Pennsylvania Intergovernmental Cooperation Authority

Fund Balance and Reserve Fund Comparison

September 2021

Pennsylvania Intergovernmental Cooperation Authority
1500 Walnut Street, Suite 1600, Philadelphia, PA 19102
(215) 561-9160 • www.picapa.org

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Executive Summary

On July 27, 2021, the Pennsylvania Intergovernmental Cooperation Authority ("PICA") approved the City's Five Year Financial Plan for Fiscal Years 2022-2026. Although approved unanimously, the Board noted some concerns as to the relatively low General Fund year-end balances in each of the years of the Plan and the lack of contribution to the City's Budget Stabilization Reserve (the "BSR") or rainy day fund. The purpose of this report is to analyze the City's fund balances and rainy day reserves, compare them to other cities, and to provide best practices related to such reserves. Our analysis determined that:

- Despite being one of the most important measures of financial health, fund balance levels have long been and continue to be a challenge for the City. The City has set a year-end fund balance target of 6 to 8 percent of revenues, which would equate to over $360 million for FY2022.

- Although the City has a Budget Stabilization Reserve (the "BSR"), or a rainy day fund, policy established by ordinance, it is not currently funded, nor is it projected to be funded in the current Plan. In addition, the policy limits the frequency of contributions as it is dependent on the size of the year-end fund balance rather than revenue growth.

- Fund balances for other cities vary dramatically. Compared to the cities reviewed, Philadelphia ranks near the bottom in terms of fund balance as a percent of obligations.

- Compared to the cities reviewed, Philadelphia ranks close to the bottom for reserve funds for FY2020. This reserve was immediately utilized to meet operating expenses in FY2021, therefore currently the BSR is not funded.

- According to the Government Finance Officers Association (GFOA) best practices, city governments, regardless of size, should maintain "unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures." This equates to 17 percent of total obligations, or nearly $900 million for FY2022. Only four cities met this recommendation.

Therefore, the City has a set target fund balance and has a formalized reserve policy. For FY2020, the City had a comparatively low fund balance as a percent of obligations and had a low reserve balance when compared to other cities. Reserve policies vary by each city as described in this report.

Purpose of the Report

On July 27, 2021, the Pennsylvania Intergovernmental Cooperation Authority held its Annual Board Meeting. At this meeting, the City's Five Year Financial Plan for Fiscal Years 2022-2026 (the "Plan") was considered for approval. Although approved unanimously, the Board noted some concerns as to the relatively low General Fund year-end fund balances in each of the years of the Plan and the lack of contribution to the City's Budget Stabilization Reserve (the "BSR") or rainy day fund. Consequently, the Board requested an analysis on the fund balances compared to other cities, rainy day reserves and best practices.

The purpose of this report is to provide the PICA Board with an analysis of the City's fund balances and rainy day reserves compared to other cities and to provide a brief synopsis of best practices related to such reserves.

Introduction

Despite being one of the most important measures of financial health, fund balance levels have long been a challenge for the City. The City's Five Year Financial Plan for Fiscal Years 2022-2026 (the "Plan") projects relatively low year-end fund balances. In addition, although the City has a Budget Stabilization Reserve (the "BSR"), or a rainy day fund, policy established by ordinance, it is not currently funded. Consequently, the low fund balances and lack of a rainy day fund reserve[1] presents a significant risk to the City, as any unforeseen emergency, contingency, or resurgence of the pandemic can have a detrimental effect on the City's fund balance.

It should be noted, that despite low fund balance levels and the lack of a rainy day fund, the City has historically been able to address these fiscal stability challenges through controlled spending. However, with higher fund balances, the City could allocate more funding to alleviate many of its greatest financial challenges, including the pension system, infrastructure, education, and tax rates.

The COVID-19 Pandemic and resulting abrupt economic downturn emphasized the need for a healthy and robust fund balance and a rainy day fund. For instance, the large fund balance the City accumulated at the end of FY2019 and the contribution to the BSR in FY2020 helped mitigate the adverse impact of COVID-19 on City revenues.

PICA has long advocated and will continue to stress the importance for this kind of contingency planning. Therefore, it should be the City's goal to make a concerted effort to accumulate a robust year-end fund balance and to adequately fund the BSR.

[1] The City's FY2022-2026 Five Year Financial Plan included a Pandemic Reserve of $225 million over the five year period.

Methodology

We compared the City of Philadelphia (the "City") with 18 other cities that have established reserve, or rainy day, policies. See Table 5 for each city's population figures. For these 18 cities, we obtained fund balance and reserve information from their published annual financial reports. For consistency purposes, we used the unassigned fund balance and reserve amounts as presented in the governmental funds balance sheet.

Our analysis covered fiscal years 2018 through 2020 financial statements, as fiscal year 2021 financial statements have not been published. It should be noted that FY2020 was preceded by strong economic growth, as the nation was in the longest economic expansion in history. As a result, during fiscal years 2018 and 2019, many state and local governments experienced high revenue growth, including Philadelphia, which explains the City's FY2020 standings in fund balance and reserves as compared to other cities.

However, since March 2020, the global pandemic brought fiscal instability to both state and local governments, necessitating the federal government to allocate additional grant funds to help ease the impact on tax revenue losses through the American Rescue Plan Act. Due to the adverse financial impact the global pandemic had on cities' finances; we will revisit this analysis when FY2021 financial statements become readily available in order to ascertain the City's current standing.

GFOA Fund Balance Best Practices

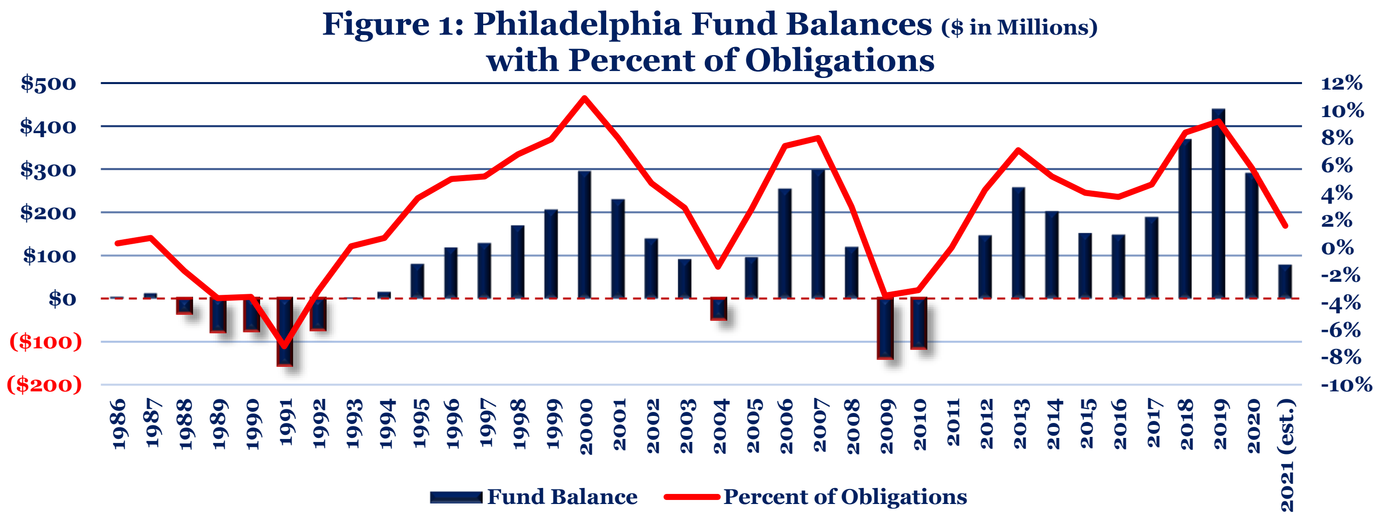
The Government Finance Officers Association (the "GFOA") has published best practices on reserve policies, as described in Appendix A. According to the GFOA's 'Fund Balance Guidelines for the General Fund', it is recommended that "governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the General Fund for GAAP and budgetary purposes." It adds that "it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates."

Generally, the GFOA recommends that city governments, regardless of size, maintain an "unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures."[2]

In establishing the reserve policy, several factors should be considered, such as the predictability of the government's revenues, the volatility of its expenditures, exposure to one-time outlays, the impact on bond ratings, and other commitments. Further, the policy should define how funds are to be used, and subsequently, how it should be replenished if it falls below a prescribed level.

In recognition of the GFOA guidance, the City has stated its own fund balance target goal to be 6 to 8 percent of General Fund revenues. For FY2022, the GFOA recommended

[2] Government Finance Officers Association, "Best Practice: Fund Balance Guidelines for the General Fund," September 2015, http://www.gfoa.org/fund-balance-guidelines-general-fund



year-end fund balance would be nearly $900 million, while the City's target would be significantly lower at approximately $360 million. Although the City's target is significantly lower than the GFOA recommendation of approximately 17 percent, attaining it would allow the City to make contributions to the Budget Stabilization Reserve ("BSR") or rainy day fund.

City's General Fund Year-end Balance

Appendix B details the General Fund year-end fund balance on the budgetary basis, dating back to fiscal year 1986, while Figure 1 illustrates this data. The year-end fund balance has been positive in each year except for fiscal years 1988 through 1992, fiscal year 2004, and fiscal years 2009 and 2010.

Out of the 36 years detailed in Appendix B, the City has only met its current internal fund balance target level (established in 2017), a handful of times, from fiscal years 1998 to 2001, fiscal years 2006 to 2007, fiscal year 2013, and fiscal years 2018 and 2019.

More recently, as illustrated in Figure 1, the City was meeting or exceeding its fund balance target, climbing to 8.4 percent of expenditures in FY2018, and reaching a high of 9.2 percent in FY2019, when the year-end fund balance climbed to $438.7 million. These fund balances helped the City weather the initial economic impact of the COVID-19 global pandemic.

In FY2020, the year-end fund balance decreased to $290.7 million, representing 5.8 percent of expenditures. However, the continued adverse economic effects of the pandemic caused this rate to drop to an estimated 1.6 percent in FY2021, demonstrating the effects of a full year of the economic losses due to the pandemic.

The current year-end projected fund balance for FY2021 is $78.8 million, or 1.6 percent of projected obligations. This amount includes an infusion of $25.9 million from the

American Rescue Plan. Without these funds, the year-end fund balance would have only been $52.9 million, or 1.1 percent of projected obligations.

Fund Balances Projected in the City's Five Year Financial Plan

General Fund year-end fund balances in all five years of the City's Five Year Financial Plan for Fiscal Years 2022-2026 although relatively low, are projected to remain positive. These positive fund balances are primarily a result of the $1.4 billion infusion of federal relief funds from the American Rescue Plan Act.

As stated above, the City has established an internal target fund balance of 6 to 8 percent of revenues. Although the current FY2022-2026 Plan projects positive year-end fund balances throughout the Plan period, the City's internal goal will not be achieved in any year of the Plan, as shown in Table 1. In addition, any unforeseen emergency, contingency, could potentially have a detrimental effect on the City's projected fund balance.

Table 1: Projected Fund Balance as a Percentage of Obligations ($ in Millions)

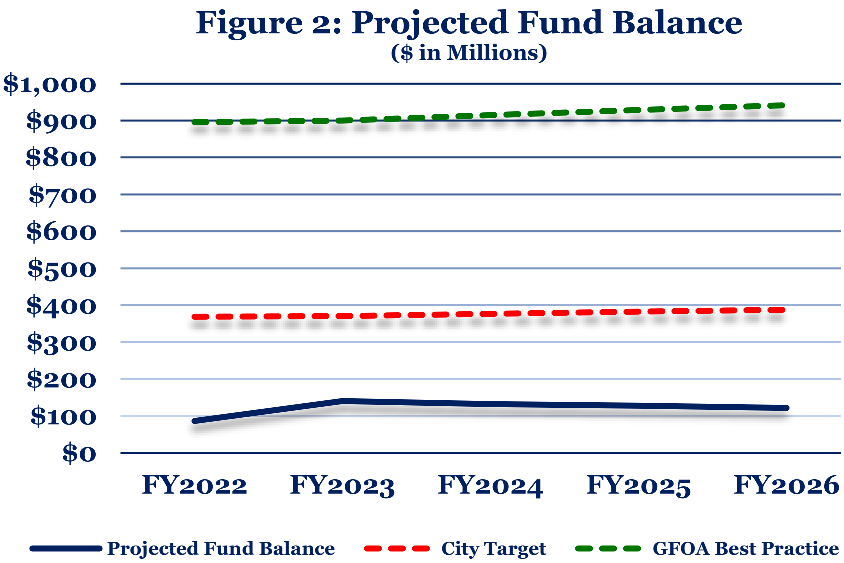
Fiscal Year	Projected Obligations	Projected Fund Balance	Percent of Obligations
2022	$5,268.9	$86.5	1.64%
2023	$5,294.7	$140.5	2.56%
2024	$5,294.7	$132.3	2.46%
2025	$5,381.5	$127.5	2.33%
2026	$5,462.4	$121.5	2.19%
Source: City's FY2022-2026 Five Year Financial Plan			

Figure 2 compares the City's projected fund balance for each year of the Plan to the GFOA recommendation and the City's target fund balance. It illustrates that the City's projected fund balances are still well below not only GFOA recommended levels, but also the City's own target.

City's Budget Stabilization Reserve Policy

PICA recommended the establishment of a rainy day fund as far back as fiscal year 2001 in its white paper entitled, *Philadelphia's Fiscal Challenge: Finding a Way to Save*, which was issued in November 2000. This white paper strongly recommended the City investigate the legal potential for creating a rainy day fund as a component of a balanced budget.

The Budget Stabilization Reserve (the "BSR") policy, the City's first ever policy establishing an official reserve, was eventually enacted by City Council in April 2011. It



was subsequently approved by voters during the November 2011 election as an amendment to the Philadelphia Home Rule Charter.

The BSR policy requires that the City appropriate 0.75 percent of Unrestricted Local General Fund Revenues (unrestricted, locally-generated taxes and non-tax revenues) to the Reserve each year, when the projected General Fund balance for the upcoming fiscal year "equals or exceeds three percent (3%) of General Fund appropriations." In addition to this amount, any unencumbered balance remaining in the Reserve from the prior year, as well as investment earnings arising from these funds, must be rolled over into the Reserve for the upcoming year. (See Appendix C for the full City Charter provision).

The amendment also states that Council may additionally authorize funds to be deposited into the Reserve by ordinance prior to, or at the time of, the passage of the operating budget. This may only be done at the recommendation of the Mayor. The rationale for this last provision is to help the Mayor and Council balance the budget in the event of any discrepancies in calculations from the current fiscal year, making the Mayor's revenue estimates "binding," and thus informing Council on the amount remaining to be raised in order to balance the budget.

Ultimately, total Reserve appropriations cannot exceed five percent of General Fund appropriations.

The first ever contribution to the City's BSR was made in FY2020 in the amount of $34.3 million. However, in order to combat the adverse financial impact brought on by the COVID-19 global pandemic, this reserve was immediately utilized to meet operating expenses in FY2021. Therefore, the economic impact of the global pandemic highlighted the need of a rainy day fund.

The current Plan does not include any contributions to the BSR. Therefore, the City should make a concerted effort to adequately fund the BSR in future five year plans.

Funding of the City's Budget Stabilization Reserve

In previous staff reports on the City's five year plans, PICA disclosed that projected contributions to the BSR were either deferred or eliminated altogether due to other funding priorities.

For example, the FY2015-2019 Five Year Plan submitted to PICA included a contribution to the BSR in its final year, amounting to $24.6 million. However, there were two subsequent revisions to that plan in August and September, due to new labor agreements and changes in pension related actuarial assumptions, which resulted in the City eliminating the projected BSR contribution.

Similarly, in the FY2016-FY2020 Proposed Plan, the City projected another BSR contribution in the final fiscal year (FY2020), amounting to $26.0 million. However, in the very next plan (FY2017-FY2021 Plan), those BSR contributions were eliminated.

Table 2: Establishment of Reserve Policy
City Charter or State/Federal Law
• Philadelphia* • Detroit • Sacramento • Los Angeles • San Francisco • Washington DC
City Council Ordinance
• Boston • Cleveland • Kansas City • Miami • Portland • Houston • Las Vegas
Codified in City Financial Documents or Internal Finance Policies
• San Diego • Cincinnati • Seattle
Internal Goals not Codified in Law, Ordinance, or Financial Documents
• Chicago • Baltimore
*Philadelphia's Reserve Policy was created by City Council Ordinance and codified in its charter by voter referendum

Another example of a foregone BSR contribution arose in FY2019, when the City realized a fund balance that was higher than originally projected, which also triggered a BSR contribution. Due to intricacies in the existing BSR legislation, City Council would have had to pass an amendment to allow a contribution to be made in that circumstance. Unfortunately, the legislation never passed and the contribution to the BSR was not made.

In the approved Fiscal Years 2020-2024 Five Year Financial Plan, the City projected contributions to the BSR in each year of the plan. It not only marked the first time a contribution was made to the BSR since its inception, but also the first plan where such contributions were projected to be made in each fiscal year. Total projected contributions to the BSR over that Plan period were projected at $180.8 million. Unfortunately, due to the COVID-19 pandemic, only the contribution projected in the first year was made to the BSR, while the remaining projected contributions of $146.5 million were eliminated from the subsequent five year plan.

Consequently, funding the BSR does not appear to be a priority for the City. In addition, the current Plan gives rise to concerns that pending labor costs for all unions beginning in FY2022 may present a challenge for the City to make contributions to the BSR in future five year plans. The City should ensure that subsequent projected plan contributions, when projected and included in plans are made, and that the City continues to put money aside for the BSR annually.

Comparison of Reserve Policies in Other Cities

PICA's research on reserve policies adopted by cities nationwide disclosed that reserve funds are generally established in four ways:

1. Reserve funds are mandated by City Charter or State/Federal Law;
2. Reserve funds are mandated by City Council Ordinance;
3. Reserve funds are codified in City financial documents or internal finance policies; or,
4. Reserve funds are stated as internal goals, but are not codified in law, ordinance, or financial documents.

Table 2 summarizes the categories by city.

Examples of reserve funds mandated by charter or law include cities which created their reserve funds in the wake of a fiscal emergency, such as Detroit (created by State Law in following bankruptcy) or Philadelphia (created by City Council Ordinance but codified in City Charter by voter referendum, following Great Recession of 2008-2009). Sacramento, Los Angeles, and San Francisco also belong to this category. Congress established both emergency and contingency cash reserves in addition to a Fiscal Stabilization Reserve for Washington DC.

Of the cities reviewed, several had reserve funds established by City Council Ordinance; for example, Boston, Cleveland, Kansas City, Miami, Portland, Houston, and Las Vegas. All of these ordinances require reserves to be not less than a certain percentage of each city's general fund, ranging between 2.5 percent (Boston and Cleveland) to 10 percent (Miami). Some of these cities require an additional contingency—a set amount of funds to be held in reserve at all times in case of emergency—such as Miami ($5 million) and Houston ($20 million).

In addition, numerous cities had reserve policies which were mandated in financial documents or internal finance policies. One city, San Diego, has a policy similar to reserve policies codified in law or ordinance which aspire to a percent of the city's general fund (16.7 percent of three-year general fund average). The other city, Cincinnati, has a goal of 16.7 percent[3] of annual operating revenues—with a commitment to increasing appropriations to its reserve fund annually until this goal is met. This is the only policy which ties its reserve fund goal to a percentage of revenues rather than obligations.

Finally, two cities have reserve funds existing as stated goals of finance or administration officials, but these funds are not formally codified in law, ordinance, financial documents, or policy statements. The first, Chicago, created a two-part (short and long-term) reserve system by deferring funds from leasing of City properties and parking meter revenue. Secondly, Baltimore's quasi-city Board of Estimates created a budget stabilization mechanism as a defense against budget shortfalls which might occur after a budget is approved. Rather than submitting a new budget (or five year plan, as in Philadelphia) in the case of a budget variance, Baltimore's reserve fund can be drawn upon to fill

[3] GFOA best practices recommend having 17%, or two months of revenues, in fund balance.

unforeseen budget gaps which may arise in the current fiscal year. See Appendix D for a full review of cities' reserve funding policies.

As is clear from this review of reserve fund policies, cities have developed varied and creative ways to plan for economic downturns. Some cities have multiple reserve funds earmarked for specific circumstances. For example, Boston maintains a contingency fund specifically for solving structural deficits in its public school system. Additionally, Portland stores half of its contingency funds to stabilize its budget in case of specific economic indicators, such as high unemployment or property tax delinquency rates.

Best practices would stipulate that the most fiscally prepared cities have multiple reserve funds since these cities generally have stronger credit ratings (with the exception of Detroit). Thus, Philadelphia might revise their reserve policy in the future to include multiple reserve funds. However, the City should first make a concerted effort to allocate regular deposits to the single reserve fund it has, since it has only managed to make one deposit since the BSR was created ten years ago.

Table 3: FY2020 Reserves with Percent of Obligations ($ in Millions)

City	FY2020 Reserves	As Percent of Obligations
Washington	$1,013,265,000	11.3%
Chicago	$724,506,000	19.8%
San Francisco	$591,676,000	13.3%
Boston	$544,127,250	15.0%
Los Angeles	$535,681,000	9.8%
San Diego	$205,600,000	11.9%
Baltimore	$139,661,000	7.2%
Detroit	$107,300,000	12.0%
Las Vegas	$86,551,912	15.1%
Portland	$62,232,738	7.8%
Sacramento	$55,200,000	10.7%
Kansas City	$44,543,000	8.3%
Cincinnati	$38,800,000	9.7%
Seattle	$37,700,000	2.3%
Cleveland	$37,286,000	7.2%
Philadelphia	$34,276,000	0.7%
Houston	$15,000,000	0.7%
Miami	$0	0.0%

Cities' Fiscal Year 2020 Reserve Comparison

Table 3 shows FY2020 reserve funds for the cities included in this analysis. Reserve fund totals range from $1.0 billion (Washington DC) to zero dollars (Miami), at an average of $237.4 million, and a median of $74.4 million.

Of the 18 cities analyzed for this report, all have at least fifteen million dollars in reserve funds except Miami, which had no reserves at the end of FY2020, as shown in Figure 3. Furthermore, Miami used its reserves to fill budget holes created by the onset of the COVID-19 pandemic and is mandated by City Council Ordinance to replenish its reserve fund and re-establish its contingency fund of $5 million in FY2021. Philadelphia, on the other hand, immediately used its reserves to offset revenue losses created by the COVID-19-related recession in FY2021.

This leaves Philadelphia in a precarious situation in the case of an economic downturn or other such event that would threaten revenue generation. As compared to the other cities, the key policy function preventing Philadelphia from maintaining regular reserves is the stipulation that a deposit is only made in the BSR when the projected fund balance for the coming fiscal year exceeds three percent of its General Fund. Philadelphia's reserve policy is dependent on projections, which may influence whether a deposit is made in any given year.

Philadelphia could look to several cities for additional policy changes which would ensure at least some deposit is made into the BSR every fiscal year. For example, Los Angeles' and San Francisco's deposits in their reserve funds are dependent on certain rates of economic growth. Those cities make deposits to their reserve funds when revenue growth is projected at 3.5 to 4.5 percent, and 5 percent, respectively, to ensure that reserve funds receive deposits during periods of strong economic growth. An additional novel approach in Los Angeles requires that a deposit to their Budget Stabilization Fund be made in the amount equivalent to any gross of the City's seven general tax revenue sources that exceeds 4.5 percent, as based on the prior year's adopted budget.

Figure 3: FY2020 Reserve Funds
($ in Millions)

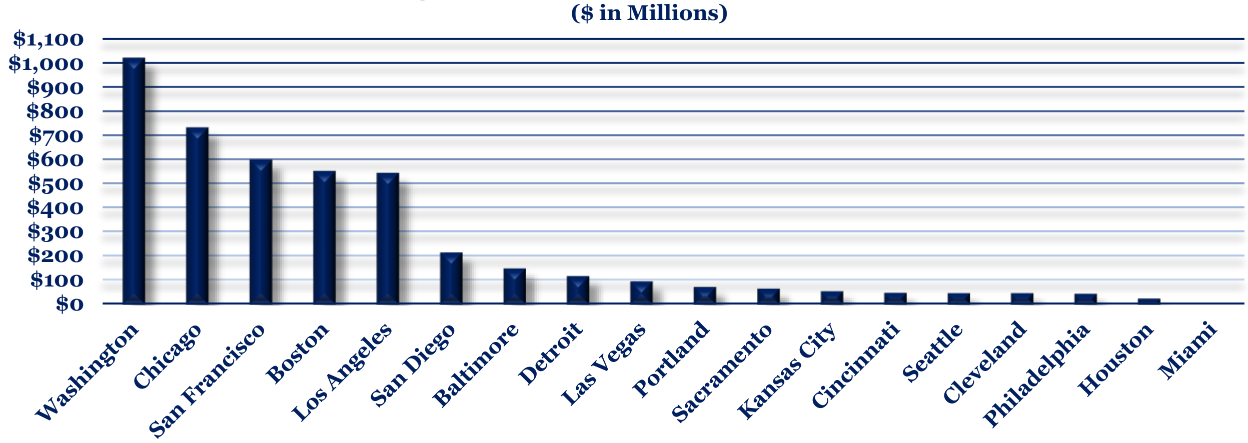
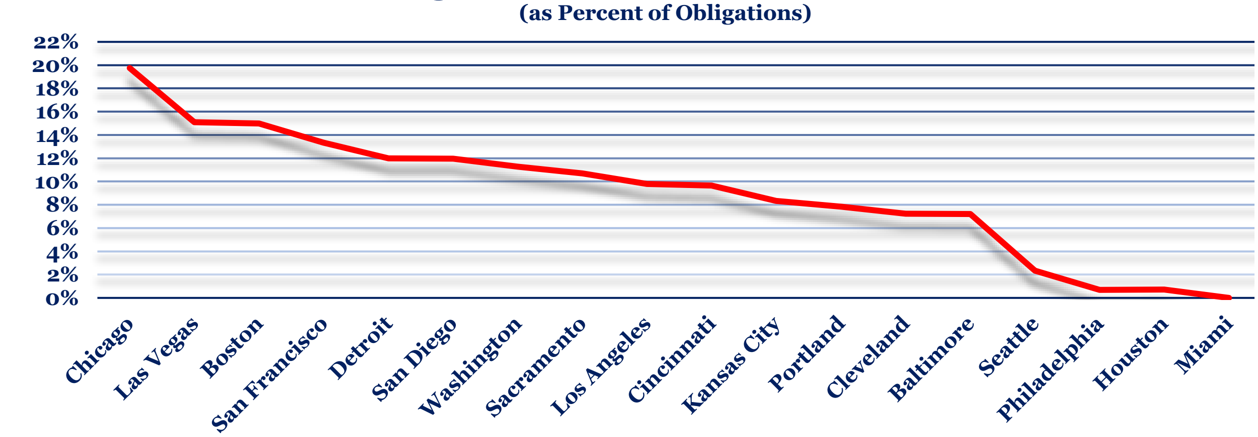


Figure 4: FY2020 Reserve Funds
(as Percent of Obligations)



Another strong approach is to tie reserve funds to a percentage of operating expenditures. Such a policy not only ensures the long-term existence of reserve funds, it also right-sizes the reserve account(s) appropriately to the size (based on population and, in turn, on expenditures) of the given city. Such a policy would course-correct Philadelphia's low reserves in relation to its large size, as shown in Figure 4.

However, the strongest failsafe in keeping reserves funded is a mechanism which requires regular replenishment. For example, Houston is required to always maintain $20 million in reserves. Thus, when $15 million of the City's reserves were expended in FY2018 in the wake of Hurricane Harvey, that $15 million was replenished in FY2019. When $5 million of Houston's reserves was expended in FY2020 to stabilize the budget during the onset of the COVID-19 pandemic, that $5 million was immediately replenished during the next budget cycle. Miami also maintains a minimum of $5 million in a contingency fund, which was also used to stabilize its FY2020 budget, and is due to be replenished sometime in FY2021.

Cities' Fiscal Year 2020 Fund Balance Comparison

Fund balances amongst the cities with rainy day fund policies vary greatly, both as total figures and as percentages of each city's FY2020 obligations (the fiscal year with the most recent audited data available). Fund balances range from $911 million in Boston—a compact and traditionally fiscally healthy city—to a low of $19.8 million in Kansas City (see Table 4 for a complete ranking of these cities by total FY2020 fund balance).

Table 4: FY2020 Fund Balances with Percent of Obligations

City	Fund Balance	As Percent of Obligations
Boston	$911,690,000	25.1%
Los Angeles	$535,681,000	9.8%
San Francisco	$510,408,000	11.5%
Houston	$316,227,000	14.9
Philadelphia	$290,672,000	5.8%
Chicago	$196,716,000	5.4%
Las Vegas	$175,580,887	30.6%
Baltimore	$139,661,000	7.2%
Seattle	$130,071,000	8.0%
Miami	$126,685,000	6.2%
San Diego	$124,583,000	7.2%
Cleveland	$121,872,000	23.7%
Detroit	$109,063,188	12.2%
Cincinnati	$90,398,000	22.5%
Sacramento	$50,007,000	9.7%
Portland	$23,583,351	3.0%
Kansas City	$19,765,000	3.7%
Washington DC*	-	-

Source: Comprehensive Annual Financial Reports
*Washington DC's fund balance is classified as reserves (See Appendix F)

However, such issues are not always an indicator of a city's fiscal health. Philadelphia, for example, ranks fifth in terms of total fund balance in FY2020 (but near the bottom in terms of fund balance as a percent of obligations, as previously mentioned), despite high levels of poverty and violent crime, and low levels of adult literacy and educational attainment.[4] Overall, in FY2020, Philadelphia was above both the average ($215.1 million) and median ($128.4 million) fund balances, analyses meant to adjust for outliers on both the high end, such as Boston, and the low end, such as Kansas City.

Table 5: Cities with Reserve Policies by Population

City	Population
Los Angeles	3,983,540
Chicago	2,679,080
Houston	2,323,660
Philadelphia	1,585,010
San Diego	1,427,720
San Francisco	883,255
Seattle	776,555
Washington	714,153
Boston	695,506
Las Vegas	667,501
Detroit	664,139
Portland	662,549
Baltimore	575,584
Sacramento	525,398
Kansas City	501,957
Miami	478,251
Cleveland	376,599
Cincinnati	307,266

As the cities in this analysis vary greatly in terms of population (see Table 5), land mass, and reliance on different types of tax bases, fund balances as a percent of obligations can be a valuable indicator as to whether each city has enough unassigned funds to keep services running in the event of a natural disaster or some other event resulting in a steep drop off in revenue. However, fund balances as a percent of obligations generally keep pace with fund balance totals except for Boston, whose fund balance is approximately $400 million higher than Los Angeles (the city with the next highest fund balance) making it an obvious outlier in this analysis. Aside from slight exceptions such as Cleveland, with its low population and obligations levels, fund balance totals and fund balance as a percent of obligations rankings are relatively similar.

Another obvious exception is Philadelphia. As previously mentioned, the City ranks fifth in terms of fund balance total (see Figure 5) in FY2020 while ranking lower in terms of fund balance as a percent of obligations, as illustrated in Figure 6. Its high poverty rate and need for associated social services has kept annual obligations in the realm of $5 billion for several years. Additionally, Philadelphia's status as a city-county means that expensive services such as Human Services, the Prison System, Public Health, and Courts—services usually funded at the county level—are the City's responsibility. Therefore, while Philadelphia ranks relatively high in total fund balance, its fund balance

[4] Town Charts, "Philadelphia, Pennsylvania Education Data," retrieved September 1, 2021: https://www.towncharts.com/Pennsylvania/Education/Philadelphia-city-PA-Education-data.html; Achieve Now, "Breaking the low-literacy cycle in Philadelphia," retrieved September 1, 2021: https://www.achieve-now.com/the-challenge.

as a percentage of obligations is notably lower than other cities with similar fund balance totals. It should be noted that only 4 cities meet the GFOA's recommended fund balance level of 17 percent of obligations, as illustrated in Figure 6.

Finally, it should be noted that FY2020, and further, FY2021, are anomalous fiscal years, that is, the economy was at the height of the longest economic expansion in FY2020 until late in the fourth quarter, when the onset of the COVID-19 Pandemic began to negatively affect revenues in most cities. Thus, FY2021 bore the brunt of those revenue losses, making it the most strained fiscal year in terms of stable finances in recent memory. Most cities with ample fund balances at the close of FY2020 have had to grapple with budget gaps in FY2021 because of revenue losses associated with the pandemic. The amount of funds dedicated to local governments as part of the American Rescue Plan Act (ARP) illustrates this very concern, as several cities, including Philadelphia, would have had to cut jobs, services, and public grants without the funds receivable through ARP.

Figure 5: FY2020 Fund Balances
($ in Millions)

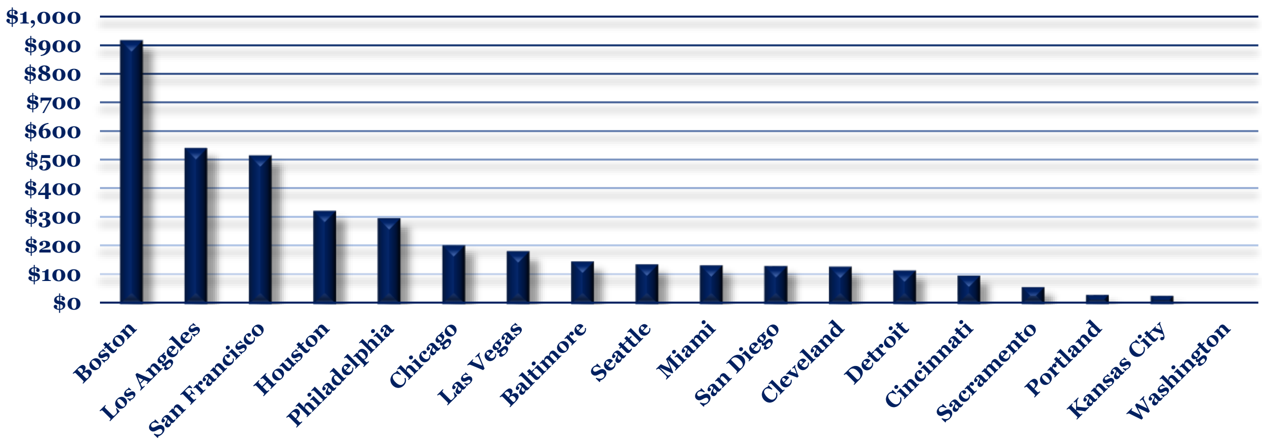
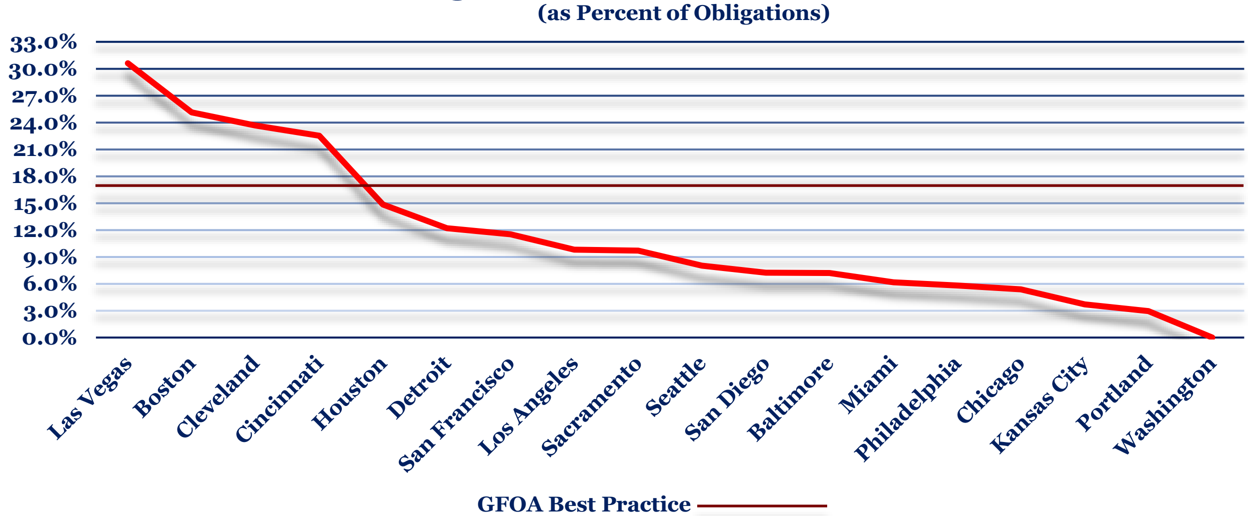


Figure 6: FY2020 Fund Balances
(as Percent of Obligations)



Best Practices For Rainy Day Funds

The Center on Budget and Policy Priorities recently issued their best practices for rainy day funds for states. They stressed the importance of improving the design of the rainy day fund. As such, they recommended that states "increase the target size of their funds and perform stress tests to determine adequacy" and eliminate rules that "make it difficult to make deposits in good times."[5] Additionally, they recommended that states remove "too-rapid replenishment rules that hinder use of reserves as intended" and that they "scale back limits on funds' use."[6]

Similarly, The Pew Charitable Trusts also published its best practices for rainy day funds. According to its research, they recommended that the rainy day fund policies include:

- *Deposit rules*: crafting clear rules about when to build rainy day funds ensures that state and local governments are consistent in building their reserves. PEW recommended connecting deposit rules to revenue volatility, meaning when revenue growth exceeds a defined threshold. This structure allows policymakers to save more in high-growth years and less in leaner periods.

- *Withdrawal Rules*: establish clear guidelines on when to utilize the rainy day funds. Without such rules, funds can be depleted too quickly or, conversely, remain unused even during economic downturns.

- *Savings Target*: establish target size for the fund. Government should consider how much protection from recessions they want the fund to provide.

According to their research, across 30 major cities, only 16 have funds that meet Pew's criteria for rainy day funds, while even fewer have concrete rules governing the funds' use. Of these cities, only a few are following volatility-based best practices. On the withdrawal side, some cities combine volatility-based rules with economic indicators.

The City's BSR policy complies with two of the above recommendations, as it has specific withdrawal rules, and a savings target, or maximum amount that can be carried in the reserve. However, the deposit rules differ slightly in that the City bases its contribution amount on fund balance rather than on revenue growth. A change in this policy could lead to more frequent contributions to the City's BSR as revenue growth accelerates in better economic times as discussed previously.

Conclusion

As stated above, the City has a set target fund balance and has a formalized reserve policy. The target fund balance is below the GFOA recommended level and is relatively low due to the critical services the City provides and to the current economic hardships caused by the global pandemic. Compared to other cities in our analysis, Philadelphia ranks fifth in

[5] Center on Budget and Policy Priorities, "States Should Improve the Design of Their Rainy Day Funds," June 3, 2021: https://www.cbpp.org/sites/default/files/6-3-21sfp.pdf
[6] Ibid.

fund balance for FY2020, but near the bottom for fund balance as a percent of obligations. In addition, the City ranks at the bottom in rainy day reserves, since the established reserve policy limits the frequency of contributions as it is dependent on the size of the year-end fund balance rather than revenue growth as recommended by best practices. In addition, we noted that reserve policies vary by city, and only 4 out of the 18 cities met the GFOA fund balance recommendation.

There are several reasons, apart from the most obvious need to guard against contingencies, for maintaining adequate fund balances, including: cash availability, favorable credit rating, generating investment earnings, and avoiding interest costs. In consideration of these factors, all of which are particularly relevant to the City, PICA recognizes the City's efforts to ensure larger fund balances and hopes the City will continue in this direction by increasing fund balances to meet GFOA recommendations, and to make contributions into the BSR.

Appendix A
GFOA Best Practices, Fund Balance Guidelines for the General Fund

In the context of financial reporting, the term *fund balance* is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net position of governmental funds calculated on a government's budgetary basis.1 While in both cases *fund balance* is intended to serve as a measure of the financial resources available in a governmental fund; it is essential that differences between GAAP *fund balance* and budgetary *fund balance* be fully appreciated.

1. GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.2 The total of the amounts in these last three categories (where the only constraint on spending, if any, is imposed by the government itself) is termed *unrestricted fund balance*. In contrast, budgetary fund balance, while it is subject to the same constraints on spending as GAAP fund balance, typically represents simply the total amount accumulated from prior years at a point in time.
2. The calculation of GAAP fund balance and budgetary fund balance sometimes is complicated by the use of sub-funds within the general fund. In such cases, GAAP fund balance includes amounts from all of the subfunds, whereas budgetary fund balance typically does not.
3. Often the timing of the recognition of revenues and expenditures is different for purposes of GAAP financial reporting and budgeting. For example, encumbrances arising from purchase orders often are recognized as expenditures for budgetary purposes, but never for the preparation of GAAP financial statements.

The effect of these and other differences on the amounts reported as *GAAP fund balance* and *budgetary fund balance* in the general fund should be clarified, understood, and documented.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the general fund.

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.5 The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.6 Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Use and Replenishment.

The fund balance policy should define conditions warranting its use, and if a fund balance falls below the government's policy level, a solid plan to replenish it. In that context, the fund balance policy should:

1. Define the time period within which and contingencies for which fund balances will be used;
2. Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
3. Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished.

Generally, governments should seek to replenish their fund balances within one to three years of use. Specifically, factors influencing the replenishment time horizon include:

1. The budgetary reasons behind the fund balance targets;
2. Recovering from an extreme event;
3. Political continuity;
4. Financial planning time horizons;
5. Long-term forecasts and economic conditions;
6. External financing expectations.

Revenue sources that would typically be looked to for replenishment of a fund balance include nonrecurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and there is a defensible rationale). Year-end surpluses are an appropriate source for replenishing fund balance.

Unrestricted Fund Balance Above Formal Policy Requirement. In some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the general fund over their formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed. Additionally, an education or communication strategy, or at a minimum, explanation of large changes in fund balance is encouraged. In all cases, use of those funds should be prohibited as a funding source for ongoing recurring expenditures.

Notes:

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.
4. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
5. In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.
6. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues and/or expenditures, that decision should be followed consistently from period to period.

This best practice was previously titled Appropriate Level of Unrestricted Fund Balance in the General Fund.

Appendix B: General Fund Budgetary Year-end Fund Balances ($ in Millions)			
Fiscal Year	**Fund Balance**	**Total Obligations**	**Percent of Obligations**
1986	$4.7	$1,661.3	0.3%
1987	12.4	1,734.0	0.7%
1988	(32.1)	1,894.4	-1.7%
1989	(75.2)	2,010.9	-3.7%
1990	(72.7)	2,008.9	-3.6%
1991	(153.5)	2,126.6	-7.2%
1992	(71.4)	2,255.6	-3.2%
1993	3.0	2,280.4	0.1%
1994	15.4	2,346.0	0.7%
1995	80.5	2,267.2	3.6%
1996	118.5	2,371.0	5.0%
1997	128.8	2,463.9	5.2%
1998	169.2	2,479.6	6.8%
1999	205.7	2,616.6	7.9%
2000	295.1	2,711.2	10.9%
2001	230.0	2,881.5	8.0%
2002	139.0	2,981.1	4.7%
2003	91.3	3,153.2	2.9%
2004	(46.8)	3,248.2	-1.4%
2005	96.2	3,386.3	2.8%
2006	254.5	3,426.0	7.4%
2007	297.9	3,736.7	8.0%
2008	119.5	3,919.9	3.0%
2009	(137.2)	3,915.3	-3.5%
2010	(114.0)	3,653.7	-3.1%
2011	-	3,785.3	0.0%
2012	146.8	3,484.9	4.2%
2013	256.9	3,613.3	7.1%
2014	202.1	3,886.6	5.2%
2015	151.5	3,831.5	4.0%
2016	148.3	4,015.8	3.7%
2017	189.2	4,139.7	4.6%
2018	368.8	4,402.9	8.4%
2019	438.7	4,772.4	9.2%
2020	290.7	5,036.5	5.8%
2021 (est.)	78.8	4,919.4	1.6%
Source: Mayor's Budget in Brief and City's Comprehensive Annual Financial Report			

Appendix C – City Home Rule Charter, Budget Stabilization Reserve

§ 2-300. The Annual Operating Budget Ordinance, (7) Budget Stabilization Reserve.

(a) The annual operating budget ordinance shall provide for appropriations to a Budget Stabilization Reserve, to be created and maintained by the Director of Finance as a separate fund which shall not be commingled with any other funds of the City. Appropriations to the Budget Stabilization Reserve shall, each year, be made in the following amounts, provided that total appropriations to the Budget Stabilization Reserve shall not exceed five percent of General Fund Appropriations:

(1) Such amounts as remain unencumbered in the Budget Stabilization Reserve from the prior fiscal year, including any investment earnings certified by the Director of Finance; plus

(2) When the Projected General Fund Balance for the end of the fiscal year to which the operating budget relates (the "upcoming fiscal year"), without taking into account any deposits to the Budget Stabilization Reserve required by this subsection (2), equals or exceeds three percent (3%) of General Fund appropriations for the upcoming fiscal year, an amount equal to three-quarters of one percent (.75%) of Unrestricted Local General Fund Revenues for the upcoming fiscal year; plus

(3) Such additional amounts as the Council shall authorize by ordinance, no later than at the time of passage of the annual operating budget ordinance and only upon recommendation of the Mayor.

(b) For purposes of this Section and Section 6-110 ("Budget Stabilization Reserve"),

(1) "General Fund" shall mean the General Fund established by the Director of Finance and so denominated in the annual operating budget ordinance.

(2) "General Fund Revenues" shall mean that portion of the estimated receipts of the City to be allocated to the General Fund, as estimated by the Mayor pursuant to Section 2-300(3).

(3) "Unrestricted Local General Fund Revenues" shall mean that portion of General Fund Revenues that is anticipated by the Mayor to derive from local taxes and fees, whether authorized by the Council or otherwise, so long as the expenditure of such revenues is unrestricted by law, other than local law. "Unrestricted Local General Fund Revenues" shall not include any revenues anticipated to derive from taxes authorized by Chapter 6 of the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. 9, No. 6).

(4) "Projected General Fund Balance" shall mean the projected general fund balance as set forth in the City's Five Year Financial Plan for the five year period beginning with the upcoming fiscal year, submitted to an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City, as such Plan exists at the time Council adopts the operating budget ordinance; or, if no such Plan is submitted, as certified by the Director of Finance.

7. Subsection (3) is intended as an aid to balancing the budget. It prevents a situation whereby the Council and the Mayor differ on receipts for an ensuing fiscal year, and surpluses and deficits for a current fiscal year. Under this sub-section, the Mayor's estimate would be binding upon the Council. With these estimates fixed and with appropriations determined, Council will know what amount must be raised to balance the budget.

§ 6-110. Budget Stabilization Reserve.
(a) The Director of Finance shall create and maintain a Budget Stabilization Reserve as a separate fund which shall not be commingled with any other funds of the City. For each fiscal year, the Director of Finance shall make deposits to such Fund no later than three months after the start of such year in such amount as may be necessary to increase the balance in the Budget Stabilization Reserve to the amount appropriated by the Council to the Budget Stabilization Reserve pursuant to Section 2-300(7).

(b) The Director of Finance shall invest the moneys deposited in the Budget Stabilization Reserve in like manner to other moneys in the General Fund not needed for immediate expenditure by the City. Interest and other earnings on such money shall accrue to the Budget Stabilization Reserve.

(c) The Director of Finance shall allow withdrawals from the Budget Stabilization Reserve only upon (i) approval by ordinance of a transfer of appropriations from the Budget Stabilization Reserve, pursuant to Section 2-300(6), and only for the purposes set forth in such transfer ordinance; and (ii) either:

> (1) A certification by the Director of Finance that General Fund Revenues actually received by the City during the prior fiscal year were at least one percent (1%) less than the General Fund Revenues set forth in the Mayor's estimate of receipts pursuant to Section 2-300(3); or
> (2) A certification by the Director of Finance that such withdrawal is necessary to avoid either a material disruption in City services or to fund emergency programs necessary to protect the health, safety or welfare of City residents; and that it would be fiscally imprudent to seek emergency appropriations pursuant to Section 2-301(a). Such certification must be approved either by (i) a resolution adopted by two-thirds of all of the members of the Council, or (ii) an agency of the Commonwealth with responsibility for ensuring the fiscal stability of the City.

(d) Expenses incurred or to be incurred as a result of any interest arbitration award, to the extent such expenses exceed those anticipated by the Director of Finance in the most recent financial plans submitted to any State agency prior to the issuance of such award, or, if no such plans have been submitted within the immediately preceding twelve months, in the most recent financial plans certified to the Council by the Director of Finance, shall not be considered in determining the need for any withdrawal from the Budget Stabilization Reserve. _____

Note*: the above sections were added by approval of the voters at the election held on November 9, 2011, and certified on November 28, 2011. See Bill No. 100303 (approved April 27, 2011); Resolution No. 100314-A (adopted April 14, 2011).*

Appendix D: Reserve Funding Policies by City	
City	**Reserve Funding Policy**
Boston	• ***Budget Reserve Fund.*** Funded in stages to a final level of 2.5% of the prior year's overall departmental appropriations, except the School Department • ***School Department Fund.*** A separate reserve fund of 1% to 2.5% of the current year appropriation of the School Department
Cincinnati	• ***Budget Reserve Fund.*** Calls for achievement of a minimum reserve level, for emergency needs of a catastrophic nature, of two months, or 16.7%, of general operating revenues
Cleveland	• ***Rainy Day Fund.*** Goal is to accumulate at least a level equal to two percent of the General Fund's expenditures and not exceed ten percent of the General Fund's expenditures. The City funds the Rainy Day through transfers from the General Fund when funds become available
Detroit	• ***Budget Stabilization Fund.*** Calls for achievement of a minimum reserve level, for emergency needs of a catastrophic nature, of two months, or 16.7%, of general operating revenues
Houston	• ***Budget Stabilization Fund.*** An amount not less than the greater of (a) 1% of General Fund expenditures (excluding debt service payments) or (b) $20 million
Kansas City	• ***Stabilization Arrangement.*** Equal to one month of general fund operating expenditures
Las Vegas	• ***Fiscal Stabilization Fund.*** Requires the Fund to be maintained at 12 percent of the City's total operating budget
Los Angeles	• ***Budget Stabilization Fund.*** Requires that a deposit into the BSF be made in amount equivalent to any gross of the City's seven general tax revenue sources that exceeds 4.5%, as based on the prior year's adopted budget, with certain exceptions • ***Reserve Fund and Contingency Fund.*** Reserve Fund policy establishes a goal for the Reserve Fund of 5% of the budgeted General Fund receipts with a minimum of 2.75% in the Contingency Fund
Miami	• ***Budget Reserves Fund.*** Requires unassigned reserve of 10% of General Fund • ***Contingency Fund.*** Minimum of $5 million
Philadelphia	• ***Budget Stabilization Reserve.*** Requires an annual contribution of 0.75% of unrestricted General Fund revenues triggered when projected fund balance exceeds 3% of General Fund appropriations; not to exceed five percent of General Fund appropriations
Portland	• ***Emergency Reserve.*** Reserve funds shall be established and maintained to ensure the continued delivery of City services to address emergencies, address temporary revenue or cash shortfalls, or provide stability during economic cycles • ***Contingency Fund.*** Minimum of $5 million
Sacramento	• ***Economic Uncertainty Reserve.*** Goal is to achieve a reserve equal to 10% of annual General Fund and a target reserve equal to two months of regular ongoing General Fund expenditures, including transfers
San Diego	• ***Emergency Reserve.*** The City calculates the average operating revenues for the General Fund (budgetary basis) based on the three most recent years and applies a percentage to that average; currently, that percentage is 8.7% • ***Stability Reserve.*** Similar to above, but percentage applied is 8%

City	Reserve Funding Policy
San Francisco	• ***Rainy Day Reserve.*** In any year, when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5% higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve • ***Budget Stabilization Reserve.*** The City sets aside as an additional reserve 75% of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances
Seattle	• ***Revenue Stabilization Account.*** The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5% of forecasted tax revenues; and (3) 50% of unanticipated excess fund balance of the General Fund. At no time shall the maximum funding level exceed 5% of the General Fund tax revenues forecast
Washington DC	• ***Various Reserves.*** See: https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/FY%202020%20DC%20CAFR_Full%20Report.pdf, Pages 84-85
Baltimore	• ***Budget Stabilization Reserve.*** The policy recommends that the reserve shall be maintained on any June 30 at a minimum level of 8% of the value of the general fund operating budget of the subsequent fiscal year
Chicago	• ***Service Concession and Reserve Fund.*** The deferred inflows result from long-term concession and lease transactions whose proceeds are recognized as revenue over the term of such concession and transaction agreements

Appendix E: Fund Balances as Percent of Obligations FY2018-FY2020						
City	**FY2018**		**FY2019**		**FY2020**	
	Fund Balance	**Percent of Obligations**	**Fund Balance**	**Percent of Obligations**	**Fund Balance**	**Percent of Obligations**
Boston	$781,402,000	23.9%	$794,610,000	23.1%	$911,690,000	25.1%
Cincinnati	$54,980,000	14.0%	$66,748,000	16.5%	$90,398,000	22.5%
Cleveland	$116,486,000	21.9%	$114,870,000	20.3%	$121,872,000	23.7%
Detroit	$131,458,405	13.8%	$123,209,017	12.4%	$109,063,188	12.2%
Houston	$375,529,000	18.3%	$349,176,000	16.3%	$316,227,000	14.9%
Kansas City	$3,116,000	0.6%	$7,359,000	1.3%	$19,765,000	3.7%
Las Vegas	$101,175,097	19.2%	$122,158,758	22.6%	$175,580,887	30.6%
Los Angeles	$573,161,000	11.8%	$683,406,000	13.4%	$535,681,000	9.8%
Miami	$146,762,000	8.0%	$123,049,000	6.2%	$126,685,000	6.2%
Philadelphia	$368,783,000	8.4%	$438,680,000	9.2%	$290,672,000	5.8%
Portland	$46,265,155	6.5%	$63,235,009	8.4%	$23,583,351	3.0%
Sacramento	$25,021,000	5.4%	$32,923,000	6.8%	$50,007,000	9.7%
San Diego	$95,434,000	6.2%	$115,582,000	7.3%	$124,583,000	7.2%
San Francisco	$413,255,000	11.1%	$631,437,000	15.7%	$510,408,000	11.5%
Seattle	$152,368,000	9.8%	$224,123,000	14.3%	$130,071,000	8.0%
Washington DC*	-	-	-	-	-	-
Baltimore	$163,604,000	9.4%	$145,945,000	7.5%	$139,661,000	7.2%
Chicago	$161,864,000	4.5%	$184,651,000	4.9%	$196,716,000	5.4%

Source: Comprehensive Annual Financial Reports (CAFR)
*Washington DC's fund balance is classified as reserves (See Appendix F)

Appendix F:
Reserve Funds as Percent of Obligations FY2018-FY2020

City	FY2018		FY2019		FY2020	
	Reserve Funds	Percent of Obligations	Reserve Funds	Percent of Obligations	Reserve Funds	Percent of Obligations
Boston	$491,093,550	15.0%	$516,552,000	15.0%	$544,127,250	15.0%
Cincinnati	$34,100,000	8.7%	$34,800,000	8.6%	$38,800,000	9.7%
Cleveland	$31,443,000	5.9%	$37,073,000	6.6%	$37,286,000	7.2%
Detroit	$62,280,192	6.6%	$77,280,192	7.8%	$107,300,000	12.0%
Houston	-	-	$5,000,000	0.2%	$15,000,000	0.7%
Kansas City	$42,425,000	8.3%	$45,889,000	8.3%	$44,543,000	8.3%
Las Vegas	$13,286,827	2.5%	$13,421,488	2.5%	$86,551,912	15.1%
Los Angeles	$573,161,000	11.8%	$683,406,000	13.4%	$535,681,000	9.8%
Miami	-	-	-	-	-	-
Philadelphia	-	-	-	-	$34,276,000	0.7%
Portland	$53,574,997	7.5%	$62,787,525	8.4%	$62,232,738	7.8%
Sacramento	$52,700,000	11.4%	$55,200,000	11.3%	$55,200,000	10.7%
San Diego	$181,300,000	11.8%	$192,800,000	12.2%	$205,600,000	11.9%
San Francisco	$513,935,000	13.7%	$721,737,000	17.9%	$591,676,000	13.3%
Seattle	$50,200,000	3.2%	$57,800,000	3.7%	$37,700,000	2.3%
Washington DC	$916,038,000	10.8%	$986,327,000	11.1%	$1,013,265,000	11.3%
Baltimore	$163,604,000	9.4%	$145,945,000	7.5%	$139,661,000	7.2%
Chicago	$662,456,000	18.4%	$693,577,000	18.5%	$724,506,000	19.8%

Source: Comprehensive Annual Financial Reports
Notes:
Certain cities reserves are included in their fund balance
Boston’s reserve amounts were calculated as a percentage (15%) of fund balance
Cincinnati’s reserve amounts excluded the estimated carryover fund balance
Seattle’s reserve amount represents its Revenue Stabilization Account
Washington DC’s reserve amounts include the Fiscal Stabilization Reserve and the Cash Flow Reserve
Chicago’s reserve amounts represent the Service Concession and Reserve Fund

Appendix G: FY2020 Fund Balances as Percent of Revenues and Obligations

City	Revenues	Obligations	Fund Balance	Fund Balance as Percent of Revenues	Fund Balance as Percent of Obligations
Boston	$3,728,729,000	$3,627,515,000	$911,690,000	24.5%	25.1%
Cincinnati	$445,890,000	$401,539,000	$90,398,000	20.3%	22.5%
Cleveland	$581,864,000	$514,770,000	$121,872,000	20.9%	23.7%
Detroit	$900,438,010	$894,931,279	$109,063,188	12.1%	12.2%
Houston	$2,421,671,000	$2,128,587,000	$316,227,000	13.1%	14.9%
Kansas City	$589,093,000	$534,520,000	$19,765,000	3.4%	3.7%
Las Vegas	$683,537,312	$573,614,695	$175,580,887	25.7%	30.6%
Los Angeles	$5,744,551,000	$5,464,615,000	$535,681,000	9.3%	9.8%
Miami	$2,633,287,000	$2,050,948,000	$126,685,000	4.8%	6.2%
Philadelphia	$4,833,592,000	$5,036,534,000	$290,672,000	6.0%	5.8%
Portland	$848,827,297	$794,230,803	$23,583,351	2.8%	3.0%
Sacramento	$512,728,000	$515,680,000	$50,007,000	9.8%	9.7%
San Diego	$1,711,958,000	$1,720,552,000	$124,583,000	7.3%	7.2%
San Francisco	$5,472,952,000	$4,433,849,000	$510,408,000	9.3%	11.5%
Seattle	$1,574,981,000	$1,621,131,000	$130,071,000	8.3%	8.0%
Washington DC*	$9,193,659,000	$8,984,035,000	-	-	-
Baltimore	$1,920,628,000	$1,940,917,000	$139,661,000	7.3%	7.2%
Chicago	$3,074,181,000	$3,668,057,000	$196,716,000	6.4%	5.4%

Source: Comprehensive Annual Financial Reports
*Washington DC's fund balance is classified as reserves

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY
1500 Walnut Street, Suite 1600, Philadelphia, PA 19102
(215) 561-9160 • www.picapa.org

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