite the immediate economic challenges facing the City, some planned initiatives must take place if the City is to be positioned for economic recovery in the long run. Some of those initiatives include:

- **Greenworks Philadelphia.** The City is committed to becoming the greenest city in the U.S. by 2015. In order to achieve that goal the City has created a detailed work plan and begun implementation of Greenworks Philadelphia, which outlines those goals and initiatives the City will engage in to limit its environmental footprint and capitalize on its competitive advantages in the emerging green economy.

- **Healthy Philadelphia Initiative.** The City's Department of Public Health in conjunction with other City agencies, non profit organizations and academic institutions will have implemented a multi-year plan for combating obesity by making healthy foods available to Philadelphians, decreasing the availability and consumption of non healthy foods and promoting physical activity in daily life.

- **PhillyGoes2College.** Improving educational outcomes is necessary in order to improve the overall well being of Philadelphia residents. As a way of increasing access to higher education the City has opened a new PhillyGoes2College office to assist residents to and through college as well as help them find scholarships to finance their education.

- **Investments in Technology.** Despite the significant budget cuts departments have endured over the course of the past two and a half years, the City is devoting resources to long-needed technology investments across government. These investments will help streamline operations and reduce costs in the long-term.

- **Jobs and Workforce Development.** Through Way to Work Philadelphia, the City and its partners leveraged federal stimulus dollars to provide wage subsidies for 14,000 part- and full-time jobs in Philadelphia - jobs for people who may otherwise have been unemployed. In addition, the City continues to work in partnership with economic development stakeholders to build work-readiness skills to youth ages 14-21, through paid summer job placements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the thirty first consecutive year that the City of Philadelphia has received this prestigious award. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

ROB DUBOW
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

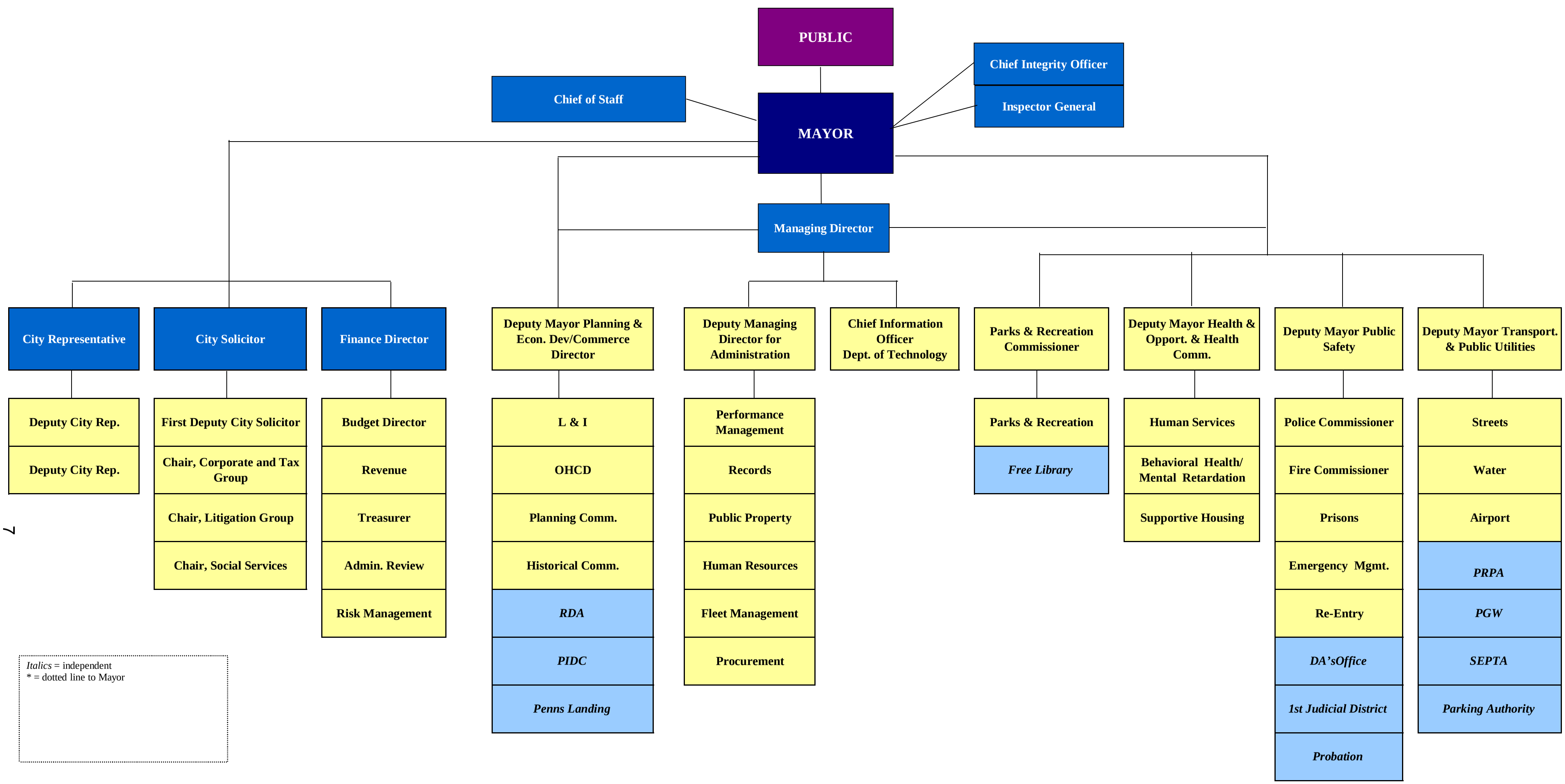
City of Philadelphia Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director


PUBLIC
MAYOR
Chief of Staff
Chief Integrity Officer
Inspector General
Managing Director
City Representative
Deputy City Rep.
Deputy City Rep.
City Solicitor
First Deputy City Solicitor
Chair, Corporate and Tax Group
Chair, Litigation Group
Chair, Social Services
Finance Director
Budget Director
Revenue
Treasurer
Admin. Review
Risk Management
Deputy Mayor Planning & Econ. Dev/Commerce Director
L & I
OHCD
Planning Comm.
Historical Comm.
RDA
PIDC
Penns Landing
Deputy Managing Director for Administration
Performance Management
Records
Public Property
Human Resources
Fleet Management
Procurement
Chief Information Officer Dept. of Technology
Parks & Recreation Commissioner
Parks & Recreation
Free Library
Deputy Mayor Health & Opport. & Health Comm.
Human Services
Behavioral Health/ Mental Retardation
Supportive Housing
Deputy Mayor Public Safety
Police Commissioner
Fire Commissioner
Prisons
Emergency Mgmt.
Re-Entry
DA'sOffice
1st Judicial District
Probation
Deputy Mayor Transport. & Public Utilities
Streets
Water
Airport
PRPA
PGW
SEPTA
Parking Authority
Italics = independent
* = dotted line to Mayor

Elected Officials

Mayor .... Michael A. Nutter

City Council
President, 2nd District .... Anna Cibotti Verna

1st District .... Frank DiCicco
3rd District.. Jannie L. Blackwell
4th District... Curtis Jones, Jr.
5th District... Darrell L. Clarke
6th District... Joan L. Krajewski
7th District... Maria D. Quinones-Sanchez
8th District... Donna Reed Miller
9th District... Marian B. Tasco
10th District... Brian J. O'Neill
At-Large .... Blondell Reynolds Brown
At-Large .... W. Wilson Goode, Jr.
At-Large .... William K. Greenlee
At-Large .... Jack Kelly
At-Large .... James F. Kenney
At-Large .... Bill Green
At-Large .... Frank Rizzo

District Attorney .... Seth Williams

City Controller .... Alan Butkovitz

City Commissioners
Chairwoman .... Margaret M. Tartaglione
Commissioner... Anthony Clark
Commissioner... Joseph Duda

Register of Wills.. Ronald R. Donatucci

Sheriff.. Barbara Deeley

First Judicial District of Pennsylvania
President Judge, Court of Common Pleas .... Pamela P. Dembe
President Judge, Municipal Court .... Marsha H. Neifield
President Judge, Traffic Court .... Thomasine Tynes

Appointed Officials

Managing Director	Richard Negrin
Director of Finance	Rob Dubow
City Solicitor	Shelley R. Smith
City Representative	Melanie Johnson
Chief of Staff	Suzanne Biemiller
Deputy Mayor for Public Safety	Everett A. Gillison
Deputy Mayor for Health & Opportunity/Health Commissioner	Donald R. Schwarz, MD
Deputy Mayor for Planning & Economic Development/Commerce Director	Alan Greenberger
Chief Integrity Officer	Joan L. Markman
Inspector General	Amy L. Kurland
Chief Education Advisor to the Mayor	Lori A. Shorr, Ph.D.
Chief Information Officer	Tommy Jones
Deputy Mayor for Economic Development	Alan Greenberger
City Treasurer	Nancy Winkler
Revenue Commissioner	Keith Richardson
Procurement Commissioner	Hugh Ortman
Police Commissioner	Charles Ramsey
Prisons Commissioner	Louis Giorla
Streets Commissioner	Clarena Tolson
Fire Commissioner	Lloyd Ayers
Commissioner of Parks and Recreation	Michael DiBerardinis
Public Property Commissioner	Joan Schlotterbeck
Director of the Office of Behavioral Health	Arthur C. Evans, MD
Department of Human Services Commissioner	Anne Marie Ambrose
Licenses and Inspections Commissioner	Fran Burns
Water Commissioner	Howard Neukrug
Records Commissioner	Joan T. Decker
Human Resources Director	Albert L. D'Attilio
Executive Director of the Board of Pensions & Retirement	Francis X. Bielli
Executive Director of the Sinking Fund Commission	Charles Jones
Director of Aviation	Mark Gale
Director of the Office of Labor Relations	Joseph Tolan

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

ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City of Philadelphia, Pennsylvania's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Philadelphia, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. With the exception of the School District of Philadelphia, we did not audit the financial statements of the blended component units and the discretely presented component units listed in Note I.1, as well as the Municipal Pension Fund, the Gas Works Retirement Reserve Fund, and the Departmental and Permanent Funds. Those financial statements representing 33% and 18% of the total assets and revenues, respectively, were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units and funds, are based on the reports of the other auditors. As discussed in Note IV.9 to the financial statements, the School District of Philadelphia, a component unit of the City of Philadelphia, Pennsylvania, disclosed concern about its ability to continue as a going concern. The independent auditor's report for the School District of Philadelphia included an explanatory paragraph expressing substantial doubt about the ability of the School District of Philadelphia to continue as a going concern.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Pennsylvania, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note III.10 to the financial statements, in 2011 the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Also, as discussed in Note III.13.B to the financial statements, in 2011 the City of Philadelphia reevaluated its relationship with the Pennsylvania Convention Center Authority (PCCA), which had been reported as a discretely presented component unit in 2010, and determined that PCCA no longer meets the criteria for inclusion as a component unit. Accordingly, net assets at July 1, 2010 have been adjusted to exclude PCCA.

The management's discussion and analysis on pages 13 through 26, and the major funds budgetary comparison schedules, the pension plans and other post employment benefits-schedule of funding progress, and the related notes to required supplementary information, on pages 120 through 124, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit 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 Introductory Section, Other Supplementary Information, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2011 financial information listed as Other Supplementary Information in the table of contents, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2011 taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the City of Philadelphia, Pennsylvania's basic financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated February 22, 2011, we expressed unqualified opinions on the respective 2010 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. In our opinion, the 2010 amounts included in the individual fund schedules of Budgetary Actual and Estimated Revenues and Obligations, on pages 149 through 153, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, taken as a whole. The Introductory Section and Statistical Section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Gerald V. Micciulla

February 21, 2012

GERALD V. MICCIULLA, CPA
Deputy City Controller

City of Philadelphia
PENNSYLVANIA

Management's Discussion & Analysis

This narrative overview and analysis of the financial statements of the City of Philadelphia, Pennsylvania for the fiscal year ended June 30, 2011 has been prepared by the city's management. 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

- At the end of the current fiscal year, the City of Philadelphia's *net liabilities* were $123.4 million resulting from an excess of its liabilities over its assets. Its *unrestricted net assets* showed a deficit of $2,261.2 million. This deficiency will have to be funded from resources generated in future years.

- During the current fiscal year the city's total net assets increased by $74.2 million. The governmental activities of the city experienced an increase of $22.6 million, while the business type activities had an increase of $51.6 million.

- For the current fiscal year, the city's governmental funds reported a combined ending fund balance of $747.8 million, an increase of $205.9 million from last year. Primarily, this was due to a $106.4 million increase in the General Fund and a $36.6 increase in the Health Choices Behavioral Health fund. The *unassigned fund balance* of the governmental funds ended the fiscal year with a deficit of $84.0 million, a decrease of $39.3 million from last year.

- The overall unassigned fund balance of the city's General fund ended the fiscal year with a deficit of $45.7 million, an increase from last year of $206.2 million. This is due to an increase in revenue of $179.1 million, a 5.3% increase over the previous year.

- On the legally enacted budgetary basis, the city's general fund ended the fiscal year with a surplus fund balance of $0.1 million, as compared to a deficit of $114.0 million last year. This increase of $114.1 million was due to an increase in revenues that resulted in an operating surplus of $75.0 million and the cancellations of prior year obligations further increased the fund balance.

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 assets* which includes all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are an indicator of whether the city's financial position is improving or deteriorating.

The *statement of activities* presents revenues and expenses and their effect on the change in the city's net assets during the current fiscal year. These changes in net assets 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:

- *Governmental activities* are primarily supported by taxes and state and federal grants. The governmental activities include general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; streets, highways and sanitation; and the financing activities of the city's two blended component units - the Pennsylvania Intergovernmental Cooperation Authority and Philadelphia Municipal Authority.

- *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 waste water systems, airport and industrial land bank are all included as business type activities.

These two activities comprise the primary government of Philadelphia.

- *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 Philadelphia School District, Community College of Philadelphia, Community Behavioral Health, Gas Works, Parking Authority, Delaware River Waterfront Corporation, Philadelphia Authority for Industrial Development and the Redevelopment Authority.

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

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

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

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

• ***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 waste water 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.

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

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

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

		Fund Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
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 Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
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 and liability information	All assets and liabilities, financial and capital, short and long term	Only assets expected to be used up and liabilities that come due during the current year or soon thereafter; no capital assets are included	All assets and liabilities, 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 assets. As noted earlier, net assets are useful indicators of a government's financial position. At the close of the current fiscal year, the City of Philadelphia's liabilities exceeded its assets by $123.4 million.

Capital assets (land, buildings, roads, bridges and equipment), less any outstanding debt issued to acquire these assets, comprise a large portion of the City of Philadelphia's net assets, $797.6 million. Although these capital assets assist the city in providing services to its citizens, they are generally not available to fund the operations of future periods.

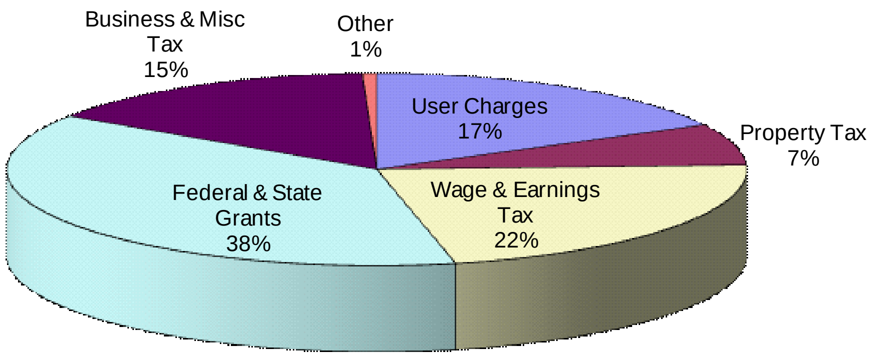
A portion of the city's net assets, $1,340.2 million, are subject to external restrictions as to how they may be used. The remaining component of net assets is unrestricted. Unrestricted net assets ended the fiscal year with a deficit of $2,261.2 million. The governmental activities reported negative *unrestricted net assets* of $2,495.5 million. Any deficits will have to be funded from future revenues. The business type activities reported an unrestricted net assets surplus of $234.3 million.

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

City of Philadelphia's Net Assets
(millions of USD)

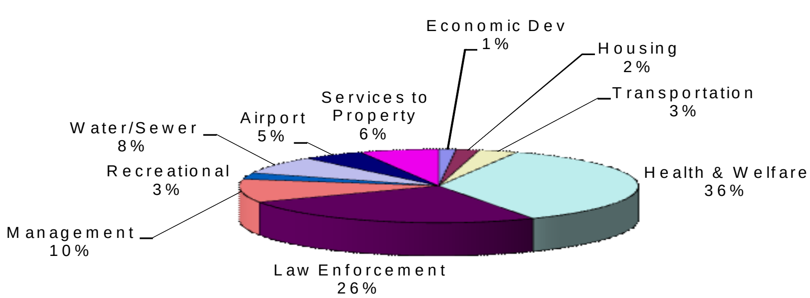
	Governmental Activities		%	Business-type Activities		%	Total Primary Government		%
	2011	2010	Change	2011	2010	Change	2011	2010	Change
Current and other assets	2,022.7	1,914.9	5.63%	1,475.8	1,181.4	24.92%	3,498.5	3,096.3	12.99%
Capital assets	2,147.2	2,151.3	-0.19%	3,612.6	3,493.5	3.41%	5,759.8	5,644.8	2.04%
Total assets	**4,169.9**	**4,066.2**	2.55%	**5,088.4**	**4,674.9**	8.85%	**9,258.3**	**8,741.1**	5.92%
Long-term liabilities	5,007.4	4,891.1	2.38%	3,246.8	2,832.6	14.62%	8,254.2	7,723.7	6.87%
Other liabilities	915.9	951.2	-3.71%	211.6	263.9	-19.82%	1,127.5	1,215.1	-7.21%
Total liabilities	**5,923.3**	**5,842.3**	1.39%	**3,458.4**	**3,096.5**	11.69%	**9,381.7**	**8,938.8**	4.95%
Net assets:									
Invested in capital assets,									
net of related debt	(47.5)	(59.3)	19.90%	845.1	831.8	1.60%	797.6	772.5	3.25%
Restricted	789.6	705.1	11.98%	550.6	489.3	12.53%	1,340.2	1,194.4	12.21%
Unrestricted	(2,495.5)	(2,421.9)	-3.04%	234.3	257.3	-8.94%	(2,261.2)	(2,164.6)	-4.46%
Total net assets	**(1,753.4)**	**(1,776.1)**	1.28%	**1,630.0**	**1,578.4**	3.27%	**(123.4)**	**(197.7)**	37.58%

Changes in net assets. The city's total revenues this year, $6,770.7 million, exceeded total costs of $6,696.5 million by $74.2 million. Approximately 29% of all revenue came from property and wage and earnings taxes. State, Federal and local grants account for another 38%, with the remainder of the revenue coming from user charges, fines, fees and various other sources. The City's expenses cover a wide range of services, of which approximately 68% are related to the health, welfare and safety of the general public.



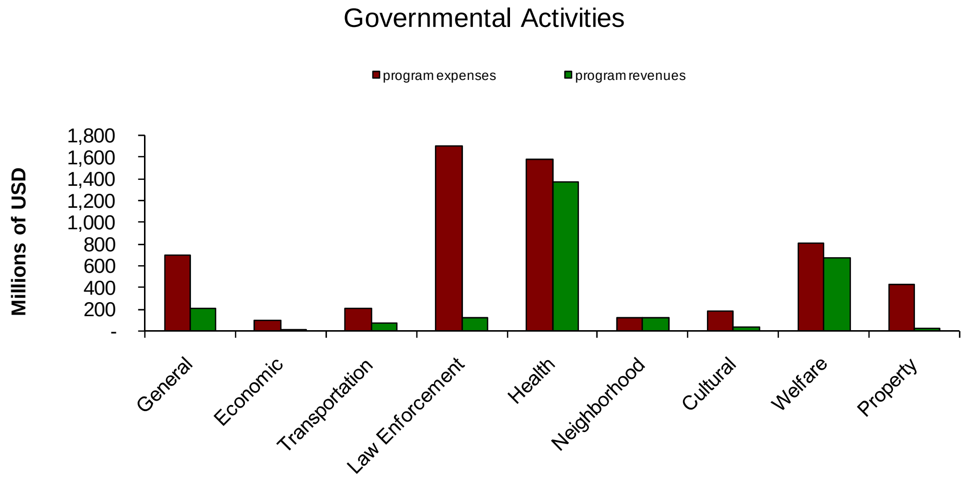
Overall, net assets for the city increased by $74.2 million. Total revenues increased by $440.8 million, total expenses decreased by $33.8 million over last year. This resulted in the Change in Net Assets being $474.6 million higher than in the previous year. Net assets were increased by $173.9 million from Operating grants and contributions, $56.1 million from Wage and Earning taxes, $105.8 million due to an increase in the Real Estate Tax Assessment Rate, and $46.6 million from Other taxes.

Expense decreases included $52.7 million for Economic Development, $122.4 million for General Management and Support, and $38.7 for Interest on Long Term Debt.



Governmental Activities

The governmental activities of the City resulted in a $22.6 million increase in net assets. The following chart reflects program expenses and program revenue. The difference (net cost) must be funded by Taxes, Grants & Contributions and Other revenues.



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

(millions of USD)	Program Costs		%	Program Revenues		%	Net Cost		%
	2011	2010	Change	2011	2010	Change	2011	2010	Change
General Welfare	812.5	807.6	0.6%	668.4	572.8	16.7%	144.1	234.8	-38.6%
Judiciary & Law Enforcement	1,703.5	1,646.3	3.5%	122.6	139.6	-12.2%	1,580.9	1,506.7	4.9%
Public Health	1,577.9	1,494.5	5.6%	1,371.6	1,314.1	4.4%	206.3	180.4	14.4%
General Governmental	697.4	858.2	-18.7%	198.9	166.1	19.7%	498.5	692.1	-28.0%
Services to Property	429.0	408.7	5.0%	15.5	6.5	138.5%	413.5	402.2	2.8%
Housing, Economic & Cultural	618.1	682.3	-9.4%	228.2	224.3	1.7%	389.9	458.0	-14.9%
	5,838.4	**5,897.6**	-1.0%	**2,605.2**	**2,423.4**	7.5%	**3,233.2**	**3,474.2**	-6.9%

The cost of all governmental activities this year was $5,838.4 million; the amount that taxpayers paid for these programs through tax payments was $3,021.2 million. The federal and state governments and other charitable organizations subsidized certain programs with grants and contributions in the amount of $2,255.5 million while those who benefited from the programs paid $349.7 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 $234.6 million. The difference of $22.6 million is available to fund future commitments.

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:

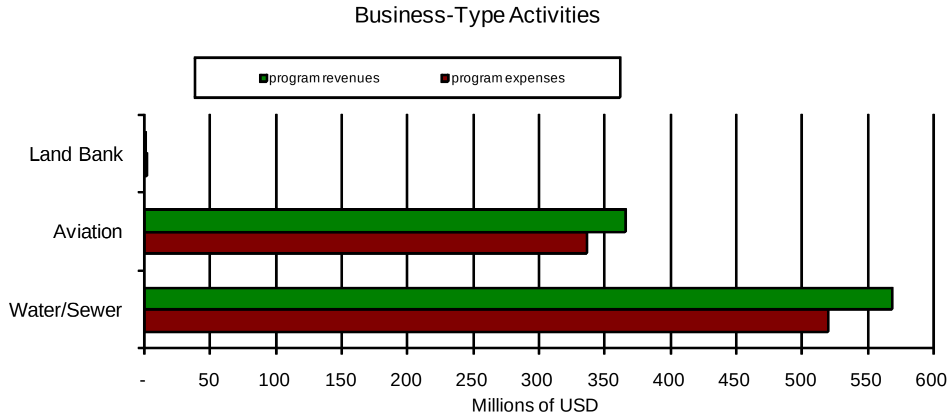
City of Philadelphia-Net Assets

(millions of USD)	Governmental Activities		Business-type Activities		Total		%
	2011	2010	2011	2010	2011	2010	Change
Revenues:							
Program revenues:							
Charges for services	349.7	326.1	817.1	792.6	1,166.8	1,118.7	4.3%
Operating grants and contributions	2,223.5	2,050.4	6.9	6.1	2,230.4	2,056.5	8.5%
Capital grants and contributions	32.0	46.9	103.7	90.5	135.7	137.4	-1.2%
General revenues:							
Wage and earnings taxes	1,504.6	1,448.5	-	-	1,504.6	1,448.5	3.9%
Property taxes	506.6	400.8	-	-	506.6	400.8	26.4%
Other taxes	1,010.0	963.4	-	-	1,010.0	963.4	4.8%
Unrestricted grants and contributions	173.8	171.4	-	-	173.8	171.4	1.4%
Unrestricted Interest	35.9	25.5	6.9	7.7	42.8	33.2	28.9%
Total revenues	**5,836.1**	**5,433.0**	**934.6**	**896.9**	**6,770.7**	**6,329.9**	7.0%
Expenses:							
Economic development	92.3	145.0	-	-	92.3	145.0	-36.3%
Transportation	211.5	212.1	-	-	211.5	212.1	-0.3%
Judiciary & law enforcement	1,703.5	1,646.3	-	-	1,703.5	1,646.3	3.5%
Conservation of health	1,577.9	1,494.5	-	-	1,577.9	1,494.5	5.6%
Housing & neighborhood development	126.1	131.3	-	-	126.1	131.3	-4.0%
Cultural & recreational	188.3	193.9	-	-	188.3	193.9	-2.9%
Improvement of the general welfare	812.5	807.6	-	-	812.5	807.6	0.6%
Services to taxpayer property	429.0	408.7	-	-	429.0	408.7	5.0%
General management	561.0	683.4	-	-	561.0	683.4	-17.9%
Interest on long term debt	136.3	174.9	-	-	136.3	174.9	-22.1%
Water & waste water	-	-	520.2	502.4	520.2	502.4	3.5%
Airport	-	-	336.0	330.1	336.0	330.1	1.8%
Industrial land bank	-	-	1.9	0.1	1.9	0.1	1800.0%
Total expenses	**5,838.4**	**5,897.7**	**858.1**	**832.6**	**6,696.5**	**6,730.3**	-0.5%
Increase (decrease) in net assets before transfers & special items	(2.3)	(464.7)	76.5	64.3	74.2	(400.4)	
Transfers	24.9	28.3	(24.9)	(28.3)	-	-	
Increase (decrease) in Net Assets	**22.6**	**(436.3)**	**51.6**	**36.0**	**74.2**	**(400.4)**	
Net Assets - Beginning	(1,776.0)	(1,292.6)	1,578.4	1,531.5	(197.6)	238.9	-182.7%
Adjustment	-	(47.2)	-	10.8	-	(36.4)	
Net Assets - End	**(1,753.4)**	**(1,776.1)**	**1,630.0**	**1,578.3**	**(123.4)**	**(197.9)**	-37.6%

Business-type Activities

Business-type activities caused the city's net assets to increase by $51.6 million. This increase was comprised of an increase in net assets for water/wastewater of $22.8 million, an increase to aviation of $30.2 million and a decrease for industrial & commercial development operations of $1.3 million. Some of the key reasons for these changes are:

- Increased airport rental concession income and an increase in passenger facility charges resulting from an increase in airline passenger traffic.
- Increased employee benefits costs in the Water Fund.

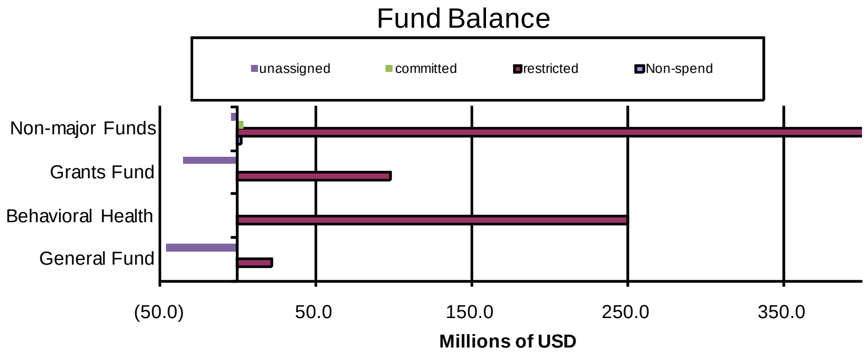


Financial Analysis of the Government's Funds

***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. *Unreserved 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 $747.8 million an increase of $205.9 million over last year. Of the total fund balance, $2.6 million represents *nonspendable fund balance* for amounts that cannot be spent. In addition, $825.1 million represents *restricted fund balance* due to externally imposed constraints by outside parties, or law, to: revitalize neighborhoods ($61.3 million); pay debt service ($82.8 million); support programs funded by independent agencies ($45.6 million); fund a portion of the city's managed care programs ($250.1 million); fund a portion of new sports stadiums ($6.5 million); fund the 9-1-1 emergency phone system ($36.9 million); fund a portion of the central library renovation project ($2.3million), cultural and commercial corridor project ($19.2million); and trusts ($8.0 million); fund economic development programs ($6.6 million); improve streets and highways ($18.3 million); fund housing and neighborhood development ($10.5 million); provide health services ($8.8 million); preserve parks, libraries and museums ($.5 million); and support capital projects ($267.7 million). The fund balance is further broken down as to committed fund balance for Prisons ($3.6 million) and Parks and Recreation ($.5 million). The difference between the non-spendable, restricted, committed and combined fund balance is a deficit of $84.0 million which constitutes *unassigned fund balance,* this deficit must be funded by future budgets.

The general fund, the primary operating fund of the city, reported an *unassigned fund balance deficit* of $45.7 million at the end of the fiscal year. Ratios of the general fund's unreserved fund balance and total fund balance to its total expenditures can be useful indicators of the general fund's liquidity. These ratios for the year just ended were -1.3% and -0.7%, respectively.



Overall, the total fund balance of the general fund increased by $106.4 million during the current fiscal year. This Increase was due to an excess of expenditures over revenues and other financing uses for the fiscal year. Some of the key factors contributing to this change are:

Revenue:

- An increase in Tax Revenue of $130.8 million
- An increase in Locally Generated Non Tax Revenue of $51.1 million

Expenditures:

- An increase in expenditures for Police of $75.3 million.

The Health Choices Behavioral Health fund ended the fiscal year with a total fund balance of $250.1 million of which $203.9 million is reserved for a contractually required equity reserve and reinvestment initiatives. The total fund balance increased during the fiscal year by $36.6 million.

The Grants Revenue fund has a total fund balance in the amount of $63.9 million which is comprised of a positive restricted fund balance of $98.2 million (earmarked for neighborhood revitalization and emergency telephone system programs) and a deficit unreserved fund balance of $34.3 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 unreserved fund balance. The overall fund balance of the grants revenue fund experienced a decrease of $18.5 million during the current fiscal year due primarily to increased transfers out of $15.1 million for the 911 Emergency Phone System.

***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 assets* of the proprietary funds increased by $51.6 million during the current fiscal year. This overall increase is attributable to the water/wastewater system which had an increase of $22.8 million, airport operations which experienced an increase of $30.1 million, while industrial & commercial development operations experienced a decrease of $1.3 million.

The proprietary funds reported an *unrestricted nets assets* surplus of $234.3 million, comprised of $147.8 million for the water and waste water operations, $69.8 million for the airport and $16.7 million for the industrial & commercial development activities. These unrestricted net assets represent an overall decrease of $22.9 million over the previous year, comprised of a decrease of $20.7 million for the water and waste water operations, a decrease of $0.9 million for the airport and a decrease of $1.3 million for the Land Bank. The change in the water fund unrestricted is the result of an increase in Employee Benefits of $19.4 million.

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)
2011	0.1	114.1
2010	(114.0)	23.2
2009	(137.2)	(256.7)
2008	119.5	(178.4)
2007	297.9	43.4

Differences between the original budget and the final amended budget resulted primarily from decreases in revenue estimates and increases to appropriations. These increases were required to support the following activities:

- $5.7 million for First Judicial District contracted services
- $1.8 million for Public Property for Water and Aviation interfund charges
- $1.4 million for Fire Department contracted services

The general fund's budgetary fund balance surplus of $0.1 million differs from the general fund's fund financial statement deficit of $45.7 million by $45.8 million, which represents the difference between the business privilege tax receipts of $149.6 million and the reserve for encumbrances of $103.8 million. Business privilege tax receipts are received prior to being earned but have no effect on budgeted cash receipts. The positive committed fund balance for encumbrances was offset against the negative unassigned fund balance, in accordance with GASB Statement No. 54.

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 $5.8 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. Major capital asset events for which capital expenditures have been incurred during the current fiscal year include the following:

- Infrastructure improvements: $22.1 million for streets, highways and bridges; and $138.2 million for the water and waste water systems, and $3.0 million for the Market Frankford Elevated.
- Airport terminal and airfield improvements in the amount of $119.8 million.
- City Hall exterior renovations in the amount of $12.0 million.
- Surveillance camera video system $8.8 million.

- President's House Commemoration $3.6 million.
- Robin Hood Dell East improvements totaling $3.0 million.

The following table shows the capital assets by category.

City of Philadelphia's Capital Assets-Net of Depreciation

(millions of USD)

	Governmental activities		Inc	**Business-type activities**		Inc	**Total**		Inc
	2011	2010	(Dec)	2011	2010	(Dec)	2011	2010	(Dec)
Land	762.0	757.0	5.0	105.0	107.0	(2.0)	867.0	864.0	3.0
Fine Arts	1.0	0.0	1.0	0.0	0.0	-	1.0	0.0	1.0
Buildings	704.0	725.0	(21.0)	1,673.0	1,672.0	1.0	2,377.0	2,397.0	(20.0)
Improvements other than buildings	96.0	97.3	(1.3)	125.0	124.0	1.0	221.0	221.3	(0.3)
Machinery & equipment	92.0	97.0	(5.0)	24.0	25.0	(1.0)	116.0	122.0	(6.0)
Infrastructure	364.0	450.0	(86.0)	1,270.5	1,242.5	28.0	1,634.5	1,692.5	(58.0)
Construction in progress	47.0	25.0	22.0	406.0	323.0	83.0	453.0	348.0	105.0
Transit	81.2	0.0	81.2	0.0	0.0	-	81.2	0.0	81.2
Intangible Assets	0.0	0.0	-	9.1	0.0	9.1	9.1	0.0	9.1
Total	**2,147.2**	**2,151.3**	**(4.1)**	**3,612.6**	**3,493.5**	**119.1**	**5,759.8**	**5,644.8**	**115.0**

The city's governmental activities experienced an overall decrease in capital assets of $4.1 million (net of accumulated depreciation) during the current fiscal year. The decreases are a result of normal depreciation costs for the fiscal year.

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 $8.3 billion in long term debt outstanding. Of this amount, $5.3 billion represents bonds outstanding (comprised of $2.1 billion of debt backed by the full faith and credit of the city, and $3.2 billion of debt secured solely by specific revenue sources) while $2.9 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

	Governmental activities		Business-type activities		Total	
(millions of USD)	2011	2010	2011	2010	2011	2010
Bonds Outstanding:						
General obligation bonds	2,121.7	2,071.0	1.0	2.2	2,122.7	2,073.2
Revenue bonds	-	-	3,189.0	2,788.8	3,189.0	2,788.8
Total Bonds Outstanding	**2,121.7**	**2,071.0**	**3,190.0**	**2,791.0**	**5,311.7**	**4,862.0**
Other Long Term Obligations:						
Service agreements	2,161.3	2,200.1	-	-	2,161.3	2,200.1
Employee related obligations	625.4	540.0	46.3	34.2	671.7	574.2
Indemnities	47.3	47.7	10.2	4.7	57.5	52.4
Leases	51.7	31.1	-	-	51.7	31.1
Other	-	1.2	0.3	2.7	0.3	3.9
Total Other Long Term Obligations	**2,885.7**	**2,820.1**	**56.8**	**41.6**	**2,942.5**	**2,861.7**
Total Long Term Debt Outstanding	**5,007.4**	**4,891.1**	**3,246.8**	**2,832.6**	**8,254.2**	**7,723.7**

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

- The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The City borrowed and repaid $285.0 million in Tax and Revenue Anticipation Notes by June 2011 plus interest. In accordance with statute there are no temporary loans outstanding at year end.

- In April 2011, the City issued $253.7 million of general obligation bonds series 2011. There were serial bonds issued in the amount of $156.4 million with interest rates ranging from 2.0% to 5.375% maturing in 2026. Term bonds were issued in amounts of: $23.2 million at 5.875% interest due on August 31, 2031; $31.3 million at 6.0% interest due on August 1, 2036; and $42.8 million at 6.5% interest due on August 1, 2041. The bonds were issued for the purpose of refunding the 1998 Refunded Bonds ($85.9 million), the 2001 Refunded Bonds ($31.6 million) and financing capital projects ($139.1 million)

- As of June 30, 2011, **PMA**'s Statement of Net Assets disclosed $19.9 million of accretion to its bond principal payments for fiscal years 2012 through 2015. Capitalized interest relates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents the cumulative compounded interest due and payable at bond maturity.

- In August 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of $185.0 million. Serial bonds were issued in the amount of $116.6 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) $5.2 million with an interest rate of 4.750% and mature in 2035; (2) $24.8 million with an interest rate of 5.0% and mature in 2035; (3) $38.4 million with an interest rate of 5.0% and mature in 2040. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water & wastewater system, fund payments to terminate a portion of the 2007 swap agreement ($15.0 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2011, PENNVEST's drawdowns totaled $73.8 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years.

- In November 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of $16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of $113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of $25 million, and $48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of $37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for $24.4 million and 2010C (AMT) for $54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of $1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of $270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) pay the costs of issuance of the 2010 bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond sometimes hereinafter referred to, collectively as the International Terminal Bonds.

Currently the city's bonds as rated by Moody's, Standard & Poor's and Fitch are as follows:

Bond Type	**Moody's Investor Service**	**Standard & Poor's Corporation**	**Fitch IBCA**
General Obligation Bonds	A1	BBB	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% of the average assessed valuations of properties over the past ten years. As of *July 1, 2011* the legal debt limit was $1,571.9 million. There is $1,474.6 million of outstanding tax supported debt leaving a legal debt margin of $97.3 million.

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

Economic Factors and Next Year's Budgets and Rates

The following factors have been considered in preparing the City of Philadelphia's budget for the 2012 fiscal year:

- Philadelphia entered FY12 with a fund balance of $0.1 million. For FY 2012 Wage and Earnings Tax revenue are projected to grow 2.4%, Sale Tax revenue are projected to grow by 1.6% and Real Estate transfer tax is projected to grow by 3.6%, while the Business privilege tax is projected to decline by 2%.

- The current five year plan (FY 2012 to 2016) includes a resumption of the wage and business tax cuts in FY 2014, previously suspended in the FY 2010 plan.

- Workforce reductions were implemented throughout FY10 through the use of layoffs and by not replacing vacant positions. Spending on supplies and equipment was curtailed in FY 10.

- Union contracts for three of the City's four major bargaining units are still outstanding, despite having expired in July 2009. Any awarded or negotiated wage or benefit increases will increase costs for the City.

- To control rising pension plan costs the city introduced a new hybrid pension plan that contains both a defined benefit and a voluntary defined contribution component. Uniformed employees not electing to participate in the hybrid plan must increase their pension contribution percentage.

- The country entered its most recent recession in December 2007. It is the longest recession in the post-WWII period.

- Economists expect a slow and long recovery from the current recession. Philadelphia's recovery, like that of other local governments, is expected to take longer than the nation due to high urban unemployment and lagging tax revenue collections.

Requests for information

The Comprehensive Annual Financial Report is designed to provide a general overview of the City of Philadelphia's finances for all interested parties. The City also publishes the *Supplemental Report of Revenues & Obligations* that provides a detailed look at budgetary activity at the legal level of compliance, the *Annual Report of Bonded Indebtedness* that details outstanding long term debt and the *Schedule of Financial Assistance* that reports on grant activity. All four reports are available on the City's website, *www.phila.gov/finance*. 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 Assets
June 30, 2011

Exhibit I

Amounts in thousands of USD

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
Assets				
Cash on Deposit and on Hand	88,334	30	88,364	288,399
Equity in Pooled Cash and Investments	-	-	-	51,675
Equity in Treasurer's Account	917,858	184,304	1,102,162	-
Investments	151,229	-	151,229	122,594
Due from Component Units	15,257	-	15,257	-
Due from Primary Government	-	-	-	64,723
Amounts Held by Fiscal Agent	70,479	-	70,479	94,812
Notes Receivable - Net	-	-	-	39,151
Accounts Receivable - Net	286,166	149,021	435,187	320,539
Interest and Dividends Receivable	1,795	-	1,795	19,159
Due from Other Governments - Net	427,940	3,893	431,833	192,237
Inventories	17,064	27,655	44,719	128,171
Other Assets	3,163	-	3,163	391,538
Deferred Outflow - Derivative Instruments	43,387	38,576	81,963	33
Restricted Assets:				
Cash and Cash Equivalents	-	247,484	247,484	126,161
Other Assets	-	824,828	824,828	375,607
Capital Assets:				
Land and Other Non-Depreciated Assets	810,714	513,826	1,324,540	447,777
Other Capital Assets (Net of Depreciation)	1,336,504	3,098,817	4,435,321	3,126,334
Total Capital Assets, Net	2,147,218	3,612,643	5,759,861	3,574,111
Total Assets	4,169,890	5,088,434	9,258,324	5,788,910
Liabilities				
Notes Payable	-	-	-	135,851
Vouchers Payable	106,421	10,739	117,160	71,105
Accounts Payable	179,963	74,550	254,513	130,077
Salaries and Wages Payable	92,863	7,298	100,161	71,382
Accrued Expenses	43,251	31,863	75,114	281,920
Due to Agency Funds	866	-	866	-
Due to Primary Government	-	-	-	51,726
Due to Component Units	65,476	-	65,476	-
Funds Held in Escrow	12,726	1,906	14,632	12,716
Due to Other Governments	-	-	-	41,374
Deferred Revenue	256,555	46,641	303,196	246,769
Overpayment of Taxes	108,325	-	108,325	9,987
Other Current Liabilities	-	-	-	72,554
Derivative Instrument Liability	49,466	38,576	88,042	26,290
Net Pension Liability	69,366	10,645	80,011	-
Non-Current Liabilities:				
Due within one year	241,792	170,752	412,544	342,635
Due in more than one year	4,696,260	3,065,475	7,761,735	5,041,627
Total Liabilities	5,923,330	3,458,445	9,381,775	6,536,013
Net Assets				
Invested in Capital Assets, Net of Related Debt	(47,508)	845,062	797,554	47,402
Restricted For:				
Capital Projects	267,720	133,023	400,743	6,959
Debt Service	82,205	260,506	342,711	217,563
Behavioral Health	250,117	-	250,117	18,375
Neighborhood Revitalization	61,296	-	61,296	-
Stadium Financing	284	-	284	-
Central Library Project	2,330	-	2,330	-
Cultural & Commercial Corridor Project	19,171	-	19,171	-
Grant Programs	60,254	-	60,254	30,389
Rate Stabilization	-	157,050	157,050	-
Libraries & Parks:				
Expendable	3,090	-	3,090	-
Non-Expendable	2,404	-	2,404	-
Educational Programs	-	-	-	11,898
Other	40,660	-	40,660	3,646
Unrestricted(Deficit)	(2,495,463)	234,348	(2,261,115)	(1,083,335)
Total Net Assets	(1,753,440)	1,629,989	(123,451)	(747,103)

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

Statement of Activities
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Units
Primary Government:								
Governmental Activities:								
Economic Development	92,256	38	5,385	2,088	(84,745)		(84,745)	
Transportation:								
Streets & Highways	136,302	5,055	36,763	25,925	(68,559)		(68,559)	
Mass Transit	75,170	623	396	-	(74,151)		(74,151)	
Judiciary and Law Enforcement:								
Police	1,048,131	3,507	11,653	-	(1,032,971)		(1,032,971)	
Prisons	340,373	513	1,633	274	(337,953)		(337,953)	
Courts	315,004	45,569	59,472	-	(209,963)		(209,963)	
Conservation of Health:								
Emergency Medical Services	53,282	34,729	973	-	(17,580)		(17,580)	
Health Services	1,524,629	16,660	1,319,228	-	(188,741)		(188,741)	
Housing and Neighborhood Development	126,075	23,061	94,033	-	(8,981)		(8,981)	
Cultural and Recreational:								
Recreation	98,670	2,822	8,682	1,949	(85,217)		(85,217)	
Parks	14,008	4,997	1,041	1,669	(6,301)		(6,301)	
Libraries and Museums	75,650	1,844	11,870	-	(61,936)		(61,936)	
Improvements to General Welfare:								
Social Services	718,366	6,808	615,850	-	(95,708)		(95,708)	
Education	64,009	-	-	-	(64,009)		(64,009)	
Inspections and Demolitions	30,095	45,526	255	-	15,686		15,686	
Service to Property:								
Sanitation	143,055	11,639	2,761	-	(128,655)		(128,655)	
Fire	285,907	468	654	-	(284,785)		(284,785)	
General Management and Support	561,037	136,602	52,888	139	(371,408)		(371,408)	
Interest on Long Term Debt	136,332	9,233	-	-	(127,099)		(127,099)	
Total Governmental Activities	5,838,351	349,694	2,223,537	32,044	(3,233,076)		(3,233,076)	
Business Type Activities:								
Water and Sewer	520,186	558,483	2,726	2,038	-	43,061	43,061	
Aviation	336,019	258,055	4,215	101,681	-	27,932	27,932	
Industrial and Commercial Development	1,875	531	-	-	-	(1,344)	(1,344)	
Total Business Type Activities	858,080	817,069	6,941	103,719	-	69,649	69,649	
Total Primary Government	6,696,431	1,166,763	2,230,478	135,763	(3,233,076)	69,649	(3,163,427)	
Component Units:								
Gas Operations	733,717	751,301	13,232	-				30,816
Housing	64,831	1,209	57,000	-				(6,622)
Parking	220,515	222,665	-	-				2,150
Education	3,359,820	38,379	1,192,696	1,200				(2,127,545)
Health	774,336	-	774,336	-				-
Economic Development	158,254	35,818	115,294	-				(7,142)
Total Component Units	5,311,473	1,049,372	2,152,558	1,200				(2,108,343)
General Revenues:								
Taxes:								
Property Taxes					506,569	-	506,569	605,249
Wage & Earnings Taxes					1,504,598	-	1,504,598	-
Business Taxes					364,184	-	364,184	-
Other Taxes					645,811	-	645,811	185,284
Grants & Contributions Not Restricted to Specific Programs					173,814	-	173,814	1,220,575
Unrestricted Interest & Investment Earnings					35,793	6,904	42,697	19,247
Miscellaneous					-	-	-	1,339
Special Items					-	-	-	108
Transfers					24,930	(24,930)	-	-
Total General Revenues, Special Items and Transfers					3,255,699	(18,026)	3,237,673	2,031,802
Change in Net Assets					22,623	51,623	74,246	(76,541)
Net Assets - July 1, 2010					(1,776,063)	1,578,366	(197,697)	16,814
Adjustment					-	-	-	(687,376)
Net Assets Adjusted - July 1, 2010					(1,776,063)	1,578,366	(197,697)	(670,562)
Net Assets - June 30, 2011					(1,753,440)	1,629,989	(123,451)	(747,103)

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

City of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2011

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	10,066	-	98	78,170	88,334
Equity in Treasurer's Account	148,682	333,786	142,285	293,105	917,858
Investments	-	-	-	151,228	151,228
Due from Other Funds	11,866	-	-	478	12,344
Due from Component Units	15,257	-	-	-	15,257
Amounts Held by Fiscal Agent	21,784	-	47,984	711	70,479
Taxes Receivable	579,471	-	-	8,080	587,551
Accounts Receivable	387,122	-	978	5,825	393,925
Due from Other Governmental Units	317,942	-	80,809	29,189	427,940
Allowance for Doubtful Accounts	(697,016)	-	-	(735)	(697,751)
Interest and Dividends Receivable	406	1,270	-	120	1,796
Other Assets	-	-	-	562	562
Total Assets	795,580	335,056	272,154	566,733	1,969,523
Liabilities and Fund Balances					
Liabilities:					
Vouchers Payable	51,771	15,330	12,981	26,339	106,421
Accounts Payable	68,417	9,449	58,683	43,294	179,843
Salaries and Wages Payable	89,452	-	2,963	569	92,984
Due to Other Funds	846	-	-	12,364	13,210
Due to Component Units	-	60,160	2,575	2,741	65,476
Funds Held in Escrow	11,574	-	-	1,152	12,726
Deferred Revenue	489,095	-	131,042	22,585	642,722
Overpayment of Taxes	108,325	-	-	-	108,325
Total Liabilities	819,480	84,939	208,244	109,044	1,221,707
Fund Balances:					
Nonspendable	-	-	-	2,604	2,604
Restricted	21,785	250,117	98,180	455,026	825,108
Committed	-	-	-	4,104	4,104
Unassigned	(45,685)	-	(34,270)	(4,045)	(84,000)
Total Fund Balances	(23,900)	250,117	63,910	457,689	747,816
Total Liabilities and Fund Balances	795,580	335,056	272,154	566,733	

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

a. Capital Assets used in governmental activities are not reported in the funds	2,147,218
b. Unearned Receivables are deferred in the funds	386,167
c. Long Term Liabilities, including bonds payable are not reported in the funds	(4,938,052)
d. Net Pension Liability is not reported in the funds	(69,366)
e. Derivatives are not reported in the funds	(6,079)
f. Other	(21,144)
Net Assets of Governmental Activities	(1,753,440)

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

City of Philadelphia **Exhibit IV**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tax Revenue	2,447,035	-	-	547,943	2,994,978
Locally Generated Non-Tax Revenue	280,694	1,237	56,057	32,653	370,641
Revenue from Other Governments	784,332	880,413	583,554	118,124	2,366,423
Other Revenues	15,243	-	-	10,593	25,836
Total Revenues	3,527,304	881,650	639,611	709,313	5,757,878
Expenditures					
Current Operating:					
Economic Development	35,295	-	5,474	41,859	82,628
Transportation:					
Streets & Highways	56,511	-	3,161	27,721	87,393
Mass Transit	66,709	-	397	-	67,106
Judiciary and Law Enforcement:			-		
Police	944,824	-	11,028	-	955,852
Prisons	313,270	-	1,402	1,207	315,879
Courts	242,344	-	52,511	-	294,855
Conservation of Health:					
Emergency Medical Services	49,676	-	974	-	50,650
Health Services	144,248	845,002	388,332	137,251	1,514,833
Housing and Neighborhood			-		
Development	1,790	-	43,178	81,098	126,066
Cultural and Recreational:					
Recreation	74,210	-	8,690	-	82,900
Parks	860	-	1,041	3,990	5,891
Libraries and Museums	58,650	-	9,964	124	68,738
Improvements to General Welfare:					
Social Services	641,631	-	60,189	-	701,820
Education	64,009	-	-	-	64,009
Inspections and Demolitions	24,286	-	10,516	-	34,802
Service to Property:					
Sanitation	131,089	-	2,761	-	133,850
Fire	257,549	-	517	-	258,066
General Management and Support	504,652	-	19,058	44,810	568,520
Capital Outlay	-	-	-	134,933	134,933
Debt Service:					
Principal	-	-	-	91,377	91,377
Interest	-	-	-	105,732	105,732
Bond Issuance Cost	-	-	-	2,167	2,167
Total Expenditures	3,611,603	845,002	619,193	672,269	5,748,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,299)	36,648	20,418	37,044	9,811
Other Financing Sources (Uses)					
Issuance of Debt	-	-	-	139,150	139,150
Issuance of Refunding Bonds	-	-	-	114,570	114,570
Bond Issuance Premium	-	-	-	5,046	5,046
Proceeds from Lease & Service Agreements	-	-	-	28,070	28,070
Bond Defeasance	-	-	-	(117,605)	(117,605)
Transfers In	335,084	-	471	247,501	583,056
Transfers Out	(144,435)	-	(39,392)	(374,299)	(558,126)
Total Other Financing Sources (Uses)	190,649	-	(38,921)	42,433	194,161
Net Change in Fund Balance	106,350	36,648	(18,503)	79,477	203,972
Fund Balance - July 1, 2010	(130,250)	213,469	82,413	376,242	541,874
Adjustment	-	-	-	1,970	1,970
Fund Balance Adjusted - July 1, 2010	(130,250)	213,469	82,413	378,212	543,844
Fund Balance - June 30, 2011	(23,900)	250,117	63,910	457,689	747,816

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

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, 2011

Amounts in thousands of USD

Net Change in Fund Balances - Total Governmental Funds...	203,972
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 depreciation (135,195) exceeded capital outlay (131,988) in the current period...	(3,207)
b. Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..	46,513
c. Proceeds from debt obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (196,844) exceeded proceeds (123,813)...	73,031
d. The increase in the Net Pension Obligation 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...	(225,170)
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......	(72,516)
Change in Net Assets of governmental activities..	22,623

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

City of Philadelphia **Exhibit VI**
Statement of Fund Net Assets
Proprietary Funds
June 30, 2011

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
			Other Non-Major	
Assets	Water and Sewer	Aviation	Industrial & Commercial Development	Total
Current Assets:				
Cash on Deposit and on Hand	30	-	-	30
Equity in Treasurer's Account	60,964	119,979	3,361	184,304
Due from Other Governments	230	3,663	-	3,893
Accounts Receivable	236,642	16,565	1,972	255,179
Allowance for Doubtful Accounts	(105,138)	(1,020)	-	(106,158)
Inventories	13,192	3,065	11,398	27,655
Total Current Assets	205,920	142,252	16,731	364,903
Deferred Outflow - Derivative Instruments	12,519	26,057	-	38,576
Non-Current Assets:				
Restricted Assets:				
Equity in Treasurer's Account	406,402	418,426	-	824,828
Amounts Held by Fiscal Agent	-	23,885	-	23,885
Sinking Funds and Reserves	130,299	73,917	-	204,216
Grants for Capital Purposes	-	11,596	-	11,596
Receivables	952	6,835	-	7,787
Total Restricted Assets	537,653	534,659	-	1,072,312
Capital Assets:				
Land	5,919	101,571	-	107,490
Infrastructure	2,055,254	625,432	-	2,680,686
Construction in Progress	270,769	135,567	-	406,336
Buildings and Equipment	1,514,322	2,100,557	-	3,614,879
Less: Accumulated Depreciation	(1,959,538)	(1,237,210)	-	(3,196,748)
Total Capital Assets, Net	1,886,726	1,725,917	-	3,612,643
Total Non-Current Assets	2,424,379	2,260,576	-	4,684,955
Total Assets	2,642,818	2,428,885	16,731	5,088,434
Liabilities				
Current Liabilities:				
Vouchers Payable	7,529	3,210	-	10,739
Accounts Payable	8,080	10,957	-	19,037
Salaries and Wages Payable	4,044	3,254	-	7,298
Construction Contracts Payable	23,096	32,417	-	55,513
Accrued Expenses	22,465	9,398	-	31,863
Funds Held in Escrow	1,906	-	-	1,906
Deferred Revenue	9,764	36,877	-	46,641
Bonds Payable-Current	109,942	60,810	-	170,752
Total Current Liabilities	186,826	156,923	-	343,749
Derivative Instrument Liability	12,519	26,057	-	38,576
Net Pension Liability	542	10,103	-	10,645
Non-Current Liabilities:				
Bonds Payable	1,704,443	1,380,120	-	3,084,563
Unamortized Premium/(Discount and Loss)	(75,206)	9,906	-	(65,300)
Other Non-Current Liabilities	35,710	10,502	-	46,212
Total Non-Current Liabilities	1,664,947	1,400,528	-	3,065,475
Total Liabilities	1,864,834	1,593,611	-	3,458,445
Net Assets				
Invested in Capital Assets, Net of Related Debt	254,798	590,264	-	845,062
Restricted For:				
Capital Projects	88,011	45,012	-	133,023
Debt Service	130,298	130,208	-	260,506
Rate Stabilization	157,050	-	-	157,050
Unrestricted	147,827	69,790	16,731	234,348
Total Net Assets	777,984	835,274	16,731	1,629,989

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

City of Philadelphia

Exhibit VII

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
Operating Revenues:				
Charges for Goods and Services	553,169	81,161	-	634,330
Rentals and Concessions	-	170,667	-	170,667
Miscellaneous Operating Revenues	5,314	6,227	531	12,072
Total Operating Revenues	558,483	258,055	531	817,069
Operating Expenses:				
Personal Services	104,323	59,258	-	163,581
Purchase of Services	70,964	78,491	1,875	151,330
Materials and Supplies	35,147	4,459	-	39,606
Employee Benefits	91,046	36,342	-	127,388
Indemnities and Taxes	10,831	2,219	-	13,050
Depreciation	86,924	100,894	-	187,818
Total Operating Expenses	399,235	281,663	1,875	682,773
Operating Income (Loss)	159,248	(23,608)	(1,344)	134,296
Non-Operating Revenues (Expenses):				
Operating Grants	2,726	4,215	-	6,941
Passenger Facility Charges	-	62,042	-	62,042
Interest Income	4,659	2,235	10	6,904
Net Pension Obligation	(17,913)	(8,503)	-	(26,416)
Debt Service - Interest	(95,728)	(45,848)	-	(141,576)
Other Revenue (Expenses)	(7,310)	(5)	-	(7,315)
Total Non-Operating Revenues (Expenses)	(113,566)	14,136	10	(99,420)
Income (Loss) Before Contributions & Transfers	45,682	(9,472)	(1,334)	34,876
Transfers In/(Out)	(24,930)	-	-	(24,930)
Capital Contributions	2,038	39,639	-	41,677
Change in Net Assets	22,790	30,167	(1,334)	51,623
Net Assets - July 1, 2010	755,194	805,107	18,065	1,578,366
Net Assets - June 30, 2011	777,984	835,274	16,731	1,629,989

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

City of Philadelphia **Exhibit VIII**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Business Type Activities - Enterprise Funds			
	Water and Sewer	Aviation	Other Non-Major Industrial & Commercial Development	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	564,965	263,477	-	828,442
Payments to Suppliers	(125,583)	(84,633)	(1,875)	(212,091)
Payments to Employees	(190,006)	(96,297)	-	(286,303)
Internal Activity-Payments to Other Funds	-	(4,849)	-	(4,849)
Claims Paid	(5,384)	-	-	(5,384)
Other Receipts (Payments)	-	862	531	1,393
Net Cash Provided (Used)	243,992	78,560	(1,344)	321,208
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,726	4,215	-	6,941
Operating Subsidies and Transfers from Other Funds	(24,930)	-	-	(24,930)
Net Cash Provided (Used)	(22,204)	4,215	-	(17,989)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Debt Issuance	268,329	654,320	-	922,649
Contributions Received	2,038	39,334	-	41,372
Acquisition and Construction of Capital Assets	(174,208)	(131,140)	-	(305,348)
Interest Paid on Debt Instruments	(82,753)	(76,804)	-	(159,557)
Principal Paid on Debt Instruments	(102,790)	(416,435)	-	(519,225)
Swap Termination Payments	(15,015)	-	-	(15,015)
Passenger Facility Charges	-	62,337	-	62,337
Other Receipts (Payments)	(9,022)	-	-	(9,022)
Net Cash Provided (Used)	(113,421)	131,612	-	18,191
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale and Maturities of Investments	-	(38,879)	-	(38,879)
Interest and Dividends on Investments	(1,078)	1,796	13	731
Net Cash Provided (Used)	(1,078)	(37,083)	13	(38,148)
Net Increase (Decrease) in Cash and Cash Equivalents	107,289	177,304	(1,331)	283,262
Cash and Cash Equivalents, July 1 (including $290.3 mil for Water & Sewer and $266.6 mil for Aviation reported in restricted accounts)	360,107	384,986	4,692	749,785
Cash and Cash Equivalents, June 30 (including $406.4 mil for Water & Sewer and $442.3 mil for Aviation reported in restricted accounts)	467,396	562,290	3,361	1,033,047
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	159,248	(23,608)	(1,344)	134,296
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	86,924	100,894	-	187,818
Changes in Assets and Liabilities:				
Receivables, Net	4,734	(1,547)	-	3,187
Deferred Revenue	1,748	8,111	-	9,859
Inventories	(279)	20	-	(259)
Accounts and Other Payables	(18,836)	(5,310)	-	(24,146)
Accrued Expenses	10,453	-	-	10,453
Net Cash Provided by Operating Activities	243,992	78,560	(1,344)	321,208

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

City of Philadelphia **Exhibit IX**

Statement of Net Assets

Fiduciary Funds

June 30, 2011

Amounts in thousands of USD

	Pension Trust Funds	Agency Funds
Assets		
Cash on Deposit and on Hand	-	136,099
Equity in Treasurer's Account	4,502,745	45,665
Investments	-	11,910
Securities Lending Collective Investment Pool	509,520	-
Allowance for Unrealized Loss	(1,895)	-
Accounts Receivable	4,430	-
Due from Brokers for Securities Sold	621,301	-
Interest and Dividends Receivable	15,985	-
Due from Other Governmental Units	3,613	-
Due from Other Funds	-	866
Total Assets	5,655,699	194,540
Liabilities		
Vouchers Payable	107	606
Accounts Payable	4,167	246
Salaries and Wages Payable	189	-
Payroll Taxes Payable	-	3,234
Funds Held in Escrow	11	190,454
Due on Return of Securities Loaned	509,520	-
Due to Brokers for Securities Purchased	661,846	-
Accrued Expenses	9,772	-
Deferred Revenue	2,048	-
Other Liabilities	381	-
Total Liabilities	1,188,041	194,540
Net Assets Held in Trust for Pension Benefits	4,467,658	-

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

City of Philadelphia **Exhibit X**
Statement of Changes in Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Pension Trust Funds
Additions:	
Contributions:	
Employers' Contributions	493,091
Employees' Contributions	52,706
Total Contributions	545,797
Investment Income:	
Interest and Dividends	90,217
Net Gain in Fair Value of Investments	711,117
(Less) Investments Expenses	(17,095)
Securities Lending Revenue	2,294
Securities Lending Unrealized Loss	(1,895)
(Less) Securities Lending Expenses	(740)
Net Investment Gain	783,898
Miscellaneous Operating Revenues	1,377
Total Additions	1,331,072
Deductions	
Personal Services	3,675
Purchase of Services	1,793
Materials and Supplies	81
Employee Benefits	40,283
Pension Benefits	681,909
Refunds of Members' Contributions	5,125
Administrative Expenses Paid	355
Other Operating Expenses	119
Total Deductions	733,340
Change in Net Assets	597,732
Net Assets - July 1, 2010	3,869,926
Net Assets - June 30, 2011	4,467,658

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

City of Philadelphia
Statement of Net Assets
Component Units
June 30, 2011

Exhibit XI

Amounts in thousands of USD

	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Assets									
Cash on Deposit and on Hand	79,052	74,818	76,917	578	13,860	29,451	5,497	8,226	288,399
Equity in Pooled Cash and Investments	-	-	-	51,675	-	-	-	-	51,675
Investments	-	-	90,457		32,137	-	-	-	122,594
Due from Primary Government	-	9,261	-	-	-	55,462	-	-	64,723
Amounts Held by Fiscal Agent	-	-	-	94,812	-	-	-	-	94,812
Notes Receivable	-	39,143	-	-	8	-	-	-	39,151
Taxes Receivable	-	-	-	163,941	-	-	-	-	163,941
Accounts Receivable-Net	92,173	686	974	5,231	5,571	128	6,759	45,076	156,598
Interest and Dividends Receivable	-	18,518	274	316	51	-	-	-	19,159
Due from Other Governments	-	164	3,306	143,595	2,031	-	-	43,141	192,237
Inventories	103,133	22,298	-	2,740	-	-	-	-	128,171
Other Assets	177,307	410	-	212,146	1,077	332	266	-	391,538
Deferred Outflow - Derivative Instruments	-	-	-	33	-	-	-	-	33
Restricted Assets:									
Cash and Cash Equivalents	-	10,568	-	97,742	-	-	-	17,851	126,161
Other Assets	284,813	26,038	-	18,375	18,320	-	-	28,061	375,607
Capital Assets:									
Land and Other Non-Depreciated Assets	51,934	-	16,569	289,446	62,240	-	4,907	22,681	447,777
Other Capital Assets (Net of Depreciation)	1,042,075	894	190,849	1,709,946	104,748	690	5,223	71,909	3,126,334
Total Capital Assets	1,094,009	894	207,418	1,999,392	166,988	690	10,130	94,590	3,574,111
Total Assets	1,830,487	202,798	379,346	2,790,576	240,043	86,063	22,652	236,945	5,788,910
Liabilities									
Notes Payable	-	21,894	16,884	-	97,073	-	-	-	135,851
Vouchers Payable	59,303	-	-	-	11,802	-	-	-	71,105
Accounts Payable	-	8,018	15,375	96,631		635	4,201	5,217	130,077
Salaries and Wages Payable	4,411	-	-	58,716	3,045	5,210	-	-	71,382
Accrued Expenses	208,851	4,458	807	-	1,420	65,808	576	-	281,920
Funds Held in Escrow	-	11,859	-	-	114	-	-	743	12,716
Due to Other Governments	-	-	9,912	4,154	1,112	-	-	26,196	41,374
Due to Primary Government	-	1,500	42,367	-		-	-	7,859	51,726
Deferred Revenue	12,639	46,475	2,643	100,479	2,553	7,900	6,315	67,765	246,769
Overpayment of Taxes	-	-	-	9,987	-	-	-	-	9,987
Other Current Liabilities	-	-	-	66,009		6,510	35	-	72,554
Derivative Instrument Liability	-	-	-	26,290	-	-	-		26,290
Non-Current Liabilities:								-	
Due within one year	40,459	3,934	7,985	288,461	1,796	-	-	-	342,635
Due in more than one year	1,230,389	34,306	185,673	3,493,733	26,447	-	2,423	68,656	5,041,627
Total Liabilities	1,556,052	132,444	281,646	4,144,460	145,362	86,063	13,550	176,436	6,536,013
Net Assets									
Invested in Capital Assets,									
Net of Related Debt	(2,706)	26	58,144	(123,072)	80,137	-	-	34,873	47,402
Restricted For:									
Capital Projects	-	-	4,326	-	2,633		-	-	6,959
Debt Service	114,004	8,658	-	94,901		-	-	-	217,563
Behavioral Health	-	-	-	18,375	-		-	-	18,375
Educational Programs	-	-	-	6,386	5,512	-	-	-	11,898
Grant Programs	-	-	-	-	-	-	-	30,389	30,389
Other	-	-	-	3,646	-	-	-	-	3,646
Unrestricted	163,137	61,670	35,230	(1,354,120)	6,399	-	9,102	(4,753)	(1,083,335)
Total Net Assets	274,435	70,354	97,700	(1,353,884)	94,681	-	9,102	60,509	(747,103)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2010. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2011.

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

City of Philadelphia
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2011

Exhibit XII

Amounts in thousands of USD

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets									
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Philadelphia Gas Works*	Philadelphia Redevelopment Authority	Philadelphia Parking Authority*	School District of Philadelphia	Community College of Philadelphia	Community Behavioral Health*	Philadelphia Convention Center Authority	Delaware River Waterfront Corporation	Philadelphia Authority for Industrial Development*	Total
Gas Operations														
Gas Works	733,717	751,301	13,232	-	30,816									30,816
Housing														
Redevelopment Authority	64,831	1,209	57,000	-		(6,622)								(6,622)
Parking														
Parking Authority	220,515	222,665	-	-			2,150							2,150
Education														
School District	3,202,330	8,513	1,126,420	1,200				(2,066,197)						(2,066,197)
Community College	157,490	29,866	66,276	-					(61,348)					(61,348)
Total	3,359,820	38,379	1,192,696	1,200										
Health														
Community Behavioral Health	774,336	-	774,336							-				-
Economic Development														
Delaware River Waterfront Corp.	19,332	7,299	11,700	-								(333)		(333)
Authority for Ind. Development	138,922	28,519	103,594	-									(6,809)	(6,809)
Total	158,254	35,818	115,294	-										
Total Component Units	5,311,473	1,049,372	2,152,558	1,200										(2,108,343)
General Revenues:														
Property Taxes					-	-	-	605,249	-	-	-	-	-	605,249
Other Taxes					-	-	-	185,284	-	-	-	-	-	185,284
Grants & Contributions Not Restricted to Specific Programs					-	-	-	1,159,870	61,015	-	-	-	(310)	1,220,575
Unrestricted Interest & Investment Earnings					-	2,098	1,986	13,348	1,757	-	-	58	-	19,247
Miscellaneous					-	-	-	-	1,339		-	-	-	1,339
Special Item-Gain (Loss) on Sale of Capital Assets					-	-	-	-	-	-	-	-	108	108
Total General Revenue and Special items					-	2,098	1,986	1,963,751	64,111	-	-	58	(202)	2,031,802
		Change in Net Assets			30,816	(4,524)	4,136	(102,446)	2,763	-	-	(275)	(7,011)	(76,541)
Net Assets - July 1, 2010					243,619	74,878	93,564	(1,250,925)	91,918	-	686,863	9,377	67,520	16,814
Adjustment					-	-	-	(513)	-		(686,863)	-	-	(687,376)
Net Assets Adjusted - July 1, 2010					243,619	74,878	93,564	(1,251,438)	91,918	-	-	9,377	67,520	(670,562)
Net Assets - June 30, 2011					274,435	70,354	97,700	(1,353,884)	94,681	-	-	9,102	60,509	(747,103)

* The Philadelphia Gas Works is presented as of the close of their fiscal year, August 31, 2010. Community Behavioral Health and the Philadelphia Authority for Industrial Development are presented as of the close of their fiscal year, December 31, 2010. The Philadelphia Parking Authority is presented as of the close of their fiscal year, March 31, 2011.

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

Notes to the Financial Statements
FYE 06/30/2011

Table of Contents

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. Based on the criteria established by Governmental Accounting Standards Board Statement (GASBS) #14 as amended by GASBS #39, certain other organizations also did meet 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. 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.

Effective April 20, 2010 the Lease and Service Agreement between the City and the Pennsylvania Convention Center Authority (PCCA) was terminated and the Commonwealth, City and PCCA entered into a new Operating Agreement. Under the new agreement, beginning with fiscal year 2011, the PCCA is now a component unit of the Commonwealth for reporting purposes.

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, receives substantial subsidies from the City, and its budgets must be submitted to the City for review and approval.

Delaware River Waterfront Corp. (DRWC) – 121 N. Columbus Blvd., Philadelphia, PA 19106
The 16 member board, is headed by the Mayors' Deputy Director for Economic Development and Planning, and is comprised of appointed City officials and private sector experts in design, finance, and real estate development. The group will focus on the development of the seven-mile stretch of water front property between Allegheny and Oregon Avenues.

Philadelphia Parking Authority (PPA) – 3101 Market St., Philadelphia, PA 19104
PPA was established by the City to coordinate a system of parking facilities and on-street parking on behalf of the City. Its fiscal year ends on March 31. The City has guaranteed debt payments for PPA. A voting majority of PPA's governing board is not appointed by the City however, the significance of the City's relationship with PPA is such that exclusion from the City's financial report would be misleading.

Redevelopment Authority of the City of Philadelphia (RDA) – 1234 Market St., Philadelphia, PA 19107
RDA 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**.**

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. A voting majority of the SDP governing board is not appointed by the City, however, the significance of the City's relationship with SDP is such that exclusion from the City's financial report would be misleading.

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 change in funding would present a financial burden to the City.

Philadelphia Authority for Industrial Development (PAID) – 2600 Centre Sq. West, Philadelphia, PA 19102
PAID was formed under the Industrial Development Authority Law to issue debt to finance eligible industrial and commercial development projects. PAID is the delegate agency responsible for administration of certain state grants and acts in the City's behalf on major development projects in the City. The City appoints a voting majority of PAID's board and is responsible for funding PAID's debt service.

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.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's *government wide* financial statements (i.e. the Statement of Net Assets 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 particular 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 (except agency funds which only report assets and liabilities and cannot be said to have a measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, and net profits and earnings taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Imposed non-exchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, 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.

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

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

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

The City reports the following major governmental funds:

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

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

The City reports *on the following fiduciary funds:*

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

The City reports the following major proprietary funds:

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and the proprietary fund financial statements to the extent that they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The City has elected not to follow subsequent private sector guidelines.

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 **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 Community College of Philadelphia have been prepared in accordance with GASBS #35 - Basic Financial Statements - and Management's Discussion and Analysis - For Public Colleges and Universities. The remaining component units prepare their financial statements in a manner similar to that of proprietary funds.

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 Proprietary and Permanent Funds, all highly liquid investments (except for Repurchase Agreements) with a maturity of three months or less when purchased are considered to be cash equivalents.

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

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

From February to early June, deposits of the City significantly exceeded the amounts reported at year end. This was due to cyclical tax collections (billings for taxes are mailed in January 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 Assets 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.
- **RDA** inventory represents real estate held for resale and is recorded based on the estimated appraisal of values and cost basis of 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 in excess of three years. 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 fair market value 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 Fund which uses 80% as the determining percentage), (2) when the expenditures are for existing facilities or (3) when they relate to specific identifiable items completed during the year which were part of a larger project.

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

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

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

B. COMPONENT UNITS

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

7. BONDS AND RELATED PREMIUMS, DISCOUNTS & ISSUANCE COSTS

In the *government-wide* financial statements and in the proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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 worker's compensation, unemployment benefits, and health and welfare to its employees through a self-insured plan.

9. RECEIVABLE 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".

All trade and property receivables in the *governmental wide* financial statements are shown net of allowance for uncollectibles. The real estate tax receivable allowance is equal to 29.72% 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. Current real estate rates are $9.082 on each $100 assessment; $4.959 for the SDP and $4.123 for the City. 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 REVENUES

A. PRIMARY GOVERNMENT

Deferred revenues as reported in the *fund* financial statements represent receivables which will be collected and included in revenues of future fiscal years or funds received in advance of being earned. In the General Fund, deferred revenues relate to property tax levies and self-assessed taxes receivable which are not available to pay liabilities of the current period and grants receivable for which the eligibility criteria has been met, but the resources are not available. Also included are business-privilege taxes which were received in advance of being earned. The deferred revenue in the Special Revenue and Capital Improvement Funds is primarily related to grants receivable and funds received in advance of being earned. In the Water and Aviation Funds, deferred revenues relate to overpayments from water/sewer customers and airlines, respectively.

B. COMPONENT UNITS

Deferred revenue of the **RDA** generally represents cash received in advance from various sources to fund appropriate program expenditures. These advances are subject to various terms, including the obligation to return any unexpended funds upon completion or termination of the related project. Recognition of grants as revenues is deferred until funds have been expended or awarded as grants or loans.

Community College of Philadelphia student tuition and fees received prior to June 30 which are applicable to the Summer II and Fall terms have been deferred and will be included in revenue in the subsequent year.

11. COMPENSATED ABSENCES

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued when earned in the *government-wide* financial statements and in the proprietary and fiduciary-*fund* financial statements. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

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.

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

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

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

During the year, classification adjustments and supplementary appropriations were necessary for City funds. Therefore, budgeted appropriation amounts presented are as originally passed and as amended by the City Council. As part of the amendment process, budget estimates of City related revenues are adjusted and submitted to City Council for review. Changes in revenue estimates 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNTS

1. DEPOSITS AND INVESTMENTS

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 carrying amount (book balance) of deposits for the City and the bank balances were $415.6 million and $415.6 million respectively. All of the collateralized securities were held in the City's name except for $93.6 million which was collateralized but held in the pledging institutions name.

Investments

The City has established a comprehensive investment policy that covers all funds other than the Municipal Pension Fund and the Philadelphia Gas Works Retirement Reserve. Both of those funds have separate investment policies designed to meet the long-term goals of the fund. 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.

As of June 30, 2011 the City's Investments consisted of:

(amount in thousands of USD)

Classifications	Fair Value	% of Total
Corporate Equity	2,856,309	39.52%
U.S. Government Securities	1,158,198	16.03%
Corporate Bonds	1,149,705	15.91%
U.S. Government Agency Securities	758,116	10.49%
Other Bonds and Investments	539,493	7.47%
Commerical Papers	295,450	4.09%
Short Term Investment Pool	236,451	3.27%
Financial Agreements	145,221	2.01%
Collateral Mortgage Obligations	61,661	0.85%
Real Estate	14,567	0.20%
Certificate of Deposit	11,703	0.16%
Total	7,226,874	

City excluding Pension Trust Funds

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 investments to maturities of no longer than 2 years, except in Sinking Fund Reserve Portfolios.

(amount in thousands of USD)

Classifications	Less than 1 Year	1 - 3 Years	More than 3 Years
U.S. Government Securities	2,759	782,260	6
Corporate Bonds	827	683,951	0
U.S. Government Agency Securities	502	669,887	0
Commerical Papers	0	295,450	0
Short Term Investment Pool	148,602	0	0
Certificate of Deposit	0	11,703	0
Corporate Equity	0	328	0
Total	152,690	2,443,579	6

Credit Risk: The City's policy to limit credit risks is to invest in US Government securities (16.03%) or US Government Agency obligations (10.49%). The US Government Agency obligations must be rated AAA by Standard & Poor's Corp or Aaa by Moody's Investor Services. All US Government Securities meet the criteria. The City's investment in Commercial paper (4.09%) must be rated A1 by Standard & Poor's Corp. (S&P) and/or M1G1 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 and/or Moody's. Commercial Paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 33% had a Standard & Poor's rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short term investment pools). Short Term Investment Pools are rated AAA by Standard & Poor's Corp and Aaa by Moody's Investor Services. The Short Term Investment Pools' Fair Value is the same as the value of the pool shares. The City limits its foreign currency risk by investing in certificates of deposit and bankers 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.

Municipal Pension Fund

Credit Risk: Currently, the Municipal Pension Fund owns approximately 54.8% of all investments and is invested primarily in equity securities (33.6%). The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the Municipal Pension Fund is charged with reviewing the portfolios for compliance with those objectives and guidelines. Of the fixed income type investments held by the pension fund, 34% had Standard & Poor ratings of AAA to A; 61% had ratings of BBB+ to B; and, 5% had ratings of CCC+ to C. Moody's ratings for the same issues were: 47% had ratings of Aaa to A1; 46% had ratings of Baa3 to B1; and, 7% had ratings of CAA3 to CA.

The investments are held by the managers in the Pension Fund's name. The investments are diversified with only the investment in the Lehman Aggregated Pooled Index Fund exceeding 5% of the total investment (6.1%). The fair value of the investment in the Lehman Aggregated Pooled Index Fund was $246.6 million at fiscal year end. The fund's exposure to foreign currency risk derives from its position in foreign currency-denominated equity securities and fixed income investments. The foreign currency investment in equity securities is 51.5% of the total investment in equities.

Municipal Pension Fund

Equity Securities subject to Foreign Currency Risk

Currency	Fair Value (thousands of USD)	
Euro Currency	146,046	20.81%
Pound Sterling	97,619	13.91%
Japanese Yen	89,450	12.74%
Australian Dollar	28,956	4.13%
All others	339,782	48.41%
	701,854	

Fixed Income Securities and Other Investments subject to Foreign Currency Risk

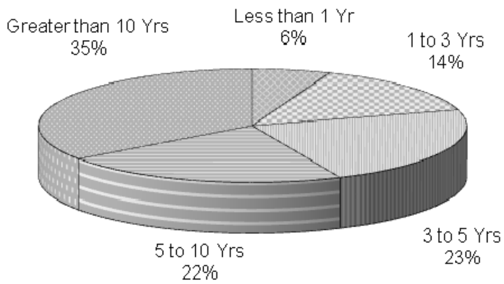
	Currency	Fair Value (thousands of USD)	Maturities
Currency	Euro	26,940	
Currency	Japanese Yen	877	
Government Issues	All others	42,017	
Government Issues	Euro	43,584	
Gevernment Issues	Pound Sterling	34,116	11/22/2055
Government Issues	Mexican Pesso	19,313	
Limitied Partnership Units	All others	141,102	
Real Estate Investment Trusts	Euro	34,304	
Real Estate Trusts	Euro	1,500	
Real Estate Investment Trusts	Pound Sterling	2,535	
Real Estate Investment Trusts	All others	1,182	
		347,471	

Statutes permit the Municipal Pension Fund to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Pension Fund has contracted with a third-party securities lending agent to lend the Pension fund's securities portfolio. The agent lends securities of the type on loan at June 30 for collateral in the form of cash or other securities at 102% of the leaned securities market value plus accrued interest. The collateral for the loans is maintained at greater than 100**%**. Securities on loan as of June 30 are unclassified with regards to custodial credit risk.

At June 30, the Pension Fund has no credit risk exposure to borrowers because the amounts the Pension Fund owes the borrowers exceed the amounts the borrowers owe to the Pension Fund. The agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent), or fail to pay income distributions on them. All open securities loans can be terminated on demand by either the Pension Fund or the borrower. All term securities loans can be terminated with five days notice by either the Pension Fund or the borrower. Cash collateral is invested in accordance with the investment guidelines of the Pension Fund. The Pension Fund cannot pledge or sell collateral securities received unless the borrower defaults.

This chart details the exposure to interest rate changes based on maturity dates of the fixed income securities:

Municipal Pension Fund Exposure to Credit Risk



Philadelphia Gas Works Retirement Reserve (PGWRR)

Credit Risk: Currently, the **PGWRR** owns approximately 6.5% of all investments and is primarily invested in equity securities (57.19%). The long-term goals of the fund are to manage the assets to produce investment results which meet the Fund's actuarially assumed rate of return and protect the assets from any erosion of inflation adjusted value. The fund's resources are put in the hands of investment managers with different investment styles who invest according to specific objectives developed for each manager. The Chief Investment Officer of the **PGWRR** is charged with reviewing the portfolios for compliance with those objectives and guidelines. To protect against credit risk, the fund requires that all domestic bonds must be rated investment grade by at least two ratings agencies (Standard & Poor's, Moody's or Fitch). The portfolio managers' Average Credit Quality ranges from AAA to AA.

The **PGWRR's** fixed income investments are as follows:

(thousands of USD)	Maturity Length				
Investment Type	Less than 1 yr.	1-3 yrs	3-5 yrs	5-10 yrs	More than 10 yrs
Short-Term Investment Pools	14,156	-	-	-	-
U.S. Government Agency Securities	-	1,812	1,945	953	412
U.S. Government Securities	5,761	7,012	6,006	8,467	2,816
MTG Pass Thrus	-	185	-	328	3,555
Municipal Securities	-	-	-	-	558
Asset Backed Securities	-	-	-	3,035	34,185
Corporate bonds	1,288	9,696	9,079	36,498	8,075
	21,205	18,705	17,030	49,281	49,601

Blended Component Units

A. PICA

The Authority may deposit funds in any bank that is insured by federal deposit insurance. To the extent that the deposits exceed federal insurance, the depositories must deposit (with their trust department or other custodian) obligations of the US Government, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Investments must be made in accordance with a trust indenture that restricts investments to obligations of the City of Philadelphia, government obligations, repurchase agreements collateralized by direct obligations of or obligations the payments of principal and interest on which are unconditionally guaranteed as to full and timely payment by the United States of America, money market mutual fund shares issued by a fund having assets not less than $100,000,000 or guaranteed investment contracts (GIC) with a bank insurance company or other financial institution that is rated in one of the three highest rating categories by the rating agencies and which GICs are either insured by municipal bond insurance or fully collateralized at all times.

At June 30, 2011 the carrying amount of **PICA's** deposits with financial institutions (including certificates of deposit and shares in US government money market funds) and other short-term investments was $100.3 million. Statement balances were insured or collateralized as follows:

	(thousands of USD)
Insured	750
Uninsured and uncollateralized	99,558
Total:	100,308

PICA's deposits include bank certificates of deposit with a remaining maturity of one year or less and shares in US government money market funds.

Investment Derivative Instruments

As of June 30, 2011, PICA's basis caps did not meet the criteria for effectiveness as a hedging instrument. Therefore, they are reported as investment derivative instruments.

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Basis Caps	Investment Revenue	3,364	Investment	(394)	490,050

a. PICA Series of 2003 and 1999 Basis Cap Agreements

In June 2003 and 2004, the Authority entered into basis cap transactions with the counterparty as follows:

2003 Basis Cap

Beginning July 15, 2003, the counterparty pays the Authority a fixed rate each month of .40% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of BMA for the month divided by one-month LIBOR less 70%, multiplied by the one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of the agreement equals the notional amount and term of the 2003 interest rate swap noted above.

1999 Basis Cap

Beginning July 15, 2009, the counterparty pays the Authority a fixed-rate each month of .46% per year and the Authority will pay the counterparty a variable rate based on the greater of (a) the average of BMA for the month divided by one-month LIBOR, less 70%, multiplied by one-month LIBOR, times the notional amount times the day count fraction or (b) zero. The notional amount and term of this agreement equals the notional amount and term of the 1999 interest rate swaption noted above.

Fair value: As of June 30, 2011, the 2003 Basis Cap had a negative fair value of ($486,167). This means that **PICA** would have to pay this amount to terminate the 2003 basis cap. As of June 30, 2011, the 1999 Basis Cap had a positive fair value of $91,989. This means that **PICA** would receive this amount if the 1999 basis cap were terminated.

B. PHILADELPHIA MUNICIPAL AUTHORITY

The authority does not have a formally adopted investment policy; however, the terms of their bond indentures limit the investments in which the trustee can deposit funds. These limited investments include US government obligations, repurchase agreements for government obligations, certificates of deposits and other time deposit arrangements with financial institutions. Investments at June 30 are summarized as follows:

	(thousands of USD)	
	Fair Value	**Cost**
Money Market Funds	67,367	67,363
U.S. Government Securities	14,104	14,085
Certificates of Deposit	100	100
Corporate Debt	4,639	4,627
Foreign Debt	519	517
	86,730	86,693

All investments were uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the Authority's name at June 30, 2011.

The Authority does not have a formally adopted investment policy related to credit risk, but generally follows the practices of the City. As of June 30, 2011 the Authority's investments in U.S. Government Securities were rated AAA, and investments in corporate and foreign debt were rated AA+ or AAA, by Standard & Poor's. Investments in money market funds and certificates of deposit were not rated. Depository cash accounts consisted of $360,516 on deposit with two local banks. Amounts are insured by the FDIC up to $250,000. Deposits in excess of the FDIC limit are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Discretely Presented Component Units

a. Philadelphia Authority for Industrial Development Basis Swap

As of June 30, 2011, **PAID's** basis swap did not meet the criteria for effectiveness as a hedging instrument. Therefore, it is reported as an investment derivative instrument.

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Investment Derivatives:					
Basis Swap	Investment Revenue	3,415	Investment	(5,685)	193,520

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

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

The transaction was amended to $105.0 million of the original notional amount with payments based on an amortization schedule. Under the amended portion of the swap, the variable payments received by **PAID** are computed as 62.89% of five year LIBOR + 20 basis points (replacing 67% of one month LIBOR + 20 basis points). The amended effective date was October 1, 2006, with variable payments made (as described above) through October 1, 2020. On December 1, 2009, **PAID** terminated that portion of the swap that was subject to the amendment and received a termination payment of $3,049,000.

As of June 30, 2011, the notional amount on the portion of the swap that was not amended was $193.5 million.

Fair Value: As of June 30, 2011, the swap had a negative fair value of ($5.7 million). This means that **PAID** would have to pay this amount to terminate the swap.

Risks: As of June 30, 2011, **PAID** is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The swap includes an additional termination event based on credit ratings. The swap may be terminated by **PAID** if the ratings of MLCS's guarantor (Merrill Lynch & Co.) falls below Baa3 or BBB- or the swap may be terminated by MLCS if the City's rating falls below Baa3 or BBB-. There is a 3-day cure period to these termination events.

The swap exposes **PAID** to basis risk. The swap exposes **PAID** to the risk that the relationship between one month LIBOR and the SIFMA index may change from the historic pattern that existed when the swap was entered into. If SIFMA averages higher than 67% of one month LIBOR plus 20 bps, the anticipated savings of the swap will be reduced and may not materialize. This risk would be magnified in a flat or inverted yield curve environment.

b. School District of Philadelphia Basis Swaps

The School District on November 21, 2006 entered into two qualified interest rate management agreement basis swaps initially related to its 2003 Bonds and subsequently its General Obligation Refunding Bonds, Series B of 2004 and Series C of 2004 for the purpose of managing interest costs. The School District refunded the Series B and C of 2004 Bonds through the issuance of General Obligation Refunding Bonds, Series A, B, C and D of 2008 (the "Series 2008 Bonds"). Simultaneously with the issuance of the Series 2008 Bonds, the School District related the existing qualified interest rate management agreements to the Series 2008 Bonds. This did not have an impact or cause a change of any kind to the existing swap documents, other than as described above, and only adjusted the related subseries.

In connection with the basis swap agreements, the School District received an upfront cash payment of $10 million.

As of June 30, 2011, the School District's basis swaps are considered to be investment derivative instruments with the following maturities (amounts in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investment Derivative Instruments	$ (26,257)				$ (26,257)

Interest rate risk - The School District's two pay variable interest rate basis swaps have a total notional amount of $500,000,000. The School District makes payments to the counterparty based on the SIFMA swap index and receives 67% of LIBOR plus .2788%. The basis swaps were executed November 30, 2006 and mature May 15, 2033. At June 30, 2011, the fair value of the swaps is $(26,256,997). The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Credit risk - As of June 30, 2011, the School District was not exposed to credit risk on any of its outstanding basis swaps because the swaps had negative fair values of $26,256,997. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The notional amounts and credit ratings of the bank counterparties on the outstanding swaps as of June 30, 2011 are as follows (amounts in thousands):

		Credit Rating		
Initial Notional	Bank Counterparty	Moody's	S&P	Fitch
$150,000	Wachovia Bank	Aa2	AA	AA-
$350,000	JP Morgan Chase Bank	Aa1	AA-	AA-

Basis risk - The basis risk on the basis swaps is the risk that benchmark tax-exempt interest rates paid by the School District on each basis swap differ from the variable swap rate received from the applicable counterparty on the related swap. The School District bears basis risk on each of its basis swaps since the School District receives a percentage of LIBOR and pays the tax-exempt benchmark SIFMA. The School District is exposed to basis risk should the floating rate that it receives on a swap plus the spread is less than SIFMA the School District pays on the swaps. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the basis swap may not be realized.

Termination risk - The School District can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a basis swap is terminated, the associated expected savings on the fixed-rate bonds would no longer be recognized. If at the time of termination, the swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's fair value.

2. SECURITIES LENDING

The Board of Directors of the Municipal Pension Fund (Pension Fund) and the Sinking Fund Commission (on behalf of the Philadelphia Gas Works Retirement Reserve Fund (PGWRR)) have each authorized management of the respective funds to participate in securities lending transactions. Each fund has entered into a Securities Lending Agreement with its custodian bank to lend its securities to broker-dealers**.**

- **The Pension Fund** lends US Government and US Government Agency securities, domestic and international equity securities and international fixed income securities and receives cash and securities issued or guaranteed by the federal government as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be at least 102% (in some cases 105%) of the underlying value of loaned securities. The Pension fund has no restriction on the amount of securities that can be lent. The Pension Fund's custodian bank indemnifies the Fund by agreeing to purchase replacement securities or return cash collateral if a borrower fails to return securities or pay distributions thereon. The maturity of investments made with cash collateral generally did not match the maturity of securities loaned during the year or at year-end. The Pension Fund experienced $1.9 million in unrealized losses from securities transactions during the year and had no credit risk exposure at June 30.

- The **PGWRR** lends US Treasury, federal agency, and DTC-eligible corporate debt and equity securities and receives cash, US Treasury and federal agency securities and letters of credit as collateral for these loans. Securities received as collateral can not be pledged or sold except in the case of a borrower default. The market value of collateral must be 102% of the total of the market value of loaned securities plus any accrued interest. The **PGWRR** placed no restrictions on the amount of securities that could be lent. The **PGWRR's** custodian bank does not indemnify the **PGWRR** in the event of a borrower default except in cases involving gross negligence or willful misconduct on the custodian's part. Maturity of investments made with cash collateral is generally matched with maturity of loans. The **PGWRR** experienced no losses and had no credit risk exposure at June 30.

3. AMOUNTS HELD BY FISCAL AGENT

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

A. GOVERNMENTAL FUNDS

General Fund - Consists of cash and investment balances related to the net proceeds of **PAID'**s Sports Stadium Financing Lease Revenue Bonds Series A & B of 2007, **PAID**'s Central Library Project Financing Lease Revenue Bonds Series 2005 and **PAID**'s Cultural and Commercial Corridor Lease Revenue Bonds Series 2006.

Grants Revenue Fund - Consists of cash and investment balances related to the net proceeds of the **RDA's** City of Philadelphia Neighborhood Transformation Initiative Bonds.

B. PROPRIETARY FUNDS

Aviation Fund consists of cash and investment balances related to the net proceeds of **PAID**'s Airport Revenue Bonds, Series 1998A and 2001A. The proceeds are held by a fiscal agent and disbursed at the City's direction to pay for airport related capital improvements.

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 of USD)	Interfund Receivables Due to:				
		Non major Governmental			
	General	Special Revenue	Debt Service	Other Funds	Total
Interfund Payables Due From:					
General	-	-	-	846	846
Non major Special Revenue Funds	11,866	-	-	498	12,364
Non major Debt Service Funds	-	-	-	-	-
Total	11,866	-	-	1,344	13,210

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 of USD)	Receivables Due to:					
	General	Aviation	CBH	RDA	Timing Difference	Total
Payables Due From:						
Behavioral Health	-	-	60,160	-	-	60,160
Grants Revenue	-	-	-	2,575	-	2,575
Non-major Funds	-	-	-	2,741	-	2,741
PPA	15,257	24,598	-	-	2,512	42,367
PAID	7,859	-	-	-	-	7,859
RDA	-	-	-	-	1,500	1,500
Timing Difference	(7,859)	(24,598)	(4,698)	3,945	-	(33,210)
Total	15,257	-	55,462	9,261	4,012	83,992

5. CAPITAL ASSET ACTIVITY

A. PRIMARY GOVERNMENT

Capital Asset activity for the year ended June 30 was as follows:

(Amounts In Millions of USD)

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	756	6	-	762
Fine Arts	1	-	-	1
Construction In Process	25	27	(5)	47
Total capital assets not being depreciated	782	33	(5)	810
Capital assets being depreciated:				
Buildings	1,811	37	-	1,848
Other Improvements	296	8	-	304
Equipment	464	20	(22)	462
Infrastructure	1,303	39	-	1,342
Transit	292	-	-	292
Total capital assets being depreciated	4,166	104	(22)	4,248
Less accumulated depreciation for:				
Buildings	(1,086)	(58)	-	(1,144)
Other Improvements	(199)	(9)	-	(208)
Equipment	(367)	(25)	22	(370)
Infrastructure	(942)	(36)	-	(978)
Transit	(203)	(8)	-	(211)
Total accumulated depreciation	(2,797)	(136)	22	(2,911)
Total capital assets being depreciated, net	1,369	(32)	-	1,337
Governmental activities capital assets, net	2,151	1	(5)	2,147

(Amounts In Millions of USD)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	105			105
Intangible Assets	2			2
Construction In Process	322	283	(199)	406
Total capital assets not being depreciated	429	283	(199)	513
Capital assets being depreciated:				
Buildings	3,135	109	(18)	3,226
Other Improvements	261	11	-	272
Equipment	115	21	(19)	117
Intangible Assets	10	1	-	11
Infrastructure	2,561	121	(12)	2,670
Total capital assets being depreciated	6,082	263	(49)	6,296
Less accumulated depreciation for:				
Buildings	(1,463)	(101)	11	(1,553)
Other Improvements	(137)	(10)	-	(147)
Equipment	(90)	(6)	3	(93)
Intangible Assets	(3)	(1)	-	(4)
Infrastructure	(1,324)	(69)	(6)	(1,399)
Total accumulated depreciation	(3,017)	(187)	8	(3,196)
Total capital assets being depreciated, net	3,065	76	(41)	3,100
Business-type activities capital assets, net	3,494	359	(240)	3,613

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

(Amounts in Millions of USD)

Governmental Activities:	
Economic Development	3
Transportation:	
Streets & Highways	36
Mass Transit	8
Judiciary and Law Enforcement:	
Police	9
Prisons	6
Conservation of Health:	
Health Services	3
Cultural and Recreational:	
Recreation	11
Parks	10
Libraries and Museums	10
Improvements to General Welfare:	
Social Services	2
Service to Property:	
Fire	6
General Management & Support	32
Total Governmental Activities	136
Business Type Activities:	
Water and Sewer	86
Aviation	101
Total Business Type Activities	187

B. DISCRETELY PRESENTED COMPONENT UNITS

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

(Amounts In Millions of USD)

Governmental Activities:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Capital assets not being depreciated:				
Land	119	14	(1)	132
Art	8	-		8
Construction In Process	326	(176)		150
Total capital assets not being depreciated	453	(162)	(1)	290
Capital assets being depreciated:				
Buildings	1,509	173	(9)	1,673
Other Improvements	1,045	130	(16)	1,159
Equipment	283	25	(15)	293
Infrastructure	1	-	-	1
Total capital assets being depreciated	2,838	328	(40)	3,126
Less accumulated depreciation for:				
Buildings	(557)	(29)	9	(577)
Other Improvements	(600)	(53)	12	(641)
Equipment	(184)	(28)	14	(198)
Infrastructure	(1)	-		(1)
Total accumulated depreciation	(1,342)	(110)	35	(1,417)
Total capital assets being depreciated, net	1,496	218	(5)	1,709
Capital assets, net	1,949	56	(6)	1,999
Business-type Activities:				
Capital assets not being depreciated:				
Land	34	3	(1)	36
Fine Arts	5	-	(2)	3
Construction In Process	532	98	(532)	98
Total capital assets not being depreciated	571	102	(535)	137
Capital assets being depreciated:				
Buildings	905	39	(334)	610
Other Improvements	39	1	(2)	38
Equipment	399	17	(13)	403
Infrastructure	1,408	38	(3)	1,443
Total capital assets being depreciated	2,751	94	(353)	2,493
Less accumulated depreciation for:				
Buildings	(372)	(16)	136	(252)
Other Improvements	(35)	(2)	2	(34)
Equipment	(119)	(20)	14	(124)
Infrastructure	(614)	(34)	2	(645)
Total accumulated depreciation	(1,140)	(70)	155	(1,056)
Total capital assets being depreciated, net	1,611	24	(198)	1,437
Capital assets, net	2,182	125	(733)	1,574

6. NOTES PAYABLE

PGW, pursuant to the provisions of certain ordinances and resolutions, may sell short-term notes in a principal amount which, together with the interest thereon, will not exceed $150 million outstanding at any one time. These notes are intended to provide additional working capital. They are supported by an irrevocable letter of credit and a subordinated security interest in the **PGW**'s revenues. There were no notes outstanding at year-end (August 31, 2010).

In prior years, **CCP** has entered into various loan agreements with the State Public School Building Authority and the Hospitals & Higher Education Facilities Authority for loans totaling approximately $97.1 million. The loans have interest rates ranging from 2.50% to 6.25%, mature through 2028 and will be used for various capital projects, the upgrading of network infrastructures and various deferred maintenance cost.

The combined principal balance outstanding at year-end is as follows:

Period		Amount
2012	$	7,718,734
2013		8,066,215
2014		7,633,038
2015		5,355,033
2016		5,310,000
2017-2021		26,685,000
2022-2026		25,700,000
2027-2028		10,605,000
Total	$	97,073,020

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, 2011 the statutory limit for the City is $1.6 billion, the General Obligation Debt net of deductions authorized by law is $1.5 billion, leaving a legal debt borrowing capacity of $97.3 million. 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:

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity					
Bonds Payable					
Term Bonds	786.1	97.3	(39.2)	844.2	41.8
Refunding Bonds	819.3	114.6	(102.3)	831.6	20.4
Serial Bonds	453.1	61.7	(67.3)	447.5	37.4
Add: Bond Premium	104.6	5.0	(8.8)	100.8	-
Less: Deferred Amounts					
Unamortized Issuance Expenses	(41.2)	(17.5)	3.5	(55.2)	-
Unamortized Discount and Loss	(50.9)	(0.1)	3.8	(47.2)	-
Total Bonds Payable	2,071.0	261.0	(210.3)	2,121.7	99.6
Obligations Under Lease & Service Agreements					
Pension Service Agreement	1,428.3	59.2	(80.2)	1,407.3	39.4
Neighborhood Transformation	252.8	-	(6.8)	246.0	7.2
One Parkway	46.7	-	(1.6)	45.1	1.6
Sports Stadia	337.1	-	(5.6)	331.5	5.9
Library	9.1	-	(0.5)	8.6	0.5
Cultural Corridor Bonds	126.1	-	(3.3)	122.8	3.4
Arbitrage	1.2	-	(1.2)	-	-
Indemnity Claims	47.7	34.1	(34.5)	47.3	15.8
Worker's Compensation Claims	299.8	28.7	(53.2)	275.3	34.5
Termination Compensation Payable	196.9	22.7	(18.4)	201.2	22.7
Net Pension Obligation	-	69.4	-	69.4	-
OPEB Obligation	43.3	36.2	-	79.5	-
Leases	31.1	28.0	(7.4)	51.7	11.1
Governmental Activity Long-term Liabilities	4,891.1	539.3	(423.0)	5,007.4	241.7

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

(Amounts In Millions of USD)

	Interest Rates						Principal	Due Dates			
Governmental Funds:											
City	2.00	%	to	7.125	%		1,369.8	Fiscal	2012	to	2042
PMA	2.00	%	to	7.50	%		258.8	Fiscal	2012	to	2039
PICA	3.00	%	to	5.00	%		494.7	Fiscal	2012	to	2023
							2,123.3				

- In April 2011, the City issued $253.7 million of general obligation bonds series 2011. There were serial bonds issued in the amount of $156.4 million with interest rates ranging from 2.0% to 5.375% maturing in 2026. Term bonds were issued in amounts of: $23.2 million at 5.875% interest due on August 31, 2031; $31.3 million at 6.0% interest due on August 1, 2036; and $42.8 million at 6.5% interest due on August 1, 2041. The bonds were issued for the purpose of refunding the 1998 Refunded Bonds ($85.9 million), the 2001 Refunded Bonds ($31.6 million) and financing capital projects ($139.1 million).

- As of June 30, 2011, **PMA**'s Statement of Net Assets disclosed $19.9 million of accretion to its bond principal payments for fiscal years 2012 through 2015. Capitalized interest relates entirely to MSB 1990 Series Capital Appreciation Bonds. Accretion value represents the cumulative compounded interest due and payable at bond maturity.

- In May 2011 **PAID** remarketed the Multi-Modal Lease Revenue Refunding Bonds 2007, Series B ($234.3 million), and entered into irrevocable, direct-pay letters of credit (LOC) with three separate banks. Each LOC will be issued and secured pursuant to a Reimbursement Agreement dated May 1, 2011 between **PAID** and the issuing bank. The Trustee will be entitled to draw up to an amount equal to the principal of and 57 days' accrued interest to be used to pay the principal or redemption price of and interest on the 2007B Bonds. J.P. Morgan Securities LLC's LOC, in the amount of $117.3 million, funds the 2007 Series B-1 bonds and will expire on May 24, 2013. Merril, Lynch, Pierce, Fenner & Smith Incorporated's LOC, in the amount of$72.4 million, funds the 2007 Series B-2 bonds and will expire on May 24, 2013. PNC Bank, National Association's LOC, in the amount of $44.6 million, funds the 2007 Series B-3 bonds and will expire on May 23, 2014.

The City has General Obligation Bonds authorized and un-issued at year-end of $155.7 million for Governmental Funds. The debt service through maturity for the Governmental GO Debt is as follows:

(Amounts In Millions of USD)

	City Fund		Blended Component Units			
Fiscal	General Fund		PMA		PICA	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2012	40.8	67.4	21.2	14.6	41.8	24.6
2013	48.5	68.4	22.7	13.7	43.6	22.5
2014	50.7	66.2	24.4	11.9	45.6	20.4
2015	53.5	63.5	25.9	10.5	47.7	18.1
2016	52.0	60.9	20.0	9.1	49.9	15.8
2017-2021	288.8	261.8	65.0	31.3	209.7	43.2
2022-2026	312.3	185.5	14.1	24.0	56.4	3.9
2027-2031	298.2	105.3	19.1	18.9	-	-
2032-2036	139.9	43.9	26.2	11.9	-	-
2037-2041	75.4	13.9	20.2	2.7	-	-
2042-2046	9.7	0.3	-	-	-	-
Totals	1,369.8	937.1	258.8	148.6	494.7	148.5

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

(Amounts In Millions of USD)

	Lease & Service Agreements											
Fiscal	Pension Service Agreement		Neighborhood Transformation		One Parkway		Sports Stadium		Central Library		Cultural Corridors	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	85.6	34.1	7.2	12.7	1.6	2.1	5.9	13.4	0.5	0.4	3.4	5.8
2013	84.8	40.0	7.6	12.3	2.1	2.0	11.5	13.0	0.5	0.3	3.6	5.6
2014	80.5	45.5	8.0	11.9	2.1	2.0	12.0	12.4	0.5	0.3	3.8	5.4
2015	79.3	51.7	8.4	11.5	2.3	1.8	12.4	11.8	0.5	0.3	3.9	5.3
2016	76.9	57.8	8.9	11.0	2.4	1.7	13.0	11.2	0.6	0.3	4.2	5.1
2017-2021	316.9	356.7	52.0	47.7	13.6	6.9	73.8	47.9	3.1	1.0	24.2	21.9
2022-2026	237.3	436.3	67.4	32.4	17.1	3.4	90.9	31.5	3.0	0.3	31.1	15.1
2027-2031	446.0	58.1	86.4	13.4	3.9	0.2	112.0	11.5	-	-	39.6	6.6
2032-2036	-	-	-	-	-	-	-	-	-	-	9.0	0.2
Totals	1,407.3	1,080.2	245.9	152.9	45.1	20.1	331.5	152.7	8.7	2.9	122.8	71.0

(2) Business Type Debt Payable

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

(Amounts In Millions of USD)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activity					
Bonds Payable					
General Obligation Bonds	2.2	-	(1.2)	1.0	1.0
Revenue Bonds	2,888.9	883.5	(518.1)	3,254.3	169.7
Add: Bond Premium	-	9.9	-	9.9	-
Less: Deferred Amounts					
Unamortized Discounts and Loss	(100.1)	-	24.9	(75.2)	-
Total Bonds Payable	2,791.0	893.4	(494.4)	3,190.0	170.7
Indemnity Claims	4.7	12.5	(7.0)	10.2	-
Worker's Compensation Claims	19.1	8.6	(7.0)	20.7	-
Termination Compensation Payable	15.1	-	(0.1)	15.0	-
Net Pension Obligation	1.6	9.0	-	10.6	-
Arbitrage	1.1	-	(0.8)	0.3	-
Business-type Activity Long-term Liabilities	2,832.6	923.5	(509.3)	3,246.8	170.7

In addition, the Enterprise Funds have debt that is classified on their respective balance sheets as General Obligation debt payable which is summarized in the following schedule:

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Enterprise Funds			
Water Fund	1.00 %	1.0	Fiscal 2012
		1.0	

Also, the City has General Obligation Bonds authorized and un-issued at year end of $303.6 million for the Enterprise Funds.

The debt service through maturity for Business-type General Obligation Debt is as follows:

(Amounts In Millions of USD)

Fiscal Year	Water Fund Principal	Water Fund Interest
2012	1.0	-
Totals	1.0	-

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

(Amounts In Millions of USD)

	Interest Rates	Principal	Due Dates
Water Fund	0.11 % to 6.25 %	1,813.4	Fiscal 2012 to 2041
Aviation Fund	2.00 % to 5.50 %	1,440.9	Fiscal 2012 to 2040
Total Revenue Debt Payable		3,254.3	

- In August 2010, the City issued Water & Wastewater Revenue Bonds Series 2010 C in the amount of $185.0 million. Serial bonds were issued in the amount of $116.6 million with interest rates ranging from 3.0% to 5.0%, and have a maturity date of 2030. Term bonds were issued in the following amounts (1) $5.2 million with an interest rate of 4.750% and mature in 2035; (2) $24.8 million with an interest rate of 5.0% and mature in 2035; (3) $38.4 million with an interest rate of 5.0% and mature in 2040. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water & wastewater system, fund payments to terminate a portion of the 2007 swap agreement ($15.0 million), fund the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

- In July 2010, the City of Philadelphia Water Department received approval from the Pennsylvania State Infrastructure Financing Authority ("PENNVEST") for the Green Infrastructure Project (Series 2010B), bringing the total financing from PENNVEST to $214.9 million. During fiscal year 2011, PENNVEST's drawdowns totaled $73.8 million, which represents an increase in bond issuances. The funding is through low interest loans of 1.193% during the construction period and for the first five years of amortization (interest only payment are due during the construction period up to three years) and 2.107% for the remaining fifteen years. Individual loan information is as follows:

Date	Series	Maximun Loan Amount	Estimated Project Costs	Amt Requested thru 6/30/2011	Amt Rec'd Yes/No	Purpose
Oct. 2009	2009B	42,886,030	42,339,199	16,530,733	No	Water Plant Improvements
Oct. 2009	2009C	57,268,193	56,264,382	35,666,542	No	Water Main Replacements
Mar. 2010	2009D	84,759,263	84,404,754	48,583,956	Yes	Sewer Projects
Jul. 2010	2010B	30,000,000	31,376,846	0	No	Green Infrastructure Project
	Totals:	214,913,486	214,385,181	100,781,231		

- In November 2010, the City issued Airport Revenue Bond Series 2010 in the amount of $624.7 million. The Series 2010 A bonds (Non-AMT) were issued as serial and term bonds. Insured serial bonds were issued in the amount of $16.5 million with interest rates ranging from 3% to 4.5% and mature in 2035 and uninsured serial bonds were issued in the amount of $113.0 million, with interest rates ranging from 2% to 5.250% and mature in 2030. Insured term bonds were issued in the amounts of $25 million, and $48 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Uninsured term bonds were issued in amounts of $37.8 million and 32.8 million with an interest rate of 5% and mature in 2035 and 2040 respectively. Series 2010B (Non-AMT) for $24.4 million and 2010C (AMT) for $54.7 million were uninsured and issued as serial bonds and will mature in 2015 and 2018 respectively. The series 2010B and 2010C bonds have interest rates ranging from 2% to 5%. The insured 2010D (AMT) serial bonds were issued in the amount of $1.9 million with interest rates ranging from 4% to 4.5% and mature in 2024. The uninsured 2010D serial bonds were issued in the amount of $270.7 million with interest rates ranging from 2% to 5.25% and mature in 2028. The proceeds from the bonds together with other available funds will be used to (1) pay or reimburse for the costs of the 2010 Project, (2) provide for capitalized interest on the 2010A bonds during construction of the 2010 Project, (3) currently refund all of the City's outstanding Airport Revenue Refunding Bonds, Series 1997A; (4) currently refund a portion of the City's outstanding Airport Revenue Refunding Bonds, Series 1998A; (5) currently refund a portion of the City's outstanding Airport Revenue Bonds Series 1998B; (6) fund a deposit to the Parity Sinking Fund Reserve Account; and (7) pay the costs of issuance of the 2010 bonds. Any prepayment of the 1998B bond shall be in an amount that is sufficient and used to pay a like amount of the Philadelphia Authority for Industrial Development (PAID) Airport Revenue Bonds, Series 1998A and together with the 1998B bond sometimes hereinafter referred to, collectively as the International Terminal Bonds.

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

(Amounts In Millions of USD)

Fiscal	Water Fund		Aviation Fund	
Year	Principal	Interest	Principal	Interest
2012	108.9	80.4	60.8	72.3
2013	117.3	75.2	51.0	69.3
2014	127.1	69.3	58.9	66.6
2015	133.5	63.2	62.0	63.5
2016	139.1	58.0	59.9	60.0
2017-2021	397.1	212.1	318.1	250.3
2022-2026	250.7	151.6	341.3	167.4
2027-2031	301.1	94.7	266.8	85.7
2032-2036	200.2	31.8	144.7	40.8
2037-2041	38.4	5.0	77.4	9.0
Totals	1,813.4	841.3	1,440.9	884.9

(3) Defeased Debt

As of the current fiscal year-end, the City had 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)

Enterprise Funds:	
Water Fund Revenue Bonds	171.0
	171.0

(4) Short -Term Borrowings

The City has statutory authorizations to negotiate temporary loans for periods not to extend beyond the fiscal year. The City borrows funds to pay debt service and required pension contributions due before the receipt of the real estate taxes. The city borrowed and repaid $285.0 million in Tax Revenue Anticipation Notes by June 2011 plus interest. In accordance with statute, there are no temporary loans outstanding at year-end.

(Amounts In Millions of USD)

Tax Revenue Anticipation Notes:	
Balance July 1, 2010	-
Additions	285.0
Deletions	(285.0)
Balance June 30, 2011	-

(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, 2011, the Aviation Fund and the Water Fund had recorded liabilities of $0.2 million and $0.1 million, respectively.

(6) Derivative Instruments

Beginning in FY 2010, the City of Philadelphia adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivatives are as follows:

(amounts in thousands)

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Governmental Activities					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	1,136	Debt	(9,464)	100,000
	Deferred Outflow	1,656	Debt	(25,444)	217,275
	Deferred Outflow	522	Debt	(8,478)	72,400
Business Type Activities:					
Cash Flow Hedges:					
Pay fixed interest rate swaps	Deferred Outflow	5,538	Debt	(26,056)	162,600
	Deferred Outflow	1,614	Debt	(12,519)	82,870

The following table displays the objective and terms of the City's hedging derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty.

(amounts in thousands)

Agency	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
City GO (a)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2009 Series B bonds	100,000	12/20/2007	8/1/2031	City pays 3.829%; receives SIFMA Municipal Swap Index	Aa1/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	217,275	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	Aa1/AA-
City Lease PAID (b)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2007 Series B bonds	72,400	10/25/2007	10/1/2030	City pays 3.9713%; receives SIFMA Municipal Swap Index	A2/A
Airport (c)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series C bonds	162,600	6/15/2005	6/15/2025	Airport pays multiple fixed swap rates; receives SIFMA Municipal Swap Index	Aa1/AA-
Water (d)	Pay Fixed Interest Rate Swap	Hedge changes in cash flow on the 2005 Series bonds	82,870	5/4/2005	8/1/2018	City pays 4.53%; receives bond rate/68.5% 1 Month LIBOR	A3/A

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 23, 2009, the City terminated approximately $213.5 million of the swap, fixed out the bonds related to that portion and kept the remaining portion of the swap, as well as, the related bonds as variable rate bonds backed with a letter of credit. The City paid a swap termination payment of $15.5 million to RBC.

Terms: The swap, was originally executed with Royal Bank of Canada (RBC), commenced on December 20, 2007, and will terminate on August 1, 2031. Under the swap, the City pays a fixed rate of 3.829% and receives the SIFMA Municipal Swap Index. The payments are based on an amortizing notional schedule (with an original notional amount of $ 313.5 million). The swap confirmation was amended and restated as of August 13, 2009 to reflect the principal amount of the 2009B bonds, with all other terms remaining the same. As of June 30, 2011, the swap had a notional amount of $100 million and the associated variable rate bonds had a $100 million principal amount. The bonds mature in August, 2031.

Fair Value: As of June 30, 2011, the swap had a negative fair value of ($9.46 million). This means that the City would have to pay this amount to terminate the swap.

Risk: As of June 30, 2011, the City was not exposed to credit risk because the swap has a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2011, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to RBC under swap	Fixed	3.82900	%
Variable rate payment from RBC under swap	SIFMA	(0.09000)	%
Net interest rate swap payments		3.73900	%
Variable rate bond coupon payments	Weekly reset	0.06000	%
Synthetic interest rate on bonds		3.79900	

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2012	$	-	60,000	3,739,000	3,799,000
2013		-	60,000	3,739,000	3,799,000
2014		-	60,000	3,739,000	3,799,000
2015		-	60,000	3,739,000	3,799,000
2016		-	60,000	3,739,000	3,799,000
2017-2021		-	300,000	18,695,000	18,995,000
2022-2026		-	300,000	18,695,000	18,995,000
2027-2031		81,585,000	215,223	13,411,980	13,627,203
2032		18,415,000	11,049	688,537	699,586
Total:		100,000,000	1,126,272	70,185,517	71,311,789

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

Objective: In December, 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 ($289.7 million). 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. As of June 30, 2011, the swaps together had a notional amount of $289.7 million which matched the principal amount of the associated variable rate bond deal. Payments under these swaps are lease rental obligations of the City.

Fair Value: As of June 30, 2011, the swap with JP Morgan Chase Bank had a negative fair value of ($25.4 million) and the swap with Merrill Lynch Capital Services, Inc. has a negative fair value of ($8.5 million). This means that **PAID** would have to pay these amounts to terminate the swaps.

Risks: As of June 30, 2011, **PAID** was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swaps become positive, **PAID** would be exposed to credit risk in the amount of the swaps' fair value. The City is subject to traditional basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable rate bond coupon payments, the synthetic interest rate on the bonds will increase.

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

As of June 30, 2011, the rates for the $217.3 million notional swap with JP Morgan Chase Bank were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed	3.97130	%
Variable rate payment from JP Morgan under swap	SIFMA	(0.09000)	%
Net interest rate swap payments		3.88130	%
Variable rate bond coupon payments	Weighted Average Weekly resets	0.46693	%
Synthetic interest rate on bonds		4.34823	%

As of June 30, 2011, the rates for the $72.4 million notional swap with Merrill Lynch Capital Services, Inc. were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to Merrill Lynch under swap	Fixed	3.97130	%
Variable rate payment from Merrill Lynch under swap	SIFMA	(0.09000)	%
Net interest rate swap payments		3.88130	%
Variable rate bond coupon payments	Weekly resets	0.08000	%
Synthetic interest rate on bonds		3.96130	%

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2012	$	-	1,014,689	8,443,574	9,458,263
2013		-	1,014,689	8,443,574	9,458,263
2014		-	1,014,689	8,443,574	9,458,263
2015		-	1,014,689	8,443,574	9,458,263
2016		12,990,000	1,014,689	8,443,574	9,458,263
2017-2021		64,355,000	1,934,179	34,382,884	36,317,063
2022-2026		62,825,000	380,347	22,534,052	22,914,399
2027-2031		77,375,000	156,304	9,260,200	9,416,504
Total:		217,545,000	7,544,275	108,395,006	115,939,281

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming the current interest rates remain the same, were as follows:

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2012	$	-	57,704	2,799,582	2,857,286
2013		-	57,704	2,799,582	2,857,286
2014		-	57,704	2,799,582	2,857,286
2015		-	57,704	2,799,582	2,857,286
2016		-	57,704	2,799,582	2,857,286
2017-2021		9,420,000	284,940	13,824,220	14,109,160
2022-2026		28,080,000	207,800	10,081,677	10,289,477
2027-2031		34,630,000	85,424	4,144,452	4,229,876
Total:		72,130,000	866,684	42,048,258	42,914,942

c. 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, 2011, the swap had a notional amount of $162.6 million and the associated variable-rate bonds had a $162.6 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

Fair Value: As of June 30, 2011, the swap had a negative fair value of ($26.1 million). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risk: As of June 30, 2011, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. No termination event based on the Airport's ratings can occur as long as National Public Finance Guarantee Corporation (formerly MBIA) is rated at least A- or A3.

As of June 30, 2011, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to JP Morgan under swap	Fixed	5.44088	%
Variable rate payment from JP Morgan under swap	SIFMA	(0.09000)	%
Net interest rate swap payments		5.35088	%
Variable rate bond coupon payments	Weekly resets	0.08000	%
Synthetic interest rate on bonds		5.43088	%

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows.

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2012	$	6,700,000	130,080	8,700,531	8,830,611
2013		7,500,000	124,720	8,342,022	8,466,742
2014		8,200,000	118,720	7,940,706	8,059,426
2015		9,000,000	112,160	7,501,934	7,614,094
2016		9,800,000	104,960	7,020,355	7,125,315
2017-2021		61,000,000	394,080	26,358,435	26,752,515
2022-2025		60,400,000	122,800	8,213,601	8,336,401
Total:		162,600,000	1,107,520	74,077,583	75,185,103

d. City of Philadelphia, 2005 Water & Sewer Swap

Objective: In December, 2002, the City entered into a swaption that provided the City with an up-front payment of $4.0 million. As a synthetic refunding of all or a portion of its 1995 Bonds, this payment approximated the present value savings, as of December 2002, of a refunding on May 4, 2005. The swaption gave Citigroup (formerly of Salomon Brothers Holding Company, Inc), the option to enter into an interest rate swap to receive fixed amounts and pay variable amounts.

Terms: Citigroup exercised its option to enter into a swap May 4, 2005, and the swap commenced on that date. Under the terms of the swap, the City pays a fixed rate of 4.53% and receives a variable payment computed as the actual bond rate or alternatively, 68.5% of one month LIBOR, in the event the average rate on the Bonds as a percentage of the average of one month LIBOR has exceeded 68.5% for a period of more than 180 days. Citigroup exercised its option during this fiscal year to pay 68.5% of one month LIBOR under the swap. The payments are based on an amortizing notional schedule (with an initial notional amount of $86.1 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.

As of June 30, 2011, the swap had a notional amount of $82.9 million and the associated variable-rate bond had an $82.9 million principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on August 1, 2018 and the related swap agreement terminates on August 1, 2018.

Fair value: As of June 30, 2011, the swap had a negative fair value of ($12.5 million). This means that the Water Department would have to pay this amount if the swap terminated.

Risk: As of June 30, 2011 the City is not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. Since the City is now receiving 68.5% of one month LIBOR, the City is exposed to (i) basis risk, as reflected by the relationship between the variable-rate bond coupon payments and 68.5% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 68.5% of LIBOR received on the swap. The swap includes an additional termination event based on credit ratings. The swap may be terminated by the City if the ratings of Citigroup or its Credit Support Provider fall below A3 and A-, or by Citigroup if the rating of the City's water and wastewater revenue bonds falls below A3 or A-.There are 30-day cure periods to these termination events. However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation (formerly FSA), no termination event based on the City's water and wastewater revenue bond ratings can occur as long as Assured is rated at least A or A2.

As of June 30, 2011, the rates were:

Terms	Rates		
Interest Rate Swap			
Fixed payment to Citi under swap	Fixed	4.53000	%
Variable rate payment from Citi under swap	68.5% of 1-month Libor	(0.12710)	%
Net interest rate swap payments		4.40290	%
Variable rate bond coupon payments	Weekly resets	0.06000	%
Synthetic interest rate on bonds		4.46290	%

Swap payments and associated debt: As of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30		Variable Rate Bonds Principal	Interest	Interest Rate Swaps Net	Total Interest
2012	$	425,000	49,722	3,648,682	3,698,404
2013		450,000	49,467	3,629,969	3,679,436
2014		14,820,000	49,197	3,610,156	3,659,353
2015		15,535,000	40,305	2,957,647	2,997,952
2016		16,315,000	30,984	2,273,657	2,304,641
2017-2019		35,325,000	32,202	2,363,035	2,395,237
Total:		82,870,000	251,877	18,483,147	18,735,024

e. City of Philadelphia 2007 Water & Wastewater Swap

In February, 2007, the City entered into two forward starting fixed payer swaps to take advantage of the current low interest rate environment in advance of the issuance of water and wastewater revenue bonds expected to be issued by the City in 2008. The $180 million notional amount was split evenly between two counterparties, Merrill Lynch Capital Services, Inc and Wachovia Bank, NA. The Merrill Lynch Capital Services swap had an initial notional value of $90 million, with a fixed rate of $4.52275% and a floating rate equal to the SIFMA Index. On

June 30, 2010 the swap between the City and Merrill Lynch Capital Services was terminated. The City paid a swap termination payment of $15.2 million to Merrill Lynch Capital Services, Inc. In addition, $15.0 million of the proceeds from the Water and Wastewater Revenue Bonds Series 2010C were used to terminate the swap with Wachovia Bank on July 27, 2010.

(7) Pension Service Agreement

In Fiscal 1999, the Philadelphia Authority for Industrial Development issued $1.3 billion in Pension Funding Bonds. These bonds were issued pursuant to the provisions of the Pennsylvania Economic Development Financing Law and the Municipal Pension Plan Funding Standard and Recovery Act (Act 205). The bonds are special and limited obligations of **PAID**. The City entered into a Service Agreement with **PAID** agreeing to make yearly payments equal to the debt service on the bonds. **PAID** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and does not include conduit debt transactions in its financial statements. The Pension Service Agreement of $1.4 billion is reflected in the City's financial statements in Other Long Term Obligations. The net proceeds of the bond sale of $1.3 billion were deposited with the Municipal Pension Fund. The deposit of the proceeds reduced the Unfunded Actuarial Accrued Liability by that same amount. The deposit resulted in reductions to the City's actuarially determined pension plan payments.

(8) Neighborhood Transformation Initiative Service Agreement

In Fiscal 2002, **RDA** issued $142.6 million in City of Philadelphia Neighborhood Transformation Initiative (NTI) Bonds. These bonds were issued to finance a portion of the initiative undertaken by the Authority and the City to revitalize, renew and redevelop blighted areas of the City. The bonds are obligations of **RDA**. The City entered into a service agreement with **RDA**, agreeing to make yearly payments equal to the debt service on the bonds. **RDA** assigned its interest in the service agreement to the parties providing the financing and in accordance with GASB Interpretation #2; **RDA** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In Fiscal 2004, **RDA** issued a $30.0 million City of Philadelphia NTI Taxable Revenue Bond. The **RDA** and the City plan to borrow a taxable bank line of credit (the 2003 Bond) to fund certain costs of the NTI related to the acquisition of property. The line of credit is being issued in anticipation of future long term financing. This will allow the City and **RDA** to better manage the carrying costs of unspent loan proceeds and to possibly issue a portion of the take out financing as tax exempt bonds after obtaining certain state approvals.

In March, 2005, **RDA** issued additional City of Philadelphia Neighborhood Transformation Initiative (NTI) bonds to finance a portion of the initiative previously undertaken by the Authority and the City. Taxable Revenue Bonds Series 2005A issued in the amount of $25.5 million are term bonds with interest rates ranging from 4.150% to 4.680% maturing through 2016. Qualified Revenue Bonds Series 2005B were issued in the amount of $ 44.0 million, with interest rates ranging from 4.75 through 5% and mature through 2027. Revenue Bonds Series 2005C with an interest rate of 5% were issued for $81.3 million and mature through 2031. The fiscal year 2011 NTI Service Agreement liability of $246.0 million is reflected in the City's financial statements as another Long Term Obligation.

(9) Sports Stadium Financing Agreement

In FY 2002, **PAID** issued $346.8 million in Lease Revenue Bonds Series A and B of 2001 to be used to help finance the construction of two new sports stadiums. The bonds are special limited obligations of **PAID**. The City entered into a series of lease agreements as lessee to the Authority. The lease agreements are known as (1) the Veterans Stadium Sublease, (2) the Phillies' Prime Lease and (3) the Eagles Prime Lease. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements.

In October, 2007 **PAID** issued Lease Revenue Refunding Bonds Series A and B of 2007. The proceeds from the bonds were used to refund the Series 2001B Stadium Bonds. **PAID** assigned its interest in the lease agreements to the parties providing the financing and in accordance with GASB Interpretation #2, **PAID** treats this as conduit debt and therefore does not include these transactions on its financial statements. In fiscal 2011, the Sports Stadium Financing Agreement liability of $331.5 million is reflected in the City's financial statements as Other Long Term Liabilities.

(10) Cultural and Commercial Corridors Program Financing Agreement

In December, 2006, **PAID** issued $135.5 million in Revenue Bonds, Series A and B. The proceeds from the bonds will be used to finance a portion of the cost of various commercial and cultural infrastructure programs and administrative and bond issuance cost. The City and **PAID** signed a service agreement, whereby **PAID** manages a portion of the funds and the City makes payments equal to the yearly debt service. **PAID** will distribute some of the proceeds and some will flow through the City's capital project fund. In accordance with GASB Interpretation #2, **PAID** treats this as conduit debt, and therefore, does not include these transactions in its statements. In fiscal 2011 the liability of $122.8 million is reflected in the City's financial statements as Other Long Term Liabilities.

(11) Forward Purchase Agreements

On June 6, 2000, **PICA** entered into two debt service reserve forward delivery agreements, one of which began on August 1, 2003 and expired on June 15, 2010 whereby **PICA** received a premium of $4,450,000 on December 1, 2002 and one of which began on June 15, 2010 and expires on June 15, 2023, whereby **PICA** received a premium of $1,970,000 on June 6, 2000 for the debt service reserve fund in exchange for the future earnings from the debt service reserve fund investments. The premium amounts were deferred and are being recognized ratably as revenue over the term of the respective agreements.

(12) Net Pension Liability

Historically, the GASB 27 Disclosures have reported Net Pension Assets at year end. The Net Pension Asset at June 30, 2010 was $155.8 million and $15.8 million for the Governmental and Business Type Activities, respectively. However, the increase in the Governmental Activities' Net Pension Obligations (NPO) during fiscal year 2011 of $225.2 million resulted in Net Pension Liabilities of $69.4 million. Likewise, during FY 2011, the Business Type Activities' NPO increased by $26.4 million resulting in a Net Pension Liability of $10.6 million.

(13) Other Long Term Debt

On December 16, 2010 the Council of the City of Philadelphia enacted an ordinance authorizing the acquisition and financing of certain equipment through the **PMA**. On March 24, 2011 **PMA** entered into a Lease Purchase Agreement with PNC Equipment Finance, LLC. whereby $28.1 million would be deposited into an Equipment Acquisition Fund to pay the costs of issuance and to purchase certain equipment. Any obligations of **PMA** under this agreement are payable solely from payments received from the City under a sub-lease agreement.

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 $2,866.3 million in principal, with interest rates from 2.0% to 6.765% and have due dates from 2012 to 2040 The following schedule reflects the changes in long-term liabilities for the **SDP**:

(Amounts in Millions of USD)

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	2,994.4	425.9	(439.4)	2,980.9	91.1
Add: Bond Premium	109.1	7.7	(8.8)	108.0	8.3
Less: Bond Refunding Losses	-	(220.1)	37.8	(182.3)	(13.9)
Less: Bond Issue Expenses	-	(32.9)	3.2	(29.7)	(1.9)
Less: Bond Discounts	(11.0)	-	0.4	(10.6)	(0.5)
Total Bonds Payable	3,092.5	180.6	(406.8)	2,866.3	83.1
Termination Compensation Payable	291.5	31.5	(16.0)	307.0	62.5
Severance Payable	184.7	20.5	(16.7)	188.5	11.2
Interfund Loan	-	10.6	(1.5)	9.1	-
Other Liabilities	137.4	20.8	(40.9)	117.3	36.3
Incurred But Not Reported (IBNR) Payable	-	13.5	-	13.5	13.5
Deferred Reimbursement	50.7	-	(5.4)	45.3	45.3
Arbitrage Liability	4.1	-	(0.4)	3.7	3.6
Early Retirement Incentive	0.2	28.6	(0.2)	28.6	17.2
Total	3,761.1	306.1	(487.9)	3,579.3	272.7

Debt service to maturity on the **SDP's** general obligation bonds and lease rental debt at year end is summarized as follows:

(Amounts In Millions of USD)

Fiscal Year	Principal	Interest
2012	89.0	146.3
2013	98.6	141.0
2014	99.7	136.8
2015	88.8	133.2
2016	95.0	128.7
2017-2021	543.7	569.1
2022-2026	637.6	428.0
2027-2031	693.0	263.0
2032-2036	524.5	97.7
2037-2041	108.8	14.4
Totals	2,978.8	2,058.1

Refunding Bonds:

The School District of Philadelphia (**SDP**) successfully implemented a restructuring plan to achieve debt service savings for fiscal year 2011. The transaction included terminating almost $363 million of swaps and obtaining new three-year lines of credits for $300 million, converting $56.7 million of its variable rate debt to fixed rate debt and refunding $13.3 million of debt.

On January 3, 2011, the SDP issued Series E of 2010 fixed rate general obligation bonds (GOB) in the aggregate principal amount of $125.9 million to advance refund Series D of 2005 and Series A of 2010 and to current refund Series A of 2002, Series B of 2005 and the remaining maturities of the outstanding sub-Series A1 of 2008 in order to terminate the related Swap Agreements, and pay the associated $63.0 million swap termination payments. Bond proceeds of $0.9 million were utilized for underwriting fees and other issuance costs.

The net proceeds were used by the escrow agent to purchase State Local Government Securities (SLGS) of $13.6 million which were used to retire the Series A of 2002, Series B of 2005, D of 2005, and A of 2010 during FY2011.

- On January 3, 2011, the SDP issued the Series F and G of 2010 general obligation bonds (GOB) in the variable rate mode in the aggregate principal amount of $300 million (150.0 million, for each series), to refund the remaining maturities of the outstanding Series A and B of 2008. Bond proceeds of $1.3 million were utilized for underwriting fees and other issuance costs.

- Securities for the issue were deposited in a separate irrevocable trust with an escrow agent to provide for all future debt service payments for the refunded bonds.

- The cash flow required to service the refunding debt is $60.4 million less than the cash flow required to service the refunded debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the refunded and refunding debt) of $52.7 million to the SDP.

- For accounting purposes, the current refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $27.8 million. This difference and the swap termination payment of $63.0 million are being amortized through the operations in the District-wide statements through September of 2030.

(2) Business Type Debt Payable

Several of the City's Proprietary Type Component Units have issued debt payable from the revenues of the particular entity. The following schedule summarizes the Revenue Bonds outstanding at year end:

(Amounts In Millions of USD)

	Interest Rates					Principal	Due Dates			
PGW	2.00	%	to	6.80	%	1,243.7	Fiscal	2012	to	2040
PPA	3.00	%	to	5.25	%	185.6	Fiscal	2012	to	2029
RDA	4.55	%	to	4.75	%	17.2	Fiscal	2012	to	2028
Total Revenue Debt Payable						1,446.5				

- On August 26, 2010 **PGW** issued Gas Works Revenue Bonds, Ninth Series, in the amount of $150.0 million for the purpose of financing capital projects, and paying the costs of issuing the bonds and any required deposits to the Sinking Fund Reserve established under the 1998 General Ordinance. The Ninth Series Bonds consist of $53.0 million of serial bonds with interest rates that range from 2.0% to 5.0% and have maturity dates through 2025. The bonds also included $97.0 million of term bonds with interest rates of 5.0% and 5.25% and have maturities through 2040.

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

(Amounts in Millions of USD)

Fiscal Year	Philadelphia Gas Works † Principal	Interest	Philadelphia Parking Authority Principal	Interest	Philadelphia Redevelopment Authority Principal	Interest
2011	49.2	56.2	-	-	-	-
2012	47.3	55.0	8.0	9.1	-	0.8
2013	48.0	53.3	10.5	8.6	-	0.8
2014	50.0	50.9	11.0	8.1	-	0.8
2015-2016	51.3	48.3	23.4	14.5	0.2	1.6
2017-2021	250.7	203.4	67.9	25.3	1.8	4.0
2022-2026	268.4	142.8	53.5	9.0	4.0	3.7
2027-2031	240.0	83.7	11.3	1.3	11.2	1.8
2032-2036	160.2	37.2	-	-	-	-
2037-2041	78.6	9.7	-	-	-	-
Totals	1,243.7	740.5	185.6	75.9	17.2	13.5

(3) Defeased Debt

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

	(Amounts In Millions of USD)
Philadelphia Gas Works †	172.5
School District of Philadelphia	1,011.0
Total	1,183.5

† - Gas Works amounts are presented as of August 31, 2010

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

The assets pledged, primarily noncallable U.S. Government securities, had a market value of $182,284,000 at August 31, 2010, bearing interest on face value from 0.0% to 7.7%.

As in prior years, the **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 such, the trust account assets and liability for the defeased bonds are not included in the **SDP**'s financial statements. As of June 30, 2011, $1.0 billion of bonds outstanding are considered to be defeased and the liability has been removed from long-term liabilities.

In addition, the QZAB Bond Series 2004E of $19.3 million, issued September 2004, and due September 1, 2018 is considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places $1.4 million in trust with its fiscal agent each September 1st. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2018. As of June 30, 2011, $8.3 million is considered partially defeased in substance for accounting and financial reporting purposes.

The QZABs Bond Series 2007C and 2007D of $13.5 million and $28.2 million, respectively, were issued December 28, 2007, and are due December 28, 2022 and are considered partially defeased in substance for accounting and financial reporting purposes. The **SDP** irrevocably places $0.9 million in trust with its fiscal agent each December 15th. These amounts are invested in a forward purchase agreement to be used solely for satisfying a scheduled payment of the defeased debt in 2022. As of June 30, 2011, $2.7 million is considered partially defeased in substance for accounting and financial reporting purposes.

(4) Arbitrage

Federal arbitrage regulations are applicable to any issuer of tax-exempt bonds. It is necessary to rebate arbitrage earnings when the investment earnings on the bond proceeds from the sale of tax-exempt securities exceed the bond yield paid to investors. As of June 30, 2011, the arbitrage rebate calculation indicates a liability totaling $3,6 million related to the Series A and B Bonds of 2006 issued through the State Public School Building Authority. The **SDP** has restricted this amount under the fund balance of the Capital Projects Fund. In addition, a contingent liability has been accounted for in the governmental activities column of the government-wide statement of net assets. This amount is required to be paid 60 days after December 28, 2011 which is the fifth anniversary of issuance. The actual amount payable may be less than the amount recorded as a liability as of June 30, 2011.

(5) Derivative Instruments

a. PGW Interest Rate Swap Agreement

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

Terms – The swap was originally executed with the counterparty on January 26, 2006 and will mature on August 1, 2031. Under the swap, the City pays a fixed rate of 3.6745% and receives a variable rate computed as the lesser of (i) the actual bond rate and (ii) the SIFMA Municipal Swap Index until September 1, 2011 on which date the variable interest rate received will switch to 70.0% of one month LIBOR until maturity.

In August 2009, the City terminated approximately $54,800,000 of the notional amount of the swap, issued fixed rate refunding bonds related to that portion and kept the remaining portion of the swap to hedge the Eight Series variable rate refunding bonds backed with letters of credit. The Company paid a swap termination payment of $3,791,000 to the counterparty to partially terminate the swap.

The original swap confirmation was amended and restated on August 12, 2009 to reflect the principal amount of the Eighth Series B Bonds, with all other terms remaining the same. The remainder of the notional amount was divided among separate trade confirmations with the same terms as the original swap that was executed with the counterparty for the Eighth Series C through E.

As of August 31, 2010, the swaps had a notional amount of $255,000,000 and the associated variable rate debt had a $255,000,000 principal amount, broken down by series as follows:

- The Series B swap had a notional amount of $105,000,000 and the associated variable rate bonds had a $105,000,000 principal amount.
- The Series C swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.
- The Series D swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.
- The Series E swap had a notional amount of $50,000,000 and the associated variable rate bonds had a $50,000,000 principal amount.

The final maturity date for all swaps is on August 1, 2031.

Fair value – As of August 31, 2010, the swaps had a combined negative fair value for all series of $52,217,000. The fair values of the interest rate swaps were estimated using the zero coupon method. 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, 2010, 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 Company's bonds falls below Baa2 or BBB (Moody's/S&P). However, because the City's swap payments are insured by Assured Guaranty Municipal Corporation, as long as Assured Guaranty Municipal Corporation is rated at or above A2 or A (Moody's/S&P), the termination event based on the City's ratings is stayed. At the present time, the rating for Assured Guaranty Municipal Corporation is at Aa3/AA+ (Moody's/S&P).

The City is subject 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. In addition, after September 1, 2011, the City will be exposed to (i) basis risk, as reflected by the relationship between the rate payable on the bonds and 70.0% of one month LIBOR received on the swap, and (ii) tax risk, a form of basis risk, where the City is exposed to a potential additional interest cost in the event that changes in the federal tax system or in marginal tax rates cause the rate paid on the outstanding bonds to be greater than the 70.0% of one month LIBOR received on the swap.

The impact of the interest rate swaps on the financial statements for the year ended August 31, 2010 and 2009 is as follows (thousands of dollars):

		Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2009	$	27,555	1,244
Change in fair value through August 31, 2010		24,662	24,662
Balance August 31, 2010	$	52,217	25,906

		Interest rate swap liability	Deferred outflow of resources
Balance August 31, 2008	$	13,790	13,790
Change in fair value through August 20, 2009 (refunding of Sixth Series Bonds)		16,771	16,771
Termination of a portion of swap		(4,250)	(4,250)
Termination of hedge upon refunding Sixth Series Bonds		—	(26,311)
Change in fair value from initiation of hedge related To Eighth Series Bonds to year end		1,244	1,244
Balance August 31, 2009	$	27,555	1,244

The interest rate swap liability is included in other liabilities and deferred credits, and the deferred outflow of resources is included in other assets, deferred debits, and deferred outflows of resources on the balance sheet. There are no collateral posting requirements associated with the swap agreements.

b. School District of Philadelphia Swap Agreements

The **SDP** adopted, in Fiscal Year 2010, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows (amounts in thousands; debit (credit)):

	Change in Fair Value		Fair Value at June 30, 2011		
Classification	Amount		Classification	Amount	Notional
Governmental Activities					
Cash flow hedges:					
Pay-fixed interest rate Swaps	Deferred outflow	$ 175	Debt	$ (33)	$ 2,150
				$ (33)	

Hedging Derivatives

Objectives and Terms

The following table displays the objective and terms of the **SDP**'s hedging derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Credit Rating Moody's/S&P/Fitch
Pay-fixed interest rate swap	Hedge of cash flows on 2008 Series D-2 Bonds	$ 2,150	6/29/2004	9/1/2011	Pay 3.24%, receive 58.5% of LIBOR + .27%	A2/A/A+

Discussion of Risks:

Credit Risk - In compliance with the applicable requirements of the Local Government Unit Debt Act (53 Pa. Cons. Stat. §8281) (the "Debt Act"), amended in September of 2003, the **SDP** adopted a written interest rate management plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, to monitor the credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments. The **SDP** entered into the fixed-to-floating swaps with counterparties having at least one rating of "AA" or higher from Standard & Poor's or "Aa" or higher from Moody's at the time of execution.

As of June 30, 2011, the **SDP** was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values of $0.03 million. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest rate risk - The **SDP** is exposed to interest rate risk on its interest rate swaps. Should the LIBOR interest rates fall, the **SDP**'s net payment increases. As the fair values of the swaps become positive, the **SDP** would be exposed to interest rate risk in the amount of the derivatives' fair value.

Basis risk - The basis risk on the fixed-to-floating swaps is the risk that the interest rate paid by the **SDP** on a series of related variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty on the related swap. The **SDP** bears basis risk on each of its fixed-to-floating swaps since the SDP receives a percentage of LIBOR to offset the actual variable bond rate the **SDP** pays on its bonds. The **SDP** is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the **SDP** pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination risk - The **SDP** can terminate a swap at any time at the fair market value; the counterparty to a swap may, as provided therein, only terminate the swap upon certain termination events under the terms thereof. If a fixed-to-floating swap is terminated, the related variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination, the swap has a negative fair value, the **SDP** would be liable to the counterparty for a payment equal to the swap's fair value.

Other Risks - The **SDP** is not exposed to any rollover risk, market-access risk, or foreign currency risk.

Terminated Hedges

In addition to the interest rate swaps listed above, the **SDP** had also previously entered into similar agreements related to its Series A-1, A-2, B-1, B-2, and B-3 2008 Bonds. On December 8, 2010, the **SDP** executed five confirmations, each effective on January 3, 2011, providing for the termination of the Tax-Exempt Advance Refunding Agreements with (1) Morgan Stanley Capital Services Inc. ("Morgan Stanley") relating to the 2008 Bonds Sub-series A-1 in the current notional amount of $95,000,000 and (2) Goldman Sachs Bank USA ("Goldman") relating to the 2008 Bonds Sub-series A-2 in the current notional amount of $78,475,000, and (3) Wachovia Bank ("Wachovia") relating to the 2008 Bonds Sub-series B-1 in the current notional amount of $60,000,000, the 2008 Bonds Sub-series B-2 in the current notional amount of $54,200,000 and the 2008 Bonds Sub-series B-3 in the current notional amount of $64,900,000 (collectively, the "Terminated 2008 Swap Agreements"). On January 3, 2011, the **SDP** made termination payments to the counterparties of the Terminated 2008 Swap Agreements in the aggregate amount of $63,022,000. Such termination payments were funded with a portion of the proceeds of the **SDP**'s General Obligation Refunding Bonds, Series E of 2010, which were issued to refund the 2008 Bonds related to the Terminated 2008 Swap Agreements.

Swap payments and associated debt

Using rates as of June 30, 2011, debt service requirements on the **SDP**'s swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary (dollars in thousands).

	Variable Rate Bonds		Interest Rate	
Year Ending June 30	Principle	Interest(1)	Swap, Net(2)	Total
2012	2,150	24	33	2,207

(1) Based on assumed interest rate of 4.5% at year end June 30th.
(2) Variable rate receipts based on LIBOR rate plus basis point at year end June 30th.

8. LEASE COMMITMENTS AND LEASED ASSETS

A. CITY AS LESSOR

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

(Amounts In Thousands of USD)	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
Minimum Rentals	6,005	26,416	4,038
Additional Rentals	-	155,082	175
Sublease	12,328	-	822
Total Rental Income	18,333	181,498	5,035

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

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government: Governmental Funds	Primary Government: Proprietary Funds	Component Units
2012	4,145	14,269	4,599
2013	4,200	14,071	3,310
2014	4,253	7,237	2,514
2015	4,319	7,154	2,371
2016	4,386	6,431	2,525
2017-2021	22,800	27,032	3,642
2022-2026	24,854	15,124	2,154
2027-2031	26,925	11,664	1,451
2032-2036	29,210	6,015	874
2037-2041	-	-	808
2042-2046	-	-	808
2047-2051	-	-	808
2052-2056	-	-	808
2057-2061	-	-	808
2062-2066	-	-	808
2067-2071	-	-	808
2072-2076	-	-	808
2077-2081	-	-	808
2082-2086	-	-	743
2087-2091	-	-	446
Total	125,092	108,997	31,901

B. CITY AS LESSEE

1) OPERATING LEASES

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

(Amounts In Thousands of USD)	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
Minimum Rentals	163,392	37,733	15,027
Additional	-	-	52
Sublease	476	-	-
Total Rental Expense	163,868	37,733	15,079

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

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Primary Government		Component Units
	Governmental Funds	Proprietary Funds	
2012	32,548	800	12,988
2013	29,984	506	8,533
2014	26,192	95	8,486
2015	25,091	47	4,365
2016	24,663	-	4,407
2017-2021	93,633	-	3,981
2022-2026	65,916	-	-
2027-2031	18,508	-	-
2032-2036	18,275	-	-
Total	334,810	1,448	42,760

2) CAPITAL LEASES

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

(Amounts In Thousands of USD)

Fiscal Year Ending June 30	Component Units
2012	1,756
2013	1,437
2014	1,281
2015	972
2016	642
2017 -2021	2,689
2022 -2026	748
Future Minimum Rental Payments	9,524
Interest Portion of Payments	(1,358)
Obligation Under Capital Leases	8,167

9. 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, 2011, the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not include the assets or activity of the plan in its financial statements.

B. COMPONENT UNITS

PGW offers its employees a deferred compensation plan in accordance with Internal Revenue Code section 457. As of the Gas Works' fiscal year ended August 31, 1999 the Plan was amended to comply with subsection (g) of the code through the creation of a trust in which all assets and income of the Plan are to be held for the exclusive benefit of participants and their beneficiaries. As a result, the company no longer owns the assets of the Plan nor has a contractual liability to Plan participants.

10. FUND BALANCE PRESENTATION

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*, which became effective during the fiscal year. 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:

1. 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 Departmental Funds ($.2M) and Permanent Funds ($2.4M) were non-spendable.

2. 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 $21.8M at June 30, 2011. The fund balances in the following Special Revenue Funds were restricted: HealthChoices Behavioral Health ($250.1M); Grants Revenue ($98.2M); County Liquid Fuels ($2.1M); Special Gasoline Tax ($16.1M); Hotel Room Rental Tax ($6.6M); Car Rental Tax ($6.3M); Housing Trust ($10.5M); Acute Care Hospital Assessment ($8.8M); Departmental ($5.5M); Municipal Authority Administrative ($.2M); PICA Administrative ($45.4M). The entire fund balances of the Debt Service ($82.8M) and Capital Improvement ($267.7M) funds were restricted. The Permanent Fund had a restricted fund balance of $3.1M at June 30, 2011.

3. Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of Philadelphia's City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same course of action that was employed when the funds were initially committed. The fund balances in the following Special Revenue Funds were committed: Philadelphia Prisons ($3.6M) and Departmental ($.5M).

4. Assigned Fund Balance ─ Includes amounts that are constrained by management's intent to be used for a specific purpose but are neither restricted nor committed. The intent may be expressed by the Director of Finance, or other authorized department heads. There were no assigned fund balances at June 30, 2011, however, the General Fund did have total encumbrances of $103.8 million.

5. Unassigned Fund Balance – This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been classified as assigned, committed or restricted or non-spendable. The General fund had a negative unassigned fund balance of $45.7 at June 30, 2011. Within the Special Revenue Funds the Grants Revenue fund had a negative fund balance of $34.3M and the Community Development fund had a negative fund balance of $4.0M at June 30, 2011.

To the extent that funds are available for expenditure in both the restricted and the other fund balance categories, except for the nonspendable category, funds shall be expended first from restricted amounts and then from the other fund balance categories amounts excluding nonspendable. To the extent that funds are available for expenditure in these other categories, except for the nonspendable fund balance, the order of use shall be: committed balances, assigned amounts, and lastly, unassigned amounts.

Table below presents a more detailed breakdown of the City's fund balances at June 30, 2011:

(Amounts In Thousands of USD)	General Fund	HealthChoices Behavioral Health Fund	Grants Revenue Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund (Principal)	0	0	0	2,604	2,604
Subtotal Nonspendable:	0	0	0	2,604	2,604
Restricted for:					
Neighborhood Revitalization	0	0	61,296	0	61,296
Economic Development	0	0	0	6,562	6,562
Public Safety Emergency Phone System	0	0	36,884	0	36,884
Streets & Highways	0	0	0	18,276	18,276
Housing & Neighborhood Dev	0	0	0	10,457	10,457
Health Services	0	0	0	8,770	8,770
Behavioral Health	0	250,117	0	0	250,117
Parks & Recreation	0	0	0	341	341
Libraries & Museums	0	0	0	131	131
Intergovernmental Financing (PICA)	0	0	0	21,147	21,147
Intergovernmentally Financed Programs	0	0	0	24,474	24,474
Central Library Project	2,330	0	0	0	2,330
Stadium Financing	284	0	0	6,263	6,547
Cultural & Commercial Corridor Project	19,171	0	0	0	19,171
Debt Service Reserve	0	0	0	82,804	82,804
Capital Projects	0	0	0	267,719	267,719
Trust Purposes	0	0	0	8,082	8,082
Subtotal Restricted	21,785	250,117	98,180	455,026	825,108
Committed, reported in:					
Social Services	0	0	0	38	38
Prisons	0	0	0	3,574	3,574
Parks & Recreation	0	0	0	492	492
Subtotal Committed	0	0	0	4,104	4,104
Unassigned Fund Balance:	(45,685)	0	(34,270)	(4,045)	(84,000)
Total Fund Balances	(23,900)	250,117	63,910	457,689	747,816

11. INTERFUND TRANSACTIONS

During the course of normal operations the City has numerous transactions between funds. These transactions are recorded as operating 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 collects a portion of the wage tax paid by City residents and transfers funds that are not needed for debt service and administrative costs to the general fund. Also, 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 To:				
	Governmental	Non major Governmental			
Transfers From:	**General**	**Special Revenue**	**Debt Service**	**Capital Improvement**	**Total**
General	-	41,170	101,556	3,029	145,755
Grants	38,147	1,077	-	168	39,392
Non major Special Revenue Funds	295,707	64,273	-	13,000	372,980
Water Fund	1,230	23,699	-	-	24,929
Total	335,084	130,219	101,556	16,197	583,056

12. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet (Exhibit III) includes a reconciliation to the Net Assets 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 of USD)
Bonds Payable	2,121.7
Service Agreements	2,161.3
Employee Related Obligations	556.0
Indemnities	47.3
Arbitrage	-
Leases	51.7
Net Pension Obligation	69.4
Total Adjustment	5,007.4

13. PRIOR PERIOD ADJUSTMENTS

A. PRIMARY GOVERNMENT

- **PICA** received a premium of $1.97 million on June 6, 2000, in exchange for the future earnings from the debt service reserve fund investments. The agreement expires on June 15, 2023 and $1.8 million is deferred at June 30, 2011. Under the modified accrual basis of accounting used in the governmental fund financial statements, the premiums are recognized when received. The fund balance of the Debt Service Reserve Fund at July 1, 2010 in the governmental fund financial statements has been increased by $1.97 million to eliminate a prior-year deferral of the aforementioned premium.

B. COMPONENT UNITS

- Upon re-evaluation of the City’s relationship with the Pennsylvania Convention Center Authority (**PCCA**), which had been reported as a discretely presented component unit of the City, it was determined that PCCA no longer meets the criteria for inclusion as a component unit. Therefore, Net Assets –July 1, 2010 were restated to exclude PCCA’s $686.9 million share of Net Assets.

- The **SDP’s** district-wide net assets beginning balances were decreased by $0.5 million. This adjustment involved a correction to an understatement to Land in the amount of $0.2 million, as well as a correction to reduce Work-in-Progress in the amount of $0.7 million.

14. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports $1,340.1 million of restricted net assets, of which $50.3 million is restricted by enabling legislation as follows:

(Amounts in Thousands of USD)	Restricted Net Assets	Restricted by Enabling Legislation
Capital Projects	400,743	-
Debt Service	342,711	-
Behavioral Health	250,117	-
Neighborhood Revitalization	61,296	-
Stadium Financing	284	-
Central Library Project	2,330	-
CCC Project	19,171	-
Grant Programs	60,254	10,457
Rate Stabilization	157,050	-
Libraries & Parks:		
Expendable	3,090	-
Non-Expendable	2,404	-
Other	40,660	39,871
Total	1,340,110	50,328

15. FUND DEFICITS

- The General Fund has a Fund Balance Deficit at year end of $23.9 million
- The Community Development Fund, which is a Special Revenue fund, has a Fund Balance Deficit at year end of $4.0 million.

16. ADVANCE SERVICE CHARGE

The City's Water Fund Regulations provide for the assessment of an "Advance Service Charge" (ASC) at the time a property is initially connected to the system. The initial charge is calculated to be the equivalent of three (3) monthly service charges. This long-standing practice of assessing an initial charge equivalent to the average of three monthly service charges has been consistent whether the billing period was semi-annually (through 1979), quarterly (1979-1994) or monthly (1994-current). The Fund includes these charges in current revenues at the time they are received. Fund regulations also provide for a refund of any advance service charges upon payment of a $100 fee and permanent disconnection from the system.

During the current fiscal year 262 disconnection permits were issued resulting in a refund or final credit of approximately $331,640 and 1,034 new connection permits were issued resulting in additional advance service charges of approximately $380,680.

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 City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS). The fund covers all officers and employees of the city and the officers and employees of certain other governmental and quasi-governmental organizations.

A. SINGLE EMPLOYER PLANS

The two plans maintained by the City are the Municipal Pension Plan (City Plan) and the Gas Works Plan (PGW Plan). Financial statements for the City and PGW pension plans are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements.

Required Supplementary Information calculated in accordance with GASB Statement No. 25 is presented in audited financial statements of the respective pension plans. Copies of these financial statements may be obtained by contacting the Director of Finance of the City of Philadelphia.

(1) City Plan

a. Plan Description

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two Ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the class of employee. The plan has two major classes of members - those covered under the 1967 Plan and those covered under the 1987 Plan. Each of these two plans has multiple divisions. In addition to the two major classes of members, a third class of members was enacted in fiscal year 2011 that features a defined benefit and a defined contribution component.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions to the system and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The **Deferred Retirement Option Plan** (DROP) was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

Membership

Membership in the plan as of July 1, 2010 was as follows:

Retirees and beneficiaries currently receiving benefits	35,110
Terminated members entitled to benefits but not yet receiving them	2,018
Active members	27,928
Total Members	65,056

The Municipal Pension Fund issues a separate annual financial report. To obtain a copy, contact the Director of Finance of the City of Philadelphia.

b. Funding Policy

Employee contributions are required by City Ordinance. For Plan 67 members, employees contribute 3¾% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. Plan 87 contribution rates are defined for the membership as a whole by Council ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs
- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
    - non active member's benefit modifications (10 years)
    - experience gains and losses (15 years)
    - changes in actuarial assumptions (20 years)
    - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $701.3 million or 50.0% of the covered payroll of $1,410.2 million. The City's actual contribution was $455.9 million. The City's contribution did not meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

In Fiscal Year 2010 the City made several changes to the pension plan based on Act 44, which provided a new method of determining municipal distress levels and alternative funding relief in response to the 2008/2009 market decline. The City adopted fresh start amortization, alternating to 30 years and lowered the assumed rate of interest from 8.25% to 8.15% assuming a partial deferral of the pension payments in fiscal years 2010 and 2011 of $150 million and $80 million respectively, which must be repaid by fiscal year 2014. The change in amortization period and the partial deferral were approved by the Commonwealth of Pennsylvania General Assembly's Act 44. Act 44 also allowed the City to temporarily impose an additional local sales tax of 1.0% to fund future MMO Payments.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years are as follows:

(Millions of USD)

Fiscal Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2009	559.0	81.47%	(456.0)
2010	597.0	52.36%	(171.6)
2011	721.7	65.14%	80.0

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2010. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a ten-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.15%
- projected annual salary increases based on new age based scale
- payroll growth rate is 3.5%
- no post-retirement benefit increases

Administrative costs of the Plan are paid out of the Plan's assets.

c. Funding Status

The following schedule shows the funding status based on the latest actuary report. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section immediately following the Notes to the Financial Statements.

(Millions of USD)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
	(a)	(b)	(b - a)	(a / b)	(c)	(b - a) / c
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,380.9	9,317.0	4,936.1	47.02%	1,421.2	347.32%

d. Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Municipal Pension Plan for the current year were as follows:

	(Thousands of USD)
Annual Required Contribution (ARC)	715,544
Interest on Net Pension Obligation (NPO)	(14,155)
Adjustment to ARC	20,353
Annual Pension Cost	721,742
Contributions Made	(470,155)
Increase in NPO	251,587
NPO at beginning of year	(171,576)
NPO at end of year	80,011
Interest Rate	8.25%
15 Year amortization Factor (EOY)	8.43%

e. Derivative Instruments

In 2010 the City of Philadelphia adopted GASB Statement No. 53 which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. 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, however, also can expose governments to significant risks and liabilities.

The City of Philadelphia Municipal Pension Fund (Pension 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 (CMO's); other forward contracts, and U.S. Treasury strips. The contracts are used primarily to enhance performance and reduce volatility of the portfolio. The Pension Fund is exposed to credit risk in the event of non performance by counterparties to financial instruments. The Pension 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 Pension 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 Board approved guidelines, through buying or selling instruments or entering into offsetting positions. The notional or contractual amounts of derivatives indicate the extent of the Pension Fund's involvement in the various types and used of derivative financial instruments and do not measure the Pension 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. The following table summarizes the aggregate notional or contractual amounts for the Pension Fund's derivative financial instruments at June 30, 2011:

Derivative Instruments

List of Derivatives Aggregated by Investment Type

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	**Amount**	**Classification**	**Amount**	**Notional**
Credit Default Swaps Bought	Investment Revenue	$ (15,142)	Swaps	$ 19,447	$ 288,000
Credit Default Swaps Written	Investment Revenue	62,463	Swaps	39,095	1,141,666
Fixed Income Futures Long	Investment Revenue	(20,758)	Futures	0	4,494,532
Fixed Income Futures Short	Investment Revenue	(486,166)	Futures	0	(10,989,811)
Foreign Currency Options Bought	Investment Revenue	(141,316)	Options	0	0
Futures Options Bought	Investment Revenue	(168,376)	Options	0	0
Future Options Written	Investment Revenue	87,306	Options	0	0
FX Forwards	Investment Revenue	(4,813,171)	Long Term Instruments	155,264	578,835,757
Index Futures Long	Investment Revenue	20,118,776	Futures	0	113,645
Pay Fixed Interest Rate Swaps	Investment Revenue	71,238	Swaps	(200,696)	2,707,000
Rights	Investment Revenue	256,276	Common Stock	9,625	78,247
Total Return Swaps Bond	Investment Revenue	13,702	Swaps	(1,431)	410,000
Warrants	Investment Revenue	291,943	Common Stock	22,124,111	13,645,243
Grand Totals		$ 15,256,775		$ 22,145,415	

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Investment Policy Statement of the 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 following tables show the details of counter parties and their rating information as follows:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Citibank N.A.	40%	A+	A+	A1
UBS AG	22%	A+	A+	Aa3
Royal Bank of Scotland PLC	12%	A+	AA-	Aa3
Deutsche Bank AG London	5%	A+	AA-	Aa3
Barclays Bank PLC Wholesale	4%	AA-	AA-	Aa3
JPMorgan Chase Bank N.A.	4%	AA-	AA-	Aa1
HSBC Bank USA	3%	AA	AA	Aa3
Credit Suisse London Branch (GFX)	3%	A+	AA-	Aa1
UBS Securities LLC	2%	A+	A+	Aa3
UBS AG London	1%	A+	A+	Aa3
Bank of America Securities LLC	1%	A	A+	A2
Morgan Stanley & Co. International PLC	1%	A	A	A2
Goldman Sachs + Co.	0%	A	A+	A1
Royal Bank of Canada (UK)	0%	AA-	AA	Aa1
HSBC Bank PLC	0%	AA	AA	Aa3
Westpac Banking Corporation	0%	AA	AA	Aa2
JPMorgan Securities Inc.	0%	A+	AA-	Aa3
BNP Paribas SA	0%	AA	AA-	Aa2

The details of other risks and financial instruments in which the municipal pension fund of Philadelphia is involved are described below:

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

The aggregate fair value of hedging derivative instruments in the asset position at June 30, 2011 was $22,145,415. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. This maximum exposure is reduced by $16,803,823 of collateral or liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of $5,342,592.

Interest Rate Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the year ended June 30, 2011 the Pension Fund entered into interest rate swaps. Under the receive fixed interest rate type swap agreements, the Pension 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 received as of June 30, 2011. On its pay-variable, received-fixed interest rate swap, as LIBOR increases, the Pension 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 Pension Fund's net payment on the swap increases. The pay fixed interest rate Swaps were ($200,696).

The following table show the interest rate swaps including reference rates and interest rate risk disclosure for June 30, 2011.

Asset ID	Asset Description		Fair Value		Notional
Pay Fixed Interest Rate Swaps					
99S05ILT2/99S05ILU9	OWP158397 IRS USD R V 03MLIBOR/ OWP158397 IRS USD P F .00000	$	(33,256)	$	460,000
99S05IP27/99S05IP35	OWP158470 IRS USD R V 03MLIBOR/ OWP158470 IRS USD P F .00000		(45,677)		590,000
99S05IXN2/99S05IXO0	OWP158611 IRS USD R V 03MLIBOR/ OWP158611 IRS USD P F .00000		(86,357)		1,197,000
99S05J1K1/99S05J1L9	OWP159155 IRS USD R V 03MLIBOR/ OWP159155 IRS USD P F .00000		(35,406)		460,000
Total Pay Fixed Interest Rate Swaps:		$	(200,696)		2,707,000

Future Contracts are types of contracts in which the buyer agrees to purchase and the seller agrees to make a delivery of a specific financial instrument at a predetermined date and price. Gains and losses on future 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 counterparty will not pay and generally requires margin payments to minimize such risk. In addition, the Pension 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 Pension Fund has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2011 of ($6,495,280) represent a restriction on the amount of assets available as of year-end for other purposes.

Forward contracts: The Pension Fund is exposed to basis risk on its forward contract because the expected funds purchase being hedged will price based on a pricing point different than the pricing point at which the forward contract is expected to settle. At June 30, 2011, the FX Forwards had a fair value of $155,264.

Termination risk: The Pension 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 Pension Fund is exposed to termination risk on its receive-fixed interest rate swap. The Pension 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 percent. 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. The total credit default swaps bought at fair market value were $288,000 and the total credit default swaps written were $1,141,666.

Rollover Risk: The Pension 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, it the counterparty exercises its option, the Pension Fund will be re-exposed to the risks being hedged by the hedging derivative instrument.

In addition, the Pension Fund also was involved in other financial instruments such as rights that were worth $9,625 and warrants that were $22,124,111.

f. Summary of Significant Accounting Policies

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan. Investments are valued as described in Footnote I.4.

(2) Gas Works Plan

a. Plan Description

PGW sponsors a public employee retirement system (PERS), a single-employer defined benefit plan to provide benefits for all its employees. The **PGW** Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest 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% of the first $6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over $6,600, times years of credited service, with a maximum of 60% of the highest annual earnings during the last 10 years of credited service, applicable to all participants, or

- 2% of total earnings received during the period of credited service plus 22.5% 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 is the employees' average pay, over the highest 5 years of the last 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. Employees with 30 years of service may retire without penalty for reduced age.

At September 1, 2009 the beginning of the Plan Year of the last actuarial valuation, the Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,232
Current Employees	1,653
Total Members	3,885

b. Funding Policy

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Covered employees are not required to contribute to the PGW Pension Plan. The Gas Works is required by statute to contribute the amounts necessary to finance the Plan.

The funding policy of the **PGW** Plan 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 percentage of employer contribution rates are based on the actuarial accrued liability as determined by using the Projected Unit Credit actuarial funding method. The actuarial asset value is equal to the value of fund assets. The unfunded actuarial accrued liability is being amortized using the open method. Contributions of $24.6 million (approximately 2.0% of covered payroll) were made to the PGW Plan during the year.

Beneficiary payments in FY 2010 were made from operating funds. Instead, the Company set up a receivable to draw the FY 2010 funds of $11.1 million in FY 2011, which is recorded in other current assets and deferred debits on the balance sheet. The withdrawals from the pension assets in FY 2009 of $18.5 million were utilized to meet beneficiary payment obligations.

c. Funding Status

The funded status of the **PGW** plan as of September 1, 2010 the most recent actuarial valuation is as follows (amounts in thousands):

(Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded/ (Over Funded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
09/01/2009	$355,499	$519,773	$164,274	68.4%	$106,003	155.0%
09/01/2008	$430,390	$495,155	$64,765	86.9%	$107,918	60.0%
09/01/2007	$416,183	$482,380	$66,197	86.3%	$105,596	62.7%

The analysis of pension funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Amortization Method	Level percent open
Remaining Amortization Period	20 years

d. Annual Pension Cost

PGW's annual pension cost for the current year of $24.6 million is equal to its required contribution. The annual required contribution for the current year was determined based on an actuarial study or updates thereto, using the projected unit credit method. Significant actuarial assumptions used include an annual rate of return on investments of 8.25%, compounded annually, projected salary increases of 3.00% of the salary at the beginning of the next three years, then 4.25% of the salary at the beginning of the fourth and subsequent year, and retirements that are assumed to occur prior to age 62, at a rate of 10% at 55 to 61 and 100% at age 62. The assumptions did not include post retirement benefit increases.

The Annual Pension Cost and related percentage contributed for the three most recent fiscal years is as follows:

(Amounts in Millions of USD)

Fiscal Year Ended August 31	Annual Required Contribution	Percentage Contributed
2010	24.6	100%
2009	15.4	100%
2008	14.3	100%

e. Summary of Significant Accounting Policies

The financial statements of the Plan are prepared on the accrual basis of accounting. Employer contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Plan investments are reported at fair value based on quoted market price for those similar investments.

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 50% of unused sick time, not to exceed predetermined amounts. Employees, who separate for any reason other than indicated above, forfeit their entire sick leave. The City budgets for and charges the cost of sick leave as it is taken.

3. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. PRIMARY GOVERNMENT

Plan description: The City of Philadelphia self-administers a single employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage. The plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. 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. For fiscal year 2011, the City paid $65.5 million for retiree healthcare.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation (dollar amount in thousands)

City of Philadelphia OPEB

	(Amounts in Thousands)
Annual required contribution	101,216
Interest on net OPEB obligation	2,165
Adjustment to ARC	(1,668)
Annual OPEB cost	101,713
Payments made	(65,533)
Increase/(Decrease) in net OPEB Obligation	36,180
Net OPEB obligation - beginning of year	43,301
Net OPEB obligation - end of year	79,481

The City of Philadelphia's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2011 was as follows:

amounts in thousands USD

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2011	$	101,713	64%	$	79,481
6/30/2010	$	93,844	76%	$	43,301
6/30/2009	$	98,733	82%	$	21,150

Funded Status and Funding Progress: As of July 1, 2010, the most recent actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability for benefits was $1.2 billion. The covered annual payroll was $ 1.419 billion and the ratio of the UAAL to the covered payroll was 82.4 percent.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The projections of future benefit payments for an ongoing plan obligation involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the obligation and the contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. The city uses a level percent open approach as its method of amortization. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 5.0% compound annual interest rate on the City's general investments. The current plan incorporates the following assumptions: no post-retirement benefit increases since last year; a 5% Investment Rate of Return, a 4% Rate of Salary increases; and, a 5% Ultimate Rate of Medical Inflation.

B. COMPONENT UNITS

School District of Philadelphia (SDP) OPEB

From an accrual accounting perspective, the cost of postemployment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur, rather than in the future when they will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the **SDP** recognizes the costs of postemployment life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the **SDP**'s future cash flows. Recognition of the liability accumulated from prior years is amortized over no more than 30 years.

Plan Description:

The **SDP** provides up to $2,000 of life insurance coverage for retired and disabled employees in a single-employer plan. A retired employee is eligible for this benefit if covered for ten years as an active employee and retired at age 60 with 30 years of service or age 62 with ten years of service or 35 years of service regardless of age. A disabled employee's eligibility is determined by the insurance company providing the coverage. An unaudited copy of the life insurance benefit plan can be obtained by writing to The **SDP** of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The **SDP** is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. The number of eligible participants enrolled to receive such benefits as of June 30, 2010, the effective date of the most recent biennial OPEB valuation, is below. There have been no significant changes in the number covered or the type of coverage since that date.

	Number of Employees	Average Age
Active:		
Represented	16,308	45.5
Non-represented	1,223	48.6
Retirees	8,918	76.2
Disabled	135	58.2
Total	26,584	56.0

Annual OPEB Cost and Net OPEB Obligation:

The **SDP**'s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount that was actuarially determined by the Entry Age Normal Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, a contribution is determined that consists of the normal cost and the unfunded actuarial liability payment. The normal cost for each employee is derived as a level contribution from entry age to assumed retirement age. The accumulation of normal costs for service already completed is the actuarial accrued liability (AAL), which under GASB Statement No. 45, may be amortized over no more than 30 years. The District has elected to amortize the OPEB obligation as an open amortization period, which is recalculated at each bi-annual actuarial valuation date, up to 30 years, using the level percentage of payroll method. The following table shows the elements of the **SDP**'s annual OPEB cost for the year, the amount paid on behalf of the plan, and changes in the **SDP**'s net OPEB obligation to the plan:

Year Ended June 30	Annual OPEB Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation
2009	$640,650	100%	$0
2010	659,317	100%	0
2011	673,167	100%	0

Basis of Accounting:

As defined by GASB Statement No. 45, if the amount of expenditures recognized during the current year is not equal to the annual OPEB cost, the difference is added or subtracted to the net obligation. The **SDP**'s policy is to recognize an expense equal to what is contributed as long as it satisfies the requirement for GASB Statement No. 45.

Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability of $14.5 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $14.5 million.

Active	$3,411,000
Inactive	11,122,000
Total	$14,533,000

Actuarial Methods and Assumptions:

The actuarial assumptions used in the June 30, 2010 OPEB actuarial valuations are those specific to the OPEB valuations.

- Investment return (discount rate) not fully funded: 4.00%
- Mortality for healthy and disabled participants: The Uninsured Pensioner 1994 Mortality Table (UP94) projected for ten years, with an age set back one year for males and females.
- Payroll increases: Payroll is assumed to increase at an average rate of 4.00% per year. Because the life insurance amounts are $1,000 or $2,000 except for disabilities, inflation has very little impact on the benefits. There is a Consumer Price Index assumption of 3%, but that rate is not applied to future life insurance amounts. The 4% payroll increase assumption is a combination of 3% inflation and 1% productivity. It is meant to be a very long term assumption.
- No actuarial liability is included for non-vested participants who terminated prior to the valuation date.
- Withdrawal: During the first five years of service, withdrawal rates were assumed as follows:

Service	Rate
Less than one year	24.49%
1 – 2 years	25.23%
2 – 3 years	16.54%
3 – 4 years	14.07%
4 – 5 years	10.88%
After five years, see table of sample rates	

- Disability incidence: See table of sample rates.
- Retirement age: The following retirement rates are used:

Age	Rate of Retirement	Age	Rate of Retirement
55	11.31%	63	20.56%
56	13.41%	64	18.43%
57	17.98%	65	33.22%
58	19.52%	66	19.27%
59	20.73%	67	19.55%
60	29.37%	68	18.91%
61	32.59%	69	17.03%
62	30.28%	70+	100.00%

- Accelerated death benefit: This benefit was assumed to have an immaterial value.
- Table of Sample Rates:

Attained Age	Withdrawal	Percentage Disability Incidence	
		Male	Female
25	24.75%	0.016%	0.027%
30	18.01%	0.016%	0.027%
35	10.98%	0.067%	0.053%
40	7.91%	0.120%	0.087%
45	6.71%	0.120%	0.120%
50	4.03%	0.187%	0.167%
55	3.81%	0.287%	0.320%
60	6.40%	0.387%	0.320%
65	13.63%	0.067%	0.107%

Philadelphia Gas Works (PGW) OPEB

Plan description: **PGW** provides certain health care and life insurance benefits for approximately 1,963 retired employees and their dependents. **PGW** recognizes the cost of providing these benefits by charging the annual insurance premiums to expense.

Funding Policy: **PGW** pays 100% of premiums for basic medical, hospitalization, and prescription drugs incurred by retirees and their dependents. The company also pays a portion of the premium for life insurance for each eligible retiree. **PGW** currently provides for the cost of healthcare and life insurance benefits for retirees and their beneficiaries on a pay-as-you-go basis. Total expenses incurred for health care amounted to $42.1 million, of which approximately 48.9% relates to retirees and their dependents. Total premiums for group life insurance amounted to $1.9 million of which approximately 76.5% relates to retirees.

Actuarial Valuation and Assumptions: **PGW** engaged an actuarial consulting firm to provide an actuarial valuation of its OPEB obligations as of August 31, 2010. The actuarial valuations involve estimates of the value reported amounts and the assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations, and new estimates are made about the future. The calculations were based on the types of benefits provided under the terms of the substantive plan at the time of the valuation.

PGW's annual other post employment benefit (OPEB) expense is calculated based on the projected unit cost method. Under this method of calculation the present value of benefits is allocated uniformly over the employee's expected working lifetime. The actuarial accrued liability is that portion of the present value of projected benefits, which has been accrued during the employees' working lifetime from hire to valuation date. The normal cost represents the amount charged for services earned during the current reporting period. The normal cost is calculated by dividing the present value of projected benefits for an employee by the total service.

The valuation was prepared utilizing certain assumptions, including the following:

- Economic Assumptions – the discount rate and healthcare cost trends rates

The report utilized a 5.0% discount rate for purposes of developing the liabilities and ARC on the basis that the Plan would not be funded. This rate is based on the investment return expected on the Company's general investments. Because the Company has not funded the Plan for FY 2010.

Healthcare costs trend rates

Year	Medical	Prescription	Dental
1	9.0%	9.0%	4.5%
2	8.0%	8.0%	4.5%
3	7.0%	7.0%	4.5%
4	6.0%	6.0%	4.5%
5	5.0%	5.0%	4.5%
6	4.5%	4.5%	4.5%
7	4.5%	4.5%	4.5%
8	4.5%	4.5%	4.5%
9	4.5%	4.5%	4.5%
10 & beyond	4.5%	4.5%	4.5%

- Benefit Assumption – the initial per capita rates for medical coverage, and the face amount of PGW 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.

Annual OPEB Cost and Net OPEB Obligation: In FY2010 **PGW** paid retiree benefits in the amount of $21.7 million, which consisted of $20.6 million in healthcare expenses and $1.1 million in life insurance expenses. The difference between the ARC and the expenses paid resulted in an increase in the OPEB liability of $27.3 million. As of August 2010, the actuarial accrued liability for benefits was $654.1 million, all of which was unfunded and the ratio of the unfunded actuarial accrued liability to the covered payroll was 617.1%

The following table shows the calculation of **PGW's** OPEB liability for FY2010. The difference between the annual OPEB cost and contributions made is recorded as other postemployment benefits expense on the statement of revenues and expenses. Contributions made are allocated to operating expense line items along with salaries and other employee benefit costs.

	(Amounts in Thousands)
Annual required contribution	50,152
Interest on net OPEB obligation	3,910
Adj to annual required contribution	(5,087)
Annual OPEB cost	48,975
Payments made	(21,706)
Increase/(Decrease) in net OPEB obligation	27,269
Net OPEB obligation - beginning of year	78,207
Net OPEB obligation - end of year	105,476

PGW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for FY2010 and the preceding years is as follows:

(Amounts in Thousands)

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Contributed		Net OPEB Obligation
6/30/2010		48,975	44.32%		105,476
6/30/2009	$	46,009	43.59%	$	78,207
6/30/2008		44,114	41.44%		52,255

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. 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.

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 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 2011 this transfer amounted to $297.0 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 $65.9 million to SEPTA.

B. OTHER ORGANIZATIONS

The City provides varying levels of subsidy and other support payments (which totaled $144.1 million during the year) to the following organizations:

- Philadelphia Commercial Development Corporation
- Philadelphia Health Management Corporation
- Philadelphia Industrial Development Corporation
- Fund For Philadelphia Incorporated
- Philadelphia Housing Authority

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, Worker's 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 covers all claim settlements and judgments, except for those discussed above, out of the resources of the fund associated with the claim. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the amount of these liabilities was $353.5 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, 2009 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2009	261.1	144.4	(96.2)	309.3
Fiscal 2010	309.3	156.5	(94.5)	371.3
Fiscal 2011	371.3	82.0	(99.8)	353.5

The City's Unemployment Compensation and Workers' Compensation coverages are provided through its General Fund. Unemployment Compensation and Workers' Compensation coverages are funded by a pro rata charge to the various funds. Payments for the year were $5.4 million for Unemployment Compensation claims and $58.3 million for Workers' Compensation claims.

The City's estimated outstanding workers' compensation liabilities are $296.0 million discounted at 3.5%. On an undiscounted basis, these liabilities total $401.5 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 $270.0 million (discounted) and $365.9 million (undiscounted).

During the last three (3) 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 City's Component Units are 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 **SDP** is self-insured for most of its risks including casualty losses, public liability, unemployment and weekly indemnity. Workers' Compensation is covered by excess insurance over a $5.0 million self-insured retention. **SDP** does purchase certain other insurance. Most Component Units are principally insured through insurance carriers. Each entity has coverage considered by management to be sufficient to satisfy loss claims. These losses include: an estimate of claims that have been incurred but not reported; the effects of specific, incremental claims adjustment expenditures, salvage, and subrogation; and unallocated claims adjustment expenditures.

At June 30, the combined amount of these liabilities was $184.8 million for the City's Component Units. This liability is the best estimate based on available information. Changes in the reported liability since June 30, 2010 resulted from the following:

(Amounts in Millions of USD)

	Beginning Liability	Current Year Claims and Changes In Estimates	Claim Payments	Ending Liability
Fiscal 2010	165.6	34.1	(42.7)	157.0
Fiscal 2011	157.0	253.6	(225.8)	184.8

The **SDP** 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 SDP is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness) and employee medical benefits.

The **SDP** maintains additional property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses between $5.0 million and $250.0 million. Also, certain insurance coverages including employee performance bonds and fire insurance are obtained.

7. COMMITMENTS

COMPONENT UNITS

- The **SDP's** outstanding contractual commitments at year end for construction of new facilities, purchase of new equipment, and various alterations and improvements to facilities totaled $45.5 million.

- **SDP** is also an Intermediate Unit (IU) established by the Commonwealth to provide programs for special education and certain non-public school services. Conceptually, the cost of operating an IU for a fiscal year is partially financed by Commonwealth appropriation. In certain instances (transportation) **SDP** reimburses the Commonwealth for the funds advanced in the previous year. The amount advanced for transportation of special education students is reimbursed in full less the Commonwealth's share of such cost as determined by a formula based on the number of students transported, route distances, and efficiency of vehicle utilization. **SDP** owes the Commonwealth $56.0 million. Of that amount, the Commonwealth has agreed to continue to defer amounts due from prior years totaling $45.3 million for reimbursement of advanced funds provided for special education transportation costs.

8. CONTINGENCIES

A. PRIMARY GOVERNMENT

1) Claims and Litigation

Generally, claims against the City are payable out of the General Fund, except claims against the City Water Department, City Aviation Division, or Component Units which are paid out of their respective funds and only secondarily out of the General Fund which is then reimbursed for the expenditure. Unless specifically noted otherwise, all claims hereinafter discussed are payable out of the General Fund or the individual Enterprise Fund. The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act", established a $500,000 aggregate limitation on damages arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been upheld by the United States Supreme Court. There is no such limitation under federal law.

Various claims have been asserted against the City and in some cases lawsuits have been instituted. Many of these claims are reduced to judgment or otherwise settled in a manner requiring payment by the City. The aggregate estimate of loss deemed to be probable is approximately $351.0 million. Of this amount, $30.9 million is charged to current operations of the Enterprise Funds. The remaining $320.1 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 an additional loss is reasonably possible. These lawsuits relate to General Fund and Enterprise Fund operations. The aggregate estimates of the loss which could result if unfavorable legal determinations were rendered against the City with respect to those lawsuits is approximately $56.2 million to the General Fund and $4.1 million to the Enterprise Funds.

Significant cases included in the current litigation against the City are as follows:

- **Mandel v. Philadelphia, CCP Phila. No. 1101-03848**

  A total of 18 taxpayers have brought suit against the City in the Court of Common Pleas for the First Judicial District, challenging the City's system for the assessment of real estate taxes for itself and the **SDP** under the Uniformity Clause of the Pennsylvania Constitution, the First Class County Assessment Law, 72 P.S. §§ 5341.1-5341.21, and the Equal Protection Clause of the United States Constitution. In addition to injunctive relief, Plaintiffs also request refunds, and their claims could cost the City well over $100 million dollars if successful, but we have strong defenses to these assertions. Plaintiffs case was dismissed and the time to appeal has run out.

- **Waterfront Renaissance Associates (WRA) v. City, et. al., E. D. Pa. No. 07 cv 1045**

  WRA, proposed developer of a "World Trade Center" project at 400-456 Christopher Columbus Boulevard, sued the City, City Council, City Planning Commission, Brian Abernathy (then legislative aide to Councilman DiCicco), and certain civic associations and their officers. In short, WRA alleged that the zoning overlay amendment to the Old City Residential Area Special District Controls, through a 65 foot maximum height restriction, effectively prevented or rendered impossible completion of its project.

  WRA further alleged a nearly 20 year history of support, encouragement, assistance, and other favorable representations for the project by the City, its officials and representatives, and others. WRA complained that it had spent nearly $20 million in reliance upon City's "supportive" actions for site-acquisitions and pre-development, promotional, and other soft and hard costs.

  WRA sought declaratory and injunctive relief and damages in excess of $20 million. WRA claimed that the Ordinance facially violated its constitutional rights to procedural and substantive due process and equal protection of laws by depriving it of property through wholly arbitrary action and/or without reasonable notice and that the Court should enjoin and declare the Ordinance as unenforceable based on state law claims of promissory estoppel, detrimental reliance, or unjust enrichment.

  City Defendants filed motions to dismiss. The Court dismissed all City defendants except the City. The Court also dismissed the procedural due process and as-applied substantive due process claims. The following claims against City survived: promissory estoppel, detrimental reliance; unjust enrichment; facial violation of equal protection; and facial violation of substantive due process.

  In addition, Plaintiffs were granted leave (despite the City's opposition) to amend the Complaint. WRA added a count for violation of substantive due process seeking injunctive relief. WRA alleged that the Ordinance delegated land use and planning powers to neighborhood associations allowing for *ad hoc* changes and concessions regarding high-rise development through a compulsory variance process, contrary to the master planning concept of Pennsylvania zoning law and the Philadelphia zoning code. The Court denied the City's Motion to Dismiss Count XV of the Second Amended Complaint.

  The City moved to dismiss WRA's constitutional claims on mootness grounds on the basis that adoption of an amendment to the City's zoning laws removed the challenged height restriction from WRA's property. WRA also moved to supplement its Complaint to add new claims concerning the Central Delaware Riverfront Ordinance. WRA requested another six months of fact discovery followed by new dates for completion of expert discovery, filing of dispositive motions, and ultimately scheduling of trial if necessary.

  The Court granted the motion to dismiss and dismissed WRA's constitutional claims relating to the height restriction. As part of its ruling, the Court allowed WRA to file an amended claim to add a facial claim against the Central Delaware Riverfront Ordinance, and to supplement its existing state law claims to include allegations pertaining to the CDRO. WRA filed its Third Amended Complaint. The City filed a motion for summary judgment seeking dismissal of WRA's remaining claims, and WRA filed motion for summary judgment on its supplemental claim against CDRO.

  The Court granted the City's motion and entered summary judgment for City on Plaintiff's remaining claims and Plaintiffs have appealed. Briefing is just commencing.-

- **In re: Condemnation of Tract of Land k/a Parcel C (within Eastwick Urban Renewal Area): CCP Phila. Co., Consolidated Case No. 091104734**

In November 2003, the City filed a declaration of taking condemning certain property known as Parcel C within the Eastwick Urban Renewal Area Plan of 1958 for the benefit of Philadelphia International Airport. The Redevelopment Authority of the City of Philadelphia ("RDA") was the record title holder of the property. The City deposited in Court in April 2006 estimated just compensation in the amount of $7,714,000. November Term, 2003, No. 2285 (C.C.P. Phila.).

In 2007, Eastwick Development Joint Venture IX, L.P. and New Eastwick Corporation ("Eastwick Development") petitioned the Court for appointment of a Board of Viewers and the Court appointed a Board of View to ascertain and award just compensation. Eastwick Development alleged they owned or held equitable interests in and certain development rights to the condemned property and had not received just compensation.

After a view of the premises and a hearing in July 2009, the Board of View filed a report with the Court in October 2009. BV #3421. The Board made an award of just compensation for the property of $13,500,500 (including attorney fee), subject to credit for the $7,714,000 million already paid and distributed. In addition, the Board awarded delay damages from the date of taking (11/18/03) until July 31, 2009 in the amount of $3,298,200, and accruing thereafter until payment. BV #3421.

The City filed its appeal to the Court of Common Pleas in November 2009, requesting a jury trial de novo. CCP Phila. Co., #0911-02397. The City objected, among other things, to the award of any compensation amount beyond that amount already paid into court, to evidentiary, procedural and substantive errors in the Board of View proceeding and award, and to the delay damage computation and award. Eastwick Development filed a separate appeal from the Board of View Report to the Court of Common Pleas in November 2009. CCP Phila. Co., #0911-04734. Eastwick Development sought a jury trial de novo and objected to the sufficiency of the amount of compensation awarded.

The parties completed discovery. At a final pretrial conference, the Court issued an order consolidating the two separate appeals from the Board of View report and scheduled the case for trial. Subsequently, at the request of the parties, the Court adjourned the start of trial until 2012 on the basis of a settlement in principle. The parties signed as of December 13, 2011 a binding settlement term sheet providing for, among other things, discontinuance of the lawsuit, payment by City in the total sum of $9.6 million, an amended redevelopment agreement, and release or transfer of property interests to City, all upon certain terms and conditions, and to take effect or occur on or before an Effective Date. If the Effective Date does not occur on or before June 30, 2012, the settlement will expire and the parties will be restored to their previous litigation positions (with some modification to any accrual of delay damages). The Court, at a recent status conference, ordered the case to remain in deferred status through July 2012 to allow for implementation of the settlement.

The City intends to mount vigorous defenses to defeat the compensation claim if the settlement agreement expires or if the preconditions to its effectiveness do not occur. The City's lawyers reasonably believe that the Plaintiffs will not likely succeed on their claims or for the amount of just compensation (damages) sought and that the City's defenses have merit.

- **G&T Conveyor Co., Inc. v. Ernest Bock & Sons, Inc et al v. City et al.,CCP Phila. No. 091103117**

G&T has commenced and pursued a civil action for declaratory and monetary relief against Bock, and Liberty Mutual Insurance Company ("Liberty") and Fidelity and Deposit Company of Maryland ("Fidelity"), issuers of a payment bond on behalf of Bock. G&T sued Bock for, among other things, about $1.3 million in damages for work performed but unpaid by Bock; and for nearly $7 million in additional costs incurred as a result of construction delays G&T attributed to Bock.

Bock had successfully bid to perform general contractor work on the Airport's Terminal D&E expansion and modernization project for baggage system (Bid #6851; Contract #084002). G&T subcontracted with Bock to supply all necessary labor, supervision, material and equipment to furnish the baggage handling equipment. Bock's Purchase Order (subcontract) with G&T required that G&T perform and complete work in strict accordance with the Plans and Specifications, and eleven addenda and other terms and conditions prepared by DDI, and in compliance with certain milestones and deadlines. G&T alleged that, by early 2010, the project was over 660 days behind schedule and its attempts to address and resolve delay and other problems with Bock had failed.

Bock answered the Complaint, denying responsibility, asserting affirmative defenses and counterclaiming against G&T for damages caused by G&T's alleged breach of its contract obligations. Bock also filed a "third party" complaint against City and others, particularly Chisom Electrical (reportedly a defunct entity).

Bock contended City was solely liable or liable with Bock to G&T on the "delay damages" claims made by G&T, pursuant to common law theories of indemnification and contribution. Bock also claimed City was liable to Bock for damages caused by City's material breaches of its contract with Bock.

City filed preliminary objections to the Third Party Complaint, challenging its propriety and sufficiency but the Court overruled the objections and ordered the filing of an Answer. The City filed an Answer to Bock's third party complaint, asserting its defenses, counterclaims against Bock for indemnity and breach of contract and the bonding companies for indemnity, and added a fourth party claim against the designer of the project, DDI. The City made a tolling agreement with DDI. The Court recently dismissed Daroff from the case pursuant to a voluntary discontinuance of claims against Daroff.

The parties have completed discovery and submitted expert reports. The Court denied City's petition to dismiss the claims against it for lack of subject matter jurisdiction (City claimed in essence the absence of a justifiable controversy due to the incomplete status of the project and the absence of required inspection, testing and approval of the system). City filed a motion to amend its Answer to add a more specific defense of release, that the Court granted. G&T filed a motion for partial summary judgment, that Bock and City opposed. After oral argument, the Court granted the motion solely as to legal interpretation of particular contract terms, and denied the balance.

City and Bock filed motions for summary judgment that were opposed by G&T and are pending decision. The attorneys anticipate the Court will schedule the final pretrial conference in the next month or so.

The City intends to mount vigorous defenses to defeat the claims. The City's lawyers reasonably believe that the third party plaintiffs will not likely succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Pingitore v. John Green et al, CCP Phila. Co., No. 1103-01141**
  Virelli v. City et al., CCP Phila. Co., No. 1105-00387

  Two plaintiffs, Michelle Pingitore and Marie Virelli, filed separate putative class actions on behalf of apparently similar or overlapping classes of former property owners whose property was subject to a sheriff's sale. They claim for themselves and their respective classes an entitlement to excess funds from Sheriff's sales of their properties.

  In the Pingitore action, Plaintiff alleges she is owed $4,670.65 in excess proceeds from the sheriff's sale of the property that were not paid to her. She asserts claims in restitution and unjust enrichment and seeks an award of damages to her and the class of the excess proceeds due them, interest, attorneys fees and costs and all such other relief that the Court deems proper.

  In the Virelli action, the named plaintiff alleges she is a debtor on a judgment in the amount of $11,838.22, a sheriff's sale of her property occurred in February 2006 for the sum of $13,000, the Sheriff failed to inform her of excess sale proceeds and the Sheriff failed to distribute the proceeds to her. She claims that these failures violate her (and class members') rights to due process under Pa. Constitution, Art. I Sec. 1, violate a mandatory duty to prepare a distribution of proceeds and to distribute in accordance with the schedule under Pa. R.C.P. 3136, amount to "equitable conversion" of the proceeds and result in unjust enrichment. On each count, she seeks for relief: judgment in the amount of excess proceeds that should have been remitted to Plaintiff and to each class member upon a sheriff's sale of the real property in Philadelphia County for the time period of Jan. 5, 1988 through and including the present, together with interest, costs, attorney's fees, and such other relief as permitted by law and deemed appropriate by the Court.

  The Court effectively consolidated the two cases by setting one scheduling order governing case management procedures in both. The Court granted the Treasurer's request to intervene in the consolidated lawsuit. The Court allowed for six months to complete class discovery in anticipation of a class certification hearing scheduled for July 2, 2012. The Court also denied preliminary objections filed by Treasurer and directed Defendants to file answers to the class action complaints. Defendants have filed answers and are conducting class discovery.

  At this stage, it is unclear whether either of the classes will be certified, the number of class members entitled to relief, whether if certified the plaintiffs will succeed on the merits and the City will be found liable and finally whether plaintiffs will recover from City monetary damages in excess of $8,000,000. The City intends to contest class certification, liability and damages vigorously. The City's lawyers reasonably believe that the plaintiffs are not likely to succeed on their claims or for the amount of damages sought and that the City's defenses have merit.

- **Lower Darby Creek Area Superfund Site**

  In 2001, the U.S. Environmental Protection Agency (EPA) added the Lower Darby Creek Area (Site) to the National Priority List, EPA's list of the most serious uncontrolled or abandoned hazardous waste sites. The Site include includes two former municipal landfills: the Folcroft Landfill and the Clearview Landfill In 2002, EPA sent the City a letter alleging that the City is a Potentially Responsible Party (PRP) at the Clearview Landfill site. Designation as a PRP means the City may be jointly and severally liable with other PRPs for the site's clean-up costs. EPA has concluded that the City owns the Recreational Property and streets adjacent to the Clearview Landfill and alleges that there is a reasonable basis to believe the there may be or has been a release or threat of release of hazardous substances, pollutants or contaminants at or from the City's property. Additionally, EPA alleges that the City "arranged" for the disposal of hazardous substances at the Clearview Landfill. The City received and responded to two separate requests from EPA for additional information. EPA completed the Remedial Investigation for the Clearview Landfill in May 2011 and anticipates completing the Feasibility study in 2012. After completing the Feasibility Study, EPA will issue a Record of Decision.

  EPA is currently conducting a Time Critical Removal Action in the southern portion of the Clearview Landfill site to address soils and wastes contaminated with high levels of several contaminants. EPA is excavating the contaminated soils and will remove them from the site or place them under a temporary cap until the final remedy for the landfill is complete. A portion of the area is located within the City of Philadelphia and includes property owned by the City. EPA estimates that the Time Critical Removal Action will cost over $2.3 million.

  Because of the broad liability scheme under the federal Superfund law, Superfund litigation generally focuses not on avoiding a finding of liability, but rather on ensuring that the remediation is cost-effective and the allocation of costs among all parties identified as bearing some degree of liability is fair and reasonable. Insufficient information is available to the City at this time to assess whether the potential loss or exposure to the City in the event of an unfavorable outcome would exceed the reporting threshold.

- **Appeals related to the State Tax Equalization Board assessment of real estate**

  In July 2011, the State Tax Equalization Board (STEB) published a Common Level Ratio (CLR) of 18.1% for Philadelphia, significantly lower than the City's Established Predetermined Ratio (EPR) of 32% used to calculate assessed values for real estate tax purposes. If the CLR varies from the EPR by more than 15% (i.e., if it is not between 27.2% and 36.8%), then in any assessment appeals, the Office of Property Assessments (OPA) is directed by statute to calculate the assessed value using the CLR rather than the EPR as a percentage of the property's market value. The City and the **SDP** filed an informal joint appeal/objections with the STEB on October 3, 2011, and the City has been submitting additional data and arguments, under which STEB should determine that the CLR was actually between 27.2% and 36.8%.

  Also, for tax year 2012, about 2,000 taxpayers with property collectively valued at about $2 billion filed assessment appeals with the OPA. Application of the 18.1% CLR to those properties, if their appeals were all granted and the certified market values stayed the same, would cost the City about $36 million and the **SDP** about an additional $46 million. The **SDP** has cross-appealed, seeking higher market values in many of these cases. If sustained, the **SDP**'s cross-appeals would have the effect of offsetting a substantial portion of the City's revenue loss.

  In January 2012, an attorney purporting to represent owners of 173 of the 2,000 properties on appeal before the OPA filed a petition to intervene in the STEB proceedings, seeking to persuade STEB to maintain the CLR at 18.1%. The City and **SDP** have filed a brief opposing the intervention on procedural grounds and because of the intervention's potential to cause significant delay in STEB's decision, which in turn could reduce the amounts paid to the City and **SDP** in February and March 2012 up to the amounts set forth in the preceding paragraph. The City does not know how quickly STEB is likely to rule, but expects that it will be this month and that, on the merits, the City's arguments are strong.

  Any party may appeal an adverse ruling on the CLR to Commonwealth Court, and the City expects to pursue or defend any appeal vigorously.

- **Building Conditions (FOP, Lodge No. 5 v. City of Philadelphia), AAA No. 14 390 1441 11**

  The Law Department is representing the City of Philadelphia in an arbitration brought by the Fraternal Order of Police (FOP), the union representing City of Philadelphia police officers, contending that the City has violated the collective bargaining agreement by requiring police officers to work in "deplorable conditions" because of the conditions of the police station facilities.

  The union claims that the City violated the collective bargaining agreement because the conditions of police facilities are "deplorable." The arbitration will take several days and the first three days have been scheduled for February 21, 22, and 29. The FOP has the burden of proof and will present its case on the first two days. The third day will consist of site visits for the arbitrator. After that, the City will present its case. The City will contest this claim vigorously, and does not anticipate settlement.

  It is difficult to assess the City's potential liability because the FOP is not asking for monetary damages but, rather, that (1) inspections be conducted to identify health and safety risks, (2) repairs to redress those risks be made, and (3) the City commit to a long-term plan to fix/build facilities. If the FOP is successful, which the City believes is unlikely, the costs to Public Property (facilities and capital projects) would likely be well over $100 million, although probably spread out over a number of years.

- **McKenna et al v. City of Philadelphia**

  Plaintiffs, three former police officers alleged retaliation in violation of Title VII of the Civil Rights Act of 1964. They secured a jury verdict in May, 2008 in the aggregate amount of $10 million, which was reduced to $1.5 million by the district court, based primarily on a statutory damages cap. Plaintiffs also seek substantial attorneys' fees, as the prevailing parties. On August 18, 2011, the Third Circuit affirmed the reduction. The time for appealing to the U.S. Supreme Court has not yet run and Plaintiffs have indicated that they are considering an appeal.

2) Guaranteed Debt

The City has guaranteed certain debt payments of two of its component units. As such, the City's General Fund has a potential financial obligation toward the extinguishment of this debt, either by replacing the various reserve funds, if used, or the actual payment of principal or interest. At June 30, principal balances outstanding were as follows:

(Amounts In Thousands of USD)

Philadelphia Authority for Industrial Development	2,310
Philadelphia Parking Authority	15,365
Total:	17,675

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 unresolved and questioned costs in the City's Schedule of Financial Assistance to be issued for the fiscal year ended June 30, 2011, which amounted to $610.0 million for all open program years as of December 12, 2011. Of this amount, $512.7 million represents unresolved cost due to the inability to obtain audit reports from sub-recipients for the year ended June 30, 2011 due to timing differences in audit requirements, $85.2 million represents questioned costs due to the inability to obtain sub recipient audit reports for the fiscal years June 30, 2010 and prior and $12.1 million represents questioned costs related to specific compliance requirements which have yet to be resolved.

4) HUD Section 108 Loans

As of the end of the fiscal year, the Federal Department of Housing and Urban Development (HUD) had disbursed $212.1 million in loans to the Philadelphia Industrial Development Corporation (PIDC). The funds, which were used to establish a loan pool pursuant to a contract between the City and HUD, are being accounted for and administered by PIDC on behalf of the City. Pool funds are loaned to businesses for economic development purposes. Loan repayments and investment proceeds from un-loaned funds are used to repay HUD. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City from HUD. The total remaining principal to be repaid to HUD for all loans at the end of the year was $117.6 million.

B. COMPONENT UNITS

1) Claims and Litigation

Special Education and Civil Rights Claims – There are two hundred ninety-five (295) various claims against the SDP, by or on behalf of students, which aggregate to a total potential liability of $2.3 million.

Of those, two hundred eighty-seven (287) are administrative due process hearings and appeals to the state appeals panel pending against the SDP. These appeals are based on alleged violations by the SDP to provide a free, appropriate public education to students under federal and state civil rights, special education or the Rehabilitation Act and anti-discrimination laws. In the opinion of the General Counsel of the SDP, two hundred twelve (212) unfavorable outcomes are deemed probable and thirty-nine (39) are considered reasonably possible, in the aggregate of $1.1 million and $0.3 million respectively.

There are four (4) lawsuits pending against the SDP asserting claims in violation of §1983 of the Civil Rights Act. In the opinion of the General Counsel of the SDP, unfavorable outcomes of three (3) are deemed reasonably possible in the aggregate amounts of approximately $0.4 million.

There are four (4) suits in federal court by parents of special education students for reimbursement for attorneys' fees and costs in administrative proceedings and appeals to court in which the parents were prevailing parties. In the opinion of the General Counsel of the SDP, unfavorable outcomes are deemed probable and reasonably possible in the aggregate amounts of approximately $0.14 million and $0.04 million respectively.

Other Matters - The SDP 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 $19.7 million. In the opinion of the General Counsel of the SDP, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the SDP annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed probable or reasonably possible in the amounts of $2.2 million and $6.6 million, respectively, in connection with disputed contracts and labor and employment matters. Likewise, compromised settlements or unfavorable verdicts are deemed probable or reasonably possible in the aggregate amounts of $2.0 million and $2.6 million, respectively, arising from personal injury and property damage claims and lawsuits.

Education Audits - In the early 1990s, the SDP received basic education subsidies from the Commonwealth of Pennsylvania based primarily on student enrollment. In July of 1995, the Department of Education notified the SDP that an audit conducted by the Auditor General for fiscal years ending in 1991, 1992 and 1993 indicated over-reporting of student enrollment in fiscal year 1991, the year established by the Commonwealth as the base year calculation for all subsidies through fiscal year 1999. Consequently, a claim for reimbursement due was initially estimated at approximately $40 million through fiscal year 1999, and subsequently reduced by half, to approximately $20 million, as a result of additional reviews of SDP documentation. In May 1999, the SDP appealed the adverse determination to the Secretary of Education, as provided by law. The Secretary was to appoint a hearing officer to consider the matter further. During the pendency of the dispute over the adequacy of documentation to support 1991 student enrollment figures, an audit of reported enrollment in school years 1994-95 through 1996-97 was also undertaken. The Department of Education asserted a claim for an additional $20 million for the alleged over-reporting of enrollment during those periods. The SDP has denied this additional claim and has produced supporting documentation to the Secretary of Education. As part of an agreement with the SDP, the Commonwealth postponed all potential collection actions in this category while both matters remain pending. Discussions with Commonwealth representatives regarding relief from this potential liability are ongoing.

The Commonwealth of Pennsylvania's Bureau of Audits conducted a performance audit of the SDP's pupil membership and attendance reporting procedures for the 2009-2010 school year and issued a draft report on October 26, 2011. The SDP's response to the draft report was filed on December 16, 2011 and as of January 31, 2012 the Final Audit Report has not been published. Therefore, no assurances can be given as to the final outcome of the audit. Because no final determination of forgiveness has been made, however, there remains a possible loss in this category in the amount of $40 million.

Federal Audit - The SDP is the subject of an audit by the National Science Foundation ("NSF") Office of Inspector General ("OIG") of two grant awards from the NSF covering the period from July 1, 1999 through August 31, 2005. The NSF OIG auditors issued a final audit report in May 2008 questioning $3,346,652 in costs incurred under the two awards. The NSF Cost Analysis and Audit Resolution branch requested additional information and documentation from the SDP to aid in its determination of whether to seek repayment of any funds from the SDP based upon the auditor's final conclusions. On April 14, 2009, NSF issued its decision eliminating $834,406 from the recommended disallowance, leaving $2,512,246 that NSF would seek to recover. The SDP intends to pursue litigation against NSF challenging at least $1,754,950 of the disallowance. In our opinion, the likelihood of an adverse finding in the amount of $757,296 is reasonably possible, and the remaining liability is remote. NSF has not initiated any proceedings to recover funds from the SDP.

The U.S. Department of Education Office of the Inspector General (OIG) conducted an audit of the SDP’s controls over Federal expenditures for the period July 1, 2005 through June 30, 2006. A preliminary draft audit report was issued by the OIG in May, 2009. In accordance with applicable audit standards, the SDP responded to the draft audit findings in August, 2009, supporting the vast majority of the expenditures questioned. A final report was issued by the OIG on January 15, 2010. The final report questioned $138.8 million of costs with $121.1 million considered inadequately supported with documentation and $17.7 million considered unallowable costs. On March 30, 2011, the Pennsylvania Department of Education (PDE) received a program determination letter (March PDL) from the U.S. Department of Education (USDE) seeking a recovery of approximately $9.9 million based on finding 2 and portions of findings 4 and 5 of the OIG final audit report on the SDP. PDE filed an application for review of the PDL on May 20, 2011. The Office of Administrative Law Judges accepted jurisdiction of the case on August 10, 2011. On September 7, 2011 PDE and the Department filed a joint motion to stay the proceedings to pursue settlement negotiations. On September 29, 2011, USDE issued a second PDL (September PDL) seeking a recovery of approximately $2.5 million based on finding 1.

With regard to the March PDL, on October 12, 2011, PDE and USDE met to review documentation related to the application of the statute of limitations to the March PDL. USDE is currently reviewing this information and was to inform PDE of the costs USDE agrees are barred by the statute of limitations in January 2012. To date, the SDP has not received the amount from USDE. Then, the parties will meet to discuss equitable offset to reduce, if not eliminate, any remaining liability. If the parties are unable to resolve the findings in the PDL through settlement, the unresolved issues will go to a hearing before the administrative law judge. PDE may appeal a decision by the administrative law judge to the Secretary of Education for final agency decision. The final agency decision can then be appealed to federal court.

With regard to the September PDL, PDE is working with the SDP to put together documentation demonstrating the application of the statute of limitations. PDE and the SDP expect to have the documentation ready for USDE by the end of February 2012. USDE will then review the documentation and indicate what costs USDE agrees are barred by the statute of limitations.

Therefore, no assurance can be given as to the final resolution of the audit, the amounts, if any, which may be required to be repaid by the SDP or whether such repayments could have a material adverse effect on the financial condition of the SDP. In our opinion, with regard to the March PDL and the September PDL, the likelihood of a recovery by the U.S. Government in the amount of $12.4 million is remote.

Litigation by Outside Counsel – There is one suit against the SDP that is being handled by outside legal representation. This matter includes:

Sodexo Operations LLC v. SDP & Team Clean, Inc., U.S. District Court for the Eastern District of Pa., Civil Action No. 10-3149, is a suit in federal court by a former contractor which provided custodial services in 22 comprehensive high schools. The SDP withheld payment to Sodexo for the last two months’ invoices in May and June 2010, totaling $2,100,001, for the reason that Sodexo did not meet its minority participation commitment in the contract of 83.6%. On June 29, 2010, Sodexo filed suit against the SDP, the School Reform Commission and Team Clean, Inc., seeking, among other relief, money damages for the payments which were withheld plus interest. The SDP filed a compulsory counterclaim for liquidated damages against

Sodexo for its breach of the Anti-Discrimination Policy and minority participation requirement in the amount of $1,266,021, which is 1% of the contract amount for each 1% of Sodexo's shortfall in minority participation. After offsetting this amount for liquidated damages from the payments due for May and June 2010, the remaining balance due from the SDP to Sodexo would be reduced to $843,980.

The SDP paid the amount of $843,980 to Sodexo on Nov. 30, 2011 and agreed to go to voluntary mediation regarding the remaining disputed balance claimed by Sodexo. Sodexo and the SDP after mediation agreed to settle the remaining balance for $983,000, which was paid on Dec. 21, 2011. The overall settlement resulted in a saving to the SDP of $460,524.85. There is no possibility of further liability. The suit will be dismissed with prejudice.

The School District of Philadelphia 403(b) Plan and 457(b) Deferred Compensation Plan
Pursuant to resolutions of the School Reform Commission, the SDP implemented a new 403(b) Plan and a 457(b) Deferred Compensation Plan (collectively, the "Plans") in fiscal years 2005 and 2006. The SDP obtained advice from outside legal counsel on the creation of the Plans and on the appropriate tax treatment of automatic and mandatory employer contributions of termination pay to the Plans for employees retiring during or after the calendar year in which they attain age 55. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. Prior to July 1, 2005, the SDP would pay termination pay owed to a resigning or retiring employee in cash or, at the direction of the employee, would deposit such termination pay into the retiring or resigning employee's 403(b) account up to the annual contribution limit for section 403(b) accounts. For employees retiring after June 1, 2005, the SDP eliminated payment of termination pay in cash and replaced it with an automatic and mandatory employer contribution of termination pay to the Plans up to the annual contribution limits for such Plans for employees who retire during or after the calendar year in which they attain age 55. Based on the advice of legal counsel, the SDP has treated its termination pay contributions to the 403(b) Plan as employer contributions to a retirement plan, which are not included in employee wages and are not subject to FICA, Pennsylvania Personal Income Tax or Philadelphia Wage Tax. Since employer contributions to a 457(b) Plan are considered wages for FICA purposes, the SDP has withheld those taxes from its termination payments made to the 457(b) Plan. Employer contributions to 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the SDP has not withheld those taxes from its termination pay contributions to the 457(b) Plan. Outside legal counsel advised on the arrangement and has provided an opinion as to its proper tax treatment. In June 2008, the SDP submitted an initial request for a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS") to further confirm the SDP's determination. The SDP sought this PLR without prejudice to the SDP's position that no such ruling is necessary under these circumstances. By letter dated October 31, 2011, the IRS informed the SDP that it could not rule on the PLR request because the request requires an initial determination that the SDP's form of 403(b) plan satisfies Section 403(b) of the IRS Code, and beginning in 2009 and continuing to date, the IRS has stated that it will not issue a letter ruling with respect to whether the form of plan satisfies the requirements of Section 403(b) of the IRS Code. The SDP management believes that if it were finally determined that any liability for state or Federal taxes (including interest and penalties) relating to these plans existed at June 30, 2011, such liability would not be material to the SDP's financial position or results of operations for the fiscal year ended June 30, 2011. In addition, the IRS informed the SDP that, since the District's requested rulings are under examination by the IRS and answers to the requested rulings are pertinent to the examination, the IRS anticipates that the rulings will be answered through the examination process.

9. MATTERS RELATED TO GOING CONCERN – SCHOOL DISTRICT OF PHILADELPHIA (SDP)

The **SDP**'s financial statements have been presented on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the Fiscal Years ended June 30, 2010 and 2011, the **SDP**'s combined operating funds (General Fund, Intermediate Unit Fund, and Debt Service Fund) experienced operating losses of $3.7 million and $25.7 million, respectively (without regard to opening balances in these funds in each fiscal year). While the combined operating funds' available fund balance at June 30, 2011 was $30.8 million ($18.4 million of which has been set aside to pay Fiscal Year 2012 healthcare self-insurance claims), the **SDP** is facing significant budget shortfall for Fiscal Years 2012 and 2013 because of drastic reductions to federal and state revenues, mandatory cost increases, and non-recurring savings and expenditure deferrals expected to be used to close the Fiscal Year 2012 budget gap. The continued losses and significant projected budget shortfalls for fiscal years 2012 and 2013, combined with the uncertainty over the **SDP**'s ability to achieve cost savings and obtain additional funding to overcome these budget shortfalls, raises concern about the ability of the **SDP** to continue as a going concern.

In the Spring of 2011, the **SDP** announced that absent corrective action, it was facing a projected $629.0 million budget gap in Fiscal Year 2012 in both its Operating Budget and Categorical Budget due to the following factors: (1) the anticipated elimination of: (a) $122.0 million of Federal State Fiscal Stabilization Funds provided to the

SDP through the State; (b) $71.0 million of Federal Education Jobs Funds provided to the **SDP** through the State; and (c) $116.0 million in directly-received Federal Stimulus funds; (2) a net reduction of $100.0 million in State appropriations based on the Governor's proposed Fiscal Year 2012 Commonwealth budget, and (3) the need to replace one-time funds received in Fiscal Year 2011 through a $19.4 million restructuring which lowered Fiscal Year 2011 debt service expenses and the release of a reserve of $66.0 million. In addition, the **SDP** anticipated mandated expenditure increases in Fiscal Year 2012 due to: (1) projected mandated charter school increases of $39.0 million based on per pupil cost increases and anticipated enrollment increases; (2) a net increase in expenses for "turnaround school" initiatives of $13.6 million; (3) higher pension payments of $17.0 million due to a forthcoming contribution rate increase from 5.64% to 8.65%; and (4) other mandated increases of $86.0 million due to a variety of factors, including increases by mandated collective bargaining agreements for medical and prescription drug benefits, utilities, and debt service; offset by (5) an increase in the Commonwealth's pension reimbursement and all other revenues to the **SDP** of $21.0 million. To address the $629.0 million budget gap, the **SDP** identified various categories of expenditures to be considered for reduction ("Gap Closing Plan").

On May 31, 2011, the School Reform Commission adopted its Fiscal Year 2012 Operating Budget. In light of the initial projected budgetary shortfall for Fiscal Year 2012, the adopted budget included $412 million in management initiated reductions to base expenditures and $53 million in additional local revenues. The adopted budget also assumed $209.2 million of further reductions to implement the Gap Closing Plan.

Events, including the adoption of a budget by the Commonwealth of Pennsylvania, the provision of additional moneys and additional taxing authority by the City of Philadelphia to the **SDP**, and the restoration of certain services by the **SDP** occurred subsequent to the adoption of the Fiscal Year 2012 Operating Budget. Such events affected the amount required to fully implement the Gap Closing Plan and the timing of planned reductions to expenditures. Certain portions of the Gap Closing Plan which have been implemented, in the amount of $169 million, represent non-recurring savings and expenditure deferrals. The implementation and refinement of the Gap Closing Plan is ongoing.

As of February 3, 2012, the **SDP**'s estimated budget gap for fiscal year 2012 was $70.8 million. The **SDP** has identified and publicly announced areas where $32.0 million of savings are in the process of being implemented. The remaining $38.8 million budget gap needs to be addressed.

During the course of each fiscal year, the **SDP** monitors its cash flow on a monthly basis and compares it to the cash flow assumptions in the adopted operating budget. In light of the Gap Closing Plan and its implementation, the **SDP** has amended its cash flow projections to reflect the amounts of the Gap Closing Plan which have been implemented or will be implemented for the remainder of Fiscal Year 2012. Such cash flow projections estimate that sufficient cash will be available for the **SDP** to continue operations and meet its expenses in a timely manner through the remainder of Fiscal Year 2012; in particular, to pay salaries and debt service when due.

The effect of the events which have occurred in Fiscal Year 2012 will also significantly impact the **SDP**'s adopted budget for Fiscal Year 2013. As of January 19, 2012, the **SDP** estimated its projected fiscal year 2013 starting operating funds budget gap to be $269 million caused by (1) the loss of $169 million of one-time, non-recurring savings and expenditure deferrals which were part of the fiscal year 2012 Gap Closing Plan and (2) anticipated increases (currently projected to be approximately $100 million) in core expenditure areas such as wages, benefits, pensions, and debt service. The Fiscal Year 2013 starting budget gap could grow even significantly more if the Fiscal Year 2012 projected gap is not closed and there are additional unanticipated costs and/or lost revenues.

To address the challenges for Fiscal Year 2013, once the revenues available to the **SDP** are ascertained, the School Reform Commission is prepared to take actions, to balance the Fiscal Year 2013 budget, including:

(1) Reducing facilities costs through implementation of the District's Facilities Master Plan;
(2) Reducing administrative costs through reorganization of central office functions; while maintaining essential service levels for schools; and
(3) Altering, amending or canceling contracts and other operational conditions to align costs to available revenues.

Inasmuch as revenues for Fiscal Year 2013 are not presently ascertainable, the **SDP** has prepared a baseline cash flow for the first quarter of Fiscal Year 2013, using updated Fiscal Year 2012 amounts, taking into account the implementation of the Gap Closing Plan discussed herein, utilizing revenue assumptions based upon publicly issued documents, using expenditure estimates based upon known or expected increases and the lack of the non-recurring items which existed in Fiscal Year 2012 and assuming the issuance, as has been the **SDP**'s practice in 23 of the last 26 years, of tax and revenue anticipation notes (estimated at $450 million) to provide cash flow to fund the timing differences between expenditures necessary to be paid and the receipt of revenues later in the fiscal year. The **SDP** believes that even without action by the School Reform Commission as described herein, sufficient cash will be available for the **SDP** to continue operations.

As referred to elsewhere in the Notes to the Financial Statements, the **SDP** is a political subdivision of the Commonwealth carrying out a constitutionally mandated function for which the Commonwealth must provide funding. In addition to annually recurring state funding, the **SDP** levies taxes pursuant to City Council authorization and direct authorization of the General Assembly. In addition, Section 696 of the Pennsylvania Public School Code of 1949, as amended, (the “School Code”), requires the City to provide all tax payments to the **SDP** in each fiscal year at least equal to the highest amount in the three preceding fiscal years and all non-tax payments made during the prior year. Accordingly, the **SDP** has assurance of annual recurring revenue.

The School Reform Commission is prepared to exercise its statutory powers to maximize the revenues available to the **SDP**.

The School Reform Commission is legally authorized to take the steps enumerated above and any other steps required to continue the operation of the **SDP**, as the School Code grants to the School Reform Commission, among others, the following powers in addition to the powers and duties vested in the Board of Education to:

(1) Suspend the requirements of the School Code and the regulations of the State Board of Education (except the **SDP** shall remain subject to the provisions of the School Code pertaining to charter schools);
(2) Employ professional and senior management employees who do not hold state certification, if the School Reform Commission has approved the qualifications of the individual and at a salary established by it;
(3) Enter into agreements with persons and for-profit or nonprofit organizations providing educational or other services to or for the **SDP**;
(4) Notwithstanding any other provisions of the School Code, to close or reconstitute a school, including the reassignment, suspension or dismissal of professional employees;
(5) Suspend professional employees without regard for specific provisions of the School Code relating, among other things, to seniority;
(6) Appoint managers, administrators and for-profit or non-profit organizations to oversee the operations of a school or group of schools;
(7) Reallocate resources, amend school procedures, develop achievement plans and implement testing or other evaluation procedures for educational purposes;
(8) Supervise and direct principals, teachers and administrators;
(9) Negotiate any memoranda of understanding under a collective bargaining agreement in existence on April 27, 1998;
(10) Negotiate new collective bargaining agreements;
(11) Delegate to a person, including an employee of the **SDP**, or a for-profit or non-profit organization, powers it deems necessary to carry out the purposes of Article VI (School Finances) of the School Code, subject to the supervision and direction of the School Reform Commission; and
(12) Employ, contract with or assign persons and for-profit or non-profit organizations to review the financial and educational programs of school buildings and make recommendations to the School Reform Commission regarding improvements to the financial or educational programs of public schools.

Section 696 of the School Code also vests the School Reform Commission with the powers of a special board of control granted under Section 693 of the School Code. A special board of control has, among others, the power to cancel or to renegotiate any contract other than teacher contracts to which the board or the **SDP** is a party, if such cancellation or renegotiation of contracts will effect needed economies in the operation of public schools.

The ability of the **SDP** to continue as a going concern is dependent upon the success of implementing these cost saving measures or additional revenues. If the **SDP** is unable to adequately reduce spending and/or obtain additional funding, it may be unable to pay certain obligations, other than payroll and debt service, timely. There can be no assurance that the **SDP** will be successful in accomplishing its cost saving plans or in obtaining additional revenues. The financial statements do not include any adjustments that might be necessary should the **SDP** be unable to continue as a going concern.

10. SUBSEQUENT EVENTS

A. PRIMARY GOVERNMENT

1) In December 2011, the City issued $173.0 million of Tax and Revenue Anticipation Notes (TRAN) to supplement the receipts of the General Fund of the City for the purpose of paying general expenses of

the City prior to the receipt of taxes and other revenues to be received in the current fiscal year. The proceeds will be invested until needed and repaid by June 30, 2012.

2) In November 2011, the City issued Water and Wastewater Revenue Bonds Series 2011A in the amount of $135.0 million, and Water and Wastewater Revenue Refunding Bonds in the amount of $49.9 million. Serial bonds were issued in the amount of $49.9 million with interest rates ranging from 4.0% to 5.0%, and have a maturity date of 2026. Term bonds were issued in the following amounts (1) $2.6 million with an interest rate of 4.5% and mature in 2036; (2) $50.2 million with an interest rate of 5.0% and mature in 2036; (3) $82.2 million with an interest rate of 5.0% and mature in 2041. The proceeds of the bonds together with other available funds of the water department will be used to fund capital improvements to the City's water and wastewater system, advance refunding of a portion of the 2001A and 2007A bonds, fund capitalized interest, the required deposit into the Debt Reserve account of the Sinking Fund and pay various bond issuance costs.

3) In December 2011, the City issued Airport Revenue Bond Series 2011 in the amount of $233.8 million. The Series 2011A bonds (AMT) were issued as serial bonds in the amount of $199.0 million with interest rates ranging from 2% to 5% and mature in 2028. The Series 2011B bonds were issued as serial bonds in the amount of $34.8 million, with interest rates ranging from 2% to 5% and mature in 2031. The plan is to: (i) refund a portion of the International Terminal Bonds; (ii) refund all of the City's outstanding Airport Revenue Bonds, Series 2001B; and (iii) pay the issuance costs of the bonds. The proceeds from the 2011A bonds will be used to refund to refund the entire principal amount of $149.3 million for the Airport Revenue Bond, Series 2001A. In addition, the 2011B bonds will be used to refund a portion of the Airport Revenue Bond Series 1998B (currently outstanding aggregate principal amount of $57.1 million).

4) Effective August 4, 2011 the city remarketed the General Obligation Multi-Modal Refunding Bonds, Series 2009B ($100.0 million), and entered into a letter of credit substitution with the Royal Bank of Canada (RBC). The 2009B Bonds are also payable from the proceeds of funds drawn by the U.S. Bank National Association, as fiscal agent, under an irrevocable, direct-pay letter of credit, issued by RBC. The Letter of Credit (LOC) will permit the fiscal agent to draw up to $101.8 million for principal and unpaid interest on the 2009B bonds and will expire on August 4, 2014, unless earlier cancelled, terminated or renewed. The LOC will constitute both a Credit Facility and Credit Provider and RBC a Liquidity Facility and Liquidity Provider for the 2009B bonds.

5) Effective September 1, 2011 the city remarketed the Water and Wastewater Revenue Bonds, Variable Rate Series 1997B ($70.1 million), and entered into an irrevocable, direct-pay letter of credit (LOC) with TD Bank, N.A. The U.S. Bank National Association, as fiscal agent, will be entitled to draw up to an amount equal to the principal of and 48 day's accrued interest to pay the principal or redemption price of and interest on the 1997B bonds when due. The LOC will expire on September 1, 2015 unless earlier terminated or extended. Unless the LOC is extended or replaced, the 1997B bonds will be subject to mandatory tender for purchase prior to the termination of the LOC. The LOC will constitute both a Credit Facility and Liquidity Facility, and TD Bank a Credit Provider and Liquidity Provider for the 1997B bonds.

6) Effective December 23, 2011 the city delivered Letters of Credit (LOC) from TD Bank and the Royal Bank of Canada (RBC) to the U.S. Bank National Association (fiscal agent) to provide credit enhancement and liquidity support for the Airport Revenue Refunding Bonds, Series 2005C bonds. With the delivery of each LOC, the 2005C bonds will become subject to mandatory tender for purchase. Each LOC constitutes both a Credit Facility and Liquidity Facility and the banks will be both Credit Provider's and Liquidity Provider's under the agreement. TD Bank issued a LOC effective December 23 2011 with a stated expiration date of December 23, 2016 unless extended or terminated, to pay the principal of, interest on and purchase price of the 2005 C-1 bonds (currently outstanding principal of $81.3 million) from the proceeds of an irrevocable direct pay letter of credit. In addition, the RBC issued a LOC effective December 23, 2011 with a stated expiration date of December 23, 2014 unless extended or terminated, to pay the principal of, interest on and purchase price of the 2005 C-2 bonds (currently outstanding principal of $81.3 million) from the proceeds of an irrevocable direct pay letter of credit.

7) Subsequent to June 30, 2011, **PICA** received settlement payments aggregating $7,481,000 in connection with a Complaint for Violations of the Federal Securities Laws filed by the Securities and Exchange Commission against J.P. Morgan Securities LLC in connection with certain of PICA's 1993 and 1996 bond issuances, and with a Consent Order for a Civil Money Penalty issued by the U.S. Comptroller of the Currency against JPMorgan Chase Bank, N.A. for violation of law and/or unsafe banking practices related to the sale of certain derivative financial products prior to 2006. The Board of Directors subsequently voted to transfer all proceeds to the City.

8) In September 2011, to reduce costs associated with the Deferred Option Retirement Plan (DROP), City Council amended the options for retirement benefits. Options include, but are not limited to: changing eligibility requirements and the interest credited to DROP accounts; adding a new option for retirees to take a lump sum benefit at retirement, in exchange for an actuarial reduction of their regular monthly pension; and making conforming amendments to other provisions; under certain terms and conditions.

B. COMPONENT UNITS

1) **OPEB Trust Fund** - On July 29, 2010, the PUC approved a settlement with **PGW**, which provided for the establishment of an irrevocable trust for the deposit of funds derived through a Rider from all customer classes to fund OPEBs. The funding contained in the Rider is $16,000,000 annually. **PGW** is required under the settlement to fund annually $15,000,000 of the UAAL in each of the fiscal years 2011 through 2015. Additionally, **PGW** must fund $3,503,000 a year representing a 30 year amortization of the Net OPEB obligation of $105,500,000 at August 31, 2010. **PGW** established the Trust in July 2010 and began funding the Trust in accordance with the settlement agreement in September 2010.

2) **Commercial Paper Program** - Effective October 29, 2010, **PGW** requested that each of the three banks reduce the stated amounts of their respective letters of credit for the commercial paper Series F-1, F-2, and F-3 from $40,000,000 to $30,000,000. As a result of the reduction of each of the letters of credit, **PGW's** commercial paper program was reduced from $120,000,000 to $90,000,000.

3) In September 2011, the underlying variable rate bonds were remarketed with new letters of credit. During the remarketing, **PGW** partially redeemed portions of the bonds, and re-allocated remaining principal amongst the bond subseries. At the same time, City terminated an aggregate notional amount of $29,480,000 of the swaps, keeping the remaining portion of the swap to hedge the remaining variable rate bonds backed with letters of credit. The partial termination was competitively bid, with the swap counterparty providing the lowest cost of termination/assignment. **PGW** paid a swap termination payment of $6,790,000 to partially terminate the swaps. The remaining notional amounts of each of the swaps were slightly reamortized to match the reamortizations of the underlying bonds.

4) On September 14, 2011 the City issued Gas Works Revenue Bonds, Twentieth Series (1975 General Ordinance) in the amount of $16.2 million for the purpose of refunding the entire Sixteenth Series Bonds (1975 General Ordinance), and paying the costs of issuing the bonds. The Twentieth Series Bonds, with fixed interest rates that range from 2.0% to 5.0%, have maturity dates through 2015. The costs of issuance related to this transaction was approximately $0.2 million.

   Also, on September 14, 2011, the City issued Gas Works Revenue Bonds, Tenth Series (1998 General Ordinance) in the amount of $72.6 million for the purpose of refunding the entire First Series A, First Series C, Seconds Series, and Third Series Bonds (1998 General Ordinance), and paying the costs of issuing the bonds. The Tenth Series Bonds, with fixed interest rates that range from 3.0% to 5.0%, have maturity dates through 2026. The cost of issuance related to this transaction was approximately $1.3 million.

5) In September 2011 **PGW** secured four separate letters of credit (LOC) relating to its Gas Works Revenue Refunding Bonds, Eighth Series (1998 General Ordinance) in the amount of $225.5 million. Each LOC will be issued and secured pursuant to the Amendment to Reimbursement Agreement dated as of September 1, 2011, between **PGW** and the issuing bank.

   Eighth Series B Bonds ($50,260,000)

   While the Eight Series B Bonds are in the Weekly Mode, the principal of and up to fifty-two (52) days' interest on the Eighth Series B Bonds, and the Purchase Price of the Eight Series B Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by Wells Fargo Bank, National Association pursuant to the Reimbursement, Credit and Security Agreement dated as of August 20, 2009, as previously amended as amended by a Second Amendment to Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series B Credit Provider. The Eighth Series B Credit Facility is also serving as the Liquidity Facility for the Eighth Series B Bonds and the Eighth Series B Credit Provider is also the Liquidity Provider for the Eighth Series B Bonds. The Eighth Series B Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series B Credit Provider. Under certain circumstances, the Eighth Series B Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series B Credit Facility secures only the Eighth Series B Bonds while in the Weekly Mode.

Eighth Series C Bonds ($50,000,000)

While the Eight Series C Bonds are in the Weekly Mode, the principal of and up to fifty-two (52) days' interest on the Eighth Series C Bonds, and the Purchase Price of the Eight Series C Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by the Bank of Nova Scotia, acting through its New York Agency pursuant to the Reimbursement, Credit and Security Agreement dated as of August 20, 2009, as previously amended as amended by a First Amendment to Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series C Credit Provider. The Eighth Series C Credit Facility is also serving as the Liquidity Facility for the Eighth Series C Bonds and the Eighth Series C Credit Provider is also the Liquidity Provider for the Eighth Series C Bonds. The Eighth Series C Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series C Credit Provider. Under certain circumstances, the Eighth Series C Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series C Credit Facility secures only the Eighth Series C Bonds while in the Weekly Mode.

Eighth Series D Bonds ($75,000,000)

While the Eight Series D Bonds are in the Weekly Mode, the principal of and up to fifty-two (52) days' interest on the Eighth Series D Bonds, and the Purchase Price of the Eight Series D Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by the Bank of America, N.A. pursuant to the Reimbursement, Credit and Security Agreement dated as of August 20, 2009, as previously amended as amended by a Second Amendment to Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series D Credit Provider. The Eighth Series D Credit Facility is also serving as the Liquidity Facility for the Eighth Series D Bonds and the Eighth Series D Credit Provider is also the Liquidity Provider for the Eighth Series D Bonds. The Eighth Series D Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series D Credit Provider. Under certain circumstances, the Eighth Series D Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series D Credit Facility secures only the Eighth Series D Bonds while in the Weekly Mode.

Eighth Series E Bonds ($50,260,000)

On and after September 1, 2011, the principal of and up to fifty-two (52) days' interest on the Eighth Series E Bonds, and the Purchase Price of the Eight Series E Bonds that are tendered for payment and not remarketed, will be paid by the Fiscal Agent using funds drawn under an irrevocable, direct pay letter of credit issued by PNC Bank, National Association pursuant to the Reimbursement Agreement dated as of September 1, 2011 between the City and the Eight Series E Credit Provider. The Eighth Series E Credit Facility is also serving as the Liquidity Facility for the Eighth Series E Bonds and the Eighth Series E Credit Provider is also the Liquidity Provider for the Eighth Series E Bonds. The Eighth Series E Credit Facility will expire on August 30, 2013 unless extended at the option of the Eighth Series E Credit Provider. Under certain circumstances, the Eighth Series E Credit Facility may be terminated or replaced by an Alternate Credit Facility and/or Alternate Liquidity Facility. The Eighth Series E Credit Facility secures only the Eighth Series E Bonds while in the Weekly Mode.

6) Tax and Revenue Anticipation Notes

On July 6, 2011 the **SDP** issued its annual tax and revenue anticipation notes for cyclical cash flow purposes in the aggregate principal amount of $450.0 million (the "FY2012 Notes"). The notes will be paid off by June 29, 2012.

7) General Obligation Refunding Notes

On August 30, 2011 the **SDP** issued General Obligation Refunding Notes, Series A and B of 2011 in the principal amount of $61.3 million. These notes refunded certain principal and interest payments due during Fiscal Year 2012 under GOB Series 1999B, 2002B, 2005D, 2006A, 2008E, 2010A, and 2010C in the amount of $61.1 million. On December 20, 2011 the **SDP** repaid the General Obligation Refunding Notes, Series A and B of 2011 and issued General Obligation Refunding Bonds Series C of 2011 and D of 2011 in the aggregate principal amount of $57.5 million.

8) General Obligation Bonds, Series of 2011

On December 20, 2011 the **SDP** issued General Obligation Bonds (GOB), Series A of 2011 and GOB Series B in the aggregate principal amount of $161.6 million. Series A of 2011 was issued as Federally Taxable Qualified School Construction Bonds in the aggregate amount of $144.6 million. The **SDP** will receive a federal interest subsidy for the Series A Bonds of 2011. The Series B Bonds of 2011 were issued as Tax-Exempt bonds in the aggregate principal amount of $17.0 million. Both series of bonds will fund the Capital Improvement Program.

9) Loan agreement with Southeastern Pennsylvania Transportation Authority (SEPTA) To Provide Student Transpasses for school year 2011-12

On October 26, 2011, the SRC authorized (A-15) the First Amendment agreement with SEPTA to provide student transpasses to the **SDP** as an interest bearing loan up to the sum of $36.5 million. Upon approval by the Philadelphia Common Pleas Court, the **SDP** intends to issue a General Obligation Note in the amount of $36.5 million to fund this loan constituting an unfunded debt.

10) Reduction In Force

In the Spring of 2011, the **SDP** identified a projected budget gap for the Fiscal Year 2012 reporting period of over $629 million. One of the actions taken to address this gap and balance the budget was a Reduction In Force (RIF) which was effective starting in July 1, 2011 and implemented in stages throughout the remaining months of Fiscal Year 2012. On December 31, 2011, the number of employees on current laid-off status with effective dates July 1, 2011 through December 31, 2011 was 998. This is point in time and will change as additional lay-offs occur and as employees who were laid-off are brought back to fill approved positions. In addition, some of the Reduction In Force was accomplished through the elimination of vacant positions, which is not reflected in the 998. The **SDP** continues to take strides to bridge the budget shortfall with a variety of strategies, trimming both non-personnel and personnel expenses.

City of Philadelphia
PENNSYLVANIA

Required Supplementary Information

(Other than Management's Discussion and Analysis)

City of Philadelphia

Exhibit XIV

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Tax Revenue	2,471,918	2,489,042	2,459,146	(29,896)
Locally Generated Non-Tax Revenue	268,276	266,086	280,027	13,941
Revenue from Other Governments	1,115,628	1,076,562	1,066,501	(10,061)
Revenue from Other Funds	53,321	64,224	54,620	(9,604)
Total Revenues	3,909,143	3,895,914	3,860,294	(35,620)
Expenditures and Encumbrances				
Personal Services	1,369,164	1,382,663	1,360,362	22,301
Pension Contributions	479,978	492,657	485,208	7,449
Other Employee Benefits	484,909	485,531	481,850	3,681
Sub-Total Employee Compensation	2,334,051	2,360,851	2,327,420	33,431
Purchase of Services	1,153,831	1,176,378	1,127,817	48,561
Materials and Supplies	66,375	69,077	65,910	3,167
Equipment	13,723	15,876	12,371	3,505
Contributions, Indemnities and Taxes	135,765	131,988	111,070	20,918
Debt Service	121,395	114,000	110,414	3,586
Payments to Other Funds	27,956	30,291	30,292	(1)
Total Expenditures and Encumbrances	3,853,096	3,898,461	3,785,294	113,167
Operating Surplus (Deficit) for the Year	56,047	(2,547)	75,000	77,547
Fund Balance Available for Appropriation, July 1, 2010	(37,894)	(114,028)	(114,028)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	24,500	24,500	39,119	14,619
Prior Period Adjustments	-	-	1	1
Adjusted Fund Balance, July 1, 2010	(13,394)	(89,528)	(74,908)	14,620
Fund Balance Available for Appropriation, June 30, 2011	42,653	(92,075)	92	92,167

* 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, 2011

Exhibit XV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual*	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	7,500	3,500	1,237	(2,263)
Revenue from Other Governments	828,503	823,932	880,413	56,481
Total Revenues	836,003	827,432	881,650	54,218
Other Sources				
Increase in Unreimbursed Committments	-	-	14,003	14,003
Increase in Financed Reserves	-	-	(32,870)	(32,870)
Total Revenues and Other Sources	836,003	827,432	862,783	35,351
Expenditures and Encumbrances				
Purchase of Services	883,323	883,323	864,554	18,769
Equipment	100	100	-	100
Payments to Other Funds	1,580	1,580	809	771
Total Expenditures and Encumbrances	885,003	885,003	865,363	19,640
Operating Surplus (Deficit) for the Year	(49,000)	(57,571)	(2,580)	54,991
Fund Balance Available for Appropriation, July 1, 2010	-	42,474	42,474	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	6,358	6,358
Prior Period Adjustments	-	(42,474)	-	42,474
Other Adjustments	49,000	25,000	-	(25,000)
Adjusted Fund Balance, July 1, 2010	49,000	25,000	48,832	23,832
Fund Balance Available for Appropriation, June 30, 2011	-	(32,571)	46,252	78,823

* Refer to the notes to required supplementary information.

City of Philadelphia

Exhibit XVI

Required Supplementary Information
Budgetary Comparison Schedule
Grants Revenue Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual*	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	81,939	66,951	56,020	(10,931)
Revenue from Other Governments	1,109,678	766,751	522,141	(244,610)
Revenue from Other Funds	-	-	471	471
Total Revenues	1,191,617	833,702	578,632	(255,070)
Other Sources				
Increase in Unreimbursed Committments	-	-	8,636	8,636
Decrease in Financed Reserves	-	-	23,243	23,243
Total Revenues and Other Sources	1,191,617	833,702	610,511	(223,191)
Expenditures and Encumbrances				
Personal Services	118,366	126,680	87,176	39,504
Pension Contributions	12,502	15,113	11,540	3,573
Other Employee Benefits	20,771	21,196	14,356	6,840
Sub-Total Employee Compensation	151,639	162,989	113,072	49,917
Purchase of Services	666,025	697,593	469,725	227,868
Materials and Supplies	20,201	21,581	13,437	8,144
Equipment	14,100	15,706	5,375	10,331
Payments to Other Funds	39,652	49,702	46,719	2,983
Advances, Subsidies, Miscellaneous	300,000	196,181	-	196,181
Total Expenditures and Encumbrances	1,191,617	1,143,752	648,328	495,424
Operating Surplus (Deficit) for the Year	-	(310,050)	(37,817)	272,233
Fund Balance Available for Appropriation, July 1, 2010	-	(39,010)	(39,010)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	45,974	45,974
Revenue Adjustments - Net	-	-	(3,417)	(3,417)
Prior Period Adjustments	-	39,010	-	(39,010)
Adjusted Fund Balance, July 1, 2010	-	-	3,547	3,547
Fund Balance Available for Appropriation, June 30, 2011	-	(310,050)	(34,270)	275,780

* Refer to the notes to required supplementary information.

Amounts in millions of USD

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll (b - a) / c
City of Philadelphia Municipal Pension Plan						
07/01/2005	4,159.5	7,851.5	3,692.0	52.98%	1,270.7	290.55%
07/01/2006	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%
07/01/2007	4,421.7	8,197.2	3,775.5	53.94%	1,351.8	279.29%
07/01/2008	4,623.6	8,402.2	3,778.6	55.03%	1,456.5	259.43%
07/01/2009	4,042.1	8,975.0	4,932.9	45.04%	1,463.3	337.11%
07/01/2010	4,380.9	9,317.0	4,936.1	47.02%	1,421.2	347.32%
City of Philadelphia Other Post Employment Benefits						
07/01/2007	-	1,136.7	1,136.7	0.00%	1,351.8	84.09%
07/01/2008	-	1,156.0	1,156.0	0.00%	1,456.5	79.37%
07/01/2009	-	1,119.6	1,119.6	0.00%	1,461.7	76.60%
07/01/2010	-	1,169.5	1,169.5	0.00%	1,419.5	82.39%
Philadelphia Gas Works Pension Plan						
09/01/2004	366.8	436.3	69.5	84.07%	102.5	67.80%
09/01/2005	383.5	450.8	67.3	85.07%	102.5	65.66%
09/01/2006	411.9	474.3	62.4	86.84%	106.0	58.87%
09/01/2007	416.2	482.4	66.2	86.28%	105.6	62.69%
09/01/2008	430.4	495.2	64.8	86.92%	107.9	60.01%
09/01/2009	355.5	519.8	164.3	68.39%	106.0	155.00%

Amounts in thousands of USD

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
Revenues			
Budgetary Comparison Schedule	3,860,294	881,650	578,632
Transfers	(335,085)	-	471
Program Income	-	-	64,866
Adjustments applicable to Prior Years Activity	-	-	(892)
Change in Amount Held by Fiscal Agent	330	-	-
Change in BPT Adjustment	(11,773)	-	-
Return of Loan	-	-	-
Other	13,538	-	(3,466)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,527,304	881,650	639,611
Expenditures and Encumbrances			
Budgetary Comparison Schedule	3,785,293	865,363	648,328
Transfers	(144,435)	-	(39,392)
Bond Issuance Costs	-	-	-
Expenditures applicable to Prior Years Budgets	23,965	(2,888)	39,046
Program Income	-	-	64,866
Other	13,537	-	-
Change in Amount Held by Fiscal Agent	12,250	-	-
Current Year Encumbrances	(79,007)	(17,473)	(93,655)
Statement of Revenues, Expenditures & Changes in Fund Balance	3,611,603	845,002	619,193

City of Philadelphia
PENNSYLVANIA

Other Supplementary Information

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

COUNTY LIQUID FUELS TAX - Established to account for funds made available by Public Law No. 149.

SPECIAL GASOLINE TAX - Established to account for funds made available by Public Law No. 588.

HOTEL ROOM RENTAL TAX - Established to account for the tax levied to promote tourism.

COMMUNITY DEVELOPMENT - Established to account for revenues received from the Department of Housing and Urban Development, restricted to accomplishing the objectives of the CDBG Program, within specific target areas.

CAR RENTAL TAX - Established to account for the tax levied to retire new municipal stadium debt.

HOUSING TRUST - Established to account for the funds to be used under Chapter 1600 of Title 21 of the Philadelphia Code to assist low income homeowners.

ACUTE CARE HOSPITAL ASSESSMENT - Established in FY 2009 to account for the assessment of certain net operating revenues of certain acute care hospitals.

RIVERVIEW RESIDENTS - Established to maintain a commissary and provide other benefits for the residents.

PHILADELPHIA PRISONS - Established to operate a workshop and to provide benefits for the prison inmates.

ARBITRATION APPEALS - Established to account for certain court fees and provide funds for the arbitration board.

DEPARTMENTAL - Established to account for various activities of the Free Library and Parks and Recreation.

MUNICIPAL AUTHORITY ADMINISTRATIVE - Established to account for all financial transactions of the Municipal Authority not accounted for in other funds.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY ADMINISTRATIVE - Established to account for PICA revenues from taxes and deficit financing transactions.

NON-MAJOR GOVERNMENTAL FUNDS (Cont'd)

DEBT SERVICE FUNDS

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY - Established to account for the debt service activities of the City not reflected in proprietary funds operations.

MUNICIPAL AUTHORITY - Established to account for the debt service activities related to the equipment and facilities financed through the Philadelphia Municipal Authority.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY DEBT SERVICE - Established to account for the debt service activities related to the deficit financing provided by PICA.

CAPITAL IMPROVEMENT FUNDS

Capital Improvement Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets .

CITY - Established to account for capital additions and improvements to the City's facilities and infrastructure and financed through general obligation bond issues and grants from federal, state and local agencies.

MUNICIPAL AUTHORITY - Established to account for the acquisition of vehicles and the construction of major facilities for the city.

PERMANENT FUNDS

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

LIBRARIES & PARKS - Established to account for trust of the Free Library and Parks and Recreation.

City of Philadelphia **Schedule I**

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2011

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Assets														
Cash on Deposit and on Hand	-	-	-	-	-	-	-	-	-	-	4,869	361	41,041	46,271
Equity in Treasurer's Account	2,577	22,464	6,685	-	5,779	11,296	27,737	38	4,140	-	1,136	-	-	81,852
Investments	-	-	-	-	-	-	-	-	-	-	1,053	100	9,453	10,606
Due from Other Funds	-	-	-	-	-	-	-	-	-	-	478	-	-	478
Amounts Held by Fiscal Agent	-	-	-	-	-	-	711	-	-	-	-	-	-	711
Taxes Receivable	-	-	5,079	-	494	-	-	-	-	-	-	-	2,507	8,080
Accounts Receivable	-	-	-	3,176	-	-	-	-	-	-	-	2,648	-	5,824
Due from Other Governmental Units	-	-	-	8,827	-	-	-	-	-	-	-	-	-	8,827
Allowance for Doubtful Accounts	-	-	(721)	-	(14)	-	-	-	-	-	-	-	-	(735)
Interest and Dividends Receivable	-	-	-	-	5	-	-	-	-	-	-	1	16	22
Other Assets	-	-	-	-	-	-	-	-	-	-	525	-	37	562
Total Assets	2,577	22,464	11,043	12,003	6,264	11,296	28,448	38	4,140	-	8,061	3,110	53,054	162,498
Liabilities and Fund Balances														
Liabilities:														
Vouchers Payable	21	194	-	1,429	-	443	18,744	-	98	-	248	-	-	21,177
Accounts Payable	408	6,142	4,405	3,219	-	396	87	-	-	-	644	2,862	71	18,234
Salaries and Wages Payable	-	-	-	238	-	-	136	-	-	-	-	-	121	495
Due to Other Funds	-	-	-	4,377	-	-	-	-	20	-	324	-	7,489	12,210
Due to Component Units	-	-	-	2,741	-	-	-	-	-	-	-	-	-	2,741
Funds Held in Escrow	-	-	-	-	-	-	-	-	448	-	689	-	-	1,137
Deferred Revenue	-	-	76	4,044	1	-	711	-	-	-	-	-	-	4,832
Total Liabilities	429	6,336	4,481	16,048	1	839	19,678	-	566	-	1,905	2,862	7,681	60,826
Fund Balances:														
Nonspendable	-	-	-	-	-	-	-	-	-	-	200	-	-	200
Restricted	2,148	16,128	6,562	-	6,263	10,457	8,770	-	-	-	5,464	248	45,373	101,413
Committed	-	-	-	-	-	-	-	38	3,574	-	492	-	-	4,104
Unassigned	-	-	-	(4,045)	-	-	-	-	-	-	-	-	-	(4,045)
Total Fund Balances	2,148	16,128	6,562	(4,045)	6,263	10,457	8,770	38	3,574	-	6,156	248	45,373	101,672
Total Liabilities and Fund Balances	2,577	22,464	11,043	12,003	6,264	11,296	28,448	38	4,140	-	8,061	3,110	53,054	162,498

City of Philadelphia **Schedule I**

Combining Balance Sheet

Non-Major Governmental Funds(Continued)

June 30, 2011

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Assets									
Cash on Deposit and on Hand	-	-	31,804	31,804	-	-	-	95	78,170
Equity in Treasurer's Account	2,521	-	-	2,521	208,732	-	208,732	-	293,105
Investments	-	11	48,464	48,475	-	86,582	86,582	5,565	151,228
Due from Other Funds	-	-	-	-	-	-	-	-	478
Amounts Held by Fiscal Agent	-	-	-	-	-	-	-	-	711
Taxes Receivable	-	-	-	-	-	-	-	-	8,080
Accounts Receivable	-	-	-	-	-	-	-	1	5,825
Due from Other Governmental Units	-	-	-	-	20,362	-	20,362	-	29,189
Allowance for Doubtful Accounts	-	-	-	-	-	-	-	-	(735)
Interest and Dividends Receivable	-	-	4	4	20	74	94	-	120
Other Assets	-	-	-	-	-	-	-	-	562
Total Assets	2,521	11	80,272	82,804	229,114	86,656	315,770	5,661	566,733
Liabilities and Fund Balances									
Liabilities:									
Vouchers Payable	-	-	-	-	5,162	-	5,162	-	26,339
Accounts Payable	-	-	-	-	20,662	4,385	25,047	13	43,294
Salaries and Wages Payable	-	-	-	-	74	-	74	-	569
Due to Other Funds	-	-		-	-	-	-	154	12,364
Due to Component Units	-	-	-	-	-	-	-	-	2,741
Funds Held in Escrow	-	-	-	-	15	-	15	-	1,152
Deferred Revenue	-	-	-	-	17,753	-	17,753	-	22,585
Total Liabilities	-	-	-	-	43,666	4,385	48,051	167	109,044
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	2,404	2,604
Restricted	2,521	11	80,272	82,804	185,448	82,271	267,719	3,090	455,026
Committed	-	-	-	-	-	-	-	-	4,104
Unassigned	-	-	-	-	-	-	-	-	(4,045)
Total Fund Balances	2,521	11	80,272	82,804	185,448	82,271	267,719	5,494	457,689
Total Liabilities and Fund Balances	2,521	11	80,272	82,804	229,114	86,656	315,770	5,661	566,733

City of Philadelphia **Schedule II**
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Special Revenue													
	County Liquid Fuels Tax	Special Gasoline Tax	Hotel Room Rental Tax	Community Development	Car Rental Tax	Housing Trust	Acute Care Hospital Assessment	Riverview Residents	Philadelphia Prisons	Arbitration Appeals	Departmental	Municipal Authority Administrative	PICA Administrative	Total
Revenues														
Tax Revenue	-	-	41,884	-	4,935	-	142,127	-	-	-	-	-	358,997	547,943
Locally Generated Non-Tax Revenue	-	25	3	10,436	8	7,259	-	-	2,347	355	6,230	1,790	279	28,732
Revenue from Other Governments	4,845	24,343	-	58,593	-	-	-	-	-	-	-	-	-	87,781
Other Revenues	-	-	-	-	-	-	-	-	-	-	-	-	10,589	10,589
Total Revenues	4,845	24,368	41,887	69,029	4,943	7,259	142,127	-	2,347	355	6,230	1,790	369,865	675,045
Expenditures														
Current Operating:														
Economic Development	-	-	41,859	-	-	-	-	-	-	-	-	-	-	41,859
Transportation:														
Streets & Highways	4,861	22,860	-	-	-	-	-	-	-	-	-	-	-	27,721
Judiciary and Law Enforcement:														
Prisons	-	-	-	-	-	-	-	-	1,207	-	-	-	-	1,207
Conservation of Health:														
Health Services	-	-	-	-	-	-	137,251	-	-	-	-	-	-	137,251
Housing and Neighborhood Development	-	-	-	69,054	-	12,044	-	-	-	-	-	-	-	81,098
Cultural and Recreational:														
Parks & Recreation	-	-	-	-	-	-	-	-	-	-	3,888	-	-	3,888
Libraries and Museums	-	-	-	-	-	-	-	-	-	-	124	-	-	124
Improvements to General Welfare:														
Service to Property:														
General Management and Support	-	-	-	-	3,986	-	-	-	697	355	1,734	37,168	766	44,706
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service:														
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,861	22,860	41,859	69,054	3,986	12,044	137,251	-	1,904	355	5,746	37,168	766	337,854
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16)	1,508	28	(25)	957	(4,785)	4,876	-	443	-	484	(35,378)	369,099	337,191
Other Financing Sources (Uses)														
Issuance of Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Refunding Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Issuance Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Lease & Service Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond Defeasance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-	-	1,150	35,396		36,546
Transfers Out	-	-	-	-	-	-	(6,900)	-	-	-	-	-	(367,399)	(374,299)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(6,900)	-	-	-	1,150	35,396	(367,399)	(337,753)
Net Change in Fund Balances	(16)	1,508	28	(25)	957	(4,785)	(2,024)	-	443	-	1,634	18	1,700	(562)
Fund Balance - July 1, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234
Adjustment	-	-	-	-	-	-	-	-	-	-	-			-
Fund Balance Adjusted - July 1, 2010	2,164	14,620	6,534	(4,020)	5,306	15,242	10,794	38	3,131	-	4,522	230	43,673	102,234
Fund Balance - June 30, 2011	2,148	16,128	6,562	(4,045)	6,263	10,457	8,770	38	3,574	-	6,156	248	45,373	101,672

City of Philadelphia **Schedule II**
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds(Continued)
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Debt Service				Capital Improvement			Permanent	Total
	City	Municipal Authority	PICA	Total	City	Municipal Authority	Total	Libraries & Parks	Non-Major Governmental Funds
Revenues									
Tax Revenue	-	-	-	-	-	-	-	-	547,943
Locally Generated Non-Tax Revenue	-		3,024	3,024	-	-	-	897	32,653
Revenue from Other Governments	-	-	-	-	30,301	42	30,343	-	118,124
Other Revenues	-	-	-	-	4	-	4	-	10,593
Total Revenues	-	-	3,024	3,024	30,305	42	30,347	897	709,313
Expenditures									
Current Operating:									
Economic Development	-	-	-	-	-	-	-	-	41,859
Transportation:									
Streets & Highways	-	-	-	-	-	-	-	-	27,721
Judiciary and Law Enforcement:									
Prisons	-	-	-	-	-	-	-	-	1,207
Conservation of Health:									
Health Services	-	-	-	-	-	-	-	-	137,251
Housing and Neighborhood Development	-	-	-	-	-	-	-	-	81,098
Cultural and Recreational:									
Parks & Recreation	-	-	-	-	-	-	-	102	3,990
Libraries and Museums	-	-	-	-	-	-	-	-	124
Improvements to General Welfare:									
Service to Property:									
General Management and Support	-		101	101	-	3	3	-	44,810
Capital Outlay	-	-	-	-	112,088	22,845	134,933	-	134,933
Debt Service:									
Principal	36,500	15,642	39,235	91,377	-	-	-	-	91,377
Interest	65,156	13,289	27,287	105,732	-	-	-	-	105,732
Bond Issuance Cost	892	65	-	957	1,210	-	1,210	-	2,167
Total Expenditures	102,548	28,996	66,623	198,167	113,298	22,848	136,146	102	672,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,548)	(28,996)	(63,599)	(195,143)	(82,993)	(22,806)	(105,799)	795	37,044
Other Financing Sources (Uses)									
Issuance of Debt	-	-	-	-	139,150	-	139,150	-	139,150
Issuance of Refunding Bonds	114,570	-	-	114,570	-	-	-	-	114,570
Bond Issuance Premium	5,046	-	-	5,046	-	-	-	-	5,046
Proceeds from Lease & Service Agreements	-	65	-	65	-	28,005	28,005	-	28,070
Bond Defeasance	(117,605)	-	-	(117,605)	-	-	-	-	(117,605)
Transfers In	101,556	28,931	64,272	194,759	16,196	-	16,196	-	247,501
Transfers Out	-	-	-	-	-	-	-	-	(374,299)
Total Other Financing Sources (Uses)	103,567	28,996	64,272	196,835	155,346	28,005	183,351	-	42,433
Net Change in Fund Balances	1,019	-	673	1,692	72,353	5,199	77,552	795	79,477
Fund Balance - July 1, 2010	1,502	11	77,629	79,142	113,095	77,072	190,167	4,699	376,242
Adjustment	-	-	1,970	1,970	-	-	-	-	1,970
Fund Balance Adjusted - July 1, 2010	1,502	11	79,599	81,112	113,095	77,072	190,167	4,699	378,212
Fund Balance - June 30, 2011	2,521	11	80,272	82,804	185,448	82,271	267,719	5,494	457,689

City of Philadelphia **Schedule III**

Combining Statement of Fiduciary Net Assets

Pension Trust Funds

June 30, 2011

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Assets			
Equity in Treasurer's Account	445,698	4,057,047	4,502,745
Securities Lending Collective Investment Pool	24,172	485,348	509,520
Allowance for Unrealized Loss	-	(1,895)	(1,895)
Accounts Receivable	-	4,430	4,430
Due from Brokers for Securities Sold	956	620,345	621,301
Interest and Dividends Receivable	1,551	14,434	15,985
Due from Other Governmental Units	-	3,613	3,613
Total Assets	472,377	5,183,322	5,655,699
Liabilities			
Vouchers Payable	-	107	107
Accounts Payable	541	3,626	4,167
Salaries and Wages Payable	-	189	189
Funds Held in Escrow	-	11	11
Due on Return of Securities Loaned	24,172	485,348	509,520
Due to Brokers for Securities Purchased	1,608	660,238	661,846
Accrued Expenses	8,614	1,158	9,772
Deferred Revenue	-	2,048	2,048
Other Liabilities	-	381	381
Total Liabilities	34,935	1,153,106	1,188,041
Net Assets Held in Trust for Pension Benefits	437,442	4,030,216	4,467,658

City of Philadelphia

Schedule IV

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Gas Works Retirement Reserve Fund	Municipal Pension Fund	Total
Additions			
Contributions:			
Employer's Contributions	22,936	470,155	493,091
Employees' Contributions	-	52,706	52,706
Total Contributions	22,936	522,861	545,797
Investment Income:			
Interest and Dividends	10,673	79,544	90,217
Net Gain in Fair Value of Investments	75,547	635,570	711,117
(Less) Investments Expenses	(1,829)	(15,266)	(17,095)
Securities Lending Revenue	74	2,220	2,294
Securities Lending Unrealized Loss	-	(1,895)	(1,895)
(Less) Securities Lending Expenses	(30)	(710)	(740)
Net Investment Gain	84,435	699,463	783,898
Miscellaneous Operating Revenues	-	1,377	1,377
Total Additions	107,371	1,223,701	1,331,072
Deductions			
Personal Services	-	3,675	3,675
Purchase of Services	-	1,793	1,793
Materials and Supplies	-	81	81
Employee Benefits	37,898	2,385	40,283
Pension Benefits	-	681,909	681,909
Refunds of Members' Contributions	-	5,125	5,125
Administrative Expenses Paid	355		355
Other Operating Expenses	-	119	119
Total Deductions	38,253	695,087	733,340
Change in Net Assets	69,118	528,614	597,732
Net Assets - July 1, 2010	368,324	3,501,602	3,869,926
Net Assets - June 30, 2011	437,442	4,030,216	4,467,658

City of Philadelphia

Schedule V

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

Amounts in thousands of USD

	Escrow Fund	Employee Health & Welfare Fund	Departmental Custodial Accounts	Total
Assets				
Cash on Deposit and on Hand	-	-	136,099	136,099
Equity in Treasurer's Account	30,744	14,921	-	45,665
Investments	-	-	11,910	11,910
Due from Other Funds	-	-	866	866
Total Assets	30,744	14,921	148,875	194,540
Liabilities				
Vouchers Payable	2	604	-	606
Accounts Payable	-	246	-	246
Payroll Taxes Payable	-	3,234	-	3,234
Funds Held in Escrow	30,742	10,837	148,875	190,454
Total Liabilities	30,744	14,921	148,875	194,540
Net Assets	-	-	-	-

City of Philadelphia **Schedule VI**
Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Balance 7-1-2010	Additions	Deductions	Balance 6-30-2011
Escrow Fund				
Assets				
Equity in Treasurer's Account	34,032	376,291	379,579	30,744
Liabilities				
Funds Held in Escrow	33,995	376,291	379,544	30,742
Vouchers Payable	37	5,055	5,090	2
Total Liabilities	34,032	381,346	384,634	30,744
Employee Health and Welfare Fund				
Assets				
Equity in Treasurer's Account	14,270	853,771	853,120	14,921
Liabilities				
Vouchers Payable	1,190	8,518	9,104	604
Accounts Payable	-	246	-	246
Payroll Taxes Payable	3,147	751,778	751,691	3,234
Funds Held in Escrow	9,933	90,114	89,210	10,837
Total Liabilities	14,270	850,656	850,005	14,921
Departmental Custodial Accounts				
Assets				
Cash on Deposit and on Hand	136,315	153,155	153,371	136,099
Investments	8,780	3,130	-	11,910
Due from Other Funds	767	99	-	866
Total Assets	145,862	156,384	153,371	148,875
Liabilities				
Funds Held in Escrow	145,862	156,384	153,371	148,875
Totals - Agency Funds				
Assets				
Cash on Deposit and on Hand	136,315	153,155	153,371	136,099
Equity in Treasurer's Account	48,302	1,230,062	1,232,699	45,665
Investments	8,780	3,130	-	11,910
Due from Other Funds	767	99	-	866
Total Assets	194,164	1,386,446	1,386,070	194,540
Liabilities				
Vouchers Payable	1,227	13,573	14,194	606
Accounts Payable	-	246	-	246
Payroll Taxes Payable	3,147	751,778	751,691	3,234
Funds Held in Escrow	189,790	622,789	622,125	190,454
Total Liabilities	194,164	1,388,386	1,388,010	194,540

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2011 Outstanding	Maturities	Interest Rates	FY 2012 Debt Service Requirements Interest	FY 2012 Debt Service Requirements Principal
General Obligation Bonds:								
Term Bonds	97,493,541	07/27/2006	531,988	531,988	8/2030 to 8/2031	5	26,599	-
	7,222,518	07/27/2006	7,222,518	7,222,518	8/2030 to 8/2031	5	361,126	-
	11,024,437	07/27/2006	11,024,437	11,024,437	8/2030 to 8/2031	5	551,222	-
	10,131,057	07/27/2006	10,131,057	10,131,057	8/2030 to 8/2031	5	506,553	-
	113,608,890	01/06/2009	113,608,890	113,608,890	7/2013 to 7/2038	5.25 to 7.125	7,865,987	-
	30,926,110	01/06/2009	30,926,110	30,926,110	7/2013 to 7/2038	5.25 to 7.125	2,141,244	-
	13,834,573	04/19/2011	13,834,573	13,834,573	8/2027 to 8/2041	5.875 to 6.50	670,817	-
	37,647,372	04/19/2011	37,647,372	37,647,372	8/2027 to 8/2041	5.875 to 6.50	1,825,462	-
	45,818,055	04/19/2011	45,818,055	45,818,055	8/2027 to 8/2041	5.875 to 6.50	2,221,645	-
Total Term Bonds	367,706,553		270,745,000	270,745,000			16,170,655	-
Refunding Issues	178,240,000	12/01/1998	178,240,000	10,715,000	05/2012 to 05/2020	4.75	508,963	-
	188,910,000	12/20/2007	188,910,000	175,285,000	08/2011 to 08/2019	5.00 to 5.25	8,763,462	4,995,000
	195,170,000	5/01/2008	195,170,000	194,020,000	12/2011 to 12/2032	4.00 to 5.25	10,045,238	1,035,000
	237,025,000	8/13/2009	237,025,000	237,025,000	08/2019 to 08/2031	4.25 to 5.50	12,030,260	-
	100,000,000	8/13/2009	100,000,000	100,000,000	08/2027 to 08/2031	variable	3,829,000	-
	114,570,000	4/19/2011	114,570,000	114,570,000	08/2011 to 08/2020	2.00 to 5.25	3,542,617	14,365,000
Total Refunding Bonds	1,013,915,000		1,013,915,000	831,615,000			38,719,540	20,395,000
Serial Bonds	20,000,000	NA	20,000,000	1,017,815	07/2011 to 04/2012	1	4,671	1,017,815
	50,781,553	01/01/2001	50,781,553	6,214,865	09/2011 to 09/2021	4.3 to 5.25	246,361	2,353,722
	99,400,449	01/01/2001	95,928,447	11,740,135	09/2011 to 09/2021	4.3 to 5.25	465,386	4,446,278
	[1]	07/27/2006	3,472,002	3,114,367	8/2011 to 8/2029	4.50 to 5.125	151,705	101,116
	12,165,000	12/02/2003	12,165,000	5,313,671	02/2012 to 02/2015	5 to 5.25	275,428	1,416,006
	84,972,482	12/02/2003	37,835,000	16,526,329	02/2012 to 02/2015	5 to 5.25	856,622	4,403,994
	[1]	07/27/2006	47,137,482	42,282,081	8/2011 to 8/2029	4.50 to 5.125	2,059,617	1,372,803
	71,950,563 [1]	07/27/2006	71,950,563	64,539,290	8/2011 to 8/2029	4.50 to 5.125	3,143,795	2,095,444
	66,119,953 [1]	07/27/2006	66,119,953	59,309,262	8/2011 to 8/2029	4.50 to 5.125	2,889,033	1,925,637
	16,086,110 [1]	01/06/2009	16,086,110	12,993,081	7/2011 to 7/2018	4.00 to 6.00	637,756	1,756,775
	4,378,890 [1]	01/06/2009	4,378,890	3,536,919	7/2011 to 7/2018	4.00 to 6.00	173,607	478,222
	5,950,427 [1]	04/19/2011	5,950,427	5,950,427	8/2012 to 8/2026	4.00 to 5.375	233,553	-
	16,192,628 [1]	04/19/2011	16,192,628	16,192,628	8/2012 to 8/2026	4.00 to 5.375	635,558	-
	19,706,945 [1]	04/19/2011	19,706,945	19,706,945	8/2012 to 8/2026	4.00 to 5.375	773,495	-
Total Serial Bonds	467,705,000		467,705,000	268,437,815			12,546,587	21,367,812
Total General Obligation Bonds	1,849,326,553		1,752,365,000	1,370,797,815			67,436,782	41,762,812

City of Philadelphia
City Related Schedule of Bonded Debt Outstanding
June 30, 2011

Schedule VII

Amounts in USD

	Original Authorization	Date of Issuance	Issued	Fiscal 2011 Outstanding	Maturities	Interest Rates	FY 2012 Debt Service Requirements Interest	FY 2012 Debt Service Requirements Principal
Revenue Bonds:								
Water and Sewer Revenue Bonds:								
Series 1995	221,630,000	04/15/1995	221,630,000	26,280,000	08/2011 to 08/2018	6.25	1,244,688	12,730,000
Series 1997 B	100,000,000 [2]	11/25/1997	100,000,000	73,000,000	08/2011 to 08/2027	Variable rates	78,838	2,900,000
Series 1998	135,185,000	12/25/1998	135,185,000	135,185,000	12/2011 to 12/2014	5.25	6,392,400	26,850,000
Series 1999 A	6,700,000	N.A.	6,700,000	638,779	07/2011 to 04/2019	2.73	16,509	74,156
Series 2001 A and B	285,920,000	11/15/2001	285,920,000	137,875,000	11/2011 to 11/2028	3.8 to 5.50	6,732,933	12,980,000
Series 2005 A	250,000,000	05/04/2005	250,000,000	230,390,000	07/2011 to 07/2035	3.30 to 5.25	11,480,300	4,795,000
Series 2005 B	86,105,000 [2]	05/04/2005	86,105,000	82,870,000	08/2011 to 08/2018	Variable rates	3,744,385	425,000
Series 2007 A	191,440,000	05/09/2007	191,440,000	175,180,000	8/2011 to 8/2027	4.00 to 5.00	8,339,825	4,795,000
Series 2007 B	153,595,000	05/09/2007	153,595,000	152,900,000	11/2010 to 11/2031	4.00 to 5.00	6,950,775	220,000
Series 2009 A	325,000,000	05/21/2009	140,000,000	140,000,000	01/2017 to 01/2033	4.00 to 5.75	7,294,037	-
		08/05/2010	185,000,000	185,000,000	8/2016 to 8/2040	3.00 to 5.00	9,022,250	-
Series 2010A	396,460,000	4/15/2010	396,460,000	386,800,000	06/2011 to 6/2019	2.50 to 5.00	18,094,485	43,155,000
Pennvest Series 2009C	57,268,193	06/16/2010	23,068,887	23,068,888	07/2013 to 07/2033	1.193	275,212	-
Pennvest Series 2009D	84,759,263	07/22/2010	48,583,956	48,583,956	07/2013 to 07/2033	1.193	579,606	-
Pennvest Series 2009B	42,886,030	08/02/2010	15,595,211	15,595,211	07/2013 to 07/2033	1.193	186,051	-
Total Water Revenue Bonds	2,336,948,486		2,239,283,054	1,813,366,834			80,432,294	108,924,156
Aviation Revenue Bonds:								
Series 1998 B	443,700,000	07/01/1998	443,700,000	69,530,000	07/2011 to 07/2028	5.00 to 5.375	3,252,913	12,420,000
Series 2001 A	187,680,000	07/01/2001	187,680,000	154,555,000	07/2011 to 07/2028	5.125 to 5.50	8,105,208	5,210,000
Series 2001 B	40,120,000	07/01/2001	40,120,000	33,625,000	06/2012 to 06/2031	5.00 to 5.50	1,776,994	980,000
Series 2005 C	189,500,000 [2]	06/02/2005	189,500,000	162,600,000	06/2012 to 06/2025	Variable rates	8,846,876	6,700,000
Series 2005 A	124,985,000	08/04/2005	124,985,000	117,605,000	06/2012 to 06/2035	4.20 to 5.50	5,610,705	2,705,000
Series 2007 A	172,470,000	08/16/2008	172,470,000	169,315,000	06/2012 to 06/2037	5	8,465,750	3,315,000
Series 2007 B	82,915,000	08/16/2008	82,915,000	70,085,000	06/2012 to 06/2027	5	3,504,250	3,425,000
Series 2009 A	45,715,000	04/14/2009	45,715,000	44,050,000	06/2012 to 06/2029	3.00 to 5.375	2,044,666	1,700,000
Series 2010A	273,065,000	11/15/2010	273,065,000	273,060,000	06/2012 to 06/2040	2.00 to 5.25	13,599,612	5,000
Series 2010B	24,395,000	11/15/2010	24,395,000	19,810,000	06/2012 to 06/2015	2.00 to 5.00	944,150	4,635,000
Series 2010C	54,730,000	11/15/2010	54,730,000	54,725,000	06/2012 to 06/2018	2.00 to 5.00	2,668,450	6,780,000
Series 2010D	272,475,000	11/15/2010	272,475,000	271,970,000	06/2012 to 06/2028	2.00 to 5.25	13,459,250	12,935,000
Total Aviation Revenue Bonds	1,911,750,000		1,911,750,000	1,440,930,000			72,278,824	60,810,000
Total Revenue Bonds	4,248,698,486		4,151,033,054	3,254,296,834			152,711,118	169,734,156
Total All Bonds	6,098,025,039		5,903,398,054	4,625,094,649 [4]			220,147,900	211,496,968

NOTES:

[1] These General Obligation Authorizations were issued as both Term and Serial Bonds.

[2] Based on latest available estimated rates.

[3] A summary of all Bonds Outstanding is as follows:

	General Obligation Bonds	Revenue Bonds	Total
General Fund Types:			
General Fund	1,369,780,000	-	1,369,780,000
Proprietary Fund Types:			
Water Fund	1,017,815	1,813,366,834	1,814,384,649
Aviation Fund	-	1,440,930,000	1,440,930,000
Total Proprietary Funds	1,017,815	3,254,296,834	3,255,314,649
Total All Funds	1,370,797,815	3,254,296,834	4,625,094,649

City of Philadelphia
Schedule VIII

Budgetary Comparison Schedule
Water Operating Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	542,885	540,127	537,463	(2,664)
Revenue from Other Governments	3,300	3,300	2,869	(431)
Revenue from Other Funds	64,726	49,044	27,138	(21,906)
Total Revenues	610,911	592,471	567,470	(25,001)
Expenditures and Encumbrances				
Personal Services	112,175	111,725	100,839	10,886
Pension Contributions	40,300	38,487	42,169	(3,682)
Other Employee Benefits	40,480	42,293	42,279	14
Sub-Total Employee Compensation	192,955	192,505	185,287	7,218
Purchase of Services	128,864	128,864	116,625	12,239
Materials and Supplies	47,415	47,898	39,731	8,167
Equipment	5,693	5,660	2,862	2,798
Contributions, Indemnities and Taxes	6,603	6,603	5,384	1,219
Debt Service	195,044	195,044	185,543	9,501
Payments to Other Funds	51,337	51,337	54,263	(2,926)
Total Expenditures and Encumbrances	627,911	627,911	589,695	38,216
Operating Surplus (Deficit) for the Year	(17,000)	(35,440)	(22,225)	13,215
Fund Balance Available for Appropriation, July 1, 2010	-	-	-	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	17,000	17,000	22,225	5,225
Adjusted Fund Balance, July 1, 2010	17,000	17,000	22,225	5,225
Fund Balance Available for Appropriation, June 30, 2011	-	(18,440)	-	18,440

City of Philadelphia

Schedule IX

Budgetary Comparison Schedule
Water Residual Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	500	-	178	178
Revenue from Other Funds	22,927	21,234	18,752	(2,482)
Total Revenues	23,427	21,234	18,930	(2,304)
Expenditures and Encumbrances				
Payments to Other Funds	22,927	22,927	4,906	18,021
Total Expenditures and Encumbrances	22,927	22,927	4,906	18,021
Operating Surplus (Deficit) for the Year	500	(1,693)	14,024	15,717
Fund Balance Available for Appropriation, July 1, 2010	20,084	20,889	20,889	-
Fund Balance Available for Appropriation, June 30, 2011	20,584	19,196	34,913	15,717

City of Philadelphia

Schedule X

Budgetary Comparison Schedule
County Liquid Fuels Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	3	-	-	-
Revenue from Other Governments	4,715	4,950	4,845	(105)
Total Revenues	4,718	4,950	4,845	(105)
Expenditures and Encumbrances				
Personal Services	3,734	3,734	3,734	-
Purchase of Services	861	856	856	-
Materials and Supplies	260	345	344	1
Equipment	80	-	-	-
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	4,950	4,950	4,949	1
Operating Surplus (Deficit) for the Year	(232)	-	(104)	(104)
Fund Balance Available for Appropriation, July 1, 2010	1,234	1,988	1,988	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	50	25	151	126
Adjusted Fund Balance, July 1, 2010	1,284	2,013	2,139	126
Fund Balance Available for Appropriation, June 30, 2011	1,052	2,013	2,035	22

City of Philadelphia **Schedule XI**
Budgetary Comparison Schedule
Special Gasoline Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Locally Generated Non-Tax Revenue	15	32	25	(7)
Revenue from Other Governments	23,701	23,673	24,343	670
Total Revenues	23,716	23,705	24,368	663
Expenditures and Encumbrances				
Personal Services	3,000	3,000	3,000	-
Pension Contributions	500	500	500	-
Other Employee Benefits	500	500	500	-
Sub-Total Employee Compensation	4,000	4,000	4,000	-
Purchase of Services	15,659	15,447	15,046	401
Materials and Supplies	3,601	4,301	3,942	359
Equipment	589	101	86	15
Payments to Other Funds	15	15	15	-
Total Expenditures and Encumbrances	23,864	23,864	23,089	775
Operating Surplus (Deficit) for the Year	(148)	(159)	1,279	1,438
Fund Balance Available for Appropriation, July 1, 2010	12,479	14,083	14,083	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	120	150	213	63
Adjusted Fund Balance, July 1, 2010	12,599	14,233	14,296	63
Fund Balance Available for Appropriation, June 30, 2011	12,451	14,074	15,575	1,501

City of Philadelphia
Schedule XII

Budgetary Comparison Schedule
Hotel Room Rental Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes	41,718	41,718	41,884	166
Locally Generated Non-Tax Revenue	2	2	3	1
Total Revenues	41,720	41,720	41,887	167
Expenditures and Encumbrances				
Contributions, Indemnities and Taxes	41,720	41,720	41,859	(139)
Total Expenditures and Encumbrances	41,720	41,720	41,859	(139)
Operating Surplus (Deficit) for the Year	-	-	28	28
Fund Balance Available for Appropriation, July 1, 2010	-	5,218	5,218	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	1,316	1,316
Adjusted Fund Balance, July 1, 2010	-	5,218	6,534	1,316
Fund Balance Available for Appropriation, June 30, 2011	-	5,218	6,562	1,344

City of Philadelphia **Schedule XIII**
Budgetary Comparison Schedule
Aviation Operating Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	363,170	292,570	302,719	10,149
Revenue from Other Governments	5,000	2,602	1,435	(1,167)
Revenue from Other Funds	2,000	1,000	653	(347)
Total Revenues	370,170	296,172	304,807	8,635
Expenditures and Encumbrances				
Personal Services	64,366	64,366	57,035	7,331
Pension Contributions	20,900	21,684	21,683	1
Other Employee Benefits	19,264	18,480	17,979	501
Sub-Total Employee Compensation	104,530	104,530	96,697	7,833
Purchase of Services	109,863	109,863	83,883	25,980
Materials and Supplies	8,550	8,820	8,357	463
Equipment	12,585	12,315	1,599	10,716
Contributions, Indemnities and Taxes	6,062	6,062	2,219	3,843
Debt Service	121,218	121,218	102,448	18,770
Payments to Other Funds	22,673	22,673	11,849	10,824
Total Expenditures and Encumbrances	385,481	385,481	307,052	78,429
Operating Surplus (Deficit) for the Year	(15,311)	(89,309)	(2,245)	87,064
Fund Balance Available for Appropriation, July 1, 2010	29,879	73,622	73,622	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	12,000	12,000	8,763	(3,237)
Adjusted Fund Balance, July 1, 2010	41,879	85,622	82,385	(3,237)
Fund Balance Available for Appropriation, June 30, 2011	26,568	(3,687)	80,140	83,827

City of Philadelphia
Budgetary Comparison Schedule
Community Development Fund
For the Fiscal Year Ended June 30, 2011

Schedule XIV

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	150	150	10,436	10,286
Revenue from Other Governments	117,006	97,006	53,530	(43,476)
Total Revenues	117,156	97,156	63,966	(33,190)
Other Sources				
Decrease in Financed Reserves	-	-	4,336	4,336
Total Revenues and Other Sources	117,156	97,156	68,302	(28,854)
Expenditures and Encumbrances				
Personal Services	7,767	7,767	5,237	2,530
Pension Contributions	2,729	2,819	1,793	1,026
Other Employee Benefits	2,392	2,302	838	1,464
Sub-Total Employee Compensation	12,888	12,888	7,868	5,020
Purchase of Services	83,427	83,393	69,251	14,142
Materials and Supplies	319	339	173	166
Equipment	492	506	84	422
Payments to Other Funds	30	30	-	30
Advances, Subsidies, Miscellaneous	20,000	20,000	-	20,000
Total Expenditures and Encumbrances	117,156	117,156	77,376	39,780
Operating Surplus (Deficit) for the Year	-	(20,000)	(9,074)	10,926
Fund Balance Available for Appropriation, July 1, 2010	-	(4,020)	(4,020)	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	9,049	9,049
Prior Period Adjustments	-	4,020	-	(4,020)
Adjusted Fund Balance, July 1, 2010	-	-	5,029	5,029
Fund Balance Available for Appropriation, June 30, 2011	-	(20,000)	(4,045)	15,955

City of Philadelphia

Schedule XV

Budgetary Comparison Schedule
Car Rental Tax Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	5,000	4,900	4,935	35
Locally Generated Non-Tax Revenue	25	5	8	3
Total Revenues	5,025	4,905	4,943	38
Expenditures and Encumbrances				
Purchase of Services	5,000	5,000	3,986	1,014
Total Expenditures and Encumbrances	5,000	5,000	3,986	1,014
Operating Surplus (Deficit) for the Year	25	(95)	957	1,052
Fund Balance Available for Appropriation, July 1, 2010	5,352	5,306	5,306	-
Fund Balance Available for Appropriation, June 30, 2011	5,377	5,211	6,263	1,052

City of Philadelphia
Budgetary Comparison Schedule
Housing Trust Fund
For the Fiscal Year Ended June 30, 2011

Schedule XVI

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual Positive (Negative)
	Original	Final	Actual	
Revenues				
Locally Generated Non-Tax Revenue	9,300	7,530	7,259	(271)
Total Revenues	9,300	7,530	7,259	(271)
Expenditures and Encumbrances				
Personal Services	600	600	413	187
Purchase of Services	11,400	11,400	6,713	4,687
Total Expenditures and Encumbrances	12,000	12,000	7,126	4,874
Operating Surplus (Deficit) for the Year	(2,700)	(4,470)	133	4,603
Fund Balance Available for Appropriation, July 1, 2010	2,844	2,719	2,719	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	3,500	6,000	4,247	(1,753)
Adjusted Fund Balance, July 1, 2010	6,344	8,719	6,966	(1,753)
Fund Balance Available for Appropriation, June 30, 2011	3,644	4,249	7,099	2,850

City of Philadelphia
Schedule XVII

Budgetary Comparison Schedule
General Capital Improvement Funds
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Locally Generated Non-Tax Revenue	396,348	396,348	5	(396,343)
Revenue from Other Governments	227,500	227,500	36,400	(191,100)
Revenue from Other Funds	-	-	10,097	10,097
Total Revenues	623,848	623,848	46,502	(577,346)
Other Sources (Uses)				
Increase in Unreimbursed Committments	-	-	28,168	28,168
Proceeds from Bond Sales	-	-	139,150	139,150
Total Revenues and Other Sources	623,848	623,848	213,820	(410,028)
Expenditures and Encumbrances				
Capital Outlay	623,848	623,848	166,178	457,670
Operating Surplus (Deficit) for the Year	-	-	47,642	47,642
Fund Balance Available for Appropriation, July 1, 2010	-	-	75,164	75,164
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	5,174	5,174
Revenue Adjustments - Net	-	-	646	646
Adjusted Fund Balance, July 1, 2010	-	-	80,984	80,984
Fund Balance Available for Appropriation, June 30, 2011	-	-	128,626	128,626

City of Philadelphia
Schedule XVIII

Budgetary Comparison Schedule
Acute Care Hospital Assessment Fund
For the Fiscal Year Ended June 30, 2011

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual
	Original	Final	Actual	Positive (Negative)
Revenues				
Tax Revenue	142,000	143,000	142,127	(873)
Total Revenues	142,000	143,000	142,127	(873)
Other Sources				
Increase in Unreimbursed Committments	-	-	173	173
Total Revenues and Other Sources	142,000	143,000	142,300	(700)
Expenditures and Encumbrances				
Personal Services	4,796	4,796	2,894	1,902
Pension Contributions	100	145	145	-
Other Employee Benefits	134	89	89	-
Sub-Total Employee Compensation	5,030	5,030	3,128	1,902
Purchase of Services	134,634	137,134	134,469	2,665
Materials and Supplies	10	10	-	10
Equipment	5	5	-	5
Payments to Other Funds	6,900	6,900	6,900	-
Total Expenditures and Encumbrances	146,579	149,079	144,497	4,582
Operating Surplus (Deficit) for the Year	(4,579)	(6,079)	(2,197)	3,882
Fund Balance Available for Appropriation, July 1, 2010	10,764	10,794	10,794	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net	-	-	173	173
Adjusted Fund Balance, July 1, 2010	10,764	10,794	10,967	173
Fund Balance Available for Appropriation, June 30, 2011	6,185	4,715	8,770	4,055

City of Philadelphia

Schedule XIX

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Revenue						
Taxes						
Real Property Tax:						
Current	457,534	451,238	454,747	3,509	364,313	90,434
Prior Years	40,000	37,500	27,978	(9,522)	37,874	(9,896)
Total Real Property Tax	497,534	488,738	482,725	(6,013)	402,187	80,538
Wage and Earnings Taxes:						
Current	1,112,772	1,137,888	1,127,455	(10,433)	1,102,285	25,170
Prior Years	12,000	12,000	6,862	(5,138)	11,918	(5,056)
Total Wage and Earnings Taxes	1,124,772	1,149,888	1,134,317	(15,571)	1,114,203	20,114
Business Taxes:						
Business Privilege Taxes:						
Current	350,162	350,800	334,996	(15,804)	329,275	5,721
Prior Years	19,000	20,000	41,950	21,950	35,428	6,522
Total Business Privilege Tax	369,162	370,800	376,946	6,146	364,703	12,243
Net Profits Tax:						
Current	8,667	14,603	5,740	(8,863)	12,058	(6,318)
Prior Years	4,000	2,500	3,086	586	2,448	638
Total Net Profits Tax	12,667	17,103	8,826	(8,277)	14,506	(5,680)
Total Business Taxes	381,829	387,903	385,772	(2,131)	379,209	6,563
Other Taxes:						
Sales Tax	241,892	247,510	244,585	(2,925)	207,113	37,472
Amusement Tax	21,103	21,103	20,767	(336)	21,850	(1,083)
Real Property Transfer Tax	125,220	117,332	116,644	(688)	119,236	(2,592)
Parking Lot Tax	72,493	72,493	71,596	(897)	70,453	1,143
Smokeless Tobacco	4,000	1,000	286	(714)	-	286
Miscellaneous Taxes	3,075	3,075	2,454	(621)	2,390	64
Total Other Taxes	467,783	462,513	456,332	(6,181)	421,042	35,290
Total Taxes	2,471,918	2,489,042	2,459,146	(29,896)	2,316,641	142,505
Locally Generated Non-Tax Revenue						
Rentals from Leased City Properties	4,885	4,060	4,357	297	4,696	(339)
Licenses and Permits	42,487	45,727	46,295	568	43,346	2,949
Fines, Forfeits, Penalties, Confiscated Money and Property	20,997	29,872	25,790	(4,082)	17,727	8,063
Interest Income	15,776	7,376	5,300	(2,076)	8,264	(2,964)
Service Charges and Fees	136,242	121,684	124,553	2,869	113,972	10,581
Other	47,889	57,367	73,732	16,365	41,354	32,378
Total Locally Generated Non-Tax Revenue	268,276	266,086	280,027	13,941	229,359	50,668
Revenue from Other Governments						
United States Government:						
Grants and Reimbursements	166,501	165,149	170,094	4,945	140,347	29,747
Commonwealth of Pennsylvania:						
Grants and Other Payments	894,906	857,192	833,676	(23,516)	605,896	227,780
Other Governmental Units	54,221	54,221	62,731	8,510	330,138	(267,407)
Total Revenue from Other Governments	1,115,628	1,076,562	1,066,501	(10,061)	1,076,381	(9,880)
Revenue from Other Funds	53,321	64,224	54,620	(9,604)	31,945	22,675
Total Revenues	3,909,143	3,895,914	3,860,294	(35,620)	3,654,326	205,968

City of Philadelphia **Schedule XIX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

General Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Obligations						
General Government						
City Council	15,049	15,049	13,772	1,277	13,464	308
Mayor's Office:						
Mayor's Office	3,839	3,943	3,598	345	4,263	(665)
Scholarships	200	200	200	-	193	7
Mural Arts Program	1,000	1,000	961	39	973	(12)
Labor Relations	523	517	457	60	523	(66)
MDO Office of Technology	67,432	67,432	61,348	6,084	38,521	22,827
Office of Property Assessment	-	6,109	5,730	379	-	5,730
Mayor's Office of Community Services	-	-	-	-	30	(30)
Transportation	500	500	419	81	482	(63)
Law	18,665	18,817	17,114	1,703	17,965	(851)
Board of Ethics	810	810	681	129	706	(25)
Youth Commission	100	100	78	22	85	(7)
Inspector General	1,380	1,380	1,171	209	1,146	25
City Planning Commission	2,551	2,551	2,248	303	2,904	(656)
Commission on Human Relations	2,067	2,067	1,942	125	1,983	(41)
Zoning Code Commisssion	500	500	465	35	468	(3)
Arts & Culture	3,905	3,911	2,550	1,361	3,943	(1,393)
Board of Revision of Taxes	6,503	2,098	1,893	205	7,463	(5,570)
Total General Government	125,024	126,984	114,627	12,357	95,112	19,515
Operation of Service Departments						
Housing	2,800	2,800	2,251	549	2,800	(549)
Managing Director	17,984	18,034	15,954	2,080	16,576	(622)
Police	538,403	553,637	551,450	2,187	541,606	9,844
Streets	113,190	132,800	131,004	1,796	134,903	(3,899)
Fire	188,762	198,042	198,042	-	190,051	7,991
Public Health	113,962	114,037	108,923	5,114	111,198	(2,275)
Office-Behavioral Health/Mental Retardation	14,272	14,272	14,272	-	14,239	33
Parks and Recreation	49,829	51,373	47,084	4,289	47,050	34
Fairmount Park Commission	-	-	-	-	-	-
Atwater Kent Museum	249	269	267	2	298	(31)
Camp William Penn	-	-	-	-	-	-
Public Property	164,879	171,157	171,142	15	164,793	6,349
Department of Human Services	576,365	577,070	543,584	33,486	562,731	(19,147)
Philadelphia Prisons	234,140	235,195	232,219	2,976	240,571	(8,352)
Office of Supportive Housing	38,474	38,474	36,368	2,106	38,387	(2,019)
Office of Fleet Management	51,437	53,015	52,173	842	47,331	4,842
Licenses and Inspections	23,069	23,351	18,381	4,970	23,069	(4,688)
Board of L & I Review	156	156	136	20	127	9
Board of Building Standards	72	72	61	11	61	-
Zoning Board of Adjustment	378	378	330	48	311	19
Records	4,009	4,009	3,982	27	5,195	(1,213)
Philadelphia Historical Commission	404	404	377	27	387	(10)
Art Museum	2,300	2,350	2,350	-	2,343	7
Philadelphia Free Library	32,968	33,012	32,549	463	32,752	(203)
Total Operations of Service Departments	2,168,102	2,223,907	2,162,899	61,008	2,176,779	(13,880)
Financial Management						
Office of Director of Finance	7,800	9,500	10,431	(931)	11,176	(745)
Department of Revenue	15,050	15,542	14,160	1,382	16,420	(2,260)
Sinking Fund Commission	211,036	203,640	197,918	5,722	185,464	12,454
Procurement	4,238	4,581	4,819	(238)	4,397	422
City Treasurer	905	905	761	144	648	113
Audit of City Operations	7,292	8,004	7,840	164	7,408	432
Total Financial Management	246,321	242,172	235,929	6,243	225,513	10,416

Schedule of Budgetary Actual and Estimated Revenues and Obligations
General Fund
For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

Amounts in thousands of USD

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Obligations (Continued)						
City-Wide Appropriations Under the Director of Finance						
Fringe Benefits	966,020	982,800	968,957	13,843	831,698	137,259
PGW Rental Reimbursement	18,000	17,500	1,700	15,800	18,000	(16,300)
Community College of Philadelphia	26,468	26,468	25,409	1,059	26,468	(1,059)
Legal Services	35,941	36,616	36,616	-	35,941	675
Hero Award	25	37	35	2	43	(8)
Refunds	250	126	-	126	1	(1)
Indemnities	42,000	1,716	-	1,716	1	(1)
Office of Risk Management	3,239	3,175	4,079	(904)	2,891	1,188
Witness Fees	172	172	84	88	104	(20)
Contribution to School District	38,600	38,600	38,600	-	38,540	60
Total City-Wide Under Director of Finance	1,130,715	1,107,210	1,075,480	31,730	953,687	121,793
Promotion and Public Relations						
City Representative	946	946	904	42	906	(2)
Commerce	18,642	18,642	18,323	319	27,321	(8,998)
Total Promotion and Public Relations	19,588	19,588	19,227	361	28,227	(9,000)
Personnel						
Civic Service Commission	170	170	168	2	154	14
Personnel Director	5,186	5,190	4,591	599	4,052	539
Total Personnel	5,356	5,360	4,759	601	4,206	553
Administration of Justice						
Clerk of Quarter Sessions	4,549	-	-	-	4,510	(4,510)
Register of Wills	3,399	3,399	3,239	160	3,209	30
District Attorney	29,062	30,557	30,505	52	30,153	352
Sheriff	13,089	14,466	14,230	236	15,785	(1,555)
First Judicial District	97,755	113,955	115,412	(1,457)	105,746	9,666
Total Administration of Justice	147,854	162,377	163,386	(1,009)	159,403	3,983
City-Wide Appropriations Under the First Judicial District						
Juror Fees	1,342	1,459	-	1,459	1,599	(1,599)
Conduct of Elections						
City Commissioners	8,794	9,404	8,987	417	9,200	(213)
Total Obligations	3,853,096	3,898,461	3,785,294	113,167	3,653,726	131,568
Operating Surplus (Deficit) for the Year	56,047	(2,547)	75,000	77,547	600	74,400

City of Philadelphia **Schedule XX**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Water Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Sales and Charges - Current	444,619	447,637	462,404	14,767	429,760	32,644
Sales and Charges - Prior Years	40,326	40,326	26,883	(13,443)	31,431	(4,548)
Fire Service Connections	1,009	1,743	1,846	103	1,593	253
Surcharges	5,169	5,297	5,481	184	4,576	905
Fines and Penalties	1,024	834	769	(65)	1,206	(437)
Miscellaneous Charges	1,026	1,113	1,101	(12)	1,645	(544)
Charges to Other Municipalities	34,200	34,000	32,020	(1,980)	37,357	(5,337)
Licenses and Permits	2,061	2,185	2,232	47	2,226	6
Interest Income	7,050	850	1,530	680	851	679
Fleet Management - Sale of Vehicles & Equipment	195	205	92	(113)	287	(195)
Contributions from Sinking Fund Reserve	2,927	2,740	-	(2,740)	2,648	(2,648)
Reimbursement of Expenditures	218	198	88	(110)	59	29
Repair Loan Program	2,340	2,278	2,237	(41)	2,116	121
Other	721	721	780	59	623	157
Total Locally Generated Non-Tax Revenue	542,885	540,127	537,463	(2,664)	516,378	21,085
Revenue from Other Governments						
State	500	500	27	(473)	726	(699)
Federal	2,800	2,800	2,842	42	1,905	937
Total Revenue from Other Governments	3,300	3,300	2,869	(431)	2,631	238
Revenue from Other Funds	64,726	49,044	27,138	(21,906)	27,734	(596)
Total Revenues	610,911	592,471	567,470	(25,001)	546,743	20,727
Obligations						
Mayor's Office of Information Services	16,855	16,855	10,910	5,945	1,907	9,003
Public Property	2,500	2,500	2,500	-	3,614	(1,114)
Office of Fleet Management	8,510	8,510	8,255	255	7,211	1,044
Water Department	299,257	300,959	281,214	19,745	271,671	9,543
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions						
Other Employee Benefits	40,300	42,169	42,169	-	27,494	14,675
Contributions, Indemnities and Taxes	40,480	42,293	42,279	14	39,974	2,305
Department of Revenue	6,500	1,116	-	1,116	-	-
Sinking Fund Commission	15,144	15,144	13,579	1,565	17,678	(4,099)
Procurement Department	195,045	195,045	185,543	9,502	196,717	(11,174)
Law	69	69	69	-	69	-
	3,251	3,251	3,177	74	3,115	62
Total Obligations	627,911	627,911	589,695	38,216	569,450	20,245
Operating Surplus (Deficit) for the Year	(17,000)	(35,440)	(22,225)	13,215	(22,707)	482

City of Philadelphia **Schedule XXI**

Schedule of Budgetary Actual and Estimated Revenues and Obligations

Aviation Operating Fund

Amounts in thousands of USD

For the Fiscal Year Ended June 30, 2011 (with comparative actual amounts for the Fiscal Year Ended June 30, 2010)

	Budgeted Amounts			Final Budget to Actual		
	Original	Final	FY 2011 Actual	Positive (Negative)	FY 2010 Actual	Increase (Decrease)
Revenue						
Locally Generated Non-Tax Revenue						
Concessions	22,000	20,000	32,010	12,010	27,442	4,568
Space Rentals	133,000	102,500	104,585	2,085	103,250	1,335
Landing Fees	75,000	53,000	60,421	7,421	50,218	10,203
Parking	28,000	26,000	28,009	2,009	23,733	4,276
Car Rentals	20,000	18,000	17,862	(138)	16,743	1,119
Interest Earnings	2,000	1,000	352	(648)	326	26
Sale of Utilities	5,000	4,000	3,365	(635)	3,850	(485)
Passenger Facility Charge	33,000	33,000	32,353	(647)	33,133	(780)
Overseas Terminal Facility Charges	-	-	8	8	10	(2)
International Terminal Charge	28,000	20,000	17,700	(2,300)	19,755	(2,055)
Other	17,170	15,070	6,054	(9,016)	6,557	(503)
Total Locally Generated Non-Tax Revenue	363,170	292,570	302,719	10,149	285,017	17,702
Revenue from Other Governments						
State	-	102	102	-	194	(92)
Federal	5,000	2,500	1,333	(1,167)	2,896	(1,563)
Total Revenue from Other Governments	5,000	2,602	1,435	(1,167)	3,090	(1,655)
Revenue from Other Funds	2,000	1,000	653	(347)	2,063	(1,410)
Total Revenue	370,170	296,172	304,807	8,635	290,170	14,637
Obligations						
Mayor's Office of Information Services	6,295	6,295	5,987	308	393	5,594
Police	13,533	13,533	13,218	315	13,029	189
Fire	6,203	6,203	5,437	766	5,109	328
Public Property	26,900	26,900	18,400	8,500	13,900	4,500
Office of Fleet Management	8,108	8,108	3,532	4,576	5,287	(1,755)
City-Wide Appropriation Under the Director of Finance:						
Pension Contributions	20,900	21,684	21,683	1	14,946	6,737
Other Employee Benefits	19,264	18,480	17,979	501	17,993	(14)
Purchase of Services	4,146	4,146	2,469	1,677	2,732	(263)
Contributions, Indemnities and Taxes	2,512	827	-	827	-	-
Sinking Fund Commission	121,218	121,218	102,448	18,770	95,343	7,105
Commerce	154,524	156,209	114,241	41,968	113,665	576
Law	1,878	1,878	1,658	220	1,560	98
Total Obligations	385,481	385,481	307,052	78,429	283,957	23,095
Operating Surplus (Deficit) for the Year	(15,311)	(89,309)	(2,245)	87,064	6,213	(8,458)

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.

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.

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.

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.

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.

The City of Philadelphia implemented GASB Statement No. 34 in FY2002. Tables presenting government-wide information include information beginning in that year.

City of Philadelphia
Net Assets by Component
For the Fiscal Years 2002 Through 2011

Table 1

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	280.9	286.4	175.0	241.3	248.6	161.4	206.4	(5.8)	(59.3)	(47.5)
Restricted	427.0	426.8	484.1	516.5	471.5	689.7	641.0	833.8	705.1	789.5
Unrestricted	(1,295.5)	(453.8)	(707.0)	(1,028.6)	(1,010.9)	(1,220.5)	(1,567.1)	(2,120.6)	(2,421.9)	(2,495.5)
Total Governmental Activities Net Assets	(587.6)	259.4	(47.9)	(270.8)	(290.8)	(369.4)	(719.7)	(1,292.6)	(1,776.1)	(1,753.5)
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	199.1	478.6	541.0	548.4	537.4	544.0	591.8	750.6	831.8	845.1
Restricted	1,001.6	642.1	504.0	472.0	551.9	635.1	644.1	511.2	489.3	550.6
Unrestricted	(106.3)	(12.7)	91.3	269.7	273.9	257.3	266.2	269.8	257.3	234.3
Total Business-Type Activities Net Assets	1,094.4	1,108.0	1,136.3	1,290.1	1,363.2	1,436.4	1,502.1	1,531.6	1,578.4	1,630.0
Primary Government										
Invested in Capital Assets, Net of Related Debt	480.0	765.0	716.0	789.7	786.0	705.4	798.2	744.8	772.5	797.6
Restricted	1,428.6	1,068.9	988.1	988.5	1,023.4	1,324.8	1,285.1	1,345.0	1,194.4	1,340.1
Unrestricted	(1,401.8)	(466.5)	(615.7)	(758.9)	(737.0)	(963.2)	(1,300.9)	(1,850.8)	(2,164.6)	(2,261.2)
Total Primary Government Net Assets	506.8	1,367.4	1,088.4	1,019.3	1,072.4	1,067.0	782.4	239.0	(197.7)	(123.5)

City of Philadelphia **Table 2**

Changes in Net Assets

For the Fiscal Years 2002 Through 2011

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities:										
Economic Development	97.3	127.9	127.4	89.5	89.8	92.6	116.4	116.0	145.0	92.2
Transportation:										
Streets & Highways	110.9	99.8	109.9	119.0	116.0	116.6	117.7	119.1	129.4	136.3
Mass Transit	85.2	85.9	81.3	84.9	84.5	85.1	88.3	90.5	82.7	75.2
Judiciary and Law Enforcement:										
Police	674.9	755.2	793.8	817.1	836.0	921.4	1,002.9	985.6	990.5	1,048.1
Prisons	201.0	223.4	237.1	250.2	268.7	293.2	311.4	339.1	343.8	340.4
Courts	265.8	253.8	277.2	284.9	287.1	304.1	321.6	318.7	312.0	315.0
Conservation of Health:										
Emergency Medical Services	25.7	29.0	30.6	34.2	35.6	36.0	37.2	36.9	47.8	53.3
Health Services	1,147.8	1,196.5	1,174.6	1,275.0	1,411.9	1,442.6	1,572.6	1,701.5	1,446.7	1,524.6
Housing and Neighborhood Development	124.8	125.2	119.0	123.0	149.5	111.2	142.1	149.1	131.3	126.1
Cultural and Recreational										
Recreation	84.5	109.5	118.4	68.3	73.3	73.4	86.2	77.3	77.0	98.7
Parks	44.2	26.2	32.6	30.2	28.9	32.6	36.6	37.7	37.9	14.0
Libraries and Museums	66.9	63.0	67.5	80.7	68.6	90.3	87.0	92.8	79.0	75.7
Improvements to General Welfare:										
Social Services	580.4	641.5	691.2	697.6	702.0	765.5	794.1	756.3	718.8	718.4
Education	81.8	57.1	58.6	61.6	59.9	64.0	65.5	67.2	65.4	64.0
Inspections and Demolitions	50.5	44.3	81.3	79.0	55.3	64.3	47.3	27.8	23.4	30.1
Service to Property:										
Sanitation	109.1	114.8	121.0	126.0	128.8	134.4	138.0	137.8	142.7	143.0
Fire	173.0	190.2	215.4	229.6	236.1	285.3	284.8	278.6	266.0	285.9
General Management and Support	521.8	524.8	576.9	519.9	574.8	568.7	636.9	684.1	683.3	561.0
Interest on Long Term Debt	169.7	130.2	98.3	138.2	136.9	149.5	95.1	214.6	174.9	136.3
Total Governmental Activities Expenses	4,615.3	4,798.3	5,012.1	5,108.9	5,343.7	5,630.8	5,981.7	6,230.7	5,897.6	5,838.3
Business-Type Activities:										
Water and Sewer	427.7	412.9	416.9	442.3	455.4	476.2	504.3	530.8	502.5	520.2
Aviation	197.9	244.5	261.0	269.5	303.1	314.3	323.1	326.2	330.1	336.0
Industrial and Commercial Development	3.8	2.2	2.5	4.7	2.1	3.7	2.1	3.0	0.1	1.9
Total Business-Type Activities Expenses	629.4	659.6	680.4	716.5	760.6	794.2	829.5	860.0	832.7	858.1
Total Primary Government Expenses	5,244.7	5,457.9	5,692.5	5,825.4	6,104.3	6,425.0	6,811.2	7,090.7	6,730.3	6,696.4
Program Revenues										
Governmental Activities:										
Charges for Services:										
Economic Development	15.1	0.2	6.9	0.1	-	-	-	0.3	0.1	-
Transportation:										
Streets & Highways	1.3	1.1	1.5	1.9	2.2	3.5	3.9	2.8	4.4	5.1
Mass Transit	0.4	0.6	0.5	0.5	0.6	0.6	0.5	0.4	0.5	0.6
Judiciary and Law Enforcement:										
Police	1.4	2.2	2.4	2.2	7.2	1.7	4.3	5.0	3.3	3.5
Prisons	0.7	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.5	0.5
Courts	72.4	50.9	52.5	48.4	51.5	51.5	52.7	51.8	53.4	45.6
Conservation of Health:										
Emergency Medical Services	18.6	20.1	20.7	23.1	25.0	27.7	27.6	37.5	36.8	34.7
Health Services	10.0	10.2	11.6	13.5	14.0	12.6	15.3	14.4	16.2	16.7
Housing and Neighborhood Development	2.3	18.9	12.0	10.0	22.3	45.2	25.2	31.3	20.8	23.1
Cultural and Recreational:										
Recreation	14.5	14.3	13.0	0.8	0.4	0.2	0.3	3.2	(0.1)	2.8
Parks	1.6	1.9	1.7	0.9	0.4	0.5	1.5	0.6	0.9	5.0
Libraries and Museums	0.3	0.3	0.4	0.5	0.9	0.9	0.8	1.3	0.9	1.8
Improvements to General Welfare:										
Social Services	8.8	8.8	6.9	7.6	7.4	7.3	6.4	7.6	14.4	6.8
Education	-	-	-	-	-	-	-	1.1	-	-
Inspections and Demolitions	0.5	0.5	0.8	0.7	0.7	44.4	44.9	40.3	43.9	45.5
Service to Property:										
Sanitation	1.2	1.8	2.0	2.1	1.8	-	3.1	2.9	2.0	11.6
Fire	0.3	0.1	0.1	0.5	0.4	0.7	0.2	0.7	0.3	0.5
General Management and Support	127.0	150.7	138.2	130.8	179.1	107.5	110.6	131.9	127.9	136.6
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	9.2
Operating Grants and Contributions	1,834.2	1,907.2	1,958.7	2,067.2	2,142.1	2,204.9	2,339.9	2,438.1	2,050.4	2,223.5
Capital Grants and Contributions	19.9	17.3	19.6	9.1	21.4	15.8	10.0	35.0	46.9	32.1
Total Governmental Activities Program Revenues	2,130.5	2,207.5	2,250.0	2,320.3	2,477.8	2,525.3	2,647.5	2,806.6	2,423.5	2,605.2

City of Philadelphia **Table 2**
Changes in Net Assets
For the Fiscal Years 2002 Through 2011

Amounts in millions of USD

(full accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-Type Activities:										
Charges for Services:										
Water and Sewer	350.9	385.4	401.6	450.6	470.8	493.6	503.3	499.7	552.4	558.5
Aviation	201.2	230.5	251.9	278.4	295.0	309.2	303.2	251.7	240.0	258.1
Industrial and Commercial Development	3.2	1.2	1.2	1.1	1.2	1.5	1.5	0.5	0.3	0.5
Operating Grants and Contributions	11.0	8.9	4.8	2.0	2.5	2.8	5.4	2.6	6.1	4.8
Capital Grants and Contributions	23.8	17.8	21.0	20.7	25.3	22.4	36.6	109.4	90.5	105.9
Total Business-Type Activities Program Revenues	590.1	643.8	680.5	752.8	794.8	829.5	850.0	863.9	889.3	927.8
Total Primary Government Revenues	2,720.6	2,851.3	2,930.5	3,073.1	3,272.6	3,354.8	3,497.5	3,670.5	3,312.8	3,533.0
Net (Expense)/Revenue										
Governmental Activities	(2,484.8)	(2,590.8)	(2,762.1)	(2,788.6)	(2,865.9)	(3,105.5)	(3,334.2)	(3,424.1)	(3,474.1)	(3,233.1)
Business-Type Activities	(39.3)	(15.8)	0.1	36.3	34.2	35.3	20.5	3.9	56.6	69.7
Total Primary Government Net Expense	(2,524.1)	(2,606.6)	(2,762.0)	(2,752.3)	(2,831.7)	(3,070.2)	(3,313.7)	(3,420.2)	(3,417.5)	(3,163.4)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property Taxes	351.7	362.7	374.4	381.8	386.3	399.2	401.3	409.2	400.8	506.6
Wage & Earnings Taxes	1,271.2	1,301.9	1,345.9	1,373.0	1,424.9	1,498.5	1,524.5	1,465.5	1,448.5	1,504.6
Business Taxes	307.9	306.9	319.2	367.9	430.2	453.7	414.5	407.6	385.2	364.2
Other Taxes	286.1	294.7	342.1	406.4	457.7	460.3	457.0	435.0	578.3	645.8
Unrestricted Grants & Contributions	61.1	61.2	47.1	84.3	81.7	104.1	104.7	107.8	171.4	173.8
Interest & Investment Earnings	35.2	57.5	26.0	32.9	60.2	81.8	65.3	46.1	25.5	35.8
Special Items	-	(99.3)	-	-	-	-	-	-	-	-
Transfers	4.1	4.1	-	4.4	5.0	4.9	4.9	4.2	28.3	24.9
Total Governmental Activities	2,317.3	2,289.7	2,454.7	2,650.7	2,846.0	3,002.5	2,972.2	2,875.4	3,038.0	3,255.7
Business-Type Activities:										
Interest & Investment Earnings	45.4	33.5	6.6	15.8	43.8	45.7	48.7	22.9	7.7	6.9
Transfers	(6.9)	(4.1)	-	(4.4)	(4.9)	(4.9)	(4.9)	(4.2)	(28.3)	(24.9)
Total Business-Type Activities	38.5	29.4	6.6	11.4	38.9	40.8	43.8	18.7	(20.6)	(18.0)
Total Primary Government	2,355.8	2,319.1	2,461.3	2,662.1	2,884.9	3,043.3	3,016.0	2,894.1	3,017.4	3,237.7
Change in Net Assets										
Governmental Activities	(167.5)	(301.1)	(307.4)	(137.9)	(19.9)	(103.0)	(362.0)	(548.7)	(436.1)	22.6
Business-Type Activities	(0.8)	13.6	6.7	47.7	73.1	76.1	64.3	22.6	36.0	51.7
Total Primary Government	(168.3)	(287.5)	(300.7)	(90.2)	53.2	(26.9)	(297.7)	(526.1)	(400.1)	74.3

City of Philadelphia
Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2011

Table 3

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non-spendable:	-	-	-	-	-	-	-	-	-	-
Restricted for:										
Central Library Project	-	-	-	-	10.0	4.8	4.9	4.7	2.3	2.3
Stadium Financing	186.9	102.8	18.7	4.3	6.0	6.4	0.1	1.7	0.6	0.3
Cultural & Commercial Corridor Project	-	-	-	-	-	143.3	122.5	89.8	30.8	19.2
Long Term Loan	45.0	45.0	45.0	45.0	45.0	45.0	22.5	-	-	-
Committed to:										
Encumbrances	105.6	93.1	88.5	141.5	132.4	135.6	108.8	102.8	-	-
General Fund	-	-	-	-	-	-	-	-	87.9	-
Assigned to:	-	-	-	-	-	-	-	-	-	-
Unassigned:	139.0	(7.9)	(148.1)	(36.4)	111.2	152.7	(24.3)	(274.6)	(251.8)	(45.7)
Total General Fund:	476.5	233.0	4.1	154.3	304.5	487.8	234.4	(75.6)	(130.2)	(23.9)
All Other Governmental Funds										
Non-spendable:										
Permanent Fund (Principal)	-	-	-	-	-	-	-	-	-	2.6
Restricted for:										
Behavioral Health	27.7	30.8	36.9	61.5	196.0	192.9	177.8	188.7	171.0	250.1
Neighborhood Revitalization	144.1	139.1	87.4	173.6	130.1	99.9	77.8	74.6	73.1	61.3
Public Safety Emergency Phone System	6.7	6.3	8.4	6.8	16.7	21.7	28.7	38.8	40.4	36.9
Economic Development	-	-	-	-	-	-	-	-	-	6.6
Intergovernmental Financing	38.5	28.7	30.6	31.7	26.8	24.5	18.6	12.1	7.9	21.1
Intergovernmentally Financed Pgms	-	-								24.5
Streets & Highways	0.7	0.9	2.2	2.8	4.0	7.5	12.8	16.8	16.8	18.3
Housing & Neighborhood Development	-	-	-	-	-	-	-	-	-	10.5
Health Services	-	-	-	-	-	-	-	4.0	10.8	8.8
Debt Service	94.7	93.3	88.3	88.1	84.3	92.3	80.9	79.1	76.6	82.8
Capital Improvements	6.8	-	80.9	-	-	103.0	21.0	196.1	152.2	267.7
Trust Purposes	6.5	6.8	7.1	7.4	7.8	8.9	8.3	6.4	4.7	8.1
Parks & Recreation	-	-	-	-	-	-	-	-	-	0.3
Libraries & Museums	-	-	-	-	-	-	-	-	-	0.1
Stadium Financing	-	-	-	-	-	-	-	-	-	6.3
Committed to:										
Capital Improvements	121.0	101.5	77.8	76.5	76.0	56.7	61.7	62.5	37.9	-
Economic Development	-	-	-	-	-	-	-	-	6.5	-
Housing & Neighborhood Development	-	-	-	-	9.6	15.9	17.4	18.6	15.2	-
Debt Service	8.2	6.1	5.7	6.5	4.9	5.2	5.7	5.6	7.9	-
Trust Purposes	3.4	3.4	5.0	5.6	6.9	9.2	9.1	8.0	7.7	-
Intergovernmental Financing	54.7	53.1	44.9	43.6	50.1	53.3	52.2	62.6	36.2	-
Social Services	-	-	-	-	-	-	-	-	-	0.0
Prisons	-	-	-	-	-	-	-	-	-	3.6
Parks & Recreation	-	-	-	-	-	-	-	-	-	0.5
Assigned to:										
Behavioral Health	69.0	-	144.0	134.7	-	28.4	40.5	-	42.5	-
PICA Rebate Fund	2.2	3.2	3.9	5.7	6.5	7.0	7.4	8.0	7.5	-
PMA	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	-
Unassigned:										
Community Behavioral Health	-	116.1	-	-	(24.8)	-	-	(5.4)	-	-
Housing & Neighborhood Dev	(7.7)	(8.8)	(6.6)	(8.0)	(5.5)	(3.9)	(3.2)	(5.0)	(4.0)	(4.0)
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Grants Revenue Fund	(68.3)	(55.3)	(53.9)	(43.3)	(51.2)	(26.2)	(23.0)	(36.7)	(39.0)	(34.3)
Capital Improvement	-	(98.1)	-	(6.3)	(67.1)	-	-	-	-	-
Total All Other Governmental Funds	508.3	427.2	562.6	587.1	471.3	696.3	594.2	734.9	672.1	771.7

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability.
A portion of these estimated tax payments are deferred in the general fund beginning in FY2003 because the underlying events had not occured.

City of Philadelphia
Changes in Fund Balances
Governmental Funds
For the Fiscal Years 2002 Through 2011

Table 4

Amounts in millions of USD

(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax Revenue	2,255.6	2,253.8	2,379.0	2,535.2	2,708.5	2,805.1	2,781.8	2,705.2	2,812.3	2,995.0
Locally Generated Non-Tax Revenue	298.4	339.8	280.0	265.2	354.5	381.7	349.7	349.3	302.7	370.6
Revenue from Other Governments	1,790.2	2,049.5	1,922.3	2,242.0	2,223.2	2,376.6	2,468.4	2,564.9	2,323.4	2,366.4
Other Revenues	13.6	17.3	18.5	16.7	15.3	17.1	17.9	49.6	33.1	25.8
Total Revenues	4,357.8	4,660.4	4,599.8	5,059.1	5,301.5	5,580.5	5,617.8	5,669.0	5,471.5	5,757.8
Expenditures										
Current Operating:										
Economic Development	91.7	170.4	157.0	92.7	81.5	85.5	112.3	107.0	135.1	82.6
Transportation:										
Streets & Highways	71.8	78.1	75.9	77.7	78.8	89.2	89.7	89.9	91.1	87.4
Mass Transit	56.9	57.5	52.9	56.6	56.7	58.1	61.7	63.7	65.2	67.1
Judiciary and Law Enforcement:										
Police	665.2	727.3	752.0	770.9	798.0	860.2	951.9	933.9	882.7	955.9
Prisons	194.8	214.3	224.5	241.3	256.6	278.1	298.2	326.9	315.2	315.9
Courts	265.7	246.5	267.8	276.9	278.2	292.3	311.1	310.5	288.1	294.9
Conservation of Health:										
Emergency Medical Services	25.7	28.4	29.7	33.3	34.8	34.9	36.0	36.2	45.0	50.7
Health Services	1,146.0	1,192.7	1,170.3	1,271.1	1,407.7	1,436.8	1,567.6	1,695.0	1,436.5	1,514.8
Housing and Neighborhood Development	123.5	120.7	119.0	122.9	147.9	109.2	141.9	148.4	131.2	126.1
Cultural and Recreational:										
Recreation	64.4	94.0	65.7	58.3	59.8	62.2	74.3	65.1	58.4	82.9
Parks	32.5	24.2	23.8	23.7	23.4	26.3	28.9	31.8	26.9	5.8
Libraries and Museums	62.5	64.4	61.1	68.2	70.2	83.2	84.2	81.0	68.8	68.7
Improvements to General Welfare:										
Social Services	578.6	636.1	683.4	689.1	695.9	756.7	778.2	743.1	699.7	701.8
Education	81.8	57.1	58.6	61.5	59.9	64.0	65.5	67.2	65.4	64.0
Inspections and Demolitions	50.9	46.6	83.6	81.2	59.8	63.0	46.3	33.1	27.3	34.8
Service to Property:										
Sanitation	109.1	111.5	117.8	122.0	125.6	129.5	132.9	134.6	130.6	133.9
Fire	170.3	188.0	203.0	217.8	225.8	267.6	276.4	266.9	237.6	258.1
General Management and Support	420.8	450.9	472.4	477.1	537.5	563.7	618.4	693.8	615.0	568.5
Capital Outlay	277.8	162.2	126.0	103.1	97.9	92.3	105.8	126.9	148.9	134.9
Debt Service:										
Principal	130.0	106.8	105.7	95.8	86.2	91.5	94.1	87.6	89.7	91.4
Interest	116.0	112.3	101.6	101.0	99.9	103.4	100.0	105.7	96.7	105.6
Bond Issuance Cost	-	-	9.2	3.9	-	5.0	24.2	8.5	23.5	2.2
Capital Lease Principal	-	-	-	-	-	-	-	-	-	-
Capital Lease Interest	-	-	-	-	-	-	-	-	-	-
Total Expenditures	4,736.0	4,890.0	4,961.0	5,046.1	5,282.1	5,552.7	5,999.6	6,156.8	5,678.6	5,748.0
Excess of Revenues Over (Under) Expenditures	(378.2)	(229.6)	(361.2)	13.0	19.4	27.8	(381.8)	(487.8)	(207.1)	9.8
Other Financing Sources (Uses)										
Issuance of Debt	-	165.5	487.7	157.3	10.0	353.1	1,303.8	262.9	207.0	139.1
Issuance of Refunding Debt	-	-	-	-	-	-	-	354.9	337.0	114.6
Bond Issuance Premium	-	-	4.8	-	-	13.8	31.1	26.7	24.3	5.0
Proceeds from Lease & Service Agreements	468.2	-	10.9	-	-	-	-	(3.1)	(1.0)	28.1
Bond Defeasance	-	(165.4)	(233.1)	-	-	-	(1,313.7)	(326.9)	(504.0)	(117.6)
Transfers In	703.5	449.4	442.9	581.4	433.1	460.1	465.2	574.5	558.1	583.1
Transfers Out	(693.5)	(445.2)	(442.9)	(577.0)	(428.1)	(455.1)	(460.2)	(570.3)	(529.7)	(558.1)
Total Other Financing Sources (Uses)	478.2	4.3	270.3	161.7	15.0	371.9	26.2	318.7	91.7	194.2
Special Items										
Business Privilage Tax Adjustment	-	(99.3)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	100.0	(324.6)	(90.9)	174.7	34.4	399.7	(355.6)	(169.1)	(115.4)	204.0
Debt Service as a Percentage of Non-capital Expenditures	5.5%	4.7%	4.3%	4.0%	3.6%	3.6%	3.3%	3.2%	3.4%	3.5%

[1] Effective April 15, 2003, the City implemented a change to the basis on which the Business Privilege Tax is collected requiring an estimated payment applicable to the next year's tax liability. $149.6 million of these estimated tax payments were deferred in the general fund in FY2011 because the underlying events had not occured.

City of Philadelphia **Table 5**
Comparative Schedule of Operations
Municipal Pension Fund
For the Fiscal Years 2002 through 2011

Amounts in millions of USD

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions:										
Contributions:										
Employee Contributions	50.1	52.5	50.5	49.3	48.9	49.2	51.7	54.0	51.6	52.7
Employer's:										
City of Philadelphia [1]	174.2	174.6	196.6	290.6	321.3	419.2	412.4	440.0	297.4	455.8
Quasi-Governmental Agencies	4.0	5.2	6.2	8.6	10.4	13.1	14.5	15.4	15.1	14.2
Total Employer's Contributions	178.2	179.8	202.8	299.2	331.7	432.3	426.9	455.4	312.5	470.1
Total Contributions	228.3	232.3	253.3	348.5	380.6	481.5	478.6	509.4	364.1	522.8
Interest & Dividends	109.3	74.4	68.4	74.6	65.1	80.3	97.1	75.6	70.5	79.5
Net Gain (Decline) in Fair Value of Investments	(359.6)	(3.9)	526.6	306.2	386.4	684.7	(322.0)	(945.6)	381.2	618.5
Net Securities Lending Revenue	2.2	1.0	0.8	0.9	0.7	1.1	7.4	5.7	1.9	1.5
Net Investment Income (Loss)	(248.1)	71.5	595.8	381.7	452.2	766.1	(217.5)	(864.3)	453.6	699.5
Miscellaneous Operating Revenue	0.7	2.4	1.3	0.4	2.1	2.1	1.1	1.0	0.7	1.4
Total Additions	(19.1)	306.2	850.4	730.6	834.9	1,249.7	262.2	(353.9)	818.4	1,223.7
Deductions:										
Pension Benefits	450.2	462.3	657.5	590.6	608.6	655.8	725.7	681.1	680.1	681.9
Refunds to Members	7.1	4.9	4.1	4.6	4.8	4.5	4.2	4.8	4.5	5.1
Administrative Costs	5.2	6.6	6.4	6.8	6.7	6.7	7.6	8.4	8.1	8.0
Total Deductions	462.5	473.8	668.0	602.0	620.1	667.0	737.5	694.3	692.7	695.0
Net Increase (Decrease)	(481.6)	(167.6)	182.4	128.6	214.8	582.7	(475.3)	(1,048.2)	125.7	528.7
Net Assets: Adjusted Opening	4,440.1	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6
Closing	3,958.5	3,790.8	3,973.2	4,101.8	4,316.6	4,899.3	4,424.0	3,375.9	3,501.6	4,030.2
Ratios:										
Pension Benefits Paid as a Percent of:										
Net Members Contributions	1046.98%	971.22%	1417.03%	1321.25%	1380.05%	1467.11%	1527.79%	1383.30%	1443.95%	1432.56%
Closing Net Assets	11.37%	12.20%	16.55%	14.40%	14.10%	13.39%	16.40%	20.18%	19.42%	16.92%
Coverage of Additions over Deductions	-4.13%	64.63%	127.31%	121.36%	134.64%	187.36%	35.55%	-50.97%	118.15%	176.07%
Investment Earnings as % of Pension Benefits	-55.11%	15.47%	90.62%	64.63%	74.30%	116.82%	-29.97%	-126.90%	66.70%	102.58%

[1] Includes $1,250 million from the sale of Pension Obligation Bonds

City of Philadelphia

Table 6

Wage and Earnings Tax Taxable Income
For the Calendar Years 2001 Through 2010

Amounts in millions of USD

	City Residents			Non-City Residents				
Year	Taxable Income	% of Total	Direct Rate [1,2]	Taxable Income	% of Total	Direct Rate [1,2]	Total Taxable Income	Total Direct Rate
2001	17,478.3	59.25%	4.55100%	12,020.4	40.75%	3.95670%	29,498.7	4.30883%
2002	17,615.6	59.54%	4.51930%	11,969.4	40.46%	3.92950%	29,585.0	4.28068%
2003	18,073.7	58.86%	4.48130%	12,635.0	41.14%	3.89640%	30,708.7	4.24064%
2004	18,428.5	58.31%	4.46250%	13,175.0	41.69%	3.88010%	31,603.5	4.21971%
2005	19,177.8	58.14%	4.33100%	13,805.0	41.86%	3.81970%	32,982.8	4.11699%
2006	20,194.0	57.85%	4.30100%	14,715.3	42.15%	3.77160%	34,909.3	4.07784%
2007	21,051.3	57.32%	4.26000%	15,670.2	42.68%	3.75570%	36,725.6	4.04435%
2008	22,013.7	57.19%	4.09950%	16,479.4	42.81%	3.63170%	38,493.1	3.89923%
2009	21,802.4	57.38%	3.92980%	16,195.0	42.62%	3.49985%	37,997.4	3.74655%
2010	22,158.1	57.02%	3.92880%	16,704.0	42.98%	3.49910%	38,862.1	3.74410%

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] For the years 2000 through 2003 the rate changed on July 1st. For those years the direct rate is an average of the two rates involved during the calendar year.

[2] In 2008 and 2009, the rate changed on January 1st and July 1st. The direct rate is an average of the two rates involved during that calendar year.

City of Philadelphia **Table 7**

Direct and Overlapping Tax Rates

For the Ten Fiscal Years 2002 through 2011

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Wage and Earnings Tax:										
a City Residents	4.5385%	4.5000%	4.4625%	4.3310% [b]	4.3010% [b]	4.2600% [b]	4.2190% [b]	3.9300% [b]	3.9296% [b]	3.9280% [b]
Non-City Residents	3.9462%	3.9127%	3.8801%	3.8197% [b]	3.7716% [b]	3.7557% [b]	3.7242% [b]	3.5000% [b]	3.4997% [b]	3.4985% [b]

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

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
[d] **Real Property: (% on Assessed Valuation)**										
City	3.745%	3.474%	3.474%	3.474%	3.474%	3.474%	3.305%	3.305%	3.305%	4.123%
School District of Philadelphia	4.519%	4.790%	4.790%	4.790%	4.790%	4.790%	4.959%	4.959%	4.959%	4.959%
Total Real Property Tax	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	8.264%	9.082%
[e] Assessment Ratio	30.33%	30.12%	30.02%	29.70%	29.69%	29.24%	29.22%	28.86%	28.46%	26.73%
Effective Tax Rate (Real Property Rate x Assessment Ratio)	2.506%	2.489%	2.481%	2.454%	2.454%	2.416%	2.415%	2.385%	2.352%	2.428%

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.

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real Property Transfer Tax										
City	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Commonwealth of Pennsylvania	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Real Property Transfer Tax	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

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.

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business Privilege Taxes										
(% on Gross Receipts)	0.2400%	0.2400% [c]	0.2300% [c]	0.2100% [c]	0.1900% [c]	0.1665% [c]	0.1540% [c]	0.1415% [c]	0.1415% [c]	0.1415% [c]
[f] (% on Net Income)	6.5000%	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.5000% [c]	6.4500% [c]	6.4500% [c]	6.4500% [c]

Every individual, partnership, association and corporation engaged in a business, profession or other activity for profit within the City of Philadelphia must file a BPT Return

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
[c] **Net Profits Tax:**										
[a] City Residents	4.5385%	4.5000%	4.4625%	4.4625%	4.3310%	4.3010%	4.2600%	3.9800%	3.9296%	3.9280%
Non-City Residents	3.9462%	3.9127%	3.8801%	3.8801%	3.8197%	3.7716%	3.7557%	3.5392%	3.4997%	3.4985%

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

Table 7

Direct and Overlapping Tax Rates
For the Ten Fiscal Years 2002 through 2011

Tax Classification	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales Tax										
City	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	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	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	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	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%
	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	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	7.2%	8.2%	8.2%
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%
	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	8.2%	9.2%	9.2%
	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 buildin 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] Effective January 1 of the fiscal year cited, the previous fiscal year's rate was in effect from July 1 through December 31. For FY 2011, from July 1 through December 31, 2010 the rates were 3.928 % and 3.4985%.

[c] Rates apply to the tax year (previous calendar year) and the tax is due April 15th in the fiscal year cited.

[d] Rates apply to the tax year (current calendar year) and the tax is due March 31st in the fiscal year cited.

[e] 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.

[f] 60% of the Net Income portion of the Business Privilege Tax is allowed to be credited against the Net Profits Tax

Principal Wage and Earnings Tax Remitters [1]
Current Calendar Year and Nine Years Ago

Amounts in millions of USD

Remittance Range	2010 # of Remitters (Employers)	2010 Total Amount Remitted	2010 Percentage of Total Remitted	2001 # of Remitters (Employers)	2001 Total Amount Remitted	2001 Percentage of Total Remitted
Greater then $10 million	16	$384.9	26.45%	12	$273.7	21.53%
Between $1 million & $10 million	155	365.7	25.13%	130	320.4	25.21%
Between $100,000 & $1 million	1,473	375.8	25.83%	1,355	348.7	27.43%
Between $10,000 & $100,000	8,269	244.1	16.78%	8,268	244.7	19.25%
Less then $10,000	36,834	84.6	5.81%	36,427	83.5	6.58%
Total	46,747	$1,455.0	100.00%	46,192	$1,271.0	100.00%

[1] Wage & Earnings information for individual remitters is confidential

City of Philadelphia — Table 9

Assessed Value and Estimated Value of Taxable Property
For the Calendar Years 2002 through 2011

Amounts in millions of USD

Calendar Year of Levy [1]	Assessed Value [3]	Less: Tax-Exempt Property [2, 3]	Total Taxable Assessed Value	Total Direct Tax Rate [4]	STEB Ratio [5]	Estimated Actual Taxable Value (STEB)	Sales Ratio [6]	Estimated Actual Taxable Value (Sales)
2002	13,762	3,603	10,159	3.745%	30.33%	33,495	25.18%	40,346
2003	14,326	3,705	10,621	3.474%	30.12%	35,262	22.58%	47,037
2004	14,813	3,867	10,946	3.474%	30.02%	36,462	24.21%	45,213
2005	15,072	4,040	11,032	3.474%	29.70%	37,145	23.73%	46,490
2006	15,803	4,372	11,431	3.474%	29.69%	38,501	17.42%	65,620
2007	16,243	4,628	11,615	3.474%	29.24%	39,723	17.94%	64,744
2008	16,974	4,799	12,175	3.305%	29.22%	41,667	16.44%	74,057
2009	17,352	5,146	12,206	3.305%	28.86%	42,294	24.64%	49,537
2010	17,615	5,339	12,276	3.305%	28.46%	43,134	13.35%	91,955
2011	17,940	5,593	12,347	3.305%	26.73%	46,192	NA	NA

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due 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 #5020-205 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: Board of Revison of Taxes

[4] per $1,000.00 of assessed value

[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 Board of Revision of Taxes based on sales of property during the year.

Principal Property Tax Payers
Current Year and Nine Years Ago

Amounts in millions of USD

Taxpayer	2011 Assessment [1]	2011 Rank	2011 Percentage of Total Assessments	2002 Assessment [1]	2002 Rank	2002 Percentage of Total Assessments
Franklin Mills Associates	57.6	1	0.47	48.1	5	0.47
Phila Liberty Pla E Lp	54.4	2	0.44	64.3	1	0.63
Nine Penn Center Associates	54.1	3	0.44	52.1	3	0.51
Sugarhouse HSP Gaming LP	48.3	4	0.39			
HUB Properties Trust	43.8	5	0.35	59.5	2	0.59
Brandywine Operating Part (Bell Atlantic)	40.6	6	0.33	43.3	6	0.43
PRU 1901 Market LLC	35.2	7	0.29	32.9	7	0.32
Maguire/Thomas	33.9	8	0.27	32.0	9	0.32
Commerce Square Partners	33.3	9	0.27	32.3	8	0.32
Phila Shipyard Development Corp	30.3	10	0.25			-
Philadelphia Market Street			-	30.4	10	0.30
Two Liberty Place	-		-	51.8	4	0.51
	431.5		3.49	446.7		4.40
Total Taxable Assessments	12,347.1		100.00	10,158.6		100.00

[1] Source: Board of Revison of Taxes

Real Property Taxes Levied and Collected
For the Calendar Years 2002 through 2011

Amounts in millions of USD

Calendar Year of Levy [1]	Taxes Levied for the Year	Collected within the Year of the Levy: Amount	Collected within the Year of the Levy: Percentage of Levy	Collected in Subsequent Years	Total Collections to Date: Amount [2]	Total Collections to Date: Percentage of Levy
2002	368.2	340.4	92.4%	26.4	366.8	99.6%
2003	359.4	326.8	90.9%	27.2	354.0	98.5%
2004	372.5	340.9	91.5%	25.9	366.8	98.5%
2005	373.5	350.3	93.8%	21.6	371.9	99.6%
2006	385.6	339.6	88.1%	22.3	361.9	93.9%
2007	391.7	347.5	88.7%	22.3	369.8	94.4%
2008	390.2	346.4	88.8%	22.6	369.0	94.6%
2009	396.5	315.4	79.6%	37.9	353.3	89.1%
2010	405.8	353.7	87.2%	23.0	376.7	92.8%
2011	509.1	440.9 [3]	86.6%	n/a	440.9	86.6%

[1] Real property tax bills are sent out in November and are payable at one percent (1%) discount until February 28th, otherwise the face amount is due by March 31 without penalty or interest.

[2] Includes collections through June 30, 2011

[3] Includes collections through June 30, 2011. It is estimated that approximately 91% of the amount levied for 2011 will be collected within the year of levy.

City of Philadelphia

Table 12

Ratios of Outstanding Debt by Type
For the Fiscal Years 2002 through 2011

Amounts in millions of USD (except per capita)

	Governmental Activities								Business-Type Activities						
Fiscal Year	General Obligation Bonds	Pension Service Agreement	Neighborhood Transformation Initiative	One Parkway Agreement	Sports Stadia Agreement	Central Library Project	Cultural & Commercial Corridor	Total Governmental Activities	General Obligation Bonds	Water Revenue Bonds	Airport Revenue Bonds	Total Business-Type Activities	Total Primary Government	% of Personal Income [1]	Per Capita
2002	2,009.5	1,386.6	142.6	55.8	346.8	-	-	3,941.3	19.2	1,722.2	1,123.0	2,864.4	6,805.7	0.2	4,543.2
2003	1,903.3	1,394.6	139.2	54.7	342.0	-	-	3,833.8	15.5	1,670.8	1,104.8	2,791.1	6,624.9	0.2	4,434.3
2004	2,047.1	1,416.4	146.5	53.5	341.9	-	-	4,005.4	11.6	1,614.7	1,073.1	2,699.4	6,704.8	0.2	4,490.8
2005	1,950.8	1,429.7	285.3	52.2	341.1	-	-	4,059.1	8.1	1,815.4	1,077.4	2,900.9	6,960.0	0.2	4,668.0
2006	1,863.8	1,439.2	279.8	50.9	339.6	10.1	-	3,983.4	7.0	1,747.3	1,168.8	2,923.1	6,906.5	0.2	4,638.4
2007	1,993.7	1,444.9	273.9	49.6	334.0	9.7	139.6	4,245.4	5.8	1,674.3	1,141.0	2,821.1	7,066.5	0.1	4,733.1
2008	1,899.1	1,446.6	267.8	47.7	328.8	9.3	136.6	4,135.9	4.6	1,590.0	1,282.2	2,876.8	7,012.7	0.1	4,678.3
2009	2,093.8	1,443.8	261.5	46.3	323.6	8.9	133.3	4,311.2	3.4	1,648.7	1,250.4	2,902.5	7,213.7	0.1	4,761.5
2010	2,085.1	1,428.3	254.8	44.9	319.6	8.5	129.9	4,271.1	2.2	1,574.9	1,213.9	2,791.0	7,062.1	0.1	4,621.8
2011	2,135.0	1,407.3	247.8	43.4	314.9	8.1	126.4	4,282.9	1.0	1,738.2	1,450.8	3,190.0	7,472.9	0.1	4,890.6

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Table 17 for Personal Income and Population Amounts

City of Philadelphia

Table 13

Ratios of General Bonded Debt Outstanding
For the Fiscal Years 2002 through 2011

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]
2002	2,009.5	10,158.6	30.33%	33,493.6	6.00%	1,330.31
2003	1,903.3	10,621.1	30.12%	35,262.6	5.40%	1,260.41
2004	2,047.1	10,945.9	30.02%	36,462.0	5.61%	1,351.53
2005	1,950.8	11,031.8	29.70%	37,144.1	5.25%	1,285.43
2006	1,863.8	11,430.6	29.69%	38,499.8	4.84%	1,225.98
2007	1,993.7	11,615.0	29.24%	39,723.0	5.02%	1,303.05
2008	1,899.1	12,175.2	29.22%	41,667.4	4.56%	1,232.90
2009	2,093.8	12,205.6	28.86%	42,292.4	4.95%	1,353.20
2010	2,085.1	12,276.3	28.46%	43,135.3	4.83%	1,364.32
2011	2,135.0	12,347.1	26.73%	46,191.9	4.62%	1,365.09

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

[1] Source: Board of Revison of Taxes

[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

Table 14

Direct and Overlapping Governmental Activities Debt

June 30, 2011

Amounts in millions of USD

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Governmental Unit			
School District of Philadelphia	2,866.3	100.00%	2,866.3
[1] **City Direct Debt**			4,282.9
Total Direct and Overlapping Debt			7,149.2

Note:

Overlapping governments are those that coincide, in least in part, with the geographic boundries of the City. The outstanding debt of the School District of Philadelphia is supported by property taxes levied on properties within the City boundries. 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 2002 through 2011

Table 15

Amounts in Millions of USD

Legal Debt Margin Calculation for FY2011

[1]	Assessed Value	11,643.9
[2]	Debt Limit	1,571.9
[3]	Debt Applicable to Limit:	
	Tax Supported General Obligation Debt:	
	Issued & Outstanding	1,367.9
	Authorized but Unissued	106.7
	Total	1,474.6
	Less: Amount set aside for repayment of general obligation debt	-
	Total Net Debt Applicable to Limit	1,474.6
	Legal Debt Margin	97.3

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	1,253.2	1,261.3	1,280.3	1,304.8	1,335.6	1,374.7	1,418.0	1,469.4	1,523.4	1,571.9
Total Net Debt Applicable to Limit	1,163.6	1,202.2	1,159.1	1,205.5	1,185.8	1,293.4	1,329.3	1,352.3	1,407.0	1,474.6
Legal Debt Margin	89.6	59.1	121.2	99.3	149.8	81.3	88.7	117.1	116.4	97.3
Total Net Debt Applicable to the Limit as a Percent of Total Debt	92.85%	95.31%	90.53%	92.39%	88.78%	94.09%	93.74%	92.03%	92.36%	93.81%

[1] Average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[2] Thirteen and one-half percent (13.5%) of the average of the annual assessed valuation of taxable realty during the ten year period immediately preceding.
[3] Refer to Purdon's Statutes 53 P.S. Section 15721

City of Philadelphia **Table 16**
Pledged-Revenue Coverage
For the Fiscal Years 2002 through 2011
Amounts in millions of USD

No.		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Water and Sewer Revenue Bonds										
1	Total Revenue and Beginning Fund Balance	390.8	454.2	421.6	463.5	504.0	536.2	597.8	527.5	566.7	589.7
2	Net Operating Expenses	242.9	250.2	262.0	277.7	284.2	303.2	334.7	342.6	334.0	357.7
3	Transfer To (From) Rate Stabilization Fund	(26.3)	16.8	(28.8)	(0.6)	21.6	26.0	(9.8)	(34.7)	(2.7)	10.9
4	Net Revenues	174.2	187.2	188.4	186.4	198.2	207.0	272.9	219.6	235.4	221.1
	Debt Service:										
5	Revenue Bonds Outstanding	145.2	156.1	157.0	155.4	165.2	172.7	173.8	183.0	195.7	184.3
6	General Obligation Bonds Outstanding	0.6	-	-	-	-	-	-	-		
7	Pennvest Loan	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
8	Total Debt Service	147.4	157.3	158.2	156.6	166.4	173.9	175.0	184.2	196.9	185.5
9	Net Revenue after Debt Service	26.8	29.9	30.2	29.8	31.8	33.1	97.9	35.4	38.5	35.6
10	Transfer to General Fund	4.1	4.1	-	4.4	5.0	5.0	5.0	4.2	2.3	-
11	Transfer to Capital Fund	16.1	16.0	16.4	16.7	16.9	16.9	16.9	17.1	17.3	18.1
12	Transfer to Residual Fund	6.6	9.8	13.8	8.7	9.9	11.2	76.0	14.1	18.9	17.5
13	Ending Fund Balance	-	-	-	-	-	-	-	-	-	-
	Debt Service Coverage:										
	Coverage A (Line 4/Line 5)	1.20	1.20	1.20	1.20	1.20	1.20	1.57	1.20	1.20	1.20
	Coverage B (Line 4/(Line 8 + Line 11))	1.07	1.08	1.08	1.08	1.08	1.08	1.42	1.09	1.10	1.09
	Airport Revenue Bonds										
1	Fund Balance	-	-	-	-	-	10.2	42.6	61.4	55.1	77.6
2	Project Revenues	146.5	168.4	183.3	185.1	200.8	211.3	250.5	255.3	246.9	260.8
3	Passenger Facility Charges	16.8	31.2	32.8	32.9	32.6	32.9	32.9	32.9	33.1	32.4
4	Total Fund Balance and Revenue	163.3	199.6	216.1	218.0	233.4	254.4	326.0	349.6	335.1	370.8
5	Net Operating Expenses	56.3	67.0	71.9	71.3	77.2	87.1	99.8	99.5	102.9	98.1
6	Interdepartmental Charges	39.7	46.1	52.2	57.6	57.9	70.6	89.1	89.0	80.7	88.6
7	Total Expenses	96.0	113.1	124.1	128.9	135.1	157.7	188.9	188.5	183.6	186.7
	Available for Debt Service:										
8	Revenue Bonds (Line 4-Line 5)	107.0	132.6	144.2	146.7	156.2	167.3	226.2	250.1	232.2	272.7
9	All Bonds (Line 4-Line 7)	67.3	86.5	92.0	89.1	98.3	96.7	137.1	161.1	151.5	184.1
	Debt Service:										
10	Revenue Bonds	64.1	83.2	89.7	88.1	88.1	85.5	84.4	95.6	94.3	102.4
11	General Obligation Bonds	2.0	1.4	1.0	1.1	-	-	-	-	-	-
12	Total Debt Service	66.1	84.6	90.7	89.2	88.1	85.5	84.4	95.6	94.3	102.4
	Debt Service Coverage:										
	Revenue Bonds Only - Test "A" (Line 8/Line 10)	1.67	1.59	1.61	1.67	1.77	1.96	2.68	2.62	2.46	2.66
	Total Debt Service - Test "B" (Line 9/Line 12)	1.02	1.02	1.01	1.00	1.12	1.13	1.62	1.69	1.61	1.80

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 FY2008 Airport Revenues and Expenses were reduced by amounts applicable to the Outside Terminal Area and the Overseas Terminal as prescribed by the indenture.

City of Philadelphia

Table 17

Demographic and Economic Statistics

For the Calendar Years 2001 through 2010

Calendar Year	Population [1]	Personal Income [2] (thousands of USD)	Per Capita Personal Income (USD)	Unemployment Rate [3]
2001	1,512,507	38,709,099	25,593	6.1%
2002	1,510,550	40,731,865	26,965	7.3%
2003	1,510,068	42,198,628	27,945	7.5%
2004	1,514,658	43,463,015	28,695	7.3%
2005	1,517,628	44,944,207	29,615	6.7%
2006	1,520,251	47,566,075	31,288	6.2%
2007	1,530,031	50,672,227	33,118	6.0%
2008	1,540,351	53,689,351	34,855	7.1%
2009	1,547,297	54,125,507	34,981	9.8%
2010	1,528,306	54,565,206 [4]	35,703	10.9%

[1] US Census Bureau

[2] US Department of Commerce, Bureau of Economic Analysis

[3] US Department of Labor, Bureau of Labor Statistics

[4] Estimated using the rate of growth for the previous year

City of Philadelphia

Table 18

Principal Employers

Current Calendar Year and Nine Years Ago

Listed Alphabetically

2011	2002
Albert Einstein Medical	Albert Einstein Medical
Children's Hospital of Philadelphia	City of Philadelphia
City of Philadelphia	First Union Services, Inc.
Comcast Corporation	School District of Philadelphia
Hospital of the University of Pennsylvania	SEPTA
School District of Philadelphia	Temple University
SEPTA	Tenet Healthsystem
Temple University	United States Postal Service
Thomas Jefferson University Hospitals	University Of Pennsylvania
University Of Pennsylvania	Verizon Corporation

City of Philadelphia
Full Time Employees by Function
For the Fiscal Years 2005 through 2011

Table 19

	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Economic Development	6	6	6	6	23	25	27
Transportation:							
Streets & Highways	564	579	585	584	568	515	499
Mass Transit	1	1	1	1	8	7	9
Judiciary and Law Enforcement:							
Police	7,578	7,522	7,639	7,754	7,685	7,503	7,439
Prisons	2,227	2,228	2,183	2,153	2,309	2,268	2,173
Courts	3,450	3,403	3,361	3,386	3,310	3,215	3,225
Conservation of Health:							
Emergency Medical Services	289	255	249	237	256	329	341
Health Services	1,163	1,133	1,148	1,140	1,163	1,135	1,139
Housing and Neighborhood Development	105	97	111	108	99	96	94
Cultural and Recreational:							
Recreation	511	495	482	483	462	453	601
Parks	182	158	156	156	152	158	1
Libraries and Museums	726	812	816	808	723	687	682
Improvements to General Welfare:							
Social Services	2,196	2,140	2,164	2,232	2,107	2,079	1,989
Inspections and Demolitions	380	248	243	246	221	223	214
Service to Property:							
Sanitation	1,233	1,272	1,229	1,239	1,169	1,157	1,185
Fire	1,925	1,974	2,109	2,052	2,019	1,820	1,838
General Management and Support	2,253	2,347	2,331	2,414	2,393	2,276	2,225
Total Governmental Activities	24,789	24,670	24,813	24,999	24,667	23,946	23,681
Business Type Activities:							
Water and Sewer	2,326	2,239	2,229	2,291	2,256	2,196	2,116
Aviation	967	1,004	1,010	1,057	1,033	1,001	1,010
Total Business-Type Activities	3,293	3,243	3,239	3,348	3,289	3,197	3,126
Fiduciary Activities:							
Pension Trust	64	65	65	59	69	66	65
Total Primary Government	28,146	27,978	28,117	28,406	28,025	27,209	26,872

City of Philadelphia
Operating Indicators by Function
For the Fiscal Years 2002 through 2011

Table 20

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:										
Transportation:										
Streets & Highways										
Street Resurfacing (miles)	134	93	117	105	102	107	74	119	69	36
Potholes Repaired	11,593	24,182	23,179	20,862	18,203	12,721	12,326	11,976	23,049	24,406
Judiciary and Law Enforcement:										
Police										
Arrests	77,701	66,083	68,486	67,795	69,166	73,606	75,805	68,922	64,465	73,310
Calls to 911	3,319,936	3,269,276	3,290,786	3,270,114	3,321,896	3,398,985	3,164,454	3,084,261	3,064,973	2,949,231
Prisons										
Average Inmate Population	7,637	7,631	7,738	8,141	8,613	8,796	9,133	9,554	8,806	7,935
Inmate Beds (city owned)	7,382	7,382	8,283	8,405	8,605	8,443	9,005	9,137	9,137	8,200
Conservation of Health:										
Emergency Medical Services										
Medic Unit Runs	NA	NA	NA	NA	209,654	216,606	215,305	217,505	222,882	227,147
First Responder Runs	NA	NA	NA	NA	69,740	68,203	60,756	53,610	54,960	66,763
Health										
Patient Visits	342,742	320,833	317,184	337,770	324,014	323,121	334,139	349,078	350,695	339,032
Children Screened for Lead Poisoning	39,629	39,293	37,863	38,013	43,038	43,501	41,590	50,525	47,713	45,844
Cultural and Recreational:										
Parks										
Athletic Field Permits Issued	NA	NA	NA	NA	2,878	2,227	1,389	1,420	1,388	2,714
Libraries										
Items borrowed	7,024,391	7,056,608	6,963,935	6,294,315	6,188,637	6,328,706	7,037,694	7,419,466	6,530,662	7,210,217
Visitors to all libraries	6,226,316	6,440,990	6,216,973	5,517,569	6,103,354	6,422,857	6,648,998	6,396,633	5,615,201	6,103,528
Visitors to library website	970,970	1,353,626	1,661,794	2,044,518	2,594,527	3,285,380	4,912,405	4,613,496	5,256,928	6,131,726
Improvements to General Welfare:										
Social Services										
Children Receiving Services	NA	26,388	28,039	28,926	28,086	28,898	25,893	35,685	31,416	28,572
Children in Placement	NA	9,190	9,037	8,548	7,999	8,070	7,739	7,993	8,792	7,122
Emergency Shelter Beds (average)	2,011	2,109	2,412	2,539	2,781	2,677	2,747	2,689	2,617	2,520
Transitional Housing Units (new placements)	615	458	489	597	448	543	435	476	487	510
Service to Property:										
Sanitation										
Refuse Collected (tons per day)	2,929	2,894	3,006	3,008	3,006	2,922	2,798	2,532	2,412	2,254
Recyclables Collected (tons per day)	149	175	169	157	155	179	197	288	381	441
Fire										
Fires Handled	NA	NA	NA	NA	9,523	8,080	7,444	6,850	4,927	7,945
Fire Marshall Investigations	NA	NA	NA	NA	2,734	3,153	3,097	3,031	2,726	2,711
Business Type Activities:										
Water and Sewer										
New Connections	83	110	106	137	207	125	295	281	704	121
Water Main Breaks	497	988	794	706	660	825	687	802	646	954
Avg. Daily Treated Water Delivered (x 1000 gallons)	178,000	183,700	175,600	174,100	175,800	169,400	167,000	163,660	242,900	250,000
Peak Daily Treated Water Delivered (x 1000 gallons)	200,300	208,600	201,700	210,000	207,400	179,100	170,500	167,090	272,200	282,000
Avg. Daily Water Sewage Treatment (x 1000 gallons)	409,230	478,130	476,110	478,670	430,170	463,080	411,830	417,330	468,200	410,000
[1] **Aviation**										
Passengers Handled (PIA)	24,030,686	24,232,804	26,190,976	31,074,454	31,341,459	31,885,333	32,287,035	30,819,348	30,469,899	31,225,470
Air Cargo Tons (PIA)	544,875	565,653	568,898	599,758	591,815	571,452	575,640	475,365	440,495	449,683
Aircraft Movements (PIA and NPA)	590,563	654,758	584,214	629,885	625,692	614,720	593,757	551,191	543,462	458,832

[1] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo

City of Philadelphia
Capital Assets Statistics by Function
For the Fiscal Years 2002 through 2011

Table 21

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:										
Transportation:										
Streets & Highways										
[1] Total Miles of Streets	2,400	2,400	2,400	2,400	2,400	2,575	2,575	2,575	2,575	2,575
Streetlights	100,612	101,224	101,836	102,000	102,219	102,840	102,949	103,982	104,219	104,219
Judiciary and Law Enforcement:										
Police										
Stations and Other Facilities	33	33	33	33	33	34	36	35	35	31
Prisons										
Major Correctional Facilities	5	5	6	6	6	6	6	6	6	6
Conservation of Health:										
Health Services										
Health Care Centers	9	9	9	9	9	9	9	9	9	9
Cultural and Recreational:										
Recreation										
Recreation Centers	NA	164	164	165	165	171	171	171	171	153
[2] Athletic Venues	NA	1,121	1,121	1,121	1,117	1,117	919	915	914	1,148
[4] Neighborhood Parks and Squares	NA	232	232	232	232	232	79	79	79	-
Parks										
Parks	NA	62	62	62	62	63	63	63	63	150
Baseball/Softball Fields	NA	106	106	106	106	109	77	79	79	407
Libraries										
Branch & Regional Libraries	55	55	54	53	54	54	54	54	54	54
Service to Property:										
Fire										
Stations and Other Facilities	63	63	63	63	64	64	64	63	63	63
Business Type Activities:										
Water and Sewer:										
Water System Piping (miles)	3,168	3,169	3,169	3,169	3,169	3,133	3,137	3,145	3,236	3,164
Fire Hydrants	27,836	27,846	27,987	26,080	26,080	25,195	25,181	25,208	25,234	25,353
Treated Water Storage Capacity (x 1000 gallons)	1,067,200	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,500	1,065,400	1,065,400
Sanitary Sewers (miles)	594	595	596	596	596	768	750	749	751	758
Stormwater Conduits (miles)	622	622	623	623	623	784	713	720	721	731
Sewage Treatment Capacity (x 1000 gallons)	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000	1,044,000
[3] **Aviation**										
Passenger Gates (PIA)	103	120	120	120	120	120	120	120	120	126
Terminal Buildings (square footage) (PIA)	1,563,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	2,415,000	3,144,000	3,144,000
Runways (length in feet) (PIA & NPA)	42,460	42,460	42,460	42,460	42,460	42,460	42,460	43,500	43,500	43,500

[1] Street System-83% city streets, 2% park streets, 15% state highways

[2] Includes baseball fields, football/soccer fields, tennis, basketball and hockey courts, skating rinks and indoor and outdoor pools

[3] PIA (Philadelphia International Airport)-passenger aircraft and cargo. NPA (Northeast Philadelphia Airport)-private aircraft and cargo.

[4] FPC and Recreation Dept were merged in FY2011, hence the category of Neighborhood Parks and Squares was eliminated.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AND THE SERVICE AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE SERVICE AGREEMENT

The following are summaries of certain provisions of the Indenture and the Service Agreement. These summaries should not be regarded as complete statements of the legal documents themselves or of the portions summarized.

For the complete, definitive provisions of the Indenture and the Service Agreement, reference should be made to those documents in their entireties, copies of which are available from the Authority and, prior to closing on the 2012 Bonds, at the offices of Janney Montgomery Scott, 1801 Market Street, Philadelphia, Pennsylvania, Attention: John B. Kelly, Managing Director, and the Trustee after closing as set forth under "INTRODUCTION — Miscellaneous" in this Official Statement.

Words and terms used in this Summary are as defined in the Indenture and the Service Agreement and shall have the same meanings when used herein as ascribed thereto in such documents, except as otherwise defined in this Official Statement.

Definitions

The following definitions apply to the summaries of the Indenture and the Service Agreement hereinafter set forth, and to terms not otherwise defined in the Official Statement.

“Additional Bonds” shall mean Bonds other than the 2012 Bonds, issued pursuant to Section 2.11 of the Indenture.

“Administrative Expenses” shall mean those expenses incurred by the Authority which are properly chargeable as administrative expenses necessary for the Energy Conservation Project or any other Capital Addition or in connection with the Service Agreement or the Indenture and any transaction or event contemplated by the Service Agreement or the Indenture and include, without limiting the generality of the foregoing, the following: (a) fees and expenses of the Trustee and any Paying Agent under the Indenture and Rating Agency fees; (b) fees and expenses of the Authority’s professional advisors required by the Indenture or the Service Agreement or reasonably necessary and fairly attributable to the Energy Conservation Project or any other Capital Addition and/or the Project Premises, including, without limiting the generality of the foregoing, fees and expenses of the Authority’s Consulting Engineer, Consultants, Certified Public Accountant and Counsel; (c) costs of preliminary studies, surveys, planning, testing and design works; (d) fees and expenses of engineers, architects, financial advisors, attorneys and other experts engaged in connection with the Energy Conservation Project; (e) financing costs including interest on money borrowed to finance the Energy Conservation Project, if capitalized; (f) fees and expenses related to temporary loans in connection with the Energy Conservation Project; (g) any up front, periodic or termination payments or any collateral due to a counterparty under any qualified interest rate management agreement (upon authorization by ordinance of City Council) or due to the provider of a Credit Facility; (h) costs and premiums for insurance policies and renewals thereof; and (i) all rebate payments required to be made to the United States Treasury by the Authority pursuant to the Code and Section 7.16 of the Indenture.

"Authorized City Officer" shall mean the Director of Finance or the Treasurer of the City.

"Authority's Board" shall mean the governing body of the Authority.

"Bond" or "Bonds" shall mean the 2012 Bonds and with any Additional Bonds authenticated and delivered under the Indenture. Unless otherwise set forth in any pertinent Supplemental Indenture each "Bond" shall bear interest at a fixed rate.

"Bond Fund" shall mean the fund so designated which is established pursuant to Section 5.02 of the Indenture.

"Bondholder" or "holder of Bonds" or "Holder" or "holder" shall mean the Registered Owner of a 2012 Bond.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Trustee or any Paying Agent is authorized or required by law or executive order to remain closed.

"Capital Additions" shall mean personal property of any kind and any and all additions and improvements to the Project Premises acquired or constructed by the Authority or the City which have been approved by ordinance of City Council, which are used in or useful to the functioning of the ECMs, and which are subject to the Guaranteed Energy Savings Contract and the Costs of which are properly chargeable to plant or property account under Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing, land, easements, rights of way, leaseholds, other interests in real property, replacements of property retired, and permanent additions and betterments. Capital Additions shall include the Energy Conservation Project.

"Certified Public Accountant" shall mean a Person who shall be Independent, appointed by the City or the Authority, as the case may be, actively engaged in the business of public accounting and duly certified as a certified public accountant under the laws of the Commonwealth.

"Certified Resolution of the Authority" shall mean a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Authority, under its seal, to have been duly adopted by the Authority's Board and to be in effect on the date of such certification.

"City Council" shall mean the Council of the City of Philadelphia.

"Code" shall mean the Internal Revenue Code of 1986, and the regulations applicable thereunder.

"Construction Contracts" shall mean construction contracts and other agreements with third parties for any acquisition, installation, equipping, construction, renovations and conversions relating to the Energy Conservation Project or any Capital Additions based upon the plans and specifications submitted by the City to the Authority.

"Construction Fund" shall mean the fund so designated which is established pursuant to Section 4.01 of the Indenture.

"Consultant" shall mean an Independent Person who has been appointed in accordance with and for the purposes contemplated by the provisions of the Indenture or the Service Agreement, other than a Consulting Engineer.

"Consulting Engineer" shall mean an engineer or architect (or firm or corporation thereof) registered in the Commonwealth, or another state to the extent permitted by law, and qualified to pass upon construction questions, who has been appointed by the City or the Authority, as the case may be, and not unsatisfactory to the other party or the Trustee and who is, in fact, Independent.

"Consulting Engineer's Certificate" shall mean a certificate or a report executed by a Consulting Engineer.

"Cost" or "Costs," in connection with the Energy Conservation Project or any other Capital Additions, shall mean all costs, charges and expenses which are properly chargeable thereto or which are incidental to the financing, acquisition and construction of the Energy Conservation Project or any other Capital Additions, including, without limiting the generality of the foregoing:

A. Amounts payable to contractors and costs incident to the award of contracts;

B. Cost of labor, facilities and services furnished by the Authority, the City and their employees or others, materials and supplies purchased by the City or the Authority or others and permits and licenses obtained by the Authority, the City or others;

C. Engineering, architectural, legal, accounting and other professional and advisory fees;

D. Premiums for contract performance bonds and insurance during construction and costs incurred on account of personal injuries and property damage in the course of construction and insurance against same;

E. Interest during construction;

F. Administrative Expenses during construction;

G. Printing, engraving, underwriting costs and other expenses of financing;

H. Costs, fees and expenses in connection with the acquisition or rental of real and personal property or rights therein;

I. Cost of equipment purchased by the Authority or the City and necessary to the completion and proper operation of the Energy Conservation Project or any other Capital Additions or property in question;

J. Amounts required to repay temporary or bond anticipation loans or advances from other funds of the City made to finance the costs of the Energy Conservation Project or any other Capital Additions or required to be paid upon termination of any qualified interest rate management agreement (upon authorization by ordinance of City Council).

K. Cost of prior site improvements incurred by the City in anticipation of the Energy Conservation Project or any other Capital Additions;

L. Moneys necessary to fund the Funds created under the Indenture; and

In the case of projects for refunding or redeeming any Bonds, "Cost" or "Costs" includes, without limiting the generality of the foregoing, the items listed in C and G above, advertising and other expenses related to the redemption of the Bonds to be redeemed and the Redemption Price of such Bonds (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid under the Indenture, such payment may be made by way of reimbursement to the Authority, the City or others who have paid the same.

"Counsel" shall mean an attorney-at-law or law firm (who may be the City Solicitor or other counsel for the City or for the Authority) not unsatisfactory to the Trustee.

"Credit Facility" shall mean any letter of credit, line of credit, guaranty or other agreement constituting a credit enhancement or liquidity facility for a series of Bonds.

"Debt Service Requirements on the Bonds" shall mean, with respect to any Fiscal Year, the sum of amounts required to be set aside in such Fiscal Year for payment of interest, at a fixed or a maximum rate specified in the Bonds, on and principal of Bonds under consideration and amounts required to be deposited in such Fiscal Year to the credit of any sinking, purchase, redemption or analogous fund established for such Bonds; provided, however, that "Debt Service Requirements on the Bonds," with respect to any Fiscal Year, for a series of Bonds for which there shall have been established a sinking, purchase, redemption or analogous fund shall be determined after projecting operation of such fund to retirement of Bonds of such series to the extent that the same shall be required to be retired and giving effect to reduction in interest or principal, as applicable, payments to be made with respect to such Bonds by reason of such retirement.

"Director of Finance" shall mean the Director of Finance of the City.

"ECM" shall mean an "Energy Conservation Measure", as described in the Guaranteed Energy Savings Contract.

"Energy Conservation Project" shall mean (i) the evaluation and implementation of energy conservation and efficiency measures designed to reduce energy, water, wastewater or other consumption or operating costs including, without limitation, the power to evaluate, design, install, finance, own, operate, maintain and lease (in the capacity of either lessor or lessee) related facilities, structures, fixtures, improvements, systems or technologies, and the power to provide related services at four (4) properties owned or leased, and operated, by the City, located, respectively, at (1) Broad Street & Market Street, Philadelphia, PA 19107 ("City Hall"), (2) 1301 Filbert Street, Philadelphia, PA 19107 (the "Criminal Justice Center"), (3) 1401 JFK Boulevard, Philadelphia, PA 19102 (the "Municipal Services Building"), and (4) 1515 Arch Street, Philadelphia, PA 19102 ("One Parkway Building"; together with City Hall, the Criminal Justice Center and the Municipal Services Building, collectively, the "Project Premises"), and (ii) Paying the costs of issuance for the 2012 Bonds

"Event of Default" shall mean any of the events described in Section 8.01 of the Indenture.

"Extension Period Expiration Date" shall mean the date of termination of any period of time agreed to in writing by the Internal Revenue Service that extends the date by which the proceeds of sale of the 2012 Series B Bonds (as hereinafter defined) allocated to any component of the 2012 Series B Project or any other Qualified Conservation Purpose (as hereinafter defined) must be expended.

"Extraordinary Event" shall mean (i) any determination by the City that a material adverse change has occurred with respect to 2012 Series B Bonds, to Section 54A, 54D or 6431 of the Code, or any other applicable Section of the Code, or (ii) there is any guidance published by the Internal Revenue Service or the United States Treasury Department with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury Department, pursuant to which Direct Payments from the Treasury with respect to the Series B Bonds to be redeemed are reduced, eliminated or adversely adjusted.

"Federal Tax Certificate" shall mean the Tax Compliance Agreement as to compliance with the provisions of Sections 103, 141-150, 54A, 54D and 6431 of the Code, including without limitation the arbitrage provisions of section 148 of the Code, executed by the Authority and the City in connection with the issuance of the Bonds.

"Fiduciary" shall mean the Trustee or any Paying Agent.

"Fiscal Year" shall mean the period of twelve months beginning July 1 of each year.

"Generally Accepted Accounting Principles" shall mean those accounting principles applicable in the preparation of financial statements of municipality authorities as promulgated by the Governmental Accounting Standards Board or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body.

"Government Obligations" shall mean direct noncallable obligations of, or obligations the timely payment of principal of and interest on which when due has been guaranteed by, the United States of America.

"Green Community Project" shall mean the portions of the Energy Conservation Project, including portions of both the Series A Project and the Series B Project comprised of the installation of plumbing fixtures, and related equipment as set forth in Schedule A to the Guaranteed Energy Savings Contract under the heading "ECM3 – Water Conservation."

“Independent” shall mean a Person: (A) who is not a member of the Authority’s Board; (B) who is not an officer or employee of the Authority or the City; or (C) which is not a partnership, corporation or association having a partner, director, officer, or member who is a member of the Authority’s Board, or an officer or employee of the Authority or the City; provided, however, that the fact that such Person is retained regularly by or transacts business with the Authority or the City shall not make such Person an employee within the meaning of this definition.

“Interest Payment Date” shall mean with respect to the 2012 Bonds, each March 15 and September 15 commencing September 15, 2012, and, with respect to any other Bonds, the dates designated as such in the Supplemental Indenture pursuant to which such Bonds shall be issued.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(a) Government Obligations;

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; bonds or notes of the U.S. Maritime Administration guaranteed under Title XI of the United States Code; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, “Agency Obligations”);

(c) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated “A3’ or better by Moody’s and “A-” or better by S&P or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated “A3” or better by Moody’s and “A-” or better by S&P;

(d) commercial paper rated at the time of investment “Prime-1” by Moody’s and “A-1” or better by S&P;

(e) Senior debt obligations rated “A3” or better by Moody’s and “A-” or better by S&P;

(f) deposits or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received by the Trustee to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which:

(i) has an unsecured, uninsured and unguaranteed obligation rated “Prime-l” or “A3” or better by Moody’s and “A-1” or “A-” or better by S&P, or

(ii) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (i) above;

(g) deposits of any bank or savings and loan association, including any affiliate of the Trustee, which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are fully insured by the Federal Deposit Insurance Corporation;

(h) investments in a money-market fund rated “Am” or “Am-G;’ or better by S&P;

(i) repurchase agreements collateralized by Government Obligations or Agency Obligations with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank, including any affiliate of the Trustee, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated “Prime-l” or “A3” or better by Moody’s and “A-1” or “A-” or better by S&P, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting as agent for the Trustee, and such third party is (a) a Federal Reserve Bank or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of 30 days or less, or the Trustee or an independent third party acting as agent for the Trustee will value the collateral securities no less frequently than every 30 days, and if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation will liquidate the collateral securities; and

(v) if the repurchase agreement is for amounts held in the Bond Fund, the repurchase agreement provides for the payment of amounts invested thereunder at least two Business Days prior to the related debt service payment date; and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(j) investment agreements with a bank, including any affiliate of the Trustee, or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated “A3” or better by Moody’s and “A-3” or better by S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided:

(i) interest is paid at least semiannually at a fixed rate during the entire term of the agreement, consistent with Interest Payment Dates;

(ii) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one Business Day's notice (provided, such notice may be amended or cancelled at any time prior to the withdrawal date);

(iii) the agreement is not subordinated to any other obligations of such insurance company or bank;

(iv) the same guaranteed interest rate will be paid on any future deposits made to restore the applicable fund to its required amounts; and

(v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank.

"Moody's" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

"Obligations" shall mean the 2012 Bonds, any Additional Bonds, and any other obligations of the Authority secured by the Indenture, whether on a parity with the 2012 Bonds or subordinate thereto, and incurred in compliance with the terms of the Indenture including, upon authorization by ordinance of City Council, qualified interest rate management agreements, if any.

"Operating Budget" shall mean an operating budget adopted by the City for a Fiscal Year.

"Opinion of Counsel" shall mean a written opinion of counsel (who may be counsel for the Authority) selected by the Authority.

"Outstanding," in connection with Bonds, shall mean as of the time in question, all Bonds which have been authenticated and delivered under the Indenture, except: (a) bonds theretofore cancelled or required to be cancelled under Section 2.10 of the Indenture; (b) bonds for the payment or redemption of which moneys or Government Obligations, the principal of and interest on which when due will provide sufficient moneys to fully pay such Bonds in accordance with the defeasance provisions in Article XII of the Indenture, shall have been or shall concurrently be deposited with the Trustee; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor; and (c) bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Sections 2.07, 2.08 and 2.09 of the Indenture.

“Paying Agent” shall mean any paying agent for the Bonds appointed pursuant to Section 9.19, and its successor or successors or other corporation or association which may at any time be substituted in its place pursuant to the Indenture.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization, a governmental body, any other political subdivision, municipality or municipality authority or any other group or entity.

“Pledged Revenues” shall mean the revenues received or receivable by the Authority from the City or any other Person pursuant to the Service Agreement (except Administrative Expenses and the sums payable in connection with the Authority’s rights with respect to indemnity), and any and all amounts payable to the Authority on account of the Project Premises and all funds and income and receipts on the funds held by the Trustee under the Indenture.

“Principal Office” when used with respect to a Fiduciary shall mean the principal, or principal corporate trust, or head or principal trust, office of such Fiduciary or, when used with respect to the payment or registration of transferor exchange of Bonds, shall refer to the office of such Fiduciary or its agent for such purpose designated by the Fiduciary to the Authority and the City for such purpose.

"Qualified Conservation Purpose" shall mean any of the items denominated as such in Section 54D(f)(1) of the Code.

“Qualified Majority of the Registered Owners” shall mean the Registered Owners of not less than 51% of the principal amount of the Bonds then Outstanding.

“Rating Agency” shall mean each nationally recognized rating service that shall have assigned a rating to any of the Bonds.

“Record Date” shall mean the first day of the month (whether or not a Business Day) in which an Interest Payment Date occurs.

“Redemption Price,” where used with respect to a Bond, shall mean the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

“Registered Owner” or “Owner,” in connection with a Bond, shall mean the Person or Persons in whose name or names the Bond shall be registered on the books of the Authority wherever kept for that purpose in accordance with the Indenture and the Bonds.

“Regulatory Body” shall mean and include (A) the United States of America and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America, (B) the Commonwealth, any political subdivision thereof and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the Commonwealth and (C) any other public or private body, whether federal, state, local or otherwise having or exercising regulatory jurisdiction and authority over the Project Premises, but shall not include the Authority.

“Securities Depository” shall mean The Depository Trust Company, or its nominee, or any successor securities depository approved by the Authority and the City.

"Series" shall mean the 2012 Series A Bonds (as hereinafter defined), the 2012 Series B Bonds (as hereinafter defined), and any series of Additional Bonds designated as such in the pertinent Supplemental Indenture.

"Series A Project" shall mean the portion of the Energy Conservation Project undertaken at City Hall and the Criminal Justice Center.

"Series B Project" shall mean the portion of the Energy Conservation Project undertaken at the Municipal Services Building and One Parkway.

"Sinking Fund Subaccount” or “Sinking Fund Subaccounts” shall mean one or more of the accounts so designated within each Account of the Bond Fund pursuant to Section 5.05 of the Indenture

“Sinking Fund Installment Date” shall mean the date in each of the years in which the Trustee is required to pay at maturity or redeem, as applicable, Bonds of any series from the Sinking Fund Subaccount or Subaccounts of the Bond Fund established for such Series pursuant to the Indenture; and with respect to the 2012 Series B Bonds shall mean March 15 of such years.

“Special Account” shall mean the special account in the Bond Fund to be utilized by the Trustee to pay principal or Redemption Price of and interest on the Bonds or shall be applied as set forth in an indenture supplemental thereto.

“S&P” shall mean Standard & Poor’s Ratings Service, a division of The McGraw Hill Companies, Inc., its successors and their assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, with the approval of the City, by written notice to the Trustee.

“Supplemental Indenture” or “indenture supplemental thereto” shall mean any indenture amending or supplementing the Indenture which may be entered into in accordance with the provisions of the Indenture.

"Supplemental Service Agreement" shall man any agreement amending or supplementing the Service Agreement which may be entered into in accordance with the Service Agreement and the Indenture.

"2012 Series A Bonds" shall mean the Authority's $6,355,000, aggregate principal amount, Tax-Exempt Bonds, Series 2012A.

"2012 Series B Bonds" shall mean the Authority's $6,250,000, Federally Taxable Qualified Energy Conservation Bonds, Series 2012B.

"Unexpended Proceeds Redemption Date" shall mean any Business Day determined by the City for the redemption of 2012 Series B Bonds pursuant to the Indenture that falls within ninety (90) days after May 31, 2015, or, provided that if an Extension Period Expiration Date has been established, any Business Day determined by the City that falls within ninety (90) days after the Extension Period Expiration Date.

THE INDENTURE

The 2012 Bonds are being issued under and subject to the provisions of the Indenture, to be dated as of May 15, 2012, by and between the Authority and the Trustee, to which reference is made for complete details of the terms of the 2012 Bonds.

Pledge of the Trust Estate

The Authority, in order to secure the payment of the principal or Redemption Price of, and interest on, all Bonds issued and Outstanding under the Indenture, assigns and pledges to the Trustee and grants to the Trustee a security interest in, assignment and pledge of, and a continuing lien on, each and all of the following: (A) all of the right, title and interest of the Authority in and to the Service Agreement (except for the Authority's rights with respect to indemnity and the Authority's Administrative Expenses thereunder and the Authority's obligations thereunder, which can only be performed by it), (B) the Pledged Revenues and (C) all moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject to the terms thereof.

Additional Bonds

The Authority may issue one or more series of Additional Bonds from time to time pursuant to a Supplemental Indenture (a) to ray the Cost of Capital Additions or to reimburse expenditures of the Authority or the City for any such Costs and (b) to pay the Costs of refunding through redemption all or any portion of the Outstanding Bonds.

In any such event, the Trustee shall, at the request of the Authority, authenticate the Additional Bonds and deliver them as specified in the request, but only upon receipt of:

(1) a Certified Resolution of the Authority (a) stating the purpose of the issue; and (b) establishing the series of Additional Bonds to be issued and providing the terms and form of Additional Bonds thereof and directing the payments to be made into the funds and accounts in respect thereof; and (c) authorizing the execution and delivery of the Additional Bonds to be issued; and (d) if the purpose is refunding, authorizing the purchase or redemption of the Bonds to be refunded;

(2) a certificate of the Authority stating (a) the purpose of the issue; (b) any other amounts available for the purpose; (c) that except with respect to the completion of a Capital Addition or a refunding, no Event of Default under the Indenture has occurred and is continuing; and (d) that the proceeds of the issue plus the other amounts, if any, stated to be available for the purpose will be sufficient to pay the Costs thereof, which shall be itemized in reasonable detail; or (e) if the purpose is refunding, that notice of redemption of the Bonds to be refunded has been duly given or that provision has been made therefor; and (f) the Debt Service

Requirements on all Bonds to be Outstanding after the issuance for each Fiscal Year until maturity of the last of such Bonds; and (g) the additional payments, if any, to be made by the City under the Service Agreement will be adequate to satisfy in each Fiscal Year the Debt Service Requirements on the Bonds to remain Outstanding during the remaining life thereof and to provide for deficiencies existing on the date of such certification in any funds required to be maintained under the Indenture;

(3) a Supplemental Service Agreement, if necessary, providing for additional payments under the Service Agreement sufficient to meet the Debt Service Requirements on the Additional Bonds;

(4) a certified ordinance of the City (a) approving the issuance of the Additional Bonds and the terms thereof if not otherwise approved; and (b) authorizing the execution of any required Supplemental Service Agreement;

(5) the proceeds of the sale of the Additional Bonds; and

(6) an Opinion of Counsel that the Additional Bonds are duly authorized and issued thereunder and all requirements of the Indenture for the issuance of such Additional Bonds have been met.

If a Supplemental Service Agreement is required for the issuance of Additional Bonds, the City and the Authority shall execute such Supplemental Service Agreement. Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained in the Indenture, no such issuance may occur should any Event of Default have occurred and be continuing unless such default shall be cured upon such issuance.

Construction Fund

The Trustee shall establish a Construction Fund and within such Fund, in connection with the issuance of the 2012 Bonds, shall establish two separate accounts therein, respectively, the 2012 Series A Bonds Project Account and a 2012 Series B Bonds Project Account for the payment of Costs into which shall be deposited the Bond proceeds, in accordance with the Indenture and/or closing instructions delivered at settlement for the respective series of Bonds.

Payments shall be made from any account or subaccount in the Construction Fund of all Costs of the Energy Conservation Project or any other Capital Additions, but only upon receipt by the Trustee of the Requisitions and certifications required by the Indenture. Upon receipt of a completion certificate as provided in the Indenture, the Trustee shall transfer the balance in the Construction Fund and not reserved for the payment of unpaid Costs thereof to the corresponding Special Account in the Bond Fund established under the Indenture and described below.

In general, moneys in the 2012 Series A Bonds Project Account can be used to pay Costs of only the Series A Project and moneys in the 2012 Series B Bonds Project Account can be used to pay Costs of only the Series B Project. However, under certain limited circumstances to assure compliance with the federal tax requirements applicable to the 2012 Series B Bonds, moneys in the 2012 Series A Bonds Project Account could be used to pay Costs of the Series B

Project and moneys in the 2012 Series B Bonds Project Account could be used to pay Costs of the Series A Project.

Capitalized Interest Fund

The Trustee shall establish the Capitalized Interest Fund and two accounts within such fund to be designated the "2012 Tax-Exempt Series A Bonds Capitalized Interest Account" and the "2012 QECB Series B Bonds Capitalized Interest Account". The Trustee shall also create a separate account in the Capitalized Interest Fund for each Series of Bonds for which proceeds of such Bonds will be applied to the payment of interest on any Bonds during a construction period. Notwithstanding any other provision of Section 4.02 of the Indenture, and without need for any requisition, the Trustee shall make transfers from the applicable Accounts in the Capitalized Interest Fund to the corresponding Accounts in the Bond Fund on or before September 15, 2012, and thereafter on or before each March 15 and September 15 (until maturity or prior redemption), in respect of the interest due on the 2012 Bonds on such Interest Payment Dates, in accordance with written instructions delivered at settlement for the 2012 Bonds.

Costs of Issuance Fund

The Trustee shall establish the Costs of Issuance Fund to be designated the "Costs of Issuance Fund" and two accounts within such fund to be designated respectively the "2012 Tax-Exempt Series A Bonds Costs of Issuance Account" and the "2012 QECB Series B Bonds Costs of Issuance Account." The Trustee shall also create a separate account in the Costs of Issuance Fund for each Series of Bonds for which proceeds of such Bonds will be applied to the payment of the Costs of Issuance. The moneys in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance for the 2012 Bonds, (1) at settlement for the 2012 Bonds in accordance with a Requisition in form and executed as provided in the Indenture; and (2) thereafter, upon receipt of a Requisition in similar form.

Bond Fund; Application of Bond Fund

The Trustee shall establish a Bond Fund and within such Fund, in connection with the issuance of the 2012 Bonds, shall establish two separate accounts therein, respectively, the 2012 Series A Bonds Account and an 2012 Series B Bonds Account and within each such account or similar account established with respect to any other Bonds, four separate subaccounts respectively, an Interest Subaccount, a Special Subaccount, a Bond Redemption Subaccount and a Sinking Fund Subaccount. As the 2012 Series A Bonds are all serial Bonds, there will be no Sinking Fund Subaccount for them.

The Trustee shall deposit the Pledged Revenues and any other payments under the Indenture (except proceeds of Additional Bonds) in the appropriate account and subaccount therein unless otherwise provided in the Indenture or in a Supplemental Indenture. While any Bonds are Outstanding, moneys in the Bond Fund will be used solely for the payment of principal or Redemption Price of and interest on the Bonds as the same shall become due and payable upon an Interest Payment Date, at maturity, upon redemption or otherwise.

Funds for the payment of the principal or Redemption Price of and interest on the Bonds shall be derived from the following sources in the order of priority indicated:

(1) moneys paid into an Interest Subaccount of the Bond Fund for interest pursuant to the Indenture and moneys transferred from a Capitalized Interest Account of the Capitalized Interest Fund for payment of interest shall be applied to the payment of interest next due on the corresponding series of Bonds;

(2) moneys deposited upon the completion of any Capital Additions into the pertinent Special Subaccount, and any income or other gain from the investment thereof; and

(3) any other moneys furnished by the Authority to the Trustee, including moneys received by the Trustee pursuant to the Service Agreement.

Moneys transferred from an Account in the Construction Fund into a corresponding Special Account upon completion of any Capital Additions, and any income or other gain from the investment thereof, shall be held in trust for and applied by the Trustee to the redemption of the 2012 Bonds on the next due date. Moneys deposited into a Special Account upon the completion of any other Capital Addition for which Additional Bonds were issued shall be applied as set forth in a Supplemental Indenture.

The Trustee shall use the Sinking Fund Subaccounts to purchase or redeem the Bonds, in the manner specified in the Indenture. If, at any time, all the Bonds of a pertinent series shall have been purchased, redeemed or paid, the Trustee shall make no further transfers to the corresponding Sinking Fund Subaccount and shall transfer any balance then in such account to the corresponding Interest Subaccount of the Bond Fund. Whenever Bonds are to be purchased out of a Sinking Fund Subaccount, if the Authority, upon the direction of the City, shall notify the Trustee that the Authority wishes to arrange for such purchase, the Trustee shall comply with the Authority's arrangements provided they conform to the Indenture.

Security for and Investment or Deposit of Funds

All moneys received by the Trustee under the Indenture for deposit in any Fund, Account or Subaccount established thereunder shall be considered trust funds, shall not be subject to lien or attachment and shall, except as otherwise provided in the Indenture, be deposited in the commercial department of the Trustee, until or unless invested or deposited as provided in the Indenture. All deposits in the commercial department of the Trustee shall, to the extent not fully insured, be fully secured as to principal by the securities listed in subsections (a), (b) and (c) of the definition of Investment Securities. If at any time the commercial department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation. All deposits in any other depository in excess of the amount covered by insurance shall, to the extent permitted by law, be fully secured as to principal by the securities listed in subsections (a), (b) and (c) of the definition of Investment Securities. Such security shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee as authorized by law with respect to trust funds in the Commonwealth, or with a bank or trust company having a combined net capital and surplus of not less than $100,000,000.

The Trustee shall, as specifically directed in writing, invest moneys held in the Construction Fund and in all other Funds and Accounts in moneys and Investment Securities. All such investments made shall mature or be subject to redemption by the holder at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal and without penalty no later than the date when the amounts will foreseeably be needed for purposes of the Indenture. Except during the period of construction of any Capital Addition, the interest and income received upon such investments and any interest paid by the Trustee or any other depository with respect to moneys in any Fund, Account or Subaccount established under the Indenture and any profit (net of losses) resulting from the sale of securities shall be added or charged to the respective Fund, Account or Subaccount established under the Indenture; subject, however, to the provisions of the Indenture in the case of defeasance. Interest and income received during the period of construction of any Capital Addition shall be treated in accordance with the Certified Resolution or Supplemental Indenture authorizing Additional Bonds for such Capital Addition. Upon written request of the Authority or on its own initiative whenever payment is to be made out of the Bond Fund to pay principal of and interest on the Bonds, the Trustee shall sell such securities as may be requested or required to make the payment and restore the proceeds to the Fund in which the securities were held. Neither the Trustee nor the Authority shall be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof. The Authority shall receive written direction from the City from the Director of Finance of the City.

Covenants of the Authority

Payment of Principal or Redemption Price of and Interest on Bonds.

The Authority shall promptly pay the interest on, and the principal or Redemption Price of, every Bond issued under the Indenture according to the terms thereof, but shall be required to make such payment only out of its Pledged Revenues and the moneys and securities held in the Funds and Accounts under the Indenture. The Authority shall appoint one or more Paying Agent for such purpose, each such agent to be a bank and trust company or a trust company or a national banking association having trust powers. The Authority appoints the Trustee to act as Paying Agent and designates the Principal Office of such agent as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

Corporate Existence and Maintenance of Properties.

The Authority shall maintain its corporate existence and its right to own, operate or lease the Project Premises and shall provide for (a) construction or acquisition of Capital Additions in accordance with the provisions of the Indenture and the Service Agreement and performance of all repairs, renewals, replacements and improvements to the Project Premises or such Capital Additions necessary to maintain adequate service; and (b) compliance with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any competent Regulatory Body.

Enforcement, Execution and Amendment of the Service Agreement and Other Contracts; Notice of Default.

The Authority shall cause any Capital Addition to be constructed and installed in accordance with the terms of the Service Agreement and the Indenture and shall enforce payment of are amounts payable under the Service Agreement or any Supplemental Service Agreement, and any other agreement or contract executed and made subject to the lien and security interest created by the Indenture, and shall otherwise enforce all of its rights and privileges, and honor all of its obligations, thereunder, and shall require every party with which it so contracts to perform its contractual obligations. So long as no Event of Default under the Indenture shall have occurred and be continuing, the Authority may exercise all its rights under the Service Agreement.

Property Insurance.

So long as the Project Premises are subject to the terms of the Service Agreement, the City may act as self insurer and the Authority need not obtain property insurance.

Each policy of insurance, if any, applicable to the Project Premises may contain a loss deductible clause specifying such sum as the Authority may determine as the sum to be deducted from coverage for the amount of loss resulting from particular perils. All insurance policies, other than workers' compensation insurance, shall be non-assessable and shall be written in the names of the Trustee and the Authority (and, where appropriate, the lessee or similarly interested party), as their interests may appear and shall be made payable to the Trustee, which shall have the sole right to receive the proceeds of such policies and to collect and receipt for claims thereunder. So far as the same may be procurable without the payment of additional premiums, the policies for such insurance shall not be cancellable without at least 30 days' written notice to the Trustee and shall provide that all losses thereunder shall be payable to the Trustee notwithstanding any act or neglect of the Authority which might otherwise result in a forfeiture of such insurance. Any insurance proceeds shall be held by the Trustee as security for all Bonds then Outstanding until paid out as provided in the Indenture.

Insurance certificates with respect to insurance policies required under the Indenture shall be filed with the Trustee.

Any appraisal, adjustment or settlement agreed upon among the Authority, any insurer and the City which is evidenced (if the amount is $500,000 or less) by a certificate of the Authority and the City or (if the amount exceeds $500,000) by a Certified Resolution of the Authority and the City and approved by the Consulting Engineer shall be accepted by the Trustee.

Application of Proceeds of Property Insurance and Condemnation Awards.

In the event of any damage to the Project Premises covered by insurance or condemnation of any portion of the Project Premises, the Authority shall promptly notify the Trustee in writing of such event. The proceeds of property insurance and condemnation awards shall be applied in accordance with the Service Agreement. If the insurance proceeds or condemnation awards are insufficient to pay the Cost of repair, reconstruction or replacement, the deficiency shall be supplied at the request of the Authority out of funds payable, and as directed, by the City.

If any insurance proceeds or condemnation proceeds are not so applied as set forth in the Service Agreement within 12 months after receipt by the Trustee or the City, or if the Authority fails to file or cause to be filed the required certificate with respect to any damage to the Project Premises within three months after the occurrence of the condemnation, injury or damage, or if the certificate which is filed states that the repair, reconstruction or replacement is not practical or desirable, the insurance proceeds or condemnation awards shall be deposited in the Bond Fund to be applied as set forth in the Service Agreement.

Public Liability Insurance.

The Authority will enforce the provisions of the Service Agreement as to public liability insurance.

Sale, Lease or Encumbrance of Facilities Prohibited; Exceptions.

The Authority shall not and/or shall not permit the City to sell, lease, pledge or otherwise transfer or encumber the Project Premises or any part thereof; or any revenues derived therefrom other than as stated in the Service Agreement or the Indenture; but the Authority shall permit the City to sell property which has been replaced, or is no longer necessary in the ordinary course of operations.

Payment of Taxes; Discharge of Liens.

The Authority shall pay, or cause to be paid from amounts payable by the City under the Service Agreement, all taxes, assessments or other municipal or governmental charges lawfully imposed upon the Authority or the Project Premises or any revenues therefrom and will not suffer to be created or to exist any lien or charge thereon except the lien and charge of the Bonds and encumbrances permitted under the Indenture.

Employment of Certified Public Accountant.

The Authority shall employ or cause to be employed, at the expense of the City, a Certified Public Accountant to perform the accounting and auditing functions and duties required by the Act and the Indenture.

Establishment of Fiscal Year.

The Authority has established a Fiscal Year beginning July 1 of each year and ending June 30 of the following year.

Annual Reports and Statements.

The Authority shall furnish to the Trustee and the City (and to Bondholders upon written request) within 35 days after receipt a report with respect to the operations of the Authority for the Energy Conservation Project for each Fiscal Year. Such annual report shall be audited and certified by the Certified Public Accountant and shall contain a report in respect of the application by the Trustee of the moneys received by it pursuant to the provisions of the Indenture.

Financing Statements and Other Action to Protect Security Interests.

The Authority shall cause the Indenture or a financing statement or memorandum relating thereto to be filed, registered and recorded in such manner and at such places as may be required by law to protect fully the security of the holders of the Bonds and the right, title and interest of the Trustee in and to the Trust Estate or any part thereof to the extent permitted by law. From time to time, as reasonably requested by the Trustee, the Authority shall obtain an Opinion of Counsel and furnish a signed copy thereof to the Trustee, setting forth what, if any, actions by the Authority or Trustee should be taken to preserve such security. The Authority shall perform any such acts and execute any and all further instruments as may be required by law or as shall reasonably be requested by the Trustee for such protection of the interests of the Trustee and the Bondholders, and shall furnish satisfactory evidence to the Trustee of recording, registering, filing and refiling of such instrument and of every additional instrument which shall be necessary to preserve the lien of the Indenture upon the Trust Estate or any part thereof until principal of and interest on the Bonds secured thereby shall have been paid. The Trustee shall execute and file any such further or additional instrument and file as it may be advised by an Opinion of Counsel will preserve the lien of the Indenture upon the Trust Estate or any part thereof until the aforesaid principal shall have been paid.

Further Assurances; Additional Revenue.

The Authority shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture. If at any time the Authority receives any income or payment from or in respect of the Project Premises which is not assigned to the Trustee, exclusive of the Administrative Expenses, it shall promptly pay the same to the Trustee for deposit in the Bond Fund and, at the request of the Trustee, shall execute and deliver an assignment of its right, title and interest in and to future income or payments of the same type to the Trustee to be held as part of Pledged Revenues and file or record such assignment as may be appropriate to perfect the security interest created thereby.

Compliance with Code.

(a) The Authority covenants to the Owners of the 2012 Series A Bonds that it will make no investment or other use of the proceeds of the 2012 Series A Bonds or any other series of Bonds issued thereunder, or otherwise take or omit taking any action, which would cause such Bonds to be "arbitrage bonds" as that term is defined in section 148(a) of the Code, and that it will continually comply with all other provisions of the Code required to maintain the exclusion of the interest on the 2012 Series A Bonds from gross income throughout the term of such Bonds.

(b) In furtherance of the foregoing, and not in limitation thereof, if the amount earned on all nonpurpose investments (as defined in Treas. Reg. § 148-1(b)) exceeds the amount which would have been earned had such nonpurpose investments been invested at the yield on the 2012 Series A Bonds computed in accordance with the requirements of section 148 of the Code and the Treasury Regulations promulgated thereunder, then the Authority will rebate such excess earnings to the U.S. Treasury, at the times and in the manner required by section 148(f) of the Code and the Treasury Regulations promulgated thereunder. The Authority shall retain records of all such rebate calculations after the retirement of the 2012 Series A Bonds for such time as required by section 148 of the Code and the Treasury Regulations promulgated thereunder.

(c) The Trustee shall supply the Authority or the City upon request with any information in the possession of the Trustee which may be required to calculate the amount of any payment to be made to the U.S. Treasury under subsection (b) above.

(d) The Authority covenants to the Owners of the 2012 Series B Bonds that it will comply with the provisions of the Code, such that the tax status of the 2012 Series B Bonds will continued to be maintained.

(e) The Authority further covenants that it will comply with the provisions of the Federal Tax Certificate regarding both the 2012 Series A Bonds and the 2012 Series B Bonds. These covenants shall survive payment in full or defeasance of the 2012 Bonds.

Payment to the City.

After payment of all Bonds Outstanding or defeasance under the Indenture and all other obligations thereunder, the Authority shall cause the Trustee to pay to the City all moneys and investments held by the Trustee pursuant to the Indenture not required to pay the Debt Service Requirements on the Bonds.

Events of Defaults and Remedies

Each of the following events will constitute an "Event of Default" under the Indenture:

(a) If payment of any installment of interest on the Bonds is not made by the Authority when it becomes due and payable; or

(b) If payment of the principal or Redemption Price of any Bond by the Authority is not made when it becomes due and payable at maturity or upon call for redemption or if any required transfer is not made into any sinking fund or sinking fund account established under the Indenture at the time and in the amounts required; or

(c) If an "Event of Default" with respect to rental payments occurs and is continuing under the Service Agreement, except rental payments due the Authority for Administrative Expenses; or

(d) If an "Event of Default" occurs and is continuing under the Service Agreement, other than the failure of the City to make required payments thereunder, or a default occurs and is continuing in the payment of the amounts due under any other agreement or any amendment or supplement thereto relating to the Project Premises or any other default occurs and is continuing thereunder which would give the Authority the right to terminate such agreement; or

(e) If the Authority fails to comply with any provision of the Act or for any reason is rendered incapable of fulfilling its obligations hereunder or thereunder; or

(f) If the Authority defaults in the due and punctual performance of any other covenant in the Bonds or in the Indenture and such default continues for 45 days after written notice requiring the same to be remedied shall have been given to the Authority and the City by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25% in principal amount of the Bonds then Outstanding; provided, however, that if such performance requires work to be done, actions to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 45-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Authority shall commence or cause the City to commence such performance within such 45-day period, and the Authority or the City shall diligently and continuously prosecute the same to completion; or

(g) If the Authority files or has filed against it a petition of bankruptcy or for arrangement or for reorganization pursuant to the United States Bankruptcy Code or other similar laws, federal or state, or if, by the decree of a court of competent jurisdiction, the Authority is adjudicated bankrupt or declared insolvent, or makes an assignment fir the benefit of creditors, or admits in writing its inability to pay its debts generally when or as they become due, or consents to the appointment of a trustee, receiver or liquidator of all or any part of the Project Premises; provided that, if any such proceeding is commenced by a Person other than the Authority, there will be no Event of Default if such proceedings are dismissed within 90 days of the filing of initial pleadings therein.

Any default by the Authority under the Indenture shall not result in the termination of the Service Agreement, so long as the City shall continue to perform all of its obligations under the Service Agreement and the failure to act on behalf of the Trustee will not affect the tax-exempt status of the Bonds or affect any priority rights in any legal proceeding or prejudice any other rights the Trustee may have against the Authority.

Except as to Events of Default paragraphs (a), (b) and (c) above, the Trustee shall not be required to take notice or be deemed to have knowledge of any Event of Default under the Indenture unless and until specifically notified in writing of such Event of Default by the Authority or by Registered Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding.

If any Event of Default described above has occurred and is continuing, the Trustee by notice in writing to the Authority may, and upon written request of a Qualified Majority of the Registered Owners shall, declare the principal of all Bonds then Outstanding to be immediately due and payable. Upon such declaration, the principal of the Bonds then Outstanding, together with interest accrued thereon, shall become due and payable immediately.

If after the principal of the Bonds has been so declared to be due and payable, all arrears of interest upon the Bonds are paid by the Authority, and the Authority also performs all other things in respect to which it may have been in default under the Indenture and pays the reasonable charges of the Trustee, the Bondholders and any trustee appointed under the Act, including actual and reasonable attorney's fees and expenses, then, and in every such case, a Qualified Majority of the Registered Owners may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Registered Owners of Bonds issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

If an Event of Default has occurred and is continuing, the Trustee, in its discretion, may, and upon the written request of a Qualified Majority of the Registered Owners, and upon receipt of indemnity to the Trustee's satisfaction, shall, in its own name bring legal proceedings to enforce the rights of the Bondholders. In addition, a Qualified Majority of the Registered Owners, after furnishing indemnity satisfactory to the Trustee, shall have the right to direct the method of conducting all remedial proceedings by the Trustee.

No Bondholder shall have any right to pursue any remedy under the Indenture unless (a) the Trustee shall have been given written notice of an Event of Default, (b) a Qualified Majority of the Registered Owners shall have requested the Trustee, in writing, to exercise the powers therein granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities and (d) the Trustee shall have failed to comply with such request within a reasonable time.

In general, any moneys received by the Trustee in connection with an Event of Default under the Indenture after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees due, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and thereupon all moneys then in the Bond Fund shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

> First — To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and
>
> Second — To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates on which they became due and, if

the amount available shall not be sufficient to pay in full the Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege.

Whenever all principal of and interest on all Bonds have been paid under the provisions of the Indenture relating to application of moneys in the Event of Default, and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the City.

Rights and Obligations of the Trustee and the Paying Agent

The Trustee may act through agents and is not answerable for any misconduct of such agents selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture, except only its own willful misconduct or negligence. The Authority shall pay the Trustee reasonable compensation for its services under the Indenture as well as reasonable expenses, all of which shall be agreed upon by the Authority, the Trustee and the City. The Authority shall also indemnify the Trustee and the Paying Agent against liabilities incurred which they may incur in the exercise and performance of their powers and duties under the Indenture, except with respect to their own willful misconduct or negligence. The Trustee has no duty to effect or renew any insurance policy and shall not incur any liability for the failure of the Authority to require or effect or review insurance or to report or file claims of losses thereunder.

The Trustee shall, within 90 days after the Trustee has notice of an occurrence of an Event of Default, give written notice by first class mail to all Bondholders of such Event of Default, unless such Events of Defaults have been remedied; provided that, except in the case of an Event of Default in payment of principal or interest on the Bonds, the Trustee may withhold such notice to the Bondholders so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee shall not be deemed to have notice of any default under subsections (d) through (g) of Section 8.01 unless notified in writing of such default by the Authority, the City or the Registered Owners of at least 25% in principal amount of the Bonds Outstanding. The Trustee may, at any time, require of the Authority full information as to the performance of any covenant under the Indenture, and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Authority, an investigation into the affairs of the Authority related to the Indenture and the Project Premises. The Trustee shall be under no obligation to take any action in respect of any default or Event of Default or otherwise unless it has received a written request from a Qualified Majority of the

Registered Owners and, if in its opinion such action may tend to involve expense or liability, unless it is also furnished with indemnity satisfactory to it. The Trustee may act on any requisition, resolution, etc. which it in good faith believes to be genuine and to have been passed or signed by the proper Persons, and the Trustee has no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Trustee shall not be bound to make any investigation into the facts or matters stated in any financial or other statements, resolution, etc. furnished pursuant to the Indenture, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see ft, and, if the Trustee shall determine to make such further enquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority.

The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action to which any Bondholders may be entitled with like effect as if the Trustee were not a party to the Indenture. The Trustee may also engage in any financial or other transaction with the Authority, provided that if the Trustee determines that any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Authority and the City not less than 60 days before the date when such resignation is to take effect; provided notice of such resignation is mailed to each Bondholder and to Moody's and S&P not less than three weeks prior to the date when the resignation is to take effect. Such notice shall appoint a successor, or the Trustee may at the Authority's expense, petition the court to appoint a successor. Any Trustee may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the Registered Owners of a majority in principal amount of the Bonds then Outstanding or by the Authority and filed with the Trustee and the Authority. If the Trustee or any successor trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, and if the Registered Owners have not appointed a successor trustee as provided in Section 9.13 of the Indenture, the Authority shall appoint a successor and shall promptly mail notice of such appointment to each Bondholder and Moody's and S&P. If the Authority fails to make such appointment within 30 days, the Registered Owners of a majority in principal amount of the Bonds then Outstanding may do so, and if the Registered Owners fail to make such appointment within 30 days of having the right to make such appointment, the Trustee may petition, at the Authority's expense, a court of competent jurisdiction to appoint a successor trustee. A successor trustee shall be a national bank with trust powers or a commercial bank or a bank and trust company or a trust company having capital and surplus of at least $100,000,000.

The Trustee shall provide such reports as may be reasonable required by the City and the Authority.

The Trustee is appointed as Paying Agent. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days' written notice to the Authority, the City and the Trustee. Any Paying Agent may be removed at any time by the Authority by filing an instrument with such Paying Agent, the Trustee and the City. Any successor paying agent shall be appointed by the Authority, with the approval of the

Trustee and the City, and shall be a commercial bank or trust company duly organized under the laws of any state of the United States or a national banking association, having a capital stock and surplus aggregating not less than $100,000,000 and be willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed on it by the Indenture.

Acts of Bondholders

Any action to be taken by Registered Owners may be evidenced by one or more concurrent written instruments signed by such Registered Owners in Person or by an agent appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Owner of any Bond shall bind all future Registered Owners of the same Bond in respect of anything done or suffered by the Authority or the Trustee pursuant thereto.

Amendments and Supplements

The Authority and the Trustee may, without the consent of, or notice to, any of the owners of the Bonds, enter into a Supplemental Indenture for any one or more of the following purposes:

(a) to set forth any or all of the matters in connection with the issuance of Additional Bonds under the Indenture;

(b) to add additional covenants of the Authority or to surrender any right or power conferred upon by the Authority;

(c) to reflect changes in applicable law or to cure any ambiguity or to correct or supplement any defective or inconsistent provision of the Indenture in such manner as will not be inconsistent with the Indenture and shall not impair the security thereof or adversely affect the interests of the Bondholders;

(d) to preserve the exemption from federal income tax of interest on the Bonds, provided such amendment or supplement would not affect less than all of the Bonds;

(e) to obtain, maintain or improve any securities rating of the Bonds by Moody's, S&P or Fitch; and

(f) to amend or supplement the Indenture in any other manner, provided that such modification, amendment or supplement does not materially adversely affect the rights of the Bondholders.

Exclusive of Supplemental Indentures for the purposes set forth in the preceding paragraphs, all of the Registered Owners of the Bonds then Outstanding under the Indenture, which would be affected by the action proposed to be taken shall have the right to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Indenture for the purpose of amending any of the terms or provisions contained in the Indenture or in any Supplemental Indenture, except with respect to:

(a) the interest on and principal payable on any Bonds;

(b) the dates of maturity or sinking fund installments, the redemption provisions or the security for the Bonds; and

(c) Article XI of the Indenture (regarding amendments and supplements thereto).

Defeasance

When interest on and principal or Redemption Price shall be paid to the Registered Owners of all Outstanding Bonds (or such payment has been provided for as set forth in the Indenture), and if the Authority shall keep, perform, and observe all of its covenants and promises in the Bonds and in the Indenture expressed and shall have paid or provided for all obligations owed the Trustee, then the pledge of the Trust Estate and the rights granted and all covenants, agreements and other obligations of the Authority under the Indenture to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the Authority all such instruments as may be appropriate to evidence such discharge and satisfaction of the lien thereof, and the Trustee and the Paying Agent shall pay over or deliver to the Authority all moneys and securities held by them pursuant to the Indenture which are not required for the payment of principal of and interest on Bonds not theretofore surrendered for such payment or redemption.

Moneys deposited with the Trustee or the Paying Agent which remain unclaimed five years after the date payment of the Bonds becomes due shall, subject to applicable escheat laws, upon the written request of the Authority, be paid to the Authority; and the Registered Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Authority; provided, however, that the Paying Agent, before making payment to the Authority may cause a notice to be mailed to the Registered Owners of such unpaid Bonds as their names appear on the registration books of the Authority, stating that the moneys remaining unclaimed will be returned to the Authority after a specified date.

THE SERVICE AGREEMENT

Term; Payments

The Service Agreement, dated as of May 15, 2012, will be entered into between the Authority and the City.

The City shall pay to the Authority the following sums at the following times:

(a) for deposit in the Bond Fund under and in accordance with the Indenture, on or before 10:00 a.m. Philadelphia time, on the date three Business Days prior to each Interest Payment Date or Sinking Fund Installment Date or on any other date that principal of and premium, if any, and interest on the 2012 Bonds, or any portion thereof, shall be due and payable, whether by maturity, redemption (other than by acceleration under the Indenture) or otherwise, an amount which, together with other moneys in the Bond Fund available therefor, is sufficient to make the Authority's required payments of principal of and premium, if any, and interest on the 2012 Bonds then becoming due, whether by maturity (other than by acceleration under the Indenture), redemption or otherwise without regard to the QECB Direct Subsidy Payments;

(b) Commencing on October 1, 2012, and on or before the first day of each quarter thereafter, such amount as shall provide for the Authority's Administrative Expenses incurred in connection with the Project, to the extent not otherwise paid by the City, including an amount which is sufficient to make any payment required to be made by the Authority to the United States Treasury, as provided in the Indenture and as requested in writing by the Authority; and

(c) at least one Business Day prior to the date when due, all amounts due and payable under any other Obligations to the extent not provided for in the preceding paragraphs.

In addition, from time to time, the City shall be required to make payments necessary to make up any deficiency in the funds established under the Indenture or to pay for any cost overruns with respect to any Capital Addition. At least 15 days prior to the beginning of each Fiscal Year, the Authority shall cause the Trustee to advise the City of the amount of such payments.

All amounts payable under the Service Agreement shall be paid in immediately available funds and held, invested, disbursed and applied as provided in the Indenture; provided, however, that, on or before 45 days prior to any Sinking Fund Installment Date, the City may deliver to the Trustee Bonds of a maturity, a portion of which is required to be redeemed by the Trustee on such Sinking Fund Installment Date, and the amounts required to effect such redemption otherwise due from the City shall be reduced by the aggregate principal amount of the Bonds so delivered up to the full amount of such Sinking Fund Installment.

If the moneys available to the Authority for the purposes of the Indenture should be insufficient to pay the Authority's obligations thereunder or under the 2012 Bonds or any other Obligations, then the City upon demand shall pay to the Authority or its assigns such additional sum or sums in each Fiscal Year as shall be required for such purposes.

The Authority directs the payments to be paid to the Trustee under the Indenture, to which, under the terms of the Indenture, the Service Agreement and the amounts payable thereunder are assigned, or to its successor trustee under the Indenture and the City consents to such assignment and agrees to pay the moneys directly to the Trustee.

The payments shall be payable only out of the current revenues of the City, and the City agrees to provide for the payment of such amounts and include the same in its annual Operating Budget for each year. If the current revenues are insufficient to make the total payments in any Fiscal Year as the same become due and payable, the City covenants to include amounts not so paid in its Operating Budget for the ensuing Fiscal Year and to produce sufficient current revenues to pay in each ensuing year such balance due in addition to the amount of payments due for such ensuing year.

The City covenants to make appropriations in each of its Fiscal Years in such amounts as shall be required in order to make all payments due and payable under the Service Agreement in each of the City's Fiscal Years.

Unconditional Obligation

The City shall pay all amounts, including additional sums required under the Service Agreement without suspension or abatement of any nature, notwithstanding that all or any part of the Project Premises shall have been wholly or partially destroyed, damaged or injured and shall not have been repaired, replaced or rebuilt. So long as any of the Obligations remain Outstanding or sufficient money for the payment of the Obligations in full shall not be held by the Trustee in trust therefor, the obligation of the City to make payments from current revenues of the City shall be absolute and unconditional and shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, and regardless of any rights of setoff, recoupment or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise or take place during the term of the Service Agreement, including, but without limiting the generality of the foregoing:

(a) any damage to or destruction of any part or all of the Project Premises or the capital improvements installed therein as part of the Energy Conservation Project (sometimes hereinafter referred to, collectively, as the "Project Property") or any claims against the City's or the Authority's interest in any part or all of the Project Property;

(b) the taking or damaging of any part or all of the Project Property, by any public authority or agency in the exercise of the power of or in the nature of eminent domain or by way of a conveyance in lieu of such exercise or otherwise;

(c) any assignment, novation, merger, consolidation, transfer of assets, leasing or other similar transaction of or affecting the City, whether with or without the approval of the Authority or the Trustee;

(d) the expiration of the term of the Service Agreement pursuant to the provisions thereof;

(e) any failure of the Authority or the Trustee to perform or observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Service Agreement, the Indenture, the Bonds or any other Obligations;

(f) any acts or circumstances that may constitute an eviction or constructive eviction; failure of consideration, failure of title or commercial frustration;

(g) any change in the tax or other laws of the United States or of any state or other governmental authority;

(h) any determination that the interest on the Series 2012 A Bonds is included in gross income of the owners thereof for purposes of federal income taxation or that the Series 2012 B Bonds are not Qualified Energy Conservation Bonds;

(i) any change in the law applicable to the Service Agreement or the Indenture; and

(j) the failure to complete the construction or the equipping of any Capital Addition.

Assumption by City of Certain Obligations Under the Indenture.

The City agrees to be bound to the fullest extent permitted by law to all provisions of the Indenture directly or indirectly relating to it and further agrees that it will take all such actions as are required or contemplated of it under the Indenture to preserve and protect the rights of the Trustee and of the Bondholders thereunder and that it will not take any action which would cause a default thereunder or jeopardize such rights. The City assumes and agrees to perform all of the covenants and other obligations of the Authority under the Indenture, excepting only any approval or consents permitted or required to be given by the Authority thereunder, and those covenants or obligations the performance of which is within the power of the Authority but not of the City to perform.

Insurance and Condemnation

All risk of loss, damage, theft or destruction of the Project Property shall be borne by the City whose obligations under the Service Agreement shall continue in full force and effect upon such event. The City will provide personal and property liability insurance either through self insurance or maintenance of such policies.

If the Project Property shall be wholly or partially destroyed or damaged by fire or other casualty covered by insurance or shall be wholly or partially condemned, taken or injured by any Person, the Authority and the City covenant that they will take all actions and will do all things which may be necessary to enable recovery to be made upon such policies of insurance or on account of such taking, condemnation, conveyance, damage or injury in order that moneys due on account of losses suffered may be collected and paid to the Trustee.

If moneys collected under policies of insurance or on account of condemnation, damage or injury with respect to any one loss shall equal or exceed $500,000 and the Consulting Engineer shall have determined that repair, reconstruction or replacement is practicable and desirable, and if the Authority and the City shall request, the Authority agrees that such moneys shall be paid by the Trustee for costs of such repair, reconstruction or replacement as provided in the Indenture from the Construction Fund. Moneys in excess of the amount needed for costs of such repair, reconstruction or replacement shall be deposited in the Bond Fund. If moneys collected under policies of insurance or on account of condemnation, damage or injury with respect to any one loss shall be less than $500,000 and the Consulting Engineer shall have determined that repair, reconstruction or replacement is practicable and desirable, and if the Authority and the City shall request, the Authority agrees that the Trustee shall pay such moneys to the City to be used by it for the purpose of paying costs of such repair, reconstruction or replacement and neither requisitions nor certificates shall be required.

In the event that any insurance or condemnation proceeds are not applied as set forth above within 12 months after receipt by the Trustee, or if the Authority fails to obtain the required certificate of the Consulting Engineer within three months after occurrence of the condemnation or damage to the Project Property, or if the certificate of the Consulting Engineer states that the repair, reconstruction or replacement is not practicable or desirable, then the insurance proceeds or condemnation awards shall be deposited in the Special Account of the Bond Fund for application in accordance with the provisions of the Indenture.

Subject to the provisions of the Indenture and the Bonds, if any insurance proceeds or condemnation proceeds are deposited in the Bond Fund, such proceeds shall be applied first, to the payment of any Bonds on which the Authority is in default under the Indenture and thereafter, to the redemption of Bonds designated by the City in writing to the Trustee; provided, however, that such redemption is made in accordance with the Indenture.

Covenants of the Authority and the City

Consulting Engineer.

The City covenants and agrees that whenever the services of a Consultant or a Consulting Engineer are required to carry out the provisions of the Service Agreement, it will, upon request of the Authority, retain a Consultant or Consulting Engineer.

Construction, Operation and Maintenance.

The Authority and the City acknowledge that the construction and equipping of the Project or Capital Additions shall be undertaken pursuant to the GESA. The City shall determine the level of operation and maintenance of the Project Property. The City will bear all costs in connection with the use of the Project Property.

Compliance with Laws and Recorded Covenants.

The City covenants that all actions heretofore and hereafter taken by the City or by the Authority upon the recommendation or request of any officer of the City to acquire and carry out the Energy Conservation Project and any additional project or any Capital Addition, have been in material compliance and will be in full compliance with all pertinent laws and recorded covenants applicable to the City and to the Authority.

Power to Perform Obligations.

The City represents that that it has the power and legal right to perform its obligations under the Service Agreement.

Inspection.

The City covenants that the Authority may inspect any part of the Project Premises.

Additional Information

The City agrees to provide and certify such information concerning the Project Premises, the City, the finances of the City and other topics as the Authority reasonably considers desirable to its evaluation of the City or the Authority considers necessary to enable the completion and publication of one or more official statements relating to the Bonds, to enable counsel to issue their respective opinions and otherwise advise the Authority as to the transaction or the capacity of the parties to enter into the same or to enable it to make any reports or supply any information required under the provisions of the Indenture, law, governmental regulation or otherwise.

Investments and Use to Comply with the Code.

The City and the Authority each covenants that it will neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds or any other Obligation intended by its terms to be tax-exempt (including, specifically, but not by way of limitation, the 2012 Series A Bonds) which would cause such Bonds or Obligations to be "arbitrage bonds" as that term is defined in section 148(a) of the Code, and all applicable regulations promulgated with respect thereto, and that it will comply with the requirements of the Code and applicable regulations throughout the term of such Bonds or Obligations so that the interest on such Bonds or Obligations shall be excluded from gross income of the owners thereof for federal income tax purposes. The City covenants that it will not use or permit the use of the Project Premises in such a manner as would result, or allow the use of the Project Premises by any entity whose use thereof would result, in the loss of the exclusion of interest on such Bonds or any other Obligation intended by its terms to be tax-exempt from gross income of the owners thereof for federal tax purposes.

The City covenants that it will take the actions necessary to preserve the QECB Direct Subsidy Payments in respect of the Series 2012 B Bonds.

Events of Default; Termination of the Service Agreement

If the City shall fail to make any payment required by the Service Agreement or by the Indenture for a period of two Business Days after the due date or shall fail to comply with any of the other covenants contained in the Service Agreement and such failure shall not have been remedied or made good within 45 days after written notice of such failure given to the City by the Authority, or the City shall file for relief concerning its indebtedness under any federal or state statute, the same shall constitute a default under the terms of the Service Agreement. Thereafter the Authority shall have the right to terminate the Service Agreement and to lease the Project Premises to third parties and to take such other acts or steps as may be available under the Indenture or in law, equity or otherwise.

Termination of the Service Agreement by the Authority shall not relieve the City of my previously accrued obligations under the Service Agreement, nor shall it relieve the City of its obligations to make payments to the Authority on the dates when such payments are required under the Service Agreement or the Indenture.

Amendment of the Service Agreement

Subject to provision that the parties shall not adversely affect the rights or the security of the Bondholders and the holders of other Obligations, the parties to the Service Agreement may amend the Service Agreement only for the following purposes:

(a) in connection with the issuance of Additional Bonds or other Obligations; or

(b) to cure any ambiguity, defect or omission therein or in any amendment thereto; or

(c) to reflect a change in applicable law; or

(d) to preserve the exemption from federal income tax of interest on the Series 2012 A Bonds and to preserve the QECB Direct Subsidy Payments in respect of the Series 2012 B Bonds, provided such amendment would not affect less than all of the Series 2012 A Bonds, or Series 2012 B Bonds, as applicable; or

(e) to obtain, maintain or improve any securities ratings of the Bonds by a Rating Agency; or

(f) to add to the covenants and agreements of the City therein contained, or to surrender any right or power therein reserved to or conferred upon the City which shall not impair the security thereof or adversely affect the rights of the Bondholders under the Indenture.

All other amendments must be approved by the Trustee and, if the Indenture must be amended with Bondholders' consent or the consent of the holders of other Obligations, by a Qualified Majority of the Registered Owners in the same manner and to the same extent as is set forth in the Indenture; provided that the President of City Council must approve in writing any amendment consistent with the terms of the Ordinance; and further provided, however, that if any such proposed amendment would increase the Authority's or the City's financial obligations under the Service Agreement, or otherwise materially affect the rights and powers of the City or any official of the City under the Service Agreement, such proposed amendment must be approved by further ordinance of City Council. Notwithstanding the foregoing, in the case of changes which are specifically anticipated within the Service Agreement or any exhibits thereto, such changes may be made in accordance with the applicable terms of the Service Agreement.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement ("Disclosure Agreement") is executed and delivered as of May 31, 2012 by and between the City of Philadelphia, Pennsylvania ("City") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the City of its $12,605,000 Philadelphia Municipal Authority City Agreement Revenue Bonds (Government Building Energy Conservation Project) Series of 2012, consisting of $6,355,000 Tax-Exempt Bonds, Series 2012A and $6,250,000 Federally Taxable Qualified Energy Bonds, Series 2012B (together, the “Bonds”).

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Definitions

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Annual Financial Information" shall mean the financial information or operating data with respect to the City delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in Appendix A attached hereto and in accordance with the Rule. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board.

"Business Day" or "Business Days" shall mean any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law or contracted to remain closed or a day on which the Dissemination Agent is closed.

"Disclosure Representative" shall mean the Director of Finance of the City, the City Treasurer or such other official or employee of the City as the Director of Finance or the City Treasurer shall designate in writing to the Dissemination Agent.

"EMMA" shall mean the Electronic Municipal Market Access System maintained by the MSRB.

“Indenture” shall mean the Trust Indenture dated as of May 15, 2012 between the Authority and the Trustee.

"Listed Event" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement dated May 17, 2012, relating to the Bonds.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with their purchase and reoffering of the Bonds.

"Registered Owner" or "Owners" shall mean the person or persons in whose name a Bond is registered on the books of the City maintained by the Trustee in accordance with the General Ordinances and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, the owners of book-entry credits in the Bonds evidencing an interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

“Resolution” shall mean the resolution of the Philadelphia Municipal Authority adopted May 11, 2012, authorizing the issuance of the Bonds.

“Rule" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" shall mean The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the General Ordinances.

"Trustee" shall mean The Bank of New York Mellon Trust Company, N.A., as Trustee for the Bonds.

All words and terms used in the Disclosure Agreement and defined above or elsewhere herein shall have the same meanings as set forth in the Indenture, if defined therein.

Section 2. Authorization and Purpose of Disclosure Agreement

This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to paragraph 8 of the Resolution in order to assist the Participating Underwriters into complying with the requirements of the Rule.

Section 3. Annual Financial Information

Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2012, the Disclosure Representative shall file Annual Financial Information for such fiscal year with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with the MSRB. The Annual Financial Information will be in the form of the City's Comprehensive Annual Financial Report and, to the extent such information is not included therein, will include the other information set forth on Appendix A, and will contain unaudited financial statements if audited financial statements are not available.

As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 2012, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall promptly upon receipt thereof file the audited financial statements with the MSRB.

Section 4. Listed Events

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds (each a "Listed Event"):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issuer (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) Modifications to the rights of the holders of the Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the City;

(xiii) Consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional paying agent, or the change of name of a paying agent, if material.

The foregoing fourteen (14) events are quoted from the Rule.

(b) Whenever the City concludes that a Listed Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Listed Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB. In addition, the Dissemination Agent shall promptly file with the MSRB, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including, any failure by the City or the Dissemination Agent to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(i), (iii), (iv), (viii) or (ix), notify the Disclosure Representative of the occurrence of such event and shall, within five (5) Business Days of giving notice of such occurrence with the MSRB, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not a Listed Event within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of mailing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three (3) Business Days following the date of delivery of such notice.

(e) Upon the return of all completed acknowledgments of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three (3) Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgment.

(f) For the purposes of the event identified in clause (a)(xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, trustee or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 5. Amendment; Waiver

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the parties hereto or effective unless:

(i) the amendment or waiver is made in writing and in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the City or the governmental operations conducted by the City;

(ii) the Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a) (i), (ii), and (iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with each Repository. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner including owners of book-entry credits in the Bonds who have filed their names and addresses with the Trustee.

Section 6. Other Information; Duties of Dissemination Agent

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the General Ordinances or the Bond Authorizations.

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners, the MSRB, or any Repository.

Section 7. Default

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of a series of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the Bonds, the General Ordinances, the Bond Authorizations, the Act or any other agreement related thereto and the sole remedy in the event of a failure of the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except for its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this paragraph shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, electronic mail, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any proceeding under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit or appear in and defend suit, or do anything else in its judgment proper to he done by it as Dissemination Agent, without indemnity.

(d) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format (or as otherwise provided by the MSRB) and accompanied by identifying information as prescribed by the MSRB.

Section 9. Term of Disclosure Agreement

This Disclosure Agreement shall terminate upon (1) payment or provision for payment in full of the Bonds, or (2) repeal or rescission of Section (b)(5) of the Rule; or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. Beneficiaries

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail, or by e-mail or by telecopy with confirmation of receipt, addressed:

(a) To the Dissemination Agent at:

DAC, Digital Assurance Certification LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention: Jenny Emami
Fax: (407) 515-6513
E-mail: jemami@dacbond.com

(b) To the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
Municipal Services Building, Room 1330
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947
E-mail: rob.dubow@phila.gov ; or

City of Philadelphia
Office of the City Treasurer
Municipal Services Building, Room 640
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102
Attention: City Treasurer
Fax: (215) 686-3815
E-mail: nancy.winkler@phila.gov

(c) To the MSRB at:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Attention: CDI
Fax: (703) 683-1930
http://emma.msrb.org/

or such other addresses as may be designated in writing to all parties hereto.

Section 12. Personal Recourse

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of the Dissemination Agent

The City has appointed the Dissemination Agent as exclusive Dissemination Agent under this Disclosure Agreement. The City may, upon thirty days' written notice to the Dissemination Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the City or the Dissemination Agent, the City agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

Section 15. Successors and Assigns

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Headings for Convenience Only

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers all as of the day and year first above written.

THE CITY OF PHILADELPHIA,
PENNSYLVANIA

By:________________________________
Rob Dubow
Director of Finance

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Dissemination Agent

By:________________________________
Authorized Officer

APPENDIX A

1. Commencing with the fiscal year ending June 30, 2012, a copy of the Comprehensive Annual Financial Report ("CAFR") which contains the audited combined financial statements of the City prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units, and

2. [Commencing with the fiscal year ending June 30, 2012, to the extent such information is not contained in the CAFR, an update of the information in Appendix A of the Official Statement dated May __, 2012, relating to the Bonds under the captions “DISCUSSION OF FINANCIAL OPERATIONS”, “REVENUES OF THE CITY”, “EXPENDITURES OF THE CITY” and “DEBT OF THE CITY.”]

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APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

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_________, 2012

Re: PHILADELPHIA MUNICIPAL AUTHORITY
City of Philadelphia, Pennsylvania
$_________, City Agreement Revenue Bonds
(Government Building Energy Conservation Project), Series 2012 consisting of
$_________, Tax-Exempt Bonds, Series 2012A, and
$_________, Federally Taxable Qualified Energy Conservation Bonds
Series 2012B (Direct Subsidy)

To the Purchasers of the Within-Described Bonds:

We have served as bond counsel in connection with the issuance and sale by the Philadelphia Municipal Authority ("Authority") of the referenced bonds ("Bonds"), consisting of $__________ Tax-Exempt Bonds, Series 2012A ("Series A Bonds") and $__________ Federally Taxable Qualified Energy Conservation Bonds, Series 2012B (Direct Subsidy) ("Series B Bonds"; together with the Series A Bonds sometimes hereinafter referred to collectively as, the "Bonds"). The Bonds are authorized to be issued under and pursuant to the Pennsylvania Municipal Authorities Act, the Act of June 10, 2001, P.L. 287, as amended, (the "Act"), a resolution of the Authority adopted May 11, 2012 (the "Resolution") and a trust indenture dated as of May 15, 2012 (the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A, as trustee (the "Trustee). Capitalized terms used herein and not defined herein shall have the meaning ascribed thereto in the Indenture.

The proceeds of the Bonds will be used to finance a project (the "Energy Conservation Project") consisting of (i) the evaluation and implementation of energy conservation and efficiency measures designed to reduce energy, water, wastewater or other consumption or operating costs including, without limitation, the power to evaluate, design, install, finance, own, operate, maintain and lease (in the capacity of either lessor or lessee) related facilities, structures, fixtures, improvements, systems or technologies, and the power to provide related services at four (4) properties owned or leased, and operated, by the City, located, respectively, at (1) Broad Street & Market Street, Philadelphia, PA 19107, (2) 1301 Filbert Street, Philadelphia, PA 19107, (3) 1401 JFK Boulevard, Philadelphia, PA 19102, and (4) 1515 Arch Street, Philadelphia, PA 19102; and (ii) pay costs associated with the issuance of the Bonds.

The Authority and the City have entered into a Service Agreement, dated as of May 15, 2012 ("Service Agreement"), pursuant to which the City has agreed to make payments to the Trustee, in each fiscal year during the term of the Bonds, solely from then-current revenues, at such times and in such amounts as will permit the Trustee to pay, *inter alia*, the principal [and mandatory redemption price] of and interest on the Bonds when due.

In our capacity as bond counsel we have examined the Act, such matters of law and records of the Authority and the City and such other documents, certifications and instruments as we considered necessary to enable us to express the opinion set forth below including, in particular, but not by way of limitation: original counterparts or certified copies of the Ordinances, Resolution, Indenture, Service Agreement and the other documents, certifications and instruments including the Tax Compliance Agreement, executed and delivered by the Authority and the City ("Tax Compliance Agreement") pursuant to Sections 103(a), 141-150, 54A, 54D and 6431 of the Internal Revenue Code of 1986, and the regulations applicable thereunder (“Tax Code”), the opinion of Austin McGreal, solicitor to the Authority (“Authority Counsel's Opinion”) and the opinion of the City Solicitor ("City Solicitor's Opinion”), listed in the Closing Agenda in respect of the Bonds filed with the Trustee. We have also examined the fully executed and authenticated Bonds or true copies thereof.

In rendering the opinions set forth below we have relied on the authenticity, truthfulness and completeness of all documents, certifications and instruments examined including, without limiting the generality of the foregoing, the Tax Compliance Agreement, upon the Authority Counsel's Opinion with respect to the absence of any challenge to the corporate existence or powers of the Authority, the incumbency of officers of the Authority and their entitlement to their offices, the due convening and conduct of meetings of the Authority at which action was taken in respect of the Bonds and other matters incident to, *inter alia*, the authorization, execution and delivery by the Authority of the Bonds, and such other documentation as the Authority was required to execute and deliver in connection with the issuance of the Bonds, and upon the City Solicitor's Opinion with respect to the due adoption of the Ordinances and the due authorization, execution, delivery and enforceability of the Service Agreement and such other documentation as the City was required to execute and deliver in connection with the financing effected through the issuance of the Bonds. We have not undertaken to verify by independent investigation the factual matters set forth in the documents we examined. Except as set forth below in numbered section 6, the following opinions are given only with respect to the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Authority is a body corporate and politic, a public instrumentality of the Commonwealth of Pennsylvania, duly organized and validly existing under the Act, with full power and authority to adopt the Resolution, to execute and deliver the Indenture, to issue and deliver the Bonds, and to apply the proceeds thereof to pay the costs of the Energy Conservation Project.

2. The Indenture has been duly authorized, executed and delivered by the Authority, and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a legal, valid and binding agreement of the Authority enforceable in accordance with its terms, except as may be affected by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights (“Creditors' Rights Limitations”).

3. The Service Agreement has been duly authorized, executed and delivered by the City and the Authority, and constitutes a legal, valid and binding obligation of the City, enforceable in accordance with its terms, except as may be affected by Creditor's Rights Limitations.

4. The issuance and sale of the Bonds have been duly authorized by the Authority and the Bonds have been duly executed and delivered by the Authority and authenticated by the

Trustee and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and entitled to the benefit and security of the Indenture and of the Service Agreement, except as may be affected by Creditors' Rights Limitations.

5. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate income tax.

6. (a) Under existing laws, regulations, rulings and judicial decisions, interest on the Series A Bonds is not includible in gross income for federal income tax purposes and is not a specific preference item for purposes of computing the federal alternative minimum tax; however, interest on the Series A Bonds is included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

(b) Interest on the Series B Bonds is included in gross income for federal income tax purposes.

(c) The Series B Bonds will be characterized as indebtedness of the Authority rather than as an interest in the Authority or any assets of the Authority for federal income tax purposes.

The opinion set forth in subsection 6(a) regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Authority with covenants regarding federal tax law contained in the Resolution and the Tax Compliance Agreement of the Authority executed in connection with the issuance of the Series A Bonds. Failure to comply with such covenants could cause the interest on the Series A Bonds to be included in gross income retroactive to the date of issue thereof. Although we are of the opinion that interest on the Series A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. We express no opinion regarding any such consequences, as to which recipients should consult their own tax advisors.

In rendering the opinion in subsection 6(a), we have relied upon representations and covenants of the Authority in the Resolution and the Tax Compliance Agreement concerning, *inter alia*, the use and investment of Bond proceeds and the use of the projects financed with the proceeds of the Series A Bonds. In addition, we have assumed that all such representations are true and correct and that the Authority will comply with such covenants. We have not undertaken to monitor compliance with such covenants and no opinion is expressed as to federal tax consequences of ownership of the Series A Bonds if (i) any such representations should be untrue, or (ii) the Authority should fail to comply with such covenants.

This opinion letter is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. We undertake no obligation to update or supplement this letter under any circumstance including if, after the date hereof, facts or events come to our attention or changes in law occur which could affect the opinions expressed herein. We express no opinion herein as to any matter not set forth in the numbered sections above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary or definitive official statements prepared in respect of the Bonds, including the appendices thereto, and make no representation that we have independently verified the contents thereof.

Attention is called to the facts that the Bonds are limited obligations of the Authority, payable only out of the revenues of the Authority pledged under the Indenture and certain other moneys available therefor as provided in the Indenture comprised, principally, by the payments payable by the City under the Service Agreement; that the Bonds do not pledge the credit or taxing power of the City of Philadelphia or any political subdivision thereof; and that the Authority has no taxing power.

Very truly yours,

KUTAK ROCK LLP