FYP 2017-2021

PICA Staff Report
Five-Year Financial Plan
City of Philadelphia
Fiscal Years 2017-2021

August 2016

Pennsylvania Intergovernmental Cooperation Authority

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Executive Summary

Based on a thorough analysis of the Plan and examination of PICA Act criteria and legislative intent, PICA staff recommends approval of the FY2017-FY2021 Five Year Financial Plan. The following reasons present the rationale for approval:

- Revenue and expenditure projections, as presented in the Plan, are "based on reasonable and appropriate assumptions and methods of estimation," which are "consistently applied," as required by the PICA Act. In addition, the preliminary revenue results for FY16 suggest another year of solid performance for most taxes. The City's revenue projections are realistic and have consistently been outperformed by actual collections in recent years. Although the risk of another recession exists, PICA feels confident that the City and its consultant are effectively monitoring tax performance in a way that will allow adjustment to changes in economic growth.

- The City is continuing to manifest signs of continued economic expansion since the end of the recession. Unemployement levels have reached pre-recession levels, and median income has also recovered. Furthermore, City debt as a percentage of personal income has declined below pre-recession levels.

- Currently, there are no unresolved labor contracts, making expenses relatively predictable, especially for the beginning of the Plan period. However, some contracts are set to expire in the coming year. With that awareness, the City has set aside $328 million in the labor reserve to fund upcoming costs, in addition to costs for two major contracts that were just recently resolved with IAFF and DC33. However, The Plan does not cover all potential expenses for all unions for the next five years. The aggregate and potential cost for all unions is significant enough to present a risk, although the City has set aside a larger reserve than usual in this Plan.

- The City has committed to implementing program-based budgeting, which will help to analyze the costs and impact of some of its programs. This initiative, together with the creation of the Office of the Chief Administrative Officer, will facilitate a level of introspection that will help the City to assess costs and potential efficiencies in a more in-depth manner.

- PICA staff is encouraged by the City's efforts to move in the direction of higher fund balances, which is evidenced by its setting aside higher fund balances in this Plan than in recent years. However, PICA continues to advocate for allocating funds to the Budget Stabilization Reserve. Funding the Reserve is key to ensuring financial health for the City of Philadelphia.

- Through the current Plan, the City has displayed a desire to address overtime spending, which has historically been a problematic area, sometimes exhibiting unpredictable growth. Departments with projected savings in this area have shared plans with PICA on lowering costs; however, PICA would like to see this process become more streamlined, thorough, and consistent.

- Preliminary investment results for FY16 suggest that the pension fund experienced far lower than expected returns this past fiscal year. PICA has expressed consistent concern over some of the pension fund's assumptions, particularly the assumed rate of investment return, which is currently at 7.75 percent. In addressing this underlying risk, the Pension Board is continuing to apply its prudent strategy of lowering the expected rate of return. However, until the assumed rate reaches a regularly-achievable level, projections in the Plan will be subject to revisions from experience losses. Similar to many municipalities around the country, Philadelphia is facing substantial challenges with regard to its unfunded liability, which is very high, especially as compared to other large cities in the country.

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I. Introduction

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The PICA Act Criteria

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") is mandated with assessing the strength of the City's annual Five Year Financial Plan (the "Plan"). The framework for evaluating the Plan is provided by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class ("PICA Act").

The City of Philadelphia's FY2017-FY2021 Five-Year Financial Plan (Plan) was submitted to PICA on August 8, 2016. The Plan was retracted and modified after its initial submission on June 28, due to an IAFF arbitration award and a collective bargaining agreement with AFSCME District Council 33 (DC33), which together necessitated reformulation of the Plan to incorporate ensuing costs. This report will give an overview of the Plan, discuss potential risks, analyze projections, address spending, assess indicators of financial health, as well as comment on several areas impacting the city's future.

Legislative Intent

PICA was established for the main purposes of facilitating financial stability, helping to "achieve and maintain access to capital markets," eliminating deficits, and promoting "sound budgetary practices."[1] In pursuing these goals, the PICA Act grants the Authority the ability to "make recommendations to an assisted city concerning its budgetary and fiscal affairs." In the section of the Act dedicated to legislative intent, the statute states that the Commonwealth created PICA based on its public policy interests to "foster the fiscal integrity of cities of the first class... and provide for proper financial planning procedures and budgeting practices." In a discussion of sound financial planning and budgetary practices, the Act "charge[s]" Philadelphia with the "responsibility to exercise efficient and accountable fiscal practices," including: managerial accountability, consolidation/elimination of inefficient city programs, recertification of tax-exempt properties, increased collection of existing taxes, privatization of services, sale of city assets, improvement of procurement and competitive bidding practices, and review of compensation and benefits of city employees.

With these guiding principles in mind, PICA evaluates the Plan for reasonability and soundness. A key provision of the Act reads: "All revenue and expenditures in a financial plan shall be based on reasonable and appropriate assumptions and methods of estimation, all such assumptions and methods to be consistently applied."

The legislative intent, evident throughout the Act, includes assuring that the City is prepared to manage not only the fiscal pressure Philadelphia was experiencing at the time PICA was established, but also to avert such potential situations in the future and safeguard against their consequences. In addition to evaluating assumptions, therefore, it is also important to consider the significance of a reserve fund, as well as strategic planning to control costs and maximize efficiency. PICA has consistently advocated for both. Although the City has displayed a willingness to make improvements in these areas through the reserve fund legislation passed by Council and increased attention to strategic planning initiatives, the approach to both needs to become more institutionalized and integrated into the budgeting process.

[1] Act of June 5, 1991, Pub. L. No. 9, 53 Pa. Stat. Ann. § 12720.203(a)-(b).

Table 1.1. PICA Act Criteria and Compliance		
PICA Act Provision	*PICA Act Text*	*Compliance*
Section 209(2)(i)	Eliminate any projected deficit for the current fiscal year and for subsequent fiscal years	Yes
Section 209(2)(ii)	Restore to special fund accounts money from those accounts used for purposes other than those specifically authorized	Yes
Section 209(2)(iii)	Balance the current fiscal year budget and subsequent budgets in the financial plan through sound budgetary practices, including but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of these steps	In Progress
Section 209(2)(iv)	Provide procedures to avoid a fiscal emergency condition in the future	In Progress
Section 209(2)(v)	Enhance the ability of the city to regain access to the short-term and long-term credit markets."	Yes
Source: Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class ("PICA Act")		

Evaluating Overall Plan Viability

The PICA Act states: "The financial plan shall include….[p]lan components that will: (i) eliminate any projected deficit for the current fiscal year and for subsequent fiscal years; (ii) restore to special fund accounts money from those accounts used for purposes other than those specifically authorized; (iii) balance the current fiscal year budget and subsequent budgets in the financial plan through sound budgetary practices, including but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of these steps; (iv) provide procedures to avoid a fiscal emergency condition in the future; and (v) enhance the ability of the city to regain access to the short-term and long-term credit markets."[2]

PICA staff use these statutory criteria as a baseline for assessing the Plan. These are minimal requirements that the Five-Year Financial Plan must meet to gain PICA approval.

The discussion below summarizes our assessment of the FY17-FY21 Plan's adherence to these requirements.

Eliminating Deficits. The Plan projects positive end-of-year General Fund balances for the current fiscal year, FY16, and for the five subsequent fiscal years, FY17 through FY21, thus meeting the criterion of PICA Act Section 209 (b). However, to avert deficits, projections must be realistic – as the Act states, based on reasonable assumptions and appropriate methods of estimation. Section III of this report addresses this issue by assessing areas of potential risk to the projections.

Restoring Funding to Special Accounts. At the time PICA was created, the City faced a cash crisis and had resorted to using restricted funds for general operations. The Act required that the Plan demonstrate that the City would restore these funds to proper accounts. Aided with PICA's 1992 deficit bonds, this criterion was met, and is no longer an issue for the Plan. The City maintains a positive cash position in the General Fund by issuing short-term Tax and Revenue

[2] PICA Act, Section 209(b).

Anticipation Notes which are repaid prior to the end of each fiscal year.

Sound Budgetary Practices. The City's budget process is changing as a result of legislation that mandates the adoption of program-based budgeting. The City is required to "adopt a program-based budgeting procedure…Such procedure shall identify, for each function performed by a City department, the necessary resources to perform and/or complete such function as well as a method for measuring the effectiveness and performance of the function… The program-based budgeting procedure also shall determine metrics for measuring the effectiveness of each function funded by appropriations made by the City, which shall include specific performance goals."[3]

Under the new budget process, resources will be allocated by program, taking into account direct and indirect costs and revenues generated by the program. The City will also adopt performance measures associated with each program to assess impact and return on investment. This reform holds great promise. A reformed process focused on performance should further the link between the budget, public priorities, and information about program effectiveness.

However, as the language of the PICA Act suggests, there are two important aspects of program efficiency: increasing the value created by a given level of spending (the return on investment), and minimizing the spending required to achieve a given level of service or product. Both aspects of efficiency should be considered in the budget process. The importance of cost minimization is suggested by reviewing the City's fiscal history since the beginning of the Great Recession in FY09. That history includes separate increases in taxes levied to support the City or School District, and the creation of two new taxes. It should also be noted that the City has, during this time period, to its credit, continued to reduce and reform its wage and business taxes. Nonetheless, a reformed budget process should also drive efforts to reduce expenditures and increase revenues through improved tax enforcement, collection of non-tax revenues, and creation of new, appropriate revenue sources.

[3] Philadelphia Code, Section 21-2102.

The first Five-Year Financial Plan approved by PICA, the FY92-FY96 Plan, included hundreds of specific initiatives to reduce costs and increase revenues. Their fiscal impact was quantified and included in the Plan projections. These "management and productivity" initiatives were a cornerstone of the City's ability to maintain a balanced budget during the 1990s. The City recently created the Office of the Chief Administrative Officer, which is designed with some of these goals in mind. PICA is encouraged by this new addition and also advocates for an increased effort to spur creative initiatives at the agency level to reduce costs and generate new revenues.[4]

Avoiding a Fiscal Emergency. The City can avoid a fiscal emergency by continuing to focus on its major financial challenges. It should develop financial polices to address key issues that form the core of its financial condition: a sound economy; tax competitiveness; managing long-term obligations, such as pensions; provide quality infrastructure; and ensure adequate financial reserves. These policies should be comprehensive, publicly reported, and include quantitative targets. The City should further report its annual progress toward meeting these targets. If the City makes progress in these areas over time, it will increase the likelihood that it will be able to respond to financial challenges.

The Plan should specifically address the City's policies related to its financial condition and

[4] The City could also consider the structure of the New York City Financial Plan, which incorporates estimates of savings from various agency initiatives. See January 2016 Financial Plan Detail, Fiscal Years 2016-2020, Office of Management and Budget, City of New York, January 2016.

has plans to improve it over the coming years. This has been achieved in recent years with the addition of sections on debt management, fund balance, and the budget process. Additional discussion should be included about plans to address the City's unfunded pension liabilities, the state of its infrastructure, and economic development, among other topics.

Access to the Credit Markets. The City maintains access to the credit markets. In 2013, Standard and Poor's increased Philadelphia's general obligation debt rating to A+. However, the City's General Obligation bond rating is the third lowest of the 20 largest US cities.[5] Efforts to improve the credit rating remain important as a way to reduce the cost of borrowing and to ensure continued access to the credit markets.

Assessing Assumptions

The language that assumptions must be "reasonable and appropriate" is limiting language in the Act and is intended to convey the idea that "reasonable" assumptions are those which represent a likely scenario, neither too optimistic nor too pessimistic. This legislative intent has historically been interpreted by PICA staff to refer to certain risks over which the Authority has expressed concern, including: the underfunded pension system, health benefit costs, potential and/or pending labor costs, foregone revenues, increasing indemnities, narrow fund balances, and the lack of reserve funds. PICA credits the City on consistently providing a balanced budget; however, staff is concerned about projected low fund balances.

The terms "reasonable" and "appropriate" are not strictly defined in the Act, although there are some clarifying provisions that shed light on what constitutes reasonable and appropriate assumptions, especially with regard to revenue and expenditure projections.

The Act explains that estimates for tax revenues collected by the City should be "based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models;" while revenues received from federal or state government should be based on "historical patterns," "currently available levels," or levels contained in a budget proposed by the Governor, President, or in a Congressional budget resolution. Estimations of locally-generated non-tax revenues should be based on "current or proposed rates, charges or fees, historical patterns and generally recognized econometric models." The Plan does meet these criteria. Furthermore, the City derives projections on the growth of its tax base from forecasts created by a consultant, IHS Global Insight. The forecasts are then reviewed by a group of professional economists before they are used by the City to estimate the tax base. As explained in Section II, Analysis of Plan Projections, some of the estimates related to tax base growth for several taxes were recently modified.

With regard to expenditures, the Act explains that estimates should show "all obligations incurred during the fiscal year and estimated to be payable during the fiscal year or in the 24-month period following the close of the current fiscal year." The Act continues by stating that obligations from previous fiscal years "not covered by encumbered funds" should also be included in estimated expenditures.

This Plan sets aside a healthy reserve for labor costs, making the assumptions more reliable, which addresses the above requirement. However, if there are other obligations not factored into the Plan and that may be incurred "during the fiscal year or in the 24-month period following," they could pose risks to the Plan. The City has historically limited the inclusion of potential future labor costs. In such respect, this Plan is different, as it includes $328 million in reserves for labor costs (see Section III: Risks for a detailed discussion of labor costs). However, the question of unidentified wage and benefit

[5] Five-Year Financial and Strategic Plan for Fiscal Years 2017-2021, City of Philadelphia, as proposed March 3, 2016, p. 185.

increases is an important issue, as it has proved to be in previous years, where actual costs have outpaced not only projections, but also amounts set aside in the labor reserve.

Structure of the Plan

First, the Act stipulates that the proposed operating budget and capital budget must be "consistent with the proposed financial plan." The Plan meets this test. Second, the Act states that the Plan must be "accompanied by a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in such plan." Although the City has presented a Plan with supporting documents explaining most major assumptions, it does not provide a consolidated document that represents a reasonably detailed statement of how it calculates significant assumptions and what methods of estimation were used. Finally, the Act requires that estimates ought to be made on a modified accrual basis. The Plan meets this criterion, and all projections are shown in this manner. The City uses the modified accrual basis of accounting to recognize revenues and expenditures for budgeting purposes.

Overall, the Plan adheres to important provisions in the PICA Act with regard to structure, as well as how to formulate a significant portion of its assumptions. However, the City ought to consider the legislative intent of the Act in addressing certain core issues like establishing methods for the formulation of some assumptions and enhancing financial planning.

Overview of Risks to the Plan

The Plan faces a number of significant risks: events that could result in deviations from projected obligations and revenues. These risks are described in more detail in Section III of this report and are summarized below.

Wages. The Plan assumes some wage increases for unionized employees beyond the expiration date of current contracts. Contracts for members of six bargaining units – three Fraternal Order of Police bargaining units, the International Association of Fire Fighters (IAFF), District Council 47 (DC47), and correctional officers – expire at the end of FY17. The contract for District Council 33 (DC33) expired at the end of FY16 and a new agreement was reached in July. The analysis in Section III suggests that this reserve is unlikely to be sufficient to cover the full cost of wage increases. As a result, there is risk associated with the Plan projection of wage and salary costs.

Pension Projections. The Plan's annual pension contributions is based on a calculation by the Board of Pensions and Retirement actuary. The projection assumes that the City will continue to make the minimum contribution required under state law, which is based on numerous economic and demographic assumptions. If actual experience deviates adversely from these assumptions, the required contributions will exceed the Plan projection. While the impact of adverse experience on the pension system's unfunded liability is amortized over 20 years, the effect on required contributions during the life of the Plan could still be significant. Further, City contributions could also increase if the Board of Pensions lowers its assumed rate of return of investments or makes changes to demographic assumptions, as it has frequently done in recent years.

Since the 2008-2009 recession, the City has taken numerous steps to address its pension challenges, by creating a hybrid plan for new employees, increasing some employee contributions, dedicating sales tax revenue to the pension system, and lowering the assumed rate of return. Most recently, the City negotiated a new hybrid pension plan with DC 33, which it hopes will set the precedent for upcoming negotiations with the other unions. Nonetheless, the pension system as a whole continues to be a long-term challenge to the City and a risk to the Plan, due to escalating costs.

Employee Health Benefits. The City has transitioned three of its major employee health benefit plans – the FOP, IAFF, and DC47 – to a self-insured model. These plans are projected to grow at rates ranging from 5 to 7.5 percent annually. The City administered plan is projected to grow at 5 percent annually. Finally, no cost increase is projected for the DC33 plan beyond $20 million in lump sum payments negotiated as part of that union's new contract. This plan continues to be financed through a monthly per-employee payment. The risk to the Plan is that growth may exceed the projected growth rate, and that the low cost growth that has occurred in recent years may not continue.

Economic Growth. The City has a diversified tax structure that includes taxes on earnings, sales, property transactions, property values, and business activity. Each of these revenue sources varies with economic trends. Any downturns of economic growth over the next five years could adversely affect revenues from these major taxes. The Philadelphia economy typically tracks the national economy; a national recession or slower national growth would likely adversely affect the rate of growth of City tax bases, as it has in the past. There is a reasonable possibility of a recession occurring in the next five years, and the Plan does not take this possibility into account, rather it assumes continued, steady economic growth.

Real Estate Assessment Growth. The Plan's projection of real estate tax revenue assumes that aggregate taxable value will increase annually. Overall taxable assessed value is projected to increase from $92.4 billion in FY17, to $105.7 billion in FY21, an increase of 14.4 percent.

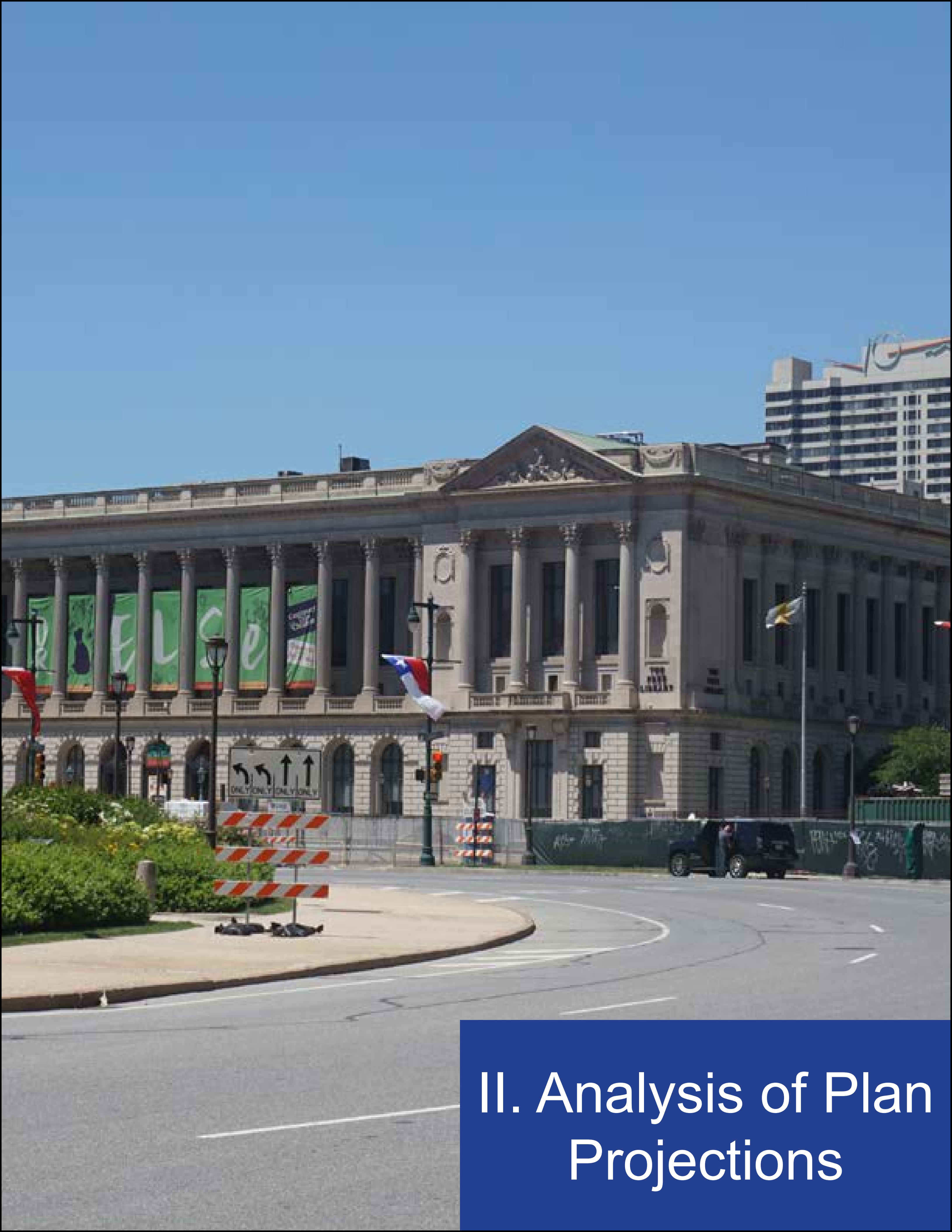
However, in the period since the Actual Value Initiative (AVI), a citywide reassessment that occurred in 2014, aggregate assessed values have actually decreased by 1.7 percent. The slow rate of growth over the past three years raises concerns about the Plan's projection of taxable assessed value. There is significant risk that actual growth in the real estate tax base will fall short of the projection, either due to market trends, the City's assessment practices, or an unexpected high number of appeals.

Overtime Management. The Plan assumes significant reductions in overtime costs in each year through a reduction in seven departments, despite the fact that overtime costs increased 41.7 percent from FY10 through FY15 across those departments. Preliminary data suggest that actual overtime increased an additional 4.4 percent from FY15 to FY16 among those same departments. City officials plan to carefully manage overtime in the coming year, holding these seven departments to specific targets. The departments have provided PICA with specific overtime reduction plans. Nonetheless, given the overtime usage trends of the past four years, there is a risk in the Plan's projection of overtime savings.

Sweetened Beverage Tax. Recently, the City announced that nine schools have been chosen to become community schools, neighborhood public schools housing wraparound services, such as healthcare, literacy training, and adult continuing education. The City plans to roll out 25 community schools and introduce 6,500 new pre-K seats across the city by 2021, based on flat revenue from the sweetened beverage tax, while ten-year trends show sweetened beverage consumption declining. Therefore, revenue and cost projections for these programs must be accurate if the revenue from the sweetened beverage tax is to support the goals of the administration. In other words, revenue from the tax is projected to remain flat. The City has factored in a one percent decline in consumption and simultaneously assumed improved enforcement and collection over the life of the Plan. The increase in enforcement and collection is meant to account for a decrease in consumption, but according to recent trends and beverage industry experts, decline in consumption may exceed one percent.

Another risk factor is the potential for legal challenges that might have the effect of delaying or invalidating the tax. In either of these scenarios, if the City has begun rollout of the programs in anticipation of revenues that might be delayed or not realized, there would be an impact on the Plan.

Democratic National Convention Costs. The Host Committee for the Democratic National Convention (DNC) is, at present, short of its $65 million goal, putting a $15 million line of credit from the City at risk of not being repaid. Though the remainder of the loan would be left to the City to pay back over five years, this cost is not budgeted in the Plan and warrants close monitoring.



II. Analysis of Plan Projections

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The Plan, as required, projects a positive fund balance in each of its years, although fund balances are low in comparison to the City's own targets. The balance is projected at $56.9 million in FY17, or 1.3 percent of General Fund obligations. The City's target, as stated in the proposed Plan, was between 6 and 8 percent of expenditures. The fund balance is projected to reach a peak of $107.3 million in FY21, or 2.3 percent of projected obligations.

Plan Overview

The Plan does not project significant overall changes in the General Fund revenue structure. Taxes generate the majority of revenues. Total tax revenue, including revenue from the PICA tax, represents 83.7 percent of General Fund revenue in FY17. This percentage increases to 85.6 percent in FY21. The City's largest tax category is wage, earnings and net profits taxes, which together make up more than half of projected tax revenue in FY17. This share decreases slightly over the life of the Plan, reflecting projected reductions in tax rates. One notable change in the City's revenue structure is the sweetened beverage tax, projected to take effect in January, 2017. This tax is projected to generate $46 million in FY17 and $92 million in FY18, and is projected to remain relatively flat thereafter.

The Plan projects total FY17 obligations at $4.220 billion. Of this amount, $2.353 billion are agency appropriations, $1.243 billion are for employee benefits, and $624 million are for other categories of expenditures including debt service and subsidies to the School District, the Southeastern Pennsylvania Transportation Authority (SEPTA), Community College, and the Pennsylvania Convention Center. Over the period from FY17 to FY21, agency obligations are projected to increase at an average annual rate of 0.5 percent, while employee benefits are projected to increase at 2.7 percent annually, and other expenditures, at a 4.1 percent annual rate.

Table 2.1 Summary of FY17-FY21 Five-Year Financial Plan ($ in Millions)

	FY15 Actual	FY16 Est.	FY17 Est.	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est.
Revenues							
Taxes	$2,777	$2,951	$3,089	$3,227	$3,301	$3,377	$3,448
Locally-Generated Non-Tax	294	292	287	280	281	281	282
Other Governments	649	679	699	722	745	761	786
Other Funds	39	62	75	63	63	63	64
Total	3,759	3,986	4,152	4,293	4,391	4,484	4,581
Obligations							
Agencies	2,266	2,324	2,353	2,370	2,380	2,391	2,408
Employee Benefits	1,100	1,179	1,243	1,276	1,333	1,376	1,408
Other	466	549	624	677	687	722	751
Total	3,831	4,051	4,220	4,323	4,368	4,488	4,567
Prior Year Adjustments	21	19	19	19	19	19	19
Adjusted Operating Surplus/ (Deficit)	(50)	(45)	(48)	(9)	10	15	33
Prior Year Fund Balance	202	151	105	56	47	57	73
Current Year Fund Balance	151	105	56	47	57	73	107

Source: FY17-FY21 *Five-Year Financial Plan*, Submitted to PICA on August 8, 2016.

Table 2.2 Projected General Fund Revenues in FY17-FY21 Five-Year Financial Plan ($ in Millions)							
	FY15 Actual	FY16 Est.	FY17 Est.	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est
Taxes							
Real Estate	$536	$573	$594	$602	$623	$643	$665
Wage and Earnings	1,326	1,379	1,426	1,472	1,492	1,509	1,526
Business Income and Receipts	438	455	446	450	459	472	481
Sales	149	167	182	192	203	214	225
Real Property Transfer	203	237	249	269	276	285	293
Parking	79	91	95	98	101	105	109
Beverage	--	--	46	92	92	93	92
Other	44	46	49	50	52	53	54
Total	2,777	2,951	3,089	3,227	3,301	3,377	3,448
Locally-Generated Non-Tax							
Innovation and Technology	24	24	27	25	26	25	26
Streets	24	24	27	26	26	26	26
Fire	36	43	40	40	40	40	40
Public Property	10	14	13	10	10	10	10
Licenses and Inspections	53	54	54	54	54	54	54
Records	16	17	18	18	19	19	19
Finance	44	21	18	19	18	19	19
Other	54	63	56	53	53	53	53
Total	294	292	287	280	281	281	282
Revenues from Other Governments							
Federal	30	30	31	31	31	31	31
State	212	218	220	218	218	218	218
Other Governments	58	58	58	58	59	60	61
PICA City Account	346	370	384	409	431	446	470
Other Authorized Adjustments	2	2	2	2	2	2	2
Total	649	679	699	722	745	761	786
Revenues from Other Funds	39	62	75	63	63	63	64
Total General Fund Revenues	3,759	3,986	4,152	4,293	4,391	4,484	4,581

The largest component of agency obligations is employee wages and salaries, which are projected at $1.566 billion in FY17, 37.1 percent of total agency obligations. The second largest component is contracts and leases, which accounts for $896.9 million or 21.3 percent of obligations in FY17. Within employee benefits, pension contributions account for 15.4 percent of total obligations, and employee health benefits represent 10.6 percent of the total.

The remainder of this section describes key assumptions that form the basis of the projections of revenues and obligations in the Plan. Some of the policy issues raised by the projections are also discussed.

General Fund Revenues

Taxes. The most significant change to the City's tax policy in the Plan is the introduction of a new beverage tax. The City included a new tax on sweetened beverages in its proposed Plan, released on March 3. The proposed tax would have been levied on distributors of these beverages at a rate of 3 cents per ounce. The tax passed was lowered to the rate to 1.5 cents per ounce, and the tax base was broadened to include diet drinks. This new tax is expected to generate $46 million in revenue in FY17 and approximately $92 million annually over the life of the Plan.

The public discussion surrounding the sweetened beverage tax has focused on the uses of the new revenue stream, including support for pre-Kindergarten, community schools, and capital investments in libraries and recreation centers. Although the the potential public health benefits of the tax were not the focus, research suggests that the tax will discourage consumption of sweetened beverages and improve public health outcomes. Thus, the tax will have important public policy benefits as well. Economists generally support taxes on activities that generate such social benefits.

As discussed in Section III of this report, there is a financial risk associated with the revenue estimate for the beverage tax. In particular, there is uncertainty related to the size of the tax base, the impact of the tax on consumption, and the rate of enforcement. There is also the potential for legal challenges to the tax. These uncertainties can be mitigated to the extent that the City avoids making new expenditure commitments until they are resolved.

Table 2.2 presents General Fund revenues over the Plan period. The majority of City tax revenue is generated by the wage and earnings, real estate, business income and receipts, real property transfer, and sales taxes. Table 2.3 presents the Plan's projected tax rates for each of these taxes, while Table 2.4 presents the Plan's projected rate of tax base and tax revenue growth.

As has been the case in recent years, the Plan projects gradual reductions in the rate of the wage, earnings, and net profits taxes for residents and non-residents. The resident rate is projected to decline from 3.9004 percent in FY17 to 3.7276 percent in FY21, while the non-resident rate is projected to fall from 3.4741 percent to 3.3202 percent over the same period. These reductions are consistent with trends over the past two decades, as the City has sought to reduce its disparity with other cities in terms of local earned income taxes, with the goal of increasing its overall competitiveness. Research has suggested that the City's high wage tax has resulted in a significant loss of City-based jobs over the past decades. The Plan, however, projects only modest rate reductions in its first two years, with the rate projected to decline by 0.0195 percentage points for residents and 0.0174 percentage points for non-residents from FY16 to FY18. More rapid

Table 2.3 Projected Philadelphia Tax Rates (Percent), FY17-FY21 Five-Year Financial Plan

	FY15.	FY16	FY17	FY18	FY19	FY20	FY21
Real Estate							
City	0.6018	0.6317	0.6317	0.6317	0.6317	0.6317	0.6317
School District	0.7382	0.7681	0.7681	0.7681	0.7681	0.7681	0.7681
Total	1.3400	1.3998	1.3998	1.3998	1.3998	1.3998	1.3998
Wage, Earnings, and Net Profits							
Resident	3.9200	3.9102	3.9004	3.8907	3.8420	3.7844	3.7276
Non-Resident	3.4915	3.4828	3.4741	3.4654	3.4221	3.3707	3.3202
Business Income and Receipts							
Net Income	6.41	6.39	6.35	6.30	6.25	6.20	6.15
Gross Receipts[1]	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415
Sales[2]	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Real Property Transfer	3.0	3.0	3.1	3.1	3.1	3.1	3.1
Parking	20.0	22.5	22.5	22.5	22.5	22.5	22.5

Notes:
[1] Alternative gross receipts tax rates are permitted for manufacturers, wholesalers and retailers.
[2] The School District of Philadelphia receives an annual allocation of $120 million in sales tax revenue.

reductions are projected in the final three years of the Plan.

The City should articulate a goal for long-term wage tax reduction and enact policies that will allow it to reach that goal over a reasonable time period. Among the major US cities, Philadelphia receives the highest percentage of its tax revenue from personal income taxes and the lowest percentage from the real property tax. The City should seek to adjust its tax mix so that it more nearly resembles that of other cities. Evidence suggests that moving more quickly to such a mix would pay significant economic dividends in terms of job growth and fiscal dividends in terms of a stronger tax base over the long-term. Advocates such as the Job Growth Coalition have suggested one element of the strategy – adopting a two-tier property tax with higher tax rates for commercial property. Pennsylvania State Rep. John Taylor has proposed a bill with this goal in mind. Other elements should be considered, such as including increased reliance on user charges and other non-tax revenues, as well as better tax enforcement.

The Plan projects no change in the property tax rate. The combined City and School District tax rate is projected at 1.3998 percent throughout the Plan period, unchanged from the FY16 level. The overall tax includes a City-dedicated portion of 0.6317 percent and a School District portion of 0.7681 percent.

The Business Income and Receipts Tax (BIRT) is composed of separate levies on gross receipts and net income. The net income tax rate, in accord with current law, is projected to decline

Table 2.4 Projected Percentage Growth in Tax Bases and Revenues, FY17-FY21 Five-Year Financial Plan

	FY16 Est.	FY17 Est.	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est
Real Estate						
Base[1]	--	2.6	1.4	3.7	3.6	3.7
Revenue	6.9	3.8	1.4	3.3	3.3	3.4
Wage and Earnings						
Base	4.7	3.7	3.5	3.1	3.2	3.2
Revenue	4.1	3.4	3.2	1.4	1.2	1.1
Net Profits						
Base	11.6	8.3	1.2	0.9	1.0	1.1
Revenue	7.9	7.4	0.9	(0.3)	(0.4)	(0.4)
Business Income and Receipts						
Base[2]	12.4	0.0	1.5	2.5	3.1	2.4
Revenue	3.9	(2.0)	0.9	2.1	2.7	2.0
Sales						
Base	5.4	5.1	3.4	3.6	3.5	3.4
Revenue	12.2	8.7	5.6	5.7	5.5	5.2
Real Property Transfer						
Base	16.8	5.1	7.8	2.7	3.4	2.5
Revenue	16.8	5.1	7.8	2.7	3.4	2.5
Parking						
Base	15.3	3.5	3.5	3.5	3.5	3.5
Revenue	15.3	3.5	3.5	3.5	3.5	3.5

Note:
[1] Represents projected growth in taxable assessed value net of the homestead exemption and projected appeal losses.
[2] Amounts shown are calculated prior to the impact of tax reform measures.

from 6.35 percent in FY17 to 6.15 percent in FY21. The gross receipts portion is projected to remain at 0.1415 percent throughout the Plan period. As with the wage tax, the BIRT imposes a tax burden that far exceeds comparable taxes in the suburbs and is unusual compared to most other major US cities. The City has taken steps to reduce and reform this tax in recent decades, but more needs to be done. All taxpayers will benefit from new exemptions – which include the first $100,000 in receipts in tax year 2016 – and many City-based firms will benefit from single factor apportionment. However, the City needs to consider ways to more rapidly reduce or reform its business tax to reduce the competitive disadvantage it creates. Research suggests that taxing business income is not an efficient way to raise revenue at the local level.

Revenue projections are based on projected tax base growth for each tax. Base growth projections, for every tax except the real estate tax, were made initially by the City's revenue forecasting consultant, IHS Global Insight. These projections were reviewed by economists at a meeting held at the Federal Reserve Bank of Philadelphia prior to the release of the proposed Plan in March. The IHS Global Insight projections were generally accepted by the experts present at the Federal Reserve meeting and adopted by the City in the proposed Plan.[1] As shown in Table 2.4, the annual base growth projections for most taxes range from 1 to 4 percent. These growth rates are generally consistent with growth rates experienced in FY16. They reflect a continuation of the modest economic expansion that has occurred both at the national level and within the city since 2009. If a recession were to occur during the Plan period, the actual base growth rates would likely be well below the current projection. The potential impact of a recession is a significant risk to the Plan, as discussed in Section III of this report.

Table 2.4 also presents annual revenue growth rates in the Plan. These growth rates reflect projected tax rates, tax bases, collection of delinquent taxes, and other factors that influence revenue. These factors are most significant in the case of the real estate, BIRT, and sales taxes.

The real estate tax projection begins with the City's estimate of the tax base. This estimate was not based on IHS Global Insight projections, but rather an assumption about the rate of growth of taxable assessed value. The City projects this growth rate will range from 1.4 percent to 3.7 percent over the life of the Plan. The real estate tax revenue projection also reflects other factors, including: the rate at which assessments for new

[1] In consultation with IHS, the City adopted BIRT growth projections in the modified August Plan that were slightly more conservative than the IHS recommendation. This version of the Plan also modified wage tax projections based on the original IHS recommended growth rate that was discussed at the Federal Reserve. The sales tax projection was also modified, based on guidance from the Commonwealth related to legislated changes to the tax.

Table 2.5 Projected General Fund Revenue Growth by Category, FY17-FY21 Five-Year Financial Plan (Percent)

	FY16 Est.	FY17 Est.	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est
Taxes	6.3	4.7	4.5	2.3	2.3	2.1
Locally-Generated Non-Tax	(0.6)	(1.8)	(2.5)	0.4	0.3	0.2
Revenues from Other Governments						
PICA	6.9	3.9	6.3	5.5	3.4	5.4
Other	2.2	1.8	(0.4)	0.3	0.3	0.3
Total	4.7	2.9	3.3	3.2	2.1	3.3
Revenues from Other Funds[1]	59.9	21.1	(16.3)	0.6	0.6	0.6
Total General Fund Revenues	6.0	4.2	3.4	2.3	2.1	2.2

Source: PICA Staff.
[1] The percentage change in Revenues from other Funds is materially affected by contingent 911 expenditures and the matching reimbursement.

construction and rehabilitation return to taxable status, homestead exemptions, Longtime Owner Occupants Program (LOOP) discounts, and Tax Increment Financing (TIF) programs. Also reflected in the Plan is the impact of enforcement initiatives, including the Revenue Department's data warehouse, tax lien sales, and delinquent billing policies.

The BIRT projection takes into account the anticipated impact of tax reforms enacted in 2011. Bill 110554 included two significant changes to BIRT. First, it required the implementation of single sales factor apportionment to determine net income beginning in tax year 2015. Second, the legislation exempted the first $50,000 in receipts from taxable receipts in tax year 2014 for purposes of the gross receipts portion. In tax year 2015, the exemption threshold increased to the first $75,000 in receipts. In tax year 2016 and thereafter, the exemption increases to the first $100,000 in receipts. In addition, for purposes of the BIRT net income tax, taxpayers may exclude a pro rata portion of net income attributable to excluded gross receipts. The fiscal impact of these changes should increase through FY17, and will depend on the impact on tax liabilities and the timing of tax payments. The Plan includes an overall reduction in BIRT revenue over the FY17-FY21 period due to these reforms, as discussed in section III of this report.

The sales tax projection reflects the City's share of the 2 percent local sales tax. Under state legislation, the School District of Philadelphia share of the local sales tax is capped at $120 million annually. Thereafter, a debt service payment of approximately $15 million annually until 2018 is also set aside. Finally, after the satisfaction of these commitments, residual revenue is dedicated to the pension fund. As a result, projected revenue growth exceeds projected base growth in each year of the Plan. Additionally, the Commonwealth recently legislated changes to taxable categories, which led to the adjustment of projected revenues from the tax.

Another factor impacting the final Plan projections are revisions to the FY16 revenue estimates based on actual collection experience through June. Updated base growth rates for several taxes were applied to the revised FY16 projections.

Locally-Generated Non-Tax. Locally-generated non-tax revenue is projected at $287 million in FY17. This category includes a variety of revenue sources, including fees related to cable franchises, emergency medical services, commercial property refuse collections, business licenses, and the court system. Fine revenue is also included. Revenues collected by City agencies that account for a significant portion of this category are shown in Table 2.2. Overall revenue from this category is projected to remain roughly constant over the life of the Plan, declining slightly to $282 million in FY21.

Revenue from Other Governments. The City receives grant revenue from state and federal government to support a variety of programs. The majority of these revenues are not part of the Plan because they are recognized in governmental funds other than the General Fund. In FY17, the Plan projects $699 million in revenue from other governments. Major categories include reimbursement for certain health programs, the Philadelphia Gas Works annual rental fee, state pension aid, state funding to support wage tax reduction, Philadelphia Parking Authority on-street parking revenue, certain grants to support the court system, and PICA City Account revenue. These revenues are shown in Table 2.2.

The largest source of revenue within this category is the PICA City Account. PICA receives a share of the resident portion of the wage, earnings and net profits taxes to pay debt service on outstanding PICA bonds. Revenues from PICA-dedicated taxes that are not needed to pay debt service or PICA administrative costs are returned directly to the City through the PICA City Account. This revenue source is projected at $384 million in FY17, and is projected to increase to $470 million in FY21. The significant rate of increase reflects projected growth in wage tax revenue and declining PICA debt service during the life of the Plan.

Revenue from Other Funds. General Fund revenue from other funds is projected at $75 million in FY17, declining to $64 million in FY21. Major categories include reimbursements from the Water Fund, Aviation Fund and Grants Revenue Fund for services provided. Another significant category is grant revenue supporting the 911 system, where reimbursement is expected to peak in FY17 to offset additional equipment costs to the General Fund.

General Fund Obligations

The Plan projects General Fund obligations will increase from $4.220 billion in FY17 to $4.567 billion in FY21, an overall increase of 8.2 percent, and an average annual increase of 1.6 percent. General Fund obligations are comprised of three major categories: agency obligations, employee benefits, and non-agency appropriations.

The General Fund includes appropriations to finance the operations of 56 City agencies. These agencies range from major departments to relatively minor commissions. Some are under the jurisdiction of the Mayor, while others are led by independently elected officials. However, all have employees paid at least in part through General Fund appropriations, and most have other direct expenditures for contracted services, materials and supplies. Agency obligations in FY17 are projected at $2,353 billion, which represents 56 percent of total General Fund obligations. Table 2.6 presents the Plan's projected agency obligations by major functional category.

Reorganization and New Agencies. The Administration has reorganized certain agencies and created new offices in pursuance of the new Mayor's stated goal of a more efficient governing model. Notable changes include the introduction of the Office of the Chief Administrator (CAO), which will now oversee the Departments of Public Property, Records, and Procurement, as well as the Offices of Fleet Management, Innovation and Technology, Administrative Review, and Administrative Adjudication. CAO is categorized in Governance and Administration.[2]

Another newly introduced department is the Office of Planning and Development (OPD), which will oversee the City Planning Commission, the Office of Housing and Community Development (OHCD), the Historical Commission, and the Land Bank; and quasi-government organizations, such as the Philadelphia Housing Development Corporation (PHDC) and the Philadelphia Redevelopment Authority (PRA); and other programs, such as the Residential Mortgage Foreclosure Prevention Program and the Basic System Repair and Weatherization Program (BSRP). OPD is classified in Economic Development and Regulation.[2]

Lastly, the Administration has created the Offices of Pre-K and Community Schools. The City's education appropriations have previously included contributions to the School District and the Community College of Philadelphia.

Agency Obligations. PICA has categorized departments based on its own methodology. Public Safety is the highest-spending category in agency obligations. It accounts for $872 million of the $2,353 billion total in FY17 agency obligations, which represents 37 percent of agency spending. The Public Safety category involves the Police and Fire Departments, representing $650 million and $222 million, respectively. Judicial and corrections comes in next at $430 million, with Health and Human Services ($295 million) and Central Services ($270 million) being the next highest-spending categories. Governance and Administration is projected to cost $179 million, 7.6 percent of agency expenditures.

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[2] See Table 4.1, General Fund Obligations Categories on p. 38.

Table 2.6. General Fund Obligations by Category, FY17-FY21 Five-Year Financial Plan Projections ($ in Millions)							
Function	FY15 Actual	FY16 Est.	FY17 Est.	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est.
Agencies[1]							
Public Safety	$865	$888	$872	$876	$879	$879	$879
Judicial and Corrections	425	426	430	430	430	429	429
Health and Human Services[2]	274	291	295	294	294	294	294
Regulation and Economic Development	43	45	48	47	47	47	47
Culture and Recreation	103	104	106	106	106	106	106
Transportation and Sanitation	145	133	126	131	131	132	133
Central Services	243	262	270	266	268	271	274
Governance and Administration	166	174	179	178	175	177	177
Education	--	--	27	42	50	57	69
Total	2,266	2,324	2,353	2,370	2,380	2,391	2,408
Employee Benefits							
Pension Payments	$558	$619	$649	$659	$691	$708	$713
Employee Welfare Plan[3]	410	424	449	471	493	517	542
Disability/Workers' Compensation	57	58	66	68	70	72	74
Social Security	71	72	75	75	75	75	75
Unemployment Compensation	3	5	5	5	5	5	5
Total	1,100	1,179	1,243	1,276	1,333	1,376	1,408
Non-Agency Line Items							
Debt Service	$238	$236	$275	$298	$290	$301	$314
Art Museum	3	3	3	3	3	3	3
Convention Center	15	15	15	15	15	15	15
Community College	27	30	30	30	30	29	29
School District	69	104	104	104	105	105	106
SEPTA	70	74	80	86	92	97	102
Legal Services	43	45	46	47	47	46	46
Indemnities	41[4]	41	41	41	41	41	41
Reserve for Future Labor Costs	--	--	30	53	65	85	95
Transfer to Budget Stabilization	--	--	--	--	--	-	-
Reserve Fund	--	--	--	--	--	-	-
Other[5]	--	1	1	1	1	1	1
Total	466	549	624	677	687	722	751.
Total	3,831	4,051	4,220	4,323	4,368	4,488	4,567

[1] Definitions of agency categories are provided on page 38.
[2] DHS not included for purposes of category comparison; DHS included in agency totals.
[3] Includes Health and Medical, Group Life and Legal, Tool Allowance, and Flex Cash.
[4] FY15 Indemnity costs not included in agency costs.
[5] Includes refunds, witness fees, Hero Awards, and scholarships.

Employee Benefits. The General Fund also includes separate appropriations to fund various employee benefits. As shown in Table 2.6, employee benefits obligations for FY17 are projected at $1.243 billion.
This category includes pension payments, employee health benefits, disability and workers' compensation, social security contributions, and unemployment compensation. The largest category is pension payments, which are projected at $649 million in FY17, representing half of employee benefits expenditures and 15 percent of overall obligations. This amount includes the General Fund portion of the state mandated minimum pension contribution (MMO) and pension-related debt service, as well as a supplemental $5 million payment each year above the MMO.

The second largest employee benefit category is shown as the employee welfare plan, projected at $449 million. This category includes health benefits for active workers and retirees, life insurance, legal insurance, tool allowances, and

Table 2.7. Projected General Fund Obligation Growth Rates (%), FY17-FY21 Five-Year Financial Plan						
Function	FY16 Est.	FY17 Est.	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est.
Agencies						
Public Safety	2.5	(1.8)	0.4	0.4	0.0	0.0
Judicial and Corrections	0.2	0.9	0.0	0.0	(0.1)	0.0
Health and Human Services	5.9	1.4	(0.5)	0.0	0.0	0.0
Regulation & Economic Development	3.9	6.9	(2.7)	0.0	0.0	0.0
Culture and Recreation	1.3	1.6	0.0	0.0	0.0	0.0
Transportation and Sanitation	(9.0)	(6.2)	4.4	0.0	0.6	0.6
Central Services	6.9	3.0	(1.4)	0.8	1.1	1.1
Governance and Administration	4.5	2.6	(0.7)	(1.4)	0.8	0.0
Education	--	100	35.4	15.1	11.4	18.4
Total	2.5	1.3	0.7	0.4	0.5	0.7
Employee Benefits						
Pension Payments	9.8	4.6	1.5	4.7	2.3	0.7
Employee Welfare Plan	3.9	5.6	4.5	4.5	4.6	4.7
Disability/Workers' Compensation	1.3	11.5	2.8	2.8	2.8	2.8
Social Security	1.8	2.9	0.4	0.0	0.0	0.0
Unemployment Compensation	44.5	0.0	0.0	0.0	0.0	0.0
Total	6.7	5.2	2.6	4.2	3.1	2.3
Non-Agency Line Items						
Debt Service	(1.0)	14.3	7.5	(2.5)	3.4	4.3
Art Museum	(1.4)	0.0	0.0	0.0	0.0	0.0
Convention Center	0.0	0.0	0.0	0.0	0.0	0.0
Community College	11.2	(1.3)	0.0	0.0	(2.7)	0.0
School District	33.7	0.1	0.1	0.4	0.4	0.4
SEPTA	5.1	6.9	7.3	6.0	5.4	5.6
Legal Services	4.0	2.4	2.0	0.1	(2.0)	0.0
Indemnities	0.0	0.0	0.0	0.0	0.0	0.0
Reserve for Future Labor Costs	--[4]	100	43.9	17.8	23.5	10.5
Transfer to Budget Stabilization Reserve Fund	--	--	--	--	--	--
Other[1]	47.6[2]	0.0	0.0	0.0	0.0	0.0
Total	15.1	12.0	7.8	1.5	4.7	4.0
Total	5.4.	4.0	2.4	1.8	2.0	1.7

[1] Includes refunds, witness fees, Hero Awards, and scholarships.
[2] Only $1.71 in refunds were paid in 2015; $250K is budgeted for refunds in FY16, hence the large increase..

flex cash payments. Health benefits are provided under four plans covering members of the major municipal unions – FOP, IAFF, DC33, and DC47 – and a City-administered plan that covers non-represented, exempt, and unionized workers who opt out of the union plans.

The City has set aside over $328 million for labor costs over the life of the plan (please see the Section III discussion on wage risk).

Non-Agency Appropriations. The non-agency appropriations are projected at $624 million in FY17. These appropriations include City funding for various non-City entities, debt service, indemnities, and other miscellaneous line items. The City supports various entities through direct appropriations, including: the School District of Philadelphia, Community College of Philadelphia, the Pennsylvania Convention Center, the Southeastern Pennsylvania Transportation Authority (SEPTA), and the Philadelphia Museum of Art. The School District and the Community College received substantial increases in their FY16 contributions.

In table 2.6, Legal Services includes the Defender Association of Philadelphia, Community Legal Services, and the Support Center for Child Advocates ($46 million in FY17). The largest line item in non-agency appropriations for FY17 is debt service, projected at $275 million. The next largest are the School District ($104 million) and SEPTA ($80 million). The Reserve for Future Labor Costs reflects a roughly $328 million reserve set aside by the City beginning in FY17 to cover labor costs.

Growth Rates. General Fund obligation growth rates are projected to decline over the life of the Plan. Table 2.7 shows growth rates analyzed for agencies, employee benefits, and non-agency line-items separately. In terms of agency spending, personal services obligations are projected to increase over the life of the Plan, as are other obligations related to contracted services, materials and supplies. Employee benefits growth overall is projected to decrease over the life of the Plan, although costs in this category are projected to increase. This category includes pension payments, health benefits, and obligation unemployment compensation, among others. The greatest variation in this category can be seen in pension benefits, which are adjusted each year based on experience gains or losses, as well as contributions from sales tax revenue. Gains and losses help determine the City's annually required minimum pension contribution.

Pension allocations are projected to grow over the life of the plan. This figure is impacted by the inclusion of a supplementary $5 million payment in each year of the Plan, in addition to the aforementioned residual revenue from the sales tax, above the MMO. Health benefits costs are also projected to grow over the life of the Plan (please see the discussion on health benefits in Section III). Non-agency obligations – including debt service, indemnities, reserves, and entities receiving funding from the City – are projected to increase 36 percent through the end of the Plan, largely driven by funds allocated for labor and an increased contribution to the School district. The School District Contribution, after growing from $69.1 million in FY15, to a projected $105.6 million in FY16, represents the largest variation in non-agency line item growth.

III. Risks to the Plan

III. Risks to the Plan

PICA staff's analysis of the Plan is based in significant part on the risk assessment in this section. The PICA Act requires that Plan projections of revenues and obligations are based on reasonable assumptions and methods of estimation. This requirement was included in the Act to ensure that the Plan process works to provide adequate assurance that the City will continue to maintain financial stability. Reasonable assumptions and methods of estimation, in addition to other budget balancing measures, provide maintenance of General Fund balance over the Plan period.

The discussion below focuses on key risks to the Plan. They include: wage costs, economic growth, finances, indemnities, health benefit costs, the impact of business tax reform, property tax projections/AVI, pension projections, the sweetened beverage tax, overtime management, fund balances, and the School District of Philadelphia.

Wages

The impact of potential wage increases is quantified, resulting in an estimate of this risk on the Plan fund balances. Among the most significant risks faced by the Plan is that actual wage increases could exceed projected fund balances in several years of the Plan. As shown in Table 3.1, current contracts for seven of the City's eight major bargaining units expire at the end of FY16 or FY17, the exception being District Council 33 (DC33). In previous reports, PICA has advocated for benefits of including reasonable

Table 3.1. Terms of Current Contracts Relating to Wages, by Bargaining Unit		
Bargaining Unit	Term	Wage Provisions[1]
FOP-Police	7/1/14-6/30/17	3% 7/1/14 3.25% 7/1/15 3.25% 7/1/16
FOP-Sheriff	7/1/14-6/30/17	2.5% 7/1/14 3% 7/1/15 3.25% 7/1/16
FOP-Register of Wills	7/1/14-6/30/17	Same as DC 33[2]
IAFF	7/1/13-6/30/17	3% 7/1/13 3%7/1/14 3.25% 7/1/15 3.25% 7/1/16
DC 33	7/1/16-6/30/20	3.0% 7/1/16 3.0% 7/1/17 2.5% 7/1/18 3.0% 7/1/19
DC 33 - Local 159	7/1/14-6/30/17	3% 7/1/14 3.25% 7/1/15 3.25% 7/1/16
DC 47	7/1/09-6/30/17	3.5% Spring 2014[3] 2.5% 7/1/15 3.0% 7/1/16
DC 47 - Local 810	7/1/14-6/30/16	2.5% 7/1/14 2.5% 7/1/15

Notes:
[1] Only provisions that affect the union pay plan are described. Some unions received lump sum bonuses, but these provisions are not included.
[2] Through 2017.
[3] Wage increase occurred 30 days after ratification of the contract.

Table 3.2. Wage Risk by Bargaining Unit, FY17-FY21 Five-Year Financial Plan ($ in Millions)						
	FY17 Est..	FY18 Est.	FY19 Est.	FY20 Est.	FY21 Est.	FY17-FY21 Total
FOP-Police	--	17.6	35.7	51.2	70.4	174.9
FOP-Sheriff	--	0.6	1.2	1.7	2.4	5.9
FOP-Register of Wills	--	0.1	0.2	0.3	0.4	1.0
IAFF	6.8	5.7	11.5	16.6	22.8	63.4
DC 33[1]	17.9	21.4	21.2	29.0	43.0	132.5
DC 33 - Local 159	--	3.8	7.8	11.2	15.4	38.2
DC 47	--	4.5	9.1	13.1	18.0	44.7
DC 47 - Local 810	--	0.5	1.0	1.5	2.0	5.0
Total	24.7	54.2	87.7	124.6	177.4	468.6

Source: PICA staff estimates. FY17 wage estimates calculated from the Mayor's FY17 Budget Detail and a Contract Inventory provided by the Office of the Director of Finance.
Notes: These figures do not constitute a projection of future costs, rather they are compiled based on existing data for analytical purposes.
[1] Includes $20 million in lump sum payments to DC33's health fund.

assumptions about labor cost in the Plan. Unlike last year's Plan, the Plan for FY17-21 includes over $328 million for labor costs. This amount represents the highest allocation for labor reserve funds since the revision to the FY15-FY19 Plan approved by PICA in October 2014, which included $285 million. Other previous Plans have not included reserves for labor contracts.

Table 3-2 calculates the annual rise in wage obligations, given a wage increase of 3 percent in FY18 (the fiscal year after each contract expires), 3 percent in FY19, 2.5 percent in FY20, and 3 percent in FY21, mirroring the terms of DC33's new contract of July 2016. These potential wage increases do not reflect a projection, but are used solely for the purpose of this risk analysis. In discussions with PICA as part of the Plan review and analysis, the City stated that increased wages and lump-sum payments resulting from this agreement, and raises for non-union employees were incorporated in the $30 million labor reserve allocated for FY17 until the end of FY20.

The annual increases would result in additional costs of $468.6 million over the life of the Plan. Table 3.3 presents the impact of the Plan's wage risk on fund balance. Whereas such increases would result in a modest labor reserve surplus in FY17, which the City has set aside for raises for exempt employees, the City faces a wage deficit of $0.8 million in FY18, $22.7 million in FY19, $39.6 million in FY20, and $82.4 million in FY21. While a significant amount has been set aside for future labor negotiations, it is not enough to cover potential wage increases if further contracts are in parity with the new DC33 contract and the IAFF reopener.

In FY17, the City has set aside $5.3 million more than the $24.7 million necessary to cover IAFF and DC33 costs. Yet in the remaining years of the Plan, the City is short almost $145 million in meeting further potential wage increases over the life of the Plan. With the additional wage costs, PICA's staff analysis estimates that the projected fund balances will still remain positive throughout the plan, although those unbudgeted costs would lower fund balances significantly in FY19, FY20, and FY21.

Though fund balances are projected to be higher than in last year's Plan, they are low enough to cause concern especially when compared with fund balance best practices developed by the Government Finance Officers Association (GFOA). Any threat to lowering the Fund Balance for any given fiscal year represents a risk to the Plan.

This analysis suggests that with PICA's projected wage increases, the City is not financially prepared for the impact of any adverse events that could impact General Fund revenues or expenditures—especially in the final years of the plan. As detailed in this section, there are number of risks facing the Plan. They include the potential for slower-than-projected economic growth, more rapid growth than projected health benefit costs, optimistic real estate tax projections, or pension cost growth beyond Plan projections.

Another concern is that these projections do not take into account any potential lump-sum payments that may be negotiated or arbitrated into future labor contracts. For example, the City is required to make $10 million lump-sum payments into DC33's Health Fund in FY17 and FY18 as part of the recent agreement. Also, non-union wages are not considered here. Whereas $5 million has been included in the FY17 budget for raises amongst non-union, exempt, and executive employees, no such allotment has been made in future fiscal years to cover additional wages or to cover the aggregate effect of any non-union raises given in FY17—another element of the City's wage budgeting that could affect future fund balances.

Economic Growth

As is typically the case with any five year fiscal projection, another significant risk is the possibility that slower than projected economic growth could result in actual tax revenues below Plan projections. As shown in Table 2.4, the Plan assumes growth in most major tax bases over the next five fiscal years. However, City tax bases and revenues are sensitive to macroeconomic trends. In particular, Philadelphia and national GDP is directly correlated to most major taxes, while the unemployment rate significantly impacts wage tax revenues.[1]

The business income and receipts tax (BIRT) and real estate transfer tax are particularly volatile, with the BIRT highly sensitive to the business cycle and the real estate transfer tax sensitive to the housing market. The real estate tax is also obviously directly related to the housing market, which is a reflection of the state of the economy in its own right. Additionally, the 2014 City-wide property reassessment and ongoing problems resolving assessment appeals directly impact amounts yielded by this tax. Furthermore,

[1] Swanson, Charles. Letter to the Pennsylvania Intergovernmental Cooperation Authority. 26 Aug. 2016. Associate Professor of Economics, Temple University. Philadelphia, Pennsylvania.

Table 3.3. Potential Impact of Wage Risk on Plan Fund Balance, FY17-FY21 Five-Year Financial Plan ($ in Millions)

	FY17 Est.	FY18 Est..	FY19 Est.	FY20 Est.	FY21 Est.
Wage Risk					
Annual Impact	$24.7	$54.2	$87.7	$124.6	$177.4
Labor Provisions	30.0	53.4	65.0	85.0	95
Difference	5.3	(0.8)	(22.7)	(39.6)	(82.4)
Fund Balance as Projected in the Plan	56.9	47.1	57.8	73.6	107.3
Fund Balance after Taking Potential Wage Shortfalls Into Account	62.1	46.3	35.1	34	24.9
GFOA Recommended Fund Balance	689	712	728	743	754
Source: PICA staff estimates.					

assumed ongoing reappraisals resulting from AVI are expected to impact real estate tax growth rates in the Plan. However, if the timeline for executing those regular reappraisals deviates from the Plan's assumptions, there would be a risk that projections for this tax might not be met.[2] The sales tax is also directly correlated to the state of the economy, reflecting consumer confidence. Recently legislated reforms to three major taxes, namely the BIRT, sales and real estate (AVI), have implications that are complicated and difficult to track and predict.

The revenue forecasting process involves two key elements. The first is forecasting growth in the economy and tax base. The second is applying projected tax base growth to an appropriate model that accounts for changes in tax rates, tax structure, and any administrative factors that may significantly impact collections, including enforcement.

The City has generally improved its process for macroeconomic projections in recent years. The City has retained IHS Global Insight, a professional forecasting firm, which has experience with economic forecasts for Philadelphia in particular. These forecasts are reviewed by economists at a meeting sponsored by PICA and the Federal Reserve Bank of Philadelphia. There is a significant level of expert input into the base growth forecasts. Nonetheless, forecasts, by nature, are uncertain.

The central risk of the Plan's revenue forecasts is that it projects an increase in base growth rates for most major taxes. Any significant slowdown, or a recession during the next five years, would have an impact on revenues and could result in actual collections below Plan projections. For instance, the wage tax is particularly sensitive to changes in the unemployment rate, as well as changes in GDP. The Plan's wage tax projections assume a flat unemployment rate, meaning no change in the unemployment rate is expected for the duration of the Plan. However, the likelihood of an economic downturn, and thus a rise in the unemployment rate, is reasonably possible.[3]

[2] Swanson. .

Figures 3.1 and 3.2, respectively, present annual tax base growth for the wage and earnings and real estate transfer taxes. They present actual growth from FY07 through FY15, and projected growth from FY16 through FY21, based on the Plan projections. The figures illustrate the impact of the 2008-2009 recession and the housing crisis of 2007-2009 on City tax bases. The wage and earnings tax base declined nominally in only one year, FY10, as a result of the recession. The rate of growth is clearly sensitive to the macroeconomy, as indicated by the steep decline in growth rates from FY07 to FY10, and the gradual increase from FY10 to FY15.[4] Simultaneously the housing crisis had a significant impact on the real estate transfer tax base, with the base declining by more than 30 percent in FY09. The real estate transfer tax is even more susceptible to changes in GDP growth than the wage tax. For this reason, the transfer tax performs exceedingly well in favorable economic times, while having the potential to significantly under perform in the event of a recession.[5] These past experiences may serve as an indication of the impact of future economic downturns on revenues.

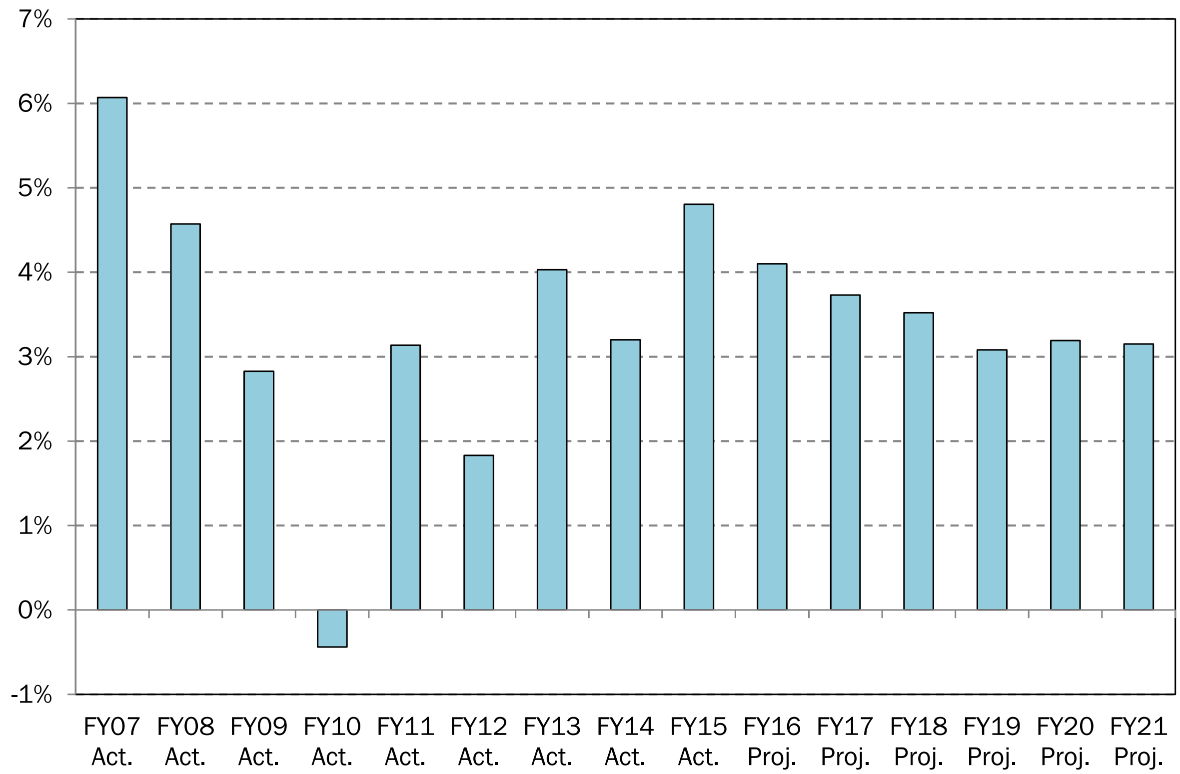
Particularly in light of the fact that the current economic expansion has been ongoing for six years, the assumption of continued economic growth over the full five years of the Plan is a potential risk factor. Ongoing monitoring of City tax revenue collections will remain essential, along with continued efforts to assure accurate

[3] Swanson.

[4] The recession's impact on the sales tax base was also significant, with a decline of more than 8 percent in FY10. However, this year's staff report does not focus on the sales tax. PICA intends to conduct a more thorough analysis of the sales tax once more precise figures of the exact share of the City portion of the tax becomes available. Additionally, the Commonwealth recently revised its projections for sales tax base growth, including the portion allocated to the City, based on recent legislative changes to the tax. The City has included these projections in the Plan.

[5] Swanson.

Figure 3.1. Annual Tax Base Growth, Wage and Earnings Tax, FY07-FY21 (Projected)



economic forecasting.

School District of Philadelphia Financial Stability

The City, in recent years, has struggled with the need to provide adequate resources to the School District of Philadelphia (SDP). Substantial additional resources have been provided to the District since FY12. Additional tax revenues have been allocated to the District through increases in SDP real estate and use and occupancy tax rates, the enactment of a new local cigarette tax, and dedication of $120 million in local sales tax revenue to SDP. The City's direct appropriation to SDP increased from $38.6 million in FY11 to a projected $104.2 million in FY16, and is increasing to a projected $105. 7 million in FY21.[6]

In FY16, increased City appropriations to the District were financed through increases in the City real estate and parking tax rates. Moreover, under state Act 46 of 1998, the City cannot reduce the rate of any local tax dedicated to SDP, nor can it reduce any grants provided to the District. As a result, the increases in SDP tax rates and City appropriations to SDP cannot be reversed absent a change to state law.

The District remains challenged financially, and will continue to be under pressure to deliver adequate and competitive educational services. The potential risk to the Plan, although not as high as in previous years, is that the financial needs of SDP will reduce the ability of the City to raise revenue to support its own operations over the next five years. Given the City's already high tax rates, there is limited ability for either the City or SDP to continue to generate additional resources through taxes. Financial involvement from the Commonwealth would alleviate some

[6] The FY16 amount includes $25 million that was included in the City Council appropriation.

pressure on the City to continue finding and dedicating new revenue streams to SDP. The outcome of ongoing debate over school funding in Harrisburg will play an important role in determining the extent to which SDP continues to present a financial risk for the City.

Indemnities

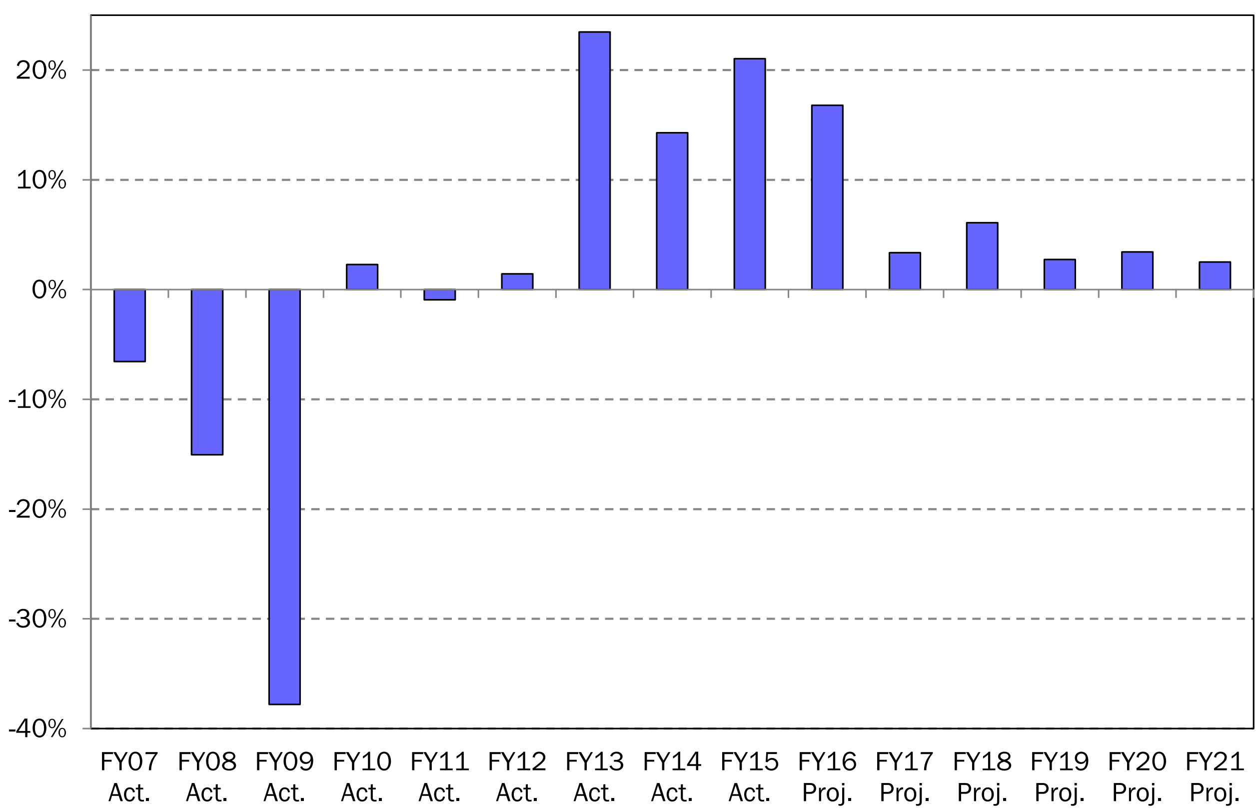
Indemnities are projected to stay level, at $40.7 million, throughout the life of the Plan (see Table 2.7 in Section II). Trends have pointed to an increase in General Fund indemnities in recent years, with actual figures reaching $43.7 million in FY14, compared to $24.7 million in FY08—an increase of approximately 60 percent. The current estimate for FY16 is $42 million, which is approximately $3.2 million above budget.

The Departments with the most significant contributions to the total indemnity cost from the FY16 General Fund are Police ($11.4 million) and Streets ($11.2 million). Generally, these Departments consistently account for the majority of the cost in most years. In FY16, 55 percent of all indemnities were in the following categories: slip and fall, car accidents with City vehicles, shootings by Police, street defects & potholes.

Other departments accounting for significant amounts of indemnities are nonetheless far below the aforementioned levels, including: OIT ($3.2 million), Fire ($2.5 million), Parks and Recreation ($2.3 million), Public Property ($1.1 million), and Prisons ($1.0 million). The remaining Departments represent amounts below $1 million each.

The Law Department manages cases involving

Figure 3.2. Annual Tax Base Growth, Real Estate Transfer Tax, FY07-FY21 (Projected)



indemnities by decreasing settlement costs, while strategizing about which cases to litigate to conclusion in order to limit costs most efficiently.

PICA is concerned that although the costs are being managed on the back end, there does not seem to be a resolute, diligent cost-saving strategy on the front end to avoid the occurrence of incidents or conditions leading to indemnities in the first place. The City should review and implement new initiatives that would strive to lower indemnity costs. Concurrently, the City should make realistic projections for indemnities, especially in light of consistently low fund balances, as well as several major events hosted in Philadelphia that attract substantial numbers of people. There is a realistic potential for increases in indemnities in light of such events. Moreover, because of the nature of this type of litigation, amounts incurred from indemnities related to these events may not become clear for several years to come.

Ultimately, PICA advocates for the simultaneous effort of reducing indemnity costs, while also planning for potential contingencies.

Employee Health Benefit Costs

Employee health benefit cost growth has been minimal in recent years. Health benefits for active and retired workers are currently projected to cost $410.5 million in FY16.

As a result of arbitration awards and collective bargaining, three of the City's union health plans -- the FOP, IAFF, and DC47 plans -- have converted to a self-insurance model under which the City pays the costs of claims and administration, rather than a fixed monthly fee per covered employee. This new administrative model was implemented with the goal of substantial cost savings. However, the City continues to make monthly per-employee payments for the DC33 health plan.

In conjunction with self-insurance, these plans have utilized competitive bidding and other procedures to ensure competitive rates with service providers. In addition, other programs have been implemented to incentivize healthy behavior. The City administered health plan has also adopted a number of changes to contain costs, including increased employee contributions.

The Plan projects the cost of health benefits will increase at an average annual rate of approximately 5 percent. The projection incorporates separate projections for the union plans and the City-administered plan that covers non-represented workers. The DC47, IAFF, and FOP plans are projected to grow at rates ranging from 5 to 7.5 percent annually, reflecting the City's assumption about medical cost inflation for these self-insured plans. The City administered plan is projected to grow at 5 percent annually, reflecting the assumption that cost growth will be tempered by administrative or policy changes that are within the City's control. Besides $20 million in lump sum payments to DC33's health fund, no further cost increase is projected for the DC33 plan, which is financed through a monthly per-employee payment.

The risk associated with this projection is that the low cost growth of recent years may not continue and that actual growth over the next five years may exceed 5 percent. Another factor is the ACA's impact on costs, which has not yet been fully seen.

Impact of BIRT Reforms

Two significant reforms to the business income and receipts tax (BIRT) have been implemented in recent years. The first is the adoption of single sales factor apportionment to determine taxable net income for purposes of the net income portion of BIRT. The second reform is tax relief for small businesses. Under this provision, firms were allowed to exempt the first $50,000 in gross receipts from the gross receipts tax under BIRT in tax year 2014. The exemption increased to $75,000 in 2015 and $100,000 in 2016. In addition, firms will be eligible for a proportionate reduction in taxable net income for purposes of the BIRT net income tax.

The Plan estimates an approximate decline in BIRT revenues of $46 million annually.[7] However, the BIRT is one of the most difficult revenue streams to forecast, not only because of the aforementioned volatility in annual business income, but also because of overpayments and exemptions - the full impact of which will not be seen or analyzed for several years to come.[8]

While actual BIRT revenue exceeded the initial Plan estimate, there is a concern that the actual impact could exceed estimates. As exemptions have been in place for several years, the basis of those projections has become more clear; however, projections for single factor apportionment are less certain. Because of the complexity of the reforms and the uncertain behavioral response to them, they pose a risk to estimates of BIRT revenue.

Real Estate Tax Projections / AVI

In 2013, City Council passed the Actual Value Initiative (AVI) in an effort to reform property tax collections by setting a fixed property tax rate on 100 percent of property values rather than a pre-determined fraction of the property's real value. Implemented in 2014, AVI required a re-assessment of all taxable property and resulted in a tax increase for many Philadelphia properties. Now midway through its third year of operation, a backlog of appeals affecting property tax revenue projections present a real, tangible risk to the Plan.

In FY16, the Office of Property Assessment (OPA) proceeded to reassess all residential land values. The decision also leads to a need to do another reassessment of residential properties, this time taking the structure standing on the property into account. It is unclear when such a full valuation will be completed, as the City has said it will focus on re-assessing commercial properties in FY17.

[7] Swanson.

[8] Swanson.

The original intent of AVI was to perform an annual City-wide reassessment of all property. OPA has recently said while this is the eventual goal, a City-wide reassessment is not possible until a modern Computer-Assisted Mass Appraisal (CAMA) system is procured and implemented.[9] The RFI (Request for Information) for the CAMA system was issued in October 2014, with the RFP (Request for Proposals) following shortly thereafter in early 2015. OPA officials have recently projected full implementation of CAMA in 2019, a timeline that reflects greater issues in the City's lengthy and inefficient procurement and contracting procedures. Nevertheless, it will be more than five years before the original intent of AVI can be achieved through a City-wide reassessment. Two or more years of lost property tax revenue as a result of the inability of OPA to conduct City-wide annual re-assessments of taxable property is a significant risk to the plan.

This risk is partially due to the ongoing appeals process. As of August 2016, there are still outstanding appeals from 2014 (628) and 2015 (89); the City expected all 2014 appeals to be resolved by the end of calendar year 2015.[10] With more appeals coming in during the current tax year, the City faces lost tax revenue in each of these concurring fiscal years as those property owners under appeal are allowed to pay taxes on their pre-AVI (2013) values without incurring any interest or penalties—regardless of whether their appeals are successful.

Furthermore, the majority of appeals have been at least partially successful, consistently lowering taxable values, yet the City projects an increase in property tax revenue of approximately $15 million from FY17 to FY18, and an increase of approximately $20 million from FY18 to FY19. Though the City, in its property tax projections, accounts for reductions in taxable assessments due to BRT appeals, the continued success of

[9] Pew Charitable Trusts, "The Actual Value Initiative: Philadelphia's Progress on its Property Tax Overhaul," September 2015, p. 9.

[10] Source: Appeals update provided by the Office of Property Assessment.

appeals may continue to pull City-wide taxable values downward.

The greatest risk to the Plan and to the City, as a result of the change in real estate assessments brought about by AVI, is the City's inability to determine assessments as current market values rise (and fall), while the CAMA system is developed and implemented. In this period of "historic" residential and commercial development in Philadelphia, the City has not made the most of a rare opportunity to capitalize by collecting tax revenue in a way that is responsive to such development booms. It is concerning that by 2020, the earliest year a City-wide re-assessment of all taxable property would be possible, this period of development may have ended.

Pension Projections

The Plan's projected pension costs reflect the City's annual contributions to the pension system in satisfaction of the state mandated minimum contribution, known as the "Minimum Municipal Obligation" (MMO). This contribution is annually calculated by the consulting actuary of the Board of Pensions and Retirement. The actuary's calculation is based on a number of key assumptions, which include: demographic experience, including mortality, retirement rates, and disability rates; as well as economic experience, including salary growth, inflation, and the rate of return on Pension Fund investments. If actual experience deviates from these assumptions, actual required pension contributions could exceed the Plan projection.

This Plan includes a projection of the MMO, based on the Actuarial Valuation, published in March. The the City has also budgeted an additional $5 million over the MMO for each year of the Plan, as well as sales tax revenue collected above the School District share of the tax and debt service. Although the MMO projection is a fluid number that changes over time due to experience gains and losses related to assumptions, the most recent available, vetted number comes from the Valuation.

One of the most sensitive actuarial assumptions is the projected return on investments. The investment return assumption is currently 7.75 percent, net of fees. If actual returns are below the assumption, the City will be required to make higher contributions, extended over time to compensate for those losses. Similarly, if returns exceed the projection, those gains will be recognized over time. As of March 2016, the pension fund had achieved a fiscal year-to-date return of 0.29 percent. This suggests that the Fund will incur a substantial experience loss related to investments for FY16. The effect of these losses is to negatively impact the actuarial value of assets over the next 10 years, as the losses are incrementally recognized under the City's ten-year asset smoothing policy. As the losses are recognized, they will then be amortized, with higher annual required contributions. Additional losses in any of the years of the Plan will result in higher required contributions.

The City's pension liability represents a long-term financial risk to the City, one that can be addressed through a variety of measures, including: more conservative actuarial assumptions,[11] new funding sources, increased employee contributions, and adoption of a new, less costly benefit structure for new employees.[12] The City should continue to seek reforms of this nature to preserve the viability of the system.

For purposes of the current Plan, the risk relates primarily to the possibility of required contributions that are higher than the MMO.

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[11] As a point of clarification, more conservative assumptions will have the effect of increasing the liability and the MMO in the short-term, however, changing assumptions in this way would promote the long-term health of the pension system and would make future costs more predictable.

[12] These options are detailed in a PICA staff report on the City's pension system. See *Philadelphia's Pension System: Reducing Risk and Achieving Fiscal Stability*, Pennsylvania Intergovernmental Cooperation Authority, Staff Report, January 2015.

Sweetened Beverage Tax: Tax Revenues and Legal

On June 16, 2016, Philadelphia became the first major city in the U.S. to enact a tax on sweetened beverages, with a vote of 13 to 4. However, despite its successful passage by City Council, there is a potential for constitutional and other legal challenges to this new revenue source in the months to come. City officials have been preparing for this since proposing the tax.

The tax will become effective on January 1, 2017, with programs relying on its funding beginning in the spring of 2017. Without going into a legal analysis of the challenges that may arise, it is clear that the timing of the implementation of the tax and the timing of expenditures reliant on the tax may overlap. Apart from legal questions, there are questions related to what budgetary practices can be used to avoid a financially adverse impact on the City's budget. Two major concerns are the effect of the commencement of revenue collection, as well as the spending of revenues arising from the tax, both before the resolution of potential legal challenges. With this in mind, PICA requested a contingency plan from the City for how it would manage program costs.

The City's contingency plan would be to stall the implementation of the programs, and secondarily, to impose target budget cuts upon departments of approximately 2 percent. PICA has been informed that departments have been forewarned of this possibility.

Sweetened Beverage Tax: Program and Financial Implications

Sweetened beverage tax revenue is projected to remain flat over the life of the Plan, a detail which puts the Administration's goal of annual expansion of Community Schools and pre-K at risk. The City projects the tax will generate approximately $92 million annually, $46 million in FY17 as the tax would be implemented in January 2017, halfway through the current fiscal year. Should revenues decline along with consumption of sweetened beverages, a funding gap could emerge forcing the City to make difficult decisions as to whether to halt expansion of the programs or find the funding elsewhere in the budget.

In the first full year of the tax, FY18, the administration $42.5 million has been allotted for community schools and pre-K, with increases to $50 million, $56.5 million, and $69.3 million in FY19, FY20, and FY21, respectively. Yet annual sweetened beverage tax revenue is projected to remain flat at $92 million throughout the Plan, despite a 25 percent drop in non-diet soda sales over the past 20 years and an overall drop in annual sales of 1.5-2 percent.[13] When a 1.5 percent decrease in consumption is considered, it is a risk that the City will be able to sustain the costs involved in the expansion of the new programming to 25 Community Schools and 6,500 quality pre-K seats over the life of the Plan. Furthermore, there is little information available on diet soda consumption trends making it difficult to project how the tax will affect sales of diet beverages. The City views its estimates of sweetened beverage tax revenue as conservative, citing considerations for drops in consumption and gaps in compliance, yet the lack of available data and the fact that Philadelphia is the first big city in the US to pass this type of tax frames projection of sweetened beverage tax revenue as a risk.

City estimates of sweetened beverage tax revenue show an annual 1 percent decline due to a reduction in consumption; it is difficult to project whether the City's consumption reduction factor will prove accurate. Industry executives have cited a 1.5-2 percent reduction over the last decade, outside of such a tax.[14] PICA's evaluation of revenues from FY18 to FY21 (the first full year of the tax to the last year of the Plan) shows that revenue generated in FY21 would fall to just

[13] Margot Sanger-Katz, "The Decline of Big Soda," *New York Times*, October 2, 2015.
[14] Harold Honickman, qtd. in Margot Sanger-Katz, "The Decline of Big Soda," *New York Times*, October 2, 2015.

under $87 million when a decline of 1.5 percent in consumption is factored, in—a difference of almost $5.25 million. An accelerated decline in consumption due to distributors passing on the entire tax to the consumer, or consumers crossing City lines to purchase their sweetened beverages could result in a further decline in revenue.

Both the revenue and expenditure aspects of the sweetened beverage tax present a financial risk to the Plan. PICA will continue to monitor the City's spending on these programs in relation to revenues created by the sweetened beverage tax.

Overtime Management

The City has projected significant overtime reductions in key departments in FY17. These reductions are projected to recur in each year of the Plan. The largest FY17 reductions are projected in: Police ($2 million), Fire ($0.5 million), Prisons ($0.5 million), Streets ($0.5 million), Parks and Recreation ($0.5 million), Free Library ($0.5 million), and Public Property ($0.15 million). From FY10 to FY15, overtime in each of these departments has increased, in some cases, dramatically (Police by 53 percent, Parks and Recreation by 221 percent). Furthermore, all but one of these departments (Streets) surpassed their budgeted overtime for FY16.[15] With overtime expenditures steadily rising since FY10, the Plan's projected overtime reductions appear difficult to achieve—representing a clear risk.

Additional factors make the goal of increasing overtime difficult. Overtime for departments such as Police and Streets spikes when the City hosts major national or international events, as it did during the Papal visit of September 2015, and overtime costs incurred as a result of the Democratic National Convention are not yet clear. While the City has received a US Department of Justice grant totaling $46 million to cover the overtime costs incurred by the Police and Fire Departments, it is not clear whether overtime incurred in other agencies such as the Streets Department, will be covered. Also unclear is whether additional federal funds will be available to cover costs that exceed $46 million.

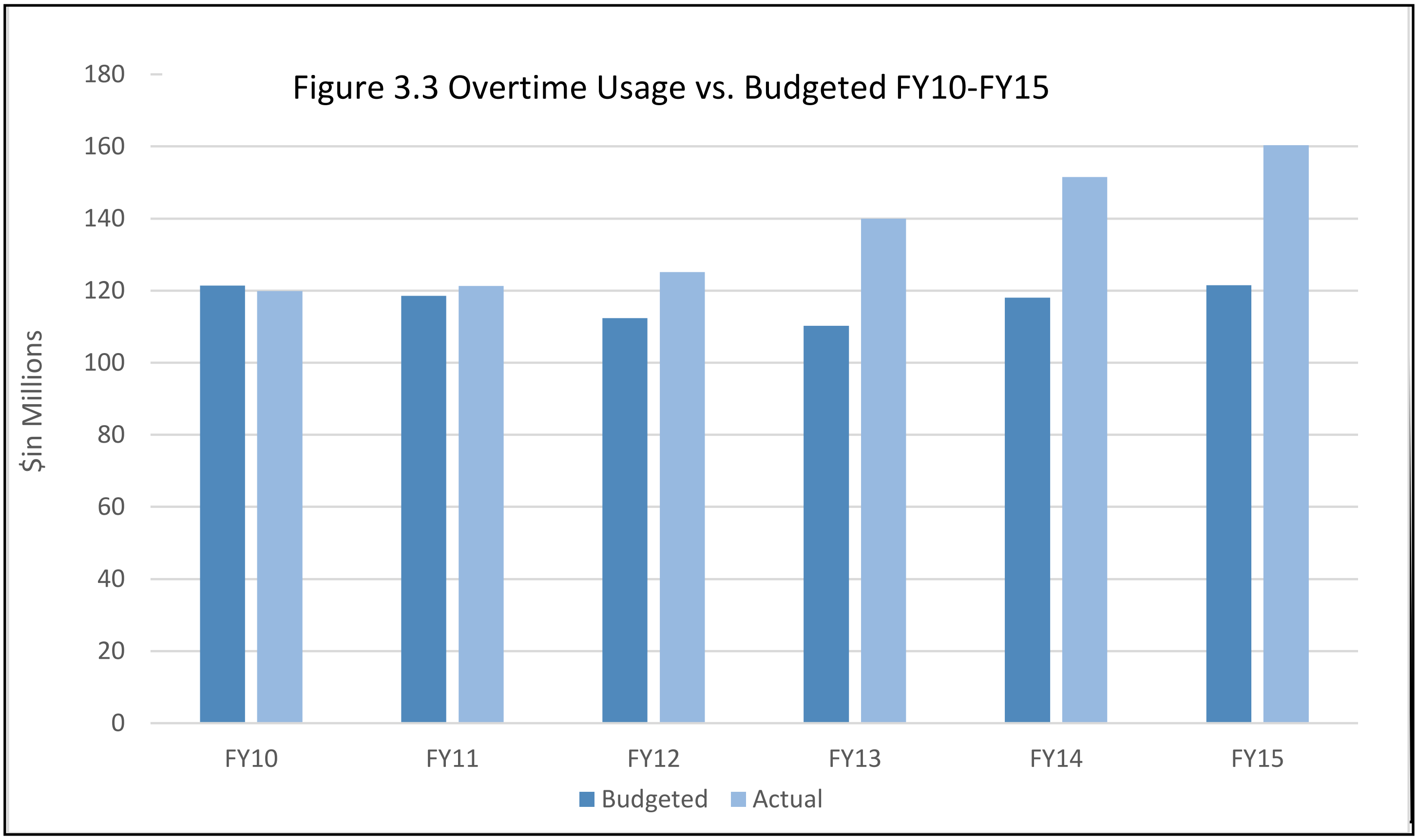
Additionally, the nature of work in some of these departments requires weekend shifts, such as library staff who keep libraries open on Sundays or Recreation staff who lead Sunday programming. These shifts represent an automatic incurrence of overtime. The last negotiated Police contract includes a provision paying police officers who notified they must testify after 9:00 p.m. the previous day, 2.5 times their regular salary.[16] While it is understandable that police officers receive a higher rate of pay to cover unpredictable court appearances, the District Attorney, the First Judicial District, and the Police Department must continue to work together to better coordinate testimony in order to minimize payment of salaries at 2.5 the regular rate. Local news outlets have noted that several individuals earn more in overtime than they do in base salary, while four police officers received more than $100,000 in overtime in FY14.[17] There may be contractual changes that would allow the City to better manage these costs. Finally, if another major snow incident descends on the City, as it did in January 2016, the Streets Department will undoubtedly incur added overtime costs.

A number of steps should be taken if the City is to achieve its goal of reducing overtime by a total of $18.25 million over the life of the Plan. The City needs to demonstrate that the level of overtime savings are appropriate. Overtime is appropriate to manage unforeseen demands. There are savings–primarily in the form of avoided benefits–when these demands are met through overtime rather than additional hiring. The City should develop methods to ensure that overtime usage is reasonable from a financial and management standpoint and create a budget that reflects a decision about appropriate overtime in each agency. Finally, the City should conduct an analysis revealing whether each agency has reached an appropriate balance of staffing versus overtime.

[15] Quarterly City Manager's Report for the 4th Quarter of Fiscal Year 2016.

[16] PICA Staff Discussion with the Philadelphia Police Department, May 19, 2016.

[17] Emily Babay and Brian X. McCrone, "Philadelphia city workers' overtime bonanza rises again, to $215 million in 2014," *The Philadelphia Inquirer*, March 30, 2015.



Fund Balances

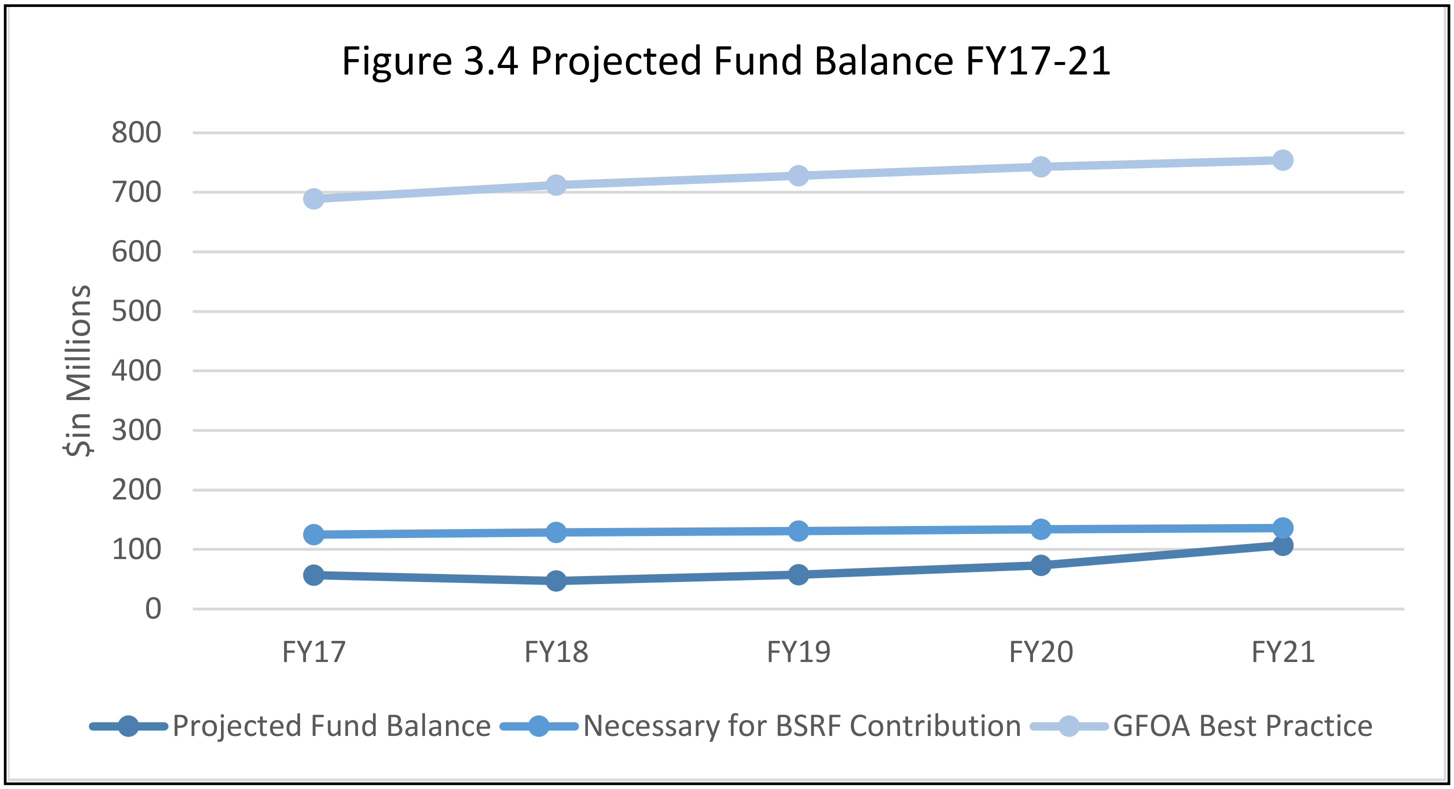
The City projects its fund balance for FY17, the first year of the Plan, at $56.9 million. The balance is projected to fall to 47.1 million in FY18 and will not rise again to pre-recession levels ($120 million in FY08) over the life of the Plan.

The Government Finance Officers Association (GFOA), in its best practices statement on fund balances recommends maintaining a fund balance of "no less than two months of regular general fund operating revenues or regular general fund operating expenditures"—regardless of the size of the City.[18] For FY17, the fund balance would need to be projected at $685.5 million or $694.6 million, respectively, to reach GFOA standards. The City's projected fund balance is a small fraction of what the GFOA recommends. A model developed by economists at J.P. Morgan has calculated the chances of entering another recession within three years at 92 percent.[19] The City's fund balance in FY19 (estimated at $57.8 million) would not cover half of the FY09 deficit, at the height of the recession. Thus, if there is a recession, and it is only half as bad as the 2008 recession, the City would not be prepared to suffer the fiscal consequences. Yet, the low fund balances projected for FY17-19 would not be so worrisome if regular contributions had been made to the Budget Stabilization Reserve Fund (BSRF)—the City has not done so since its inception in 2011 and no projected contributions appear in the Plan.

Philadelphia's Home Rule Charter was amended in April 2011 to establish a Budget Stabilization Reserve "...to make sure resources were available in case of an emergency or if there is an unexpected drop in revenue similar to what happened during the Great Recession [of 2008]. PICA strongly advocated for the creation of this

[18] GFOA, "Appropriate Level of Unrestricted Fund Balance in the General Fund," www/gfoa.org/appropriate-level-unrestricted-fund-balance-general-fund.

[19] Bob Bryan, "J.P. Morgan says there's a 92% chance of recession within three years," *Business Insider*, http://www.businessinsider.com/92-change-of-a-recession-in-3-years-jp-morgan.



reserve , but the projected General Fund balance must exceed three percent of General Fund appropriations to activate a contribution to the reserve—a threshold the City has not yet met.

A consistently low fund balance itself is a risk to the financial health of Philadelphia and daily services the City provides to its residents. The non-use of a budget mechanism put into place to mitigate this risk is a concern. The City must make a firm commitment to contribute to the Budget Stabilization Reserve in future Plans—a commitment that would build confidence in the City's fiscal ability to stave off another financial crisis.

Costs Related to the Democratic National Convention

As of June 1, the Host Committee for the Democratic National Convention (DNC) had not yet met its fundraising goal of $65 million. Estimates of the shortfall were between $9 million and $16 million.[20] As of July 14, the Committee put that shortfall at $3 million. If the Host Committee fails to meet its goal, the City of Philadelphia could be held responsible for making up the difference. A review of the FY17-21 Plan shows that additional costs related to the DNC have not been budgeted. Therefore, the Host Committee's fundraising gap presents a potential risk to the Plan.

Shortly after the City was awarded the Convention, the City extended a $15 million line of credit for the DNC Host Committee through the Philadelphia Authority for Industrial Development (PAID), an authority incorporated by the City to manage properties and issue bonds on behalf of the City, among other responsibilities. At the time, and at present, there were and are no public funds at play (aside from roughly $0.6 million allocated to prepare the City for the Convention) as the Host Committee is expected to repay the full amount of the loan.

With the known fundraising shortfall, public funds could soon be headed for repayment of the loan, and therefore, for costs related to the DNC

[20] Dan McQuade, "Ed Rendell: DNC is Almost $10 Million Short on Funding," *Philadelphia Magazine*, May 31, 2016; Alex Sachdev, "Democrats $10M short for DNC," *Philadelphia Metro*, June 1, 2016.

that were previously unbudgeted. As part of a 'service agreement,' the amount still outstanding (not repaid) by January 2, 2017, will be converted to a term loan which is repayable by the City on January 2 and July 1 of each year from January 2, 2018 through July 1, 2022. Thus, the fundraising shortfall threatens repayment of the loan, in which case the City of Philadelphia will be responsible for making up the difference.

There is no way to know if any additional fundraising has brought the Host Committee closer to its goal, as the group has appealed a Commonwealth Office of Open Records order to release fundraising documents to the public in Philadelphia's Court of Common Pleas. The court ruled the Committee does not have to make public fundraising records until late September—60 days after the close of the Convention.

Without question, national and international events, such as the DNC and the World Meeting of Families, have the potential to be economic windfalls for Philadelphia businesses and help build the notoriety of Philadelphia as a World Class City. However, public dollars should not be spent facilitating such events without being properly considered in the annual budget and accompanying Five-Year Plan. Furthermore, commitments made by host committees and nonprofit corporations to fund these events, either wholly or in part, should be put into publicly available memorandums of understanding.

IV. Spending and Personnel Trends

IV. Spending and Personnel Trends

This section discusses trends in General Fund spending and personnel levels by major category. The review of obligations covers actual spending from FY10 to FY15 and projected spending for FY16 and FY17. Personnel trends from FY10 to FY15 are also discussed. The purpose is to provide perspective on recent trends in costs, and changes in budgetary priorities.[1]

For purposes of the analysis, General Fund obligations are classified into three broad categories: agencies; employee benefits; and all other. Agencies have been classified into eight functional categories. The classification of costs by category is shown in Table 4.1.

General Fund Obligations

Table 4.2 presents overall General Fund obligation trends from FY10 to FY17.[2] Total General Fund obligations increased 23.9 percent from FY10 to FY15, an average annual rate of 4.0 percent. Obligations are rose just 1.2 percent from FY14 to FY15, reflecting the end of repayments of deferred FY10 and FY11 pension contributions. Obligations are projected to increase 5.7 percent from FY15 to FY16.

While overall obligations have increased since FY10, the distribution of obligations across major categories -- agency obligations, employee benefits, and other obligations -- has not changed significantly. Agency costs were 59.2 percent of total General Fund obligations in FY10, and are projected to be 55.7 percent of the total in FY17.

[1] Appendix 1 provides detailed information on expenditures and personnel levels by agency for the General Fund and all operating funds.

[2] The amounts shown exclude Department of Human Services (DHS) spending within the Health and Human Services category. Beginning in FY12, most grant-funded DHS obligations were recognized in the Grants Revenue Fund. Because of this accounting change, it is necessary to exclude DHS to present an accurate comparison over time.

Employee benefits were 26.8 percent of General Fund obligations in FY10, and are projected at 29.1 percent in FY17. Other obligations were 13.9 percent of the total in FY10 and are projected at 14.8 percent in FY17.[3]

Agency Obligations

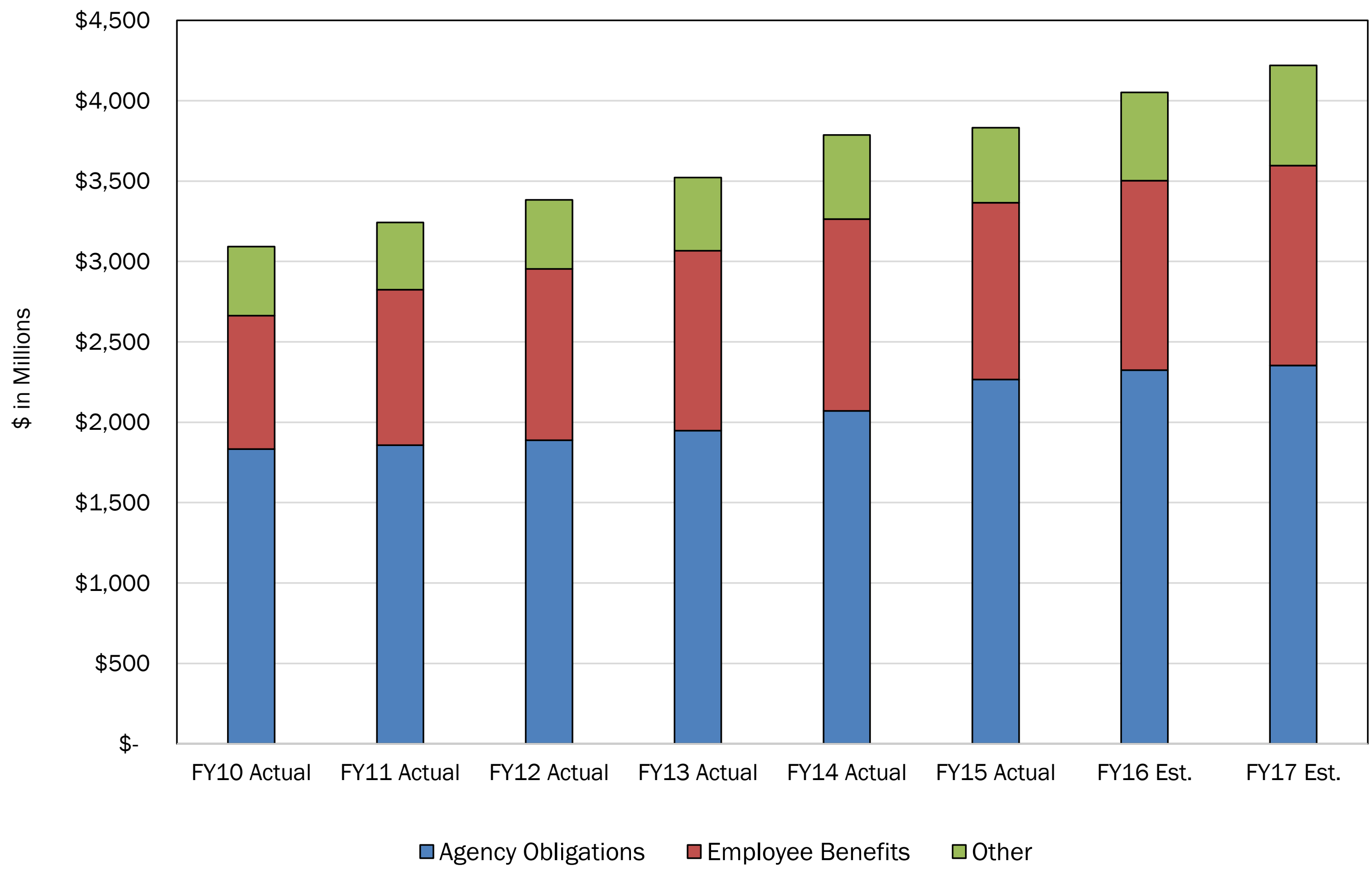
Public Safety. In FY15, Public Safety General Fund obligations totalled $865 million, 22.6 percent of total General Fund obligations, and 38.1 percent of agency obligations. This category of spending increased 23.6 percent from FY10 to FY15, for an average annual rate of increase of 4.7 percent.

Wages and salaries are the primary factor determining spending growth in the Police and Fire departments along with a steep rise in overtime usage over this period (please see Section III discussion on overtime management). In FY15, personal services made up 94 percent of Police Department General Fund obligations, and 89 percent of Fire Department General Fund obligations. Personal services costs reflect filled positions, salary scales, and administrative factors that affect overtime and other non-base salary costs. Police Department General Fund filled positions declined 4.3 percent from FY10 to FY15, while Fire Department positions declined 1.7 percent. Union wage growth and increased overtime have offset these declines in personnel. From FY10 to FY15 overtime usage in the Police Department rose from $41.7 million to $53.3 million, or 27.8 percent, while overtime usage in the Fire Department rose from $19.5 million to $36.1 million, or 85.3 percent over that same period.

[3] The FY15 budget included $69 million in assistance for the School District of Philadelphia. This amount was included in the Finance appropriation. For purposes of the analysis here, this amount was shown as part of the City appropriation to the School District, as part of the "other" obligations category.

Table 4.1. General Fund Obligation Categories		
Agencies		
Function	Agencies Included	
Public Safety	Police Department	Fire Department
Judicial and Corrections	First Judicial District Prisons Department District Attorney's Office	Register of Wills Office of the Sheriff
Health and Human Services	Department of Human Services Office of Supportive Housing Department of Public Health Department of Behavioral Health Office of Housing and Community Development	Commission on Human Relations Office of Community Empowerment and Opportunity Youth Commission
Regulation and Economic Development	Department of Commerce Department of Licenses and Inspections City Planning Commission Historical Commission Zoning Board of Adjustment	Zoning Code Commission Office of Sustainability Board of Building Standards Board of Licenses and Inspections Review Office of Planning and Development
Culture and Recreation	Free Library Department of Parks and Recreation Office of Arts and Culture	Mural Arts Program Philadelphia History Museum Camp William Penn
Transportation and Sanitation	Department of Streets	Office of Infrastructure and Transportation Services (formerly Office of Transportation and Utilities)
Central Services	Department of Public Property Capital Program Office	Office of Innovation and Technology Office of Fleet Management
Governance and Administration	Office of the Mayor City Council Office of the City Controller Managing Director's Office Office of the Director of Finance Board of Ethics Board of Revision of Taxes City Commissioners City Treasurer	Civil Service Commission Office of the Inspector General Office of Labor Relations Law Department Human Resources Department Procurement Department Office of Property Assessment Department of Records Department of Revenue Office of the Chief Administrative Officer
Education	Community Schools and Pre-K	
Employee Benefits		
Pension Contributions Pension Obligation Bond Debt Service Health and Medical Employee Disability Social Security	Unemployment Compensation Group Life Group Legal Tool Allowance Flex Cash Payments	
Other Categories		
Debt Service Art Museum Pennsylvania Convention Center School District of Philadelphia Community College of Philadelphia Southeastern Pennsylvania Transportation Auth.	Legal Services Budget Stabilization Reserve Fund Refunds Witness Fees Hero Awards Scholarships	

Figure 4.1. General Fund Obligations by Major Category
FY10-FY17 (Projected)



Judicial and Corrections. Judicial and Corrections obligations in the General Fund totalled $425 million in FY15, 11.0 percent of total General Fund obligations, and 18.7 percent of agency obligations. Spending in this category rose 7.9 percent from FY10 to FY15, reflecting a rise in obligations across all judicial and corrections departments.

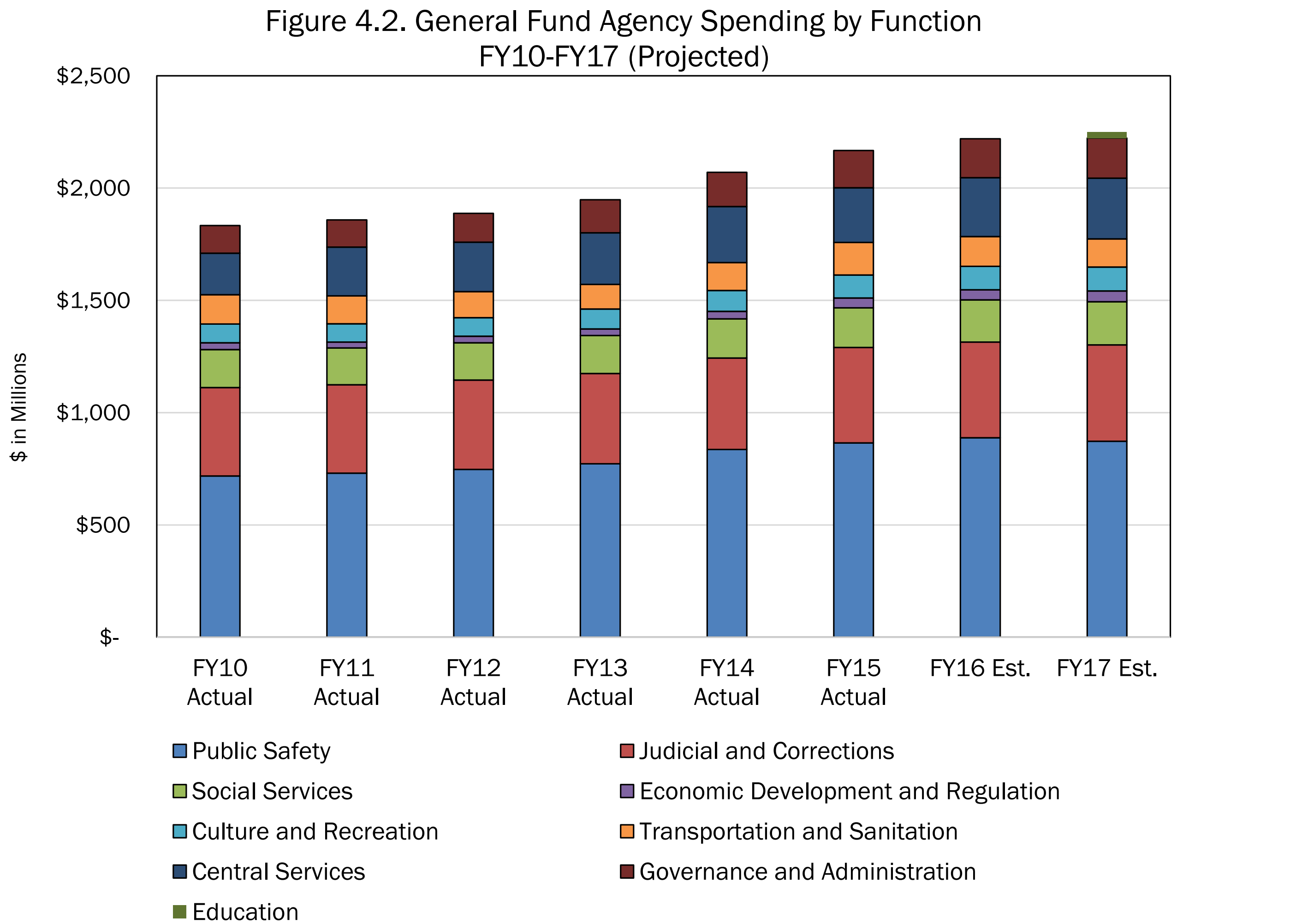
FY16 was a year in which many changes were proposed to the Judicial System, the result of a MacArthur Foundation grant won by the City. The grant stipulates a significant reduction of the prison population. PICA will monitor the proposed changes and their effects on Judicial and Corrections obligations in the coming fiscal years.

Health and Human Services. General Fund obligations for Health and Human Services totalled $177 million in FY15, 4 percent of General Fund spending, the same percentage as in FY14; and 18 percent of agency spending, down from 9 percent in the prior fiscal year. Obligations declined from FY10 to FY12, primarily due to a decline in Department of Public Health spending. However, obligations increased slightly from FY13 to FY15, due to increased spending in Commission on Human Relations, Community Empowerment and Opportunity, and Youth Commission. FY16 is the last year the Youth Commission will be in existence.

General Fund obligations comprise only a portion of total Health and Human Services obligations, due to the high level of Federal and State grant funding that supports these services.

Table 4.2. Obligations by Category, General Fund, FY10-FY17 ($ in Millions)								
	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual.	FY16 Est.	FY17 Est.
Agencies								
Public Safety	718	730	747	772	835	865	888	872
Judicial and Corrections	394	394	398	402	407	425	426	430
Health and Human Services	169	164	166	170	175	177	188	192
Regulation & Economic Development	31	26	29	29	34	43	45	48
Culture and Recreation	83	82	83	88	93	103	104	106
Transportation and Sanitation	131	125	116	110	125	145	133	126
Central Services	185	216	220	230	250	243	262	270
Governance and Administration	123	122	129	147	152	166	174	179
Education	--	--	--	--	--	--	--	27
Total	1,833	1,858	1,888	1,948	2,071	2,266	2,324	2,353
Employee Benefits								
Pension Payments	347	490	548	619	646	558	619	649
Health and Welfare	362	351	392	375	421	410	424	449
Disability/Workers' Compensation	50	55	54	57	56	57	58	66
Social Security	65	65	67	65	67	71	72	75
Unemployment Compensation	5	6	5	3	3	3	5	5
Total	830	967	1,066	1,119	1,194	1,100	1,179	1,243
Other								
Art Museum	2	2	2	2	3	3	3	3
Community College	26	25	25	25	26	27	30	30
School District	39	39	49	69	114	69	104	104
Convention Center	24	15	15	15	15	15	15	15
Indemnities	33	34	33	30	41	42	41	41
Legal Services	36	37	37	39	41	43	45	46
PGW Payments	20	2	--	--	--	--	--	--
Debt Service	185	198	201	210	216	238	236	275
Labor Provisions	--	--	--	--	--	--	--	30
SEPTA	64	66	66	65	66	70	74	80
Other	--	--	--	--	--	--	1	1
Total	430	417	429	456	522	466	549	624
Total	3,093	3,242	3,383	3,523	3,786	3,831	4,051	4,220

Note: Agency obligations from FY10 to FY15 from the *Supplemental Report of Revenues and Obligations* are adjusted to remove indemnity costs.
Sources: FY10-FY15 actual obligations from *Supplemental Report of Revenues and Obligations*. FY16 and FY17 obligations estimates from FY17-FY21 *Five-Year Financial Plan*.
Indemnity costs by agency for FY10 to FY15 provided by Office of Budget and Program Evaluation, Office of the Director of Finance, City of Philadelphia.



Regulation and Economic Development. Regulation and Economic Development spending in FY15 totalled $43 million, an increase of $9 million over the previous year. FY15 spending was approximately 1.1 percent of total General Fund obligations, and 1.9 percent of agency obligations.

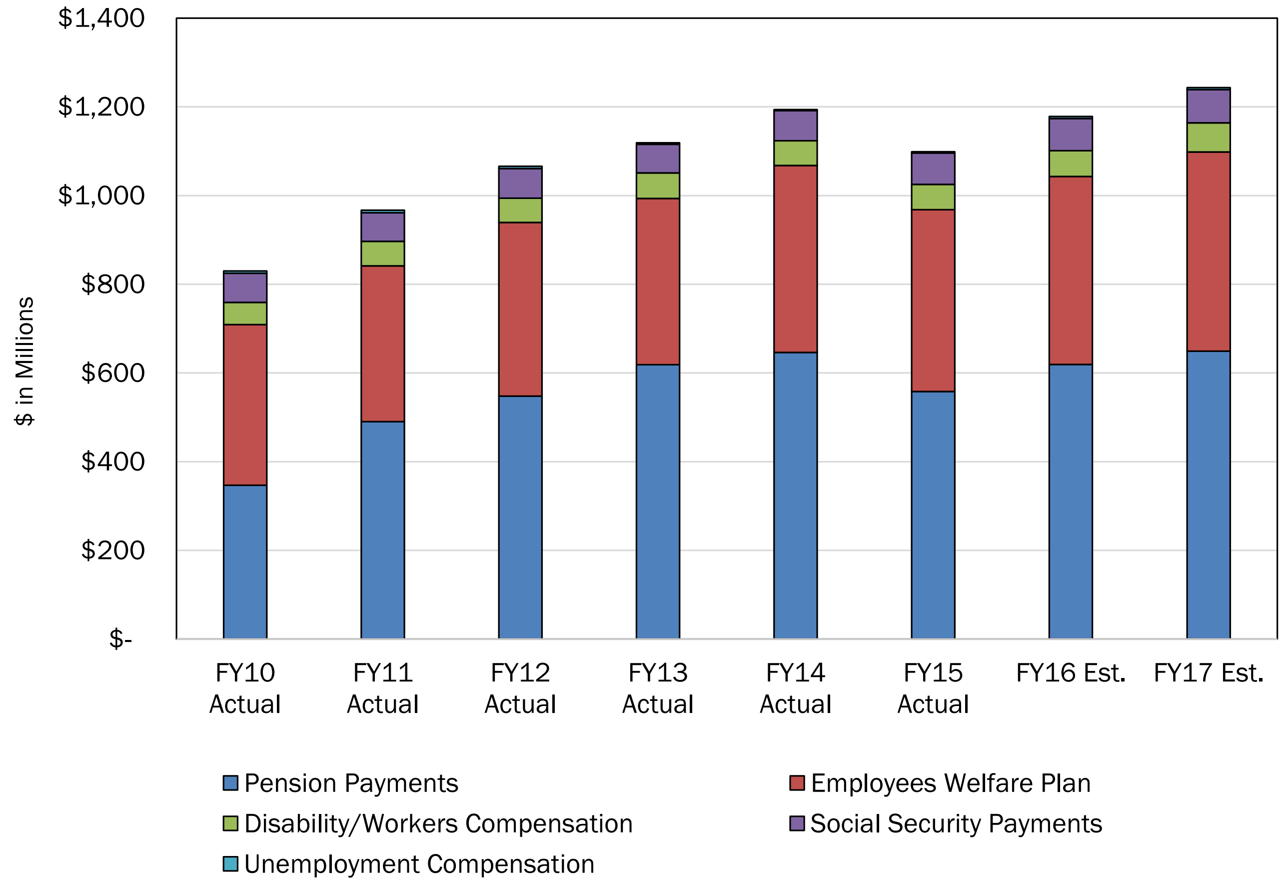
The primary component of non-General Fund spending is expenditures related to Philadelphia International Airport, which are recognized in the Aviation Fund. The airport budget is included within the budget for the Commerce Department.

Many economic development initiatives are implemented through the Philadelphia Industrial Development Corporation (PIDC). The City provides a General Fund subsidy to PIDC through the Commerce Department budget. However, the majority of PIDC's financial activity is not included in the City budget.

Culture and Recreation. General Fund obligations for Culture and Recreation totalled $103 million in FY15, 2.7 percent of General Fund obligations, and 4.5 percent of agency obligations, representing a 10.8 percent increase from the previous fiscal year. In this category, General Fund spending increased 24.1 percent from FY10 to FY15.

Spending for the Free Library and Department of Parks and Recreation declined from FY09 to FY10, largely as a result of budget-balancing actions taken by the City in response to the recession. In subsequent years, spending for both agencies gradually increased. By FY14, Free Library obligations had nearly returned to the

Figure 4.3. General Fund Employee Benefit Spending by Category
FY10-FY17 (Projected)



pre-recession, FY09 level. They are projected to increase further in FY15 and FY16. Similarly, FY14 obligations for the Department of Parks and Recreation had surpassed the FY09 level, and are also projected to increase in FY15 and FY16.

Transportation and Sanitation. Total General Fund obligations for Transportation and Sanitation were $145 million in FY15, 3.8 percent of General Fund spending, and 6.4 percent of agency spending. Obligations declined between FY10 and FY13, due to reductions in personnel and contract services. Reductions in contract costs reflect a reduction in waste disposal fees.

In FY16, obligations rose by $20 million over the prior fiscal year due to the Streets Department's participation in the Papal Visit in late 2015 and a major snow event in early 2016. Obligations are projected to decline again in FY16 and FY17.

Central Services. Central Services includes internal services that support the operation of other City departments. General Fund obligations for Central Services were $243 million in FY15, representing 6.3 percent of total General Fund spending, and 10.7 percent of agency spending. Spending in this category increased 31.6 percent from FY10 to FY15. This increase primarily reflects two factors. First, the centralization of the City's information technology budget in the Office of Innovation and Technology beginning in FY11, resulted in a shift of costs from agencies to OIT. Second, there was a significant increase in Department of Public Property expenditures in FY14 that reflected a non-recurring distribution of proceeds from the sale of a parking garage. Finally, there was also a significant increase in Fleet spending in the aftermath of the recession.
Governance and Administration. Governance and Administration spending in FY15 totalled

Table 4.3. Agency Filled Full-Time Positions: General Fund	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual
Public Safety	9,565	9,365	9,297	9,318	9,148	9,211
Judicial and Corrections	4,819	4,729	4,802	4,871	4,937	4,967
Health and Human Services	842	829	865	882	860	834
Regulation and Economic Development	392	368	368	363	374	405
Culture and Recreation	1,211	1,227	1,199	1,194	1,225	1,254
Transportation and Sanitation	1,701	1,697	1,690	1,703	1,697	1,676
Central Services	589	649	645	651	656	659
Governance and Administration	1,427	1,488	1,505	1,566	1,712	1,765
Total	20,546	20,352	20,371	20,548	20,609	20,771

Note: Figures represent filled, full-time General Fund positions as of June 30. Amounts exclude Department of Human Services.
Source: *Quarterly City Managers Report*, Office of Budget and Program Evaluation, Office of the Director of Finance, City of Philadelphia.

$166 million, 4.3 percent of total General Fund spending, and 7.3 percent of agency spending.

Growth in this category reflected several key administrative reforms. The Office of Property Assessment (OPA) was created in FY11 to implement more accurate assessments for real estate tax purposes. Combined costs for the OPA and the Board of Revision of Taxes (BRT), which continues to administer assessment appeals, increased from FY10 to FY15. The Office of Inspector General (OIG), created in FY10, resulted in new costs. Finally, Managing Director's Office (MDO) obligations also increased over this period.

Employee Benefits Obligations

The largest employee benefits category, pension costs, declined from 47.2 percent of total employee benefits in FY09 to 41.8 percent in FY10, due to the state-authorized deferral of $150 million in contributions. The share increased to 54.1 percent in FY14, and declined to 50.7 percent in FY15, reflecting the full repayment of the deferred contributions by the end of FY14. Pension payments are projected to increase to 52.5 percent of total employee benefits in FY16. The share of costs allocated to health and welfare has declined from 43.7 percent in FY10 to 37.3 percent in FY15, due to conversion of employee health benefit plans to self-insurance and other efficiencies.

Other Obligations

Among other categories, the most significant change has been an increase in the City's appropriation to the School District of Philadelphia. This appropriation has increased from 9.0 percent of other expenditures in FY10 to 14.8 percent in FY15.

General Fund Personnel

As shown in Table 4.3, total General Fund positions decreased from 20,546 at the end of FY10 to 20,352 at the end of FY11. However, filled positions increased in each of the next four fiscal years, reaching 20,771 in FY15.

The largest component of positions, by far, is in the Public Safety category, which declined from 46.6 percent of total General Fund positions in FY10 to 44.3 percent in FY15. Although these departments have a declining share of personnel, they represent an increasing share of agency costs, with their share increasing from 39.2

percent to 39.4 percent over the same period.[4] Judicial and Corrections increased from 23.5 percent to 23.9 percent of agency personnel from FY10 to FY15. Governance and Administration increased from 6.9 percent to 8.5 percent over this period. The share of other functional categories did not change significantly over this period.

[4] This calculation adjusts for the $33.5 million in retroactive wage and salary payments made in FY14.

V. Indicators of Financial Health

V. Indicators of Financial Health

Earlier this year, PICA staff published its first report on the performance of the City from an entity-wide and agency perspective.[1] The report focused on entity-wide reporting on financial and operational performance, and assessed agency-level performance based on quantitative indicators through the end of FY14. The report will be an annual publication, and was designed to promote one of the goals of the PICA Act, which lists "increased managerial accountability" as an objective for the City.

This section, Indicators of Financial Health, has been included in the annual PICA staff report on the Five-Year Financial Plan for the past five years. It is designed to promote managerial accountability as well, by presenting quantitative measures of the overall economic performance of Philadelphia and the financial performance of its government. This year's section includes the same indicators as in years past. In the future, additional indicators will be added to focus on other aspects of the City's financial condition and performance, including tax competitiveness and enforcement.

The measures discussed included four economic indicators: payroll employment, the unemployment rate, poverty, and median household income. Financial condition indicators include the General Fund balance, outstanding debt, and the funding status of the municipal pension system and other post-employment benefits. Multi-year trends are reported to allow an assessment of whether the indicator is improving or declining over time.

Economic Indicators

Payroll Employment. Table 5.1 presents trends in payroll employment or the city, region, and nation. In addition, the city's share of regional and national employment is presented to indicate the extent to which the city's employment basis is growing more or less rapidly than that of the state and nation. These data reflect payroll at Philadelphia-based business establishments. As such, they reflect earnings of Philadelphia workers, rather than residents.

City employment declined to a low of 652,000 in 2009, and has since increased gradually to 685,000 in 2015. This rate of increase has been broadly consistent with regional employment trends, as the city's share of regional payroll employment has remained roughly constant since 2009. In contrast, national employment trends since 2009 have outperformed the city; the city's share of national employment declined from 0.497 percent in 2009 to 0.483 percent in 2015.

[1] *City of Philadelphia Performance: Measurement, Reporting, and Accountability*. Staff Report. February 2016.

Table 5.1. Non-Farm Payroll Employment, Philadelphia City, Region, and Nation

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City (000)	663	663	663	652	657	660	662	665	673	685
Region (000)	2,798	2,811	2,808	2,711	2,697	2,707	2,723	2,745	2,777	2,822
Nation (000,000)	136.4	138.0	137.2	131.3	130.4	131.9	134.2	136.4	138.9	141.8
City as Percent of Region (%)	23.7	23.6	23.6	24.1	24.4	24.4	24.3	24.2	24.2	24.3
City as Percent of Nation (%)	.486	.480	.483	.497	.504	.500	.494	.488	.484	.483

Source: US Bureau of Labor Statistics State and Metro Area Employment Hours and Earnings (city and regional) and Current Employment Statistics (national). Region is the Philadelphia-Camden-Wilmington PA-NJ-DE-MD metropolitan statistical area. Amounts are annual averages of seasonally adjusted monthly data.

Table 5.2. Unemployment Rate, Philadelphia City, Region, and Nation										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City	6.2	6.1	7.1	9.8	10.6	10.7	10.9	10.3	8.1	6.9
Region	4.5	4.3	5.3	8.3	8.8	8.5	8.5	7.7	6.2	5.3
Nation	4.6	4.6	5.8	9.3	9.6	9.0	8.1	7.4	6.2	5.3
City as Percent of Region	138	142	134	118	121	126	129	133	130	130
City as Percent of Nation	135	132	123	105	110	119	135	140	132	130

Source: US Bureau of Labor Statistics Current Population Survey (nation) and Local Area Unemployment Statistics (city and region). Region is the Philadelphia-Camden-Wilmington PA-NJ-DE-MD metropolitan statistical area. Amounts are annual averages of monthly data that are not seasonally adjusted.

Unemployment Rate. Table 5.2 presents unemployment rates in the city, region, and nation over the past decade. After peaking at 10.9 percent in 2012, the Philadelphia City unemployment rate declined to 6.9 percent in 2015. During the most recent recession, the regional rate peaked at 8.8 percent in 2010 and has since declined to 5.3 percent. Similarly, the national rate peaked at 9.6 percent in 2010 and declined to 5.3 percent in 2015.

The city unemployment rate has been consistently higher than that of both the state and the nation over the past decade. As of 2015, the city rate was 30 percent higher than the regional and national rate.

Poverty Rate. Table 5.3 presents trends in the poverty rate in the city, state and nation. As the economy has recovered since the Great Recession, the city's poverty rate has declined. The rate peaked at 28.4 percent in 2011 and declined to 26.0 percent in 2014. The state and national poverty rates have also declined since 2011. The city's poverty rate relative to the state and nation has improved somewhat since 2011. In 2015, the rate was 91 percent higher than the state rate and 68 percent higher than the national rate. Among the ten biggest U.S. Cities by population, Philadelphia has the highest rate of citizens living in deep poverty.

Since poverty rates tend to move consistently with macroeconomic trends, it could be expected

Table 5.3. Poverty Rate and Median Household Income, Philadelphia, Pennsylvania, and Nation									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Poverty Rate (%)									
City	25.1	23.8	24.1	25.0	26.7	28.4	26.9	26.3	26.0
State	12.1	11.6	12.1	12.5	13.4	13.8	13.7	13.7	13.6
US	13.3	13.0	13.2	14.3	15.3	15.9	15.9	15.8	15.5
City as Percent of State	207	205	199	200	199	206	196	192	191
City as Percent of US	189	183	183	175	175	179	169	166	168
Median Household Income ($)									
City	33,229	35,365	36,976	37,045	34,400	34,207	35,386	36,836	39,043
State	46,259	48,576	50,713	49,520	49,288	50,228	51,230	52,007	53,234
US	48,451	50,740	52,029	50,221	50,046	50,502	51,371	52,250	53,657
City as Percent of State	72	73	73	75	70	68	69	71	73
City as Percent of US	69	70	71	74	69	68	69	70	73

Source: US Bureau of the Census, American Community Survey, 1-year estimates.

Table 5.4. General Fund Year-End Fund Balance and Total Obligations										
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Fund Balance ($000,000)	$255	$298	$120	($137)	($114)	$0	$147	$257	$202	$152
Obligations ($000,000)	3,426	3,737	3,920	3,915	3,654	3,785	3,485	3,613	3,887	3,832
Fund Balance as a Percent of Obligations (%)	7.4	8.0	3.0	(3.5)	(3.1)	0.0	4.2	7.1	5.2	4.0

Source: *Comprehensive Annual Financial Report*, City of Philadelphia.

that the city rate will decline as the nation and city recover from the recession. However, the gap between Philadelphia, the state, and the nation, is an important indicator of the health of the city's economy, and the effectiveness of state and local anti-poverty strategies.

The City has made poverty reduction an explicit policy goal with the creation of its *Shared Prosperity* plan and the establishment of the Mayor's Office of Community Empowerment and Opportunity. The new pre-K and Community Schools initiatives were also created with the ultimate goal of reducing poverty.

Median Household Income. Table 5.3 presents median household income for the city, state and nation. Philadelphia's median household income in 2014 was $39,043, an amount equal to 73 percent of the state and national median income. Over the past decade, Philadelphia's median income generally remained between 25 and 30 percent below the state and national level.

Financial Indicators

Fund Balance. The City's Comprehensive Annual Financial Report (CAFR) reports the end of year fund balance for the General Fund on a Generally Accepted Accounting Principles (GAAP) basis and on a budgetary basis different from GAAP. The Five-Year Plan and budget reflect the budget basis of accounting. In FY15, the year end General Fund balance was $155.5 million on a GAAP basis and $151.5 million on the budget basis.

Table 5.4 presents trends in the General Fund year-end fund balance on the budget basis. Since FY06, the end of year fund balance has been positive in each year with the exception of FY09 and FY10, the two years coinciding with the most recent recession. In the most recent year, the fund balance was $152 million or 4.0 percent of General Fund obligations.

Fund balances since FY08 have been modest in relation to obligations. The highest level in recent years was the FY13 fund balance of $257 million or 7.1 percent of obligations. However, the fund balance in that year was bolstered significantly due to a delay in settling labor contracts with the City's major unions. Since FY13, the General Fund balance has been lower, but has also reflected the impact of settled labor contracts and a return to annual wage increases for unionized employees.

The low level of fund balances remains a challenge. The City has established a target fund balance of 6 to 8 percent of obligations. Excluding the unusual result in FY13, this level has not been achieved since FY07. Without a higher fund balance the City will continue to be unable to address many of its greatest financial challenges, including the inadequately funded pension fund, outdated infrastructure, and high tax rates. It will also not be able to make contributions to its Budget Stabilization Reserve Fund (BSRF) which is designed to smooth revenues in the event of a recession.

Table 5.5. Debt Indicators, City and School District of Philadelphia										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Outstanding ($000,000)										
City Pension-Related	1,439	1,445	1,447	1,444	1,428	1,407	1,379	1,595	1,421	1,363
City Other	2,544	2,801	2,689	2,867	2,843	2,876	2,764	2,685	2,856	2,703
School District	2,413	2,669	2,639	2,899	3,101	3,089	3,248	3,430	3,305	3,224
Total	6,396	6,914	6,775	7,210	7,372	7,372	7,391	7,710	7,583	7,290
Debt Per Capita ($)										
City	2,676	2,843	2,758	2,846	2,795	2,783	2,672	2,749	2,739	2,594
School District	1,621	1,787	1,759	1,914	2,029	2,007	2,095	2,203	2,117	2,057
Total	4,296	4,630	4,517	4,760	4,824	4,790	4,767	4,953	4,856	4,651
Debt as a Percent of Personal Income										
City	8.5	8.5	7.6	7.9	7.5	7.2	6.7	6.7	6.4	5.9
School District	5.1	5.3	4.8	5.3	5.4	5.2	5.2	5.4	5.0	4.7
Total	13.6	13.9	12.4	13.2	12.9	12.3	11.9	12.1	11.4	10.5
City Debt Service as a Percent of General Fund Obligations										
Pension-Related Debt	2.5	2.4	2.4	2.5	3.1	3.0	3.0	5.6	5.6	2.9
Other	5.6	5.5	5.2	5.6	6.0	6.1	5.9	6.0	5.7	6.4
Total	8.0	7.9	7.6	8.2	9.1	9.1	8.9	11.5	11.3	9.3

Note: Measures of City indebtedness include only debt related to governmental activities. City pension-related debt includes pension obligation bonds issued by the Philadelphia Authority for Industrial Development (PAID) in 1999, and two series of PAID bonds issued in 2012 to refund a portion of the 1999 POBs and to finance payment of deferred pension contributions. Personal income in 2015 is a PICA staff estimate based on previous trends. Debt service as a percent of General Fund obligations uses a measure of obligations that excludes Department of Human Service obligations to ensure comparability over time. DHS grant-funded obligations were recognized in the Grants Revenue Fund beginning in FY12.
Source: *Comprehensive Annual Financial Report* for City and School District of Philadelphia; US Census Bureau (population); US Bureau of Economic Analysis (personal income).

Debt. The level of outstanding debt is an important measure of financial flexibility, as well as an indication of the level of investment in capital infrastructure. Table 5.5 presents total debt outstanding from FY06 to FY15. Amounts include City and School District of Philadelphia (SDP) debt related to governmental activities only. Debt related to business type activities such as the City's water system and airports are excluded.

Total City and SDP debt outstanding increased from $6.4 billion in FY06 to $7.3 billion in FY15. A substantial portion of outstanding debt relates to the City pension system. In 1999, the City issued bonds to reduce the unfunded liability of the pension system. In 2012, a portion of these bonds were refunded. As of the end of FY15, $1.4 billion in pension related debt remained outstanding, accounting for 18.7 percent of total City and SDP debt.

City and SDP debt per capita increased 8.3 percent from FY06 to FY15, compared to an increase in the Consumer Price Index of 16.9 percent.[2] Local government debt as a percentage of personal income declined from 13.6 percent in FY06 to 10.5 percent in FY15. The decline is primarily due to a reduction in City debt.

General Fund debt service payments have increased as a percentage of General Fund

[2]US Bureau of Labor Statistics, Consumer Price Index - All Urban Consumers, Philadelphia-Wilmington-Atlantic City metropolitan area.

Table 5.6. Pension System Funding Status										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarial Value of Assets ($000,000)	4,168	4,422	4,624	4,042	4,381	4,719	4,717	4,799	4,815	4,863
Actuarial Liability ($000,000)	8,084	8,197	8,402	8,975	9,317	9,487	9,800	10,126	10,522	10,800
Unfunded Actuarial Accrued Liability (UAAL) ($000,000)	3,915	3,775	3,779	4,933	4,936	4,768	5,083	5,327	5,707	5,937
Actuarial Funded Ratio (%)	51.6	53.9	55.0	45.0	47.0	49.7	48.1	47.4	45.8	45.0
Covered Payroll ($000,000)	1,319	1,352	1,457	1,463	1,421	1,371	1,372	1,430	1,495	1,598
UAAL as a Percent of Covered Payroll (%)	297	279	259	337	347	348	370	373	382	372
Minimum Municipal Obligation (MMO) ($000,000)	307	400	412	439	447	511	507	492	523	556
City Funding Policy ($000,000)	395	528	537	539	581	716	722	738	824	798
Amount Paid ($000,000)	332	432	427	455	313	470	556	782	553	577
Percent of City Funding Policy Paid (%)	84.0	81.9	79.5	84.4	53.8	65.7	76.9	105.9	67.1	72.3
Percent of MMO Paid (%)	108.1	108.0	103.5	103.8	69.9	92.0	109.6	158.9	105.7	103.8

Note: Minimum Municipal Obligation shown is prior to deferred amounts in FY10 and FY11. Amount paid includes repayment of deferred amounts in FY13.
Source: City of Philadelphia Municipal Retirement System Actuarial Valuation Reports and City of Philadelphia *Comprehensive Annual Financial Report*, FY15.

obligations. Total debt service, including debt service on pension related debt, increased from 8.0 percent to 9.3 percent of General Fund obligations from FY06 to FY15 ($238 million).

Pension Funding Status. The funded status of the City's Municipal Retirement System (MRS) is one of the most critical financial challenges facing the city. Risks related to pension funding are also described in Section III. Table 5.6 presents a multi-year trend in the primary indicators of pension funding status. These measures are drawn from the annual actuarial valuation reports.

The City's funding is determined by state law, which mandates that the City annually contribute a minimum municipal obligation (MMO) to the Pension fund. The MMO includes costs accrued during the year as a result of services provided by current employees, and an amortization payment sufficient to amortize the unfunded liability of the MRS over a defined period, as determined by an actuarial valuation.

An actuarial model of the MRS makes various assumptions that determine the City's MMO requirement each year. The assumptions address returns of pension fund investments, timing of retirement, salary growth, mortality and disability rates, among other factors. Based on these assumptions and standard actuarial methods, the actuary calculates, as of June 30 of each year, the value of assets, liabilities, funded ratio of the

System, and MMO contribution, as well as the level of the City funding policy (funding policy). The funding policy is based upon a different method of amortizing the unfunded liability. The funding policy in recent years has been higher than the MMO.

Since 2006, the actuarial value of assets of MRS has increased from $4.168 billion to $4.863 billion. Over the same period, the actuarial liability has increased from $8.084 billion to $10.800 billion. The funded ratio of the system has declined from 51.6 to 45.0 percent. The unfunded liability has increased from 297 to 372 percent of covered payroll.

The most troubling aspect of these trends is that, despite the state law mandating the gradual reduction of the unfunded liability of the system through the MMO amortization payment, the actual funded ratio of the system has declined over the past decade. This decline reflects, in part, the adoption of more conservative actuarial assumptions with respect to the rate of return on investments (most recently, the Board of Pensions reduced the expected return on investments to 7.75 percent). It also reflects actual investment returns that have often been below the assumed rate. In particular, the large investment losses of 2008 and 2009 resulted in returns well below the assumed rate of return. Last fiscal year, returns were significantly below the projected 7.80 percent at that time, coming in at 0.29 percent, as of the release of the Actuarial Valuation in March. Going forward, a primary agenda item for the MRS should be to ensure that all of its actuarial assumptions are realistic. The Pension Board has consistently reduced its assumed rate of investment return in recent years. Efforts to move the assumptions in a more conservative direction will reduce the risk that contributions will continue their unpredictable growth. In addition, they will increase the probability that state-mandated funding levels will increase the funded ratio of the MRS over time.

In light of the returns from the past several years, a re-evaluation of the investment portfolio may also be in order.[3] With returns reaching a low point of 0.29 percent in the most recent fiscal year, a comparison with the success of the investment returns only a year prior, reaching 15.70 percent, points to a significant level of volatility in the current allocation, as well as some variation in market performance. Furthermore, the investment gains and losses from these returns are smoothed over a 10 year period. The actuarial asset value basis return as of the most recent fiscal year is 5.80, reflecting the large investment losses in 2008 and 2009.

Table 5.6 also presents the City funding policy reported in the City's Comprehensive Annual Financial Report (CAFR), as required under GASB Statement 25. Under GASB 25, the Annual Required Contribution (ARC) is defined as a payment sufficient to pay system normal costs and amortize any unfunded liabilities over a period not to exceed 30 years. The MMO may also qualify as an appropriate measure of the ARC under GASB rules. The MMO has historically been below the City funding policy, due to different amortization methods. The City's actual contributions since 2003 have been based on the MMO rather than the funding policy, pursuant to state Act 205. Accordingly, the actual contributions have been below the funding policy in most years. As shown in figure 5.6, payments based on the lower MMO amount, in lieu of the funding policy, may reflect that the City is unable to make the higher funding policy payments, which may be an indicator of the City's financial health. In the most recent year, actual contributions, although higher than the MMO, were only 68.7 percent of the funding policy. In FY13, contributions were 104.2 percent of the funding policy reflecting that the City's pension payment included repayment of a portion of required payments for FY10 and FY11 that were deferred in accordance with state authorization granted in 2009.

[3] This is an ongoing process, as the Board re-examines its asset allocation regularly.

Table 5.7. City of Philadelphia Other Post-Employment Benefits (OPEB) Funding Status								
	2008	2009	2010	2011	2012	2013	2014	2015
Actuarial Value of Assets ($000,000)	--	--	--	--	--	--	--	NA
Actuarial Liability ($000,000)	1,156	1,120	1,170	1,213	1,512	1,704	1,732	NA
Unfunded Actuarial Accrued Liability (UAAL) ($000,000)	1,156	1,120	1,170	1,213	1,512	1,704	1,732	NA
Actuarial Funded Ratio (%)	0	0	0	0	0	0	0	NA
Covered Payroll ($000,000)	1,457	1,462	1,420	1,469	1,372	1,417	1,495	NA
UAAL as a Percent of Covered Payroll (%)	79.4	76.6	82.4	82.5	110.2	120.2	115.9	NA
Annual OPEB Cost ($000,000)	83.4	98.7	93.8	101.7	105.8	114.4	129.3	133.1
Payments Made ($000,000)	79.7	81.3	71.7	65.5	76.3	57.1	67.1	95.3
Percentage of OPEB Cost Paid (%)	95.6	82.3	76.4	64.4	72.1	49.9	51.9	71.6

Note: Actuarial data for 2015 is not yet available.
Source: *Comprehensive Annual Financial Report*, City of Philadelphia.

Other Post-Employment Benefits Funding Status. The City has a substantial unfunded liability related Other Post-Employment Benefits (OPEB). These benefits are defined to include all post-employment benefits other than pensions. For City retirees, they include health coverage in the first five years after retirement and life insurance. The City finances OPEB on a pay-as-you-go basis, rather than on an actuarial basis. Under Governmental Accounting Standards Board (GASB) Statement 45, the City is required to disclose actuarial liabilities related to OPEB. Table 5.7 presents trends in these liabilities since 2008.

The total OPEB liability has increased from $1.2 billion in 2008 to $1.7 billion in 2015. This liability is entirely unfunded from an actuarial standpoint. The unfunded actuarial accrued liability (UAAL) as a percentage of covered payroll increased from 79.4 percent in 2008 to 115.9 percent in 2014.

GASB Statement 45 requires the City to report an annual OPEB cost, which is the contribution that would be required to fund OPEB liabilities on an actuarially sound basis. Since the City finances OPEB on a pay-as-you-go basis, actual payments have been below the annual OPEB cost since 2008. In FY15, the City's actual payments were $95.3 million, 71.6 percent of the annual OPEB cost.

The City's OPEB liability is smaller than in the case of some other state and local governments, reflecting the limitation of retiree health benefits to five years for City workers. Nonetheless, the unfunded OPEB liability of the City is significant. In 2014, the unfunded OPEB liability represented 30 percent of the unfunded liability of the pension system.

The unfunded OPEB liability represents a financial concern and an equity issue. The financial concern is that OPEB costs, if not funded on an actuarial basis, will increase at an unsustainable rate over the long term. From an equity standpoint, pay-as-you-go financing ensures that current taxpayers are paying for an expense that has been incurred in the past, over the course of the working lifetime of retirees. An actuarial funding method would avoid this problem. Actuarially-based funding would also require policy-makers to take full account of the cost of current services and create an additional incentive to manage the cost of retiree health care programs.

VI. Policy and Management Issues Affecting Philadelphia’s Future

VI. Policy and Management Issues Impacting Philadelphia's Future

This Section discusses policy and management issues that are important from the standpoint of PICA and the City's fiscal health. This year, PICA will discuss challenges surrounding the Pension Fund and Department of Human Services. These issues are important not only to the City's financial condition over the life of the FY17-FY21 Plan, but also over the very long term.

Pension Fund

PICA, the City, and the Commonwealth have all expressed consistent concern over the years with the status and downward trending of the Philadelphia Pension Fund. In January 2015, PICA released a comprehensive report on pensions, including recommendations for reform. This report included findings and recommendations from a consulting actuary, Boomershine Consulting Group, which collaborated with the City's actuary, Cheiron, on its analysis. Furthermore, the final Special Pension Commission meeting was convened and released its last report in the fall of 2015, as mandated by state law. Additional reports include the Pew Charitable Trusts and Economy League report on "Philadelphia's Quiet Crisis" in 2008. The City itself commissioned a report from Boston College to analyze the true cost of the DROP program through 2010. The PICA Board recently expressed a desire to update this study with the costs incurred since that year. Finally, Section III of this report on the Plan discusses the timely risks surrounding the Fund, while Section IV discusses the Fund in the context of indicators of the City's financial health. As is evidenced by all of these publications, concerns involving the Pension Fund continue to be well documented.

There has not been formal comment of the Board's intentions for reform in the context of our recommendations since the issuance of the report. PICA conducts meetings annually with City operating departments as part of its Five Year Plan review process. This year's meeting with the Pension Board revealed that the Board will not consider implementing certain recommendations, including the issuance of a Comprehensive Annual Financial Report (CAFR) - something that is no longer a best practice, but would more appropriately be characterized as commonplace among big city pension funds. Although the City's CAFR includes a section on pensions, other cities issue a stand-alone, in-depth document detailing every aspect of their pension funds.

In another example of reporting, each year, the Five Year Plan includes a section on performance of City agencies - the sole measure reported for the Board of Pensions is the "increase in percent of Electronic Funds Transfer (EFT) payments." This form of reporting, in combination with the lack of a CAFR, is not as comprehensive when compared to the reporting of other major cities. The Pension Board does publish an Actuarial Valuation of the pension fund each year through its actuary. An annual independent audit is also conducted because the City CAFR is compiled by the City Controller, although it is not published. However, each of these reports serve different purposes, and publishing a stand-alone CAFR, as well as performance measures, would facilitate transparency and put Philadelphia on par with the common practices of other cities.

Apart from the stated commitment to lower the assumed rate of return on investments, which is still high compared to many jurisdictions, the City must resolve to pursue other financial, structural and governance-related reforms in addition. A multi-faceted approach is integral to resolving the complex challenges posed by the current status of the Fund. This will likely require collaboration from City Council in dedicating new sources of revenue to addressing the unfunded liability. It will also inevitably require cooperation from labor unions during negotiations for structural reforms, including changes to plan design, employee contributions, and fringe benefits such as the Deferred Retirement Option

Program (DROP). Cities that have recently successfully implemented reforms have done so in collaboration with labor. A recent example of this is the successful negotiation with DC33 on a new hybrid pension plan, as mentioned earlier in this report. Steps like this one will hopefully set the precedent for other unions to work in collaboration with the City to come up with ways to make the Pension Fund sustainable for all employees and taxpayers.

Financial reforms, which have traditionally been at the forefront of pension reform discussions, will undoubtedly be part of the solution. Continued lowering of the assumed rate of return on investments and changes to other assumptions must be involved. Mortality improvements is an area ripe for reconsideration, as recently recommended by the Society of Actuaries. Mortality improvements, as well as other demographic assumption changes, are now a financial reality. In 2016, New York City incorporated the mortality improvement scale into its assumptions, costing the city $591 million in FY16 alone. Not updating demographic assumptions based on these new recommendations, could mean the realization and smoothing of experience losses on a consistent basis over time, leading to a larger liability.

Furthermore, increased oversight and transparency can only improve the inner workings of the Fund, and identify weaknesses. In this vein, issuing a CAFR, conducting an actuarial audit, and establishing an independent commission would all be helpful in pursuing change. The City's recent creation of a task force, mostly composed of individuals already serving on its Board, is different from creating an independent commission to recommend and pave the way for reforms.

PICA continues to urge the Board to vigorously consider a broad purview of possible reforms and act swiftly in reassuring taxpayers, employees, and retirees alike of its ability and intention to take swift and sweeping action.

Department of Human Services Funding

In May of this year, Commonwealth child welfare officials issued an audit of the City's Department of Human Services (DHS) detailing 71 violations. The violations were partially attributable the transition from case management being housed centrally in Philadelphia's DHS offices to a more decentralized, contracted model. The state's issuance of a provisional operating license to DHS in light of the audit makes it clear that the transition has been a difficult one.

Currently seven organizations operate ten Community Umbrella Agencies (CUAs) that provide case management services, a model that was adopted in 2012 to better clarify staff roles and responsibilities and ensure that each family has a single case manager. The CUA system was meant to offer easier access to families who could then take advantage of care in their neighborhoods while DHS could better monitor CUA performance through a contracting system.[1]

An uptick in cases, from 4,100 children in out-of-home care at the time of the transition to 6,100 as of May 29th of this year, resulting from a new state child abuse law that requires more reporting, resulted in an increase of calls to the hotline and more investigations by the hotline unit.[2] The lack of an overnight child-friendly space is one of the 71 violations cited in the state audit. The City had been housing children overnight in a designated facility at DHS offices at 1515 Arch Street.[3] In response, DHS is now housing children in state-compliant facilities. The fact that 42,000 calls to the state child abuse hotline went unanswered in 2015 shows that effective DHS management and appropriate

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[1] Pat Loeb, "Philadelphia's Child Welfare System Suffers Growing Pains," *CBS Philadelphia*, April 5, 2016: http://philadelphia.cbslocal.com/2016/04/05/philadelphias-child-welfare-reform-suffers-growing-pains/
[2] Julia Terruso, "Swelling case load a struggle for DHS," *The Philadelphia Inquirer*, May 29, 2016.
[3] Pennsylvania Department of Human Services, "Annual Survey and Evaluation of Philadelphia Department of Human Services," May 16, 2016.

funding is not just a City issue.[4]

With a growing out-of-home care system and a long list of violations to correct in order to receive its full operating license back, the City must look closely at funding for the agency. As a result of the CUA transition, DHS funding was moved from General Fund appropriations to federal, state, and other grant funding. Whereas such funding has supplanted former General Fund appropriations to the agency, these funding sources are less predictable, so the City must be ready to shift funds when necessary to ensure DHS has the ability to operate in a consistent manner and retain its operating license. Given recent cuts in State funding, the City must have the ability to flexibly make up the difference, especially in the class 100 personnel category.

The number of calls to report possible abuse has grown at pace with DHS out-of-home care case load. This suggests more child abuse hotline workers are needed to keep up with the new reporting standards, and more staff are needed to manage or oversee the resulting case load.

Though City officials should always be vigilant in avoiding overfunding of agencies and maintain safe fund balance levels, DHS is responsible for caring for Philadelphia's most vulnerable population. DHS should aspire to become a national model, an agency other cities look to emulate for case management, child-care and poverty reduction strategies. Philadelphia's children should be the top priority. Without an influx of funding it will be difficult for DHS to keep up with its growing case load and shifting responsibilities.

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[4] Pennsylvania Department of the Auditor General, "Interim Report Regarding the Department of Human Services Administration of the Statewide Child Abuse Hotline," May 2016.

Glossary of Acronyms

AVI	Actual Value Initiative
DC33	AFSCME District Council 33
DC47	AFSCME District Council 47
AFSCME	American Federation of State, County, and Municipal Employees
ARC	Annual Required Contribution
BSRP	Basic System Repair and Weatherization Program
BRT	Board of Revision of Taxes
BSRF	Budget Stabilization Reserve Fund
BIRT	Business Income and Receipts Tax
CUA	Community Umbrella Organization
CAFR	Comprehensive Annual Financial Report
CAMA	Computer-Assisted Mass Appraisal System
DROP	Deferred Retirement Option Program
DNC	Democratic National Convention
DHS	Department of Human Services
EFT	Electronic Funds Transfer
FY	Fiscal Year
FOP	Fraternal Order of Police
GFOA	Government Finance Officer's Association
GASB	Governmental Accounting Standards Board
IAFF	International Association of Firefighters
LOOP	Longtime Owner Occupant Program
MDO	Managing Director's Office
MMO	Mandated Minimum Pension Contribution(Minimum Municipal Obligation)
OPD	Mayor's Office of Planning and Development
M/W/DSBE	Minority/Woman/Disabled Business Enterprise
MRS	Municipal Retirement System
OEO	Office of Ecomomic Opportunity
CAO	Office of the Chief Administrative Officer
OIG	Office of the Inspector General
OPEB	Other Post-Employment Benefits
PICA	Pennsylvania Intergovernmental Cooperation Authority
PAID	Philadelphia Authority for Industrial Development
PIDC	Philadelphia Industrial Development Corporation
RFI	Request for Information
RFP	Request for Proposals
SDP	School District of Philadelphia
SEPTA	Southeastern Pennsylvania Transportation Authority
TIF	Tax Increment Financing Program
UAAL	Unfunded Actuarial Accrued Liability

Appendices

Appendix A: Spending and Personnel Trends

Appendix A: Spending and Personnel Trends

Agency Obligations: General Fund[1]								
	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Est.	FY17 Est.
Public Safety								
Police Department	$529	$536	$552	$572	$588	$633	$650	$650
Fire Department	189	194	195	200	248	233	237	222
Total	718	730	747	772	835	865	888	872
Judicial and Corrections								
First Judicial District	112	115	117	111	109	118	110	110
Department of Prisons	234	231	232	241	245	246	254	259
Other[2]	49	48	49	50	54	61	61	61
Total	394	394	398	402	407	425	426	430
Health and Human Services								
Department of Human Services	561	543	102	90	100	97	103	103
Office of Supportive Housing	38	36	38	42	45	45	46	47
Department of Public Health	111	109	107	109	110	113	122	124
Behavioral Health & Intellectual disAbility Services	14	14	14	14	14	14	14	14
Office of Housing and Community Development	3	2	4	3	4	3	4	3
Other[3]	2	2	2	2	2	2	3	5
Total	730	707	268	260	275	274	291	295
Regulation and Economic Development								
Department of Commerce[4]	4	4	4	5	5	9	6	6
Department of Licenses and Inspections	23	18	21	21	25	30	31	34
Other[5]	4	4	3	3	3	3	4	5
Total	31	26	29	29	34	43	45	48

Notes:

[1] Indemnity costs excluded.

[2] Includes Office of District Attorney, Office of the Register of Wills, and Office of the Sheriff.

[3] Includes Commission on Human Relations, Office of Community Empowerment and Opportunity, and Youth Commission.

[4] Includes City Representative and Economic Stimulus.

[5] Includes City Planning Commission, Historical Commission, Zoning Board of Adjustment, Office of Planning and Development, Office of Sustainability, Board of Building Standards, and Board of Licenses and Inspections Review.

Agency Obligations: General Fund (Continued)	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Est.	FY17 Est.
Culture and Recreation								
Free Library	$32	$33	$33	$34	$36	$41	$40	40
Department of Parks and Recreation	45	46	45	51	53	57	58	60
Other[6]	5	4	4	4	4	5	6	6
Total	83	82	83	88	93	103	104	106
Transportation and Sanitation								
Streets Department	130	124	116	109	124	144	133	126
Office of Transportation and Utilities[7]	0	0	0	1	1	1	1	--
Total	131	125	116	110	125	145	133	126
Central Services								
Department of Public Property[8]	99	103	101	106	123	119	116	114
Office of Innovation and Technology[9]	39	61	63	63	64	64	85	95
Office of Fleet Management	47	52	56	61	63	61	62	61
Total	185	216	220	230	250	243	263	270
Education								
Community Schools and Pre-K	--	--	--	--	--	--	--	27
Total	--	--	--	--	--	--	--	27
Governance and Administration								
Office of the Mayor	4	4	4	4	5	5	5	4
City Council	13	14	14	13	15	15	17	17
Office of the City Controller	7	8	7	7	8	8	9	8
Managing Director's Office	17	16	22	34	35	35	37	39
Office of the Director of Finance	14	16	15	17	22	22	20	13
Other[10]	68	64	67	72	72	80	87	92
Total	123	122	129	147	152	166	174	179

Notes:

[6] Includes Office of Arts and Culture and the Creative Economy, Mural Arts Program, and the Atwater-Kent Museum.

[7] Now Office of Transportation and Infrastructure Services, included in Mayor's Office line item.

[8] Includes appropriations for space rentals and utilities.

[9] Includes appropriation for 911 service.

[10] Includes Chief Administrative Officer, Board of Ethics, Board of Revision of Taxes, Office of the City Commissioners, City Treasurer's Office, Civil Service Commission, Office of the Inspector General, Office of Labor Relations, Law Department, Department of Human Resources, Procurement Department, Department of Records, and Department of Revenue.

Agency Filled Full-Time Positions: General Fund						
	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual
Public Safety						
Police Department	7,378	7,219	7,225	7,193	7,095	7,061
Fire Department	2,187	2,146	2,072	2,125	2,053	2,150
Total	9,565	9,365	9,297	9,318	9,148	9,211
Judicial and Corrections						
First Judicial District	1,862	1,869	1,957	1,909	1,866	1,842
Department of Prisons	2,254	2,166	2,144	2,248	2,268	2,286
Other[1]	703	694	701	714	803	839
Total	4,819	4,729	4,802	4,871	4,937	4,967
Health and Human Services						
Department of Human Services	1,751	1,668	804	377	382	395
Office of Supportive Housing	124	116	147	145	154	135
Department of Public Health	662	661	669	673	659	653
Behavioral Health & Intellectual disAbility Services	22	21	19	19	15	14
Office of Housing and Community Development	0	0	0	0	0	0
Other[2]	34	31	30	45	32	32
Total	2,593	2,497	1,669	1,259	1,242	1,229
Regulation and Economic Development						
Department of Commerce[4]	31	29	24	28	34	27
Department of Licenses and Inspections	305	290	298	292	296	335
Other[5]	56	49	46	43	44	43
Total	392	368	368	363	374	405

Notes:

[1] Includes Office of District Attorney, Office of the Register of Wills, and Office of the Sheriff.

[2] Includes Commission on Human Relations, Office of Community Empowerment and Opportunity, and Youth Commission.

[4] Includes City Representative.

[5] Includes City Planning Commission, Historical Commission, Zoning Board of Adjustment, Office of Sustainability, Board of Building Standards, and Board of Licenses and Inspections Review.

Agency Filled Full-Time Positions: General Fund (Continued)						
	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual
Culture and Recreation						
Free Library	602	619	608	609	609	642
Department of Parks and Recreation	590	590	574	568	600	598
Other[6]	19	18	17	17	16	14
Total	1,211	1,227	1,199	1,194	1,225	1,254
Transportation and Sanitation						
Streets Department	1,693	1,689	1,682	1,690	1,684	1,664
Office of Transportation and Utilities	8	8	8	13	13	12
Total	1,701	1,697	1,690	1,703	1,697	1,676
Central Services						
Department of Public Property	123	126	122	123	133	137
Office of Innovation and Technology	174	258	255	255	259	261
Office of Fleet Management	292	265	268	273	264	261
Total	589	649	645	651	656	659
Governance and Administration						
Office of the Mayor	38	33	33	36	44	51
City Council	176	182	175	173	169	176
Office of the City Controller	120	113	111	118	111	129
Managing Director's Office	112	153	145	156	279	257
Office of the Director of Finance	141	140	156	163	170	160
Other[7]	840	867	885	920	939	992
Total	1,427	1,488	1,505	1,566	1,712	1765

Notes:
[6] Includes Office of Arts and Culture and the Creative Economy, Mural Arts Program, and the Atwater-Kent Museum.
[7] Includes Board of Ethics, Board of Revision of Taxes, Office of the City Commissioners, City Treasurer's Office, Civil Service Commission, Office of the Inspector General, Office of Labor Relations, Law Department, Department of Human Resources, Procurement Department, Office of Property Assessment, Department of Records, and Department of Revenue.

Appendix B: Office of the City Controller Report on the FY17-FY21 Plan

CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller
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August 26, 2016

Mr. Harvey M. Rice, Executive Director
Pennsylvania Intergovernmental Cooperation Authority
1500 Walnut Street, Suite 1600
Philadelphia, PA 19102

Dear Mr. Rice:

In accordance with Section 209(f)(1) of the Pennsylvania Intergovernmental Cooperation Authority Act, my office conducted an examination of the updated City of Philadelphia's Forecasted General Fund Statements of Operations (the updated forecast) for each of the fiscal years ending June 30, 2017 through June 30, 2021, also known as the "Five Year Plan" (Plan).

The Plan, as updated, was prepared by management of the City of Philadelphia's Office of the Director of Finance and submitted to the Pennsylvania Intergovernmental Cooperation Authority (PICA) on August 8, 2016. It replaces the initial submission, on which we opined July 14, 2016. That Plan was subsequently retracted due to the recent International Association of Fire Fighters arbitration award and collective bargaining agreement with the American Federation of State, County and Municipal Employees (AFSCME) District Council 33, which together necessitated updating the Plan to incorporate ensuing costs.

My staff conducted its examination of the updated Plan in accordance with attestation standards established by the American Institute of Certified Public Accountants. These standards require that we evaluate the presentation of the Plan and whether the assumptions used by management are reasonable. Attached is the independent accountant's report signed by my deputy who is a Certified Public Accountant.

I am recommending that PICA accept the updated Plan, however, I want to emphasize that it does not include any potential costs above $128 million in obligations for current and future labor contract settlements over the life of the Plan. Because this forecasted amount is dependent on the outcome of negotiations and arbitrations with the city municipal unions, it is a particularly sensitive assumption.

Additionally, as I previously indicated in my letter to you dated July 15, 2016, critics of the Sweetened Beverage Tax reportedly continue to vow court challenges against the tax. To date, no litigation has been initiated, however, PICA must continue to be mindful that if such litigation should occur, the outcome could affect the forecasted revenue and obligation amounts over the life of the updated Plan.

Finally, as I routinely remind PICA, there could be differences between the updated Plan and actual results. These differences could be material. Any significant deviations because of unforeseen circumstances such as litigation, severe weather, or future unexpected commitments to the School District of Philadelphia could dramatically impact city operations, and further erode the fund balance available for future appropriations.

In closing, my office once again would like to express our thanks to the management and staff of the city's Office of Budget and Program Evaluation within the Office of the Director of Finance for their courtesy and cooperation in the conduct of our examination.

Respectfully submitted,

ALAN BUTKOVITZ
City Controller

cc: Chair and Board members of the
Pennsylvania Intergovernmental Cooperation Authority
James F. Kenney, Mayor
Darrell L. Clarke, Council President
Rob Dubow, Director of Finance
Anna Adams, Budget Director

CITY OF PHILADELPHIA
PENNSYLVANIA
OFFICE OF THE CONTROLLER

CITY OF PHILADELPHIA

FORECASTED GENERAL FUND
STATEMENTS OF OPERATIONS
(As Updated August 8, 2016)

FISCAL YEARS 2017 – 2021

City Controller
Alan Butkovitz

Promoting honest, efficient & fully accountable government

CONTENTS

CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

GERALD V. MICCIULLA
Deputy City Controller

INDEPENDENT ACCOUNTANT'S REPORT

To the Chair and Board Members of the
Pennsylvania Intergovernmental Cooperation Authority

We have examined the accompanying Forecasted General Fund Statements of Operations of the City of Philadelphia for the fiscal years ending June 30, 2017 through June 30, 2021, as Updated, August 8, 2016 (the updated forecast). Management of the City of Philadelphia's Office of the Director of Finance is responsible for the updated forecast. Our responsibility is to express an opinion on the updated forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the City of Philadelphia's Office of the Director of Finance management and the preparation and presentation of the updated forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying updated forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the City of Philadelphia's Office of the Director of Finance management's updated forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The updated forecast referred to in the preceding paragraph includes assumptions that are particularly sensitive as described in Note C.6. These assumptions, which pertain to $328 million in obligations for current and future labor contract settlements during the forecasted periods, are particularly sensitive due to the uncertainty in the outcome of the City of Philadelphia's negotiations and arbitration rulings with the municipal unions.

GERALD V. MICCIULLA, CPA
Deputy City Controller
Philadelphia, Pennsylvania
August 25, 2016

Forecasted General Fund Statements of Operations

Fiscal Years Ending June 30, 2017 through June 30, 2021 – Budgetary Basis

(As Updated August 8, 2016)

Prepared by:

Office of Budget and Program Evaluation
Office of the Director of Finance

City of Philadelphia - Office of the Director of Finance
Forecasted General Fund Statements of Operations - Budgetary Basis
Fiscal Years Ending June 30, 2017 through June 30, 2021
(As Updated, August 8, 2016)

(Amounts in thousands)

No.	Item	FY 2017 Adopted	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	OPERATIONS OF FISCAL YEAR					
	REVENUES					
1	Taxes	3,089,590	3,227,786	3,301,147	3,377,258	3,448,356
2	Locally Generated Non-Tax Revenues	287,291	280,000	281,091	281,886	282,318
3	Revenue from Other Governments	699,568	722,753	745,994	761,456	786,587
4	Sub-Total (1 to 3)	4,076,449	4,230,539	4,328,232	4,420,600	4,517,261
5	Revenue from Other Funds of City	75,570	63,269	63,621	63,988	64,370
6	**Total Revenue and Other Sources (4+5)**	**4,152,019**	**4,293,808**	**4,391,853**	**4,484,588**	**4,581,631**
	OBLIGATIONS/APPROPRIATIONS					
7	Personal Services	1,565,811	1,572,299	1,576,097	1,576,320	1,576,320
8	Personal Services-Pensions	648,768	658,772	691,020	707,590	712,742
9	Personal Services-Other Employee Benefits	594,254	617,619	642,022	667,981	695,515
10	**Sub-Total Employee Compensation (7 to 9)**	**2,808,833**	**2,848,690**	**2,909,139**	**2,951,891**	**2,984,577**
11	Purchase of Services	896,926	831,645	814,621	826,102	850,644
12	Materials, Supplies and Equipment	109,178	103,497	107,999	107,959	107,959
13	Contributions, Indemnities, and Taxes	189,995	190,254	189,418	190,407	190,565
14	Debt Service	253,950	261,652	278,920	289,895	299,925
15	Advances & Misc. Pmts. / Labor Obligations	29,962	53,449	65,000	85,000	95,000
16	Sub-Total (10 to 15)	4,288,844	4,289,187	4,365,097	4,451,254	4,528,670
17	Payments to Other Funds	32,064	33,944	35,471	37,118	38,768
18	**Total - Obligations (16+17)**	**4,320,908**	**4,323,131**	**4,400,568**	**4,488,372**	**4,567,438**
19	Oper. Surplus (Deficit) for Fiscal Year (6-18)	(168,889)	(29,323)	(8,715)	(3,784)	14,193
20	**Prior Year Adjustments:**					
21	Other Adjustments	19,500	19,500	19,500	19,500	19,500
22	Total Prior Year Adjustments	19,500	19,500	19,500	19,500	19,500
23	**Adjusted Oper. Surplus/(Deficit) (19+22)**	(149,389)	(9,823)	10,785	15,716	33,693
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS					
24	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	206,276	56,887	47,064	57,849	73,565
25	Fund Balance Available for Appropriation June 30 (23+24)	56,887	47,064	57,849	73,565	107,258

See accompanying summaries of significant accounting policies and assumptions and accountant's report

City of Philadelphia – Office of the Director of Finance
Notes to Forecasted General Fund Statements of Operations, as Updated August 8, 2016
Fiscal Years Ending June 30, 2017 through June 30, 2021

A. Nature of the Forecast

The City of Philadelphia Office of Budget and Program Evaluation (OBPE) is responsible for providing revenue and obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the FY2017 budget and the FY2017-2021 Five Year Financial Plan (FYP) submitted to the Pennsylvania Intergovernmental Cooperation Authority (PICA) on August 8, 2016. These financial forecasts present, to the best of management's knowledge and belief, the City of Philadelphia's (City) expected results of operations for the forecast periods. Accordingly, the forecasts reflect the City's judgment as of August 8, 2016, the date of these forecasts, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as forecasted or expected and those differences may be material.

B. Summary of Significant Accounting Policies

The Forecasted General Fund Statements of Operations, as Updated August 8, 2016 are presented on the budgetary basis of accounting. The budgetary basis of accounting differs from the modified accrual (Generally Accepted Accounting Principles) basis used in the preparation of the City's governmental fund financial statements in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as a reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

C. Summary of Significant Forecast Assumptions

1. Approach to Revenue Forecasting

The City's estimated general fund revenues for FY17 total $4.352 billion. Approximately 74% of the City's budget comes from local taxes, and 17% comes from other governments. Locally generated non-tax revenues, which include fees, fines and permits, account for 7% of revenues.

OBPE provides forecasts of the seven major taxes, totaling over $3.065 billion in the Updated FY17-21 Five-Year Plan (FYP), as well as $287.3 million of Locally Generated Non-Tax revenues, and $699.6 million in Revenue from Other Governments. These three sources comprise 98% of the revenues anticipated within the updated FY17 estimate.

OBPE employs a number of approaches to developing its forecasts of local revenues. These include:

a. Forecasts of economic activity provided by several sources including the Congressional Budget Office and the Blue Chip Economic Indicators;

b. Continuous evaluation of national and local economic data on employment, inflation, interest rates, and economic growth;

c. Ongoing examination of the City's current tax receipts;

d. Economic forecasting of tax revenues provided by a revenue forecasting consultant;

e. Analyses and tax history provided by experienced staff within the Philadelphia Department of Revenue;

f. Discussions with economists at a meeting at the Federal Reserve Bank of Philadelphia; and

g. The extensive experience of its staff.

OBPE's tax forecasts for the FYP were developed in conjunction with a revenue forecasting consultant, IHS Global Insight, Inc. (IHS). IHS created econometric models which included variables such as wage and salary disbursements in the metropolitan statistical area (MSA) and the county, personal income in the county, the unemployment rate, home prices in the county, real estate transaction growth, and national corporate profits. These models, together with their forecast of the Philadelphia economy, were used by IHS to forecast tax revenues for the City. IHS focused on the following taxes – Wage and Earnings Tax, Net Profits Tax, Business Income and Receipts Tax, Real Estate Transfer Tax, Parking Tax and Sales Tax. These forecasts were refined by OBPE after discussions with leading economists at a meeting at the Federal Reserve Bank of Philadelphia, as well as experienced staff within the Department of Revenue. The remaining major taxes – Real Estate Tax and Sweetened Beverage Tax – were developed using the internal expertise of employees within the City. The Real Estate Tax estimates were forecasted by OBPE with data and input from the Office of Property Assessment and the Department of Revenue, and the Sweetened Beverage Tax estimates were developed by the Department of Revenue, with data from external sources described further in this document.

2. The National and Local Economic Context

The strength of the economy is a key determinant of the fiscal health of the City since tax revenues, which are directly tied to the economy's strength, account for 74% of the City's General Fund revenue. The Blue Chip consensus forecast for U.S. Real Gross Domestic Product (GDP) which provides a forecast based on combining multiple leading separate economic forecasts, shows projected growth of 1.9% for 2016, lower than the 2.4% growth in 2015. Growth is expected to rebound in 2017 at 2.3%. The consensus forecast projects pre-tax corporate profits to grow 3.9% in 2017 after flat growth between 2015 and 2016.[5]

Households are showing steady personal consumption expenditures with growth of 2.6% in 2016 and 2.5% in 2017 albeit lower than the 3.1% growth in 2015. Unemployment is expected to decline from 5.3% in 2015 to 4.8% in 2016 and then to 4.5% in 2017.[6]

The medium-term economic outlook for Philadelphia is mildly optimistic, but persistent low employment growth and unemployment will continue to be a drag on aggregate economic growth. According to IHS estimates, private-sector payrolls will expand a cautious 0.7% on average from 2016 to 2021, although considerable upward pressure will originate from the construction sector amid increased capital spending and an improvement in the local housing market. The City's unemployment rate as of May 2016 is 7.0%, down from 7.6% in May 2015. This is higher than the statewide rate (5.5%), the national rate (4.7%), and the rates in most of the top ten U.S. cities.[7] The City is projecting the unemployment rate to remain fairly flat through the life of the FYP.

3. The City's Major Taxes

The City receives revenue to fund its services and programs from seven major taxes which are budgeted to contribute 79% of the expected General Fund revenue in FY17. These include:

1. Wage and Earnings and Net Profit Tax (Wage),
2. Real Property Tax,
3. Business Income and Receipts Tax (BIRT),
4. Real Estate Transfer Tax (RETT),
5. Sales Tax,
6. Parking Tax, and

[5] Blue Chip Economic Indicators June 10, 2016.
[6] Blue Chip Economic Indicators June 10, 2016.
[7] Bureau of Labor Statistics, Local Area Unemployment Statistics (not seasonally adjusted).

7. Sweetened Beverage Tax.

The remaining taxes, including the amusement tax, are budgeted to provide less than 1% of General Fund revenue. Philadelphia's reliance on the Wage Tax (33% of the General Fund), the BIRT (11%) and the Sales Tax (4%) places the City at risk from economic trends and employment fluctuations of the local economy. Other cities and counties that rely more heavily on property tax revenues are more susceptible to dramatic shifts in the housing market.

a. Wage Tax

The largest tax revenue source (comprising 47% of tax revenues) is the Wage Tax, which encompasses the wage, earnings, and net profits taxes. The Wage Tax is collected from all employees working within city limits, and all Philadelphia residents regardless of work location. In FY17, the Wage Tax rate has been reduced from 3.9102% to 3.9004% for residents and from 3.4828% to 3.4741% for non-residents. The resident rate includes 1.5% that is reserved for the PICA. PICA has overseen the City's finances since 1992, when it was first established. The PICA statute permits the Authority a "first dollar" claim on its portion of Wage Tax proceeds, which is used to pay debt service on bonds issued by PICA for the benefit of the City. Excluding the PICA portion, the Wage Tax is projected to bring in $1.451 billion in FY17. This projection includes a 3.73% growth rate under Wage and Earnings component and 8.34% growth rate under the Net Profit component of the tax (implemented changes to the BIRT have had a corollary and positive effect on Net Profit growth).[1]

The City resumed cuts to the Wage Tax in FY14 that were suspended in FY10 and plans to continue Wage Tax cuts in each year of the FYP assuming that the City's fund balances remains consistent with or higher than those in the FYP. The level of cuts to the Wage Tax rates increase over the course of the plan as the economy is projected to recover. By FY21, the Wage Tax rates in the FYP are 3.7276% for residents and 3.3202% for non-residents.

b. Real Property Tax

The Real Property Tax (Property) is the City's second largest source of tax revenue (19%), estimated to contribute $594.9 million of the FY17 tax revenues. This tax is levied on the assessed value of residential and commercial property in the city. The Adopted FY17 Budget has a

[1] Growth rates referenced throughout these notes are applied to the current portion of the tax base

combined City/School District property tax rate for FY17 of 1.3998%, unchanged from FY16. The City portion of the tax is 0.6317% and the School District portion is 0.7681%. The property tax projection takes into account the continuation of the homestead exemption of $30,000 for eligible property owners and relief measures with a cap of $20 million for the City and School District combined. The FYP assumes taxable assessed values grow each year of the plan, based upon regular reassessments provided by the City's Office of Property Assessment. The projection also uses a historical average collection rate of 93.3%, which is a 5-year average after the delayed and reduced revenue is also factored into the model due to appeals related to the change in assessed values due to the Actual Value Initiative.

c. Business Income and Receipts Tax

The Business Income and Receipts Tax (BIRT) is projected to produce $446.0 million in FY17, 18% of total tax revenue. The majority of the BIRT is derived from corporate profits which are volatile and dependent on economic conditions within the city. In FY12, BIRT tax reform legislation was signed by Mayor Nutter, which incorporated several changes intended to help small and medium size businesses grow in Philadelphia. Under Bill 110548, business taxes for the first two years of operations for all new businesses that employ at least three employees in their first year and six in the second would be eliminated beginning in FY13. This legislation also provides for across the board exclusions on the gross receipts portion for all businesses scaled in over a three year period beginning in FY15 and reductions in the net income portion of the BIRT. When the exclusions are fully applied in FY17, the first $100,000 of receipts will be excluded. Lastly, the bill called for implementation of single sales factor apportionment in FY16. This enables businesses to pay BIRT solely on sales, not on property or payroll. By taxing property and payroll, the BIRT previously had provided disincentives to firms to locate in the city.

d. Real Estate Transfer Tax

While economic conditions negatively affected the Real Estate Transfer Tax (RTT) since the housing market decline began in 2007, the City is now seeing solid growth in this tax. The RTT is projected to provide $249.6 million in FY17, a growth rate of 5.1% over FY16 anticipated collections and influenced by the rate change to the tax from 3.0% to 3.1%. Lower growth rates of 2.7%, 3.1% and 2.5% are projected for FY19, FY20 and FY21, respectively. The City currently imposes a 3% tax on real property sales and an additional 1% is charged by the Commonwealth for a 4% total RTT. The rate change, effective January 1, 2017, will increase the City portion to 3.1% and the total for RTT to 4.1%

e. Sales Tax

Sales Tax revenues are projected to generate $182.2 million for the City's general fund in FY17, based on a growth rate of 5.1%, and comprising 6% of tax revenues. As part of its response to projected City budget deficits in 2009, the Commonwealth of Pennsylvania (the Commonwealth) provided authorization and the City passed legislation to temporarily increase the Sales Tax rate from 1% to 2% through the end of FY14. This raised the total Sales Tax rate to 8%, with 6% going to the Commonwealth and 2% to the City. The tax was made permanent starting in FY15 with 1% of the local Sales Tax being for the benefit of the School District of Philadelphia and the City's pension fund whereby $120 million of the sales tax goes directly to the School District and remaining amounts flow through the City's General Fund to pay for debt service on a borrowing on behalf of the School District and for additional contributions to the Pension Fund. From FY16 through FY21, the City's pension fund is projected to receive an additional $188 million from the proceeds of the sales tax. In FY17 the State will be expanding the base of the Sales and Use Tax, resulting in a projected revenue increase of $4.7 million dollars to the City, of which $2.35 million will be contributed to the Pension Fund

f. Parking Tax

The Parking Tax is levied on the gross receipts from all parking transactions. Parking Tax revenue is projected to generate $95 million in FY17. This amount reflects a FY16 raise in the Parking Tax from 20 percent to 22.5 percent, which led to an estimated $92 million in collected revenues. Going forward the City estimates a 3.5 percent growth rate for each year of the forecast

g. Sweetened Beverage Tax

The Sweetened Beverage Tax is a new revenue source, applied to both sugar-sweetened and diet beverages, at one and one-half cents per ounce. The tax will be levied on licensed beverage distributors, rather than at the point of sale. Tax estimates were developed by the City's Department of Revenue, and utilized local consumption data provided by the University of Connecticut's Rudd Center for Food Policy and Obesity, along with a -1 elasticity rate. The tax will be effective January 1, 2017 and will impact revenues and expenditures in the following ways:

City of Philadelphia – Office of the Director of Finance
Notes to Forecasted General Fund Statements of Operations, as Updated August 8, 2016
Fiscal Years Ending June 30, 2017 through June 30, 2021

- An estimated $416 million will be collected in gross revenue from FY17-FY21, before additional costs for collection, advertising, and auditing. Because the tax will be implemented in January of 2017, halfway through the fiscal year, expected revenue for FY17 is approximately $46 million, with approximately $92 million of annual revenue expected in the following years.
- Revenues from the Sweetened Beverage Tax will fund expenditures for three major initiatives: expanded Pre-K, community schools, and debt service for the Rebuilding Community Infrastructure program when those programs are fully implemented.

City of Philadelphia
General Fund
FY 2017 – 2021 Five Year Financial Plan
[illegible]

Tax	Actual FY15	Projected FY16	Projected FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21
Wage & Earnings Tax (Current & Prior)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Real Property Tax (Current & Prior)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Business Income & Receipts Tax (Current & Prior)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sales Tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Real Property Transfer Tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Parking Tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Taxes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweetened Beverage Tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Taxes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
% Change from prior year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

4. Locally Generated Non-Tax Revenues

Locally Generated Non-Tax Revenues are forecasted based on historical trends, rate changes, and current collection patterns. Certain revenues such as interest earnings, licenses and permits and recording fees are subject to economic contractions and are estimated accordingly.

5. Revenue from Other Governments

Revenue from Other Governments is forecasted based on historical trends and state and federal budget information. The PICA City account which represents 55% of Revenue from Other Governments is forecasted using Wage Tax variables.

6. Obligation Estimates

OBPE provided obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the Updated FY2017-2021 FYP submitted to the PICA on August 8, 2016. OBPE provides forecasts of all major expenditure categories through the employment of qualitative techniques and time series analysis. The obligation estimates for the FY2017 Adopted Budget are based upon the Mayor's and City Council's priorities, and these form the basis for the FYP. Expenditures total $4.220 billion, an increase of $169 million due largely to the $64.4 million appropriated to address rising pension and health benefit obligations, $15.6 million required to pay debt service, $27.5 million to fund the Pre-K and Community Schools program, $12.7 million of reimbursable 911 equipment costs and $30 million set aside for future labor obligations of which agreements with the American Federation of State, County and Municipal Employees (AFSCME) District Council (DC) 33 and the International Association of Firefighters (IAFF) have recently been reached. All other new spending was matched by a cut at the citywide level.

a. Labor Agreements

On July 15th, 2016, a four-year tentative agreement was reached with the AFSCME DC33. The agreement pertains to all represented employees with the exceptions of those employees eligible for interest arbitration for whom only the requirements related to health, welfare and pension apply. Pending ratification by members of DC33, the material provisions of the agreement would be as follows:

- Effective July 1, 2016, a 3% increase in each step of each pay range in the DC 33 pay plan.

- Effective July 1, 2017, a 3% increase in each step of each pay range in the DC33 pay plan.
- Effective July 1, 2018, a 2.5% increase in each step of each pay range in the DC33 pay plan.
- Effective July 1, 2019, a 3% increase in each step of each pay range in the DC33 pay plan.
- The City will make a one-time lump sum payment to the DC33 Health Fund of $10 million within 30 days following ratification of the Memorandum of Agreement. The City will make an additional one-time lump sum payment to the DC33 Health Fund of $10 million on July 1, 2017 with reopener proceedings to determine the City contribution for FY19 and FY20.
- Effective October 1, 2016 or on the effective date of the ordinance (if later), the City will implement a tiered contribution system for current DC33 employees under which employees who have higher salaries pay a higher percent of their salaries as contributions to the pension fund. Contributions will increase by as little as 0% for those with annual salaries less than or equal to $45,000 to as much as 3% for annual salaries above $100,000.
- Additionally, all new hires as of the date of the legislation passage would be required to enter a stacked hybrid plan with a defined benefit equivalent to the existing Plan Y (Plan 87) for the first $50,000 of earnings and a defined contribution pension for earnings above $50,000. Plan 10 would be closed to new enrollment for members of DC33 and those currently in Plan 10 will have 90 days from the effective date to make an irrevocable election to opt into the stacked-hybrid.
- Within 30 days of the effective date of the ordinance implementing the pension changes described under the previous bullet, all DC33 bargaining unit members will receive a bonus payment of $500. Bonuses for part time employees and school crossing guards will be in accordance with the practices put in place by the 2014 Memorandum of Agreement.

The updated forecasted statements include the contracted pay raises in FY2017 for the following municipal unions:

- AFSCME DC33, Local 159 – 3.25%;
- AFSCME DC47, Locals 2187 and 2186 – 3.0%;

- Fraternal Order of Police (FOP) Lodge 5 – 3.25%;
- FOP Deputy Sheriffs – 3.25%;
- IAFF – 3.25%.

Contracts with the above unions are scheduled to expire at June 30, 2017. It is anticipated that negotiations will occur during FY2017, prior to the expiration of these contracts.

Negotiations with the other unions, which include AFSCME DC47 and Local 810 Courts, are currently in progress. For members employed by the Register of Wills, wage increases mirror those of DC 33 negotiated for the period of July 1, 2016 through June 30, 2017.

The Administration hopes to resolve all upcoming contract issues as soon as possible in a way that is fair to both employees and taxpayers. The Forecasted Statements include a total of $328 million in obligations for current and future labor contract settlements over the life of the plan. Because this forecasted amount is dependent on the successful completion of collective bargaining agreements, this is a particularly sensitive assumption. If any final labor agreements result in significant unbudgeted costs across the plan, budget cuts to many departments are likely to be necessary.

b. Health / Medical

The Administration implemented a self-insured group health plan in 2010 for medical benefits for non-union employees. The City also increased employee copays and instituted a disease management and wellness program with financial incentives for completing wellness activities. In FY15, the City added a tobacco user surcharge.

AFSCME DC47, the IAFF, and the FOP have also implemented self-insured group health plans. For the FOP, because the City has no control over the design of the its health plan, an increase of 7.5% per year based on medical cost trends has been included. For DC47, an increase of 5.0% per year based on medical cost trends has been included.

AFSCME DC 33 projections are based on prior year expenditures, as the recent negotiation did not affect the per member per month City calculation. However, the updated FYP does account for the two $10 million lump sum payments detailed under the labor agreement section.

e. Pensions

As part of the effort to control major cost drivers and to improve the health of the pension fund, several changes have been made over the past few years and the Administration continues to seek additional changes.

The City's Act 111 interest arbitration award with the FOP, Lodge No. 5 requires all FOP employees hired on or after January 1, 2010 to make a one-time irrevocable election between:

1) Participating in the City's current defined benefit pension plan and increasing their contribution from 5% to 6%; or

2) Participating in a hybrid plan, containing both a defined benefit and a voluntary defined contribution component.

New IAFF members hired as of October 15, 2010, must make the same one time irrevocable election between increasing their pension contribution from 5% to 6% of pay or enrolling in a new hybrid pension plan.

The Plan 10 hybrid plan for uniform employees includes the following elements:

1) Employee Contribution: A 5.5 % employee contribution for the first 20 years of service, and no employee contribution thereafter.
2) Normal Retirement Benefit: A defined benefit equal to 1.75% multiplied by the average final compensation for the employee, multiplied by up to a maximum of 20 years of service.
3) Average Final Compensation: The average of the employee's five highest annual compensations calculated for either five calendar years or five anniversary years.
4) Credited Service: After 20 years of credited service, employees will no longer earn credited service, will no longer make contributions to the pension fund and their average final compensation shall not increase.
5) Voluntary Defined Contribution Plan: Employees may make voluntary contributions to their accounts under the City's 457(b) plan. For each fiscal year, the City will make a contribution to a defined contribution plan individual account of 50 cents on the dollar for each dollar contributed by the employee to their 457(b) plan account, up to a maximum City contribution of 1.5% of compensation.

Municipal Plan 10 for civilians is a hybrid plan with a mandatory defined benefit and a voluntary defined contribution component. This plan is mandatory for new hires in DC33 Local 159. Newly-hired unionized employees of the Sheriff's office have the option of entering Plan 10 or raising their employee contribution from 30% of normal cost to 50% of normal cost, without offset, while newly-hired unionized employees of the Register of Wills are required to enter Plan 10. Key elements of Plan 10 include:

1) Years of Credited Service: Only the first 20 years will be calculated.
2) Average Final Compensation: City will take the 5-year period in which the employee's compensation is greatest.
3) Multiplier: 1.25% times Years of Credited Service up to 20 times the Average Final Compensation.
4) Employees will contribute 50% of the normal cost of the Plan toward the defined benefit.
5) Voluntary Defined Contribution Plan: the City will contribute $1 for every $2 the employee contributes (up to 3% of the employee's compensation contributed to the Defined Contribution Plan). The City will contribute no more than 1.5% of eligible compensation

Increasing employee pension contributions and introducing a hybrid pension plan are expected to reduce the costs to the City in the short and long term and help minimize the risk that the City faces from potential dramatic decreases in the stock market, like the ones suffered in FY09. Other pension benefit changes are being sought as part of the City's ongoing union negotiations.

In addition to the abovementioned changes in pension benefits, the City's pension fund has also undergone the following changes:

- The Fund has re-amortized the unfunded actuarial accrued liability over a 30-year period using level dollar amortization payments.
- The City continues to make at least its full minimum municipal obligation (MMO) each year and has dedicated a portion of additional revenues to the fund. Under 2014 state legislation, the additional 1% local sales tax provides funding for the School District of Philadelphia (first $120 million), debt service on a four-year borrowing for the District (next $15 million through FY18), and any remaining funds are dedicated to the pension fund. The pension fund will receive an estimated $8.8 million in FY16, and these revenues will increase over time, especially once the debt service is paid off. By FY21, the sales tax revenues for the pension fund are projected to reach $52.9 million.

- Eliminated the eligibility of newly elected City officials to participate in Philadelphia's DROP.
- Reduced the pension fund's earnings assumption from 8.75% to 7.75%. Lower earnings assumptions allow funds to moderate the risk of their investments, which can also reduce the likelihood of losses.
- Increased the smoothing period for actuarial losses and gain from five to ten years. Increasing the smoothing period reduces the impact that any particular year will have on the fund's funded status and on the City's required payments. This, in turn, reduces the volatility of pension payments.

The net impact of all of these changes to the City's pension benefits and fund is to moderate what would have been devastating increases in pension costs and to increase the City's ability to fund existing liabilities in the long term. The specific changes to the pension fund assumptions have been tested by the City's actuary and have been determined to be actuarially sound. The pension amounts included in the FYP are provided by the City's actuary and are based on the amounts required to be paid under state law.

D. Subsequent Events

Subsequent to August 8, 2016, the completion date of the updated forecasted statement, members of AFSCME DC33 ratified their contract with the City. Estimated General Fund costs of $119.4 million over the life of the updated forecast have been included as future labor obligations.

Appendix C: FY17-21 Five-Year Financial Plan Submitted to PICA on August 8, 2016

CITY OF PHILADELPHIA

FY2017 - FY2021 FIVE YEAR FINANCIAL PLAN

PER COUNCIL APPROVED BUDGET

AS MODIFIED - AUGUST 8, 2016

JAMES F. KENNEY

MAYOR

City of Philadelphia
Five Year Financial Plan FY2017-2021
Per Council Approved Budget

SUMMARY OF OPERATIONS
FISCAL YEARS 2015 TO 2021
(Amounts in Thousands)

FUND
General

NO.	ITEM	FY 2015 Actual	FY 2016 Estimate	FY 2017 Adopted	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	2,777,020	2,931,425	3,071,895	3,210,458	3,283,465	3,359,239	3,429,986
2	Locally Generated Non-Tax Revenues	294,395	293,066	287,291	280,020	281,091	281,886	282,318
3	Revenue from Other Governments	649,321	679,722	697,010	720,084	743,264	758,609	783,671
4	Sub-Total	**3,720,736**	**3,904,213**	**4,056,196**	**4,210,562**	**4,307,820**	**4,399,734**	**4,495,975**
5	Revenue from Other Funds of City	39,031	62,410	75,571	63,270	63,622	63,988	64,370
6	**Total Revenue and Other Sources**	**3,759,767**	**3,966,623**	**4,131,767**	**4,273,832**	**4,371,442**	**4,463,722**	**4,560,345**
	OBLIGATIONS/APPROPRIATIONS							
7	Personal Services	1,508,678	1,566,424	1,565,831	1,572,299	1,576,097	1,576,320	1,576,320
8	Personal Services-Pensions	558,269	619,145	635,510	663,526	683,944	700,441	705,520
9	Personal Services-Other Employee Benefits	541,273	559,481	594,284	617,619	642,021	667,980	695,315
10	**Sub-Total Employee Compensation**	**2,608,220**	**2,745,050**	**2,795,625**	**2,853,444**	**2,902,062**	**2,944,741**	**2,977,155**
11	Purchase of Services	810,574	847,798	896,926	931,675	914,711	926,142	950,964
12	Materials, Supplies and Equipment	90,558	100,959	109,128	103,497	107,909	107,959	107,959
13	Contributions, Indemnities, and Taxes	150,747	193,131	189,395	190,254	189,418	190,407	190,865
14	Debt Service	131,968	141,398	153,950	161,652	178,920	189,895	199,505
15	Advances & Misc. Pmts. / Labor Obligations	0	0	10,000	20,000	40,000	60,000	70,000
16	Sub-Total	3,792,067	4,028,336	4,155,024	4,260,522	4,333,020	4,419,144	4,496,448
17	Payments to Other Funds	39,448	32,715	32,064	33,944	35,471	37,078	38,768
18	**Total - Obligations**	**3,831,515**	**4,061,051**	**4,187,088**	**4,294,466**	**4,368,491**	**4,456,222**	**4,535,216**
19	Oper.Surplus (Deficit) for Fiscal Year	(71,748)	(94,428)	(55,321)	(20,634)	2,951	7,500	25,129
20	**Prior Year Adjustments:**							
21	Other Adjustments	21,144	19,000	19,500	19,500	19,500	19,500	19,500
22	Total Prior Year Adjustments	21,144	19,000	19,500	19,500	19,500	19,500	19,500
23	**Adjusted Oper. Surplus/ (Deficit)**	**(50,604)**	**(75,428)**	**(35,821)**	**(1,134)**	**22,451**	**27,000**	**44,629**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
24	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	202,135	151,531	76,103	40,282	39,148	61,599	88,599
25	Fund Balance Available for Appropriation June 30	**151,531**	**76,103**	**40,282**	**39,148**	**61,599**	**88,599**	**133,228**

CITY OF PHILADELPHIA

FY2017 - FY2021 FIVE YEAR FINANCIAL PLAN

AS MODIFIED - AUGUST 8, 2016

APPENDIX

SUPPORTING SCHEDULES
AND SUMMARY TABLES

City of Philadelphia
Five Year Financial Plan FY2017-2021
As Modified - 8/8/2016

SUMMARY OF OPERATIONS
FISCAL YEARS 2015 TO 2021
(Amounts in Thousands)

FUND
General

NO.	ITEM	FY 2015 Actual	FY 2016 Estimate	FY 2017 Modified	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	2,777,020	2,951,425	3,089,590	3,227,786	3,301,147	3,377,288	3,448,366
2	Locally Generated Non-Tax Revenues	294,395	292,639	287,291	280,020	281,091	281,886	282,318
3	Revenue from Other Governments	649,321	679,722	699,568	722,733	745,994	761,426	786,577
4	Sub-Total	**3,720,736**	**3,923,786**	**4,076,449**	**4,230,539**	**4,328,232**	**4,420,600**	**4,517,261**
5	Revenue from Other Funds of City	39,031	62,410	75,570	63,269	63,621	63,988	64,370
6	**Total Revenue and Other Sources**	**3,759,767**	**3,986,196**	**4,152,019**	**4,293,808**	**4,391,853**	**4,484,588**	**4,581,631**
	OBLIGATIONS/APPROPRIATIONS							
7	Personal Services	1,508,678	1,565,674	1,565,831	1,572,299	1,576,097	1,576,320	1,576,320
8	Personal Services-Pensions	558,269	619,145	648,768	658,772	691,020	707,590	712,742
9	Personal Services-Other Employee Benefits	541,273	559,481	594,284	617,619	642,022	667,981	695,315
10	**Sub-Total Employee Compensation**	**2,608,220**	**2,744,300**	**2,808,883**	**2,848,690**	**2,909,139**	**2,951,891**	**2,984,377**
11	Purchase of Services	810,574	842,798	896,926	931,675	914,711	926,142	950,964
12	Materials, Supplies and Equipment	90,558	99,709	109,128	103,497	107,909	107,959	107,959
13	Contributions, Indemnities, and Taxes	150,747	193,131	189,395	190,254	189,418	190,407	190,865
14	Debt Service	131,968	138,398	153,950	161,652	178,920	189,895	199,505
15	Advances & Misc. Pmts. / Labor Obligations	0	0	29,962	53,419	65,000	85,000	95,000
16	Sub-Total	3,792,067	4,018,336	4,188,244	4,289,187	4,365,097	4,451,294	4,528,670
17	Payments to Other Funds	39,448	32,715	32,064	33,944	35,471	37,078	38,768
18	**Total - Obligations**	**3,831,515**	**4,051,051**	**4,220,308**	**4,323,131**	**4,400,568**	**4,488,372**	**4,567,438**
19	Oper.Surplus (Deficit) for Fiscal Year	(71,748)	(64,855)	(68,289)	(29,323)	(8,715)	(3,784)	14,193
20	**Prior Year Adjustments:**							
21	Other Adjustments	21,144	19,000	19,500	19,500	19,500	19,500	19,500
22	Total Prior Year Adjustments	21,144	19,000	19,500	19,500	19,500	19,500	19,500
23	**Adjusted Oper. Surplus/ (Deficit)**	**(50,604)**	**(45,855)**	**(48,789)**	**(9,823)**	**10,785**	**15,716**	**33,693**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
24	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	202,135	151,531	105,676	56,887	47,064	57,849	73,565
25	Fund Balance Available for Appropriation June 30	**151,531**	**105,676**	**56,887**	**47,064**	**57,849**	**73,565**	**107,258**

City of Philadelphia
Five Year Financial Plan FY2017-2021
As Modified - 8/8/2016

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2015 TO 2021
(Amounts in Thousands)

FUND
General

REVENUE
Taxes

NO.	AGENCY AND REVENUE SOURCE	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)	(9)
	A. Real Property							
1	1. Current	493,099	524,416	537,898	545,594	565,698	586,241	608,050
2	2. Prior	43,350	48,954	57,023	57,364	57,328	57,328	57,328
3	**Subtotal**	**536,449**	**573,370**	**594,921**	**602,958**	**623,026**	**643,569**	**665,378**
	B. Wage and Earnings							
4	1. Current	1,318,753	1,373,011	1,419,599	1,464,793	1,485,355	1,502,714	1,519,544
5	2. Prior	7,094	6,500	7,033	7,224	7,224	7,224	7,224
6	**Subtotal**	**1,325,847**	**1,379,511**	**1,426,632**	**1,472,017**	**1,492,579**	**1,509,938**	**1,526,768**
	C. Business Taxes							
7	**1. Business Income & Receipts**	**438,235**	**455,207**	**446,042**	**450,214**	**459,733**	**472,300**	**481,729**
	2. Net Profits							
8	a. Current	14,692	19,820	21,418	21,614	21,541	21,434	21,340
9	b. Prior	6,464	3,000	3,083	3,116	3,116	3,116	3,116
10	**Subtotal**	**21,156**	**22,820**	**24,501**	**24,730**	**24,657**	**24,550**	**24,456**
11	**Total, Business Taxes**	**459,391**	**478,027**	**470,543**	**474,944**	**484,390**	**496,850**	**506,185**
	D. Other Taxes							
12	1. Sales	134,729	143,817	151,085	156,147	161,657	167,261	172,852
13	2. Sales (Pension)	0	8,817	16,084	21,146	41,657	47,261	52,852
14	3. Sales (Debt Service)	14,729	15,000	15,000	15,000	0	0	0
15	4. Amusement	19,005	19,617	20,543	21,681	23,030	24,439	25,856
16	5. Real Property Transfer	203,370	237,527	249,608	269,126	276,473	285,956	293,162
17	6. Parking	79,706	91,911	95,128	98,457	101,903	105,470	109,161
18	7. Smokeless Tobacco Tax	749	753	757	761	765	769	773
19	8. Other	3,045	3,075	3,106	3,137	3,168	3,200	3,232
20	**Subtotal**	**455,333**	**520,517**	**551,311**	**585,455**	**608,653**	**634,356**	**657,888**
	E. Sweetened Beverage Tax							
21	1. Current	**0**	**0**	**46,183**	**92,412**	**92,499**	**92,575**	**92,147**
22	**Total Taxes**	**2,777,020**	**2,951,425**	**3,089,590**	**3,227,786**	**3,301,147**	**3,377,288**	**3,448,366**

City of Philadelphia Five Year Financial Plan FY2017-2021 As Modified - 8/8/2016	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2015 TO 2021 (Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)
	Office of Innovation & Technology							
1	Cable Franchise Fees	21,930	22,788	24,867	23,236	24,363	23,693	23,925
2	Telephone Commissions	1,651	941	1,500	1,500	1,500	1,500	1,500
3	Other	469	180	235	235	235	235	235
4	Subtotal	24,050	23,909	26,602	24,971	26,098	25,428	25,660
	Mayor							
5	Other	47	21	3	3	3	3	3
	Managing Director							
6	Other	893	8,886	4,600	600	600	600	600
	Police							
7	Prior Year Reimb.- Special Services	4,100	4,081	3,000	3,000	3,000	3,000	3,000
8	Carry Arms Fees	164	194	150	150	150	150	150
9	Witness & Jury Fees	60	61	70	70	70	70	70
10	Other	868	652	1,050	1,050	1,050	1,050	1,050
11	Subtotal	5,192	4,988	4,270	4,270	4,270	4,270	4,270
	Streets							
12	Survey Charges	625	607	879	829	879	879	879
13	Streets Issued Permits	4,762	5,081	4,750	4,750	4,750	4,750	4,750
14	Prior Year Reimbursements	17	2	25	25	25	25	25
15	Collection Fee - Housing Authority	1,351	1,262	1,500	1,500	1,500	1,500	1,500
16	Disposal of Salvage (Recyclables)	866	5	0	0	0	0	0
17	Right of Way Fees	1,123	51	3,790	2,690	2,690	2,690	2,690
18	Commercial Property Collection Fee	14,523	16,742	16,000	16,000	16,000	16,000	16,000
19	Other	658	441	800	800	800	800	800
20	Subtotal	23,925	24,191	27,744	26,594	26,644	26,644	26,644
	Fire							
21	Emergency Medical Services	35,783	42,263	39,000	39,000	39,000	39,000	39,000
22	Other	920	906	950	950	950	950	950
23	Subtotal	36,703	43,169	39,950	39,950	39,950	39,950	39,950
	Public Health							
24	Payments for Patient Care (HC's)	6,478	7,310	7,960	7,960	7,960	7,960	7,960
25	Pharmacy Fees	1,897	1,747	2,000	2,000	2,000	2,000	2,000
26	Environment User Fees	2,110	2,019	2,140	2,140	2,140	2,140	2,140
27	Other	562	555	500	500	500	500	500
28	Subtotal	11,047	11,631	12,600	12,600	12,600	12,600	12,600

City of Philadelphia Five Year Financial Plan FY2017-2021 As Modified - 8/8/2016	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2015 TO 2021 (Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)
	Parks & Recreation							
29	Other Leases	17	2	60	60	60	60	60
30	Rent from Land, Real Estate	43	109	80	80	80	80	80
31	Permits	1,292	1,340	1,254	1,254	1,254	1,254	1,254
32	Other	558	481	375	375	375	375	375
33	Subtotal	1,910	1,932	1,769	1,769	1,769	1,769	1,769
	Public Property							
34	Rent from Real Estate	439	488	650	650	650	650	650
35	PATCO Lease Payment	3,281	3,290	3,425	3,485	3,550	3,615	3,615
36	Sale/Lease of Capital Assets	1,464	4,841	5,250	1,250	1,250	1,250	1,250
37	Commission from Other Leases	2,115	2,172	2,500	2,700	2,800	3,000	3,000
38	Prior Year Refunds & Reimbursements	2,542	3,509	1,600	1,600	1,600	1,600	1,600
39	Other	42	11	50	50	50	50	50
40	Subtotal	9,883	14,311	13,475	9,735	9,900	10,165	10,165
	Human Services							
41	Payments for Child Care - S.S.I.	3,263	3,667	4,250	4,250	4,250	4,250	4,250
42	Other	180	626	100	100	100	100	100
43	Subtotal	3,443	4,293	4,350	4,350	4,350	4,350	4,350
	Philadelphia Prisons							
44	Work Release	69	55	100	100	100	100	100
45	Inmate Account Fees	290	288	325	325	325	325	325
46	Other	10	6	25	25	25	25	25
47	Subtotal	369	349	450	450	450	450	450
	Office of Homeless Services							
48	Payments for Patient Care	769	754	750	750	750	750	750
49	Other	1	400	20	20	20	20	20
50	Subtotal	770	1,154	770	770	770	770	770
	Fleet Management							
51	Sale of Vehicles	278	255	275	275	275	275	275
52	Fuel and Warranty Reimbursements	4,032	2,488	3,000	4,000	4,000	4,000	4,000
53	Other	297	155	300	300	300	300	300
54	Subtotal	4,607	2,898	3,575	4,575	4,575	4,575	4,575

City of Philadelphia
Five Year Financial Plan FY2017-2021
As Modified - 8/8/2016

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2015 TO 2021
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)
	Licenses and Inspections							
55	Amusement	22	20	25	25	25	25	25
56	Health and Sanitation	16,249	16,521	17,400	17,500	17,500	17,500	17,500
57	Police and Fire Protection	578	561	875	875	875	875	875
58	Street Use	2,765	2,930	2,900	2,900	2,900	2,900	2,900
59	Professional & Occupational	1,191	1,174	800	800	800	800	800
60	Building Structure & Equipment	24,524	25,325	25,101	25,351	25,351	25,351	25,351
61	Business	953	6	200	200	200	200	200
62	Other Licenses & Permits	116	86	175	175	175	175	175
63	Code Violation Fines	1,020	1,123	1,125	1,125	1,125	1,125	1,125
64	Other	5,537	6,827	5,725	5,725	5,725	5,725	5,725
65	Subtotal	52,955	54,573	54,326	54,676	54,676	54,676	54,676
	Zoning Board of Adjustment							
66	Zoning Permits	255	287	350	350	350	350	350
67	Accelerated Review Fees	192	193	260	260	260	260	260
68	Subtotal	447	480	610	610	610	610	610
	Records							
69	Recording of Legal Instrument Fees	11,347	11,838	12,000	12,500	12,950	12,950	12,950
70	Preparation of Records	332	319	400	400	400	400	400
71	Commission on Tax Stamps	691	702	450	450	450	450	450
72	Accident Investigation Reports	1,255	1,095	1,800	1,800	1,800	1,800	1,800
73	Document Technology Fee	2,102	2,190	2,450	2,450	2,450	2,450	2,450
74	Other	567	673	700	700	700	700	700
75	Subtotal	16,294	16,817	17,800	18,300	18,750	18,750	18,750
	Director of Finance							
76	Prior Year Refunds	28,252	4	200	200	200	200	200
77	SWEEP Fines	4,898	5,320	5,375	5,375	5,375	5,375	5,375
78	Burglar Alarm Licenses	2,984	3,010	2,965	2,965	2,965	2,965	2,965
79	False Alarm Fines	1,907	1,979	1,910	1,910	1,910	1,910	1,910
80	Reimbursements - Other	5,803	5,159	3,785	4,585	3,785	4,585	4,585
81	Reimbursement - Prescription Program	1,973	3,558	2,250	2,250	2,250	2,250	2,250
82	Health Benefit Charges	1,561	1,428	1,750	1,750	1,750	1,750	1,750
83	Other	(3,020)	656	10	10	10	10	10
84	Subtotal	44,358	21,114	18,245	19,045	18,245	19,045	19,045

City of Philadelphia Five Year Financial Plan FY2017-2021 As Modified - 8/8/2016	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2015 TO 2021 (Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)
	Revenue							
85	Miscellaneous Fines	235	309	75	75	75	75	75
86	Non-Profit Org. Voluntary Payments	2,536	2,631	2,600	2,600	2,600	2,600	2,600
87	Casino Settlement Payments	3,411	1,586	1,578	1,578	1,057	1,057	1,057
88	Other	364	425	650	650	650	650	650
89	Subtotal	6,546	4,951	4,903	4,903	4,382	4,382	4,382
	Procurement							
90	Performance Bonds	15	8	110	110	110	110	110
91	Master Performance Bonds	58	31	30	30	30	30	30
92	Bid Application Fees etc.	135	122	110	110	110	110	110
93	Other	153	119	144	144	144	144	144
94	Subtotal	361	280	394	394	394	394	394
	City Treasurer							
95	Interest Earnings	634	3,638	1,500	1,700	1,900	1,900	1,900
96	Other	598	499	600	600	600	600	600
97	Subtotal	1,232	4,137	2,100	2,300	2,500	2,500	2,500
	Commerce							
98	Other	248	232	302	302	302	302	302
	Law							
99	Legal Fees & Charges	224	256	250	250	250	250	250
100	Court Awarded Damages	31	15	100	100	100	100	100
101	Other	71	60	50	50	50	50	50
102	Subtotal	326	331	400	400	400	400	400
	Board of Ethics							
103	Other	76	119	15	15	15	15	15
	Inspector General							
104	Other	579	85	0	0	0	0	0
	City Planning Commission							
105	Other	0	1	1	1	1	1	1
	Free Library							
106	Library Fees & Fines	299	253	277	277	277	277	277
107	Other	648	968	1,207	1,207	1,207	1,207	1,207
108	Subtotal	947	1,221	1,484	1,484	1,484	1,484	1,484

City of Philadelphia Five Year Financial Plan FY2017-2021 As Modified - 8/8/2016	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2015 TO 2021 (Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)
	Personnel							
109	Other	2	2	2	2	2	2	2
	Office of Property Assessment							
110	Other	46	7	2	2	2	2	2
	Auditing							
111	Other	29	0	0	0	0	0	0
	Board of Revision of Taxes							
112	Other	0	0	1	1	1	1	1
	Register of Wills							
112	Court Costs, Fees & Charges	625	609	700	700	700	700	700
113	Recording Fees	2,262	2,263	2,200	2,200	2,200	2,200	2,200
114	Other	753	775	800	800	800	800	800
115	Subtotal	3,640	3,647	3,700	3,700	3,700	3,700	3,700
	District Attorney							
116	Other	6	2	2	2	2	2	2
	Sheriff							
117	Sheriff Fees	6,264	3,701	4,500	4,500	4,500	4,500	4,500
118	Commission Fees	4,761	5,435	5,246	5,246	5,246	5,246	5,246
119	Other	48	2,321	50	50	50	50	50
120	Subtotal	11,073	11,457	9,796	9,796	9,796	9,796	9,796
	City Commissioners							
121	Other	91	19	25	25	25	25	25
	1st Judicial District - Clerk of Courts							
122	Other Fines	195	204	350	350	350	350	350
123	Court Costs, Fees & Charges	1,655	1,756	1,750	1,750	1,750	1,750	1,750
124	Bail Forefeited	805	562	600	600	600	600	600
125	Cash Bail Fees	3,656	3,412	3,500	3,500	3,500	3,500	3,500
126	Other	0	0	125	125	125	125	125
127	Subtotal	6,311	5,934	6,325	6,325	6,325	6,325	6,325
	1st Judicial District - Traffic Court							
128	Traffic Court Fines	6,421	5,993	6,400	6,800	7,200	7,600	7,800

City of Philadelphia Five Year Financial Plan FY2017-2021 As Modified - 8/8/2016	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2015 TO 2021 (Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(9)
	1st Judicial District - CP & Mun. Court							
129	Court Costs, Fees & Charges	18,063	17,748	18,250	18,250	18,250	18,250	18,250
130	Other Fines	983	985	1,500	1,500	1,500	1,500	1,500
131	Other	285	519	550	550	550	550	550
132	Subtotal	19,331	19,252	20,300	20,300	20,300	20,300	20,300
133	Other Adjustments	237	253	0	0	0	0	0
134	**Total Locally Generated Non-Tax**	**294,395**	**292,639**	**287,291**	**280,020**	**281,091**	**281,886**	**282,318**

City of Philadelphia
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SUPPORTING REVENUE SCHEDULES
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FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Managing Director							
	Federal:							
1	Emergency Management	202	202	202	202	202	202	202
	State:							
2	Special Event - Reimbursement	0	0	4,000	0	0	0	0
3	Subtotal	202	202	4,202	202	202	202	202
	Police							
	State:							
4	Police Training - Reimbursement	549	1,730	1,800	1,800	1,800	1,800	1,800
	Streets							
	Federal:							
5	Highways	1,191	185	350	350	350	350	350
6	Bridge Design	290	215	215	215	215	215	215
7	Delaware Valley Reg. Planning Comm.	151	185	185	185	185	185	185
	State:							
8	Snow Removal	2,500	2,500	2,500	2,500	2,500	2,500	2,500
9	PennDot Bridge Design	195	50	50	50	50	50	50
10	PennDot Highways	0	0	25	25	25	25	25
11	Subtotal	4,327	3,135	3,325	3,325	3,325	3,325	3,325
	Public Health							
	Federal:							
12	Medicare - Outpatient / HC's	1,770	1,465	2,124	2,124	2,124	2,124	2,124
13	Medicare - PNH	1,409	1,265	1,476	1,476	1,476	1,476	1,476
14	Medical Assistance - Outpatient / HC's	7,681	5,269	5,092	5,092	5,092	5,092	5,092
15	Medical Assistance - PNH	16,561	20,546	20,528	20,528	20,528	20,528	20,528
16	Summer Food Inspection	0	60	60	60	60	60	60
	State:							
17	County Health	9,230	11,200	9,706	9,706	9,706	9,706	9,706
18	Medical Assistance - Outpatient / HC's	6,581	4,020	4,166	4,166	4,166	4,166	4,166
19	Medical Assistance - PNH	13,227	16,767	16,768	16,768	16,768	16,768	16,768
20	Subtotal	56,459	60,592	59,920	59,920	59,920	59,920	59,920
	Public Property							
	Other Governments:							
21	PGW Rental	18,000	18,000	18,000	18,000	18,000	18,000	18,000
	Philadelphia Prisons							
	Federal:							
22	SSA Prisoner Incentive Payments	447	480	480	480	480	480	480
23	State Criminal Alien Assist. Program	124	125	125	125	125	125	125
24	Subtotal	571	605	605	605	605	605	605

City of Philadelphia
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SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2015 TO 2021
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Director of Finance							
	Federal:							
25	Medicare Part D-Retirees	54	200	200	200	200	200	200
	State:							
26	Pension Aid - State Act 205	69,386	70,552	69,900	69,900	69,900	69,900	69,900
27	Juror Fee Reimbursement	184	500	500	500	500	500	500
28	State Police Fines (Phila. County)	533	700	700	700	700	700	700
29	Wage Tax Relief Funding	86,283	86,277	86,277	86,277	86,277	86,277	86,277
30	Gaming - Local Share Assessment	3,790	3,805	4,328	6,194	6,194	6,194	6,194
	Other Governments:							
31	PATCO Community Impact Fund	75	75	75	75	75	75	75
32	PAID - Parametric Garage	604	450	475	500	500	500	500
33	Reimbursement - Education Costs	1,500	1,000	0	0	0	0	0
34	Subtotal	162,409	163,559	162,455	164,346	164,346	164,346	164,346
	Revenue							
	Federal:							
35	Reimb. - PILOT	0	10	3	3	3	3	3
36	Tinicum Wildlife Preserve	5	2	2	2	2	2	2
	Other Governments:							
37	PPA - Parking/Violations/Fines (on St.)	38,045	38,806	39,582	40,374	41,181	42,005	42,845
38	Burlington County Bridge Comm.	7	7	7	7	7	7	7
39	Subtotal	38,057	38,825	39,594	40,386	41,193	42,017	42,857
	City Treasurer							
	State:							
40	Retail Liquor License	1,100	1,147	1,100	1,100	1,100	1,100	1,100
41	Public Utility Tax Refund	3,809	3,809	3,809	3,809	3,809	3,809	3,809
42	Subtotal	4,909	4,956	4,909	4,909	4,909	4,909	4,909
	Commission on Human Relations							
	Federal:							
43	Deferred EEOC Cases	110	136	125	125	125	125	125
	District Attorney							
	State:							
44	Reimbursement - DA Salary	121	114	114	114	114	114	114

City of Philadelphia
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SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2015 TO 2021
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	1st Judicial District							
	Federal:							
45	Title IV-E	25	200	200	200	200	200	200
	State:							
46	Intensive Probation - Adult	3,883	3,650	3,650	3,650	3,650	3,650	3,650
47	Intensive Probation - Juvenile	1,232	1,232	1,232	1,232	1,232	1,232	1,232
48	Reimbursement - Court Costs	9,886	10,075	10,075	10,075	10,075	10,075	10,075
49	Reimbursement - Attorney Fees	84	82	82	82	82	82	82
50	Subtotal	15,110	15,239	15,239	15,239	15,239	15,239	15,239
51	PICA City Account	346,474	370,346	384,722	409,113	431,486	446,007	470,229
	Totals							
52	Federal	30,020	30,545	31,367	31,367	31,367	31,367	31,367
53	State	212,573	218,210	220,782	218,648	218,648	218,648	218,648
54	Other Governments	58,231	58,338	58,139	58,956	59,763	60,587	61,427
55	PICA Funding	346,474	370,346	387,280	411,762	434,216	448,824	473,135
56	Other Authorized Adjustments	2,023	2,283	2,000	2,000	2,000	2,000	2,000
57	**Total, Revenue From Other Govts.**	**649,321**	**679,722**	**699,568**	**722,733**	**745,994**	**761,426**	**786,577**

City of Philadelphia Five Year Financial Plan FY2017-2021 As Modified - 8/8/2016	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2015 TO 2021 (Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Funds

No.	Agency and Revenue Source	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Water Fund							
1	Services performed & costs borne by General Fund	6,245	6,622	6,929	7,249	7,584	7,934	8,299
2	Excess interest on Sinking Fund reserve	746	800	900	1,000	1,000	1,000	1,000
3	Sub-total	6,991	7,422	7,829	8,249	8,584	8,934	9,299
	Aviation Fund							
4	Services performed & costs borne by General Fund	3,264	3,280	3,296	3,312	3,329	3,346	3,363
	Grants Revenue Fund							
5	Services performed & costs borne by General Fund	767	750	750	750	750	750	750
6	HAVA Grant reimbursement	38	0	0	0	0	0	0
7	911 Surcharge	23,786	44,503	57,240	44,503	44,503	44,503	44,503
8	Sub-total	24,591	45,253	57,990	45,253	45,253	45,253	45,253
	Other Funds							
9	Services performed & costs borne by General Fund	4,185	6,455	6,455	6,455	6,455	6,455	6,455
10	**Total Revenue from Other Funds**	**39,031**	**62,410**	**75,570**	**63,269**	**63,621**	**63,988**	**64,370**

City of Philadelphia
General Fund
FY 2017- 2021 Five Year Financial Plan
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Summary by Class

Expenditure Class	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Class 100 - Wages	1,508,678,147	1,534,426,099	1,565,674,169	1,565,831,450	1,572,299,048	1,576,097,048	1,576,320,088	1,576,320,088
Class 100 - Benefits	1,099,541,937	1,172,182,395	1,178,626,117	1,243,052,361	1,276,390,816	1,333,041,492	1,375,570,490	1,408,057,044
Class 200 - Contracts / Leases	810,573,820	832,668,004	842,797,414	896,925,892	931,674,849	914,710,429	926,141,793	950,963,835
Class 300/400 - Supplies, Equipment	90,558,633	97,082,184	99,708,553	109,127,541	103,497,275	107,909,125	107,959,025	107,959,025
Class 500 - Indemnities / Contributions	150,746,909	187,630,973	193,130,973	189,394,917	190,253,664	189,417,915	190,406,825	190,865,254
Class 700 - Debt Service	131,968,290	141,398,213	138,398,213	153,950,119	161,652,070	178,920,370	189,895,353	199,504,972
Class 800 - Payments to Other Funds	39,447,601	32,715,032	32,715,032	32,064,020	33,943,634	35,471,373	37,078,101	38,768,156
Class 900 - Advances / Misc. Payments	0	100	100	29,961,958	53,419,288	65,000,100	85,000,100	95,000,100
Total	3,831,515,337	3,998,103,000	4,051,050,571	4,220,308,258	4,323,130,644	4,400,567,852	4,488,371,775	4,567,438,474

City of Philadelphia
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General Fund
Summary by Department

Department	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimate	FY 2017 Modified	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Art Museum Subsidy	2,585,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
Atwater Kent Museum	230,906	293,498	293,498	294,817	294,817	294,817	294,817	294,817
Auditing	8,271,589	8,295,335	8,615,335	8,431,962	8,431,962	8,431,962	8,431,962	8,431,962
Board of Ethics	898,226	1,066,989	1,066,989	1,071,403	1,071,403	1,071,403	1,071,403	1,071,403
Board of Revision of Taxes	1,035,977	855,554	855,554	955,554	925,554	925,554	925,554	925,554
City Commissioners	9,219,448	9,663,243	9,838,243	10,039,785	9,677,785	9,156,785	9,337,785	9,337,785
City Council	14,635,452	41,725,293	16,725,293	16,725,293	16,725,293	16,725,293	16,725,293	16,725,293
City Planning Commission	2,278,413	2,504,778	2,504,778	2,539,728	2,489,728	2,489,728	2,489,728	2,489,728
City Representative	1,024,105	1,033,931	1,083,931	1,125,111	1,125,111	1,125,111	1,125,111	1,125,111
City Treasurer	924,877	1,126,357	1,126,357	1,180,726	1,180,726	1,180,726	1,180,726	1,180,726
Civil Service Commission	183,692	177,937	177,937	179,476	179,476	179,476	179,476	179,476
Civil Service Comm - Provision for Future Labor Obligations	0	0	0	29,961,858	53,419,188	65,000,000	85,000,000	95,000,000
Commerce	7,885,115	4,763,346	4,763,346	4,809,700	4,809,700	4,809,700	4,809,700	4,809,700
Commerce - Convention Center Subsidy	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Commerce - Economic Stimulus	1,294,448	3,294,448	3,294,448	3,354,448	2,294,448	2,294,448	2,294,448	2,294,448
District Attorney	35,561,390	35,482,214	35,520,792	36,944,070	36,924,302	36,924,302	36,295,718	36,295,718
Finance	22,318,952	17,658,655	19,958,655	12,979,577	14,734,577	13,254,577	14,504,577	14,504,577
Finance - Community College Subsidy	26,909,207	30,309,207	30,309,207	29,909,207	29,909,207	29,909,207	29,109,207	29,109,207
Finance - Employee Benefits	1,099,541,937	1,172,182,395	1,178,626,117	1,243,052,361	1,276,390,816	1,333,041,492	1,375,570,490	1,408,057,044
Finance - Hero Awards	18,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Finance - Indemnities	0	38,000,000	41,200,000	40,675,000	40,675,000	40,675,000	40,675,000	40,675,000
Finance - Refunds	2	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Finance - School District Contribution	69,110,300	79,184,673	104,184,673	104,263,617	104,342,364	104,735,115	105,200,525	105,658,954
Finance - Witness Fees	121,005	171,518	171,518	171,518	171,518	171,518	171,518	171,518
Fire	232,526,640	219,082,796	237,253,000	221,812,329	225,349,952	228,589,112	228,835,447	229,089,172
First Judicial District	117,976,545	110,315,300	110,315,300	110,303,140	110,303,140	110,303,140	110,303,140	110,303,140
Fleet Management	48,718,467	46,612,500	46,778,465	48,180,887	48,180,887	48,180,887	48,180,887	48,180,887
Fleet Management - Vehicle Lease/Purchases	11,946,483	14,965,000	14,965,000	12,965,000	13,965,000	13,965,000	13,965,000	13,965,000
Free Library	40,668,870	40,100,988	40,100,988	40,080,990	40,080,990	40,080,990	40,080,990	40,080,990
Historical Commission	384,361	424,560	424,560	431,732	431,732	431,732	431,732	431,732
Human Relations Commission	1,823,081	2,147,096	2,147,096	2,190,207	2,190,207	2,190,207	2,190,207	2,190,207
Human Services	96,543,925	102,729,321	102,729,321	103,219,500	103,219,500	103,219,500	103,219,500	103,219,500
Labor Relations	667,481	572,466	572,466	1,096,229	1,096,229	1,096,229	1,096,229	1,096,229
Law	15,742,910	14,642,276	14,976,276	16,592,715	15,192,715	15,192,715	15,192,715	15,192,715
Licences & Inspections	29,811,576	31,476,558	31,476,558	33,612,119	33,473,527	33,473,527	33,473,527	33,473,527
L&I: Board of Building Standards	63,025	73,970	73,970	75,419	75,419	75,419	75,419	75,419
L&I: Board of L+I Review	137,857	167,790	167,790	169,637	169,637	169,637	169,637	169,637
L&I: Zoning Board of Adjustment	373,802	372,290	372,290	372,290	372,290	372,290	372,290	372,290
Managing Director	35,106,107	35,595,543	37,025,496	39,048,607	38,973,607	38,973,607	38,973,607	38,973,607
Managing Director - Legal Services	42,923,209	43,159,131	44,695,131	45,793,831	46,717,381	46,781,431	45,845,131	45,845,131
Mayor	5,000,680	5,031,625	5,031,625	4,261,140	4,261,140	4,261,140	4,261,140	4,261,140
Mayor - Scholarships	199,500	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Mayor - Office of Chief Administrative Officer	0	0	0	5,616,490	5,616,490	5,616,490	5,616,490	5,616,490
Mayor - Office of Community Schools & Pre-K	0	0	0	27,469,925	42,499,175	50,075,725	56,502,425	69,252,425
Mayor - Planning and Development	0	0	0	1,016,000	1,016,000	1,016,000	1,016,000	1,016,000

City of Philadelphia
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As Modified - 8/8/2016
General Fund
Summary by Department

Department	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimate	FY 2017 Modified	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Mayor's Office of Community Empowerment and Opportunity	500,000	605,000	1,030,000	2,525,318	1,150,000	1,150,000	1,150,000	1,150,000
Mayor's Office of Transportation and Utilities	798,692	734,270	734,270	0	0	0	0	0
Mural Arts Program	1,458,245	1,646,016	1,646,016	1,679,016	1,659,016	1,659,016	1,659,016	1,659,016
Office of Arts and Culture and the Creative Economy	3,968,576	4,172,855	4,172,855	4,172,855	4,172,855	4,172,855	4,172,855	4,172,855
Office of Behavioral Health and Intellectual disAbilities	13,967,356	13,975,576	13,975,576	14,136,076	14,136,076	14,136,076	14,136,076	14,136,076
Office of Housing and Community Development	2,600,068	3,590,000	3,590,000	2,865,000	2,690,000	2,615,000	2,618,000	2,618,000
Office of Human Resources	5,938,890	6,433,623	6,433,623	6,425,580	6,437,580	6,275,580	6,275,580	6,275,580
Office of Innovation and Technology	51,917,083	53,379,584	53,867,582	52,072,341	53,416,121	52,866,121	52,866,121	52,866,121
Office of Innovation and Technology - 911	11,956,848	30,502,878	30,502,878	43,239,878	30,502,878	30,502,878	30,502,878	30,502,878
Office of Inspector General	1,486,801	1,668,811	1,668,811	1,668,811	1,606,311	1,606,311	1,606,311	1,606,311
Office of Property Assessment	12,570,273	13,285,146	13,285,146	12,794,865	12,544,865	12,544,865	12,544,865	12,544,865
Office of Supportive Housing	45,178,263	45,544,382	45,721,917	46,657,206	46,657,206	46,657,206	46,657,206	46,657,206
Office of Sustainability	0	835,327	835,327	835,327	835,327	835,327	835,327	835,327
Parks and Recreation	56,719,070	57,874,883	58,205,968	59,882,081	59,882,081	59,882,081	59,882,081	59,882,081
Police	632,692,801	643,009,937	650,380,424	650,176,870	650,176,870	650,176,870	650,176,870	650,176,870
Prisons	246,159,162	253,791,576	254,413,576	258,831,670	258,831,670	258,831,670	258,831,670	258,831,670
Procurement	4,857,830	4,837,672	5,837,672	4,869,720	4,869,720	4,869,720	4,869,720	4,869,720
Public Health	113,479,766	116,292,446	122,031,824	123,844,038	123,844,038	123,844,038	123,844,038	123,844,038
Public Property	67,593,515	59,893,332	61,702,501	61,696,310	62,950,924	64,239,503	65,599,896	67,036,226
Public Property - SEPTA Subsidy	70,415,000	74,215,000	74,215,000	79,720,000	85,988,000	91,503,000	96,680,000	102,415,000
Public Property - Space Rentals	19,871,298	20,624,429	20,624,429	20,875,402	26,371,028	26,814,775	27,260,447	27,766,543
Public Property - Utilities	31,355,461	33,092,334	33,092,334	30,656,047	30,492,113	31,513,019	32,568,181	33,658,748
Records	4,495,535	4,822,825	4,822,825	4,767,214	4,767,214	4,767,214	4,767,214	4,767,214
Register of Wills	3,608,407	3,522,195	3,772,195	3,672,195	3,672,195	3,672,195	3,672,195	3,672,195
Revenue	23,022,718	25,771,489	26,179,489	30,203,839	29,318,539	29,050,939	29,050,939	29,050,939
Sheriff	22,187,839	19,203,247	22,203,247	20,142,275	20,142,275	20,142,275	20,142,275	20,142,275
Sinking Fund Commission (Debt Service)	238,388,830	245,945,126	235,945,126	275,339,734	297,687,050	290,403,955	300,611,249	314,126,830
Streets - Sanitation	107,128,376	92,288,259	93,702,331	92,512,350	93,297,857	93,301,529	94,123,372	94,957,789
Streets - Transportation	37,463,661	33,118,461	38,867,886	33,047,842	38,047,842	38,047,842	38,047,842	38,047,842
Youth Commission	72,413	142,740	142,740	0	0	0	0	0
Total	3,831,515,337	3,998,103,000	4,051,050,571	4,220,308,258	4,323,130,644	4,400,567,852	4,488,371,775	4,567,438,474

City of Philadelphia
General Fund
FY 2017 - 2021 Five Year Financial Plan
As Modified - 8/8/2016
Estimated Fringe Benefit Allocation

Expenditure Category	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Unemployment Comp.	2,544,017	4,580,260	4,580,260	4,580,260	4,580,260	4,580,260	4,580,260	4,580,260
Employee Disability	57,326,888	58,088,800	58,088,800	65,669,340	67,593,452	69,573,940	71,612,456	73,710,701
Pension	450,522,994	497,057,762	497,057,762	521,892,018	526,833,995	538,571,219	549,537,566	549,098,249
Pension Obligation Bonds	107,746,154	113,270,454	113,270,454	110,791,652	110,791,652	110,791,652	110,791,652	110,791,652
FICA	71,150,707	72,431,454	72,431,454	74,590,495	74,900,853	74,900,853	74,900,853	74,900,853
Health / Medical	394,558,639	411,484,132	410,484,132	435,547,675	456,647,793	479,069,853	502,990,344	528,226,837
Group Life	7,285,066	8,100,386	8,100,386	8,100,386	8,100,386	8,100,386	8,100,386	8,100,386
Group Legal	7,708,649	4,849,842	4,849,842	4,849,842	4,849,842	4,849,842	4,849,842	4,849,842
Tool Allowance	105,200	146,267	146,267	146,267	146,267	146,267	146,267	146,267
Flex Cash Payments	593,623	800,000	800,000	800,000	800,000	800,000	800,000	800,000
Pension Relief - Sales Tax	0	1,373,038	8,816,760	16,084,426	21,146,316	41,657,220	47,260,864	52,851,997
Total	1,099,541,937	1,172,182,395	1,178,626,117	1,243,052,361	1,276,390,816	1,333,041,492	1,375,570,490	1,408,057,044

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
GENERAL FUND - FY2017 as Modified 8-8-2016

Projection

Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	9.1	8.1	7.8	7.5	7.0	14.0	48.5	334.2	112.8	26.5	11.6	7.7	594.9			594.9
Total Wage, Earnings, Net Profits	122.5	112.1	105.8	123.4	117.6	111.0	141.9	116.1	123.9	146.6	119.1	111.1	1451.1			1451.1
Realty Transfer Tax	22.3	22.3	20.6	19.4	18.2	20.8	19.8	15.8	21.8	22.4	21.9	24.3	249.6			249.6
Sales Tax	25.3	25.5	12.6	12.1	14.0	10.9	13.7	15.1	12.1	10.0	15.9	13.3	180.4	1.8		182.2
Business Income & Receipts Tax	3.8	3.6	14.9	12.1	1.5	5.0	12.9	8.1	46.9	225.9	103.8	7.6	446.0			446.0
Sweetened Beverage Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.7	7.7	7.7	7.7	7.7	38.5	7.7		46.2
Other Taxes	9.6	12.4	9.2	8.8	9.5	9.0	8.9	10.8	7.6	14.6	10.2	9.0	119.5			119.5
Locally Generated Non-tax	24.4	24.4	20.7	21.6	23.1	20.6	25.1	24.5	27.9	22.2	27.0	25.9	287.3			287.3
Total Other Governments	11.8	59.8	69.6	13.7	56.3	6.3	7.8	18.1	16.0	8.6	13.8	15.5	297.4	14.9		312.3
Total PICA Other Governments	28.3	26.1	30.2	28.3	34.4	25.8	30.9	33.9	39.6	34.0	45.9	30.0	387.3			387.3
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.5	30.5		45.1	75.6
Total Current Revenue	257.2	294.2	291.4	246.9	281.7	223.3	309.4	584.2	416.2	518.5	376.9	282.7	4082.6	24.3	45.1	4152.0
Collection of prior year(s) revenue	15.1	17.3	0.2	9.9	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.0	43.0			
Other fund balance adjustments																
TOTAL CASH RECEIPTS	272.3	311.6	291.6	256.8	281.8	223.3	309.7	584.4	416.2	518.5	376.9	282.7	4125.7			

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30	Total	Vouchers Payable	Encum-brances	Estimated Obligations
EXPENSES AND OBLIGATIONS																
Payroll	81.5	117.0	174.7	117.0	117.0	128.1	117.0	117.0	164.6	117.0	117.0	128.1	1496.0	66.4	3.5	1565.8
Employee Benefits	31.5	45.2	67.5	45.2	45.2	49.4	45.2	45.2	63.5	45.2	45.2	49.5	577.7	16.1	0.5	594.3
Pension	3.7	2.1	(6.5)	67.8	(6.6)	(1.1)	(7.2)	(5.6)	476.5	107.9	(3.1)	(2.6)	625.3	23.5		648.8
Purchase of Services	44.3	43.9	65.0	100.3	75.8	66.3	51.2	60.0	75.3	81.2	56.8	75.5	795.7	23.4	77.9	896.9
Materials, Equipment	3.9	6.1	10.8	8.7	7.0	7.2	7.4	6.4	7.4	7.5	6.8	9.6	88.7	4.0	16.4	109.1
Contributions, Indemnities	17.8	6.3	9.1	14.6	8.0	2.7	4.3	5.3	11.5	5.5	85.0	19.3	189.4			189.4
Debt Service-Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	4.5			4.5
Debt Service-Long Term	20.8	79.3	0.5	0.0	0.0	14.3	9.2	24.7	0.5	0.0	0.0	0.0	149.5			149.5
Interfund Charges	1.7	1.0	0.0	0.0	0.0	1.0	0.1	1.3	0.0	0.1	0.6	4.2	10.0	22.1		32.1
Advances & Misc. Pmts. / Labor Obligations	0.0	1.1	4.3	5.1	1.8	2.6	2.5	2.5	2.5	2.5	2.5	2.5	30.0			30.0
Current Year Appropriation	205.2	301.9	325.5	358.7	248.3	270.5	229.7	256.7	801.9	366.8	310.7	290.6	3966.7	155.4	98.2	4220.3
Prior Yr. Expenditures against Encumbrances	60.5	30.0	19.6	11.5	6.5	3.8	8.8	5.8	5.4	2.5	0.9	1.8	157.0			
Prior Yr. Salaries & Vouchers Payable	67.7	39.4	27.2	16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	151.2			
TOTAL DISBURSEMENTS	333.4	371.3	372.4	387.0	254.7	274.3	238.4	262.5	807.3	369.3	311.6	292.4	4274.9			
Excess (Def) of Receipts over Disbursements	(61.2)	(59.8)	(80.8)	(130.2)	27.0	(51.0)	71.3	321.8	(391.1)	149.2	65.3	(9.7)				
Opening Balance	447.4	386.2	326.4	245.7	290.5	317.5	266.4	337.7	659.5	268.4	417.6	307.9				
TRAN	0.0	0.0	0.0	175.0	0.0	0.0	0.0	0.0	0.0	0.0	(175.0)	0.0				
CLOSING BALANCE	386.2	326.4	245.7	290.5	317.5	266.4	337.7	659.5	268.4	417.6	307.9	298.2				

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
CONSOLIDATED CASH - ALL FUNDS - FY2017 as Modified 8-8-2016

Amounts in Millions

Projection	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30
General	386.2	326.4	245.7	290.5	317.5	266.4	337.7	659.5	268.4	417.6	307.9	298.2
Grants Revenue	(82.2)	(67.1)	(76.2)	(103.6)	(145.7)	(194.6)	(157.3)	(179.8)	(207.4)	(216.8)	(212.1)	(119.4)
Community Development	(5.7)	(5.6)	(3.9)	(1.9)	(4.2)	(3.5)	(6.8)	(4.4)	(5.9)	(3.6)	(2.7)	(6.4)
Vehicle Rental Tax	6.9	7.5	2.4	2.8	3.3	3.7	4.1	4.4	4.8	5.2	5.7	6.1
Hospital Assessment Fund	11.7	10.9	21.9	10.3	9.9	11.6	10.3	8.9	21.0	9.2	26.2	12.4
Housing Trust Fund	18.3	18.9	19.3	17.8	20.2	21.7	19.8	19.8	19.5	19.1	19.3	18.2
Other Funds	9.8	10.2	19.0	18.7	19.6	16.8	12.3	14.9	7.2	9.8	13.5	19.3
TOTAL OPERATING FUNDS	345.2	301.2	228.1	234.5	220.5	122.2	220.1	523.4	107.7	240.7	157.8	228.4
Capital Improvement	119.8	110.3	100.8	91.3	81.8	72.3	62.8	53.3	43.8	34.3	24.8	15.3
Industrial & Commercial Dev.	3.9	3.9	4.0	4.0	4.2	4.2	4.2	4.2	4.2	4.1	4.1	4.0
TOTAL CAPITAL FUNDS	123.7	114.2	104.8	95.3	86.0	76.5	67.0	57.5	48.0	38.4	28.9	19.3
TOTAL FUND EQUITY	468.9	415.4	332.8	329.8	306.5	198.7	287.1	580.9	155.7	279.0	186.7	247.7

City of Philadelphia
Fiscal Year 2017 Operating Budget
FY 2017-2021 Five Year Plan
As Modified - 8/8/2016
General Fund Full-Time Positions

Department	Filled Positions 6/30/15	FY 2016 Adopted Budget	January 2016 Actual	FY 2017 Modified Budget	FY 2018 Estimate	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate
Atwater Kent Museum	2	4	2	4	4	4	4	4
Auditing	129	140	132	140	140	140	140	140
Board of Ethics	9	12	10	12	12	12	12	12
Board of Revision of Taxes	12	14	12	15	15	15	15	15
City Commissioners	91	98	93	104	104	104	104	104
City Council	176	195	175	195	195	195	195	195
City Planning Commission	29	32	28	32	32	32	32	32
City Representative	6	7	6	8	8	8	8	8
City Treasurer	14	16	15	16	16	16	16	16
Civil Service Commission	2	2	2	2	2	2	2	2
Commerce	21	34	21	28	28	28	28	28
District Attorney Civilian	*464*	*452*	*469*	*489*	*489*	*489*	*489*	*489*
District Attorney Uniform	*12*	*30*	*15*	*36*	*36*	*36*	*36*	*36*
District Attorney - Total	476	482	484	525	525	525	525	525
Finance	160	175	162	116	128	128	128	128
Fire Civilian	*108*	*123*	*111*	*123*	*123*	*123*	*123*	*123*
Fire Uniform	*2,042*	*2,164*	*2,225*	*2,167*	*2,167*	*2,167*	*2,167*	*2,167*
Fire - Total	2,150	2,287	2,336	2,290	2,290	2,290	2,290	2,290
First Judicial District	1,842	1,886	1,815	1,908	1,908	1,908	1,908	1,908
Fleet Management	261	287	265	287	287	287	287	287
Free Library	642	692	647	692	692	692	692	692
Historical Commission	6	6	5	6	6	6	6	6
Human Relations Commission	30	34	32	34	34	34	34	34
Human Services	395	449	395	410	410	410	410	410
Labor Relations	7	8	8	16	16	16	16	16
Law	152	154	124	153	153	153	153	153
Licenses & Inspections	335	384	332	411	411	411	411	411
L&I-Board of Building Standards	1	1	1	1	1	1	1	1
L&I-Board of L & I Review	2	2	2	2	2	2	2	2
L&I-Zoning Board of Adjustment	5	5	5	5	5	5	5	5
Managing Director	257	266	265	279	279	279	279	279
Mayor	51	49	41	44	44	44	44	44
Mayor - Office of the Chief Administrative Officer	0	0	0	62	62	62	62	62
Mayor - Office of Community Schools & Pre-K	0	0	0	26	38	50	62	62
Mayor's Office of Community Empowerment and Opportunity	0	0	0	1	1	1	1	1
Mayor's Office of Transportation and Utilities	12	13	10	0	0	0	0	0
Mayor - Planning & Development	0	0	0	3	3	3	3	3
Mural Arts Program	10	11	11	11	11	11	11	11
Office of Arts and Culture	2	3	4	4	4	4	4	4
Office of Behavioral Health and Intellectual disAbility	14	16	16	16	16	16	16	16
Office of Human Resources	82	91	83	90	90	90	90	90
Office of Innovation & Technology	261	295	265	284	284	284	284	284
Office of Inspector General	18	20	19	19	19	19	19	19
Office of Property Assessment	186	217	181	223	223	223	223	223
Office of Supportive Housing	135	159	136	162	162	162	162	162
Office of Sustainability	0	8	7	8	8	8	8	8
Parks & Recreation	598	706	592	720	720	720	720	720
Police Civilian	*776*	*846*	*800*	*846*	*846*	*846*	*846*	*846*
Police Uniform	*6,285*	*6,525*	*6,211*	*6,525*	*6,525*	*6,525*	*6,525*	*6,525*
Police - Total	7,061	7,371	7,011	7,371	7,371	7,371	7,371	7,371
Prisons	2,286	2,325	2,279	2,325	2,325	2,325	2,325	2,325
Procurement	44	51	45	51	51	51	51	51
Public Health	653	781	658	773	773	773	773	773
Public Property	137	159	145	159	159	159	159	159
Records	56	63	58	63	63	63	63	63
Register of Wills	64	64	65	71	71	71	71	71
Revenue	319	360	321	438	433	432	432	432
Sheriff	299	323	330	380	380	380	380	380
Streets	1,664	1,794	1,676	1,801	1,829	1,829	1,829	1,829
Youth Commission	2	2	2	0	0	0	0	0
TOTAL GENERAL FUND	**21,166**	**22,553**	**21,329**	**22,796**	**22,843**	**22,854**	**22,866**	**22,866**

Note: The Adopted and Proposed Budget position counts represent the maximum level of positions during the year. Attrition lowers the position count throughout the year.