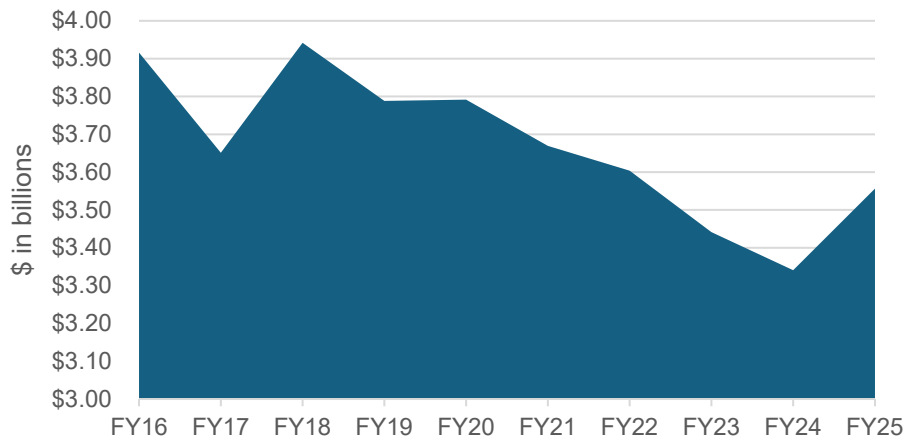


Digging Into (and Out of) Debt

Did you know that the City of Philadelphia had less outstanding debt at the end of Fiscal Year 2025 (June 2025) than it did a decade earlier? Even with new borrowings for affordable housing and home repair, a new Police HQ, a citywide streetlighting revamp, and improvements to city buildings and infrastructure, Philadelphia’s outstanding debt shrunk by about nine percent, from \$3.92 billion in FY16 to \$3.56 billion in FY25 for borrowing supported by the General Fund. To repay Philadelphia’s outstanding principal at the close of FY25, each Philadelphian would need to chip in about \$2,260.

General Fund-supported debt trended down over the past decade despite growth in FY25.



Although the City took on new debt during those years, it made significant progress in paying off earlier borrowings, including (finally) paying off debt incurred to get out of a fiscal crisis in the early 1990s, making the last, small payment for Veterans Stadium in FY20 (more than 15 years after the Vet closed), and repaying almost \$400 million borrowed to shore up the City’s underfunded pension system.

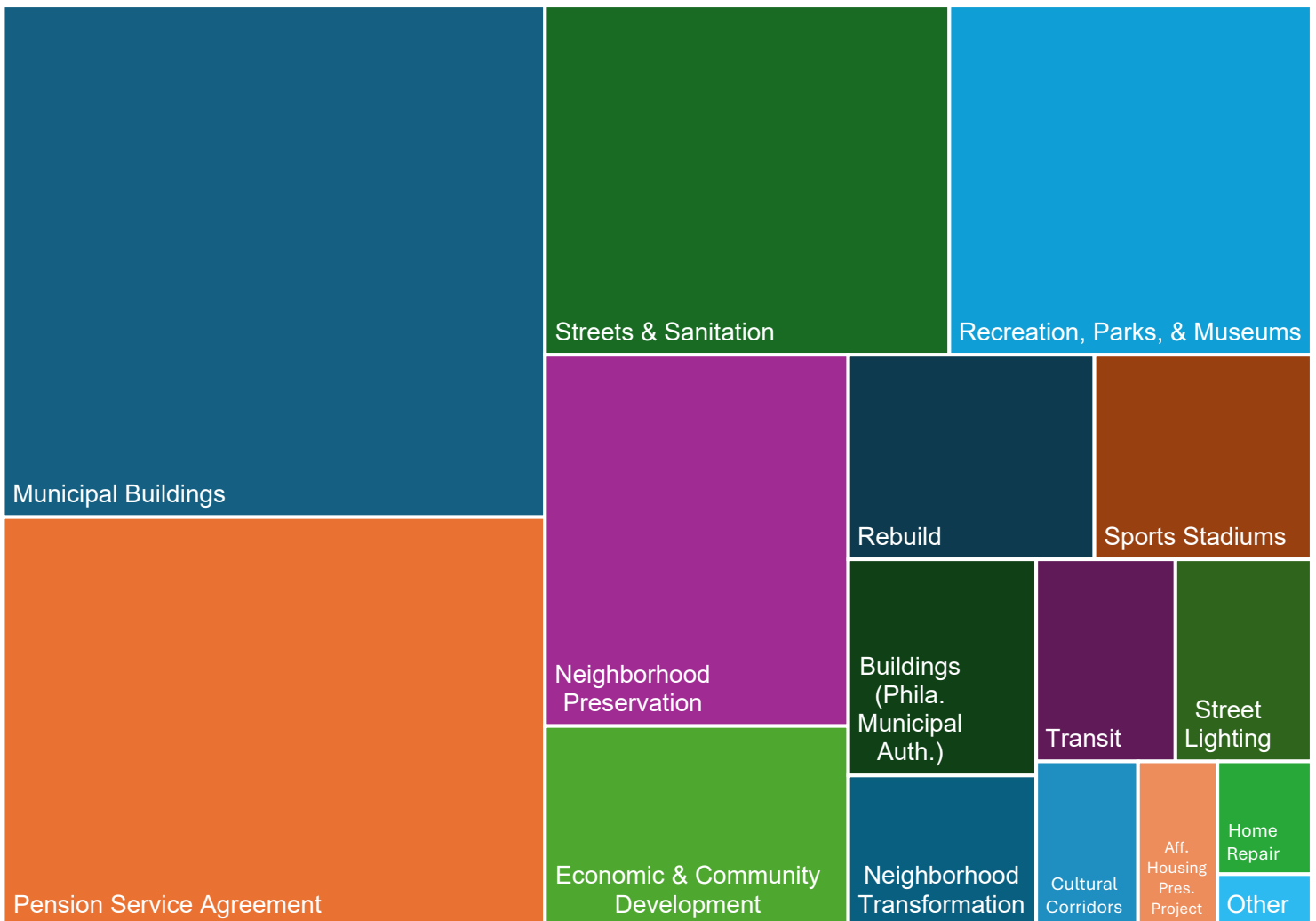
Understanding what we owe and why, even for money borrowed decades ago, can explain the choices and constraints in present day operating budgets and inform future decisions about how much debt to issue and for what.

What We Borrow For

The City borrows money for a variety of purposes and uses different financing vehicles. To issue debt, the City must receive approval from City Council to issue bonds for specific uses and amounts. As part of the capital budgeting process, the

City typically borrows for recurring infrastructure needs including streets and sanitation, municipal buildings, and parks. Borrowings that are done directly by the City and repaid using any of the City’s resources related to the General Fund are called General Obligation bonds. The City can also opt to borrow through related entities, including the Philadelphia Redevelopment Authority, the Philadelphia Municipal Authority, and the Pennsylvania Intergovernmental Cooperation Authority. This option is used for more targeted projects, and the City enters into service agreements to make mandatory payments to those entities from the General Fund so that they can repay the debt. Although not covered here, the City also borrows for its enterprise funds, such as the Aviation and Water Funds, and uses their dedicated revenue streams for repayment.

Outstanding General Fund-supported Debt in FY25 was concentrated in Municipal Buildings, Pensions, Streets/Sanitation, and Parks/Recreation/Museums.



Although the amount of outstanding debt has declined over the past decade, total General Fund-supported debt grew by \$215.6 million in FY25 (6.5 percent). The largest increase in debt in FY25 was \$141.6 million for the Neighborhood Preservation Initiative. FY25 also reflected increased outstanding debt related to standard Capital Budget categories, including increases of:

- \$85.0 million for Streets & Sanitation
- \$82.8 million for Municipal Buildings
- \$63.3 million for Recreation, Parks, & Museums
- \$21.4 million for Transit

The growth in outstanding debt was partially offset by paying down funds owed in categories including:

- \$111.1 million for Pension Obligation Bonds
- \$18.5 million for Sports Stadiums
- \$16.7 million for the Neighborhood Transformation Initiative
- \$7.2 million for Rebuild

Why We Borrow

The simple reason governments borrow is that they do not have the upfront cash to get everything the community wants or needs (which can include maintaining some funds in reserve for the unexpected). It is best practice to only borrow for things that will be beneficial for at least as long as it takes to repay the money. This is a form of intergenerational equity – ensuring that the burden of repayment is spread across those that will benefit from the investment. For example, Philadelphians a decade from now shouldn't have to pay for snow plowing overtime for this year's blizzards but could reasonably be asked to contribute to repayment for heavy equipment bought today but used for many snow seasons to come.

Per the Commonwealth of Pennsylvania's constitutional requirements, the amount the City can borrow is capped. The City can only issue debt up to 13.5 percent of the average assessed value of taxable real estate over the preceding ten years (\$18.34 billion in FY25, about ten times current outstanding debt). Because that would be a very large amount of outstanding debt with annual debt service requirements that could squeeze out nearly all other discretionary spending and/or require local taxes, the City of Philadelphia has a local [debt policy](#) that limits tax-supported debt service (plus Convention Center and Eagles Stadium obligations) to seven percent of General Fund spending (or 20.0 percent if you add in all pension costs, another long-term obligation of the City).

Who We Borrow From

While smaller communities may be able to turn to individuals or local banks to meet their borrowing needs, the scale of the City of Philadelphia's financing needs is much larger. The City typically works with large investment banks (underwriters) to issue bonds through a negotiated sale, like JPMorgan or Morgan Stanley, where the underwriter sells bonds to a variety of buyers, including other banks, separately managed accounts (SMAs), hedge funds, pension funds, insurance companies and retail (individual) investors. Those investors are entitled to repayment with interest but get no say in the operations of the City government. How much interest the City must pay is determined by a process influenced by supply and demand as well as how confident investors are that they will receive their principal and interest payments on time. The degree of confidence can be expressed in a bond rating given by a rating agency that has reviewed the City's track record, plans for the future, and its economic, political, and legal context. Philadelphia's bond ratings improved over the last decade as the City built up reserves, made progress with the Pension Fund, and offered plans to reduce operating deficits (and often achieved operating surpluses), but factors including higher-than-average unemployment and poverty have kept Philadelphia's ratings lower and interest rates higher than most other big cities in the United States.

Looking Ahead

From FY26 through FY30, the City of Philadelphia expects to pay about \$450 million each year from the General Fund to repay past debts (this includes a \$230 million balloon payment in FY29 related to Pensions). This is a significant share of the General Fund, around seven percent annually through FY29, before dropping to 4.5 percent of obligations in FY30. For comparison, annual debt service is more than the combined operating budgets for libraries, parks and recreation, homeless services, and sanitation. As the City moves forward with borrowing hundreds of millions for housing initiatives and continues to issue debt for maintaining infrastructure and facilities, striking the right balance between making investments in infrastructure and other items expected to yield benefits over many years and maintaining flexibility in near-term operating budgets is essential to continued and improving fiscal health.

About this Report

Data about outstanding City of Philadelphia debt comes from [Annual Reports on Bonded Indebtedness](#).

Appendix: Outstanding General Fund-supported Debt FY16-25

General Fund & PICA Supported Debt (in \$000s)		FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
GO Debt	Transit	\$68,331	\$65,176	\$68,720	\$64,466	\$68,919	\$65,409	\$70,415	\$65,991	\$61,366	\$82,806
GO Debt	Streets & Sanitation	\$302,743	\$288,998	\$329,070	\$310,208	\$342,998	\$326,085	\$375,664	\$354,027	\$331,426	\$416,443
GO Debt	Municipal Buildings	\$601,954	\$572,158	\$664,554	\$623,777	\$755,430	\$718,686	\$829,588	\$783,178	\$734,674	\$817,504
GO Debt	Recreation, Parks, & Museums	\$346,090	\$328,888	\$344,485	\$321,481	\$351,263	\$332,024	\$355,887	\$333,338	\$309,771	\$373,040
GO Debt	Economic & Community Development	\$183,610	\$174,134	\$200,977	\$186,699	\$204,576	\$193,332	\$209,606	\$196,156	\$182,073	\$180,085
GO Debt	Harbor Improvements	\$1,973	\$1,629	\$1,330	\$1,015	\$516	\$197				
GO Debt	Vet Stadium	\$3	\$3	\$2	\$2	\$1					
PMA	Buildings (PMA)	\$217,080	\$195,495	\$166,815	\$152,965	\$148,105	\$142,960	\$137,570	\$131,935	\$126,020	\$119,805
PMA	Equipment Lease (PMA)	\$8,693	\$4,429								
PICA	Financial Assistance	\$266,095	\$213,945	\$168,505	\$129,745	\$56,075	\$33,955	\$10,870			
PAID	Library	\$6,160	\$5,570	\$4,955	\$4,320	\$3,670	\$2,990	\$2,285			
PAID	Pension Service Agreement	\$1,297,219	\$1,227,005	\$1,152,082	\$1,072,121	\$986,766	\$1,025,841	\$961,303	\$873,289	\$766,793	\$655,673
PAID	Sports Stadiums	\$276,515	\$262,830	\$248,780	\$234,280	\$215,270	\$200,120	\$183,995	\$167,110	\$149,430	\$130,915
PRA	Neighborhood Transformation	\$182,415	\$174,670	\$166,535	\$196,755	\$185,150	\$172,990	\$258,795	\$340,875	\$100,900	\$84,175
PAID	Cultural Corridors	\$93,585	\$89,205	\$85,015	\$80,655	\$76,115	\$71,370	\$66,380	\$61,135	\$55,620	\$49,820
PAID	Central Library								\$1,555	\$795	
PAID	Affordable Housing Preservation Project			\$52,910	\$51,150	\$49,325	\$47,430	\$45,445	\$43,360	\$41,165	\$38,860
PRA	Home Repair									\$32,840	\$31,295
PAID	Rebuild				\$79,460	\$76,635	\$73,670	\$70,555	\$67,285	\$155,600	\$148,335
PAID	Museum of Art			\$10,310	\$9,905	\$9,580	\$9,240	\$8,885	\$8,510	\$8,115	\$7,700
PAID	One Parkway Building	\$34,645	\$32,165	\$27,550	\$24,825	\$22,225	\$19,495	\$16,630	\$13,615	\$10,455	\$7,040
PAID	Capital Lease - Police HQ			\$249,325	\$244,239	\$238,969	\$233,453				
PRA	Neighborhood Preservation									\$190,095	\$331,680
PEA	Street Lighting									\$83,525	\$81,040
PAID	School District	\$29,105	\$14,680								
TOTAL		\$3,916,216	\$3,650,980	\$3,941,920	\$3,788,068	\$3,791,588	\$3,669,247	\$3,603,873	\$3,441,359	\$3,340,663	\$3,556,216

Source: Annual Report of Bonded Indebtedness – Exhibit A-1 (FY16-FY25)