

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds (defined herein), including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Bonds are exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.



THE SCHOOL DISTRICT OF PHILADELPHIA

\$316,840,000 GENERAL OBLIGATION BONDS, SERIES OF 2021

Consisting of:

\$266,980,000
General Obligation Bonds,
Series A of 2021

\$49,860,000
General Obligation Bonds,
Series B of 2021 (Green Bonds)

Dated: Applicable Date of Delivery

Due: As Shown on Inside Cover Page

The \$316,840,000 School District of Philadelphia General Obligation Bonds, Series of 2021, consisting of \$266,980,000 General Obligation Bonds, Series A of 2021 (the "Series A Bonds") and \$49,860,000 General Obligation Bonds, Series B of 2021 (Green Bonds) (the "Series B Bonds," and together with the Series A Bonds, the "Bonds") are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry-only form. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds. The Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. Principal and interest on the Bonds will be paid by U.S. Bank National Association, Philadelphia, Pennsylvania, as sinking fund depository, fiscal agent, registrar and paying agent (the "Fiscal Agent"), directly to Cede & Co., as nominee for DTC, for redistribution by DTC to its participants and in turn to purchasers of the Bonds as described herein. See APPENDIX F attached hereto. Interest on the Bonds shall be paid on each March 1 and September 1, commencing on March 1, 2022.

The proceeds of the Series A Bonds are being used by The School District of Philadelphia (the "School District") to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds. The proceeds of the Series B Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District which are designed to be environmentally beneficial by reducing energy usage in School District buildings; and (ii) the costs of issuance of the Series B Bonds.

The School District has covenanted that it will provide in its budget in each fiscal year, and will appropriate from its general revenues in each such fiscal year, the amount of the debt service payable on the Bonds for such fiscal year and will duly and punctually pay or cause to be paid from the respective sinking fund established for each series of the Bonds under a resolution to be adopted by the School District on October 7, 2021 (the "Resolution"), or from any of its other revenues or funds, the principal or redemption price of, and interest on, the Bonds at the dates and places and in the manner stated in the Bonds. The School District has pledged its full faith, credit and taxing power for such budgeting, appropriation and payment. Certain limitations on the taxing power of the School District are described herein. See "SECURITY FOR THE BONDS" and "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE."

The School District has further covenanted in the Resolution to make daily deposits into the sinking funds established for the Bonds of certain School District tax revenues. See "SECURITY FOR THE BONDS - Daily Sinking Fund Deposits."

The Public School Code of 1949, as amended (the "School Code"), provides that if a school district fails to pay (or provide for payment of) any principal or interest or the amount required as a sinking fund deposit on indebtedness of the school district, the Secretary of Education of the Commonwealth of Pennsylvania is required to withhold, out of any Commonwealth appropriation due to such school district, and to pay directly to the sinking fund depository for such bonds, an amount equal to the sum of the interest and principal amount maturing or subject to mandatory redemption or the amount required as a sinking fund deposit which is owing by such school district. The Bonds are entitled to the benefits of the intercept provisions of the School Code; however, the intercept provisions of the School Code are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation. See "SECURITY FOR THE BONDS - Direct Payment of State Appropriations to Fiscal Agent."

The Bonds are subject to redemption prior to maturity as provided herein. See "DESCRIPTION OF THE BONDS."

This cover page contains certain information regarding the School District and the Bonds 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 regarding the Bonds.

The Bonds are offered when, as and if issued to the Underwriters, subject to approval as to legality of issuance by Eckert Seamans Cherin & Mellott, LLC of Philadelphia, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the School District by the Office of the General Counsel to the School District and for the Underwriters by their Counsel, Ahmad Zaffarese LLC of Philadelphia, Pennsylvania. It is expected that the Bonds will be available for delivery in definitive form through DTC in New York, New York on or about November 4, 2021.

Siebert Williams Shank & Co., LLC

AmeriVet Securities

Barclays

BofA Securities, Inc.

PNC Capital Markets LLC

Ramirez & Co., Inc.

RBC Capital Markets

THE SCHOOL DISTRICT OF PHILADELPHIA
\$316,840,000
GENERAL OBLIGATION BONDS, SERIES OF 2021

\$266,980,000 General Obligation Bonds, Series A of 2021

Due (September 1)	Amount	Interest Rate	Yield	Price	CUSIP [†] NO. (717883)
2022	\$2,815,000	5.000%	0.180%	103.971	XW7
2023	2,960,000	5.000	0.270	108.604	XX5
2024	3,110,000	5.000	0.410	112.878	XY3
2025	3,265,000	5.000	0.590	116.654	XZ0
2026	3,435,000	5.000	0.760	120.048	YA4
2027	3,615,000	5.000	1.000	122.578	YB2
2028	3,795,000	5.000	1.190	124.902	YC0
2029	3,995,000	5.000	1.360	126.931	YD8
2030	4,195,000	5.000	1.470	129.114	YE6
2031	4,415,000	5.000	1.580	131.007	YF3
2032	11,135,000	5.000	1.640	130.372 ^c	YG1
2033	11,705,000	5.000	1.690	129.846 ^c	YH9
2034	12,310,000	5.000	1.780	128.904 ^c	YJ5
2035	12,940,000	5.000	1.820	128.488 ^c	YK2
2036	13,535,000	4.000	2.020	117.562 ^c	YL0
2037	14,085,000	4.000	2.080	116.979 ^c	YM8
2038	14,660,000	4.000	2.110	116.689 ^c	YN6
2039	15,260,000	4.000	2.150	116.303 ^c	YP1
2040	15,880,000	4.000	2.190	115.919 ^c	YQ9
2041	16,530,000	4.000	2.220	115.632 ^c	YR7

\$ 93,340,000 4.000% Term Bond Due September 1, 2046 Price: 114.209^c Yield: 2.370% CUSIP[†] NO. 717883YS5

\$49,860,000 General Obligation Bonds, Series B of 2021 (Green Bonds)

Due (September 1)	Amount	Interest Rate	Yield	Price	CUSIP [†] NO. (717883)
2022	\$3,940,000	5.000%	0.180%	103.971	YT3
2023	4,140,000	5.000	0.270	108.604	YU0
2024	4,355,000	5.000	0.410	112.878	YV8
2025	4,580,000	5.000	0.590	116.654	YW6
2026	4,815,000	5.000	0.760	120.048	YX4
2027	5,060,000	5.000	1.000	122.578	YY2
2028	5,320,000	5.000	1.190	124.902	YZ9
2029	5,590,000	5.000	1.360	126.931	ZA3
2030	5,880,000	5.000	1.470	129.114	ZB1
2031	6,180,000	5.000	1.580	131.007	ZC9

^c = Price to the first optional redemption date of September 1, 2031, at par.

[†] Registered trademark of American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the School District and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other secondary market enhancement by bondholders that may be applicable to all or a portion of certain maturities of the Bonds. The School District and the Underwriters have not undertaken responsibility for any CUSIP number changes resulting from the purchase of secondary market enhancement.

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

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and other sources which are believed to be reliable, but, as to information from other sources, is not guaranteed as to accuracy or completeness by the School District. 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 School District or with respect to other matters set forth herein since the date hereof or the date as of which particular information is given, if earlier.

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.

The School District assumes no responsibility for any of the statements contained under the heading "UNDERWRITING" in this Official Statement, other than the statements contained in the first three paragraphs under such heading, or for the information contained in APPENDICES C or F hereto.

This Official Statement, including the appendices hereto, speaks only as of the date printed on the cover page hereof, or as otherwise indicated herein. The information contained herein is subject to change. The Underwriters have agreed to deliver this Official Statement to the Municipal Securities Rulemaking Board so that it will be made available through the Electronic Municipal Market Access System ("EMMA"), which is the sole Nationally Recognized Municipal Securities Information Repository.

If and when included in this Official Statement, including the appendices hereto, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The Bonds are not and will not be registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, or under any state securities laws, in reliance upon exemptions contained therein. Neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement. In making an investment decision, investors must rely on their own examination of the Bonds and the terms of the offering, including the merits and risks involved.

THE SCHOOL DISTRICT OF PHILADELPHIA

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BOARD OF EDUCATION

(Voting Members)

Joyce Wilkerson, Board President
Leticia Egea-Hinton, Board Vice President
Julia Danzy
Mallory Fix Lopez
Maria McColgan
Lisa Salley
Reginald Streater
Cecilia Thompson

SUPERINTENDENT OF SCHOOLS

WILLIAM R. HITE, JR., ED.D

CHIEF FINANCIAL OFFICER

URI MONSON

GENERAL COUNSEL

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FINANCIAL ADVISOR

PHOENIX CAPITAL PARTNERS, LLP

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**The Table of Contents does not list all of the subjects in this Official Statement and in all instances reference should be made to the complete Official Statement to determine the subjects set forth herein.*

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OFFICIAL STATEMENT

Relating to

THE SCHOOL DISTRICT OF PHILADELPHIA

\$316,840,000 GENERAL OBLIGATION BONDS, SERIES OF 2021

Consisting of:

**\$266,980,000
General Obligation Bonds,
Series A of 2021**

**\$ 49,860,000
General Obligation Bonds,
Series B of 2021 (Green Bonds)**

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices hereto, is to provide information concerning \$316,840,000 The School District of Philadelphia General Obligation Bonds, Series of 2021, consisting of \$266,980,000 General Obligation Bonds, Series A of 2021 (the “Series A Bonds”) and \$49,860,000 General Obligation Bonds, Series B of 2021 (Green Bonds) (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”). The Bonds will be dated, mature and bear interest, and will be subject to redemption prior to scheduled maturity, all as described herein.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. Any capitalized term used in the forepart of this Official Statement, unless otherwise defined herein, shall have the meaning ascribed to such term in the Resolution (hereinafter defined).

If and when included in this Official Statement, including the appendices hereto, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The School District of Philadelphia

The School District of Philadelphia (the “School District”) is a separate and independent home rule school district of the first class established by the Philadelphia Home Rule Charter (the “Home Rule Charter”). The School District is the only school district of the first class in the Commonwealth of Pennsylvania (the “Commonwealth”). Pursuant to the Home Rule Charter, the School District is governed by a nine-member Board of Education (the “Board”) appointed by the Mayor (the “Mayor”) of The City of Philadelphia (the “City”).

The School District is the largest school district in the Commonwealth, with Fiscal Year 2021 enrollment of approximately 202,940 students, including (1) approximately 122,450 students who attended School District-operated schools (118,850 of whom attended at traditional school buildings, 640 of whom attended the Philadelphia Virtual Academy and 2,960 students who attended alternative educational schools); (2) approximately 79,400 students who attended charter schools (traditional and cyber charter schools); and (3) approximately 1,090 non-public students and other students who received special education services through the School District’s Intermediate Unit #26. The School District has the eighth largest enrollment in the nation and employs approximately 19,000 professional and nonprofessional persons with one central administrative office and 16 learning networks. The boundaries of the School District are coterminous with the boundaries of the City. The School District’s fiscal year is July 1 to June 30, identical to that of the City and the Commonwealth. The term “Fiscal Year,” when followed by a year, refers to the fiscal year ended June 30 of that year. For example, “Fiscal Year 2021” refers to the Fiscal Year commencing on July 1, 2020, and ending June 30, 2021.

On December 21, 2001, pursuant to criteria provided by the Public School Code of 1949, as amended (the “School Code”), the School District was declared financially distressed by the Secretary of Education of the Commonwealth. A school,

reform commission (“SRC”) was established and members were appointed. On November 16, 2017, the SRC adopted a resolution recommending dissolution of the SRC and rescission of the declaration of distress and recommending to the Secretary of Education that he issue a declaration that the SRC be dissolved effective June 30, 2018. On December 26, 2017, pursuant to Section 696(n) of the School Code, the Secretary approved the dissolution of the SRC and rescinded the School District’s declaration of distressed school district status effective June 30, 2018. An education nominating panel was appointed by the Mayor which nominated persons to serve as members of the Board. In April 2018, the Mayor appointed nine members to serve on the Board and the Board assumed governance of the School District on July 1, 2018. As of such date, the Board governs the School District. There is currently one vacancy on the Board.

The School District has been led by Dr. William R. Hite, Jr., Superintendent of Schools, since 2012. On September 27, 2021, Dr. Hite announced his decision to not seek renewal of his current contract which, expires at the end of the 2021-22 school year in August 2022. On September 28, 2021, the Board announced that a search for the new Superintendent will begin immediately with a public engagement process expected to begin in October 2021 and the formal search expected to begin in November 2021. The Board’s expectation is to appoint a new Superintendent in the spring of 2022 and for the appointee to take office in August 2022, at the end of Dr. Hite’s current contract.

See APPENDIX A hereto for a description of the School District and its affairs, including its organization and financial procedures.

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the School District, issued pursuant to the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82, as amended (the “Debt Act” or the “Act”), and a resolution of the School District to be adopted by the Board on October 7, 2021 (the “Resolution”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Resolution. Pursuant to the Act and the Resolution, the School District has covenanted with the holders of the Bonds that it shall (i) include in its budget for each fiscal year, the amount of debt service on the Bonds payable in such fiscal year, (ii) appropriate such amounts from its general revenues for the payment of such debt service, and (iii) duly and punctually pay, or cause to be paid from its sinking funds, or any other of its revenues or funds, the principal or redemption price of, and interest on, the Bonds at the dates and places and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District has pledged its full faith, credit and taxing power. The Act provides that this covenant is specifically enforceable. See “SECURITY FOR THE BONDS” herein.

The School District may levy taxes only upon the authorization of the General Assembly of the Commonwealth (the “General Assembly”) or the Council of the City (“City Council”), as described in “APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE” herein.

See “SECURITY FOR THE BONDS – Daily Sinking Fund Deposits” herein for a description of the daily deposits into the sinking funds established for the Bonds (as well as the other outstanding fixed rate general obligation bonds of the School District, each series of fixed rate general obligation bonds to be issued by the School District in the future and, at the option of the School District, any series of variable rate general obligation bonds to be issued by the School District in the future) of School District tax revenues collected by the Revenue Commissioner of the City, as School Tax Collector, and “APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE - Local Tax Revenues” for a description of the School District Real Estate Tax, Business Use and Occupancy Tax, Liquor Sales Tax and Non-Business Income Tax collected by the Revenue Commissioner of the City, as School Tax Collector.

For a description of the intercept provisions of Section 633 of the School Code applicable to the Bonds, see “SECURITY FOR THE BONDS” herein and “APPENDIX A – SCHOOL DISTRICT DEBT.” For a description of the features of the School District’s general obligation bonds, including the Bonds, and the bonds issued by the State Public School Building Authority (the “SPSBA”) for the benefit of the School District and the intercept agreement applicable to the bonds issued by the SPSBA for the benefit of the School District, see “APPENDIX A – SCHOOL DISTRICT DEBT.” For a description of the provisions of Section 1703-E.4 of the Fiscal Code (as defined herein) allowing certain intercept payments under the School Code to be made in the event that the Commonwealth does not timely enact annual appropriations for public education for a fiscal year, see “SECURITY FOR THE BONDS - Direct Payment of State Appropriations to Fiscal Agent” herein.

Purpose of the Bonds

The proceeds of the Series A Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds. The proceeds of the Series B Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District which are designed to be environmentally beneficial by reducing energy usage in School District buildings; and (ii) the costs of issuance of the Series B Bonds. See “PLAN OF FINANCE” herein.

Designation of the Series B Bonds as Green Bonds

The Series B Bonds are being issued to finance certain projects that are designed to be environmentally beneficial (“Green Projects”) by reducing energy usage in School District buildings. See “PLAN OF FINANCE – Green Bonds – *Use of Proceeds*” herein. See APPENDIX G for a description of the particular Green Projects expected to be financed with proceeds of the Series B Bonds.

Continuing Disclosure

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated under the Securities Exchange Act of 1934, as amended, the School District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with Digital Assurance Certification, L.L.C. (“DAC”), as Dissemination Agent, in substantially the form set forth as APPENDIX E to this Official Statement. See “CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION” herein. Certain information concerning the School District, required or permitted to be filed pursuant to the School District’s prior continuing disclosure agreements, is on file with the Electronic Municipal Market Access System (“EMMA”) at <http://emma.msrb.org>. Such information is not incorporated herein by reference.

The COVID-19 Pandemic

In December 2019, a novel strain of coronavirus causing the disease known as “COVID-19” was discovered in Wuhan, China. Since then, COVID-19 has spread throughout the world, including throughout the United States and the Commonwealth, resulting in the United States Department of Health and Human Services declaring a public health emergency on January 31, 2020, and the then President of the United States declaring a national emergency on March 13, 2020. The Governor of the Commonwealth (the “Governor”) declared a state of emergency on March 6, 2020. The World Health Organization officially proclaimed COVID-19 to be a pandemic (the “COVID-19 Pandemic”) on March 11, 2020.

Certain Federal, State and Local Responses to the COVID-19 Pandemic

In an effort to limit the spread of COVID-19, the United States government, state governments, local governments, and private industries have taken measures to mitigate the impacts of COVID-19 on the general population and the economy, including the restriction of social interactions, encouraging citizens to obtain one of the vaccines that have been developed to protect against COVID-19 (the “COVID-19 vaccines”), and in some cases, mandating inoculation with a COVID-19 vaccine in order to obtain access to certain public and private spaces. The effects of the spread of COVID-19 and the related governmental, non-profit and private responses continue to rapidly evolve. The spread of COVID-19, including various mutations which have been identified (“variants”), has altered and continues to alter the behavior of businesses and people in a manner that has caused significant disruptions to the global, national, regional, Commonwealth and local economy.

By April 1, 2020, stay-at-home orders were in place for the entire Commonwealth. Throughout the fall and winter of 2020, the City and the Commonwealth implemented several actions to address increases in COVID-19 infection rates in the City and in the Commonwealth. The restrictions in the Commonwealth’s stay-at-home orders continued to be modified as circumstances permitted, with all such restrictions completely lifted on June 28, 2021. On August 31, 2021, Pennsylvania’s Acting Secretary of Health signed an order requiring face coverings to be worn in all public and private school settings (including the School Districts) effective September 7, 2021. Other than the recent school mask mandate, no other Commonwealth COVID-19 restrictions are in place. However, municipalities, such as the City of Philadelphia, have been permitted to continue to implement their own mitigation efforts. Throughout the COVID-19 Pandemic, the Mayor has also implemented various emergency measures and other actions to respond to the spread of COVID-19 in the City, including its own stay-at-home orders. Such measures were modified depending on then-current health and safety conditions in the City. On June 15, 2021, in response to falling COVID-19 infection rates and increased vaccination rates, the Mayor and the Health Commissioner issued an order to establish safety measures to allow the full reopening of the City. On August 11, 2021, in response to rising COVID-19 infection rates believed to be caused by one or more variants, the Mayor and the Health Commissioner issued an order re-establishing certain social restrictions that had been lifted by prior orders. The Commonwealth and the City continue to monitor the evolution of the COVID-19 pandemic and modify their respective responses as necessary.

Pennsylvania Act No. 13 of 2020

Pennsylvania Act No. 13 (“Act 13”) was enacted on March 27, 2020. Act 13 permitted the Pennsylvania Secretary of Education to order the closure of all school entities (during the 2019-20 school year only) until the threat to health and safety caused by the COVID-19 Pandemic had ended. Act No. 13 also waived the requirement that school entities be open for at least 180 days of instruction during the 2019-20 school year and provided for, inter alia, compensation of school entity employees, school subsidies and reimbursements from the Commonwealth as a result of actions taken by the Secretary of Education pursuant to Act No. 13.

Act 13 required each school entity to make a good faith effort to develop a plan to offer continuity of education using alternative means during the closure period. Pursuant to the requirements of Act 13, the School District submitted a continuity of education plan to the Pennsylvania Department of Education (“PED”) for the 2019-20 academic year which was approved. Although not required under Act 13, the School District later submitted health and safety plans for the 2020-21 and 2021-22 academic years to the PED detailing its readiness to make rapid shifts to a short-term virtual environment as the need may arise in order to respond to COVID-19 infections in schools.

The School District’s Response to the COVID-19 Pandemic

Educational institutions, including the School District, have taken and are taking a variety of measures to protect students, teachers, staff, administrators, and School District personnel from the effects of the COVID-19 Pandemic. Beginning on March 16, 2020 (pursuant to the Governor’s March 13, 2020, order), all School District schools were closed for in-person instruction and remained closed through the end of the 2019-20 academic year (pursuant to the Governor’s April 9, 2020, order). Distance learning (virtual, online) was implemented for all School District students.

The School’s District’s continuity plan for the latter quarter of the 2019-20 academic year included distance learning for all students. Summer school for the 2019-20 academic year was also offered in distance learning format. The School District started the 2020-21 academic year still requiring distance learning for all students and later shifting to a hybrid instruction model with instruction offered both in-person and via distance learning for certain students beginning in March 2021. Summer school for the 2020-21 academic year was offered in person.

The School District started the 2021-22 academic year on August 31, 2021, with all of its schools operating fully and the vast majority of students attending 100% in-person. The School District is also operating Philadelphia Virtual Academy as an alternative to in-person learning for those students whose families want them to participate in distance learning through virtual instruction. Approximately 1,400 students have chosen the virtual instruction option for the 2021-22 calendar year.

Pursuant to guidelines put in place by the School District prior to the start of the current academic year (and recently enshrined in an order of the Commonwealth Department of Health applying to all Commonwealth school settings beginning on September 7, 2021), all students and staff of the School District buildings are required to wear face coverings inside, regardless of vaccination status. Additionally, on August 24, 2021, the Board voted to mandate COVID-19 vaccination for all of its approximately 20,000 teachers and staff members. Teachers and staff members were required to report their current vaccination status to the School District by a deadline of September 30, 2021. Going forward, if a teacher or staff member is unvaccinated or partially vaccinated and tests positive for COVID-19, the teacher or staff member will not be entitled to use the District’s 10-day Direct Quarantine Leave program. Unvaccinated and partially vaccinated teachers and staff members must be tested for COVID-19 twice a week. Fully vaccinated teachers and staff members must continue being tested for COVID-19 once a week.

Effects of the COVID-19 Pandemic on the School District’s Financial Position and Operations

As a result of revenue losses and increases in expenses resulting from the COVID-19 Pandemic, the School District had an operating deficit for its fiscal year ending June 30, 2020. For the fiscal year ending June 30, 2021, the School District was able to recover from its prior fiscal year operating deficit, due in large part to federal funds received as part of the CARES Act. The School District expects an operating surplus, as set forth in its proposed budget, for the current fiscal year ending June 30, 2022. See “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT” in APPENDIX A hereto.

Despite the School District’s previous distance learning measures and the current 2021-22 academic year beginning with most students participating in all in-person learning, there can be no assurances that the spread of COVID-19 or other highly contagious or epidemic diseases will not adversely impact the School District in regards to, among other things, future enrollment and its corresponding financial impact to the School District. The School District has plans in place to address COVID-19 infections that may arise in particular classrooms and schools and has implemented such plans as needed, including targeted quarantining of affected students and staff and short-term transitions from in-person learning to virtual learning.

While the School District does not anticipate that COVID-19 will affect its ability to obtain funding as projected in APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE, the extent to which COVID-19 impacts the School District, or its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the management of the School District, including the extent or duration of the outbreak. In addition, the finances of the Commonwealth may be materially adversely affected by the continued spread of COVID-19, which could affect the amount or timing of educational aid appropriated to the School District.

The School District continues to monitor and assess the effects of the COVID-19 pandemic and its impact on the School District’s financial position and operations. A full assessment of the impact on the School District depends, in part, on the impact of COVID-19 on the City and the Commonwealth. It is not possible, at present, to project the impact on the School District’s revenues, expenditures, reserves, budgets, or financial position. Such impact will depend heavily on future events and actions by other governmental entities. No assurance can be given by the School District at this time.

For more information on the School District's response to COVID-19 and the related impact on the School District's finances and operations, see APPENDIX A – "COVID-19."

Other Information

Certain information relating to the School District's operations and financial affairs is available on the School District's website: www.philasd.org. Such information is not incorporated herein by reference. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION" herein.

The School District's financial statements are audited by the City Controller of the City (the "City Controller"). The School District has included its audited financial statements for Fiscal Year 2020 in "APPENDIX B" herein. See "CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION-Financial Statements" herein and APPENDIX B hereto.

Certain City socioeconomic information is attached hereto as APPENDIX C.

This Official Statement speaks only as of its date, unless otherwise expressly noted, and the information contained herein is subject to change.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery thereof, will be issued as fixed rate bonds and will bear interest at the rates and will mature on September 1 of the years set forth on the inside front cover page hereof until maturity or redemption. Interest on the Bonds shall be paid on each September 1 and March 1 (each an "Interest Payment Date") commencing on March 1, 2022. Interest on Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. "Record Date" with respect to the Bonds means the fifteenth (15th) day of the month next preceding the Interest Payment Date. The Bonds shall be issued in fully registered form in the denomination of \$5,000 and any integral multiple thereof ("Authorized Denominations").

The Bonds shall be registered on the registration books kept by the Fiscal Agent (hereinafter defined), as registrar and fiscal agent, in the name of The Depository Trust Company, New York, New York (the "Securities Depository" or "DTC"), or its nominee, Cede & Co. Beneficial owners ("Beneficial Owners") of the Bonds will not receive certificates representing their respective interests in such Bonds, except in the event the Fiscal Agent issues replacement bonds. The Bonds shall be payable as to principal or redemption price in lawful money of the United States of America at the corporate trust office of U.S Bank, National Association, located in Philadelphia, Pennsylvania, which shall act as Sinking Fund Depository, Fiscal Agent, Registrar and Paying Agent with respect to the Bonds (the "Fiscal Agent"). Interest on the Bonds shall be paid by check or draft in lawful money of the United States to each registered owner of the Bond at their address as it appears on the Record Date on the registration books of the School District kept by the Fiscal Agent or by wire transfer to a bank account in the continental United States to registered owners of more than \$1,000,000 in aggregate principal amount of the Bonds at the written request of such registered owners delivered to the Fiscal Agent at the time set forth in the Bonds. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See APPENDIX F hereto. Disbursement of such payments to the Direct Participants (as defined in APPENDIX F hereto) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants (as defined in APPENDIX F hereto), as more fully described in APPENDIX F hereto.

The Bonds may be transferred by the registered owners thereof or by their duly authorized attorneys-in-fact or other legal representative for Bonds of the same series and maturity in the same aggregate principal amount and bearing interest at the same rate upon the registration books maintained by the Fiscal Agent upon delivery to the Fiscal Agent of the Bonds accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Fiscal Agent, duly executed by the registered owner of the Bonds to be transferred or his or her duly authorized attorney-in-fact or other legal representative, containing written instructions as to the details of the transfer of such Bonds. No transfer of any Bond shall be effective until entered on the registration books maintained by the Fiscal Agent or its successor. In like manner Bonds may be exchanged by the registered owners thereof or by their duly authorized attorneys-in-fact or other legal representative for Bonds of the same series, maturity and interest rate and of authorized denomination or denominations in the same aggregate principal amount and bearing interest at the same rate. The Fiscal Agent may impose a charge sufficient to reimburse the School District or the Fiscal Agent for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the School District or the Fiscal Agent incurred in connection therewith, will be paid by the person requesting such exchange or transfer. The Fiscal Agent will not be required to transfer or exchange any Bond: (1) during a period beginning at the opening of business on any date when Bonds, or portions thereof, are selected for redemption and ending at the close of business on the day of the mailing of a notice of redemption of such Bonds; or (2) which has been so selected for redemption in whole or in part.

Redemption Provisions of the Bonds

The Series A Bonds shall be subject to redemption as follows:

Optional Redemption. The Series A Bonds maturing on or after September 1, 2032, are subject to redemption at the option of the School District, from monies available therefor, on or after September 1, 2031, in whole at any time, and in part from time to time, and if in part by lot within a maturity and within particular maturities or portions thereof as determined by the School District, at a redemption price equal to 100% of the principal amount of the Series A Bonds to be redeemed plus accrued and unpaid interest on the Series A Bonds to be redeemed to the date of redemption.

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on September 1, 2046, are subject to mandatory redemption prior to maturity by the School District, in part, by lot, at a redemption price of the principal amount of Series A Bonds to be redeemed plus interest accrued to the date fixed for redemption, from funds which the School District covenants to deposit in the Series A Mandatory Sinking Fund Account created in the Sinking Fund (defined below) for the Series A Bonds established under the Resolution, annually, on or before September 1 of the years and in the principal amounts set forth below:

Partial Maturity Date (September 1)	Amount
2042	\$17,205,000
2043	17,905,000
2044	18,640,000
2045	19,400,000
2046*	20,190,000

* Final Maturity.

The Series B Bonds shall be subject to redemption as follows:

Optional Redemption. The Series B Bonds are not subject to optional redemption prior to maturity.

General Redemption Provisions

Selection of Bonds for Redemption. If less than all of a series and maturity of the Bonds are to be redeemed, the particular Bonds of such series and maturity to be redeemed shall be selected by the Fiscal Agent by lot in such manner as the Fiscal Agent in its discretion may determine and which shall provide for the selection for redemption of portions of the principal of Bonds in Authorized Denominations.

Notice of Redemption. The Fiscal Agent shall mail a notice of redemption by first class mail not more than 45 days and not less than 30 days before the date of redemption to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books. Failure to give such notice by mailing to any registered owner of any Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of other Bonds. Deposit of any such notice in the United States mail shall constitute constructive receipt by such registered owner of such Bonds. The Fiscal Agent shall redeem on each respective redemption date the principal amount of such Bonds or portions thereof aggregating the amount to be then redeemed. So long as the Securities Depository is the sole registered owner of the Bonds, the Fiscal Agent shall send a notice of redemption to the Securities Depository at the time and in the manner specified in DTC's Operational Arrangements. Any failure of the Securities Depository to advise any of its participants or any failure of any direct or indirect participant therein to notify any Beneficial Owner of any such notice and its content or effect shall not affect the validity of the proceedings for redemption of the Bonds called for redemption or of any other action premised on such notice. No further interest shall accrue on any Bond called for redemption on and after the redemption date if payment of the redemption price is on deposit with the Fiscal Agent, and the registered owner of the Bond shall have no rights except to receive payment of the redemption price and the unpaid interest accrued on the Bond to the date of redemption.

If such notice is given with respect to an optional redemption prior to moneys for such redemption being deposited with the Fiscal Agent, then such notice shall be conditioned upon the deposit of the redemption moneys with the Fiscal Agent on or before the date fixed for redemption and such notice shall be of no effect (and shall so state) unless moneys are so deposited.

SECURITY FOR THE BONDS

General Obligation

The Bonds are general obligations of the School District. Pursuant to the Act and as provided in the Resolution, the School District covenants with the holders of the Bonds that it shall (i) include in its budget for each fiscal year the amount of debt service on the Bonds payable in such fiscal year, (ii) appropriate such amounts from its general revenues for the payment of such debt service, and (iii) duly and punctually pay, or cause to be paid, from its sinking funds or any other of its revenues or funds, the principal or redemption price of, and the interest on, the Bonds at the dates and places and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District has pledged its full faith, credit and taxing power. The Act provides that this covenant is specifically enforceable.

The School District may levy taxes only upon the authorization of the General Assembly or City Council as described in “APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE” herein.

The issuance of the Bonds by the School District constitutes the incurrence of non-electoral debt by the School District pursuant to the Debt Act and must be approved in advance by the Pennsylvania Department of Community and Economic Development (“DCED”). This approval will be obtained prior to issuance and delivery of the Bonds. See “APPENDIX A – SCHOOL DISTRICT DEBT.”

Sinking Funds

Pursuant to the Act and the Resolution, sinking funds for each series of the Bonds, designated “Sinking Fund - Series A of 2021,” and “Sinking Fund – Series B of 2021,” respectively (each a “Sinking Fund” and collectively, the “Sinking Funds”), shall be established with the Fiscal Agent and held segregated from all other funds of the School District. The Act requires that the School District deposit into each Sinking Fund, not later than the date when the interest and principal is to become due on the respective series of Bonds, amounts sufficient to pay the interest and principal then due. The School District has covenanted in the Resolution to provide for the full amount of each debt service payment due on the Bonds by a date which is 15 days prior to each debt service payment date (each, a “Sinking Fund Deposit Date”). See “Direct Payment of State Appropriations to Fiscal Agent” below for further information regarding the making of sinking fund deposits.

The sinking fund depository for the Bonds is U.S. Bank National Association, the Fiscal Agent.

Moneys in each of the Sinking Funds may be invested by the Fiscal Agent in securities or deposits authorized by law and the Resolution, upon direction of the School District, all as provided in the Act and the Resolution. Such deposits and securities shall be in the name of the School District, but shall be subject to withdrawal or collection only by the Fiscal Agent, and such deposits and securities, together with the interest thereon, shall be a part of such Sinking Fund.

The Fiscal Agent is irrevocably authorized and directed to pay from the Sinking Funds pursuant to the Debt Act and the Resolution the principal of, and interest on, the Bonds when due and payable.

The Debt Act provides that all moneys deposited in each of the Sinking Funds and all investments and proceeds of investments thereof shall be, without further action or filing, subject to a perfected security interest in favor of the owners of the applicable series of Bonds.

Daily Sinking Fund Deposits

In conjunction with the sale of fixed rate general obligation bonds in 1982, the School District covenanted to make daily deposits into each sinking fund established for each of its outstanding fixed rate general obligation bond issues from School District tax revenues collected by the Revenue Commissioner of the City, as School Tax Collector. All subsequent issues of fixed rate general obligation bonds have contained such a covenant, and the Resolution contains a similar covenant with respect to the Bonds. The School District may, in its sole discretion, covenant to make daily deposits into sinking funds established for any variable rate general obligation bonds that the School District may issue in the future. See “APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE - Local Tax Revenues” for a description of the Real Estate Tax, Business Use and Occupancy Tax, Liquor Sales Tax and Non-Business Income Tax collected by the Revenue Commissioner of the City, as School Tax Collector.

Each total daily deposit represents the aggregate pro-rata amount required to accumulate in each of the sinking funds on the Sinking Fund Deposit Date (the “Accumulation Date”) which is 15 days in advance of a debt service payment date (including a mandatory sinking fund installment deposit date with respect to the School District’s 2011 qualified school construction bonds and 2016 qualified school construction bonds (together, the “QSCBs”), an amount sufficient to make the ensuing interest and principal or mandatory redemption payment required to be paid from such sinking fund (including the next mandatory sinking fund installment deposit with respect to the QSCBs). For example, if the School District is required to make an interest and

principal payment on fixed rate bonds (including for a mandatory sinking fund installment deposit with respect to the QSCBs) on September 1, 2021, the required funds must be accumulated in the required sinking fund by August 17, 2021. The daily amount to be set aside for interest is calculated by dividing the amount of the interest payment by the actual number of City business days occurring during the period February 14, 2021, to August 17, 2021. The daily amount to be set aside for principal (and, as applicable, for a mandatory sinking fund installment deposit with respect to the QSCBs) is calculated by dividing the amount of the principal payment (or, as applicable, the mandatory sinking fund installment with respect to the QSCBs) by the actual number of City business days occurring during the period August 17, 2020, to August 17, 2021. Although the Resolution permits interest income to be taken into account in calculating the daily deposits, the School District's current practice is that the interest income earned on investments in the respective sinking funds is not considered in calculating the required total daily deposits.

All of the School District tax revenues subject to this daily deposit covenant are collected for the School District by the Department of Collections (the "Department of Revenue") of the City, acting pursuant to the requirements of the Home Rule Charter and the School Code as the School Tax Collector for the School District. The School District, pursuant to the Resolution, has irrevocably directed the Department of Revenue to make the required total deposits from School District tax revenues directly to the Sinking Fund. With respect to each of the School District's outstanding series of fixed rate General Obligation Bonds, the School District, in each bond resolution, has irrevocably directed the Department of Revenue to make the required total daily deposits for such bonds from School District tax revenues directly to the appropriate sinking funds. After making such deposits, the balance of the revenues, if any, is then deposited to the credit of the School District for general operating purposes. The daily deposit covenant is not considered breached if the revenues collected on a given day are insufficient to cover that day's required total daily sinking fund deposit. Such deficiencies are to be made up out of the next days' receipts and no further deposits are to be made to the credit of the School District for general operating purposes until the sinking funds are current.

It is possible that the debt service requirement for the Bonds, with the debt service requirements for outstanding fixed rate and variable rate general obligation bonds, if hereafter issued and determined by the School District to have the benefit of the daily deposit covenant, and additional fixed rate general obligation bonds and variable rate general obligation bonds issued by the School District in the future may create occasional deficiencies in certain of the sinking funds on certain of the Accumulation Dates. The Accumulation Dates are also Sinking Fund Deposit Dates. The School District has covenanted in the resolutions for its fixed rate general obligation bonds, including the Resolution, that if, on any Accumulation Date, the amount on deposit in a sinking fund is less than the full amount due on the next maturity, redemption or interest payment date, the School District shall deposit, from any available revenues, the amount of such deficiency in such sinking fund.

The foregoing daily deposit covenants are in addition to, and not in place of the pledge by the School District of its full faith, credit and taxing power for the budgeting, appropriation and payment of debt service on the Bonds. Certain limitations on the taxing power of the School District are described in "APPENDIX A - SOURCES OF SCHOOL DISTRICT REVENUE - Local Tax Revenues."

The holders of each respective Series of the Bonds will have a claim only to moneys deposited into the sinking fund for such Series of Bonds and do not have a claim on the sinking fund for any other Series of Bonds. The Act provides that each sinking fund is subject to a perfected security interest in favor of the holders of the Series of Bonds for which such sinking fund is established without any requirement for filing or recording.

Direct Payment of State Appropriations to Fiscal Agent

The School Code provides that where a school district fails to pay or to provide for the payment of any principal or interest or the amount required as a sinking fund deposit on indebtedness of the school district, the Secretary of Education of the Commonwealth is required to withhold, out of any Commonwealth appropriation due to such school district, and to pay directly to the sinking fund depository for such bonds an amount equal to the sum of the interest and principal amount maturing or subject to mandatory sinking fund redemption or the amount required as a sinking fund deposit which is owing by such school district. The general obligation bonds of the School District are entitled to the benefits of the intercept provisions of the School Code. Section 633 of the School Code states:

"In all cases where the board of directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory sinking fund redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on any sinking fund deposit date in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligations and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory sinking fund redemption and interest owing by such school district, or such sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue."

The intercept provisions of Section 633 of the School Code will apply to the Sinking Fund Deposit Dates established by the School District in the Resolution.

The School Code also requires each school district to report to the Secretary of Education of the Commonwealth within 120 days after the close of its fiscal year as part of its annual financial report, the amount of bonds or other indebtedness that became due during the fiscal year together with amounts paid on such indebtedness. Failure to include such information in the annual report permits the Secretary of Education of the Commonwealth to withhold any Commonwealth appropriation until such report is filed.

In the Resolution, the Fiscal Agent, as sinking fund depository, is directed to make demand on the Secretary of Education of the Commonwealth if there is a deficiency on a Sinking Fund Deposit Date in order to cause the implementation of the provisions of Section 633 of the School Code in advance of an actual debt service payment date. The declaration of distress by the Secretary of Education of the Commonwealth does not affect the application of the withholding provisions of Section 633 of the School Code.

All public school subsidies made by the Commonwealth are subject to appropriation by the General Assembly. The withholding provisions of Section 633 of the School Code are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation. Furthermore, the schedule of installments and payment dates for the basic education subsidy, which is the largest State appropriation to the School District, is statutorily established and is subject to change by legislative action. Other Commonwealth appropriations are paid at the discretion of the executive branch. The Commonwealth has the right, but not the obligation, to pay appropriations in advance of their due dates. Although the Constitution of the Commonwealth provides that “the General Assembly shall provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth,” the General Assembly is not legally obligated to appropriate such subsidies and there can be no assurance that it will do so in the future. The allocation formula pursuant to which the Commonwealth distributes such subsidies to the various school districts throughout the Commonwealth may be amended at any time by the General Assembly. Moreover, the Commonwealth’s ability to make such disbursements will be dependent upon its own financial condition. At various times in the past, the enactment of budget and appropriation laws by the Commonwealth has been delayed, resulting in, among other things, the inability of the Treasurer to make direct payments of school district subsidies pursuant to the intercept provisions described below and increased interim borrowing by school districts pending the appropriation and payment of state aid. Consequently, there can be no assurance that financial support from the Commonwealth for school districts, either for capital projects or education programs in general, will continue at present levels or that appropriations will be available for payments to bondholders if indebtedness of such school district is not paid when due. See “APPENDIX A – SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies” and “– CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Operating Budget Revenues, Obligations and Changes in Fund Balances” herein for information concerning current payments made by the Commonwealth.

Certain bonds have been previously issued on behalf of the School District by the SPSBA (the “SPSBA Bonds”). The Public School Code contains certain debt service intercept provisions applicable to the School District’s debt obligations related to the SPSBA Bonds and the School District is a party to an intercept agreement relating thereto. In Fiscal Year 2016, due to the Commonwealth’s Fiscal Year 2016 budget impasse, certain payments of base rental payments required to be paid pursuant to the Intercept Agreement (as defined herein) were not made and such payments were timely made in full directly by the School District as required by the sublease and the indenture related to the SPSBA Bonds. For a description of the intercept agreement (the “Intercept Agreement”) among the SPSBA, the School District and the Treasurer of the Commonwealth of Pennsylvania (the “State Treasurer”) and acknowledged and agreed to by the Pennsylvania Department of Education (“PDE”) and the trustee for the bonds issued on behalf of the School District by the SPSBA, see “APPENDIX A – SCHOOL DISTRICT DEBT” and “– SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies.”

Over the last fifteen years, the Commonwealth has experienced a number of budget stalemates which resulted in the related fiscal year operating budgets being enacted after July 1 of the Commonwealth’s fiscal year as required by law. In certain cases, the delayed enactments caused a delay in the payment of Commonwealth funds to school districts, including the School District. On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by PDE from a school district subject to an intercept statute or an intercept agreement in the event of a budget impasse in any fiscal year (“Article XVII-E.4”). Section 1701-E.4 of the Fiscal Code includes in the definition of “intercept statutes” Section 633 of the Public School Code, which applies to the Bonds. “Intercept agreements” are defined in Section 1701-E.4 as agreements entered into under the authority of an intercept statute. The School District’s general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code, and Section 785 of the Public School Code governs the Intercept Agreement. For additional information concerning the Intercept Agreement, see “APPENDIX A – SCHOOL DISTRICT DEBT” and “– SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies.”

Article XVII-E.4 of the Fiscal Code provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year: (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due; (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The School District has not been advised as to whether PDE will submit a justification covering all school districts at the beginning of a budget impasse on July 1 of a fiscal year or on a case by case basis. The School District will include in its fiscal agent agreements which govern its general obligation bonds, including the Bonds, and which require the Section 633 intercept to be triggered if insufficient funds are in a sinking fund fifteen (15) days before a debt service payment date provisions requiring notice to be given to PDE that the justification required by Article XVII-E.4 must be submitted to the appropriation committee chairs immediately (if it has not already been submitted) so that the steps necessary for the intercept payment to be made by the applicable debt service payment date can be implemented in sufficient time.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total non-federal general fund subsidy payments made to that school district in the prior fiscal year. Any payments pursuant to Article XVII-E.4 are also limited to available cash balances in the General Fund of the Commonwealth.

Section 1703-E.4 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. As required by PDE and in PDE’s required format, the School District will file schedules of principal and interest payments for all series of obligations outstanding, including sinking fund deposit dates or intercept payment dates, as applicable, and scheduled debt service payment dates for each series, including the Bonds. The School District will also file a hard copy of this Official Statement.

Section 1703-E.4 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Article XVII-E.4 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Statutory Remedies

The Act provides that if principal or interest on bonds issued pursuant to the Act is not paid when due and such failure continues for 30 days, the holder of such bonds, subject to any prior rights of holders of tax and revenue anticipation notes and the right of the court to require the deposit of moneys in any sinking fund by writ of mandamus, shall have the right to recover the amount due in an action brought in the court of common pleas and any such judgment shall have an appropriate priority upon moneys next coming into the treasury of the issuer and may be a judgment upon which funding bonds may be issued.

The Act further provides that in the event of such default and its continuance for 30 days, the holders of 25 percent in aggregate principal amount of the bonds may appoint a trustee to represent their interests. The trustee is entitled, by mandamus or other suit, to enforce the rights of the holders of the bonds and require the issuer to carry out agreements with holders of the bonds, bring suit on the bonds, petition the court of common pleas to levy, after a hearing upon notice to the owners of assessable real estate, the amount due before or after the exercise of any right to acceleration, upon all taxable real estate and other property subject to ad valorem taxation in the jurisdiction of the issuer in proportion to the value thereof as assessed for tax purposes. Such assessments may be collected as by foreclosure of a mortgage or security interest on the realty or other property if not paid on demand. In addition, such trustee may by suit in equity seek to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds, and, upon thirty (30) days’ prior written notice to the School District, subject to any limitation in the Resolution, may declare the unpaid principal amount of such bonds due and payable.

Limitation of Remedies

The rights and remedies of holders of the Bonds are subject to the provisions of Chapter 9 of the Federal Bankruptcy Code (the “United States Bankruptcy Code”). In general, Chapter 9 permits, under prescribed circumstances, a political subdivision of a state to commence a voluntary bankruptcy proceeding and to file a plan of adjustment in the repayment of its debts, if such political subdivision is generally not paying its debts as they become due (unless such debts are the subject of a bona fide dispute), or is unable to pay its debts as they become due. Under the United States Bankruptcy Code, an involuntary petition cannot be filed against a political subdivision.

In order to proceed under Chapter 9, state law must authorize the political subdivision to file a petition under the United States Bankruptcy Code. Pennsylvania law prohibits the School District from filing such a petition unless the petition has first been submitted to, and its filing, together with the plan for adjustment of debts, has been approved in writing by DCED. DCED is required to investigate the financial condition of the School District in order to determine whether the presentation of the petition is justified or represents an unjust attempt to evade payment of some of the petitioner’s contractual obligations before approving the petition and plan. DCED has the right to require modification of any proposed plan before granting approval of a petition.

The filing of such a petition in bankruptcy operates as an automatic stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant thereof. The petitioner must file a plan for adjustment of the debts, which may include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The United States Bankruptcy Code establishes procedures for confirmation of such a plan, and, under certain circumstances, allows confirmation of a plan over the objection of one or more classes of creditors.

The foregoing references to the United States Bankruptcy Code are informational only, and are not to be construed as any indication that the School District expects to request permission from DCED to resort to the provisions of the United States Bankruptcy Code or that if it did, permission would be granted by DCED, or that any proposed plan of adjustment would include a dilution of the sources of payment and security for the Bonds.

PLAN OF FINANCE

Purpose of the Bonds

The proceeds of the Series A Bonds are being used by the School District to pay: (i) the costs of certain capital projects to be undertaken by the School District; and (ii) the costs of issuance of the Series A Bonds.

The proceeds of the Series B Bonds (sometimes referred to herein as the “2021 Green Bonds”) are being used by the School District to pay: (i) the costs of certain Green Projects; and (ii) the costs of issuance of the Series B Bonds. See “Green Bonds – *Use of Proceeds*” below.

Green Bonds

Use of Proceeds. The 2021 Green Bonds will finance various capital projects that are designed to be environmentally beneficial (referred to herein as “Green Projects”).

Proceeds of the 2021 Green Bonds are expected to be used to fund certain Green Projects for energy efficiency and conservation purposes in certain School District buildings. These Green Projects are designed to reduce energy costs in existing School District buildings and reduce the School District’s environmental footprint. The Board has approved the engagement of Johnson Controls International PLC (“JCI”) for an approximately ten-year term to provide design, construction and energy conservation and savings analysis (collectively, “ESCO Services”) for all Green Projects designated under GESA-1 (defined below), a portion of which will be financed with proceeds of the 2021 Green Bonds. The remaining Green Projects which the School District currently anticipates completing as a part of GESA-1 are set forth in APPENDIX G hereto.

Project Evaluation and Selection Process. The School District previously undertook a guaranteed energy saving agreement (“GESA”) pilot program (the “Pilot GESA”) at three high schools. The Pilot GESA was completed in calendar year 2019, and included approximately \$22.4 million of capital upgrades including LED lighting and window, boiler, unit vent and control improvements. The Pilot GESA is not being financed by the 2021 Green Bonds.

In 2019, The School District prepared a six-year plan to identify and implement Green Projects at several School District buildings. Such identified Green Projects, as amended by the School District from time to time, are referred to as “GESA-1,” and fall under the School District’s overall GESA program. In 2019, the School District secured \$30 million in proceeds from its issuance of general obligation green bonds to fund certain of the GESA-1 Green Projects.

The School District expects to expend an additional \$60 million from the proceeds of the 2021 Green Bonds to finance additional GESA-1 Green Projects, as set forth in APPENDIX G. The particular schools (or other buildings) at which Green Projects will be undertaken and the particular Green Project components that will be financed with proceeds of the 2021 Green Bonds are subject to change due to timing and other considerations related to the School District’s capital improvement plans and conditions in the construction and construction materials markets. Any changes in the selection of particular Green Projects to be financed with proceeds of the 2021 Green Bonds beyond the seven schools set forth in APPENDIX G will be described within the School District’s post-issuance reporting described below.

Management of Bond Proceeds. The proceeds of the Green Bonds will be deposited into a segregated account, and expenditure of such proceeds will be tracked by the School District.

Post-Issuance Reporting. Contracts entered into with JCI or any other vendor to perform ESCO Services will require JCI and any other vendor to provide industry standard annual reports on the performance of the Green Projects which the School District will make publicly available by posting such reports on the School District’s website.

SOURCES AND USES OF FUNDS

	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
<u>Sources of Funds</u>			
Principal Amount of the Bonds	\$266,980,000.00	\$49,860,000.00	\$316,840,000.00
Original Issue Premium	49,624,147.70	10,402,376.20	60,026,523.90
Total	<u>\$316,604,147.70</u>	<u>\$60,262,376.20</u>	<u>\$376,866,523.90</u>
<u>Uses of Funds</u>			
Deposit for 2021A Project Fund	\$315,000,000.00	-	\$315,000,000.00
Deposit for 2021B Green Project Fund	-	\$60,000,000.00	\$60,000,000.00
Costs of Issuance [†]	1,604,147.70	262,376.20	1,866,523.90
Total	<u>\$316,604,147.70</u>	<u>\$60,262,376.20</u>	<u>\$376,866,523.90</u>

[†] Includes legal fees and expenses, underwriters’ discount, financial advisory fees, Fiscal Agent’s fees, rating agency fees, printing and miscellaneous fees and expenses.

Additional Financing

The School District has other outstanding debt and may, from time to time, issue additional debt to finance certain projects or to refund certain outstanding debt of the School District. For additional information concerning the School District’s outstanding debt, see “SCHOOL DISTRICT DEBT” in APPENDIX A attached hereto.

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SCHOOL DISTRICT DEBT SERVICE REQUIREMENTS

The table below sets forth total debt service on the Bonds when issued, and the table on the following page shows the School District's outstanding general obligation bonds and lease rental debt, in each case for the fiscal years ending June 30, 2022, and thereafter:

Debt Service on the Bonds

Fiscal Year	<u>Series A Bonds</u>			<u>Series B Bonds</u>			Total
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	
2022	-	\$3,742,733	\$3,742,733	-	\$810,225	\$ 810,225	\$ 4,552,958
2023	\$2,815,000	11,445,725	14,260,725	\$3,940,000	2,394,500	6,334,500	20,595,225
2024	2,960,000	11,301,350	14,261,350	4,140,000	2,192,500	6,332,500	20,593,850
2025	3,110,000	11,149,600	14,259,600	4,355,000	1,980,125	6,335,125	20,594,725
2026	3,265,000	10,990,225	14,255,225	4,580,000	1,756,750	6,336,750	20,591,975
2027	3,435,000	10,822,725	14,257,725	4,815,000	1,521,875	6,336,875	20,594,600
2028	3,615,000	10,646,475	14,261,475	5,060,000	1,275,000	6,335,000	20,596,475
2029	3,795,000	10,461,225	14,256,225	5,320,000	1,015,500	6,335,500	20,591,725
2030	3,995,000	10,266,475	14,261,475	5,590,000	742,750	6,332,750	20,594,225
2031	4,195,000	10,061,725	14,256,725	5,880,000	456,000	6,336,000	20,592,725
2032	4,415,000	9,846,475	14,261,475	6,180,000	154,500	6,334,500	20,595,975
2033	11,135,000	9,457,725	20,592,725				20,592,725
2034	11,705,000	8,886,725	20,591,725				20,591,725
2035	12,310,000	8,286,350	20,596,350				20,596,350
2036	12,940,000	7,655,100	20,595,100				20,595,100
2037	13,535,000	7,060,900	20,595,900				20,595,900
2038	14,085,000	6,508,500	20,593,500				20,593,500
2039	14,660,000	5,933,600	20,593,600				20,593,600
2040	15,260,000	5,335,200	20,595,200				20,595,200
2041	15,880,000	4,712,400	20,592,400				20,592,400
2042	16,530,000	4,064,200	20,594,200				20,594,200
2043	17,205,000	3,389,500	20,594,500				20,594,500
2044	17,905,000	2,687,300	20,592,300				20,592,300
2045	18,640,000	1,956,400	20,596,400				20,596,400
2046	19,400,000	1,195,600	20,595,600				20,595,600
2047	20,190,000	403,800	20,593,800				20,593,800
TOTAL	\$266,980,000	\$188,268,033	\$455,248,033	\$49,860,000	\$14,299,725	\$64,159,725	\$519,407,758

Total School District Debt Service

Fiscal Year	Total Debt Service on the Series 2021 Bonds	Other General Obligation Debt Principal	Other General Obligation Debt Interest	Total Other General Obligation Debt Service ⁽¹⁾	Total General Obligation Debt Service	Total Lease Revenue Debt Service ⁽²⁾	Total School District Debt Service ⁽²⁾
2022	\$4,552,958	\$144,455,667	\$107,978,329	\$252,433,996	\$256,986,953	\$68,121,111	\$325,108,065
2023	20,595,225	136,415,667	101,508,994	237,924,660	258,519,885	68,076,014	326,595,899
2024	20,593,850	119,380,000	95,749,047	215,129,047	235,722,897	89,664,954	325,387,851
2025	20,594,725	115,945,000	90,343,845	206,288,845	226,883,570	90,508,487	317,392,057
2026	20,591,975	121,810,000	84,865,152	206,675,152	227,267,127	89,838,275	317,105,401
2027	20,594,600	115,475,000	79,766,175	195,241,175	215,835,775	99,297,177	315,132,951
2028	20,596,475	115,520,000	73,570,099	189,090,099	209,686,574	104,141,987	313,828,561
2029	20,591,725	116,604,750	68,213,620	184,818,370	205,410,095	104,796,369	310,206,464
2030	20,594,225	120,326,089	62,926,666	183,252,755	203,846,980	96,874,760	300,721,741
2031	20,592,725	99,036,089	53,983,545	153,019,634	173,612,359	122,118,790	295,731,150
2032	20,595,975	62,151,089	46,208,472	108,359,561	128,955,536	155,881,075	284,836,611
2033	20,592,725	64,741,089	43,386,096	108,127,186	128,719,911	134,485,500	263,205,411
2034	20,591,725	136,256,089	39,815,242	176,071,331	196,663,056	18,252,750	214,915,806
2035	20,596,350	70,276,089	33,875,055	104,151,144	124,747,494	18,257,000	143,004,494
2036	20,595,100	73,151,089	30,719,057	103,870,147	124,465,247	14,831,250	139,296,497
2037	20,595,900	72,286,089	27,611,134	99,897,223	120,493,123	-	120,493,123
2038	20,593,500	75,141,089	24,453,519	99,594,608	120,188,108	-	120,188,108
2039	20,593,600	75,501,089	21,215,133	96,716,222	117,309,822	-	117,309,822
2040	20,595,200	61,706,089	18,323,323	80,029,413	100,624,613	-	100,624,613
2041	20,592,400	50,476,089	15,750,472	66,226,561	86,818,961	-	86,818,961
2042	20,594,200	52,331,089	13,896,497	66,227,586	86,821,786	-	86,821,786
2043	20,594,500	54,276,089	8,226,199	62,502,288	83,096,788	-	83,096,788
2044	20,592,300	45,950,000	2,460,425	48,410,425	69,002,725	-	69,002,725
2045	20,596,400	30,315,000	707,875	31,022,875	51,619,275	-	51,619,275
2046	20,595,600	-	-	-	20,595,600	-	20,595,600
2047	20,593,800	-	-	-	20,593,800	-	20,593,800
Total ⁽²⁾ :	\$519,407,758	\$2,129,526,333	\$1,145,553,967	\$3,275,080,301	\$3,794,488,058	\$1,275,145,499	\$5,069,633,558

⁽¹⁾ Includes gross debt service on the Build America Bonds Series B of 2010, Qualified School Construction Bonds Series A Bonds of 2011 and Qualified School Construction Bonds Series E of 2016. Other General Obligation Debt Service reflects Mandatory Sinking Fund Installments due on Qualified School Construction Bonds Series A Bonds of 2011 and Qualified School Construction Bonds Series E of 2016.

⁽²⁾ Totals may not add due to rounding.

NO LITIGATION AFFECTING THE BONDS

Upon the respective deliveries of the Bonds, the Office of the General Counsel to the School District shall furnish an opinion, in form satisfactory to Bond Counsel and the Underwriters, to the effect that, among other things, except as disclosed in this Official Statement, there is no litigation or other legal proceeding pending, or to the best of its knowledge, threatened, to restrain or enjoin the issuance or delivery of such Bonds or challenging the validity of the proceedings of the School District taken in connection therewith or the covenant of the School District with respect to the payment of the Bonds, or contesting the powers of the School District with respect to any of the foregoing.

See "APPENDIX A - LEGAL PROCEEDINGS" herein for a summary of certain legal proceedings affecting the School District.

FINANCIAL ADVISOR

In connection with the authorization and issuance of the Bonds, the School District has retained Phoenix Capital Partners LLP, Philadelphia, Pennsylvania, an independent registered municipal advisor, as its financial advisor (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. The Financial Advisor is a registered municipal advisor and an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other securities.

UNDERWRITING

Siebert Williams Shank & Co., LLC is acting as the representative for the Underwriters shown on the cover page of this Official Statement.

The Underwriters have agreed to purchase the Series A Bonds from the School District, subject to the terms of the bond purchase contract between the School District and the Underwriters dated October 7, 2021 (the "Bond Purchase Contract"), at a purchase price of \$315,524,286.58 (which is equal to the par amount of \$266,980,000.00, plus original issue premium of \$49,624,147.70, and less the Underwriters' discount of \$1,079,861.12).

The Underwriters have agreed to purchase the Series B Bonds from the School District, subject to the terms of the Bond Purchase Contract, at a purchase price of \$60,102,061.09 (which is equal to the par amount of \$49,860,000.00, plus original issue premium of \$10,402,376.20, and less the Underwriters' discount of \$160,315.11).

The Underwriters will be obligated to purchase all the Series A Bonds and Series B Bonds if any such Bonds are purchased. The Underwriters will be separately obligated to purchase all of the Bonds if any such Bonds are purchased.

The Underwriters may offer and sell the Bonds to certain dealers and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) at prices lower than the public offering prices stated on the inside cover page hereof.

The Underwriters have provided the following three paragraphs for inclusion in this Official Statement.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the School District, for which it received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the School District.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

PNC Capital Markets LLC, an underwriter for the Bonds, may offer to sell to its affiliate, PNC Investments LLC, securities in PNC Capital Markets LLC’s inventory for resale to PNC Investments’ customers, including securities such as the Bonds. PNC Capital Markets LLC may share with PNC Investments LLC a portion of the fee or commission paid to PNC Capital Markets LLC if any Bonds are sold to customers of PNC Investments LLC.

The preceding two paragraphs have been furnished by BofA Securities, Inc. and PNC Capital Markets, LLC for inclusion in this section of the Official Statement. The School District has not requested or been furnished with any documents relating to the distribution arrangements described above (collectively, the “Distribution Agreements”) and has not entered into any agreement or arrangement with any of the parties who are entering into any of the Distribution Agreements with respect to the offering and sale of the Bonds (other than the Bond Purchase Contract).

RATINGS

Moody’s and Fitch have assigned their respective municipal bond ratings of “A2” (with a Stable outlook) and “A+” (with a Stable outlook) to the Bonds, based on intercept provisions of the School Code.

Moody’s has assigned the Bonds an underlying rating, without regard to the intercept provision of the School Code of “Baa3” (with a Stable outlook). Fitch has also assigned its underlying rating with respect to the School District’s general obligation bonds, including the Bonds, without regard to the intercept provisions of the School Code, of “BB+” (with a Stable outlook). See “SECURITY FOR THE BONDS” herein.

No application has been made to any other ratings service for a rating on the Bonds. The School District furnished to Moody’s and Fitch certain materials and information in addition to that provided herein. Generally, rating agencies base their ratings on such information and materials, and on investigations, studies and assumptions. Any explanation of the significance of each of such ratings may only be obtained from the rating agency furnishing the rating. There is no assurance that any rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely, if in the rating agency’s judgment circumstances so warrant. Any downward change in or withdrawal of such ratings, or any of them, may have an adverse effect on the price at which the Bonds may be resold.

Any ratings assigned represent only the views of the respective rating agency. Further information is available upon request from:

Moody’s Investors Service	Fitch Ratings, Inc.
7 Trade Center at 250	One State Street Plaza
Greenwich Street	New York, NY 10004
New York, NY 10007	(212) 908-0500
(212) 553-0377	

Neither the School District nor the Underwriters have assumed any responsibility to maintain any particular rating on the Bonds. The School District has agreed to report actual rating changes on the Bonds. See “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

TAX MATTERS

Federal Exclusion of Interest from Gross Income

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds, including interest in the form of original issue discount, will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986 (the “Code”).

In rendering its opinion, Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and the Tax Compliance Certificate executed and delivered in connection with the issuance of the Bonds, that are intended to comply with the provisions of the Code relating to actions to be taken by the School District in respect of the Bonds after issuance thereof to the extent necessary to effect or maintain the exclusion from federal gross income of the interest on the Bonds. These covenants relate to, inter alia, the use of and investment of proceeds of the Bonds and the rebate to the United States Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

Other Federal Tax Matters

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the sub-caption “Federal Exclusion of Interest from Gross Income” and expressly stated in the form of the opinion of Bond Counsel included as APPENDIX D hereto. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Bond Counsel, under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax and the Bonds are exempt from personal property taxes in Pennsylvania; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The Bonds and interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth of Pennsylvania under applicable state or local tax laws.

Bond Counsel is not rendering any opinion on state tax matters other than those described under the caption “Pennsylvania” and expressly stated in the form of the Bond Counsel opinion included in APPENDIX D hereto.

Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of the legality of issuance of the Bonds by Eckert Seamans Cherin & Mellott, LLC of Philadelphia, Pennsylvania, Bond Counsel. The form of opinion of Bond Counsel expected to be delivered at the time of issuance of the respective Bonds is attached hereto as APPENDIX D. Certain legal matters will be passed upon for the School District by the Office of the General Counsel to the School District and for the Underwriters by Ahmad Zaffarese, LLC of Philadelphia, Pennsylvania.

CERTAIN RELATIONSHIPS

Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, represents the School District in matters unrelated to the issuance of the Bonds, and from time to time represents certain of the Underwriters in matters unrelated to the School District and the Bonds.

From time to time, Ahmad Zaffarese LLC, Counsel to the Underwriters, represents the School District in matters unrelated to the issuance of the Bonds.

CONTINUING DISCLOSURE AND ADDITIONAL INFORMATION

Continuing Disclosure Undertakings

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12, as amended (“Rule 15c2-12”), promulgated under the Securities Exchange Act of 1934, as amended, the School District will enter into the Continuing Disclosure Agreement in substantially the form of APPENDIX E to this Official Statement, which should be read in its entirety.

The School District has previously entered into various continuing disclosure agreements relating to its general obligation bonds and to bonds issued on its behalf by the SPSBA. For continuing disclosure agreements entered into by the School District prior to 2006 (the “Pre-2006 Continuing Disclosure Agreements”), the School District is required to provide its annual financial information within 180 days of the close of each fiscal year of the School District. The School District has two existing Pre-2006 Continuing Disclosure Agreements. For the fiscal years ending June 30, 2007 through June 30, 2020, the annual financial information required to be posted within 180 days was not posted with the applicable repository or EMMA by the date required (although such annual financial information was subsequently posted) due to delays in the completion of the audited financial statements and the issuance of the City Controller’s audit report on the School District’s annual financial statements. For Fiscal Years 2015, 2016, 2018, 2019, and 2020, the School District’s unaudited financial statements were posted on EMMA within 180 days of the close of each fiscal year. The School District’s Annual Financial Information (including its audited financial statements) for each of Fiscal Years 2014 through 2017 was posted on EMMA within 240 days of the close of the fiscal year, except as otherwise described herein. The School District’s Annual Financial Information for Fiscal Year 2018 was not posted on EMMA in its entirety until the School District posted its Comprehensive Annual Financial Report on March 26, 2019, which was more than 240 days after the end of Fiscal Year 2018.

All of the School District’s other continuing disclosure agreements (the “2006 and Later Continuing Disclosure Agreements”) relating to its general obligation bonds, and bonds issued by the SPSBA for the benefit of the School District, including the Continuing Disclosure Agreement, require the School District to file its annual financial information with EMMA within 240 days of the close of each fiscal year of the School District. In the past five years, the School District has filed its annual financial information in a timely manner pursuant to the 2006 and Later Continuing Disclosure Agreements, except as otherwise described herein, including: (i) as described in the preceding paragraph with respect to the late filing of certain Annual Financial Information for Fiscal Year 2018 and (ii) that the annual financial information for Fiscal Year 2014 was timely filed but mislabeled as being for Fiscal Year 2015 and was indexed under “Other Financial Information.” This filing has been refiled under the correct indexing and relabeled.

In its filing for Fiscal Year 2017, certain information relating to “Local Tax Revenues Subject to Daily Deposit Covenant by Month” required by certain of the continuing disclosure agreements of the School District was omitted from the School District’s annual financial information. This information has been filed with EMMA.

Under certain of the continuing disclosure agreements of the School District, event notices with respect to certain bond rating changes related to third-party credit enhancer downgrades, the state intercept program and other ratings (including underlying ratings of the School District) were not filed in a timely manner. Certain event filings and annual financial information were filed timely but were not linked to all relevant CUSIPs. These have been corrected.

The foregoing descriptions of instances of non-compliance by the School District should not be construed as an acknowledgement by the School District that any such instance was material.

As of the date of this Official Statement, except as noted above, the School District has complied for the past five years in all material respects with its continuing disclosure agreements. As of May 1, 2019, all of the School District’s continuing disclosure agreements currently provide for DAC to serve as the School District’s sole Dissemination Agent, as successor the School’s District previous dissemination agent.

Other Information

Certain information concerning the School District is on file with EMMA. Certain additional information relating to the School District’s operations and financial affairs is made available from the School District at its website (www.philasd.org). Information on EMMA and the School District’s website is not incorporated by reference in this Official Statement and prospective purchasers of Bonds should rely only on the information contained in this Official Statement. Persons wishing to obtain copies of the School District’s Annual Financial Report, and operating or capital budgets should address such requests to: Chief Financial Officer, The School District of Philadelphia, Administration Building, 440 North Broad Street, Philadelphia, Pennsylvania 19130. The School District may charge a fee for costs of reproduction and mailing of any information requested.

Financial Statements

The School District has included its audited financial statements for Fiscal Year 2020 in APPENDIX B.

The School District’s financial statements are audited by the City Controller. The City Controller has not participated in the preparation of this Official Statement and has not participated in the preparation of any budget estimates or projections of the School District included in APPENDIX A hereto. Consequently, the City Controller expresses no opinion on any of the data contained in this Official Statement relating to the School District other than the financial statements included in APPENDIX B hereto.

MISCELLANEOUS

Negotiable Instruments

The Act provides that obligations issued thereunder which have all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code of the Commonwealth shall be negotiable instruments.

Certain References

All references to the provisions of the Bonds and the security therefor, the Act, the Resolution, and the Continuing Disclosure Agreement set forth herein, and all summaries and references to other materials not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof or for the information contained therein. A copy of the Resolution is on file at the designated corporate trust office of the Fiscal Agent. Insofar as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are made merely as such and not as representations of fact.

NEITHER ANY ADVERTISEMENT FOR THE BONDS NOR THIS OFFICIAL STATEMENT IS TO BE CONSTRUED AS CONSTITUTING A CONTRACT WITH PURCHASERS OF THE BONDS.

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The distribution of this Official Statement has been approved by the School District.

THE SCHOOL DISTRICT OF PHILADELPHIA

By: /s/ Joyce Wilkerson
Name: Joyce Wilkerson
Title: President, Board of Education

APPENDIX A - THE SCHOOL DISTRICT OF PHILADELPHIA

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APPENDIX A

COVID-19

This Appendix A includes historical financial and operating information concerning the School District of Philadelphia (the “School District” or “District”), including after the outbreak of the novel coronavirus (“COVID-19”) pandemic. This historic information should not be read to predict or estimate future financial or operating outcomes. COVID-19 continues to affect the operations of the School District. The School District opened schools on August 31, 2021, with five days per week in-person learning. Philadelphia Virtual Academy was offered as an option for those families that wanted to continue virtual instruction. Approximately 1,400 students chose the virtual instruction option.

The School District continues to monitor and assess the effects of the COVID-19 pandemic and its impact on the School District’s financial position and operations. A full assessment of the impact on the School District depends, in part, on the impact of COVID-19 on the City and the Commonwealth and any restrictions which may be imposed to address the continuing COVID-19 pandemic. It is not possible to determine the future impact on the School District’s revenues, expenditures, reserves, budgets, or financial position. Such impact may depend on future events and actions by other governmental entities, including the City and the Commonwealth, which may or may not occur and the timing of which is uncertain.

On May 27, 2021, the School District’s Board of Education (the “Board”) adopted an amended FY 2021 budget, an amended FY 2021 capital budget, the FY 2022 budget, the FY 2022 capital budget and its capital program for FY 2022 through FY 2027. The School District’s budgets are available publicly on the School District’s website. As a result of revenue losses and increases in expenses resulting from COVID-19, the School District incurred a \$49.8 million operating deficit for FY 2020 and estimates that it will incur a \$38.4 million operating deficit as set forth in its amended FY 2021 budget. The FY 2021 budget deficit was eliminated through the use of fund balance, reductions to planned spending, and reduced reserve levels. The FY 2022 budget is based upon certain revenue and expenditure assumptions and assumptions regarding the City and Commonwealth budgets. The Commonwealth budget for FY 2022 was signed on June 30, 2021. The Commonwealth’s funding for K-12 education for FY 2022 was expected to be at the same levels as for FY 2021 and is consistent with the assumptions included in the School District’s adopted FY 2022 budget. However, the Commonwealth’s budget included an additional \$65.8 million in basic education subsidies and an additional \$8.4 million in special education funding for the School District. The City adopted its budget on June 24, 2021. See “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT.”

Local tax revenues increased by \$23.2 million from FY 2020 to FY 2021. Most of the increase was attributable to real estate tax which increased by \$42.6 million. Business use and occupancy tax increased by \$1.9 million. School income tax increased by \$2.6 million. COVID-19 negatively impacted the liquor sales tax which declined by \$23.7 million over this same period. Local tax revenue is expected to increase by \$13.6 million in FY 2022. Real estate tax, the

District's largest tax revenue source, which generates approximately 65.2 percent of the District's local tax revenues, is expected to decrease by \$5.6 million in FY 2022. Business use and occupancy is expected to decrease by \$2.7 million. School income tax is expected to decrease by \$4.9 million. Liquor sales tax is expected to rebound during this same period, increasing by \$26.5 million. See "SOURCES OF SCHOOL DISTRICT REVENUE – Local Tax Revenues." The foregoing estimates may be negatively impacted by the continuation of the COVID-19 pandemic.

Local non-tax revenues consist of the City grant, the contribution from the Parking Authority, gaming revenue, and other local non-tax revenue. Local non-tax revenues are expected to increase in FY 2022 by \$5.1 million, or 1.9 percent. This is in contrast to the 1.6 percent increase in local non-tax revenues from FY 2020 to FY 2021. See "SOURCES OF SCHOOL DISTRICT REVENUE – Local Non-Tax Revenues."

The basic education subsidy is the School District's largest State revenue source, making up approximately 74 percent of revenues from the Commonwealth in FY 2022. School District revenues received from the Commonwealth are projected to increase by \$2.2 million in FY 2021. See "SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Subsidies."

In FY 2021, the School District received nearly \$196 million in federal funds from the CARES Act in response to the COVID-19 pandemic. These funds were used for extraordinary expenses related to school closures and re-opening related to the pandemic, as well as for other activities necessary to maintain the operation of the School District and the continuity of services and staff. In FY 2022, the District anticipates \$861 million in federal COVID-19 relief funds from the CARES Act.

As a result of the shutdown, the School District incurred additional expenses in certain areas, but also saw expense reductions in other areas. See "SCHOOL DISTRICT EXPENDITURES."

THE SCHOOL DISTRICT OF PHILADELPHIA

The School District of Philadelphia ("School District" or "District") is a separate and independent home rule district of the first class established by the Philadelphia Home Rule Charter ("Home Rule Charter"). It is the largest school district in the Commonwealth with Fiscal Year 2021 enrollment, of approximately 202,940 students, including approximately 79,401 charter school students and approximately 2,960 students attending alternative educational programs. The School District is the eighth largest school district in the nation and employs approximately 19,000 full-time professional and nonprofessional persons with one central administrative office and 16 learning networks.

The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia, Pennsylvania ("City"). The School District is an agency of the Commonwealth created to assist in the administration of the General Assembly's duties under the Pennsylvania Constitution to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth." As an agency of the Commonwealth, the School District is governed by both the Public School Code of 1949, as amended ("School

Code”), and the Home Rule Charter, and is subject to the jurisdiction of the Secretary of Education of the Commonwealth of Pennsylvania (“Secretary of Education”).

The School District also serves as the agent for Intermediate Unit No. 26 (“IU”), an entity established by the Commonwealth to provide programs in and for special education, special education transportation, non-public school services and other management services. All IU services are performed by the School District pursuant to contracts between it and the IU. The School District’s Board also constitutes the Board of Directors of the IU, and the boundaries of the IU are coterminous with those of the School District.

The City was authorized to adopt the Home Rule Charter provisions establishing the School District as a home rule school district by the First Class City Public Education Home Rule Act, approved August 9, 1963, P.L. 643 (“Home Rule Act”). The Home Rule Act expressly limits the powers of the City with respect to the School District by prohibiting the City from, among other things, assuming the debt of the School District or enacting legislation regulating public education or its administration, except only with respect to setting maximum tax rates for school purposes as authorized by the General Assembly of the Commonwealth (“General Assembly”). Thus, the School District is a distinct legal entity separate and apart from the City. The Home Rule Act and the Home Rule Charter vest title to all property, real and personal, tangible and intangible, all easements and all evidences of ownership, in whole or in part, in or to the School District.

The Home Rule Charter requires the Board of the School District to levy taxes annually, within the limits and upon the subjects authorized by the General Assembly or the Council of the City of Philadelphia (“City Council”), in amounts sufficient to provide funds for operating expenses, debt service charges, and for the costs of any other services incidental to the operation of public schools. See “SOURCES OF SCHOOL DISTRICT REVENUES – Local Tax Revenues” herein.

The School District’s Fiscal Year is July 1 to June 30, and is identical with those of the City and the Commonwealth. The term “Fiscal Year” or “FY” when followed by a year, refers to the Fiscal Year ended June 30 of that year. For example, “Fiscal Year 2020” refers to the Fiscal Year ending June 30, 2020.

Board of Education

From December 22, 2001 through June 30, 2018, the School District was governed by a School Reform Commission. Currently, since July 1, 2018, the School District is governed by the Board.¹ The Board consists of nine members appointed by the Mayor of the City (“Mayor”) from a list of persons nominated by an Educational Nominating Panel established according to provisions set forth in the Home Rule Charter. The Board is responsible for the management and governance of the School District. Pursuant to the Home Rule Charter: (i) members of the Board are appointed by the Mayor for four-year terms commencing on May 1st of the year a Mayor’s term of office began²; (ii) members serve no more than three full terms and the balance of an unexpired term; (iii) members serve at the pleasure of the Mayor; and (iv) the Board, the Mayor

¹ The current members of the Board were appointed by the Mayor and were confirmed by City Council and sworn in on February 19, 2021.

and City Council are required to meet publicly at least twice during the school year to discuss the administration, management, operations, and finances of the School District in order to develop and adopt their activities for the improvement and benefit of plans to coordinate public education in the City.

Specific duties of the Board include, among other things, formulation of educational policy, the adoption of the annual operating budget, the capital budget and a capital program, the submission of an annual request to the Mayor and City Council for authority to levy certain taxes, and the incurrence of indebtedness of the School District. The Board is to regularly monitor proposed changes within the overall budget framework, including, for example, personnel transactions and contractual commitments. The following sets forth a list and brief biographies of the current Board members:

<u>Name</u>	<u>Title</u>
Joyce Wilkerson	President
Julia Danzy	Member
Leticia Egea-Hinton	Vice President
Mallory Fix Lopez	Member
Maria McColgan	Member
Lisa Salley	Member
Reginald Streater	Member
Cecelia Thompson	Member
Vacancy	Member

Joyce Wilkerson, President. Ms. Wilkerson serves as a senior advisor for community relations and development at Temple University working to strengthen and expand the university's relationship with its North Philadelphia neighbors. A Cleveland native, Ms. Wilkerson started her career in Philadelphia as an attorney representing public housing tenants with Community Legal Services of Philadelphia. She went on to spend six years at the Philadelphia Redevelopment Authority, as legal counsel to the housing division.

In 1992 when John Street became City Council president, Ms. Wilkerson joined his staff. She continued to work for Mr. Street as his chief of staff when he became Mayor in 2000. Ms. Wilkerson played a major role in the development and oversight of Mayor Street's signature program (the Neighborhood Transformation Initiative), as well as the turnaround of the Philadelphia Gas Works, and the coordination of work throughout government.

More recently, Ms. Wilkerson served as executive director of the New Orleans Redevelopment Authority. For two years she led efforts to restore the historic city's neighborhoods after Hurricane Katrina. Ms. Wilkerson has served on a number of boards and is currently a member of the board of directors at the Merchant Fund, Scribe Video Center, Project Home, and the Committee of Seventy. Ms. Wilkerson earned a Bachelor's Degree in psychology from the University of Pennsylvania and a law degree from the University of California, Berkeley.

Julia Danzy, Board Member. Ms. Danzy has an extensive career in Social Services. Ms. Danzy worked at the Department of Human Services (DHS) as Director of Protective Services and

Operations Director. During her tenure, she started the 24-hour response to child abuse reports; established the first distinct unit specializing in investigations of sexual abuse; and worked with advocates to establish an organization that created an integrated process between DHS, police and medical providers for the investigation and treatment of sexual abuse cases. Ms. Danzy served as Deputy Secretary for PA Department of Human Services Office of Children, Youth and Families where she established a state-wide training requirement for all Children Protective Services (CPS) staff. Ms. Danzy served as Deputy Commissioner for Children Services in the Philadelphia Health Department where she, in conjunction with the School District, developed a seamless enrollment process for children receiving early intervention services moving into the public-school system. Her last position with the City was as Director of Social Services, where she was responsible for the DHS, Behavioral Health, Office of Supportive Housing, Recreation Department and Prisons. During this tenure, she coordinated the development of an integrated data system (CARES) for all of the City's social service departments. Ms. Danzy has served as board member for the Philadelphia Housing Authority, Black Administrators in Child Welfare and Carson Valley Children's Aid.

Ms. Danzy received her Bachelor of Arts from Howard University, Masters of Social Work from Columbia University, and Master of Government Administration from University of Pennsylvania. Ms. Danzy is an ACSW member of the National Association of Social Workers.

Leticia Egea-Hinton, Vice President. Fluent in English and Spanish, Ms. Egea-Hinton has specialized for 28 years in homeless services, having served as the Director of the Office of Emergency Shelter and Services and as Deputy Director of the Office of Supportive Housing. During this time, Ms. Egea-Hinton oversaw the early development of transitional housing and the transformation of the City's homeless services. Ms. Egea-Hinton has served as an advisory board member at the Public Health Management Corporation/Care Clinic and is a member of the National Association of Social Workers and a board member of Trinity Health/Nazareth Hospital. Ms. Egea-Hinton is a former Philadelphia public school parent and is currently an adjunct professor of social welfare at Alvernia College.

Ms. Egea-Hinton was the first in her family to earn a high school degree and to graduate from college. Ms. Egea-Hinton graduated from Chestnut Hill College with a Bachelor of Science in Psychology, earned a Master of Arts in Public Administration from Antioch University, and earned a Master in Social Work from the University of Pennsylvania.

Mallory Fix Lopez, Board Member. Ms. Fix Lopez is an educator and a small business owner, who is committed to supporting neighborhood schools. She began her career in Philadelphia schools as a teacher of social studies and English as a second language ("ESL"), and today she is a full-time faculty member at the Community College of Philadelphia, where she specializes in ESL. Ms. Fix Lopez has worked to organize job skills training for local immigrant restaurant workers. Ms. Fix Lopez has been an active member of Neighbors Invested in Child's Elementary, supporting G.W. Child's Elementary, where she plans to send her child in the next few years.

Ms. Fix Lopez has lived in Philadelphia for 15 years, after moving here to pursue a Bachelor's and then a Master's degree in Education both at Temple University. During her graduate work, she studied Teaching English to Speakers of Other Languages and concentrated in Curriculum, Instruction, and Technology in Education.

Maria McColgan, Board Member. Dr. McColgan's career has always centered on children and education. Her experience as a teacher in Philadelphia public schools helped shape her passion for learning and education. As a child abuse pediatrician, Dr. McColgan has provided medical care for thousands of vulnerable children, first at St. Christopher's Hospital for Children where she was the Medical Director of the Child Protection Program, and now at the CARES Institute and Cooper Hospital where she serves as Fellowship Director. A graduate of Philadelphia public and parochial schools and Temple University, Dr. McColgan is the parent of two current charter school students.

Lisa Salley, Board Member. Ms. Salley, a graduate of Philadelphia High School for Girls, is a metallurgical engineer and senior business executive, who currently advises Arduro on its intellectual property, product strategy and commercialization. Arduro is a cleantech start-up, materials science company that develops, manufactures and commercializes recycled carbon black. Ms. Salley has spent her career in corporate America leading global strategy and operations in Energy, Specialty Chemicals and Emerging Technologies, which includes officer-level roles at GE, Underwriters' Laboratories and the American Petroleum Institute. Additionally, she has advised advanced stage start-ups. She holds a Bachelor of Science in metallurgical and materials engineering and a Master of Science in simulation and modeling of manufacturing systems from Carnegie Mellon University and Rensselaer Polytechnic Institute, respectively. Although her career has literally taken her all over the world, Ms. Salley has never lost sight of the community or her desire to create paths that help sustain future generations. She believes that all students must have an education that prepares them to be global citizens who embrace technology to make a positive impact on society.

Reginald L. Streater, Board Member. Mr. Streater, who believes that public education is not only a civil right but also a human right, is a graduate of Germantown High School and has two children attending a Philadelphia public school. Mr. Streater is an attorney at Berger Montague, PC., in Philadelphia, practicing in the Employment and Unpaid Wage and Consumer Protection groups. He previously worked as an attorney at Archer and Greiner, as a Federal Judicial Honors Clerk for the Honorable Chief Judge Theodore McKee in the Federal Third Circuit Court of Appeals, and as a Law Clerk/Intern for the Pennsylvania Innocence Project. Mr. Streater holds a Juris Doctorate (doctoral degree) from Temple University Beasley School of Law and a Bachelor of Arts Degree in political science and African American studies from Temple University, College of Liberal Arts. As a member of Alpha Phi Alpha Fraternity, Inc., Rho Chapter, and as an executive board member to the Barristers' Association of Philadelphia, Mr. Streater engages in various community service initiatives. Mr. Streater is also co-counsel to the Temple University Alumni Association. Mr. Streater's worldview as a servant-leader has been shaped by the John S. Mbiti quote: "I am because WE are and, since we are, therefore I am."

Cecelia Thompson, Board Member. Ms. Thompson, a Philadelphia native and longtime special education advocate, is the proud parent of an adult son living with autism who is a recent

graduate of the Philadelphia public school system. Ms. Thompson, a graduate of the Philadelphia High School for Girls, serves as a Family Interviewer through the University of Pennsylvania under the Philadelphia System of Care and served as a Community Education Outreach Coordinator at the Arc of Philadelphia. Ms. Thompson is Chairperson of the Philadelphia Right to Education Local Task Force and Secretary for the Governor-appointed Special Education Advisory Panel (SEAP). She participates as a member of the Pennsylvania Department of Education's Bureau of Special Education Cyclical Monitoring for Continuous Improvement team, and is a founding and former member of Parents United for Public Education. Ms. Thompson is a member of PARENT POWER, an organization for families, a mayoral appointee to the Mayor's Commission on People with Disabilities, and a member of the Advisory Committee for the Philadelphia Autism Project. Ms. Thompson served as one of the first members on the Parent and Community Advisory Council to the Board of Education, is a member of the Special Education Coalition of Advocates and participates on the Promise Zone Housing, Health and Wellness, and Workforce and Economic Opportunity Committees. She is currently pursuing a Master's Degree in special education at Grand Canyon University. Ms. Thompson believes that families, schools and communities must partner to provide children with a holistic education to help them reach their full potential as productive, innovative, and compassionate leaders in society.

Senior Management and Administration

CEO/Superintendent of Schools. The Superintendent of Schools ("Superintendent") is the chief executive officer of the School District and is responsible for the administration and operation of the public school system and the supervision of all matters subject to the policies and directions of the Board. The Superintendent identifies goals and develops policies relating to the operation of the School District, submits such policies to the Board with recommendations for their adoption, and coordinates the implementation of immediate and long-range strategies to achieve the objectives of those adopted. The Superintendent is accountable for ensuring fiscal responsibility and the effective and equitable allocation of all School District resources. The Superintendent submits reports showing the financial condition of the School District and the annual School District budget, including periodic updates to the Board. The Superintendent supervises the work of the School District's leadership team, which includes the: Chief of Staff, Chief Academic Support Officer, Chief Financial Officer, Chief Operating Officer, Chief Information Officer, Chief Talent Officer, General Counsel, Chief of Schools, Chief of Research Evaluation and Accountability, Chief of Communications and External Relations, Chief of Diversity, Equity & Inclusion, Chief of School Safety, and Chief of Student Support Services. The Superintendent represents the School District before students and families, the media, government officials, community organizations and other stakeholders. As provided in the Home Rule Charter and the School Code, the Superintendent is the Treasurer and Secretary of the Board.

Chief Academic Support Officer. The Chief Academic Support Officer reports directly to the Superintendent and is responsible for establishing and meeting academic standards, developing instructional resources, constructing best-in-class educational offerings that address the needs of all of the District's students, and providing ongoing learning opportunities for teachers. The Chief Academic Support Officer manages the following offices within the District: Curriculum and Instruction, Specialized Services, Multilingual Curriculum and Programs, Career and Technical

Education, Early Childhood Education, Postsecondary Readiness, Athletics, Arts and Creative Learning, and Teaching and Learning.

Chief Financial Officer. The Chief Financial Officer (“CFO”) determines, defines and implements procedures and policies for achieving the financial and operational goals, objectives and priorities of the School District. The CFO develops short and long-range strategic plans for School District budgets and fiscal stability and evaluates the efficiency and effectiveness of the School District’s financial and operations activities. The CFO is responsible for the preparation and implementation of the School District’s operating and categorical budgets and the five-year plan. The CFO also oversees and directs Accounting Services and Audit Coordination, Financial Services, and Management and Budget. Together with the Superintendent, the CFO articulates the School District’s position on a variety of issues to government officials, community groups and other stakeholders, and confers with representatives of corporations, government agencies, legal authorities and the public with regard to the School District’s financial services and operations.

Chief Operating Officer. The Chief Operating Officer (“COO”) reports directly to the Superintendent. The COO is responsible for establishing policies that promote the culture and vision of the School District and support the day-to-day operation of Capital Programs, Environmental Services, Facilities and Maintenance, Food Services, Real Property, and Transportation. The COO provides ongoing leadership and support to provide safe, comfortable, welcoming and healthy school facilities that support teaching and learning opportunities while offering nutritious food and safe and effective transportation to principals, students, teachers, administrators, district colleagues and the school community.

General Counsel. The General Counsel reports directly to the Board and the Superintendent. The General Counsel oversees the Office of General Counsel (“OGC”) and is responsible for providing, in an efficient and timely manner, legal advice and representation on litigation, civil rights, labor and employment, special education, transactional, and other matters affecting the School District. OGC is responsible for providing legal services to the Superintendent, District program offices, the IU, and the Board.

Certain Officials of the School District

The following sets forth a list and brief biographies of certain officials who are part of the current management structure of the School District:

<u>Name</u>	<u>Title</u>
Dr. William R. Hite, Jr.	Superintendent of Schools
Dr. Malika Savoy-Brooks	Chief of Academic Support
Uri Z. Monson	Chief Financial Officer
Reginald B. McNeil II	Chief Operating Officer
Lynn Rosner Rauch	General Counsel

Dr. William R. Hite, Jr., Superintendent of Schools. Dr. Hite was named Superintendent by the School Reform Commission on June 29, 2012, and assumed his responsibilities as Superintendent and the Executive Director of the I.U. the week of September 17, 2012. On

September 27, 2021, Dr. Hite announced that he has chosen not to renew his contract, which ends in August 2022. On September 28, 2021, the Board announced that a search for the new Superintendent will begin immediately with a public engagement process expected to begin in October 2021 and the formal search expected to begin in November 2021. The Board's expectation is to appoint a new Superintendent in the Spring of 2022 and for the appointee to take office in August 2022, at the end of Dr. Hite's current contract.

From April 3, 2009, until joining the School District, Dr. Hite was the superintendent of Prince George's County Public Schools ("PGCPS"), Maryland's second largest school system, and the eighteenth largest in the nation with 135,000 students, 200 schools, and a budget of \$1.6 billion. Dr. Hite served as interim superintendent from December 2008, and as the deputy superintendent from June 2006. Dr. Hite has led major efforts resulting in increased student achievement, significant improvements in teaching and learning, and school improvement status. This included work on the Intensive Support and Intervention Schools model that provided significant support to schools most in need based on student and school performance indicators, as well as work in partnership with the Institute for Learning at the University of Pittsburgh, which focused on improving the capacity of teachers and administrators to strengthen the teaching and learning process. He also oversaw a major reorganization of PGCPS's regions into zones to reduce costs and provide greater support to schools, and developed systems that measure central leadership effectiveness against student and school performance. Before joining PGCPS, Dr. Hite served as area assistant superintendent for the Cobb County School District in Atlanta, Georgia. In this role, he supervised 15 high school, middle school and elementary school principals and was responsible for the instructional program for more than 18,000 students. Dr. Hite has also served as director of middle school instruction for the Henrico County Public School System in Richmond, Virginia, and was an urban middle and high school principal.

Dr. Hite holds a Master's degree in Educational Leadership from the University of Virginia, and a Bachelor's degree and Doctorate in Educational Leadership from Virginia Tech University.

Dr. Malika Savoy-Brooks, Chief of Academic Support. Dr. Brooks was appointed by Dr. Hite on July 1, 2018, to set the strategic vision and direction for the instructional framework and pedagogical approach to the District's academic programs and supports. As Chief Academic Support Officer, Dr. Brooks works to create authentic partnerships between offices and schools that ensure closer alignment of resources with school needs in order to implement effective teaching and to create conditions that ensure the systemic improvement of practice over time in every classroom.

Dr. Brooks' extensive professional experience includes serving in various roles in the District, including teacher, teacher coach, principal, and Assistant Superintendent. As Assistant Superintendent from 2017 until 2018, she led a network of District schools and is credited with increasing School Progress Report scores. From 2016 to 2017, Dr. Brooks served as Director of Instructional Resources for the District's network of historically low-performing schools. As Director of Instructional Resources, she led numerous professional development sessions for administrators, teachers, and parents on effective teaching and learning practices, curriculum development, school improvement, and academic achievement. Before rejoining the District in 2016 as Director of Instructional Resources, Dr. Brooks spent three years in the Chester Upland School District as the Director of Curriculum and Instruction (Pre-K-12). There, she developed

and led plans to implement research-based instructional practices aligned with Pennsylvania's Academic and Core Standards.

Dr. Brooks was recently appointed as one of the 11 Middle States Commissioners. She holds a Master of Science degree in elementary education and educational leadership from St. Joseph's University. She also holds a Doctorate degree in educational leadership from the University of Phoenix with a focus on curriculum and instruction. She holds multiple Pennsylvania certifications including ones in elementary education, supervision and administration of K-12, as well as a Superintendent's Letter of Eligibility.

Uri Monson, Chief Financial Officer. Mr. Monson began serving as the Chief Financial Officer for the School District in February 2016. He brings extensive governmental experience to this role. From January 2012 until joining the School District, Mr. Monson served as the Chief Financial Officer for Montgomery County, Pennsylvania where he advised the Commissioners on County fiscal matters and was responsible for the overall management of County funds, including formation of the County's operating and capital budgets, monitoring County spending throughout the year, producing reports to promote better internal management and public awareness of County revenues and expenditures, managing the County's debt portfolio, and overseeing the County's Pension Fund. From 2008 to 2012, Mr. Monson served as the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority for Cities of the First Class (PICA). In this role, he monitored the City of Philadelphia's budget; reviewed the City's annual \$20 billion Five-Year Financial Plan; and authored reports on the City's financial and economic outlook. Prior thereto, he also served as PICA's Director of Budgetary Analysis for two years and PICA's Deputy Executive Director from October 2001 until December 2011.

Mr. Monson previously served as Assistant Budget Director for the City of Philadelphia where his primary responsibilities included analyzing proposed policies for the Finance Director and the Mayor's Cabinet. Additionally, Mr. Monson worked for the United States Department of Education in Washington, D.C. as a Congressional Liaison and as a policy analyst for the Office of Postsecondary Education. In these roles he proposed initiatives on organizational restructuring and program development and helped to redesign and facilitate passage of the Higher Education Reauthorization Act of 1998. Mr. Monson also served as manager of the Javits Graduate Fellowship Program and co-managed the National Resource Center Program.

Mr. Monson has a Master's Degree in Public Policy, with a concentration in education policy, from the Columbia University School of International and Public Affairs. He has a Bachelor's Degree in Political Science from Columbia University, as well as a Bachelor's Degree in Midrash from the Jewish Theological Seminary of America.

Reginald B. McNeil II, Chief Operating Officer. Mr. McNeil was appointed Chief Operating Officer for the School District in August 2020. In his capacity, Mr. McNeil is responsible for the daily activities of the Offices of Facilities, Maintenance, Environmental, Transportation, Capital Programs and Food Services.

Prior to coming to the School District of Philadelphia, Mr. McNeil led a team of professionals in the successful execution of a \$500 million Capital Program where he committed 90% of the program budget in less than 65% of the allotted time in the Charleston County School District. An audit conducted by the South Carolina Department of Revenue published on April 19,

2021, regarding the expenditures of the Charleston County School District (CCSD) Educational Capital Improvement Tax collected from March 1, 2017, to June 30, 2020, concluded that CCSD was in full compliance with zero findings.

This is a second career for Mr. McNeil. He previously served as a Naval Officer and retired after 22 years of honorable service where he managed a portion of the Navy's infrastructure, manpower and programs both domestic and abroad. He earned a Bachelor's degree in Mechanical Engineering from the University of Memphis and a Master's degree in Construction Engineering from the University of Florida as well as a Technical Project Management Certificate at the Citadel.

Lynn Rosner Rauch, General Counsel. Ms. Rauch joined the School District as General Counsel in 2017. In this role, she advises the Superintendent and other School District leaders, the Board, and program offices throughout the District. Ms. Rauch manages the Office of General Counsel, overseeing the provision of legal services by attorneys in OGC and outside counsel. Her experience with the District dates back to the mid-1990's, having since represented the District in desegregation, constitutional and civil rights, equitable and adequate funding, and environmental proceedings. Ms. Rauch graduated from Duke University and earned her law degree from the University of Pennsylvania Law School. Before joining the School District, Ms. Rauch was a partner at Dilworth Paxson LLP, and Manko, Gold, Katcher & Fox, LLP, representing clients in complex litigation in federal and state courts, administrative forums, and mediation.

SCHOOL DISTRICT DEBT

Outstanding Debt

As of September 1, 2021, the School District's outstanding general obligation bond and lease rental indebtedness was in the principal amount of \$2,972,936,333. The School District has never defaulted in the payment of debt service on any of its bonds, notes, or lease rental obligations.

Debt Practices

The Local Government Unit Debt Act (the "Debt Act" or the "Act") which governs all debt incurrence by the School District, includes requirements that local governmental units, including the School District, establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall level debt service within a particular classification of debt. For purposes of this requirement, general obligation debt and lease-rental debt are treated as a single classification.

Tax and Revenue Anticipation Notes

The School District, in 34 of the last 36 fiscal years, has issued tax and revenue anticipation notes pursuant to the Debt Act to relieve temporary cyclical cash flow deficiencies. Such tax and revenue anticipation notes are required under the Debt Act to be paid in the fiscal year in which they are issued and are not considered "debt" for purposes of determining the School District's debt limits and borrowing capacity. Due to advances by the Commonwealth of portions of installments of basic education subsidies payable in Fiscal Year 2001 and Fiscal Year 2002, the

School District did not issue tax and revenue anticipation notes for those fiscal years. On July 9, 2020, the School District issued \$533,325,000 of Tax and Revenue Anticipation Notes, Series A of 2020-2021 (“FY 2021 Notes”). The FY 2021 Notes matured on June 30, 2021.

On July 21, 2021, the School District issued \$150.0 million of Tax and Revenue Anticipation Notes, Series A of 2021-2022 and \$150.0 million of Tax and Revenue Anticipation Notes, Series B of 2021-2022 (together, the “FY 2022 Notes”), in direct purchase transactions with two financial institutions. The School District anticipates that it will issue additional tax and revenue anticipation notes (i.e., the Series C and Series D Notes) to cover anticipated cash flow deficits in the combined amount of not to exceed \$250.0 million in Fiscal Year 2022. *General Obligation Debt*

Fixed Rate. The School District has covenanted to make daily deposits of school tax revenues collected on behalf of the School District by the Department of Revenue of the City, as School Tax Collector, to each sinking fund established for each of its outstanding fixed rate general obligation bond issues (“Daily Deposit Covenant”). As of September 1, 2021, the aggregate principal amount of fixed rate general obligation debt outstanding, including Qualified Zone Academy Bonds and Qualified School Construction Bonds described below, was \$2,057,051,333. For information on the School taxes subject to the Daily Deposit Covenant, see “*SCHOOL DISTRICT FINANCIAL PROCEDURES – Tax Collection*” herein.

Variable Rate. The School District has from time to time issued a portion of its debt as variable rate obligations. The School District currently has no outstanding variable rate debt. The Debt Policy of the School District, originally adopted by the School Reform Commission on February 18, 2009 (“Debt Policy”), limits the amount of unhedged variable rate debt the School District may issue and have outstanding to 20% of its total outstanding debt. The Debt Policy, like all other policies adopted by the School Reform Commission or the Board may be amended at any time in the sole discretion of the Board, subject to applicable law.

Qualified Zone Academy Bonds. Qualified Zone Academy Bonds (or “QZABs”) are general obligation bonds and are entitled to the benefit of the Daily Deposit Covenant. The Commonwealth receives an allocation each year of the amount of QZABs permitted to be issued within the Commonwealth which it, in turn, grants to local school districts pursuant to an application process. QZABs may be purchased only by qualified purchasers and provide the qualified purchasers with a federal tax credit under the Internal Revenue Code of 1986, as amended. As of September 1, 2021, the School District has two outstanding issues of general obligation bonds which are QZABs in the aggregate principal amount of \$9,916,333.

Qualified School Construction Bonds. Qualified School Construction Bonds (or “QSCBs”) are general obligation bonds and are entitled to the benefit of the Daily Deposit Covenant. The School District issued \$147,245,000 of Federally Taxable Direct Subsidy QSCBs on November 16, 2016, based upon the 2009 QSCB allocation Volume Cap issued by the Secretary of the Treasury. The aggregate principal amount outstanding on the QSCBs is \$291,280,000 as of September 1, 2021. The School District has no remaining allocation of volume cap for QSCBs.

Lease Rental Debt

The School District has also financed a portion of its Capital Improvement Program through the incurrence of lease rental debt under the Debt Act. In August of 2003, the School District incurred \$588,140,000 of lease rental debt through the issuance of bonds (the “2003 Bonds”) by the Pennsylvania State Public School Building Authority (the “Authority”). The sublease agreement securing payment of the 2003 Bonds is an instrument evidencing such lease rental debt (the “Sublease Agreement”). The School District also entered into an Intercept Agreement (the “Intercept Agreement”) with the Treasurer of the Commonwealth (“State Treasurer”), acknowledged by PDE and the Trustee for the 2003 Bonds, in order to provide for Base Rental Payments (as defined in the Sublease Agreement) due under the Sublease Agreement to be made directly to the Trustee from Commonwealth appropriations. Payments under the Intercept Agreement are made directly to the Trustee by the State Treasurer from Commonwealth appropriations due to the School District.

In December 2006, the School District incurred lease rental debt through the issuance of bonds (the “2006A Bonds” and the “2006B Bonds” collectively, the “2006 Bonds”), by the Authority in two series in the aggregate principal amount of \$862,695,000. The Sublease Agreement was amended to continue to secure payment of the 2003 Bonds which were not refunded and to secure payment of the 2006A Bonds and the 2006B Bonds. The 2006A Bonds were issued in the amount of \$317,125,000 to finance portions of the School District’s Capital Improvement Program. The 2006B Bonds were issued in the amount of \$545,570,000 to, inter alia, advance refund a portion of the 2003 Bonds. In connection with the issuance of the 2006A Bonds and the 2006B Bonds, the Intercept Agreement was amended to provide for payment of Base Rental Payments to become due under the Sublease Agreement with respect to the 2003 Bonds which were not refunded by the 2006A Bonds and the 2006B Bonds, as well as Base Rental Payments to become due under a supplement to the Sublease Agreement for the 2006A Bonds and the 2006B Bonds.

In November 2012, the School District incurred lease rental debt through the issuance of bonds (the “2012 Bonds”), by the Authority in the principal amount of \$264,995,000 to finance the acquisition of a leasehold interest in certain real estate, including the buildings, fixtures, improvements, furnishings and equipment thereon in order to provide the School District with funds to pay certain operating expenses of the School District. In connection with the issuance of the 2012 Bonds, the Sublease was further supplemented to provide for Base Rental Payments with respect to the 2012 Bonds and the Intercept Agreement amended so that Base Rental Payments to become due under the Sublease Agreement with respect to the 2012 Bonds are made directly to the Trustee from Commonwealth appropriations due to the School District.

In 2015, the School District incurred lease rental debt through the issuance of the Authority’s School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series 2015A (the “2015 SPSBA Bonds”) in the amount of \$80,000,000 which constitutes lease rental debt which refunded a portion of the 2006A Bonds. In connection with the issuance of the 2015 SPSBA Bonds, the Sublease was amended to reflect the Base Rental Payments to become due under the Sublease with respect to the 2006 Bonds that were not refunded by the 2015 SPSBA Bonds, as well as the 2015 SPSBA Bonds and the Intercept Agreement was similarly amended so that it provides for the Base Rental Payments with respect to the 2015 SPSBA Bonds.

In FY 2016, due to the Commonwealth's FY 2016 budget impasse, certain payments of lease rentals required to be paid pursuant to the Intercept Agreement were not made to the Trustee and such payments were made (when required to be made) directly by the School District. See: "SOURCES OF SCHOOL DISTRICT REVENUE – Commonwealth Operating Budget Impasse" herein. On November 16, 2016, the School District incurred lease rental debt through the issuance of the Authority's School Lease Revenue Refunding Bonds, Series 2016A (the "2016 Bonds") in the aggregate principal amount of \$570.0 million to advance and currently refund the then-outstanding 2006A Bonds and the 2006B Bonds, except for the 2006B Bonds scheduled to mature on June 1, 2027, and June 1, 2029. In connection with the issuance of the 2016 Bonds, the Sublease Agreement was amended and supplemented to provide for the payment of Base Rental Payments to become due under the Sublease Agreement with respect to the 2006B Bonds which were not refunded by the 2016 Bonds, as well as Base Rental Payments to become due under the Sublease Agreement for the 2016 Bonds. The Intercept Agreement was further amended so that the Base Rental Payments to become due under the Sublease Agreement with respect to the 2016 Bonds are made directly to the Trustee from Commonwealth appropriations due to the School District.

In 2019, the School District incurred lease rental debt through the issuance of the Authority's \$167,535,000 aggregate principal amount, School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series A of 2019 (Federally Taxable) (the "Series A Bonds") and \$20,755,000 aggregate principal amount, School Lease Revenue Refunding Bonds (The School District of Philadelphia Project), Series B of 2019 (Federally Taxable) (The School District of Philadelphia Project), (the "Series B Bonds" and, together with the Series A Bonds, the "2019 SPSBA Bonds") which refunded a portion of the 2012 Bonds. In connection with the issuance of the 2019 SPSBA Bonds, the Sublease was amended to reflect the Base Rental Payments to become due under the Sublease with respect to the 2012 Bonds that were not refunded by the 2019 SPSBA Bonds, as well as the debt service on the 2019 SPSBA Bonds and the Intercept Agreement was amended so that it provides for the Base Rental Payments with respect to the 2019 SPSBA Bonds, and the un-refunded 2012 Bonds.

As of September 1, 2021, the aggregate principal amount outstanding of lease rental debt is \$915,885,000.

Rating Agency Actions

On December 11, 2015, Standard & Poor's Ratings Services ("S&P") withdrew its ratings on Pennsylvania school districts and community colleges that are based on Pennsylvania's State Aid Intercept Program and on December 22, 2015, Moody's Investors Service ("Moody's") downgraded the ratings on Pennsylvania School District Enhancement Programs to the underlying rating of the school district plus one notch, with a floor of B1 and a ceiling of Baa1. On August 15, 2016, as a result of the passage of Article XVII-E.4 of the Fiscal Code, Moody's upgraded the Pennsylvania School District Enhancement Programs referred to by Moody's as the "Fiscal Agent Agreement" or "Pre-default" program to A2 from Baa1 and revised the outlook to stable from negative. As a result, the School District's outstanding bonds (including bonds issued by the State Public School Building Authority for the benefit of the School District) (i) have no rating from S&P (the School District's bonds do not have an unenhanced underlying rating from S&P), and

(ii) were then assigned an enhanced rating from Moody's of A2 and a Moody's underlying rating of Ba3.

On December 18, 2018, Moody's upgraded the School District's unenhanced bond rating on its general obligation and lease rental debt from Ba2 to Baa3 with a stable outlook. The School District's enhanced intercept rating from Moody's was affirmed at A2. Strengths cited in the Moody's report include stable charter school enrollment for the past three years; structural balance and operating surpluses for the last three years; experienced management that brings control of finances and detailed management of daily school operations; and the City's willingness to support the School District with permanent new dedicated tax revenue and an increased governance link between the City and the District.

On October 3, 2019, Fitch upgraded the School District's unenhanced rating to BB+ from BB- and maintained the outlook as stable. The enhanced intercept rating from Fitch was affirmed at A+ with a stable outlook. See "Ratings" in the forepart of this Official Statement.

Interest Rate Management Plan

General. The School District is authorized, under amendments to the Debt Act enacted in September of 2003, to enter into "qualified interest rate management agreements," which term is defined as agreements determined in the judgment of the School District to be designed to manage interest rate risk or interest costs of the School District on any debt which the School District is authorized to incur under the Debt Act. The School District has, heretofore, entered into various swaps. The last outstanding basis swap was terminated in January 2020. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and floor agreements, forward agreements, float agreements and other similar financing arrangements. At the present time, the School District has no outstanding swaps.

The Debt Act requires that, prior to entering a qualified interest rate management agreement, the School District must adopt a written interest rate management plan ("Interest Rate Management Plan") prepared or reviewed by an independent financial advisor, which includes: (i) schedules of all outstanding debt of the School District and all outstanding qualified interest rate management agreements, including outstanding debt service and estimated and maximum periodic scheduled payments of all outstanding qualified interest rate management agreements; (ii) a schedule of all consulting, advisory, brokerage or similar fees paid or payable by the School District in connection with the qualified interest rate management agreement and of all such fees and finder's fees, if any, paid or payable by any other party in connection with qualified interest rate management agreements; (iii) analyses of the interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks of entering into such agreements and of the net payments due for all debt outstanding and for all qualified interest rate management agreements; and (iv) the School District's plan to monitor interest rate risk, basis risk, termination risk, credit risk, market-access risk, and other risks. Monitoring requires valuation of the market or termination value of all outstanding qualified interest rate management agreements.

The Interest Rate Management Plan. The School District adopted its Interest Rate Management Plan pursuant to a resolution of the School Reform Commission, authorized on February 2, 2004, and supplemented the Interest Rate Management Plan on March 24, 2004, May 26, 2004, May 25, 2005, October 6, 2005, November 15, 2006, November 21, 2006, April 23, 2008, April 6, 2010, January 3, 2011, and September 2, 2011. The Interest Rate Management Plan,

as supplemented, was prepared by the School District's independent financial advisors within the meaning of the Debt Act.

The Interest Rate Management Plan states, in pertinent part, that derivatives are appropriate interest rate management tools that can assist the School District in managing its interest rate risk or interest cost. If and when properly used, these instruments can increase the School District's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help the School District manage its balance sheet through better matching of assets and liabilities. Derivatives may not be used for speculative purposes.

The Interest Rate Management Plan also provides that the School District will only utilize derivatives if it is determined that the proposed transaction will be designed to manage interest rate risk or interest cost to the School District on any debt that the School District is authorized to incur, and:

- (i) Optimize capital structure including the schedule of debt service payments and/or fixed versus variable rate allocations;
- (ii) Achieve appropriate asset/liability match;
- (iii) Reduce risk, including:
 - Interest rate risk;
 - Tax risk; or
 - Liquidity renewal risk;
- (iv) Provide greater financial flexibility;
- (v) Generate interest rate savings;
- (vi) Enhance investment yields; or
- (vii) Manage exposure to changing markets in advance of anticipated bond issuances (through the use of anticipatory hedging instruments).

The Interest Rate Management Plan further provides that the School District will seek to maximize the benefits and minimize the risks of derivative instruments by actively managing its derivative program. The School District engages an independent swap monitoring firm to assist in the monitoring of market conditions. The independent swap monitor provides monthly reports, including the Mark to Market ("MTM") values of any outstanding swaps. Active management shall include:

- (i) Early termination;
- (ii) Shortening or lengthening the term;
- (iii) Sale or purchase of options; or
- (iv) Utilization of basis swaps.

The Interest Rate Management Plan requires monitoring reports that include, among other things, the valuation of all outstanding qualified interest rate management agreements to be delivered by the Chief Financial Officer to the Board at least quarterly. The reports must include the following:

- (i) A description of all outstanding qualified interest rate management agreements, including bond series, type of derivatives, rates paid and received by the School

- District, total notional amount, forward start dates, average life of each swap agreement, remaining term of each derivative, and option terms;
- (ii) Description of all material changes to qualified interest rate management agreements or new qualified interest rate management agreements entered into by the School District since the last report;
 - (iii) Market value including termination exposure of each of the School District's qualified interest rate management agreements;
 - (iv) The credit rating of each counterparty and credit enhancer, if any, insuring qualified interest rate management agreement payments;
 - (v) Information concerning any default by a counterparty, including, but not limited to, the financial impact, if any, to the School District;
 - (vi) Information concerning any default by the School District to any counterparty, if applicable;
 - (vii) Summary of qualified interest rate management agreements that were terminated or that have expired and the financial impact therefrom since the last report;
 - (viii) For a qualified interest rate management agreement entered into to generate debt service savings, calculation on an annual basis of the actual debt requirements compared to the projected debt service on the swap transaction at the original time of execution. The calculation shall include a determination of the cumulative actual savings (or, if applicable, additional payments made by the School District) compared to the projected or expected savings at the time the swap was executed; and
 - (ix) The status of any collateral related to any swap transaction including, the type and amount of collateral, the market value of that collateral and the identity of the custodian.

The Debt Policy stipulates that the School District will limit the notional amount of its outstanding swaps to not more than 45.0% of the total outstanding long-term debt.

Security for Qualified Interest Rate Management Agreements. Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement (other than termination payments) are payable on parity with debt service on the bonds or lease rental debt related to the applicable qualified interest rate management agreement.

Under the Debt Act, if a school district fails to provide for the payment of periodic scheduled payments under a qualified interest rate management agreement, the school district shall notify the Secretary of Education and the Secretary of Education shall notify the Department of Community and Economic Development. If the Secretary of Education finds that the amount due and payable by the school district has not been paid, the Secretary of Education shall withhold, out of any state appropriation due to the school district, an amount equal to the amount due pursuant to the qualified interest rate management agreement and shall pay over the same so withheld to the party to whom the amount is due under the qualified interest rate management agreement. This provision of the Debt Act is applicable with respect to periodic scheduled payments due from the School District under its qualified interest rate management agreements.

Current Policy. The School District does not presently expect to enter into any further interest rate management agreements.

Borrowing Capacity

THE SCHOOL DISTRICT OF PHILADELPHIA

Borrowing Base and Debt Limit Calculations

As of September 1, 2021

BORROWING BASE

Gross Revenues: General, Special Revenue and Debt Service Fund for the fiscal years ended June 30, 2018, 2019 and 2020	\$10,891,775,579
Less: Statutory exclusions	<u>1,417,957,427</u>
Net Revenues	<u>\$ 9,473,818,152</u>
 Borrowing Base (average of net revenues for the fiscal years ended June 30, 2018, 2019 and 2020)	 <u>\$3,157,939,384</u>

DEBT LIMIT

Electoral Debt Limit	No Limit
Electoral Debt Outstanding	<u>\$ 0</u>
 Electoral Debt Capacity	 <u>No Limit</u>
 Non-Electoral Debt Limit (100% of Borrowing Base)	 <u>\$3,157,939,384</u>
Non Electoral Debt	\$2,057,051,333
Exclusion for Deficit/Term Bond Outstanding	<u>(36,280,000)</u>
Less: Non-Electoral Debt Outstanding	<u>\$2,020,771,333</u>
Non-Electoral Debt Capacity	<u>\$1,137,168,051</u>
 Non-Electoral and Lease Rental Debt Limit (200% of Borrowing Base)	 \$6,315,878,768
Non-Electoral Debt Outstanding	\$2,020,771,333
Lease Rental Debt Outstanding	<u>915,885,000</u>
Less: Non-Electoral Debt and Lease Rental Debt Outstanding	<u>\$2,936,656,333</u>
Non-Electoral and Lease Rental Borrowing Capacity	<u>\$3,379,222,435</u>

CAPITAL IMPROVEMENT PROGRAM

Capital Budget and Capital Improvement Program. The Capital Improvement Program, detailing the School District’s capital plan for the ensuing six years, as well as a capital budget detailing the expenditure requirements of the current fiscal year of the Capital Improvement Program (CIP), must be adopted by the Board not later than the date of the adoption of the Proposed Operating Budget and follows the same procedures related to public hearings, as mandated by the Home Rule Charter. Implementation of the capital budget is contingent upon the receipt of proceeds of debt obligations of the School District or other funds made available for capital improvement purposes. On May 27, 2021, the Board adopted the amended FY 2021 CIP for \$2,001 million and approved the FY 2022 Capital Budget. The approved FY 2022 Capital Budget of \$422.6 million includes partial funding for 67 active construction projects, 49 “in-design” projects including life-cycle replacements such as boiler and chiller replacements, new HVAC and control replacements, structural and façade restorations, building envelope, electrical system upgrades, roof replacements, and 17 active central office projects. The approved CIP utilizes proceeds of \$530 million of debt that the School District incurred in FY 2020, and anticipates the School District will incur \$250 million of debt in FY 2022 and \$250 million of debt in FY 2024.

The School District has continued its ongoing environmental remediation efforts, particularly, with respect to asbestos remediation and lead paint stabilization. During the FY 2021 School Year, the District was able to accelerate this work while the School District was operating on a remote learning basis. The review of all capital projects includes a review of environmental issues and remediation.

Facility Condition Assessments. As part of a two-year operations strategic plan, the Office of Capital Programs undertook a comprehensive facility condition assessment (FCA) which began in September 2020 to refresh the data reported in 2017 per the previous assessment of 2015 through 2017. The School District engaged a professional firm (PARSONS) to perform a visual survey and assessment of 308 educational and athletic facilities with a total area of about 25.7 million square feet. The FCA effort will be executed over four phases and will be completed in four years (anticipated completion by February 2024). The first phase was completed in May 2021, and the second phase is scheduled to start next month. The reports will be serving as the basis to prioritize future capital projects and to establish priorities in the annual capital budget and six-year capital improvement program. The FCA accomplished the following goals:

- Updated the central depository of data for critical building systems and their life expectancy, however maintaining the progress of new capital investments remains an objective.
- Calculated Facility Condition Index (FCI) Scores for buildings including FCI scores for individual building systems.
- Prioritized building systems based on need, observed deficiencies, remaining useful life, and classified each system based on a recommended timeframe for when these systems should be replaced.

- Determined the School District’s overall outstanding capital expenditure needs which were estimated at \$4.5 billion to correct deficient building conditions and a recommended annual plan to address deferred maintenance.
- Used data gathered from the FCI scores to develop 3-year capital improvement plans.

Guaranteed Energy Savings Agreements. The District has implemented “Guaranteed Energy Savings Agreement” (GESA) plan to improve building conditions that support teaching and learning through investments that reduce energy consumption, reduce utility costs, improve building quality, and replace critical building systems beyond their useful life. To date, the District has completed six (6) GESA projects. By the end of FY 2022, seven (7) additional school projects are scheduled to be completed as part of the GESA program.

SCHOOL DISTRICT FINANCIAL PROCEDURES

Budgetary Process

The Home Rule Charter requires that the School District adopt an operating budget, a capital budget and a capital improvement program in each fiscal year. The capital budget is prepared as part of a six-year capital improvement program, of which the first year is the applicable budget for the current fiscal year. All proposed expenditures included in the Capital Improvement Program require the Board of Education’s authorization on a project by project basis.

Operating Budget. The operating budget is comprised of the General Fund, the Intermediate Unit Fund, and the Debt Service Fund. See “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT - Operating Budget Revenues, Obligations and Changes in Fund Balances” herein.

In October of each year, the School District begins its preparation of the following year’s operating budget. From October through May, the budget is developed to project anticipated revenues and projected expenditures, including both the cost of continued operations and new programs for the following year. At various stages throughout this time, the District publicly presents updated current year projections, as well as subsequent and multi-year projections. Additionally, during this time, the District publishes quarterly reports on the current fiscal year, which detail comparisons to the Adopted Operating Budget, updated budget projections, cash flow, and other supporting finance documents.

The Board must observe specific timing requirements outlined in the Home Rule Charter as follows:

1. At least thirty days prior to the end of the current fiscal year, the budget must be adopted (no later than May 31st of each year);
2. At least sixty days prior to the to the adoption of the budget, a lump sum budget must be adopted and submitted to the Mayor and City Council;
3. At least thirty days prior to adoption, public hearings must be held (no later than April 30th of each year); and

4. At least thirty days prior to public hearings, notice must be given of hearing dates, and copies of the Proposed Operating Budget must be made available to all interested parties (no later than March 31st of each year).

Budgets for Categorical Funds, including federal, state and private grants, the uses of which are restricted to the pursuit of specific objectives of the legislative act under which funding is authorized or conditions set forth by the foundation or charitable grantor, are not required to be submitted for adoption.

A lump sum statement of estimated receipts and expenditures for the current fiscal year and the ensuing fiscal year (“Lump Sum Statement”) is submitted to the Mayor and the President of City Council on or before March 31 of each year. Since the School District has limited taxing power, City Council must establish the rates and subjects of local taxation for school purposes to fund the estimated expenditures of the School District after considering, under current law, the estimated revenues from the Commonwealth. If total estimated funds from all sources are insufficient to balance the budget, the Board must reduce anticipated expenditures to a level consistent with total available funds, as mandated by the Home Rule Charter. The ensuing balanced budget becomes the adopted financial plan for the School District for the forthcoming fiscal year. Thereupon, budgetary appropriations for all principal administrative units by Object Class of expenditure are finalized.

Basis of Accounting

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants (AICPA) audit and accounting guide or otherwise “Audits of State and Local Governments.”

Basis of Reporting

The School District’s annual comprehensive financial report is prepared following guidelines recommended by the Government Finance Officers of America (“GFOA”). GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting (“Certificate”) to the School District for its component unit financial reports for each fiscal year beginning in 1985 through 2019. The School District also received the Certificate of Excellence in Financial Reporting from the Association of School Business Officials (ASBO) International for its annual financial reports for each Fiscal Year from 1985 to 2019. The School District will file its applications for GFOA and ASBO certificates for Fiscal Year 2021. A government unit must publish an easily readable and efficiently organized annual comprehensive financial report, the contents of which must conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements in order to be considered for the Certificate. A Certificate is valid for a period of one year only.

Although the School District issues its own annual financial report, it is considered a discretely reported component unit of the City of Philadelphia for financial reporting purposes only and is included in the City’s Annual Comprehensive Financial Report. The determination that the School District is a component unit of the City is in accordance with GASB Statement No. 14 and Statement No. 39, as amended by GASB Statement No. 61 and Statement No. 80.

Cash Management

As previously mentioned, the Superintendent serves as the Treasurer of the School District. For practical administration of treasury functions, these responsibilities are delegated to the Chief Financial Officer, whose principal subordinate for this purpose is the Deputy Chief Financial Officer, Financial Services.

All moneys of the School District are held separate and apart from the funds of any other entity, including the City. The Deputy Chief Financial Officer accounts for all moneys received and disbursed by the School District and develops twelve-month cash flow forecasts (updated monthly) based on adopted budgets and historical and projected receipts and expenditure data. These forecasts form the basis for cash management activities during the fiscal year, including the forms and sources of funding, temporary cash deficiencies and negotiating the best forms of investment of idle moneys consistent with legal limitations. To facilitate cash management activities and related borrowing/investment programs, the School District established a pooled cash account, as described below.

Pursuant to the School Code and resolutions of the School Reform Commission and the Board (“Investment Resolution”), all School District funds, except sinking funds, shall be invested in United States Treasury bills, in short-term obligations of the United States Government or its agencies or instrumentalities, in obligations of the United States Government or its agencies or instrumentalities backed by the full faith and credit of the United States of America, in certain approved school and local government investment pools, Act 10 of March 25, 2016 permissible investments and in savings accounts and time deposits of financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) which are collateralized in amounts in excess of FDIC insurance in accordance with state law. Neither the School Code nor the Investment Resolution permits the School District to use reverse repurchase agreements or other means to leverage its investment portfolio, nor do they authorize the School District to invest in derivative products. The requirements for investment in United States government securities (including collateralized repurchase agreements for the same) contained in the Investment Resolution conform to the Guidelines for Municipal Investment in U.S. Government Securities issued by the Office of the Auditor General of the Commonwealth. Investment of the School District’s sinking funds is governed by both the Debt Act and the resolutions authorizing the issuance of the School District’s related bonds.

The Investment Resolution, adopted by the Board of Education in September of 1994, amended in December of 1995, and most recently amended by the School Reform Commission in April of 2004, reflects an investment policy based on the recommendations of the initial and supplemental reviews and amendments to the investment provisions of the School Code. The School District intends to continue this review process and make formal adjustments to these policies as the Board deems appropriate.

As the District has maintained more reliable fund balances there is more of an opportunity to achieve a better investment rate of return on public funds while minimizing risk. In 2018, PFM Asset Management, LLC was awarded an investment management contract with the School District. Their investment management approach combines Local Government Investment Pools

(LGIPs) offering daily liquidity and a market rate of return in conjunction with a portfolio of high-grade fixed income securities balanced with future cash flows.

Pooled Cash Account. The School District maintains a Pooled Cash Account to facilitate cash management and coordinated borrowing, investment and accounting activities. All funds that can be legally and practically combined are included in the Pooled Cash Account. Proceeds of general obligation bonds issued for capital improvements and interest earnings thereon, however, are deposited in the Capital Projects Fund which is not included in the Pooled Cash Account).

Financial Control Procedures

The Board is required to adopt an annual operating budget by principal administrative unit and by object class of expenditure. Allocations are made from each principal administrative unit, e.g., Business and Financial Services, to programs which represent a specific function, e.g., Chief Financial Officer, and then to activities which represent sub-functions, e.g., Accounting, Payroll, etc. These allocations are posted to an automated accounting system, which for selected transactions, electronically compare encumbrances or expenditure documents to available funds and rejects those in excess of available funding. Budgetary transactions are updated daily and are available on-line for each activity and to all program managers.

The Office of Management and Budget must review the allotment of personnel and verify the availability of funding. In addition, the Board is required to approve all personnel appointments and purchases of materials, supplies, books and equipment in excess of \$25,000. The School Code requires all individual contracts in excess of \$100 to receive Board approval. The Board delegated limited contracting authority up to \$20,000 per activity to principals, area academic officers, and cabinet-level positions. The contracts are limited to professional services or the use of facilities and associated costs in support of the instructional program. An Oversight Committee empowered by the Board, which is comprised of central administrators, meets weekly to review applications for approval of these limited contracts and reports quarterly to the Board.

The Office of Accounting Services, which performs pre-audit functions, reviews invoices entered into the accounting system for propriety before any checks are issued or released.

The School Reform Commission, by resolution on November 15, 2006, and several subsequent resolutions, adopted and expanded upon certain existing fiscal and budgetary policies. In addition, the Board of Education, which assumed governance of the School District on July 1, 2018, has further enhanced fiscal and budgetary policies to strengthen internal controls and financial oversight within the School District. In addition to enhanced controls, the Chief Financial Officer, and his designees, will continue to monitor expenditures and budget adjustments and report their findings to the Superintendent and the Board of Education.

Tax Collection

Pursuant to the School Code and the Home Rule Charter, School District local taxes (except for the public utility realty tax, cigarette tax, sales tax, and rideshare tax described below) are collected by the City's Department of Revenue, in its capacity as School Tax Collector, subject to the same collection procedures applicable to City taxes. Such taxes collected by the City on behalf of the School District are wire-transferred to the School District on the next business day following

collection by the City, except for deposits to the School District sinking funds established for each series of general obligation bonds issued by the School District. The School District sinking funds established for each series of general obligation bonds issued by the School District receive daily deposits of school taxes to fund deposits currently required, which are wire transferred first to such sinking funds on the same business day and then, to other School District-designated bank accounts. School District local taxes collected by the City's Department of Revenue, even when held overnight by the City, are at all times the property of the School District.

The School Code requires that the Department of Revenue pay all school taxes when and as collected to or upon the order of the School District and that a duplicate receipt for such taxes be filed with the City Controller, formally recognized as School Auditor. The School Code further requires that the Department of Revenue report the amount of school taxes collected on a monthly basis to the Board and the City Controller. A Standard Accounting Procedure of the City, adopted in 1961 and effective since that date requires that such information be furnished to the School District on a daily basis.

School Auditor

The Home Rule Charter requires that the Office of the City Controller of the City ("Office of the City Controller") perform an annual audit of the books of account, as well as financial records and transactions of the School District. The City Controller, an independently elected local official, is required to appoint a Certified Public Accountant as deputy in charge of auditing. Pursuant to these requirements, the Office of the City Controller conducted an independent audit of the School District's financial statements for the fiscal year ended June 30, 2020. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering an unmodified opinion that the School District's financial statements, for the Fiscal Year ended June 30, 2020, are fairly presented in conformity with accounting principles generally accepted in the United States. The Independent Auditor's Report is included as Appendix B hereto.

The City Controller has not participated in the preparation of this Appendix A nor in the preparation of the budget or current estimates of the School District set forth herein, nor has the City Controller reported on any financial statements of the School District included herein, other than the financial statements for the Fiscal Year ended June 30, 2020, attached hereto as Appendix B. The opinion of the City Controller which is part of the financial statements attached hereto contains the following language: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America." *See Appendix B – Note 1.E for a full description and the complete opinion.* The City Controller expresses no opinion on any of the data contained in this Appendix A relating to the School District.

SOURCES OF SCHOOL DISTRICT REVENUE

In Fiscal Year 2020, the School District's actual operating revenue and other financing sources were derived from three sources: (i) the Commonwealth, which represents approximately 45.9%; (ii) local, which represents approximately 43.7%; and (iii) federal and other financing sources, which represent approximately 10.4%.

Commonwealth Subsidies

The General Assembly is required by the Pennsylvania Constitution to provide for and maintain a system of public education, and for that purpose, makes subsidy payments to school districts located within and throughout the state. Commonwealth education appropriations have been constitutionally mandated since 1874, but are subject to legislative changes in amounts and funding formulae and to annual appropriation. Commonwealth education subsidies are included in the Commonwealth's operating budget each fiscal year. Total Commonwealth education subsidies to the School District increased annually in each Fiscal Year from 1982 to 2011. Fiscal Year 2012 was the first year in over three decades in which education subsidies declined. There have been increases in education subsidies in Fiscal Years 2013 through 2022, except Commonwealth education subsidies budgeted in Fiscal Year 2021 which was the same as Fiscal Year 2020.

The largest component of Commonwealth subsidies is the basic education funding allocation, which the School District can use for any costs attendant to the operation of the public school system.

In Fiscal Year 2021, the School District's Amended Budget revenues from the Commonwealth were \$1,158.3 million from the basic education funding allocation. Other revenues from the Commonwealth included (i) \$154.2 million in special education funding and (ii) \$336.7 million in other funding, the largest component of which was reimbursements for a portion of pension costs. Revenues from the Commonwealth for Fiscal Year 2022 were expected to be at the same levels as FY 2021 and is consistent with the assumptions included in the School District's adopted FY 2022 budget. However, the Commonwealth's budget included an additional \$65.8 million in basic education subsidies and an additional \$8.4 million in special education funding for the School District.

Pursuant to federal law, school districts are required to pay the full employer's share of social security taxes directly to the Federal government. The Commonwealth reimburses school districts, on a quarterly basis, for a portion of such employer's share. With respect to contributions to the Public School Employee Retirement System ("PSERS"), school entities are required to pay 100% of the employer's share of such contributions to PSERS.

The Commonwealth makes quarterly payments to school districts to reimburse each for a portion of retirement contributions made.

The School District is also eligible to receive a Commonwealth subsidy for a portion of the debt service on the School District's lease rental and general obligation debt related to capital projects, which constitute eligible capital projects (although the Commonwealth has not made such payments since Fiscal Year 2017). The Commonwealth also subsidizes the IU for special education programs, special education transportation, and non-public school services. Advance

funding for special education transportation is partially reimbursed to the Commonwealth in the subsequent fiscal year.

The School District annually reports total subsidy revenues net of this reimbursement in order to reflect the net resources actually provided by the Commonwealth to finance operations.

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THE SCHOOL DISTRICT OF PHILADELPHIA
COVERAGE RATIOS OF NET CASH RECEIVED FROM
COMMONWEALTH SUBSIDIES TO DEBT SERVICE PAYMENTS
Fiscal Years 2017-2021 (a)
(Dollar Amounts in Thousands)

	<u>ACTUALS</u>				<u>ESTIMATED</u>
	Fiscal Year <u>2017</u>	Fiscal Year <u>2018</u>	Fiscal Year <u>2019</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2021</u>
Net Commonwealth Subsidies (b)	\$1,464,185	\$1,533,279	\$1,555,035	\$1,637,781	\$1,649,243
Long-term Debt Service (including State Public School Building Authority)	\$267,859	\$272,292	\$300,332	\$448,569	\$311,514
Ratios	5.47	5.63	5.18	3.65	5.29
Long-term and Short-term Debt Service (c)	\$646,984	\$678,732	\$758,132	\$802,464	\$865,524
Ratios	2.26	2.26	2.05	2.04	1.91
Short-term note debt service (d)	\$379,125	\$406,440	\$457,800	\$353,895	\$554,010

(a) Actual data is derived from the School District’s Comprehensive Annual Financial Reports. Estimated data is derived from the School District’s FY 2021 Amended Budget, as approved by the Board of Education on May 27, 2021.

(b) Net Commonwealth subsidies reflect gross receipts for General Fund, Area Vocational Technical Fund and Intermediate Unit, less certain cash deductions made by the State for payments to other educational entities.

(c) Includes both Long-term Debt Service and Short-term Debt Service principal and interest. Does not include issuance costs.

(d) Short-term debt service represents interest and principal payments on the School District’s borrowings in each fiscal year, in anticipation of the receipt of taxes and other revenues.

Local Tax Revenues

Under the Home Rule Charter, the Board is required to levy taxes, upon subjects and within the limits prescribed by either the General Assembly or City Council, sufficient to provide funds to pay operating expenses, debt service and the costs of any other service incidental to the operation of public schools.

The General Assembly has authorized the School District to levy up to 16.75 mills on taxable real estate in the City without City Council approval. See “*SOURCES OF SCHOOL DISTRICT REVENUES – Local Tax Revenues – House Bill 1857*” herein.

The Board is required to submit to the Mayor and City Council an annual request for authority to levy taxes to balance the School District’s operating budget for the ensuing Fiscal Year. After reviewing such a request, City Council has the power to alter the rates or subjects of taxation for school purposes, (except for the rate of real estate tax of 16.75 mills authorized by the General Assembly which can be levied by the School District directly, but the use of which is limited. See: *SOURCES OF SCHOOL DISTRICT REVENUES – Local Tax Revenues – House Bill 1857*” herein.

As described herein under the caption: Local Tax Revenues - “Real Estate Tax,” the City for tax year 2020 has reassessed approximately 503,000 parcels of real estate within the City to more nearly approximate the market values thereof. By City Council ordinance adopted on June 9, 2017 the School District is authorized to levy its taxes for Fiscal Year 2022. Neither City Council nor the Mayor has ever failed to authorize taxes for school purposes. The ordinances authorizing the levy of the liquor sales tax and the cigarette tax do not require annual re-enactment and remain in effect. See “*SOURCES OF SCHOOL DISTRICT REVENUE—Local Tax Revenues—Liquor Sales Tax*” herein.

The School District’s Board authorized the levy of the following taxes for Fiscal Year 2022 by resolution on June 24, 2021. The following is a brief description of those taxes levied for school purposes:

Real Estate Tax. For tax year 2020 (as certified on March 31, 2019), the City’s Office of Property Assessment (OPA), revised the assessed values of over 503,000 parcels throughout the City as part of its reassessment. As of June 3, 2021, OPA has received 11,728 First Level Reviews (“FLRs”), with approximately 20% that have yet to be decided. As of June 3, 2021, the Board of Revision of Taxes (“BRT”) has received 7,629 appeals, with approximately 3,003 that have yet to be decided.

For tax year 2021 (as certified on March 31, 2020), OPA had planned to conduct a second year of trending for assessments, but initial results showed certain anomalies that would result in assessed values that were not acceptable to the City’s standards. As such, the City carried forward the assessed values from tax year 2020, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments. As of June 3, 2021, OPA has received 678 FLRs, with approximately 10% that have yet to be

decided. As of June 3, 2021, BRT has received 2,279 appeals, with approximately 2,275 that have yet to be decided.

For tax year 2022 (as certified on March 31, 2021), the City did not conduct a citywide reassessment due to operational delays regarding COVID-19. As such, the City carried forward the assessed values from tax year 2021, with the exception of properties that had new construction, expiring abatements, renovations, subdivisions, consolidations, or errors in prior year assessments.

House Bill 1857. On October 18, 2012, the Pennsylvania Legislature enacted and on October 24, 2012, the Governor of Pennsylvania signed into law, House Bill 1857 (which was originally introduced as Senate Bill 1303 at the request of the City). House Bill 1857 permits downward adjustments to the School District millage tax rates in the face of higher assessments, which would otherwise be prohibited under current Pennsylvania School Code provisions by providing that (i) for the reassessment year (defined as the year immediately following the year in which the Director of Finance of the City first certifies that the total assessed value of all real property in the City is at full market value) and the two years thereafter, the rate of any tax authorized by the City to be levied for the School District or dedicated to the School District may be adjusted so that the yield on taxes based on assessed values of real estate authorized by the City for the School District, as estimated and certified by the Director of Finance of the City, is equal to an amount equal to or greater than the highest yield of the taxes based on assessed values of real estate authorized by the City to be levied by the School District or dedicated to the School District during any of the three full preceding years prior to the reassessment year; and (ii) in the third and fourth years following the reassessment year, the rate of any tax authorized by the City to be levied for the School District or dedicated to the School District shall be not less than the rate authorized in the immediately preceding year.

House Bill 1857 further provides that in the reassessment year and each year thereafter, in any year in which the School District is subject to a declaration of distress, the School District may only levy taxes on real estate using the authorization for 16.75 mills (which the School District may levy directly pursuant to legislative authorization by the General Assembly without any further action by the City), to the extent the estimated yield on all taxes on real estate for the year is less than an amount equal to the yield in the year prior to the reassessment year, increased by an amount equal to the yield in the year prior to the reassessment year, increased by an amount proportional to the increase since the year prior to the reassessment year in total assessed value of real estate in the City. For Fiscal Year 2016, the Director of Finance certified that the yield on taxes based upon assessed value of real estate would be equal to or greater than the highest yield during the three full preceding years prior to the assessment year and for Fiscal year 2016 the tax rate was increased. Accordingly, the School District did not levy any of the 16.75 mills of direct authorization from the Commonwealth since the implementation of the City's Actual Value Initiative. For a discussion of certain litigation relating to the reassessment and its potential impact on the School District, see "LEGAL PROCEEDINGS – Litigation – *Duffield House Assocs., et al v. City of Phila, et al.*" herein.

On June 9, 2017, City Council authorized the School District to levy tax of 0.7681% on assessed value of real estate and on June 24, 2021, the School District re-authorized the levy for Fiscal Year 2022.

Assessments are certified in March, subject to certified revisions, and taxes are levied as of January 1. If paid by the last day of March, the gross amount of the 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. If the tax remains unpaid on January 1st of the succeeding year, a tax addition of 1.5% is added, the tax additions (totaling 15%) which accumulated from the time the tax was due are capitalized and the tax is registered delinquent and subject to lien (“Tax Claim Principal Amount”). Interest is then computed on the Tax Claim Principal Amount at a rate of 0.75% per month or 9% per annum 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. After the seven-month period, no further tax additions are assessed, although interest continues to accrue on the unpaid tax at the delinquent rate of 9% per annum until paid in full. In addition to current collections in any given year, the School District also receives delinquent real estate taxes applicable to prior tax years.

Business Use and Occupancy Tax. City Council authorized the Board of the School District to impose a tax for general public school purposes on the use or occupancy of real estate within the School District for the purpose of conducting any business, trade, occupation, profession, vocation, or any other commercial or industrial activity. This tax for Fiscal Year 2022 is 1.21%. This tax is due monthly.

Non-Business Income Tax. This tax is applied to the non-business income of residents from the ownership, lease, sale or disposition of certain real or personal property, including net income from dividends and interest on securities. The rate of this tax cannot exceed the rate of wage and net profits tax imposed on City residents. By ordinance enacted on June 24, 2021 (Bill No. 210324) the rate authorized for FY 2022 is 3.8398%, and is payable by April 15 of the following calendar year.

Public Utility Realty Tax (PURTA). Act 66 of 1970 enacted by the General Assembly provides for distribution to local taxing authorities, on a varying percentage basis, of the amounts of this tax collected by the Commonwealth on realty of various public utilities located throughout the Commonwealth. Amendments to the PURTA Act, enacted on May 5, 1999, changed the base of the tax and the timing of payment of the tax, among other things.

Liquor Sales Tax. City Council authorized the Board to levy a liquor sales tax effective January 1, 1995, on the retail sale of liquor and malt and brewed beverages at the rate of ten percent of the sales price. This tax is payable monthly on or before the 25th day of the month following collection of the tax by the retail establishment.

Cigarette Tax. On September 24, 2014, the Governor of Pennsylvania signed into law House Bill 1177 which authorizes the School District to impose and assess an excise tax upon the sale or possession of cigarettes within the School District at a rate of 10 cents per cigarette.

Pursuant to an ordinance of the City enacted June 6, 2013, and resolutions of the School District adopted June 27, 2013, and June 30, 2014, the School District has imposed the cigarette tax, effective October 1, 2014.

As required by House Bill 1177, the tax is collected by the Department of Revenue of the Commonwealth of Pennsylvania (the “Department”) and is paid by the Department to the State

Treasurer (net of the Department's costs of collection) for payment directly to the School District on or before the 10th day of each month. Additionally, the legislation sets a floor of \$58 million in annual cigarette tax revenue for the School District.

House Bill 1177 provides that the School District may lower the rate of the tax imposed or repeal the tax, in each instance, upon certain prior notice to the Department (20 days for a change; 30 days for a repeal).

Ridesharing Revenue. Act 85 of 2016 provides that a transportation network company operating in Philadelphia shall pay an assessment amount equal to 1.4% of the gross receipts from all fares charged to all passengers for prearranged rides. The State Treasury shall distribute 66.67% to the School District and 33.33% to the Philadelphia Parking Authority. The Rideshare Assessment is currently set to sunset on December 31, 2022.

Proceeds of 1% City Sales Tax. Effective September 28, 1991, the City adopted 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the Pennsylvania Intergovernmental Cooperation Authority Act in response to the City's financial crisis. 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 is collected for the City by the Commonwealth Department of Revenue. On October 8, 2009, the General Assembly of the Commonwealth enacted legislation authorizing an additional 1% City Sales tax which expired on June 30, 2014.

In July 2013, the General Assembly of the Commonwealth enacted legislation authorizing the imposition of an additional City Sales Tax of 1% replacing the expiring 1% tax, effective July 1, 2014. The legislation provides that (1) the first \$120 million of this tax collected in a fiscal year will be paid directly to the School District by the State Treasurer upon certification by the Secretary of Education that the School District is implementing reforms that provide for fiscal stability, educational improvement, and operational control; (2) for Fiscal Years 2015 through 2018, the next \$15 million collected was applied to payment of debt service on obligations issued by the City for the benefit of the School District (and thereafter such amount will be paid to the Municipal Pension Fund); and (3) the remainder will be paid to the City pursuant to Act 205 for application to the Municipal Pension Fund. City Council authorized this sales tax by ordinance which was signed into law by Mayor Nutter on June 12, 2014, and became effective on July 1, 2014.

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The following sets forth, for each tax, the actual tax revenues in Fiscal Years 2018 through 2020, and the estimated tax revenues set forth in the amended budget for Fiscal Year 2021 and adopted budget for Fiscal Year 2022:

**The School District of Philadelphia
Local Tax Revenues
Fiscal Years 2018-2022
(Dollar Amounts in Thousands)**

	<u>Actual (a)</u> Fiscal Year <u>2018</u>	<u>Actual (a)</u> Fiscal Year <u>2019</u>	<u>Actual (a)</u> Fiscal Year <u>2020</u>	<u>Amended (b)</u> Fiscal Year <u>2021</u>	<u>Adopted (b)</u> Fiscal Year <u>2022</u>
Real Estate Tax	791,806	847,726	845,447	871,477	882,400
Business Use & Occup. Tax	181,162	186,532	177,150	171,463	176,356
Non-Business Income Tax	48,048	49,434	51,560	48,406	49,345
Public Utility Tax	1,153	1,182	1,176	1,318	1,318
Liquor Sales Tax	76,650	79,300	58,845	30,031	61,626
Sales Tax	120,000	120,000	120,000	120,000	120,000
Cigarette Tax	58,000	58,154	57,771	58,000	58,000
Ridesharing Tax	3,269	4,461	5,138	3,950	4,900
Payments in Lieu of Taxes	9	0	5	5	5
Total Taxes	\$1,280,097	\$1,346,789	\$1,317,092	\$1,304,648	\$1,353,950

(a) Derived from the School District’s Comprehensive Annual Financial Reports.

(b) The FY 2021 and FY 2022 figures reflect the School District’s Amended FY 2021 and FY 2022 Adopted budget, each approved by the Board on May 27, 2021.

Local Non-Tax Revenues

City Grants. City Grant revenues for FY 2021 were \$252.6 million and estimated to be approximately \$256 million in FY 2022.

Gaming Revenue. The School District receives the first \$5 million of revenue distributed to Philadelphia County from each licensed facility located in the county as well as from interactive gaming revenue.

The table below sets forth local tax revenues by month subject to daily deposits, which are first deposited by the Fiscal Agent into the sinking funds for the School District’s general obligation bonds. See “*SCHOOL DISTRICT FINANCIAL PROCEDURES – Tax Collection*” herein.

**Local Tax Revenues Subject to Daily Deposit Covenant by Month
Fiscal Year 2021
(Dollars in Thousands)**

Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
37,991	31,390	20,097	29,552	23,504	45,519	66,466	89,410	535,588	179,214	69,358	43,283	1,171,372

Source: The School District’s actual monthly cash receipts.

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The following table sets forth the School District's Real Estate Tax Levies and Collections for the calendar years 2011-2020:

SCHOOL DISTRICT OF PHILADELPHIA
REAL ESTATE TAX LEVIES AND COLLECTION
For the Calendar Years 2011 through 2020

Calendar Year	Tax Levy for the Calendar Year (Original Levy) (a)	Adjusted Total Levied Tax (b) (c)	Collected within the Calendar Year of the Original Tax		Delinquent Taxes Collections in Subsequent Years (d)	Total Collected to Date	
			Amount (\$) (d)	Percent of Original Levy (%)		Amount (\$)	Percentage of Original Tax Levy (%)
2011	612,265,808	595,724,756	549,036,079	89.67%	44,304,903	593,340,982	96.91%
2012	655,005,955	636,956,173	549,558,020	83.90%	48,930,447	598,488,467	91.37%
2013	659,127,013	639,960,121	595,637,192	90.37%	62,939,249	658,576,441	99.92%
2014	737,777,950	709,717,778	605,454,814	82.06%	48,768,316	654,223,130	88.67%
2015	731,692,538	701,131,808	607,462,012	83.02%	39,797,156	607,462,012	83.02%
2016	703,064,816	685,102,289	641,567,436	91.25%	33,415,753	641,567,436	91.25%
2017	753,705,217	760,322,293	667,954,497	88.62%	28,287,991	667,954,497	88.62%
2018	854,532,826	824,213,011	749,239,893	87.68%	15,863,768	749,239,893	87.68%
2019	862,438,749	832,874,856	805,647,314	93.42%	9,912,322	805,647,314	93.42%
2020	878,853,757 (e)	857,369,390 (e)	823,724,857	93.73%	N/A	823,724,857	93.73%

Notes:

- (a) Represents original billings as of the calendar year (December 31st) for current year real estate taxes only.
- (b) Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.
- (c) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
- (d) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2011 through 2020-Gross Principal Only.
- (e) Memorandum City of Philadelphia Department of Revenue 2020 Monthly Real Estate Billed/Balance Due dated 01/27/2021 through December 31, 2020.
N/A = Data Not Applicable

The following table sets forth Assessed and Market Value of Taxable Real Estate in the City for the calendar years 2011-2020:

THE SCHOOL DISTRICT OF PHILADELPHIA
ASSESSED AND ESTIMATED ACTUAL MARKET VALUE OF TAXABLE REAL ESTATE
For the Calendar Years 2011 through 2020
(Dollars in Millions)

Calendar Year of Levy (a)	Certified Assessed Values				Percentage Increase Over Prior Year (Total Assessed Value of Property)	Certified STEB & AVI Assessed Value Ratio (d) (f)	Estimated Actual Taxable Value (e)	Percentage Increase Over Prior Year Estimated Actual Taxable Value	Millage for School Purposes
	Total Assessed Value of Property (b)(f)	Exempt Property, Homestead Exemption, & Certification & Billing Adjustments (b) (c)	Total Tax Assessed Value of Property (b)						
2011	\$ 17,940	\$ 5,593	\$ 12,347	0.58 %	0.2805 %	\$ 44,018	2.44 %	49.59	
2012	18,022	5,685	12,337	(0.08)	0.2887	42,733	(2.92)	53.09	
2013	18,181	5,765	12,416	0.64	0.2868	43,291	1.31	53.09	
2014	137,404	42,891	94,513	661.22	1.0000	94,513	118.32	7.382	
2015	136,341	43,928	92,413	(2.22)	1.0000	92,413	(2.22)	7.681	
2016	136,295	44,758	91,537	(0.95)	1.0000	91,537	(0.95)	7.681	
2017	136,681	44,940	91,741	0.22	1.0000	91,741	0.22	7.681	
2018	152,995	48,006	104,989	14.44	1.0000	104,989	14.44	7.681	
2019	164,672	49,116	115,556	10.06	1.0000	115,556	10.06	7.681	
2020	168,263	52,687	115,576	0.02	1.0000	115,576	0.02	7.681	

NOTES:

- (a) Real property tax bills are sent out in December and are payable at a one percent (1%) discount until February 28th, otherwise the face amount is due March 31 without penalty or interest.
- (b) Source: The City of Philadelphia, Office of Property Assessment (CY2011-2015). Beginning in 2014, the Assessed Value Certification Date was moved up to March 31, 2013. In prior years, the Certification date occurred on or slightly before the Billing Date; henceforth, the Certification Date was changed to March 31st.
- (c) The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments. Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners. Also, there are additional adjustments after the certification date of March 31st.
- (d) The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, STEB annually determines for each municipality in the Commonwealth of Pennsylvania a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Obtained from STEB website-Market Value.
- (e) Represents total taxable assessed value multiplied by the STEB ratio for calendar years 2011 through 2013. In calendar years 2014 through 2020, the market value represents the actual amounts.
- (f) The Office of Property Assessment (OPA) began the Actual Value Initiative (AVI) program in calendar year 2014. AVI is a program for the assessment of all real property - land and buildings - in Philadelphia at their current market value.

City Tax Reductions. The Pennsylvania Intergovernmental Cooperation Authority (“PICA”), an instrumentality of the Commonwealth, and the City entered into an Intergovernmental Cooperation Agreement in January of 1992. The Intergovernmental Cooperation Agreement requires the City to submit a five-year financial plan of the City annually to PICA for its approval. The first three five-year financial plans were based on the assumption that tax rate increases would be harmful to the economic health of the City. Beginning in the City’s 1996 fiscal year, the City implemented a program of incremental reductions in the City’s key taxes, namely the City wage tax and the business privilege tax, as part of an effort to rebuild Philadelphia’s economy. The only School District tax affected by these reductions is the Non-Business Income Tax since the rate of this tax cannot be higher than the resident City wage tax. The incremental reductions have not had a material adverse effect on the School District’s local tax revenues.

SCHOOL DISTRICT EXPENDITURES

Of the School District’s FY 2021 Amended Budget expenditures (including expenditures against the Federal ESSER relief funds), over \$3.0 billion, or 87% of its budget, was budgeted on District and Non-District operated schools. Of that \$3.0 billion, approximately \$1.76 billion was spent on District schools, \$1.19 billion was spent on charter schools and transportation for charter students, and \$95 million was spent on other Non-District operated schools and transportation for students attending those schools. The School District’s FY 2022 Adopted Budget reflects over \$3.4 billion to be spent on District and Non-District operated schools with \$2.1 billion spent on District schools.

The remainder of the School District’s FY 2022 budget is comprised of debt service, administrative support, and undistributed budgetary adjustments. In FY 2021, the School District expects that it will spend \$333.4 million, or 9.5% of its budget, on debt service. In FY 2022 the School District has budgeted \$338.3 million in debt service. Debt service costs relate to interest and principal payments on the School District’s long-term debt.

School District administration supports schools directly through academic and climate support, and provides key business, technology, and operational support. In FY 2021, \$130.6 million, or approximately 3.7% of the School District’s budget, was spent on administration. In FY 2022, the School District has budgeted \$155.1 million on administration.

Undistributed budgetary adjustments were negative (\$20.1) million in FY 2021 and (\$16.7) million in FY 2022. Undistributed budgetary adjustments account for indirect charges from other funds and other credits that are not distributed to specific budget lines.

For information regarding the major categories of the School District’s expenditures for the Amended FY 2021 Budget and the Adopted FY 2022 Budget, see the table below under “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Summary of Operating Results.”

CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Summary of Operating Results

The table on the following page reflects the revenues, expenditures and changes in the fund balance of the General Fund, Intermediate Unit Fund, and Debt Service Fund (which comprise the Operating Budget) for FY 2018 through 2020, the amended budget for FY 2021 and the adopted budget for FY 2022. For FY 2021 and FY 2022, the numbers are inclusive of the federal relief funds approved in response to the COVID-19 pandemic.

No assurances can be provided that the School District’s final results for FY 2021 will not differ materially from the amended budget. Further, no assurances can be provided that the FY 2022 budget, as adopted, may not need to be materially amended subsequently. The School District budgets are publicly available on its website.

See “CERTAIN FINANCIAL INFORMATION OF THE SCHOOL DISTRICT – Operating Budget Revenues, Expenditures and Changes in Fund Balances” and “Five-Year Financial Plan” herein.

	Actual 2018	Actual 2019	Actual 2020	Amended 2021 (a)	Adopted 2022 (a)
REVENUES (in 000s):	\$	\$	\$	\$	\$
Local Tax Revenue	1,280,096	1,346,789	1,317,092	1,304,648	1,353,949
Local Non-Tax Revenue	141,813	224,540	267,796	271,134	277,095
State Revenue	1,588,404	1,600,823	1,665,073	1,649,243	1,565,572
Federal Revenue	16,968	16,847	17,015	16,764	16,608
Subtotal Operating Revenues	3,027,281	3,188,999	3,266,976	3,241,789	3,213,224
Federal COVID-19 Relief Revenue (b)	0	0	0	195,951	861,032
Total Other Financing Sources (excluding Refunding) (c)	3,037	402	7,553	18,131	2,049
Total Operating Revenues & Other Sources (excluding Refunding)	3,030,317	3,189,402	3,274,529	3,455,871	4,076,305
	Actual 2018	Actual 2019	Actual 2020	Amended 2021 (a)	Adopted 2022 (a)
EXPENDITURES (in 000s):	\$	\$	\$	\$	\$
District Operated Schools (d)	1,624,566	1,661,284	1,719,832	1,761,115	2,093,000
Non-District Operated Schools (e)	998,019	1,102,673	1,174,064	1,286,571	1,354,424
Debt Service (d, f)	281,498	308,217	295,949	333,393	338,304
Administration	93,850	104,411	119,286	130,612	155,136
Undistributed Budgetary Adjustments	-30,574	-28,278	-26,909	-20,124	-16,660

Subtotal Expenditures	2,967,360	3,148,307	3,282,223	3,491,567	3,924,204
Other Financing Uses (excluding Refunding)	3,486	1,831	1,904	1,888	1,835
Total Expenditures (excluding Refunding)	2,970,846	3,150,139	3,284,127	3,493,455	3,926,039

	Actual 2018	Actual 2019	Actual 2020	Amended 2021 (a)	Adopted 2022 (a)
FUND BALANCE (in 000s):	\$	\$	\$	\$	\$
Net Impact of Refunding Sources and Uses	0	0	-1,860	0	0
Transfers from Reserves	-14,702	4,633	-13,321	-13,321	-13,321
Reserve for Facilities	0	0	-25,000	12,500	12,500
Operating Surplus (Deficit)	44,769	43,896	-49,779	-38,404	149,445
Fund Balance (Deficit) July 1	124,697	169,466	222,607	172,828	134,423
Adjustment of Prior Year Fund Balance (g)	0	9,243	0	0	0
Fund Balance (Deficit) June 30	169,466	222,607	172,828	134,423	283,869

Notes Relating to the Summary of Operating Results

- a. On May 27, 2021, the Board approved the Amended Operating Budget for FY 2021 and adopted the Operating Budget for FY 2022. The amounts shown as Federal COVID-19 Relief Revenue were not included in the Amended Operating Budget for FY 2021 nor in the Operating Budget for FY2022.
- b. These revenues include projected State reimbursement for pension costs associated with the federal relief funds.
- c. Other Financing Sources consist of revenues from the sale of property, transfers from other funds, and payments associated with debt financing for short-term borrowings.
- d. District Operated Schools expenditures previously included temporary borrowing expense; 2018 through 2022 information has been updated to reflect temporary borrowing expense as part of Debt Service.
- e. These expenditures are for Philadelphia students who are in Charter operated Schools; students placed by the courts and City departments of health and human services in facilities located outside the City. Also included in this expenditure category are payments for approved private schools and alternative education schools.
- f. The School District issued Qualified Zone Academy Bonds (QZABs) Series 2004E, 2007C, and 2007D which required annual mandatory sinking fund deposits or cash to be held in trust with the fiscal agent until the debt under these instruments matured. The principal and interest of: (1) QZAB bond Series 2004E of \$19.3 million was due September 1, 2018, (2) QZAB bond Series 2007C of \$13.5 million is due December 28, 2022 and (3) QZAB bond Series 2007D of \$28.2 million is due December 28, 2022. For Debt Act purposes, amounts in the sinking funds may be excluded in determining net debt.
- g. The positive \$9.2 million Fiscal Year 2019 actual prior period adjustment reflects accounting adjustments made at the end of Fiscal Year 2019.

Five Year Plan

On May 27, 2021, the Board adopted its Operating Budget for FY 2022, the first year of a Five Year Financial Plan (the “Financial Plan”) introduced in March 2021 as part of the process of the introduction and adoption of the Lump Sum Statement. The Financial Plan reflects Fiscal Years 2022-2026 and is a budget and spending estimate which strives for structural balance while determining investments designed to achieve the mission of equity in educational opportunity for all children. It utilized projections which the School District believes are reasonable for revenues and expenditures based on, among other things, available budget information provided by the City and Commonwealth, historical trends, as well as the significant impacts of the global pandemic. The Financial Plan projects annual operating deficits in the last three years of the plan (FY 2024-

FY 2026) a positive year-end fund balance through the end of Fiscal Year 2025, and a negative year-end fund balance in FY 2026. The Financial Plan may be amended and modified at any time.

The Financial Plan contains forward looking statements which may or may not be achieved and the differences between projected results and actual results may be material. The School District has no independent authority to increase its revenues and its ability to utilize its powers under the School Code to reduce expenditures may be limited by current federal and Commonwealth education mandates, court decisions and future legislation.

No assurance can be given that the School District will be able to continue to provide the programs and services which it currently provides or which are assumed to be provided in the Financial Plan or the then current Financial Plan without additional sources of or increases to existing sources of revenues and/or relief from some of its non-discretionary expenditure obligations.

Operating Budget Revenues, Expenditures and Changes in Fund Balances

Fiscal Year 2018 Adopted Operating Budget. On May 25, 2017, the School Reform Commission adopted the Operating Budget for Fiscal Year 2018 with anticipated revenues and other financing sources of \$2,949.5 million, expenditures and other financing uses of \$2,953.1 million, and transfers from reserves of negative (\$14.7) million resulting in a projected \$89.8 million ending fund balance on June 30, 2018.

Revenues increased by \$131.3 million (excluding refunding and other financing sources) from the revenues in the Fiscal Year 2017 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by \$97.0 million due primarily to an increase of \$83.1 million in real estate taxes, an increase of \$13.4 million in business use and occupancy tax, and an increase in liquor sales tax of \$0.5 million, (2) Local Non-Tax Revenues decreased by (\$11.4) million due to a (\$6.2) million decrease in parking authority revenue, a (\$3.9) million decrease due to the elimination of the casino settlement, and (\$1.3) million decrease in all other areas, (3) State Revenues increased by \$42.0 million due to a \$30.8 million increase in gross Basic Education subsidy, a \$21.4 million increase in retirement reimbursements from higher employer contribution rates, an increase of \$4.0 million in Special Education revenue, and a \$3.1 million increase in IU Special Education Transportation revenue offset by a decrease in Debt Service of (\$13.7) million, a decrease in school health program revenues of (\$3.0) million, and a decrease in all other areas of (\$0.6) million, and (4) Operating Federal revenue increased by \$3.7 million primarily due to an increase in the Federal Debt Service Subsidy.

Other Financing Sources declined by \$1,307.8 million due to non-recurring refinancing proceeds of \$1,306.7 million offset by a \$0.7 million increase for the sale of property, and an increase in other transfers of \$0.3 million.

Expenditures increased by \$213.3 million from the expenditures in the Fiscal Year 2017 Amended Operating Budget (excluding refunding) due to the following changes: (1) a \$88.9 million increase in salaries and benefits which included additional headcount related to investments, a budgeted increase for labor contracts, and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries from 30.03% in Fiscal Year 2017 to 32.57% in Fiscal Year 2018; (2) increases in non-District operated schools and Charter Schools of

\$77.0 million; (3) increase of \$17.5 million as a reserve against the proposed elimination of Title II funding; (4) increase of \$29.9 million in transportation, alternative education contracts, and all other non-personnel areas. Other Financing Uses declined in the FY 2018 Adopted Operating Budget by \$1,315.9 million due to non-recurring refinancing uses of funds.

Subsequent Events. After budget adoption, the District reached labor agreements with the Philadelphia Federation of Teachers (PFT), Commonwealth Association of School Administrators (CASA), and School Police Association of Philadelphia (SPAP) labor unions. These contracts resulted in a net (\$36.2) million negative fund balance impact over the FY 2018 Adopted Budget, which is a result of increased salary and benefit expenditures partially offset by corresponding State revenue reimbursements and elimination of investments included in the Adopted Budget (hold harmless at leveling for grades K-3, and elimination of 1st and 2nd grade combined classes).

Fiscal Year 2018 Amended Operating Budget. On May 24, 2018, the School Reform Commission amended the Operating Budget for Fiscal Year 2018 with anticipated revenues and other financing sources of \$3,010.9 million, expenditures and other financing uses of \$2,972.3 million, and transfers from reserves of negative (\$14.7) million resulting in a projected positive \$148.6 million ending fund balance on June 30, 2018.

Fiscal Year 2018 – Actual. The School District ended Fiscal Year 2018 with a \$169.5 million positive fund balance representing a \$20.8 million surplus over the Fiscal Year 2018 Amended Budget. The surplus can be attributed primarily to: (1) higher than budgeted local revenue totaling \$16.8 million over the Fiscal Year 2018 Amended Budget, made up of \$11.5 million in local tax revenue and \$5.2 million in local non-tax revenue; (2) higher than budgeted state revenues of \$2.6 million over the Fiscal Year 2018 Amended Budget; and (3) \$1.5 million of reduced expenditures relative to the Fiscal Year 2018 Amended Budget.

Subsequent Events. The School Reform Commission (SRC) dissolved, based on a resolution adopted on November 16, 2017, recommending that the Secretary of Education issue a declaration that the District was no longer distressed and therefore no longer required SRC control. A Board of Education was created, members were appointed by the Mayor, and local governance through the Board was assumed on July 1, 2018.

Additionally, in December 2018, Moody's upgraded the District's underlying bond rating by two notches to Baa3 and set the outlook at Stable. This marked the first time the District has had an unenhanced investment grade rating from Moody's since 1977.

Fiscal Year 2019 Adopted Operating Budget. On May 24, 2018, the Board adopted the Operating Budget for Fiscal Year 2019 with anticipated revenues and other financing sources of \$3,188.3 million, expenditures and other financing uses of \$3,129.6 million, transfers from reserves of \$4.6 million, and \$17.5 million in reserve for potential federal funding cuts to Title II, resulting in a projected \$194.6 million ending fund balance on June 30, 2019.

Revenues increased by \$177.4 million from the revenues in the Fiscal Year 2018 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by \$88.8 million due primarily to an increase of \$90.9 million in real estate taxes due to a proposed increase in the Mayor's proposed budget and an increase in liquor sales tax of \$2.4 million, partially offset by a reduction in business use and occupancy tax and school income tax of (\$3.1) million and

(\$1.6) million respectively, (2) Local Non-Tax Revenues increased by \$67.3 million due to a \$68.7 million increase in the contribution from the City, and offset by a reduction of (\$1.3) million from the Parking Authority Contribution, (3) State Revenues increased by \$24.1 million, primarily due to a \$7.0 million increase in net Basic Education subsidy, a \$3.1 million increase in the Special Education subsidy, a \$8.9 million increase in debt service subsidy, a \$9.9 million increase in Transportation Reimbursement, and a \$8.4 million increase in retirement reimbursements from higher employer contribution rates, offset by a \$14.5 million decrease in Act 89 revenues which were moved to categorical funds.

Expenditures increased by \$157.2 million in the FY 2019 Adopted Operating Budget from the expenditures in the Fiscal Year 2018 Amended Operating Budget (excluding refunding) primarily due to: (1) a \$39.7 million increase in salaries and benefits which included additional employees related to investments, a budgeted increase for labor contracts, and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries; (2) a \$87.6 million increase in Charter Schools payments; and (3) an increase in debt service of \$28.0 million.

Fiscal Year 2019 Amended Operating Budget. On May 30, 2019, the Board amended the Operating Budget for Fiscal Year 2019 with anticipated revenues and other financing sources of \$3,175.5 million, expenditures and other financing uses of \$3,147.0 million, and transfers from reserves of \$4.6 million, resulting in a projected positive \$206.8 million ending fund balance on June 30, 2019.

Fiscal Year 2019 Actual. The School District ended Fiscal Year 2019 with a \$222.6 million positive fund balance representing a \$15.8 million surplus over the Fiscal Year 2019 Amended Budget. The surplus can be attributed primarily to: (1) higher than budgeted local revenue totaling \$11.2 million over the Fiscal Year 2019 Amended Budget, made up of \$7.3 million in local tax revenue and \$3.9 million in local non-tax revenue; (2) higher than budgeted state revenues of \$2 million over the Fiscal Year 2019 Amended Budget; (3) \$3.2 million of increased expenditures relative to the Fiscal Year 2019 Amended Budget; and (4) \$5.1 million increase in the adjustment of Prior Year Fund Balance relative to the Fiscal Year 2019 Amended Budget.

Fiscal Year 2020 Adopted Operating Budget. On May 30, 2019, the Board adopted the Operating Budget for Fiscal Year 2020 with anticipated revenues and other financing sources of \$3,340.7 million, expenditures and other financing uses of \$3,382.3 million, and transfers from reserves of negative (\$13.3) million, resulting in a projected \$151.9 million ending fund balance on June 30, 2020.

Revenues and other sources were budgeted to increase by \$165.2 million from the revenues and other sources in the Fiscal Year 2019 Amended Operating Budget due to the following changes: (1) Local Tax Revenues increased by \$8.8 million due primarily to an increase of \$7.3 million in real estate taxes, an increase of \$1.4 million in school income tax and an \$2.6 million increase in liquor sales tax, partially offset by a (\$1.4) million reduction in business use and occupancy tax, and a (\$1.1) million reduction in rideshare revenue, (2) Local Non-Tax Revenues increased by \$28.4 million due primarily to a \$33.1 million increase in the contribution from the City, partially offset by a (\$2.8) million reduction in interest earnings, and a net (\$1.9) million reduction in all other areas, (3) State Revenues increased by \$126.2 million due primarily to a \$78.3 million increase in net Basic Education subsidy, of which \$40.4 million was from the shift of the Ready to Learn Grant to Operating based on the Governor's proposed budget, \$9.8 million

in the Special Education subsidy, \$23.9 million increase in PSERS and Social Security reimbursement, and \$8.9 million in debt service reimbursement.

Expenditures and other uses increased by \$235.3 million from the expenditures and other uses in the Fiscal Year 2019 Amended Operating Budget due primarily to a \$114.1 million increase in salaries and benefits from additional headcount related to investments, a budgeted increase for labor contracts, and an increase in Employer contributions for Retirement (PSERS) rate as a percentage of salaries and \$105.1 million of increases in charter school payments.

Subsequent Events. The Governor's proposed budget, which was the basis for the Fiscal Year 2020 Adopted Commonwealth Operating budget, shifted the Ready to Learn Grant (categorical funds) to the Basic Education subsidy (operating funds). At State budget adoption, the Ready to Learn was maintained as a grant and not included in the Basic Education subsidy. Therefore, the Basic Education subsidy was reduced by \$40.4 million with the total amount shifted back to the pre-existing Ready to Learn Grant. This was not a reduction in overall State revenues to the District, only a shift in the mix of Operating and Grant fund revenue.

In July 2019, the Philadelphia Court of Common Pleas ordered the City and the District to provide nearly \$35 million in tax rebates to commercial real-estate owners located in Philadelphia because they prevailed in a consolidated challenge to the City of Philadelphia's commercial property assessment practices. In July 2021, the Commonwealth affirmed the trial court's decision. If the Commonwealth court's ruling stands, it would have an estimated \$35 million negative impact on the District. The judgment as it currently stands would have an adverse effect on the District's future finances (it represents a potential loss of more than sixteen percent of the District's estimated FY 2020 ending Fund Balance). The City moved for reconsideration and re-argument. On September 28, 2021, the Commonwealth Court denied the City's motion for re-argument exhausting the City's final avenue of appeal by right. Presently the City and the District are evaluating the merits of seeking leave to appeal these rulings to the Supreme Court of Pennsylvania, a petition to do so being due by October 28, 2021. If leave to appeal is denied, the stay on enforcing the judgment would be automatically lifted and the District's revenue for the next tax year would be reduced by the amount of the credits issued by the City to satisfy the judgment. See "LEGAL PROCEEDINGS – Litigation – *Duffield House Assocs., et al v. City of Phila., et al.*" herein.

In March 2020, the global pandemic disrupted School District operations. As a result of the shutdown, the District incurred additional expenses in certain areas, but also saw expense reductions in other areas. Schools were closed after March 13, 2020 by order of the Governor, and the District developed a new system for delivering educational services via distance learning platforms. The pandemic also disrupted and reduced certain District revenue sources, including liquor sale tax and Use and Occupancy tax revenues. The Commonwealth passed Act 751 which guaranteed that State subsidies would not be reduced throughout FY 20, waived certain educational requirements, and provided guidance as to what activities must continue.

Fiscal Year 2020 Amended Operating Budget. On May 28, 2020, the Board approved an amended Operating Budget for Fiscal Year 2020 with anticipated revenues excluding other financing sources of \$3,267.1 million, and anticipated expenditures and other financing uses, excluding refunding, of \$3,298.2 million. When including the net impact of refunding of negative (\$1.8) million, transfers from reserves of negative (\$13.3) million, and a (\$25.0) million reserve

for facilities, the District projected to end the year with a positive \$159.0 million ending fund balance on June 30, 2020.

Fiscal Year 2020 Actual. The School District ended Fiscal Year 2020 with a \$172.8 million positive fund balance representing a \$13.9 million surplus over the Fiscal Year 2020 Amended Budget. The surplus can be attributed primarily to \$14.0 million of reduced expenditures relative to the Fiscal Year 2020 Amended Budget. These reduced expenditures were primarily due to a \$17.3 million reduction in District-Operated schools, a \$3.4 million decrease in charter school and charter transportation expenditures, and a \$4.5 million decrease in Other Non-District Operated Schools expenditures, partially offset by increased expenditures associated with Debt Service.

Fiscal Year 2021 Adopted Operating Budget. On May 28, 2020, the Board approved an Operating Budget for Fiscal Year 2021 with anticipated revenues and other financing sources of \$3,401.9 million, expenditures and other financing uses of \$3,526.2 million, and net transfers from reserves of negative (\$0.8 million), and use of fund balance of \$125.1 million, resulting in a projected positive \$33.8 million ending fund balance on June 30, 2021.

Subsequent Events. The COVID-19 pandemic affected the School District. Liquor Tax collections were approximately half of the FY 2021 adopted budget estimates. Some planned expenditures were reduced as school buildings were closed, while the District saw increased spending on technology for students and staff, personal protective equipment (PPE), increased cleaning, and payments to cyber charter schools.

Subsequent to the adoption of the FY 2021 Budget, the federal government enacted legislation related to the COVID-19 pandemic that included funding of over \$1 billion to the School District. These funds are anticipated to be used in FY 2021 through FY 2024 to support certain costs related to student learning recovery, provide social and emotional supports, improve District facilities, and maintain operations. The actual flow of funds from the federal relief revenues remains unknown, as the funds are provided on a reimbursement basis, and grant agreements have not yet been finalized with the Commonwealth.

Fiscal Year 2021 Amended Operating Budget. On May 27, 2021, the Board approved an Amended Operating Budget for Fiscal Year 2021. The Amended Operating Budget did not include the new federal relief funds but the School District intended to use those funds for new investments to support students and to sustain operations. Therefore, the numbers reported here are inclusive of the District's new federal relief funds.

The Operating and federal relief fund amended budget includes anticipated revenues, including other financing sources, of \$3,455.9 million, and anticipated expenditures and other financing uses, excluding refunding, of \$3,493.5 million. When including net transfers from reserves of negative (\$0.8) million, the District was projected to end FY 2021 with a positive \$134.4 million ending fund balance on June 30, 2021.

Subsequent Events. On August 13, 2021, the District released its FY 2021 4th Quarter School Manager Report, which included updated projections for FY 2021. The Quarterly Report included anticipated final revenues and other financing sources of \$3,473.1 million and anticipated final expenditures and other financing uses of \$3,457.2 million, resulting in a projected year-end fund balance of \$188.0 million. This anticipated fund balance increase of \$53.6 million relative to

the FY 2021 Amended Budget is due primarily to \$17.3 million of increased revenues, driven by higher than anticipated local revenues, and expenditure savings of \$36.3 million.

Fiscal Year 2022 Adopted Operating Budget. On May 27, 2021, the Board approved an adopted Operating Budget for Fiscal Year 2022. The Operating Budget did not include the new federal relief funds but the School District expects to use a portion of these funds for new investments to support students and to sustain operations. Therefore, the numbers reported here are inclusive of the District's new federal relief funds.

The Adopted Operating Budget includes operating revenues, federal COVID-19 relief funds, and other financing sources totaling \$4,076.3 million, and anticipated expenditures and other financing uses, excluding refunding, of \$3,926.0 million. When including net transfers from reserves of negative (\$0.8) million, the District is projected to end FY 2022 with a positive \$283.9 million ending fund balance on June 30, 2022.

This represents a revenue and other financing sources increase of \$620.4 million and an expenditure and other financing uses increase of \$432.6 million over the FY 2021 Amended Budget. The proposed revenue increase results primarily from the new federal relief funds. The expenditure increase is primarily in District Operated Schools, as the District is directing its federal relief funds to support students with learning recovery, social and emotional supports, and facilities improvements.

No assurances can be provided that such budget, as adopted, may not be materially amended subsequently.

Subsequent Events. At State Budget adoption, the Basic Education subsidy for the School District of Philadelphia was increased to \$1,224.1 million from the District's adopted budget projection of \$1,158.3 million, an increase of \$65.8 million. Additionally, the State's adopted budget included a Special Education Subsidy of \$162.6 million, which was an \$8.4 million increase above the District's FY 2022 adopted budget Special Education Subsidy of \$154.2 million.

SCHOOL DISTRICT OPERATIONS

The School District is the eighth largest district in the nation based on enrollment data, with over 202,940 pupils in Fiscal Year 2021, including approximately 79,401 students attending both brick and mortar and cyber charter schools, and approximately 2,960 students in alternative schools.

School Organization

The Fiscal Year 2021 organizational structure for the School District includes 215 public schools comprised of the following: 48 elementary schools; 99 K-8 schools; 14 middle schools; 1 K-12 school; and 53 high schools (seven of which serve lower grades). Additionally, there are currently 86 charter schools and 25 alternative educational schools and programs.

In an effort to advance the School District's vision for all children to have a great school close to where they live, the District launched a multi-year Comprehensive School Planning

Review (CSPR). Beginning in fall 2019, the District partnered with industry experts to take a strategic, system-wide look at how populations and communities across our city are projected to change in the coming years. The overall goal is for the District to design schools in every neighborhood that meet the educational needs of the changing population by:

- optimizing utilization of School District buildings to ensure students have access to a high-quality school close to where they live
- investing limited capital dollars where needed most, and
- creating thoughtful transitions for students at elementary and middle grades.

The review is being conducted in four cycles with each focusing on different areas of the City. Information gained during each review cycle will be combined with school performance and building quality data to guide recommendations to the Superintendent and Board. The District is committed to the collaborative development of options that balance the desires of the students and families in each study area with its overarching responsibility to do what is best for all learners.

Enrollment

The School District’s Performance Office, Office of Talent Administration, and Office of Management and Budget monitor enrollment trends and prepare enrollment projections for future planning purposes. These projections are based upon actual birth rate numbers from the Philadelphia Department of Vital Statistics and historical enrollment trends for the School District.

Although the number of school age children in Philadelphia has been dropping gradually over the past two decades, certain areas of the City experienced higher enrollment levels than other parts as evidenced by data published in accordance with the 2010 Census. Currently, approximately 39% of public school students have exited traditional public schools and opted to enroll in charter and cyber charter schools. See “SCHOOL DISTRICT OPERATIONS – Charter Schools” herein. The School District continues to take steps to alleviate the overcrowding in certain areas of the City by the use of leased facilities, construction of primary grade annexes, and the reconfiguration of various school facilities throughout the City.

The following table sets forth the actual fall enrollment by grade in the School District for the academic school years 2016-17 to 2020-21:

THE SCHOOL DISTRICT OF PHILADELPHIA

Fall Enrollment

2016–17 through 2020-21

Grade	2017-2018	2018-2019	2019-2020	2020-2021
K	10,790	10,331	9,881	7,143
1	11,249	10,865	10,299	9,515
2	11,331	10,807	10,345	9,771
3	11,260	10,994	10,373	9,872
4	11,287	10,990	10,473	9,925
5	10,616	10,624	10,093	9,672
6	9,359	9,839	9,631	9,150
7	9,005	8,950	9,578	9,239
8	8,531	8,783	8,789	9,253
9	9,686	9,951	10,033	9,827
10	9,385	8,962	9,242	9,548
11	7,975	8,102	8,054	8,344
12	7,166	7,245	7,393	7,596
Ungraded	--	--	--	
Subtotal	127,640	126,443	124,184	118,855
Alternative Education	4,013	3,854	3,207	2,956
PA Virtual Academy	462	551	507	637
Total Public Schools	132,115	130,848	127,898	122,448
Charters	64,999	66,153	67,699	68,364
Cyber Charters	5,424	6,224	7,677	9,481
Non-Philadelphia Charter	1,106	1,289	1,867	1,556
Total Charters	71,529	73,666	77,243	79,401
Total (a)	203,644	204,514	205,141	201,849

(a) Figures do not include students enrolled in non-public schools and Intermediate Unit #26.

Sources: District Performance Office; Office of Talent; and Office of Management and Budget.

Curriculum and Instruction

The Office of Curriculum and Instruction (C&I) encompasses several departments, including Multilingual Curriculum and Programs and Arts and Creative Learning. The Office of Curriculum and Instruction supports the development, implementation, and progress monitoring of high-quality, standards-aligned, culturally and linguistically inclusive instruction. Significant enhancements have been made to curriculum and instructional guidance for teachers and school leaders. All of these instructional enhancements culminated with the creation of an Academic Framework. The Academic Framework is an all-inclusive resource that contains content-specific academic expectations and essential practices to support educators in making instructional decisions. The Academic Framework actualizes our commitment to cultural and linguistic inclusivity, standards alignment, equity-based MTSS, and serving English Learners & students with special needs.

The Academic Framework

The Academic Framework provides high quality instructional guidance backed by educational research and best practices. The Academic Framework includes:

- expectations for the instructional block for math and ELA
- access to the curriculum units for math and ELA
- a menu of options for determining tier 2 and tier 3 supports for students
- essential practices for making learning accessible to all students, particularly students with IEPs and English learners
- guidance for developing instructional routines and a classroom environment that supports a culture of learning in a safe and welcoming space
- explicit connections between assessments and implementation of the instructional expectations
- provides a clear description of what successful implementation of instructional expectations looks like

In addition, the Academic Framework is aligned to the Board of Education's Goals & Guardrails. The Goals set the expectation for what students can do, measure student outcomes in reading, math, and college and career readiness while the Guardrails stipulate the non-negotiable conditions that must exist in schools in order to reach our Goals.

Culturally & Linguistically Inclusive Foundation

With a shared commitment to dismantling racist systems and providing equitable learning experiences, the School District of Philadelphia in partnership with students, educators, families, and community members, developed the Culturally and Linguistically Inclusive Foundation

(CLIF). The CLIF serves as a guide for students, families, school-based and district-level staff, community members, and partners for creating learning environments that:

- affirm racial, linguistic, and cultural identities
- develop stakeholders' abilities to connect across lines of differences
- elevate historically marginalized voices
- empower stakeholders as agents of social change
- prepare all students for rigor and independent learning

The CLIF features four strategic principles around curriculum and instructional resources, professional learning, grading and progress monitoring, and teaching and learning. These principles promote culturally and linguistically responsive education in order to meet the diverse needs of all students, families, and communities we serve.

Multilingual Curriculum & Programs

The Office of Multilingual and Programs (OMCP) supports instructional programs to approximately 15,000 English Learners (ELs) across the School District. The education of ELs is a shared responsibility; therefore, OMCP works with all educators to ensure ELs have access to grade-level curriculum and standards as well as instruction to support academic language development in English. To accomplish this, there are a variety of instructional programs in place including English as a Second Language (ESL) in more than 100 schools, bilingual programs in six elementary schools, and one Newcomer Learning Academy (NLA) for ELs in high school with significant gaps in formal education.

The Arts & Creative Learning

The Office of The Arts & Creative Learning provides multiple learning opportunities that ensure a high quality well-rounded education for every student in the District by: (1) providing a curriculum that is rigorous, standards driven, guided by the individual learning needs, rich cultural heritages, and the diverse perspectives of each student; (2) providing professional development to teachers and school leaders in Art, Music Theater, and Dance (3) providing in and out of school enrichment and extra-curricular opportunities for students through a shared delivery model including School District educators and community partners.

Art Education. The School District offers a rigorous art education program taught by certified PreK-12 Visual Arts specialists. The arts promote creative problem-solving skills and lead students to discover that there can be multiple answers to a problem. Developing this skill set encourages students to think creatively, become innovators and have the confidence in their ability to compete in the 21st Century workforce. The visual arts program through traditional and digital art media, facilitates learning in and through the arts for children Pre-K through Grade 12. In FY 2021 there were over 200 Art Specialists teaching throughout the District, some serving in more than one school.

Theatre Education. The School District offers arts credit for theatre education courses in many District high schools. Certified Communications/English teachers 7-12 teach these courses. The State of Pennsylvania passed a Theatre Endorsement in May 2015 to ensure quality theatre programs in our schools. PreK-6 grade theatre classes are available in some schools within individual classrooms. Theatre productions are encouraged as a creative art form in School District

schools. Community Theatre partners work with our teachers and schools to enhance the theatre arts.

Dance Education. The School District offers arts credits for dance education courses in several high schools taught by certified Vocational Dance, Physical Education and Communications teachers. The State of Pennsylvania passed a Creative Movement Endorsement in December 2015 as a guide to address a set of competencies relative to creative movement courses and is currently pursuing a unified State Dance Certification. Community Dance partners work with School District teachers and schools to enhance and encourage the art of creative movement and dance.

Music Education. The School District continues its long-standing tradition of excellence in music education while establishing itself as a recognized leader in innovative practices, striving to provide opportunities for all students in grades Prek-12 with opportunities to enjoy the benefits of participating in learning music as part of a "well-rounded" education. In FY 2021, 154 music teachers facilitated music education in district schools through rostered programs and classes, with an additional 70 itinerant Class Instrumental Music Teachers serving 196 schools each week offering small group instruction. Programs include an emphasis on culturally relevant music and ensembles and exposure to career opportunities in the Music Industry.

Health, Safety and Physical Education Curriculum and Programs

The Office of Health, Safety, and Physical Education focuses much of its Health and Physical Education curriculum on preventing and delaying chronic diseases, reducing risk factors, and promoting healthy decision making, fitness and wellness in children. Students are taught a comprehensive Health curriculum and a fitness and skills-based Physical Education curriculum. There are over 320 certified Health and Physical Education teachers providing instruction in Philadelphia public schools.

The School District implements a K-12 Healthy Behaviors/Sexual Health Education curriculum. It is a progression-based, comprehensive curriculum. In its high schools, the Health Education teachers are providing the state mandated Hands Only CPR curriculum supplied and supported by the American Heart Association and Youth Heart Watch. The School District's commitment to improving Health Literacy is evidenced by the Chief Academics Office statement of expected instructional minutes: grades K-3 receive 30 minutes/week of Health instruction, while grades 4-8 are rostered for 45 minutes/week of Health. Additionally, 6th-8th grade students receive Health Education instruction provided by a certified Health and Physical Education teacher.

All School District schools are offered a variety of nutrition education services and programs for students and caregivers. The *Eat.Right.Philly* program is a partnership with six organizations who, along with the School District, receive Supplemental Nutrition Assistance Program Education federal funding, to foster behavioral changes related to nutrition and physical activity including the importance of healthy lifestyle choices.

The Office of Health, Safety, and Physical Education manages the First Aid/CPR/AED certification training for district employees who are Health and Physical Education teachers and high school/middle school athletic coaches. During the 2021-22 school year, we intend to expand our capacity to train district employees by supporting internal candidates to become Train the Trainers and Instructors for American Red Cross courses.

The office also collaborates with a number of partners to supplement instructional opportunities. Some of the relationships with partner organizations include: the American Heart Association, American Red Cross, Special Olympics Unified programs, The Food Trust, Philadelphia Eagles Mobile Junior Pro, Activity Works movement breaks program, Youth Heart Watch, Think AED and Keeping the Beat CPR/AED programs, the Centers for Disease Control HIV/Teen Pregnancy Prevention programs, the Philadelphia Department of Public Health Get Healthy Philly program and many more. Additionally, the office also serves as liaison between the Drivers Education classroom training at Penn Treaty High School and the Department of Education.

Career and Technical Education

The mission of the Office of Career and Technical Education (CTE) is to deliver the highest quality CTE programs that provide students with the opportunity to acquire challenging academic and technical skills, and thus, be prepared for the high-skill, high wage, and high priority occupations in the global economy. Currently, the School District operates five (5) CTE schools and 120 CTE Programs with close to 6,000 students. CTE programs are also offered in an additional 29 comprehensive and special admission high schools. During the 2020-2021 school year, only a limited number of students were able to earn industry certifications as a result of building closures required by the Governor’s COVID-19 stay-at-home order.

CTE Programs of Study (POS) incorporate secondary and post-secondary education elements that include rigorous content aligned with challenging academic instruction and relevant career and technical competency attainment to adequately prepare students to succeed in post-secondary education, technical training centers, apprenticeships, or entry into careers with industry certifications. The School District of Philadelphia’s Career and Technical Education offerings include agriculture, culinary arts, business, construction, advanced manufacturing, communication, information technology, transportation and health, education, and personal care.

In an effort to ensure that the highest quality CTE programming is provided to our students and aligned with workforce and economic development needs, the Office of Career and Technical Education seeks advice from subject-matter experts from both business and community stakeholders. These meaningful partnerships, which include representatives from business, industry, organized labor, Philadelphia Workforce Investment Board, economic development agencies, community-based organizations, and post-secondary education, provide for informed decision-making regarding the improvement in the overall quality of current CTE programs, as well as new and emerging 21st century occupations for which education should be provided.

Postsecondary Readiness

The Office of Postsecondary Readiness (OPSR) promotes postsecondary awareness, exposure, and immersion in grades Pre-K through 12. OPSR aims to prepare students with the knowledge, skills, and tools needed to succeed in college, career, and life after high school. Each program and initiative play an important role in supporting schools, students, families, and partners.

This further aligns with the School District’s mission to “ensure that all students are given an education that allows them to thrive, succeed and lead in a global society”, and “all children are

capable of reaching their fullest potential, and they deserve a safe and nurturing school community where they are valued, respected and encouraged” (School District of Philadelphia, 2020).

The key components of postsecondary readiness are centered on five Areas of Focus:

- **Career Readiness Standard** - The standard includes identifying, building, and navigating future career pathways by increasing students’ understanding of the knowledge, skills, and abilities necessary to be successful, and the integration of the standard(s) into the core curriculum.
- **On-Track to Graduation** - Our focus in this area is on support for 9th Grade Academies, academic advising, Career and Technical Education (CTE) retention and completion, credit recovery, and support for student-athletes and special populations. This is inclusive of English Language Learners (ELL), and students with Special Needs (SPED), and Individualized Education Plans (IEP’s).
- **Rigorous Coursework** - The focus here is on fostering students’ leverage of Advanced Placement courses, Dual Enrollment opportunities, International Baccalaureate programs, Senior Year Only Programs, and Industry skill articulation through Career and Technical Education in preparation to pursue various pathways after graduation.
- **Postsecondary Transition** - The emphasis here is on the transition to high school, grounded in K-8 exposure to career pathways, summer transition, and support. This also includes support in the transition from high school into postsecondary education, including college and career pathway exposure and immersion.
- **Industry & Work Based Learning** - This area encompasses support for high quality CTE programming, administration of NOCTI examinations, Career Connected Learning, alternative opportunities in meeting graduation requirements, and opportunities for earning industry certifications.

Alternative Education

The School District offers a variety of multiple pathways for students to earn their high school diploma including 15 accelerated high school programs (over-age/under-credited), four Continuation or Transition (disciplinary) school programs, four evening high school diploma programs for adults and one dual-enrollment program (Gateway to College). These programs are operated either by the School District or in partnership with an outside provider. The School District also oversees two placement and support centers and operates two schools within Juvenile Justice facilities in the City of Philadelphia.

Specialized Services

The School District is the public school system (IU26) for approximately 35,871 students identified and eligible to receive special education supports and services pursuant to the Individuals with Disabilities Act (IDEA) and the Pennsylvania regulations as of the 2020-2021 school year.

The School District provides special education services to its students in 215 brick and mortar buildings as well as a virtual academy. Approximately 21,871 students with disabilities

are enrolled in School District programs. The educational portfolio also contains and provides a charter school opportunity for parents and students in the form of over 87 authorized charter schools. There are approximately 14,000 students with disabilities attending charter schools in the City.

The Office of Specialized Services (OSS) provides operational and programmatic support to schools in a variety of ways to meet the needs of students with disabilities under IDEA. Specifically, OSS provides technological and consultative support to all schools and charter schools in the context of mandated regulatory reporting. In addition, program specific support is provided through the development, opening, staffing, academic materials, and equipment purchases for specialized settings. Research validated interventions are provided and training supplied for those staff working with students whose needs require the use of an intervention as part of the educational program.

Technical assistance and consultative service is provided to school teams in the areas of: behavioral support; inclusive practices; transition services; meeting student needs through IEP goals and specially designed instruction specific to the learner with intellectual disability; autism; blindness or visual impairment; deafness or hearing impairment; emotional disturbance; traumatic brain injury, other health impairments, multiple disabilities, orthopedic impairments, speech and language impairment, and specific learning disabilities. Evaluation services are provided to students by 126+ certified school psychologists who also support building staff responding to struggling learners and those in crisis. Students with fine and/or gross motor deficits receive support through occupational and physical therapy staff who are deployed by OSS as are itinerant vision and hearing therapists. For students with communication challenges, OSS provides assistive technology evaluations and augmentative communication devices along with speech and language support to remediate articulation deficits, stuttering and expressive and receptive communication delays.

The provisions of IDEA allow for students with disabilities to be educated in the public school setting by meeting graduation requirements up to and through the age of 21 if necessary. For many students this provides an opportunity to spend time exploring and preparing for the world of work, vocation, and independent or supported living. An array of transition services and supports are provided to school teams for these students and include: itinerant vocational teachers, work opportunities in school and the community, travel training, and independent living skills.

Some Philadelphia students have needs that require a program response that is more structured and intense. For these students the District provides a placement in a more restrictive setting that may be located in Philadelphia or in a neighboring county. OSS continues to monitor the progress of these students, participates in IEP teams, and re-evaluates these students consistent with the regulatory requirements.

A large number of students with disabilities require additional learning opportunities beyond the 180-day school calendar. OSS organizes and staffs this additional learning experience referred to as extended school year (ESY) services. OSS identifies school sites, arranges transportation, moves materials and equipment, trains and organizes staff and ensures that all materials and equipment are transported to the appropriate locations for the ESY experience.

OSS supports the provision of specialized transportation for students with disabilities by funding additional adult support or an alternative mode of travel if this is needed for the student to be safely transported to and from school.

Parent engagement is a critical component of IDEA and a successful school experience. OSS provides parent training through a parent coordinator and linkages to parent advocacy groups.

Charter Schools

The General Assembly enacted legislation, Act No. 1997-22 (“Charter School Law”), on June 19, 1997, to amend the School Code to provide for the establishment of charter schools. Since 1997, there have been a limited number of amendments to the Charter School Law. In December 2017, the Charter School Law was amended to add provisions concerning multiple charter school organizations (“MCSO’s”) to enable academically high performing charter schools to consolidate to form MCSOs after approval from the local school district and PDE. PDE released the MCSO application form in early February 2018. As of August 19, 2021, no MCSOs have been approved.

Charter schools are independently operated schools that are publicly funded. Monthly payments for each student enrolled in an approved charter school are made by the school district of the student’s residence to the charter school based on a formula in the Charter School Law. The annual payment rate per student differs based upon whether the student is a regular education student or a special education student. The Charter School Law permits a charter school to apply directly to the Secretary of Education to request payment from state subsidy payments otherwise due to the applicable school district in the event the charter school claims the school district did not pay the charter school the correct amount for the students the charter school claims are enrolled in the charter school. The Charter School Law requires the Secretary to withhold amounts requested by charter schools from school district subsidies and hold a hearing if a school district objects to the charter school’s request for payment; however, only a limited number of administrative hearings before PDE have proceeded.

The School District is the largest charter school authorizer in the Commonwealth. Nearly 37% of Philadelphia’s students attend a variety of charter schools: (i) charter schools authorized by the SRC and the Board consisting of standard brick and mortar charter schools and Renaissance Charter Schools, which are schools formerly operated by the School District that have been converted to charter schools; (ii) cyber charter schools authorized by PDE; and (iii) charter schools located outside of Philadelphia County. The Board has the authority to grant new charters, and to revoke or non-renew the charters of operating charter schools within Philadelphia’s boundaries. Additionally, the Board has considered amendment requests submitted by charter schools, including requests for changes in (generally increases to) contractually agreed-to maximum authorized enrollments and changes in facility location. See “THE SCHOOL DISTRICT OF PHILADELPHIA – Board of Education,” herein.

At the commencement of the 2021-22 school year, there were 85 brick and mortar charter schools in operation in Philadelphia. Two charter schools closed at the end of the 2018-19 school year, and one charter school closed at the end of the 2019-20 school year. One operating charter school merged into another operating charter school managed by the same management company in the 2020-21 school year.

Renaissance Charter Schools. As part of its strategic plan, beginning in 2010, the School District embarked on a reform initiative, the Renaissance Schools Initiative, to identify chronically under-performing School District operated schools and transform them into high-achieving schools through conversion into Renaissance Charter Schools. Renaissance Charter Schools are managed by third-party educational services organizations or charter management organizations. In the 2020-21 school year, there are 21 Renaissance Charter Schools. These schools include a mixture of elementary, middle and high schools. The process to convert School District schools into Renaissance Charter Schools involves soliciting proposals and Renaissance Charter applications from educational services organizations or charter management organizations that have a proven track record of academic improvement and achievement through a Request for Proposals process. All Renaissance Charter Schools remain neighborhood schools, and are required to accept and enroll students already attending the school prior to conversion to a charter school and/or who reside within school catchment areas up to the maximum authorized enrollment in the Renaissance Charter School's charter.

Cyber Charter Schools and Non-Philadelphia Charter Schools. Cyber charter schools, which are authorized by PDE, primarily provide educational programs through the internet or other electronic means. Additionally, a limited number of students in Philadelphia choose to attend charter schools operated outside of Philadelphia.

For the 2020-21 school year, it is estimated that approximately 10,874 Philadelphia students were enrolled in cyber charter schools and that approximately 1,678 Philadelphia students were enrolled in nine brick and mortar charter schools located outside of the City. The School District's total payments for all charter schools for the 2020-21 fiscal year are projected to be approximately \$1,160 million. Under the Charter School Law, school districts are required to provide certain transportation for charter school students. The costs of transportation for charter school students for the School District during the 2020-21 fiscal year are estimated to be approximately \$28 million.

The following table shows by year, the number of new charter school openings and total charter schools in operation in Philadelphia, exclusive of cyber charter schools:

SCHOOL YEAR	NEW CHARTERS	TOTAL CHARTERS IN OPERATION	SCHOOL YEAR	NEW CHARTERS	TOTAL CHARTERS IN OPERATION
1999-00	12	25	2010-11	7	74
2000-01	9	34	2011-12	6	80
2001-02	5	39	2012-13	4	84*
2002-03	7	46	2013-14	3	86
2003-04	3	48*	2014-15	0	84*
2004-05	4	52	2015-16	1	83
2005-06	3	55	2016-17	6	86
2006-07	1	56	2017-18	0	84*
2007-08	5	61	2018-19	3	87
2008-09	2	63	2019-20	2	87
2009-10	6	67*	2020-21	0	86

* One charter school closed in 2004, two in 2009-10, one in 2013, two in 2014, two in 2015, three in 2016, two in 2017, one in 2018, and two in 2019.

New Charter School Applications. House Bill 1177, approved in September 2014, required the School District in November 2014 to accept new charter applications for the first time in seven years. In November 2017, the Charter Schools Office accepted nine applications for new charter schools; however, two of these applications were withdrawn by the applicants prior to consideration by the former SRC. In February, 2018, the SRC conditionally approved one application for a new charter school and denied the six other active applications. In February 2019, the Board denied three applications for new charter schools. In February 2020, the Board denied two applications for new charter schools. In March, 2021, the Board denied five applications for new charter schools. The Charter School Law allows for resubmission of a denied new charter application and for applicants to appeal denials of applications to the State Charter School Appeal Board (“CAB”). Decisions of the CAB can be appealed to the Commonwealth Court. To be eligible for an appeal, an applicant must obtain signatures of at least two per centum of the residents of the school district or of one thousand (1,000) residents, whichever is less, and obtain a determination by the court of common pleas that the signatures are sufficient to perfect an appeal to CAB. An applicant for one of the applications denied in February 2020 submitted a signature petition to the court, and the court determined the signatures were sufficient. The District has appealed the court decision.

Planning and Evidence-based Support Office (PESO): Every Student Succeeds Act (ESSA)

The Pennsylvania ESSA Consolidated Plan was approved by the U.S. Department of Education thereby ushering in new accountability measures for the Local Education Agencies. The School Performance Profile (SPP) is used to support Educator Effectiveness ratings and The Future Ready Index dashboard reports Local Education Agency achievements in student proficiency and growth, English language acquisition, graduation and post-graduation success, student access to Advanced Placement (AP), International Baccalaureate (IB), college credit and CTE courses and career pathways with industry credentials.

New State accountability systems (and related interventions) took effect in school year 2018-19. In Fall 2018 under the new ESSA legislation, 43 School District schools were identified as Comprehensive Support and Improvement (CSI) and 17 as Additional Targeted Support and Improvement (A-TSI). In Fall 2019, 69 School District schools were designated as Targeted Support and Improvement (TSI), 10 of which also hold the A-TSI designation for additional subgroups. Currently, all schools, regardless of federal designation, receive technical assistance supervised and provided by the PESO with specialized supports provided to CSI and A-TSI schools. Currently, technical assistance represents significant intervention in a school and is specifically designed to remedy the school’s persistent inability to make progress toward all students becoming proficient in reading and mathematics, with an added layer of focusing on subgroup progress in addition to the whole school. PESO staff work with schools in areas of data analysis, utilizing data to improve instruction, monitoring approaches, building capacity, and leading change within the school’s environment.

In alignment with indicators of school performance in the PA ESSA Consolidated Plan, the School District utilizes a local performance and accountability tool now called the School Progress Report on Education and Equity (SPREE). The SPREE looks at schools on multiple dimensions - academic achievement, academic progress, climate, and (for high schools only) college and career readiness - reflecting the richness and complexity of the educational experience. The SPREE puts the most emphasis on equity, with many metrics scored for the overall school population and subgroups of students, reflecting the School District's focus on and commitment to ensuring that all students are learning. The School District uses the SPREE to celebrate schools that are meeting or exceeding a standard of educational excellence for all students. It is also used to learn from principals and teachers who are realizing exceptional success in serving particular student populations or establishing a positive school climate. The SPREE tool is used to identify schools needing interventions and supports and also the principals and teachers using innovative, evidence-based approaches for breaking down barriers to student success.

In an effort to align the School District's practice to the ESSA for the 2021-2022 school year, the Planning and Evidence-based Support Office will provide targeted specialized support to schools designed to offer such targeted support and evidence-based interventions by collaborating with other District offices in the identification, implementation and monitoring of the targeted evidence-based interventions for the schools.

Multi-Tiered System of Supports & Response to Instruction and Intervention

In 2012-2013, the School District of Philadelphia implemented Response to Instruction and Intervention (RtII) in all schools K-12 as part of a five-year plan to maximize student achievement and to reduce attendance and behavioral health issues. Since that time, the District has transitioned from RtII to Pennsylvania's Multi-Tiered System of Support (MTSS) as directed by the Pennsylvania Department of Education. MTSS is a standards-aligned, comprehensive school improvement framework for enhancing academic, behavioral and social-emotional outcomes for ALL students. The MTSS framework considers students' academic, social-emotional/behavioral, attendance, and health/wellness needs simultaneously. This whole-child focus helps ensure that the root causes of students' challenges are identified and viewed in context. The District's focus on equity-based MTSS ensures equity in opportunity for students including Black/African American and Latinx students, students with IEPs, and English Language Learners who have been marginalized and negatively impacted by existing systems. As part of the framework, Response to Instruction and Intervention continues as an essential component of MTSS to improve student achievement using research-based strategies, products, and/or programs as tiered support and interventions to match students' instructional, attendance, behavioral, and social-emotional needs. The District is using a phased approach for an equity-based MTSS implementation.

Assessment

School year 2018-19 was the fifth year of the new, more rigorous Pennsylvania System of School Assessment ("PSSA"). The long-term trends are moving in the right direction, with more students scoring Proficient/Advanced, and fewer scoring Below Basic, across all subject areas. After seeing little to no year-over-year change in 2015-16 District-wide, the School District observed positive increases three years in a row, 2016-17, 2017-18, and 2018-19 on both the

English Language Arts and math PSSAs and two years of improvement in 2017-18 and 2018-19 on the science PSSA.

The percentage of students scoring Proficient/Advanced on the PSSA in English Language Arts in 2018-19 was 36% (up from 35% in 2017-18, 33% in 2016-17 and 32% in 2015-16) in all grade levels 3-8. Most notably, the School District observed a five-percentage point increase for 4th grade students (31% to 36%) in 2018-19 compared to 2017-18. Additionally, the School District reduced the number of students who scored Below Basic. Approximately 3,100 fewer 3-8 grade level School District students scored Below Basic in 2018-19 on the English Language Arts PSSA compared to results in 2014-15.

The percentage of students scoring Proficient/Advanced in Math has increased steadily since 2014-15 by five percentage points. It was 22% in 2018-19 (up from 20% in 2017-18, 19% in 2016-17, 18% in 2015-16, and 17% in 2014-15) in all grade levels 3-8. Additionally, the School District reduced the number of students who scored Below Basic by approximately 2,800, resulting in a five-percentage point decrease compared to results in 2017-18.

The percentage of students in 4th and 8th grade scoring Proficient/Advanced in Science was 40%, up five percentage points from 2017-18 (35%), and an eight-percentage point improvement from 32% in 2016-17. Notably, this is the highest level since 2014-15 (37%). There was also an additional three percentage point reduction in the number of students scoring Below Basic in 2018-19, the same as 2017-18 on the science PSSA, an overall decrease of 14 percentage points (2,664 fewer students) compared to results in 2014-15.

Keystone Examinations were administered for the first time in the 2012-13 school year, after a pilot administration the previous spring. School year 2018-19 represented the seventh year of Keystone Examinations testing. Keystone Examinations are end-of-course assessments designed to assess proficiency in the areas of Algebra I, Literature, and Biology.

The Commonwealth's 2018-19 Keystone assessment results have allowed the School District to identify areas for improvement, even though gains were observed in prior years. The Proficient/Advanced rates decreased for Algebra I by two percentage points (from 22% to 20%), but the School District observed a three-percentage point increase in the number of students scoring Advanced from 2014-15 (from 5% to 8%). In Literature, 41% of students scored Proficient/Advanced, a small decrease of one percentage point compared to 2017-18 (42%). The same year-over-year decrease was observed for Biology, 29% to 28%, although still five percentage points higher than the 2014-15 Biology assessment results (23%).

The Pennsylvania Secretary of Education cancelled the Pennsylvania System of School Assessment (PSSA), the Pennsylvania Alternate System of Assessment (PASA), and the Keystone exams for the 2019-20 school year as a result of COVID-19. The United States Department of Education approved the Commonwealth's request to waive all Federal assessment, accountability, and reporting requirements for the 2019-20 school year. The Pennsylvania Secretary of Education modified the schedule for the Pennsylvania System of School Assessment (PSSA), the Pennsylvania Alternate System of Assessment (PASA), and the Keystone exams for the 2020-21 school year as a result of COVID-19. PSSA and PASA were administered in the spring to those

students attending in-person classes, and Keystone examinations will be administered in September 2021. These assessments will not be used for accountability requirements for the 2020-2021 school year.

Transportation

In Fiscal Year 2021, 32,899 students enrolled in public, charter and non-public schools who opted for some form of in-person learning were eligible for bus and cab service from the School District. An additional 43,313 public, charter and non-public students were eligible for free student TransPasses for use on the City’s mass transit system (SEPTA). Approximately 2,000 students were transported to and from school by their parents.

School District policy provides for the provision of free transportation for the following: students who live 1.5 miles or more from school, attend a school that is overcrowded, and are in a special education program. The School District has a combination of 13 percent School District-operated routes and 87 percent contractor-operated routes.

A number of initiatives are underway that are intended to increase the efficiency and safety of transportation services provided by the School District. Specific activities include improved training for drivers and bus attendants to be conducted as part of Professional Development, and ensuring staff is effectively trained in dealing with students with disabilities and other special needs. The transportation services department is also implementing GPS-based operations. Additionally, the transportation services department is actively pursuing a modernization of the fleet, effectively reducing the average age of the fleet by nearly 25%, while employing cleaner more efficient technologies and vehicles with significant safety enhancements.

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Personnel

The School District employs approximately 18,500 full-time employees funded from and by all sources. The following table enumerates the instructional and non-instructional staff positions budgeted for each of the school years 2010-11 through 2021-22 from the Operating Budget:

THE SCHOOL DISTRICT OF PHILADELPHIA

Personnel*

<u>SCHOOL YEAR</u>	<u>INSTRUCTIONAL PROFESSIONAL</u>	<u>NON PROFESSIONAL</u>	<u>NON-INSTRUCTIONAL</u>	<u>TOTAL</u>
2010-11	9,719	1,507	5,103	16,329
2011-12	8,941	1,161	4,197	14,300
2012-13	8,653	1,126	4,164	13,944
2013-14	7,810	1,468	3,770	13,048
2014-15	7,747	1,371	3,717	12,835
2015-16	7,579	1,550	3,624	12,753
2016-17	7,687	1,795	3,625	13,106
2017-18	7,891	2,410	3,811	14,112
2018-19	8,047	2,524	4,011	14,582
2019-20	7,999	2,685	4,022	14,706
2020-21	8,243	2,657	4,014	14,914
2021-22	8,186	2,785	4,069	15,040

* Personnel funded by the operating budget.

Pension Plan

School districts throughout the Commonwealth must participate in the Commonwealth of Pennsylvania's Public School Employees Retirement System ("PSERS"), a state-administered pension program. Under the Internal Revenue Service (IRS) Code, the PSERS pension plan is classified as a 401(a), governmental defined benefit plan. A defined benefit plan means that an individual's retirement benefit is determined by a formula which includes a retirement factor, years of credited service, and the final average salary. Under this program, contributions are made by each of three parties; participating employees, local educational entities (school districts, Intermediate Unit and Area Vocational Technical Boards) and the Commonwealth. All of the

School District's full-time employees and hourly employees participate in the program. Each party to the program contributes a percentage of an employee's gross earnings. The employees' rate was 5.25 percent for employees hired prior to July 23, 1983, and 6.25 percent for employees hired subsequent to that date. Act 9 of 2001 established a new employee contribution rate of 7.50 percent effective January 1, 2002, for employees electing to participate in the new membership class. Effective July 1, 2011, all new employees to PSERS have the option to remain as a T-E member (min 7.5% - max 9.5%) or elect to become a class T-F member (min. 10.3% - max. 12.30%).

Effective July 1, 2019, all new employees to PSERS have the option to remain in a T-G hybrid (9.00% as of July 1, 2021) or elect to become a class T-H member (8.25% as of July 1, 2021) which both have a "shared risk" provisions or Class DC (Defined Contribution of 7.5%) where the member assumes all investment risk in a DC Plan with no guaranteed defined benefit monthly payments in retirement. The T-E, T-F, T-G and T-H plans have "shared risk" provisions, meaning the contribution rate may increase or decrease by 0.50% or 0.75% within the specified range once every three years.

The Commonwealth reimburses the School District 50 percent of the School District's retirement cost for employees hired prior to July 1, 1994, and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market value/personal income aid ratio for Fiscal Year 2021 was 72.13 percent. For Fiscal Year 2022 the current estimate is 70.43 percent.

In Fiscal Year 2020 the employer rate was 34.29 percent, and in Fiscal Year 2021 the employer rate increased to 34.51 percent of payroll for all employees, regardless of their PSERS class.

The School District has no authority over benefits and no responsibility or authority for the operation and administration of PSERS nor does it have any related liability except for the annual contribution requirements which include payments for current normal costs plus amortization of the PSERS unfunded liability. See the PSERS website at www.psers.state.pa.us for information about the state-administered pension program. In its Fiscal Year 2019 Financial Statements, the School District reported its "net pension liability" as required by GASB 68 and 71.– See Appendix B attached hereto.

SCHOOL DISTRICT LABOR RELATIONS

The School District engages in collective bargaining with the Philadelphia Federation of Teachers ("PFT"), which represents approximately 13,000 employees; Service Employees International Union Local 32BJ ("Local 32BJ"), formerly the International Brotherhood of Firemen and Oilers, AFL-CIO, Local 1201, which represents approximately 2,000 employees; the School Cafeteria Employees Union, Local 634 ("Local 634"), which represents approximately 1,600 employees; the Commonwealth Association of School Administrators ("CASA"), which represents approximately 850 employees; and the School Police Association of Philadelphia ("SPAP"), which represents approximately 300 employees. Some represented employees are included in more than one bargaining unit.

The School District negotiated and settled a seven-year collective bargaining agreement with the PFT effective September 1, 2013 through August 31, 2020. This Agreement provided for annual salary increments beginning in 2016, annual lump sum payments for employees at the

maximum of the salary schedules beginning in 2017, and a two percent (2%) across the board increase in wages effective September 1, 2019. It also provided for reductions in the School District's contributions to the PFT Health and Welfare Fund, restructured other medical benefits including increasing co-pays and employee contributions. On October 23, 2020, the School District and PFT negotiated a one-year extension of the 2013-2020 Agreement, which called for a two (2%) across the board increase in wages effective August 16, 2020. On August 31, 2021, the parties reached a tentative agreement in which details will be released upon affirmative vote of the PFT membership.

The School District negotiated and settled a five-year collective bargaining agreement with CASA. This collective bargaining agreement, which runs from September 1, 2016 through August 31, 2021, generally follows the PFT pattern for salary increases. It continues to provide a cost-saving medical plan and requires employees represented by CASA to contribute to medical premium costs. In addition, employees represented by CASA were required to pay a \$40/pay surcharge, which increased to \$100/pay in 2020, if they elected to enroll a spouse in a School District medical plan and the spouse has employer-provided medical coverage elsewhere. The parties are currently negotiating a successor agreement.

The School District negotiated and settled an eight-year collective bargaining agreement with SPAP for the period from September 1, 2013, through August 31, 2021, and generally follows the PFT wage pattern. There is a thirty-day extension to the contract as parties continue negotiating a successor agreement.

On August 25, 2020, the School District and Local 32BJ negotiated a two-year extension of the 2016-2020 Agreement, which called for a two percent (2%) across the board increase in wages effective September 1, 2020, and a lump sum payment of \$1000 to all employees effective September 1, 2021.

The School District and Local 634 negotiated and settled a four-year collective bargaining agreement covering the period from October 1, 2019, through September 30, 2023. The agreement provides for across the board increases effective August 25, 2020, August 25, 2021, August 25, 2022, and August 25, 2023. Effective August 25, 2023, Local 634 bargaining unit members will pay between 1% and 1.5% of the total medical premium contributions. Over the life of the contract, each position will receive a pay increase of 6-12.4%, which includes an increase of 3% for all positions in the final year of the contract.

Collective Bargaining Following Dissolution of the School Reform Commission

The following statutory provisions apply to the School District: Section 11-1127A of the School Code provides that any school district of the first class with an appointed board shall comply with and be subject to the binding arbitration provisions of the Pennsylvania Employee Relations Act ("PERA") and is not subject to provisions in Sections 11-1123A, 11-1124A, or 11-1125-A.5 of the School Code regarding arbitration. A school district of the first class remains subject to the other sections of Article XIA of the School Code, including those governing mediation and fact-finding. Section 805 of PERA, which otherwise applies to units of guards and court employees, requires binding arbitration when the parties have reached impasse in collective bargaining. The School District and its employees have been subject to the binding arbitration

provisions of PERA since July 1, 2018. School District administrators are subject to binding arbitration pursuant to the Administrative Code, 71 PS § 371.

INSURANCE

The School District is self-insured for most of its risks. However, the School District does purchase certain insurance. The types of insurance purchased by the School District include: (i) property and casualty insurance or surety bonds when required by law, leases or other contracts; (ii) property and casualty insurance when categorical funds are available to pay the premiums; (iii) excess property insurance in the amount of \$250.0 million per loss; (iv) property insurance for special property, such as computer equipment, boilers and machinery, and fine arts; (v) excess workers' compensation insurance; (vi) employee dishonesty bonds; and (vii) Board members and Chief Officers' travel accident insurance and other various accident insurance.

The School District is self-insured for workers' compensation, unemployment compensation and weekly indemnity (salary continuation during employee illness) coverage which is shared by the School District and covered employees through payroll deductions. The School District annually budgets an amount believed to be adequate, based on past experience, to provide for these claims. Actual payments in Fiscal Year 2021 as of June 30, 2021, for workers' compensation totaled \$17,974,956. Payments for unemployment compensation and weekly indemnity coverage totaled \$2.5 million and \$7.5 million, respectively. As of June 30, 2021, the School District estimates there is a cumulative total potential liability of \$38,346,078 for workers' compensation claims and \$4.1 million for unemployment compensation claims.

LEGAL PROCEEDINGS

General

The School District receives financial assistance from numerous federal, state and local governmental agencies and other entities in the form of grants or subgrants to conduct a variety of educational programs. Generally, the expenditure of funds from such grants must comply with government regulations and/or terms and conditions of the grants (subject to audit by the grantor).

The District is a party to various claims, arbitrations and litigation in the ordinary course of business. For Fiscal Year 2019, the amount paid from the Operating Funds for losses and judgments, which includes settlements and judgments in personal injury, property damage, civil rights and special education matters, including plaintiffs' attorneys' fees and costs, labor and employment, and commercial matters, was approximately \$9.3 million. The total amount paid in Fiscal Year 2020 for losses and judgments was approximately \$10.5 million. The amount paid in Fiscal Year 2021 for losses and judgments was approximately \$8.8 million. The Fiscal Year 2022 adopted budget includes \$11.0 million for losses and judgments.

Under Pennsylvania law, school districts are immune from liability in tort on account of injury to persons or damage to property, except for that caused by negligent acts of a school district

or its employees arising out of the operation of motor vehicles; damage to personal property of others in the District's possession; care, custody, or control of certain animals; a dangerous condition of real property, trees, traffic controls, street lighting, utility service facilities, streets, sidewalks; and sexual abuse. Damages in most state law personal injury and property damage cases in which the District is not immune are capped by statute at \$500,000 in the aggregate arising from the same or a series of causes of action or transactions or occurrences, except that there is no limitation on damages for claims made under the sexual abuse exception. Immunity, which is subject to challenge and judicial interpretation, does not extend to civil rights, contract, commercial, and certain state statutory claims. The District is required to defend and indemnify employees acting within the scope of their offices or official duties.

Charter School Withholding Requests

The District is defending the following suits brought by numerous charter schools which if decided for the plaintiffs could result in a material adverse effect on the School District:

Federal Funds Deduction Administrative Actions. In these administrative actions, eight brick and mortar and cyber charter schools claim that PDE impermissibly permits the School District (and all school districts) to deduct amounts constituting expenditures of federal funds from total expenditures when calculating per-pupil rates and those deductions are not expressly permitted under the Charter School Law. These administrative matters had originated in actions brought by the charter schools against the School District and PDE in the Pennsylvania Commonwealth Court. The Commonwealth Court in *Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 289 M.D. 2017, related to the 2015-16 school year, ordered the matter to proceed at PDE, and the charter schools moved their federal funds claims for the 2016-17 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 167 M.D. 2019) and 2017-18 (*Antonia Pantoja Charter School, et al. v. Pa. Dept. of Educ., et al.*, 431 M.D. 2019) school years to PDE. For these claims, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docketed matters related to the 2017-2018 school year. These matters are assigned to a hearing officer. Hearings were held on November 9, 10, 12, and 17, 2020; January 15 and 19, 2021; and February 1, 2021, and post-hearing briefs were submitted to the hearing officer by the parties. The matters have been referred to the Secretary of Education for a decision.

In Re: Adoption of an Amended Financial Plan for Chester Upland School District, Del. Cty. CCP, No. 12-9781. Chester Upland School District ("CUSD") is a public school district serving the City of Chester, the Borough of Upland, and Chester Township in Delaware County, Pennsylvania. Upon petition by the Pennsylvania Secretary of Education, CUSD was placed into receivership on December 13, 2012. The receivership has been extended twice and currently terminates on June 3, 2022. A Revised Financial Recovery Plan was submitted to the court on December 19, 2019.

In November 2019, Chester Community Charter School ("CCCS") petitioned the court to direct CUSD and its Receiver to issue an RFP to convert CUSD schools to charter schools to take over the entire pre-K to 8th grade program, along with CUSD school buildings. Approximately 1,415 Philadelphia resident children were enrolled in CCCS during fiscal year 2020-21, and enrollment for 2021-22 is projected at 1,415 Philadelphia resident students. For fiscal year 2020-21, the School District paid approximately \$19.9 million to CCCS, and payments for 2021-22 are

projected to be approximately \$20.6 million. Pursuant to the Charter School Law, the School District must also transport all children to a charter school, such as CCCS, within a ten-mile radius of Philadelphia. The transportation expenditure to transport Philadelphia resident students to CCCS was approximately \$1,155,615 in Fiscal Year 2020 (through March 13, 2020) and approximately \$363,160 in Fiscal Year 2021, and is projected to be approximately \$2,106,070 in Fiscal Year 2022.

The court twice denied the Philadelphia School District's petitions to intervene in the case. The School District argued that, due to the number of Philadelphia students attending CCCS, the School District has a stake in the matter, and that any CUSD schools converted to charter schools should have enrollment limited to CUSD residents.

In May 2020, the court accepted and approved the Financial Recovery Plan and authorized the Receiver to issue RFPs to address the options for the management and delivery of education for Pre-K through 12th grade, including converting CUSD schools to charter schools through a competitive RFP. Three proposals to convert CUSD schools to charter schools were submitted; however, the Receiver did not accept any of the proposals. The Receiver engaged Montgomery County IU to manage CUSD and then Receiver resigned. On August 13, 2021, the judge appointed a new Receiver, rejecting the individual PDE put forward to be Receiver.

The School District cannot predict the potential financial impact if the Financial Recovery Plan is implemented in its present form or CUSD schools are converted to charter schools.

Litigation

The District is defending the following lawsuits, each of which alleges potential material damages and which if decided for the plaintiffs could result in a material adverse effect on the School District:

T.R., et al. v. School Dist. of Phila., U.S. Dist. Ct. for E.D. Pa., C.A. No. 15-4782, aff'd, U.S. Court of Appeals for the Third Circuit No. 20-2084 – Plaintiffs filed this putative class action challenging the sufficiency of translation and interpretation services provided to Limited English Proficient (LEP) parents of special education students. Plaintiffs allege violations of the Individuals with Disabilities Education Act for depriving LEP parents of meaningful participation in the Individualized Educational Plan process and related violations of other laws, including Section 504 and the Equal Education Opportunity Act. The complaint seeks injunctive and declaratory relief, and attorneys' fees and costs. The District Court denied plaintiffs' motion for class certification in April 2019; and the Third Circuit denied their request for interlocutory appellate review of the class certification denial. The case proceeded on the named-plaintiffs' individual claims. The School District moved for summary judgment in late September 2019. In May 2020, the Court granted the School District's motion and judgment on all counts in the School District's favor. On May 28, 2020, Plaintiffs appealed the denial of class certification and the District Court's dismissal of the case to the Third Circuit. On July 9, 2021, the Third Circuit issued a decision upholding the District Court, in the School District's favor. Plaintiffs/appellants have ninety days from the entry of judgment to file a writ of certiorari asking the United States Supreme Court to review the case.

Duffield House Assocs., et al. v. City of Phila., et al., Phila. Cty. CCP, No. 17091536 (Cons.) *vac. in part and aff'd in part*, Commonwealth Court of Pennsylvania Nos. 1501, 1502, 1504-1513, 1516 CD 2019 – This consolidated proceeding by commercial property owners and tenants in the City alleges that the City’s 2018 property tax reassessment violated the Pennsylvania Constitution’s Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District’s Business Use and Occupancy Tax, the District intervened as a defendant. The Court denied the plaintiffs’ requested preliminary injunction but stayed their individually filed BRT appeals pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019. On July 18, 2019, the Court issued an opinion, ruling against the City (and, in effect, adverse to the School District’s interests). The City and School District moved for post-trial relief, which the Court denied. The City and School District appealed to the Commonwealth Court. In July 2021, the Commonwealth Court affirmed the trial court’s decision, ruling against the interests of the City and School District. If the intermediate appeals court’s ruling stands, it would have an estimated \$35 million impact on the District. The judgment as it currently stands would have an adverse effect on the District’s future finances (it represents a potential loss of more than sixteen percent of the District’s estimated FY 2020 ending Fund Balance). The City moved for reconsideration and re-argument. On September 28, 2021, the Commonwealth Court denied the City’s motion for re-argument exhausting the City’s final avenue of appeal by right. Presently the City and the District are evaluating the merits of seeking leave to appeal these rulings to the Supreme Court of Pennsylvania, a petition to do so being due by October 28, 2021. If leave to appeal is denied, the stay on enforcing the judgment would be automatically lifted and the District’s revenue for the next tax year would be reduced by the amount of the credits issued by the City to satisfy the judgment. If leave is granted, a ruling would be significantly delayed possibly beyond tax year 2022.

Pagan v. School Dist. of Phila., et al., U.S. Dist. Ct. for E.D. Pa., C.A. No. 19-cv-05799 – The parents of a minor plaintiff brought a civil rights/state created danger action related to alleged injury of their child caused by eating lead paint chips at school. After discontinuing the original state court case, plaintiffs re-filed in federal court, naming the School District, the City, the Comly School and its principal, the Acting Deputy Commissioner of the City Department of Health, the School District’s Environmental Director, and plaintiffs’ landlord as defendants. The \$500,000 tort claims immunity cap does not apply to federal civil rights claims. The School District defendants filed a Motion to Dismiss on February 11, 2020. On October 28, 2020, Judge Tucker allowed Plaintiffs’ state-created danger and negligence claims to proceed against the District. A settlement conference with a magistrate judge is scheduled for Thursday, September 30, 2021.

Veolia Energy Philadelphia, Inc. v. School Dist. of Phila., - The School District received a claim letter from Veolia, a steam energy provider, alleging that the School District is in breach of a purchase agreement entered into in 2004 to provide steam energy to five School District schools. Veolia asserts that the School District’s alleged breach triggered a “Termination Payment” in the amount of \$2,810,356. The School District and Veolia are working to either amend the agreement or identify additional School District buildings to receive steam energy in place of the

schools that are no longer utilizing steam energy; however, no assurance can be given that the matter will be resolved.

Linda Spruill, individually and o/b/o the estate of Phillip Spruill v. School District of Philadelphia, et al, 21-cv-1174 - Plaintiff, mother of deceased student Phillip Spruill, brought claims under the ADA, Section 504 of the Rehabilitation Act, the Civil Rights Act, and the Pennsylvania Wrongful Death and Survival statutes. Plaintiff claims that her son's suicide was the result of bullying and harassment on the basis of sex, and/or the failure to appropriately implement his individualized education plan (IEP). The School District filed a motion to partially dismiss Plaintiff's complaint and the court heard oral argument on the motion in June 2021. The parties are awaiting the Court's ruling.

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APPENDIX B - CERTAIN FINANCIAL STATEMENTS OF THE SCHOOL DISTRICT

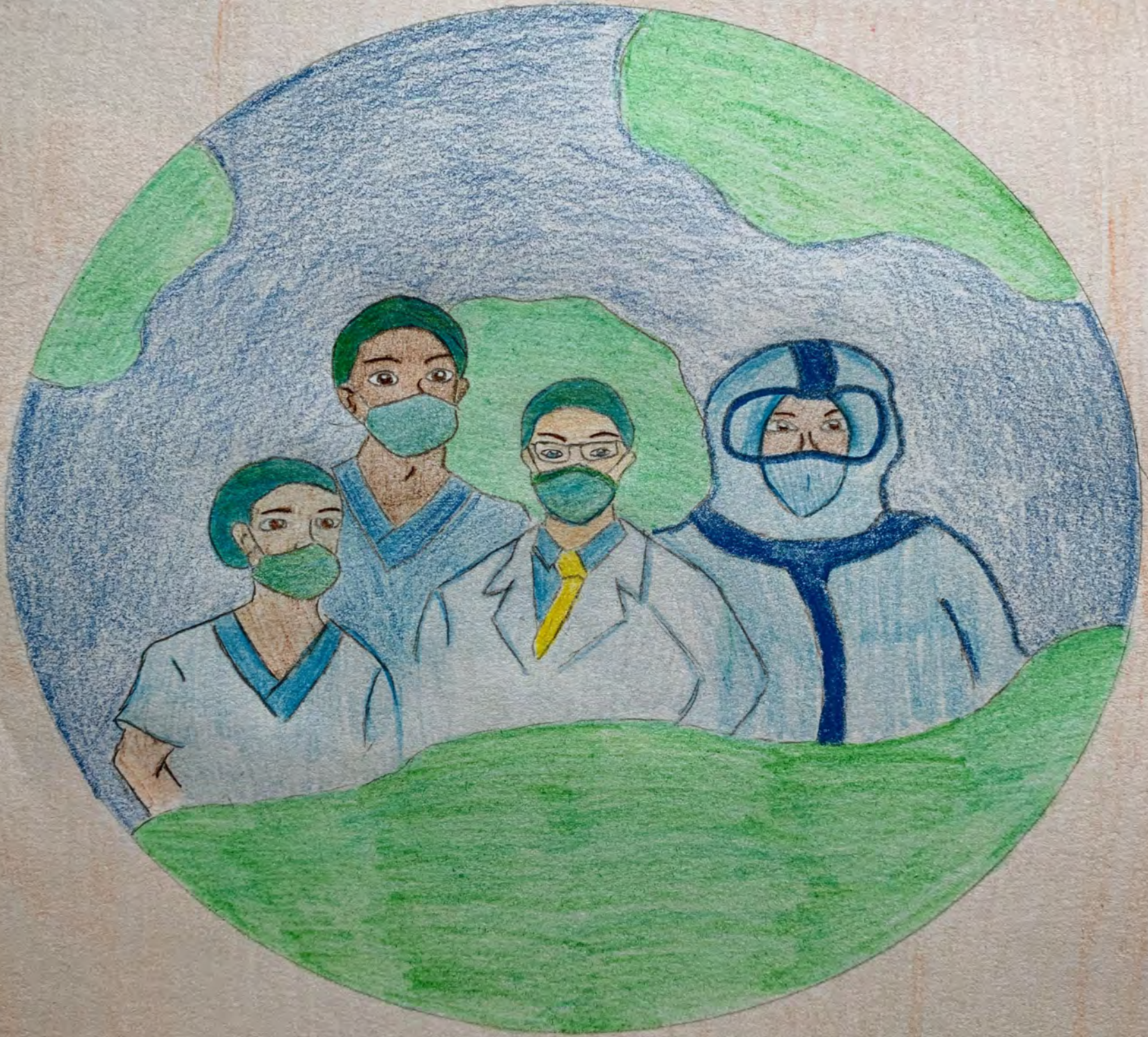
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THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PHILADELPHIA

A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2020





SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
440 N. BROAD STREET, PHILADELPHIA, PENNSYLVANIA 19130

COMPREHENSIVE ANNUAL FINANCIAL REPORT
A COMPONENT UNIT OF THE CITY OF PHILADELPHIA, PENNSYLVANIA

YEAR ENDED JUNE 30, 2020



Marcy F. Blender, CPA
Comptroller

Prepared by
Office of General Accounting

STUDENT ART

The art displayed throughout this report is the work of the School District of Philadelphia's art students. The winners were chosen from the entries submitted for the 2019-20 Annual Financial Report Cover Design Contest. The theme for this year is "**Celebrating the Heroes of COVID 19**". The year 2020 has been unlike any time in recent history. We have had more challenges than we could have ever imagined. For teachers and students, school took place in our homes on a computer instead of in a classroom. Parents were not only surrogate teachers for their own children, but many continued to work their jobs from home as well. Medical professionals and staff worked many hours to care for those who contracted COVID 19 at personal risk. First responders, EMTs, Police and Fire Fighters had to respond to all emergencies including assisting COVID 19 victims. Last but not least, all of the workers who manned supermarkets, pharmacies and hardware stores to sustain our basic needs such as food, medications and home repair materials. All are the heroes that helped to get us through the darkest days.

This contest theme provides a unique opportunity for students to challenge their intellect, imagination and creativity to visually express their ideas, influences, experiences that have had an impact on their lives and what life lessons can be learned about the heroes of the worldwide pandemic. For this competition, students were encouraged to interpret this theme two dimensionally using their own stylistic approach. Exemplary artwork selected for the **Annual Financial Report** has been used on the front and back covers and dividers in the book. This publication is distributed nationally and has received prominent attention for its outstanding illustrations produced by The School District of Philadelphia K-12 public school students.

The winners are as follows:

	<u>STUDENT</u>	<u>ART TEACHER</u>
1 st Prize Front Cover	Alexandra Volyanyuk Loesche Elementary School Grade 4	Ms. Mary Lisabeth Shean
2 nd Prize Back Cover	Vivian Chen Wilson Middle School 7 th Grade	Ms. Kimberly Colasante
3 rd Prize Front Inside Cover	Jada Jankauskas Wilson Middle School 7 th Grade	Ms. Kimberly Colasante
Back Inside Cover	Kamilla Charimova Loesche Elementary School Grade 5	Ms. Mary Lisabeth Shean
Divider: 1 st	Masiya Mom Northeast High School 12 th Grade	Ms. Marsha Rosenthal
	Thuong Nguyen Northeast High School 12 th Grade	Ms. Marsha Rosenthal
2 nd	Alice Huang Wilson Middle School 8 th Grade	Ms. Kimberly Colasante
	Christina Deng Wilson Middle School 7 th Grade	Ms. Kimberly Colasante
3 rd	Amber Glenn Hill-Freedman Middle School 7 th Grade	Ms. Maria Benitez
	Javeria Javed Wilson Middle School 6 th Grade	Ms. Kimberly Colasante

Ms. Deborah Klose, Director of Arts Education
Office of the Arts and Creative Learning





SCHOOL DISTRICT OF PHILADELPHIA
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February 15, 2021

To the Members of the Board of Education, Honorable Mayor and Citizens of the City of Philadelphia:

We are pleased to present this Comprehensive Annual Financial Report (“CAFR”) of The School District of Philadelphia (“School District” or “District”) for the Fiscal Year ended June 30, 2020. Pursuant to provisions of The Philadelphia Home Rule Charter (“Charter”), these financial statements were prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) of the United States of America. As such, management of the School District assumes full responsibility for the completeness and reliability of all information presented in this report and provides reasonable assurance that its financial statements are free of any material misstatements.

The Charter requires that the Office of the City Controller of the City of Philadelphia (“Office of the City Controller”) perform an annual audit of the books of account, as well as financial records and transactions of the School District. The City Controller, an independently elected local official, is required to appoint a Certified Public Accountant as deputy in charge of auditing. Pursuant to these requirements, the Office of the City Controller conducted an independent audit of the School District’s financial statements. The independent audit examined evidence supporting the amounts and disclosures contained in these financial statements on a test basis; assessed the accounting principles used and significant estimates made by senior management; and evaluated the overall presentation of these financial statements. The Office of the City Controller concluded that there was a reasonable basis for rendering unmodified opinions that the School District’s financial statements, for the Fiscal Year ended June 30, 2020, are fairly presented in conformity with GAAP. The Independent Auditor’s Report is presented for your formal review and consideration.

As further required, senior management of the School District established a comprehensive system of internal controls that are designed to protect the School District’s assets from loss, theft, and misuse. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free from any material misstatements. Internal offices of the School District, namely the offices of Management and Budget, General Accounting, Accounts Payable, Grants Fiscal Services and Compliance, Office of Inspector General and Audit Services, regularly review expenditures of School District funds and perform selective and random reviews of operations and controls further ensuring that this report is complete and reliable in all material respects and in conformity with GAAP. Furthermore, and as part of the federally mandated “Single Audit” requirement, the Office of the City Controller performs an annual audit of the School District’s internal controls and compliance thereto with legal requirements involving the administration of federal awards and grants. The Single Audit is designed to meet the needs of federal grantor agencies. These reports are available in the School District’s separately issued Single Audit Report.

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

Profile of the School District

Despite being a component unit of the City of Philadelphia (“City”) for financial reporting purposes only, the School District is an agency of the Commonwealth of Pennsylvania (“Commonwealth” or “State”) created to assist in the administration of the Commonwealth’s responsibility under the Pennsylvania Constitution to “provide for the maintenance and support of a thorough and efficient system of public education.” It is by far the largest of the 500 school districts in the Commonwealth and the only School District of the first class, employing over 20,050 full time employees as of June 2020 and the tenth largest in the United States (including Puerto Rico) based on student enrollment data.

As required by GAAP, the financial statements of the School District include those of the primary government and its component unit, the Intermediate Unit No. 26 (the “IU”). The financial statements of the IU have been included in the School District’s reporting entity as a blended component unit. The IU is included in the School District’s reporting entity because of the significance of the operational relationship with the School District. All IU services are performed by the School District pursuant to contracts between it and the IU.

Although considered a quasi-state agency, the School District directly serves the citizens of the City of Philadelphia, Pennsylvania, the sixth largest city in the United States with a population of 1.58 million and a land area of approximately 130 square miles. The School District educates almost 12% of the Commonwealth’s 1.8 million public school students. Total enrollment in the School District managed schools has declined over the past decade while charter school enrollment significantly increased. Enrollment for the School District for the 2019-2020 school year as of October 1, 2019 was over 204,600 students including 77,243 attending charter schools and 3,207 in alternative education programs/schools. The enrollment for the School District for 2020-2021 as of December 1, 2020 was 203,687 students including 80,546 attending charter schools and 3,522 in alternative education.

During Fiscal Year 2020, there were 215 schools that the School District operated, as well as 26 alternative education programs/schools and 87 charter schools managed by other entities within the city and that serve Philadelphia’s children. In addition, there are 14 cyber charter schools and 8 brick and mortar charter schools that students may attend. In Fiscal Year 2020, approximately 40% of public school students in the School District attended charter schools, making the School District a national leader in providing meaningful school choice to parents and students. The Fiscal Year 2020 organizational structure for the School District includes 48 elementary schools; 99 elementary/middle schools; 14 middle schools; and 54 high schools. At the end of the 2013-2014 School Year, the School District had closed 24 schools that the District operated due to a myriad of factors including: low occupancy levels, the shift of enrollment to charter schools, academics, school climate and building conditions. There has only been

one other school closure since that time in Fiscal Year 2017. About 13.3% of the School District's buildings are 40 years old or less, 43.5% are between 41 and 80 years old, 43.2% are 81 years or older.

The School District provides a comprehensive range of mandated educational services that include general, special, International Baccalaureate program, Advanced Placement (AP) program and vocational education at the elementary and/or secondary levels, as well as related support and transportation services. Pre-K educational services have become an increasing strategic priority to expand. The School District provides summer school programs, in addition to pre-school and after-school program services, depending on the needs of a community and available funding. To ensure schools have the administrative support they require and to provide targeted supports and services, schools are assigned to one of thirteen geographically dispersed Neighborhood Networks and an additional three specialization Networks to include Opportunity, Acceleration and Innovation. There is also a Charter School Network, although the Charter Schools are considered Philadelphia Public Schools they are their own independent Local Educational Authority (LEA's).

As an agency of the Commonwealth, the School District is governed by both The Public School Code ("School Code") and the City Charter. As such, the School District is a separate and independent home rule school district of the first class established by the Charter under the First Class City Public Education Home Rule Act, approved August 9, 1963, P.L. 643 ("Act"). The Act expressly limits the powers of the City by prohibiting the City from, among other things, assuming the debt of the School District or enacting legislation regulating public education or its administration, except only in setting tax rates authorized for school purposes pursuant to the directive of the General Assembly of the Commonwealth.

Prior to 2001, the School District was governed by the Board of Education ("Board") consisting of nine members appointed generally by the Mayor of the City. In December of 2001, the Secretary of Education of the Commonwealth declared the District financially distressed suspending the governing powers of the Board and placing management of the District under the control of a five-member School Reform Commission ("SRC"). The Governor of Pennsylvania from December 2001 through June 30, 2018 appointed three members, including the Chairman, the Mayor of Philadelphia appointed the remaining two members. The SRC exercised all powers and had all the responsibilities and duties of the original Board, along with additional powers. The SRC voted to turn the governance of the School District over to local control of the City of Philadelphia beginning on June 30, 2018 and local governance by a Board of Education consisting of nine members appointed by the Mayor of the City of Philadelphia began on July 1, 2018. The Superintendent reports to the Board of Education. During the Fiscal Year 2020 reporting period, the Superintendent was Dr. William R. Hite, Jr. and the Chief Financial Officer was Uri Z. Monson.

The School District's fiscal year is July 1st to June 30th and is identical with those of both the City and the Commonwealth. The Charter requires that the School District adopt an operating budget, a capital budget, and a capital improvement program each fiscal year. To ensure financial control, the Board must first approve, by action item, all personnel appointments, purchases of materials, supplies, books, and equipment in excess of \$19,700 and individual contracts for professional services and associated costs in excess of \$20,000. The School District maintains further budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget by the Board of Education.

Activities in the General Fund, the Intermediate Unit Fund, the Debt Service Fund, and the Capital Projects Fund are included in the annual appropriated budget. Purchase commitments are subject to an automated accounting system which tests for verification of available allotments and are encumbered, if not in excess of the available allotment, prior to the release of funds to a vendor and do not lapse. At year-end, encumbrances are included as a budgetary assignment in the governmental funds, except in Categorical Funds, since they do not constitute expenditures or liabilities. However, unencumbered appropriations lapse at year-end.

Major Initiatives

No one could argue that Fiscal Year 2020 has been an exceptionally challenging year for school districts across the nation and certainly the School District of Philadelphia is no exception. Fiscal Year 2020 can really be thought of as a year of two distinct parts – pre-pandemic (July 1, 2019 to mid-March 2020) and post pandemic (mid-March 2020 to June 30, 2020). The delivery of educational services and learning methods have assuredly been impacted by the effects of the global pandemic caused by COVID-19 which caused all in-person learning to cease on March 13, 2020 through the end of the 2019/2020 school year and continues indefinitely into the current school year. Due to the constant evolving situation, the District has had to re-adjust and continuously change the school opening plan as the date to return to in classroom learning was constantly in flux and hybrid approaches were pushed back. The District needed to re-focus and pivot many strategic investments to prepare for a 100% virtual learning environment through the end of the 2019/2020 school year, which no one could have predicted. It is difficult to fully measure the impact of the pandemic on student achievement as the standardized testing which typically occurs in the spring was suspended and the School Progress Reports (SPR) to evaluate schools in multiple areas including educational, climate and growth, was interrupted by these much more pressing immediate needs.

On the operational front, the District used recent unfavorable outcomes of a major renovation project for two high schools to develop a new strategy on how to plan, design and manage construction projects. The Healthy Schools program initiatives ensure every school environment is healthy and a welcoming environment for teaching and learning. Due to the age of our buildings, construction projects are an increased focus of the District's initiatives to ensure a welcoming, safe and modern learning environment for our students and educators and a major use of capital funds, primarily financed through bond issuances. In addition, transparency and availability of financial information, remote digital financial system access and significantly improved financial controls will be greatly improved with the successful launch of the District's new cloud-based Financial Enterprise Resource Planning (ERP) System on July 1st. The cloud-based Finance ERP system has come at a perfect time when much of the District's business operations and teaching and learning occur remotely. This was a remarkable accomplishment in itself to launch a new Finance ERP system during a global pandemic.

Overall, the quality of education in Philadelphia's public schools was steadily improving each year up to the point of the pandemic as we have instituted reforms that provide for fiscal stability, educational improvement and operational control. Maintaining unrelenting focused activities on our four action goals have been key to our success, but were superseded by the necessity of putting in place the tools and resources necessary to

continue the important work of virtual classrooms, at home learning resources and ensuring none of our students went hungry due to school building closures. There were added complexities due to the lack of connectivity in many of our student's households and the need to get essential technology and devices for digital learning distributed to all our students and educators. Adding to these challenges was the need to update school plans and develop learning materials tailored to a digital environment and provide professional development opportunities to educators for virtual teaching and learning. There was also the need to implement Center for Disease Control (CDC), State Department of Health, and City Health Department guidelines to ensure safe office and school environments if and when in-person learning resumed and essential personnel and students returned to our buildings on a full or hybrid basis.

There were measurable improvements in college and career readiness, early literacy, staffing and fiscal stability over the past four years. We have doubled the number of high-performing schools, seven out of ten schools have improved their performance, two new national blue-ribbon schools were awarded and we have fifty percent fewer lower-performing schools. Our progress to-date is the result of the hard work and commitment of thousands of students, families, District employees, elected officials and community members. At the same time, we have improved student outcomes, we are maintaining a strong fiscal focus. For the first time since 1977 we achieved an Investment Grade credit rating from Moody's Investor Services and we had a positive year-end fund balance for the sixth straight year. Unfortunately, the full extent of the financial consequences of the pandemic are still unknown and COVID-19 related expenditures and lost local revenues have taken away the small fund balance reserve we had accomplished through Fiscal Year 2020. We are proud of our progress, but there is still much work we must do. In that regard, the locally-appointed School Board, the governing body of the District, has recently announced their intent to prioritize their public meetings and accountability on ensuring successful student educational outcomes and equity across all schools which will be implemented in Fiscal Year 2021 and going forward.

Our organization priorities are driven by our strategic mission, vision, core values, guiding principles and anchor goals which together form our multi-year *Strategic Action Plan* district wide.

- Our **Strategic Mission** sets forth, "The School District of Philadelphia (SDP) will deliver on the civil right of every child in Philadelphia to an excellent public education and ensure all children graduate from high school ready to succeed, fully engaged as a citizen of the world."
- Our **Vision** is, "All children have a great public school close to home."
- Our **Core Values** place emphasis that all students can and will learn, high quality instruction is central to our work, schools are learning organizations, parents and families are our partners, and we are trusted stewards of public resources.
- Our **Guiding Principles** place emphasis that all students can achieve given the needed supports, there is educational equity for all students and cultural diversity is valued.
- The **Four Anchor Goals** in support of our mission, vision, core values and guiding principles focus on early literacy, academic growth for stronger college and career readiness, principals and teachers who can bring out the best in our students, and finances that are fiscally stable and responsible.

Fiscal Year 2020 is the sixth year all major initiatives remained focused on these objectives (up until mid-March 2020) as we continued to build upon our momentum and made progress on several fronts. For the fourth straight year, schools are improving, but not as fast as we would like. More students are graduating and have strong reading skills, more classrooms are led by highly trained educators, more classrooms are healthy and welcoming learning environments and more services are in schools to support students and families. The sixth consecutive year with a positive year-end fund balance has provided us with the needed resources to successfully carry-out our *Action Plan* and implement a remote learning model when it was necessitated by unprecedented times.

Year six of our Investment Plan included the following budgetary investments focused on our *Four Anchor Goals*. This plan continues to evolve and be expanded upon, and the District has made investments to improve performance across all aspects of its educational program:

- Literacy coaches for elementary schools,
- Modernized classrooms with new furnishings,
- Expanding early literacy work to grades 4 and 5,
- Increased supports for English Language Learners (ELL) students,
- Additional alternative education seats,
- Improved substitute teacher fill rate,
- New books and materials for K-8 math and reading anthologies,
- Elimination of Split Grade classrooms,
- Increased funding and opportunity for advanced placement courses, gifted education, and PSAT/SAT testing,
- A new middle college program, the only one in Pennsylvania,
- Supplemental teacher hiring to address normal attrition and reduce vacancies,
- Counselors for every school and nurses in every school/building,
- Labor contracts with all unions that allow for 21st century learning environments,
- New investments in lead paint, mold and asbestos remediation,
- Increased numbers of cleaning crews and a new cleaning standard for all facilities.

Additional unanticipated investments were begun related to the global pandemic:

- Digital learning platforms and expansion of technology remote capacity,
- Chrome books available to every student,
- Learning materials distributed to students for remote learning,
- Meals to go available to all students at distribution sites throughout the City,
- Professional development opportunities for educators on virtual teaching and learning,
- Licenses for virtual classroom teaching and meetings (e.g., Google Meets and Zoom),
- Personal Protective Equipment (PPE), added cleaners, improved cleaning protocols, building readiness and health/safety measures.

Highlights of the achievements of each of the Four Anchor Goals targets are below based upon the School Progress Report (SPR) now in its seventh year include the following improvements (school information excludes charter schools and is based upon school year 2018-19 data):

Anchor Goal 1 – 100% of students will graduate, ready for college or career (5 Year Target of 80% graduation rate);

- Public school Graduation Rate of 69%,
- Increase of 5% in the four-year graduation rate to 78% for District managed schools,
- 7,300 students to earn over 13,400 industry certifications,
- 3,000 more high school students are on track for on-time graduation within four year,
- 6,700 students are enrolled in Advanced Placement and dual enrollment classes that count toward college credits,
- Twice the number of higher performing schools,
- 50% fewer lower performing schools,
- 75% of schools (156 schools) increased their score, and 45% of schools (94 schools) increased their tier.

Anchor Goal 2 – 100% of 8-year olds will read on grade level (5 Year Target 66% on grade level at age 8);

- The number of 3rd graders reading on grade level is 33%,
- All District elementary schools have an early literacy coach to ensure the highest quality instruction,
- All District Acceleration Network schools staffed with Reading Specialists that provide individual early literacy instruction,
- All District K-3 teachers were trained to be expert early literacy instructors,
- One million new books were distributed across every K-3 classroom,
- 500+ early literacy classrooms modernized across 39 schools,
- Since the school year 2014-2015 over 4,600 3rd grade students have moved up on the English Language Arts scores of their PSSA's.

Anchor Goal 3 – 100% of schools will have great principals and teachers (5 Year Target – engaged and supported principals and teachers with strong instructional skills);

- 97% employee fill rate,
- Hired more teachers with 99% of all teacher vacancies filled by the start of the school year,
- One of three teachers hired were educators of color,
- One in two principals hired were educators of color,
- Named an Employer of Choice by the City's Department of Commerce and Office of Workforce Development.

Anchor Goal 4 – the School District will have 100% of the funding we need for great schools and zero deficit (5 Year Target – Balanced budgets every year through 2022);

- Fiscal stability is key to providing the monetary resources to achieve Anchor Goals 1, 2 and 3's strategic objectives,
- Positive Fund Balance for six consecutive years,
- Fiscal Year 2020 Available Budgetary Fund Balance of \$172.8million,
- A Five-Year Plan which is projecting a Fiscal Year 2024 operating deficit of \$224 million which is projected to grow to a \$900 million deficit by Fiscal Year 2026 due to mandated and fixed costs (unless adequate funding is secured or drastic program cuts enacted),
- \$500 million for school improvement and modernization,
- Invested more than \$23 million to complete asbestos-related projects and \$14 million on led paint stabilization,
- Created a reserve of \$25 million for future environmental related projects,
- Moody's double credit rating upgrade and Fitch reaffirmed an issuer default rating of BB+.

Budget Structure

Included in its enabling legislation pursuant to the Philadelphia Home Rule Charter ("Charter"), the District is required to adopt an operating budget, a capital budget and a capital improvement program for each fiscal year. Each budget is based on obligations; the most significant budgeted fund being the General Fund. During the course of each fiscal year, the operating budget is amended and approved by the Board of Education. The "original" or adopted budget was passed on May 30th of the preceding fiscal year (e.g., May30, 2019). The "amended" or final budget was passed on May 28th of the current fiscal year (e.g. May28, 2020). The final amended budget incorporates all of the District's approved adjustments that were incurred since the initial advertised or adopted operating budget was issued. While all budgets must be approved by the Board of Education, the Charter also requires the governing body to levy taxes annually, within the limits authorized by the Pennsylvania General Assembly and the Philadelphia (PA) City Council, respectively, in amounts sufficient to provide funds to cover operating expenses and debt service charges. The Philadelphia City Council annually holds hearings to determine the level of local tax funding for the District.

The capital budget is prepared as part of a six-year capital improvement program, of which, the first year of the program is the budget for the current fiscal year. All proposed expenditures included in the School District's Capital Improvement Program (CIP) require the authorization and approval of the Board of Education on a project by project basis. The CIP is a set of projects that construct, replace and/or modernize District facilities to offset the effects of age and use that has occurred in the school buildings and to improve the educational environment for our students. The CIP identified over \$1.72 billion in facility needs through Fiscal Years 2020 - 2025 to improve major infrastructure systems and buildings. On May 28, 2020, the School District adopted its 2021 Capital Budget of \$397.2 million and six-year capital improvement program for Fiscal Years 2021-2026, which identified \$1.87 billion in facility needs. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows and doors, electrical systems, site improvements, security equipment and the ongoing condition assessment. The School District also amended its Capital Budget for Fiscal Year 2020 on May 28, 2020 to total approximately \$219.5 million.

Local tax rates for the School District are authorized by the City Council. The City of Philadelphia collects current and delinquent local taxes and other locally generated non-tax revenues for the School District. These taxes represent about 43% of the Fiscal Year 2020 overall governmental fund revenues. The City and the School District have successfully focused attention on improving the collections of all taxes and expanding revenue sources. However, due to the pandemic, it is anticipated that there will be a reduction of local tax revenues of which the total amount is currently not determinable. This is anticipated to be primarily in the areas of Liquor Tax and Use and Occupancy Tax.

Since the School District is a service-oriented organization, it is labor intensive. Consequently, a substantial portion of its operating expenditures involve personnel costs and related employee benefits. Personnel costs principally encompass the costs of instructional staff (teachers), school support staff, administrative staff, custodial and maintenance staff and transportation staff. Staffing patterns and salary costs are largely determined by school enrollment levels, collective bargaining agreements, state mandates and policies set by the Board of Education. Costs related to contracted services, materials, books, instructional aids and equipment, are also primarily related to enrollment levels and certain new program initiatives. All costs are sensitive to general inflation levels.

The School District currently spends approximately 3.1% of its budget on administrative costs (excluding re-funding costs) and approximately 96.9% of its budget supports directly benefitting schools and financing for capital projects. Of the 96.9%, approximately 87.9% is spent on education and other support services and the remaining 9.0% is spent on capital financing. The biggest cost drivers are mandatory or contractual in nature and include personnel and related healthcare benefit and pension costs, charter school costs, and debt service costs.

Factors Affecting Financial Conditions

The information presented in the accompanying financial statements and report is best understood when placed in context with the District's financial planning and policy practices coupled with local social and economic factors, such as:

Financial Planning: With the constantly evolving and changing conditions brought on by the uncertainties of the global pandemic, it is very difficult to fully know and plan for the financial impacts of COVID-19. As a direct result of the pandemic, local tax revenues have declined and expenses for virtual learning and healthy schools have increased and are expected to have an unfavorable impact on the operating fund balance in Fiscal Year 2021 and beyond. The pace of economic recovery from the pandemic is not yet known and will directly impact the District's finances for the next several years.

While the pandemic has placed new strains the District's budget, the federal government has committed to provide some relief through additional funding. It is anticipated that those funds will support the District's budget through Fiscal Year 2023. Nevertheless, the District still faces structural budget issues that will require the District to make difficult financial decisions that could impact our forward progress. Already in Fiscal Year 2021, we have had to make difficult choices to close the projected deficit. This is planned through: 1) use of the beginning fund balance, 2) Federal Cares Act grant money of over \$100 million, and, 3) Central Office staffing and expenditure reductions. To address the District's longer-term structural issues, the District is continuing to review its expenditures and pursue additional support from its funders, including seeking additional state funding through the fair funding formula and legislative fixes to the charter school formula.

Over the past few years, the District has undertaken numerous initiatives to improve the efficient and effective use of public dollars and plan for sustainable investments and our efforts in these areas will continue. For Fiscal Year 2020, the District was able to maintain a positive budgetary operating fund balance of \$172.8 million, due to increased State and Local funding, a strong financial focus resulting in more favorable financing terms and smarter fiscal management coupled with past and current actions taken to ensure the continuance of recurring revenues. Efforts to put the District on a strong financial footing and a positive financial outlook resulted in Moody's upgrading the District's bond ratings and outlook in Fiscal Year 2019 with the District receiving a Baa3; investment grade bond rating for the first time since 1977. On October 3, 2019 Fitch upgraded the School District's unenhanced rating to BB+ from BB- and maintained the outlook as stable. The enhanced intercept rating from Fitch was affirmed as A+ with a stable outlook. Fiscal Year 2021 reverses this positive trend as fund balance will need to be used to support District operations and deficits are projected in future years that will require mitigating solutions. Although there were modest operating fund balances for the past six fiscal years (about two weeks of operating revenues), expenditure growth rates outpaced revenue growth rates resulting in an outlook of significant structural deficits in future years. Though facing deficits in the coming years, through tough choices, funding from stakeholders, including federal relief dollars, a five-year budget plan and strong fiscal management, we are prepared to face these challenges and find solutions to allow us to continue to develop our system of great schools in both the near term and future years.

Recognizing the need for more revenues to avoid a fiscal cliff while at the same time investing in the programming to ensure our students' success, the District was successful in obtaining and sustaining recurring revenues from the State. Recurring State revenues include the Cigarette Tax with the District receiving at least \$58 million annually and a rideshare program effective through December 31, 2022 in which the District receives a portion of the revenues. At the local level, the District continued its pilot program to identify city properties whose assessed value is at least \$1 million under-valued and file formal appeals for these properties. However, the City of Philadelphia has announced plans to freeze property assessment for Fiscal Year 2021 and Fiscal Year 2022, the majority of which would have been shared by the School District. The District receives about 50% of its general fund revenues from local property taxes and other locally generated taxes. These Local Tax revenues are projected to decline in Fiscal Year 2021 due to Use and Occupancy Taxes and Liquor by the Drink Tax decreases impacted by COVID-19. Other funding sources resulted from a Fiscal Year 2016 bond refunding of over \$1 billion in high interest debt will save over \$100 million over 20 years and from a recent Fiscal Year 2020 bond refunding of over \$303.9 million in high interest rate debt to save over \$27 million over 14 years.

To plan for the future, operating costs which are fixed and/or mandated (which make up a significant portion of the overall expenditures), along with new expenditures must be considered. Since the District is a service-oriented organization, labor costs represent a significant portion of the budget with salary and benefit costs representing over 40%. The District has recently successfully negotiated two labor contracts, one with the 32BJ Service Employees International Union and the other with the Philadelphia Federation of Teachers (PFT). The District continued its practice of achieving structural fiscal balance while executing the major initiatives and action items discussed above which focus on equity, educational outcomes, school

choice and school climate. Part of the challenge is to continue to make the necessary sustainable investments in educational programming to achieve the strategic goals to ensure all our students get the support they need to succeed while balancing fiscal integrity.

As we enter the seventh year of the District's investment plan in our children's future, the District's longer-term finances, although steadily improving up until the time of the pandemic, continue to pose challenges. Inadequate revenues to cover mandated expenditures, increases in expenditures such as payments to charter schools and contractually obligated compensation and benefits, combined with an unsustainable cost structure with fixed and mandated expenditures outpacing revenue growth unless alternatives are found, could impact the steady progress the District has shown in recent years. Several years of significant program sacrifices has already been an indicator for us of the devastation this can have on our student's success and we will do everything in our power to ensure these drastic cuts do not repeat in the future. In addition, the physical aging of the infrastructure has required considerable additional resources to maintain and update the District's buildings and environmental factors. A recent private donation for infrastructure safety and health projects of \$100 million (\$10 million a year over 10 years) from the University of Pennsylvania is a welcome contribution to this work as this need will only increase as the buildings continue to age.

In summary, the District at the end of Fiscal Year 2020 is in a better academic and financial position than it has been in several years, but the recent pandemic poses challenges to our progress. We have taken and will continue to take the necessary steps to build the financial and educational foundation upon which teaching and learning can grow which includes: focusing on the four action goal areas that matter most to academic outcomes; closing low performing and underutilized District schools and Charter schools; becoming a better authorizer of Charter schools; negotiating contracts which fairly compensate employees and attract a highly qualified and diverse workforce; providing for 21st century learning environments and school climate and school environmental safety; expanding high quality seats and choices; taking measures to identify and mitigate rising expenditure areas such as special education, transportation, facilities costs and benefits; and establishing baseline expectations for all schools because in our view all students can succeed.

The Local Economy: At the end of 2019 and at the start of 2020 the Philadelphia economic outlook was largely a story of success further expanding upon years of economic progress and demographic change. However, the social aspects which are plagued by violent crime, the opioid crisis and high poverty rates threaten the positive growth. How the picture will change due to the far-reaching impacts of the COVID-19 pandemic is also an unknown. The key factors highlighting Philadelphia's overall economic well-being falls into two distinct areas – the economy and social indicators. The economic factors were mostly positive whereas the social indicators were less so. On the economic front, the City continued its prior year trend and had a growing local economy, particularly in the center city areas, with strong job growth, steady population gains and a strong housing and commercial construction market. The City had the highest jobs increases since 1991 and the average unemployment rate fell to 5.2%, the lowest level since 2000, although higher than the national average and many other cities. With regards to social indicators, the high school graduation continued to rise reaching 69% in the class of 2019. Although it's far below the national average of 85%, it's considerably higher than it was a decade ago, and the percentage of adults with four-year degrees continued to modestly increase. The poverty rate has decreased slightly at 24.5% and Philadelphia retained its title as the poorest of America's 10 most populated cities. For more than a decade, Philadelphia has experienced steady gains in population and jobs – in a way that has not happened since 1940. However, concerns over public safety could impact the progress. The rise in violent crimes by 7.2% and major crimes increased marginally for the second year in a row in 2019 and the number of homicides climbed. Public safety is one of the major reasons people move out of Philadelphia based on a poll conducted by the Pew Foundation. Philadelphia is hard hit by the opioid crisis and in 2019 had one of the highest drug death rates in the country and the homeless population has tripled since 2014. The opioid crisis has been found to be directly related to increases in crime.

The population of 1.58 million rose for the 13th straight year making it the sixth largest city in the United States. Contributing to the population growth is the increase in the number of millennials remaining in Philadelphia (born between 1980 and 2000). The share of Philadelphians with a college degree has grown in recent years to 30.9% overall and 45.1% among adults ages 25-34, making the city more attractive to employers. This creates an exciting opportunity and challenge for Philadelphia to retain young families by continuing to make progress on the perceived quality of our public schools. In addition to the increase in millennials, the City's population is becoming more diverse with 15% Hispanic, 7% Asian and 15% of the total population is foreign born. Nearly 18% of the population is school-aged (aged 5-19). Enrollment in Philadelphia-district run schools continue to decrease while the number of students enrolled in Charters continued to grow. Philadelphia had the fifth largest higher education sector among major U.S. cities in 2017 which help provide a well-educated and trained work force.

The City benefits from its strategic geographical location, affordability, cultural and recreational amenities, and its growing strength in key industries. Philadelphia has developed an increasingly diverse economy centered on the healthcare industry, higher education, professional and business services and leisure and hospitality. The cost of living index is low compared to other major North East cities and is 20% less than Washington DC and 61% lower than Manhattan. In 2018, the Education and Health Services, Professional and Business Services, Trade, Transportation and Activities, Financial Activities and Hospitality sectors represented 72.4% of the total employment for the year. 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. 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. Children's Hospital of Philadelphia is ranked number two in U.S. children's hospitals.

The City is in the heart of a five-county metropolitan area with approximately six million residents making it the Country's sixth largest by population and is both the largest city in the Commonwealth and the only city of the first class. The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. Since 2008, substantial private and public investment has led to a revitalization of the City. Philadelphia is experiencing a construction boom. After nearly ten years of house price deflation and sluggish recovery, 2015-2019 proved to be the best years for Philadelphia housing since the recession. Recent major development investments completed or under construction since 2017 were \$7.4 billion. Total vacancy rates for office space remained strong at 13.8% in 2019 compared with an average of 15.0% in selected office markets across the nation.

“The City of Brotherly Love” is a cultural center and the centerpiece of early American history and is home to many national historical sites that relate to the founding of the U.S. As a major urban center and the birthplace of this country, Philadelphia is increasingly gaining national recognition for its cultural and recreational resources, which include the many tourism assets concentrated within city limits. Expansion of the Convention

Center in 2011 increased the City's appeal as a tourist destination. The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions abound in Philadelphia. Some of the more prominent ones are: the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, the Academy of Music, the Pennsylvania Ballet, the Constitution Center, the Kimmel Center, Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, the Jewish History Museum, the Rodin Museum, the Barnes Foundation Museum and the American Revolution Museum. The South Philadelphia sports complex is home to the Philadelphia 76ers, Flyers, Phillies, and Eagles football team which won the NFL Super bowl in February 2018. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park and the nation's first zoo. Leisure demand grew in recent years due to high profile events such as the 2015 World Meeting of Families, culminating in a papal visit from Pope Francis, the 2016 Democratic National Convention and the NFL Draft in the spring of 2017. Legislation passed by the Pennsylvania General Assembly authorized two stand-alone casino licenses. Philadelphia's first casino, Sugarhouse, opened in 2010 and in November 2014, the City's second casino license was awarded.

The economic, social and demographic data tell us that in recent years Philadelphia has many reasons to be proud of its recent performance and economic gains which have netted more jobs and population growth more than has ever been seen. But concerns over public safety and the potential effects of the current pandemic situation is still unknown and may impact the success and steady economic growth.

Accounting Pronouncements: Effective for Fiscal Year 2020, there were no new Government Accounting Standards Board (GASB) Statements that the District was required to implement. Due to the pandemic, the GASB postponed planned statement implementation dates by one year with the exception of GASB 87, Leases which was postponed eighteen months

Long-term Debt: As of June 30, 2020, the School District's net general bonded debt outstanding was \$3.4 billion. The District's former governing agency, School Reform Commission, adopted a Debt Policy on February 18, 2009. The debt management policies are written guidelines that affect the amount and type of debt issued by the School District, the issuance process, and the management of a debt portfolio. The goal of the debt management policy is to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and can be expected to meet its obligations in a timely manner. According to the Local Government Unit Debt Act, and as further stated in the Debt Policy, the School District must establish serial maturities or sinking fund installments for each bond issue that achieve, as nearly as practicable, level debt service within an issue or overall debt service within a particular classification of debt. The School District has never defaulted in the payment of debt service on any of its bonds, notes or lease rental obligations.

Awards and Acknowledgements

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1984 up to and including 2019. Similarly, the Association of School Business Officials International ("ASBO") awarded a Certificate of Excellence to the School District for its Comprehensive Annual Financial Report for each fiscal year beginning in 1985 up to and including 2019. In order to be awarded a Certificate of Achievement or a Certificate of Excellence (collectively "Certificates"), a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificates are valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet legal requirements and all applicable mandates and guidelines. Consequently, the School District is submitting it to both the GFOA and the ASBO to determine its eligibility for additional certificates for Fiscal Year 2020.

The preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of certain business and financial offices, especially Accounting Services. We express our sincere appreciation to all participants who assisted in and contributed to the preparation of this report. We also thank the Office of the City Controller for their support and continued assistance.

Respectfully submitted,



William R. Hite, Jr., Ed.D.
Superintendent and Chief Executive Officer
The School District of Philadelphia



Uri Z. Monson
Chief Financial Officer
The School District of Philadelphia



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**School District of Philadelphia
Pennsylvania**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

School District of Philadelphia

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



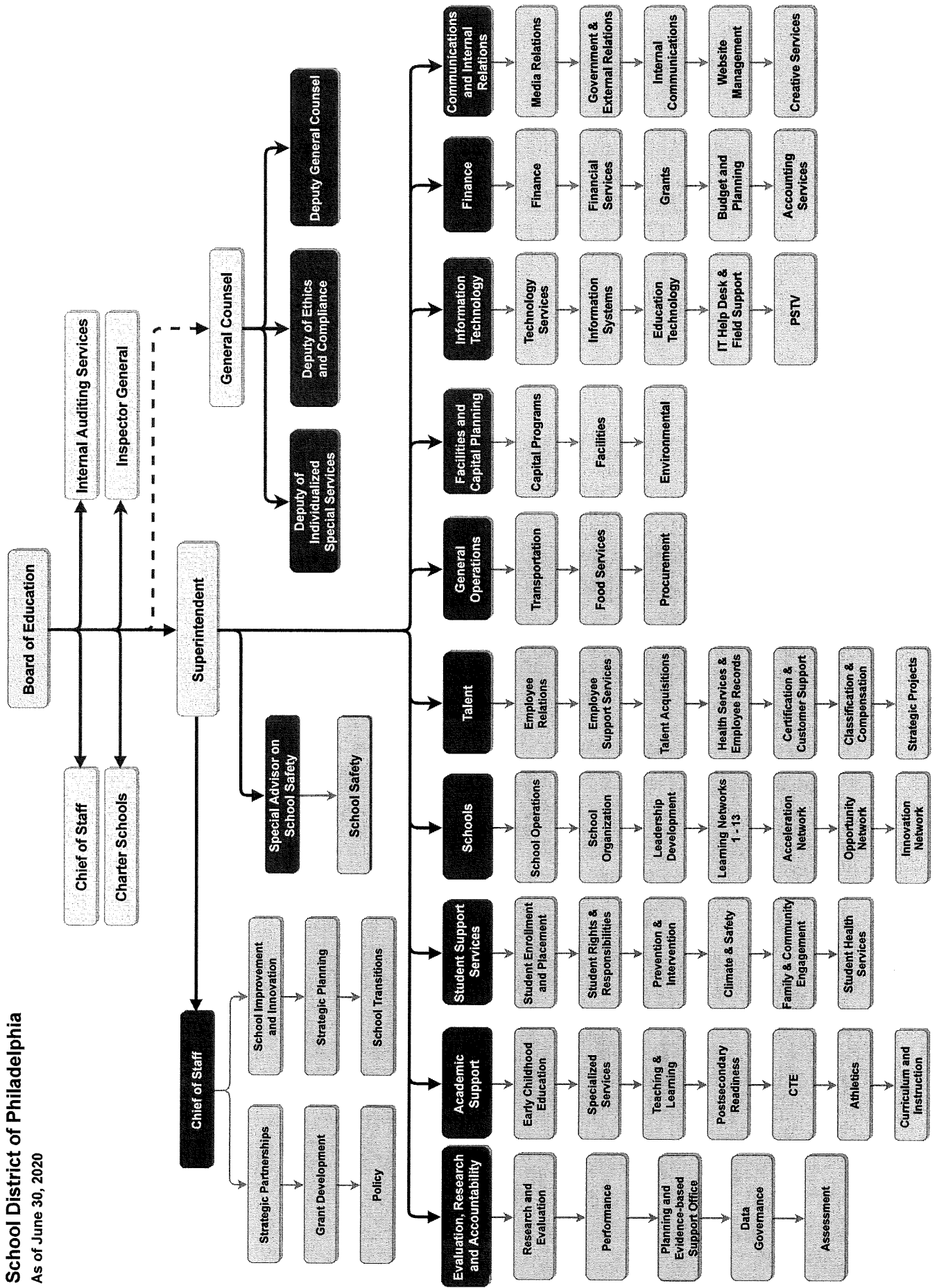
A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

School District of Philadelphia
As of June 30, 2020



SCHOOL DISTRICT OF PHILADELPHIA, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF THE FISCAL YEAR ENDING JUNE 30, 2020

List of Principal Officials of the School District

Board of Education

Joyce S. Wilkerson, Board President
Leticia Egea-Hinton, Board Vice President
Julia Danzy, Member
Mallory Fix Lopez, Member
Lee Huang, Member
Maria D. McColgan, M.D., Member
Angela McIver, Ph.D., Member

School District of Philadelphia

William R. Hite, JR., Ed.D.
Superintendent and CEO

Naomi Wyatt
Chief of Staff

Lynn Rosner Rauch, J.D.
General Counsel

Kathryn Block
Chief of Communications and External Relations

Larisa Shambaugh
Chief Talent Officer

Uri Z. Monson
Chief Financial Officer

Karyn T. Lynch
Chief of Student Support Services

Malika Savoy-Brooks, Ed.D.
Chief of Academic Support

Melanie S. Harris
Chief Information Officer

Danielle Floyd
Interim Chief General Operations

Alicia Prince
Interim Chief Facilities & Capital Planning

Evelyn Nunez, Ed.D.
Chief Schools Officer

Tonya Wolford, Ed.D.
Chief of Evaluation, Research and Accountability

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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

REBECCA RHYNHART
City Controller

CHRISTY BRADY
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of
The Board of Education of the
School District of Philadelphia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Philadelphia, Pennsylvania (School District), a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Correction of Errors

As discussed in Note 4.M. to the financial statements, in fiscal year 2020 the School District recorded prior period adjustments for the corrections of errors in capital improvements, personal property, intangibles, and accumulated depreciation. As of July 1, 2019, the School District's net position was restated to reflect a net decrease in fund balance because of the errors. Our opinion is not modified with respect to these matters.

Emphasis of Matter – Uncertainty

As discussed in Note 4.N. to the financial statements, in fiscal year 2020 and continuing into fiscal year 2021, the School District expects that the effects of the COVID-19 global pandemic will impact the District with uncertainties involving future federal, state and local funding levels, which are affected by the resumption of classroom instruction. The School District cannot reasonably estimate the future impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 32, and the required supplementary information other than management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit for the year ended June 30, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2020, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2020, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2020.

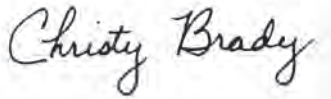
We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the School District's basic financial statements as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated February 07, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

aggregate remaining fund information. The 2019 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 2019 financial statements. The 2019 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations information have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 amounts included in the combining non-major fund financial statements, and the Debt Service Fund Schedule of Budgetary and Actual Revenues and Obligations are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

Other Information

The other information, including the Introductory Section and Statistical Section as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Christy Brady, CPA
Deputy City Controller
Philadelphia, Pennsylvania
February 15, 2021

**SCHOOL DISTRICT OF PHILADELPHIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

I. INTRODUCTION

As part of the Financial Section of the Comprehensive Annual Financial Report ("CAFR"), the Management's Discussion and Analysis narrative ("MD&A") is an important element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in the *Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification")*.

This section of the CAFR represents management's discussion and analysis of the School District of Philadelphia's ("School District") overall financial performance during the Fiscal Year that ended June 30, 2020. The intent of this narrative discussion and analysis is to provide readers with brief explanations of the types of presentations that set forth the School District's basic financial statements, results of operations, long-term debt activity and significant variations from the original adopted and final amended budgets pertaining to certain major funds.

The School District presents comparative financial information between the current and prior fiscal years in its MD&A in an effort to illustrate its overall financial performance and condition. The intent of the MD&A is to help the reader identify the reasons for changes in net position, expenses, revenues and fund balances from the prior fiscal year. The MD&A also assists the reader with identifying significant financial issues, identifying changes or any material deviations from the School District's prior financial position, and identifying any individual fund issues or concerns. As such, this section is to be read in conjunction with and as a complement to the School District's Letter of Transmittal located at the front of this CAFR and the Financial Statements immediately following.

II. FINANCIAL HIGHLIGHTS

The global pandemic has had profound impacts to both the financial results of the District and the prioritization of resources and expenditures in Fiscal Year 2020. The full extent of these impacts cannot be quantified at this time as the pandemic is unpredictable and continues into the 2020/2021 school year and into the foreseeable future.

Management's Discussion and Analysis

Several key financial highlights for Fiscal Year 2020 include, but are not limited to, the following:

- Total revenues were \$3,861.8 million. Over 48.0 % of total revenues and subsidies were from the State with PA Basic Education Subsidy (BES) representing approximately two thirds and grants awarded and appropriated by the Pennsylvania State government comprising about one third. About 41.0% of the District's revenues are from the collection of local taxes and local nontax sources. The remaining 11.0% is subsidies and grants awarded and appropriated by the Federal government.
- Total revenues increased by \$100.4 million compared to Fiscal Year 2019. Program revenues increased by \$59.6 million primarily from: 1) \$62.2 million increase in operating grants and contributions; offset by 2) \$1.2 million decrease in capital grants and contributions, and 3) \$1.4 million decrease in service charges. This increase is largely due to additional grant funds received from the federal government and private grantors. Local revenues increased by \$47.6 million primarily due to State and Federal grants and subsidies of \$44.4 million due to increases in the basic education appropriation, transportation reimbursement and pension plan reimbursement local grants and contributions not restricted to specific programs increasing by \$41.1 million. This was offset by a \$12.4 million decrease in Property taxes and a total decrease of \$25.5 million in Use and Occupancy tax, Liquor tax, School Income tax, Cigarette tax and Rideshare revenues due to impacts from the pandemic. The District also had a decrease of \$6.8 million in swap derivative revenue as the District no longer had these types of investments.
- Total expenses were \$3,931.2 million. Approximately 96% of all expenses are for instructional services, direct student-related costs and services directly benefiting students and schools such as transportation, utilities and debt service for school renovations and construction. A significant portion of these expenses are fixed and/or mandated by regulatory and contractual obligations (e.g., for benefits per the Collective Bargaining Agreements, mandated pension plan contributions, debt service costs, and charter school transportation and per pupil payments).
- Total expenses increased by \$290.1 million compared to Fiscal Year 2019. This increase is due to an additional \$208.6 million in instruction costs, \$27.1 million in student support services, \$22.7 million in administrative support services, \$24.3 million in operation and maintenance of plant services and \$20.5 million of interest on debt, offset by decreases of \$14.4 in pupil transportation. In addition, expenses under Business-type activities increased by \$1.3 million primarily due to the food service fund added expenses due to the pandemic.
- At the end of the current fiscal year, total net deficit was \$4,352.0 million. Over 86% of the net deficit was due to the adoption of GASB's reporting requirements for pensions and other postemployment benefits (OPEB). In Fiscal Year 2020, the District recognized an unfunded net pension liability of \$3,571.5 million and an unfunded net PSERS OPEB and Life Insurance OPEB liability of \$162.4 million and \$16.9 million, respectively. The remaining 14% of net deficit is due to other unfunded liabilities, such as termination pay liabilities and workers compensation.
- The Operating Fund consists of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The Fiscal Year 2020 ending Operating Fund balance is \$275.2 million. Of the total \$275.2 million fund balance for the Operating Fund at June 30, 2020, \$7.6 million is non-spendable or encumbered for existing purchase commitments, \$25.0 million is reserved for facilities costs and \$69.8 million is restricted for future debt service payments, leaving an ending budgetary operating fund balance of \$172.8 million.
- The Operating Fund balance of \$275.2 million as of June 30, 2020 reflects a \$29.0 million decrease from the Fiscal Year 2019 balance. This balance includes \$7.2 million of encumbrances for the General and Intermediate Funds, \$0.4 million of General Fund inventories, and \$69.8 million for future debt payments and \$25.0 million facilities reserves resulting in a \$172.8 million

Management's Discussion and Analysis

ending budgetary operating fund balance. The decrease from Fiscal Year 2020 is primarily the result of several factors: higher net revenues and lower transportation costs due to Covid-19 remote operations offset by increased instructional, operation and maintenance, pupil transportation, charter school payments, and principal and interest payments resulting in a Fiscal Year 2020 decrease in net position.

- Under bond covenants, the School District is required to set aside, with the District's fiscal agent from daily local revenue receipts, amounts sufficient to meet debt service obligations due at future dates. At fiscal year end, the sinking funds in the fiscal agent's custody totaled \$227.5 million from the School District. Of this amount, \$157.7 million is to pay obligations for the next fiscal year, and \$69.8 million represents mandatory deposits for future debt payments.
- The Debt Service Fund is a separate governmental fund (within the Operating Funds) established for the accumulation of resources to pay bond principal and interest, and for payment of other associated costs. The Debt Service Fund balance ended Fiscal Year 2020 with a \$32.5 million net change, which represented a \$28.4 million increase in the net change from Fiscal Year 2019 to Fiscal Year 2020. This increase resulted from the following: 1) \$180.2 million increase in other financing source primarily related to refunding debt and increase earnings; 2) a \$148.3 million net increase in principal, interest, and authority obligations expenditures; 3) an increase of \$5.3 million in issuance costs and administrative expenditures, and 4) revenue increases of \$1.8 million mostly from state and federal revenues.

III. *USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT*

This Financial Section of the CAFR generally consists of three parts: (1) Management's Discussion and Analysis; (2) a series of Financial Statements and Notes to those statements; and (3) Required Supplementary Information. The financial statements are organized to first provide an understanding of the fiscal performance of the School District as a whole. The financial statements are then later organized to provide a detailed look at the School District's specific financial activities.

District-Wide Statements

The Statement of Net Position and the Statement of Activities are financial statements that provide information concerning the overall activities of the School District while also presenting a long-term view of the School District's finances. These statements utilize the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting methods used in most private sector companies. For example, full accrual accounting recognizes the financial effects of events when they occur without regard to the timing of cash flows related to those events.

The School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position are detailed in the Statement of Net Position. From this statement, the reader can identify which assets the School District owns, the amount of debt that is outstanding and the nature of the remaining net assets. This information is used to assess the School District's ability to cover operating costs and finance those services in the future as well as its remaining borrowing capacity. This statement can also be used to determine how much of the School District's net assets can be used as collateral to fund new services, programs or special initiatives as compared to how much is either currently invested in capital assets or restricted for specific purposes.

While the Statement of Net Position provides the reader with a long-term view of the School District's financial condition, the Statement of Activities contains detailed information pertaining to the School District's direct costs of providing services (i.e., expenses) and the resources used to fund those services (i.e., revenues). This presentation is also used to identify the costs of various services and functions and the extent to which those services are able to cover their own costs with, for example, user fees, charges and grants, as opposed to

Management's Discussion and Analysis

being financed with general revenues. Moreover, the statement provides comparative data regarding whether the financial status of the School District has improved or deteriorated during the reported fiscal year.

Fund Financial Statements

Principally, fund financial statements provide the reader with more detail concerning current operations than the district-wide financial statements by providing the reader with detailed information and data regarding the School District's major governmental funds: General, Intermediate Unit, Categorical, Debt Service and Capital Projects. From these statements, the reader can understand how services were financed on a short-term basis as well as what funding remains available for future spending to cover those services.

In contrast to district-wide financial statements, the fund financial statements utilize the modified accrual basis of accounting and the current financial resource measurement focus. Under modified accrual accounting, the fund recognizes revenues when they become available and measurable and expenditures when the liability is incurred and measurable, except for long-term debt and obligations, which are recognized as they become due. Modified accrual accounting measures cash and all other financial assets that can be readily converted to cash and, as such, provides a more detailed short-term view of the School District's general operations.

Fiduciary Responsibilities

The Statement of Fiduciary Net Position presents financial information that captures activities where the School District acts solely as an agent for the benefit of employees, students and/or parents. These types of activities are excluded from the district-wide financial statements since the School District cannot use these assets to finance its operational needs. As such, the School District is legally responsible for ensuring that the assets reported in these funds and statements are used for their intended purposes. The School District is and acts as a trustee for the Fiduciary Funds.

IV. REPORTING BY THE SCHOOL DISTRICT AS A WHOLE

As previously mentioned the Statement of Net Position and the Statement of Activities provide the financial status and operating results of the School District as a whole. The data presented in these statements provides the reader with insight as to how the School District performed financially in Fiscal Year 2020. These two statements report the School District's net position and any changes in net position that are shown on Table 1 and Table 2. In addition, the information reveals whether the financial position of the School District has improved or deteriorated during the fiscal year as compared to the prior fiscal year.

Net Position

Table 1 provides a summary of the School District's net deficit position as of June 30, 2020. A more detailed Statement of Net Position is on page 34 of the Basic Financial Statement section:

Management's Discussion and Analysis

Net Position
As of June 30, 2020
(Dollars in Millions)
Table 1

	Governmental		Business-Type		Total	
	Activities		Activities			
Assets	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 1,416.6	\$ 1,021.5	\$ 23.9	\$ 31.7	\$ 1,440.5	\$ 1,053.2
Capital Assets	1,909.4	1,798.3	3.4	3.4	1,912.8	1,801.7
Total Assets	3,326.0	2,819.8	27.3	35.1	3,353.3	2,854.9
Deferred Outflows of Resources						
Deferred Refunding Charges - Loss	67.1	90.2	0.0	0.0	67.1	90.2
Deferred Pension	574.3	700.0	8.7	10.6	583.0	710.6
Deferred OPEB	27.3	26.1	0.4	0.4	27.7	26.5
Total Deferred Outflows	668.7	816.3	9.1	11.0	677.8	827.3
Liabilities						
Current & Other Liabilities	522.4	405.0	3.7	1.7	526.1	406.7
Long-Term Liabilities	3,914.1	3,535.1	2.2	2.0	3,916.3	3,537.1
Net Pension Liability	3,518.2	3,643.7	53.3	55.1	3,571.5	3,698.8
Net OPEB Liability	176.7	174.1	2.5	2.5	179.2	176.6
Total Liabilities	8,131.4	7,757.9	61.7	61.3	8,193.1	7,819.2
Deferred Inflows of Resources						
Deferred Refunding Charges - Gain	18.2	3.6	0.0	0.0	18.2	3.6
Deferred Pension	162.3	132.3	2.5	2.0	164.8	134.3
Deferred OPEB	6.9	7.3	0.1	0.1	7.0	7.4
Total Deferred Inflows	187.4	143.2	2.6	2.1	190.0	145.3
Net Position						
Net Investment in Capital Assets	(667.7)	(620.1)	3.4	3.4	(664.3)	(616.7)
Restricted	243.6	210.6	0.0	0.0	243.6	210.6
Unrestricted (Deficit)	(3,900.0)	(3,855.5)	(31.3)	(20.7)	(3,931.3)	(3,876.2)
Total Net Position (Deficit)	\$ (4,324.1)	\$ (\$4,265.0)	\$ (\$27.9)	\$ (\$17.3)	\$ (4,352.0)	\$ (4,282.3)

Management's Discussion and Analysis

For the Fiscal Year ended June 30, 2020, the School District's total net deficit was \$4,352.0 million. This net deficit amount is cumulative and represents the accumulated results of all prior fiscal year operations of which (\$3,931.3) million is unrestricted. This balance reflects the unfavorable results of Fiscal Year 2020 operations of \$69.4 million of expenses over revenues and an unfavorable prior period adjustment related to capital assets of \$0.3 million. This total decrease of \$69.7 million was the result of the following: 1) an increase in long-term liabilities of \$379.2 million, which primarily consists of new bonded debt, net premiums and discounts of \$365.4 million, 2) an increase in pension and OPEB deferred inflows, net of pension and OPEB liabilities and deferred outflows of \$31.8 million, 3) an increase in accounts payable, payroll liabilities and other current liabilities of \$119.5 million, and 4) an increase in deferred inflows of resources, net of deferred outflows, for refunding charges of \$37.7 million. These increases of \$568.2 million were offset by 1) an increase in current assets of \$387.3 million which consists primarily of an increase in cash, cash equivalents, pooled cash and investments, and investments (restricted and unrestricted) of \$330.3 million, and 2) an increase in capital assets, net of depreciation, of \$111.2 million.

The increase in bonded debt, total cash and investments and capital assets is the result of new bond issuances by the District in Fiscal Year 2020. The increase in deferred inflows of resources for pension is due to a decrease in the District's proportionate share as outlined in note 4K. The increase in accounts payable, payroll liabilities and other liabilities is the result of the timing of check disbursements, an increase in teacher salaries coupled with the timing of teachers receiving summer pay and an increase in interest accrued on bonds due to newly issued bonds. The increase in deferred charges is the result of refunding bonds issued by the District in Fiscal Year 2020. The increase in accounts receivable is largely due to the timing of when the District received federal grant funds and additional tax revenues earned by June 30, 2020 but not received until July and August 2020.

Moreover, restricted assets are reported separately on the Statement of Net Position to show legal constraints from covenants and enabling legislation when applicable that limit the School District's ability to use those funds to cover daily operations.

Changes in Net Position

The Statement of Activities presents the School District's revenues and expenses in a programmatic format. For each activity, the statement presents gross expenses, offsetting program revenues and the resulting net cost of each general activity. Since a large portion of the School District's revenues are general or otherwise not associated with or dedicated to providing any specific program, each activity in the statement displays either a deficit (i.e., net cost of operating the activity) or a surplus (i.e., net profit of operating the activity).

The results of this year's operations as a whole are reported in the Statement of Activities on page 35 of the Basic Financial Statement section. Table 2 summarizes the data from that presentation.

Management's Discussion and Analysis

Changes in Net Position
Fiscal Year Ended June 30, 2020
(Dollars in Millions)
Table 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 3.7	\$ 5.0	\$ 1.7	\$ 1.8	\$ 5.4	\$ 6.8
Operating Grants & Contributions	1,099.8	1,024.1	77.3	90.8	1,177.1	1,114.9
Capital Grants & Contributions	6.9	8.1	-	-	6.9	8.1
General Revenues						
Property Taxes	829.4	841.8	-	-	829.4	841.8
Other Taxes	475.0	500.5	-	-	475.0	500.5
Grants & Contributions Not Restricted	266.8	225.7	-	-	266.8	225.7
State & Federal Subsidies Not Restricted	1,101.2	1,056.8	-	-	1,101.2	1,056.8
Investment Revenue/(Expense)	-	6.8	-	-	-	6.8
Total Revenues	3,782.8	3,668.8	79.0	92.6	3,861.8	3,761.4
Expenses						
Instruction	2,875.8	2,667.2	-	-	2,875.8	2,667.2
Student Support Services	309.5	282.4	-	-	309.5	282.4
Administrative Support & Other	167.9	145.2	-	-	167.9	145.2
Interest on Long Term Debt	164.7	144.2	-	-	164.7	144.2
Pupil Transportation	86.3	100.7	-	-	86.3	100.7
Operation & Maintenance	237.3	213.0	-	-	237.3	213.0
Food Service/Print Shop/Use of Facilities	-	-	89.7	88.4	89.7	88.4
Total Expenses	3,841.5	3,552.7	89.7	88.4	3,931.2	3,641.1
Excess before Transfers	(58.7)	116.1	(10.7)	4.2	(69.4)	120.3
Transfers	(0.1)	-	0.1	-	-	-
Increase in Net Position	(58.8)	116.1	(10.6)	4.2	(69.4)	120.3
Net (Deficit) - Beginning	(4,265.0)	(4,393.8)	(17.3)	(21.6)	(4,282.3)	(4,415.4)
Prior Period Adjustment - Payroll Liabilities	-	9.2	-	-	-	9.2
Prior Period Adjustment - Prepaid Expenses	-	3.2	-	-	-	3.2
Prior Period Adjustment - Capital Assets	(0.3)	0.3	-	0.1	(0.3)	0.4
Net (Deficit) - Ending	\$ (4,324.1)	\$ (4,265.0)	\$ (27.9)	\$ (17.3)	\$ (4,352.0)	\$ (4,282.3)

The ending Fiscal Year 2020 Net Deficit of a \$4,352.0 million, represents a negative \$69.7 million change from Fiscal Year 2019 Net Deficit of \$4,282.3 million, as adjusted. The Fiscal Year 2020 Net Deficit is comprised of: 1) revenues of \$3,861.8 million with \$1,189.4 million of program revenues and \$2,672.4 million of general revenues, and 2) \$3,931.2 million of expenses mostly comprised of instruction related costs. Table 3 provides the revenue sources in more detail and Table 4 provides the expenses by major cost category.

Major Sources of Revenues

The School District's overall revenues are derived primarily from three sources: (i) state grants and subsidies; (ii) local taxes and non-tax revenues; and (iii) federal grants and subsidies. The largest component of state subsidies is the basic education funding allocation, which the School District can use to cover any costs associated with the operation of the public school system. The largest component of local revenue is the levy

Management’s Discussion and Analysis

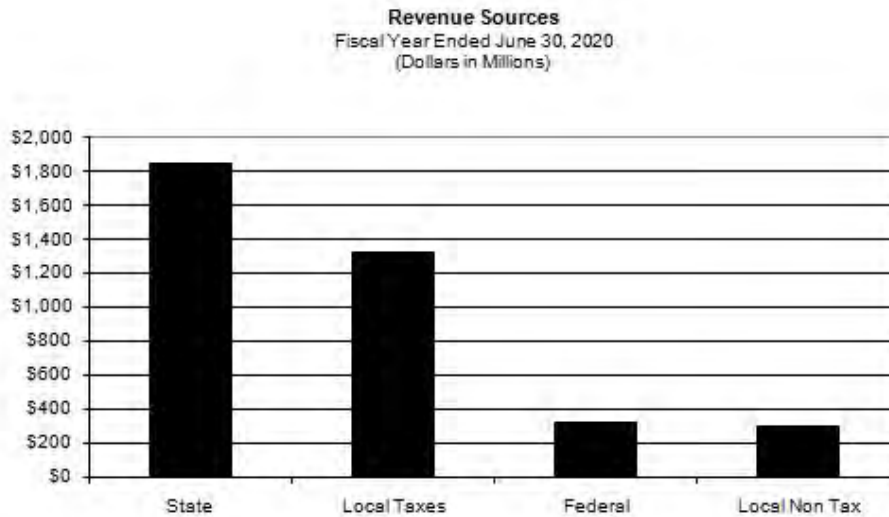
and collection of taxes such as real estate, business use and occupancy, sales tax, cigarette tax, non-business income, liquor by the drink, ridesharing and public utility realty. A third source of revenue is both federal and state grants dedicated to providing specific programs and services.

Revenue by Source and Type
Fiscal Year Ended June 30, 2020
(Dollars in Millions)

Table 3

Revenue Source	Program Revenues				General Revenues			
	Governmental Activities		Business-Type Activities		Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019	2020	2019	2020	2019
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,304.4	\$ 1,342.3	\$ -	\$ -
Locally Generated NonTax	24.4	15.0	1.7	1.8	266.8	232.5	-	-
State and Federal Grants and Subsidies	1,086.0	1,022.2	77.3	90.8	1,101.2	1,056.8	-	-
Total Revenue	\$ 1,110.4	\$ 1,037.2	\$ 79.0	\$ 92.6	\$ 2,672.4	\$ 2,631.6	\$ -	\$ -

The following bar graph illustrates the School District’s major sources of revenues for all revenue sources for Fiscal Year 2020:

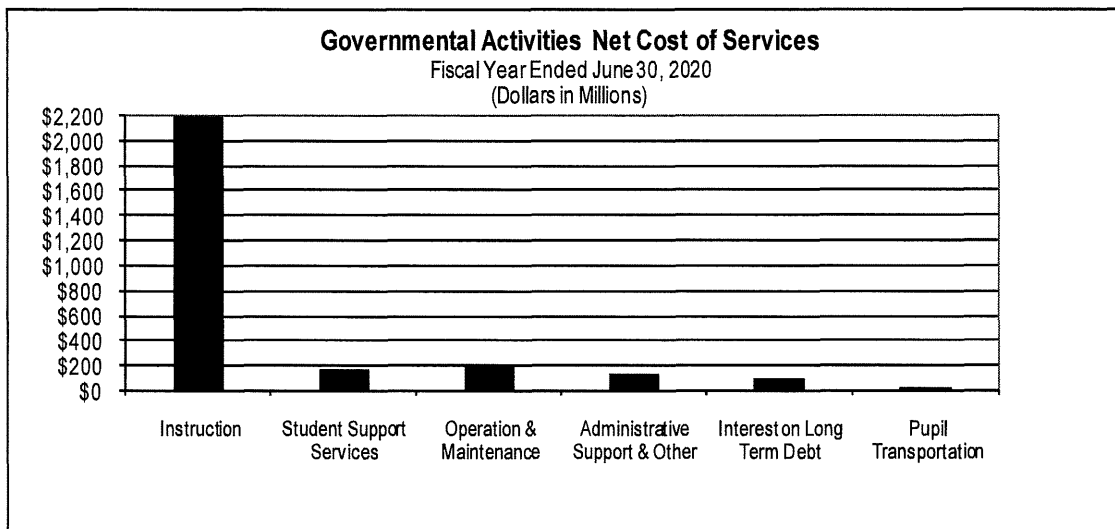


Cost of Services by Major Functional Expense Category

Table 4 and the accompanying graph illustrate and highlight the net costs incurred by each of the major activities presented in the School District’s Statement of Activities. For each activity, the statement presents gross expenses and the resulting net cost (surplus), offset by program revenues, of each general activity. The major functional expense categories are titled: Instruction, Student Support Services, Operation and Maintenance, Administrative Support and Other, Interest on Long Term Debt, Pupil Transportation, Food Service/Print Shop/Use of Facilities and Early Childhood Education.

**Cost of Services by
Major Functional Expense Category**
Fiscal Year Ended June 30, 2020
(Dollars in Millions)
Table 4

Functional Expense	2020		2019	
	Gross Cost of Services	Net Cost of Services	Gross Cost of Services	Net Cost of Services
Instruction	\$ 2,875.8	\$ 2,181.1	\$ 2,667.2	\$ 2,030.6
Student Support Services	309.5	151.6	282.4	144.5
Operation & Maintenance	237.3	198.8	213.0	175.0
Administrative Support & Other	168.0	116.5	145.2	93.2
Interest on Long Term Debt	164.7	79.5	144.2	58.3
Pupil Transportation	86.3	3.8	100.7	13.9
Food Service / Print Shop / Use of Facilities	89.6	10.6	88.4	(4.2)
Total Expenses	\$ 3,931.2	\$ 2,741.9	\$ 3,641.1	\$ 2,511.3



V. FUND HIGHLIGHTS

While the School District maintains and accounts for a number of funds, six of these funds are considered major funds. These funds are the General Fund, Intermediate Unit Fund, Categorical Funds, Debt Service Fund, Capital Projects Fund and Food Service Enterprise Fund.

General Fund

The General Fund serves as the School District's main operating fund that records all financial activity except for those transactions that must be specifically accounted for under the other funds, such as the Debt Service Fund. The General Fund had a positive ending fund balance of \$47.2 million on June 30, 2020. For Fiscal Year 2020, there was an excess of revenues over expenditures of \$523.9 million, offset by \$583.9 of other financing uses, together, these resulted in a decrease of \$60.0 million to the ending fund balance.

Intermediate Unit Fund

The Intermediate Unit Fund accounts for state appropriations for special education as well as certain administrative costs. Programs include Autistic Support, Blind or Visually Impaired Support, Deaf or Hearing Impaired Support, Emotional Support, Learning Support and Multiple Disabilities Support while related administrative costs include physical and occupational therapy, special education transportation, health counseling and sign language interpretation. During Fiscal Year 2020, the Intermediate Unit Fund had a deficiency of revenues under expenditures of \$292.6 million, other financing sources to cover the revenue shortfall of \$291.1 million totaling a net decrease of \$1.5 million to fund balance resulting in an ending fund balance of \$0.5 million at June 30, 2020.

Categorical Funds

Categorical Funds account for specific purpose federal, state, city or private grants and non-public school programs to cover the costs of dedicated programs and special initiatives. Categorical Funds had a \$18.3 million negative net change in fund balance, which resulted in a negative \$22.1 million fund balance at June 30, 2020. There were \$22.1 million still outstanding from grantors and recorded as unavailable revenue for Fiscal Year 2020 compared to \$3.8 million from Fiscal Year 2019.

Debt Service Fund

The Debt Service Fund accounts for the School District's accumulation of resources for the payment of debt service and bond issuance costs. During Fiscal Year 2020, the Debt Service Fund reflects a \$32.5 million net increase in fund balance to \$227.5 million as of June 30, 2020. Primarily the causes of the net increase related to: 1) \$2.4 million increase for debt service principal requirements; 2) \$17.1 million increase for debt service interest payments, 3) an increase of \$13.3 million set aside for mandatory sinking fund payments offset by, 4) a decrease of \$0.3 million in assigned funds for defeasance.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to cover the costs associated with the acquisition of capital assets and for the construction, modernization, alteration, repair, and improvements to the School District's major capital facilities and buildings. During Fiscal Year 2020, the Capital Projects Fund increased by \$322.5 million to a fund balance of \$463.4 million. Revenues were \$10.7 million, transfers-in were \$0.3 million and bond issuance costs were \$0.1 million. New building construction totaled \$38.0 million, capital alterations and improvements environmental management totaled \$106.6 million, major renovations, and equipment acquisitions totaled \$73.8 million.

Enterprise Funds

The Enterprise Funds account for the operations of the Food Service Division (Major Fund), the Print Shop (Non-Major Fund) and the Use of Facilities (Non-Major Fund). The Enterprise Funds had a total net deficit balance of \$27.9 million at the end of Fiscal Year 2020 with a negative \$26.6 million for the Food Service Fund, negative \$1.5 million for the Print Shop and a positive \$0.2 million for Use of Facilities. This reflects a \$10.5 million decrease in net position from the previous fiscal year, almost all related to the Food Service Fund. The Food Service Division realized a \$10.3 million net loss primarily due to a decrease in Federal and State Grants of \$13.3 million, which was offset by a \$2.5 million decrease in food expense, all because of the pandemic.

The financial performance and position of each of the previously discussed major and non-major funds can be found in the Statement of Revenues, Expenditures and Changes in Fund Balances on pages 40-41, as well as page 44 for the Enterprise Funds, and are summarized in Table 5 and Table 6 that immediately follows:

**Excess (Deficiency) of Revenues, Other Financing Sources/Uses, and Over (Under) Expenditures for
Major and Non-Major Funds**
Fiscal Year Ended June 30, 2020
(Dollars in Millions)
Table 5

Fund	Fiscal Year 2020	Fiscal Year 2019
General	\$ (60.0)	\$ 25.3
Intermediate Unit	(1.5)	1.3
Categorical	(18.3)	5.9
Debt Service	32.5	3.9
Capital Projects	322.5	(185.6)
Food Service	(10.6)	4.1
Non-Major Enterprise	0.1	0.1
Non-Major Governmental	0.1	0.1
Total Change in Fund Balance/Net Position	<u>\$ 264.8</u>	<u>\$ (144.9)</u>

Total Fund Balances and Net Position for Major and Non-Major Funds
As of June 30, 2020
(Dollars in Millions)
Table 6

Fund	Fiscal Year 2020	Fiscal Year 2019
General	\$ 47.2	\$ 107.2
Intermediate Unit	0.5	2.0
Categorical	(22.1)	(3.8)
Debt Service	227.5	195.0
Capital Projects	463.4	140.9
Food Service	(26.6)	(15.9)
Non-Major Enterprise	(1.3)	(1.4)
Non-Major Governmental	<u>6.5</u>	<u>6.5</u>
Total Fund Balance/Net Position	<u>\$ 695.1</u>	<u>\$ 430.5</u>

Internal Service Funds

In addition, the District has two Internal Service Funds which accounts for the Healthcare Self Insurance Fund and the Internal Use of Facilities Fund. The Healthcare Self Insurance Fund was established for self-insurance medical, vision and prescription service costs (excluding Health & Welfare payments to unions) to allow better visibility and analyses by type of medical coverage due to these costs being a major cost factor of the District's expenses. A new Internal Use of Facilities Fund was established last fiscal year as part of the Internal Service Funds which segregates from the General Fund the related revenues and costs for use of our buildings after business hours for internal users. At June 30, 2020, the Internal Service Funds had a total net position balance of \$43.3 million, almost all of which is for the Healthcare Self Insurance Fund, which includes \$9.5 million of restricted self-insurance funds for claim expenditures to fund incurred claim expenditures that have not been billed to the District.

VI. BUDGETING HIGHLIGHTS

The Operating Budget consists of the General Fund, the Debt Service Fund and the Intermediate Unit Fund. The following are the classifications of the Operating Fund balances: 1) General Fund, \$15.2 million unassigned, \$6.7 million of encumbrances assigned and, \$0.4 million of non-spendable fund balance for inventories, 2) Intermediate Unit Fund, a positive \$0.5 million of committed fund balance for encumbrances, and 3) Debt Service Fund, a positive \$227.5 million is considered restricted which includes \$69.8 million for future debt payments..

On May 30, 2019, the Board of Education adopted the Fiscal Year 2020 Operating Budget of \$3,340.6 million in revenues and other financing sources and \$3,382.3 million in obligations and other financing uses. On May 28, 2020, the Board of Education amended the Fiscal Year 2020 Operating Budget of \$3,625.6 million in revenues and other financing sources and obligations and other financing uses of \$3,651.0 million. Both the adopted and amended Fiscal Year 2020 Operating Budget resolutions/action items reflect other financing sources and uses net of transfers between the General Fund, Intermediate Unit and Debt Service Fund.

General Fund Budget (Included in legally adopted Operating Budget)

For Fiscal Year 2020, the final budgeted General Fund revenue and Other Financing Sources was \$67.6 million lower than the original Fiscal Year 2020 budget adopted in May 2019. This resulted primarily from a \$57.0 million budget reduction in local taxes and a \$28.9 million reduction in state revenues, primarily due to the Ready to Learn grant not being included as part of the operating budget as proposed, offset by a \$14.3 million increase in local non tax revenues and a \$4.0 million increase in all other revenues and sources.

The anticipated obligations in the final General Fund budget represented a decrease of \$67.3 million from the original adopted budget. This decrease resulted from the following changes in budgets: net decreases of \$57.3 million in Instruction, savings in transportation of \$17.0 million due to the pandemic, savings in payments to charter schools of \$4.0 million, and savings in other support services of \$16.0 million savings related to lapsed appropriation and undistributed expenditures. The \$57.3 million in instructional savings was primarily driven by \$39.1 million in Ready to Learn Grant expenditures included in the original budget that were not included in the final budget, and savings related to per diem costs and payments to other educational entities, partially offset by an increase in educational technology costs related to the COVID-19 pandemic. These savings were offset by increases of \$24.7 million in operation and maintenance of plant services due to additional spend on new and improved facilities and a net all other increase of \$2.3 million.

The anticipated Other Financing Sources and Uses in the final General Fund budget were \$8.8 million favorable over the original adopted budget. This is due primarily to a \$3.9 million increase in General Fund Sources, a \$7.5 million reduction in the transfer amount to the Special Education fund, offset by a \$2.6 million increase in the transfer to the Debt Services fund.

The actual ending General Fund balance at June 30, 2020 of a positive \$47.2 million was \$39.4 million favorable compared to the final budget ending balance of a \$7.8 million. Actual General Fund revenues of \$3,100.4 million are \$3.1 million lower than those estimated in the final General Fund budget of \$3,103.5 million. Actual General Fund obligations totaling \$2,559.1 million were \$14.2 million lower than estimated in the final budget of \$2,573.2 million. Other financing sources and uses of \$585.2 million were \$3.7 million unfavorable compared to the final budget.

In addition, \$32.0 million of fund balance is not available for appropriation (a beginning fund balance variance of \$23.1 million is due to encumbrances and other reserve carry forward from Fiscal Year 2019 and a \$8.9 million change in encumbrance and inventory reserves during the current year). Table 7 presents a summary comparison of the General Fund's original and final operating budgets with actual performance. More details can be seen in the General Fund Budgetary Comparison Schedule of the Required Supplementary Information section:

General Fund Budget Comparison
 Fiscal Year Ended June 30, 2020
 (Dollars in Millions)
 Table 7

	<u>Budget</u>		<u>Actual</u>	<u>Variance vs</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Total Revenues	\$ 3,175.0	\$ 3,103.5	\$ 3,100.4	\$ (3.1)
Total Obligations	2,640.5	2,573.2	2,559.1	14.1
Total Other Financing Sources/(Uses)	(590.3)	(581.6)	(585.2)	(3.6)
Net Change in Fund Balance	(55.8)	(51.3)	(43.9)	7.4
Fund Balance Beginning of Year	71.9	84.1	107.2	23.1
Reserve for Facilities	-	(25.0)	-	25.0
Change in Reserves	-	-	(16.1)	(16.1)
Fund Balance End of Year	\$ 16.1	\$ 7.8	\$ 47.2	\$ 39.4

During Fiscal Year 2020, the School District incurred a number of variances compared to the final General Fund budget including, but not limited to the following:

- Revenues had a \$3.1 million unfavorable variance due to a \$26.0 million favorable variance in local tax revenues, a \$28.8 million unfavorable variance in state grants and subsidies, and a \$0.3 million unfavorable variance in local non-tax revenues.
- Obligations were \$14.1 million less than budgeted primarily due to savings of \$11.1 million in facilities and capital management, savings of \$4.1 million in payments to other entities, and savings of \$2.0 million in payments to charter schools, offset by \$3.1 million in higher than budgeted costs in other areas.
- Other Financing uses were \$3.6 million unfavorable from the final budget. This is due to an increase of \$6.4 million of transfers to the Debt Service Fund offset by a decrease of \$2.4 million of transfers to Special Education and \$0.4 million in other uses.

VII. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of Fiscal Year 2020, the School District had \$3,910.2 million invested in capital assets. Over the years, these assets have depreciated by \$1,997.4 million leaving a carrying value of \$1,912.8 million. This represents an increase of \$111.4 million over the Fiscal Year 2019 ending balance. Table 8 represents Net Capital Assets. Refer to Footnote 1D(8) and 4D for additional information.

Net Capital Assets
As of June 30, 2020
(Dollars in Millions)
Table 8

<u>Capital Asset Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 129.3	\$ 129.2	\$ -	\$ -
Buildings, Improvements & Intangible Assets	1,521.7	1,466.7	-	-
Personal Property	40.5	49.2	3.4	3.4
Construction and Development In Progress	<u>217.9</u>	<u>152.9</u>	<u>-</u>	<u>-</u>
Total Net Book Value	<u>\$ 1,909.4</u>	<u>\$ 1,798.0</u>	<u>\$ 3.4</u>	<u>\$ 3.4</u>

Debt Administration

The School District is a component unit of the City of Philadelphia (“City”) for financial reporting purposes only and the debt that is incurred is not considered a debt of the City. The School District issues debt in the form of bonds to be used for the acquisition of land and equipment purchases, construction purposes and notes to cover its short-term cash flow needs.

Almost all outstanding bonds issued prior to 2010 (except for its Qualified Zone Academy Bonds and Qualified School Construction Bonds) were insured and carried mid-grade credit ratings from Standard & Poor’s Rating Services (S&P), Moody’s Investors Service (Moody’s) and Fitch IBCA (Fitch). The School District when issuing bonds, thereafter, has relied on the enhanced security that the State Intercept Program provides.

Pennsylvania lawmakers strengthened the Pennsylvania school district intercept program by passing Pennsylvania’s Act 85 of 2016, which the Governor signed into law on July 13, 2016. The law allows the Pennsylvania Department of Education, if needed in the event of a state budget impasse, to request available Pennsylvania General Fund money to make debt service payments.

It is important to understand that while the new provisions strengthen the PA intercept mechanism, they do not guarantee debt service payments will be paid. There are limitations. They are as follows:

- Payments cannot exceed 50% of a school district’s annual general fund subsidy.
- Funds are limited to available cash balances at the time of the intercept.
- The Commonwealth is restricted from issuing tax anticipation notes or entering into a loan agreement with the PA Treasury for liquidity to provide intercept payments.
- A 10-day period giving the chair and minority chair of the appropriations committee of the PA House time to “review and comment” on the request is required.

In December 2018, Moody upgraded the School District’s Bond rating to Baa3 and set the outlook to stable. In June 2020, Moody’s reaffirmed their credit rating and Fitch affirmed the School District’s Issuer Default Rating as BB+. This improved rating has positively influenced the District’s borrowing rates and future financing needs.

Table 9, shows a summary of all long-term obligations outstanding:

Long-Term Obligations Outstanding

As of June 30, 2020
(Dollars in Millions)

Table 9

	Governmental Activities			Business-Type Activities			Government-Wide
	2020	2019	Net Change	2020	2019	Net Change	Net Change
Total Bonded Debt	\$ 3,547.9	\$ 3,182.4	\$ 365.5	\$ -	\$ -	\$ -	\$ 365.5
Employee Related Obligations	3,906.1	4,018.3	(112.2)	58.0	59.6	(1.6)	(113.8)
Due to Other Governments	45.3	45.3	-	-	-	-	-
Other	109.8	106.9	2.9	-	-	-	2.9
Total Long-Term Obligations Outstanding	\$ 7,609.1	\$ 7,352.9	\$ 256.2	\$ 58.0	\$ 59.6	\$ (1.6)	\$ 254.6

The Total Long-term Obligations Outstanding increased by \$254.6 million. This includes an increase in bonded debt of \$365.5 million, a decrease in employee obligations of \$113.8 million and an increase of other long-term obligations of \$2.9 million. Refer to Footnote 4E (2), 4J and 4K for additional information.

VIII. FUTURE CHALLENGES FOR THE SCHOOL DISTRICT

Current Financial Situation

The School District ended Fiscal Year 2020 with a positive operating fund balance of \$275.2 million, which reflects expendable and nonexpendable categories and amounts that are restricted, committed, assigned or unassigned. The \$275.2 million includes \$32.6 million of encumbrances, inventories and facilities reserves for the General Fund and Intermediate Unit Fund, and \$69.8 million in funds assigned to future long-term Debt Service payments. The ending budgetary operating fund balance is a positive \$172.8 million after accounting for those items.

The adoption of the GASB’s Postemployment Benefits Other Than Pensions (OPEB) reporting requirements in fiscal year 2018 and the adoption of GASB’s pension reporting requirements four years ago has had and will continue to have a profound effect on the financial statements and net position of school districts in Pennsylvania and across the nation.

As described in Footnote 1D (13), the District contributes for Healthcare benefits (OPEB) to the Pennsylvania Public School Employees' Retirement System (PSERS), a defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. Under this approach, the District reports its proportionate share of the net OPEB liability on the statement of net position of the government-wide and proprietary fund financial statements. In addition, the District reports its total OPEB Life Insurance Benefit liability under the net position for governmental activities on the government-wide statements. Total OPEB Life Insurance Benefit liability are fully liquidated by the General Fund.

At June 30, 2020, the GASB’s OPEB reporting requirements had a cumulative net effect of \$158.5 million. Of the \$158.5 million cumulative net effect at June 30, 2020, \$156.3 million and \$2.2 million affected the Governmental activities section and Business-activities section, respectively. For the \$156.3 million, under the Governmental section, this included \$176.7 million net OPEB liability, \$27.3 million in deferred OPEB outflows, and \$6.9 million in deferred OPEB inflows. For the cumulative net effect of \$2.2 million under the Business-activities section, this included \$2.5 million net OPEB Healthcare liability, \$0.4 million in deferred OPEB outflows, and \$0.1 million in deferred OPEB inflows. OPEB pension inflows of the Food Service Fund and Print Shop Fund Enterprise Funds statements, respectively. The \$2.2 million under the Business-type

section is reported in the Enterprise Funds statement. Reporting on the Governmental Fund statement is not affected.

The adoption of the GASB's pension reporting requirements continues to have a significant effect on the financial statements and net position in the current fiscal year. The District contributes to the Pennsylvania Public School Employees' Retirement System (PSERS), a defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. Under this approach, the District reports its proportionate share of the net pension liability on the Statement of Net Position of the Government-wide and Proprietary Fund financial statements.

In Fiscal Year 2020, the GASB's pension reporting requirements resulted in a cumulative net effect of \$3,153.2 million. Of the \$3,153.2 million cumulative net effect, \$3,106.2 million and \$47.0 million affected the Governmental activities section and Business-activities section, respectively. For the cumulative net effect of \$3,106.2 million under the Governmental section, this included \$3,518.2 million net pension liability, \$574.3 million in deferred pension outflows, and \$162.3 million in deferred pension inflows. For the cumulative net effect of \$47.0 million under the Business-activities section, this included \$53.3 million net pension liability, \$8.7 million in deferred pension outflows, and \$2.4 million in deferred pension inflows. The cumulative net effect of \$47.0 million affected deferred pension outflows, net pension liability, deferred pension inflows of the food service fund and print shop fund enterprise funds statements. Reporting on the Governmental Fund statement is not affected.

The District is currently projecting a positive \$30.8 million fiscal year ending June 30, 2021 budgetary operating fund balance. The projected Fiscal Year 2021 fund balance was achieved primarily through a beginning fund balance of \$172.8 million, offset by a projected operating deficit including change of reserves of \$142.1 million. As of January 2021, the District projected a \$47.6 million ending fund balance for Fiscal Year 2022.

Major Factors Driving Costs

A major cost driver that has affected the School District's spending has been Federal regulations requiring school choice options. As part of school choice options, the School District, in 2020, supported 109 Charter Schools including brick and mortar and cyber charter schools where any student may apply to attend. Funding Charter Schools, as required by the Pennsylvania Charter School Law, Act 22 of 1997 has had a significant fiscal impact on the School District since its passage with approximately 40% or \$1.1 million of the General Fund obligation budget going to charters in Fiscal Year 2020. Five years ago, a Pennsylvania Supreme Court Decision stated that the School Reform Commission (now the Board of Education) was not able to suspend certain provisions of the Pennsylvania School Code to include caps on enrollment numbers of charter schools unless contractually agreed to by both parties. Although this has not had a significant financial impact; future impacts of this decision cannot be determined. In March of 2018, the Pennsylvania Department of Education rescinded the charter payment guidelines, clarifying the calculations utilized to calculate the annual charter rate in accordance with the Charter law.

Charter Schools remain highly dispersed geographically, with the students enrolled in Charter Schools not all coming from the same classroom, grade level or even from the same school or neighborhood. Therefore, given these realities, the School District has been unable to make dollar-for-dollar reductions in cost areas such as the number of principals, custodians and bus drivers it employs. Fiscal Year 2020 expenditures from all governmental funds were \$1,061.4 million representing a \$81.8 million increase over the prior fiscal year. As a result, the impact of Charter Schools to the District's operating budget has increased due to increases in Charter School costs driven by increased enrollments and per pupil costs.

Federal regulations also mandate that all teachers of core academic subjects must be considered "Appropriately State Certified". To meet this standard, all teachers must be fully certified and/or licensed by the state; hold at least a bachelor's degree from a four-year institution; and demonstrate competence in each core academic subject area they teach. By the end of Fiscal Year 2019, 90.4% of the teachers in the

Management's Discussion and Analysis

School District were considered highly qualified, and 94.8% considered fully certified. With recruitment and retention strategies, on-going professional development, and staffing process improvements, the internally calculated percentage of highly qualified teachers was 89.4% in Fiscal Year 2020 and the percentage of highly certified teachers of core academic subjects 91.2%.

The District has experienced a rising cost of personnel benefits, which is a major cost driver. Retirement benefits are State mandated expenditures of \$370.1 million (net expenditures of \$202.8 million with State reimbursement portion) in Fiscal Year 2020 and the required employer contribution rates have been growing drastically over the past five fiscal years (from 25.00% in Fiscal Year 2016 to 33.36% in 2020, an increase of 33.44%), causing a further drain on District resources. Although the District's medical, dental and vision costs have slowed in recent years, they represent a large share of the personnel costs. Self-Insurance related Healthcare costs in Fiscal Year 2020 were about \$172.0 million (excluding Health & Welfare payments to Unions and dental). The District spent \$453.9 million on debt service in Fiscal Year 2020. To manage these debt service costs, the District has been effectively managing debt issuances and refinancing bonds. This along with the positive financial outlook and recent investment grade bond rating has served to reduce these costs further.

School Safety

The Office of School Safety (OSS) embarked on a comprehensive strategy to re-envision a department - with an emphasis on restorative practices. In accordance with Pennsylvania's Safe Schools Legislation, the job title has been changed from School Police Officers to School Safety Officers (SSO). Our partnership with the Philadelphia Police Department and Department of Human Services has allowed us to review the Philadelphia Police School Diversion Program, in an effort to expand services and reduce the number of students being arrested. The metal detector protocol has been revised to ensure the scanning process is conducted in a procedurally just and humane manner. Safety Officers participate in comprehensive training programs that include diversity and inclusion, trauma-sensitive care, adolescent development and restorative justice. OSS continues to collaborate with students, teachers, administrators and other organizations to ensure our work and strategies are prioritizing student health and safety.

Capital Improvement Program

The School District of Philadelphia faces many diverse challenges as it continues to pursue educational excellence for students throughout the city; one such difficulty is addressing the extensive physical needs of the school facilities. The District's Capital Improvement Program (CIP) is a set of projects that construct, replace and/or modernize District facilities to offset the effects of age and use that has occurred in the school buildings and to improve the educational environment for our students. The current CIP covers \$1,869.0 million from Fiscal Years' 2021 to 2026 and is updated every year with the planned annual expenditure levels dependent on the District's ability to fund and issue long-term debt instruments as determined by the annual operating budget's debt capacity. The Capital Budget for Fiscal Year 2021 is \$397.2 million, and as of May 2020, will partially fund 96 active construction contracts and primarily fund 65 projects currently in the design phase and 75 projects in the planning phase. The CIP includes new construction, major renovations, classroom modernization, environmental services, technology projects, bus transportation, and life-cycle replacements comprised of HVAC, structural, roofs, windows and doors, electrical systems, site improvements, security equipment and the ongoing facility condition assessment.

IX. THE SCHOOL DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the financial conditions of the School District. If you have questions about the report or need additional financial information, please contact Uri Z. Monson, Chief Financial Officer or Marcy F. Blender, CPA, Comptroller, at 440 North Broad Street, Philadelphia, PA 19130.

BASIC FINANCIAL STATEMENTS

School District of Philadelphia
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	\$ -	\$ 2,205	\$ 2,205
Cash and Investments with Fiscal Agent	227,437,449	-	227,437,449
Equity In Pooled Cash and Investments	259,433,365	17,537,492	276,970,857
Taxes Receivable (Net)	154,902,058	-	154,902,058
Due from Other Governments	204,830,545	4,180,461	209,011,006
Accounts Receivable (Net)	39,760,273	1,732,193	41,492,466
Accrued Interest Receivable	898,444	-	898,444
Internal Balances	156,726	(156,726)	-
Inventory	381,120	582,439	963,559
Prepaid Expenses	2,183,523	-	2,183,523
Prepaid Bond Insurance Premium Costs	7,325,524	-	7,325,524
Restricted Assets:			
Cash and Cash Equivalents	40,376,937	-	40,376,937
Equity In Pooled Cash and Investments	322,703,858	-	322,703,858
Investments	144,700,353	-	144,700,353
Funds on Deposit	9,500,000	-	9,500,000
Cash Held in Escrow	2,000,000	-	2,000,000
Capital Assets:			
Land	129,309,409	-	129,309,409
Buildings and Improvements	3,269,688,117	-	3,269,688,117
Personal Property	194,734,423	18,635,107	213,369,530
Construction and Development in Progress	217,915,391	-	217,915,391
Intangibles	79,917,818	-	79,917,818
Accumulated Depreciation	(1,982,172,090)	(15,243,934)	(1,997,416,024)
Total Assets	3,325,983,243	27,269,237	3,353,252,480
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Refunding Charges - Losses	67,076,715	-	67,076,715
Deferred Pension	574,320,107	8,690,788	583,010,895
Deferred OPEB	27,317,594	415,877	27,733,471
Total Deferred Outflows of Resources	668,714,416	9,106,665	677,821,081
LIABILITIES			
Accounts Payable	212,211,953	2,736,914	214,948,867
Overpayment of Taxes	24,411,798	-	24,411,798
Accrued Salaries and Benefits Payable	186,922,436	852,711	187,775,147
Termination Compensation Payable	14,227,964	161,680	14,389,644
Other Liabilities	6,738,676	-	6,738,676
Unearned Revenue	25,099,154	-	25,099,154
Due to Other Governments	10,781,003	-	10,781,003
Bond Interest Payable	41,998,801	-	41,998,801
Non-Current Liabilities			
Due within one year	279,778,425	157,071	279,935,496
Due in more than one year	7,329,279,642	57,781,806	7,387,061,448
Total Liabilities	8,131,449,852	61,690,182	8,193,140,034
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension	162,284,233	2,456,017	164,740,250
Deferred OPEB	6,863,650	95,379	6,959,029
Deferred Refunding Charges - Gain	18,210,229	-	18,210,229
Total Deferred Inflows of Resources	187,358,112	2,551,396	189,909,508
NET POSITION			
Net Investment in Capital Assets	(667,664,160)	3,391,173	(664,272,987)
Restricted for:			
Medical Self-Insurance	9,500,000	-	9,500,000
Debt Service	227,460,019	-	227,460,019
Special Revenue Funds & Permanent Funds			
Expendable - Student Health	4,310,350	-	4,310,350
Non-Expendable - Scholarships	2,221,063	-	2,221,063
Arbitrage Rebate Payable	54,833	-	54,833
Unrestricted Deficit	(3,899,992,410)	(31,256,849)	(3,931,249,259)
Total Net Deficit	\$ (4,324,110,305)	\$ (27,865,676)	\$ (4,351,975,981)

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

School District of Philadelphia
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities								
Instruction	\$ 2,875,798,648	\$ -	\$ 173,225	\$ 694,547,459	\$ -	\$ (2,181,077,964)	\$ -	\$ (2,181,077,964)
Student Support Services	309,488,254	-	-	157,889,903	-	(151,598,351)	-	(151,598,351)
Administrative Support	158,423,430	-	3,082,197	47,100,377	-	(108,240,856)	-	(108,240,856)
Operation & Maintenance of Plant Services	242,197,961	(4,877,347)	459,763	31,172,904	6,925,955	(198,761,992)	-	(198,761,992)
Pupil Transportation	86,333,241	-	-	82,577,317	-	(3,755,924)	-	(3,755,924)
All Other Support Services	9,331,554	-	-	1,231,009	-	(8,300,545)	-	(8,300,545)
Interest on Long-Term Debt	164,729,628	-	-	85,260,720	-	(79,468,908)	-	(79,468,908)
Total Governmental Activities	3,846,302,716	(4,877,347)	3,715,185	1,099,779,689	6,925,955	(2,731,204,540)	-	(2,731,204,540)
Business-Type Activities:								
Food Service	82,578,425	4,877,347	44,578	77,109,435	-	-	(10,301,759)	(10,301,759)
Print Shop	1,371,502	-	871,380	154,846	-	-	(345,276)	(345,276)
Use of Facilities	797,447	-	779,250	101,222	-	-	83,025	83,025
Total Business-Type Activities	84,747,374	4,877,347	1,695,208	77,365,503	-	-	(10,564,010)	(10,564,010)
Total	\$ 3,931,250,090	\$ -	\$ 5,410,393	\$ 1,177,145,192	\$ 6,925,955	(2,731,204,540)	(10,564,010)	(2,741,768,550)
General Revenues, Investment Income and Transfers:								
Property Taxes						829,376,074		829,376,074
Use & Occupancy Taxes						181,970,977		181,970,977
Liquor Taxes						59,540,088		59,540,088
School (Non-Business) Income Taxes						49,392,630		49,392,630
Public Utility / PILOT Taxes						1,181,012		1,181,012
Cigarette Sales Tax						57,770,885		57,770,885
Sales Tax						120,000,000		120,000,000
Ridesharing Revenue						5,138,140		5,138,140
Grants and Contributions Not Restricted to Specific Programs						266,869,323		266,869,323
State & Federal Subsidies Not Restricted to Specific Programs						1,101,178,211		1,101,178,211
Loss on Sale of Capital Assets						-	(7,512)	(7,512)
Transfers						(55,818)	55,818	-
Total General Revenues/Investment Revenue/Transfers:						2,672,361,522	48,306	2,672,409,828
Change in Net Position						(58,843,018)	(10,515,704)	(69,358,722)
Net Deficit - As of July 1, 2019, as Previously Stated						(4,264,981,008)	(17,349,972)	(4,282,330,980)
Prior Period Adjustment - Capital Assets						(286,279)	-	(286,279)
Net Deficit - As of July 1, 2019, as Adjusted						(4,265,267,287)	(17,349,972)	(4,282,617,259)
Net Deficit - As of June 30, 2020						(4,324,110,305)	(27,865,676)	(4,351,975,981)

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

School District of Philadelphia
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Intermediate Unit Fund	Categorical Funds
ASSETS			
Cash & Cash Equivalents	\$ -	\$ -	\$ -
Cash and Investments with Fiscal Agent	-	-	-
Equity in Pooled Cash and Investments	153,122,020	31,626,454	-
Cash Held by Escrow	2,000,000	-	-
Investments	-	-	-
Taxes Receivable (Net)	154,902,058	-	-
Due from Other Funds	10,973,243	-	-
Due from Other Governments	77,178,506	17,877,205	98,681,129
Accounts Receivable (Net)	37,762,877	353,756	-
Accrued Interest Receivable	-	-	-
Inventory	381,120	-	-
Prepaid Items	65,308	-	-
Total Assets	\$ 436,385,132	\$ 49,857,415	\$ 98,681,129
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 102,799,713	\$ 14,028,631	\$ 30,010,053
Overpayment of Taxes	24,411,798	-	-
Accrued Salaries and Benefits Payable	118,517,786	35,326,526	32,792,153
Termination Compensation Payable	14,227,964	-	-
Unearned Revenue	-	-	24,781,666
Due to Other Funds	-	-	10,816,517
Due to Other Governments	10,500,263	-	280,740
Other Liabilities	6,738,676	-	-
Total Liabilities	277,196,200	49,355,157	98,681,129
Deferred Inflows of Resources:			
Unavailable Tax and Accounts Receivable Revenue	111,983,766	-	-
Unavailable Grant Revenue	-	-	22,086,430
Total Deferred Inflows of Resources	111,983,766	-	22,086,430
Fund Balances:			
Nonspendable:			
Inventories	381,120	-	-
Permanent Fund Principal	-	-	-
Restricted:			
Retirement of Long Term Debt	-	-	-
Mandatory Deposits for Future Debt Payments	-	-	-
Debt Service Interest	-	-	-
Arbitrage Rebate Payable	-	-	-
Trust Purposes	-	-	-
Capital Purposes	-	-	-
Committed:			
Special Education	-	502,258	-
Assigned:			
Subsequent Year Expenditures	6,653,286	-	-
Facilities	25,000,000	-	-
Unassigned (Deficit):	15,170,760	-	(22,086,430)
Total Fund Balances (Deficit)	47,205,166	502,258	(22,086,430)
Total Liabilities and Fund Balances	\$ 436,385,132	\$ 49,857,415	\$ 98,681,129

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 40,376,937	\$ -	\$ 40,376,937
227,437,449	-	-	227,437,449
10,000	328,526,757	6,540,473	519,825,704
-	-	-	2,000,000
-	144,700,353	-	144,700,353
-	-	-	154,902,058
-	-	-	10,973,243
-	11,083,228	-	204,820,068
-	1,643,640	-	39,760,273
22,570	875,874	-	898,444
-	-	-	381,120
-	-	-	65,308
<u>\$ 227,470,019</u>	<u>\$ 527,206,789</u>	<u>\$ 6,540,473</u>	<u>\$ 1,346,140,957</u>
\$ 10,000	\$ 53,393,571	\$ 9,060	\$ 200,251,028
-	-	-	24,411,798
-	285,971	-	186,922,436
-	-	-	14,227,964
-	317,488	-	25,099,154
-	-	-	10,816,517
-	-	-	10,781,003
-	-	-	6,738,676
<u>10,000</u>	<u>53,997,030</u>	<u>9,060</u>	<u>479,248,576</u>
-	-	-	111,983,766
-	9,806,972	-	31,893,402
<u>-</u>	<u>9,806,972</u>	<u>-</u>	<u>143,877,168</u>
-	-	-	381,120
-	-	1,366,517	1,366,517
108,356,805	-	-	108,356,805
69,803,000	-	-	69,803,000
49,300,214	-	-	49,300,214
-	54,833	-	54,833
-	-	5,164,896	5,164,896
-	463,347,954	-	463,347,954
-	-	-	502,258
-	-	-	6,653,286
-	-	-	25,000,000
-	-	-	(6,915,670)
<u>227,460,019</u>	<u>463,402,787</u>	<u>6,531,413</u>	<u>723,015,213</u>
<u>\$ 227,470,019</u>	<u>\$ 527,206,789</u>	<u>\$ 6,540,473</u>	<u>\$ 1,346,140,957</u>

School District of Philadelphia
 Reconciliation of the Balance Sheet for Governmental Funds
 to the Statement of Net Position
 June 30, 2020

Fund Balances - Total Governmental Funds (page 37)	\$	723,015,213
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Prepaid Expenses used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,118,215
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,909,393,068
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		143,877,168
Deferred outflows and inflows of resources for refunding losses and gains are not available for the current period, therefore, are not reported in the governmental funds.		48,866,486
Long-term liabilities, including bonds payable and unfunded net pension payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		(7,627,206,344)
Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and therefore are not in the governmental funds.		432,489,818
Net position of the Internal Service Funds are not reported in the governmental funds but is blended in the net deficit of the governmental activities.		43,336,071
Net deficit of governmental activities (page 34)	<u>\$</u>	<u>(4,324,110,305)</u>

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

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School District of Philadelphia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2020

	General Fund	Intermediate Unit Fund	Categorical Funds
REVENUES			
Local Taxes	\$ 1,317,092,381	\$ -	\$ -
Locally Generated Non Tax	260,167,199	311,642	19,565,358
State Grants and Subsidies	1,522,789,171	142,283,623	170,501,415
Federal Grants and Subsidies	317,229	-	309,077,719
Total Revenues	<u>3,100,365,980</u>	<u>142,595,265</u>	<u>499,144,492</u>
EXPENDITURES			
Current:			
Instruction	1,058,095,049	294,323,740	340,615,498
Student Support Services	37,900,448	131,091,144	133,172,298
Administrative Support	102,653,491	9,786,776	32,443,580
Operation & Maintenance of Plant Services	233,372,533	-	651,652
Pupil Transportation	85,585,930	-	-
All Other Support Services	9,443,737	-	-
Payments to Charter Schools	1,049,430,968	-	11,981,507
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Principal & Interest - Authority	-	-	-
Issuance Costs	-	-	-
Administrative Expenditures	-	-	-
Capital Outlay:			
New Buildings and Additions	-	-	-
Environmental Management	-	-	-
Alterations and Improvements	-	-	-
Major Renovations	-	-	-
Equipment Acquisitions	-	-	-
Total Expenditures	<u>2,576,482,156</u>	<u>435,201,660</u>	<u>518,864,535</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>523,883,824</u>	<u>(292,606,395)</u>	<u>(19,720,043)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	291,093,999	1,403,621
Transfers Out	(587,787,564)	-	-
Debt Issuance	-	-	-
Bond and Note Premiums	3,911,592	-	-
Bond Discount	-	-	-
Proceeds of Refunding Bonds	-	-	-
Bond Defeasement	-	-	-
Total Other Financing Sources/(Uses)	<u>(583,875,972)</u>	<u>291,093,999</u>	<u>1,403,621</u>
Net Change in Fund Balances	<u>(59,992,148)</u>	<u>(1,512,396)</u>	<u>(18,316,422)</u>
Fund Balances (Deficit), July 1, 2019	<u>107,241,103</u>	<u>2,014,654</u>	<u>(3,770,008)</u>
Change in Inventory Reserve	<u>(43,789)</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficit), June 30, 2020	<u>\$ 47,205,166</u>	<u>\$ 502,258</u>	<u>\$ (22,086,430)</u>

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

Debt Service Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,317,092,381
7,317,435	7,110,813	78,210	294,550,657
-	3,594,939	-	1,839,169,148
16,697,578	-	-	326,092,526
<u>24,015,013</u>	<u>10,705,752</u>	<u>78,210</u>	<u>3,776,904,712</u>
-	-	17,712	1,693,051,999
-	-	-	302,163,890
-	-	-	144,883,847
-	-	-	234,024,185
-	-	-	85,585,930
-	-	-	9,443,737
-	-	-	1,061,412,475
277,350,000	-	-	277,350,000
102,612,719	-	-	102,612,719
68,548,392	-	-	68,548,392
5,309,346	139,419	-	5,448,765
57,775	-	-	57,775
-	37,951,188	-	37,951,188
-	7,738,602	-	7,738,602
-	98,879,603	-	98,879,603
-	73,197,441	-	73,197,441
-	631,648	-	631,648
<u>453,878,232</u>	<u>218,537,901</u>	<u>17,712</u>	<u>4,202,982,196</u>
<u>(429,863,219)</u>	<u>(207,832,149)</u>	<u>60,498</u>	<u>(426,077,484)</u>
298,430,268	294,817	-	591,222,705
(139,419)	(3,351,541)	-	(591,278,524)
-	456,660,000	-	456,660,000
14,422,565	77,072,169	-	95,406,326
-	(345,750)	-	(345,750)
336,519,360	-	-	336,519,360
(186,913,950)	-	-	(186,913,950)
<u>462,318,824</u>	<u>530,329,695</u>	<u>-</u>	<u>701,270,167</u>
32,455,605	322,497,546	60,498	275,192,683
195,004,414	140,905,241	6,470,915	447,866,319
-	-	-	(43,789)
<u>\$ 227,460,019</u>	<u>\$ 463,402,787</u>	<u>\$ 6,531,413</u>	<u>\$ 723,015,213</u>

School District of Philadelphia
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2020

Amounts reported for governmental activities in the Statement of Activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 41)	\$	275,192,683
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		126,728,091
Non capitalized purchases that exceed capital outlays - capital purchases.		(15,505,631)
The net effect of miscellaneous transactions involving losses arising from disposal, donation and sale of capital assets are not reported as expenditures in the governmental funds.		203,291
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		5,212,917
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments.		(410,598,446)
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.		(49,060,206)
The change in net position of the Internal Service Funds are reported with the governmental activities.		8,984,283
Change in net position of governmental activities (page 35)	<u>\$</u>	<u>(58,843,018)</u>

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

School District of Philadelphia
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Fund				Internal Service Funds
	Food Service Major	Print Shop Non Major	Use of Facilities Non Major	Total	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 2,205	\$ -	\$ -	\$ 2,205	\$ -
Equity in Pooled Cash and Investments	17,537,492	-	-	17,537,492	62,311,519
Due From Other Governments	4,132,657	45,565	2,239	4,180,461	10,477
Other Receivables	1,394,193	-	338,000	1,732,193	-
Funds On Deposit	-	-	-	-	9,500,000
Inventories	543,225	39,214	-	582,439	-
Total Current Assets	23,609,772	84,779	340,239	24,034,790	71,821,996
Noncurrent Assets:					
Machinery & Equipment	18,068,071	567,036	-	18,635,107	-
Accumulated Depreciation	(14,729,640)	(514,294)	-	(15,243,934)	-
Total Noncurrent Assets	3,338,431	52,742	-	3,391,173	-
Total Assets	26,948,203	137,521	340,239	27,425,963	71,821,996
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred Pension Contributions	5,224,304	157,801	-	5,382,105	-
Deferred Pension Assumptions and Earnings	3,211,674	97,009	-	3,308,683	-
Deferred OPEB Contributions	137,936	3,151	-	141,087	-
Deferred OPEB Outflows	268,653	6,137	-	274,790	-
Total Deferred Outflows of Resources	8,842,567	264,098	-	9,106,665	-
Total Assets and Deferred Outflows of Resources	\$ 35,790,770	\$ 401,619	\$ 340,239	\$ 36,532,628	\$ 71,821,996
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 2,669,143	\$ 67,771	\$ -	\$ 2,736,914	\$ 11,960,925
Accrued Salaries and Benefits Payable	830,574	22,137	-	852,711	-
Termination Compensation Payable	161,680	-	-	161,680	-
Due to Other Funds	-	30,559	126,167	156,726	-
Incurred But Not Reported Claims	-	-	-	-	16,525,000
Total Current Liabilities	3,661,397	120,467	126,167	3,908,031	28,485,925
Noncurrent Liabilities:					
Termination Compensation Payable	2,071,838	104,341	-	2,176,179	-
Net Pension Liability	51,678,125	1,560,946	-	53,239,071	-
Net OPEB Liability	2,467,263	56,364	-	2,523,627	-
Total Noncurrent Liabilities	56,217,226	1,721,651	-	57,938,877	-
Total Liabilities	59,878,623	1,842,118	126,167	61,846,908	28,485,925
DEFERRED INFLOWS OF RESOURCES:					
Deferred Pension	2,383,733	72,284	-	2,456,017	-
Deferred OPEB	93,250	2,129	-	95,379	-
Total Deferred Inflows of Resources	2,476,983	74,413	-	2,551,396	-
NET POSITION					
Net Investment in Capital Assets	3,338,431	52,742	-	3,391,173	-
Restricted for Healthcare Claims	-	-	-	-	9,500,000
Unrestricted (Deficit)	(29,903,267)	(1,567,654)	214,072	(31,256,849)	33,836,071
Total Net Position (Deficit)	(26,564,836)	(1,514,912)	214,072	(27,865,676)	43,336,071
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 35,790,770	\$ 401,619	\$ 340,239	\$ 36,532,628	\$ 71,821,996

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

School District of Philadelphia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Fund				Internal Service Funds
	Food Service Major	Print Shop Non Major	Use of Facilities Non Major	Total	
Operating Revenues:					
Food Service Revenue	\$ 44,578	\$ -	\$ -	\$ 44,578	\$ -
Sale of Printing Services	-	871,380	-	871,380	-
Rental of Facilities	-	-	779,250	779,250	286,957
Contributions for Services	-	-	-	-	180,997,458
Total Operating Revenues	44,578	871,380	779,250	1,695,208	181,284,415
Operating Expenses:					
Salaries	21,314,790	499,471	429,562	22,243,823	651,154
Employee Benefits	19,108,842	402,658	182,718	19,694,218	387,388
Other Purchased Service - Food	40,190,039	-	-	40,190,039	-
Benefit Payments	-	-	-	-	165,730,517
Depreciation	457,250	5,453	-	462,703	-
Other Operating Expenses	6,384,851	463,920	185,167	7,033,938	5,567,994
Total Operating Expenses	87,455,772	1,371,502	797,447	89,624,721	172,337,053
Operating Income/(Loss)	(87,411,194)	(500,122)	(18,197)	(87,929,513)	8,947,362
Non-Operating Revenues/(Expenses):					
Federal and State Grants	77,109,435	154,846	101,222	77,365,503	36,921
Loss on Sale of Capital Assets	(7,512)	-	-	(7,512)	-
Income (loss) Before Contributions and Transfers	(10,309,271)	(345,276)	83,025	(10,571,522)	8,984,283
Transfers In/(Out)	(289,458)	345,276	-	55,818	-
Change in Net Position	(10,598,729)	-	83,025	(10,515,704)	8,984,283
Total Net Position (Deficit) July 1, 2019	(15,966,107)	(1,514,912)	131,047	(17,349,972)	34,351,788
Total Net Position (Deficit) June 30, 2020	\$ (26,564,836)	\$ (1,514,912)	\$ 214,072	\$ (27,865,676)	\$ 43,336,071

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

School District of Philadelphia
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	Enterprise Fund				Internal Service Funds
	Food Service Major	Print Shop Non Major	Use of Facilities Non Major	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Users	\$ 44,578	\$ 871,380	\$ 829,416	\$ 1,745,374	\$ 181,284,415
Cash Payments to Employees for Services	(39,557,312)	(866,453)	(612,280)	(41,036,045)	(1,038,542)
Cash Payments to Suppliers for Goods and Services	(33,584,429)	-	-	(33,584,429)	(168,396,676)
Cash Payments for Other Operating Expenses	(6,384,851)	(447,124)	(185,167)	(7,017,142)	(5,567,994)
Net Cash (Used)/Provided by Operating Activities	(79,482,014)	(442,197)	31,969	(79,892,242)	6,281,203
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments to/Advances from Other Funds	-	(57,925)	(150,228)	(208,153)	-
State Sources	9,009,587	154,846	118,259	9,282,692	26,444
Federal Sources	60,037,610	-	-	60,037,610	-
Transfers In/(Out)	(289,458)	345,276	-	55,818	-
Net Cash Provided by Non-Capital Financing Activities	68,757,739	442,197	(31,969)	69,167,967	26,444
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Facilities Acquisition, Construction, Improvements	(508,084)	-	-	(508,084)	-
Net Cash Used by Capital and Related Financing Activities	(508,084)	-	-	(508,084)	-
Net (Decrease)/Increase in Cash and Cash Equivalents	(11,232,359)	-	-	(11,232,359)	6,307,647
Cash and Cash Equivalents July 1, 2019	28,772,056	-	-	28,772,056	56,003,872
Cash and Cash Equivalents June 30, 2020	\$ 17,539,697	\$ -	\$ -	\$ 17,539,697	\$ 62,311,519
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (87,411,194)	\$ (500,122)	\$ (18,197)	\$ (87,929,513)	\$ 8,947,362
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	457,250	5,453	-	462,703	-
Donated Food Commodities	6,032,366	-	-	6,032,366	-
(Increase)/Decrease in Accounts Receivable	(1,394,193)	-	50,166	(1,344,027)	-
(Increase) in Due From Other Governments	-	(14,326)	-	(14,326)	-
Decrease/(Increase) in Inventories	209,222	(3,953)	-	205,269	-
Increase/(Decrease) in Accounts Payable	1,758,215	35,073	-	1,793,288	(2,009,159)
Increase in Accrued Salaries and Benefits Payable	238,166	6,672	-	244,838	-
Increase in Termination Compensation Payable	167,983	15,226	-	183,209	-
(Increase) in Deferred Pension Contributions	(282,247)	(8,524)	-	(290,771)	-
Decrease in Deferred Pension Assumptions and Earnings	2,128,301	64,286	-	2,192,587	-
(Increase) in Deferred OPEB Contributions	(5,492)	(125)	-	(5,617)	-
(Increase) in Deferred OPEB Outflows	(5,224)	(120)	-	(5,344)	-
(Decrease) in Net Pension Liability	(1,842,757)	(55,662)	-	(1,898,419)	-
Increase in Net OPEB Liability	26,130	597	-	26,727	-
Increase in Deferred Pension Inflows	440,721	13,312	-	454,033	-
Increase in Deferred OPEB Inflows	739	16	-	755	-
(Decrease) in Incurred But Not Reported Claims	-	-	-	-	(657,000)
Total Adjustments	7,929,180	57,925	50,166	8,037,271	(2,666,159)
Net Cash (Used) Provided by Operating Activities	\$ (79,482,014)	\$ (442,197)	\$ 31,969	\$ (79,892,242)	\$ 6,281,203
Non cash items:					
Federal and State Grant revenue not yet received	\$ 4,132,657	\$ 45,565	\$ 2,239	4,180,461	\$ 10,477
Donated Commodities	6,032,366	-	-	6,032,366	-

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

School District of Philadelphia
Statement of Net Position
Fiduciary Funds
June 30, 2020

	Private - Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 5,098,624
Equity in Pooled Cash and Investments	728,463	115,072,151
Investments	200,013	-
Accounts Receivable	42	111,981
Total Assets	928,518	120,282,756
 LIABILITIES		
Payroll Deductions and Withholdings	-	113,839,676
Due to Student Activities	-	5,098,624
Other Liabilities	-	1,344,456
Total Liabilities	-	120,282,756
 NET POSITION		
Held in Trust for Various Purposes	\$ 928,518	\$ -

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

School District of Philadelphia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

		Private Purpose Trust Funds
ADDITIONS		
Gifts and Contributions	\$	423,700
Interest Received		10,629
Total Additions		434,329
DEDUCTIONS		
Scholarships Awarded		423,700
Total Deductions		423,700
Change in Net Position		10,629
Net Position July 1, 2019		917,889
Net Position June 30, 2020	\$	928,518

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

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SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

These notes are an integral part of the basic financial statements and include a summary of accounting policies and practices and other information considered necessary to ensure a clear understanding of the statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and practices of the School District of Philadelphia (the "School District"), as reflected in the accompanying financial statements for the Fiscal Year that ended June 30, 2020, conform to Generally Accepted Accounting Principles ("GAAP") for local government units as prescribed by the Governmental Accounting Standards Board (the "GASB").

The most significant accounting policies are summarized below:

A. Reporting Entity

The accounting and reporting policies of the School District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standard Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental and Financial Reporting Standards (GASB Codification). The School District has adopted all GASB Statements through No. 90 as required.

The School District is the largest school district in the Commonwealth of Pennsylvania (the "Commonwealth") and the tenth largest public educational system in the United States according to student enrollment data. In Fiscal Year 2020, the School District served over 204,500 students, including those in Charter and Alternative Schools, as well as employed over 20,000 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the "City"). The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the state Constitution to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

As such, the School District is a separate and independent home rule school district of the first class formally established by the Philadelphia Home Rule Charter (the "Charter") in December of 1965. The Philadelphia Home Rule Charter Act, P.L. 643 (the "Act") expressly limits the powers of the City by prohibiting the City from, among other things, assuming the debt of the School District or enacting legislation regulating public education and its administration except only to set tax rates for school purposes as authorized by the General Assembly of the Commonwealth. Although the School District is an independent legal entity, it is considered to be a component unit of the City for reporting purposes only and is included in the City of Philadelphia's Comprehensive Annual Financial Report (the "CAFR").

Effective December 2001, in a cooperative effort with the City to address the School District's financial needs, the Commonwealth assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949. Shortly thereafter the Commonwealth assumed governance, a five-member School Reform Commission (the "SRC") was established. The SRC exercised all powers and had all duties of the original Board of Education through June 30, 2018. The Governor of Pennsylvania appointed the chairman and two other members of the SRC while the Mayor of the City of Philadelphia appointed the remaining two members. The five-member commission performed its fiscal oversight responsibility for the Philadelphia public school system through the Fiscal Year 2018 reporting period. The SRC delegated all its duties to a local nine-member Board of Education appointed by the Mayor of Philadelphia beginning July 1, 2018, which is the structure currently in place.

Prior to the formation of the SRC, the School District implemented a new management structure where a Chief Executive Officer (the "CEO") was appointed in lieu of a "Superintendent" effective November 1, 2000. Although the CEO performs all duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the "School Code") and serves as the Secretary and Treasurer of the Governing Body of the School District, the new designation was designed to provide the Governing Body with more freedom and to avoid being constrained to select a traditional "academic scholar" ignoring the business experience that is equally necessary for such a large school district. In addition, the new administrative and management structure of the School District recognized the enormity of the job of a CEO of a large, urban public school system and successfully sought to implement a more corporate accountability structure and team management approach to ensure that the School District would accomplish specific objectives and overall goals.

The organizational structure at June 30, 2020 included a Superintendent/CEO, Chief of Staff, General Counsel, Philadelphia Police Department Liaison, Chief Financial Officer, Chief Academic Supports Officer, Chief Student Support Services Officer, Chief of Schools, Chief Talent Officer, Chief Operations Officer, Chief of Information Technology Officer, Chief of Communication and External Relations Officer, Chief of Evaluation, Research and Accountability Officer, Strategic Partnerships Office, Grants Development Office, Strategy Delivery Office, Inspector General, Internal Audit Office, School Improvement and Innovation Office, and Charter Schools Office. The Charter Schools Office, Inspector General and Internal Audit reported to the Board of Education during Fiscal Year 2020. General Counsel had a dual reporting relationship to the Superintendent/CEO and School Board. All other Chiefs and Offices report directly to the Superintendent/CEO.

The Superintendent/CEO is responsible for the general supervision of all business affairs of the School District, the furnishing of all reports to the Department of Education of the Commonwealth and other matters prescribed by the School Code, as amended. As Treasurer, the Superintendent/CEO receives all Commonwealth appropriations, School District taxes and other monies of the School

District; makes payments on orders approved by the Governing Body; and is responsible for the investment of School District funds. Under this management structure, the Superintendent/CEO still performs the duties of the Superintendent of Schools under the Charter, including the pre-audit duties and functions of the school controller.

Moreover, the School District also serves as the agent for the Intermediate Unit No. 26 (the "IU"); a separate entity established by the Commonwealth to provide special education and special education transportation. Similar to the School District, the Board of Education also constitutes the Board of Directors of the IU; the boundaries of the IU are coterminous with those of the City and School District. The School District performs all IU services, pursuant to contracts between the two. As required by GAAP, the financial statements of the IU have been included in the School District's reporting entity as a blended component unit. The IU is included in the School District's reporting entity because of the significance of the operating relationship the IU has with the School District.

B. District-Wide and Fund Financial Statements

"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" establishes requirements and a reporting model for the annual financial reports of state and local governments. This statement was specifically developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions.

The financial reporting model includes a requirement that the financial statements are accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of Management's Discussion and Analysis ("MD&A"). This analysis is similar to the analysis that private sector entities provide in their annual reports and is Required Supplementary Information (the "RSI"). The basic financial statements include both District-wide (based on the School District as a whole) and fund financial statements. District-wide and fund financial statements categorize primary activities as either governmental or business-type. Required supplementary information other than MD&A, including the required budgetary comparison information, are presented immediately following the notes to the financial statements.

Management's Discussion & Analysis – MD&A discusses the current-year results in comparison with the prior year, with emphasis on the current year. The MD&A is a fact-based analysis discussing the positive and negative aspects of the comparison with the prior year. It uses charts, graphs, and tables to enhance the understandability of the information. The MD&A analyzes overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. It presents the information needed to support this analysis of financial position and results of operations required.

More specifically, the MD&A analyzes: (1) the balances and transactions of individual funds; and (2) any significant variations between original and final budget amounts and between final budget amounts and actual results for the general fund. The MD&A also describes: (1) any significant capital assets and long-term debt activity that occurred during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services; and (2) any currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

District-Wide Financial Statements – The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) are prepared using full accrual accounting for all of the government's activities. This approach includes not only current assets and liabilities (such as cash and accounts payable), but also capital assets, deferred outflows of resources, long-term liabilities, and deferred inflows of resources.

Accrual accounting also reports all of the revenues and costs associated with providing such services each year, not just those received or paid in the current fiscal year or soon thereafter. Fiduciary funds are not included in District-wide financial statements.

Statement of Net Position – The Statement of Net Position is designed to present the financial position of the primary government. The School District reports all capital assets in the District-wide Statement of Net Position and reports depreciation expenses – the cost of "using up" capital assets – in the Statement of Activities. The net position of the School District is presented in three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. In the District-wide Statement of Net Position, activities' for assets, deferred inflow/outflow of resources, and liabilities: (a) are presented on a consolidated basis; and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term obligations.

Statement of Activities – The Statement of Activities presents expenses and revenues in a format that focuses on the cost of each function to the School District. The expense of individual functions is compared to the revenue generated by the function (for instance, through user charges or governmental grants). These directly matched revenues are called program revenues. This format enables the District-wide Statement of Activities to reflect both the gross and net cost per functional category (instruction, student support services, pupil transportation, etc.) that are otherwise being supported by general government revenues.

Program revenues must be directly associated with a function and are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects only capital-specific grants. Multi-purpose grants and other items not properly included among program revenues are reported as general revenues. Direct expenses are considered those that are clearly identifiable with a specific function. The School District allocates indirect expenses to their applicable functions.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the School District are organized by fund types. Each fund is considered to be an independent fiscal and separate accounting entity with a self-balancing set of accounts recording cash and/or other financial resources, together with all related liabilities and residual equities of balances and changes therein. Each fund is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. A reconciliation is also presented which briefly explains adjustments necessary to reconcile the fund financial statements to the governmental activities column of the District-wide financial statements.

The School District's fiduciary funds are presented in the fund financial statements as well. Since by definition, these assets are held for the benefit of a third party and cannot be used to address activities or other obligations of the School District, these funds are not incorporated into the District-wide financial statements.

There are three major fund types presented in this report. A brief description of each is summarized below:

- (1) Governmental Fund Types - These are the funds through which most costs of district functions are typically paid for or financed. The funds included in this category are:
 - (a) General Fund - the principal operating fund of the School District; accounts for and reports all financial resources not accounted for and reported in another fund.
 - (b) Special Revenue Funds – these funds account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. Special Revenue funds include:
 - (i) Intermediate Unit Fund - used to account for State appropriations for special education as well as certain administrative costs to IU No. 26, a blended component unit of the School District, therefore it does not issue its own financial statements;
 - (ii) Categorical Funds - used to account for specific purpose Federal, State, City or Private grants and non-public school services;
 - (iii) Trust Funds – used to account for funds where both principal and earnings may be used to support School District programs that benefit either the district itself or its students.
 - (c) Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
 - (d) Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
 - (e) Permanent Fund - 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 District programs that benefit the District or its students.
- (2) Proprietary Fund Types - These are funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The funds included in this category are:
 - (a) Enterprise Fund
 - (i) Food Service - used to account for the operation of the Food Service Division; and
 - (ii) Print Shop - used to account for the operation of the Print Shop and outsourced reproduction of materials for printing and copy services provided to various School District divisions and third-parties.
 - (iii) Use of Facilities – External – used to account for short-term third party rental charges for the use of the School District's buildings and facilities.
 - (b) Internal Service Fund
 - (i) Self-Insurance – used to account for the self-insured health benefits provided to employees.
 - (ii) Use of Facilities Fund - Internal – used to account for the short-term internal rental charges for the use of the School District's buildings and facilities.
- (3) Fiduciary Fund Types - These funds account for assets held by the School District as a trustee or agent for individuals, private organizations and/or other governmental units. The funds included in this category are:
 - (a) Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments, most of which are through scholarships and awards; and
 - (b) Agency Funds - used to account for assets held by the School District as trustee or agent for others. On June 30, 2020, the School District administered the Payroll Liabilities, Student Activities and Unclaimed Monies Funds.

During the course of operations the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column on the Statement of Net Position. Similarly, balances between the funds included in business-type activities (enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column of the Statement of Net Position.

The School District reports the General, Intermediate Unit (a blended component unit), Categorical, Debt Service, Capital Projects, and the Food Service Enterprise Fund as its major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment of transactions or events is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting similar to that used for Proprietary and Private Purpose Trust Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Agency Funds report only assets and liabilities and therefore do not have a measurement focus. Agency Funds, however, use the accrual basis of accounting that recognizes both receivables and payables.

Non-exchange transactions represent activities where the School District either gives or receives value without directly receiving or giving equal value in exchange and includes grants and donations. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements are satisfied.

It is the School District's policy to first use restricted assets for expenses incurred for which restricted and unrestricted assets are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This type of presentation focuses on the determination of and changes in financial position, and generally only current assets and current liabilities are included on the balance sheet.

Revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period, or soon thereafter, to pay liabilities of the current fiscal period. For this purpose, the School District considers revenues to be available for the General Fund if they are collected within 60 days of the end of the current fiscal period or beyond the normal time of receipt because of highly unusual circumstances and within 90 days of the current fiscal period for Categorical Funds.

Revenues from grants and donations, however, are recognized in the fiscal year in which all eligibility requirements were satisfied and the resources are available. Expenditures generally are recorded when a liability is incurred as required by accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Local taxes, such as liquor by the drink, school income and business use and occupancy, associated with the current fiscal period are recognized when the underlying exchange transaction has occurred and the resources are available. Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District receives the vast majority of its revenues from governmental entities. These revenues primarily come in the form of state subsidies (gross instruction, special education and transportation, retirement and social security reimbursement etc.), local taxes (real estate, school income, use and occupancy, liquor sales etc.), federal and state grants and non-tax revenues (City contributions, Parking contributions etc.)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges rendered; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenues include all taxes. Indirect costs, such as depreciation, are allocated as specific program expenses.

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 principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund (Food Service, Print Shop and Use of Facilities - External) and Internal Service Fund (Healthcare Self-Insurance and Use of Facilities - Internal) reflect charges for sales and services. Operating expenses for these funds include the costs of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

(1) Cash, Investments and Investments with Fiscal Agents

Cash and cash equivalents include currency on hand, deposits, short-term highly liquid investments, and investments with original maturities of three months or less from the date of acquisition. State statutes require the School District to invest

in obligations of the United States Treasury and Commonwealth and/or collateralized repurchase agreements.

Certain assets set aside for current and future repayment of debt principal and interest are classified as Cash and Investments with Fiscal Agent on both the Statement of Net Position and the Balance Sheet. These assets are maintained in separate bank accounts and their use is limited by applicable bond covenants. The District reports these investments at cost, which approximates fair value.

Non-participating investment contracts or, more generally, certificates of deposit and repurchase agreements are reported at cost, which approximates fair value. Investments under Pennsylvania Local Government Investment Trust (PLGIT) pool money market accounts are valued at amortized cost, investments under managed PLGIT investment accounts are valued at market value.

(2) Real Estate Taxes

Ad valorem real estate tax revenues are recognized in the period for which they are levied except that they shall not be recognized unless they are collected within the current fiscal year or expected to be collected within sixty days after the end of the current fiscal year.

The real estate tax in Philadelphia is based on a calendar year basis. For fiscal year 2020, the tax rate was 13.998 mills. Of the 13.998 mills, 7.681 mills were for public school purposes.

Although assessments are certified and taxes are levied on January 1st, taxes are not due and payable until March 31st of each calendar year. Interest and penalties accrue at the rate of 1.5 percent per month beginning April 1st. Unpaid taxes are considered delinquent the following January 1st and are then subject to lien. The City has established real estate investment and improvement programs that abate, for limited periods, tax increases that result from higher assessments for improved properties or are otherwise known as "tax abatements," and typically forgive tax increases for up to ten (10) years. See Footnote 4C Tax Abatements for details.

(3) Due from Other Governments

This refers to amounts due from Federal, State, City and Grantors for entitlements, subsidies, taxes, and grants. It represents primarily receivables for (1) retirement, FICA, transportation, and special education revenue recognized for current year expenditures and (2) grant revenues are recognized when all the applicable eligibility requirements are met and the resources are available.

(4) Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To/From Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the District-wide financial statements as "internal balances."

(5) Inventories

Inventories in the General Fund are valued at an average cost of \$0.4 million. Included are expendable supplies of \$0.2 million held for consumption by the Maintenance Department and Warehouse furniture and forms of \$0.2 million. The cost is recorded as an expenditure at the time expendable inventories are purchased and as an expense at the time the warehouse inventories are issued. The District reports non expendable inventory along with the expendable supplies as an offset to the non-spendable fund balance reserve, which indicates that, although they are a component of net current position, they do not constitute available resources.

Food Service inventories include \$0.4 million donated by the Federal Government which is valued at cost or estimated value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and will be expensed when used.

Print Shop inventories are valued at last unit cost and are expensed as they are consumed.

(6) Restricted Assets

Certain proceeds of the Debt Service Fund, i.e. bonds, resources set-aside for their repayment, and funds held in escrow for refunding and defeasement, are classified as restricted assets and are not included on the balance sheet. They are maintained under separate accounts and their use is limited by applicable bond covenants.

Restricted amounts reported as cash, cash equivalents, investments and funds on deposit represent bond proceeds set-aside for capital project purposes and working capital associated with employee healthcare self-insurance.

(7) Artwork

Collections of art and historical treasures (artwork) meet the definition of a capital asset and normally should be reported in the financial statements at the lower of cost or market value at the time of donation. Due to the immateriality of the artwork held by the District, no artwork is reported in the Statement of Net Position.

(8) Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of at least \$500 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated acquisition value as of the date donated. The costs associated with the normal maintenance and repair of capital assets that do not add to the value of the asset or materially extend its useful life, are not capitalized.

The School District capitalizes intangible assets internally generated software applications and modifications to existing internally generated software applications as well as purchased software and modifications.

Land, Construction in Progress and Development in Progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	10-30
Equipment	5-20
Vehicles	8-10
Office equipment	10
Computer equipment	5
Intangibles	10

Capital assets acquired or constructed for governmental fund purposes are recorded as expenditures in the fund incurring the obligation and are capitalized at cost in the District-wide Statement of Net Position.

Proprietary Fund equipment acquisitions are capitalized in the appropriate fund and depreciated over 5 to 20 years in the Enterprise or Internal Service Funds also using the straight-line method.

With regards to sale of School District real property, on August 15, 2013, School Reform Commission (“SRC”) suspended that portion of Section 707(3) of the Public School Code (the “School Code”) requiring court approval of any private sale and the portion of Section 7-709 of the School Code which provides that the School District may lease unused and unnecessary lands and buildings for any lawful purpose other than educational use, by suspending the limitations on leasing for educational use.

Since only Section 707(3) of the School Code had been suspended, the remaining provisions of Section 707, including a provision which requires the School District to use the proceeds from the sale of property only for the payment of debt service or for capital projects remained in effect.

By suspending portions of the School Code, the District is allowed to use sales proceeds for operating purposes after all callable bonds on the property are defeased, the funds are set aside for capital purposes in an amount equal to the non-callable bonds, and transaction costs are paid.

(9) Unearned Revenues

Unearned revenues represent monies received in advance of being earned. Unearned revenues are reported on the Balance Sheet, Governmental Funds for the Categorical Fund and Capital Projects Fund. For both these Funds, unearned revenue represents grant funds received prior to expenditure and prior to meeting all eligibility requirements. As of June 30, 2020, the Categorical Funds reported unearned revenue of \$24.8 million while the Capital Projects Fund reported \$0.3 million.

(10) Insurance

A self-funded, self-insured medical plan was implemented in Fiscal Year 2011. The District’s actuary concluded that, if implemented well, a self-funded self-insured plan would mitigate the level of annual increases the District would experience in medical costs. The School District’s experience since its full implementation beginning with Fiscal Year 2012 to-date supports the actuarial conclusion that we are managing these costs better.

The School District is also 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 per occurrence with a limit of \$25.0 million. The School District purchases certain other insurance as well. For instance, the School District maintains property insurance to cover losses related to damage sustained from Windstorm, Fire, Flood and Earthquake. The general policy deductible is \$1.0 million. With the perils of Windstorm, Flood & Earthquake subject to a \$1.0 million deductible. The policy is subject to a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Certain insurance coverages, including employee performance bonds, student accident and employee dishonesty bonds, are also procured regularly. Medical self-insured benefits, unemployment and workers’ compensation coverage are funded by pro-rata charges to each fund, while the cost of weekly indemnity coverage is shared by the School District and some covered employees.

Liabilities expected to be liquidated with available resources are shown as accrued expenditures in the General Fund. Amounts expected to be paid from future years’ resources are shown in the District-wide Statement of Net Position.

(11) Compensated Absences

It is School District policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District accrued a liability for these benefits in the District-wide Statement of Net Position if they have matured (i.e. unused reimbursable leave) and reports a liability for these amounts in the governmental funds for employees who have resigned or retired as of June 30th. Employees that resign or retire prior to the end of June receive a prorated amount of the leave accrued in the year of termination. The School District's leave policy is as follows:

- (a) Vacation and Personal Leave – Vacation and personal leave may be used or accumulated within certain limits until paid upon retirement or termination at the rate of pay at the time of separation for each employee. Upon retirement or termination, such employees are paid for 100% of unused vacation and personal leave days.
 - (1) School District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary depending on length of service or job classification. Unused vacation days are paid at the actual daily earning rate of the employee, depending on time of hire.
 - (2) In addition, almost all School District employees are entitled to three days of personal leave annually. The daily rate at which personal leave days are paid is determined by length of service and dividing the employee's annual salary which is based on determined personal leave value in accordance with labor agreements. The District determines each employee's daily earnings rate of pay for unused personal days at time of separation by "leave day value" labor agreements. There will be an adjustment to the personal leave balance of any employee absent on Wage Continuation more than 22 days during their tenure.
- (b) Sick Leave – Most School District employees are credited with 10 days of sick leave annually with no limitation on accumulation. Upon retirement or termination, such employees are paid 25% of the value of their accumulated sick leave balance at the rate of pay at the time of separation. The District determines each employee's rate of pay for unused sick days at time of separation by "leave day value" labor agreements.
- (c) The School District of Philadelphia 403 (b) Plan and 457 (b) Deferred Compensation Plan – The School District implemented The School District of Philadelphia 403(b) Plan ("403(b) Plan") and The School District of Philadelphia 457(b) Deferred Compensation Plan (the "457(b) Plan") (collectively, the 403(b) Plan and the 457(b) Plan shall be known as the "Plans") in fiscal years 2005 and 2006. Termination pay is the accrued and unpaid amounts of vacation, personal and sick leave for a resigning or retiring employee. For employees retiring or resigning during or after the calendar year in which they attain age 55, the School District 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. Termination pay contributions to the 403(b) Plan are treated 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 School District has withheld FICA taxes from its termination payments made to the 457(b) Plan. Employer contributions to the 457(b) Plan are not subject to Pennsylvania Personal Income Tax or Philadelphia Wage Tax. For that reason, the School District has not withheld those taxes from its termination pay contributions to the 457(b) Plan.

(12) Long-Term Obligations

In the District-wide financial statements and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, prepaid bond insurance premium costs and refunding charges are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported separately from the applicable bond premium or discount while prepaid bond insurance premium costs are reported as assets and deferred refunding charges are reported as deferred outflows of resources or inflows of resources on the Statement of Net Position.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current fiscal period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as net adjustments against gross proceeds under the applicable fund. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. All payments made from sources other than refunding bonds proceeds are also reported as expenditures.

(13) Other Postemployment Benefits

The GASB requires that state and local governments recognize and record the actuarially determined total OPEB and net OPEB liability or, for multi-employer cost sharing plans, the entity's share of the net OPEB liability in the entity's financial statements.

Life Insurance Benefits OPEB:

- (a) The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. For this purpose, benefit payments are recognized, when the District pays for OPEB expense on a pay-as-you-go-basis. The District's contributions equal the premiums paid for the retirees' life insurance coverage. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees and disabled employees.

- (b) For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB life insurance liability, OPEB expense, and additions to/deductions have been actuarially determined. These include portions of changes related to differences between expected and actual experience, changes in assumptions, and to differences between expected and actual earnings on plan investments.

PSERS OPEB:

- (a) For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- (b) General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contributions rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 1/2 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

- (c) Pension Plan description: (See Note 1D (14) (b) below for details).
- (d) Benefits provided: Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefits increases to participating eligible retirees.
- (e) Employer's Contributions: The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2020 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS OPEB plan from the School District were \$9.1 million for the year ended June 30, 2020.

(14) Pensions

- (a) For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- (b) General Information about the Pension Plan

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

Benefits provided: PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class

T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class TE rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer's Contributions:

The School District of Philadelphia' contractually required contribution rate for fiscal year ended June 30, 2020 was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District made a combined total of \$361.0 million to PSERS and VOYA (the sponsor of the Defined Contribution vendor) for the year ended June 30, 2020.

Commonwealth Contributions:

The Commonwealth reimburses the School District 50 percent of the retirement cost for employees hired prior to July 1, 1994 and a percentage equal to the greater of 50 percent or the School District's market value/personal income aid ratio for employees hired after June 30, 1994. The School District's market/personal income aid ratio for Fiscal Year 2020 was 72.09%.

(15) Deferred Outflows and Inflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are: (1) deferred refunding charges losses and (2) deferred pension and OPEB related transactions. Deferred refunding charges losses result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt as a deduction against the related outstanding long-term debt. Deferred pension and OPEB related transactions involve (a) the difference between PSERS contributions made by the School District during the measurement date and subsequent to the measurement, (b) changes of assumption, and (c) net difference between projected and actual investment earnings.

In addition, to liabilities, the Balance Sheet, Governmental Funds, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of a net

position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. As such, the item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from two major sources: taxes and categorical grants.

In the General Fund, deferred inflows of resources relate principally to property tax receivables, which were levied in the current and prior years, but will not be available to pay liabilities of the current fiscal period. Deferred inflows of resources for unavailable categorical grant revenue is reported under (1) Categorical Funds and (2) Capital Projects Fund. These unavailable categorical revenues represent grant funds which were earned but for which resources are not considered to be available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition, the School District's Statement of Net Position has two deferred inflows of resource types of items that qualify for reporting in this category. They are: (1) deferred refunding charges gains and (2) changes in the net pension and OPEB liability. Deferred refunding charges gains result from the difference in the carrying value of refunded debt and its reacquisition price. Deferred refunding charges gains are deferred and amortized over the shorter of the life of the refunded or refunding debt as an addition to the related outstanding long-term debt. The other item, changes in the net pension and OPEB liability consist of (a) differences between expected and actual experience, (b) changes in proportion, and (c) difference between employer contributions and proportionate share of total contributions.

(16) Fund Equity

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balance amounts.

- (a) Nonspendable Fund Balance: The nonspendable fund balance classification 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 "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.
- (b) Restricted Fund Balance: The restricted fund balance classification includes amounts when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) Imposed by law through constitutional provisions or enabling legislation.
- (c) Committed Fund Balance: The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action item of the Board of Education (The Board). Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by resolution. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- (d) Assigned Fund Balance: The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Currently only the Board itself can assign fund balance. If the Board delegates the authority it can only be done through a resolution and may be delegated to (a) a budget committee, (b) finance committee, or (c) a specific School District official.
- (e) Unassigned Fund Balance: The unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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 other categories except for the nonspendable fund balance, the order of use shall be 1) committed balances, 2) assigned amounts 3) unassigned amounts.

(17) Comparative Data

Comparative data from Fiscal Year 2019 is provided as a key element of the MD&A section of this report to better enhance the analysis and comprehension of financial data of the current fiscal period.

2. **RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

A. **Explanation of Certain Differences between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position* -

governmental activities as reported in the District-wide Statement of Net Position. When capital assets (i.e., land, buildings and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets is reported as expenditures in governmental funds. However, the Statement of Net Position includes capital assets among the assets of the School District as a whole.

Cost of Capital Assets	\$ 3,891,565,158
Accumulated Depreciation	<u>(1,982,172,090)</u>
Net Cost of Capital Assets	<u>\$ 1,909,393,068</u>

Other long-term assets are not available to pay for current period expenditures and, therefore are reported as unavailable revenue in the governmental funds.

Unavailable Tax Revenue	\$ 110,807,488
Unavailable Accounts Receivable Revenue	1,176,278
Unavailable Grant Revenue	<u>31,893,402</u>

<i>Total Adjustment of Other Assets</i>	<u>\$ 143,877,168</u>
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Another element of that reconciliation explains that "Long-term liabilities, including bonds payable, are not due and payable in the current fiscal period and therefore are not reported as liabilities in the governmental funds." The details of the (\$7,627,206,344) difference are as follows:

Bonds Payable	\$ (3,277,870,000)
Deduct: Discount on Bonds Payable	1,444,895
Deduct: Prepaid Bond Insurance Premium Cost	7,325,524
Add: Premium on Bonds Payable	(271,385,775)
Bond Interest Payable	(41,998,801)
Funds due to Other Governments	(45,278,566)
Workers' Compensation Payable	(97,274,198)
Unemployment Compensation Payable	(2,609,937)
Compensated Absences Payable	(194,631,887)
Claims and Judgments Payable	(9,920,000)
Arbitrage Payable	(54,833)
Life Insurance OPEB Liability	(16,870,466)
PSERS OPEB Liability	(159,843,372)
PSERS Pension Liability	<u>(3,518,238,928)</u>

<i>Net adjustment to reduce fund balance - total governmental funds - to arrive at net position governmental activities</i>	<u>\$ (7,627,206,344)</u>
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Deferred outflows are not current assets or financial resources and deferred inflows are not due and payable in the current period and therefore are not reported in the governmental funds.

Other Deferred Outflows/(Inflows) of Resources:

Net Deferred Outflows of Resources Pension Beginning Balance 7/1/2019	\$ 586,505,018
Change in OPEB	1,668,131
Contributions During the Measurement Period	(9,041,842)
Contributions Subsequent to Measurement Date	9,350,234
Current Year Amortization -Change in Assumption/Investment Earnings/Proportions	1,359,739
Change in Pension	(155,683,331)
Contributions During the Measurement Period	(336,454,455)
Contributions Subsequent to Measurement Date	355,669,791
Current Year Amortization - Proportions/Earnings	(174,898,667)
<i>Adjustment of Deferred Outflows/(Inflows) of Resources not available to pay for current period expenditures</i>	<u>\$ 432,489,818</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the District-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the District-wide Statement of Activities. One element of the reconciliation explains that “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.” The details of the \$126,728,091 difference are as follows:

Capital outlay	\$ 218,398,482
Depreciation expense	<u>(91,670,391)</u>
<i>Net adjustment to increase net changes in fund balances - total government funds - to arrive at changes in net position of governmental activities</i>	<u>\$ 126,728,091</u>

Another element of the reconciliation explains that “Governmental funds report capital purchases 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.” The District purchases additional capital items in its General and Categorical Funds which are offset by purchases from the Capital Fund that are not properly classified as capital purchases. The details of the (\$15,505,631) difference are as follows:

Capital Purchases	\$ 5,057,747
Capital Outlays - Non Capitalized Purchases	<u>(20,563,378)</u>
<i>Net Adjustment to decrease net changes in fund balance – total government funds – to arrive at changes in net position of governmental activities</i>	<u>\$ (15,505,631)</u>

Another element of that reconciliation states that “The net effect of miscellaneous transactions involving capital asset disposals and sales is an increase to net position.” The Statement of Activities reports losses and gains arising from the disposal and sale of capital assets. Conversely, governmental funds do not report any loss on the disposal or sale of capital assets. The details of this \$203,291 difference are as follows:

Gain on Donated Capital Assets	\$ 720,537
Loss on Disposal of Capital Assets	<u>(517,246)</u>
<i>Net adjustment to decrease net changes in fund balances - total government funds - to arrive at changes in net position of governmental activities</i>	<u>\$ 203,291</u>

Another element of that reconciliation states that “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.” The details of this \$5,212,917 difference are as follows:

Deferred Inflows of Resources - Unavailable Tax Revenue	\$ 22,747,931
Deferred Inflows of Resources - Unavailable Grant Revenue	(12,722,575)
Derivative Investment Revenue	(4,805,823)
Miscellaneous Revenue	<u>(6,616)</u>
<i>Net adjustment to decrease net changes in fund balances - total government funds - to arrive at changes in net position of governmental activities</i>	<u>\$ 5,212,917</u>

Another element of the reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.” Furthermore, certain costs of issuance are expenditures in the governmental funds, but are recognized as assets and amortized over the life of the bond in the Statement of Net Position. The details of this (\$410,598,446) difference are as follows:

Principal Repayment on Bonds	\$ 277,350,000
Principal Proceeds on New Bonds, net of Premiums and Discounts	(533,386,418)
Principal Repayment on Refunded Bonds	172,065,000
Principal Proceeds on Refunding Bonds, net of Premiums and Discounts	(350,937,565)
Principal Repayment on Authority Obligations	23,260,000
Prepaid Bond Insurance Costs	<u>1,050,537</u>
<i>Net effect of differences in the treatment of long-term debt</i>	<u>\$ (410,598,446)</u>

Another element of the reconciliation states that, "Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds." The details of the (\$49,060,206) difference are as follows:

Change in Compensated Absences	\$ (11,307,578)
Change in Workers' Compensation Payable	(2,045,850)
Change in Unemployment Compensation Payable	(593,251)
Change in Claims and Judgements Payable	(310,000)
Change in PSERS Pension Liability and Related Deferred Outflows and Inflows	(30,228,747)
Change in Net Accrued Bond Interest	(9,402,012)
Change in Prepaid Bond Insurance Premium Costs	(495,080)
Change in Bond Premium, Bond Discount, and Net Bond Refunding Losses	8,457,576
Change in OPEB Liability and Related Deferred Outflows and Inflows	(977,374)
Change in Prepaid Expenses	(2,114,101)
Change in Inventory Reserve	(43,789)
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<i>Net adjustment to increase net changes in fund balances - total government funds - to arrive at changes in net position of governmental activities</i>	<u><u>\$ (49,060,206)</u></u>

C. Explanation of Computation of Net Investment in Capital Assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds. The outstanding balance of bonds is adjusted to reflect bonds not capital related which include deficit financing debt (GOB Series 2012B, 2015D, 2019A SPSBA and 2019B SPSBA), termination pay financing (GOB Series 2015C), and stadium bond (GOB Series 2005D). The District also includes the effect of-capital related items when completing the calculation. These include unamortized prepaid bond insurance premium costs, unamortized bond premiums & discounts, deferred outflows of resources refunding losses, deferred inflows of resources refunding gains, and the cumulative year to date undercapitalized expenditures adjusted for expired expenditures to avoid the distortion of our calculation. In addition, all significant unspent related debt proceeds were included.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital Assets: Statement of Net Position (Excludes Internal Service Fund)	\$ 3,891,565,158	\$ 18,635,107
Less: Accumulated Depreciation	<u>(1,982,172,090)</u>	<u>(15,243,934)</u>
Net Capital Assets	\$ 1,909,393,068	\$ 3,391,173
Less: Outstanding Principal of Related Debt	\$ (3,277,870,000)	
Deduct: Outstanding Bonds not Capital Related	300,665,000	
Other Adjustments for Non-Capital Related Items	(196,515,816)	
Undercapitalized Expenditures - Cumulative Year-to-Date	390,598,048	
Adjustment for Undercapitalized Expenditures - Expired	(257,282,415)	
Unspent Bond Proceeds - Governmental Activities Only	<u>463,347,955</u>	
Net Adjusted Outstanding Bonds Related to Capital Assets	(2,577,057,228)	-
<i>Net Investment in Capital Assets</i>	<u><u>\$ (667,664,160)</u></u>	<u><u>\$ 3,391,173</u></u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

(1) General Budget Policies

As required by various legislative mandates, the School District is required to adopt both an operating budget and a capital budget for each fiscal year. The operating budget consists of the General Fund, the Intermediate Unit Fund and the Debt Service Fund. In the fall of each fiscal year, the Superintendent provides a status report to the Governing Body on the budget for the current Fiscal Year. Multi-year projections are also developed during the normal budget preparation process so that consideration of any changes in the current educational program can be discussed.

In the second quarter of each fiscal year, office leadership receives budget preparation materials in order to develop goals, objectives and priorities which are transposed into budget requests. All such requests are defined by items of expenditures referred to as "object classes." Completed budget requests are submitted to the Office of Management and Budget for review. All approved requests are incorporated into the "proposed operating budget."

In consultation with the Board of Education (Board), the Superintendent provides status reports on both budgets for the current Fiscal Year, the ensuing Fiscal Year, and multi-year projections before and after giving consideration to any changes in the current education program. The Board then must observe specific-timing requirements outlined in the Charter and described more fully as follows:

- a) At least sixty (60) days prior to adoption of the annual operating budget, the Board shall adopt and submit to the Mayor and Council a lump sum statement of anticipated receipts and expenditures for the next fiscal year.
- b) At least thirty (30) days prior to the end of the current fiscal year, the budget must be adopted;
- c) At least thirty (30) days prior to adoption, at least one public hearing must be held (no later than April 30th of each year); and
- d) At least thirty days prior to public hearings, notice must be given of hearing dates (no later than March 31st of each year). Also, copies of the proposed operating budget must be made available to all interested parties.

A statement of estimated receipts and expenditures is submitted to the Mayor of the City and the President of City Council on or before March 31st of each fiscal year. Since the School District has limited taxing power, the City Council must approve the continuance of, or changes in, the levy of local taxes for school purposes required to fund the estimated expenditures of the School District after taking into account the estimated revenues from the Commonwealth and the 7.681 mills of real estate taxes, adopted June 18, 2015, under the Ordinance of the Council of the City of Philadelphia.

If total estimated funds from all sources are insufficient to balance the budget, the Board must reduce anticipated expenditures to a level consistent with total available funds, as mandated by the Charter. The ensuing balanced budget becomes the adopted financial plan for the School District for the forthcoming fiscal year.

Control of the operating budget is exercised at the expenditure object class level within principal administrative units. Management is authorized to transfer budget amounts between personal services and employee benefits and among materials, supplies, books and equipment, expenditure classes and administrative units. These transfers do not require supplementary budgetary appropriations during the fiscal year. Unencumbered appropriations lapse at year-end.

The development of the capital budget and program is the principal responsibility of the Office of Capital Programs and represents that office's research and analyses as well as the priorities of both the Board and the Superintendent in consultation with representatives of the City Planning Commission. Due consideration is given to balancing physical needs and financial resources which may become available to fund capital improvements. A capital program detailing the division's plan for the ensuing five years, as well as a capital budget detailing the expenditure requirements of the first year of the capital program must be adopted by the Board no later than the date of the adoption of the annual operating budget. Implementation of the capital budget is contingent upon the receipt of proceeds of debt obligations of the School District or other resources made available for capital improvement purposes.

Control of the Capital Projects Fund budget is exercised at the major project and sub-project levels. Transfers between major projects must be approved by the Board. Unencumbered appropriations lapse at year-end although they may be included in the ensuing fiscal year's appropriations. Administrative control is maintained at the individual project level.

The Board is not required to adopt a budget for Categorical Funds. However, the Board does approve all contracts with funding agencies and budgetary control is exercised at the level prescribed by funding agency regulations and guidelines. Amendments to individual grants in the Categorical Funds budgets must be approved by funding agencies.

Enterprise Funds (Food Services, Print Shop and External Use of Facilities) and Internal Service Funds (Self Insurance and Internal Use of Facilities) budgets are not adopted; however, formal budgets are prepared and approved by management and expenses are controlled and monitored according to appropriate line items.

Likewise, Fiduciary Funds are not formally budgeted; however, each individual expenditure request is reviewed for compliance with legal provisions and for availability of funding.

(2) Encumbrance Accounting

Encumbrance accounting, by which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in governmental funds.

B. Fund Equity/Deficit Net Position

For governmental activities and business-type activities, the unrestricted net deficit amounts of \$3,900.0 million and \$31.3 million, respectively, include the effect of deferring the recognition of pension and other post-employment benefits contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension and other post-employment benefits liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

The operating funds, which consist of the General Fund, Intermediate Unit Fund, and Debt Service Fund, experienced a fund balance of \$275.2 million. This amount consists of a \$47.2 million fund balance in the General Fund, a \$227.5 million fund balance in the Debt Service Fund, and \$0.5 million fund balance in the Intermediate Unit Fund.

Categorical Funds experienced a deficit of \$22.1 million. The deficit in the Categorical Fund is due to deferring the recognition of revenue that was not collected during the fiscal year or collected soon after the end of the fiscal year to be available to pay the liabilities of the current fiscal period.

The Enterprise Funds had a net deficit amount of \$27.9 million. This deficit includes the effect of deferring the recognition of pension and other post-employment benefits contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District’s share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District’s share of the net pension liability. This is offset by the District’s actuarially determined pension and other post-employment benefits liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

4. **DETAILED NOTES ON ALL FUNDS AND ACCOUNTS**

A. **Cash and Investments**

(1) **General Information**

The School District’s cash and investments, including \$120.2 million held in agency funds, at June 30, 2020 are summarized as follows:

Cash and Cash Equivalents	\$ 45,477,766
Cash and Investments with Fiscal Agent	227,437,449
Equity in Pooled Cash and Investments	715,475,329
Cash Held by Escrow	2,000,000
Investments	144,900,366
Total Cash and Investments	<u>\$ 1,135,290,910</u>

The School District is authorized under section 440.1 of the Public School Code to invest in United States Treasury bills, short-term obligations of the United States government and its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States, obligations of the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth backed by full faith and credit of the Commonwealth or the political subdivision, money market funds of U.S. Treasury obligations, and collateralized repurchase agreements.

The School District’s investment policy is contained in a formal resolution of the SRC, namely SRC-1, adopted on October 5, 2011 and revised on June 15, 2017 under SRC Policy #609. It allows the District to invest School District funds consistent with Pennsylvania Public School Code Section 440.1. The resolution delineates the standards and specifications for banks and other institutions permitted to be used for investments/deposits of School District funds.

(2) **Cash Management Practices**

The average yield on all maturing investments during fiscal year 2020 was approximately 1.32% and total investment income was \$17.6 million. This was a \$1.7 million increase in total interest income over fiscal year 2019. The increase in investment income is due to the reclassification of certain investment revenues.

(3) **Investments**

As of June 30, 2020, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
First American US Treasury Class Portfolio (FOZXX)	\$ 193,238,560	0.003
Federal Home Loan Bank (FHLB)	11,068,805	0.501
U.S. Treasury Bills	1,035,469	0.001
U.S. T-Bond/Note	25,306,015	0.025
Commercial Paper	139,485,154	0.102

(a) *Interest Rate Risk* – The School District minimizes the effect changes in interest rates have on the fair value of investments by investing in obligations of the United States treasury and Commonwealth and/or collateralized repurchase agreements for sinking funds as of June 30, 2020 mature in one (1) day. Discounted Notes relating to forward purchase agreements purchased by the School District for sinking fund deposits are designed to mature in less than one year. U.S. Treasury Bills relating to forward purchase agreements purchased by the School District for sinking fund deposits mature in three months.

(b) *Credit Risk* - School District investments in collateral securities were rated as follows:

<u>Investment</u>	<u>Name</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Discounted Notes under BoA and Forward Purchase Agreements	Federal Home Loan Mortgage Corporation (FHLMC)	AAA	AA+	N/R*AAA
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio	PLGIT- Class - Money Market Mutual Fund	NR	AAAm	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio	PLGIT/PLUS - Class - Money Market Mutual Fund	NR	AAAm	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio	PLGIT/I - Class - Money Market Mutual Fund	NR	AAAm	N/R*
Pennsylvania Local Government Investment Trust/ PLGIT Portfolio Managed Accounts	Commercial Paper	P-1	A-1	N/R*
	Commercial Paper	P-1	A-1+	N/R*

N/R* dictates Not Rated

- (c) *Concentration of Credit Risk* - The School District does not restrict the amount of deposits made to any particular bank or any counterparty to a repurchase agreement.
- (d) *Custodial Credit Risk-Deposits* - The School District maintains all deposits in depositories which are insured by the Federal Deposit Insurance Corporation (the "FDIC") to the extent permitted by law and to the extent not so insured, shall be secured by collateral pledged in accordance with Pennsylvania law (Act 72 of 1971). In addition, for any depository bearing a Bauer Financial rating of three stars or less in any quarter of the year, School District deposits in those institutions are limited to the amount of available federal insurance, and appropriate collateral pledged specifically to the School District for those deposits.
- (e) *Custodial Credit Risk-Investments* - The School District generally requires that all collateral pertaining to investments in repurchase agreements be held by a third party custodial agent. Collateral is delivered to the School District's custody banks for all repurchase agreements. Allowable collateral includes: (i) United States Treasury securities; and (ii) United States Government Agencies (full faith and credit with no maturity restrictions; non full faith and credit with maturity restrictions of one (1) year or less).

(4) Investment Derivative Instruments

The School District, on November 21, 2006, entered into two qualified interest rate management agreement basis swaps initially related to its 2003B School Lease Revenue Bonds. Subsequently, on December 28, 2006, the District refunded these 2003B bonds under School Lease Revenue Bonds 2006B. Further, on November 16, 2016 a portion of the 2006B bonds were refunded under the 2016A School Lease Revenue Bonds. Thus, the derivatives are following the debt.

- (a) *Objective, Terms, Fair Value and Accounting of Derivative Instruments:* The School District engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, and evaluation of the swaps. 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. Fair values reflect the effect of non-performance risk, which includes The School District's credit risk.

The swaps where the School District pays and receives floating rates--basis swaps-- are accounted for as investment instruments.

The School District's interest rate swaps were terminated on January 29, 2020; therefore, the School District has no outstanding derivative instruments as of June 30, 2020.

Credit risk: This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk, at the reporting date, is the total mark-to-market value of swaps netting, or aggregating, under a contract between the School District and each counterparty. The School District would be exposed to credit risk on derivative instruments under a netting agreement that would total to an asset position. As of June 30, 2020, the School District has no credit risk exposure on swap contracts because the swaps were terminated as of January 29, 2020.

Termination risk: Only the School District may terminate the two existing basis swaps if the counterparty fails to perform under the terms of the respective contracts. If at the time of termination the swaps have a negative fair value, the School District would be liable to the counterparty for a payment equal to the swap's mark-to-market value. The School District terminated the swaps on January 29, 2020 with a total negative mark-to-market value of \$1,415,824. Therefore, the School District has no termination risk exposure as of June 30, 2020.

The chart below presents the details of this change:

Associated Bonds	Accrued Interest as of June 30, 2019	Valuation Amount (Fair Value - GASB 72) as of June 30, 2019	Accrued Interest as of January 29, 2020 (Termination Date)	Valuation Amount (Fair Value - GASB 72) as of January 29, 2020 (Termination Date)	Change in Fair Value as of January 29, 2020 (Termination Date)
Series 2006B & 2016A School Lease Revenue Bonds	\$ 4,391	\$ 1,441,748	\$ 34,810	\$ 1,190,000	\$ (251,748)
Series 2006B & 2016A School Lease Revenue Bonds	\$ 10,245	\$ 3,364,077	\$ 81,223	\$ 2,200,000	\$ (1,164,077)
		<u>\$ 4,805,825</u>		<u>\$ 3,390,000</u>	<u>\$ (1,415,825)</u>

On January 29, 2020, the District received a termination fee of \$3,390,000 from the counterparties.

(5) Depository Investment Accounts

(a) *Depository Agreement:*

- (i) SRC-9 resolution issued on May 29, 2014 allowed the SRC to suspend requirements of the School Code and regulations of the State Board of Education which then allowed the Chief Financial Officer and his subordinates to enter into a Depository Agreement and to use the building sales proceeds for Debt Service and Capital Projects. On June 2, 2014 the School District of Philadelphia (SDP) and The Bank of New York Mellon Trust Company, N.A. (BONY) (Depository) entered into a Depository Agreement for the purpose of providing for the deposit of funds with the Depository held on behalf of SDP from the sale of buildings. This agreement required the Depository to establish two separate accounts for each building sold- (1) Property Sales Defeasance Account and (2) Property Sales Capital Funds Account.
- (ii) Deposits into these “Accounts” constitute the property of the SDP and would be on behalf of SDP by the Depository. Depository shall have custody of the Account, held on behalf of SDP and kept separate from other assets of the Depository. Money on deposit in the Account shall be held, invested and disbursed as directed by SDP. The Depository agreed to invest and reinvest funds in the Property Sales Defeasance Account in a 100% U.S. Treasury Money Market Fund and Property Sales Capital Funds Account in U.S. Treasury Bills.
- (iii) The agreement also authorized that money deposited from sales of unused and unnecessary SDP property in the “Accounts” shall be paid out from time to time by the Depository pursuant to directions provided by an authorized officer of the SDP.

- (b) There were no additions to the Depository Investment Account: during Fiscal Year 2020. The School District did not sell any buildings and other capital properties that affected these accounts. Changes in the Depository Investment Accounts during Fiscal Year 2020 were as follows:

	(Dollars in Thousands)			
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>Governmental Activities:</u>				
SDP Depository Investment Accounts:				
Property Sale Defeasance	\$ 392.3	\$ 0.0	\$ (392.3)	\$ 0.0
Total	<u>\$ 392.3</u>	<u>\$ 0.0</u>	<u>\$ (392.3)</u>	<u>\$ 0.0</u>

(6) Fair Value of Investments

The District’s investments are valued at fair value using the following hierarchy:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and
- Level 3: Unobservable inputs

The lowest available level of valuation available is used for all investments.

Fixed income securities are valued based on the values for similar assets in an active market. Equity securities are valued based on published values for identical assets in an active market.

The income approach is used to obtain the fair value of the swaps, where future amounts (the expected swap cash flows) are converted to a single current (discounted) amount, using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows, and time value of money. Where applicable under the income approach, the option pricing model technique, such as the Black-Derman-Toy model, or other appropriate option pricing model is used. This valuation technique is applied consistently across all the swaps.

Given the observability of inputs that are significant to the entire measurement, the fair values of the School District investments are categorized as follows:

	Level 1	Level 2	Level 3
First American US Treasury Class Z Portfolio (FOZXX)	\$ 193,238,560	\$ -	\$ -
US Treasury Bills	1,035,469	-	-
Federal Home Loan Bank (FHLB)	11,068,805	-	-
US Treasury Bond/Note	-	25,306,015	-
Commercial paper	-	139,485,154	-
Total	\$ 205,342,834	\$ 165,791,169	\$ -

Level 1 - fair value investment classifications are for "securities portfolios" and US Treasury Bills and Federal Home Loan Bank with observable, quoted prices for identical assets or liabilities in active markets.

Level 2 - fair value investment classifications for US Treasury Notes and Commercial Paper are based on the values for similar assets in an active market.

B. Receivables

(1) Net Receivables

Receivables for the School District's individual Major and Non-Major, Enterprise Funds and Fiduciary Funds in the aggregate, including the applicable allowances for uncollectible accounts, as of the fiscal year end are as follows:

(Dollars in Thousands)

	General	Intermediate Unit	Debt Service	Capital Projects	Enterprise Funds	Fiduciary	Total
Receivables							
Interest	\$ -	\$ -	\$ 22.6	\$ 875.9	\$ -	\$ 112.0	\$ 1,010.5
Taxes	280,129.1	-	-	-	-	-	280,129.1
Accounts (Net)	37,762.9	353.8	-	1,643.6	1,732.2	-	41,492.5
Gross Receivables	317,892.0	353.8	22.6	2,519.5	1,732.2	112.0	322,632.1
Less: Allowances for Uncollectible							
Taxes	125,227.0	-	-	-	-	-	125,227.0
Total Allowances	125,227.0	-	-	-	-	-	125,227.0
Net Total Receivables	<u>\$ 192,665.0</u>	<u>\$ 353.8</u>	<u>\$ 22.6</u>	<u>\$ 2,519.5</u>	<u>\$ 1,732.2</u>	<u>\$ 112.0</u>	<u>\$ 197,405.1</u>

(2) Taxes Receivable

The totals reported for taxes receivable on the Statement of Net Position, Balance Sheet and the table above have been aggregated. The following details of the components of those taxes are presented in the table below. Estimated collectible taxes at June 30, 2020 equaled \$154.9 million as follows:

(Dollars in Millions)

	Taxes Receivable	Estimated Uncollectible	Estimated Collectible
<u>Real Estate Taxes</u>			
Current	\$ 85.3	\$ 11.0	\$ 74.3
Prior	128.7	79.5	49.2
Total Real Estate Taxes	<u>214.0</u>	<u>90.5</u>	<u>123.5</u>
<u>Self Assessed Taxes</u>			
Use and Occupancy	27.6	19.8	7.8
School Income Tax	23.2	5.9	17.3
Liquor Sales Tax	15.3	9.0	6.3
Total Self Assessed Taxes	<u>66.1</u>	<u>34.7</u>	<u>31.4</u>
Net Total Receivables	<u>\$ 280.1</u>	<u>\$ 125.2</u>	<u>\$ 154.9</u>

During July and August 2020, \$24.5 million in real estate taxes receivable and \$19.6 million in self-assessed taxes receivable were collected. Those amounts were accrued and included in Fiscal Year 2020 revenues.

(3) Due From Other Governments

Due from Other Governments as of the Fiscal Year ended June 30, 2020 for the School District's individual Major and Non-Major Funds in the aggregate are as follows:

(Dollars in Thousands)

	General	Intermediate Unit	Categorical	Capital Projects	Enterprise	Internal Service	Total
Due From Other Governments							
Federal	\$ -	\$ -	\$ 65,295.0	\$ -	\$ 2,004.3	\$ -	\$ 67,299.3
State	76,847.2	17,877.2	22,264.4	10,407.0	2,176.2	10.5	129,582.5
City	331.3	-	460.0	-	-	-	791.3
Grantors	-	-	10,661.7	676.2	-	-	11,337.9
Total Due From Other Governments	\$ 77,178.5	\$ 17,877.2	\$ 98,681.1	\$ 11,083.2	\$ 4,180.5	\$ 10.5	\$ 209,011.0

Amounts due from Other Governments under the General Fund and Intermediate Unit Fund primarily include \$94.3 million for grant, retirement and FICA reimbursements from the Commonwealth of Pennsylvania.

Amounts due from Other Governments under the Categorical Funds and Capital Projects Funds include \$76.9 million federal and state grant revenues which are recognized when all the applicable eligibility requirements are met and the resources are available to pay the current expenditures (or the excess of grant expenditures over funds collected), \$32.4 million for retirement, FICA, and miscellaneous reimbursements from the Commonwealth of Pennsylvania and \$0.5 million for City Grant reimbursements.

The amount due from Other Governments under the Enterprise Funds includes \$2.0 million reimbursements from the Federal government for the breakfast, lunch, fruit, Child and Adult Care Food Programs, and \$2.2 million for retirement, and breakfast and lunch program reimbursements from the Commonwealth of Pennsylvania.

(4) Unearned Revenue/Deferred Outflows of Resources and Deferred Inflows of Resources

- (a) Unearned Revenue: Governmental funds report unearned revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period and also in connection with resources that have been received but not yet earned. A summary of unearned revenues for the individual major governmental funds and non-major governmental funds in the aggregate of \$25.1 million at June 30, 2020 are as follows:

	(Dollar Amount in Millions)
Categorical	\$ 24.8
Capital Projects	0.3
	<u>\$ 25.1</u>

Represents grants funds received prior to meeting all eligibility requirements.

- (b) Deferred Outflows of Resources: Deferred outflows of resources represent consumption of net position that applies to a future period(s) and will not be recognized as an expenditure/expense until that time.

On the full accrual basis of accounting, the School District has two items valued at \$677.8 million that qualify for reporting in this category as deferred outflows on the Statement of Net Position as of June 30, 2020.

- (i) The first item is deferred refunding charges losses and deferred swap termination payments valued at \$67.1 million. For accounting purposes, when advanced refundings result in a loss, which is the net difference between the reacquisition price and the net carrying amount of the old debt, the District is amortizing the remaining unamortized refunding charges losses in the District-wide statements until fiscal year 2039.
- (a) There were losses from refunding charges of \$65.1 million from refunded bonds that the District is amortizing until fiscal year 2039.
- (b) There were deferred outflows of \$2.0 million of deferred swap termination payments which resulted from unamortized swap termination payments made under refunding debt during April 2010 and January 2011. These bonds were partially refunded on June 5, 2020, and the District is amortizing the remaining unamortized amount through fiscal year 2021.

The following schedule presents, by General Obligation Bond (GOB) Series, deferred outflows for the deferred refunding charges losses and deferred swap termination payments on the Statement of Net Position under Governmental Activities as of June 30, 2020.

(Dollars in Millions)

<u>GOB Series</u>	<u>Refunding</u>		<u>Swap Termination</u>	<u>Total Amount</u>
	<u>Charges</u>	<u>Losses</u>	<u>Payments</u>	<u>as of June 30, 2020</u>
2007A	\$	2,768.2	\$ -	\$ 2,768.2
2010C		1,270.2	1,253.4	2,523.6
2010D		9.4	-	9.4
2010E		49.7	721.7	771.4
2011C		300.2	-	300.2
2011D		11.4	-	11.4
2015C		671.7	-	671.7
2015D		845.5	-	845.5
2015A SPSBA		2,213.1	-	2,213.1
2016F		44,123.8	-	44,123.8
2020A		12,838.4		12,838.4
	<u>\$</u>	<u>65,101.6</u>	<u>\$ 1,975.1</u>	<u>\$ 67,076.7</u>

- (ii) The second item is deferred outflows of resources for experience, earnings, assumptions, and contributions related to OPEB Life Insurance (Note 4J1), OPEB PSERS Healthcare (Note 4J2), and PSERS Pension (Note 4K).

The following presents deferred outflows of resources for OPEB Life Insurance, OPEB PSERS Healthcare, and PSERS Pension of \$610.7 million at June 30, 2020.

(Dollars in Thousands)

<u>Deferred Outflows of Resources</u>	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Net Difference between expected and actual experience	\$ -	\$ 913.0	\$ 913.0	\$ 19,667.0
Changes of assumptions	562.6	5,380.0	5,942.6	34,142.0
Net Difference between projected and actual investment earnings	-	273.0	273.0	-
Changes of proportion	-	11,109.0	11,109.0	168,150.0
Contributions by School District Subsequent to the Measurement Period	414.0	9,077.3	9,491.3	361,051.9
Difference between employer contributions and proportionate share of total contributions	-	4.6	4.6	-
	<u>\$ 976.6</u>	<u>\$ 26,756.9</u>	<u>\$ 27,733.5</u>	<u>\$ 583,010.9</u>

- (c) Deferred Inflows of Resources: Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be reported in the District-Wide Statements. They are reported as unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

On the full accrual basis of accounting, the School District has two items valued at \$189.9 million that qualify for reporting in this category as deferred inflows on the Statement of Net Position as of June 30, 2020.

- (i) Gains from deferred refunding charges, valued at \$18.2 million, have been reported as deferred inflows on the Statement of Net Position under Governmental Activities as of June 30, 2020.

The following schedule presents, by General Obligation Bond (GOB) Series, deferred inflows for the deferred refunding charges gains on the Statement of Net Position as of June 30, 2020.

(Dollars in Thousands)

<u>GOB Series</u>	<u>Refunding Charges Gains</u>
2016A SPSBA	\$ 3,391.8
2019C	430.0
2019A SPSBA	12,802.4
2019B SPSBA	1,586.0
	<u>\$ 18,210.2</u>

(ii) The District has reported deferred inflows of resources for experience, earnings, assumptions, and contributions related to OPEB Life Insurance (Note 4J1), OPEB PSERS Healthcare (Note 4J2), and PSERS Pension (Note 4K) valued at \$171.7 million at June 30, 2020.

<u>Deferred Inflows of Resources</u>	<u>(Dollars in Thousands)</u>			
	<u>Life Insurance</u>	<u>PSERS Healthcare</u>	<u>Total OPEB</u>	<u>PSERS Pension</u>
Effect of assumptions changes or inputs	\$ 802.3	\$ 4,825.0	\$ 5,627.3	\$ -
Net Difference between projected and actual investment earnings	-	-	-	10,231.0
Differences between expected and actual experience	20.1	26.6	46.7	118,375.0
Changes in Proportion	-	1,285.0	1,285.0	33,910.0
Difference between employer contributions and proportionate share of total contributions	-	-	-	2,224.3
	<u>\$ 822.4</u>	<u>\$ 6,136.6</u>	<u>\$ 6,959.0</u>	<u>\$ 164,740.3</u>

On the modified accrual statements, the School District has one item that qualifies for reporting in this category. This item has three components which the District reported \$143.9 million as deferred inflows on the Governmental Balance Sheet as of June 30, 2020. They are as follows:

	<u>(Dollars in Thousands)</u>			
	<u>General Fund</u>	<u>Categorical Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Unavailable taxes revenue	\$ 110,807.5	\$ -	\$ -	\$ 110,807.5
Unavailable accounts receivable revenue	1,176.3	-	-	1,176.3
Unavailable grant revenue	-	22,086.4	9,807.0	31,893.4
	<u>\$ 111,983.8</u>	<u>\$ 22,086.4</u>	<u>\$ 9,807.0</u>	<u>\$ 143,877.2</u>

C. Tax Abatements

City of Philadelphia ("City") *Abatements* are the exemption of all or part of the value of an improvement to real property for a set number of years. Abatements encourage new construction or rehabilitation of properties with the exemption of all or part of the value of the improvement for a set number of years. Abatements help revitalize communities, retain residents, attract home- and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects

The City currently authorizes four (4) types of real estate tax abatement agreements to property owners to incentivize development. Three are authorized by legislation enacted through Philadelphia's City Council ordinance, and one is authorized through State Act 175. These agreements are intended to encourage new construction or rehabilitation of properties, to help revitalize communities, retain residents, attract home-and business-owners to the city of Philadelphia, and reduce development costs for commercial and residential projects. None of the four tax abatement programs contains provisions to recapture abated taxes. In addition, there are no commitments, other than described below, made by recipients. A description of each of the abatement programs where the City promised to forgo taxes for tax year 2020 are as follows:

1. Rehab Construction for Residential Properties (Ordinance 961) - (as amended to section 19-1303 (2) of the Philadelphia Code) This program offers an abatement from Real Estate Taxes on improvements to existing residential properties containing one (1) or more units. (Ordinary upkeep and maintenance are not improvements.) The criteria for eligibility of this abatement program requires owner/developers rehabbing residential properties to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner. Real estate tax revenues for the School District in gross dollars of \$9.3 million were reduced as a result of this program.
2. Rehab & New Construction for Commercial & Industrial Properties (Ordinance 1130) - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements

to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owner/developers building or rehabbing residential properties to be sold or owner-occupied that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning January 1st, after the improvement is certified by the owner. Real estate tax revenues for the School District in gross dollars of \$52.0 million were reduced as a result of this program.

3. **New Construction for Residential Properties (Ordinance 1456-A)** - (as amended to section 19-303 (2) of the Philadelphia Code) This program offers abatement from Real Estate Taxes due to new construction or improvements to deteriorated industrial, commercial or other business properties. The criteria for eligibility of this abatement program requires owners/developers that make improvements, under City issued permits that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for 10 years, beginning the 1st month after the title date. Real estate tax revenues for the School District in gross dollars of \$33.5 million were reduced as a result of this program.
4. **Development Abatement for New or Improved Residential Properties (State Act 175)** - (of 1984, as amended. 72 P. S. § 5020-205) This program offers an abatement from Real Estate Taxes during new construction of single and multiple dwellings constructed for residential purposes or improvements to existing unoccupied residential dwellings or improvements to existing structures for purposes of conversion to residential dwellings. The authority for this program is State Act 175. The criteria for eligibility of this abatement program requires developers building or rehabbing residential properties for lease or sale that make improvements, under City issued permits, that affect the assessed value of the property. The tax abatement recipient's real estate taxes are abated for the first 30 months or until property is leased or sold, whichever occurs first. Real estate tax revenues for the School District in gross dollars of \$1.9 million were reduced as a result of this program.

In addition to the abatement programs above, the City entered into agreements with other governments under the (Keystone Opportunity Zone (KOZ) - 73 P.S. §§820.101-820.1309) program. KOZ is for properties in the areas designated by the Pennsylvania Department of Community and Economic Development (DCED). A KOZ property is a legislatively designated parcel where little to no development has taken place. The City offers tax abatements to businesses that invest in these areas. The authority for this program is from the Philadelphia Code, Chapter § 19-3200 which defines the implementation of the KOZ, Economic Development District, and Strategic Development Area Tax Credit.

The criteria for eligibility of this abatement program requires a business to own or lease property in one of the designated zones; and actively conduct a trade, business, or profession in that same designated zone. The qualified business must receive initial certification from DCED.

The tax abatement recipient's real estate taxes are waiver or reduction will apply when filing the following tax forms/returns: (1) Personal Income Tax (partners or Sole Proprietors), (2) Sales & Use Tax, (3) Mutual Thrift Institutions Tax, (4) Insurance Premiums Tax and/or to their respective City Business income & Receipt Tax, Net Profit Tax, and Real Estate Tax filings. Abatement/credit amounts are based on the recipients' tax return filings and real estate tax valuations. Real estate tax revenues for the School District in gross dollars of \$8.9 million were reduced as a result of this program.

Gross dollar amounts, on an accrual basis, by which the School District's tax revenues were reduced as a result of the KOZ tax abatement programs for fiscal year 2020 was \$6.7 million of Real Estate Tax Credits. For the KOZ real estate tax credits: (1) there were no forgone revenues received, or receivable from other governments, (2) there were no other commitments, other than to reduce taxes, (3) no tax abatement agreement has been disclosed individually, and (4) no required information has been omitted.

The Commonwealth of Pennsylvania has approved the Tax Increment Financing (TIF) Act ("Act") that authorizes the taxing bodies of the City of Philadelphia (the City and School District) to create geographic areas ("TIF Districts"), where certain increases in tax revenue may be used to finance improvements in the TIF Districts. The TIF loan is usually funded by a private lender, i.e., bank, and is paid by the incremental taxes from Real Estate, Use and Occupancy, City Sales and Business Privilege.

Philadelphia Industrial Development Corporation (PIDC), acting on behalf of Philadelphia Authority for Industrial Development (PAID), can propose any area of the City's geographic areas to City Council and the School District for approval as a TIF District under the terms of the Act. Any new improvements can be funded by the TIF loan.

TIF's are a financing tool that enable the City to establish a district in a blighted area, within which increases in taxes resulting from development of the district can be applied to project costs in the district or to project-related debt service.

The total gross dollar amount on an accrual basis by which the District's fiscal year 2019 tax revenues were redirected as result of the TIF program was \$3.2 million.

D. Capital Assets

Capital Assets activity for the fiscal year ended June 30, 2020 are summarized as follows:

	(Dollars in Millions)				
	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Governmental Activities:					
Capital Assets - Not Depreciated					
Land	\$ 129.2	\$ -	\$ -	\$ 0.1	\$ 129.3
(1) Construction in Progress	142.0	122.0	-	(70.0)	194.0
(1) Development in Progress	10.9	13.0	-	-	23.9
Total Capital Assets - Not Depreciated	\$ 282.1	\$ 135.0	\$ -	\$ (69.9)	\$ 347.2
Capital Assets - Depreciated					
Buildings	\$ 1,766.5	\$ 0.8	\$ -	\$ 0.7	\$ 1,768.0
(2) Improvements	1,371.4	61.2	-	69.2	1,501.8
(3) Intangible Assets	79.2	0.7	-	-	79.9
(4) Personal Property	194.6	5.9	(5.8)	-	194.7
Total Capital Assets - Depreciated	\$ 3,411.7	\$ 68.6	\$ (5.8)	\$ 69.9	\$ 3,544.4
Less Accumulated Depreciation					
Buildings	\$ (762.7)	\$ (30.0)	\$ -	\$ -	\$ (792.7)
(5) Improvements	(924.4)	(44.0)	-	-	(968.4)
(6) Intangible Assets	(63.3)	(3.6)	-	-	(66.9)
(7) Personal Property	(145.4)	(14.1)	5.3	-	(154.2)
Total Accumulated Depreciation	\$ (1,895.8)	\$ (91.7)	\$ 5.3	\$ -	\$ (1,982.2)
Net Capital Assets - Depreciated	\$ 1,515.9	\$ (23.1)	\$ (0.5)	\$ 69.9	\$ 1,562.2
Governmental Activities - Net Capital Assets	\$ 1,798.0	\$ 111.9	\$ (0.5)	\$ -	\$ 1,909.4
Business-Type Activities:					
Capital Assets - Depreciated					
Machinery and Equipment	\$ 18.3	\$ 0.5	\$ (0.2)	\$ -	\$ 18.6
Less Accumulated Depreciation	(15.0)	(0.5)	0.2	-	(15.3)
Business-Type Activities - Net Capital Assets	\$ 3.3	\$ -	\$ -	\$ -	\$ 3.3

- (1) The beginning balance for Construction in Progress was adjusted to reflect a (\$194,689) prior period adjustment for non-capitalizable expenditures, as well as (\$10,980,859) to establish the Development in Progress category for future intangible assets currently in the development stage.
- (2) The beginning balance for Improvements was adjusted by (\$7,605,420) to reduce the value incorrectly recorded as Improvements. See (3) below.
- (3) The beginning balance for Intangibles was adjusted by \$7,605,420 to increase the value incorrectly recorded as Improvements. See (2) above.
- (4) The beginning balance for Personal Property was adjusted by (\$95,100) to reduce the value to reflect the correction of recording errors. See (7) below.
- (5) The beginning balance for Improvements Accumulated Depreciation was adjusted by \$7,605,420 to reduce the value incorrectly recorded as Improvements. See (6) below.
- (6) The beginning balance for Intangibles Accumulated Depreciation was adjusted by (\$7,605,420) to increase the value incorrectly recorded as Improvements. See (5) above.
- (7) The beginning balance for Personal Property Accumulated Depreciation was adjusted by \$3,510 to reduce the value associated with the correction of recording errors. See (4) above.

Depreciation expense was charged to the following activities as follows:

(Dollars in Millions)	
Governmental Activities:	
Instruction	\$ 75.6
Student Support Services	6.0
Administrative Support	8.9
Pupil Transportation	0.1
Operation & Maintenance of Plant Services	1.0
All Other Support	0.1
Total Depreciation Expense	\$ 91.7
Business-Type Activities	
Food Services and Print Shop	\$ 0.5
Total Depreciation Expense	\$ 0.5

E. Obligations

(1) Short-Term Obligations

On July 9, 2019, the Board of Education authorized the issuance of \$175.0 million of Tax and Revenue Anticipation Notes, Series of 2019-2020, issued in the amounts of \$87.5 million Tax and Revenue Anticipation Notes, Series A 2019-

2020 (the “Series A Notes”) and \$87.5 million Tax and Revenue Anticipation Notes, Series B 2018-2019 (the “Series B Notes”), collectively (the “Notes”). Both series were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2020. On July 11, 2019, the District directed an initial draw of \$50.0 million under each of the Series A Notes and Series B Notes. The School District had the authority to draw down the remaining \$75.0 million at any time before October 1, 2019 at either a fixed rate or floating rate, which would be set at the time of the draw.

On October 17, 2019, the District’s Board of Education adopted a resolution, which authorized the issuance of TRAN, Series C of 2019-2020 in a principal amount of \$347.1 million. The proceeds from Series C of 2019-2020 will be used (i) to pay certain current operating budget expenses prior to the receipt of District’s taxes and certain other revenues to be received during Fiscal Year 2020, (ii) currently refund the Series A Notes and Series B Notes of 2019-2020, and (iii) pay the cost of issuance of the Series C Notes.

On October 22, 2019, the District (1) redeemed the principal amount of \$100.0 million under TRAN Series A and B of 2019-2020, (2) paid interest of \$584,137 and (3) a termination fee of \$117,399. In addition, on October 22, 2019, the district also issued TRAN, Series C of 2019-2020 in a principal amount of \$347.1 million, which matured on March 31, 2020. The Series C Notes will bear interest payable at maturity, at the rate of 4.00 % per annum, calculated based on actual days elapsed in a 365/366-day year.

	(Dollars in Millions)			
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities:				
Tax and Revenue Anticipation Note (Series A 2019-2020- Fixed Rate)	\$ -	\$ 50.0	\$ (50.0)	\$ -
Tax and Revenue Anticipation Note (Series B 2019-2020- Fixed Rate)	-	50.0	(50.0)	-
Tax and Revenue Anticipation Note (Series C 2019-2020- Fixed Rate)	-	347.1	(347.1)	-
Total	\$ -	\$ 447.1	\$ (447.1)	\$ -

(2) Long-Term Obligations

Changes in long-term obligations payable during Fiscal Year 2020 were as follows:

	Long-Term Obligations (1)				
	(Dollars in Millions)				
	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Lease Rental Debt	\$ 2,957.3	\$ 793.2	\$ (472.6)	\$ 3,277.9	\$ 149.3
Bond Premium	226.5	91.5	(46.6)	271.4	23.5
Bond Discounts	(1.4)	(0.3)	0.3	(1.4)	(0.2)
Total Bonded Debt	3,182.4	884.4	(518.9)	3,547.9	172.6
Termination Compensation Payable	183.3	25.3	(14.0)	194.6	14.0
Due to Other Governments					
-Deferred Reimbursement	45.3	-	-	45.3	45.3
Other Liabilities (2)	106.9	32.3	(29.4)	109.8	31.4
Incurred But Not Received (IBNR) Payable (3)	17.2	-	(0.7)	16.5	16.5
OPEB Life Insurance Liability	15.9	1.4	(0.4)	16.9	-
PSERS OPEB Liability	158.2	10.3	(8.6)	159.9	-
PSERS Pension Liability	3,643.7	211.3	(336.8)	3,518.2	-
Governmental Activity-Long-Term Liabilities	<u>\$ 7,352.9</u>	<u>\$ 1,165.0</u>	<u>\$ (908.8)</u>	<u>\$ 7,609.1</u>	<u>\$ 279.8</u>
Business-Type Activities:					
Termination Compensation Payable	\$ 2.0	\$ 0.3	\$ (0.1)	\$ 2.2	\$ 0.2
PSERS OPEB Liability	2.5	0.1	(0.1)	2.5	-
PSERS Pension Liability	55.2	3.2	(5.1)	53.3	-
Business-Type Activity-Long-Term Liabilities	<u>\$ 59.7</u>	<u>\$ 3.6</u>	<u>\$ (5.3)</u>	<u>\$ 58.0</u>	<u>\$ 0.2</u>

- (1) Termination (Compensated absences), unemployment, workers’ compensation, claims and judgments liabilities are accrued to the governmental funds to which the individual is charged. These liabilities are then liquidated by the General Fund. In addition, OPEB and Arbitrage liabilities are fully liquidated by the General Fund.
- (2) Other Liabilities Workers’ Compensation, Unemployment Compensation Claims, Arbitrage and Claims & Judgments.
- (3) IBNR is included with the Self Insurance Health Care Internal Service Fund.

(a) General Obligation Bonds & Lease Rental Debt

(i) Authority to Issue

- General obligation debt is issued pursuant to the Local Government Unit Debt Act of July 12, 1972, P.L. 781

as amended and re-enacted by Act 177, approved December 1996 (the “Debt Act”). The Debt Service Fund is used to account for the accumulation of resources and the payment of principal, interest and issuance costs on general obligation bonds and lease rental debt. The School District has issued various general obligation bonds and lease rental debt throughout the years to fund budgeted capital projects and to refund higher interest rate bonds with bonds bearing lower costs, and to provide level debt service payments for the District.

- The School District is authorized, under amendments to the Debt Act enacted in September 2003, to enter into “qualified interest rate management agreements.” These qualified interest rate management agreements are, defined in the Debt Act, as agreements determined in the judgment of the School District designed to manage interest rate risk or interest cost of the School District on any debt which the School District is authorized to incur under the Debt Act. Such qualified interest rate management agreements may include swaps, interest rate caps, collars, corridors, ceiling and float agreements, forward agreements, and other similar arrangements. The School District’s Debt Policy places limits on the amount of qualified interest rate management agreements the School District may enter.

General obligation bonds and lease obligations at June 30, 2020 by bond issue are summarized as follows:

(Dollars in Thousands)

Issue ⁽¹⁾	Interest Rates	Maturity Year Ending 30-Jun	Original Principal Issue	Principal Outstanding ⁽¹⁰⁾	Interest	Total	Due Within One Year
2003B-SPSBA ⁽³⁾	5.500	2028	\$ 588,140	\$ 43,505	\$ 19,142	\$ 62,647	\$ -
2005D	5.500	2021	29,920	2,745	151	2,896	2,745
2006B-SPSBA ⁽³⁾	5.000	2029	545,570	83,365	33,832	117,197	-
2007A	5.000	2034	146,530	116,380	53,450	169,830	215
2007C-QZAB	-	2023	13,510	13,510 ⁽⁷⁾	-	13,510	-
2007D-QZAB	1.250 ⁽²⁾	2023	28,160	28,160 ⁽⁷⁾	880	29,040	-
2010B	5.589 - 6.765 ⁽⁴⁾	2040	221,485	195,975	155,323 ⁽⁴⁾	351,298	6,550
2010C	5.000	2021	300,045	29,040	726	29,766	29,040
2010D	3.375 - 5.000	2021	49,365	8,410	209	8,619	8,410
2010E	5.000	2021	125,880	4,775	119	4,894	4,775
2011A-QSCB	5.995 ⁽⁵⁾	2031	144,625	144,035 ⁽⁸⁾	90,667 ⁽⁵⁾	234,702	-
2011B	3.125 - 3.250	2022	16,970	3,830	124	3,954	1,885
2011C	5.000	2022	41,185	8,935	452	9,387	4,355
2011D	3.250 - 4.000	2022	16,330	4,145	148	4,293	2,035
2012B-SPSBA ⁽³⁾	5.000	2022	264,995	25,440	1,924	27,364	12,410
2015A-SPSBA ⁽³⁾	3.375 - 5.000	2026	80,000	54,735	8,908	63,643	9,260
2015A	5.000	2036	46,770	40,635	18,390	59,025	1,700
2015C	3.273 - 4.038	2026	44,565	27,945	3,330	31,275	4,265
2015D	5.000	2023	128,620	57,985	4,200	62,185	19,980
2016A-SPSBA ⁽³⁾	5.000	2036	570,010	547,070	295,994	843,064	900
2016D	5.000	2029	92,345	73,755	17,433	91,188	6,845
2016E-QSCB	5.060 ⁽⁶⁾	2043	147,245	147,245 ⁽⁹⁾	167,639 ⁽⁶⁾	314,884	-
2016F	5.000	2039	582,155	575,145	234,332	809,477	22,255
2018A	5.000	2039	176,820	171,540	94,159	265,699	5,545
2018B	4.000 - 5.000	2044	78,130	78,130	73,540	151,670	-
2019A	4.000 - 5.000	2045	406,820	406,820	292,554	699,374	3,945
2019B	5.000	2030	24,840	24,840	9,218	34,058	5
2019C	5.000	2034	24,420	24,420	16,461	40,881	5
2019D	5.000	2045	25,000	25,000	17,085	42,085	-
2019A-SPSBA	3.273-4.038	2031	167,535	165,795	35,149	200,944	2,210
2019B-SPSBA	3.273-4.038	2033	20,755	20,755	7,711	28,466	-
2020A	5.000	2025	123,805	123,805	13,644	137,449	-
Total			<u>\$ 5,272,545</u>	<u>\$ 3,277,870</u>	<u>\$ 1,666,894</u>	<u>\$ 4,944,764</u>	<u>\$ 149,335</u>

- (1) All debt has been issued for Capital purposes, except for issues for 2005D, 2012B-SPSBA, 2015C, 2015D, 2019A-SPSBA and 2019B-SPSBA.
- (2) Prior to 2006, Qualified Zone Academy Bonds (QZAB) were interest free to the issuer. The 2007D QZABS bear interest at 1.25%.
- (3) Lease rental debt issued through the State Public School Building Authority (SPSBA).
- (4) Bonds issued as ARRA Federal Taxable Build American Bonds receive a cash subsidy from United States Treasury equal to 35% of interest payable. In Fiscal Year 2020, the Federal government reduced this subsidy by \$0.3 million due to the Federal Budget Sequestration.
- (5) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) receive a cash subsidy from United States Treasury that is set at the time of the sale. The School District receives a 4.87% subsidy on bonds issued at a 5.995% interest rate. In Fiscal Year 2020, the Federal government reduced this subsidy by \$0.4 million due to the Federal Budget Sequestration

- (6) Bonds issued as ARRA Qualified School Construction Bonds (QSCBs) receive a cash subsidy from United States Treasury equal to the lesser of (i) 100% of interest payable or (ii) 100% of the interest set at the time of the sale. In Fiscal Year 2020, the Federal government reduced this subsidy by \$0.4 million due to the Federal Budget Sequestration.
- (7) QZAB bond series 2007C and 2007D issued for \$13.5 and \$28.2 million, respectively, on December 28, 2008 in the aggregate amounts of the debt is due December 28, 2022. The School District irrevocably placed \$0.9 million in trust under a mandatory sinking fund with its fiscal agent each December 15 for the 2007C bonds. These annual deposits are invested in a forward purchase agreement to be used solely for satisfying the scheduled principal payment of \$13.5 million on December 28, 2022. As of June 30, 2020, the District placed \$10.8 million and \$15.0 million under the mandatory sinking fund for QZAB bond series 2007C and 2007D, respectively. The investment value of each of the mandatory sinking funds equaled the deposits made.
- (8) On December 20, 2011, the School District issued QSCB bond series 2011A in the principal amount of \$144.6 million. The School District has an agreement with its fiscal agent to irrevocably deposit \$7.5 million each September 1 to a mandatory sinking fund. The first deposit was required on September 1, 2014, however, the fiscal agent erroneously paid bondholders instead of depositing the funds into the mandatory sinking fund account. Bondholders of \$6,860,000 principal amount of the Bonds, which were paid agreed to reverse the payment received on the Bonds, such payments were returned to the fiscal agent, and those Bonds remain outstanding. The remaining \$555,000 principal amount of the Bonds are no longer outstanding. For each subsequent deposit due date, the fiscal agent will irrevocably deposit \$7.5 million each September 1st to a mandatory sinking fund to be used solely for satisfying the scheduled principal payment of \$144.0 million of Bonds on September 1, 2030. As of June 30, 2020, \$43.9 million had been deposited in the mandatory sinking fund. The \$43.9 million had an investment value of \$45.7 million.
- (9) QSCB bonds series 2016E were issued for \$147.2 million November 16, 2016. The District has an agreement with the fiscal agent to irrevocably deposit funds each September 1 to a mandatory sinking fund. The first deposit was required on September 1, 2017 which was included in the regular sinking fund account for this bond series. A separate mandatory sinking fund account was established during fiscal year 2020. As of June 30, 2020, \$15,000 had been deposited in the mandatory sinking fund account. The \$15,000 had an investment value of \$15,038.
- (10) The “Amount of Installments and the range of maturities” are shown on the Schedule of Bonds Outstanding.

Debt service to maturity on general obligation bonds at June 30, 2020 is summarized as follows: (Excludes debt issued through the State Public School Building Authority)

		<u>Governmental Activities</u>		
		(Dollars in Thousands)		
Year Ending June 30	Interest Rates	Principal	Interest ⁽¹⁾	Total
2021	1.250 - 5.550	\$ 124,555	\$ 118,680	\$ 243,235
2022	3.000 - 6.059	144,645	107,978	252,623
2023	3.000 - 6.615	151,165	101,509	252,674
2024	3.000 - 6.615	109,985	95,749	205,734
2025	3.000 - 6.615	106,550	90,344	196,894
2026-2030	3.000 - 6.615	530,340	369,342	899,682
2031-2035	3.000 - 6.765	514,515	217,268	731,783
2036-2040	3.000 - 6.765	310,955	122,322	433,277
2041-2045	3.000 - 5.060	344,495	41,042	385,537
Total		<u>\$ 2,337,205</u>	<u>\$ 1,264,234</u>	<u>\$ 3,601,439</u>

Debt service to maturity on debt issued through the State Public School Building Authority at June 30, 2020 is summarized as follows:

		<u>Governmental Activities</u>		
		(Dollars in Thousands)		
Year Ending June 30	Interest Rates	Principal	Interest	Total
2021	2.485 - 5.500	\$ 24,780	\$ 43,400	\$ 68,180
2022	2.565 - 5.500	25,905	42,216	68,121
2023	2.616 - 5.500	27,100	40,976	68,076
2024	2.716 - 5.500	49,630	40,035	89,665
2025	2.754 - 5.500	52,580	37,928	90,508
2025-2029	2.854 - 5.500	345,335	149,614	494,949
2030-2034	3.196 - 5.000	401,210	47,785	448,995
2035-2039	5.000	14,125	706	14,831
Total		<u>\$ 940,665</u>	<u>\$ 402,660</u>	<u>\$ 1,343,325</u>

(ii) Sinking Fund Covenants

- Fixed Rate General Obligation Bonds: The School District has irrevocably directed the City, on each business day, to deposit with the Fiscal Agent for the bonds, from School District tax revenues collected that day, for payment into each sinking fund for the bonds, approximately equal daily installments which, together with other available resources in the sinking fund equal sufficient to accumulate the sum required to pay the next principal or redemption price and the amount required to pay the next interest payment. Such debt service resources are required to be accumulated in full by this method by the 15th day prior to each specified payment date.

The following table shows the School District's tax revenues collected by the City for fixed rate General Obligation Bond debt service for Fiscal Year 2020 daily deposit covenant by month.

Local Tax Revenues Subject to Daily Deposit Covenant by Month
 Fiscal Year 2020
 (Dollars in Thousands)

Month	Amount Covenant
Jul	\$ 19,678.0
Aug	19,903.2
Sep	18,389.6
Oct	20,228.6
Nov	17,468.6
Dec	21,909.2
Jan	21,909.4
Feb	19,756.2
Mar	22,769.5
Apr	21,734.5
May	20,706.0
June	23,128.5
Total	<u>\$ 247,581.3</u>

This irrevocable direction is included as a covenant in each resolution adopted by the governing body of the School District authorizing fixed rate general obligation bonds. These covenants were established to enhance the credit underlying the School District's general obligation bonds and to assure timely payment of debt service.

- Lease Rental Debt: The School District has entered into an intercept agreement with the Treasurer of the Commonwealth of Pennsylvania who will irrevocably deposit semi- annually, with the paying agent for these bonds, from any Commonwealth revenues due the School District into a sinking fund, an amount equal to the Base Rental payments due under the sublease on or prior to each Base Rental payment. These payments are due on or prior to the fifteenth (15th) day of the calendar month immediately preceding each debt service date for the State Public School Building Authority bonds. These covenants were established to enhance the credit underlying the School District's Lease Rental Debt and to assure timely payment of debt service.
- Interest Rate Management Agreements: Pursuant to the Debt Act, periodic scheduled payments due from the School District under a qualified interest rate management agreement are payable on a parity with debt service on the bonds related to the applicable qualified interest rate management agreement. The School District has covenanted to budget, appropriate and pay such periodic scheduled payments from its general revenues, and has pledged its full faith and credit and taxing power (within the limits prescribed by law) to secure such payments. Termination payments are subject and subordinate to periodic scheduled payments and are not secured by the foregoing pledge.

(b) General Obligation Bonds Refunded and Defeased with School District Property Sales Proceeds

During FY 2020, the School District did not sell any buildings and other capital properties that were financed with outstanding general obligation bonds. Therefore, the School District had no transactions to report for the defeasance accounts related to Internal Revenue Code and the federal arbitrage rebate regulations for current and advance refunding.

(c) General Obligation Bonds and Refunding Bonds and Defeasements

- (i) General Obligation Bonds: On November 20, 2019, the School District issued General Obligation Bonds (GOB) Series A of 2019, Series B of 2019, and Series D of 2019 to fund the District's Capital Improvement Program.
- GOB Series A of 2019 was issued in the aggregate amount of \$406.8 million with a bond premium of \$71.8 million. The District used bond proceeds of \$2.6 million to pay for underwriting fees and other issuance costs.
 - GOB Series B of 2019 ("Green Bonds") was issued in the aggregate amount of \$24.8 million with a bond premium of \$5.3 million. The District used bond proceeds of \$0.2 million to pay for underwriting fees and other issuance costs.

- GOB Series D of 2019 was issued in the aggregate amount of \$25.0 million with a bond discount of \$0.3 million. The District used bond proceeds of \$0.5 million to pay for underwriting fees and other issuance costs.

(ii) General Obligation Refunding Bonds:

a. Current Refunding:

- On November 20, 2019, the School District issued General Obligation Refunding Bonds (GOB) Series C of 2019 in the aggregate amount of \$24.4 million with a bond premium of \$5.7 million for the purpose of refinancing a portion of GOB Series A of 2007 in the aggregate amount of \$30.0 million. Also, the District transferred \$0.6 million in sinking fund assets from the GOB Series A of 2007. The District used bond proceeds of \$0.2 million to pay for underwriting fees and other issuance costs while the remaining proceeds and sinking fund assets were used to pay the financing off on November 20, 2019.
- On June 5, 2020, the School District also issued General Obligation Refunding Bonds (GOB) Series of 2020 (Forward Delivery) in the aggregate amount of \$123.8 million with a bond premium of \$8.7 million for the purpose of refinancing a portion of GOB Series C of 2010, D of 2010 and E of 2010 for \$25.7 million, \$18.1 million, and \$88.1 million, respectively. Also, the District transferred sinking fund assets from GOB Series C of 2010 for \$0.7 million, D of 2010 for \$0.4 million, and E of 2010 for \$2.3 million, respectively. The District used bond proceeds of \$0.6 million to pay for underwriting fees and other issuance costs. The Forward Delivery bonds closed on June 5, 2020 with a call date of September 1, 2021. Since the call date was within 90 days of the District's year-end, the District considered this refunding as "current" and all related expenditures were posted during fiscal year 2020.

b. Advance Refunding:

- On November 20, 2019, the School District issued State Public Building Authority Lease Refunding Bonds for \$188.3 million under Lease Rental Refunding Bond Series A of 2019 and Series B of 2019 in the aggregate amount of \$167.5 million and \$20.8 million, respectively for the purpose of refinancing a portion of Lease Rental Refunding Bond Series B of 2012 in the aggregate amount of \$172.3 million. The District used bond proceeds of \$1.1 million to pay for underwriting fees, bond insurance premium and other issuance costs.

c. The cash flow required to service the new debt for the refunding is \$27.1 million less than the cash flow required to service the old debt. In addition, there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$23.1 million to the School District.

d. For accounting purposes, the advance refunding resulted in a net difference between the reacquisition price and the net carrying amount of the old debt. For the General Obligation Refunding Bonds (2020 Forward Delivery) there was a \$17.9 million loss while remaining General Obligation Refunding Bonds Series C of 2019, SPSBA Refunding Bonds 2019A, and SPSBA Refunding Bonds 2019A had a \$19.8 million gain, respectively. The District will amortize the refunding charges of all debt through the operations in the District-wide statements until fiscal year 2039.

(d) Defeasements

(i) As in prior years, the School District defeased certain general obligation bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. As of June 30, 2020, \$172.8 million of bonds outstanding are defeased and the liability has been removed from long-term liabilities. This consists of \$172.1 million for advance refunded debt and \$0.7 million related to Sale of District property.

(e) Debt Limits

The Pennsylvania Local Government Unit Debt Act of 1996 (Act No. 177) establishes borrowing base and debt limits for municipalities and school districts within the Commonwealth. The Act provides no limitation on debt approved by the voters (electoral) and excludes Tax and Revenue Anticipation Notes from the computation of the non-electoral debt limit along with certain other exclusions e.g., self-liquidating debt, subsidized debt and debt issued to fund an unfunded actuarial accrued liability. As of June 30, 2020, the non-electoral and lease rental borrowing capacity or debt limit for the School District was \$3,127.5 million.

(f) 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, 2019, the arbitrage rebate calculation indicates a liability totaling \$54,833.

This arbitrage liability of \$54,833 relates to GOB Series 2010E, 2010F and 2010G. The actual amount due as of the next required “Installment Rebate Payment Date” is subject to change due to bond and investment activity, if any, occurring after June 30, 2019. Pursuant to the Regulations, the next required “Installment Rebate Payment” must be paid no later than 60 days after June 30, 2020. This was the final rebate calculation provided. The School District will continue to perform an annual rebate calculation until all funds have been expended.

The School District has reserved as of June 30, 2020 \$54,833 under the fund balance of the Capital Projects Fund. In addition, a contingent liability for this amount has been accounted for in the governmental activities column of the government-wide statement of net position.

(3) Leases

Operating Leases

The School District is committed under various leases for building, office space and equipment. These leases are considered operating leases for accounting purposes. Lease expenditures for the fiscal year ended June 30, 2020 amounted to \$7.9 million. Future minimum lease payments for these leases are as follows:

Fiscal Year Ending June 30	Lease Payments (Dollars in Millions)
2021	\$ 3.4
2022	5.9
2023	1.3
2024	1.0
2025	1.0
2026-2030	5.0
2031-2035	1.0
Total	<u>\$ 18.6</u>

These amounts include gross expenditures for the District’s lease for Metropolitan Fiber-Optic Network during July 2020 through June 30, 2031; The District is eligible for reimbursement through the Universal Service Program for Schools and Libraries (E-Rate) of approximately 90 percent of monthly recurring leasing costs. Estimated reimbursement based on the lease agreement would be \$17.6 million over the life of the agreement.

(4) Termination Compensation Payable

Termination pay consists of accumulated leave not expected to be paid with available resources. It includes accumulated liabilities for unused personal illness, personal leave, and vacation balances that are payable upon termination. See Footnote 1D (11), Compensated Absences, for the School District’s leave policies.

(5) Incurred But Not Reported (IBNR) Payable

Beginning in fiscal year 2011, the School District of Philadelphia revised its method of providing health care insurance to its employees. The revision involves a change from premium-based coverage to a self-insurance program. As part of this program, the District has contracted with an administrator to provide the claims review and payment function and with an insurance consultant for the program advisory services. Through the self-insurance program, the District will gain greater oversight and control over its fringe benefits costs.

An actuary estimated the Incurred but Not Reported (IBNR) liability for the School District of Philadelphia’s self-insured Medical and Prescription Drug plans as of June 30, 2020. The IBNR is technically a subset of the total unpaid claims liability, which also includes claims incurred and reported to the administrator but awaiting processing and incurred and processed but not yet paid. As of June 30, 2020, the Incurred but Not Reported Payable amounted to \$16.5 million.

(6) Other Post-Employment Benefits (OPEB)

(a) Life Insurance Liability: The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. The cost of post-employment life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occurs, rather than in the future when it will be paid. As of June 30, 2020, the District had an OPEB Life Insurance Liability of \$16.9 million. See Footnote 4J (1) Other Post Employment Life Insurance Benefits for details.

(b) PSERS OPEB Liability: As of June 30, 2020, the Net OPEB (PSERS) Liability for School District was \$162.4 million. Refer to Footnote 4J (2) for further OPEB PSERS Plan Information.

(7) Due to Other Governments

Deferred Reimbursement – The Commonwealth of Pennsylvania 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) Other Liabilities

Other liabilities consist of \$97.3 million for Workers' Compensation, \$2.6 million for Unemployment Compensation Claims and \$9.9 million for Claims & Judgments.

(9) PSERS Pension Liability

As of June 30, 2020, the Net Pension Liability for SDP was \$3,571.5 million. Refer to Footnote 4K(1)(a) for further Pension Plan information.

F. Interfund Receivables, Payables and Transfers

(1) The composition of Interfund balances as of June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Print Shop Fund	\$ 30,559
General Fund	Use of Facilities	126,167
General Fund	Categorical	10,816,517

Interfund receivables and payables arose from operating activity between funds. Any unpaid balance at the end of the fiscal year is reported as an interfund receivable and/or payable.

The balance of \$30,559, \$126,167 and \$10,816,517 under the Print Shop Fund, Internal Service Fund, and Categorical Funds respectively, represents a reclassification of negative equity in pooled cash and investments. The District reclassified the balance of \$156,726 under the Print Shop and Use of Facilities as an internal balance on the District-wide financial statements.

(2) Interfund transfers at June 30, 2020 were as follows:

<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Food Service Fund</u>	
Intermediate	291,093,999	-	-	-	291,093,999
Categorical	1,403,621	-	-	-	1,403,621
Debt Service	294,789,269	3,351,541	-	289,458	298,430,268
Capital	155,398	-	139,419	-	294,817
Print Shop	345,276	-	-	-	345,276
Total	<u>587,787,563</u>	<u>3,351,541</u>	<u>139,419</u>	<u>289,458</u>	<u>591,567,981</u>

Interfund transfers are used to: (a) move revenues from the fund that statute or budget requires for collection to the fund that statute or budget requires for expenditure; (b) move receipts to the Debt Service Fund from the Enterprise Fund as a transfer to cover Fiscal Year 2020 allocations of cafeteria renovations; and (c) to transfer General Fund assets to cover the costs of additional salary and benefits accrual; and (d) to reimburse the Debt Service fund from the Capital Projects fund for cost of issuance of new debt.

G. Commitments

(1) Capital Projects Fund Construction and Equipment Purchase Commitments

The School District's outstanding contractual commitments at June 30, 2020 are summarized as follows:

New Construction and Land	\$ 971,050
Environmental Management	450
Alterations and Improvements	5,106,754
Major Renovations	<u>433,313</u>
Total	<u>\$ 6,511,567</u>

(2) Operating Fund Services and Supplies Commitments

Outstanding contractual commitments in the School District's operating funds at June 30, 2020 are as follows:

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Services and Supplies	\$ 6,653,286	\$ 502,258

(3) Categorical Fund Commitments

Categorical Funds encumbrances totaled \$11.3 million at June 30, 2020.

H. Intermediate Unit

As previously noted, the School District is also an Intermediate Unit established by the Commonwealth to provide programs for special education. Conceptually, the cost of operating an Intermediate Unit for a fiscal year is partially financed by state

appropriations. In certain instances (i.e. transportation), the School District reimburses the Commonwealth for the funds advanced in the previous fiscal 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.

I. Litigation and Contingencies

The following information represents the opinion and disclosures of the General Counsel of the School District concerning litigation and contingencies:

- (1) ***Special Education and Civil Rights Claims*** – There are estimated seven hundred nine (709) various claims against the School District, by or on behalf of students, which aggregate to a total potential liability of \$4.4 million.

Of those, four hundred fifty (450) are administrative due process hearings and appeals to the state appeals panel pending against the School District. These appeals are based on alleged violations by the School District 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 School District, four hundred fifty (450) unfavorable outcomes are deemed probable in the aggregate of \$4.4 million.

- (2) ***Other Matters*** - The School District is a party to various claims, legal actions, arbitrations and complaints in the ordinary course of business, which aggregate to a total potential liability of \$79.1 million. In the opinion of the General Counsel of the School District, it is unlikely that final judgments or compromised settlements will approach the total potential liability, however. Nevertheless, the School District annually budgets an amount that management believes is adequate, based on past experience, to provide for these claims when they become fixed and determinable in amount. More particularly, compromised settlements or unfavorable outcomes are deemed reasonably possible in the amount of \$2.3 million 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 \$3.7 million and \$8.4 million, respectively, arising from personal injury and property damage claims and lawsuits.

- (3) ***Administrative Appeals in Pennsylvania Department of Education*** – The School District has received several state subsidy withholding requests filed with PDE, pursuant to Section 1725-A of the Charter School Law, by charter schools that enrolled Philadelphia resident students. These withholding requests concern the calculation of the per-pupil rates to be paid by the School District to charter schools. The issues relate to whether the charter school per-pupil rates should be calculated using a school district's allocated expenditures reflected in its initial budget, in its amended adopted budget, or in its final audited financial report for the prior fiscal year. These issues have been raised in a number of withholding requests submitted to PDE by charter schools seeking payments from many school districts in Pennsylvania.

First Phila. Prep. Charter School, et al. v. Pennsylvania Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 159 M.D. 2017. This case was brought in 2017 by seven Philadelphia charter schools against PDE, the School District, the Superintendent, the Governor, the Attorney General, and members of the General Assembly. At issue is the validity of PDE's interpretation of 24 P.S. § 1725-A(a)(2) and (3) as stated in PDE's former PDE-363 Guidelines. Based on PDE's Guidelines, which applied statewide, the School District made payments to charter schools in accordance with prior-year budgeted expenditures, but toward the end of the school year, the School District adjusted the rates after calculating them based upon actual expenditures. Those rates were then applied to the entire school year. Because this adjustment caused the rates to go down, the charter schools argued that the Guidelines should be disregarded or voided because they were inconsistent with the Charter School Law, specifically, 24 P.S. §§ 17-1725-A(a)(2) and (3). On February 22, 2018, a Commonwealth Court panel overruled the preliminary objections presented by the School District and by PDE and held that PDE's Guidelines were invalid. The case was remanded to the Court of Common Pleas for a determination as to whether the charter schools have been paid in the correct amounts. On March 19, 2018, PDE rescinded the Guidelines by posting a notice on its website.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 289 M.D. 2017. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. In addition to the issue raised in the *First Philadelphia* case described above, the charter schools raised the issue of whether they were entitled to per-pupil payments at the proper rates for the 2015-2016 school year when they made their payment requests to PDE, and not to the School District, after October 1, 2016. In July 2016, the General Assembly had amended the language of Section 1725-A(a)(5) to include a provision stating that charter schools must provide to their chartering school districts by October 1st following the end of a school year "final documentation of payment to be made" to them. In April 2017, the charter schools asked PDE to withhold funds from the School District under authority of 24 P.S. § 1725-A(a)(5), but PDE refused to make withholdings because the schools failed to show that they complied with the statutory deadline of October 1, 2016. All parties filed motions for summary relief. On August 5, 2019, the Commonwealth Court denied the School District's motion and found that the only significance of the schools' missing the October 1st deadline was it relieved PDE of the obligation to make withholdings. The court held that, regardless of whether charter schools meet the October 1st deadline, the school District has a "duty to pay charter schools the statutory amount" and ordered that the matters proceed before PDE. The School District decided not to appeal the court's decision. The parties have settled the October 1 issue for \$1,820,108 and are proceeding with the federal funds' deduction issues before PDE. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of \$10.7 million for the 2015-16 school year.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 167 M.D. 2019. This is a charter school funding dispute brought by eight brick and mortar and cyber charter schools against PDE and the School District. The School District initially objected to withholdings for payments made to

the charter schools for the 2016-2017 school year. The Commonwealth Court in the First Philadelphia case then invalidated PDE's 363 Guidelines. The School District later paid these charter schools at the proper rates calculated using budgeted expenditures, as required under the First Philadelphia decision. Accordingly, the School District withdrew its objections to the withholdings made by PDE. The charter schools still wanted to be heard, however, on their federal fund deduction claims, so they brought this separate action. After the School District and PDE filed preliminary objections and briefs in mid-September 2019, the charter schools moved their federal funds deduction claims to PDE; however, the case before Commonwealth Court has not been dismissed. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of \$8.5 million for the 2016-17 school year.

Antonia Pantoja Charter School, et al. v. Department of Education Philadelphia et al., Commonwealth Court of Pennsylvania, 431 M.D. 2019. This is a charter school funding case brought by eight brick and mortar and cyber charter schools against PDE and the School District. The School District initially objected to withholdings for payments made to the charter schools for the 2017-2018 school year. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome is reasonably possible in an amount in excess of \$6.4 million for the 2017-18 school year. The charter schools brought this action to make the same federal funds claims as presented in the prior case (167 M.D. 2019). The School District's response to the petition for review was filed in early October 2019. The charter schools moved their federal funds deductions claims to PDE and discontinued the Commonwealth Court case in March 2020.

These three matters are assigned to a hearing officer and the hearings began on November 9, 2020.

Federal Funds Deduction Administrative Actions. As a result of the Commonwealth Court's order in Antonia Pantoja, 289 M.D. 2017, related to the 2015-16 school year and the charter schools' moving their federal funds claims for the 2016-17 (Antonia Pantoja, 167 M.D. 2019) and 2017-18 (Antonia Pantoja, 431 M.D. 2019) school years to PDE, there are twelve docketed matters before PDE related to the 2015-2016 school year, thirteen docketed matters related to the 2016-2017 school year, and twelve docket matters related to the 2017-2018 school year involving the federal funds deduction issue. The amounts at issue are: (i) in excess of \$10.7 million for the 2015-16 school year; (ii) in excess of \$8.5 million for the 2016-17 school year; and (iii) in excess of \$6.4 million for the 2017-18 school year. Although it is impossible to determine with any degree of certainty, according to outside counsel, the likelihood of an unfavorable outcome on the federal funds deduction issue involving claims for the 2016-17 and 2017-2018 school year in the amounts detailed above is reasonably possible.

- (4) ***Constitutional Challenge- Duffield House Assocs., et al. v. City of Phila., et al., Court of Common Pleas of Philadelphia County, September Term, 2017, Case No. 153.*** This consolidated proceeding by commercial property owners and tenants in the City alleges that the City's 2018 property tax reassessment violated the Pennsylvania Constitution's Uniformity Clause. In 2018, plaintiffs requested a preliminary injunction to compel usage of the 2017 assessment levels for all tax bills. Because that request implicated the School District's Business Use and Occupancy Tax, the School District intervened as a defendant. The Court denied the plaintiffs' requested preliminary injunction but stayed their individually filed appeals from the Board of Revision of Taxes pending the outcome of the dispute. The Court conducted a trial on the merits in June 2019.

On July 18, 2019, the Court issued an opinion, ruling against the City and in effect, adverse to the School District's interests. If that ruling stands, it would have an estimated \$35.0 million impact on the School District. The City and School District moved for post-trial relief in July 2019, which the Court denied. The City and School District filed a notice of appeal of the Court's decision, which has been docketed with Commonwealth Court on November 4, 2019.

The parties are waiting to receive the briefing schedule from Commonwealth Court. During this appeal, the ruling of the Court of Common Pleas will be automatically stayed. Although it is impossible to determine with any certainty, based on our evaluation of the claims and defenses, the likelihood of an unfavorable outcome for the School District is reasonably possible in the amount of approximately \$35.0 million.

In Re: Adoption of an Amended Financial Plan for Chester Upland School District, Del. Cty. CCP, No. 12-9781. ***Chester Upland School District ("CUSD")*** is a public school district serving the City of Chester, the Borough of Upland, and Chester Township in Delaware County, Pennsylvania. Upon petition by the Pennsylvania Secretary of Education, CUSD was placed into receivership on December 13, 2012. The receivership has been extended twice and currently terminates on June 3, 2022. A Revised Financial Recovery Plan was submitted to the court on December 19, 2019. In November 2019, Chester Community Charter School ("CCCS") petitioned the court to direct CUSD and its Receiver to issue a Request for Proposals to convert CUSD schools to charter schools to take over the entire pre-K to 8th grade program, along with CUSD school buildings. Approximately 1,500 Philadelphia resident children were enrolled in CCCS during fiscal year 2018-2019, and enrollment for 2019-2020 was projected at 1,400 Philadelphia resident students. For fiscal year 2018-2019, the School District paid approximately \$15.6 million to CCCS, and projected payments for 2019-2020 were approximately \$19.6 million. Pursuant to the Charter School Law, the School District must also transport all children to a charter school, such as CCCS, within a ten-mile radius of Philadelphia. In fiscal year 2018-2019, the transportation expenditure to transport Philadelphia resident students to CCCS was approximately \$1,546,000. The court twice denied the Philadelphia School District's petitions to intervene in the case. The School District argued that, due to the number of Philadelphia students attending CCCS, the School District has a stake in the matter, and that any CUSD schools converted to charter schools should have enrollment limited to CUSD residents. On May 14, 2020, the court accepted and approved the Financial Recovery Plan. The court authorized the Receiver to issue RFPs to address the options for the management and delivery of education for Pre-K through 12th grade, including converting CUSD schools to charter schools through a competitive RFP, a demonstration of financial savings, and public evaluation. Any recommendation for changes to school management or grade levels have to be approved by the court through an amendment to the Financial Recovery Plan. On June 5, 2020, the School District filed a motion to intervene and on June 15, 2020, the School District filed a notice to appeal the May 14, 2020 Order. The court has not ruled or scheduled hearings on either filing. The School District

has also filed another appeal regarding the court’s denial of the School District’s June 5, 2020 petition to intervene. The court has scheduled a status hearing regarding the Financial Recovery Plan for January 11, 2021. The School District cannot predict the potential financial impact if the Financial Recovery Plan is implemented in its present form.

J. Other Post Employment Benefits

The District recognized and recorded (1) the actuarially determined total OPEB liability for unfunded plans and (2) the net OPEB liability or, for multi-employer cost sharing plans, the entity’s share of the net OPEB liability in the entity’s financial statements. Currently, the District has two OPEB benefits (1) Life Insurance Benefits and (2) PSERS OPEB. The following schedule presents the aggregate of OPEB liabilities, deferred outflows and inflows of resources, and the current year OPEB expense for the District during FY 2020:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
OPEB Liabilities	\$ 176,713,838	\$ 2,523,627	\$ 179,237,465
Deferred Outflows of Resources	27,317,594	415,877	27,733,471
Deferred Inflows of Resources	(6,863,650)	(95,379)	(6,959,029)
Current Year Expenses	1,390,191	16,503	1,406,694

(1) Life Insurance Benefits

Plan Description:

The School District provides up to \$2,000 of life insurance coverage for retired and disabled employees. A retired employee is eligible for this benefit if covered for 10 years as an active employee and retired at age 60 with 30 years of service or age 62 with 10 years of service or 35 years of service regardless of age. Effective November 1, 2013, active employees who become disabled (total and permanent) prior to satisfying the retirement eligibility conditions for postretirement life insurance benefits are no longer eligible for postretirement benefits provided by the District. Employees who were granted disability retirement from PSERS and were approved by the insurance company providing the coverage prior to November 1, 2013 continue to be eligible for postretirement life insurance benefits. An unaudited copy of the single-employer life insurance benefit plan can be obtained by writing to the School District of Philadelphia, 440 North Broad Street, Philadelphia, PA 19130; Attention: Employee Benefits Management.

Funding Policy:

The School District is not required by law or contractual agreement to provide funding for the life insurance benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible disabled employees. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

The numbers of eligible participants enrolled to receive such benefits as of June 30, 2018, the effective date of the biennial OPEB valuation, follows. There have been no significant changes between the valuation dates and the measurement year ends in the number covered or the type of coverage since that date.

	Number of Employees
Active	14,124
Retirees	10,352
Total	24,476

Total OPEB Life Insurance liability:

On June 30, 2020, the District reported a liability of \$16.9 million for the total OPEB Life Insurance liability, all of which was under the Governmental Activity section of the Government-wide Statements. For the June 30, 2020 reporting date (which is the plan’s and/or employer’s fiscal year ending date), the “Valuation Date is June 30, 2019.” This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2019. This is the date as of which the total OPEB Life Insurance liability was determined.

Our actuary determined the total OPEB Life Insurance liability for the fiscal year ending June 30, 2019 by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date, if applicable. Covered payroll equals the annualized base pay for active members as of the valuation date.

Actuarial Methods and Assumptions:

- Discount Rate: 3.87 % per annum as of June 30, 2018 to 3.50% as of June 30, 2019 (Bond Buyer General Obligation 20 year-Tax Exempt Municipal Bond Index, selected by the District)
- Salary Increases: 3.00 % per year (based on input from District)
- Mortality: RPH-2006 Mortality Tables with white-collar adjustments, projected on a generational basis with Scale MP-2017, with employee rates before retirement and healthy annuitant rates after retirement. As a generational table,

it reflects mortality improvements both before and after the measurement date. This industry standard table published by the Society of Actuaries (SOA) was selected based on the population covered and the recent SOA exposure draft on public plan mortality experience.

- Termination: Withdrawal rates vary by age and years of service. Illustrative rates are shown below:

<u>If less than 5 Years of Service</u>		<u>If 5 or more Years of Service</u>	
<u>Years of Service</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
<1	24.49%	25	24.75%
1 - 2	25.23%	30	18.01%
2 - 3	16.54%	35	10.98%
3 - 4	14.07%	40	7.91%
4 - 5	10.88%	45	6.71%
		50	4.03%
		55	3.81%
		60	6.40%

- Retirement: Retirement rates are the rates utilized in the June 30, 2017 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service, and gender. Members are eligible for early retirement at age 55 with 25 years of service. Class T-C and T-D members are eligible for superannuation retirement at the earlier of (1) age 62 with 3 years of service, (2) age 60 with 30 years of service, or (3) any age with 35 years of service. Class T-E and T-F members are eligible for superannuation retirement at the earlier of (1) age 65 with 3 years of service or (2) any combination of age and service that totals 92 with at least 35 years of service. Sample rates are shown below.

Sample Early Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	18.57%	18.59%
60	14.42%	17.05%

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	26.59%	10.02%
60	30.87%	35.77%
65	21.39%	22.23%
74	100.00%	100.00%

- Disability: None assumed.
- Life Insurance Benefits Claimed: All life insurance benefits are assumed to be claimed upon the retiree's death, selected by the District.
- Life Insurance Coverage while Employed: Only active employees who have life insurance coverage as of the valuation date 9 are included in this valuation. This valuation assumes they will continue to have life insurance coverage until retirement or disability and be eligible for the postretirement life insurance coverage upon retirement or disability. Any current active employee without life insurance coverage is assumed not to elect to have life insurance coverage prior to retirement or disability.
- Benefits Not Valued: The accelerated death benefit was not valued as the estimated liability impact was de minimis as only disabled retirees prior to age 65 can elect this benefit.
- Special Data Adjustments: PSERS membership class was determined based on the provided date of hire with the District. Service was determined as the elapsed time from the provided date of hire with the District until the date of determination.

Actuarial Cost Method:

The Entry Age Normal cost method was used for determining service costs and the actuarial accrued liability. Costs are determined as a level percent of pay.

Changes since Prior Valuation:

The discount rate has been changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Total OPEB Life Insurance Liability			
Most Recent Measurement Date	Total OPEB Life Insurance Liability	Active Covered Payroll	Total OPEB Life Insurance Liability as a percentage of covered payroll
6/30/2019	\$16,870,466	\$792,975,829	2.12749%

Other Postemployment Benefits (OPEB) Life Insurance Benefits liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Changes in the Total OPEB Life Insurance Liability:

	Increase (Decrease) Total OPEB Life Insurance Liability
Total OPEB Life Insurance Benefit Liability as of July 1, 2019	\$ 15,917,810
Changes for the year (2019-2020):	
Service Cost	80,443
Interest on total OPEB Life insurance Liability	610,290
Effect of Assumption changes or inputs	723,274
Benefit Payments	(461,351)
Total OPEB Life Insurance Benefit Liability as of June 30, 2020	\$ 16,870,466

Sensitivity of the District's Total OPEB Life Insurance Liability to changes in the discount rate:

The following presents the total liability, calculated using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

	2018-2019 Measurement Period (Dollars in Thousands)		
	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
District's total OPEB Life Insurance Liability	19,147	16,870	15,038

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(Dollar in Thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 414.0	\$ -
Effect of liability gains or losses	-	(20.1)
Effect of assumptions changes or inputs	562.5	(802.3)
	<u>\$ 976.5</u>	<u>\$ (822.4)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$0.4 million and will be recognized as a reduction of total OPEB liability in the next fiscal period rather than in the current period.

OPEB Expense and Deferred Inflows of Resources Related to OPEB Life Insurance:

- (a) For the year ended June 30, 2020, the District recognized net OPEB expense of \$ 344.9 thousand which was all under the Governmental Activity section of the Government-wide Statements.
- (b) The \$259.9 thousand reported as net deferred outflows was under the Governmental-Activities column of the

Government-wide statements. Amounts currently reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Net Deferred Outflows of Resources
2020	\$ (506.5)	\$ 160.7	\$ (345.8)
2021	(247.6)	160.7	(86.9)
2022	(68.3)	160.7	92.4
2023	-	80.4	80.4
Thereafter	-	-	-
	<u>\$ (822.4)</u>	<u>\$ 562.5</u>	<u>\$ (259.9)</u>

(2) **PSERS Other Postemployment Benefits**

(a) Other Postemployment Benefits (OPEB) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- (i) At June 30, 2020, the District reported a liability of \$162.4 million for its proportionate share of the net OPEB liability of which \$159.8 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 7.6342 percent, which was a decrease of 0.0709 percent from its proportion measured as of June 30, 2019.
- (ii) For the year ended June 30, 2020, the District recognized net OPEB expense of \$1,061.8 thousand of which \$1,045.3 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$16.5 thousand was under the Business-type Activity section of the Government-wide Statements.
- (iii) At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Dollars in Thousands)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 913.0	\$ (26.6)
Change in assumption	5,380.0	(4,825.0)
Net difference between projected and actual investment earnings	273.0	-
Change in proportions	11,109.0	(1,285.0)
Difference between employer contributions and proportionate share of total contributions	4.6	-
Contributions subsequent to the measurement date	9,077.3	-
	<u>\$ 26,756.9</u>	<u>\$ (6,136.6)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$9.1 million and will be recognized as a reduction of net OPEB liability in the next fiscal period rather than in the current period. The District recognized \$11.5 million as deferred outflows of resources and deferred inflows of resources related to OPEB which will be recognized in OPEB expense as follows:

(Dollars in Thousands)

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2020	\$ 3,426.1	\$ (1,187.9)	\$ 2,238.2
2021	3,428.1	(1,188.9)	2,239.2
2022	3,363.1	(1,166.9)	2,196.2
2023	3,307.0	(1,146.9)	2,160.1
2024	3,626.1	(1,258.9)	2,367.2
Thereafter	529.2	(187.1)	342.1
Total	<u>\$ 17,679.6</u>	<u>\$ (6,136.6)</u>	<u>\$ 11,543.0</u>

Of the \$11,543.0 thousands reported as net deferred outflows, \$11,363.6 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$175.4 thousand and \$4.0 thousand respectively.

Actuarial assumptions: The total OPEB liability as of June 30, 2019 was determined by rolling forward the System’s total OPEB liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return from 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which is comprised of inflation of 2.75% and 2.25% for real wage growth, and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments: Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Healthcare Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core-Fixed Income	83.1%	1.0%
Non-US Developed fixed	3.7%	0.0%
	100.0%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount rate: The discount rate used to measure the total OPEB liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79%, which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to change in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019 as it relates to the District's proportionate share, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	(Dollars in Thousands)		
	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB Liability	162,342	162,367	162,388

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage point higher (3.79%) than the current rate:

	(Dollars in Thousands)		
	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
District's proportionate share of the net OPEB liability	184,972	162,367	143,634

OPEB plan fiduciary net position:

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

K. Pension Plan

1. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
 - (a) At June 30, 2020, the District reported a liability of \$3,571.5 million for its proportionate share of the net pension liability of which \$3,518.2 million was under the Governmental Activity section of the Government-wide Statements while the remaining amount was included under the Business-type Activity (Food Services and Print Shop) section of the Government-wide Statements. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Public School Employees' Retirement System (System's) total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated using the employer's one-year covered payroll as it relates to the System's total one-year reported covered payroll. At June 30, 2019, the District's proportion was 7.6342 percent, which was a decrease of .0709 percent from its proportion measured as of June 30, 2018.
 - (b) For the year ended June 30, 2020, the District recognized net pension expense of \$30,686.1 thousand of which \$30,228.7 thousand was under the Governmental Activity section of the Government-wide Statements while the remaining amount of \$457.49 thousand was under the Business-type Activity section of the Government-wide Statements.
 - (c) At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>(Dollars in Thousands)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual	\$ 19,667.0	\$ (118,375.0)
Change in assumption	34,142.0	-
Net difference between projected and actual investment earnings	-	(10,231.0)
Change in proportions	168,150.0	(33,910.0)
Difference between employer contributions and proportionate share of total contributions	-	(2,224.3)
Contributions subsequent to the measurement date	361,051.9	-
	<u>\$ 583,010.9</u>	<u>\$ (164,740.3)</u>

Deferred outflows of resources for contributions made subsequent to the measurement date was \$361,051.9 thousand, and will be recognized as a reduction of net pension liability/collective net pension liability in the subsequent fiscal period rather than in the current period.

The District recognized net deferred outflows of \$57,218.7 thousand reported related to pensions in pension expense as follows:

(Dollars in Thousands)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows and Inflows of Resources
2020	\$ 313,708.8	\$ (231,088.1)	\$ 82,620.7
2021	50,015.8	(37,368.4)	12,647.4
2022	(165,300.5)	120,948.2	(44,352.3)
2023	23,534.9	(17,232.0)	6,302.9
Total	\$ 221,959.0	\$ (164,740.3)	\$ 57,218.7

Of the \$57,218.7 thousand reported as net deferred outflows, \$56,366.1 thousand was under the Governmental-Activities column of the Government-wide statements while the remaining amount was under the Business-type Activities column (Food Service and Print Shop) at \$827.9 thousand and \$24.7 thousand, respectively.

Actuarial assumptions:

The total pension liability as of June 30, 2019 was determined by rolling forward the System’s total pension liability as of June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return - 7.25% includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	100.00%	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses was 6.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension to changes in the discount rate:

The following presents the net liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

(Dollars in Thousands)

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$4,448,668	\$3,571,478	\$2,828,713

Pension plan fiduciary net position:

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

L. Risk Management

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As previously noted, the School District is self-insured for casualty losses, public liability, Workers' Compensation, Unemployment Compensation, Weekly Indemnity (salary continuation during employee illness), and employee medical benefits.

The School District maintains property (real and personal, valuable papers and records, fine arts, vehicles on premises and property under construction) insurance to cover losses with a deductible of \$0.5 million except for losses incurred from windstorm, fire, flood and earthquake which have a deductible of \$1.0 million and a limit of \$250.0 million per occurrence with certain sub-limits as specified in the policy terms. Also, certain insurance coverages including Accident, Foreign Package Excess Workers' Compensation, Student Professional Liability and Employee Performance bonds are obtained.

The School District reported the long-term portion of its risk management obligations totaling \$126.3 million in the District-wide Statement of Net Position. Self-Insured Medical Benefits and Workers' Compensation coverage is funded by a pro-rata charge to the various funds while both the School District and covered employees share the cost of Weekly Indemnity and Unemployment Compensation coverage.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and when the amount of the loss can be reasonably estimated. Losses include an estimate of claims that have been incurred but not reported, the effects of specific incremental claims adjustment expenditures, salvage and subrogation, and unallocated claims adjustment expenditures.

At June 30, 2020, the amount of these liabilities totaled \$126.3 million. Changes in the balances of claims and liabilities during the past two (2) years are as follows:

(Dollars in Millions)

	Beginning Liability	Claims & Adjustments	Claim Payments	Ending Liability	Due Within One Year
Fiscal Year 2019	\$ 121.1	\$ 221.0	\$ 218.1	\$ 124.0	\$ 48.8
Fiscal Year 2020	\$ 124.0	\$ 201.6	\$ 199.3	\$ 126.3	\$ 47.8

Settled claims covered by commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) years. There has not been a significant reduction in insurance coverage from coverage in the prior year for any risk category. The School District has not entered into any annuity contracts as part of claims settlements.

M. Prior Period Adjustment

Capital Assets: District-wide net position beginning balances were decreased by \$286,279. These adjustments involved: (1) a decrease in WIP in the amount of \$194,689 to adjust for non-capitalizable expenditures, (2) a decrease in Improvements in the amount of \$7,605,420 to reduce the account balance to remove the value associated with Intangibles, (3) an increase in Intangibles in the amount of \$7,605,420 to properly record the value previously recorded in the Improvement account, (4) a decrease in Personal Property in the amount of \$95,100 to reflect the correction of recording errors, (5) a reduction to Improvement Accumulated Depreciation in the amount of \$7,605,420 to remove depreciation incorrectly associated with the Improvement account, (6) an increase to the Intangibles Accumulated Depreciation in the amount of \$7,605,420 to properly record the value previously recorded in Improvement Accumulated Depreciation, and (7) a decrease in Personal Property Accumulated Depreciation in the amount of \$3,510 to reflect the correction of recording errors.

N. Uncertainty

As a result of the global pandemic caused by the COVID-19 coronavirus which is ongoing at June 30 2020, economic and operational uncertainties have arisen which have impacted the District in Fiscal Year 2020 and will continue to impact the District in Fiscal Year 2021. There exist uncertainties surrounding the District's operations in the 2020-2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while onsite. In addition, the impacts on revenues both at the Federal, State and Local level are unknown at this time, including the potential for additional relief dollars. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop and evolve.

O. Subsequent Events

In preparing the accompanying financial statements, the School District has reviewed events that have occurred subsequent to June 30, 2020 to and including February 15, 2021. Other than as described below, there were no subsequent material events affecting the District:

(1) Tax Anticipation Revenue Notes (TRAN):

In July 2020, as part of the annual process to obtain short term financing (in anticipation of the receipt of taxes and revenues) through the issuance of tax and revenue anticipation notes (TRANS), the Board of Education, through a resolution, authorized the issuance and sale of TRAN Note Series of 2020-2021 which was issued as fixed rate notes in the aggregate principal amount of \$533.2 million with a maturity date of June 30, 2021.

On July 1, 2020, the Board of Education authorized the issuance of \$533.2 million of Tax and Revenue Anticipation Notes, Series A of 2020-2021 through a negotiated sale. The Notes were issued for the purpose of financing the current operating expenses to be received during Fiscal Year 2021. The Notes received the highest short-term ratings from both Moody's and Fitch, MIG1 and F1+, respectively. The Notes were sold at a coupon of 4.00% with a yield of 0.55%. Note proceeds were received on the closing date of July 9, 2020.

(2) Federal Relief Appropriations Due to COVID-19:

The District received federal awards in Fiscal Year 2020 pursuant to the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, which was signed by President Trump into law on March 27, 2020 for addressing the ongoing COVID-19 pandemic. The District received approximately \$138.7 million to be spent in Fiscal Year 2021 forward, less an amount for Equitable Share to non-public schools.

The District will be receiving additional funds pursuant to the Coronavirus Response and Relief Supplemental Appropriations Act, Pub. L. No 116-260, passed by Congress and signed by President Trump at the end of December, 2020. While no award has been made at this time, the District is projected to receive \$565.0 million for the period between the times the bill became law through September 30, 2023.

(3) University of Pennsylvania Private Grant for Environmental Hazard Abatements:

On November 17, 2020 the University of Pennsylvania announced that it will contribute \$100.0 million to the School District representing a significant commitment to the City and its public school children. This is the largest private contribution to the School District in its history. Penn's \$100.0 million contribution to the School District (\$10.0 million annually for 10 years beginning in Fiscal Year 2021) will be used to remediate environmental hazards, including asbestos and lead, in our public school buildings.

(4) Settlement Agreement with KIPP Philadelphia Charter School:

Based on a final settlement agreement reached in October 2020 KIPP Philadelphia Charter School agreed to pay the School District of Philadelphia \$3.0 million regarding enrollment disputes arising from the 2013-14 and 2014-15 school years. The payment will be made in five (5) installments of \$600,000 each beginning with the 2020-21 school year.

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**REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION
AND ANALYSIS**

School District of Philadelphia
Budgetary Comparison Schedules
General and Intermediate Unit Funds
For The Year Ended June 30, 2020

General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes	\$ 1,348,135,000	\$ 1,291,122,717	\$ 1,317,092,381	\$ 25,969,664
Locally Generated Non Tax	246,158,000	260,482,894	260,167,199	(315,695)
State Grants and Subsidies	1,580,499,000	1,551,560,053	1,522,789,171	(28,770,882)
Federal Grants and Subsidies	200,000	317,229	317,229	-
Total Revenues	3,174,992,000	3,103,482,893	3,100,365,980	(3,116,913)
OBLIGATIONS				
Current Operating				
Instruction	1,107,307,532	1,050,007,181	1,050,491,586	(484,405)
Student Support Services	38,238,350	38,109,754	37,823,670	286,084
Administrative Support	118,395,862	120,606,906	114,716,799	5,890,107
Operation & Maintenance of Plant Services	220,581,243	245,304,027	220,921,960	24,382,067
Pupil Transportation	106,198,734	89,203,221	84,741,838	4,461,383
All Other Support Services	15,648,284	(342,077)	938,999	(1,281,076)
Payments to Charter Schools	1,055,446,306	1,051,446,305	1,049,430,968	2,015,337
Allocated Costs	(21,263,505)	(21,113,505)	-	(21,113,505)
Total Obligations	2,640,552,806	2,573,221,812	2,559,065,820	14,155,992
Excess of Revenues Over (Under) Obligations	534,439,194	530,261,081	541,300,160	11,039,079
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(590,257,694)	(585,414,043)	(589,125,483)	(3,711,440)
Bond and Note Premiums	-	3,911,592	3,911,592	-
Total Other Financing Sources (Uses)	(590,257,694)	(581,502,451)	(585,213,891)	(3,711,440)
Net Change in Fund Balances	(55,818,500)	(51,241,370)	(43,913,731)	7,327,639
Fund Balances, July 1, 2019	71,903,400	84,084,491	107,241,103	23,156,612
Reserve for Facilities	-	(25,000,000)	-	25,000,000
Change in Inventory Reserve	-	-	(43,789)	(43,789)
Change in Encumbrance Reserve	-	-	(16,078,417)	(16,078,417)
Fund Balances, June 30, 2020	\$ 16,084,900	\$ 7,843,121	\$ 47,205,166	\$ 39,362,045

Intermediate Unit Fund

Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
210,000	172,000	311,642	139,642
143,857,000	139,575,138	142,283,623	2,708,485
-	-	-	-
144,067,000	139,747,138	142,595,265	2,848,127
298,387,303	293,117,609	293,925,728	(808,119)
138,062,048	131,493,240	131,044,679	448,561
924,949	995,435	1,056,776	(61,341)
-	-	-	-
-	-	-	-
-	-	-	-
9,000,000	9,000,000	9,000,000	-
446,374,300	434,606,284	435,027,183	(420,899)
(302,307,300)	(294,859,146)	(292,431,918)	2,427,228
302,307,300	294,859,146	292,431,918	(2,427,228)
-	-	-	-
-	-	-	-
302,307,300	294,859,146	292,431,918	(2,427,228)
-	-	-	-
-	-	2,014,654	2,014,654
-	-	-	-
-	-	-	-
-	-	(1,512,396)	(1,512,396)
\$ -	\$ -	\$ 502,258	\$ 502,258

Refer to notes to the required supplementary information

SCHOOL DISTRICT OF PHILADELPHIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIFE INSURANCE BENEFITS LIABILITY (1)

	Measurement Date	
	2017	2018
<u>Total OPEB Life Insurance Liability</u>		
Service Cost	\$ 101,347	\$ 86,098
Interest on total OPEB Life Insurance Liability	505,171	580,316
Effect of Liability gains or losses	-	(36,124)
Effect of Assumption changes or inputs	(1,590,940)	(578,474)
Benefit Payments	(520,980)	(511,238)
Net Change in Total OPEB Life Insurance Benefit Liability	\$ (1,505,402)	\$ (459,422)
Total OPEB Life Insurance Liability—beginning	17,882,634	16,377,232
Total OPEB Life Insurance Liability—ending (a)	<u>\$ 16,377,232</u>	<u>\$ 15,917,810</u>
Plan fiduciary net position	\$ -	\$ -
Plan fiduciary net position—beginning	-	-
Plan fiduciary net position—ending (b)	-	-
District's net OPEB liability	<u>\$ 16,377,232</u>	<u>\$ 15,917,810</u>
Plan fiduciary net position as a percentage of the Total OPEB Life Insurance liability	0.00%	0.00%
Covered payroll	\$ 714,588,514	\$ 792,975,829
District's net OPEB liability as a percentage of its covered payroll	2.29%	2.01%
Expected average remaining service years of all participants	13.5	12.6

Notes to Schedule:

Changes since prior valuation

- Changed the municipal bond index discount rate of 3.87% to 3.50%.

(1) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S OPEB LIFE INSURANCE CONTRIBUTIONS (1)

	FISCAL YEARS		
	2018	2019	2020
Contractually required contribution	\$ 511,238	\$ 520,980	\$ 461,351
Contributions in relation to the Contractually required Contribution	511,238	520,980	461,351
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 792,975,829	\$ 792,975,829	N/A ⁽²⁾
Contributions as a percentage of covered payroll	0.064%	0.066%	N/A ⁽²⁾

The District pays for OPEB benefits on a pay-as-you-go-basis. Consistent with prior practice, the District's contributions equal the premiums paid for the retirees' life insurance coverage. Since the District is not prefunding these benefits, no actuarially determined contribution is determined.

Notes to Schedules:

Valuation date June 30, 2018

Methods and Assumption Used to Determine Contribution Rates:

Actuarial cost method Entry Age Normal
 Asset valuation method Not applicable
 Measurement date June 30, 2019
 Salary increases 3.00%

(1) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year each year until sufficient information to present a ten-year trend is available.

(2) The District's covered payroll was only calculated through the measurement period of June 30, 2019. No estimate is available for the measurement period ended June 30, 2020.

SCHOOL DISTRICT OF PHILADELPHIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
 THE NET PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) HEALTH INSURANCE LIABILITY (2)
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	Measurement Date	
	June 30, 2017	June 30, 2018
District's proportion of the net OPEB liability	7.2324%	7.7051%
District's proportion of net OPEB liability-dollar value	\$ 147,353,785	\$ 160,647,425
District's covered payroll	\$ 962,912,147	\$ 1,046,408,149
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.30%	15.50%
Plan fiduciary net position as a percentage of the total net pension liability	5.73%	5.56%
		7.6542%
		\$ 162,367,000
		\$ 1,046,411,347
		15.52%
		5.56%

(2) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 FOR NET PSERS POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) HEALTH INSURANCE LIABILITY (2)
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	FISCAL YEARS		
	June 30, 2018	June 30, 2019	June 30, 2020
Contractually required contribution	\$ 8,608,574	\$ 8,715,961	\$ 8,747,000
Contributions in relation to the contractually required contribution	8,608,574	8,715,961	8,747,000
Contribution deficiency (excess)	-	-	-
District's covered payroll	1,036,408,149	1,046,411,347	1,052,845,315
Contributions as a percentage of covered payroll	0.83%	0.83%	0.83%

(2) In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (3)
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	Measurement Date					
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's proportion of the net pension liability	7.5301%	7.0151%	6.9142%	7.2324%	7.7051%	7.6342%
District's proportion of net pension liability-dollar value	\$ 2,980,467,571	\$ 3,038,612,242	\$ 3,426,458,132	\$ 3,571,967,003	\$ 3,698,831,000	\$ 3,571,470,250
District's covered payroll	\$ 960,902,694	\$ 902,602,996	\$ 893,466,120	\$ 962,912,147	\$ 1,036,408,149	\$ 1,046,411,347
District's proportionate share of the net pension liability as a percentage of its covered payroll	310.17%	336.65%	382.65%	370.95%	356.89%	341.31%
Plan fiduciary net position as a percentage of the total net pension liability	57.24%	54.36%	50.14%	51.84%	54.00%	55.66%

(3) In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SCHOOL DISTRICT OF PHILADELPHIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS (3)
 PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

	FISCAL YEARS					
	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Contractually required contribution	\$ 180,187,615	\$ 216,738,487	\$ 274,885,156	\$ 325,694,097	\$ 341,545,787	\$ 361,051,896
Contributions in relation to the contractually required Contribution	<u>180,187,615</u>	<u>216,738,487</u>	<u>274,885,156</u>	<u>325,694,097</u>	<u>341,545,787</u>	<u>361,051,896</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 902,602,996	\$ 893,466,120	\$ 962,912,147	\$ 1,036,408,149	\$ 1,046,411,347	\$ 1,052,845,315
Contributions as a percentage of covered payroll	19.96%	24.20%	28.55%	31.43%	32.64%	34.29%

(3) In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

1. BASIS OF BUDGETING

The comparative schedules prepared on the basis of budgeting differ from the Generally Accepted Accounting Principles (modified accrual) basis statements in that both expenditures and encumbrances are applied against the current budget and adjustments affecting activity budgeted in prior years are accounted for as a reduction of expenditures.

2. RECONCILIATION BETWEEN THE BASIS OF BUDGETING AND GAAP

Statements prepared on a GAAP basis can be reconciled to those prepared on the basis of budgeting as follows:
(Dollars in Thousands)

	<u>General Fund</u>	<u>Intermediate Unit Fund</u>
Revenue – Basis of Budgeting	\$ 3,100,366	\$ 142,595
Revenue - GAAP Basis	\$ 3,100,366	\$ 142,595
Obligations – Basis of Budgeting	\$ 2,559,066	\$ 435,027
Current Year Encumbrances	(6,593)	(498)
Prior Year Encumbrance Payments	15,761	674
Prior Year Encumbrance Cancellations and Other Adjustments	<u>8,248</u>	<u>-</u>
Expenditures - GAAP Basis	<u>\$ 2,576,482</u>	<u>\$ 435,202</u>
Other Financing Sources (Uses) - Basis of Budgeting	\$ (585,214)	\$ 292,432
Prior Year Encumbrance Cancellations	<u>1,338</u>	<u>(1,338)</u>
Other Financing Sources (Uses) - GAAP Basis	<u>\$ (583,876)</u>	<u>\$ 291,094</u>

3. OBLIGATIONS IN EXCESS OF APPROPRIATIONS

The following budgetary units had significant obligations in excess of appropriations for Fiscal 2020:

A. <u>General Fund</u>		
(1). Instruction	\$	484,405
(2). Allocated Costs	\$	21,113,505
B. <u>Intermediate Unit Fund</u>		
(1). Instruction	\$	808,119

Variances considered by management to be significant are explained below:

General Fund

The negative variance of \$484,405 in Instruction can be explained primarily by a higher than budgeted elementary classroom instruction, EC and prep costs, partially offset by lower than budgeted payments to outside educational entities.

The negative variance of \$21,113,505 in Allocated Costs results from the distribution of actual expenditures across agencies in the Administrative Support and Operation & Maintenance of Plant Services categories. These actual expenditures represent costs allocated to the Intermediate Unit and to Categorical Funds reflecting administrative, operational and indirect support costs originally expensed to the General Fund.

Intermediate Unit Fund

The negative variance of Instruction of \$808,119 results from greater than budgeted expenditures in multi-handicapped, autism and other support programs partially offset by lower than budgeted agency payments.

4. *ALLOCATED COSTS*

Allocated costs represent the School District's distribution of certain expenditures incurred by the General Fund on behalf of the Intermediate Unit and Categorical Funds. The costs are initially recorded in the General Fund and are subsequently transferred to the appropriate fund. The costs include, but are not limited to, managerial and staff support functions in the following areas: Accountability and Assessment, Health Services, Facilities Management Services, Human Resources, Information Technology, Security Operations, Curriculum Support, Transportation, Accounting Services, Payroll, Budget, Treasury Operations, etc.

In the General Fund, allocated costs are budgeted with a credit balance due to Intermediate Unit operations and allocated costs attributable to other funds and other adjustments. The original and final budget, for the credit balance, was \$21,263,505 and \$21,113,505, respectively.

Determination of allocated costs for Special Education Transportation is based on the number of special education routes and students, drivers employed, miles driven, and other factors. Since the total cost of all transportation is accumulated in the General Fund, subsequent analysis determines the amount to be charged to Special Education IU Transportation.

5. *OTHER*

There is no budgetary comparison presented for Categorical Funds because this fund does not have an annual appropriated budget.

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OTHER SUPPLEMENTARY INFORMATION

Non-Major Funds

Governmental - Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of certain revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue funds include Trust Funds for which both principal and earnings may be used to support School District programs that benefit either the School District or its students.

For external reporting purposes the School District reports one Non-Major Special Revenue Trust Fund. However, at June 30, 2020 there were thirty-five individual Special Revenue Trust Funds administered by the School District.

Governmental - Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support School District programs that benefit the School District or its students.

For external reporting purposes the School District reports one Permanent Fund. However, at June 30, 2020 there were eighty-seven Permanent Funds administered by the School District.

Proprietary – Internal Service Funds

The District has two Internal Service Funds which account for the Healthcare Self Insurance Fund and the Internal Use of Facilities Fund. The Healthcare Self Insurance Fund is used to account for self-insurance medical, vision and prescription service costs (excluding Health & Welfare payments to unions) to allow better visibility and analyses by type of medical coverage due to these costs being a major cost factor of the District's expenses. The Internal Use of Facilities Fund segregates from the General Fund the related revenues and costs for use of District buildings after business hours for internal users.

School District of Philadelphia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 4,388,429	\$ 2,152,044	\$ 6,540,473
Total Assets	\$ 4,388,429	\$ 2,152,044	\$ 6,540,473
 LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 5,160	\$ 3,900	\$ 9,060
Fund Balance:			
Nonspendable:			
Permanent Fund Principal	1,301,225	1,366,517	2,667,742
Restricted:			
Trust Purposes	3,082,044	781,627	3,863,671
Total Fund Balances	4,383,269	2,148,144	6,531,413
Total Liabilities and Fund Balances	\$ 4,388,429	\$ 2,152,044	\$ 6,540,473

School District of Philadelphia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds	Permanent Funds	Total Non-Major Governmental Funds
REVENUES			
Locally Generated Non Tax	\$ 55,732	\$ 22,478	\$ 78,210
EXPENDITURES			
Instruction	13,212	4,500	17,712
Excess (Deficiency) of Revenues Over Expenditures	42,520	17,978	60,498
Fund Balances, July 1, 2019	4,340,749	2,130,166	6,470,915
Fund Balances, June 30, 2020	\$ 4,383,269	\$ 2,148,144	\$ 6,531,413

School District of Philadelphia
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Healthcare Self Insurance	Use of Facilities	Total
ASSETS			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 62,276,622	\$ -	\$ 62,276,622
Due From Other Governments	-	34,897	34,897
Other Receivables	-	10,477	10,477
Funds On Deposit	9,500,000	-	9,500,000
Inventories	-	-	-
Total Current Assets	<u>71,776,622</u>	<u>45,374</u>	<u>71,821,996</u>
Total Assets	<u>\$ 71,776,622</u>	<u>\$ 45,374</u>	<u>\$ 71,821,996</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 11,960,925	\$ -	\$ 11,960,925
Incurred But Not Reported Claims	16,525,000	-	16,525,000
Total Current Liabilities	<u>28,485,925</u>	<u>-</u>	<u>28,485,925</u>
Total Liabilities	<u>\$ 28,485,925</u>	<u>\$ -</u>	<u>\$ 28,485,925</u>
NET POSITION			
Restricted for Healthcare Claims	9,500,000	-	9,500,000
Unrestricted (Deficit)	33,790,697	45,374	33,836,071
Total Net Position (Deficit)	<u>43,290,697</u>	<u>45,374</u>	<u>43,336,071</u>
Total Liabilities and Net Position	<u>\$ 71,776,622</u>	<u>\$ 45,374</u>	<u>\$ 71,821,996</u>

School District of Philadelphia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Healthcare Self Insurance	Use of Facilities	Total
Operating Revenues:			
Rental of Facilities	\$ -	\$ 286,957	\$ 286,957
Contributions for Services	180,997,458	-	180,997,458
Total Operating Revenues	180,997,458	286,957	181,284,415
Operating Expenses:			
Salaries	530,017	121,137	651,154
Employee Benefits	330,552	56,836	387,388
Benefit Payments	165,730,517	-	165,730,517
Other Operating Expenses	5,452,270	115,724	5,567,994
Total Operating Expenses	172,043,356	293,697	172,337,053
Operating Income/(Loss)	8,954,102	(6,740)	8,947,362
Non-Operating Revenues/(Expenses):			
Federal and State Grants	-	36,921	36,921
Change in Net Position	8,954,102	30,181	8,984,283
Total Net Position (Deficit) July 1, 2019	34,336,595	15,193	34,351,788
Total Net Position (Deficit) June 30, 2020	\$ 43,290,697	\$ 45,374	\$ 43,336,071

School District of Philadelphia
Combining Statement of Cash Flows
Internal Service Funds
For The Year Ended June 30, 2020

	Healthcare Self Insurance	Use of Facilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 180,997,458	\$ 286,957	\$ 181,284,415
Cash Payments to Employees for Services	(860,569)	(177,973)	(1,038,542)
Cash Payments to Suppliers for Goods and Services	(168,396,676)	-	(168,396,676)
Cash Payments for Other Operating Expenses	(5,452,270)	(115,724)	(5,567,994)
	<u>6,287,943</u>	<u>(6,740)</u>	<u>6,281,203</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	-	26,444	26,444
	<u>-</u>	<u>26,444</u>	<u>26,444</u>
Net Cash (Used)/Provided by Operating Activities			
Net (Decrease)/Increase in Cash and Cash Equivalents	6,287,943	19,704	6,307,647
Cash and Cash Equivalents July 1, 2019	55,988,679	15,193	56,003,872
	<u>\$ 62,276,622</u>	<u>\$ 34,897</u>	<u>\$ 62,311,519</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating (Loss)	\$ 8,954,102	\$ (6,740)	\$ 8,947,362
Adjustments to Reconcile Operating Income/(Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Increase/(Decrease) in Accounts Payable	(2,009,159)	-	(2,009,159)
Increase/(Decrease) in Incurred But Not Reported Claims	(657,000)	-	(657,000)
	<u>(2,666,159)</u>	<u>-</u>	<u>(2,666,159)</u>
Total Adjustments			
Net Cash (Used) Provided by Operating Activities	<u>\$ 6,287,943</u>	<u>\$ (6,740)</u>	<u>\$ 6,281,203</u>
Non cash items:			
Federal and State Grant revenue not yet received	\$ -	\$ 10,477	10,477
Donated Commodities	-	-	-

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

Governmental Funds

Governmental funds are the funds through which costs of School District functions are typically financed.

The funds included in this category are:

- General Fund - The principal operating fund of the School District; accounts for all financial resources except those required to be in another fund.
- Intermediate Unit Fund – used to account for State appropriations for special education.
- Debt Service Fund - used to account for the accumulation of resources for the payment of debt service and bond issuance costs.
- Capital Projects Fund - used to account for financial resources used for capital asset acquisition, construction, and improvement.

School District of Philadelphia
Schedule of Detailed Budgetary and Actual Revenues
General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Real Estate				
Current	\$ 802,335,000	\$ 795,093,000	\$ 816,826,483	\$ 21,733,483
Prior Years	45,679,000	44,765,000	28,620,699	(16,144,301)
Payment in Lieu of Taxes	-	4,619	4,619	-
Use and Occupancy	185,140,000	157,986,919	177,150,056	19,163,137
School (Non-Business) Income	51,041,000	45,876,763	51,560,082	5,683,319
Liquor Sales	81,608,000	63,220,023	58,845,024	(4,374,999)
Cigarette Sales	58,000,000	58,000,000	57,770,885	(229,115)
Sales Tax	120,000,000	120,000,000	120,000,000	-
Ridesharing Revenue	3,150,000	5,000,000	5,138,140	138,140
Public Utility Realty	1,182,000	1,176,393	1,176,393	-
Total Local Taxes	1,348,135,000	1,291,122,717	1,317,092,381	25,969,664
Locally Generated Non Tax				
Investment Revenue	3,248,000	3,689,307	3,655,790	(33,517)
City Contributions	214,006,000	227,356,410	227,356,410	-
Stadium Agreements	2,744,000	2,743,500	2,743,500	-
Voluntary Contributions	2,646,000	2,888,198	1,830,502	(1,057,696)
Parking Authority Contributions	14,000,000	14,000,000	14,694,955	694,955
Gaming Revenue	5,000,000	5,291,619	5,731,577	439,958
Reimbursement from Other Funds	14,000	13,860	13,860	-
Miscellaneous	4,500,000	4,500,000	4,140,605	(359,395)
Total Locally Generated Non Tax	246,158,000	260,482,894	260,167,199	(315,695)
Other Governments				
State Grants and Subsidies				
Gross Instruction (PA Appropriation)	1,200,219,000	1,158,327,606	1,158,317,839	(9,767)
Less: Reimbursement of Prior Years IU Advances	76,010,000	72,798,642	72,798,642	-
Net Instruction	1,124,209,000	1,085,528,964	1,085,519,197	(9,767)
Debt Service	8,892,000	22,189,302	-	(22,189,302)
School Health Program				
Nurse Services	1,036,000	1,015,484	1,015,484	-
Medical and Dental	1,787,000	1,673,755	1,673,755	-
Tuition	121,000	42,000	86,735	44,735
Area Vocational Technical Education	6,149,000	7,076,945	7,041,501	(35,444)
Transportation	68,701,000	69,860,196	69,860,197	1
District Special Education	155,587,000	155,389,753	154,220,929	(1,168,824)
Retirement	175,271,000	170,493,039	167,299,288	(3,193,751)
Social Security	38,746,000	38,290,615	36,072,085	(2,218,530)
Total State Grants and Subsidies	1,580,499,000	1,551,560,053	1,522,789,171	(28,770,882)
Federal Grants and Subsidies				
Impacted Area Aid	200,000	317,229	317,229	-
Total Federal Grants and Subsidies	200,000	317,229	317,229	-
Total Other Governments	1,580,699,000	1,551,877,282	1,523,106,400	(28,770,882)
Total Revenues	\$ 3,174,992,000	\$ 3,103,482,893	\$ 3,100,365,980	\$ (3,116,913)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OBLIGATIONS				
Instruction				
Early Childhood Education				
Personal Services	\$ 1,366,784	\$ 442,132	\$ 383,839	\$ 58,293
Employee Benefits	1,018,902	273,527	239,877	33,650
Prof.,Tech. Services	7,500	30,250	30,250	-
Property,Transportation,Comm.	30,000	15,390	9,605	5,785
Materials, Supplies, Books and Equipment	41,783	35,183	99,622	(64,439)
	<hr/> 2,464,969	<hr/> 796,482	<hr/> 763,193	<hr/> 33,289
Elementary Education				
Personal Services	292,144,221	275,316,322	276,783,939	(1,467,617)
Employee Benefits	196,798,386	182,663,302	184,697,956	(2,034,654)
Prof.,Tech. Services	1,488,626	1,809,134	1,645,766	163,368
Property,Transportation,Comm.	40,300	41,241	270,406	(229,165)
Materials, Supplies, Books and Equipment	9,921,725	9,087,340	9,755,142	(667,802)
Other	3,500,000	-	-	-
	<hr/> 503,893,258	<hr/> 468,917,339	<hr/> 473,153,209	<hr/> (4,235,870)
Middle School Education				
Personal Services	40,347,185	40,364,269	40,388,690	(24,421)
Employee Benefits	26,839,891	26,456,656	26,752,514	(295,858)
Prof.,Tech. Services	5,382,700	4,986,975	4,518,865	468,110
Property,Transportation,Comm.	175,990	205,990	155,370	50,620
Materials, Supplies, Books and Equipment	1,394,478	1,297,053	1,222,836	74,217
	<hr/> 74,140,244	<hr/> 73,310,943	<hr/> 73,038,275	<hr/> 272,668
Senior High School Education				
Personal Services	130,628,586	129,664,634	129,856,982	(192,348)
Employee Benefits	86,634,368	84,752,457	85,428,019	(675,562)
Prof.,Tech. Services	5,456,008	5,726,214	4,913,459	812,755
Property,Transportation,Comm.	2,866,729	3,037,357	3,062,221	(24,864)
Materials, Supplies, Books and Equipment	5,358,442	4,309,352	4,730,684	(421,332)
	<hr/> 230,944,133	<hr/> 227,490,014	<hr/> 227,991,365	<hr/> (501,351)
Special Education				
Personal Services	9,682,903	10,169,807	10,185,146	(15,339)
Employee Benefits	6,536,936	6,703,104	6,903,669	(200,565)
Materials, Supplies, Books and Equipment	13,470	14,020	12,596	1,424
	<hr/> 16,233,309	<hr/> 16,886,931	<hr/> 17,101,411	<hr/> (214,480)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Area Vocational Technical Education				
Personal Services	\$ 16,668,752	\$ 13,831,287	\$ 13,864,901	\$ (33,614)
Employee Benefits	11,057,476	9,020,514	9,191,201	(170,687)
Prof.,Tech. Services	525,347	526,524	280,322	246,202
Property,Transportation,Comm.	119,530	134,385	179,006	(44,621)
Materials, Supplies, Books and Equipment	1,495,713	1,357,750	1,084,257	273,493
	<u>29,866,818</u>	<u>24,870,460</u>	<u>24,599,687</u>	<u>270,773</u>
Acceleration Network				
Personal Services	7,321,964	6,912,513	6,946,112	(33,599)
Employee Benefits	4,716,740	4,473,587	4,548,377	(74,790)
Prof.,Tech. Services	-	7,500	5,000	2,500
Property,Transportation,Comm.	-	-	747	(747)
Materials, Supplies, Books and Equipment	690,450	909,067	877,464	31,603
	<u>12,729,154</u>	<u>12,302,667</u>	<u>12,377,700</u>	<u>(75,033)</u>
School Support Services				
Personal Services	45,864,525	45,083,396	45,118,215	(34,819)
Employee Benefits	30,654,254	30,852,151	30,830,575	21,576
Prof.,Tech. Services	38,807,828	23,670,391	23,389,377	281,014
Property,Transportation,Comm.	332,752	325,002	1,168,047	(843,045)
Materials, Supplies, Books and Equipment	7,957,493	20,455,857	19,983,583	472,274
Other	835,000	-	-	-
	<u>124,451,852</u>	<u>120,386,797</u>	<u>120,489,797</u>	<u>(103,000)</u>
Payment to Other Educational Entities				
Prof.,Tech. Services	45,998,550	44,350,447	41,786,885	2,563,562
Property,Transportation,Comm.	66,585,245	60,695,101	59,190,064	1,505,037
	<u>112,583,795</u>	<u>105,045,548</u>	<u>100,976,949</u>	<u>4,068,599</u>
Total Instruction	<u>1,107,307,532</u>	<u>1,050,007,181</u>	<u>1,050,491,586</u>	<u>(484,405)</u>

(Continued on pages 114 through 118)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Student Support Services				
Family & Student Support Services				
Personal Services	\$ 21,678,679	\$ 21,751,273	\$ 21,643,944	\$ 107,329
Employee Benefits	14,623,489	14,498,114	14,574,580	(76,466)
Prof.,Tech. Services	1,009,000	779,337	760,639	18,698
Property,Transportation,Comm.	48,693	158,956	112,249	46,707
Materials, Supplies, Books and Equipment	376,732	392,294	187,525	204,769
	<u>37,736,593</u>	<u>37,579,974</u>	<u>37,278,937</u>	<u>301,037</u>
Office of Specialized Services				
Personal Services	260,824	281,238	260,034	21,204
Employee Benefits	147,569	155,178	150,669	4,509
Prof.,Tech. Services	82,137	82,137	123,720	(41,583)
Property,Transportation,Comm.	7,675	7,675	5,851	1,824
Materials, Supplies, Books and Equipment	3,552	3,552	4,459	(907)
	<u>501,757</u>	<u>529,780</u>	<u>544,733</u>	<u>(14,953)</u>
Total Student Support Services	<u>38,238,350</u>	<u>38,109,754</u>	<u>37,823,670</u>	<u>286,084</u>
Administrative Support				
Regional Offices/Learning Networks				
Personal Services	2,419,690	2,349,013	2,412,298	(63,285)
Employee Benefits	1,333,567	1,277,035	1,337,601	(60,566)
Prof.,Tech. Services	516,697	436,699	385,412	51,287
Property,Transportation,Comm.	460	70,460	66,879	3,581
Materials, Supplies, Books and Equipment	181,066	168,403	65,901	102,502
Other	-	-	(264,180)	264,180
	<u>4,451,480</u>	<u>4,301,610</u>	<u>4,003,911</u>	<u>297,699</u>
Financial Services				
Personal Services	5,793,590	5,876,636	5,944,001	(67,365)
Employee Benefits	3,768,777	3,809,867	3,937,873	(128,006)
Prof.,Tech. Services	2,168,331	3,342,047	4,019,438	(677,391)
Property,Transportation,Comm.	236,405	53,671	36,233	17,438
Materials, Supplies, Books and Equipment	115,493	128,064	38,361	89,703
Other	496,656	24,564	(834,785)	859,349
	<u>12,579,252</u>	<u>13,234,849</u>	<u>13,141,121</u>	<u>93,728</u>
Other Central Support Services				
Personal Services	824,411	742,620	693,336	49,284
Employee Benefits	523,705	474,735	413,722	61,013
Prof.,Tech. Services	144,395	149,395	105,672	43,723
Property,Transportation,Comm.	1,832,117	1,601,117	1,634,025	(32,908)
Materials, Supplies, Books and Equipment	14,579	103,579	108,915	(5,336)
	<u>3,339,207</u>	<u>3,071,446</u>	<u>2,955,670</u>	<u>115,776</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Human Resources				
Personal Services	\$ 5,135,464	\$ 5,194,088	\$ 5,133,018	\$ 61,070
Employee Benefits	3,354,458	3,391,626	3,312,683	78,943
Prof.,Tech. Services	681,731	758,031	722,972	35,059
Property,Transportation,Comm.	48,137	119,000	85,014	33,986
Materials, Supplies, Books and Equipment	171,148	107,657	65,713	41,944
Other	89,884	-	(396,838)	396,838
	<u>9,480,822</u>	<u>9,570,402</u>	<u>8,922,562</u>	<u>647,840</u>
Information Technology				
Personal Services	7,329,108	7,247,115	7,294,067	(46,952)
Employee Benefits	4,660,093	4,590,539	4,674,781	(84,242)
Prof.,Tech. Services	3,757,194	4,239,710	4,229,262	10,448
Property,Transportation,Comm.	3,031,996	2,913,648	1,144,624	1,769,024
Materials, Supplies, Books and Equipment	1,145,873	1,104,670	2,858,436	(1,753,766)
Other	1,069,461	-	(1,186,947)	1,186,947
	<u>20,993,725</u>	<u>20,095,682</u>	<u>19,014,223</u>	<u>1,081,459</u>
Evaluation, Research & Accountability				
Personal Services	-	2,056,700	1,949,909	106,791
Employee Benefits	-	1,241,314	1,254,628	(13,314)
Prof.,Tech. Services	-	600,828	574,830	25,998
Property,Transportation,Comm.	-	20,793	38,140	(17,347)
Materials, Supplies, Books and Equipment	-	32,165	32,172	(7)
	<u>-</u>	<u>3,951,800</u>	<u>3,849,679</u>	<u>102,121</u>
Board of Education				
Personal Services	2,780,464	2,704,123	2,686,433	17,690
Employee Benefits	1,777,023	1,683,086	1,640,638	42,448
Prof.,Tech. Services	380,076	327,298	294,023	33,275
Property,Transportation,Comm.	52,789	101,294	86,618	14,676
Materials, Supplies, Books and Equipment	48,143	110,360	72,454	37,906
Other	78,876	10,000	-	10,000
	<u>5,117,371</u>	<u>4,936,161</u>	<u>4,780,166</u>	<u>155,995</u>
Chief of Schools				
Personal Services	3,146,878	3,249,343	3,212,655	36,688
Employee Benefits	1,965,947	2,041,831	2,001,553	40,278
Prof.,Tech. Services	80,727	419,645	417,432	2,213
Property,Transportation,Comm.	230,000	230,000	73,914	156,086
Materials, Supplies, Books and Equipment	125,800	45,800	218,523	(172,723)
Other	1,042	23,469	-	23,469
	<u>5,550,394</u>	<u>6,010,088</u>	<u>5,924,077</u>	<u>86,011</u>
Office of School Management				
Personal Services	4,731,409	4,134,854	4,004,861	129,993
Employee Benefits	3,118,580	2,713,815	2,561,388	152,427
Prof.,Tech. Services	260,500	281,985	342,071	(60,086)
Property,Transportation,Comm.	213,875	212,953	189,817	23,136
Materials, Supplies, Books and Equipment	78,528	94,987	41,024	53,963
Other	60,000	27,298	(389,913)	417,211
	<u>8,462,892</u>	<u>7,465,892</u>	<u>6,749,248</u>	<u>716,644</u>

(Continued on pages 116 through 118)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Office of Secondary Education				
Personal Services	\$ 131,085	\$ 131,085	\$ 127,216	\$ 3,869
Employee Benefits	73,414	72,013	85,997	(13,984)
Prof.,Tech. Services	341,000	315,000	131,522	183,478
Property,Transportation,Comm.	74,621	91,621	78,719	12,902
Materials, Supplies, Books and Equipment	94,231	74,231	11,937	62,294
	<u>714,351</u>	<u>683,950</u>	<u>435,391</u>	<u>248,559</u>
Curriculum, Instruction & Professional Development				
Personal Services	4,871,758	5,000,934	5,011,903	(10,969)
Employee Benefits	3,054,950	3,291,129	3,222,248	68,881
Prof.,Tech. Services	510,106	461,819	414,854	46,965
Property,Transportation,Comm.	8,181	58,374	77,200	(18,826)
Materials, Supplies, Books and Equipment	98,890	77,071	34,707	42,364
	<u>8,543,885</u>	<u>8,889,327</u>	<u>8,760,912</u>	<u>128,415</u>
Professional Growth Trust Fund				
Employee Benefits	396,600	420,000	420,000	-
Office of the Chief Operations Officer				
Personal Services	4,872,454	5,227,959	5,258,836	(30,877)
Employee Benefits	3,173,838	3,351,583	3,286,438	65,145
Prof.,Tech. Services	575,022	1,074,522	923,368	151,154
Property,Transportation,Comm.	170,334	193,459	143,821	49,638
Materials, Supplies, Books and Equipment	260,883	389,171	324,174	64,997
Other	-	110,829	(626,596)	737,425
	<u>9,052,531</u>	<u>10,347,523</u>	<u>9,310,041</u>	<u>1,037,482</u>
Executive / Board Management				
Personal Services	6,475,743	5,584,691	5,644,982	(60,291)
Employee Benefits	3,956,137	3,361,078	3,400,609	(39,531)
Prof.,Tech. Services	6,986,478	5,887,715	5,501,883	385,832
Property,Transportation,Comm.	258,171	238,269	164,794	73,475
Materials, Supplies, Books and Equipment	140,627	386,337	359,714	26,623
Other	225,947	47,795	-	47,795
	<u>18,043,123</u>	<u>15,505,885</u>	<u>15,071,982</u>	<u>433,903</u>
Office of Grant Development & Compliance				
Personal Services	675,086	684,465	680,343	4,122
Employee Benefits	427,490	448,276	429,646	18,630
Prof.,Tech. Services	296,533	602,474	856,761	(254,287)
Property,Transportation,Comm.	51,390	50,110	31,277	18,833
Materials, Supplies, Books and Equipment	43,976	34,102	22,360	11,742
	<u>1,494,475</u>	<u>1,819,427</u>	<u>2,020,387</u>	<u>(200,960)</u>
Office of the Chief Academic Officer				
Personal Services	5,673,510	5,800,267	5,660,132	140,135
Employee Benefits	3,508,569	3,521,575	3,498,988	22,587
Prof.,Tech. Services	187,836	584,807	476,411	108,396
Property,Transportation,Comm.	165,443	125,870	191,155	(65,285)
Materials, Supplies, Books and Equipment	296,208	270,345	149,444	120,901
Other	344,188	-	(618,701)	618,701
	<u>10,175,754</u>	<u>10,302,864</u>	<u>9,357,429</u>	<u>945,435</u>
Total Administrative Support	<u>118,395,862</u>	<u>120,606,906</u>	<u>114,716,799</u>	<u>5,890,107</u>

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operation & Maintenance of Plant Services				
Facilities Management & Services				
Personal Services	\$ 59,476,130	\$ 64,467,487	\$ 63,232,848	\$ 1,234,639
Employee Benefits	53,502,943	57,648,930	58,088,852	(439,922)
Prof., Tech. Services	9,411,294	9,578,445	11,487,632	(1,909,187)
Property, Transportation, Comm.	16,804,390	41,452,603	30,081,747	11,370,856
Materials, Supplies, Books and Equipment	10,283,527	10,950,386	10,134,307	816,079
Other	-	-	(9,879,365)	9,879,365
	<u>149,478,284</u>	<u>184,097,851</u>	<u>163,146,021</u>	<u>20,951,830</u>
Food Services Indirect Cost				
Other	(5,600,000)	(5,600,000)	(4,877,347)	(722,653)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Utilities				
Prof., Tech. Services	669,000	400,000	267,000	133,000
Property, Transportation, Comm.	15,301,832	12,265,157	10,306,417	1,958,740
Materials, Supplies, Books and Equipment	30,180,500	23,252,000	25,012,503	(1,760,503)
Other	-	-	(2,470,487)	2,470,487
	<u>46,151,332</u>	<u>35,917,157</u>	<u>33,115,433</u>	<u>2,801,724</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Security Operations				
Personal Services	16,422,925	16,748,943	16,791,397	(42,454)
Employee Benefits	12,873,585	12,768,500	13,152,037	(383,537)
Prof., Tech. Services	67,916	153,556	86,782	66,774
Property, Transportation, Comm.	34,110	35,756	167,310	(131,554)
Materials, Supplies, Books and Equipment	1,153,091	1,182,264	997,618	184,646
Other	-	-	(1,657,291)	1,657,291
	<u>30,551,627</u>	<u>30,889,019</u>	<u>29,537,853</u>	<u>1,351,166</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Oper. & Maint. of Plant Services	<u>220,581,243</u>	<u>245,304,027</u>	<u>220,921,960</u>	<u>24,382,067</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Pupil Transportation				
Personal Services	17,019,228	15,379,117	15,201,351	177,766
Employee Benefits	15,154,452	14,065,897	14,077,246	(11,349)
Prof., Tech. Services	665,000	834,603	772,741	61,862
Property, Transportation, Comm.	135,840,392	116,579,269	113,558,952	3,020,317
Materials, Supplies, Books and Equipment	4,293,080	3,183,078	2,738,638	444,440
Other	(66,773,418)	(60,838,743)	(61,607,090)	768,347
	<u>106,198,734</u>	<u>89,203,221</u>	<u>84,741,838</u>	<u>4,461,383</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
All Other Support Services				
Risk Management				
Personal Services	286,144	228,086	238,178	(10,092)
Employee Benefits	188,122	158,830	327,924	(169,094)
Property, Transportation, Comm.	2,770,501	2,752,889	2,632,045	120,844
Materials, Supplies, Books and Equipment	2,200	3,200	-	3,200
Losses and Judgments	9,509,122	9,354,426	7,894,483	1,459,943
	<u>12,756,089</u>	<u>12,497,431</u>	<u>11,092,630</u>	<u>1,404,801</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(Continued on page 118)

School District of Philadelphia
Schedule of Budgetary and Actual Organizational Unit Obligations
By Object Class and Uses - General Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Temporary Borrowing				
Prof.,Tech. Services	\$ 300,000	\$ 568,538	\$ 558,175	\$ 10,363
Interest	7,851,300	7,244,282	7,251,660	(7,378)
	<u>8,151,300</u>	<u>7,819,562</u>	<u>7,819,077</u>	<u>485</u>
Undistributed				
Employee Benefits	440,895	(2,159,070)	(5,454,395)	3,295,325
Prof.,Tech. Services	3,000,000	-	-	-
Other	(2,700,000)	(10,000,000)	(4,270,368)	(5,729,632)
Cancellation of Prior Years' Encumbrances	(6,000,000)	(8,500,000)	(8,247,944)	(252,056)
	<u>(5,259,105)</u>	<u>(20,659,070)</u>	<u>(17,972,708)</u>	<u>(2,686,362)</u>
Total All Other Support Services	<u>15,648,284</u>	<u>(342,077)</u>	<u>938,999</u>	<u>(1,281,076)</u>
Payments to Charter Schools				
Property, Transportation, Comm.	1,055,446,306	1,051,446,305	1,049,430,968	2,015,337
	<u>1,055,446,306</u>	<u>1,051,446,305</u>	<u>1,049,430,968</u>	<u>2,015,337</u>
Allocated Costs	(21,263,505)	(21,113,505)	-	(21,113,505)
Total Obligations	<u>2,640,552,806</u>	<u>2,573,221,812</u>	<u>2,559,065,820</u>	<u>14,155,992</u>
OTHER FINANCING USES				
Local Share of Categorical Programs	1,771,694	1,522,591	1,559,020	(36,429)
Debt Service Fund	285,778,700	288,432,306	294,789,269	(6,356,963)
Special Education	302,307,300	294,859,146	292,431,918	2,427,228
Enterprise Fund - Print Shop	400,000	600,000	345,276	254,724
Total Other Financing Uses	<u>590,257,694</u>	<u>585,414,043</u>	<u>589,125,483</u>	<u>(3,711,440)</u>
Total General Fund	<u>\$ 3,230,810,500</u>	<u>\$ 3,158,635,855</u>	<u>\$ 3,148,191,303</u>	<u>\$ 10,444,552</u>
Fund Totals - Object Classes				
Personal Services	\$ 714,029,500	\$ 696,624,397	\$ 696,609,565	\$ 14,832
Employee Benefits	496,281,176	478,021,179	478,987,894	(966,715)
Prof.,Tech. Services	129,757,532	112,986,026	110,022,524	2,963,502
Property, Transportation, Comm.	1,302,778,364	1,295,240,457	1,274,382,477	20,857,980
Materials, Supplies, Books, and Equipment	75,981,681	79,559,338	81,245,069	(1,685,731)
Other	(68,372,364)	(76,194,788)	(89,079,908)	12,885,120
Interest on Temporary Borrowing	7,851,300	7,244,282	7,251,660	(7,378)
Losses and Judgments	9,509,122	9,354,426	7,894,483	1,459,943
Allocated Costs	(21,263,505)	(21,113,505)	-	(21,113,505)
Other Financing Uses	590,257,694	585,414,043	589,125,483	(3,711,440)
Cancellation of Prior Years' Encumbrances	(6,000,000)	(8,500,000)	(8,247,944)	(252,056)
Total General Fund	<u>\$ 3,230,810,500</u>	<u>\$ 3,158,635,855</u>	<u>\$ 3,148,191,303</u>	<u>\$ 10,444,552</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Locally Generated Non Tax				
Interest				
Special Education Transportation	\$ 10,000	\$ 100,000	\$ 161,430	\$ 61,430
Tuition	200,000	72,000	150,212	78,212
Total Locally Generated Non Tax	210,000	172,000	311,642	139,642
State Grants and Subsidies				
Special Education Program	5,566,000	5,798,000	5,817,713	19,713
Special Education Transportation	93,337,000	83,887,915	85,515,762	1,627,847
Social Security	8,491,000	8,892,206	9,303,485	411,279
Retirement	36,463,000	40,997,017	41,646,663	649,646
Total State Grants and Subsidies	143,857,000	139,575,138	142,283,623	2,708,485
Total Revenues	\$ 144,067,000	\$ 139,747,138	\$ 142,595,265	\$ 2,848,127
OBLIGATIONS				
Instruction				
Special Education *				
Personal Services	\$ 162,571,129	\$ 158,608,894	\$ 158,656,050	\$ (47,156)
Employee Benefits	121,240,999	116,778,003	119,372,388	(2,594,385)
Prof., Tech. Services	13,300,903	16,669,192	15,069,828	1,599,364
Property, Transportation, Comm.	61,851	54,423	46,855	7,568
Materials, Supplies, Books and Equipment	1,212,421	1,007,097	780,607	226,490
Total Special Education	298,387,303	293,117,609	293,925,728	(808,119)
Total Instruction	298,387,303	293,117,609	293,925,728	(808,119)
Student Support Services				
Special Education *				
Personal Services	18,020,797	18,327,824	18,318,970	8,854
Employee Benefits	16,327,974	17,011,897	17,393,849	(381,952)
Prof., Tech. Services	203,445	233,445	179,908	53,537
Property, Transportation, Comm.	19,777,614	17,492,031	16,249,126	1,242,905
Materials, Supplies, Books and Equipment	34,200	44,300	28,810	15,490
Allocated Costs	(9,648,578)	(5,604,172)	(6,803,175)	1,199,003
Total Special Education	44,715,452	47,505,325	45,367,488	2,137,837

* The consolidated budget for Special Education includes Instruction, Student Support Services and Administrative Support

(Continued on page 120)

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Intermediate Unit Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation Allocated Costs	\$ 93,346,596	\$ 83,987,915	\$ 85,677,191	\$ (1,689,276)
Total Student Support Services	138,062,048	131,493,240	131,044,679	448,561
Administrative Support Special Education Personal Services	548,690	604,672	666,303	(61,631)
Employee Benefits	376,259	390,763	390,359	404
Property, Transportation, Comm.	-	-	114	(114)
Total Special Education	924,949	995,435	1,056,776	(61,341)
Total Administrative Support	924,949	995,435	1,056,776	(61,341)
Allocated Costs Special Education	9,000,000	9,000,000	9,000,000	-
Total Allocated Costs	9,000,000	9,000,000	9,000,000	-
Total Obligations	446,374,300	434,606,284	435,027,183	(420,899)
OTHER FINANCING SOURCES Operating Transfers from Other Funds	(302,307,300)	(294,859,146)	(292,431,918)	(2,427,228)
Total Intermediate Unit	<u>\$ 144,067,000</u>	<u>\$ 139,747,138</u>	<u>\$ 142,595,265</u>	<u>\$ (2,848,127)</u>
Fund Totals - Object Classes Personal Services	\$ 181,140,616	\$ 177,541,390	\$ 177,641,323	\$ (99,933)
Employee Benefits	137,945,232	134,180,663	137,156,596	(2,975,933)
Prof., Tech. Services	13,504,348	16,902,637	15,249,736	1,652,901
Property, Transportation, Comm.	19,839,465	17,546,454	16,296,095	1,250,359
Materials, Supplies, Books and Equipment	1,246,621	1,051,397	809,417	241,980
Allocated Costs	92,698,018	87,383,743	87,874,016	(490,273)
Total Obligations	446,374,300	434,606,284	435,027,183	(420,899)
Other Financing Sources Operating Transfers from Other Funds	(302,307,300)	(294,859,146)	(292,431,918)	(2,427,228)
Total Intermediate Unit	<u>\$ 144,067,000</u>	<u>\$ 139,747,138</u>	<u>\$ 142,595,265</u>	<u>\$ (2,848,127)</u>

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Debt Service Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Locally Generated Non Tax				
Interest on Investments	\$ 2,632,000	\$ 2,813,482	\$ 2,897,963	\$ 84,481
Gain or Loss on Sale of Investments	-	-	3,416,236	3,416,236
Basis Swap Income	-	4,384,220	994,220	(3,390,000)
Miscellaneous	-	-	9,016	9,016
Total Locally Generated Non Tax	2,632,000	7,197,702	7,317,435	119,733
Federal Revenue				
Federal Debt Service Subsidy	16,657,000	16,690,100	16,697,578	7,478
Total Federal Revenue	16,657,000	16,690,100	16,697,578	7,478
Total Revenues	19,289,000	23,887,802	24,015,013	127,211
OBLIGATIONS				
Bonds				
Principal	115,435,000	277,350,000	277,350,000	-
Interest	106,531,136	102,612,719	102,612,719	-
Authority Obligations (SPSBA)				
Principal	21,520,000	23,260,000	23,260,000	-
Interest	47,570,025	45,288,392	45,288,392	-
Issuance Costs	2,015,000	5,495,034	5,309,346	185,688
Administrative Expenses	100,000	100,000	57,775	42,225
Total Obligations	293,171,161	454,106,145	453,878,232	227,913
OTHER FINANCING SOURCES (USES)				
Transfers from/(to) Other Funds	288,082,700	292,107,725	298,290,849	6,183,124
Proceeds of Refunding Bonds	-	336,515,000	336,519,360	4,360
Bond Premium	-	14,422,565	14,422,565	-
Bond Defeasement	-	(186,913,950)	(186,913,950)	-
Total Other Financing Sources (Uses)	288,082,700	456,131,340	462,318,824	6,187,484
Net Change in Fund Balance	14,200,539	25,912,997	32,455,605	6,542,608
Fund Balances, July 1, 2019	191,383,759	195,004,414	195,004,414	-
Fund Balances, June 30, 2020	\$ 205,584,298	\$ 220,917,411	\$ 227,460,019	\$ 6,542,608
FUND BALANCE AVAILABLE FOR APPROPRIATION				
Fund Balances, July 1, 2019	191,383,759	195,004,414	195,004,414	-
Mandatory Deposits for Future Debt Payments	(56,482,333)	(56,482,333)	(56,482,382)	(49)
Fund Balances Available for Appropriation, July 1, 2019	134,901,426	138,522,081	138,522,032	(49)
Net Change in Fund Balance	14,200,539	25,912,997	32,455,605	6,542,608
Net Change in Mandatory Deposits for Future Debt Payments	(13,320,666)	(13,320,666)	(13,320,617)	49
Fund Balances Available for Appropriation, June 30, 2020	\$ 135,781,299	\$ 151,114,412	\$ 157,657,020	\$ 6,542,608

School District of Philadelphia
Schedule of Budgetary and Actual Revenues and Organizational Unit Obligations
By Object Class and Uses - Capital Projects Fund
For The Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Locally Generated Non Tax				
Investment Revenue	\$ 1,250,000	\$ 2,643,668	\$ 6,651,690	\$ 4,008,022
Miscellaneous	606,300	463,961	459,123	(4,838)
Total Locally Generated Non Tax	1,856,300	3,107,629	7,110,813	4,003,184
State Grants and Subsidies	425,000	425,000	3,594,939	3,169,939
Total Revenues	2,281,300	3,532,629	10,705,752	7,173,123
OBLIGATIONS				
Undistributed				
Cancellation of Prior Years' Encumbrances	-	-	(19,635,412)	19,635,412
Bond Issuance Cost	2,000,000	809,000	139,419	(669,581)
New Buildings and Additions	70,961,498	29,169,729	27,715,958	1,453,771
Environmental Management				
Asbestos Abatement	8,568,985	2,056,585	1,594,039	462,546
Environmental Services	1,381,399	1,352,060	5,303,107	(3,951,047)
Total Environmental Management	9,950,384	3,408,645	6,897,146	(3,488,501)
Alterations and Improvements				
Various Projects	107,201,089	64,966,498	37,406,324	27,560,174
Administrative Support	24,852,962	30,304,144	17,269,198	13,034,946
Major/Building Renovations	104,520,839	90,811,262	57,482,054	33,329,208
Total Alterations and Improvements	236,574,890	186,081,904	112,157,576	73,924,328
Total Obligations	319,486,772	219,469,278	127,274,687	90,855,429
OTHER FINANCING SOURCES (USES)				
Transfers from/(to) Other Funds	-	-	(3,056,724)	(3,056,724)
Debt Issuance	250,000,000	530,007,569	456,660,000	(73,347,569)
Bond Premium	-	-	77,072,169	77,072,169
Bond Discount	-	-	(345,750)	(345,750)
Total Other Financing Sources (Uses)	250,000,000	530,007,569	530,329,695	322,126
Net Change in Fund Balance	(67,205,472)	314,070,920	413,760,760	99,689,840
Fund Balances, July 1, 2019	(418,999,026)	83,238,705	140,905,241	57,666,536
Change in Encumbrance Reserve	-	-	(91,263,214)	(91,263,214)
Fund Balances, June 30, 2020	\$ (486,204,498)	\$ 397,309,625	\$ 463,402,787	\$ 66,093,162

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Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District as a trustee or agent for individuals, private organizations, and/or other governmental units. The funds included in this category are:

- Private Purpose Trust Funds - used to account for all trust agreements for which both principal and earnings benefit individuals, private organizations or other governments.

For external reporting purposes, the School District reports one combined Private Purpose Trust Fund. However, at June 30, 2020 there were twelve Private Purpose Trust Funds administered by the School District.

- Agency Funds - used to account for assets held by the School District as trustee or agent for others. Agency funds report only assets and liabilities and do not have a measurement focus. They use the accrual basis of accounting to recognize receivables and payables.

At June 30, 2020 there were three Agency Funds administered by the School District: Payroll Liabilities, Student Activities, and Unclaimed Monies.

School District of Philadelphia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2020

	Payroll Liabilities	Student Activities Fund (1)	Unclaimed Monies Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 5,098,624	\$ -	\$ 5,098,624
Equity in Pooled Cash and Investments	113,727,695	-	1,344,456	115,072,151
Accounts Receivable	111,981	-	-	111,981
Total Assets	<u>113,839,676</u>	<u>5,098,624</u>	<u>1,344,456</u>	<u>120,282,756</u>
LIABILITIES				
Payroll Deductions and Withholdings	113,839,676	-	-	113,839,676
Due to Student Activities	-	5,098,624	-	5,098,624
Other Liabilities	-	-	1,344,456	1,344,456
Total Liabilities	<u>113,839,676</u>	<u>5,098,624</u>	<u>1,344,456</u>	<u>120,282,756</u>
NET POSITION				
Held in Trust for Various Purposes	\$ -	\$ -	\$ -	\$ -

(1) Amounts reflect balances as of June 30, 2020, which includes 13 months of activity as prior year was presented as of May 31st.

School District of Philadelphia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Payroll Liabilities Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 123,234,141	\$ 970,597,676	\$ 980,104,122	\$ 113,727,695
Accounts Receivable	-	111,981	-	111,981
Total Assets	\$ 123,234,141	\$ 970,709,657	\$ 980,104,122	\$ 113,839,676
Liabilities				
Payroll Deductions and Withholdings	\$ 123,234,141	\$ 970,709,657	\$ 980,104,122	\$ 113,839,676
 Student Activities Fund				
Assets				
Cash	\$ 4,616,751	\$ 5,609,085	\$ 5,127,212	\$ 5,098,624
Liabilities				
Due to Student Activities	\$ 4,616,751	\$ 5,609,085	\$ 5,127,212	\$ 5,098,624
 Unclaimed Monies Fund				
Assets				
Equity in Pooled Cash and Investments	\$ 792,255	\$ 1,515,648	\$ 963,447	\$ 1,344,456
Liabilities				
Other Liabilities	\$ 792,255	\$ 1,515,648	\$ 963,447	\$ 1,344,456
 All Agency Funds				
Assets				
Cash and Cash Equivalents	\$ 4,616,751	\$ 5,609,085	\$ 5,127,212	\$ 5,098,624
Equity in Pooled Cash and Investments	124,026,396	972,113,324	981,067,569	115,072,151
Total Assets	\$ 128,643,147	\$ 977,834,390	\$ 986,194,781	\$ 120,282,756
Liabilities				
Payroll Deductions and Withholdings	\$ 123,234,141	\$ 970,709,657	\$ 980,104,122	\$ 113,839,676
Due to Student Activities	4,616,751	5,609,085	5,127,212	5,098,624
Other Liabilities	792,255	1,515,648	963,447	1,344,456
Total Liabilities	\$ 128,643,147	\$ 977,834,390	\$ 986,194,781	\$ 120,282,756

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2020

Date of Issue	Original Principal Issued	Principal Outstanding	Principal Maturity Dates	Interest Rates %	Fiscal 2021 Debt Service Requirements	
					Interest	Principal
September 10, 2003 SERIES B (BS03) State Public School Building Authority (SPSBA) Capital Obligation Bonds - Non Refunding	\$ 588,140,000	43,505,000	JUNE 1, 2029-33	5.500	2,392,775	-
		<u>43,505,000</u>			<u>2,392,775</u>	<u>-</u>
OCTOBER 20, 2005 (SERIES D) (D005) General Obligation Bonds (GOB) - Non Refunding STADIUM	29,920,000	2,745,000	JUNE 1, 2021	5.500	150,975	2,745,000
		<u>2,745,000</u>			<u>150,975</u>	<u>2,745,000</u>
December 28, 2006 SERIES B (BS06) State Public School Building Authority (SPSBA) Capital Obligation Bonds - Non Refunding	545,570,000	-	JUNE 1, 2021	4.000	386,575	-
		-	JUNE 1, 2022	4.125	399,139	-
		-	JUNE 1, 2023	5.000	483,219	-
		-	JUNE 1, 2024	5.000	483,219	-
		-	JUNE 1, 2025	5.000	483,219	-
		83,365,000	JUNE 1, 2026-2030	5.000	1,932,879	-
		<u>83,365,000</u>			<u>4,168,250</u>	<u>-</u>
May 22, 2007 SERIES A (A007) General Obligation Bonds (GOB) - Non Refunding	146,530,000	215,000	JUNE 1, 2021	5.000	10,750	215,000
		505,000	JUNE 1, 2022	5.000	25,250	-
		860,000	JUNE 1, 2023	5.000	43,000	-
		10,390,000	JUNE 1, 2024	5.000	519,500	-
		11,245,000	JUNE 1, 2025	5.000	562,250	-
		47,120,000	JUNE 1, 2026-2030	5.000	2,356,000	-
		46,045,000	JUNE 1, 2031-2035	5.000	2,302,250	-
		<u>116,380,000</u>			<u>5,819,000</u>	<u>215,000</u>
December 28, 2007 SERIES C (CQ07) Qualified Zone Academy Bonds (QZAB) - Non Refunding	13,510,000	13,510,000	DEC 28, 2022-26	-	-	-
		<u>13,510,000</u>			<u>-</u>	<u>-</u>
December 28, 2007 SERIES D (DQ07) Qualified Zone Academy Bonds (QZAB) - Non Refunding	28,160,000	-	DEC 28, 2020	1.250	117,333	-
		-	DEC 28, 2021	1.250	117,333	-
		28,160,000	DEC 28, 2022	1.250	117,334	-
		<u>28,160,000</u>			<u>352,000</u>	<u>-</u>
April 6, 2010 SERIES B (B010) General Obligation Bonds (GOB) - Non Refunding Build American Bonds (BAB)-Federal Subsidy	221,485,000	6,550,000	JUNE 1, 2021	5.589	366,080	6,550,000
		6,785,000	JUNE 1, 2022	5.739	389,391	-
		7,040,000	JUNE 1, 2023	5.909	415,594	-
		7,310,000	JUNE 1, 2024	6.059	442,913	-
		7,595,000	JUNE 1, 2025	6.209	471,574	-
		43,035,000	JUNE 1, 2026-2030	6.534	2,846,765	-
		53,175,000	JUNE 1, 2031-2035	6.735	3,597,289	-
		64,485,000	JUNE 1, 2036-2040	6.765	4,362,409	-
		<u>195,975,000</u>			<u>12,892,415</u>	<u>6,550,000</u>
April 6, 2010 SERIES C (C010) General Obligation Refunding Bonds	300,045,000	29,040,000	SEPT 1, 2020	5.000	726,000	29,040,000
		<u>29,040,000</u>			<u>726,000</u>	<u>29,040,000</u>
April 6, 2010 SERIES D (D010) General Obligation Refunding Bonds	49,365,000	185,000	SEPT 1, 2020	3.750	3,469	185,000
		8,225,000	SEPT 1, 2020	5.000	205,625	8,225,000
		<u>8,410,000</u>			<u>209,094</u>	<u>8,410,000</u>
January 3, 2011 SERIES E (E010) General Obligation Refunding Bonds	125,880,000	4,775,000	SEPT 1, 2020	5.000	119,375	4,775,000
		<u>4,775,000</u>			<u>119,375</u>	<u>4,775,000</u>
December 20, 2011 SERIES A (AQ11) Qualified School Construction Bonds (QSCB) - Non Refunding American Reconstruction Recovery Act (ARRA) - Federal Subsidy	144,625,000	-	SEPT 1, 2020	5.995	359,787	-
		-	SEPT 1, 2021	5.995	827,511	-
		-	SEPT 1, 2022	5.995	827,511	-
		-	SEPT 1, 2023	5.995	827,511	-
		-	SEPT 1, 2024	5.995	827,511	-
		-	SEPT 1, 2025-2029	5.995	4,137,556	-
		144,035,000	SEPT 1, 2030-2034	5.995	827,511	-
		<u>144,035,000</u>			<u>8,634,898</u>	<u>-</u>
December 20, 2011 SERIES B (B011) - Tax Exempt Bonds General Obligation Bonds (GOB) - Non Refunding	16,970,000	1,885,000	SEPT 1, 2020	3.125	29,453	1,885,000
		1,945,000	SEPT 1, 2021	3.250	63,213	-
		<u>3,830,000</u>			<u>92,666</u>	<u>1,885,000</u>
DECEMBER 20, 2011 SERIES C (C011) General Obligation Refunding Bonds	41,185,000	4,355,000	SEPT 1, 2020	5.000	108,875	4,355,000
		4,580,000	SEPT 1, 2021	5.000	229,000	-
		<u>8,935,000</u>			<u>337,875</u>	<u>4,355,000</u>
DECEMBER 20, 2011 SERIES D (D011) General Obligation Refunding Bonds	16,330,000	2,035,000	SEPT 1, 2020	3.619	36,819	2,035,000
		2,110,000	SEPT 1, 2021	3.500	73,850	-
		<u>4,145,000</u>			<u>110,669</u>	<u>2,035,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2020

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2021 Debt Service Requirements	
					Interest	Principal
NOVEMBER 28, 2012 SERIES B (BS12) State Public School Building Authority Capital Obligation Bonds Deficit Funding Deficit Bonds	264,995,000	12,410,000 13,030,000	APRIL 1, 2021 APRIL 1, 2022	5.000 5.000	620,500 651,500	12,410,000 -
		<u>25,440,000</u>			<u>1,272,000</u>	<u>12,410,000</u>
APRIL 20, 2015 SERIES A (AS15) State Public School Building Authority Capital Obligation Bonds Refunding	80,000,000	9,260,000 9,710,000 10,200,000 10,675,000 14,890,000	JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025-30	5.000 5.000 4.681 5.000 5.000	463,000 485,500 477,500 533,750 744,500	9,260,000 - - - -
		<u>54,735,000</u>			<u>2,704,250</u>	<u>9,260,000</u>
APRIL 20, 2015 (SERIES A) (A015) General Obligation Bonds (GOB) - Non Refunding	46,770,000	1,700,000 1,790,000 1,880,000 1,970,000 2,075,000 12,095,000 15,525,000 3,600,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025-29 SEPT 1, 2030-34 SEPT 1, 2035-39	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	42,500 89,500 94,000 98,500 103,750 604,750 776,250 180,000	1,700,000 - - - - - - -
		<u>40,635,000</u>			<u>1,989,250</u>	<u>1,700,000</u>
APRIL 20, 2015 (SERIES C) (C015) General Obligation Refunding Bonds Term Bonds Ref 2005C	44,565,000	4,265,000 4,400,000 4,560,000 4,725,000 4,905,000 5,090,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025-29	3.273 3.535 3.685 3.738 3.888 4.038	69,797 155,540 168,036 176,621 190,706 205,534	4,265,000 - - - - -
		<u>27,945,000</u>			<u>966,234</u>	<u>4,265,000</u>
May 5, 2015 (SERIES D) (D015) General Obligation Refunding Bonds (Ref 2005A) Deficit Bonds	128,620,000	19,980,000 21,005,000 17,000,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022	5.000 5.000 5.000	499,500 1,050,250 850,000	19,980,000 - -
		<u>57,985,000</u>			<u>2,399,750</u>	<u>19,980,000</u>
NOVEMBER 16, 2016 (SERIES A) (AS16) State Public School Building Authority Capital Obligation Bonds Refunding	570,010,000	900,000 900,000 900,000 22,535,000 24,505,000 122,860,000 360,345,000 14,125,000	JUNE 1, 2021 JUNE 1, 2022 JUNE 1, 2023 JUNE 1, 2024 JUNE 1, 2025 JUNE 1, 2026-30 JUNE 1, 2031-35 JUNE 1, 2036-40	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	45,000 45,000 45,000 1,126,750 1,225,250 6,143,000 18,017,250 706,250	900,000 - - - - - - -
		<u>547,070,000</u>			<u>27,353,500</u>	<u>900,000</u>
NOVEMBER 16, 2016 (SERIES D) (D016) General Obligation Bonds (GOB) - Non Refunding	92,345,000	6,845,000 7,195,000 7,565,000 7,950,000 8,360,000 35,840,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025-29	5.000 5.000 5.000 5.000 5.000 5.000	171,125 359,750 378,250 397,500 418,000 1,792,000	6,845,000 - - - - -
		<u>73,755,000</u>			<u>3,516,625</u>	<u>6,845,000</u>
NOVEMBER 16, 2016 SERIES E (QSCB) - (Federal Subsidy) GOB (EQ16) Qualified School Construction Bonds (QSCB) - Non Refunding American Reconstruction Recovery Act (ARRA) - Federal Subsidy	147,245,000	- - - - - - - 147,245,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025-29 SEPT 1, 2030-34 SEPT 1, 2035-39 SEPT 1, 2040-44	5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060 5.060	161,970 331,301 331,301 331,301 331,301 1,656,506 1,656,506 1,656,506 993,505	- - - - - - - - -
		<u>147,245,000</u>			<u>7,450,597</u>	<u>-</u>
NOVEMBER 16, 2016 (SERIES F) (F016) General Obligation Refunding Bonds	582,155,000	22,255,000 22,535,000 22,845,000 23,210,000 53,050,000 278,285,000 91,590,000 61,375,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025-29 SEPT 1, 2030-34 SEPT 1, 2035-39	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	556,375 1,126,750 1,142,250 1,160,500 2652500 13,914,250 4,579,500 3,068,750	22,255,000 - - - - - - -
		<u>575,145,000</u>			<u>28,200,875</u>	<u>22,255,000</u>
APRIL 18, 2018 (SERIES A) (A018) 2018A CSF General Obligation Bonds (GOB) - Non Refunding	176,820,000	5,545,000 5,830,000 6,130,000 6,445,000 6,775,000 39,450,000 50,660,000 50,705,000	SEPT 1, 2020 SEPT 1, 2021 SEPT 1, 2022 SEPT 1, 2023 SEPT 1, 2024 SEPT 1, 2025-29 SEPT 1, 2030-34 SEPT 1, 2035-39	5.000 5.000 5.000 5.000 5.000 5.000 5.000 5.000	138,625 291,500 306,500 322,250 338750 1,972,500 2,533,000 2,535,250	5,545,000 - - - - - - -
		<u>171,540,000</u>			<u>8,438,375</u>	<u>5,545,000</u>

SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF BONDS OUTSTANDING
JUNE 30, 2020

Date of Issue	Original Principal Issued	Principal Outstanding	Maturity Dates	Interest Rates %	Fiscal 2021 Debt Service Requirements	
					Interest	Principal
APRIL 18, 2018 (SERIES B) (B018) 2018B CSF General Obligation Bonds (GOB) - Non Refunding	78,130,000	-	SEPT 1, 2020	4.500	141,938	-
		-	SEPT 1, 2021	4.500	141,938	-
		-	SEPT 1, 2022	4.500	141,938	-
		-	SEPT 1, 2023	4.500	141,938	-
		-	SEPT 1, 2024	4.500	141,938	-
		-	SEPT 1, 2024-28	4.500	709,688	-
		-	SEPT 1, 2029-33	4.500	709,688	-
		-	SEPT 1, 2034-38	4.500	709,688	-
		78,130,000	SEPT 1, 2039-43	4.467	567,746	-
		<u>78,130,000</u>			<u>3,406,500</u>	<u>-</u>
November 20, 2019 SERIES A (A019) General Obligation Bonds (GOB) - Non Refunding	406,820,000	3,945,000	SEPT 1, 2020	5.000	298,402	3,945,000
		10,250,000	SEPT 1, 2021	5.000	712,277	-
		10,775,000	SEPT 1, 2022	5.000	738,527	-
		11,330,000	SEPT 1, 2023	5.000	766,277	-
		8,280,000	SEPT 1, 2024	5.000	613,777	-
		48,215,000	SEPT 1, 2025-2029	5.000	3,409,634	-
		89,115,000	SEPT 1, 2030-2034	5.000	5,854,188	-
		111,495,000	SEPT 1, 2035-2039	4.000	5,458,684	-
		113,415,000	SEPT 1, 2040-2044	5.000	6,669,634	-
		<u>406,820,000</u>			<u>24,521,400</u>	<u>3,945,000</u>
November 20, 2019 SERIES B (B019) General Obligation Bonds (GOB)-Non Refunding	24,840,000	5,000	SEPT 1, 2020	5.000	34,970	5,000
		5,000	SEPT 1, 2021	5.000	35,095	-
		5,000	SEPT 1, 2022	5.000	35,095	-
		5,000	SEPT 1, 2023	5.000	35,095	-
		3,633,000	SEPT 1, 2024	5.000	216,595	-
		21,185,000	SEPT 1, 2025-2029	5.000	1,233,475	-
		<u>24,840,000</u>			<u>1,590,325</u>	<u>5,000</u>
November 20, 2019 SERIES C (C019) General Obligation Refunding Bonds	24,420,000	5,000	SEPT 1, 2020	5.000	125	5,000
		5,000	SEPT 1, 2021	5.000	250	-
		5,000	SEPT 1, 2022	5.000	250	-
		5,000	SEPT 1, 2023	5.000	250	-
		5,000	SEPT 1, 2024	5.000	250	-
		25,000	SEPT 1, 2025-2029	5.000	1,250	-
		24,370,000	SEPT 1, 2030-2034	5.000	1,218,500	-
		<u>24,420,000</u>			<u>1,220,875</u>	<u>5,000</u>
November 20, 2019 SERIES D (D019) General Obligation Bonds (GOB)-Non Refunding	25,000,000	-	SEPT 1, 2020	3.000	35,571	-
		-	SEPT 1, 2021	3.000	35,571	-
		-	SEPT 1, 2022	3.000	35,571	-
		-	SEPT 1, 2023	3.000	35,571	-
		-	SEPT 1, 2024	3.000	35,571	-
		-	SEPT 1, 2025-2029	3.000	177,855	-
		-	SEPT 1, 2030-2034	3.000	248,997	-
		-	SEPT 1, 2035-2039	3.000	177,855	-
		25,000,000	SEPT 1, 2040-2044	3.000	177,855	-
		<u>25,000,000</u>			<u>960,417</u>	<u>-</u>
November 20, 2019 SERIES A (A019) State Public School Building Authority (SPSBA) Capital Obligation Bonds Deficit Funding Refunding	167,535,000	2,210,000	APRIL 1, 2021	2.485	54,919	2,210,000
		2,265,000	APRIL 1, 2022	2.565	58,097	-
		16,000,000	APRIL 1, 2023	2.616	418,560	-
		16,420,000	APRIL 1, 2024	2.716	445,967	-
		16,865,000	APRIL 1, 2025	2.754	464,462	-
		91,925,000	APRIL 1, 2026-2030	3.022	2,781,459	-
		20,110,000	APRIL 1, 2031-2035	3.196	642,716	-
		<u>165,795,000</u>			<u>4,866,180</u>	<u>2,210,000</u>
November 20, 2019 SERIES B (B019) State Public School Building Authority (SPSBA) Capital Obligation Bonds Deficit Funding Refunding	20,755,000	-	APRIL 1, 2021	2.485	46,236	-
		-	APRIL 1, 2022	2.565	47,724	-
		-	APRIL 1, 2023	2.616	48,674	-
		-	APRIL 1, 2024	2.716	50,534	-
		-	APRIL 1, 2025	2.754	51,241	-
		-	APRIL 1, 2026-2030	3.022	281,098	-
		20,755,000	APRIL 1, 2031-2035	3.196	117,068	-
		<u>20,755,000</u>			<u>642,575</u>	<u>-</u>
June 5, 2020 SERIES A (A020) General Obligation Refunding Bonds	123,805,000	-	SEPT 1, 2020	5.000	1,478,783	-
		42,195,000	SEPT 1, 2021	5.000	773,781	-
		44,340,000	SEPT 1, 2022	5.000	773,781	-
		36,645,000	SEPT 1, 2023	5.000	773,781	-
		625,000	SEPT 1, 2024	5.000	773,781	-
		<u>123,805,000</u>			<u>4,573,907</u>	<u>-</u>
TOTAL BONDS OUTSTANDING	\$ 5,272,545,000	\$ 3,277,870,000			\$ 162,079,627	\$ 149,335,000
NON-ELECTORAL DEBT BONDS	\$ 3,035,540,000	\$ 2,337,205,000			\$ 118,680,097	\$ 124,555,000
CAPITAL OBLIGATION BONDS (Lease Rental)	2,237,005,000	940,665,000			43,399,530	24,780,000
TOTAL BONDS OUTSTANDING	\$ 5,272,545,000	\$ 3,277,870,000			\$ 162,079,627	\$ 149,335,000

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Statistical Section

This part of the School District of Philadelphia’s (“School District”) Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District’s overall financial health.

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<u>Financial Trends</u>	
These schedules contain trend information to help the reader understand how the School District’s financial performance and well-being have changed over time.	132
<u>Revenue Capacity</u>	
These schedules contain information to help the reader assess the School District’s most significant local revenue source, property taxes.	139
<u>Debt Capacity</u>	
These schedules present information to help the reader assess the affordability of the School District’s current levels of outstanding debt and their ability to issue additional debt in the future.	144
<u>Demographic and Economic Information</u>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District’s financial activities take place.	150
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These schedules contain service and infrastructure data to help the reader understand how the information in the School District’s financial report relates to the services the School District provides and the activities it performs.	152

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

School District of Philadelphia
Table I
Net Position by Component
For the Fiscal Years 2011 through 2020
(accrual basis of accounting)
(dollars in thousands)

	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020
Governmental Activities										
Net Investment in Capital Assets	\$ (125,999)	\$ (210,988)	\$ (238,240)	\$ (372,517)	\$ (569,899)	\$ (585,039)	\$ (633,454)	\$ (637,729)	\$ (620,121)	\$ (667,664)
Restricted										
Medical Self-Insurance	18,375	18,375	18,375	18,375	9,500	9,500	9,500	9,500	9,500	9,500
Debt Service	94,901	109,544	98,228	93,491	122,992	142,049	178,655	190,677	194,612	227,460
Student Health	3,495	3,466	3,447	3,428	3,411	3,407	3,401	3,410	3,431	4,310
Scholarships	2,891	2,838	2,836	2,866	2,895	2,909	2,929	2,978	3,040	2,221
Arbitrage Rebate Payable	3,646	286	265	266	694	309	47	51	55	55
Unrestricted Deficit	(1,344,779)	(1,355,846)	(1,482,974)	(4,714,160)	(4,371,010)	(4,177,825)	(3,968,022)	(3,962,694)	(3,855,498)	(3,899,992)
Total Governmental Activities Net Deficit	<u>(1,347,470)</u>	<u>(1,432,325)</u>	<u>(1,598,063)</u>	<u>(4,968,251)</u>	<u>(4,801,417)</u>	<u>(4,604,690)</u>	<u>(4,406,944)</u>	<u>(4,393,807)</u>	<u>(4,264,981)</u>	<u>(4,324,110)</u>
Business-type Activities										
Net Investment in Capital Assets	2,927	2,466	2,122	1,739	1,676	2,108	2,145	2,802	3,353	3,391
Unrestricted Deficit	(9,342)	(6,747)	(5,003)	(50,154)	(47,497)	(36,490)	(25,116)	(24,358)	(20,703)	(31,257)
Total Business-type Activities Net Deficit	<u>(6,415)</u>	<u>(4,281)</u>	<u>(2,881)</u>	<u>(48,415)</u>	<u>(45,821)</u>	<u>(34,382)</u>	<u>(22,971)</u>	<u>(21,556)</u>	<u>(17,350)</u>	<u>(27,866)</u>
Total School District										
Net Investment in Capital Assets	(123,072)	(208,522)	(236,118)	(370,778)	(568,223)	(582,931)	(631,309)	(634,927)	(616,768)	(664,273)
Restricted	123,308	134,509	123,151	118,426	139,492	158,174	194,532	206,616	210,638	243,546
Unrestricted Deficit	(1,354,121)	(1,362,593)	(1,487,977)	(4,764,314)	(4,418,507)	(4,214,315)	(3,993,138)	(3,987,052)	(3,876,201)	(3,931,249)
Total School District Net Deficit	<u>\$ (1,353,885)</u>	<u>\$ (1,436,606)</u>	<u>\$ (1,600,944)</u>	<u>\$ (5,016,666)</u>	<u>\$ (4,847,238)</u>	<u>\$ (4,639,072)</u>	<u>\$ (4,429,915)</u>	<u>\$ (4,413,363)</u>	<u>\$ (4,282,331)</u>	<u>\$ (4,331,976)</u>

Notes:

(1) Restated for change in calculation of Net Investment in Capital Assets and for the reclassification of the Print Shop from an internal service fund to an enterprise fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia
Table 2
Expenses, Program Revenues, and Net (Expense)/Revenue
For the Fiscal Years 2011 through 2020
(accrual basis of accounting)
(dollars in thousands)

	2011	2012	2013	2014	2015 (5)	2016	2017	2018	2019	2020
Expenses:										
Governmental Activities										
Instruction	\$ 2,268,293	\$ 2,087,985	\$ 2,189,735	\$ 4,349,988	\$ 2,146,447	\$ 2,154,909	\$ 2,324,850	\$ 2,479,247	\$ 2,667,212	\$ 2,875,709
Student Support Services	254,991	181,595	180,348	651,187	184,429	174,820	200,431	255,494	382,431	309,488
Administrative Support	147,661	108,120	102,855	418,487	107,528	102,475	113,885	133,875	139,920	158,423
Operation & Maintenance of Plant Services (3)	241,486	197,205	198,762	415,568	181,625	169,125	172,241	180,081	212,954	237,221
Pupil Transportation	81,154	81,983	82,015	159,516	80,471	81,860	88,413	91,443	100,734	86,333
All Other Support Services	(21,283)	(10,373)	15,123	(25,224)	(19,244)	19,045	30,010	14,020	5,212	9,532
Early Childhood Education	1,487	189	197	138	159	158	227	161	-	-
Interest on Long-Term Debt	147,505	139,023	153,707	153,381	145,608	144,419	149,522	146,761	144,236	164,730
Total Governmental Activities Expenses (1)	3,121,294	2,785,725	2,922,742	6,123,021	2,827,003	2,846,901	3,079,579	3,301,082	3,552,699	3,841,626
Business-type Activities: (4)										
Food Service	81,035	77,246	76,056	120,692	81,633	75,436	76,807	84,514	86,230	87,456
Print Shop	-	-	-	-	1,188	984	1,009	1,229	1,164	1,371
Use of Facilities	-	-	-	-	-	-	-	-	-	797
Total Business-type Activities Expenses	81,035	77,246	76,056	120,692	82,821	76,420	77,816	85,743	88,393	89,624
Total School District Expenses	\$ 3,202,329	\$ 2,862,971	\$ 2,998,778	\$ 6,243,713	\$ 2,909,824	\$ 2,923,321	\$ 3,157,395	\$ 3,386,825	\$ 3,641,092	\$ 3,931,250
Program Revenues										
Governmental Activities										
Changes for Services: (2)										
Instruction	\$ 745	\$ 642	\$ 847	\$ 820	\$ 970	\$ 902	\$ 331	\$ 373	\$ 182	\$ 173
Student Support Services	3,922	322	4,752	4,512	4,862	4,744	5,337	4,443	4,348	3,082
Administrative Support	1,171	872	894	225	4,837	2,836	4,477	555	471	460
Operation & Maintenance of Plant Services	-	28	-	-	-	-	-	-	-	-
Early Childhood Education	1,046,867	788,546	865,562	778,766	826,236	857,497	965,557	1,009,902	1,024,112	1,099,780
Operating grants and contributions	1,200	(211)	1,000	82	82	1,260	1,514	595	8129	6,926
Capital grants and contributions	1,053,905	790,199	873,055	784,323	836,987	867,239	975,216	1,015,866	1,037,242	1,110,421
Total Governmental Activities Program Revenues										
Business-type Activities: (4)										
Charges for Services:										
Food Service	2,674	2,094	1,582	1,409	251	165	94	105	48	45
Print Shop	-	-	-	-	657	539	557	696	771	871
Use of Facilities	-	-	-	-	-	-	-	-	973	779
Operating grants and contributions	79,553	77,291	76,071	74,039	85,789	86,559	88,378	88,268	90,326	77,109
Food Service	-	-	-	-	64	93	109	119	129	155
Print Shop	-	-	-	-	-	-	-	-	157	101
Use of Facilities	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	211	-	-	-	-	-	36	-	-
Total Business-type Activities Program Revenues	82,227	79,596	77,653	75,448	86,761	87,354	89,138	89,224	92,604	79,060
Total School District Program Revenues	\$ 1,136,132	\$ 869,795	\$ 950,708	\$ 859,771	\$ 923,748	\$ 954,593	\$ 1,064,354	\$ 1,105,090	\$ 1,129,846	\$ 1,189,481
Net (Expense)/Revenue										
Governmental Activities	(2,067,389)	(1,995,526)	(2,049,687)	(5,338,698)	(1,990,016)	(1,979,662)	(2,104,363)	(2,285,216)	(2,515,457)	(2,731,205)
Business-type Activities	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481	4,211	(10,564)
Total School District Net (Expense)/Revenue	\$ (2,066,197)	\$ (1,993,176)	\$ (2,048,070)	\$ (5,383,942)	\$ (1,986,076)	\$ (1,968,728)	\$ (2,093,041)	\$ (2,281,735)	\$ (2,511,246)	\$ (2,741,769)

Notes:

- (1) Expenses for instruction, student support services, pupil transportation, operation & maintenance of plant services, and interest on long-term debt have progressively increased primarily due to implementing the "No Child Left Behind" requirements and the capital improvement initiative.
- (2) Reclassified Charges for Services, under Program Revenues, by functional activities.
- (3) Direct and indirect expenses were combined starting in Fiscal Year 2011.
- (4) Business Activities from Fiscal Year 2011 - 2014 included only the Food Service Fund. Business Activities include the Food Service Fund and Print Shop Fund beginning with Fiscal Year 2015 and thereafter.
- (5) Restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia
Table 3
Net (Expenses)/Revenue, General Revenues, and Total Change in Net Position
For the Fiscal Years 2011 through 2020
(accrual basis of accounting)
(dollars in thousands)

	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019	2020
Net (Expense)/Revenue										
Governmental Activities	\$ (2,067,389)	\$ (1,995,526)	\$ (2,049,687)	\$ (5,338,698)	\$ (1,990,016)	\$ (1,979,662)	\$ (2,104,363)	\$ (2,283,216)	\$ (2,515,457)	\$ (2,731,205)
Business-type Activities	1,192	2,350	1,617	(45,244)	3,940	10,934	11,322	3,481	4,211	(10,564)
Total School District Net (Expense)/Revenue	<u>(2,066,197)</u>	<u>(1,993,176)</u>	<u>(2,048,070)</u>	<u>(5,383,942)</u>	<u>(1,986,076)</u>	<u>(1,968,728)</u>	<u>(2,093,041)</u>	<u>(2,281,735)</u>	<u>(2,511,246)</u>	<u>(2,741,769)</u>
General Revenues/Contributed Capital/Transfers:										
Governmental Activities										
Property Taxes	605,249	658,540	650,633	661,263	683,471	669,424	703,934	789,313	841,772	829,376
Other Taxes										
Use & Occupancy Taxes	115,361	113,843	130,142	137,677	127,711	137,662	145,560	179,759	185,410	181,971
Liquor Taxes	45,185	52,314	50,780	62,105	62,327	66,085	75,783	73,661	80,205	59,540
School (Non-Business) Income Taxes	24,738	29,691	27,225	37,274	43,507	40,946	47,782	43,617	51,063	49,393
Public Utility/PILOT Taxes	1,115	1,103	1,053	1,071	1,104	1,048	1,198	1,163	1,182	1,181
Cigarette Sales Tax	-	-	-	-	50,245	58,766	58,000	58,000	58,154	57,771
Sales Tax	-	-	-	-	120,000	120,000	120,000	120,000	120,000	120,000
Ridesharing Revenue	-	-	-	-	-	-	1,399	3,269	4,461	5,138
Grants and Contributions Not Restricted to Specific Programs	69,057	87,921	100,580	164,324	123,325	128,522	129,974	139,242	225,651	266,870
State & Federal Subsidies	1,089,698	969,264	925,831	912,421	925,825	942,152	988,294	1,041,867	1,056,804	1,101,178
Reimbursements of Insurance Deposits	-	-	-	-	1,008	1,008	-	-	-	-
Gain/(Loss) on Sale of Capital Assets	(308)	217	(431)	290	3,803	2,031	(53)	(125)	26	(56)
Transfers	13,348	4,170	(1,864)	838	13,724	8,725	(3,890)	2,512	6,848	-
Investment Revenue/(Expense)	1,963,443	1,917,063	1,883,949	1,998,379	2,134,865	2,176,307	2,267,981	2,452,478	2,631,376	2,672,362
Total Governmental Activities										
Business-type Activities										
Contributed Capital	-	-	-	-	-	410	34	-	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	(57)	33	-	-	-	(8)
Transfers	308	(217)	(217)	(290)	177	62	54	125	(26)	56
Total Business-type Activities	<u>308</u>	<u>(217)</u>	<u>(217)</u>	<u>(290)</u>	<u>120</u>	<u>505</u>	<u>88</u>	<u>125</u>	<u>(26)</u>	<u>48</u>
Total School District General Revenues/Contributed Capital/Transfers	<u>1,963,751</u>	<u>1,916,846</u>	<u>1,883,732</u>	<u>1,998,289</u>	<u>2,134,985</u>	<u>2,176,812</u>	<u>2,268,069</u>	<u>2,452,603</u>	<u>2,631,550</u>	<u>2,672,410</u>
Changes in Net Position:										
Governmental Activities	(103,946)	(78,463)	(165,738)	(3,340,119)	164,849	196,645	163,618	167,262	116,119	(58,843)
Business-type Activities	1,500	2,133	1,400	(45,334)	4,060	11,439	11,410	3,606	4,185	(10,316)
Total School District Change in Net Position	<u>\$ (102,446)</u>	<u>\$ (76,330)</u>	<u>\$ (164,338)</u>	<u>\$ (3,385,653)</u>	<u>\$ 168,909</u>	<u>\$ 208,084</u>	<u>\$ 175,028</u>	<u>\$ 170,868</u>	<u>\$ 120,304</u>	<u>\$ (69,359)</u>

Notes:
(1) Restated for the reclassification of the Print Shop from an internal service fund to an enterprise fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia

Table 4

Fund Balances of Governmental Funds
For the Fiscal Years 2011 through 2020
(modified accrual basis of accounting)
(dollars in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable										
Inventories	\$ 1,154	\$ 1,102	\$ 904	\$ 1,257	\$ 1,206	\$ 1,022	\$ 788	\$ 609	\$ 425	\$ 381
Long-term Interfund Loan	9,061	7,061	4,061	-	-	-	-	-	-	-
Restricted										
Medical Self-Insurance	18,375	18,375	18,375	18,375	9,500	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	66,284	28,607	32,765	22,732	31,653
Unassigned	(71,967)	(138,150)	(64,128)	(116,452)	(6,886)	25,090	(9,970)	39,508	84,084	15,171
	<u>\$ (43,377)</u>	<u>\$ (111,612)</u>	<u>\$ (40,788)</u>	<u>\$ (96,820)</u>	<u>\$ 3,820</u>	<u>\$ 92,396</u>	<u>\$ 19,425</u>	<u>\$ 72,882</u>	<u>\$ 107,241</u>	<u>\$ 47,205</u>
Total General Fund										
All Other Governmental Funds										
Nonspendable										
Permanent Fund Principal	\$ 1,366	\$ 1,366	\$ 1,368	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,365	\$ 1,366
Restricted										
Retirement of Long-term Debt	59,126	62,208	69,059	65,170	98,627	80,629	89,255	93,267	105,950	108,357
Debt Service Interest	35,775	47,335	29,169	28,321	24,364	24,709	42,986	36,295	32,180	49,300
Mandatory Deposits for Future Debt Payments	-	-	-	-	-	36,712	46,414	61,115	56,482	69,803
Arbitrage Rebate Payable	3,646	286	265	266	693	309	47	51	55	55
Trust purposes	5,021	4,939	4,915	4,928	4,941	4,950	4,965	5,022	5,106	5,165
Capital Purposes	82,591	169,653	103,138	73,364	93,319	10,223	175,874	326,426	140,850	463,348
Committed (1)	-	-	-	-	-	-	-	-	2,015	502
Assigned	2,645	1,359	967	9,350	2,320	3,351	4,128	1,157	392	-
Unassigned	(54,588)	(9,467)	(5,815)	(4,021)	(4,428)	(6,195)	(7,008)	(9,675)	(3,770)	(22,086)
	<u>\$ 135,582</u>	<u>\$ 277,679</u>	<u>\$ 203,066</u>	<u>\$ 178,743</u>	<u>\$ 221,201</u>	<u>\$ 156,053</u>	<u>\$ 358,026</u>	<u>\$ 515,023</u>	<u>\$ 340,625</u>	<u>\$ 675,810</u>
Total All Other Governmental Funds										
Total Fund Balance	<u>\$ 92,205</u>	<u>\$ 166,067</u>	<u>\$ 162,278</u>	<u>\$ 81,923</u>	<u>\$ 225,021</u>	<u>\$ 248,449</u>	<u>\$ 377,451</u>	<u>\$ 587,905</u>	<u>\$ 447,866</u>	<u>\$ 723,015</u>

Notes:

(1) The School District of Philadelphia, starting in fiscal year 2019, has a committed fund balance for the Intermediate Unit shown in the General Fund.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia
Table 5
Governmental Funds Revenues
For the Fiscal Years 2011 through 2020
(modified accrual basis of accounting)
(dollars in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Federal Sources										
Grants and Subsidies	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	\$ 266,508	\$ 236,541	\$ 286,785	\$ 317,571	\$ 318,696	\$ 326,093
Total Federal Sources	632,055	444,504	400,086	253,064	266,508	236,541	286,785	317,571	318,696	326,093
State Sources										
Grants and Subsidies	1,458,468	1,349,514	1,390,157	1,433,040	1,475,762	1,551,555	1,657,768	1,722,016	1,761,075	1,839,169
Total State Sources	1,458,468	1,349,514	1,390,157	1,433,040	1,475,762	1,551,555	1,657,768	1,722,016	1,761,075	1,839,169
Local Sources										
Local Taxes										
Real Estate										
Current	549,717	597,788	601,533	592,906	604,940	633,998	660,223	743,355	800,299	816,826
Prior Years	39,555	51,606	52,028	64,512	57,153	63,410	54,989	48,450	47,427	28,621
Payment in Lieu of Taxes	-	5	-	4	-	-	5	9	-	5
Use and Occupancy	109,273	112,540	132,689	138,080	127,808	137,333	144,877	181,162	186,532	177,150
School (Non-Business) Income	24,011	27,744	28,105	40,501	40,358	40,345	42,251	48,048	49,434	51,560
Liquor Sales	43,892	50,122	54,238	60,527	61,712	65,831	76,650	79,300	79,300	58,845
Cigarette Sales Tax	-	-	-	-	50,245	58,766	58,000	58,000	58,154	57,771
Sales Tax	-	-	-	-	120,000	120,000	120,000	120,000	120,000	120,000
Public Utility Realty	1,115	1,099	1,048	1,067	1,099	1,043	1,193	3,269	1,182	1,176
Ridesharing Revenue	-	-	-	-	-	-	1,399	1,153	4,461	5,138
Total Local Taxes	767,563	840,904	869,646	897,597	1,063,320	1,120,731	1,157,577	1,280,096	1,346,789	1,317,092
Locally Generated Non Tax										
Interest and other income	5,986	7,903	7,838	8,773	11,449	12,130	9,381	17,470	25,702	33,161
City Contributions	38,600	48,930	68,990	96,050	99,110	104,185	104,264	104,348	180,871	227,356
Legal Settlements	2,613	2,485	2,744	-	-	-	-	-	-	-
Casino Settlement	-	-	-	-	3,872	1,928	3,857	-	-	-
Stadium Agreements	3,000	2,815	2,717	2,755	2,744	2,744	-	2,744	2,743	2,744
Parking Authority	7,789	13,956	13,264	9,723	11,063	10,279	10,274	13,593	15,417	14,695
Gaming Revenue	5,793	5,894	4,791	4,829	5,132	4,810	4,716	5,859	5,000	5,732
One Time State Grant Received from City of Philadelphia	-	-	-	45,000	-	-	-	-	-	-
Reimbursements from Other Funds	14	14	14	14	14	14	14	14	14	14
Variable Rate Income/Basis Swap Income	1,445	1,492	1,406	1,686	1,740	1,921	447	875	1,611	994
Gain or Loss on Sale of Investments	-	-	-	-	-	-	-	-	-	3,416
Other Miscellaneous/Voluntary Contributions	7,533	11,209	8,368	8,260	6,354	17,628	12,734	8,916	8,780	6,439
Total Local Generated Non Tax	72,773	94,698	110,132	177,090	141,489	155,639	148,431	153,819	240,138	294,551
Total Local Sources	840,336	935,602	979,778	1,074,687	1,204,809	1,276,370	1,306,008	1,433,915	1,586,927	1,611,643
Total Revenues	\$ 2,930,859	\$ 2,729,620	\$ 2,770,021	\$ 2,760,791	\$ 2,947,079	\$ 3,064,466	\$ 3,250,561	\$ 3,473,502	\$ 3,666,698	\$ 3,776,905

Sources: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia
Table 6
Governmental Funds Expenditures and Debt Service Ratio
For the Fiscal Years 2011 through 2020
(modified accrual basis of accounting)
(dollars in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
EXPENDITURES										
Current:										
Instruction	\$ 1,707,424	\$ 1,487,078	\$ 1,538,187	\$ 1,346,144	\$ 1,339,359	\$ 1,393,171	\$ 1,487,137	\$ 1,581,062	\$ 1,601,927	\$ 1,693,052
Student Support Services	250,054	200,466	201,931	151,841	178,088	188,946	221,461	264,349	279,849	302,164
Administrative Support	140,202	107,487	102,787	100,134	103,452	104,388	119,602	134,675	133,608	144,884
Operation & Maintenance of Plant Services	237,243	200,893	205,317	200,744	182,659	177,132	180,241	186,575	218,166	234,024
Pupil Transportation	80,279	83,396	84,104	85,520	80,655	83,959	90,510	92,948	101,223	85,586
All Other Support Services	(21,612)	(10,661)	14,858	(25,449)	(19,282)	18,962	29,962	14,016	5,485	9,444
Early Childhood Education	1,487	189	197	138	139	158	227	162	-	-
Payments to Charter Schools	411,713	539,741	600,963	712,512	722,039	723,092	791,589	861,670	979,621	1,061,412
Debt Services:										
Bonds										
Principal	65,454	31,577	107,664	106,059	101,233	100,493	451,893 (3)	104,795	127,525	277,350
Interest	155,797	87,040	97,230	91,114	91,755	81,246	82,758	98,066	108,582	102,613
Authority Obligations (SFSBA)										
Principal & Interest	49,060	42,522	49,056	71,346	69,052	71,382	719,402 (3)	69,186	69,142	68,548
Issuance Costs	2,248	1,836	1,873	-	2,476	1,402	13,320	2,633	-	5,449
Administrative Expenses	3,459	3,684	3,134	2,631	2,447	6,082	1,935	245	83	58
Capital Outlay: (1)										
New Buildings and Additions	88,339	7,923	13,105	4,648	4,212	10,708	6,734	19,125	17,847	37,951
Environmental Management	3,335	2,997	2,893	2,973	3,903	4,134	6,200	6,758	13,050	7,739
Alterations and Equipment	71,323	61,291	49,082	20,252	30,689	70,232	66,848	87,210	87,210	98,880
Major Renovations	-	-	-	-	-	2,784	6,713	8,679	63,435	73,197
Equipment Acquisitions	15,952	6,191	2,849	2,892	222	761	6,286	6,065	14,182	631
Total Expenditures	\$ 3,261,757	\$ 2,853,650	\$ 3,075,230	\$ 2,873,499	\$ 2,893,096	\$ 3,039,032	\$ 4,282,818	\$ 3,538,881	\$ 3,815,935	\$ 4,202,982
Computation of Debt Service as a percentage of noncapital expenditures (2):										
Total Expenditures	3,261,757	2,853,650	3,075,230	2,873,499	2,893,096	3,039,032	4,282,818	3,538,881	3,815,935	4,202,982
Less: Capital Outlay: (1)	(178,948)	(78,402)	(67,929)	(30,766)	(39,025)	(88,619)	(92,781)	(128,499)	(195,724)	(218,398)
Noncapitalized Expenditures (Excludes Depreciation)	3,082,808	2,775,248	3,007,301	2,842,733	2,854,071	2,950,413	4,190,037	3,410,382	3,620,211	3,984,584
Divide into										
Debt Service (Principal/Interest) (2a and 2b)	270,311	161,139	253,950	268,519	262,039	253,120	1,254,053	272,047	300,249	448,511
Debt Service as a percentage of noncapital expenditures (2)	= 8.8%	5.8%	8.4%	9.4%	9.2%	8.6%	29.9%	8.0%	8.3%	11.3%

Notes:

- (1) The School District's Capital Improvement Program (CIP) supports initiatives to make schools more equitable, provide space for reduced class size, enhance academic reform efforts by providing state-of-the-art facilities.
- (2) Total expenditures less capital outlays equal non-capital expenditure. Non-capital expenditures were divided by debt service principal and interest for bonds and authority obligations to arrive at the debt service as a percentage of non-capital expenditures.
- (3) Although FY2017 debt service expenditures represented approximately 30.00% of noncapitalized expenditures paid, the expenditures included \$1,005.6 million of debt refunded with refunding proceeds of \$1,152.2 million and premiums of \$154.6 million. After considering the refunding expenditures which were paid with refunding proceeds and premiums, the net debt service fund expenditures were \$248.4 million. The \$248.4 million expenditures represent 7.8% of the net noncapitalized (less refunding expenditures) expenditures.

Source: The School District of Philadelphia Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia
Table 7
Other Financing Sources/(Uses) and Net Change in Fund Balance
Governmental Funds
For the Fiscal Years 2011 through 2020
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Excess (Deficiency) of Revenues over (under) Expenditures	\$ (330,898,060)	\$ (124,029,429)	\$ (305,209,423)	\$ (112,708,402)	\$ 53,982,697	\$ 25,434,046	\$ (1,032,256,633)	\$ (65,378,535)	\$ (149,236,875)	\$ (426,077,484)
Other Financing Sources/(Uses)										
Debt Issuance (Bond Proceeds)	425,880,000	280,410,000	264,995,000	-	46,770,000	-	239,590,000	254,950,000	-	456,660,000
Capital Asset Insurance Refunds	-	-	-	-	-	1,008,215	-	-	-	-
Capital Asset Proceeds	5,764,807	211,481	346,580	32,565,867	23,942,448	6,501,847	9,705,892	115,081	112,916	-
SEPTA Loan Proceeds	-	35,312,564	-	-	-	-	-	-	-	-
Proceeds of Refunding Bonds	-	-	-	-	266,690,000	349,960,000	1,152,166,056	-	-	336,519,360
Bond Premium	7,724,600	4,636,559	36,908,311	-	34,496,717	-	166,251,767	22,769,792	-	95,406,326
Bond Discounts	-	(265,965)	-	-	-	-	-	-	-	(345,750)
Bond Defeasement	(368,301,151)	(122,578,020)	-	-	(300,439,989)	(349,750,949)	(314,427,680)	(1,698,433)	-	(186,913,950)
Transfers In	459,497,642	384,489,440	482,334,321	494,957,799	501,368,975	488,403,954	559,881,659	534,879,957	559,256,419	591,222,705
Transfers Out	(459,280,627)	(384,272,425)	(482,765,848)	(495,241,766)	(501,545,714)	(497,966,338)	(559,934,930)	(535,004,528)	(559,230,480)	(591,278,524)
Total Other Financing Sources/(Uses)	71,285,271	197,943,634	301,818,364	32,281,900	71,282,437	(1,823,271)	1,253,232,764	276,011,869	138,855	701,270,167
Net Change in Fund Balance	\$ (259,612,789)	\$ 73,914,205	\$ (3,391,059)	\$ (80,426,502)	\$ 125,265,134	\$ 23,610,775	\$ 220,976,131	\$ 210,633,334	\$ (149,098,020)	\$ 275,192,683

Source: The School District of Philadelphia's Comprehensive Annual Financial Reports for the Fiscal Years ended 2011 through 2020.

School District of Philadelphia

Table 8
Governmental Funds Revenue By Own-Sources (1)
For the Fiscal Years 2011 through 2020
(modified accrual accounting)
(dollars in millions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011 - 2020 Percentage Change
Local Taxes											
Real Estate	\$ 589.3	\$ 649.4	\$ 653.6	\$ 657.4	\$ 662.1	\$ 697.5	\$ 715.2	\$ 791.9	\$ 847.8	\$ 845.4	43.5
Use and Occupancy	109.3	112.5	132.7	138.1	127.8	137.3	144.9	181.2	186.5	177.2	62.1
School (Non-Business) Income Taxes	24.0	27.7	28.1	40.5	40.4	40.3	42.3	48.0	49.4	51.6	115.0
Liquor Taxes	43.9	50.1	54.2	60.5	61.7	65.8	74.6	76.6	79.3	58.8	33.9
Cigarettes Sales Taxes	-	-	-	-	50.2	58.8	58.0	58.0	58.2	57.8	15.1 (7)
Sales Taxes	-	-	-	-	120.0	120.0	120.0	120.0	120.0	120.0	0.0 (7)
Other (2)	1.1	1.1	1.1	1.1	1.1	1.0	2.6	4.4	5.6	6.3	472.7
Total Taxes	767.6	840.8	869.7	897.6	1,063.3	1,120.7	1,157.6	1,280.1	1,346.8	1,317.1	71.6
Locally Generated Non Tax											
City Contributions	38.6	48.9	69.0	96.1	99.1	104.2	104.3	104.3	180.9	227.4	489.1
Other (3)	27.5	37.2	32.3	70.9	28.4	28.7	33.0	33.9	38.0	32.8	19.3
Total Local	66.1	86.1	101.3	167.0	127.5	132.9	137.3	138.2	218.9	260.2	293.6
Total Own-Source Revenues (4)	\$ 833.7	\$ 926.9	\$ 971.0	\$ 1,064.6	\$ 1,190.8	\$ 1,253.6	\$ 1,294.9	\$ 1,418.3	\$ 1,565.7	\$ 1,577.3	89.2
Summary of Own-Source Revenues by Fund:											
General	\$ 833.7	\$ 927.0	\$ 970.9	\$ 1,064.5	\$ 1,190.7	\$ 1,253.6	\$ 1,294.9	\$ 1,418.3	\$ 1,565.7	\$ 1,577.3	89.2
Intermediate	0.5	0.4	0.5	0.6	0.8	0.8	0.2	0.3	0.2	0.3	(40.0)
Categorical	2.8	4.6	4.7	6.8	9.2	9.8	6.6	9.5	9.9	19.5	596.4
Debt Service (4) (5)	2.1	2.6	2.6	2.4	2.8	9.9	2.0	3.3	5.5	7.3	247.6
Capital Projects	1.2	0.9	1.0	0.3	1.2	2.3	2.3	2.4	5.6	7.1	491.7
Non-Major	0.1	0.1	0.0	0.1	0.1	-	0.1	0.1	0.1	0.1	0.0
Total Own-Source Revenues	\$ 840.4	\$ 935.6	\$ 979.7	\$ 1,074.7	\$ 1,204.8	\$ 1,276.4	\$ 1,306.1	\$ 1,433.9	\$ 1,587.0	\$ 1,611.6	91.8
Totals Restated on a Constant Dollar Basis: (6)											
2011 as base year	\$ 840.4	\$ 920.3	\$ 947.1	\$ 1,017.8	\$ 1,139.6	\$ 1,195.4	\$ 1,203.6	\$ 1,284.4	\$ 1,398.5	\$ 1,411.1	67.9
2020 as base year	\$ 959.8	\$ 1,051.1	\$ 1,081.7	\$ 1,162.4	\$ 1,301.5	\$ 1,365.3	\$ 1,374.6	\$ 1,466.9	\$ 1,597.2	\$ 1,611.6	67.9

Notes:

- (1) The School District's own-source revenues are local taxes and locally generated non-tax revenues.
- (2) Includes Public Utility Reality Taxes and Payment in Lieu of Taxes
- (3) Includes Interest on Investments, Stadium Agreements, Voluntary Contributions, Parking Authority Contributions, Gaming Revenue, One-time State Grant via City of Philadelphia, Reimbursements from Other Funds, and Miscellaneous Non Tax Revenues
- (4) Revenues include cash with fiscal agent and its related activities.
- (5) Includes financing derivatives such as variable rate and basis swaps issued by the District. These derivatives increased revenue under the Debt Service Fund. During FY2020 the District terminated the last financing derivative instruments - basis swaps.
- (6) Source: United States Department of Labor, Bureau of Labor Statistics.
- (7) Represents Fiscal Year 2020 compared to Fiscal Year 2015

School District of Philadelphia

Table 9
Assessed and Estimated Actual Market Value of Taxable Property
For the Calendar Years 2011 through 2020
(dollars in millions)

Calendar Year of Levy (1)	Major Assessment Categories (2)					Certified Assessed Values				Total Tax Assessed Value of Property (2)	Total Direct Tax Rate (6)	STEB & AVI Certified Assessed Value Ratio (4) (7)	Estimated Actual Taxable Value (7)	
	Residential	Hotels and Apartments	Store with Dwelling	Commercial	Industrial	Vacant Land	Total Assessed Value of Property	Less: Tax-Exempt Property (2)(3)(5)	Less: Homestead Exempt (3)					Less: Adjustments Between Certification
2011	\$ 7,695	\$ 1,958	\$ 327	\$ 6,787	\$ 789	\$ 384	\$ 17,940	\$ 5,593	\$ -	\$ -	\$ 12,347	4.9590	0.2805	\$ 44,018
2012	7,776	1,964	324	6,799	781	378	18,022	5,685	-	-	12,337	5.3090	0.2887	42,733
2013	7,831	2,021	324	6,854	758	393	18,181	5,765	-	-	12,416	5.3090	0.2868	43,291
2014	67,031	16,022	3,448	43,594	3,536	3,773	137,404	34,872	5,429	2,590	94,513	0.7382	1.0000	94,513
2015	66,956	16,213	3,305	42,795	3,484	3,588	136,341	35,242	6,705	1,981	92,413	0.7681	1.0000	92,413
2016	67,227	16,735	3,232	42,173	3,462	3,466	136,295	37,017	6,373	1,369	91,537	0.7681	1.0000	91,537
2017	68,335	17,187	3,177	41,174	3,446	3,362	136,681	38,236	6,389	315	91,741	0.7681	1.0000	91,741
2018	69,161	23,773	3,677	46,671	4,655	5,058	152,995	40,927	6,268	811	104,989	0.7681	1.0000	104,989
2019	79,505	26,091	3,594	46,097	4,611	4,774	164,672	39,454	6,349	3,313	115,556	0.7681	1.0000	115,556
2020	82,528	26,967	3,547	46,127	4,560	4,534	168,263	45,320	8,592	(1,225)	115,576	0.7681	1.0000	115,576

Notes:

- Real property tax bills are sent out in December and are payable at a one percent (1%) discount until February 28th, otherwise the face amount is due March 31 without penalty or interest.
- Source: The City of Philadelphia, Office of Property Assessment (CY2011-2015). Beginning in 2014, the Assessed Value Certification Date was moved up to March 31, 2013. In prior years, the Certification date occurred on or slightly before the Billing Date; henceforth, the Certification Date was changed to March 31st.
- The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments. Starting in 2014, the City provided for a \$30,000 Homestead Exemption (amount subject to change) to all homeowners. Also, there are additional adjustments after the certification date of March 31st.
- The State Tax Equalization Board (STEB) receives certified market values from each county assessor. The values represent amounts certified to the STEB. In addition, STEB annually determines for each municipality in the Commonwealth of Pennsylvania a ratio assessed valuation to true value. The ratio is used for the purpose of equalizing certain state aid distributions. Obtained from STEB website-Market Value.
- The adjustment reflects reductions in assessments pursuant to established procedures for review of assessments.
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 years 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.
- Represents total taxable assessed value multiplied by the STEB ratio for calendar years 2011 through 2013. In calendar years 2014 through 2020, the market value represents the actual amounts.
- The Office of Property Assessment (OPA) began the Actual Value Initiative (AVI) program in calendar year 2014. AVI is a program for the assessment of all real property - land and buildings - in Philadelphia at their current market value.

School District of Philadelphia
 Table 10
 Property Tax Rates - All Direct and Overlapping Governments
 For the Calendar Years 2011 through 2020
 (Per \$100 Assessed Value) ⁽¹⁾

Calendar Year	City of Philadelphia	School District of Philadelphia	Total
2011	4.1230	4.9590	9.0820
2012	4.1230	5.3090	9.4320
2013	4.4620	5.3090	9.7710
2014	0.6018	0.7382	1.3400 ⁽²⁾
2015	0.6018	0.7382	1.3400
2016	0.6317	0.7681	1.3998
2017	0.6317	0.7681	1.3998
2018	0.6317	0.7681	1.3998
2019	0.6317	0.7681	1.3998
2020	0.6317	0.7681	1.3998

Notes:

- (1) The City of Philadelphia and the School District of Philadelphia impose a tax on all real estate. Prior to calendar year 2014, the tax rate was based on mills, a fixed portion was levied pursuant to legislative authorization by the General Assembly of the Commonwealth of PA while the remaining mills (portion) was levied pursuant to legislative authorization and approval by ordinance of the City Council of Philadelphia.
- (2) In calendar year 2014, the City re-evaluated all real property at its current market value, based upon the Actual Value Initiative (AVI) which represents total taxable assessed value of property. See Table 9 for assessed value of property.

School District of Philadelphia
Table 11
Principal Property Taxpayers
Current Calendar Year and Nine Years Ago
(dollars in millions)

Taxpayer	2020 (1)			2011 (2)		
	Rank	Assessment Value (3)	Percentage of Total Assessments (5)	Rank	Assessment Value	Percentage of Total Assessments (5)
Liberty Property Phila	1	\$ 358.9	0.31%		\$ -	-
EQC Nine Penn Center Prop	2	352.1	0.30%	3	54.1	0.44%
NG 1500 Market St LLC	3	349.9	0.30%	5	43.8	0.35%
Phila Liberty Pla E LP	4	315.0	0.27%	2	54.4	0.44%
Park Towne Place Assoc	5	276.9	0.24%		-	-
Commerce Square Partners	6	266.4	0.23%	9	33.3	0.27%
Phila Plaza Phaze II	7	252.7	0.22%	8	33.9	0.27%
Philadelphia Market	8	250.3	0.22%		-	-
Brandywine Operating	9	236.4	0.20%	6	40.6	0.33%
401 North Broad Fee Inter	10	223.1	0.19%		-	-
Franklin Mills Associates		-	-	1	57.6	0.47%
Pru 1901 Market LLC		-	-	7	35.2	0.29%
Phila Shipyard Dev Corp		-	-	10	30.3	0.25%
Sugarhouse HSP Gaming LP		-	-	4	48.3	0.39%
Total of the Ten Largest Real Estate Assessments		\$ 2,881.7	2.49%		\$ 431.5	3.49%
Taxable Assessments (before Homestead Exemption & Adjustments) (3)		\$ 124,168.7	100.00%		\$ 12,347.1	100.00%
Taxable Assessments (before Homestead Exemption & Adjustments) (3)		\$ 124,168.7			\$ 12,347.1	
Less: Homestead Exemption (3)		8,592.2			-	
Total Taxable Assessments (4)		\$ 115,576.5			\$ 12,347.1	

Notes:

- (1) Obtained from City of Philadelphia - Finance Department 2020 CAFR Table 9
- (2) Obtained from City of Philadelphia 2011 CAFR Table 10
- (3) In calendar year (CY) 2014, the City re-evaluated all real property at its current market value, based upon Actual Value Initiative (AVI)
- (4) Total Taxable Assessments for CY 2020 represents gross taxable assessments less homestead exemptions.
- (5) Represents percentage of "Total Taxable Assessments" (gross taxable assessments less homestead exemptions).

School District of Philadelphia
Table 12
Real Estate Tax Levies and Collections
For the Years 2011 through 2020

Calendar Year	Tax Levy for the Calendar Year (Original Levy) (a)	Adjustments (b)	Adjusted Total Levied Tax (c)	For the Calendar Years 2011 through 2020			Delinquent Taxes Collections in Subsequent Years (d)	Total Collected to Date	
				Collected within the Calendar Year of the Original Tax Levy				Amount (\$)	Percentage of Original Tax Levy (%)
				Amount (\$)	(d)	(%)			
2011	612,265,808	(16,541,052)	595,724,756	549,036,079	89.67%	44,304,903	593,340,982	96.91%	
2012	655,005,955	(18,049,782)	636,956,173	549,558,020	83.90%	48,930,447	598,488,467	91.37%	
2013	659,127,013	(19,166,892)	639,960,121	595,637,192	90.37%	62,939,249	658,576,441	99.92%	
2014	737,777,950	(28,060,172)	709,717,778	605,454,814	82.06%	48,768,316	654,223,130	88.67%	
2015	731,692,538	(30,560,730)	701,131,808	607,462,012	83.02%	39,797,156	607,462,012	83.02%	
2016	703,064,816	(17,962,527)	685,102,289	641,567,436	91.25%	33,415,753	641,567,436	91.25%	
2017	753,705,217	6,617,076	760,322,293	667,954,497	88.62%	28,287,991	667,954,497	88.62%	
2018	854,532,826	(30,319,815)	824,213,011	749,239,893	87.68%	15,863,768	749,239,893	87.68%	
2019	862,438,749	(29,563,893)	832,874,856	805,647,314	93.42%	9,912,322	805,647,314	93.42%	
2020	878,853,757 (e)	(21,484,367)	857,369,390 (e)	823,724,857 (f)	93.73%	N/A	823,724,857	93.73%	

Notes:

- (a) Represents original billings as of the calendar year (December 31st) for current year real estate taxes only.
- (b) Adjustments include assessment appeals, a 1% discount for payment in full by the end of February, the senior citizen tax freeze, and the tax increment financing (TIF) return of tax paid. For 2014, adjustment include the Longtime Owner Occupants Program (LOOP), since the program was implemented after the initial bills were sent.
- (c) Represents adjustment to original billings as of the end of the calendar year (December 31st) for current year real estate taxes only.
- (d) Source: City of Philadelphia, Revenue Department Reports-Taxes Collected for Tax Years 2011 through 2019-Gross Principal Only.
- (e) Memorandum City of Philadelphia Department of Revenue 2020 Monthly Real Estate Billed/Balance Due dated 01/27/2021 through December 31, 2020.
- (f) Real Estate Taxes collected during CY2020 were valued at the net adjusted amount. Prior year amounts were at gross (see note (d) above).

N/A

Fiscal Year	Fiscal Years 2011 through 2020		Total Tax Collections
	Current Tax Collections	Prior Year Tax Collections	
2011	549,717,468	39,704,621	589,422,089
2012	597,788,247	51,605,746	649,393,993
2013	601,533,418	52,028,211	653,561,629
2014	592,906,317	64,512,002	657,418,319
2015	604,940,462	57,152,743	662,093,205
2016	633,998,515	63,409,950	697,408,465
2017	660,222,978	54,989,521	715,212,499
2018	743,355,206	48,450,379	791,805,585
2019	800,298,689	46,632,416	846,931,105
2020	816,826,483	28,620,699	845,447,182

Source: The School District of Philadelphia - Accounting System fiscal year records as of 12/31/2020-A614 Summary Trial Balance by Fund Period 14/2020.

School District of Philadelphia
Table 13
Ratios of Outstanding Debt by Type
For the Fiscal Years 2011 through 2020
(dollars in thousands)

Fiscal Year	Governmental Activities (1)				Per Capita (4)	
	Gross General Obligation Bonds (2)	Lease Revenue Bonds	Add/(Deduct): Premiums/(Discounts)	Total Governmental Activities	Percentage of Personal Income (5)	In Constant Dollars - 2011 as Base Year (3) (4)
2011	\$ 2,107,915	\$ 884,010	\$ 97,407	\$ 3,089,332	4.95 %	\$ 2,021
2012	2,279,738	877,780	90,628	3,248,146	4.99	2,074
2013	2,439,355	871,240	90,628	3,401,223	4.80	2,119
2014	2,331,073	864,370	119,112	3,314,555	4.46	2,014
2015	2,248,225	851,330	109,959	3,209,514	4.15	1,939
2016	2,145,953	843,380	124,303	3,113,636	3.90	1,856
2017	1,987,710	988,520	113,118	3,089,348	3.60	1,806
2018	2,137,195	968,245	245,294	3,350,734	4.03	1,899
2019	2,009,670	947,700	225,036	3,182,406	3.60	1,770
2020	2,337,205	940,665	269,941	3,547,811	3.78	1,956

Notes:

- (1) Includes all long-term debt instruments, including bonds, loans, and capital leases. Details of the School District's outstanding debt can be found in the notes to the financial statements. The School District's business-type activities did not have any long-term debt instruments. Business-type obligations relate to pension, OPEB and compensated absences only.
- (2) Adjusted Outstanding Debt for QZABs previously defeased; Restored during Fiscal Year 2015
- (3) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (4) See Table 19 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year.
- (5) Per Capita Income values based on population multiplied by Per Capital Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.

School District of Philadelphia
 Table 14
 Ratios of Net General Bonded Debt Outstanding
 For the Fiscal Years 2011 through 2020
 (dollars in thousands)

Fiscal Year	Net General Bonded Debt Outstanding (1)											Percentage of Estimated		Per Capita (7)	
	Gross General Obligation Bonds (2)	Gross OZAB & QSCB Bonds	Deficit Termination and Stadium Bonds (3)	State Public School Building Authority (SPSBA)	Gross General Bonded Debt Outstanding	Add/(Deduct): Premiums/(Discounts) (Adjustments)	Total Governmental Activities	Less: Amount Available in Debt Service Fund (4)	Net General Bonded Debt Outstanding	Percentage of Personal Income (5)	Actual Taxable Value of Property (8)	Actual	In Constant Dollars - 2011 as Base Year (5) (6)		
2011	\$ 1,800,745	\$ 83,945	\$ 223,225	\$ 884,010	\$ 2,991,925	\$ 97,407	\$ 3,089,332	\$ (59,126)	\$ 3,030,206	5.06 %	7.05 %	\$ 1,983	\$ 1,983		
2012	1,842,043	228,565	209,130	877,780	3,157,518	90,628	3,248,146	(62,208)	3,185,938	5.11	7.09	2,068	2,034		
2013	1,751,550	228,560	459,245	871,240	3,310,595	119,112	3,429,706	(69,059)	3,360,647	5.16	7.36	2,166	2,093		
2014	1,686,383	205,630	439,060	864,370	3,195,443	109,959	3,305,402	(65,170)	3,240,232	4.57	3.36	2,079	1,969		
2015	1,604,975	198,180	445,070	851,330	3,099,555	124,303	3,223,858	(98,627)	3,125,231	4.21	3.27	1,996	1,888		
2016	1,538,695	205,040	402,218	843,380	2,989,333	113,118	3,102,452	(117,341)	2,985,111	3.86	3.41	1,900	1,779		
2017	1,146,005	352,285	489,420	988,520	2,976,230	242,014	3,218,244	(135,669)	3,082,575	3.86	3.26	1,955	1,802		
2018	1,784,910	352,285	220,575	747,670	3,105,440	245,294	3,350,734	(154,382)	3,196,352	3.73	3.14	2,023	1,812		
2019	1,676,720	332,950	209,320	738,380	2,957,370	225,036	3,182,406	(154,382)	3,028,024	3.64	2.87	1,911	1,684		
2020	1,881,765	332,950	334,480	728,675	3,277,870	269,941	3,547,811	(157,657)	3,390,154	3.84	2.62	2,140	1,874		

Notes:

- (1) Includes all long-term general obligation bonded debt payable. Details of the School District's outstanding debt can be found in the notes to the financial statements. Deficit Bonds and Lease Revenue Bonds are deducted to determine borrowing capacity (debt limit).
- (2) Adjusted Fiscal Year 2011 through Fiscal Year 2014 for Defeasance in Substance Error.
- (3) Includes Deficit Bond Series 2005B which partially refunded GOB Series 2002B and State Public Building Authority Series 2012B.
- (4) Beginning in Fiscal Year 2016 the "Amount Available in Debt Service Fund for principal payments" includes Mandatory Sinking Fund Deposits Restricted for Future Debt Payments under QZABs and QSCB debt.
- (5) See Table 19 for personal income and population data. These ratios are calculated using personal income and population data from the prior calendar year.
- (6) Base Year Consumer Price Index (CPI) data obtained from U.S. Department of Labor, Bureau of Labor Statistics.
- (7) Per Capita Income values based on population multiplied by Per Capita Personal Income data obtained from U. S. Department of Commerce, Bureau of Economic Analysis.
- (8) See Table 9- Assessed and Estimated Actual Market Value of Taxable Property for "estimated actual taxable values".

School District of Philadelphia
Table 15
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020
(dollars in millions)

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (2)</u>
School District of Philadelphia	\$ 3,547.8	100.0%	\$ 3,547.8
City of Philadelphia Direct Debt			4,019.5
Total Direct and Overlapping Debt			<u>\$ 7,567.3</u>

Notes:

- (1) To identify debt outstanding-Net Bonded debt-tax supported, refer to notes to the financial statements. *This represents the amount of outstanding general obligation debt adjusted for bond premiums and discounts under the outstanding debt. See Tables #13 and #14.*

The definition of overlapping governments are those that coincide, at least in part with the geographic boundaries of the city. Real property tax is levied on behalf of both the City of Philadelphia and the School District on a calendar year basis of the assessed value of residential and commercial property. The tax rate for calendar year 2020 is 13.998 mills. The City's share is 6.317 mills while the remainder of 7.681 mills is for the School District. The School District meets the requirement of an overlapping government.

This schedule estimates the portion of the outstanding debt of the School District that is borne by the residents and businesses of the City of Philadelphia. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of the School District.

- (2) All long-term obligations of the School District of Philadelphia are overlapping, or 100%.

School District of Philadelphia
Table 16
Legal Debt Margin Information
For the Fiscal Years 2011 through 2020
(dollars in millions)

		Legal Debt Margin Calculation for Fiscal Year 2020									
		Assessed value									
		Debt Limit (1)									
		Non-electoral Debt Capacity (2)									
		Non-electoral Debt and Lease Rental Borrowing Capacity (3)									
		2020									
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt Limit: (1)		\$ 2,272.0	\$ 2,277.4	\$ 2,285.4	\$ 2,315.3	\$ 2,432.3	\$ 2,572.9	\$ 2,708.9	\$ 2,858.1	\$ 3,013.8	\$ 3,158.0
Borrowing Base for Non-electoral Debt Capacity (2)		2,991.9	3,157.5	3,310.6	3,195.4	3,099.6	2,989.3	2,976.2	3,105.4	2,957.4	3,277.9
General Obligation Bonds		(884.0)	(877.8)	(1,136.2)	(1,124.9)	(1,102.6)	(1,084.9)	(987.9)	(968.2)	(947.7)	(940.7)
Less: (Schedule of Bonds O/S)		2,107.9	2,279.7	2,174.4	2,070.6	1,997.0	1,904.4	1,988.3	2,137.2	2,009.7	2,337.2
Lease Rental -SPSBA											
Non-electoral Debt Outstanding		(223.2)	(209.1)	(194.3)	(178.6)	(173)	-	-	-	-	-
Exclusions:		(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-	-	-	-
Deficit Bonds		(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)	(5.3)	(2.7)
Termination Bonds		-	-	-	-	(128.6)	(128.6)	(112.3)	(95.1)	(77.0)	(58.0)
Stadium Bonds		-	-	-	-	(44.6)	(43.9)	(40.1)	(36.1)	(32.1)	(27.9)
Deficit Bonds-2015D											
Termination Bonds outstanding -2015C											
Non-electoral Debt Outstanding applicable to Debt Limit		\$ 1,803.3	\$ 1,993.7	\$ 1,907.9	\$ 1,824.7	\$ 1,788.7	\$ 1,719.5	\$ 1,825.8	\$ 1,998.2	\$ 1,895.3	\$ 2,248.5
Borrowing Base for Non-electoral Debt Capacity (2) (Debt Limit)		2,272.0	2,277.4	2,285.4	2,315.3	2,432.3	2,572.9	2,708.9	2,858.1	3,013.8	3,158.0
Less: Non-electoral Debt Outstanding applicable to Debt Limit		1,803.3	1,993.7	1,907.9	1,824.7	1,788.7	1,719.5	1,825.8	1,998.2	1,895.3	2,248.5
Non-electoral Debt Capacity (2)		\$ 468.7	\$ 283.7	\$ 377.5	\$ 490.6	\$ 643.6	\$ 853.4	\$ 883.1	\$ 859.9	\$ 1,118.5	\$ 909.5
Non-electoral Debt Outstanding applicable to Debt Limit as a percentage of Borrowing Base for Non-electoral Debt Capacity (2)		79.4 %	87.5 %	83.5 %	78.8 %	73.5 %	66.8 %	67.4 %	69.9 %	62.9 %	71.2 %
General Obligation Bonds		2,991.9	3,157.5	3,310.6	3,195.4	3,099.6	2,989.3	2,976.2	3,105.4	2,957.4	3,277.9
Exclusions:		(223.2)	(209.1)	(194.2)	(178.6)	(173)	-	-	-	-	-
Deficit Bonds		(59.5)	(56.7)	(53.8)	(50.7)	(3.3)	-	-	-	-	-
Termination Bonds		(21.9)	(20.2)	(18.4)	(16.5)	(14.5)	(12.4)	(10.2)	(7.8)	(5.3)	(2.7)
Stadium Bonds		-	-	-	-	(128.6)	(128.6)	(112.3)	(95.1)	(77.0)	(58.0)
Deficit Bonds-2015D		-	-	-	-	(44.6)	(43.9)	(40.1)	(36.1)	(32.1)	(27.9)
Termination Bonds outstanding -2015C											
Net Non-electoral Debt and Lease Rental Outstanding		\$ 2,687.3	\$ 2,871.5	\$ 3,044.2	\$ 2,949.7	\$ 2,891.2	\$ 2,804.4	\$ 2,813.8	\$ 2,966.4	\$ 2,843.0	\$ 3,189.2
Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)		4,544.1	4,554.9	4,570.9	4,630.6	4,864.6	5,145.8	5,417.9	5,716.2	6,027.6	6,316.0
Less: Net Non-electoral Debt and Lease Rental Outstanding		2,687.3	2,871.5	3,044.2	2,949.7	2,891.2	2,804.4	2,813.8	2,966.4	2,843.0	3,189.2
Non-electoral Debt and Lease Rental Borrowing Capacity		\$ 1,856.8	\$ 1,683.4	\$ 1,526.7	\$ 1,681.0	\$ 1,973.4	\$ 2,341.4	\$ 2,604.1	\$ 2,749.8	\$ 3,184.6	\$ 3,126.8
Net Non-electoral Debt and Lease Rental Outstanding as a percentage of Borrowing Base for Non-electoral Debt and Lease Rental Borrowing Capacity (3)		59.1 %	63.0 %	66.6 %	63.7 %	59.4 %	54.5 %	51.9 %	51.9 %	47.2 %	50.5 %

Notes:

(1) The School District of Philadelphia computes two legal debt margin calculations. The first is the Non-electoral Debt Capacity (limit) and the second is the Non-electoral Debt and Lease Rental Borrowing Capacity (limit).

Both the debt capacity and borrowing capacity require a borrowing base limit to be computed.

(2) Debt Capacity represents borrowing base less the amount of outstanding Non-electoral debt less certain exclusions. It is the maximum allowable debt that does not exceed the average revenue for the three preceding fiscal years.

(3) Borrowing Capacity represents 200% of the borrowing base (from debt capacity) less Non-electoral debt and lease rentals less certain exclusions. It is the maximum amount the District could borrow without exceeding twice the borrowing base amounts.

School District of Philadelphia

Table 17

Ratio of Annual Debt Service

For General Bonded Debt and Authority Payments

To Total Governmental Funds Expenditures Excluding Categorical Funds

For the Fiscal Years 2011 through 2020

(dollars in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Bonded Debt Principal ⁽¹⁾	\$ 63,168	\$ 29,290	\$ 105,378	\$ 103,773	\$ 101,233	\$ 100,493	\$ 451,893	\$ 104,795	\$ 127,525	\$ 277,350
General Bonded Interest ⁽²⁾	92,775	87,041	97,230	91,114	91,755	81,246	82,758	98,066	103,582	102,613
State Public School Building Authority ⁽³⁾	49,060	42,522	49,056	71,346	69,052	71,382	719,402	69,186	69,142	68,548
Total Debt Service Expenditures ⁽⁴⁾	\$ 205,003	\$ 158,853	\$ 251,664	\$ 266,233	\$ 262,040	\$ 253,121	\$ 1,254,053	\$ 272,047	\$ 300,249	\$ 448,511
Total General Expenditures Excluding Categorical/NonMajor	\$ 2,637,062	\$ 2,403,089	\$ 2,614,165	\$ 2,553,775	\$ 2,539,028	\$ 2,693,992	\$ 3,878,856	\$ 3,092,678	\$ 3,352,811	\$ 3,684,100
Ratio of Debt Service to Total General Expenditures Excluding Categorical/NonMajor	7.77	6.61	9.63	10.43	10.32	9.40	32.33	8.80	8.96	12.17
Total General Expenditures ⁽⁴⁾⁽⁵⁾	\$ 3,261,757	\$ 2,853,650	\$ 3,075,230	\$ 2,873,499	\$ 2,893,097	\$ 3,039,032	\$ 4,282,817	\$ 3,538,881	\$ 3,815,935	\$ 4,202,982
Ratio of Debt Service to Total General Expenditures	6.29	5.57	8.18	9.27	9.06	8.33	29.28 ⁽⁶⁾	7.69	7.87	10.67

Notes:

(1) Adjusted Fiscal Year 2011 through Fiscal Year 2014 for Defeasance in Substance Error; Adjustment of Mandatory Sinking Fund Deposits for Quality Zone Academy Bonds increase the investment and liabilities under the Debt Service Fund and restored the prior years' QZABs principal expenditure of \$17.9 million as a prior period adjustment during FY2015.

(2) Includes bond, fixed, and variable interest payments.

(3) Includes both principal and interest authority obligation payments.

(4) Does not include bond issuance costs, administrative expenses, defeasement costs, or authority obligation program expenses.

(5) Includes General, Intermediate Unit, Categorical, Debt Service, Capital Projects and Non-Major Funds expenditures.

(6) Although FY2017 debt service expenditures represented approximately 30.00% of noncapitalized expenditures paid, the expenditures included \$1,005.6 million of debt refunded with refunding proceeds of \$1,152.2 million and premiums of \$154.6 million. After considering the refunding expenditures which were paid with refunding proceeds and premiums, the net debt service fund expenditures were \$248.4 million. The \$248.4 million expenditures represent 7.8% of the net noncapitalized (less refunding expenditures) expenditures.

School District of Philadelphia

Table 18

Coverage Ratios of Net Cash Received From Commonwealth Subsidies
to Debt Service Payments

Fiscal Years 2015 through 2021 (Budgeted Year)
(Dollar Amounts in Thousands)

	Actuals (1)						Budget (2)
	2015	2016	2017	2018	2019	2020	2021
Net Commonwealth Subsidies (3)	\$1,337,985	\$1,382,298	\$1,464,185	\$1,533,279	\$1,555,035	\$1,637,781	\$1,667,385
Long-term Debt Service (including State Public School Building Authority)	\$264,516	\$259,203	\$267,859	\$272,292	\$300,332	\$448,511	\$311,515
Ratios	5.06	5.33	5.47	5.63	5.18	3.65	5.35
Long-term and Short-term Debt Service (4)	\$566,152	\$1,087,903	\$646,984	\$678,732	\$758,132	\$902,290	\$871,907
Ratios	2.36	1.27	2.26	2.26	2.05	1.82	1.91
Short-term note debt service (5)	\$301,666	\$828,700	\$379,125	\$406,440	\$457,800	\$453,779	\$560,393

Notes:

- (1) Actual data is derived from the School District's Comprehensive Annual Financial Reports.
- (2) The data is derived from the School District's Adopted Budget, as approved by the Board of Education on May 29, 2020.
- (3) Net Commonwealth subsidies reflect Gross receipts for General Fund, Area Vocational Technical Fund and Intermediate Unit as noted in Cash Flow, less certain cash deductions made by the State for payments to other educational entities.
- (4) Includes both Long-term Debt Service under State Public School Building Authority and Short-term Debt Service principal and interest. Does not include issuance costs.
- (5) Short-term debt service represents interest and principal payments on the School District's borrowings in each fiscal year, in anticipation of the receipt of taxes and other revenues.

In accordance with GASB, this schedule has been prepared prospectively as the above information for the for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year is available.

School District of Philadelphia
Table 19
Demographic and Economic Statistics
For the Calendar Years 2011 through 2020

Calendar Year	City of Philadelphia				Property Values (4)		Bank Deposits (6)		
	Estimated Population (1) (in thousands)	Per Capita Personal Income (2)	Personal Income (dollars in thousands) (2)	Unemployment Rate (3)	Civilian Labor Force (in thousands) (3)	Total Market (dollars in millions) (5)	Original Assessed (dollars in millions) (5)	Commercial Bank Deposits (dollars in millions)	Mutual Savings Bank Deposits (dollars in millions)
2011	1,540.3	42,288	65,136,586	10.7	690.9	56,062	17,940	35,594	15,244
2012	1,551.8	45,677	70,880,763	10.9	699.3	56,320	18,022	32,267	12,311
2013	1,558.4	47,688	74,314,854	10.3	698.3	56,816	18,181	33,453	11,901
2014	1,565.6	49,341	77,249,069	8.1	690.6	137,404	137,404	31,925	9,108
2015	1,571.3	50,784	79,794,538	7.1	695.0	136,341	136,341	40,241	10,766
2016	1,576.4	54,405	85,767,703	6.8	703.3	136,295	136,295	38,718	11,079
2017	1,580.2	52,629	83,165,714	6.2	704.8	136,681	136,681	39,431	10,792
2018	1,584.1	55,747	88,311,658	5.5	709.6	152,995	152,995	38,443	12,351
2019	1,584.1	57,265	90,711,866	5.4	729.7	164,672	164,672	46,507	3,316
2020	1,584.0 (7)	58,824 (7)	93,177,309 (7)	9.3 (8)	699.5 (8)	168,263	168,263	62,015	3,552

Notes:

- (1) Data for calendar years 2011 through 2019 obtained from U.S. Census Bureau.
- (2) Source: U.S. Department of Commerce, Bureau of Economic Analysis-updated November 2020.
- (3) Source: U.S. Department of Labor, Bureau of Labor Statistics-Annual Averages updated November 2020.
- (4) Data provided by the City of Philadelphia Revenue Department. Represents original billings plus tax abatements.
- (5) Source: The City of Philadelphia, Board of Revision of Taxes/Office of Property Assessment.
- (6) Source: Federal Deposit Insurance Corporation Summary of Deposits by County for years ending June 30th.
- (7) Source: SDP applied an estimated growth rate of (0.005) percent, 2.72 percent, and 2.72 percent based on the change between the previous years amount for the population, per Capita Personal Income and Personal Income respectively.
- (8) Source: U.S. Bureau of Labor-Labor force data by county, not seasonally adjusted, November 2019 – December 2020 (p).

School District of Philadelphia
Table 20
Principal Employers
Current Calendar Year and Nine Years Ago

	2020 (1)		2011 (2)		Percentage of Total Employment (3)
	Employers	Number of Employees	Employers	Number of Employees	
University of Pennsylvania/University of Pennsylvania Hospital		41,676	University of Pennsylvania/University of Pennsylvania Hospital	31,650	5.48 %
Thomas Jefferson University/Thomas Jefferson University Hospitals Inc.		30,500	City of Philadelphia	26,872	4.65
City of Philadelphia		28,529	School District of Philadelphia	23,969	4.15
School District of Philadelphia		20,052	Thomas Jefferson University Hospitals Inc.	19,144	3.31
Children's Hospital of Philadelphia		15,073 (4)	Children's Hospital of Philadelphia	10,190	1.76
Comcast Corporation		14,444	Southeastern Pennsylvania Transportation Authority	9,195	1.59
Drexel University		10,225	Drexel University	8,996	1.56
Temple University Health System		9,722	Aramark Corp.	8,406	1.45
Southeastern Pennsylvania Transportation Authority		9,517	Albert Einstein Healthcare Network	8,400	1.45
Bayada Home Health Care		8,806	Temple University Health System	6,285	1.09
Albert Einstein Healthcare Network		8,800	Temple University	5,758	1.00

Notes:

- (1) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2020, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2020, and (c) and Philadelphia Business Journal dated July 26, 2020 page 16-20 Employers Ranked By Number of Local Employees.
- (2) Information obtained from (a) The City of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2011, (b) The School District of Philadelphia's Comprehensive Annual Financial Report for Fiscal Year 2011, and (c) and Philadelphia Business Journal dated April 8, 2011, "Who are the largest Employers in Philadelphia". Employers Ranked By Number of Local Employees.
- (3) Based on 2011 thru 2020 annual averages and Labor force data by county, not seasonally adjusted, U.S. Bureau of Labor-Labor force data by county, not seasonally adjusted, October 2019-November 2020 (p)
- (4) Obtained from Children's Hospital of Philadelphia Network Statistics Published on Jan 22, 2020 in Breakthrough Report.

School District of Philadelphia
Table 21
School District Employees by Function⁽¹⁾
For the Fiscal Years 2011 through 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Percentage Change 2011 - 2020
Instruction:											
Classroom Teachers											
Operating	8,313	7,591	7,571	7,100	6,808	6,978	7,085	7,159	7,286	7,419	(10.8) %
Grants	2,900	1,954	1,927	1,247	1,396	1,216	1,157	1,124	1,105	1,293	(55.4)
Total Classroom Teachers	11,213	9,545	9,498	8,347	8,204	8,194	8,242	8,283	8,391	8,712	(22.3)
Non-Teaching											
Assistant (Asst.) Teachers	258	232	226	101	1	1	1	1	1	1	(99.6)
Classroom Assistants	779	782	1,218	1,415	1,263	1,557	1,801	2,052	2,183	2,373	204.6
Counselor/Librarians	13	85	74	5	11	6	9	8	11	10	(23.1)
Psychologists/Therapists	41	36	40	35	35	38	35	40	42	48	17.1
Supportive Service Assistant	1,422	1,111	1,100	550	646	586	563	513	507	443	(68.8)
Other Paraprofessionals	102	164	175	100	85	135	159	198	116	141	38.2
Total Non-Teaching	2,615	2,410	2,833	2,206	2,041	2,323	2,568	2,812	2,860	3,016	15.3
Total Instruction	13,828	11,955	12,331	10,553	10,245	10,517	10,810	11,095	11,251	11,728	(15.2)
Classroom Support:											
In-school Instruction Leadership & Support											
Principals/Assistant Principals	479	445	419	289	308	298	347	383	398	425	(11.3)
Department Heads/Program Mgrs. & Coord.	33	1	2	1	1	1	1	-	-	-	(100.0)
Secretarial	453	346	333	237	234	243	237	242	248	245	(45.9)
Other Clerical	5	1	1	-	-	-	-	-	-	-	(100.0)
Total In-school Instruction Leadership & Support	970	793	755	527	543	542	585	625	646	670	(30.9)
Professional Development & Training											
Director	5	-	-	-	-	-	-	-	-	-	(100.0)
Non-Teaching Professionals	246	124	111	89	97	105	122	124	344	411	67.1
Secretarial	1	-	-	-	-	-	-	1	1	-	(100.0)
Total Professional Development & Training	252	124	111	89	97	105	122	125	345	411	63.1
Student Support Services											
Other Technical Staff	49	1	1	1	1	1	1	1	1	1	(98.0)
Non-professional supervisory	76	5	5	-	-	-	-	-	-	-	(100.0)
Counselor/Librarians	469	379	290	216	233	245	272	294	317	328	(30.1)
Psychologists/Therapists	113	108	110	111	109	115	110	112	129	139	23.0
Other Paraprofessionals	537	320	243	147	127	125	124	166	184	222	(58.7)
Bus Drivers/Attendants	1,053	1,044	908	841	702	621	588	600	570	583	(44.6)
Health Providers	325	221	220	201	212	219	277	279	290	290	(10.8)
Food Service	854	764	772	762	777	792	822	839	843	904	5.9
Other (includes Noon Time Aides)	1,608	1,288	1,339	1,365	1,289	1,119	1,295	1,335	1,476	1,652	2.7
Total Student Support Services	5,084	4,130	3,888	3,644	3,450	3,237	3,489	3,626	3,810	4,119	(19.0)
Basic Building Services											
Non-Teaching Assistants	120	48	18	-	-	-	-	-	-	-	(100.0)
Maintenance	368	342	315	285	272	246	248	254	264	268	(27.2)
Custodial	1,409	1,228	1,119	1,029	1,009	1,058	1,078	1,076	1,191	1,168	(17.1)
Warehouse/Distribution	27	23	22	19	147	108	133	119	114	106	292.6
Security	592	401	399	397	338	316	347	352	362	361	(39.0)
Total Basic Building Services	2,516	2,042	1,873	1,730	1,766	1,728	1,806	1,801	1,931	1,903	(24.4)
Total Classroom Support	8,822	7,089	6,627	5,990	5,856	5,612	6,002	6,177	6,732	7,103	(19.5)
Administrative Support											
Executive Management	46	-	-	-	-	-	-	-	-	-	(100.0)
Regional Superintendent	6	-	-	-	-	-	-	-	-	-	(100.0)
Management/Administrative	-	642	666	645	649	737	886	966	1,065	1,108	72.6 ⁽³⁾
Directors	91	-	1	1	2	-	1	1	-	-	(100.0)
Asst. Directors/Admin Asst.	56	-	-	-	-	-	-	-	-	-	(100.0)
Prog. & Mgmt. Supervisors	164	4	6	5	3	3	1	1	1	1	(99.4)
Mgmt. Level Technicians	171	6	8	4	-	-	-	-	-	-	(100.0)
Other Technical Staff	335	15	11	11	19	11	11	12	11	11	(96.7)
Non-Professional Supervisory	103	-	2	1	12	12	10	10	10	12	(88.3)
Secretarial	97	65	63	53	47	47	46	49	48	48	(50.5)
Other Clerical	224	154	131	69	-	52	54	53	53	41	(81.7)
Total Administrative Support	1,293	886	888	789	732	862	1,009	1,092	1,188	1,221	(5.6)
Total School District	23,943	19,930	19,846	17,332	16,833	16,991	17,821	18,364	19,171	20,052	(16.3)
Add: Municipal Services ⁽²⁾	26	4	-	-	-	-	-	-	-	-	(100.0)
Total School District Wide	23,969	19,934	19,846	17,332	16,833	16,991	17,821	18,364	19,171	20,052	(16.3) %

Notes:

- (1) Data represents the School District's active employees, for each fiscal year, in the School District's payroll system as of June 15th.
- (2) Represents positions paid by the School District on behalf of the City of Philadelphia.
- (3) Represents Fiscal year 2020 compared to Fiscal Year 2012.

Source: Office of Chief Talent and Development, Department of Human Resources, The School District of Philadelphia

School District of Philadelphia
Table 22
Operating Statistics
For the Fiscal Years 2011 through 2020

Fiscal Year	Student Enrollment (1)	Operating Expenditures (dollars in thousands) (2)	Cost per Pupil	Percentage Change of Cost per Pupil Expenditure	Expenses (Accrual) (dollars in thousands) (3)	Cost per Pupil Expenses	Percentage Change of Cost per Pupil Expenses	Percentage of Students Receiving Free or Reduced Price Meals (4)	Percentage of Students Using Bus/Cab	Percentage of Students Using Free/Subsidized Transpasses (Tokens)	Teaching Staff (5)	Pupil-Teacher Ratio
2011	154,482	2,395,041	15,504	18.43	3,121,294	20,205	11.86	77.2	24.4	38.7	11,213	13.8
2012	146,819	2,068,734	14,090	(9.12)	2,785,725	18,974	(6.09)	79.2	25.4	40.2	9,545	15.4
2013	141,094	2,147,313	15,219	8.01	2,922,742	20,715	9.18	81.0	27.9	41.8	9,498	14.9
2014	135,107	1,859,019	13,760	(9.59)	2,817,340	20,853	0.67	80.8	30.8	44.6	8,347	16.2
2015	133,399	1,865,015	13,981	1.61	2,827,469	21,196	1.64	100.0	29.4	46.0	8,204	16.3
2016	134,227	1,966,683	14,652	4.80	2,846,901	21,210	0.07	100.0	29.2	44.3	8,194	16.4
2017	132,240	2,129,099	16,100	9.89	3,079,579	23,288	9.80	100.0	30.8	46.6	8,242	16.0
2018	132,115	2,273,746	17,210	6.89	3,301,082	24,986	7.29	100.0	30.9	47.6	8,283	16.0
2019	130,848	2,340,222	17,885	3.92	3,552,699	27,151	8.66	100.0	33.3	49.2	8,391	15.6
2020	127,391	2,469,136	19,382	8.37	3,841,625	30,156	11.07	100.0	33.8	50.4	8,712	14.6

Notes:

- (1) See Table 22 - Miscellaneous Statistics for details; Includes public school and alternative education students only.
- (2) Represents total expenditures under governmental funds less Debt Service, Capital Projects and Non-Major Funds, as well as charter school payments.
- (3) Data obtained from GASB Statement No. 34 Statement of Activities, includes deduction of indirect expenses for Food Service Fund.
- (4) Source: Food Services Administration Support, The School District of Philadelphia- Eligible student totals include charter and private schools. Food Services operates as independent School Food Authority (SFA) under PDE/USDA regulations which enables individual charter/private schools, which are distinct and separate Local Education Authority's (LEA) under state law, to receive free/reduced meal program benefits should they choose to have District provide student meal services. Data source for eligible, free, and reduced students is the October claim month for each school year which is consistent with PDE standards. Data source for meal volume is aggregation of monthly PDE/USDA National School Lunch Program (NSLP) claim for each school year.
- (5) See Table 21 - School District Employees by Function for details.

School District of Philadelphia
Table 23
Miscellaneous Statistics
For the Fiscal Years 2011 through 2020

The School District is a separate and independent home rule school district of the first class established in 1965 by the Philadelphia Home Rule Charter.

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The School District is governed by the Board of Education which consist of nine members appointed by the Mayor from a list of persons nominated by an educational Nominating Panel, and approved by resolution by members of City Council, in accordance with Charter. The Board is responsible for the administration, management and operation of the School District. Members of the Board are appointed for full terms of four years or to fill unexpired terms, and serve without compensation. They may serve only the balance of an unexpired term and three full terms.

The duties of the Board include formulation of educational policy, the adoption of the annual operating budget, capital budget and capital program, the annual request to the Mayor and the City Council for authority to levy certain taxes, and the incurrence of indebtedness of the School District.

The School District also serves as the agent for Intermediate Unit No. 26 (the "I.U."), an entity established by the Commonwealth to provide programs in special education, special education transportation, non-public school services and related management services. The School Reform Commission constitutes the Board of Directors of the I.U.; the boundaries of the I.U. are coterminous with those of the City and School District. All I.U. services are performed by the School District pursuant to contracts between the School District and the I.U.

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of Schools (1)										
Elementary	170	168	162	55	55	55	50	48	48	48
Elementary/Middle	-	-	-	93	93	93	97	99	99	99
Middle	26	23	23	17	17	16	15	14	14	14
Special	21	23	22	18	19	18	18	19	19	19
High (7)	32	27	25	22	25	27	26	29	29	29
Vocational/Technical	8	8	8	8	8	8	9	6	6	6
Total Public Schools	257	249	240	213	217	217	215	215	215	215
Charter Schools (2)	67	67	67	67	66	63	65	63	66	66
Renaissance Schools (2)	7	13	17	20	20	20	21	21	21	21
Alternative Schools (5)	32	26	26	26	25	28	24	27	26	26
Cyber Charter Schools (6)	11	13	15	15	13	14	14	13	13	14
Brick & Mortar Charter Schools (6)	4	6	5	6	7	8	8	7	8	8
Total Schools	378	374	370	347	348	350	332	331	334	335
School Enrollment (2)										
Elementary	90,620	90,411	88,398	32,813	32,665	32,908	30,245	28,906	27,967	26,533
Elementary/Middle	-	-	-	52,551	52,923	53,532	54,665	54,584	54,022	52,421
Middle	12,914	11,700	10,349	9,481	8,747	8,333	8,032	8,195	8,366	8,538
Special	11,499	12,671	12,902	12,321	12,196	12,271	12,542	13,330	13,622	13,610
High (3) (7)	27,949	22,163	19,735	20,521	19,599	20,192	18,706	18,969	18,920	19,068
Vocational/Technical	6,594	6,062	5,545	4,234	3,791	4,255	5,299	4,118	4,097	4,014
Total Public Schools	149,576	143,007	136,929	131,921	129,921	131,491	129,489	128,102	126,994	124,184
Charter Schools (2)	36,190	38,148	42,813	45,726	48,771	47,694	48,597	48,251	49,963	51,826
Renaissance Schools (2)	4,293	9,314	12,930	15,236	15,530	15,747	16,153	16,748	16,190	15,873
Alternative Schools (5)	4,906	3,812	4,165	3,186	3,478	2,736	2,751	4,013	3,854	3,207
Cyber Charter Schools (6)	3,627	4,787	5,961	6,752	6,584	6,135	5,874	5,424	6,224	7,677
Brick & Mortar Charter Schools (6)	191	164	152	175	240	414	950	1,105	1,289	1,867
Total	198,783	199,232	202,950	202,996	204,524	204,217	203,814	203,643	204,514	204,634
Number of Public High School Graduates (1)	10,235	9,416	9,429	8,374	6,876	8,005	7,769	7,882	8,077	8,104
Number of Charter High School Graduates (4)	2,513	3,220	2,744	3,242	3,572	3,676	3,988	3,849	3,697	3,936
Total of High School Graduates	12,748	12,636	12,173	11,616	10,448	11,681	11,757	11,731	11,774	12,040

Notes:

- (1) The number of schools and enrollment data was provided by the School District of Philadelphia, Office of Strategic Analytics (OSA) for FY2011 and FY2012 and the Office of Research and Evaluation (ORE) provided data for Fiscal Year 2013 through FY2020. OSA also updated the number of high school graduates for FY2011 through FY2013 and ORE provided graduate data for FY2014 through FY2020.
- (2) Data for Fiscal Years 2011 to FY2016 was obtained from the School District of Philadelphia, OSA and data for FY2017 through FY2020 was obtained from the School District's ORE.
- (3) Beginning in Fiscal Year 2008, the School District revised the reporting requirements for Educational Opportunities Program (EOP) which included nine high schools. Currently in Fiscal Year 2020 there are three EOPs. The Educational Opportunities Program is for students who attend designated high schools after core hours.
- (4) School District of Philadelphia, Office of District Performance provided graduate data for Fiscal Year 2011 to FY2017 and the ORE provided graduate data for Fiscal Year 2018 to FY2020.
- (5) During Fiscal Year 2010, the School District realigned its Alternative Education functions into schools and programs to include: Accelerated High School Programs, an Education Options Program, Oasis Program and other District Schools and Programs.
- (6) Represents the average daily membership for entire year for students enrolled in these Non Philadelphia Charter Schools. Number of schools and enrollment data obtain from SDP Special Finance Department provided data for Fiscal Year 2011 to FY2016 and data for FY2017 through FY2020 was obtained from the School District's ORE.
- (7) Beginning in Fiscal Year 2014, includes School of Philadelphia Virtual Academy.

N/A = Data Not Available.

School District of Philadelphia
Table 24
Teacher Base Salaries
For the Calendar Years 2011 through 2020

Calendar Year	School District (1) (3)			Percent Change Average Salary	State Average Salary (2) (4) (5)	National Average Salary (5)
	Minimum Salary	Average Salary	Maximum Salary			
2011	\$ 44,038	\$ 66,372	\$ 87,428	4.30%	\$ 60,760	\$ 55,626
2012	45,359	71,561	90,051	7.82%	61,934	55,476
2013	45,359	71,459	90,051	-0.14%	62,218	56,151
2014	45,359	70,653	90,051	-1.13%	63,705	56,759
2015	45,359	69,652	90,051	-1.42%	64,447	57,611
2016	45,359	68,525	90,051	-1.62%	65,151	58,353
2017	45,359	67,331	90,051	-1.74%	66,265	59,660
2018	45,359	70,200	90,051	4.26%	67,535	60,477
2019	45,359	71,077	90,051	1.25%	68,930	62,304
2020	46,266	73,636	91,852	3.60%	70,258 (E1)	63,645 (E2)

Notes:

- (1) Amounts exclude additional salary steps based on experience or academic credentials, nor fringe benefits such as pension, health insurance, etc.
- (2) Averages for State are based on school year which corresponded to ending fiscal years; For example, data for Calendar Year 2016 represent averages for school year 2015/16, etc.
- (3) Obtained from the Human Resources Data Team, School District of Philadelphia
- (4) Obtained from the Pennsylvania Department of Education
- (5) Obtained from the National Education Association per School Year
- (E1) =Estimated a 1.019 percent increase over 2018-19
- (E2) =Estimated a 1.022 percent increase over 2018-19

School District of Philadelphia
Table 25
Capital Asset Information
For the 2019-2020 School Year

<u>Schools</u>	<u># of Buildings (1)</u>	<u>Range of Buildings Ages</u>	<u>Square Footage</u>	<u>Official Capacity (2)</u>	<u>Percentage of Capacity Used</u> %
ELEMENTARY	40	10 yrs to 131 yrs	2,563,528	23,848	79.46
PEC	6	11 yrs to 91 yrs	294,866	3,200	111.37
ELEM LSH	8	19 yrs to 89 yrs	386,087	3,977	88.46
ELEMENTARY MIDDLE	89	12 yrs to 122 yrs	6,942,341	59,722	77.50
ELEMMID ANNEX	10	46 yrs to 114 yrs	415,501	4,176	56.73
ELEMMID LSH	10	19 yrs to 93 yrs	481,244	4,684	81.53
ELEMMID LSH ANNEX	3	20 yrs to 110 yrs	116,759	1,140	39.47
MIDDLE	10	15 yrs to 126 yrs	1,280,058	10,677	67.53
MIDDLE ANNEX	2	48 yrs to 94 yrs	106,992	903	36.32
VOCATIONAL (CTE)	6	35 yrs to 91 yrs	1,246,914	6,615	60.68
SPECIAL (3)	14	23 yrs to 112 yrs	1,886,477	13,125	88.25
SPECIAL (4)	1	67 yrs	84,135	1,034	13.73
SPEC MID (5)	1	96 yrs	120,000	1,202	48.17
SPEC CHAR (6)	1	51 yrs	190,000	1,512	47.75
HIGH (7)	1	90 yrs	74,557	850	37.06
HIGH	2	67 yrs to 92 yrs	312,259	2,239	53.60
HIGH (8)	23	8 yrs to 108 yrs	4,728,993	31,756	54.57
MID HIGH (9)	1	26 yrs	232,815	1,512	39.81
ALTERNATIVE	4	15 yrs to 57 yrs	296,461	1,330	N/A
RENAISSANCE , RENLSH REN ANNEX (10)	22	11 yrs to 112 yrs	2,481,883	20,519	77.36
CHARTER LEASED (11)	4	50 yrs to 99 yrs	488,604	3,314	118.04
EARLY CHILDHOOD-BF HS ANNEX (12)	9	N/A	274,431	1,379	N/A
CLOSED (13)	17	47 yrs to 111 yrs	1,094,674	9,068	N/A
Administration					
Administration	2	52 yrs to 72 yrs	843,610	N/A	N/A
Transportation					
Administration Garages	5	N/A	175,133	N/A	N/A
Repair Garages	1	N/A	10,663	N/A	N/A
Athletics					
Fields	11	14 yrs to 80 yrs	147,227	N/A	N/A
Pools	3	42 yrs to 51 yrs	43,968	N/A	N/A
Total Buildings and Other Capital Assets	306				

Source: The School District of Philadelphia Records Office of Capital Programs

N/A = Data Not Available

NOTES:

- (1) Only School District owned buildings were identified and recorded.
- (2) Presently the State uses 25 students per classrooms for official capacity. The capacity enrollment number has varied from 25 to 35 over the years; therefore, official capacities of schools have been adjusted accordingly as allowed by the State.
- (3) Two of the Special Schools (Masterman and Girard Music Program), use middle school buildings and the schools start at the 5th grade through the 12th grade.
- (4) One District building is a K-12 School that one of the special school uses.
- (5) One High/Middle School building is being used by one special school (Parkway West) and one middle school (MYA).
- (6) One High/Middle School building is being used by one special school (Motivation HS) and one Charter School.
- (7) High school building used by Military Academy High School (Elverson).
- (8) Two of the Elementary/High School Buildings used by Franklin and South Philadelphia High School have alternative education programs in their buildings.
- (9) One middle school building is being used by one middle school (Clemente) and one high school (LINC).
- (10) Elementary, Middle, and High School buildings being leased by Renaissance (Charter) Schools.
- (11) Elementary and Middle School buildings being leased to Charter Schools.
- (12) Used in conjunction with public schools-Early Childhood Education Programs.
- (13) School District is in process of determining disposition based on the "Facility Master Plan".

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The School District of Philadelphia, an equal opportunity employer, will not discriminate in employment or education programs or activities based on race, color, religion, age, national origin, ancestry, handicap, sex, sexual orientation, union membership, or limited English proficiency. This policy of non-discrimination extends to all other legally protected classifications. Publication of this policy in this document is in accordance with state and federal laws including Title IX of the Education Amendments of 1972 and Sections 503 and 504 of the Rehabilitation Act of 1973. Inquiries should be directed to Stephen Zook, Equal Opportunity Compliance Officer, Procurement Department, 440 N. Broad Street, Philadelphia, PA 19130, (215) 400-4380.





APPENDIX C - CITY OF PHILADELPHIA SOCIOECONOMIC INFORMATION

This appendix contains certain socioeconomic information regarding The City of Philadelphia (the “City”). Such information is attached, in substance, as Appendix B to the Preliminary Official Statement dated October 4, 2021 (the “PRA POS”), relating to the Philadelphia Redevelopment Authority’s City Service Agreement Revenue Bonds, Series A of 2021 and Series B of 2021 (the “PRA POS”) and speaks as of such date (or any earlier date noted therein). The School District has not undertaken to update or independently verify the information contained herein. The City is not responsible, directly or indirectly, for the payment of debt service on the Bonds. More information about the City is available at the City’s investor information webpage at <http://www.phila.gov/investor>. Such information is not incorporated herein by reference.

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COVID-19

This APPENDIX C includes historical demographic and socioeconomic information regarding the City of Philadelphia (the “City” or “Philadelphia”), much of which describes periods of time prior to the outbreak of the COVID-19 pandemic. The reader is cautioned that this APPENDIX C does not fully reflect the impact of COVID-19 on the City’s demographic and socioeconomic conditions; nor does it address the impact of any related government, business, or policy initiatives. As such, historical and certain current data points and trends included in this APPENDIX C should be viewed in such context.

The COVID-19 pandemic has resulted in stay-at-home orders, travel bans, and closures of schools and non-essential businesses, and COVID-19 has impacted almost every industry in the global, national, and local economies. As noted in the PRA POS, the City has taken various emergency measures and other actions to respond to the spread of COVID-19 in the City. While most of the City’s emergency measures have been lifted and there have been signs of economic recovery, the City continues to monitor the economic impact of COVID-19, which has been substantial. There continue to be significant uncertainties and risks in the City’s key economic sectors and industries and the circumstances related thereto continue to evolve.

While the City continues to closely monitor and assess the effects of the COVID-19 pandemic and its impact on the City’s financial position and operations, the City also expects COVID-19 to have a substantial impact on its demographic and socioeconomic conditions. The City has experienced reductions to job growth, population growth, resident employment, and personal income growth, as well as an increase in the unemployment rate and uncertain impacts on retail sales and commercial real estate occupancy. Some of these reductions and downward trends are reflected in this APPENDIX C where 2020 figures are available (whether preliminary or final).

In addition to the impact on the City’s existing economic and employment base, COVID-19 has caused a downturn in economic development and the tourism and hospitality industries in the City. Uncertainties regarding the economic impact of COVID-19 on the City’s public educational institutions and private colleges and universities and in the healthcare sector are also being closely monitored.

Certain of the City’s public educational institutions and private colleges and universities have implemented a return to full in-person learning arrangements for the 2021-2022 school year, with students living and learning on campus. In-person, face-to-face classes, along with some hybrid classes (a combination of virtual and in-person instruction), are expected. In addition, the School District of Philadelphia has implemented a return to full in-person instruction for the 2021-2022 school year for grades K-12. Certain operational modifications for educational institutions may remain in place based on public health guidance.

The transportation sector, particularly mass transit and air travel, in the City has also been uniquely and negatively impacted by COVID-19. There have been significant interruptions to normal service and passenger fares and other revenues, with the implementation of stay-at-home orders, remote work arrangements, travel bans, and social distancing guidelines, among other public health safety measures.

It is likely that the impact of COVID-19 on the City, its economy and financial position, and its demographic and socioeconomic conditions will continue to change as circumstances and events evolve. The duration, severity, and degree of the impact of COVID-19 are extremely difficult to predict at this time due to the dynamic nature of the outbreak, which could include subsequent outbreaks or surges in cases due to any COVID-19 variants. The City believes that it may be some time before it is able to determine the full impact of the various events surrounding COVID-19 and the pace of post-pandemic recovery.

As described in APPENDIX A to the PRA POS – “OVERVIEW – Fiscal Health of the City – COVID-19,” federal relief funding from the CARES Act and the American Rescue Plan is available to the City and is expected to be used to help the City replace lost revenue to support core government services and the pandemic response efforts. Federal, state, and local funding has been secured for businesses and individuals impacted by the pandemic. The City formed a Recovery Office and Steering Committee to oversee the management of COVID-19 recovery grants. In determining how such grants are allocated, the Recovery Office and Steering Committee has identified three key themes to drive investments: (i) protecting public health and safety, (ii) protecting vulnerable residents, and (iii) economic recovery. Recovery funds have also been used for a number of initiatives aimed at supporting vulnerable populations, including (a) establishing meal distribution sites throughout the City, (b) providing digital access for children learning remotely, (c) providing non-congregate sheltering for those who are high-risk for COVID-19, and (d) supporting safety and social distancing within the City’s shelter system.

For more information on the City’s response to COVID-19 and the related financial impact on the City, see the forepart of the PRA POS and “INTRODUCTION – COVID-19 Response” and APPENDIX A to the PRA POS – “OVERVIEW – Fiscal Health of the City – COVID-19.”

INTRODUCTION

The City is the sixth largest city in the nation by population, and is at the center of the United States’ eighth largest metropolitan statistical area, according to 2019 estimates. The Philadelphia MSA (further described below) includes a substantial retail sales market, as well as a diverse network of business suppliers and complementary industries. Some of the City’s top priorities include attracting and retaining knowledge workers, increasing educational attainment and employment skills among Philadelphians, attracting real estate development, and promoting Philadelphia as a desirable location for business, and fostering equitable and inclusive growth.

According to the 2010 U.S. Census, the City increased its population by 0.7% to 1.53 million residents in the ten years from 2000 to 2010, ending six decades of population decline. Although the increase was modest, it was an indicator of more recent growth and development in Philadelphia. From 2010 to 2019, the City increased its population by 3.6% to 1.584 million residents. As described below, the 25 to 39 year-old age group is the largest age group in Philadelphia.

Given the City’s strategic geographical location, relative affordability, diversified economy, cultural and recreational amenities, and its growing strength in key industries, Philadelphia is well-positioned to attract new businesses and investment over the coming years. For more information on the fiscal strategies of the City and related challenges, see APPENDIX A to the PRA POS – “OVERVIEW – Fiscal Health of the City – COVID-19.”

Geography

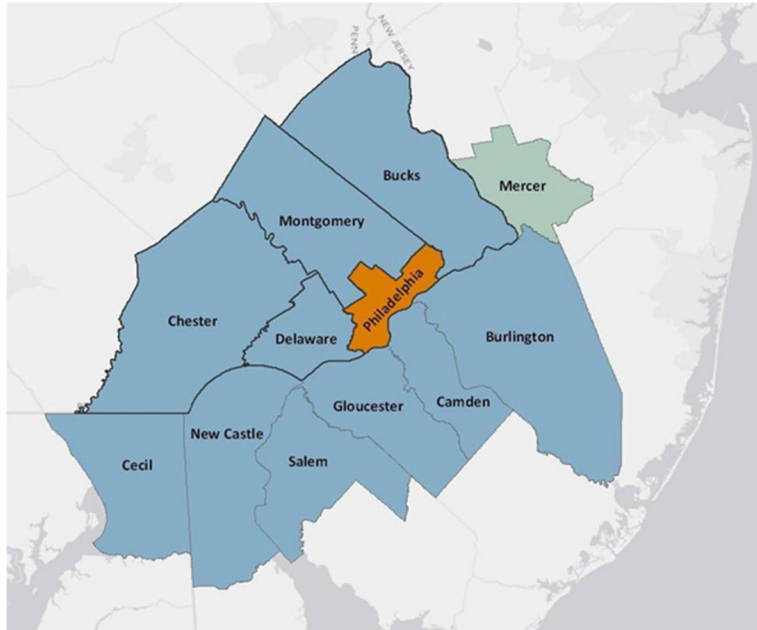
The City has an area of approximately 134 square miles, and is located along the southeastern border of the Commonwealth of Pennsylvania (the “Commonwealth”), at the confluence of the Delaware and Schuylkill Rivers. The City, highlighted in orange in Figure 1, lies at the geographical and economic center of the MSA and PMSA (described below). Philadelphia is both the largest city and the only city of the first class in the Commonwealth, and is coterminous with the County of Philadelphia.

Philadelphia Metropolitan Statistical Area (the “MSA”), highlighted in blue in Figure 1, is the eleven-county area named the Philadelphia-Camden-Wilmington metropolitan statistical area, representing

an area of approximately 5,118 square miles with approximately 6,102,434 residents according to 2019 estimates by the U.S. Census Bureau.¹

Philadelphia Primary Metropolitan Statistical Area (the “PMSA”), highlighted with bold black outlines, in Figure 1, is a five-county area within the MSA that lies in the Commonwealth and is sometimes called the Philadelphia Metropolitan Division. The counties of Bucks, Chester, Delaware, and Montgomery are referred to as the Suburban PMSA herein.

Figure 1
Map of Philadelphia Region including the MSA, PMSA, and Mercer County, NJ



Source: 2009 TIGER County Shapefiles

Strategic Location

Philadelphia is at the center of the fourth largest MSA on the East Coast, and is served by a robust transportation infrastructure, including: the Philadelphia International Airport, Amtrak’s Northeast Corridor rail service, major interstate highway access, regional train service provided by Southeastern Pennsylvania Transportation Authority (“SEPTA”) and New Jersey’s PATCO (as defined herein), and the Port of Philadelphia. Due to the transportation infrastructure centered in the City, Philadelphia is accessible to regional and international markets, and is within a day’s drive of 50% of the nation’s population. Philadelphia’s central location along the East Coast, an hour from New York City and less than two hours from Washington, D.C. by high-speed rail, also allows for convenient access to these significant economic centers.

Population and Demographics

Philadelphia is the nation’s sixth most populous city, with 1.584 million residents, based on 2019 estimates. The 2000 and 2010 U.S. Census reflect the City’s first population gain in 60 years. The City’s

¹ Due to its close proximity and impact on the region’s economy, Mercer County, New Jersey, highlighted in green in Figure 1, 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.

population reached its nadir in 2006 with 1.45 million residents. Philadelphia’s population has increased by 93,354 residents from 2006 – 2019, or by 6.4%.

In 2019, 19.2% of Philadelphia’s population was comprised of “millennials,” or those within the 25 to 39 year-old age bracket. This demographic group tends to be better educated than the City’s and the nation’s adult population as a whole. In 2019, 44.8% of 25- to 34-year-olds in Philadelphia held a bachelor’s degree or higher, while only 36.9% of 25 to 34-year-olds in the United States held a bachelor’s degree or higher. The City’s many universities, diverse employment opportunities, and relative affordability are likely reasons for Philadelphia’s large millennial population.

Philadelphia is also a highly diverse city in terms of race and ethnicity. In 2019, 40.1% of the population identified as Black or African American, 34.2% identified as white, 7.5% identified as Asian, and 0.3% identified as some other race. Additionally, 15.2% of the population identified as Hispanic or Latino/a.

Table 1
Population: City, MSA, Pennsylvania & Nation

	1990	2000	2010	2019	Percent Change 2000 - 2010	Percent Change 2010 - 2019
Philadelphia	1,585,577	1,517,550	1,528,427	1,584,064	0.7%	3.6%
Philadelphia-Camden- Wilmington MSA	5,435,468	5,687,147	5,972,049	6,102,434	5.0%	2.1%
Pennsylvania	11,881,643	12,281,054	12,712,343	12,801,989	3.5%	0.7%
United States	248,709,873	281,421,906	309,348,193	328,239,523	9.9%	6.1%

Source: U.S. Census Bureau, Population Estimates 2019, Census 2010, Census 2000, Census 1990.

In 2019, Philadelphia exceeded many selected peer cities in its share of students who are enrolled in an undergraduate, graduate or professional education program. Selected peer cities (as shown in Table 2) reflect characteristics consistent with Philadelphia, such as geography, socio-economic statistics, industrial legacies, or port facilities. Among these cities, Philadelphia had the fourth highest percentage of its population enrolled in higher education and the fifth largest higher education population.

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Table 2
2019 Total Number of Students, as a Percent of Total Population of Selected Cities,
Ranked by Total Number of Students 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
United States	80,456,620	21,829,308	27.1%	6.9%
Los Angeles, CA	986,899	345,341	35.0%	8.0%
Chicago, IL	638,783	201,229	31.5%	7.8%
Houston, TX	598,084	155,540	26.0%	7.0%
San Diego, CA	369,241	148,933	40.3%	10.8%
Philadelphia, PA	396,145	131,556	33.2%	8.6%
San Antonio, TX	411,357	109,212	26.5%	7.3%
Boston, MA	194,087	106,444	54.8%	15.8%
Phoenix, AZ	417,360	92,052	22.1%	5.7%
Washington, D.C.	168,418	70,489	41.6%	10.4%
Baltimore, MD	141,485	48,655	34.4%	8.5%
Milwaukee, WI	167,904	47,736	28.4%	8.4%
Memphis, TN	162,556	41,831	25.7%	6.7%
Detroit, MI	166,103	35,628	21.4%	5.5%
Cleveland, OH	94,952	27,843	29.3%	7.6%

Source: 2019 American Community Survey, 1-Year Estimates.

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 regional business and personal services center with strengths in insurance, law, finance, health, education, utilities, and the arts. 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 MSA plus Mercer County, New Jersey.

As shown in Table 10, the cost of living in the City is relatively moderate and affordable compared to other major metropolitan areas along the East Coast. The City, as the commercial center of an MSA of 6.1 million people, offers its business community access to a large, diverse, and industrious labor pool. As one of the country’s education centers, these businesses also enjoy access to a large pool of recent graduates from the institutions of higher education in the MSA.

Key Industries

Table 3 provides location quotients for Philadelphia’s most concentrated industry sectors. Location quotients quantify how concentrated a particular industry is in a region as compared to a base reference area, usually the nation. A location quotient greater than 1.00 indicates an industry with a greater share of the local area employment than is the case in the reference area.

As shown in Table 3, compared to the nation, Philadelphia County has higher concentrations in five sectors: 1. educational services; 2. health care and social assistance; 3. professional and technical services; 4. management of companies and enterprises; and 5. finance and insurance.² Of these five sectors, the City has a higher concentration of employment than the Commonwealth in three sectors: educational services; health care and social assistance; and professional and technical services.

Table 3
Ratio of Philadelphia County and Pennsylvania Industry Concentrations
Compared to the United States

Industry	Philadelphia County to the US	Pennsylvania to the US
Educational Services	4.41	1.59
Health Care and Social Assistance	1.87	1.32
Professional and Technical Services	1.29	0.96
Management of Companies and Enterprises	1.06	1.39
Finance and Insurance	1.05	1.11
Other Services, Except Public Administration	0.97	1.01
Arts, Entertainment, and Recreation	0.96	0.95
Transportation and Warehousing	0.95	1.20

Source: Bureau of Labor Statistics: June 2020 Employment Location Quotient, Quarterly Census of Employment and Wages

The concentration of educational services not only provides stable support to the local economy, but also generates a steady and educated workforce, fueling the City’s professional services and healthcare industries. As of 2019, there were 128,400 Philadelphia residents between the ages of 25 and 34 with college degrees, and a 2019 Campus Philly report found that 54% of recent graduates in the Greater Philadelphia area have remained in the area, outpacing the retention rate of Boston (42%).

The City is also capitalizing on the region’s assets to become a leader in research generated by life sciences and educational institutions. Several sites now foster life science incubator facilities, including University City Science Center, The Wistar Institute, University of Pennsylvania (“Penn”), and Drexel University. University Place Associates (UPA) is developing a strategic collaboration to curate a 240,000 square foot building to be dedicated to supporting the life sciences industry with state-of-the-art laboratory/office space in the heart of Philadelphia’s University City District. Johnson & Johnson utilizes Pennovation Works as the site for JPOD, an interactive, high-tech conference space. In June 2019, Pennovation Works announced its next phase, a \$35 million project to renovate the existing building into

² The Bureau of Labor Statistics (“BLS”) defines the “Other Services” (except Public Administration) sector as establishments engaged in providing services not specifically provided for elsewhere in the BLS classification system, such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.

lab-related space. When complete, the four-story, 73,400-square-foot structure will have 65,000 square feet of wet lab space. Penn’s Penn Center for Innovation and Temple University’s Office of Technology Development and Commercialization are two of several organizations driving tech transfer and commercialization of innovations developed at Philadelphia’s major research institutions. The Cambridge Innovation Center, in partnership with Biolabs, occupies part of uCity Square, which includes state-of-the-art wet lab and shared working space. The project expanded the one million square feet in facilities offered by the University City Science Center to six million square feet, with a projected investment of over \$1 billion. It is expected to be completed in 2027.

Employment

Table 4 shows non-farm payroll employment in the City over the last decade by industry sectors. In the past 10 years, growth has occurred in Mining, Logging, and Construction; Professional and Business Services; Education and Health Services; and Trade, Transportation, and Utilities. These sectors provide stability to the City’s overall economy. The Leisure and Hospitality sector had demonstrated strong growth until contracting in 2020. Such contraction can be attributed to the COVID-19 pandemic.

Table 4
Philadelphia Non-Farm Payroll Employment⁽¹⁾
(Amounts in Thousands)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	% Change 2010-2020
Leisure and hospitality	58.4	60.6	63.2	64.8	66.9	68.5	70.8	73.1	74.3	76.7	48.6	-16.8%
Mining, logging, and construction	10.0	10.0	10.2	10.4	11.0	11.5	12.0	12.1	12.6	12.5	11.8	18.0%
Professional and business services	81.9	83.3	84.4	86.7	88.6	91.2	95.2	97.4	99.6	103.9	100.2	22.3%
Education and health services	202.4	206.6	208.4	209.7	213.2	217.3	223.8	230.2	238.2	242.8	236.5	16.8%
Other services	26.5	26.4	26.8	26.9	26.8	27.1	27.8	27.8	28.3	28.5	25.4	-3.0%
Trade, transportation, and utilities	86.5	87.3	88.8	89.4	90.9	92.1	92.5	92.3	92.8	93.5	91.3	5.5%
Financial activities	42.6	41.6	41.0	41.1	41.7	42.3	42.4	41.6	42.5	43.1	42.5	-0.2%
Information	12.2	12.0	12.0	11.5	11.5	11.8	11.6	11.6	12.1	12.2	11.7	-4.1%
Manufacturing	24.7	23.7	22.9	21.8	21.5	21.0	20.5	20.2	19.9	19.4	17.9	-27.5%
<i>Private Sector Total</i>	<i>545.2</i>	<i>551.5</i>	<i>557.7</i>	<i>562.3</i>	<i>572.1</i>	<i>582.8</i>	<i>596.6</i>	<i>606.3</i>	<i>620.3</i>	<i>632.6</i>	<i>585.9</i>	<i>7.5%</i>
Government	112.1	109.0	105.3	103.5	102.2	101.6	101.3	102.2	103.7	105.0	107.1	-4.5%
Total	657.4	660.4	662.9	665.9	674.3	684.4	698.0	708.6	724.0	737.6	693.0	5.4%

Source: Bureau of Labor Statistics, 2020; figures for 2020 are preliminary; totals may not sum due to rounding.

¹Includes person employed within the City, without regard to residency.

Table 5
Philadelphia Change in Share of Employment Sectors⁽¹⁾
(Ranked by Percent Change of Share)

Sector	Share of Total Employment 2010	Share of Total Employment 2020	Change 2010-2020
Education and health services	31.0%	34.1%	3.1%
Professional and business services	12.5%	14.5%	1.9%
Mining, logging, and construction	1.5%	1.7%	0.2%
Trade, transportation, and utilities	13.2%	13.2%	-0.1%
Information	1.9%	1.7%	-0.2%
Other services	4.1%	3.7%	-0.4%
Financial activities	6.5%	6.1%	-0.4%
Manufacturing	3.8%	2.6%	-1.2%
Government	17.2%	15.5%	-1.7%
Leisure and hospitality	8.9%	7.0%	-1.9%
Total	100.0%	100.0%	0.0%

Source: Bureau of Labor Statistics, 2020; figures for 2020 are preliminary; totals may not sum due to rounding.

¹ Includes persons employed within the City, without regard to residency.

Bureau of Labor Statistics data show that in 2020, the Education and Health Services, Professional and Business Services, Trade, Transportation and Utilities, and Leisure and Hospitality sectors collectively represented 69% of total employment in the City for the year. From 2010 to 2020, Philadelphia gained 40,700 private sector jobs.

Unemployment

Although Philadelphia has recently narrowed the gap between its unemployment levels and the national unemployment levels, the effects of the 2007-2009 recession on unemployment endured longer in Philadelphia than in many other parts of the country.

As shown in Table 6, employment gains in the latter part of 2013 through 2019 resulted in a decline in Philadelphia's unemployment rate from an annual average high of 10.9% in 2012 to 5.2% in 2019. However, the economic impact of the continuing COVID-19 pandemic reversed those gains in 2020.

Table 6 below shows unemployment information for Philadelphia, the MSA, the Commonwealth and the United States.

Table 6
Unemployment Rate in Selected Geographical Areas
(Annual Average 2010-2020)

Geographical Area	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change in rate from 2010-2020
United States	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	3.9	3.7	8.1	-1.5
Pennsylvania	8.5	7.9	7.8	7.4	5.9	5.3	5.4	4.9	4.3	4.1	9.2	0.7
Philadelphia-Camden- Wilmington MSA	8.8	8.5	8.4	7.8	6.2	5.4	5.1	4.7	4.2	3.9	9.2	0.4
Philadelphia	10.6	10.7	10.9	10.3	8.1	7.1	6.8	6.2	5.5	5.2	12.2	1.6

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, 2020.

Principal Private Sector Employers in the City

Table 7 lists the 20 largest private employers that are based in Philadelphia. Penn and Thomas Jefferson University and Jefferson Health top this list.

Fortune 500 companies headquartered or maintaining a major presence in Philadelphia include the Comcast Corporation and the Aramark Corporation. Three Fortune 1000 companies are also headquartered within the City: FMC Corporation, Urban Outfitters, and Carpenter Technology.

Table 7
Largest Private Employers Based in Philadelphia
Ranked by Number of Local Employees⁽¹⁾

Employer	Local Employees
University of Pennsylvania and Health System	46,554
Thomas Jefferson University and Jefferson Health	32,000
Children’s Hospital of Philadelphia	22,051
Comcast Corp	17,607
Drexel University	9,347
Independence Health Group	8,210
Wells Fargo Bank	6,023
Einstein Healthcare Network	4,768
Accenture	2,100
Deloitte	1,825
Rivers Casino	1,680
Ernst & Young LLP	1,482
Saint Joseph’s University	1,341
KPMG	1,274
Burns’ Family Neighborhood Markets	1,095
LaSalle University	930
Jacobs	892
University of the Arts	826
Janney Montgomery Scott	825
Fox Rothschild LLP	708
Total	161,538

¹ Source: Philadelphia Business Journal, 2020 Book of Lists (published in December 2019)

Hospitals and Medical Centers

The City is a center for health, education, research 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 located in the City. The City is one of the largest health care and health care education centers in the world, and several 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 and medical schools: Children’s Hospital of Philadelphia, the Hospital of the University of Pennsylvania, The Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. Philadelphia is home to two of the nation’s 71 National Cancer Institute (“NCI”)-designated Comprehensive Cancer Centers (the Abramson Cancer Center at the University of Pennsylvania and Fox Chase Cancer Center, which is part of the Temple University Health System). Additionally, Philadelphia is also home to two NCI-designated Cancer Centers (Kimmel Cancer Center and The Wistar Institute Cancer Center).

Penn Medicine University of Pennsylvania Health System

Penn Medicine includes Pennsylvania Hospital, the nation’s first hospital, founded in 1751 and the nation’s first medical school, the University of Pennsylvania School of Medicine, opened in 1765. In addition, the Hospital of the University of Pennsylvania was established in 1874 as the nation’s first teaching hospital. Penn Medicine’s hospitals are consistently ranked among the top ten hospitals in the country with the combined University of Pennsylvania and Penn Presbyterian Medical Center among the top-ranked in the region by *U.S. News and World Report*. Penn Medicine, which has invested more than \$200 million in major capital investments between 2014 and 2015, began construction in 2016 on a new 1.5 million square foot Patient Pavilion, a clinical facility that is projected to open in late 2021.

Children’s Hospital of Philadelphia Expansion

Children’s Hospital of Philadelphia (“CHOP”) is the oldest children’s hospital in the nation and one of the largest in the world. CHOP is regularly among the top-ranked children’s hospital in the nation according to *U.S. News and World Report*. Since 2002, CHOP has invested over \$5.3 billion in its expansion in Philadelphia. In 2017, CHOP opened two facilities as a part of this expansion: the \$500 million, 700,000 square foot Buerger Center for Advanced Pediatric Care, and the \$275 million, 466,000 square foot Roberts Center for Pediatric Research.

Temple University Hospital, Inc.

Temple University Hospital, Inc. (“TUH”) is one of the region’s most respected academic medical centers. The 732-bed Philadelphia hospital is also the chief clinical training site for the Lewis Katz School of Medicine at Temple University. TUH is regularly ranked among the “Best Regional Hospitals” in various specialties by *U.S. News & World Report* regional rankings.

Thomas Jefferson University and Jefferson Health

Thomas Jefferson University Hospitals (“TJUH”) is consistently at the top of the list of hospitals in Pennsylvania and the Philadelphia metro area in *U.S. News & World Report*’s annual listing of the best hospitals and specialties. Jefferson Health has recently participated in several significant mergers, integrating Magee Hospital, Kennedy Health System (located in New Jersey), the Aria Health system and Abington Hospital into its system. In 2017, Thomas Jefferson University acquired Philadelphia University to become the fifth largest educational institution in Philadelphia.

Einstein Healthcare Network

Einstein Healthcare Network is a private, not-for-profit organization with several major facilities and many outpatient centers that has been in existence for nearly 150 years. The Einstein Health and Medical Center in Philadelphia is regularly listed as a top hospital in *U.S. News & World Report*.

In September 2018, Einstein Healthcare Network and Thomas Jefferson University announced a merger agreement. The entities are expected to close the transaction in 2021.

Educational Institutions

The MSA plus Mercer County, New Jersey, has the second largest concentration of undergraduate and graduate students on the East Coast, with approximately 100 degree granting institutions of higher education and a total enrollment of over 434,000 full and part-time students. Approximately 131,556 students lived within the geographic boundaries of the City in 2019. Included among these institutions are Penn, Temple University, Drexel University, St. Joseph's University, the Community College of Philadelphia and LaSalle University. Within a short drive from the City are such schools as Princeton University, Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University.

University of Pennsylvania

Penn, the first university in the U.S., founded in 1740, and a prominent Ivy League institution, is located in West Philadelphia. In the fall of 2019, more than 22,300 full-time undergraduate, graduate and professional full-time students attended Penn, 5,333 of whom are international students. Approximately 4,300 part-time students were enrolled. As of the fall 2019, Penn had a total workforce of over 18,000 faculty and staff, and the University of Pennsylvania Health System had a workforce of 23,275 employees. In September 2016, Penn opened Pennovation Works, a 55,000 square foot business incubator and laboratory that houses researchers, innovators, and entrepreneurs for the commercialization of research discoveries.

Penn has undergone significant expansion in the last decade and has a growing endowment. Since 2015, Penn, and related third-party developers, have spent nearly a billion dollars on new buildings and renovations. Penn and the University of Pennsylvania Health System have a significant combined economic impact on the City and the Commonwealth, with such Penn entities generating \$1 out of every \$20 of Philadelphia's General Fund and one out of every nine jobs in the City.

Penn is consistently one of the largest annual recipients of funding from the National Institutes of Health.

Drexel University

Founded in 1891 as the Drexel Institute of Science, Art and Industry, Drexel University ("Drexel") is one of Philadelphia's top 10 private employers, and a major engine for economic development in the region. Drexel is known for its innovation and civic engagement. Drexel's student body consists of approximately 26,000, making it one of the 15 largest private universities in the country. Drexel is unique in that it provides its students with a co-op work experience every six months throughout the four-year college experience. Over the last decade, Drexel has undergone significant expansion and has major plans for future development. Since 2011, Drexel opened the doors to the \$69 million Constantine N. Papadakis Integrated Sciences Building, a \$92 million facility for its LeBow School of Business, and a new mixed use residential and retail project, Chestnut Square.

Temple University

Temple University ("Temple"), founded in 1884, has undergone a significant transformation over the past three decades from a university with a mostly commuter-based enrollment to one in which on and

near-campus housing is now in high demand. Temple features 17 schools and colleges, eight campuses, hundreds of degree programs and nearly 40,000 students.

“Visualize Temple,” approved in 2014, is Temple’s campus master plan to guide the continued growth and evolution of the City’s leading public research university. It is the culmination of an 18-month long process driven by the input of over 3,000 Temple students, alumni, faculty, and staff. Such plan identifies challenges and opportunities at each campus and defines a collective vision for further campus transformation. Temple continues to implement key elements of this master plan.

Thomas Jefferson University

In 2017, Thomas Jefferson University and Philadelphia University merged to create the fifth largest university in the City. The new Thomas Jefferson University (“Jefferson”) creates a national comprehensive university designed to deliver high-impact education and value for students in medicine, science, architecture, design, fashion, textiles, health, business, engineering, and other disciplines.

In addition to nine colleges and three schools from both universities, the formation of the Philadelphia University Honors Institute and the Philadelphia University Design Institute are key components of the combined university’s educational ecosystem. Jefferson includes (i) campuses in Center City, Philadelphia (“Center City”), East Falls, Montgomery County, Bucks County, and Atlantic County (NJ); (ii) a growing online presence; (iii) numerous clinical sites; and (iv) an extensive global footprint with locations in Italy and Japan, study abroad sites and curricular and co-curricular partnerships and networks. Jefferson is home to more than 7,800 students, 4,000 faculty members and 63,000 alumni.

Community College of Philadelphia

The Community College of Philadelphia (the “College”) serves over 19,000 students in associate’s degree and certificate programs. The College operates four campuses: its main Campus in Center City Philadelphia and three regional campuses in West Philadelphia, Northeast Philadelphia, and Northwest Philadelphia. The College offers more than 70 associate’s degree, academic and proficiency certificate, and workforce programs. Graduates continue to strengthen Philadelphia’s local economy and workforce, both in Philadelphia and the Greater Philadelphia region.

The College enables students to embark on a smart path to a bachelor’s degree program, with transfer agreements and partnerships to assist in the transition. In the 2019-20 academic year, approximately 24,800 students took credit and noncredit courses. The College is embarking on an expansion of its West Philadelphia Campus, to expand its Automotive Center and to establish a Workforce Campus with a new \$33.5 million facility.

The College is one of 30 community colleges in the nation to undertake a new Career Pathways model under which it has expanded its dual enrollment programs, including establishing the first Middle College in the Commonwealth, with the School District of Philadelphia. Upon completion of high school, enrolled students will receive both a high school degree and an associate’s degree.

The College has vastly expanded its role in workforce development and economic innovation, establishing a division that is responsible for working directly with Philadelphia employers to meet their workforce hiring and professional development needs. The College has established new post-secondary programs matched with Philadelphia’s high priority occupations enabling Philadelphians to earn family sustaining wages without a degree.

Beginning in 2021, the College is offering the Octavius Catto Scholarship (the “Catto Scholarship”), which is a new anti-poverty initiative designed to make education available to students by providing funding and support for tuition and fees, costs associated with books, food, transportation, benefits, child care, and housing. The Catto Scholarship is available to graduates of a high school in Philadelphia (public, charter, private, parochial), a Pennsylvania state cyber charter school, or a home school program. Over the next five years, the City projects that \$54 million will be spent on Catto Scholarships.

Family and Household Income

Table 8 shows median family income, which includes related people living together, and Table 9 shows median household income, which includes unrelated individuals living together, for Philadelphia, the MSA, the Commonwealth and the United States. Over the period 2009-2019, median family income for Philadelphia increased by 19.9% (see Table 8), while median household income increased by 28.3% over the period 2009-2019 as a result of an influx of higher income households (see Table 9).

Table 8
Median Family Income* for Selected Geographical Areas, 2009-2019
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden-Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2009	\$45.70	\$76.90	\$62.20	\$61.10	74.8%
2010	\$43.10	\$74.50	\$61.90	\$60.60	71.1%
2011	\$42.70	\$75.70	\$63.30	\$61.50	69.4%
2012	\$44.30	\$77.00	\$65.10	\$62.50	70.9%
2013	\$44.60	\$78.20	\$66.50	\$64.00	69.7%
2014	\$47.00	\$80.60	\$67.90	\$65.90	71.3%
2015	\$49.30	\$83.00	\$70.20	\$68.30	72.2%
2016	\$50.30	\$84.80	\$72.30	\$71.10	70.7%
2017	\$50.40	\$86.20	\$72.70	\$70.90	71.1%
2018	\$55.10	\$90.43	\$77.49	\$76.40	72.1%
2019	\$54.78	\$94.79	\$81.08	\$80.94	67.7%
Change 2009-2019	19.9%	23.3%	30.4%	32.5%	

* Includes related people living together.

Source: 2019 American Community Survey 1-Year Estimates

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Table 9
Median Household Income* for Selected Geographical Areas, 2009-2019
(Dollar Amounts in Thousands)

Year	Philadelphia	Philadelphia-Camden- Wilmington MSA	Pennsylvania	United States	Philadelphia as a percentage of the US
2009	\$37.00	\$60.10	\$49.50	\$50.20	73.7%
2010	\$34.40	\$58.10	\$49.30	\$50.00	68.8%
2011	\$34.20	\$58.30	\$50.20	\$50.50	67.7%
2012	\$35.40	\$60.10	\$51.20	\$51.40	68.9%
2013	\$36.80	\$60.50	\$52.00	\$52.30	70.4%
2014	\$39.00	\$62.20	\$53.20	\$53.70	72.6%
2015	\$41.20	\$65.10	\$55.70	\$55.80	73.8%
2016	\$41.40	\$66.00	\$56.90	\$57.60	71.9%
2017	\$41.00	\$66.30	\$57.00	\$57.70	71.1%
2018	\$46.12	\$70.75	\$60.91	\$61.94	74.5%
2019	\$47.47	\$74.53	\$63.46	\$65.71	72.2%
Change 2009-2019	28.3%	24.0%	28.2%	30.9%	

* Includes unrelated people living together.

Source: 2019 American Community Survey 1-Year Estimates

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Cost of Living Index

Philadelphia has the lowest cost of living index among major urban areas in the Northeast, as shown in Table 10 below. Additionally, the City's Wage, Earnings, and Net Profits Tax rates have decreased in recent Fiscal Years. See "REVENUES OF THE CITY – Wages, Earnings, and Net Profits Taxes" in APPENDIX A to the PRA POS.

Table 10
2019 Cost of Living Index
Philadelphia Indexed to 100

Urban Area	Cost of Living Index
New York- Manhattan	215
San Francisco	178
D.C.	144
Seattle	142
Boston	136
Los Angeles-Long Beach	132
Chicago	109
Baltimore	102
Denver	100
Philadelphia	100
Dallas	97
Pittsburgh	93
Atlanta	93
Detroit	90
Austin	90

Source: Council for Community and Economic Research (C2ER), Cost of Living Index (COLI)

Housing

Since 2000, Philadelphia's housing stock has undergone a significant revitalization, particularly in the neighborhoods within and around City Center, its downtown core. The period between the 2000 and 2010 censuses was the first wherein Philadelphia experienced a net population increase since 1940 to 1950, due both to rapid growth in the number of higher income households in these core neighborhoods and to a significant influx in the foreign-born population in more peripheral neighborhoods of the City.

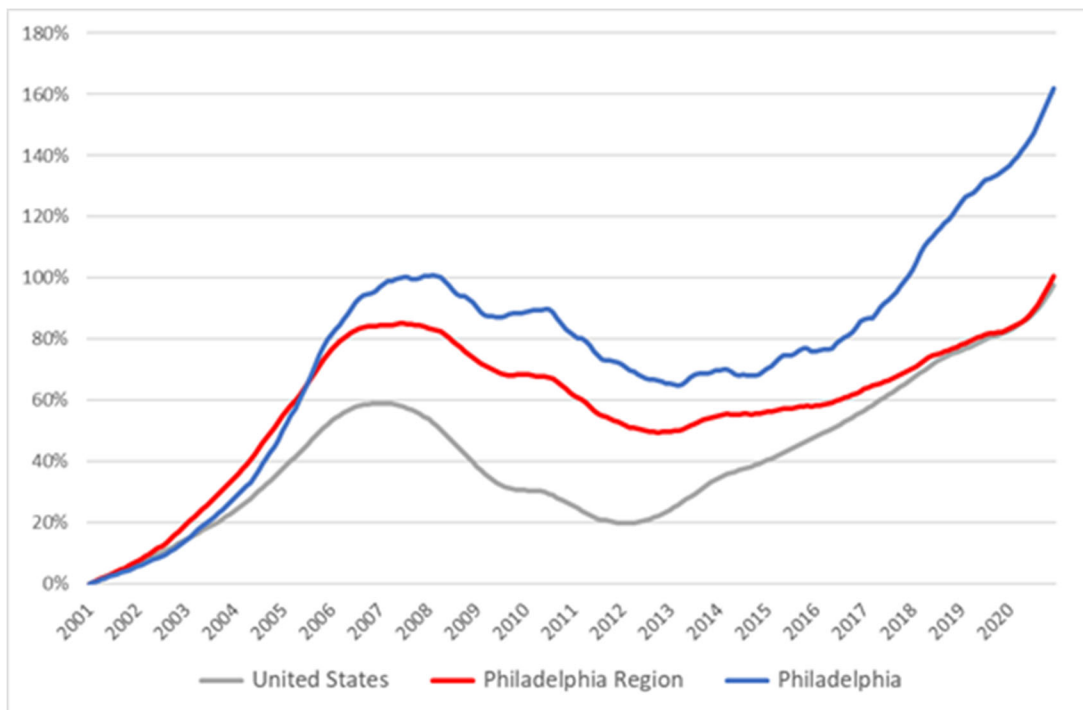
The City's population growth has driven significant new construction and investment in many of its neighborhoods resulting in increases in the value of the City's housing stock. Most housing indicators for Philadelphia indicate an upward outlook, in terms of prices, construction, and sales, for the near future. Nevertheless, the City continues to face significant challenges caused by the persistent problems of poverty, crime, underperforming schools, and lack of employment opportunities in some sectors.

The total housing stock, measured by the number of units, increased by 3.2% from 2010-2019, for a total of 691,700 in 2019.³ This increase of 21,600 units is the result of a net increase of 16,900 multifamily units, 3,600 single-family homes, and 1,100 “other” units (such as mobile homes and boats). The homeownership rate in the City in 2019 was 52.3%, which represents a decline from 54.1% in 2010.³ Accordingly, properties in the City have continued to command higher rents, with the median monthly rent in June 2018 equal to \$1,214, representing a 10.9% increase over the prior five-year period.⁴

Home Prices

As shown in the chart below, after eight years of moderate house price deflation following the peak of the 2007 recession, Philadelphia’s housing market began posting rapid increases in prices, citywide, starting in 2013. In 2017, home values in Philadelphia recovered to their pre-recession peak and have continued to climb to 31% above that peak as of December 2020. The following chart uses the Home Value Index to chart changes in home values in Philadelphia, the Philadelphia region, and the U.S. as a whole over the 20-year period from January 2001 through December 2020.⁵

Percent Change in Median Nominal Home Value (Zillow Home Value Index), 2001-2020



Source: Zillow Research, ZHVI Time Series

Over this entire period, Philadelphia’s median home prices have been lower than that of the region or the country as a whole. However, because the rate of growth in the City’s home values matched or outpaced these comparison regions and the housing market in Philadelphia retained a much greater share of its pre-recession gains, it has significantly closed that gap. Whereas the median home in Philadelphia was 59% that of the US in 2001, it was 78% of the national average by the end of 2020. Philadelphia’s

³ US Census Bureau, American Communities Survey, 1-Year Survey

⁴ Zillow Research, ZRI Time Series

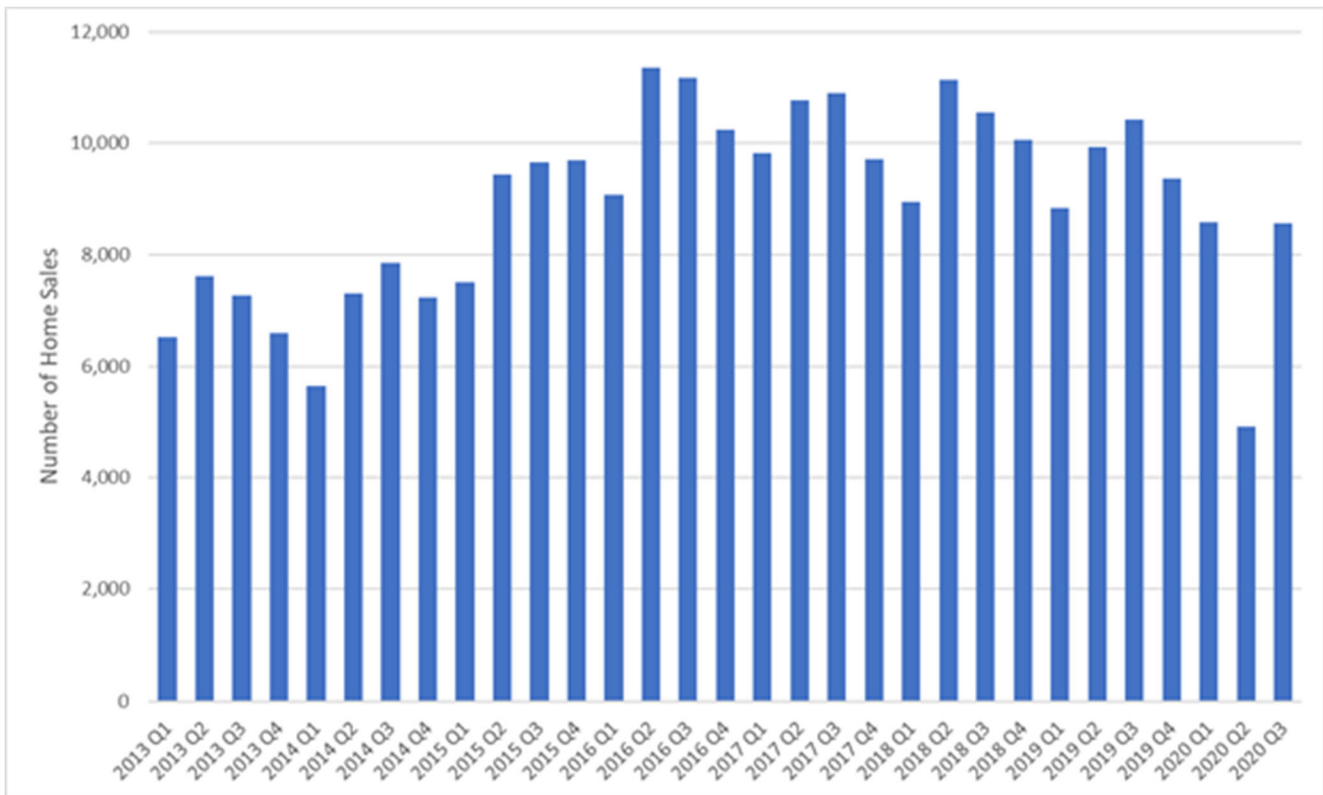
⁵ Zillow Research, ZHVI Time Series

housing market has surged in recent years, such that, in nominal terms, housing values within the City have nearly tripled since 2001, a rate of growth that is more than 66% greater than the rest of the country.

Home Sales

Another indicator of the housing market’s recovery is home sales. The following chart shows quarterly home sales in Philadelphia since 2013. Like prices, home sales have steadily increased from a post-2007 recession low of less than 14,542 sales in 2011 to almost triple that (38,540) in 2019 (the last full year on record). This trend reflects a recovery of the City’s housing market and, except for a brief dip associated with the temporary freeze of real estate transactions associated with COVID-19, is continuing as the significant increment of new housing construction (described below) is absorbed.

Quarterly Home Sales in Philadelphia, Q1 2013 through Q3 2020

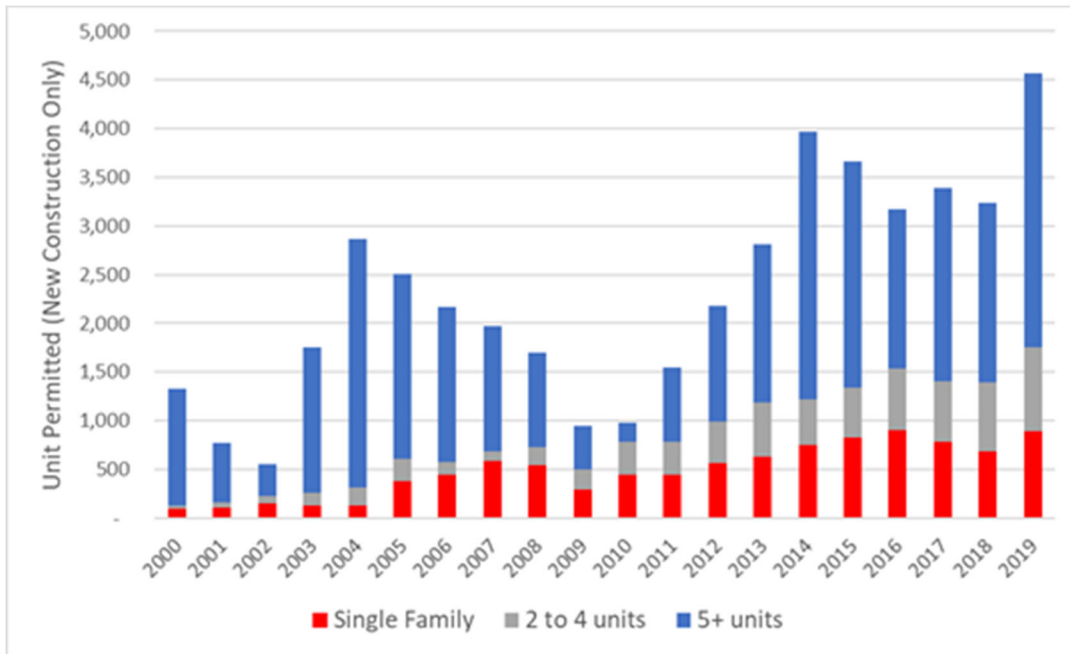


Source: Philadelphia Department of Revenue

Home Construction

Home building activity in Philadelphia has also made significant progress since hitting its recessionary low in 2009. The following chart shows the number of newly constructed units being added to Philadelphia’s housing stock, as represented by the number of building permits issued for such units, from 2000 through 2019.

**Building Permits Issued in Philadelphia, New Construction Only
(Number of Units by Building Type), 2000-2019**



Source: US Census, Building Permits Survey

Prior to 2000, construction of new housing units in Philadelphia was low by both absolute and relative measures, averaging only 507 units per year in the decade from 1990 through 1999. However, since 2003, permits for new construction have not been for less than 947 units in any single year, including during the nadir of the 2007 recession. In 2019, permits were issued to approve the construction of more than 4,500 new housing units in Philadelphia—an all-time high. Notably, these data do not include additions or substantial alteration to existing buildings, which together account for nearly a third of all new housing units in Philadelphia (based on permit issuance data from the Department of Licenses and Inspections from 2013-2017).

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Office Market

The City currently has approximately 48.0 million square feet of office space in the Central Business District (“CBD”), with an additional 929,000 square feet under construction according to Jones Lang LaSalle’s (“JLL”) statistics for the fourth quarter of 2020.

Due to the COVID-19 pandemic, the average direct asking rental rates in the City’s CBD dropped to \$28.63 per square foot in the fourth quarter of 2020, with a vacancy rate of 15.4%. Prior to the COVID-19 pandemic, the City’s CBD enjoyed rising rents with low overall total vacancy. Its suburban counterparts have seen slightly higher overall total vacancy and commensurate rents due to the pandemic, at 16.9% and \$28.62 per square foot.

Table 11 shows comparative overall fourth quarter 2020 office vacancy rates for selected office markets.

Table 11
Total Office Vacancy Rates of Selected Office Markets
Fourth Quarter 2020

Market	Vacancy Rate
Charlotte	11.8%
New York	12.1%
Austin	13.0%
San Diego	13.4%
San Francisco	13.6%
Seattle	14.7%
Boston	14.9%
Philadelphia	15.4%
Baltimore	15.8%
San Antonio	16.1%
Los Angeles	16.3%
United States CBD, All Markets	17.1%
Phoenix	18.2%
Washington, DC	18.7%
Atlanta	19.4%
Chicago	19.4%
Detroit	20.1%
Cleveland	20.3%
Dallas	23.2%
Houston	23.5%

Source: Jones Lang LaSalle, National CBD Data, Fourth Quarter 2020

ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION

City of Philadelphia Economic Development Mission and Goals

The City's economic development strategy is to (1) spur job-creation by fostering an improved business environment; (2) increase the City's population and visitation; and (3) enable inclusive and equitable growth within the City. The City partners with numerous quasi-city and private agencies to accomplish these objectives.

The City 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 new construction, as well as on improvements to existing properties (legislative changes to this program are described in APPENDIX A to the PRA POS – "REVENUES OF THE CITY – Real Property Taxes – Assessment and Collection"); (ii) Commonwealth-designated Keystone Opportunity Zones in which eligible businesses may be exempt from all Commonwealth and local business taxes until a specified date; (iii) Commonwealth-designated Keystone Innovation Zones in which energy, defense, technology, and life-sciences companies may be eligible for saleable tax credits worth \$100,000 annually for the first eight years of operations; (iv) tax increment financing; and (v) commercial corridor revitalization through support of Business Improvement Districts and reimbursement for certain storefront and interior retail improvements.

The City has also actively worked to raise its profile in the international business community. In 2015, Philadelphia received the designation of the first World Heritage City in the United States by the Organization of World Heritage Cities. In 2015, the City entered into a "sister city" agreement with Frankfurt, Germany, considered the largest financial center in continental Europe. This agreement is Philadelphia's first sister city since 1992. In recent years, the City has hosted delegations of business leaders and officials on trade missions to the United States and participated in trade missions to Germany, France, Portugal, China, South Korea, and Canada. In 2018, a website was launched, philadelphiadivers.com, which showcases all that the City has to offer businesses including location, talent, affordability, and amenities. Also in 2018, Philadelphia was one of four cities selected by the Brookings Institute to join the Global Identity Cohort. As such, more than 80 local stakeholders have been engaged to begin crafting a shared brand and narrative around Philadelphia in order to attract residents, businesses and events.

City and Quasi-City Economic Development Agencies and Related Programs

City of Philadelphia Department of Commerce

The mission of the Department of Commerce is to (i) ensure that Philadelphia is a globally-competitive city where employers hire, entrepreneurs thrive, and innovation abounds; (ii) recruit and retain a diverse set of businesses; (iii) foster economic opportunities for all Philadelphians in all neighborhoods; and (iv) partner with workforce development programs and local businesses on talent development with the goal of ensuring that all Philadelphians can find and retain living-wage jobs. The Department of Commerce has three major divisions: Neighborhood & Business Services; Office of Business Development and Office of Economic Opportunity.

City of Philadelphia Department of Planning and Development

The Department of Planning and Development ("Planning and Development") oversees all planning, real estate development support, and commissions such as the Historical Commission, Planning Commission, Art Commission and Civic Design Review. Planning and Development also oversees all housing initiatives and plays a key role in community development.

Philadelphia Industrial Development Corporation (“PIDC”)

PIDC is a non-profit organization founded by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce in 1958. PIDC offers flexible financing tools, a targeted portfolio of industrial and commercial real estate, and expertise to help clients invest, develop, and grow in Philadelphia. PIDC also structures and invests in public-private partnerships for key City policy areas and development priorities. Over the past 62 years, PIDC and its affiliates have settled over 7,500 transactions, including more than \$17 billion in financing that has leveraged over \$30 billion in total investment and assisted in creating and retaining hundreds of thousands of jobs in Philadelphia. Its direct loan and managed third-party portfolio at year-end 2019 was more than \$518 million, representing 500 loans.

Philadelphia Redevelopment Authority (“PRA”)

In 1945, the Commonwealth enacted the Urban Renewal Law and created the PRA as the City’s urban renewal agency. Today, the PRA continues its role as a key financier, project manager, leader, and expert of developing and maintaining land in the City. The PRA is one of five municipal land holding agencies. Its Real Estate Division facilitates the redevelopment of PRA assets and it provides project management and analysis for real estate sales, acquisitions, redeveloper agreements, developer submissions, and required approvals. Its Housing Department leads the underwriting and loan closing process for all affordable housing projects within the City and works primarily with non-profit and for-profit developers as a lender.

Philadelphia Land Bank (“PLB”)

Established in 2013, the PLB is a new institutional partner in land use. The aim of the PLB is to consolidate many of the land acquisition and disposition processes of the City under one umbrella, making it easier for private individuals and organizations to acquire properties that otherwise contribute to neighborhood disinvestment and turn them into assets for the community in which they are located. The PLB can: (i) consolidate properties owned by multiple public agencies into single ownership to speed property transfers to new, private owners; (ii) acquire tax-delinquent properties through purchase or by bidding the City’s lien interests at a tax foreclosure; (iii) with consent of the City, clear the title to those properties so new owners are not burdened by old liens; and (iv) assist in the assemblage and disposition of land for community, non-profit, and for-profit uses.

In the PLB’s most recent update to its strategic plan (June 2019), certain key achievements were highlighted, including, among other things, (i) an increase in acquisitions (up from 21 in Fiscal Year 2017 to 276 in Fiscal Year 2018 and 463 through the second quarter of Fiscal Year 2019); (ii) an increase in dispositions (up from 18 properties conveyed in Fiscal Year 2017 to 78 conveyed in Fiscal Year 2018 and 132 properties conveyed through the second quarter of Fiscal Year 2019); and (iii) formalizing the process for executing license agreements.

The Division of Housing and Community Development (“DHCD”)

DHCD, formerly known as the Office of Housing and Community Development and now part of Planning and Development, manages planning, policy, and investment in low-income housing through several assistance programs. Most significantly, the DHCD 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 Housing Authority (“PHA”)

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 Commonwealth governments, as well as private investors. Over 93% of PHA’s annual budget is funded directly or indirectly by the U.S. Department of Housing and Urban Development, and most of the balance of PHA’s budget is derived from resident rent payments. Neither PHA’s funds nor its assets are available to pay City expenses, debts, or other obligations, and the City has no power to tax PHA or its property. Neither the City’s funds nor its assets are subject to claims for the expenses, debts, or other obligations of PHA.

Rebuilding Community Infrastructure Program (“Rebuild”)

The Rebuild program, using funds from the Philadelphia Beverage Tax (see “REVENUES OF THE CITY – Other Taxes”), will invest hundreds of millions of dollars in Philadelphia’s parks, recreation centers, and libraries over a seven-year period. Rebuild prioritizes sites in high-need neighborhoods, as well as sites that are in extremely poor condition. This program is intended to catalyze economic development in some of Philadelphia’s most impoverished communities and neighborhoods. Rebuild is not only committed to making transformative capital improvements in neighborhood public and shared spaces, but will also strive to build capacity and opportunities for minority and women-owned businesses and job opportunities for local residents. In November 2018, the Philadelphia Authority for Industrial Development issued \$79,460,000 in City Service Agreement Revenue Bonds to finance certain costs of the Rebuild program.

Key Commercial Districts and Development

Over the last two decades, the City’s economic development agencies and others have spurred significant economic revitalization throughout the City. In particular, a number of geographic areas have experienced concentrated developments: Philadelphia’s Historic District, Avenue of the Arts, North Broad Street, and the Benjamin Franklin Parkway. Many of these developments, such as a significant increase to Philadelphia’s hotel room inventory in Center City and expansion of the Pennsylvania Convention Center, have been key to the growth of Philadelphia’s leisure and hospitality sector. Several key areas within the City have been instrumental in the economic and commercial development of Philadelphia over the past twenty-five years and the population growth since 2000. However, as noted herein, COVID-19 has caused a downturn in economic development and the tourism and hospitality industries in the City. While the City’s economic development agencies expect continued commercial development in key commercial districts, the length and severity of a COVID-19-related downturn are uncertain and are being closely monitored.

Recent and current developments in the key commercial districts described below are listed in Table 12.

Center City

A district that has seen a resurgence over the last two and a half decades, Center City is Philadelphia’s central business and office region within the City. Center City is the strongest employment center in 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. Center City is flanked by neighborhoods that are considered “Greater Center City.” Over the last two decades, as there has been an influx of new businesses and residents in these neighborhoods, the

boundaries of Greater Center City have moved significantly further North and South, with the Delaware and Schuylkill rivers remaining boundaries on the East and West.

Old City

Old City is home to some of the country's oldest historical assets and is considered America's "most historic square mile." Independence National Historical Park is an international destination, attracting 3.6 million visitors annually. Important culturally and economically, Old City is also home to world-class museums, theaters and art galleries. The neighborhood offers excellent hotels, a wide range of dining and nightlife establishments, independent retailers and a diverse mix of technology, media, professional, and service organizations. Some 8,000 residents live in historic townhouses, industrial loft apartments, and new condominium properties. Old City is located within a Keystone Innovation Zone, meaning that technology, energy, and life sciences businesses may be eligible for up to \$100,000 in tax credits.

Old City District ("OCD") is a business improvement district that promotes the area and fosters economic development locally. OCD helps companies find suitable real estate and actively promotes the sector to attract businesses. Over the last few years, technology and creative businesses have established an increasingly important presence in the area.

University City

Located west of Center City, University City is a hub for the health care, life sciences, and higher education sectors and accounts for a significant percentage of the City's employment. It includes the campuses of Penn, 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. University City has experienced significant real estate development, driven mostly through the investment of its universities and research institutional anchors.

In University City, Penn has built the \$88 million Singh Center for Nanotechnology and invested \$127 million in a residence hall called New College House at Hill Field. Drexel University has invested nearly \$300 million in University City and is planning for an additional \$3.5 billion over 20 years in the development of Schuylkill Yards in partnership with Brandywine Realty Trust. Such project will develop 14 acres of underutilized land near Philadelphia's 30th Street Station into an innovation neighborhood, which will feature a mix of entrepreneurial spaces, educational facilities and research laboratories, corporate offices, residential and retail spaces, hospitality and cultural venues and public open spaces.

The Navy Yard

The Navy Yard is a 1,200 acre mixed-use office, research and industrial campus with over 15,000 people working on site across 170 companies. The Navy Yard has diverse tenants such as Philly Shipyard, one of the world's most advanced commercial shipbuilding facilities; the global headquarters for retailer Urban Outfitters, Inc.; a 208,000 square foot, double LEED Platinum corporate office for pharmaceutical company GlaxoSmithKline; and a LEED Silver bakery facility for the Tasty Baking Company (now, Flowers Food). More than 7.5 million square feet of space is currently occupied or in development with significant additional capacity available for office, industrial, retail and residential development.

PIDC and its partners released an updated Navy Yard master plan in 2013, detailing a comprehensive vision for the Navy Yard. The plan calls for a total of over 13.5 million square feet of new construction and historic renovation supporting office, research and development, industrial and residential development, complemented with commercial retail amenities, open spaces and expanded mass transit.

Under such plan, the fully built out Navy Yard would support more than 30,000 employees and over \$3 billion in private investment. PIDC continues to work on this long-term plan for the Navy Yard.

Since 2000, the Navy Yard has leveraged more than \$170 million in publicly funded infrastructure improvements to spur more than \$850 million in new private investment.

Table 12
Recently Completed Projects or Projects Under Construction in the Key Commercial Districts

Project Name, by Neighborhood	Project Type	Cost in Millions	Est. Completion Date
CENTER CITY			
LVL Broad and Spring Garden	Mixed/Residential	\$180	2022
Jefferson Health Specialty Care Pavillion	Medical	\$762	2024
Morgan Lewis Office Tower (23rd & Market)	Office	\$200	2021
Aramark Headquarters (2400 Market)	Office	\$230	<i>Completed 2019</i>
W Hotel/Element	Hotel	\$359	<i>Completed 2020</i>
The Gallery Mall (Market Street)	Commercial	\$350	<i>Completed 2020</i>
1911 Walnut	Residential	\$300	2022
Hanover North Broad	Mixed Use	\$50	<i>Completed 2020</i>
SLS Residences	Residential	\$253	2022
Police Headquarters in Inquirer Building	Public	\$250	2021
1620 Sansom Street	Residential	\$200	2021
2301 Arch Street (Phases I and II)	Retail/Residential	\$160	2021
204 S. 12th Steet	Residential	\$180	2023
123 S. 12th Street	Residential	\$225	2023
NAVY YARD			
Wuxi (4751 League Island Blvd)	Office/Lab	\$78	<i>Completed 2020</i>
Iovance (300 Rouse Blvd)	Office/Lab	\$125	2021
OLD CITY			
I-95 Overcap Park	Public	\$225	2024
OTHER NEIGHBORHOODS			
13th and Fairmount	Retail/Residential	\$190	2021
501 Spring Garden	Retail/Residential	\$160	2023
300 N. Christopher Columbus Ave	Residential	\$200	2023
Festival Pier (501 N. Christopher Columbus)	Residential	\$250	2023
UNIVERSITY CITY			
3151 Market St (Schuylkill Yards)	Office/Medical	\$300	2023
CHOP Schuylkill Ave Expansion (Phase 2)	Medical	\$600	2024
4601 Market	Office/Medical	\$250	2021
Penn Health Tower	Medical	\$1,500	2021
CHOP Berger Center Expansion	Medical	\$492	2021
TOTAL		\$8,069	

Source: Philadelphia Department of Planning and Development.

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 an impetus for environmental remediation and private development of former industrial property within the City.

Delaware River Waterfront Corporation (the "DRWC")

The Delaware River has historically been a center of activity, industry, and commerce, bounded at its north and south ends by active port facilities. The City adopted a Master Plan for the central Delaware River in 2011. 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. Over the last ten years, DRWC has successfully opened four adaptive reuse park projects built on former pier structures, including the newly-renovated Cherry Street Pier in 2018. I-95 Overcap Park will cap a section of I-95 and connect Old City Philadelphia with the Delaware River. The proposed 11-acre multimillion-dollar park project is in the planning stages. Construction of the park is anticipated to begin in the fall of 2022 and be completed in 2026.

DRWC, the City, and the Commonwealth have partnered to redevelop Penn's Landing, a major public space along the Delaware River waterfront. The resulting civic space will leverage investment from private sources for the redevelopment of the adjoining parcels.

Schuylkill River Development Corporation (the "SRDC")

Redevelopment along the Schuylkill River is managed by a partnership among SRDC, the Department of Parks & Recreation, and the Department of Commerce. SRDC works with federal, Commonwealth, 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 2017, \$70 million was invested by SRDC, the City, and their partners along the tidal Schuylkill to create 3.65 miles of riverfront trails within 30 acres of premiere park space in the heart of the City, and has added amenities to the Schuylkill River Park such as floating docks, fishing piers, a composting toilet, and architectural bridge lighting. SRDC continues to work towards meeting its goal of creating and maintaining trails and green space along the tidal Schuylkill River in Philadelphia, such as the Christian to Crescent Connection. This trail section will connect neighborhoods on both sides of the Schuylkill River to a vast existing network of parks and trails, including the Schuylkill River trail, Fairmount Park, and the regional network of recreational trails and related facilities known as the Circuit. It will also provide those neighborhoods with a direct pedestrian and bicycle route to Center City's jobs and services. In addition, it will help complete Philadelphia's segment of the East Coast Greenway.

Since 2005, Philadelphia has benefitted from more than \$1 billion in development along the Schuylkill River, with more planned by private developers, universities, and healthcare institutions.

Casinos

Rivers Casino

Philadelphia's first casino, Rivers (originally SugarHouse), opened in September 2010. Rivers Casino sits on the Delaware River waterfront offering an array of slot machines, table games and dining

options. Its operations also include a multi-purpose event space with waterfront views, restaurants, and a parking garage.

Cordish Live!

Live! (Live!) Casino & Hotel Philadelphia, which opened in January 2021, is a \$700 million world-class hotel, gaming, dining and entertainment destination featuring 2,200 slot machines and 150+ live action table games, an upscale 200+ room hotel, a new 2,700-space parking garage, locally and nationally-recognized restaurants and live entertainment venues. The project is located in the heart of the Stadium District in South Philadelphia, immediately proximate to Xfinity Live!, The Cordish Companies' premier dining & entertainment district. The project creates the first comprehensive gaming, resort, entertainment and sports destination in the United States, making it a true regional destination

TOURISM AND HOSPITALITY

As noted herein, the City expects COVID-19 to have a wide-ranging economic impact on its various key commercial sectors, including tourism and hospitality. In 2020, there was a significant downturn in tourism and hotel stays in the City. Many of the statistics under the caption "TOURISM AND HOSPITALITY" are from periods before the COVID-19 pandemic and should be reviewed in such context. While Philadelphia had experienced a significant increase in tourism over the past decade, it is unclear at this time when, or if, such growth can be expected to resume once the pandemic is over.

Prior to COVID-19, the City hosted several high profile, global events, notably the papal visit from Pope Francis in 2015 and the Democratic National Convention in 2016. In April 2017, Philadelphia hosted the NFL Draft on the Benjamin Franklin Parkway in Center City, with an estimated attendance of more than 250,000. Prior to the pandemic, business and convention tourism, as well as leisure tourism, had shown consistent growth, setting a record-high for room revenue generated for lodging in 2019. The City is regularly listed as a top domestic and international destination in tourism publications.

The Philadelphia Convention and Visitors Bureau ("PHLCVB") books meetings, conventions and sporting events, and supports international marketing of Philadelphia to overseas markets. PHLCVB also books domestic group tours. Prior to the pandemic, the PHLCVB had 635 meetings, conventions, and sporting events booked, which were expected to result in a total of 3 million attendees consuming 3.6 million room nights. Some of these events have been cancelled, rescheduled, or postponed as a result of COVID-19.

Visit Philadelphia markets Philadelphia domestically, as well as in Canada and Mexico, to promote leisure travel. According to the Visit Philly 2020 Annual Report, from 1997 to 2019, Center City leisure hotel demand grew 331% to 1.1 million room nights. After growing consistently for more than a decade, Tourism Economics projects a 53% decline of leisure demand in 2020 to just over 500,000 room nights (as a result of COVID-19). The Visit Philly 2020 Annual Report includes projections that show leisure travel will recover faster than business and group travel. The report projects leisure demand to recover to 76% of 2019 levels in 2021 and further recover in 2022 to 96% of 2019 levels. Tourism Economics projects that it will take until 2023-2024 for the tourism and hospitality sector in the City to fully recover from COVID-19.

In recent years, Philadelphia has seen an influx in new hotel development, with numerous new developments underway or confirmed prior to the COVID-19 pandemic. Such development in the City has represented over \$1 billion in investment. The number of hotel rooms available in the City in 1993 was 5,613, with occupancy at 65%. In 2019, two major hotels opened – the Four Seasons and Pod Philly – bringing the City's hotel room inventory to 17,279 rooms at year-end, with occupancy at 76.4%. While the

development schedules for some hotel projects have been impacted by COVID-19, hotel projects in the pipeline could increase hotel room inventory by another 1,660 rooms.

Museum and Cultural Centers

Crucial to tourism is the City's robust arts and culture sector. One in three tourists who come to Center City cite museums and cultural events as the primary reason for their visit. Top attractions in Philadelphia include Independence National Park, the Philadelphia Museum of Art, the Philadelphia Zoo, Reading Terminal Market, the Franklin Institute, and Franklin Square, among others.

Organizations like the Philadelphia Museum of Art, the Kimmel Center, FringeArts, and more than 430 smaller cultural organizations throughout the City help improve the quality of life for residents and visitors.

Avenue of the Arts (South Broad Street) Investments

The Avenue of the Arts is located along a mile-long section of South Broad Street between City Hall and Washington Avenue, in the heart of Center City. Reinventing South Broad Street as the Avenue of the Arts, a world class cultural destination, has been a civic goal in Philadelphia for more than two decades. 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 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.

The Benjamin Franklin Parkway

Complementing the Avenue of the Arts theater district developments, the Benjamin Franklin Parkway (the "Parkway") is considered the spine of Philadelphia's museum district. Designed by French architect Jacques Gréber, to emulate the Champs Elysées of Paris, the Parkway opened in 1929. It runs from the area of City Hall to the Philadelphia Museum of Art and is a central public space and tourist attraction. Key Parkway features include Love Park (which has undergone major renovations and was reopened in the spring of 2018), the Philadelphia Museum of Art, the Rodin Museum, the Franklin Institute, The Barnes Foundation, the Free Library of Philadelphia, the Academy of Natural Sciences, the Swann Memorial Fountain, Sister Cities Park, Cathedral Basilica of Saints Peter and Paul on Logan Square, and numerous pieces of public art. In the winter of 2021, the City announced plans to move forward with a long-term plan for a major redesign of the Parkway, from the Art Museum to Logan Circle, to develop a world class public space and improve access for pedestrians and public gatherings. The City expects to select a final design plan by the spring of 2022.

In May 2021, renovations at the Philadelphia Museum of Art were completed. Such renovations came at a cost of more than \$230 million and opened 90,000 square feet of new public space.

The Barnes Foundation, which opened on the Parkway in 2012, has been a welcome addition to the City's impressive roster of arts facilities and has had a significant impact on the City's leisure and hospitality industry. As of 2018, the Barnes has welcomed over 1.8 million visitors from all 50 states and 70 countries. With 18,000 household memberships, it is ranked among the top institutions of its kind in the country.

Historic District

Key to the City's leisure and hospitality growth is the maintenance and investment in the City's extraordinary historic assets. As the birthplace of the country, Philadelphia remains a major tourist destination year-round, particularly the City's Historic District, which includes various museums and cultural centers, as well as such national treasures as the Liberty Bell, Independence Hall, Carpenters' Hall, the Betsy Ross House 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.

The Pennsylvania Convention Center

In 1993, with support from the Commonwealth, the Pennsylvania Convention Center (the "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. In 2014, SMG began managing and operating the Convention Center, instituting a number of measures intended to reduce and control show costs and improve customer service. In 2019, hotel rooms booked related to events taking place at the Convention Center grew by 11% year-over-year.

During the COVID-19 pandemic, the Convention Center was a mass vaccination site in the City as it ramped up its vaccination efforts for Philadelphia residents.

North Broad Street

North Broad Street serves as a main thoroughfare, spanning four miles from City Hall to Germantown Avenue. It is also the long-time home of the Pennsylvania Academy of the Fine Arts (PAFA) and Temple University. The corridor is experiencing revitalization, which includes improvements to the Lenfest Plaza at the Pennsylvania Academy of Fine Arts, the opening of the Aloft Hotel, the re-opening of the Philadelphia Metropolitan Opera House (for performances), the revitalization of the Divine Lorraine (for residential purposes) and the Studebaker Building (for commercial purposes), and much more. Development continues to move north along Broad Street, with significant investment taking place to restore the Beury Building and the Uptown Theater, and to establish the North Station District, a transit-oriented, mixed-use development.

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 the City, the Sports Complex Special Services District, created by the City in 2000.

The South Philadelphia Sports Complex houses three professional sports facilities: The Wells Fargo Center opened in 1996 and is home to the Philadelphia Flyers (National Hockey League) and Philadelphia 76ers (National Basketball Association); Lincoln Financial Field opened in 2003 and is home to the Philadelphia Eagles (National Football League); and Citizens Bank Park opened in 2004 and is home to the Philadelphia Phillies (Major League Baseball). The Phillies and the Eagles are contractually obligated to play in Philadelphia until 2033 and 2034, respectively. Within the South Philadelphia Sports Complex is Xfinity Live!, a sports entertainment and dining complex. For information on casino development in the City and in the area near Xfinity Live!, see "ECONOMIC DEVELOPMENT STRATEGIES AND IMPLEMENTATION – Casinos" herein.

Retail Market, Food and Dining

In the last five years, the City’s retail market has grown substantially, attracting 90 national retailers. While the City’s retail market generates more than \$1 billion in annual retail demand, such figure is expected to increase as more than 1.4 million square feet of retail space is currently under construction.

Market East, an important commercial area between City Hall and the City’s Historic District is experiencing significant development. New developments in Market East represent a \$910 million investment that is creating a continuous shopping and dining experience from Independence Mall to the major Center City convention hotels, just east of City Hall. In late 2019, Fashion District Philadelphia opened to the public. A \$420 million redevelopment project, the Fashion District is a unique retail development offering fashion, dining, entertainment, and arts and culture. The revitalization of this section of the City, containing a major transport hub, is expected to be transformative.

Complementing the rise of retail in Philadelphia, the City has experienced a revival of restaurant establishments, especially in Center City and Greater Center City, indicating an improved quality of life and vibrancy of those neighborhoods. Increased investment in Center City to beautify the area, as well as the City’s support in making the area more welcoming to visitors and diners, has sparked a significant increase in the number of indoor/outdoor dining establishments throughout Center City, which now total over 1,058. During the COVID-19 pandemic, the City implemented an open streets initiative to facilitate outdoor restaurant dining options. Parts of certain streets were closed off to traffic and parking to allow neighborhood restaurants to expand outdoor seating options as they dealt with the COVID-19-related closures.

TRANSPORTATION

Public Transportation

COVID. The COVID-19 pandemic has had an unprecedented impact on the City’s transit system. On an average day before COVID-19, people in the Philadelphia region made over a million trips on public transit to access jobs, shopping, medical appointments, school, and many other destinations. However, transit ridership was declining even before COVID-19. With the pandemic, transit ridership is now at historically low levels both in Philadelphia and across the world. While the City and regional transit agencies expect to continue to invest in the City’s transit system, the economic challenges resulting from COVID-19 have severely reduced available funds for all types of public spending, including investments in transit.

General. 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 (as defined herein) and to the surrounding counties. For more information on SEPTA, see “– Southeastern Pennsylvania Transportation Authority” and APPENDIX A to the PRA POS – “EXPENDITURES OF THE CITY – City Payments to SEPTA.”

A high-speed train line runs from southern New Jersey to Center City and is operated by the Port Authority Transit Corporation (“PATCO”), a subsidiary of the Delaware River Port Authority. On the average weekday, PATCO brings approximately 30,000 riders to Philadelphia.

New Jersey Transit operates 19 different bus routes and the Atlantic City Train Line, all of which serve to connect Philadelphia and New Jersey. On the average weekday, the New Jersey Transit bus routes

bring approximately 4,000 riders to Philadelphia and the Atlantic City Line brings approximately 1,400 riders to Philadelphia.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting the City to other major cities and markets in the United States. According to Amtrak, Philadelphia's 30th Street Station is the third busiest station in the United States. Structural improvements of \$30 million were recently completed to the station, and an additional \$60 million restoration project is awaiting federal approval. SEPTA was recently awarded a \$15 million federal grant towards a \$37 million project to renovate the Market Frankford Line subway entrances at 30th Street, the busiest transit route in the Philadelphia region.

Center City, the City's downtown core, is one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of Interstate 95 ("I-95"); Interstate 676 (the "Vine Street Expressway"), running east-to-west through the CBD between Interstate 76 (the "Schuylkill Expressway") and I-95; and Interstate 476 (the "Blue Route") in suburban Delaware and Montgomery Counties, which connects the Pennsylvania Turnpike and I-95 and connects to the Schuylkill Expressway, which runs to Center City. In addition, more than 100 truck lines serve the Philadelphia area.

The City is served within city limits by numerous private buses and shuttles. These buses and shuttles are operated by apartment complexes, universities, and private companies. These buses and shuttles connect Philadelphians to transit hubs, employment, and residences. A rail line reaches PHL in less than 20 minutes from the City's central business district and connects directly with the commuter rail network and the Pennsylvania Convention Center.

Philadelphia launched the Indego bike share program, sponsored by Independence Blue Cross, in April 2015. The system launched with 600 bicycles and 70 stations throughout the City from Temple University in North Philadelphia to Tasker Street in South Philadelphia and from the Delaware River on the east to 44th Street in West Philadelphia. Indego is the first bike share system in the United States to launch with a cash payment option for members. Over the past five years, the City expanded Indego to 1,400 bicycles and 141 bike share stations, with stations as far north as Diamond Street in North Philadelphia, down to the Navy Yard in South Philadelphia, and from the Delaware River in the east to 48th Street in the west. In 2019, electric-assist bicycles were added to the fleet and proved extremely popular with users – they were used approximately 4 times as often as standard bicycles. Over the course of the year, 742,000 trips were taken.

In 2020, the City of Philadelphia awarded a 10-year concessionaire contract to Bicycle Transit Systems, which is expected to include a significant expansion of the Indego program over the next 5 years with the total system size at completion expected to be 350 stations and 3,500 bicycles with a fleet of approximately 50% electric assist bicycles.

Southeastern Pennsylvania Transportation Authority

SEPTA operates facilities across the PMSA, encompassing approximately 2,200 square miles and serving approximately 4.1 million inhabitants. SEPTA operates service 24 hours a day, seven days a week, 365 days a year. A significant segment of the region relies on SEPTA for public transportation and annual SEPTA ridership totaled more than 292.9 million in Fiscal Year 2019.

SEPTA's operations are accounted for in three separate divisions: City Transit; Regional Rail; and Suburban Transit. The City Transit Division serves the City with a network of 89 subway-elevated, light rail, trackless trolley and bus routes, providing approximately 852,000 unlinked passengers trips per

weekday. The Regional Rail Division serves the City and the local counties with a network of 13 commuter rail lines providing approximately 120,000 passenger trips per weekday.

SEPTA continues to rehabilitate and replace critical infrastructure and systems, such as substations, bridges, and stations. Its long-term capital program includes (i) safety and security enhancements, (ii) modernization of communication, signal equipment, and fare collection systems, (iii) replacement of rail vehicles that have exceeded their useful life, (iv) enhancing accessibility, (v) expanding capacity to address ridership growth, (vi) expanding its fleet of hybrid buses, and (vii) performing vehicle overhauls to optimize vehicle performance.

Airport System

The Airport System serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware, and Maryland. The Airport System consists of the Philadelphia International Airport (“PHL” or the “Airport”) and Northeast Philadelphia Airport (“PNE”).

Philadelphia International Airport

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked the twentieth busiest airport in the United States, serving 33.0 million passengers in calendar year 2019. PHL is located approximately seven miles from Center City on approximately 2,598 acres.

PHL has four runways, consisting of two parallel runways, a crosswind runway, and a commuter runway, as well as interconnecting taxiways. PHL’s terminal facilities consist of seven terminal units, totaling approximately 3.2 million square feet. Such terminal facilities include ticketing areas, passenger and baggage screening areas, passenger hold rooms and other amenities, baggage claim areas, a variety of food, retail and service establishments, and other support areas. PHL also has six active cargo facilities, various support buildings, training areas, an air traffic control tower, a fixed-base operator, corporate hangars, a fueling supply facility, two American Airlines aircraft maintenance hangars, and a first-class office complex.

Outside of the PHL terminal area, there are the following: a 14-story hotel, seven rental car facilities, a cell-phone lot, employee parking lots, and five public parking garages.

The current Airport-Airline Use and Lease Agreement (the “Airline Agreement”) between PHL and the signatory airlines began July 1, 2015 and has a five-year term with options for two one-year extensions. The Airline Agreement has been extended through June 30, 2022.

The Airport currently has 15 airlines that have signed the Airline Agreement. American Airlines is the principal air carrier operating at the Airport, and the Airport serves as a primary hub in American Airlines’ route system. In calendar year 2019, the Airport was American Airlines’ fifth busiest hub and primary transatlantic gateway.

Capital Development. The Airport System’s long-term capital program includes (i) terminal and landside improvements, (ii) airfield improvements, (iii) security and information technology improvements, and (iv) land acquisition and ground transportation improvements, among other things.

PHL has implemented a cargo expansion strategy, which includes the redevelopment of an existing cargo building and expansion of its relationships with other businesses involved in the cargo industry. In June 2021, PHL announced preliminary plans to expand its cargo facility footprint by approximately 135 acres, including approximately 800,000 square feet of new cargo building space and ten wide-body aircraft parking positions. PHL expects that such plan will involve soliciting private tenants to invest in the phased development of the project.

COVID-19. As with all airports in the United States, PHL has been acutely affected by interruptions in travel, reductions in passenger volumes and flights, as well as by the broader economic slowdown resulting from the COVID-19 pandemic.

Passenger Traffic. During the first eight months of Fiscal Year 2020, passenger traffic at the Airport increased by 5.5%. As a result of the COVID-19 pandemic, beginning in March 2020, passenger activity at the Airport decreased substantially. Fiscal Year 2020 enplaned passengers at the Airport were 11.9 million, which represented a 26.4% decrease compared to fiscal year 2019.

The low point for passenger volume at the Airport was April 2020. A modest recovery in passenger activity began in the summer of 2020, with growth stalling in the following fall and winter. Passenger activity increased in April 2021, reaching the highest levels for the Airport in the previous twelve months, as the recovery in demand for air travel began to accelerate.

Airport Operations. Airlines have reduced or suspended service at the Airport during the COVID-19 pandemic. By April 2020, foreign flag airlines Aer Lingus, Air Canada, British Airways, Icelandair, Lufthansa, and Qatar Airways had suspended all services to the Airport. British Airways resumed limited service between September 2020 and January 2021. Published airline schedules indicate British Airways resumed daily service to the Airport in June 2021. Qatar Airways resumed service to the Airport in September 2020, operating an average of four flights per week, as compared to daily service before the COVID-19 pandemic. The resumption of service to the Airport for Aer Lingus, Air Canada, Icelandair, and Lufthansa is not known at this time. All U.S. airlines serving the Airport prior to the pandemic have maintained some level of service, with the exception of Sun Country Airlines which suspended service to the Airport between September 2020 and April 2021. Published airline schedules are subject to change as airlines may delay resumption of service due to reduced demand for passenger travel or restrictions on cross-border travel. The foregoing information is subject to change, as the airline industry continues to recover from the COVID-19 pandemic.

The Airport anticipates airlines will continue to gradually increase capacity on existing routes and restart additional destinations assuming the continuation and/or expansion of existing vaccination programs and growing demand for domestic leisure travel.

Northeast Philadelphia Airport

PNE is located approximately ten miles northeast of Center City on approximately 1,118 acres. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. PNE currently has no scheduled commercial service. There are a variety of hangars (corporate and general aviation) at PNE. The Airport System's long-term capital program includes PNE improvement projects.

Port of Philadelphia

The Port of Philadelphia (the "Port") is located on the Delaware River within the City limits. The Port's facilities are serviced by two Class I railroads (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 four million square feet of warehousing, are located in close proximity to Interstate 95 and Interstate 76. Over 1,600 local general freight trucking companies operate in the MSA.

The Philadelphia Regional Port Authority, or PhilaPort, operates the Port. PhilaPort achieved a 7% increase in container volumes in 2020 and is the fastest growing container port on the East Coast. Such cargo levels represent a decade-long trend of growth for the Port.

The Port is well known for refrigerated cargo, which include grapes, bananas, pineapples, mangos, plantains, blueberries, and asparagus, among other items. This expertise has allowed for the rapid movement of all types of perishable cargo products. In 2020, PhilaPort saw a five-year historic high in forest product cargoes (up 14%), handling 928,000 tons. Containerized forest products were estimated to be 20,000 units. Forest products include packaging materials, lumber for home improvement projects, printing paper, healthcare and safety products, and personal hygiene goods.

In recent years, PhilaPort, along with the U.S. Army Corps of Engineers, completed the Delaware River Main Channel Deepening Project, a long-term project to deepen the main channel of the Delaware River from 40 to 45 feet. Such project was aimed at improving the Port's competitiveness by increasing container and auto capacity at the Port and increasing the Port's ability to handle wood pulp, a food grade commodity.

KEY CITY-RELATED SERVICES AND BUSINESSES

Municipal services provided by the City include: (i) police and fire protection; (ii) health care; (iii) certain welfare programs; (iv) construction and maintenance of local streets, highways, and bridges; (v) trash collection, disposal, and recycling; (vi) provision for recreational programs and facilities; (vii) maintenance and operation of the Water and Wastewater Systems; (viii) acquisition and maintenance of City real and personal property, including vehicles; (ix) maintenance of building codes and regulation of licenses and permits; (x) maintenance of records; (xi) collection of taxes and revenues; (xii) purchase of supplies and equipment; (xiii) construction and maintenance of the Airport System (see "TRANSPORTATION – Airport System"); and (xiv) maintenance of a prison system. Certain of these services are described in more detail below.

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 Department"). The water and wastewater systems are referred to herein individually as the "Water System" and "Wastewater System", respectively.

The Water System service area includes the City and has one wholesale water service contract. Based on the 2020 U.S. Census Bureau estimate, the Water System served 1,584,064 individuals. As of June 30, 2020, the Water System served approximately 490,000 active customer accounts using approximately 3,100 miles of mains and approximately 25,000 fire hydrants.

The City obtains approximately 58% of its water from the Delaware River and the balance from the Schuylkill River. The City is authorized by the Pennsylvania Department of Environmental Protection (the "PaDEP") to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. On September 27, 2016, the PaDEP issued the Water Department a new water allocation permit, which expires on September 27, 2041. Under the new permit, the amount the City is authorized to withdraw from each river has not changed.

Water treatment is provided by the Samuel S. Baxter Water Treatment Plant on the Delaware River and by the Belmont and Queen Lane Water Treatment Plants on the Schuylkill River. The combined rated treatment capacity of these plants under the Water Department's Partnership for Safe Water procedures is 546 MGD. The combined maximum source water withdrawal capacity from the two rivers that supply these plants is 680 MGD. The excess source water capacity enables higher than normal withdrawal from either river should conditions limit withdrawals from one.

The Wastewater System's service area includes the City and ten wholesale wastewater service contracts. Such service area totals 360 square miles, 130 square miles in the City and 230 square miles in suburban areas. Based on the 2020 U.S. Census Bureau estimate, the Wastewater System served 1,584,064 individuals that live in the City and ten wholesale contracts.

As of June 30, 2020, the Wastewater System served approximately 540,000 accounts, including approximately 60,000 stormwater-only accounts and ten wholesale contracts with neighboring municipalities and authorities and one corporation.

The Wastewater System consists of three water pollution control plants, the Northeast, Southwest and Southeast water pollution control plants (the "WPCPs"), 25 wastewater pumping stations, approximately 3,700 miles of sewers, and a privately managed centralized biosolids handling facility. It includes approximately 1,850 miles of combined sewers, 770 miles of sanitary sewers, 750 miles of stormwater sewers, 16 miles of force mains (sanitary and storm), and 330 miles of appurtenant piping. The three WPCPs processed a combined average of 484 MGD of wastewater in Fiscal Year 2020, have a 522 MGD combined average daily design capacity and a peak capacity of 1,059 MGD.

Gas Works

The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW is the largest municipally-owned gas utility in the nation, is responsible for the acquisition and storage of natural gas and is the sole distributor of natural gas within the limits of the City. Such limits also define the service area of PGW which, being the corporate limits of the City, is a mostly dense urban area of 143 square miles located in southeast Pennsylvania along the Delaware River and within the smallest county of the Commonwealth.

PGW is principally a gas distribution utility, with a distribution system of approximately 3,041 miles of gas mains and 476,605 service lines. In addition, PGW operates facilities for the liquefaction, storage, and vaporization of natural gas to supplement gas supply taken directly from interstate pipeline and storage companies. The principal PGW natural gas supply facilities include nine City gate stations, owned in large part by the interstate natural gas pipeline companies serving PGW, and two liquefied natural gas plants owned by the City and operated by PGW.

The City Charter provides for a Gas Commission (the "Gas Commission") to be constituted and appointed in accordance with the provisions of contracts between the City and the operator of PGW as may from time to time be in effect, or, in the absence of a contract, as may be provided by ordinance. The Gas Commission consists of the City Controller, two members appointed by City Council and two members appointed by the Mayor.

PGW's operations are managed by the Philadelphia Facilities Management Corporation ("PFMC"), a Pennsylvania non-profit corporation specifically organized to manage and operate PGW for the benefit of the City. PFMC's responsibilities are set forth in a Management Agreement between the City and PFMC dated December 29, 1972, as subsequently amended ("Management Agreement"), which delegates responsibility for PGW's operation to an executive management team provided by PFMC. Under the

Management Agreement, those responsibilities that are not specifically granted to PFMC are the responsibilities of the Gas Commission, except to the extent preempted by the Pennsylvania Public Utility Commission (the “PUC”) pursuant to the Pennsylvania Natural Gas Choice and Competition Act (the “Gas Choice Act”). The Gas Choice Act made PGW subject to regulation by the PUC effective July 1, 2000, and provides that choice among natural gas suppliers will be provided to PGW’s customers.

For more information on PGW, see APPENDIX A to the PRA POS – “THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Government Services, “PGW PENSION PLAN,” “PGW OTHER POST-EMPLOYMENT BENEFITS,” “EXPENDITURES OF THE CITY – PGW Annual Payments,” and “LITIGATION – PGW.”

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, one of the world’s largest landscaped urban parks at 9,200 acres, 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. Under the Rebuild initiative, which has commenced, it is expected that more than \$400 million will be invested in Philadelphia parks, recreation centers, playgrounds, and libraries.

Libraries

The Free Library of Philadelphia, the City’s public library system, comprises 54 branches (with a variety of digital, computer-based services at certain locations) and an extensive online resource system.

Streets and Sanitation

The Philadelphia Streets Department (the “Streets Department”) and the divisions within it are responsible for the City’s large network of streets and roadways. The City’s pavement condition is considered to be a “Fair” pavement condition. In order for the City to maintain its pavement in a state of good repair, local streets should be repaved once every 20 years and arterials should be repaved once every 10 years. This requires approximately 131 miles of paving every year. The pavement program has accumulated a backlog of approximately 1,100 miles since 1996. As a result of the new funding under Act 89, the Streets Department has funds to address long standing state of good repair needs without an additional allocation from the General Fund. During Fiscal Years 2014-2017, the Streets Department invested in critical equipment replacements and began to implement a strategy to address recurring state of good repair needs. The Streets Department is also emphasizing an objective, data-oriented approach towards strategically addressing roadway conditions throughout the City. New geographical information system (GIS) and global position system (GPS) technology and systems are being used, along with objective assessment tools, to rate and monitor the quality and condition of streets and roadways to prioritize paving plans.

The Streets 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 620,000 tons of rubbish and 20,000 tons of recycling, and works to combat illegal dumping.

Sustainability and Green Initiatives

Mayor Kenney continues the City's commitment to make Philadelphia the greenest and most sustainable city in America. To aid in achieving this goal, the Philadelphia Energy Authority has been tasked with improving energy sustainability and affordability in the City and with educating consumers on their energy choices. Certain energy savings financings have also been undertaken by the Philadelphia Municipal Authority and the Philadelphia Authority for Industrial Development. The City is investing in and evaluating additional options and investing in both green and traditional infrastructure to better manage storm water reclamation and reduce pollution of the City's public waters. There has been extensive investment in creating more and better public green spaces, such as Love Park in Center City, as well as green spaces along both the Delaware and Schuylkill Rivers. Finally, the City has been taking steps to further reduce automobile traffic, congestion and pollution by making Philadelphia's streets increasingly friendly to bicyclists. The City introduced its new bicycle sharing system, Indego, in 2015, as further described in "TRANSPORTATION."

In furtherance of sustainability and green initiatives, in January 2021, Mayor Kenney announced, among other things, that the City hired a Chief Resilience Officer, Saleem Chapman, to oversee the City's preparedness to address climate change issues. For more information on climate change in the City, see *APPENDIX A* to the PRA POS – "*THE GOVERNMENT OF THE CITY OF PHILADELPHIA – Climate Change.*"

APPENDIX D - FORM OF BOND COUNSEL OPINION FOR THE BONDS

November 4, 2021

Re: \$266,980,000, School District of Philadelphia, General Obligation Bonds, Series A of 2021 and
\$49,860,000, School District of Philadelphia, General Obligation Bonds, Series B of 2021 (Green Bonds)

To the Purchasers of the Within-Described Bonds:

We have served as Bond Counsel in connection with the issuance by The School District of Philadelphia ("School District") of \$266,980,000, aggregate principal amount, The School District of Philadelphia, General Obligation Bonds, Series A of 2021 ("Series A Bonds") and \$49,860,000, School District of Philadelphia, General Obligation Bonds, Series B of 2021 (Green Bonds) ("Series B Bonds" and, together with the Series A Bonds, the "Bonds"). The Bonds are issued pursuant to the Local Government Unit Debt Act, 53 Pa. C.S.A. §§ 8001 et seq. ("Act"), and an authorizing resolution duly adopted on October 7, 2021 ("Resolution"), by the Board of Education of the School District ("Board").

The Series A Bonds are being issued by the School District for the purpose of (i) financing a portion of the costs of the Capital Project (as defined in the Resolution); and (ii) paying the costs of issuance of the Series A Bonds. The Series B Bonds are being issued by the School District for the purpose of (i) financing a portion of the costs of the Capital Project which are designed to be environmentally beneficial by reducing energy usage in School District buildings; and (ii) paying the costs of issuance of the Series B Bonds.

As Bond Counsel for the School District, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania ("Commonwealth"); (b) the relevant provisions of the Public School Code of 1949, as amended; (c) the Act; (d) the Debt Statement of the School District filed with the Pennsylvania Department of Community and Economic Development ("Department"); (e) the proceedings of the Board with respect to the authorization, issuance and sale of the Bonds; and (f) certain statements, certifications, affidavits and other agreements and documents and matters of law which we have considered relevant, including, without limitation, a certification of officials of the School District having responsibility for the issuance of the Bonds ("Tax Compliance Certificate"), given pursuant to the Internal Revenue Code of 1986, as amended ("Code"), and the other documents and instruments listed on the Closing Agenda in respect of the Bonds dated the date hereof (the "Closing Agenda"). We have also examined a fully executed and authenticated Bond of each series and we assume all other Bonds of such series are in such form and are similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied upon the opinion of the General Counsel to the School District of even date herewith as to the absence of any litigation or other challenge to actions taken by the School District in connection with the authorization, issuance and sale of the Bonds and other matters incident to, inter alia, the execution and delivery by the School District of the Bonds, and such other documentation as the School District or officers thereof, were required to execute in connection with the issuance of the Bonds.

Except with respect to paragraph 6 below, our opinion is given only with respect to the laws of the Commonwealth as enacted and construed on the date hereof.

On the basis of the foregoing, we are of the opinion that:

1. The School District is authorized under the provisions of the Constitution and laws of the Commonwealth to issue the Bonds for the purposes therein set forth; the School District has duly authorized the issuance thereof and the Department has duly approved such issuance.

2. The present net non-electoral debt of the School District (including the debt evidenced by the Bonds) and the present net lease rental debt of the School District do not exceed the limitations imposed by the Act.

3. The School District has established sinking funds for the Bonds with U.S. Bank National Association, as paying agent, registrar, transfer agent and sinking fund depository ("Fiscal Agent"), and has covenanted to deposit into the sinking fund amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and to apply the amounts so deposited to the payment of such principal and interest.

4. The School District has effectively covenanted (i) to include the amount of debt service for the Bonds for each fiscal year in which such sums are due and payable in its budget for that year, (ii) to appropriate such amounts from its general revenues for the payment of such debt service, and (iii) to duly and punctually pay, or cause to be paid, from the sinking funds or any other of its revenues or funds, the principal of and the interest on the Bonds on the dates and in the places and in the manner stated in the Bonds according to the true intent and meaning thereof; for such budgeting, appropriation and payment the School District has pledged, with respect to the Bonds, its full faith, credit and taxing power.

5. The Bonds have been duly authorized, executed, authenticated, issued and delivered, and are the legal, valid and binding general obligations of the School District, payable from the revenues of the School District from whatever source derived, which revenues at the time of the issuance and sale of the Bonds include (within the limits prescribed by law) ad valorem taxes levied upon all the taxable property within the School District, and are enforceable in accordance with the terms thereof, except as enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code.

In rendering this opinion, we have assumed compliance by the School District with its covenants contained in the Resolution and the representations in the Tax Compliance Certificate relating to actions to be taken or caused to be taken by the School District after the issuance of the Bonds necessary to effect or maintain the exclusion from federal gross income of the interest on the Bonds. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

7. Under the laws of the Commonwealth, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

We express no opinion on any matter not set forth in the numbered paragraphs herein. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect any changes in fact or law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion herein with respect to and assume no responsibility for, the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement (as such terms are defined in the Closing Agenda) prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this 4th day of November 2021, by and between The School District of Philadelphia (the “School District”), and Digital Assurance Certification, LLC, as dissemination agent (the “Dissemination Agent”) in connection with the issuance and sale by the School District of \$316,840,000 School District of Philadelphia General Obligation Bonds, Series of 2021, consisting of \$266,980,000 General Obligation Bonds, Series A of 2021 (the “Series A Bonds”), and \$49,860,000 General Obligation Bonds, Series B of 2021 (Green Bonds) (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”). The Bonds are being issued by the School District pursuant to (i) the Local Government Unit Debt Act, 53 Pa.C.S. §§8001 et seq. (the “Act”); and (ii) a Resolution of the Board of Education of the School District (the “Board of Education”) adopted on October 7, 2021 (the “Resolution”).

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 otherwise requires) terms used as defined terms in the recitals hereto shall have the same meanings throughout this Disclosure Agreement and, in addition, the following terms shall have the meanings specified below:

“Annual Financial Information” means annual financial and operating data of the School District of the nature contained in the sections captioned “School District Financial Procedures” and “School District Operations” and in the charts captioned “The School District of Philadelphia Local Tax Revenues,” “The School District of Philadelphia Real Estate Tax Levies and Collections,” “Local Tax Revenues Subject to the Daily Deposit Covenant by Month,” and “Assessed and Estimated Actual Market Value of Taxable Real Estate” in Appendix A annexed to the Official Statement of the School District relating to the Bonds, dated October 7, 2021. The Annual Financial Information will be included in and will be submitted in the form of the School District’s Comprehensive Annual Financial Report (“CAFR”). 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 Governmental Accounting Standards Board.

“Business Day” means any day other than a Saturday, Sunday or a day on which the School District or the Dissemination Agent is authorized or required by law, executive order or contract to remain closed.

“Disclosure Representative” means the Chief Financial Officer of the School District, which shall include any individual serving in an interim or acting capacity, or such other official or employee of the School District as the Chief Financial Officer shall designate in writing to the Dissemination Agent.

“EMMA” is the Electronic Municipal Market Access System maintained by the MSRB at <http://emma.msrb.org>, which serves as the sole nationally recognized municipal securities information repository under the Rule.

“Financial Obligation” shall mean (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of either (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Agent” shall mean U.S. Bank National Association, as Fiscal Agent for the Bonds pursuant to that certain Fiscal Agent Agreement, dated July 9, 2020, as amended, between the School District and U.S. Bank National Association.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriters” means any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase and reoffering of the Bonds.

“Registered Owner or Owners” mean the person or persons in whose name a Bond is registered on the books of the School District kept by the Fiscal Agent for that purpose in accordance with the Resolution 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 Fiscal Agent for the purposes of receiving notices or giving direction under this Disclosure Agreement.

“Rule” means 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” means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Resolution.

All words and terms used in this Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Resolution, if defined therein.

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Section 2. Authorization and Purpose of Disclosure Agreement.

This Disclosure Agreement is authorized to be executed and delivered by the School District pursuant to the Resolution in order to assist the Participating Underwriters in complying with their obligations under the Rule.

Section 3. Annual Financial Information.

Within 240 days of the close of each fiscal year of the School District, commencing with the fiscal year ending June 30, 2021, the Disclosure Representative shall file with the Dissemination Agent Annual Financial Information for such fiscal year. The Dissemination Agent shall promptly upon receipt thereof file the Annual Financial Information with the MSRB via EMMA. The Annual Financial Information will be in the form of the CAFR and will contain unaudited financial statements if audited financial statements are not available. As soon as audited financial statements for the School District are available, commencing with the audited financial statements for the fiscal year ending June 30, 2021, 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 via EMMA.

If the Dissemination Agent has not received the Annual Financial Information by 12:00 noon (Philadelphia Time) on the first business day following the filing date therefor, a Failure to File Event shall have occurred and the School District irrevocably directs the Dissemination Agent to immediately send a Failure to File Event notice to the MSRB via EMMA of such failure.

Section 4. Reportable Events.

(a) The School District 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 via EMMA, notice of any of the following events with respect to the Notes within the meaning of the Rule (each, a “Reportable Event”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (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;
- (7) modifications to rights of holders of the Bonds, if material;

- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership, or similar proceeding of the School District;¹
- (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, 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;
- (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties.

The sixteen (16) Reportable Events listed in this Section 4(a) are quoted directly from the Rule.

(b) Whenever the School District concludes that a Reportable Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Reportable Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB via EMMA. Upon receipt, the Dissemination Agent shall promptly file such notice with the MSRB via EMMA.

¹ This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been 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 obligated person.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in Sections 4(a)(1), 4(a)(8) or 4(a)(9), notify the Disclosure Representative of the occurrence of such event and shall, within three (3) Business Days of giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB via EMMA, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event listed in Section 4(a) above is not material within the meaning of the Rule.

(d) The Dissemination Agent shall provide confirmation of filing for each notice delivered pursuant to Sections 4(a) hereunder. Such confirmation shall include the date and hour of receipt of such filing by the MSRB and shall be delivered to the School District no later than three (3) Business Days following the date of filing of each such notice by the Dissemination Agent.

Section 5. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the School District and the Dissemination Agent may amend this 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:

- (1) the amendment or waiver is made 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 School District or the governmental operations conducted by the School District;
- (2) 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
- (3) 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 School District and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(1), (2), and (3) 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 the MSRB via EMMA. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner (including owners of book-entry credits in the Notes who have filed their names and addresses with the Dissemination Agent).

Section 6. Other Information; Duties Under the Resolution.

(a) Nothing in this Disclosure Agreement shall preclude the School District from disseminating any other information with respect to the School District or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the notices of Reportable Events specifically provided for herein, nor shall the School District be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the School District 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 School District shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners or the MSRB.

(c) The School District and the Dissemination Agent will make any and all filings with the MSRB via EMMA in an electronic format and accompanied by identifying information, in each case as prescribed by the MSRB.

Section 7. Default.

(a) In the event that the School District or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Notes shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the School District or the Dissemination Agent, as applicable, 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 the Notes 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 its fees and expenses (including, without limitation, attorneys' fees and expenses) satisfactory to it.

(b) A default under this Disclosure Agreement shall not be or be deemed to be a default under the Notes, the Resolution, the Act or the Public School Code of 1949, as amended, and the sole remedy in the event of a failure by the School District or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in clause (a) above.

Section 8. Concerning the Dissemination Agent.

(a) 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 School District or any other person for actions taken hereunder, except for its own willful misconduct or negligence. None of the provisions contained in this Agreement shall require the Dissemination Agent to use or advance its own funds in the performance of any of its duties or the exercise of any of its rights or powers hereunder.

(b) The School District 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 School District. To the extent permitted by law, the School District will reimburse the Dissemination Agent for claims, damages, fines, penalties and expenses, including reasonable and actual out-of-pocket expenses, including reasonable legal fees and expenses, and the allocated costs and expenses of in-house counsel (to the extent not covered by the Dissemination Agent's fees and expenses referred to in the preceding sentence hereof) (collectively, "Expenses") that are imposed on or are incurred by the Dissemination Agent for following any instructions or directions upon which the Dissemination Agent is authorized to rely hereunder. In addition, to the extent permitted by law, the School District agrees to reimburse the Dissemination Agent for Expenses imposed on or incurred by the Dissemination Agent in connection with or arising out of the Dissemination Agent's performance under this Disclosure Agreement; provided that the Dissemination Agent has not acted with negligence or engaged in willful misconduct. The provisions of this paragraph shall survive termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, 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. Except as provided in the last paragraph of Section 3 and in Section 4(c) hereof, it is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the School District. Except as provided in the last paragraph of Section 3 and in Section 4(c) hereof, the Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement, and has no liability to any person, including any holder of Notes, with respect to the content of any such reports, notices or disclosures.

(d) The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the School District and shall not be deemed to be acting in any fiduciary capacity for the School District, the holders of the Notes or any other party.

Section 9. Term of Disclosure Agreement.

This Disclosure Agreement shall terminate (1) upon payment or provision for payment in full of the Bonds, or (2) upon repeal or rescission of Section (b)(5) of the Rule, or (3) upon 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 School District, 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 telecopy or electronic means with confirmation of receipt, addressed:

- (a) To the Dissemination Agent at:

Digital Assurance Certification, LLC
315 East Robinson Street, Suite 300
Orlando, FL 32801
Telecopy No: (407) 515-6513

- (b) To the School District or the Disclosure Representative at:

The School District of Philadelphia
440 N. Broad Street - 3rd Floor
Philadelphia, PA 19130
Attention: Chief Financial Officer
Telecopy No: (215) 400-4581
Email: umonson@philasd.org

- (c) To the MSRB at:

<http://emma.msrb.org>

Section 12. No 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 Board of Education or the School District (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the Board of Education or the School District 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 Dissemination Agent.

The Dissemination Agent may be removed at any time by resolution of the School District. The Dissemination Agent may resign and be discharged of its duties as Dissemination Agent hereunder by written resignation filed with the Disclosure Representative.

Section 15. Successors and Assigns.

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the School District 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 School District 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.

Section 19. Effective Date.

This Disclosure Agreement shall be effective as of the date hereof.

IN WITNESS WHEREOF, THE SCHOOL DISTRICT OF PHILADELPHIA has caused this Disclosure Agreement to be executed by its Chief Financial Officer and DIGITAL ASSURANCE CERTIFICATION, LLC, has caused this Disclosure Agreement to be executed by one of its authorized officers, all as of the day and year first above written.

THE SCHOOL DISTRICT OF PHILADELPHIA

By: _____
Uri Monson
Chief Financial Officer

DIGITAL ASSURANCE CERTIFICATION, LLC,
as Dissemination Agent

By: _____
Authorized Officer

APPENDIX F - BOOK-ENTRY-ONLY SYSTEM

The information in this APPENDIX F has been obtained from The Depository Trust Company (“DTC”), New York, New York for such purpose. The School District and the Underwriters do not assume any responsibility for the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not a representation of the School District or the Underwriters.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 series, maturity and interest rate of the Bonds, each in the aggregate principal amount of such series, maturity and interest rate, and will be deposited with DTC or pursuant to its instructions.

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 provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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 DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all 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 a Standard & Poor’s rating of 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Owner entered into the transaction. Transfers of ownership interests in the 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the 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 School District or the Fiscal 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 Bonds 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, the School District or the Fiscal 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 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of School District or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined herein) will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

THE SCHOOL DISTRICT AND THE FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF, OR INTEREST ON THE BONDS, (2) CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN THE BONDS, OR (3) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE SCHOOL DISTRICT NOR THE FISCAL AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE FISCAL AGENT AS BEING A BONDHOLDER WITH RESPECT TO (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE BONDS.

The School District may determine to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be prepared and delivered as described in the Resolution.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the Holders, holders, owners or registered owners of such Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

In the event that the Book-Entry-Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply: (i) Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate in other authorized denominations, upon surrender thereof at the designated corporate trust office of the Fiscal Agent; (ii) the transfer of any Bonds may be registered on the books maintained by the Fiscal Agent for such purpose only upon the surrender thereof to the Fiscal Agent together with a duly executed assignment in form satisfactory to the School District and the Fiscal Agent; and (iii) for every exchange or registration or transfer of Bonds, the Fiscal Agent may impose a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or registration or transfer of the Bonds.

APPENDIX G – DESCRIPTION OF GREEN PROJECTS

GESA-1 Upgrades

The capital improvements that are expected to be undertaken in connection with the Green Projects as part of GESA-1 consist of one or more of the following types of upgrades at the School District buildings identified below:

- (i) comprehensive HVAC modernization and new controls;
- (ii) recommissioning and upgrades to energy management systems;
- (iii) electrical infrastructure improvements and full air conditioning installations;
- (iv) new intelligent lighting systems; and
- (v) water and building insulation improvements.

Location of Remaining Green Projects to Completed in GESA-1

Science Leadership Academy (SLA) at Beeber

Mary M. Bethune Elementary School

Joseph H. Brown Elementary School

Laura H. Carnell Elementary School

Feltonville School of Arts & Sciences

Juniata Park Academy Elementary School

Frances E. Willard Elementary School

Aloysius L. FitzPatrick Elementary School

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