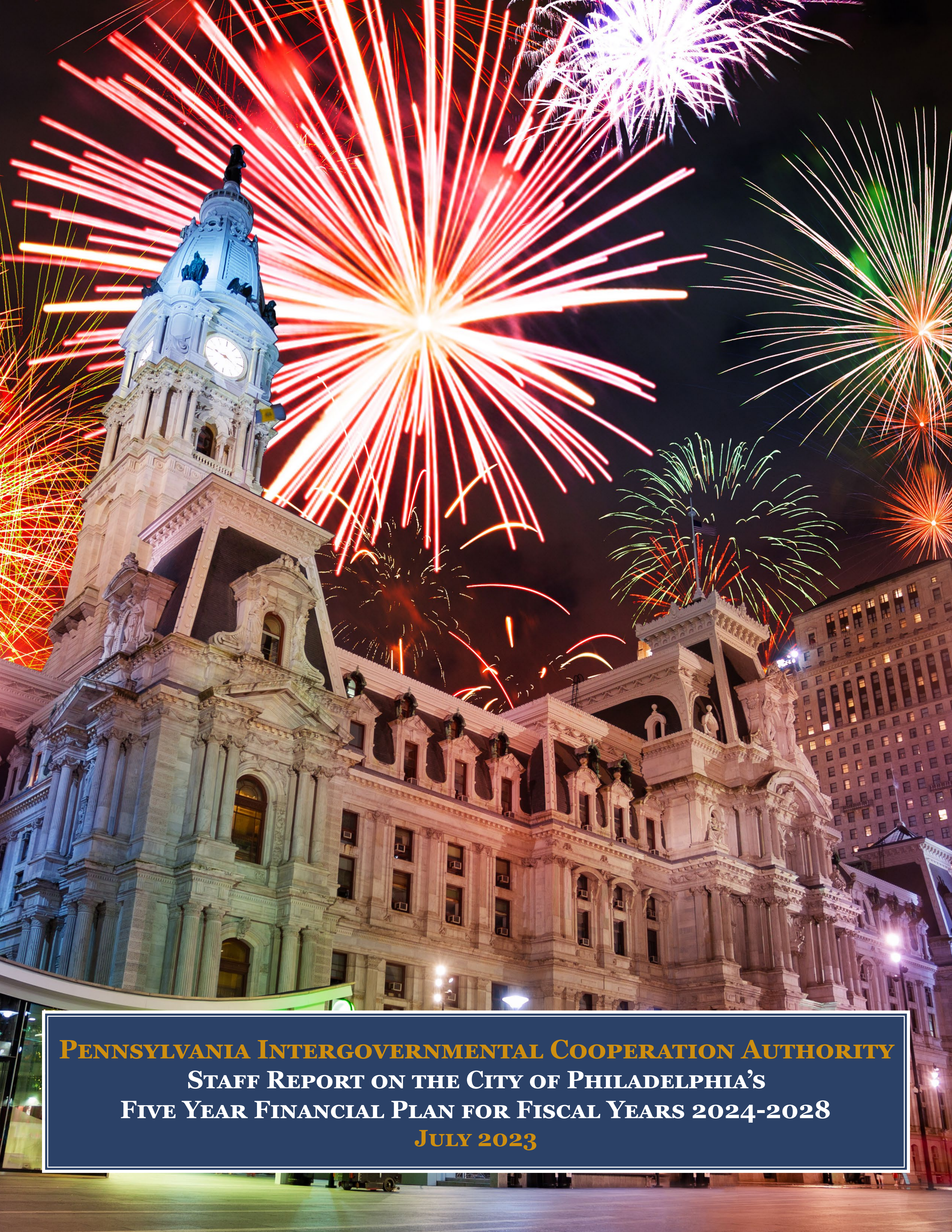

Pennsylvania Intergovernmental Cooperation Authority

Staff Report on the City of Philadelphia's Five Year Financial Plan for Fiscal Years 2024-2028

July 2023

Pennsylvania Intergovernmental Cooperation Authority

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PICA
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July 25, 2023

To the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority:

The staff of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") is pleased to provide you with our report on the City of Philadelphia's *Five Year Financial Plan for Fiscal Years 2024 through 2028* (the "Plan").

This report provides a comprehensive review and assessment of the Plan and its compliance with the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). It analyzes the revenue, expenditure, and fund balance projections, evaluates the reasonableness of the assumptions, and assesses potential risks to the Plan. Based on this review, and in accordance with the PICA Act, Section 209(f), "Authority Review and Approval of Plan," I recommend that the Board approve the Plan as presented.

The preparation of this report on a timely basis was made possible by the dedicated service of the entire PICA staff and our economic consultant, Mr. Charles Swanson. I would also like to thank the City of Philadelphia's Office of the Director of Finance, the Budget Office, and the Department of Revenue for their cooperation, support and continued assistance.

Sincerely,

Harvey M. Rice
Executive Director

Executive Summary

Based on a thorough analysis of the City of Philadelphia's *FY2024-FY2028 Five-Year Financial Plan* (the Plan), PICA's staff recommends approval. The following reasons present our rationale:

- 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.

- PICA's economic consultant's analysis found the City's projected tax revenues to be reasonable, over the life of the Plan.

- The Plan projects positive year-end fund balances in all five years of the Plan. In FY2024, a year end fund balance of $529 million is projected, with a slight decrease to $507 million in FY2025. Starting in FY2026, the fund balance is projected to decline substantially, falling to $234 million, then $97 million in FY2027 and $87 million in FY2028.

- The Plan includes $1.425 billion in American Rescue Plan Act funds. These funds continue to provide a vital lifeline to the City's fiscal stability to counteract the adverse impact from the COVID-19 global pandemic.

- The Plan projects contributions to the Budget Stabilization Reserve totaling $222 million, a significant increase over previous Five-Year Plans.

- The Plan includes a Recession and Inflation Reserve totaling $144 million, to safeguard against potential inflation and supply chain pressures that currently exist.

- The Plan includes a total of $395 million set aside for potential costs related to future labor contracts. Spread across each year of the Plan, these funds are primarily for current contracts or awards that will expire at the end of FY2024.

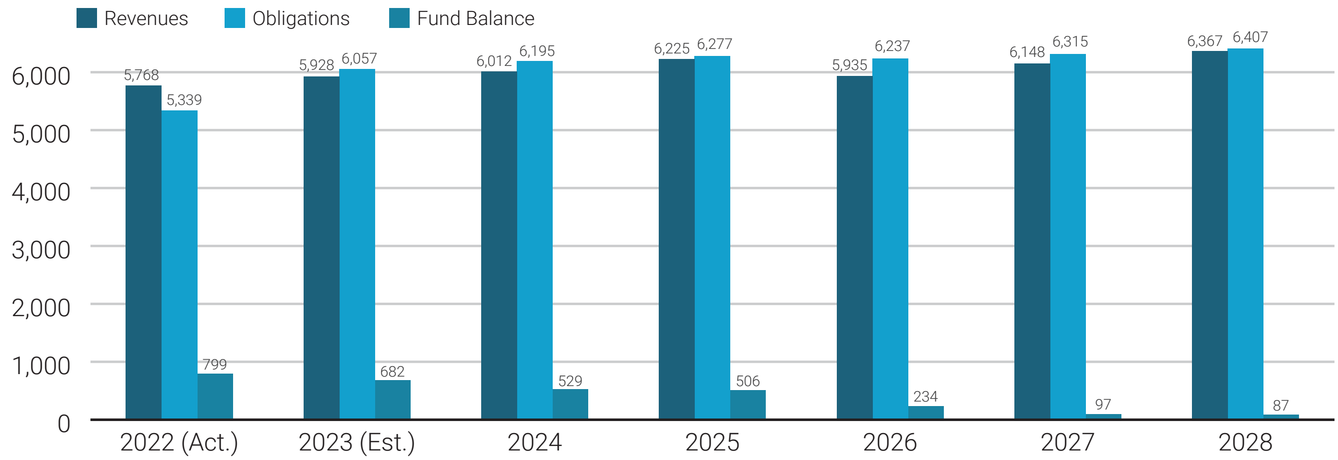
- The Plan projects increased funding for anti-violence programs, public safety, the School District of Philadelphia, Community College of Philadelphia, The Free Library, and expands the PHL Pre-K program, community schools and adult education, while committing investments for racial equity.

Although PICA is confident that the Plan is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the Plan, certain factors were identified that might present risks to the Plan. The key risks outlined in Section III of this report include:

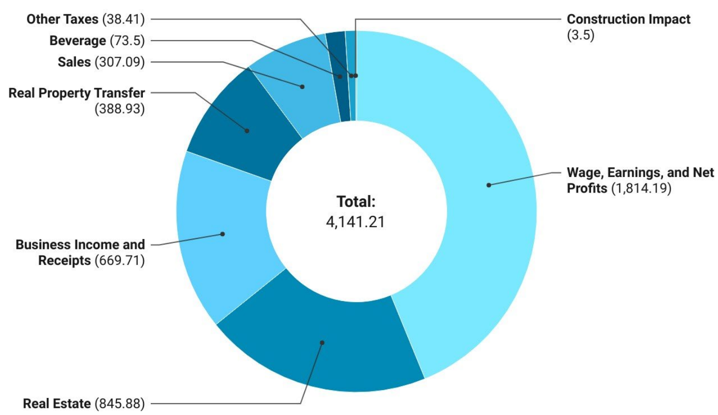
- slower than anticipated economic growth;
- the impact of gun violence and property crime;
- low fund balance levels in the later years of the Plan;
- pension funding; and,
- overtime costs.

Highlights of the Report

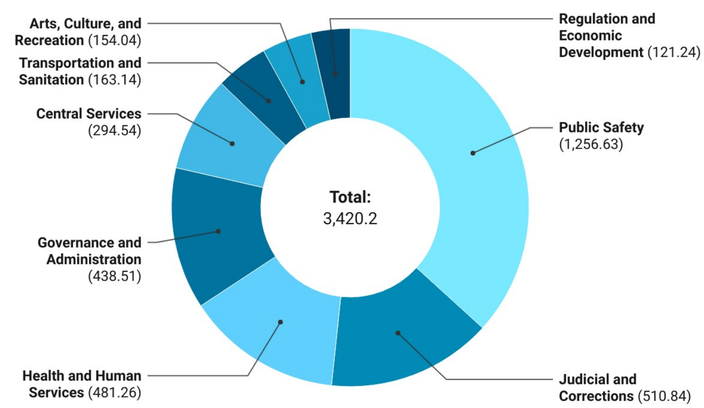
Five-Year Plan



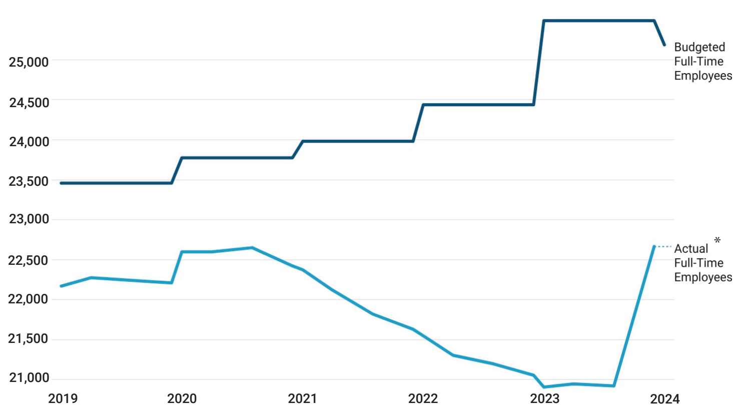
FY2024 Tax Revenue Projections



FY2024 Agency Obligations Projections

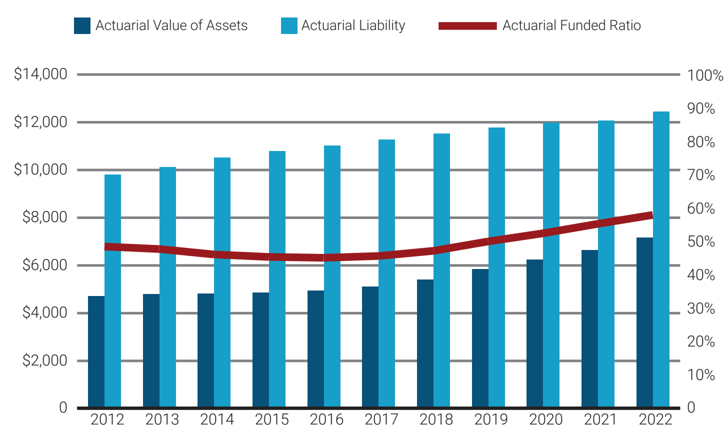


General Fund Staffing Levels



** Actuals through Q3 FY2023. Estimate for year end FY2023.*

Pension System Funding Status



Risks to the Plan

Fund Balance

Impact of Gun Violence and Property Crime

Pension Funding

Economic Growth

Overtime Costs

Note: $ in Millions

I. Introduction

I. Introduction

Purpose of the Report

The Pennsylvania Intergovernmental Cooperation Authority (PICA) is mandated with assessing the City of Philadelphia'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 (the Act).

PICA's original enabling legislation enacted in 1991 was set to expire after the retirement of all outstanding PICA bonds. As of June 30, 2023, all outstanding bonds have been paid. Legislation extending PICA was enacted by the Commonwealth of Pennsylvania (the Commonwealth) Legislature and signed by the Governor on July 7, 2022.

Under this legislation, PICA shall be in existence until January 2, 2047, or until all outstanding debts and/or liabilities have been fully discharged. This new legislation reaffirms that PICA is authorized to review budget and fiscal affairs of the City of Philadelphia (the City) and mandates that five year plans be submitted and revised on an annual basis, mirroring the 1991 legislation.

The City of Philadelphia's FY2024-FY2028 Five-Year Financial Plan was submitted to PICA on June 26, 2023. The objective of this report is to provide an overview of the Plan; discuss potential risks; evaluate spending and personnel trends; assess indicators of financial health; review the capital program; and make a recommendation for PICA Board action.

PICA Organization

PICA was created in 1991 by the Commonwealth legislature for the purpose of providing financial assistance to the City in overcoming a severe financial crisis. At that time, the City was burdened with a growing cumulative operating deficit, lacked resources to pay mounting overdue bills, had seen its credit ratings drop below the investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, and had experienced an erosion in the quality of municipal services.

PICA was designed to address the City's short-term financing, while simultaneously overseeing a long-term financial planning process that would restore the confidence of investors, residents, and public officials in the ability of the City to maintain financial stability over the long-term.

PICA is administered by a governing board consisting of five voting members and two ex-officio nonvoting members. The Governor, the President Pro Tempore and the Minority Leader of the State Senate, and the Speaker and the Minority Leader of the State House of Representatives each appoint one voting member to the Board. The ex-officio members are the Budget Secretary of the Commonwealth of Pennsylvania and the Director of Finance of the City of Philadelphia.

The Act provides that PICA shall have certain oversight and financial functions. In its oversight capacity, PICA has certain advisory and review powers with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared annually by the City.

PICA also has the responsibility of monitoring the City's compliance with those plans. Should the City fail to adhere to the requirements of the Act in maintaining compliance with the current Five-Year Plan, PICA could instruct the Budget Secretary of the Commonwealth to withhold substantial financial assistance and the net proceeds of the PICA tax (after PICA debt service) until compliance is reestablished.

At the outset, PICA had the power to issue bonds for the financial benefit of the City. Through debt issuance and capital program earnings, PICA made available $1.138 billion to directly assist the City. These funds were allocated to the following purposes: deficit elimination/indemnities, productivity bank, capital projects, and retirement of certain high interest debt. Such power to issue debt has been reauthorized under the revised legislation extending PICA.

PICA's Oversight Authority

PICA was founded on the Commonwealth's public policy interests to "foster the fiscal integrity of cities of the first class… and provide for proper financial planning procedures and budgeting practices," as explained in the section of the Act dedicated to legislative intent.[1]

In a discussion of sound financial planning and budgetary practices, the Act charges the City of Philadelphia with the "responsibility to exercise efficient and accountable fiscal practices." These practices include: managerial accountability, consolidation or 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.[2]

The legislative intent includes assuring 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. Thus, the Act grants PICA the ability to "make recommendations to an assisted city concerning its budgetary and fiscal affairs."[3]

To this end, PICA and the City entered into an agreement, known as the Intergovernmental Cooperation Agreement (the Agreement), largely based on the provisions of the Act. The Agreement provides PICA with broad access to all data pertaining to City and other corporate entities' finances (corporate entities include the School District of Philadelphia, for example).[4] The underlying principle in both documents is that in order to facilitate the City's "fiscal integrity," PICA was intended, since its inception, to have a wide purview over the City's financial data, which ultimately extends to PICA's authority to conduct "such independent audits, examinations or studies of the city the Authority deems appropriate."[5] The Agreement was updated on June 15, 2023 and has been extended for the life of the Authority.

Plan Requirements

As mandated in the Act, the Plan is required to include:[6]

- Projected revenues and expenditures of the principal operating funds of the City for five fiscal years (the current fiscal year and the next four); and

- Components to "(i) eliminate any projected deficit for the current fiscal year; (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 plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such 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- and long-term credit markets."[7]

There are also statutorily mandated standards for

[1] Act of June 5, 1991, Pub. L. No. 9, 53 Pa. Stat. Ann. § 12720.
[2] PICA Act, Section 102(b).
[3] PICA Act, Section 203(c)(4).
[4] Intergovernmental Cooperation Agreement by and between Pennsylvania Intergovernmental Cooperation Authority and The City of Philadelphia, Section 5.04, June 30, 2023.
[5] Agreement, Section 5.05.
[6] PICA Act, Section 209.
[7] PICA Act, Section 209(b).

the development of the Plan and the manner in which it is to be evaluated by PICA:

- All projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;

- Revenues are to be recognized in the accounting period in which they become both measurable and available.

The Act also mandates standards for the basis of estimation of City revenues:

City sources - current or proposed tax rates, historical collection patterns, and generally recognized econometric models;

State sources - historical patterns, currently available levels, or levels proposed in a budget by the Governor;

Federal sources - historical patterns, currently available levels, or levels proposed in a budget by the President or in a Congressional budget resolution; and

Non-tax sources - current or proposed rates, charges or fees, historical patterns, and generally recognized econometric models.

The Plan is also required to include debt service projections for existing and anticipated City obligations; a schedule of payments for legally-mandated services projected to be due during the term of the Plan; and a schedule showing the number of authorized employee positions (filled and unfilled), inclusive of estimates of wage and benefit levels for various groups of employees.

The Act requires that PICA solicit an opinion or certification from the City Controller, prepared in accordance with auditing standards generally accepted in the United States, with respect to the reasonableness of the assumptions and estimates in the Plan. The Act does not, however, require that the Controller's determinations bind the PICA Board in its evaluation of the Plan.

The Act stipulates that approval of a Financial Plan is contingent upon a "qualified majority" of the PICA Board (four of its five voting members).

Once a Plan is approved by the PICA Board, the City is required to stay "in compliance" with the current Plan. The City may occasionally be faced with a situation where it falls out of compliance with a currently approved Plan for several reasons, including extraordinary contracts, collective bargaining agreements, arbitration awards, or other unforeseen variances in revenues and/or expenditures.

For instance, if the City executes an extraordinary contract—a contract not in compliance with the current Plan—that contract is not void by virtue of being out of compliance, but the City must submit a proposed revision to the Plan incorporating those costs for consideration by the PICA Board.[8] Collective bargaining agreements and arbitration awards require revisions as well if they are out of compliance with a currently approved Plan. Each of these categories trigger their own respective time frames for submission of proposed revisions and subsequent Board consideration.

[8] Agreement, Section 5.06.

II. Analysis of Plan Projections

II. Analysis of Plan Projections

Required Elements of the Plan

As discussed in the Introduction, the statutory criteria are used as a baseline for assessing the City of Philadelphia's Five-Year Plan. These are the minimum requirements that the Plan must meet to gain the approval of the Pennsylvania Intergovernmental Cooperation Authority (PICA). Table 2.1 presents the criteria as stipulated in the PICA Act. The discussion below summarizes PICA's assessment of the Plan's adherence to these requirements.

Projecting Revenues and Expenditures. The Plan includes projections of General Fund revenues and expenditures for five fiscal years, FY2024 through FY2028, as required by the PICA Act.

Eliminating Deficits. The Plan projects positive General Fund year-end fund balances for the current fiscal year, FY2024, and the four subsequent fiscal years, FY2025 through FY2028, thus meeting the criterion of PICA Act Section 209 (b)(1). To avert deficits, the Plan must be realistic as the Act states: projections must be based on "reasonable and appropriate assumptions and methods of estimation" that are "consistently applied."[1]

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 requires that the Plan demonstrate how the City would restore the funds to proper accounts. Aided with PICA's 1992 deficit bonds, this criterion has been met.

Sound Budgetary Practices. This provision applies to several fundamental practices, namely "reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps."[2] Although the City faces some challenges with regard to high fixed costs, it is making strides in improving efficiencies. However, adverse economic impacts caused by the COVID-19 global pandemic hindered this process.

The City's budget process is evolving as a result of PICA's advocacy and City Council's legislation for program-based budgeting. Under the current budget process, which was implemented in FY2017, resources are displayed by program, taking into account direct and indirect costs and revenues generated by each program. The City has also adopted performance measures associated with each program to assess impact, efficiency, and return on investment. For the FY2024 budget, all City departments that fall under the Mayor are utilizing program-based budgeting. Some

[1] Act of June 5, 1991, Pub. L. No. 9, 53 Pa. Stat. Ann. § 12720. (PICA Act)

[2] PICA Act §209(b)(2)(iii)

Table 2.1: PICA Act Criteria

PICA Act Provision	PICA Act Text
Section 209(b)(1)	Projected revenues and expenditures of the principal operating funds of the City for five fiscal years consisting of the current fiscal year and the next four fiscal years
Section 209(b)(2)(i)	Eliminate any projected deficit for the current fiscal year and for subsequent fiscal years
Section 209(b)(2)(ii)	Restore to special fund accounts money from those accounts used for purposes other than those specifically authorized
Section 209(b)(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
Section 209(b)(2)(iv)	Provide procedures to avoid a fiscal emergency condition in the future
Section 209(b)(2)(v)	Enhance the ability of the City to regain access to the short-term and long-term credit markets

Source: PICA Act

departments led by independently elected officials do not utilize program-based budgeting.

The City also seeks to modernize its approach to revenue collections, with the overall goal of maximizing collections and reducing delinquencies. Additionally, the City has embarked on an effort to modernize its financial, procurement, and taxpayer information systems.

Avoiding a Fiscal Emergency. The City should continue to address its major financial challenges. It should develop financial policies to address key issues that form the core of its financial condition: a sound economy, tax competitiveness, managing long-term obligations such as pensions, providing quality infrastructure, and ensuring adequate financial reserves. These policies should be comprehensive, publicly reported, and include quantitative targets against which the City should measure its progress.

The Five-Year Plan should specifically address the City's policies related to its financial condition and its plans for improvement 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. Recently, a separate section on racial equity was also added to the Plan. Additional discussion should be included regarding more detailed plans to address the City's economic development, tax policy, high fixed costs, overtime costs, and public safety and quality of life issues.

Access to the Credit Markets. The City maintains access to credit markets, as the City has an 'A' category rating for its general obligation debt from all three major credit rating agencies. Still, when compared to the 20 largest cities in the United States, Philadelphia's credit ratings ranked the second lowest as of July 2023.

In April 2023, the City received updates on its ratings from the three major ratings agencies. S&P revised its outlook from stable to positive on the City's General Obligation debt and Philadelphia Authority for Industrial Development debt, Fitch affirmed the City's 'A' rating and stable outlook, and Moody's upgraded the City's issuer rating from A2 to A1. Continued efforts to improve credit ratings are key to reducing the City's cost of borrowing and ensuring continued access to credit markets (see Section V discussion, "Bond Ratings").

Standards for Formulation of the Plan

The PICA Act stipulates that all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation. The Act's language that assumptions must be "reasonable and appropriate" is intended to convey the idea that "reasonable" assumptions are those which represent a likely scenario, neither too optimistic, nor too pessimistic. This has historically been interpreted to refer to realistic assumptions surrounding certain risks over which PICA has expressed concern, including the underfunded pension system, growing health benefit costs, potential and pending labor costs, increasing indemnities, fund balances below the Government Finance Officers Association (GFOA) recommendation, and lack of reserve funds.

PICA credits the City for consistently providing a balanced budget. PICA and the City agree that larger fund balances are necessary for the fiscal health of the City. However, accumulating and maintaining robust and healthy fund balances remains a challenge.

Due to stronger than anticipated tax collections from wage and business income and receipts taxes, and the infusion of the American Rescue Plan Act (ARPA) funds of over $1.4 billion, year-end fund balances are notably higher than in recent years.

The Five-Year Plan includes projected contributions to the Budget Stabilization Reserve (BSR) Fund in FY2024 through FY2026, totaling $222.2 million. This Plan also includes a Recession & Inflation Reserve of $144 million over the life of the Plan as a contingency to the possibility of an economic downturn and the inflationary pressures the economy is currently experiencing. In addition, the Plan includes labor reserves totaling $394.8 million to cover the City's labor contracts, which will expire at the end of FY2024.

The PICA Act also requires 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. Locally generated non-tax revenue estimates should be based on "current or proposed rates, charges or fees, historical patterns and generally recognized econometric models."[3] The Plan meets these criteria.

The City derives projections on the growth of its tax base from forecasts created by a consultant, S&P Global Market Intelligence (S&P GMI). 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 later in the "Evaluation of Plan Projections" section, some of the estimates related to tax base growth for several taxes were modified from the proposed Plan.

Regarding expenditures, estimates are required to include "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"[4] should also be included in estimated expenditures. If there are any obligations not factored into the Plan that may be incurred "during the fiscal year or in the 24-month period following," such as new contracts, debt service, or settlements, they could pose risks to the Plan.

The Act also requires that estimates be made on a modified accrual basis, whereby revenues are recognized in the accounting period in which they become measurable and available. The City uses the modified accrual basis of accounting to recognize revenues and expenditures for budgeting purposes. Therefore, the Plan meets this criterion,

[3] PICA Act § 209(c)(2)

[4] PICA Act § 209(c)(2)

Table 2.2: Summary of FY2024-FY2028 Five Year Plan Projections ($ in Millions)

Plan Component	Actual	Estimate			Projected		
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Revenues							
Taxes	4,139.4	4,166.3	4,141.2	4,302.8	4,428.1	4,615.9	4,775.2
Locally Generated Non-Tax	396.4	379.8	386.7	357.4	358.5	353.5	380.9
Other Governments	931.2	986.8	1,025.3	1,058.5	1,090.6	1,121.9	1,153.5
Other Funds	300.6	394.6	458.8	506.5	57.4	57.0	57.7
Total Revenues	**$5,767.5**	**$5,927.6**	**$6,012.1**	**$6,225.2**	**$5,934.5**	**$6,148.4**	**$6,367.2**
Percent Change		2.8%	1.4%	3.5%	-4.7%	3.6%	3.6%
Obligations							
Agencies	2,844.0	3,389.5	3,420.2	3,280.1	3,223.6	3,228.2	3,234.4
Employee Benefits	1,690.0	1,605.9	1,661.0	1,726.1	1,789.9	1,841.8	1,898.4
Other Obligations	804.4	1,061.9	1,114.2	1,270.8	1,223.4	1,245.0	1,274.4
Total Obligations	**$5,338.5**	**$6,057.3**	**$6,195.4**	**$6,277.1**	**$6,236.9**	**$6,315.0**	**$6,407.2**
Percent Change		13.5%	2.3%	1.3%	-0.6%	1.3%	1.5%
Fund Balance							
Prior Year Adjustments	51.6	33.0	29.5	29.5	29.5	29.5	29.5
Adjusted Operating Surplus/(Deficit)	480.6	(96.69)	(153.80)	(22.39)	(272.85)	(137.14)	(10.44)
Prior Year Fund Balance	298.5	779.1	682.5	528.7	506.5	233.8	96.8
Fund Balance	**$779.1**	**$682.5**	**$528.7**	**$506.5**	**$233.8**	**$96.8**	**$86.6**
Fund Balance as % of Obligations	14.6%	11.3%	8.5%	8.1%	3.7%	1.5%	1.4%

Source: FY2024-FY2028 *Five-Year Financial Plan* submitted to PICA on June 26, 2023
Note: All figures rounded for readability

and all projections are shown in this manner. Overall, the Five-Year 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 Plan could be made more transparent with the incorporation of background information and data used to formulate the projections within.

Evaluation of Plan Projections

Table 2.2 presents a summary of the Five-Year Plan revenue, obligations, and fund balance projections for each of the five fiscal years. The Plan, as required, projects a positive year-end fund balance in each of its years. Although the projected fund balances are positive, they are lower than both the City's own targets in three out of five years and the GFOA recommendation in all years of the Plan. The City's target is between six and eight percent of revenues, while the GFOA recommends fund balances of at least 17 percent of obligations (see Section III discussion "Fund Balance"). Figure 2.1 illustrates the Plan projections.

As indicated in Table 2.3, taxes generate the majority of revenues. Total tax revenue, including revenue from the PICA tax, represents 80.1 percent of projected General Fund revenue in FY2024. Upon depletion of the ARPA funds, this percentage increases to 87.1 percent in FY2026. It should be noted that prior to the COVID-19 pandemic, this category of revenue accounted for over 84 percent of total revenues, thus showing the impact the pandemic has had on tax revenues. The City's largest tax category is wage, earnings, and net profits, which makes up over 43.8 percent of projected tax revenue in FY2024 through FY2028. The real estate tax, which is the primary source of revenue in most comparable jurisdictions, accounts for just 20.4 percent of tax revenues. The ARPA funds, shown under Revenue from Other Funds, total $390.8 million for FY24 and represent 6.5 percent of total revenues. These critical federal funds have enabled the City to present a balanced budget without reductions to services in FY2022, FY2023, and FY2024.

The Five-Year Plan projects total FY2024 obligations at $6.195 billion, a $138.1 million or 2.3 percent increase over FY2023. To better understand the City's obligations, PICA divides obligations into three categories: Agency Functions, which include obligations that fund the staffing and operation of City departments; Employee Benefits, which include pension and health care obligations; and Other Obligations, which include the City's debt service payments, contributions to reserve funds, and contributions to other entities like the School District of Philadelphia and the Southeastern Pennsylvania Transportation Authority (SEPTA). Of the total $6.195 billion in obligations for FY2024, Agency Function obligations total $3.429 billion, Employee Benefits total $1.661 billion, and Other Obligations total $1.105 billion.

Figure 2.1: Summary of FY24-28 Five-Year Plan Projections
($ in Millions)

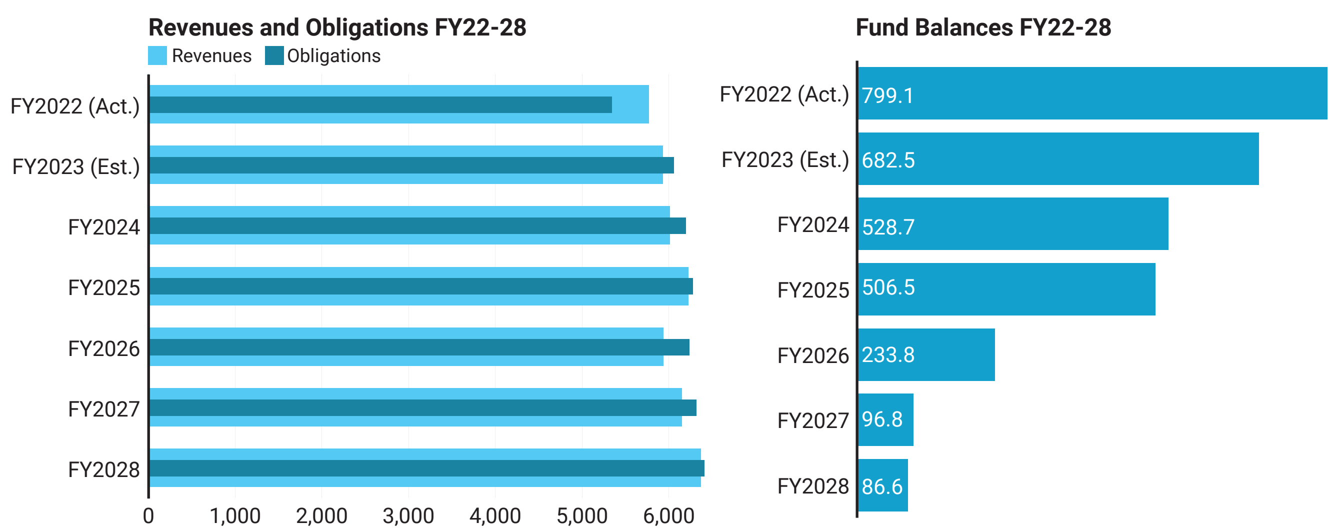


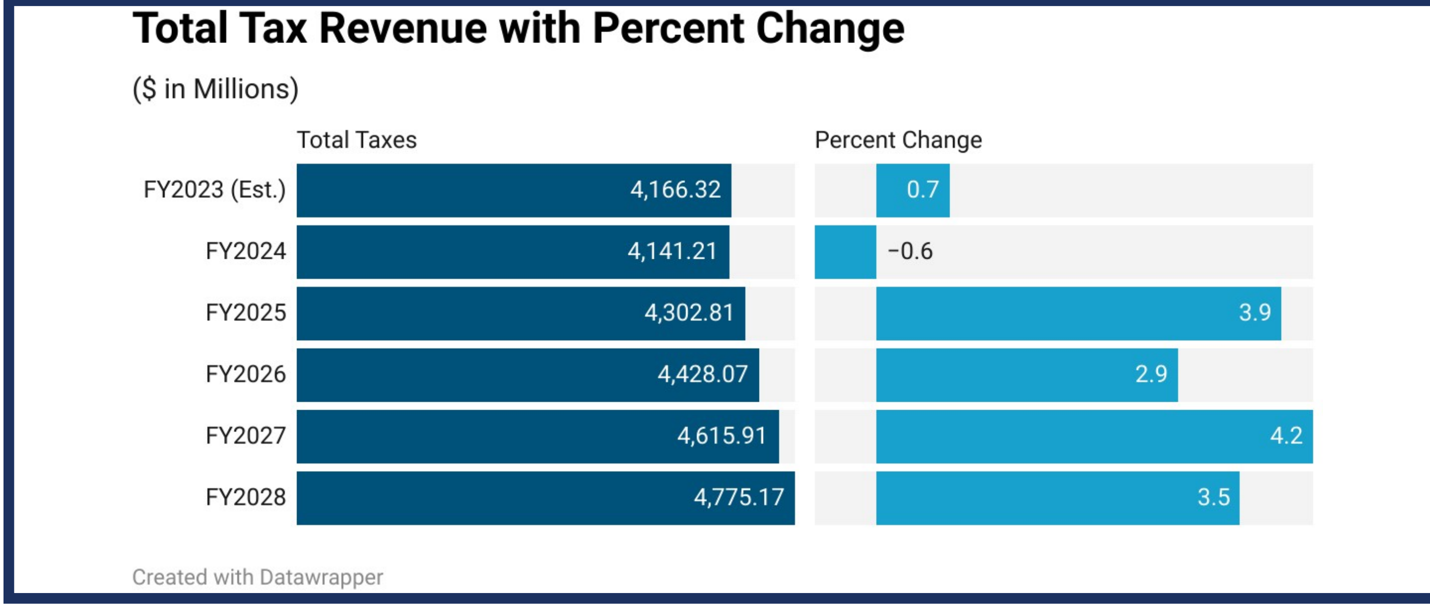
Table 2.3: General Fund Revenue Projections ($ in Millions)							
Revenues	Actual	Estimate			Projected		
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Taxes							
Real Estate	700.6	823.2	845.9	878.0	909.2	945.5	984.0
Wage Earnings and Net Profits	1681.2	1765.4	1814.2	1900.4	1985.6	2066.5	2147.3
Business Income and Receipts	749.9	690.8	669.7	685.5	669.4	715.2	729.8
Sales	277.7	290.9	307.1	325.0	341.9	358.3	374.9
Real Property Transfer	536.9	381.3	388.9	396.7	404.6	412.7	421.0
Parking[1]	86.6	101.6	0.0	0.0	0.0	0.0	0.0
Beverage	75.4	72.6	73.5	74.4	73.6	73.2	72.9
Construction Impact	0.8	3.5	3.5	3.5	3.5	3.5	3.5
Other Taxes[2]	30.4	37.1	38.4	39.4	40.2	40.9	41.7
Total Taxes	**$4,139.4**	**$4,166.3**	**$4,141.2**	**$4,302.8**	**$4,428.1**	**$4,615.9**	**$4,775.2**
Locally Generated Non-Tax							
Innovation and Technology	22.5	18.0	17.0	16.2	15.4	14.6	13.9
Streets	33.3	31.6	22.2	22.2	22.2	22.2	22.2
Fire	36.1	40.3	45.3	45.3	45.3	45.3	45.3
Public Property	14.1	4.7	32.9	18.9	5.9	5.9	33.9
Licenses and Inspections	87.5	76.8	77.6	77.6	81.4	81.4	81.4
Records	23.8	19.2	19.2	19.2	19.2	19.2	19.2
Public Health	75.2	48.6	44.9	44.9	65.1	65.9	66.7
First Judicial District	22.3	23.7	25.4	25.4	25.4	25.4	25.4
Finance	28.1	22.3	15.5	15.5	15.5	15.5	15.5
Other	53.4	94.7	86.9	72.4	63.1	58.2	57.5
Total Locally Generated Non-Tax	**$396.4**	**$379.8**	**$386.7**	**$357.4**	**$358.5**	**$353.5**	**$380.9**
Revenues from Other Governments							
Federal	84.6	29.9	29.3	27.3	27.3	27.3	27.3
State	228.9	256.3	256.9	256.9	256.9	256.9	256.9
Other Governments	62.6	63.1	64.0	65.1	66.1	67.1	68.2
PICA	555.1	637.6	675.1	707.3	738.3	768.6	799.1
Other Authorized Adjustments	0.0	0.0	0.0	2.0	2.0	2.0	2.0
Total Revenues from Other Govts.	**$931.2**	**$986.8**	**$1,025.3**	**$1,058.5**	**$1,090.6**	**$1,121.9**	**$1,153.5**
Revenues from Other Funds							
Water	7.1	8.6	9.0	9.4	9.9	10.3	10.4
Aviation	3.4	3.4	3.5	3.6	3.7	3.8	3.9
Grants - American Rescue Plan	250.0	335.0	390.8	449.4	0.0	0.0	0.0
Grants - Other	36.1	42.6	50.6	39.1	38.9	37.9	38.4
Other	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Total Revenues from Other Funds	**$300.6**	**$394.6**	**$458.8**	**$506.5**	**$57.4**	**$57.0**	**$57.7**
Total General Fund Revenues	**$5,767.5**	**$5,927.6**	**$6,012.1**	**$6,225.2**	**$5,934.5**	**$6,148.4**	**$6,367.2**

Note: All figures rounded for readability
[1] Parking tax revenue will be directed to the Transportation Fund from FY2024 onward
[2] Includes Amusement, Smokeless Tobacco, and other miscellaneous taxes

Agency Function obligations are projected to initially decrease by 0.6 percent from FY2023 to FY2024, after which they continue to gradually decrease for the remaining Plan period. Employee Benefits are projected to increase by 3.4 percent and gradually increase in the remaining years of the Plan. Other Obligations are projected to increase by 4.9 percent in FY2024 and an additional 14.1 percent in FY2025 due to an increase in Budget Stabilization Reserve contributions.

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 Revenue Projections: Taxes



Projected General Fund tax revenues over the Five-Year Plan period are presented in Table 2.3. For FY2024, the majority of projected City tax revenue is generated by the wage, earnings, and net profit (43.8 percent), real estate (20.4 percent), business income and receipts (16.2 percent), real estate transfer (9.4 percent), and sales taxes (7.4 percent). Table 2.3 also includes Locally Generated Non-Tax Revenue, Revenue from Other Governments, and Revenue from Other Funds. Table 2.4 presents the Plan's projected tax rates for each tax, while Table 2.5 presents the Plan's projected rates of tax base and tax revenue growth over the Five-Year Plan period.

Revenue projections are dependent on local economic conditions and their effects on the tax base for each tax. Base growth projections for every tax were initially made by S&P GMI. Prior to the release of the proposed Plan, the projections were reviewed and deliberated by regional economists at a meeting held in February, which was hosted

Table 2.4: Philadelphia Tax Rates (Percent)

Tax Type	Actual		Projected				
	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Real Estate							
City	0.6317	0.6317	0.6317	0.6317	0.6317	0.6317	0.6317
School District	0.7681	0.7681	0.7681	0.7681	0.7681	0.7681	0.7681
Total	1.3998	1.3998	1.3998	1.3998	1.3998	1.3998	1.3998
Wage, Earnings, and Net Profits							
Resident	3.8398	3.79	3.75	3.75	3.75	3.75	3.75
Non-Resident	3.4481	3.44	3.44	3.44	3.44	3.44	3.44
Business Income and Receipts							
Net Income	6.2 / 5.99	5.99 / 5.81	5.81	5.81	5.81	5.81	5.81
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	3.278	3.278	3.278	3.278	3.278	3.278	3.278
Parking[3]	25	22.5	-	-	-	-	-
Beverage[4]	1.5	1.5	1.5	1.5	1.5	1.5	1.5

[1] Alternative gross receipts tax rates permitted for manufacturers, wholesalers and retailers
[2] The School District of Philadelphia receives annual allocation of $120 million in sales tax revenue
[3] Parking tax revenue will be directed to the Transportation Fund rather than the General Fund as of FY2024
[4] Assessed per ounce

by PICA. At that time, the S&P GMI projections were generally accepted by the experts attending the discussion.

As part of the Plan review process, PICA engages its own economic consultant to evaluate the reasonableness of the City's revenue projections. PICA's consultant's forecast for total tax revenues over the Plan period is slightly lower than the City's projection. PICA's consultant concluded that while some City projections differ from his own estimates, overall, they fall within an acceptable range and appear reasonable, meeting the criteria of the PICA Act.[5]

As always, revenue forecasting is vulnerable to the level of economic growth. Table 2.5 shows the annual base growth projections for tax revenues. The City anticipates moderate economic growth in FY2024, with positive growth rates for each tax except business income and receipts tax (BIRT). Aside from year-to-year fluctuations in the business income and receipts tax, base growth rates remain positive for the remaining years of the Plan.

Table 2.5 also presents annual revenue growth rates in the Plan. These growth rates reflect projected tax rates, tax bases, deductions or abatements, collection of delinquent taxes, and other factors influencing revenue collections. These factors are most significant in the case of the real estate, net profits, BIRT, and sales taxes. See above figure, "Total Tax Revenues," for a visualization of projected tax growth.

[5] Swanson, "Discussion of Tax Revenue Estimates"

Table 2.5: Tax Base and Revenue Growth (Percent)

Tax Type	Estimate			Projected		
	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
Real Estate						
Base[1]	18.36	2.93	4.00	3.74	4.18	4.25
Revenue	17.49	2.75	3.80	3.56	3.99	4.07
Wage and Earnings						
Base	6.42	3.74	4.75	4.55	4.06	3.88
Revenue	3.98	2.76	4.74	4.54	4.05	3.87
Net Profits						
Base	59.81	3.52	5.93	2.77	5.50	6.07
Revenue	67.15	3.14	5.34	2.51	4.99	5.54
Business Income and Receipts						
Base	(-5.30)	(-0.80)	2.20	(-2.34)	6.84	2.04
Revenue	(-7.88)	(-3.05)	2.35	(-2.34)	6.84	2.04
Sales						
Base	3.31	3.95	4.19	3.79	3.55	3.56
Revenue	4.74	5.58	5.83	5.19	4.81	4.63
Real Property Transfer						
Base	(-28.98)	2.00	2.00	2.00	2.00	2.01
Revenue	(-28.98)	2.00	2.00	2.00	2.00	2.01
Parking						
Base	17.28	3.01	3.75	4.19	3.87	3.89
Revenue[2]	17.28	Transp. Fund	Transp. Fund	Transp. Fund	Transp. Fund	Transp. Fund
Beverage						
Base	(-3.68)	1.25	1.18	(-1.00)	(-0.54)	(-0.43)
Revenue	(-3.68)	1.25	1.18	(-1.00)	(-0.54)	(-0.43)
Amusement						
Base	24.03	3.37	2.67	2.23	2.05	2.04
Revenue	24.03	3.37	2.67	2.23	2.05	2.04

[1] Includes estimates of revised assessment values, net of the homestead exemption, and projected appeal losses
[2] Parking tax revenue will be directed to the Transportation Fund rather than the General Fund as of FY2024

Similar to the base growth rate, except for BIRT, revenue growth rates also indicate an increase in FY2024 which continues at a faster pace in the remaining years of the Plan. Total General Fund tax revenues are projected to decline by 0.6 percent in FY2024, declining by $25.1 million to a total of $4.141 billion. This decline is driven by the transfer of parking tax revenues from the General Fund to the newly created Transportation Fund. Excluding the parking tax shows that all other General Fund tax revenues are projected to collectively grow by $142.2 million or 3.6 percent from FY2023 to FY2024. For the remaining years of the Plan, General Fund tax revenue is projected to grow by more than 2.9 percent annually, steadily rising to $4.775 billion in FY2028.

Wage, Earnings, and Net Profits. This tax is collected from all employees that work or live in the City. It is called the "wage" tax when remitted by the employer, the "earnings" tax when submitted directly by the employee, and the "net profits" tax when submitted by self-employed residents or non-residents who conduct business in the City. Projected at $1.814 billion, this tax is the largest source of General Fund tax revenue, representing 43.8 percent of total FY2024 projected tax revenues, and 30.2 percent of total General Fund revenues.

The Plan implements a single reduction in tax rates for the wage, earnings, and net profits taxes. As shown in Table 2.4, the resident tax rate is reduced from 3.79 percent in FY2023 to 3.75 percent in FY2024, where it remains throughout the Plan period. FY2024 marks the second consecutive year that resident wage, earnings, and net profits tax rates have been reduced by at least .04 percentage points. Non-resident wage, earnings, and net profits tax rates remain unchanged from FY2023 to FY2024. The resident tax rate reductions are estimated to cost the City $16.7 million in FY2024.

From FY2016 to FY2019, wage, earnings, and net profits tax collections increased by 15.7 percent, reaching $1.618 billion in FY2019. Despite the onset of the pandemic at the end of the third quarter, revenue for these taxes increased slightly in FY2020, reaching a high of $1.628 billion. Low economic activity and high unemployment at the onset of the pandemic drove FY2021 collections down by $133.2 million, or 8.2 percent, to a low of $1.495 billion. In February of 2021, seven months into FY2021, inflation in the US economy began to accelerate, in part due to a plummeting unemployment rate and broad increases in wage levels that had been relatively stagnant for decades. Over the course of FY2022, from July 2021 to June 2022, the Consumer Price Index for the Philadelphia Metropolitan Area increased by about 8.8 percent.[6] Driven by these inflationary pressures, wage, earnings, and net profits tax revenues increased by 12.4 percent to $1.681 billion in FY2022. Estimates for FY2023 show continued revenue growth, with collections increasing by approximately 5.0 percent for a total of $1.765 billion. In FY2024, revenue growth is projected to slow to 2.8 percent as the Federal Reserve's interest rate hikes dampen the rate of inflation, with collections estimated at $1.814 billion.

The City formulates wage revenue projections based on S&P GMI forecasts of the national and local economy. The S&P GMI estimates are then adjusted to reflect historical trends of the interrelationship between the national economy and actual Philadelphia wage tax collections. Subsequently, the City adjusts for tax rate changes in this revenue stream before finalizing projections. The wage, earnings, and net profits taxes are among the City's revenue streams that are most vulnerable to declines in economic growth. This was apparent in FY2021, when the pandemic induced economic contraction and widespread adoption of remote work adversely impacted non-resident tax collections. These effects on the wage, earnings, and net profit taxes are still relevant today, as hybrid work arrangements have had a notable impact on revenue from non-residents no longer commuting into the City for work. Prior to the pandemic, resident and non-resident revenues comprised about 60 and 40 percent, respectively, of total wage, earnings, and net profits collections. Since the onset of the pandemic, the share of revenue from residents has risen to 66.1 percent while the share from non-residents has fallen to 33.9 percent. While vulnerable to downswings in the economy and the impact of remote and hybrid

[6] U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers: All Items in Philadelphia-Camden-Wilmington, PA-NJ-DE-MD (CBSA)," July 6, 2023: https://fred.stlouisfed.org/series/CUURA102SA0, July 6, 2023.

work, wage, earnings, and net profits revenue is projected to grow in each year of the Five-Year Plan. The City projects an increase of 2.8 percent in collections for wage, earnings, and net profit taxes in FY2024, 4.8 percent in FY2025, and increases greater than 3.9 percent in each of the remaining years of the Plan as shown in Table 2.5. From FY2024 to FY2028, wage, earnings, and net profits revenue is projected to grow by $333.1 million, or 18.4 percent, reaching $2.147 billion in FY2028. PICA's economic consultant's projections are slightly higher than the City's for FY2024, slightly lower for FY2025, and nearly the same for FY2027 and FY2028. Through the life of the Plan, PICA's consultant's projections are lower than the City's by a very small margin.[7]

Real Estate. The real estate tax is levied on the taxable assessed value of all property, residential and commercial, in the City. Since 2014, the real estate tax is based on 100 percent of the assessed value of a property. The assessed value should reflect the market value of the property. The City produces real estate tax projections without the assistance of S&P GMI because the appraisal process is internal to the City. Projected at $845.9 million for FY2024, this tax is the second-largest source of General Fund tax revenue. It should be noted that other cities and counties rely more heavily on property taxes as a proportion of their budget.

The real estate tax is a combination of City and School District rates, which together equal 1.3998 percent. The overall tax rate includes a City-dedicated portion of 0.6317 percent and a School District portion of 0.7681 percent. Therefore, only 45 percent of the total real estate tax collected accrues to the City, while 55 percent is allocated to the School District. The above projected tax amount only represents the City's portion.

The real estate tax projection process begins with the City's estimate of the tax base. This estimate is not based on S&P GMI projections, but rather on an assumption as to the rate of growth of taxable assessed value, which includes residential and commercial property classifications. The real estate tax revenue projection also reflects other factors, which include the amount of new construction and rehabilitated properties returning from abatement to taxable status, homestead exemptions, Longtime Owner Occupant Program (LOOP) discounts, Tax Increment Financing (TIF) districts, and the Senior Citizen Tax Freeze program. Also reflected in the Five-Year Plan is the impact of enforcement initiatives, including the Revenue Department's data warehouse, sequestration, and delinquent billing policies.

Properties returning from abatement in both residential and commercial categories will also impact real estate tax revenue. When a property's abatement decreases or expires, the formerly abated assessed value becomes taxable, which increases the taxable assessed value that serves as the base for the real estate tax.

From FY2016 to FY2019, tax collections increased by 21.9 percent, reaching $696.6 million in FY2019. Despite the pandemic, the collections continued to rise modestly in both FY2020 and FY2021, reaching $699.1 million and $723.3 million, respectively. In FY2022, real estate tax revenue decreased slightly to $700.6 million due to an increase in the delinquency rate attributable to the pausing of some enforcement measures early in the pandemic.

As mentioned above, in FY2014, the City completed the Actual Value Initiative (AVI) which involved a comprehensive reassessment of more than 581,000 properties in the City to correct outdated and partial assessments. The intent of AVI was to examine properties annually to ensure that appraisal levels reflect current market values. In FY2020, the City purchased a Computer-Assisted Mass Appraisal (CAMA) system to automate the assessment process and adopt a more accurate and efficient methodology for valuing properties. After years of development, implementation, and training, the CAMA system was used to generate new property assessments for tax year 2023.

The new CAMA system produced the first citywide property reassessment in three years, which saw residential property values increase by 31.0 percent on average. Although accurate, the assessed values were much higher than

[7] Swanson, "Discussion of Tax Revenue Estimates."

anticipated, as they were based on pre-pandemic market values that had grown considerably since the previous assessment and would have significantly increased real estate tax liability for many property owners. To soften the impact of the increased assessed values, City Council, working with the Administration, approved legislation that increased the homestead exemption from $45,000 to $80,000 and expanded eligibility criteria for LOOP and the Senior Tax Freeze. The result has been an estimated 17.5 percent increase in real estate tax revenue from FY2022 to FY2023, with City revenue estimated to reach $823.2 million.

Between March of 2022 and May of 2023, the Federal Reserve raised interest rates ten times, from .50% to 5.25%. These rate increases are intended to slow down the economy, in part by increasing the cost of mortgage financing. Despite these rate hikes and their tendency to drive down the price of the home itself while increasing financing costs, the City projects strong collections and moderate growth in revenues throughout the Plan period without a reassessment for tax year 2024. The collections rate, which was 94.5 percent in FY2022, is projected to hold steady at 96.1 percent throughout the Plan. Revenues are expected to increase by 2.8 percent from FY2023 to FY2024 for a total of $845.9 million. Revenue growth between 3.6 percent and 4.1 percent is projected for each of the remaining years in the Plan period. PICA's economic consultant's projections are slightly higher for residential real estate, and slightly lower for commercial real estate, but overall, very close to those of the City.[8]

Business Income and Receipts. Every individual, partnership, association, limited liability company, and corporation engaged in a business, profession, or other activity for profit within the City of Philadelphia with over $100,000 in receipts must file a business income and receipts tax (BIRT) return, whether or not a profit was earned during the preceding year. BIRT is filed and paid annually for business activity from the prior year. Recently, the requirement for new businesses to make an estimated payment in their first year of operation was eliminated. Projected at $669.7 million, this tax is the third-largest source of General Fund tax revenue, representing 16.2 percent of total FY2024 projected tax revenues.

BIRT is composed of separate levies on net income (profits) and gross receipts (sales). The net income tax rate will decline from 5.99 to 5.81 percent and remain at that level through the remaining years of the Plan. The gross receipts portion will remain at 0.1415 percent throughout the Plan period. This rate cut is estimated to cost the City $15.5 million in FY2024.

As with the wage tax, BIRT imposes a tax burden that far exceeds comparable taxes in the suburbs and its structure is unique compared to most other major US cities. However, the City has taken steps to reduce and reform this tax by instituting an exemption on the first $100,000 of gross receipts and a single sales factor apportionment to determine net income. The City also eliminated the requirement for eligible new businesses to make an estimated payment in their first year of operation. Starting with tax year 2020, the City eliminated the need to file for businesses with gross receipts of less than $100,000.

Many firms that are subject to the tax receive rebates after filing their taxes if their actual tax bill differs from their original filing. As such, the City cannot quantify the total amount of rebates until after the end of a given fiscal year. Projections for this tax are further complicated by the need to anticipate corporate earnings, which comprise the tax base and are more volatile than wage earnings. It is also difficult to estimate the amount of net operating loss that businesses will opt to apply toward a given year's tax liability. Additionally, BIRT revenue is impacted by business activity outside the City limits conducted by companies not located in the City but having some operations in Philadelphia. As such, national business activity interplays with local activity and the local tax structure, combining into a complex revenue stream. Due to these factors, BIRT revenue is difficult to project.

From FY2016 to FY2019, BIRT collections increased by 14.1 percent, reaching a high of $540.9 million in FY2019. Despite the pandemic, BIRT collections declined only slightly in FY2020

[8] Swanson, "Discussion of Tax Revenue Estimates."

to $534.2 million, then rebounded slightly in FY2021 to $541.6 million. FY2022 was a banner year for BIRT collections, which increased by 38.5 percent to $749.9 million. BIRT revenues fell by 7.9 percent in FY2023 to an estimated $690.8 million. With persistent inflation and continued interest rate hikes, many economists are predicting slower economic activity in 2023 and 2024. The tax rate on the net income portion of BIRT has also been lowered in recent years, falling by 3.5 percent from 6.20 percent to 5.99 percent in FY2023, and scheduled to fall another 3.0 percent from 5.99 percent to 5.81 percent beginning in tax year 2023. The Plan projects a 3.0 percent decline in revenue in FY2024, with total projected revenues at $669.7 million. Between FY2024 and FY2028, BIRT revenue is expected to increase by $59.2 million, or 9.4 percent, to a total of $729.8 million in FY2028.

PICA's economic consultant's projections are somewhat lower than the City's, especially towards the end of the Plan period. Considering the high level of difficulty in accurately projecting BIRT revenue, the projections from the City and PICA's consultant are within a reasonable range.[9]

Real Estate Transfer. The real estate transfer tax (RTT) applies to the sale or transfer of real estate located in Philadelphia. The tax becomes payable when a deed or other document showing ownership of real property is filed with the Records Department. It is levied on the sale price or assessed value of the property, plus any assumed debt of the real property sold or transferred. Projected at $388.9 million, this tax is the fourth-largest source of General Fund tax revenue, representing 9.4 percent of total FY2024 projected tax revenues.

Like the sales tax and the net income portion of BIRT, there are both City and Commonwealth components. The City's rate was increased from 3.1 percent to 3.278 percent on July 1, 2018, while the Commonwealth's rate remains at 1.0 percent, for a total of 4.278 percent. The tax is usually split evenly between the buyer and seller of a property, but this is not a legal requirement.

This revenue stream has historically been volatile and difficult to project, as it depends on the real estate market, both residential and commercial, and the status of the overall economy. However, as activity and real property values, and therefore sale prices, increased in recent years, so too have collections. From FY2016 to FY2019, collections increased by 38.4 percent, reaching $328.4 million in FY2019.

RTT revenues experienced dramatic volatility due to the pandemic. After falling in FY2020 and FY2021, revenues declined to $304 million. In FY2022, the housing market experienced an intense but short-lived bubble as demand and inflation drove higher transaction levels and higher prices until the Federal Reserve began its program of interest rate increases. In Philadelphia, this coincided with a spike in activity by parties hoping to finalize transactions before changes to the City's real estate tax abatement took effect. The result was a 76.6 percent increase in collections, which totaled $536.9 million in FY2022. Revenues returned to more typical levels in FY2023, falling by 29.0 percent to $381.3 million.

Although the real estate market is stable, the increase in mortgage interest rates, the limited residential inventory, and an expected slowdown in the commercial market could dampen the growth of this tax. As such, the Plan projects 2.0 percent growth in each year from FY2024 to FY2028. Revenues are projected to be $388.9 million in FY2024 and climb to $421.0 million by FY2028. PICA's consultant estimates for RTT revenue are somewhat lower than the City's, especially earlier in the Plan, as the Federal Reserve's interest rate actions are projected to dampen the level of real estate transactions in the near term.[10]

Sales. The sales tax is charged on taxable goods and services by retailers and service providers. Retailers and service providers are required to collect this tax at the time of purchase and then remit it to the Commonwealth of Pennsylvania. Projected at $307.1 million in FY2024, this tax is the fifth-largest source of General Fund tax revenue, representing 7.4 percent of total projected tax revenues.

[9] Swanson, "Discussion of Tax Revenue Estimates."

[10] Swanson, "Discussion of Tax Revenue Estimates."

The sales tax in Philadelphia is 8.0 percent, with 6.0 percent going to the Commonwealth of Pennsylvania, and the remaining 2.0 percent as a local Philadelphia tax. Payment of this tax is made directly to the Commonwealth's Department of Revenue, not the City. The 2.0 percent local tax is allocated between the City and the School District, with the first one percent allotted to the City, and the remaining one percent shared between the School District and the City. Under state legislation, the School District's share is capped at $120 million annually, with all residual revenue over this amount dedicated to the City's pension fund.

Sales tax revenue has increased in recent years as more goods and services were purchased during the pre-Pandemic economic expansion, and additional categories of goods were deemed taxable by the State Legislature in July of 2016. From FY2016 to FY2019, City sales tax collections increased by 32.4 percent, reaching a high of $224.2 million. After declining in FY2020 due to the initial impact of the pandemic, sales tax revenues rebounded in FY2021, reaching a high of $230.4 million. Sales tax collections continued to outperform expectations in FY2022 and FY2023, reaching $277.4 million in FY2022 and $290.9 million in FY2023.

Revenue growth is expected to continue in line with the estimated 4.9 percent growth experienced from FY2022 to FY2023. The Plan projects 5.6 percent growth in FY2024, climbing to 5.8 percent in FY2025, before gradually slowing over the remainder of the Plan. For FY2024, the City is projected to receive $307.1 million in sales tax revenue, while the School District will receive $120.0 million and the remaining $93.5 million will be allocated to the pension fund. PICA's consultant estimates sales tax revenue slightly higher than the City does over the Plan period.[11]

Parking. Prior to the pandemic, the City's parking and valet taxes generated nearly $100 million annually. The pandemic and related shutdown of in-person activities saw revenue from these taxes plummet to $49.6 million in FY2021. With the resumption of in-person activity, return of commuters and concertgoers, and success of Philadelphia's sports teams, revenue from parking increased to $86.6 million in FY2022 and an estimated $101.6 million in FY2023. In FY2024, revenues from the parking and valet taxes will no longer contribute to the City's General Fund. Instead, they have been dedicated to the City's newly created Transportation Fund, which will provide dedicated resources for non-sanitation functions of the City's Streets Department, like paving and curb cuts (see Section III discussion, "Speculative Revenues and Obligations").

Beverage. The beverage tax is a tax on any non-alcoholic beverage, syrup, or other concentrate used to prepare a beverage that lists as an ingredient any form of caloric sugar-based sweetener or sugar substitute. The beverage tax is levied on distributors at the rate of 1.5 cents per ounce, and for this reason, changes in price do not impact collections. Concentrates and syrups are also taxed based on the volume of the final beverage produced.

In previous years, the City has used experience to project this tax. However, for FY2023, and now FY2024, the City has also solicited the help of S&P GMI in forming the forecast. Unlike most other taxes, beverage tax collections have generally declined since its inception in January of 2017 due to changes in beverage consumptions habits, and an increase of sweetened beverages purchased outside City limits.[12]

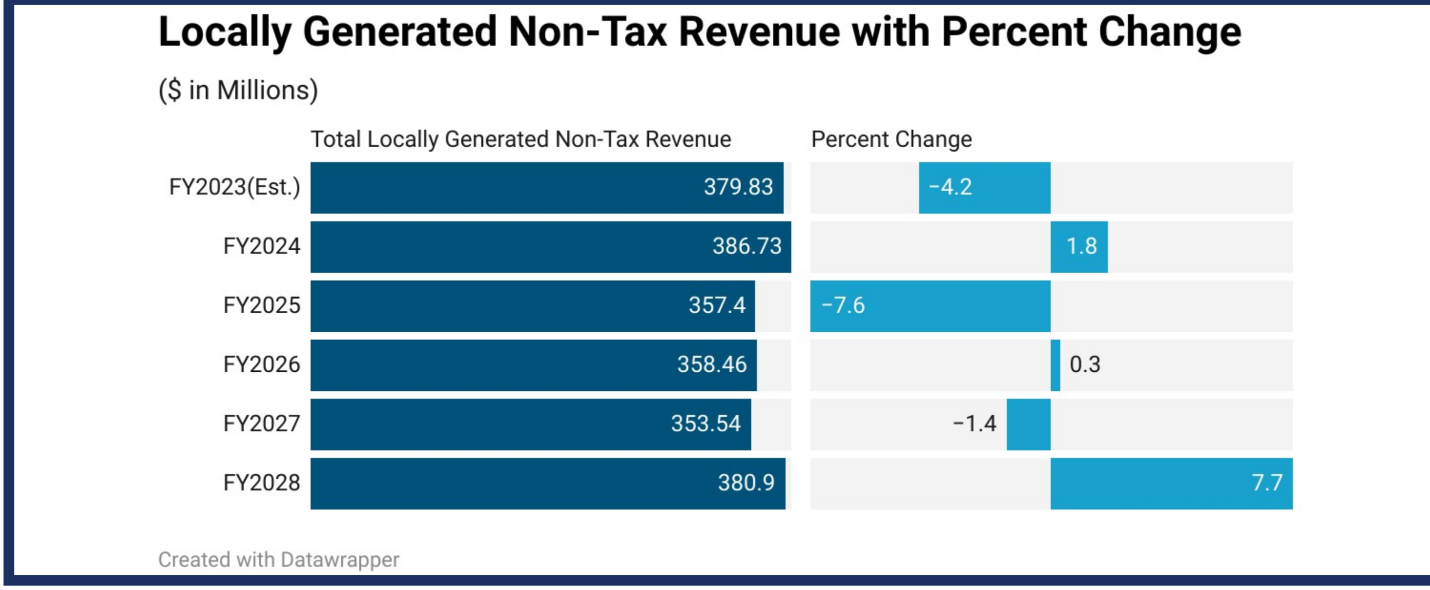
From FY2018 to FY2020, beverage tax revenue decreased by 9.7 percent, reaching a low of $69.9 million. Despite (or perhaps related to) the pandemic, collections increased slightly to $70.2 million in FY2021, and reached $75.4 million in FY2022. Estimates for FY2023 show a slight decrease in revenue to $72.6 million. The City projects growth of roughly 1.2 percent per year for FY2024 and FY2025, after which beverage tax revenue is anticipated to continue declining, falling to $72.9 million in FY2028. PICA's economic consultant's projections are slightly higher than the City's for beverage tax revenue.[13]

11 Swanson, "Discussion of Tax Revenue Estimates"

12 Cawley, Frisvold, Hill, and Jones, "The Impact of the Philadelphia Beverage Tax on Purchases and Consumption by Adults and Children," 2019: https://pubmed.ncbi.nlm.nih.gov/31476602/#:~:text=We%20find%20that%20the%20tax,adults'%20consumption%20of%20other%20beverages.

13 Swanson, "Discussion of Tax Revenue Estimates"

General Fund Revenue Projections: Locally Generated Non-Tax



Locally generated non-tax revenue includes various fees, fines, permits, and other charges assessed by the City, as well as proceeds from asset sales. 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, although the City has made efforts to reduce reliance on fines as a particularly inequitable source of revenue.[14] Revenues collected by City agencies that account for a significant portion of this category are shown in Table 2.6. Departments with major revenue sources include Licenses & Inspections, Public Health, Fire, Streets, and the Office of Innovation and Technology.

Prior to the pandemic, locally generated non-tax revenue was increasing annually, primarily as a result of increased permit applications related to the development boom experienced in the City. From FY2016 to FY2019, revenues in this category increased by 20.0 percent, reaching a high of $349.1 million. Despite the onset of the pandemic, collections totaled $365.1 million in FY2020, representing an increase of 4.6 percent over the prior year. For FY2021, collections declined by 5.6 percent to a low of $344.2 million. In FY2022, collections totaled $396.4 million, a 15.0 percent increase over the prior year, attributed primarily to the end of pandemic-related restrictions. Locally generated non-tax revenue is estimated to have leveled off in FY2023, falling by 4.1 percent to 379.8 million.

In FY2024, this revenue category is projected to climb 1.8 percent to $386.7 million before decreasing to $252.4 million in FY2027. The decline through FY2027 can be attributed to lower revenues from the sale and lease of capital assets through the Department of Public Property and decreased interest earnings from the City Treasurer's Office. From FY2027 to FY2028, the City projects a 7.7 percent increase from $353.5 million to $380.9 million attributable to anticipated sale and lease revenue, as well as growth in Public Health revenue from payments for patient care as the backlog of deferred elective medical care that accumulated during the pandemic continues to impact the health system.

Among the highest-projected revenue-producing departments in this category for FY2024 are: Licenses & Inspections ($77.6 million), Fire Department ($45.3 million), Public Health ($44.9 million), Public Property ($32.9 million), and the First Judicial District ($25.4 million). See above figure for locally generated non-tax projected revenue growth (see Section III discussion, "Speculative Revenues and Obligations").

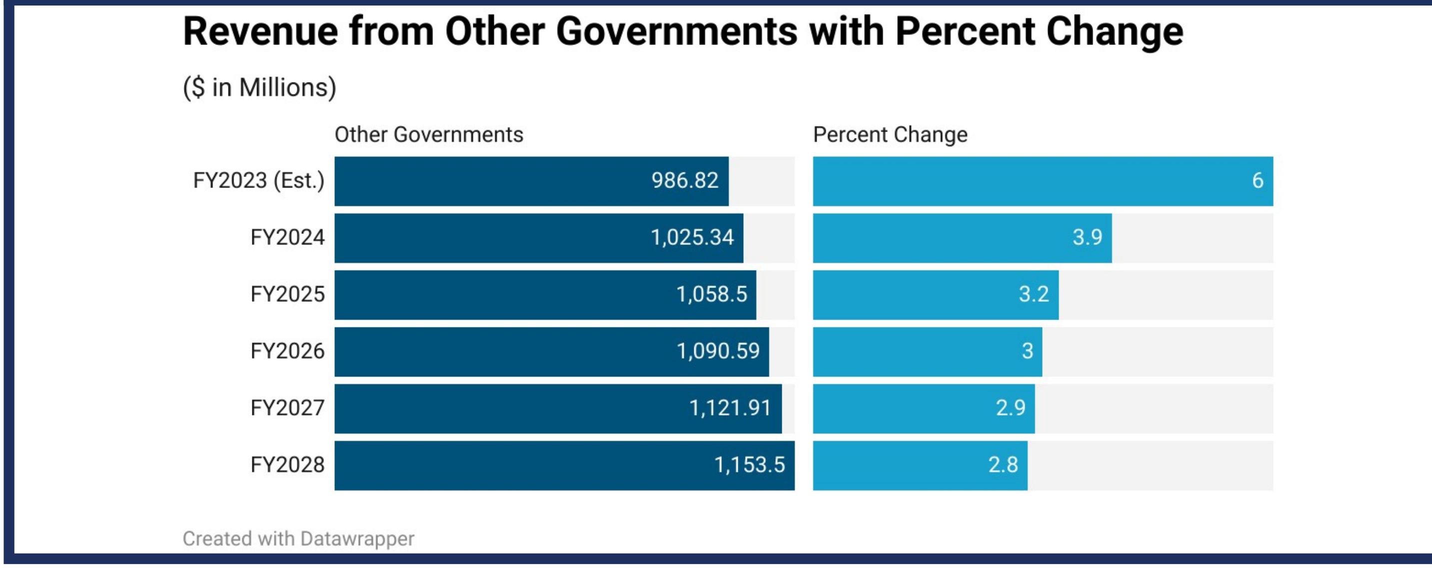
[14] Hall, "Fine and Fee Reform Efforts in the City of Philadelphia," 2022: https://www.phila.gov/media/20220304142237/Fine-and-Fee-Reform-Efforts-in-the-City-of-Philadelphia.pdf

Table 2.6: General Fund Revenue Trends ($ in Millions)

Revenues	Actual						Estimate
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Taxes							
Real Estate	587.1	650.4	696.6	699.1	723.3	700.6	823.2
Wage, Earnings, and Net Profits	1471.2	1574.6	1617.7	1628.4	1495.1	1681.2	1765.4
Business Income and Receipts	417.5	446.1	540.9	534.2	541.6	749.9	690.8
Sales	188.4	198.4	224.2	204.6	230.4	277.7	290.9
Real Property Transfer	247.3	331.5	328.4	319.8	304.0	536.9	381.3
Parking	96.1	96.5	99.3	77.3	53.2	86.6	101.6
Beverage	39.5	77.4	76.9	69.9	70.2	75.4	72.6
Construction Impact	-	-	-	-	-	0.8	3.5
Other Taxes[1]	24.4	27.0	30.8	22.7	6.0	30.4	37.1
Total Taxes	**$3,071.5**	**$3,401.9**	**$3,614.8**	**$3,556.0**	**$3,423.8**	**$4,139.4**	**$4,166.3**
Total Locally Generated Non-Tax	**$309.5**	**$320.6**	**$349.1**	**$365.1**	**$344.2**	**$396.4**	**$379.8**
Revenues from Other Governments							
PICA Funding	409.5	454.2	493.6	495.9	509.0	555.1	637.6
State	214.7	224.5	214.8	215.1	229.8	228.9	256.3
Federal	37.6	31.3	21.9	85.5	62.4	84.6	29.9
Other	55.4	68.2	54.5	62.0	35.4	62.6	63.1
Total Revenues from Other Govts.	**$717.2**	**$778.1**	**$784.8**	**$858.5**	**$836.6**	**$931.2**	**$986.8**
Total Revenues from Other Funds	**$60.1**	**$55.4**	**$51.7**	**$53.8**	**$87.8**	**$300.6**	**$394.6**
Total General Fund Revenues	**$4,158.3**	**$4,556.1**	**$4,800.4**	**$4,833.4**	**$4,692.4**	**$5,767.5**	**$5,927.6**

[1] Includes Amusement, Smokeless Tobacco, and other miscellaneous taxes

General Fund Revenue Projections: Revenue From Other Governments



Revenue from other governments includes grants and other revenue from state and federal programs which support a variety of City programs. Major categories include reimbursements 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 funding. ARPA funds are not included in this category. Because the City holds and draws down ARPA funds from its Grants Revenue Fund, PICA classifies ARPA funding as Revenue from Other Funds, rather than Revenue from Other Governments. These revenues and projections are shown in Table 2.6.

Revenue from other governments has been volatile in recent years. Whereas the state's contribution to the City has been and is projected to remain reliable, funds from federal grant programs have decreased. For instance, federal funding totaled $84.6 million in FY2022 but decreased by $54.0 million or 64.7 percent in FY2023 for a total of $29.9 million. The Plan projects this federal funding to decrease to $29.3 million in FY2024, then to $27.3 million in FY2025, where it is projected to remain until the end of the five-year period. This decline is primarily due to the completion of an emergency management grant under the Managing Director's Office.

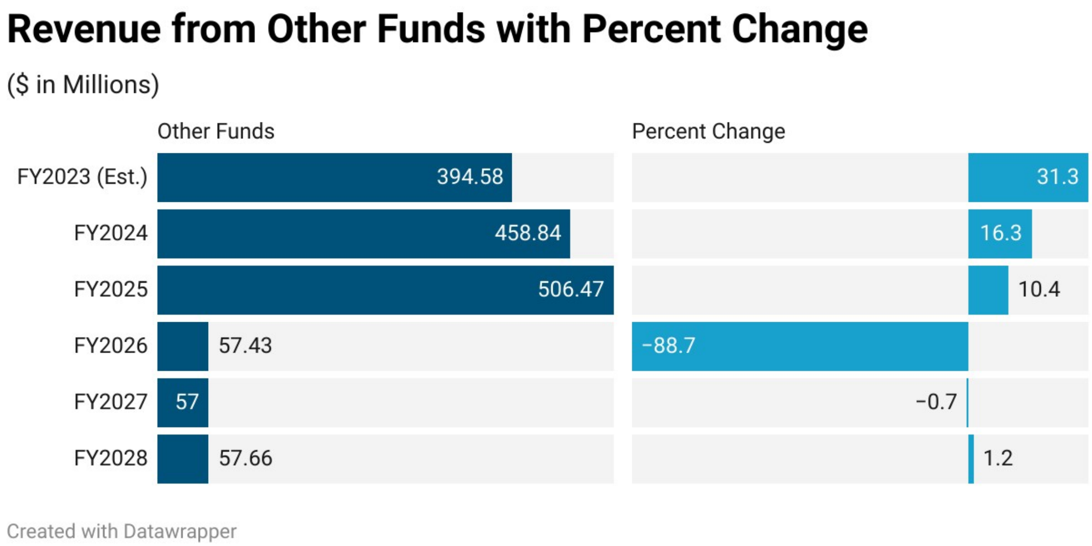
The largest source of revenue within this category comes from PICA. PICA receives a share of the resident portion of the wage, earnings, and net profits taxes to pay debt service on outstanding PICA bonds. On June 15, 2023, PICA made the final debt service payment to retire all outstanding bonds. Under the initial PICA Act, the final bond payment would have started a sunset process for PICA. However, in July of 2022, the Act was amended to extend PICA and the PICA tax through at least 2047.[15] PICA has a "first dollar" claim on the resident portion of the wage, earnings, and net profits taxes. Revenues from PICA-dedicated taxes not needed to pay debt service and other administrative expenses are returned directly to the City. This revenue source is projected at $675.1 million in FY2024 and is projected to increase in every year of the Plan, reaching $799.1 million in FY2028. The increase is primarily attributed to the absence of debt service payments alongside wage growth for Philadelphia residents.

Other than PICA, the next highest sources of funds in the Plan are from the state; specifically, wage tax relief, which is used to reduce wage tax rates, is projected at $108.8 million annually. Pension aid from State Act 205 is projected at $84.2 million annually. In addition, the Philadelphia Parking Authority is projected to generate over $45.7 million annually in each year of the Plan from on-street parking revenues, violations, and fines.

15 PICA Act §204(a)(1)

For FY2024, the Plan projects $1.025 billion in total revenue from other governments, which represents a 3.9 percent increase from the prior year. For FY2025 through FY2028, the Plan projects an annual growth rate of about 3.0 percent, yielding collections of $1.059 billion in FY2025 and increasing to $1.153 billion by FY2028.

General Fund Revenue Projections: Revenue From Other Funds



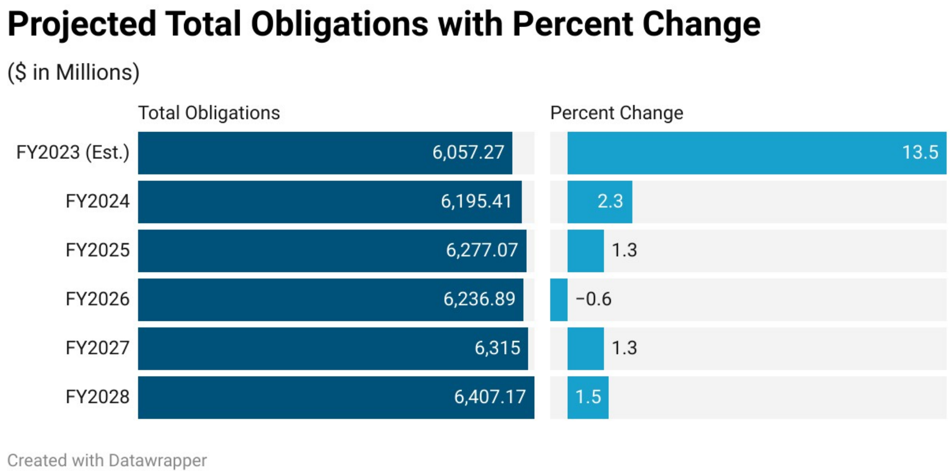
Revenue from other funds accounts for payments from other City funds to the General Fund. Such funds include the Enterprise Funds (Water and Aviation) and the Grants Revenue Fund. They also include payments from the City's Special Revenue Funds, which include the Housing Trust Fund, the Hotel Room Rental Tax Fund, Community Development Fund, the Budget Stabilization Reserve Fund, the newly created Transportation Fund, and other similar funds.

Funds from ARPA are included in this category. These funds represent federal pandemic relief funding enacted to help states, local governments, and municipalities to replace lost revenue and support core government services and pandemic response efforts. The City received the first and second tranche of funds in May 2021 and May 2022, respectively. In total, the City plans to spend $1.425 billion in ARPA funds.

Prior to the pandemic, revenues in this category fluctuated depending on the activity in the funds mentioned above, but hovered at approximately $50 million. In FY2021, the total jumped to $87.8 million primarily due to an increase in the 911 surcharge and the transfer of funds from the Budget Stabilization Reserve to the General Fund in the amount of $34.3 million. This category increased dramatically in FY2022 and FY2023 with the infusion of ARPA funds totaling $250 million and $335 million, respectively.

For FY2024, the Plan projects this revenue source to increase to $458.8 million from an estimated $394.6 million in FY2023. The increase is due primarily to the projected drawdown of $390.8 million in ARPA funds. The Plan projects the allocation of the remaining $449.4 million in ARPA funds as part of the City's FY2025 budget. As stated above, these critical federal relief funds enabled the City to present a balanced budget despite the pandemic's toll on City revenues.

General Fund Obligations Projections



FY2024 Projected: **$6.195 Billion**
Change from FY2023: **$138.1 million / 2.3%**
Annual Growth FY2024-FY2028: **0.9%**

Agency Functions: **55.2%**
Employee Benefits: **26.8%**
Other Obligations: **18.0%**

The Plan projects General Fund obligations to increase from $6.195 billion in FY2024 to $6.407 billion in FY2028, an increase of $211.6 million, or 3.4 percent, at an average annual increase of 0.9 percent. The first year of the Plan experiences the largest increase of $138.1 million, or 2.3 percent, while the subsequent four years of the Plan experience growth at a much slower pace.

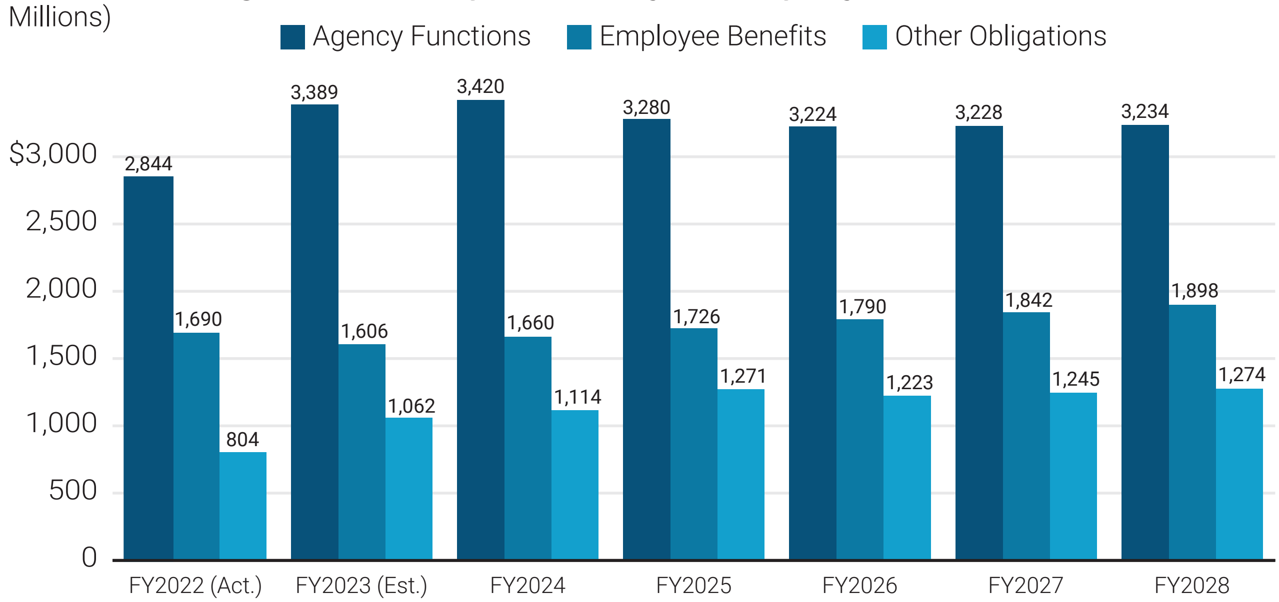
In FY2023, General Fund obligations exceeded $6 billion for the first time, after surpassing $5 billion just three years earlier in FY2020. Obligations rose dramatically from FY2022 to FY2023, climbing $718.7 million, or 13.5 percent, in a single year.

General Fund obligations are comprised of three major categories: Agency Functions, Employee Benefits, and Other Obligations (see Table 4.1 for a list of agencies and obligations included in each function and category). Agencies such as the Water Department and Airport, which are funded entirely by their own dedicated funds, are not included in PICA's analysis.

Some agencies are under the jurisdiction of the Mayor, such as the Managing Director's Office (MDO) and the Chief Administrative Officer, while others are led by independently elected officials, such as the Sheriff and the Register of Wills. All

Figure 2.2: Projected Obligations by Category

($ in Millions)



agencies in the Agency Function category have at least some employees paid through General Fund appropriations, and most have other direct General Fund expenditures for contracted services, materials, and supplies. All of these costs are included in Agency Functions.

Employee Benefits is comprised of various payments into the Pension Fund, contributions to employee health and welfare benefits such as the City health and medical plans, and other benefits such as unemployment compensation, worker's compensation, and Social Security (FICA).

Finally, the Other Obligations category includes General Fund contributions to various non-City and quasi-government entities such as the School District of Philadelphia, Community College of Philadelphia, the Pennsylvania Convention Center, SEPTA, and the Philadelphia Museum of Art. Non-departmental line items are also included, such as debt service payments, indemnities, legal services, and support for the Defender Association of Philadelphia, as are certain costs such as fees for space rentals and utilities.

Beginning in FY2023, Other Obligations include contributions to the Housing Trust Fund (HTF), to which a payment of 0.5 percent of each year's General Fund appropriations was mandated by voters in a November 2021 ballot measure. Over the life of the Plan, HTF contributions total $155.3 million for affordable housing.

The City's reserve funds are also included in the Other Obligations category. Examples include a Provision for Future Labor Obligations, in the amount of $394.8 million, for increased contract costs in the fiscal years following the expiration of current labor contracts (see Section III discussion, "Future Labor Costs").

The Recession and Inflation Reserve sets aside funds in response to current inflationary pressures and to support the City's revenues in case of a recession. The Plan includes funds for the Recession and Inflation Reserve in each year of the Plan, totaling $144 million.

The Budget Stabilization Reserve (BSR) is a rainy-day fund established in 2011 through a Council-proposed and voter-approved Home Rule Charter change. From 2011 to 2023, the City was required to reserve 0.75 percent of unrestricted local General Fund revenue when the projected fund balance for the coming fiscal year reached three percent or more of General Fund appropriations. While this approach earned praise from credit rating agencies, it resulted in only one contribution to the BSR of $34.3 million. In 2023, new legislation was passed by City Council and approved by voters to update the guidelines for BSR contributions with the goal of making them a more regular occurrence.

The new approach more clearly defines which fund balance projection is used to determine whether a BSR deposit is mandatory for a coming fiscal year, relying on the year-end General Fund balance projected at the end of the second quarter of the fiscal year to better align with the City's budget process. More substantially, updates to the Home Rule Charter mandate increased contributions when projected year-end fund balances reach certain thresholds. When projected year-end fund balances are equivalent to less than three percent of unrestricted local General Fund revenue, no contribution to the BSR is required. When projected fund balances are between three and five percent of unrestricted General Fund revenue, a contribution equal to 0.75 percent of unrestricted General Fund revenue is required. A contribution equal to one percent of unrestricted General Fund revenue is required when the projected year-end General Fund balance is between five and eight percent of unrestricted General Fund revenue. Finally, should the projected year-end fund balance exceed eight percent of unrestricted General Fund revenue, everything over the eight percent threshold and up to 17.0 percent would be deposited into the BSR.

The BSR is intended to help the City avoid budget cuts, service cuts, and tax increases in the case of an economic downturn or other fiscal emergency. As such, the BSR ordinance includes certain emergency stipulations for drawing from the fund. The City made its first-ever contribution of $34.3 million to the BSR in the FY2020 budget. That reserve was spent down the very next year to help the City weather additional expenses and declining revenues resulting from the COVID-19 pandemic. An additional contribution of $65.1 million was made in FY2023. Although the updated BSR ordinance will not technically take effect until the FY2025 budget process, the City voluntarily adopted the new guidelines for the FY2024 budget and the FY2024-2028 Five-Year Plan. The City projects a contribution to the BSR in the first three years of the Plan, totaling $222.2 million (see Section III discussion, "Budget Stabilization Reserve").

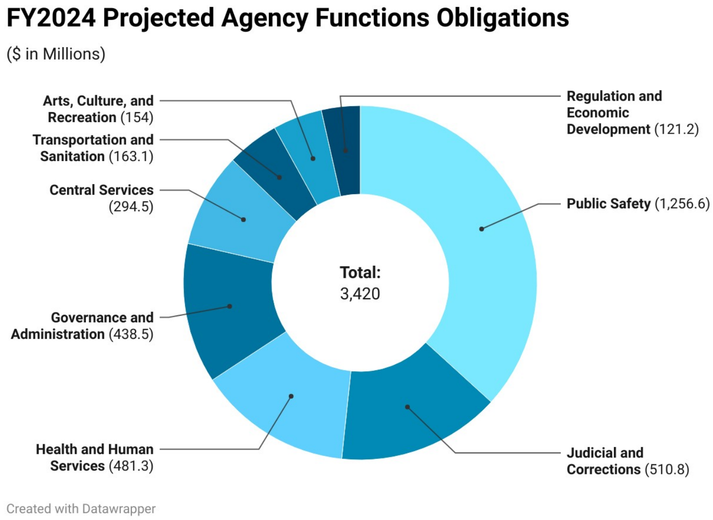
It should be noted that each of these reserves was created and funded as a result of PICA's advocacy and subsequent implementation by the City. Such reserves are considered best practices for fiscally sound budgeting, and the City's commitment to funding reserves will ensure future financial stability.

Table 2.7: General Fund Obligations ($ in Millions)[1]

Obligations Category	Actual FY2022	Estimate FY2023	Projected FY2024	FY2025	FY2026	FY2027	FY2028
Agency Functions[2]							
Public Safety	1,145.0	1,195.5	1,256.6	1,246.6	1,224.7	1,224.9	1,225.3
Judicial and Corrections	418.9	486.6	510.8	510.6	506.1	506.8	507.5
Health and Human Services	406.8	448.3	481.3	468.5	476.1	476.0	476.0
Regulation and Economic Development	73.8	109.2	121.2	93.0	93.0	93.0	92.9
Arts, Culture, and Recreation	110.3	140.4	154.0	152.5	152.7	152.7	152.7
Transportation and Sanitation	189.7	216.7	163.1	156.1	158.4	160.9	163.4
Central Services	232.7	284.5	294.5	297.2	299.9	301.4	303.3
Governance and Administration	266.7	508.4	438.5	355.6	312.7	312.5	313.2
Total Agency Functions	**$2,844.0**	**$3,389.5**	**$3,420.2**	**$3,280.1**	**$3,223.6**	**$3,228.2**	**$3,234.4**
Employee Benefits							
Pensions[3]	1031.4	842.1	868.2	888.1	909.5	914.7	923.4
Health and Welfare[4]	496.5	579.5	593.9	627.4	657.0	689.8	724.2
Disability/Workers' Compensation	78.0	84.6	96.2	106.2	117.2	129.4	142.9
Social Security	81.9	95.2	98.2	99.9	101.7	103.4	103.4
Unemployment Compensation	2.3	4.5	4.5	4.5	4.5	4.5	4.5
Total Employee Benefits	**$1,690.0**	**$1,605.9**	**$1,661.0**	**$1,726.1**	**$1,789.9**	**$1,841.8**	**$1,898.4**
Other Obligations							
Sinking Fund (Debt Service)	284.5	308.8	324.2	358.5	381.1	397.3	419.4
School District Contribution	256.0	270.0	282.1	288.2	288.2	288.2	288.2
SEPTA Subsidy	91.2	100.7	109.6	113.9	118.8	124.0	129.1
Recession and Reopening Reserve	0.0	7.0	54.0	30.0	20.0	20.0	20.0
Indemnities[5]	2.6	71.5	49.2	49.2	49.2	49.2	49.2
Defender Association[6]	48.5	54.3	62.0	61.0	61.0	61.0	61.0
Other Legal Services	3.9	5.6	9.6	10.2	11.3	13.3	13.8
Community College Subsidy	48.1	65.2	51.0	51.0	51.0	51.0	51.0
Provision for Future Labor Obligations	0.0	0.0	13.4	55.4	84.4	121.4	120.4
Budget Stabilization Reserve Fund	0.0	65.1	42.3	138.0	41.9	0.0	0.0
Housing Trust Fund	0.0	29.1	30.6	30.5	30.8	31.4	31.9
Utilities	24.8	33.0	31.2	28.7	28.0	29.0	29.9
Space Rentals	27.4	34.1	37.4	38.7	40.1	41.7	43.0
PA Convention Center Subsidy	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Art Museum Contribution	2.0	2.0	2.1	2.1	2.1	2.1	2.1
Miscellaneous[7]	0.4	0.6	0.6	0.5	0.5	0.5	0.5
Total Other Obligations	**$804.4**	**$1,061.9**	**$1114.2**	**$1,270.8**	**$1,223.4**	**$1,245.0**	**$1,274.4**
Total General Fund Obligations	**$5,338.5**	**$6,057.3**	**$6,195.4**	**$6,277.1**	**$6,236.9**	**$6,315.0**	**$6,407.2**

[1] All figures rounded for readability.
[2] See Table 4.1 for definitions of Agency Functions.
[3] Includes pension fund payments, debt service on pension obligation bonds, and pension relief payments from the sales tax.
[4] Includes Health and Medical, Group Life and Legal, Tool Allowance, and Flex Cash payments.
[5] Indemnity costs included in Other Obligations rather than Agency Functions.
[6] Prior staff reports showed Legal Services totals, which included the Defender Association, Community Legal Services, Support Center for Child Advocates, and Accelerated Misdemeanor Program. To allow for comparison with FY2024-2028 Five-Year Plan, Defender Association has been separated into its own category, resulting in other Legal Services obligation amounts that differ from past reports.
[7] Includes refunds, witness fees, Hero Awards, and Mayor's scholarships.

General Fund Obligations Projections: Agency Functions



FY2024 Projected:
$3.420 Billion

Change from FY2023:
$30.7 Million / 0.9%

Annual Growth FY2024-FY2028:
-1.4%

PICA categorizes City departments into Agency Functions based on its own methodology in order to classify the City's spending priorities. Public Safety is perennially the highest-spending category. It includes the Police and Fire Departments, whose combined obligations are projected at $1.256 billion in FY2024, representing 36.7 percent of Agency Functions and 20.3 percent of total General Fund obligations. Public Safety costs are projected to decrease by $31.3 million, or 2.5 percent, over the life of the Plan.

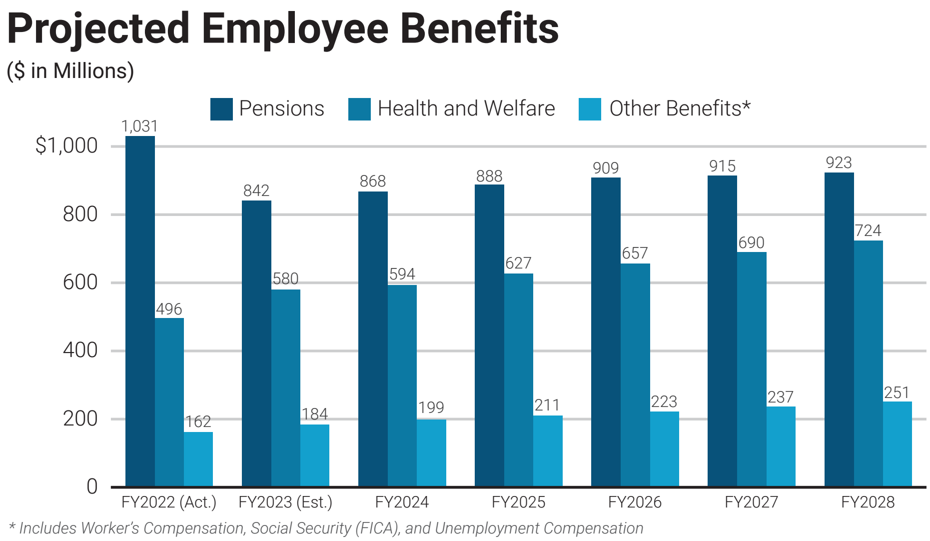
Judicial and Corrections is the next largest function. With $510.8 million in projected obligations in FY2024, representing 14.9 percent of Agency Functions and 8.2 percent of total obligations. Judicial and Corrections obligations are expected to decrease by $3.3 million, or 0.6 percent, over the life of the Plan.

Of the six remaining Agency Functions, two are projected to increase obligations over the life of the Plan: Central Services by $8.7 million or 3.0 percent, and Transportation and Sanitation by $248,288 or 0.2 percent. The remaining four Agency Functions are projected to decrease spending over the life of the Plan: Governance and Administration by $125.3 million, or 28.6 percent; Regulation and Economic Development by $28.3 million, or 23.4 percent; Health and Human Services by $5.2 million, or 1.1 percent; and Arts, Culture, and Recreation by $1.3 million, or 0.8 percent. See Table 2.7 for a detailed list of projected obligations for Agency Functions.

The Plan projects a net decrease in Agency Function obligations of $185.8 million, or 5.4 percent. This decrease is concerning because year-over-year reductions in departmental spending are rare, except in the case of stringent budget cuts. The Regulation and Economic Development and the Governance and Administration functions are projected to decrease by 23.4 percent and 28.6 percent, respectively. Except in the case of dire economic conditions, decreases of this magnitude are likely unrealistic.

Some of the largest decreases projected for departments over the Five-Year Plan period are the MDO ($85.1 million; 47.9 percent), Police ($29.2 million; 3.4 percent), and Finance ($22.3 million; 42.4 percent). While each of these departments will use ARPA and other outside funding for enhanced programming in FY2024, public officials and stakeholders can be hesitant to cut funding to programs once they are in place, potentially adding additional fiscal pressure after such funding has run out – especially in years when the risk of a recession is high (see Section III, "Speculative Revenues and Obligations").

General Fund Obligations Projections: Employee Benefits



FY2024 Projected:
$1.661 Billion

Change from FY2023:
$55.1 Million / 3.4%

Annual Growth FY2024-FY2028:
3.6%

Employee Benefits obligations are projected to increase by $237.4 million, or 14.3 percent, over the life of the Plan. FY2024 benefit costs are projected at $1.661 billion, an increase of $55.1 million, or 3.4 percent over FY2023, representing 26.8 percent of total General Fund obligations.

The largest Employee Benefits obligation category is pensions, which is projected at $868.2 million in FY2024, representing more than half of employee benefit costs at 52.3 percent, and 14.0 percent of total obligations. Pension costs are projected to increase by $55.2 million over the life of the Plan, or 6.4 percent, at an average annual increase of 1.6 percent and a total cost of $4.504 billion (see Section III and Section V discussions, "Pension Funding" and "Pension Funding Status").

The second largest component of the City's employee benefit costs are employee health and welfare costs, which include contributions to the City's health plans, group life insurance and legal services, tool allowances, and flex cash payments for active and retired workers. Employee health and welfare benefits are provided under various plans covering members of the major municipal unions (see Table 3.1 for a list of the City's bargaining units) and a City-administered plan that covers non-represented, exempt, and unionized workers who opt out of the union plans.

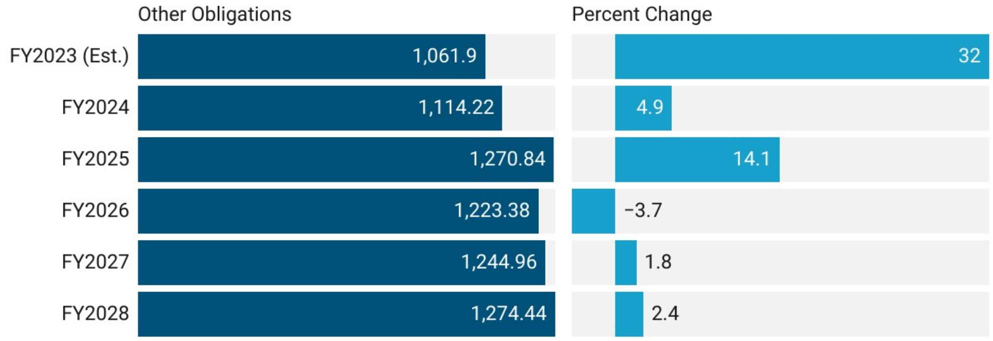
Health and welfare benefit costs are projected at $593.9 million in FY2024, representing 35.8 percent of employee benefits and 9.6 percent of total obligations. Funding for the employee health plan comprises $576.7 million or 97.1 percent of all health and welfare benefit costs. These costs are projected to increase to $724.2 million by FY2028, an increase of $130.2 million, or 21.9 percent, at an average annual increase of 5.5 percent. These costs are projected to total $3.292 billion over the life of the Plan.

Other Benefits, which include unemployment compensation, employee disability, and social security, are the final component of the Employee Benefits category. These benefits make up a relatively small portion of the City's employee benefits package. Costs are projected at $198.9 million in FY2024 and are projected to increase to $250.7 million in FY2028, an increase of $51.8 million, or 26.1 percent, increasing at an annual rate of 6.5 percent.

General Fund Obligations Projections: Other Obligations

Projected Other Obligations with Percent Change

($ in Millions)



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FY2024 Projected:
$1.114 Billion

Change from FY2022:
$52.3 Million /4.9%

Annual Growth FY2024-FY2028:
3.6%

Other Obligations include: Sinking Fund Commission, Art Museum Subsidy, Convention Center Subsidy, Community College Subsidy, SEPTA Subsidy, School District Contribution, Indemnities, Space Rentals, Utilities, Defender Association, Budget Stabilization Reserve, Provision for Future Labor Negotiations, Housing Trust Fund, Recession & Inflation Reserve, Refunds, Witness Fees, Hero Awards, Mayor's Scholarships

As discussed previously, the Other Obligations category includes City funding for various quasi-public entities, debt service payments, indemnities, the Defender Association, BSR contributions, provisions for future labor agreements, recession and inflation reserves, HTF contributions, and other miscellaneous line items including space rentals, utility payments, and other legal services. See Table 2.7 for a full listing of other obligations.

The City's debt service payment is the highest-cost and fastest-growing component in the Other Obligations category, projected to increase by $95.2 million, or 29.4 percent over the life of the Plan, at an average annual rate of 7.3 percent. In FY2024, the City projects debt service at $324.2 million, representing 29.1 percent of Other Obligations and 5.2 percent of total obligations. Debt service costs are projected to rise to $419.3 million in FY2028, totaling $1.880 billion over the life of the Plan.

The next highest component of the City's other obligations is the contribution to the School District of Philadelphia (SDP). While this contribution saw some considerable year-over-year increases in the years following the school district's return to local control in FY2018, it has begun to level off over the life of the current Plan, increasing by just $12.1 million, or 4.5 percent from FY2023 to FY2024. The contribution for FY2024 is projected to be $282.1 million. The contribution is projected to rise to $288.2 million in FY2028, for a total of $1.435 billion over the life of the Plan. Additionally, SDP will receive $1.1 billion in federal ARPA relief funding through September 2024 (see Section III discussion, "School District of Philadelphia").

Aside from the various reserves – discussed previously in this section – only the City's contribution to SEPTA (which is formula-driven) and expenses for space rentals are projected to increase by notable amounts. The contribution to SEPTA is projected to increase by $8.8 million, or 8.8 percent in FY2024, increasing from $109.6 million in FY2024 to $129.1 million in FY2028, for a total cost of $595.3 million over the life of the Plan. Space rentals are projected to increase by $3.3 million, or 9.7 percent, from FY2023 to FY2024, increasing from $37.4 million in FY2024 to $43.0 million in FY2028, for a total cost of $200.9 million over the Plan period.

Spending on Other Obligations exceeded one billion dollars for the first time in FY2023, after having increased by $257.5 million from FY2022 – another indication of the City's fast-rising costs. In total, Other Obligations are projected to increase by $160.2 million, or 14.4 percent over the life of the Plan, rising to $1.274 billion in FY2028.

III. Risks to the Plan

III. Risks to the Plan

Key Risks

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 provides adequate assurance that the City will continue to maintain financial stability, most notably exhibited through positive fund balances. Reasonable assumptions and methods of estimation, in addition to other budget balancing measures, ensure a positive General Fund balance each fiscal year over the Plan period.

The discussion below focuses on key risks to the Plan and its projections. They include: economic growth, the impact of crime and gun violence, fund balance, future labor costs, pension funding, and overtime costs. Other financial concerns, which are worth noting but are not considered by PICA as key risks to the Plan, are also listed in the latter part of this section.

PICA recommends approval of the FY2024 -FY2028 Plan as currently proposed. Any significant deviation from projected revenues, obligations or fund balance, as appropriately deemed as a variance by PICA will require a revision to the Plan in accordance with the PICA Act and the Intergovernmental Cooperation Agreement.

Economic Growth

A significant risk to any Five-Year Plan is the possibility that slower than projected economic growth could result in actual tax revenues below Plan projections.

At the beginning of the COVID-19 pandemic, the U.S. economy entered a brief but intense recession. The combined impact of nearly overwhelmed hospitals, the shutdown of in-person work and activities to slow the spread of the virus, and a massive spike in unemployment had a catastrophic impact on City finances.

Philadelphia's recovery from the pandemic recession has been notable. In the aftermath of prior recessions, Philadelphia has tended to recover lost employment and income at a much slower rate than the nation and the region. This time, however, despite an initial lag, Philadelphia's recovery has kept pace with the nation and region, reaching 100% of pre-pandemic employment levels just a few months after similar benchmarks were met nationally and regionally. By April of 2023, Philadelphia employment surpassed pre-pandemic highs.[1]

Currently, the biggest potential headwind to economic growth is stubborn inflation. Between May of 2020 and May of 2023, the Consumer Price Index for All Urban Consumers (CPI-U) has increased by about 15.7 percent.[2] After surging 14.5 percent between March of 2020 and March of 2022, the Federal Reserve issued the first of ten consecutive hikes to the federal funds rate with the intention of slowing the economy and reducing the rate of inflation. Between March 16, 2022 and May 3, 2023 the federal funds rate was increased from a target limit of 0.25 percent to 5.25 percent.[3]

[1] Center City District, "Shaping the Future we Want," June 2023: https://www.centercityphila.org/uploads/attachments/clj4r082g8gr70vqd2stlgxt1-economic-recovery-june-23-web.pdf.
[2] U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers: All Items in Philadelphia-Camden-Wilmington, PA-NJ-DE-MD (CBSA):" https://fred.stlouisfed.org/series/CUURA102SA0.
[3] Board of Governors of the Federal Reserve System (US), "Federal Funds Target Range - Upper Limit [DFEDTARU]:" https://fred.stlouisfed.org/series/DFEDTARU.

Despite these rate increases, inflation persists above the 2.0 percent annual rate targeted by the Federal Reserve. In its efforts to get inflation under control, there is a risk that the Federal Reserve may fail to achieve a "smooth landing," and instead slow the economy more than desired and push it into a recession.

Inflation and interest rate hikes are not the only threat to continued economic growth as projected in the Five-Year Plan. It is expected that the resumption of student loan payments, which have been paused since the spring of 2020, will drive down consumer spending from the second half of 2023 onward.[4] Additionally, while most large U.S. cities saw pandemic-related population declines slow or reverse in 2022, Philadelphia was the only city that saw continued and accelerated population loss.[5] Should this trend continue, its impact on the City's largest revenue source will be a significant risk to economic growth as projected in the Plan.

Overall, the current Plan assumes General Fund tax revenue decline of approximately 0.6 percent in FY2024. This decline is primarily due to the transfer of parking and valet tax revenue out of the General Fund and into the newly created Transportation Fund. Setting aside parking revenue, General Fund tax revenue is projected to increase by 1.9 percent in FY2024, with increases between 2.9 percent and 4.2 percent in the remaining years of the Plan. While the City's tax revenue projections for the Plan are reasonable, PICA's economic consultant projects slightly lower total tax revenue than the City over the Plan period.[6]

PICA's consultant's forecasts for real estate and wage tax revenue were very slightly lower than the City's estimates over the five-year period. The forecasts for BIRT and the real estate transfer tax were somewhat lower than the City's forecast. Partially offsetting these lower amounts were the consultant's slightly higher projections for sales and beverage tax revenues.[7]

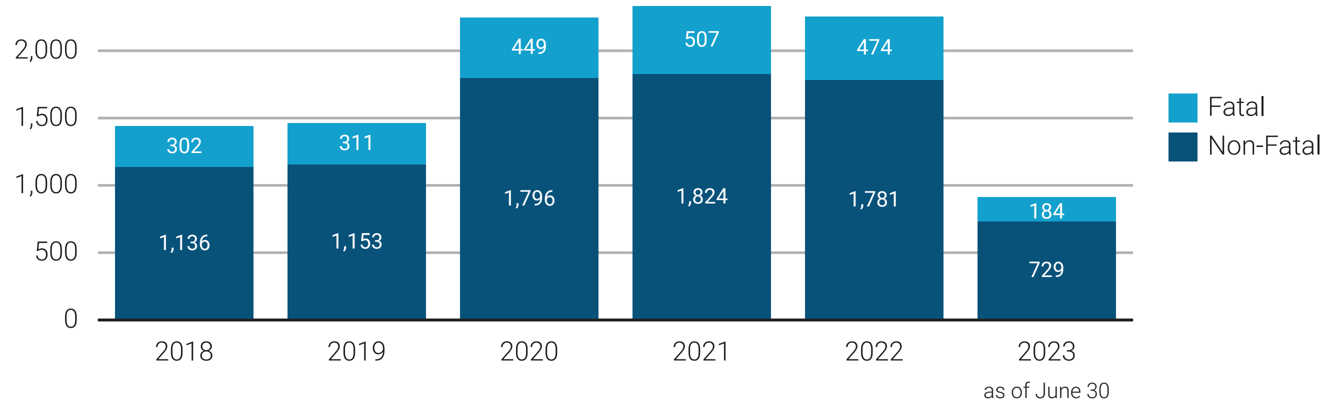
Impact of Gun Violence and Property Crime

Gun violence in Philadelphia is considered a significant risk to the Plan, as it jeopardizes the future viability and fiscal stability of the City. As Figure 3.1 illustrates, gun violence has spiked compared to levels recorded just five years ago. Shooting deaths have been on the rise, peaking at 507 in 2021 and remaining high at 474 deaths in 2022. Non-fatal shootings totaled 1,824 and 1,781 victims, respectively, in 2021 and 2022.[8] Fortunately, 2023 has seen the lowest rates of gun violence since 2019 and overall violent crime offenses are down 8.4 percent.[9] As of the end of FY2023, there have been 184 fatal shootings and

[4] Zandi, "The end of the student loan payment moratorium comes at a tough time for the economy," June 23, 2023: https://www.inquirer.com/economy/student-loan-payment-moratorium-end-interest-rates-inflation-recession-risk-20230623.html.
[5] Conde and Duchneskie, "Most large U.S. cities reversed or slowed pandemic population drops. But not Philly," May 19, 2023: https://www.inquirer.com/news/philadelphia/philadelphia-population-census-data-us-cities-pandemic-20230519.html.

[6] Swanson, "Discussion of Tax Revenue Estimates"
[7] Swanson, "Discussion of Tax Revenue Estimates"
[8] Philadelphia Center for Gun Violence Reporting, "Philadelphia Shooting Victims Dashboard:" https://www.pcgvr.org/philadelphia-shooting-victims-dashboard/.
[9] Philadelphia Police Department, "Major Crimes as reported to PPD CITYWIDE 2023 27 (06/26/2023 to 07/02/2023):" https://drive.google.com/drive/folders/1NnwLSzGtjKhtr3nF68fLMKEkyebylIbN.

Figure 3.1: Philadelphia Shooting Victims



729 nonfatal shootings, totaling 913 victims, an approximate 22.0 percent decrease from this time last year. Overall, the City has experienced 212 homicides so far in 2023, a 19 percent decrease from 2022.[10] Still, these numbers remain high as Philadelphia's rate of 33.6 gun deaths per 100,000 people is well above the national per capita rate of 14.6 deaths.[11]

While the human cost of shootings is especially concerning to PICA, there is an indirect economic cost to increased levels of gun violence with the potential to stress City revenues. These costs include reductions of economic activity and tax revenue for the City.[12] For instance, the indirect cost of crime is the result of decisions people make to avoid being the victims of crime, such as residents staying home more or deciding to move out of the City to escape violence, non-residents deciding to work outside the City, and suburbanites choosing their dining, shopping and entertainment closer to home. Seventy percent of Philadelphians view crime, drugs, and public safety as the top issue the City faces and 50 percent say that gun violence has had major negative impacts on their quality of life.[13]

City revenues will be adversely affected should businesses leave Philadelphia, commuters hesitate to return to in-person jobs, and residents leave their homes less or move elsewhere entirely due to the threat of violence. Specifically, such commercial losses could negatively affect revenues from BIRT, and wage taxes, and may result in the loss of jobs. The threat of gun violence could deter tourists and residents of the surrounding regions from visiting Philadelphia and contributing to a host of categories, such as parking and amusement taxes.

An Urban Institute study linking gun homicides and economic activity found that, in Oakland, each additional homicide resulted in five fewer job opportunities the following year; in Minneapolis, one less homicide per census tract created 80 jobs along with $9.4 million in sales the following year; and in Washington, DC, each additional homicide was associated with two fewer retail and service businesses in the following year. These statistics show the resultant potential loss of tax revenue, specifically wage tax revenue, as a serious financial concern for Philadelphia.[14]

In addition, gun violence has an impact on property taxes. According to a study conducted by the Office of the City Controller of Philadelphia in 2019, "a single homicide lowers sales prices by 2.3 percent in the immediate neighborhood, therefore, a reduction of one homicide will lead to a corresponding 2.3 percent increase of sales prices in the immediate neighborhood." Therefore, homicides reduced by 10 percent in a single year translates to an approximate $13.0 million increase in property tax revenue.[15]

[10] Office of the Controller, "Mapping Philadelphia's Gun Violence Crisis:" https://controller.phila.gov/philadelphia-audits/mapping-gun-violence/#/?year=2023&map=11.00%2F39.98500%2F-75.15000.

[11] Big Cities Health Coalition, "The Big Cities Health Inventory Data Platform:" https://bigcitieshealthdata.org/; Pew Research Center, "U.S. Saw Record Numbers of Gun Suicides and Gun Murders in 2021," April 24, 2023: https://www.pewresearch.org/short-reads/2023/04/26/what-the-data-says-about-gun-deaths-in-the-u-s/ft_23-04-20_gundeathsupdate_2/.

[12] Swanson, "Discussion of Tax Revenue Estimates."

[13] Haider, "Pew Poll: Gun Violence, COVID-19 Have Hit Philadelphians Hard," April 6, 2022: https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/04/pew-poll-gun-violence-covid19-have-hit-philadelphians-hard; Rushing and File, "Gun violence can effect every part of Philly life. Here's how residents suggest solving it," March 20, 2023: https://www.inquirer.com/news/gun-violence-philadelphia-solutions-voters-lenfest-poll-20230320.html.

[14] Urban Institute, "Is Gun Violence Stunting Business Growth?," November 3, 2016: https://www.urban.org/features/gun-violence-stunting-business-growth.

[15] Office of the Philadelphia City Controller, "Report on the Economic Impact of Homicides," October 23, 2019: https://controller.phila.gov/wp-content/uploads/2019/10/report_on_gun_violence.pdf.

According to PICA's economic consultant, these risk-avoidance behaviors have the potential to reduce annual revenues by $50 to $200 million when only the wage tax is considered.[16] With current economic uncertainty, fund balances in the Plan already below GFOA recommendations, and the expiration of the ARPA funds, the City cannot afford the potential revenue losses resulting from ongoing high levels of gun violence, making it a risk to the Five-Year Plan.

In addition to the risk that gun violence and violent crime pose to the Plan, PICA staff has chosen to include property crime as a risk. In a departmental meeting with PICA staff, the Department of Commerce emphasized the challenges businesses face in dealing with retail theft, burglaries, and other types of property crime. According to the Philadelphia Police Department, property crime offenses have increased as of July 2, 2023 by 24.3 percent when compared with this time last year.[17] Retail theft and stolen vehicles represent the majority of this increase. This rise in property crime represents a risk to the Plan as it drives up the cost of conducting business in the City while also contributing to a lack of safety for residents and consumers. Businesses and individuals alike may decide to move elsewhere if rising property crime is viewed as too costly.

In an effort to mitigate issues of public safety, the FY2024 budget includes over four million dollars for antiviolence security camera installation programs spread between Commerce, Parks and Recreation, and Police. The Managing Director's Office (MDO) and Police have also secured additional funding and grants for Police staffing and recruitment in FY2024.

The City has also provided $13.5 million in funding to the Community Expansion Grant (CEG) Antiviolence Initiative, a program that provides grants to "community-based leaders and organizations with prior experience delivering quality, culturally relevant services and with some infrastructure in place or in development."[18]

The participating organizations offer a variety of mentoring, workforce development, and human services for "Black and Brown boys and men between the ages of 16 and 34...to offer alternatives to engaging in violent behavior."[19] An evaluation of the CEG Antiviolence Initiative's pilot first year found that participants had positive experiences with their programs and reported gaining social and emotional skills, learning about job skills or receiving job training, learning project management skills, and obtaining a job or internship through the program. The funding provided by the City has enabled these community-based organizations to expand recruitment and program participation.

Fund Balance

One of the most important measures of the City's financial health is its fund balance. Maintaining a healthy and robust fund balance can safeguard the City from unforeseen contingencies and offers a level of financial flexibility through cash availability, favorable credit ratings, higher investment earnings, and lower interest costs.

As illustrated in Figure 3.2, year-end fund balances projected in the Plan are $528.7 million, $506.5 million, and $233.8 million in FY2024, FY2025, and FY2026, respectively. The fund balance declines to $96.8 million in FY2027 and $86.6 million in FY2028, dwindling in relation to total obligations and falling well below the Government Finance Officers Association's (GFOA) recommended 17 percent.

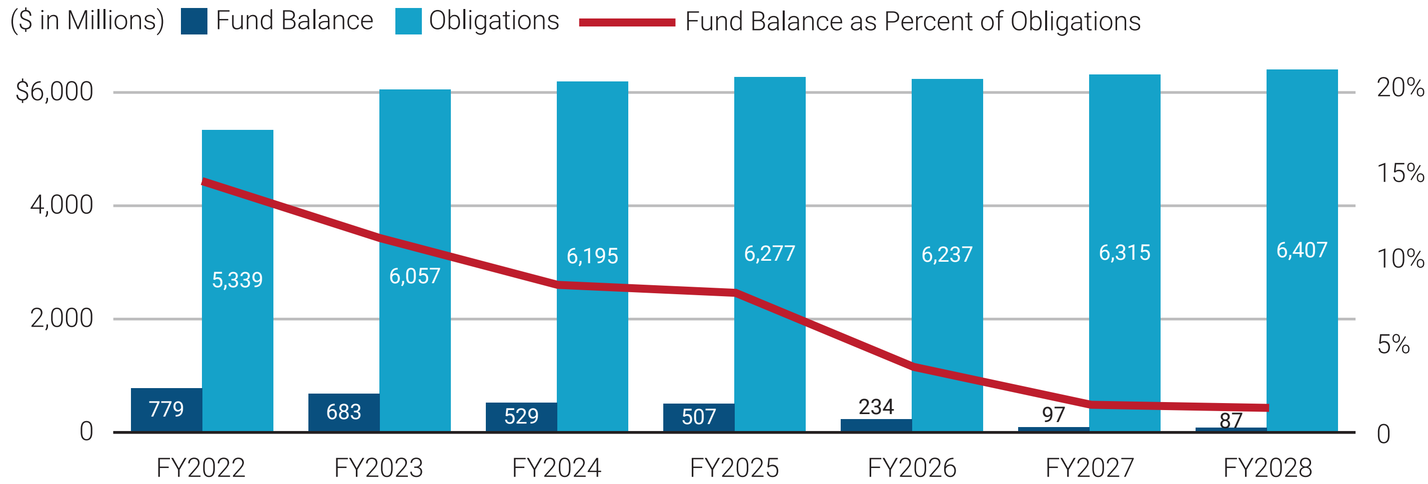
Projected year-end fund balances in all five years of the Plan are in compliance with the PICA Act provisions requiring positive fund balances. However, it is important to note that, once again, the positive fund balances are primarily a result of including the federal relief funds from the American Rescue Plan Act (ARPA) funds.

Though positive, the fund balances are relatively low when compared to projected obligations, especially with FY2025 as the last fiscal year that ARPA funds can be appropriated. For instance,

[16] Swanson, "Indirect costs of crime," July 15, 2022.
[17] Philadelphia Police Department, "Major Crimes as reported to PPD CITYWIDE 2023 27 (06/26/2023 to 07/02/2023):" https://drive.google.com/drive/folders/1NnwLSzGtjKhtr3nF68fLMKEkyebylIbN.
[18] City of Philadelphia, "Evaluation of the City of Philadelphia Community Expansion Grant (CEG) Antiviolence Initiative," May 31, 2023: https://www.phila.gov/media/20230629105827/Comprehensive-Report-Year-1-CEG-Evaluation.pdf, p. 8.

[19] City of Philadelphia, "Evaluation of the City of Philadelphia Community Expansion Grant (CEG) Antiviolence Initiative," May 31, 2023: https://www.phila.gov/media/20230629105827/Comprehensive-Report-Year-1-CEG-Evaluation.pdf, p. 9.

Figure 3.2: Projected Fund Balances with Percent of Obligations



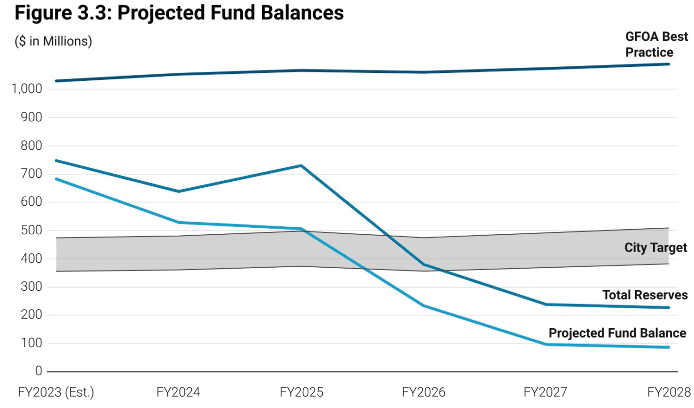
while the projected FY2024 and FY2025 fund balances represent 8.5 percent and 8.1 percent of obligations, respectively, the fund balance drops to 3.7 percent in FY2026 before bottoming out at 1.4 percent of obligations in FY2028. Excluding the ARPA funds, the annual fund balance projections and related percentages would decline even more significantly. For example, all else being equal, the FY2025 fund balance would be $79.3 million, or 1.3 percent of obligations, with deficits in the hundreds of millions of dollars in FY2026 through FY2028, indicating once again the City's heavy reliance on federal ARPA funds for its fiscal stability.

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."[20] For Philadelphia, this is equivalent to roughly 17 percent of General Fund obligations. In recognition of the GFOA guidance, the City has set an internal fund balance target of between six and eight percent of General Fund revenues. The projected fund balance for FY2024 is $528.7 million, which slightly exceeds the City's fund balance target. In order to reach the level recommended by the GFOA, the year-end fund balance would need to be $1.053 billion.

Along with the fund balances, the Five-Year Plan sets aside additional funds for the Budget Stabilization Reserve (BSR), totaling $222.2 million over the life of the Plan. If realized, and assuming no appropriations out of the reserve fund, alongside the $65.1 million contribution in FY2023, thse contributions would bring the BSR balance to $287.3 million in FY2028. The Plan also includes a Recession & Inflation Reserve, to make funds available in the case of an economic downturn and for costs related to the current inflationary conditions, comprised of $54.0 million in FY2024, $30.0 million in FY2025, and $20.0 million for the remaining three years of the Plan, for a total of $144.0 million. In addition, the Plan includes reserves for future labor costs as all current contracts are set to expire by June 30, 2024.

Figure 3.3 compares the City's projected fund balance for each year of the Plan to the GFOA

Figure 3.3: Projected Fund Balances



[20] Government Finance Officers Association, "Fund Balance Guidelines for the General Fund," September 30, 2015: https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund.

recommendation and the City's target fund balance. The figure illustrates projected fund balances along with the reserve targets in order to show a full picture of the funds set aside in this Plan. It also illustrates that total reserves are still well below both the GFOA recommended levels and, in the final three years of the Plan, the City's own target as well.

The City had made some progress in meeting its internal fund balance target prior to the pandemic. In FY2018 and FY2019, year-end fund balances were 8.4 percent and 9.2 percent of obligations, respectively. Fund balances fell to 5.8 percent and 6.3 percent of obligations in FY2020 and FY2021 as the City weathered the adverse economic effects of the pandemic. With the infusion of ARPA funds and, buoyed by stronger than expected revenue collections, the City's FY2022 year-end fund balance jumped to 14.6 percent of obligations or $779.1 million, bringing it within 2.5 percentage points of the GFOA recommendation.

Although the Plan projects relatively high fund balances in its early years, they still fall below the GFOA recommendation, as well as the City's own targets, in three out of the five years of this Plan. In addition, any unforeseen emergency or contingency, continued inflationary pressures, or a recession could have a detrimental effect on the City's fund balance. This risk is heightened in the later years of the Plan, FY2026-FY2028, when the ARPA funds will be depleted and expired.

Pension Funding

The latest Actuarial Valuation Report, with values as of July 1, 2022, states that the actuarial value of assets for the City's pension system was $7.176 billion, with an Unfunded Actuarial Liability (UAL) of $5.272 billion, resulting in a funding ratio of 57.6 percent. While the funded ratio has not been this high since 2008, it remains precariously low.

Pension system funding is based on the state mandated minimum contribution, known as the Minimum Municipal Obligation (MMO). Since FY2018, the City has committed additional funding to the pension system above the MMO. The updated funding policy, known as the Revenue Recognition Policy (RRP), adds sales tax revenue and increased member contributions above and beyond the MMO. Based on these higher contributions, and along with certain reforms and initiatives, the City anticipates a fully funded pension system by 2033 (see Section V discussion, "Pension Funding Status").

The total projected contributions according to the RRP range from $745.7 million in FY2024 to $769.0 million in FY2028. The Plan projects the General Fund portion of these contributions to be $637.5 million in FY2024, representing 10.3 percent of total General Fund obligations. The contribution increases every year and reaches $657.8 million in FY2028 for a projected total of over $3.262 billion over the life of the Plan.

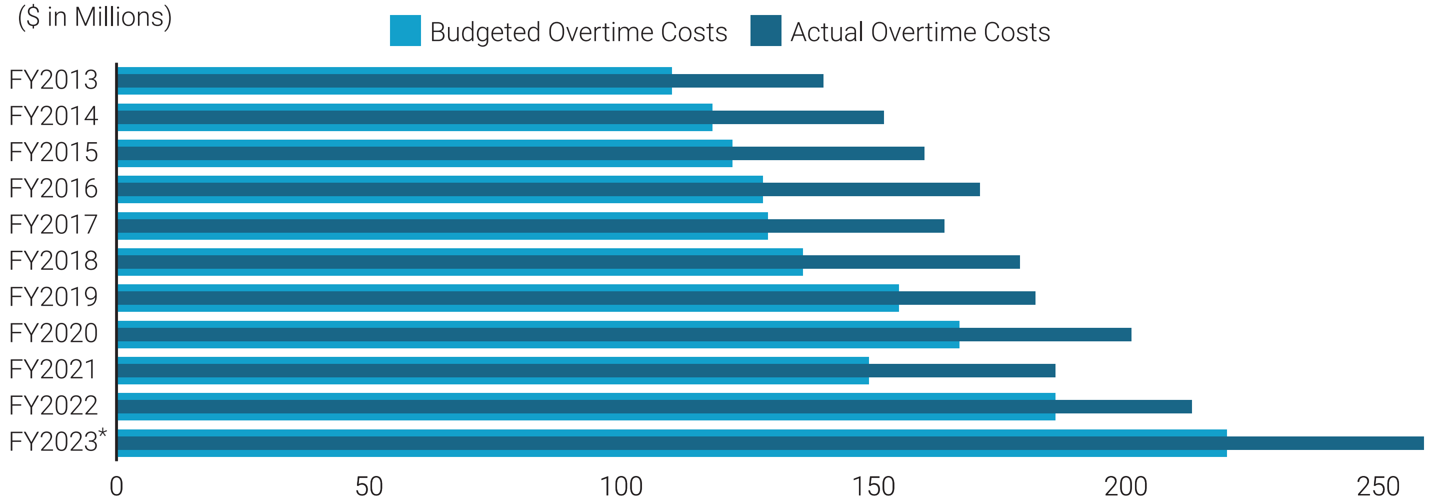
The City also pays debt service on pension obligation bonds. In fiscal year 2021, due to budgetary constraints and the need to reduce costs to alleviate the impact of the pandemic, the City refinanced the outstanding pension obligation bonds, resulting in a reduced bond obligation for FY2021 and FY2022 while increasing payments due in later years. As such, the Plan projects General Fund bond payments of $132.0 million in FY2024 through FY2026, and $133.0 million in FY2027 and FY2028.

The MMO and RPP contribution is calculated annually by the consulting actuary of the Board of Pensions and Retirement. The actuary's calculation is based on several key assumptions. If any of the assumptions are not met in any of the five years of this Plan, there is a potential risk of higher required annual contributions.

The major risk associated with the pension funding projections in any Five-Year Plan is the significant impact of investment performance and market conditions. This risk is heightened during this five-year period due to the current economic conditions and uncertainty caused by inflationary conditions impacting financial markets. The consensus among economic forecasts is pessimistic, with widespread projections of low or even negative economic growth in the coming months and years.[21]

21 Swanson, "Discussion of Tax Revenue Estimates"; Rubin and DeBarros, "Economists Turn More Pessimistic on Inflation," April 15, 2023: https://www.wsj.com/articles/economists-turn-more-pessimistic-on-inflation-ed2fd667

Figure 3.4: Budgeted vs Actual Overtime Costs



* FY2023 values are estimates

For instance, the investment return assumption for FY2022, the year of the most recently available Actuarial Valuation, was 7.45 percent net of fees. The market value return, as of the Actuarial Valuation for the year ending June 30, 2022, was -6.46 percent, which was lower than the assumed rate of return. The actuarial value return on assets was 7.68 percent, which reflects gains and losses extended over a ten-year period. This higher rate indicates that the pension fund has typically generated higher investment returns. As losses experienced in the year ending June 30, 2022 are incrementally recognized under the City's ten-year asset smoothing policy they will be amortized, leading to higher required contributions. Therefore, the investment loss experienced in FY2022, as well as losses in any future years of the Plan, will result in higher required contributions.

The actuarial amortization of investment gains and losses makes the projected return on investments, which is currently 7.40 percent, one of the most sensitive and significant actuarial assumptions. It should be noted that the Board of Pensions and Retirement has been lowering the assumed rate of return by 0.05 percent each year over the past decade, declining to 7.40 percent for FY2023, in order to better align assumed returns and market returns.

Furthermore, any wage increases for union or non-represented employees will increase the baseline of the pension benefit calculation. It should be noted that no new significant pension reforms were achieved in the few arbitration awards of FY2023. Perhaps most importantly, all credit rating agencies look to the municipal pension funding ratio as an indicator of a city's financial condition; thus, a low funding ratio could eventually impact the City's credit ratings, which would in turn drive up future borrowing costs.

Although the City has been successful in implementing pension reforms in recent years, any investment losses from a recession or volatile market conditions would exacerbate the existing pension liability. Therefore, annual payments could potentially increase at a time of economic hardship for the City, making pension funding a continued risk to the Plan.

Overtime Costs

Per the Quarterly City Manager's Report dated March 31, 2023, FY2023 General Fund overtime costs are projected to total $258.5 million, $43.5 million more than FY2022 and $38.7 million more than budgeted. This represents the twelfth consecutive year in which City departments exceeded their total annual overtime budget, as shown in Figure 3.4. Although overtime spending declined to $185.6 million in FY2021, it was an atypical year, as many City offices and facilities were closed and much programming was canceled or curtailed during the height of the COVID-19 pandemic. Thus, it appears that overtime costs are again on the rise, on pace with pre-pandemic totals.

Departments that are projected to exceed their FY2023 overtime allocations by more than one million dollars include:[22]

- Police Department: $26.1 million; 133.6 %
- Department of Prisons: $3.0 million; 109.5%
- Fire Department: $2.2 million; 103.1%
- Sheriff Department: $1.9 million; 165.5%
- Fleet Services: $1.6 million; 200%

The City cites understaffing as the main driver of increased overtime costs among all five departments.

Excessive City overtime spending was covered using Class 100 allocations that were unspent due to understaffing; however, this approach puts employee wellness and retention at risk. In a Five-Year Plan with fund balances below both the GFOA's recommended levels and, in some years, the City's own targets, excessive overtime spending could continue to threaten fund balance levels over the life of the Plan and divert much-needed funds from other City services. As a result, excessive overtime costs are a continued risk to the Plan.

Other Financial Concerns

The discussion below focuses on other financial concerns identified by PICA as impacting the City's financial future. They include: future labor costs, the Budget Stabilization Reserve, speculative revenues and obligations, employee health benefit costs, and School District of Philadelphia funding.

Future Labor Costs

As shown in Table 3.1, annual salary increases ranging from 2.5 percent to 3.50 percent were negotiated or awarded to each of the bargaining units. The Plan includes wage cost estimates for the current contracts and awards through their expiration at the end of FY2024.

In previous reports, PICA has advocated for the benefits of including reasonable assumptions regarding labor costs in the Plan as a positive step towards budgetary transparency. As such, the Plan includes a $394.8 million reserve for labor costs spread across each fiscal year, with $13.4 million in FY2024, $55.4 million in FY2025, $84.4 million in FY2026, $121.4 million in FY2027, and $120.4 million in FY2028. This reserve is less than the labor reserve included in the FY2023-27 Five-Year Plan, even though all current contracts expire at the end of FY2024. Underestimating future labor costs in the current inflationary environment has the potential to generate large unplanned expenditures.

Table 3.1: Terms of Current Labor Contracts by Bargaining Unit

Bargaining Unit[1] and Number of Employees	Term	Wage Provisions[2]
FOP — Police 5,547 employees	7/1/21 - 6/30/24	2.75% - 7/1/21 3.50% - 7/1/22 3.50% - 7/1/23
FOP — Sheriff 287 Employees	7/1/21 - 6/30/24	2.75% - 7/1/21 3.25% - 7/1/22 3.25% - 7/1/23
FOP - Register of Wills 34 Employees	7/1/21 - 6/30/24	2.50% - 7/1/21 3.25% - 7/1/22 3.25% - 7/1/23
IAFF — Fire and EMS 2,594 Employees	7/1/21 - 6/30/24	2.75% - 7/1/21 3.50% - 7/1/22 3.50% - 7/1/23
DC 33 4,560 Employees	7/1/21 - 6/30/24	2.50% - 7/1/21 3.25% - 7/1/22 3.25% - 7/1/23
DC 33 — Local 159[3] 1,193 Employees	7/1/21 - 6/30/24	2.75% - 7/1/21 3.25% - 7/1/22 3.25% - 7/1/23
DC 47 2,105 Employees	7/1/21 - 6/30/24	2.50% - 7/1/21 3.25% - 7/1/22 3.25% - 7/1/23
USW Local 286[4] 503 Employees	7/1/21 - 6/30/24	2.50% - 7/1/21 3.25% - 7/1/22 3.25% - 7/1/23

[1] Staffing as of November 27, 2022; full and part-time employees; General Fund; Non-represented (644) and exempt (2,848) employees are not in a bargaining unit
[2] Only provisions that affect the union pay plan are described; some unions received lump sum bonuses, but these provisions are not included
[3] Correctional Officers
[4] Court Employees

To assess the potential impact of future negotiated labor agreements, PICA calculates additional labor costs that might arise during the life of the Plan. As such, Table 3.2 shows the potential additional annual wage costs for each bargaining unit for FY2024 through FY2028 assuming a 3.0 percent increase in wages for each bargaining unit.[23]

As noted above, labor costs for FY2024 are

[22] Shown with amounts spent over budget and percentage of overtime budget spent in FY2023.

23 Swialek, "Inflation Cools Sharply in June, Good News for Consumers and the Fed," July, 12, 2023: https://www.nytimes.com/2023/07/12/business/inflation-economy-fed-rates.html

Table 3.2: Wage Risk by Bargaining Unit ($ in Millions)						
Estimated Wage Increase	Included in Plan	3.0%	3.0%	3.0%	3.0%	Plan Total
Bargaining Unit	FY2024	FY2025	FY2026	FY2027	FY2028	
FOP – Police	$ -	$16.3	$33.1	$50.4	$68.2	$168.0
FOP – Sheriff	-	0.6	1.2	1.9	2.5	6.2
FOP – Register of Wills	-	0.1	0.1	0.2	0.2	0.6
IAFF – Fire and EMS	-	7.2	14.6	22.3	30.2	74.3
DC 33	-	8.6	17.5	26.6	36.0	88.7
DC 47	-	4.8	9.7	14.7	20.0	49.2
USW Local 286	-	0.7	1.4	2.1	2.8	6.9
Bargaining Unit Totals	**$ -**	**$38.2**	**$77.6**	**$118.2**	**$160.0**	**$394.0**
Non-Represented	-	1.8	3.6	5.4	7.3	18.0
Exempt	-	6.6	13.3	20.2	27.4	67.5
Non-Bargaining Totals	**-**	**8.3**	**16.9**	**25.7**	**34.7**	**85.6**
Total	**$ -**	**$46.5**	**$94.5**	**$143.8**	**$194.7**	**$479.5**

Source: PICA estimates based on FY2024 salaries with the assumption that all bargaining units will receive 3% increases in FY2025, FY2026, FY2027, and FY2028 after current contracts/awards expire
Note: These figures do not constitute projection of future costs, rather, they are compiled based on existing data for analytical purposes

included in the Plan. PICA calculated potential wage costs for FY2025 through FY2028 for all bargaining units, as well as non-represented and exempt employees. Based on this analysis, PICA estimates that the annual potential wage increases would result in additional labor costs of $479.5 million over the life of the Plan, which is more than the current labor reserve. Table 3.3 presents the potential impact of the Plan's wage risk on the City's fund balance.

It should be noted that PICA's analysis only assumes an annual percent wage increase and does not account for any potential lump-sum payments that may be negotiated or arbitrated in future labor contracts. These potential wage increases do not constitute a projection, but are used solely for the purpose of this risk analysis.

Although the Plan includes a sizeable labor reserve, it does not mitigate the potential for large wage increases in the last four years of the Plan, could have a negative impact on the City's fund balances. Therefore, future labor costs remain a financial concern to the Plan. It should be noted that any future labor agreements or awards entered into by the City that increase General Fund costs beyond the labor reserve included in this Plan would require a revision. Accordingly, this revision would have to demonstrate the existence of sufficient funds to cover any additional costs.

Budget Stabilization Reserve

Budget Stabilization Reserve contributions are included in three of the five years of the Plan. Total projected contributions to the BSR over the Plan period are $222.2 million, with a $42.3 million

Table 3.3: Potential Impact of Wage Risk on Plan Fund Balance ($ in Millions)						
	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Provision for Future Labor Obligations	13.4	55.4	84.4	121.4	120.4	394.8
Estimated Wage Risk	0.0	46.5	94.5	143.8	194.7	479.5
Plan (Shortage)/Overage	13.4	8.8	(10.1)	(22.5)	(74.3)	(84.7)
Fund Balance as Projected in the Plan	528.7	506.5	233.8	96.8	86.6	
(Shortage)/Overage from FY2024		13.4	13.4	13.4	13.4	
(Shortage)/Overage from FY2025			8.8	8.8	8.8	
(Shortage)/Overage from FY2026				(10.1)	(10.1)	
(Shortage)/Overage from FY2027					(22.5)	
Potential Plan Fund Balance	**$542.0**	**$528.6**	**$245.9**	**$86.4**	**$1.8**	

Source: PICA estimates based on FY2024 salaries with the assumption that all bargaining units will receive 3% increases in FY2025, FY2026, FY2027, and FY2028 after current contracts/awards expire contribution in FY2024. This Plan marks the first time that BSR contributions will be made in consecutive years, with the FY2024 contribution being just the third contribution to the fund since its creation in 2011. The first-ever contribution to the BSR was made in FY2020 in the amount of $34.3 million. To combat the adverse financial impact brought on by the COVID-19 pandemic, that reserve was immediately utilized to meet operating expenses in FY2021. A second contribution totaling $65.1 million was made in FY2023.

From FY2011 through FY2024, the City is required to appropriate 0.75 percent of unrestricted local General Fund revenues to the reserve in each year that the projected General Fund balance for the upcoming fiscal year "equals or exceeds three percent (3%) of General Fund appropriations." Recent legislation, in conjunction with a ballot question that passed with 67.3 percent of the vote, has amended the Home Rule Charter to change the requirements for BSR contributions. The new approach more clearly defines which fund balance projection is used to determine whether a BSR deposit is mandatory for a coming fiscal year, relying on the year-end General Fund balance projected at the end of the second quarter of the fiscal year to better align with the City's budget process. More substantially, updates to the Home Rule Charter mandate increased contributions when projected year-end fund balances reach certain thresholds.

When projected year-end fund balances are equivalent to less than three percent of unrestricted local General Fund revenue, no contribution to the BSR is required. When projected fund balances are between three and five percent of unrestricted General Fund revenue, a contribution equal to 0.75 percent of unrestricted General Fund revenue is required. A contribution equal to one percent of unrestricted General Fund revenue is required when the projected year-end General Fund balance is between five and eight percent of unrestricted General Fund revenue. Finally, should the projected year-end fund balance exceed eight percent of unrestricted General Fund revenue, everything in the fund balance over the eight percent threshold would be deposited into the BSR.

In addition to contributions, any unencumbered balance remaining in the reserve from the prior year, as well as investment earnings generated by these funds, must be rolled over into the BSR for the upcoming year. Despite only officially becoming law with the FY2025 budget, the City has followed the new contribution requirements for all years of the current Plan period, including FY2024.

In previous plans where the City has projected contributions to the BSR, however, other contingencies have taken precedence. For example, the FY2015-FY2019 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, resulting in the City eliminating the projected BSR contribution to avoid drawing down the General Fund balance.

Similarly, in the FY2016-FY2020 Proposed Plan, the City projected another BSR contribution in the final fiscal year, amounting to $25.7 million; by the time the Plan was adopted by City Council, that planned contribution had risen to $26.0 million. However, in the following year, the FY2017-FY2021 Plan was submitted to PICA without a BSR contribution included.

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

These examples reflect financial priorities that have not ranked the BSR highly. The City took steps in the right direction in FY2023 by changing contribution guidelines and contributing to the BSR in line with the new voter-approved regulations a year before their legal implementation. This one time occurence, however, does not yet constitute a pattern. PICA remains concerned that an economic slowdown may result in foregone BSR contributions in future years of the Plan. Although PICA is hopeful the contributions will occur as projected in each year of this Plan, projected contributions in all but two previous plans were either deferred or eliminated altogether.

The risk to the Plan is that the BSR contributions may not be realized as projected. The economic impact of the pandemic highlighted the need for a rainy-day fund. PICA has long advocated for and will continue to stress the importance of this kind of contingency planning. Until the City increases fund balance levels to allow for consistent contributions to the BSR without the backstop of ARPA funds, the absence of or infrequent contributions to Philadelphia's rainy-day fund will continue to be a serious concern when considering future Five-Year Plans. Therefore, the City should ensure that the projected contributions are made, and that the City continues to adequately fund the BSR every year thereafter. Recent legislative changes should help.

Speculative Revenues and Obligations

The FY2024-FY2028 Plan includes some revenues that are particularly speculative in nature, that if not realized, could possibly jeopardize the Plan. These revenues appear overly optimistic and may serve to bolster the year-end fund balances artificially.

The PICA Act requires 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." It further states that 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. Locally generated non-tax revenue estimates should be based on "current or proposed rates, charges or fees, historical patterns and generally recognized econometric models." Further, "all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation."

Locally generated non-tax revenue (LGNT) is projected at $386.7 million in FY2024. Revenues collected by City agencies that account for a significant portion of this category are shown in Table 2.3. As in prior years, PICA noted several projections in LGNT that appear speculative.

Perhaps the largest structural change to the City's budget in this year's Plan is the transfer of parking tax revenue from the General Fund to the newly created Transportation Fund. While the Transportation Fund will also generate revenue from fines and fees, the parking tax is projected to be the primary revenue source for the fund. PICA's concern is that parking tax projections based on revenue growth generated by highly successful local sports teams and the return of large-scale events may be overly optimistic. Should projected parking tax revenue fail to materialize, General Fund contributions to the Transportation Fund may be necessary to support services borne by the Transportation Fund.

The Department of Public Property's sale of assets (City buildings) is particularly sensitive. This line item is projected to be $28.3 million in FY2024, $14.3 million in FY2025, $1.3 million in FY26 through FY2027, and jumps to $29.3 million in FY2028. It should be noted that actual sales proceeds in FY2021 and FY2022 were $29,000, and $10.3 million, respectively. In FY2023, it is estimated to only reach $50,000, illustrating the volatile nature of this line item. Past experience, however, demonstrates that these property sales are not always realized within the time frame specified, if at all.

In FY2024, the City is projecting a large increase to $6.0 million in Sheriff Fees and $5.2 million in Commission Fees, which are expected to remain stable throughout the life of the Plan. These projections reflect the highest level of collections attained pre-pandemic. According to the City, these projected increases are due to the expectation that activity will return to pre-pandemic levels in FY2024. However, we believe that such increased

projected revenues could be difficult to achieve as it will take some time before the Sheriff operations are back to full capacity. In addition, the City also projected these collection amounts for FY2023; however, Sheriff sales have yet to resume.

Payments for Patient Care fees collected by the Department of Public Health for citizens visiting the health centers are projected to increase from $33.6 million in FY2024 and $33.7 million in FY2025 to $54.1 million, $55.0 million, and $55.8 million in FY2026, FY2027 and FY2028, respectively. According to the City, the increase beginning in FY2026 reflects the anticipated opening of a new health center. Projecting revenues from an additional health center that has not been built may be somewhat optimistic.

If the above revenue projections are not realized, the total of speculative revenues could reach over $39.4 million in FY2024, $25.4 million in FY2025, $32.9 million in FY2026, $33.8 million in FY2027, and $62.7 million in FY2028, for a total of $194.3 million over the life of the Plan. The year-end fund balances will have to absorb such decreases in revenues if projections are not met. Therefore, these projected revenues are considered speculative and present a financial concern to the Plan.

In addition to the above optimistic revenues, certain obligation reductions within the Plan appear questionable. Obligations in the Managing Director's Office are projected to decline by $53.8 million, or 30.3 percent, between FY2024 and FY2025. This decrease is associated with the expiration of anti-violence funding implemented in prior fiscal years. Police Department obligations are projected to decrease by $7.4 million between FY2024 and FY2025, and $22.2 million between FY2025 and FY2026. These reductions are primarily due to the projected spend-down of pay-as-you-go capital funds for a new forensics lab and the expiration of recruitment and retention bonuses for department employees. As noted in Section II of this report, public officials and stakeholders can be hesitant to cut funding to departments and programs once in place, even when expenditures are budgeted as short-term or one-time expenses. This dynamic has the potential to create additional fiscal pressure in years with scheduled funding reductions.

Employee Health Benefit Costs

Health benefit costs for active and retired workers are estimated at $559.5 million for FY2023, even with the amount budgeted in last year's Five-Year Plan. This marks a vast improvement over last year's projections when the end-of-year estimate for FY2022 was $33.8 million more than budgeted.

According to the US Centers for Medicare and Medicaid Services, experts anticipate healthcare costs to increase by an average of 5.4 percent annually between 2022 and 2031, with health spending and medical prices growing by 5.0 and 3.3 percent, respectively, in 2024. Starting in 2025, healthcare costs are expected to increase at an accelerated rate of 5.6 percent, on average.[24] However, actuaries are predicting a deceleration in healthcare spending in the near and long-term.[25] Thus, it appears that experts are not in agreement as to an accurate forecast of healthcare costs in the coming years.

Complicating forecasting further, many Americans deferred preventative and elective healthcare during the height of the pandemic in FY2020 and FY2021, leading to a rise in health benefit utilization and causing continued increases in the demand for and cost of healthcare services. The long wait times caused by a backlog of medical treatment have been exacerbated by an ongoing medical workforce crisis.[26] Additionally, healthcare costs are tied to trends within the broader economy, which have proven difficult to predict as of late, with experts also disagreeing on the economic direction in which the United States is heading.

The City's health plan cost projections incorporate separate calculations for the union plans and the City-administered plan, which covers non-represented and exempt employees. DC33 is the only major union still in a monthly per-employee structure. The current DC33 contract expires in FY2024, and the Five-Year Plan does not project health cost increases for this union beyond the existing contract. The DC47, IAFF, FOP, and City-administered health plans are projected to grow at rates ranging from 5.4 to 8.8 percent annually, reflecting the City's assumption regarding medical costs growth for these self-insured plans. The City pays claims and administration costs rather than a fixed monthly fee per covered employee for self-insured plans. The Plan also accounts for various one-time payments, comprising a $1.5 million lump-sum payment to DC47, and $2.8 million and $4.5 million payments to IAFF and FOP retiree trusts, respectively.

The risk associated with any growth projection is that actual experience may differ from estimates. Since the City estimates FY2023 Health and Welfare costs at $559.5 million, or 9.2 percent of General Fund obligations, inaccurate projections for healthcare spending have the potential to result in considerable unexpected costs.

The City projects total FY2024 employee health benefit costs at $576.6 million, an increase of $17.2 million, or 3.1 percent. From FY2024 to FY2028, these costs are projected to further increase by 22.6 percent at an average annual increase of 5.6 percent and a total cost of $3.206 billion over the life of the Plan. Therefore, due to volatility and the difficulty of forecasting, healthcare costs continue to be a financial concern to the Plan.

School District of Philadelphia

One of the largest obligations in the Plan is the City's contribution to the School District of Philadelphia (SDP). The Plan increases the contribution from $270.0 million in FY2023 to $282.1 million in FY2024. Projected contributions increase in FY2025 to $288.2 million and stay level for the remainder of the Plan, for a total contribution of $1.435 billion.

This contribution is over and above the real estate tax, sales tax, use and occupancy tax, school income tax, and liquor by the drink tax that the City collects for the SDP. During the current mayoral administration, the school district has received $1.499 billion in contributions from the City since FY2016. Despite these increases in contributions, the school district remains one of the City's longstanding financial and funding challenges.

The ARPA appropriated over $1.1 billion to the school district from FY2021 through FY2024. According to SDP's Five-Year Plan, issued March 23, 2023, the ARPA funds are supporting students and learning recovery. These funds have made more favorable staff-to-student ratios possible. In FY2011, the total school-based staff- (teachers, counselors, student support, school climate staff, etc.) to-student ratio was one staff member for every 7.4 students. In FY2022, it was one staff

[24] Centers For Medicare & Medicaid Services, retrieved 07/04/2023: https://www.cms.gov/files/document/nhe-projections-forecast-summary.pdf.

[25] Gebreyes, Davis, Davis, Shukla, and Rush, "Breaking the cost curve: Deloitte predicts health spending as a percentage of GDP will decelerate over the next 20 years," February 9, 2021: https://www2.deloitte.com/xe/en/insights/industry/health-care/future-health-care-spending.html.

[26] Edelman and Mussallem, "The pandemic has irreversibly changed America's health care system. Here's why we will all be feeling the consequences of delayed care for years to come," February 21, 2023: https://fortune.com/2023/02/21/pandemic-irreversibly-changed-america-health-care-system-consequences-delayed-care-edelman-mussallem/; Hut, "More than 2 years into the pandemic, the issue of deferred care continues to affect the healthcare industry," April 14, 2022: https://www.hfma.org/topics/news/2022/04/more-than-2-years-into-the-pandemic--the-issue-of-deferred-care-.html.

member for every 6.6 students. According to SDP, the FY2024 budget, along with the district's five-year plan, will focus on strengthening school safety, investing in family and staff to improve service levels and reduce school absences and dropouts, and accelerating academic achievement through standards-aligned core curricula and increased CTE opportunities.[27]

As a result of this infusion of funds, the school district's five-year plan projections show healthy positive fund balances through FY2025, followed by a small positive fund balance in FY2026, then a deficit of $312.4 million in FY2027, and a deficit of $772.4 million in FY2028. Accordingly, the school district's fund balances as a percentage of total obligations are projected to be 2.8, -6.7, and -16.1 percent in FY2026, FY2027, and FY2028, respectively.

Despite these projected positive fund balances through FY2026, there are numerous factors that could negatively impact SDP's year-end fund balances. These include an economic downturn affecting funding assumptions, absence of new state grant funding, pension funding, and new labor contracts with significant costs.

Therefore, requests on behalf of the school district for additional contributions above projections could pose a risk to the Plan. While the Commonwealth and the City have a shared responsiblity to fund the School District, urgent requests for additional contributions from the City could draw vital resources away from other City services or impact the City's year-end fund balance during the Plan period.

[27] Watlington and Herbstman, "Fiscal Year 2024 Lump-Sum Budget Board of Education Presentation," March 23, 2023: https://www.philasd.org/budget/wp-content/uploads/sites/96/2023/03/230324_FY_2024_Lump_Sum_Budget_vFinal.pdf.

IV. Spending and Personnel Staffing Trends

IV. Spending and Personnel Staffing Trends

General Fund Spending

This section discusses trends in General Fund spending and personnel levels by major obligation category. For purposes of the analysis, General Fund obligations are classified by the Pennsylvania Intergovernmental Cooperation Authority (PICA) into three broad categories: Agency Functions, Employee Benefits, and Other Obligations. Table 4.1 organizes General Fund obligations into these three categories, and recent spending trends for each of the categories are shown in Table 4.2 and illustrated in Figure 4.1.

The review of obligations in this section considers actual spending from FY2019 to FY2022, and the City's most recent estimate for unaudited FY2023 spending. Tables and figures also show projected obligations for FY2024 (which are discussed in depth in Section II) for continuity.

As COVID-19-induced budget cuts were instituted in FY2021, lower spending totals for that fiscal year skew the five-year ascending trend. However, spending in FY2022 and FY2023 restored the upward trend, augmented by the City's receipt of American Rescue Plan Act (ARPA) funds.

Personnel trends from FY2019 to FY2023 are also discussed, along with adopted personnel levels for FY2024. This discussion allows for a cursory analysis of the relationship between City spending and personnel trends in recent fiscal years.

City departments and offices have been classified into eight Agency Functions based on a methodology developed by PICA staff. Table 4.1 organizes these departments into each Agency Function. Over time, the Administration creates new agencies or ceases operations of others and accommodates changes to the City's charter from new legislation and voter ballot questions. Thus, PICA's Agency Function categories have been updated to reflect the current organization of City agencies in the interest of consistency and comparability. Estimated spending within each of the three broad obligations categories increased from FY2019 to FY2023; Agency Functions by $703.8 million (26.2 percent), Employee Benefits by $234.8 million (17.1 percent), and Other Obligations by $346.3 million (48.4 percent). It should again be noted that obligations for all three categories decreased in FY2021 due to pandemic-induced budget cuts; however, spending was restored in FY2022 with the influx of ARPA funds.

Figure 4.1: Obligations by Category

($ in Millions)

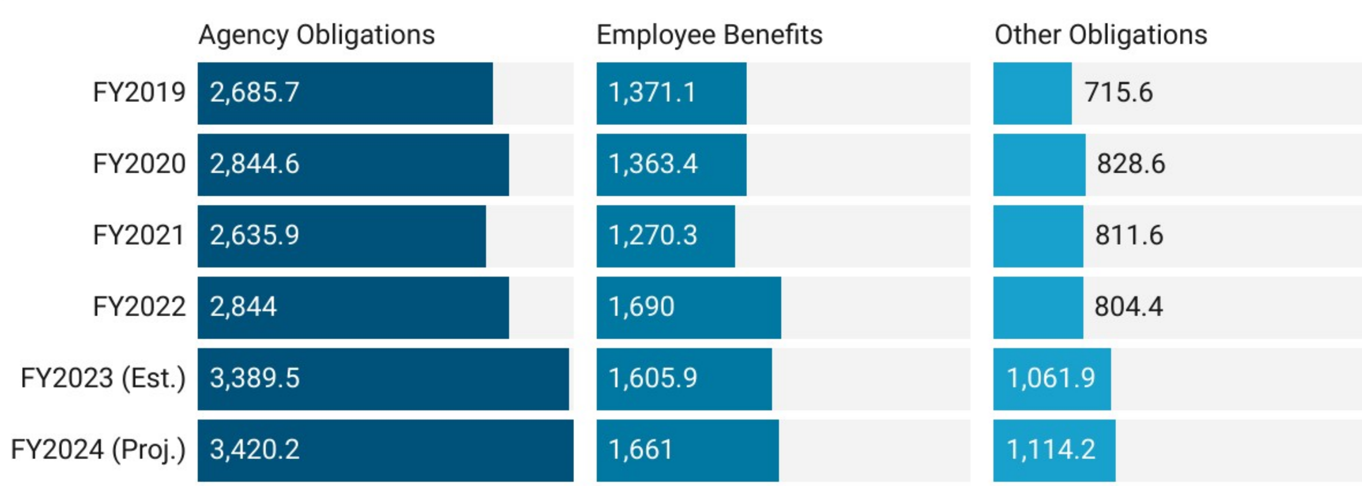


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Table 4.1: General Fund Obligation Categories

Agency Functions	Agencies Included	
Public Safety	Police Department	Fire Department
Judicial and Corrections	First Judicial District of PA Prisons Department Office of the District Attorney	Register of Wills Office of the Sheriff
Health and Human Services	Department of Human Services Office of Homeless Services Department of Behavioral Health and Intellectual disAbility Services	Department of Public Health Commission on Human Relations Office of Children and Families (formerly Office of Education)
Regulation and Economic Development	Department of Planning and Development Office of Community Empowerment and Opportunity Department of Commerce Department of Licenses and Inspections	Office of Sustainability Board of Building Standards Board of Licenses and Inspections Review
Arts, Culture, and Recreation	Department of Parks and Recreation Free Library of Philadelphia	Mural Arts Program Atwater Kent Museum[1]
Transportation and Sanitation	Streets Department	
Central Services	Department of Public Property Department of Fleet Services	Office of Innovation and Technology[2]
Governance and Administration	Office of the Mayor City Council Office of the Chief Administrative Officer Office of the City Controller Office of the Managing Director[3] Office of the Director of Finance Board of Ethics Board of Revision of Taxes Office of the Philadelphia City Commissioners Department of Revenue	Office of the City Treasurer Civil Service Commission Office of the Inspector General Office of Labor Relations Law Department Office of Human Resources Procurement Department Office of Property Assessment Department of Records
Employee Benefits		
Pensions[4] Health and Medical Employee Disability (Workers' Compensation) Social Security (FICA) Unemployment Compensation	Group Life Group Legal Tool Allowance Flex Cash Payments COVID-19 Funeral Expense	
Other Obligations		
Sinking Fund Commission (Debt Service) Art Museum Subsidy PA Convention Center Subsidy School District Contribution Community College Subsidy SEPTA Subsidy Indemnities Space Rentals Utilities	Defender Association Other Legal Services[5] Budget Stabilization Reserve Provision for Future Labor Negotiations Recession and Inflation Reserve and Reopening Housing Trust Fund Refunds Witness Fees Hero Awards Mayor's Scholarships	

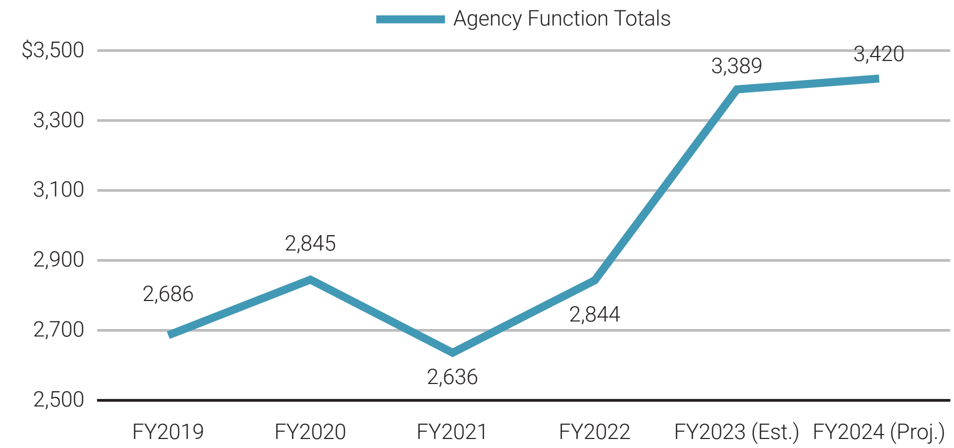
[1] Ended Operations June 30, 2019.
[2] Includes 911 Emergency Call Center.
[3] As of FY2021, includes Office of Arts, Culture and the Creative Economy and Office of the City Representative; as of FY2023, includes Citizens Police Oversight Commission.
[4] Includes mandated and optional pension payments, debt service on pension obligation bonds, pension relief payments from the sales tax, and additional payments for Plan 10 participants.
[5] Includes Community Legal Services, Support Center for Child Advocates, and Accelerated Misdemeanor Program.

Table 4.2: General Fund Spending by Obligation Category ($ in Millions)						
Obligations Category	Actual				Estimate	Projected
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Agency Functions[1]						
Public Safety	1,015.8	1,088.3	1,080.0	1,145.0	1,195.5	1,256.6
Governance and Administration	341.8	345.6	263.8	266.7	508.4	438.5
Judicial and Corrections	422.1	436.7	404.8	418.9	486.6	510.8
Health and Human Services	351.3	402.4	371.0	406.8	448.3	481.3
Central Services	213.8	228.9	210.0	232.7	284.5	294.5
Transportation and Sanitation	144.6	151.8	154.6	189.7	216.7	163.1
Arts, Culture, and Recreation	114.9	115.5	92.2	110.3	140.4	154.0
Regulation and Economic Development	81.4	75.3	59.5	73.8	109.2	121.2
Function Totals	**$2,685.7**	**$2,844.6**	**$2,635.9**	**$2,844.0**	**$3,389.5**	**$3,420.2**
Employee Benefits						
Pension Payments	752.5	759.5	664.4	1,031.4	842.1	868.2
Health and Welfare	470.2	457.7	452.1	496.5	579.5	593.9
Disability/Workers' Compensation	63.6	61.3	70.1	78.0	84.6	96.2
Social Security	81.8	80.1	81.5	81.9	95.2	98.2
Unemployment Compensation	2.9	4.7	2.2	2.3	4.5	4.5
Employee Benefits Totals	**$1,371.1**	**$1,363.4**	**$1,270.3**	**$1,690.0**	**$1,605.9**	**$1,661.0**
Other Obligations						
Sinking Fund Commission (Debt Service)	257.0	266.4	273.8	284.5	308.8	324.2
School District Contribution	180.9	227.1	252.6	256.0	270.0	282.1
SEPTA Subsidy	84.6	86.3	84.6	91.2	100.7	109.6
Recession and Inflation Reserve	-	-	-	-	7.0	54.0
Defender Association[2]	48.8	48.5	47.6	48.5	54.3	62.0
Other Legal Services	2.8	2.5	3.0	3.9	5.6	9.6
Indemnities	45.3	54.9	42.5	2.6	71.5	49.2
Community College Subsidy	32.4	36.1	41.6	48.1	65.2	51.0
Budget Stabilization Reserve Fund	-	34.3	-	-	65.1	42.3
Housing Trust Fund	-	-	-	-	29.1	30.6
Utilities	25.1	28.7	23.6	24.8	33.0	31.2
Space Rentals	20.9	26.1	25.0	27.4	34.1	37.4
Provision for Future Labor Negotiations	-	-	-	-	-	13.4
PA Convention Center Subsidy	15.0	15.0	15.0	15.0	15.0	15.0
Miscellaneous[3]	0.3	0.3	0.2	0.4	0.6	0.6
Other Obligations Totals	**$715.6**	**$828.6**	**$811.6**	**$804.4**	**$1,061.9**	**$1,114.2**
Spending Totals	**$4,772.4**	**$5,036.5**	**$4,717.8**	**$5,338.5**	**$6,057.3**	**$6,195.4**

[1] Indemnities not included in function costs; see Table 4.1 for definitions of agency functions; agency functions have been updated to reflect the current structure of City agencies for purposes of comparability.
[2] Prior staff reports showed Legal Services totals, which included the Defender Association, Community Legal Services, Support Center for Child Advocates, and Accelerated Misdemeanor Program. To allow for comparison with FY2024-2028 Five Year Plan, Defender Association has been separated into its own category, resulting in other Legal Services obligation amounts that differ from past reports.
[3] Includes refunds, witness fees, Hero Awards, and Mayor's scholarships.

Agency Functions

Agency Function Obligations ($ in Millions)



Percent of Total Obligations FY2023:
56.0%

FY2023 Estimate:
$3.389 Billion

Change from FY2019:
$703.8 Million / 26.2%

Annual Growth FY2019-FY2023:
6.0%

Agency Functions

In FY2023, Agency Functions represented the majority of the City's obligations, totaling $3.389 billion, or 56.0 percent. From FY2019 to FY2023, Agency Functions increased by $703.8 million, or 26.2 percent, at an annual growth rate of 6.0 percent. After increasing steadily since the end of the 2008-2009 recession, Agency Functions obligations decreased from FY2020 to FY2021 and are projected to once again decrease in FY2024 due in part to the transfer of some Streets costs to the new Transportation Fund.

The fastest-growing Agency Function from FY2019 to FY2023 was Transportation and Sanitation, followed closely by Governance and Administration. These obligations increased by 49.9 percent and 48.7 percent, respectively, with compound annual growth rates of 10.6 percent for the former and 10.4 percent for the latter.

Within the Governance and Administration function, the highest obligations growth occurred within the Office of the Managing Director (MDO) and the Office of the City Treasurer (City Treasurer), with these offices' obligations increasing by 171.5 percent ($77.3 million), and 186.0 percent ($3.1 million), respectively, from FY2019 to FY 2023.

The MDO continues to absorb the functions of smaller offices and take on new and expanded anti-violence initiatives, disbursing millions of dollars in community partnership grants and violence intervention funds. The MDO also funded the new Citizens Police Oversight Commission (CPOC) in FY2023. The CPOC was overhauled and granted new mandated funding via a 2020 ballot measure which took effect in FY2021. The obligations increase for the City Treasurer can be attributed to investment fees being shown as appropriations rather than as a revenue offset.

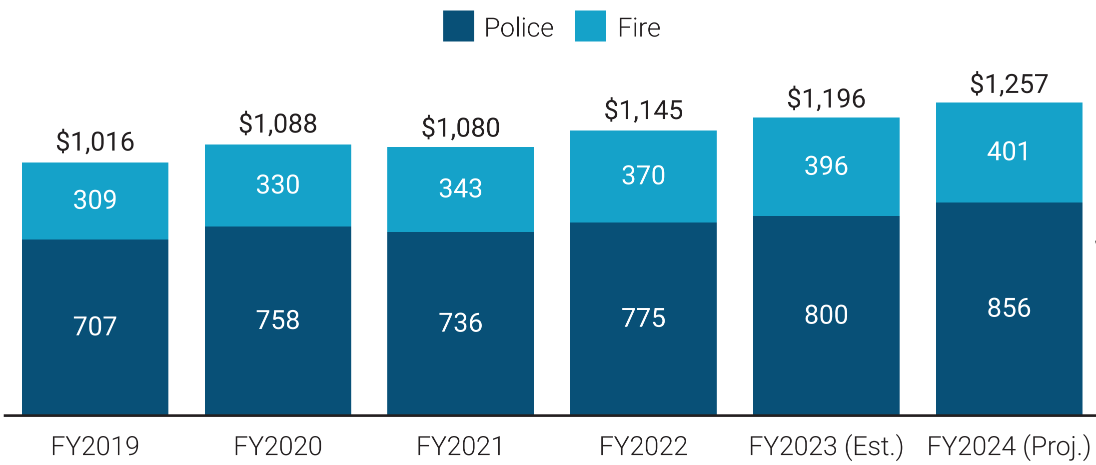
None of the Agency Functions decreased obligations from FY2019 to FY2023; however, the Judicial and Corrections function has grown the slowest. During this time period, its budget increased by $64.5 million, or 15.3 percent, at an annual rate of 3.6 percent. Spending in this function decreased in FY2021, most notably in the Department of Prisons (Prisons), as a result of a staffing decrease which correlated with a nearly 50 percent reduction in the prisons population over the same period. Despite increasing by the highest dollar amount over this period, $179.8 million, the Public Safety function grew by a lower percentage than other functions at 17.7 percent with an annual rate of 4.2 percent.

These trends could be taken together to illustrate the City's priorities in recent fiscal years, as the City has sought to strengthen efficient governance and made significant investments in infrastructure and public spaces in FY2023.

Public Safety

Public Safety Obligations

($ in Millions)



Agency Function Costs FY2023 Rank:
#1

FY2023 Estimated:
$1.195 Billion

Change from FY2019:
$179.8 Million / 17.7%

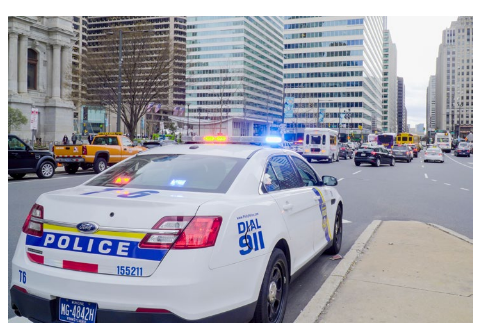
Annual Growth FY2019-FY2023:
4.2%

Public Safety obligations consistently rank first among Agency Functions, totaling an estimated $1.195 billion in FY2023, representing 34.7 percent of agency obligations and 19.7 percent of total obligations. This function grew by the highest dollar amount from FY2019 to FY2023, with obligations increasing by $179.8 million, or 17.7 percent, at an average annual rate of 4.2 percent.

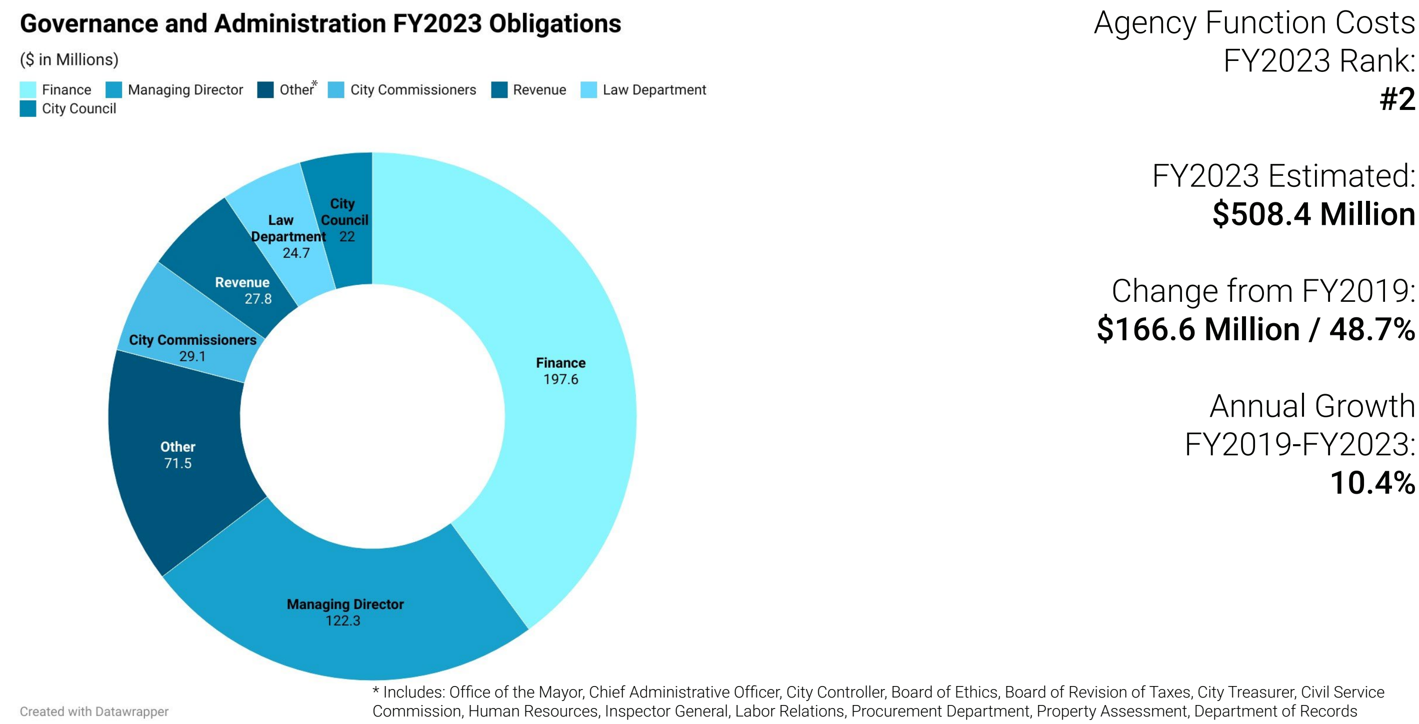
Police Department (Police) obligations increased by an estimated $25.0 million from FY2022 to FY2023 to total $800.0 million. Accounting for a decrease in FY2021, Police obligations increased by a total of $93.3 million from FY2019 to FY2023, or 13.2 percent, at an average annual rate of 3.2 percent. Fire Department (Fire) obligations well outpaced Police over the same period, increasing at an average annual rate of 6.4 percent. From FY2019 to FY2023, Fire obligations increased by $86.4 million to $395.5 million, or by 28.0 percent. About one quarter of this increase can be attributed to fast-growing overtime costs.

Additionally, some of the increases within Public Safety are the result of arbitration-awarded pay raises in each of the aforementioned fiscal years. Both Fire and Police secured annual pay increases of over three percent from FY2017 to FY2020 and secured one-year extensions at 2.5 percent in FY2021, accounting for some of the annual growth in obligations for each of the two departments. Arbitration panels awarded new contracts, which included wage increases of 3.25 percent or more, to both departments in FY2021 to continue through FY2024.

Staffing for Fire increased by 371 full-time employees from FY2019 to FY2023, while decreasing for Police by 801 full-time employees. In total, Public Safety staffing decreased by 430 positions, or 4.4 percent, over this period. The FY2024 budget approves 1,043 new Police employees and 491 new Fire employees, for a total of 1,534 new full-time Public Safety employees– an increase of 16.4 percent over FY2023 estimated filled positions. Departments rarely meet their approved staffing levels, but both departments are committed to more robust recruitment strategies and received funding in the FY2024 budget for enhanced recruitment.



Governance and Administration



Agency Function Costs FY2023 Rank:
#2

FY2023 Estimated:
$508.4 Million

Change from FY2019:
$166.6 Million / 48.7%

Annual Growth FY2019-FY2023:
10.4%

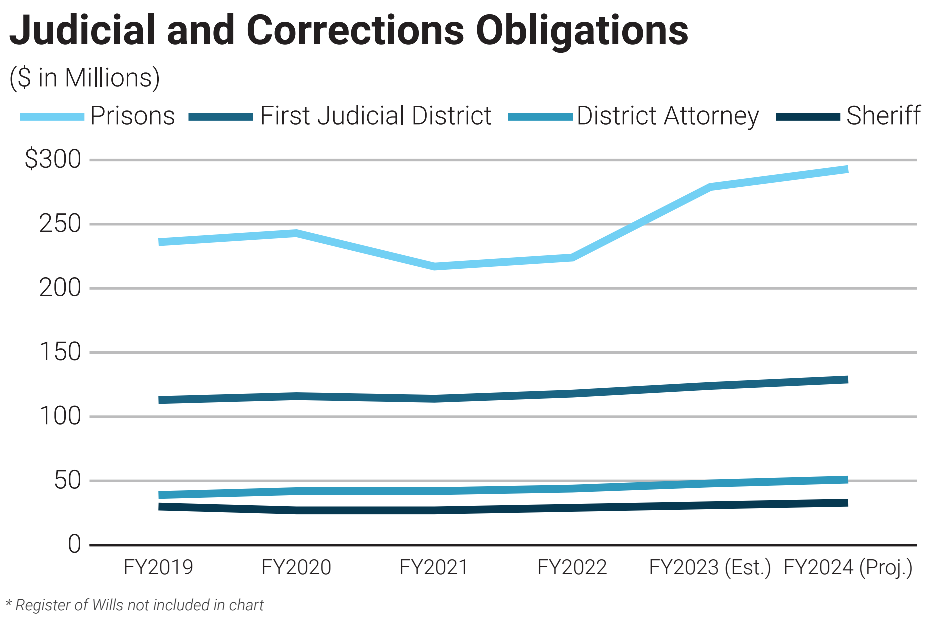
With 19 departments, Governance and Administration is comprised of the most agencies of any function. It is the second fastest-growing Agency Function, having increased obligations by 48.7 percent at an average annual rate of 10.4 percent from FY2019 to FY2023. Obligations increased by $166.6 million to total an estimated $508.4 million in FY2023. Heading into FY2024, however, it is projected that obligations in this function will decrease by $69.9 million, primarily due to a one-time FY2023 payment to the Capital Fund in the Office of the Director of Finance (Finance).

Seventeen of the nineteen Governance and Administration agencies increased obligations from FY2019 to FY2023, with MDO's increase of $77.3 million over this period outpacing increases within any other department in the function by over $40 million. The 171.5 percent increase comes as a result of MDO managing more outside funding and taking on several new functions, including the new CPOC. Over this period, MDO handled much of the City's COVID-19 response funding and managed contributions to arts, grants, and cultural fund programs. MDO has also disbursed millions of dollars in new anti-violence funds to support community partnerships and jobs programs. Finally, MDO has launched several public health and safety initiatives, including an opioid response unit and a mental health response unit. To support these functions, MDO staffing increased by 100 full-time employees over the same period.

Most other departments saw obligations increases ranging from $13,085 for the Civil Service Commission (Civil Service) to $36.8 million in Finance, primarily due to increases in payments to other funds. The Department of Revenue (Revenue) saw a $3.5 million (11.1 percent) decrease in obligations and the Department of Records (Records) also slightly decreased its obligations.

Total staffing increased by 360 full-time employees between FY2019 and FY2023, with MDO, the Law Department (Law), and the Office of the City Commissioners (City Commissioners) growing most substantially. As with other functions, Governance and Administration was approved to add hundreds of employees as part of the FY2024 budget to prepare for an influx of federal infrastructure funding. City Council and Revenue were the only departments to decrease their staffs during this period.

Judicial and Corrections



Agency Function Costs FY2023 Rank:
#3

FY2023 Estimated:
$486.6 Million

Change from FY2019:
$64.5 Million / 15.3%

Annual Growth FY2019-FY2023:
3.6%

Judicial and Corrections occupies the third-highest rank among Agency Functions in terms of total obligations, with $486.6 million in estimated spending in FY2023. However, Judicial and Corrections is the slowest-growing function, having increased obligations at an annual growth rate of just 3.6 percent per year from FY2019 to FY2023. As a whole, Judicial and Corrections obligations increased by $64.5 million, or 15.3 percent, from FY2019 to FY2023.

As previously mentioned, Prisons obligations trended downward from FY2020 to FY2021 due to a decrease in both the inmate population and full-time employees. This trend has since been offset by a $54.7 million increase in FY2023 over the previous year. Overall, Prisons obligations increased by $42.7 million (18.1 percent) from FY2019 to FY2023, as illustrated above. Full-time employees decreased by 730, or 34.3 percent. This decrease is projected to be offset in FY2024 as the adopted number of full-time positions is 2,186, a 56.1 percent increase over the previous year.

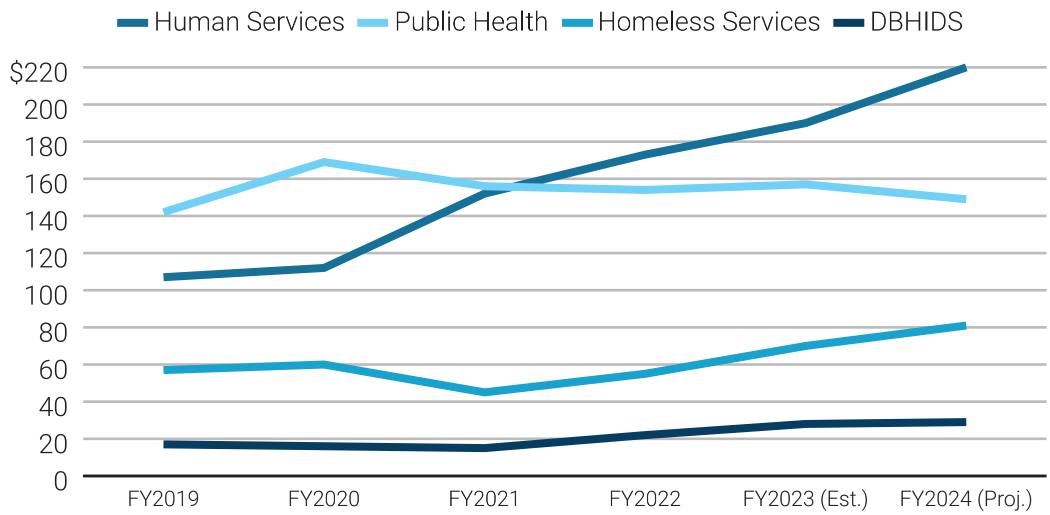
The Office of the District Attorney (DAO) was the fastest-growing Judicial and Corrections department over this period. DAO obligations increased by $8.8 million from FY2019 to FY2023, or 22.5 percent, at an average annual rate of 5.2 percent, and staffing increased by 92 full-time employees, or 18.7 percent.

The First Judicial District of Pennsylvania (FJD), the Sheriff's Office (Sheriff), and the Office of the Register of Wills (Register of Wills) all experienced modest increases over the same period, with obligations increasing by $10.5 million (9.25 percent), $2.0 million (6.8 percent), and $505,521 (11.6 percent), respectively. As an Agency Function category, Judicial and Corrections staffing decreased by 676 full-time employees, or 13.8 percent between FY2019 and FY2023.

Health and Human Services

Health and Human Services Obligations*

($ in Millions)



* Commission on Human Relations and Office of Children and Families not shown as figures are too small for comparison.

Agency Function Costs FY2023 Rank:
#4

FY2023 Estimated:
$448.3 Million

Change from FY2019:
$97.0 Million / 27.6%

Annual Growth FY2019-FY2023:
6.3%

Health and Human Services obligations have experienced significant growth in recent fiscal years, increasing by $97.0 million from FY2019 to FY2023 to total $448.3 million– an increase of 27.6 percent at an annual growth rate of 6.3 percent.

Every department in the Agency Function increased spending over this period, with Department of Human Services (DHS) and Department of Public Health (Public Health) obligations increasing the most. DHS obligations increased by $82.6 million, or 77.0 percent, at an average annual rate of 15.3 percent, while Public Health increased by $14.6 million, or 10.3 percent, at an average annual rate of 2.5 percent.

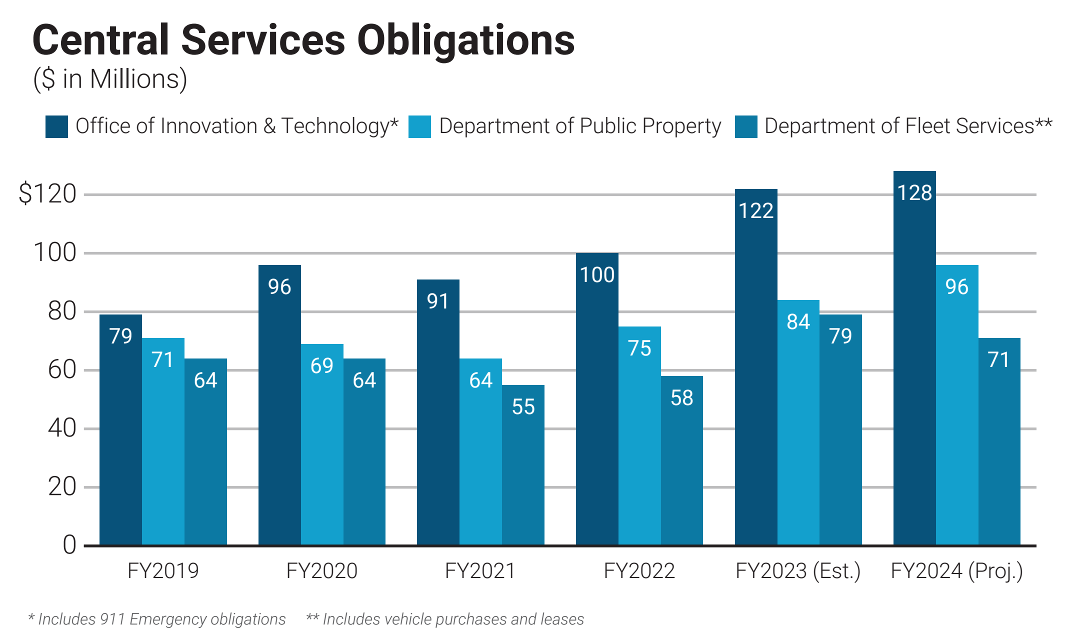
DHS obligations continue to be the most rapidly increasing in this function, having grown from $107.3 million in FY2019 to $189.8 million in FY2023. This investment reflects the absorption of the Administration's Pre-K and Community Schools programs in FY2021. Over the FY2019 to FY2023 period, DHS has improved on several performance metrics, including the number of children in the City's care, which is steadily decreasing.

Public Health obligations peaked in FY2020 at $168.6 million; the department has received increased federal funding in recent years to implement COVID-19-related programming, and an increased budget for fighting the opioid epidemic and for improvements to the Medical Examiner's Office.

The Department of Behavioral Health and Intellectual disAbility Services (DBHIDS) and Office of Homeless Services (OHS) experienced obligations increases of approximately $11.3 and $13.7 million, respectively, from FY2019 to FY2023, increases of 66.1 percent for the former and 24.1 percent for the latter.

Overall, staffing for the Health and Human Services function has increased by 89 full-time employees, or 6.5 percent, from FY2019 to FY2023. The Office of Children and Families (OCF) significantly decreased its staff by 90.6 percent, or 29 employees, due to the transfer of Pre-K and Community Schools staff to DHS. Public Health and OHS also decreased their staffs by 7.6 percent (57 employees) and 1.3 percent (two employees), respectively. DBHIDS and DHS saw the most significant increases, growing by 231.3 percent and 35.1 percent, respectively, from FY2019 to FY2023. Finally, the Philadelphia Commission on Human Relations (PCHR) also increased its staff by 3.1 percent.

Central Services



Agency Function Costs FY2023 Rank:
#5

FY2023 Estimated:
$284.5 Million

Change from FY2019:
$70.7 Million / 33.1%

Annual Growth FY2019-FY2023:
7.4%

Central Services obligations increased by $70.7 million from FY2019 to FY2023, or 33.1 percent, at an annual growth rate of 7.4 percent. Like other functions, Central Services experienced budget cuts in FY2021 that were offset in the following fiscal years. In FY2022, the function's obligations increased by $22.7 million and, in FY2023, grew by another $51.8 million.

The Office of Innovation and Technology (OIT) increased obligations by $43.6 million, or 55.5 percent, from FY2019 to FY2023. Increased funding at OIT supported security improvements undertaken as part of City employees' transition to working from home, human resources software replacement, and modernization efforts at the City's 911 Emergency Call Center.[1] OIT also added 91 full-time employees during this period, increasing staffing by 32.9 percent.

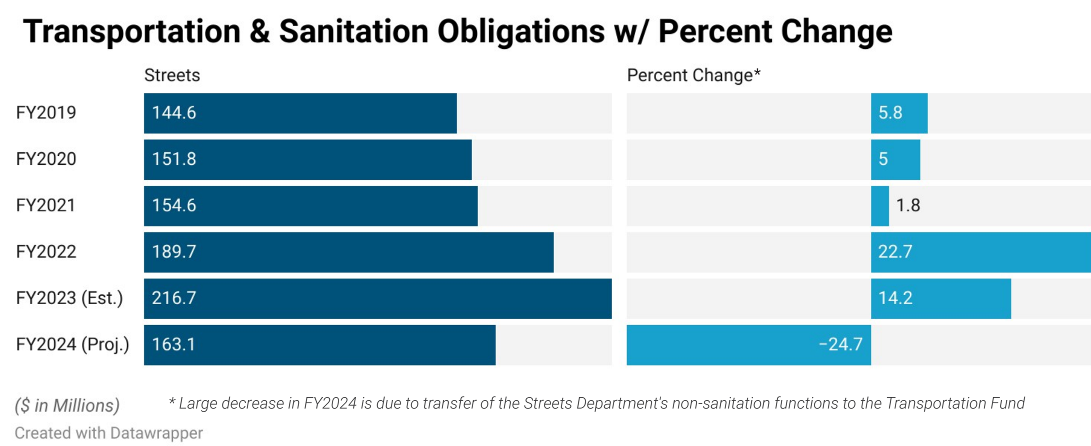
The Department of Fleet Services (Fleet) increased obligations by $14.5 million, or 22.5 percent from FY2019 to FY2023. Fleet staffing decreased by 11 full-time employees over that period, a 3.8 percent decrease.

Obligations within the Department of Public Property (DPP) also increased from FY2019 to FY2023 by a total of $12.7 million, or 17.9 percent, at an average annual increase of 4.2 percent. The department endured budget cuts in FY2020 and FY2021, which were subsequently restored in FY2022, and its budget was expanded in FY2023. DPP added 21 full-time employees over this period.

In total, Central Services added 101 employees from FY2019 to FY2023, a 14.5 percent increase overall. Going into FY2024, all departments are projected to increase their staffs, with Fleet adding 44 full-time positions, OIT adding 30, and DPP adding 20.

[1] Some 911 Emergency Call Center costs may be reimbursed by revenue generated by the Center.

Transportation and Sanitation



Agency Function Costs FY2023 Rank:
#6

FY2023 Estimated:
$216.7 Million

Change from FY2019:
$72.1 Million / 49.9%

Annual Growth FY2019-FY2023:
10.6%

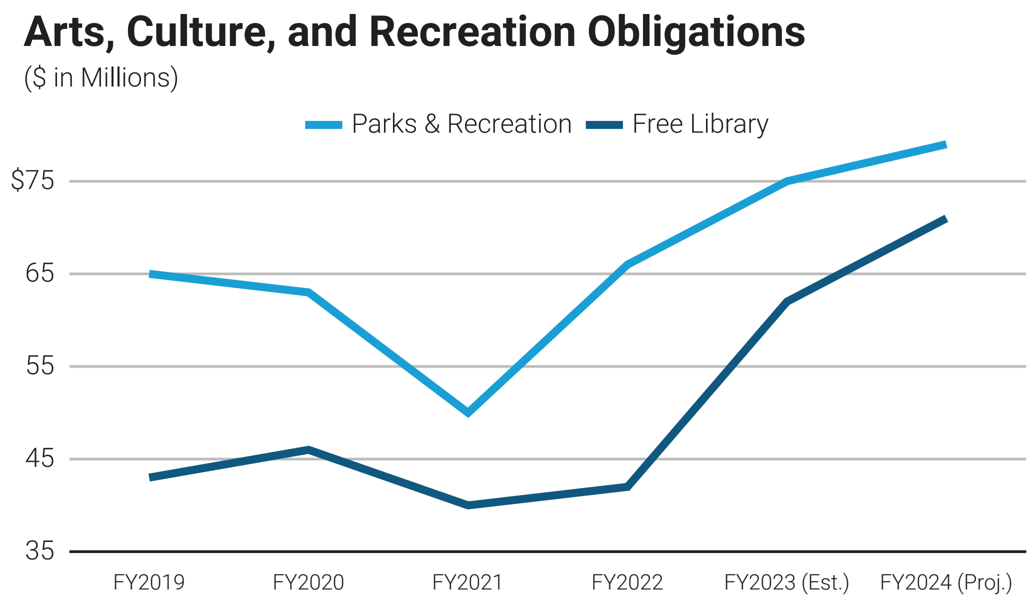
Transportation and Sanitation obligations increased by $72.1 million from FY2019 to FY2023, or by 49.9 percent, at an annual growth rate of 10.6 percent, making it the fastest-growing Agency Function. The Streets Department (Streets) is the only agency in this function.

The increase in obligations resulted from both new challenges which arose over this period and new initiatives prioritized by the Administration. Streets was severely affected by COVID-19 as more Philadelphians worked from home; consequently, trash and recycling tonnage increased. Overtime costs also increased as sanitation workers either contracted or came in contact with the virus, causing a spike in leave usage. Additionally, an ADA-related court settlement is requiring the City to quickly make up for decades of inaccessible curb paving. Thus, Streets was one of the few departments to see a budget increase, albeit a small one, in FY2021.

In FY2023, Streets' obligations increased by $26.9 million over FY2022. These increases primarily went toward providing new infrastructure improvement staff and resources for federally-funded public works projects, transitioning the School Crossing Guard Program from MDO to Streets, and the expanding of the mechanical street cleaning program.

The increase in Streets' obligations is also partially due to an increase in staffing from FY2019 to FY2023. The department added 642 full-time employees, an increase of 37.0 percent, bringing its total to 2,378 employees. FY2024 is projected to see significant reductions in the department's full-time General Fund positions due to the transferral of non-disposal operations from the General Fund to a newly created Transportation Fund, funded by parking, valet taxes, and program fees, which are also being moved out of the General Fund. Streets is budgeted for 1,690 full-time positions in the FY2024 General Fund, a 28.9 percent decrease.

Arts, Culture, and Recreation



** The Atwater Kent Museum ceased operations in FY2020 and OACCE was folded into the Managing Director's Office in FY2021. Neither are displayed.*

Agency Function Costs FY2023 Rank:
#7

FY2023 Estimated:
$140.4 Million

Change from FY2019:
$25.4 Million / 22.1%

Annual Growth FY2019-FY2023:
5.1%

Arts, Culture, and Recreation was the second lowest-spending Agency Function at $140.4 million in FY2023, or 4.1 percent of agency obligations. Obligations increased by $25.4 million from FY2019 to FY2023, or 22.1 percent, at an average annual increase of 5.1 percent. The function experienced a $23.2 million cut in funding in FY2021 as a result of COVID-19-related budget reductions, which has since been offset in FY2023.

The Arts, Culture, and Recreation function saw two agencies cease operations in recent years, accounting for the relatively modest increase in obligations over this period. The Atwater Kent Museum ceased operations in FY2020, the collection having been acquired by Drexel University. The Office of Arts, Culture, and the Creative Economy (OACCE) followed in FY2021, with some of its functions being absorbed by MDO.

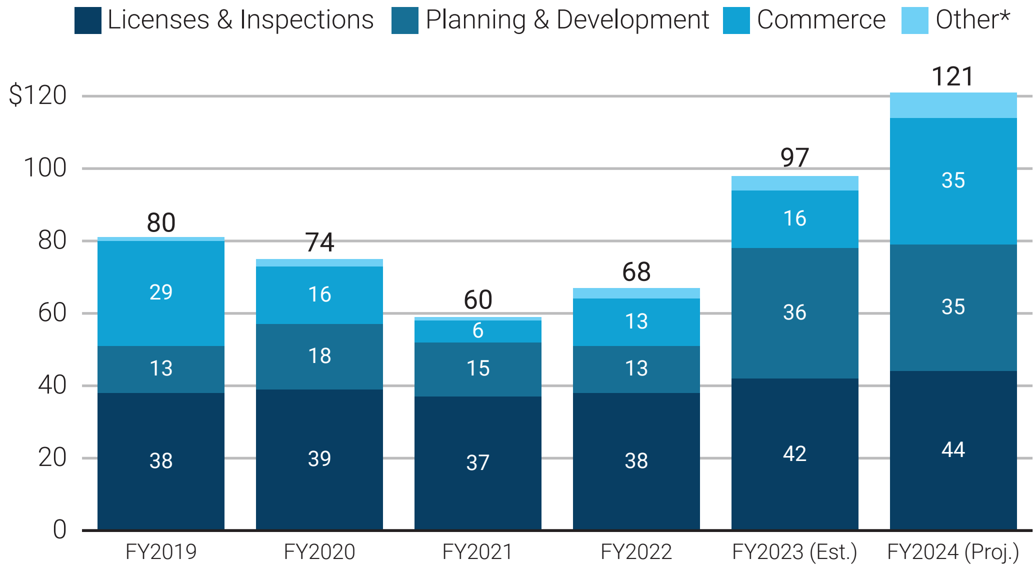
Both of the function's major departments, the Department of Parks and Recreation (Parks and Recreation) and The Free Library of Philadelphia (Free Library) saw considerable obligation increases from FY2019 to FY2023. The Free Library's obligations increased by $19.3 million, or 45.3 percent, and Parks and Recreation obligations increased by $9.8 million, or 14.9 percent. These increases represent the City's prioritization of public spaces going into FY2023.

While the Free Library and Parks and Recreation experienced declines in staffing from FY2020 through FY2022, this trend has since reversed. Over this five-year period, the function has added 276 full-time employees, a 21.0 percent increase. Both departments' staffs are expected to grow considerably heading into FY2024, with the Free Library and Parks and Recreation projected to add 178 employees and 194 full-time positions, respectively.

Regulation and Economic Development

Regulation & Economic Development Obligations

($ in Millions)



** Includes Office of Sustainability, Office of CEO, Board of License and Inspection Review, and Board of Building Standards*

Agency Function Costs FY2023 Rank:
#8

FY2023 Estimated:
$109.2 Million

Change from FY2019:
$27.8 Million / 34.1%

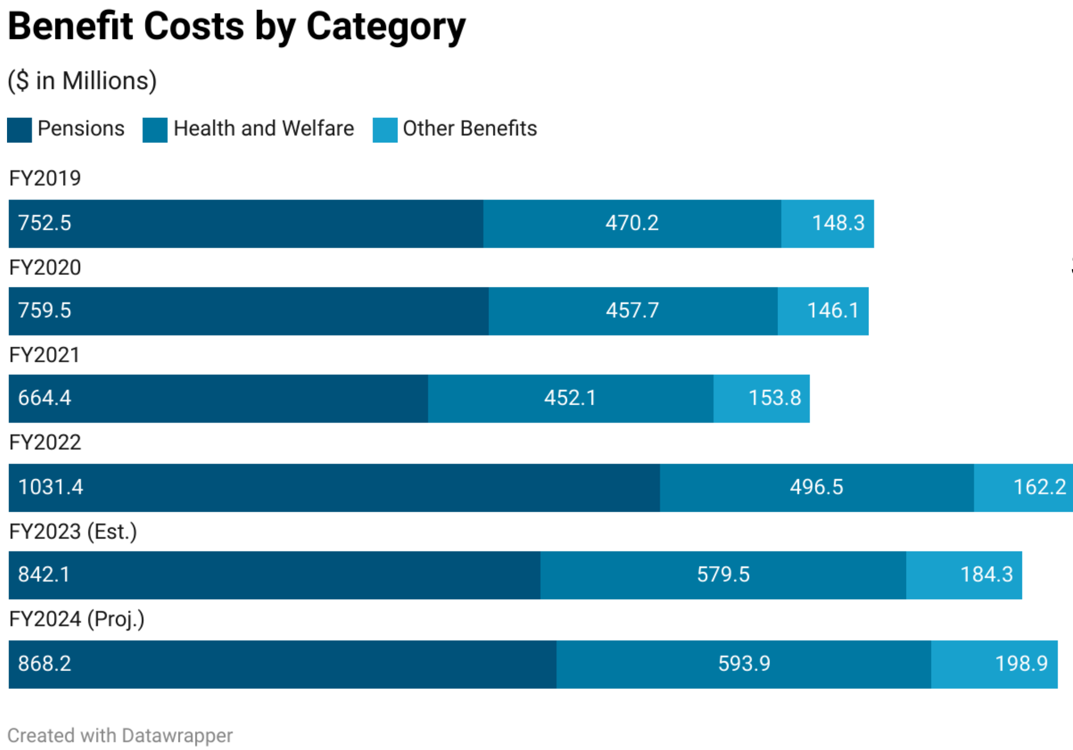
Annual Growth FY2019-FY2023:
7.6%

Regulation and Economic Development obligations were the lowest of any Agency Function in FY2023, at $109.2 million, or 3.2 percent of agency obligations. However, Regulation and Economic Development was the third fastest-growing Agency Function from FY2019 to FY2023 with obligations increasing by $27.8 million, or 34.1 percent, at an average annual increase of 7.6 percent. Furthermore, the function's obligations increased by $14.3 million in FY2022 and an additional $35.3 million in FY2023, restoring a $15.8 million reduction resulting from COVID-19-related budget cuts in FY2021.

Much of the growth in the Regulation and Development function was driven by a $19.8 million increase in the Department of Planning and Development (Planning and Development) obligations from FY2019 to FY2023, a 158.6 percent increase at a rate of 26.8 percent annually. This increase can largely be attributed to a $15 million increase in rental assistance in FY2023. The Department of Licenses and Inspections (L & I) obligations also increased from FY2019 to FY2023, by $3.6 million, or 9.5 percent. The Department of Commerce (Commerce) increased obligations from FY2019 to FY2023 by $2.3 million, or 8.1 percent.
The Office of Community Empowerment and Opportunity (CEO) and Office of Sustainability (Sustainability) also saw increases of $1.8 million (2,047.3 percent) and $1.2 million (127.5 percent), respectively.

In total, the departments in the Regulation and Economic Development Agency Function increased staffing by 93 full-time employees from FY2019 to FY2023, an 18.8 percent increase. Much of this can be attributed to L & I adding 53 full-time employees during this period. Commerce added 26 full-time employees, Planning and Development added 14 new employees, and Sustainability added eight. The Office of the City Representative ceased operations as of FY2021 and was absorbed by the Mayor's Office, resulting in a reduction of eight employees from the Regulation and Economic Development sector.

Employee Benefits



Percent of Obligations FY2023:
26.5%

FY2023 Estimated:
$1.606 Billion

Change from FY2019:
$234.8 Million / 17.1%

Annual Growth FY2019-FY2023:
4.0%

Employee Benefits

Employee Benefits obligations increased by $234.8 million from FY2019 to FY2023 to total $1.606 billion, a 17.1 percent increase at an average annual growth rate of 4.0 percent. Benefits costs decreased in FY2020 and FY2021 before spiking by $419.7 million in FY2022 due to the restructuring of Pension Obligation Bond payments at the height of the COVID-19 pandemic, eliminating the prior years' decreases. FY2023 once again saw a decrease of an estimated $84.2 million. Costs are projected to increase considerably in FY2024, by $55.1 million, or 3.4 percent more than the FY2023 estimate. Employee Benefits represented 26.5 percent of total General Fund obligations in FY2023.

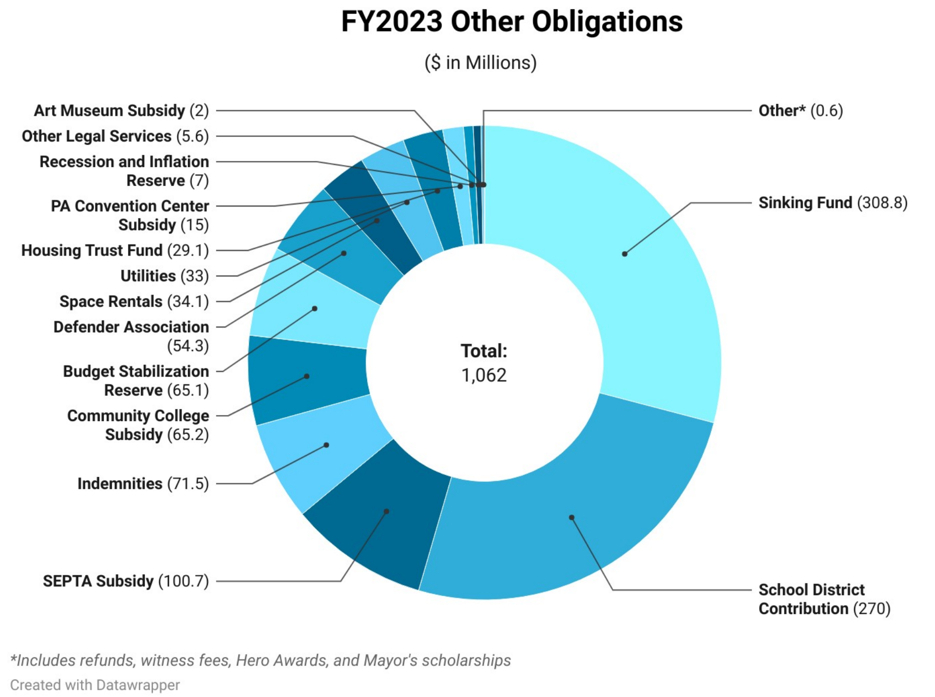
Pension payments continue to claim an outsized chunk of the City's budget. At an estimated $842.1 million in FY2023, pensions represented 52.4 percent of Employee Benefits and 13.9 percent of total obligations. Pension payments have increased by $89.5 million since FY2019, or 11.9 percent.

The Health and Welfare[2] category of Employee Benefits increased the most from FY2019 to FY2023, by $109.3 million, or 23.2 percent, at an average annual increase of 5.4 percent. The rise in healthcare costs is about even with the national average over the same period, as the skyrocketing cost of care itself drove up employer and worker contributions. At an estimated $579.5 million, Health and Welfare represented 9.6 percent of total General Fund obligations in FY2023.

In terms of Other Benefits, Employee Disability (Worker's Compensation) increased by $21.0 million, or 33.0 percent from FY2019 to FY2023. Social Security (FICA) payments increased by $13.4 million, or 16.3 percent, over the same period and Unemployment Compensation increased by $1.6 million, or 56.5 percent.

[2] Health and Welfare includes employee health and medical plans, group life and legal programs, tool allowance, flex cash payments, and COVID-19 funeral expense.

Other Obligations



Percent of Obligations FY2023:
17.5%

FY2023 Estimated:
$1.062 Billion

Change from FY2019:
$346.3 Million / 48.4%

Annual Growth FY2019-FY2023:
10.4%

Other Obligations

Other Obligations include subsidies and payments made to support non-City entities and quasi-government agencies, such as the School District of Philadelphia, Southeastern Pennsylvania Transportation Authority (SEPTA), Defender Association, and Philadelphia Museum of Art; operational costs, such as workspace rentals and utilities; and the City's reserve funds, such as the Recession and Inflation Reserve and the Budget Stabilization Reserve (BSR).

The Sinking Fund Commission, responsible for $308.8 million in debt service payments on the City's bonds, is the highest Other Obligation in FY2023. The payment accounted for 5.1 percent of total obligations, increasing by $51.8 million from FY2019 to FY2023, or 20.2 percent.

The next highest Other Obligation is the City's contribution to the School District, which totaled $270.0 million in FY2023. Since FY2019, the fiscal year in which the City regained local control of the School District from the state, this item has increased by $89.1 million, or 49.3 percent. The City's subsidy to the Community College of Philadelphia has also increased over this period, by $32.8 million, or 101.2 percent, in support of the Octavius V. Catto Scholarship and other programs aimed at preparing Philadelphians for family-sustaining jobs. Together with the School District contribution, these increased funds illustrate the Administration's commitment to improving educational opportunities for child and adult learners.

Beginning in FY2023, the City must also contribute 0.5 percent of the General Fund obligations annually to the Housing Trust Fund in support of affordable housing initiatives. While the Fund was created in 2005 and had been funded by a combination of mortgage and deed recording fees and periodic contributions from the City, a City Council ordinance passed in June of 2021 and approved by voters in a ballot measure the following November mandated an annual contribution. In FY2023, $29.1 million was contributed to the fund.

FY2023 also saw notable payments to the BSR, totaling $65.1 million. This is a $30.8 million increase over the only other payment to the reserve, which was made in FY2020. As a whole, Other Obligations increased by $346.3 million, or 48.4 percent, totaling an estimated $1.1 billion in FY2023.

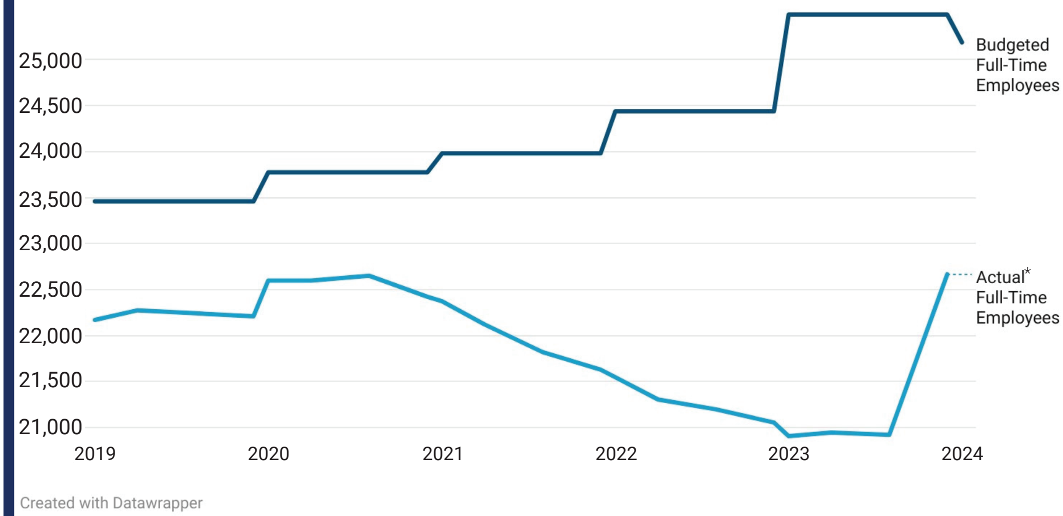
Personnel Staffing

FY2023 Estimated:
22,665

Change from FY2019:
455 / 2.0%

Annual Growth
FY2019-FY2023:
0.5%

Staffing Trends (FY2019-FY2024)



* Actuals through Q3 FY2023. Estimate for year end FY2023.

Personnel Staffing

Total General Fund staffing has increased from 22,210 full-time employees in FY2019 to 22,665 in FY2023, an increase of 455 employees, or 2.0 percent. Staffing had been steadily increasing in the years following the Great Recession of 2008-2009; however, the City instituted layoffs and a hiring freeze at the outset of the COVID-19 pandemic, causing levels to decrease in FY2021 and FY2022.

Additionally, heightened attrition during the pandemic caused staffing levels to further decrease. PICA's April 2022 report, *COVID-19 Impact on City of Philadelphia Employee Separations*, cited resignations (especially among millenials), retirements (including early retirements), terminations, and layoffs as impacting City staffing levels. Despite this, staffing increased in FY2023, due in large part to an influx of federal dollars for infrastructure projects. From FY2019 to FY2023, the Transportation and Sanitation function saw the largest increase in staffing, adding 642 employees, a 37.0 percent increase.

The only two functions to experience staffing decreases over this period were Judicial and Corrections and Public Safety. The Judicial and Corrections function as a whole saw the largest staffing decrease, having lost 676 full-time employees. Prisons led this decrease with a loss of 730 employees, offset by staffing increases in other function departments. According to the City Controller, understaffing at Prisons has led to unsafe conditions for both inmates and employees. In April 2022, the department reached a settlement in which it agreed to independent oversight as it works to address concerns raised in a class-action lawsuit.[3] FJD also lost 123 employees. The Public Safety function staffing decreased by 430 employees from FY2019 to FY2023, or by 4.4 percent. Fire added 371 employees, but this addition was offset by a loss of 801 employees within Police.

In Five-Year Plan meetings held by PICA and budget hearings held by City Council, understaffing emerged as a consistent theme among departments due to a competitive job market and difficulty filling the positions vacated during the pandemic. Several departments noted intensive recruitment plans for the coming fiscal year, and the adopted FY2024 budget includes 2,522 new full-time positions and funding for bonuses, parental leave, training, and advertising to help with attracting and retaining employees.

[3] Melamed, "Philly prison officials agree to an independent monitor and hiring bonuses to settle class-action lawsuit, April 12, 2022: https://www.inquirer.com/news/philadelphia-prison-jail-settlement-monitor-agreement-lawsuit-20220412.html.

V. Indicators of Financial Health

V. Indicators of Financial Health

Economic Indicators

One of the Pennsylvania Intergovernmental Cooperation Authority's (PICA) core objectives, as stated in the PICA Act, is to promote "efficient and accountable fiscal practices." As such, this section presents quantitative measures of the overall economic performance of Philadelphia and the financial condition of its government.

The quantitative measures discussed include four economic indicators: payroll employment, the unemployment rate, poverty, and median household income. These quantitative measures were improving prior to the onset of the COVID-19 pandemic and ensuing economic shutdown. In the discussion below, we evaluate the economic indicators through December 2022 and then provide a more current preliminary update through May 2023 where data is available.

Indicators of the City's financial condition include the General Fund year-end 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.

Payroll Employment. Table 5.1 presents trends in payroll employment for the City, region, and nation from 2015 through the first six months of 2023. The City's share of regional and national employment is also presented to indicate the extent to which the City's employment basis is growing more or less rapidly than that of the region and nation. This data reflects payroll of Philadelphia-based business establishments. As such, it reflects earnings of Philadelphia workers, rather than just residents.

Employment in Philadelphia increased to an annual average of 742,100 in 2022, representing an increase of approximately 46,800 jobs, or 6.7 percent, from 2021. This increase is a hopeful sign that the adverse effects of the COVID-19 pandemic are slowly waning. Additionally, the number of people employed in the City has surpassed the high of 740,800 reached in 2019 by 1,300 employees (or 0.2%). Prior to the pandemic, the number of people working in the City increased steadily beginning in 2010 by one to two percent per year and, in 2016, outpaced the growth rate of both the region and the nation.

As Table 5.1 indicates, prior to the pandemic, the payroll employment in the City was broadly

Table 5.1: Non-Farm Payroll Employment by Area (in Thousands)

Employment Area	2016	2017	2018	2019	2020	2021	2022	2023
City of Philadelphia	696.9	709.4	725.1	740.6	678.3	693.5	742.1	766.4
Change from Prior Year	2.0%	1.8%	2.2%	2.1%	-8.4%	2.2%	6.7%	3.5%
Region[1]	2,868.7	2,912.7	2,939.2	2,981.3	2,762.3	2,859.8	3,017.3	3,107.0
Change from Prior Year	1.7%	1.5%	0.9%	1.4%	-7.4%	3.5%	5.1%	3.0%
Nation	144,348.9	146,624.3	148,890.8	150,900.1	142,252.4	146,102.0	152,625.3	156,204.0
Change from Prior Year	1.8%	1.6%	1.6%	1.4%	-5.7%	2.7%	4.3%	2.3%
City as Percent of Region	24.3%	24.4%	24.7%	24.8%	24.6%	24.2%	24.6%	24.7%
City as Percent of Nation	0.483%	0.484%	0.487%	0.491%	0.477%	0.475%	0.486%	0.491%

Source: US Bureau of Labor Statistics and Metro Area Employment Hours and Earnings (City and Region) and Current Employment Statistics (Nation)
[1] Region is the Philadelphia-Camden-Wilmington PA-NJ-DE-MD metropolitan statistical area

Table 5.2: Unemployment Rate by Employment Area

Employment Area	2016	2017	2018	2019	2020	2021	2022	2023
City of Philadelphia	6.7%	6.4%	5.7%	5.5%	12.2%	8.5%	5.4%	4.4%
Region[1]	5.0%	4.8%	4.3%	4.1%	9.0%	6.1%	4.1%	3.6%
Nation	4.9%	4.4%	3.9%	3.7%	8.1%	5.4%	3.7%	3.6%
City as Percent of Region	134%	133%	133%	134%	136%	139%	132%	122%
City as Percent of Nation	137%	145%	146%	149%	151%	157%	146%	122%

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

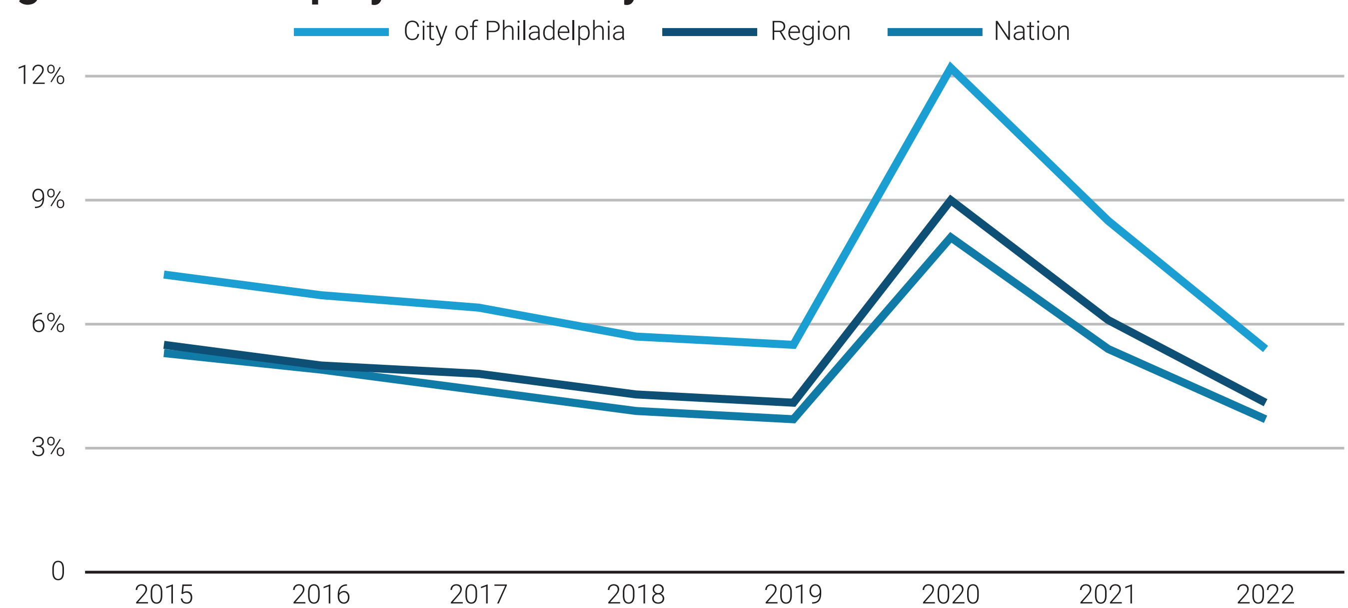
consistent with regional and national employment trends, as the City's share of regional and national payroll employment was increasing. In contrast, post-pandemic, the City lagged behind both regional and national employment trends but its share of local and national employment grew in 2022.

As of May 2023, average employment in Philadelphia increased by 20,600 (or 3.0 percent) to an estimated 762,700. This trend has been on the incline since January 2021, which could indicate that pandemic effects on worker recruitment and retention in Philadelphia are waning.

Unemployment Rate. Table 5.2 presents unemployment rates in the City, region, and nation from 2015 through this first six months of 2023. After peaking in the early part of the last decade at almost 11 percent, the City unemployment rate declined to 5.5 percent in 2019. However, due to the adverse economic conditions brought on by the pandemic, the unemployment rate increased considerably. For instance, a few months into the pandemic, the rate reached a staggering high of 18.2 percent in June 2020, ending the year at an average of 12.2 percent.

After an impressively fast recovery from the pandemic shutdown, a prolonged period of historically low unemployment, and strong job growth, the average unemployment rate for the City decreased to 4.1 percent as of May 2023. As illustrated in Figure 5.1, the regional rate had declined to 4.1 percent in 2019, climbed to 9.0 in 2020, and decreased to 6.1 percent and 4.1 percent in 2021 and 2022, respectively. Similarly, the national rate had declined to a historically low 3.7 percent in 2019, climbed to 8.1 percent in 2020, declined to 5.4 percent in 2021, and continued to decline to 3.7 percent in 2022.

Figure 5.1: Unemployment Rate by Area



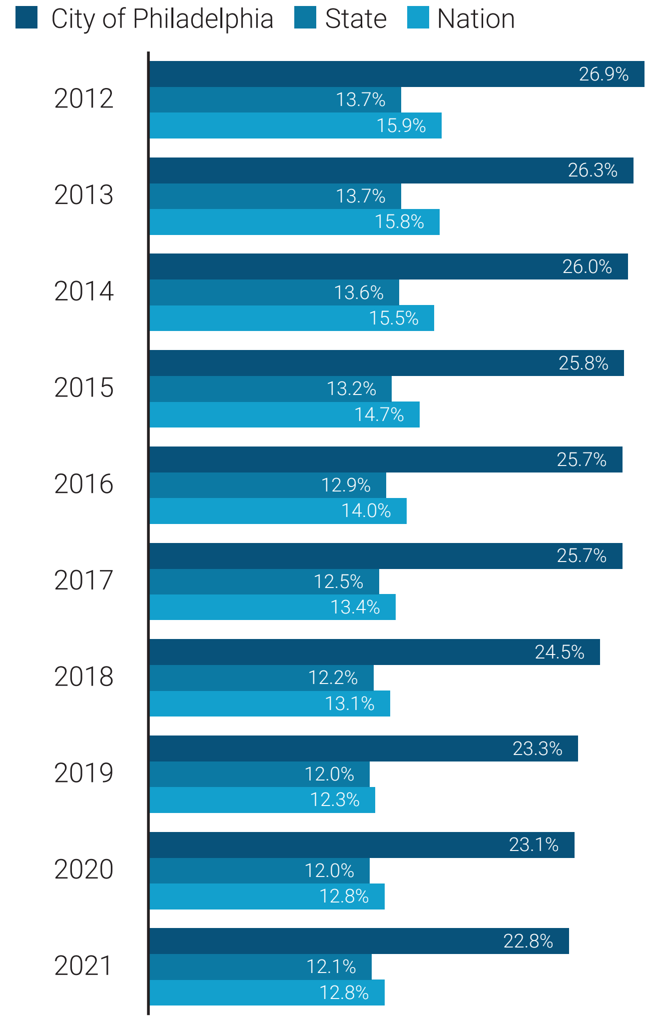
As is evident by Table 5.2, the City unemployment rate has been consistently higher than that of both the region and the nation over the past decade. In 2021, the City rate was approximately 57 percent higher than the national rate and 39 percent higher than the regional rate, an increase over 2020 figures. The City fared slightly better in 2022, as the City's unemployment rate was 46 percent higher than the national rate and 32 percent higher than the regional rate, which is indicative of the City's slower-paced recovery from the pandemic.

Although calendar year 2020 started with low unemployment levels as mentioned above, the impact of COVID-19 had a detrimental effect on this economic indicator. Unemployment reached a high of 13.0 percent in the second quarter of 2020,[1] but has since dropped rapidly to historic lows. Through May 2023, average annual unemployment rates for the nation, region, and city were estimated at 3.7, 4.1 and 5.4 percent, respectively. The nation, region, and city are all now below the pre-pandemic unemployment levels.

Poverty Rate. Table 5.3 presents trends in the poverty rate in the City, state, and nation. Since the poverty rate rose to 26.9 in 2012, the rate has been steadily decreasing. Since this high, the rate has declined to approximately 23.1 percent in 2020 and 22.8 percent in 2021, representing an over 15.0 percent decrease. Although the continued decline is a positive step forward, among the ten largest United States cities by population, Philadelphia continues to have the highest poverty, deep poverty, and child poverty rates.[2]

As illustrated in Figure 5.2, the state and national poverty rates have also been steadily declining since they reached their peak in 2012 as a result of the Great Recession. As of 2021, the most recently available data, the City's poverty rate was 88.4 percent higher than the state rate and 78.1 percent higher than the national rate. Overall, the City's poverty rate, relative to the state and nation, is slowly improving.

Figure 5.2: Poverty Rate



Current inflation levels will most likely have a negative impact on this economic indicator, as it is affected by unemployment levels. Those on fixed incomes and low wages tend to feel the effects of inflation the most.

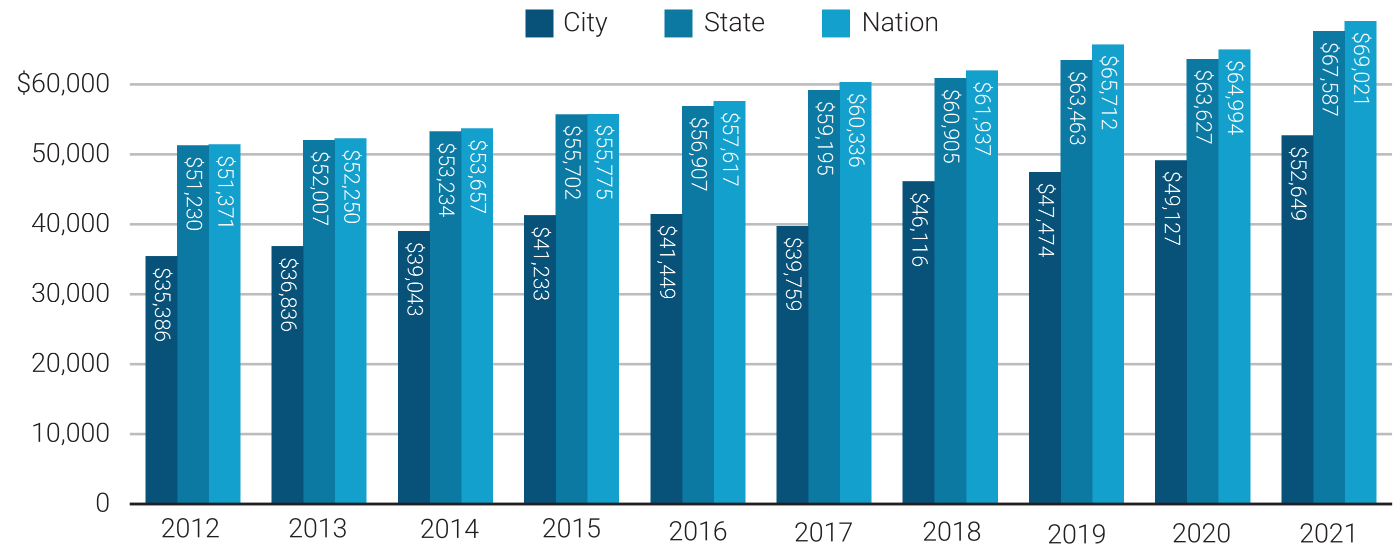
Median Household Income. Table 5.3 also presents median household income for the City, state, and nation. The City's median household income in 2021 was $52,649, representing an increase of almost 7.2 percent from the year before. Alternatively, the state and nation both increased by 6.2 percent in median income from 2020. As such, the City's income level gap between the state and nation decreased to about 23 percent, a hopeful sign that wages in the City are increasing.

The City, however, still has the lowest median household income of the ten most populous cities

[1] U.S. Bureau of Labor Statistics, "U.S. labor market shows improvement in 2021, but the COVID-19 pandemic continues to weigh on the economy," June 2022: https://www.bls.gov/opub/mlr/2022/article/us-labor-market-shows-improvement-in-2021-but-the-covid-19-pandemic-continues-to-weigh-on-the-economy.htm.

[2] City of Philadelphia, "Proposed Five Year Financial and Strategic Plan for FY2024-FY2028," March 2, 2023, p. 28: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.phila.gov/media/20230518170349/five-year-plan-FY24-proposed.pdf.

Figure 5.3: Median Household Income



in the United States.[3] Current inflation will most likely impact this economic indicator as it has driven up median household incomes, though not providing higher purchasing power; however, current data on median household income is not yet available.

Financial Indicators

Fund Balance. The City of Philadelphia's Five-Year Financial Plan (the Plan) and budget reflect the budgetary basis of accounting. Table 5.4 presents trends in the General Fund year-end fund balance on a budgetary basis, dating back to FY2011. The year-end fund balance has been positive since FY2011, subsequent to the Great Recession.

In FY2022, the most recent year with audited financial statements, the year-end fund balance was $779.1 million, representing 13.5 percent of General Fund revenues and 14.6 percent of General Fund obligations. This figure was $692.6 million more than the $86.5 million originally estimated in the FY2022 Adopted Budget, exceeding the City's internal target of six to eight percent of revenues and falling just short of the GFOA's recommended target of 17 percent of obligations.

[3] City of Philadelphia, "Proposed Five Year Financial and Strategic Plan for FY2024-FY2028," March 2, 2023, p. 34.

Table 5.3: Poverty Rate and Median Household Income: Philadelphia, Pennsylvania, and Nation

Component	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Poverty Rate (Percent)										
City	28.4%	26.9%	26.3%	26.0%	25.8%	25.7%	25.7%	24.5%	23.3%	22.8%
State	13.8%	13.7%	13.7%	13.6%	13.2%	12.9%	12.5%	12.2%	12.0%	12.1%
United States	15.9%	15.9%	15.8%	15.5%	14.7%	14.0%	13.4%	13.1%	12.3%	12.8%
City as Percent of State	205.8%	196.4%	192.0%	191.2%	195.5%	199.2%	205.6%	200.8%	194.2%	188.4%
City as Percent of US	178.6%	169.2%	166.5%	167.7%	175.5%	183.6%	191.8%	187.0%	189.4%	178.1%
Median Household Income ($)										
City	$34,207	$35,386	$36,836	$39,043	$41,233	$41,449	$39,759	$46,116	$47,474	$52,649
State	$50,228	$51,230	$52,007	$53,234	$55,702	$56,907	$59,195	$60,905	$63,463	$67,587
United States	$50,502	$51,371	$52,250	$53,657	$55,775	$57,617	$60,336	$61,937	$65,712	$69,021
City as Percent of State	68.1%	69.1%	70.8%	73.3%	74.0%	72.8%	67.2%	75.7%	74.8%	77.9%
City as Percent of US	67.7%	68.9%	70.5%	72.8%	73.9%	71.9%	65.9%	74.5%	72.2%	76.3%

Source: U.S. Census, American Community Survey, one-year estimates

The FY2023 year-end fund balance estimate is $682.5 million, or 11.3 percent of projected obligations. This amount includes an infusion of $335 million from the American Rescue Plan Act (ARPA). Without these funds, the General Fund year-end fund balance would have been $347.5 million, or 5.7 percent of projected obligations.

The projected year-end fund balance for FY2024 is estimated at $528.7 million, or 8.5 percent of projected obligations of $6.195 billion. It should also be noted that this projected fund balance includes the infusion of $390.8 million in ARPA funds, without which the fund balance would be a projected $137.9 million at the end of FY2024. This estimate should be viewed in context, along with the $65.1 million contribution to the Budget Stabilization Reserve Fund (BSR) in FY2023, the $54.0 million Recession and Inflation Reserve the City has set aside for FY2024, and the projected FY2024 contribution of $42.3 million to the Budget Stabilization Reserve.

As mentioned previously, the City has established an internal target fund balance of six to eight percent of General Fund revenues. Although this Plan projects positive year-end fund balances throughout the Plan period, the City's internal goal will only be achieved in FY2024 and FY2025.

Table 5.4: General Fund Year-End Fund Balance and Total Obligations ($ in Millions)

Fiscal Year	General Fund Balance	Total Obligations	Percent of Obligations
2011	$0.1	$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	4,139.8	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	298.5	4,717.8	6.3%
2022	779.1	5,338.5	14.6%
2023 (est.)	$682.5	$6,057.3	11.3%

Sources: City of Philadelphia's Annual Comprehensive Financial Report, General Fund Budgetary Comparison Schedule for each Fiscal Year Ended June 30; FY2024 Adopted Budget

Starting in FY2026, fund balances are expected to plummet due to the expiration of ARPA funds.

With higher fund balances, the City would be more able to address many of its greatest financial challenges, including outdated infrastructure, high tax rates, and high poverty. The fund balances in recent years are significant improvements but large decreases are projected starting in FY2026 with the expiration of ARPA funds (see Section III discussion, "Fund Balance ").

Outstanding 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 FY2015 to FY2022. Amounts include City and School District debt (which are separate) related only to governmental activities. Debt related to business type activities, such as the City's water system and airports, is excluded. Total outstanding City and School District debt increased from $7.303 billion in FY2015 to $7.574 billion in FY2022.

While 46.5 percent of the total outstanding debt is attributed to the School District, 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, and, in FY2021, these bonds were again restructured in order to reduce debt payments during the pandemic. As a result, at the end of FY2022, $961.4 million in pension-related debt remained outstanding, accounting for 12.7 percent of total City and School District debt.

City and School District debt per capita decreased to $4,567 in FY2021 (most recently available data), representing a decrease of 4.7 percent over FY2020. The decrease was primarily due to a decrease of outstanding debt in FY2021, when total outstanding City and School District debt decreased from $7.567 billion in FY2020 to $7.198 billion in FY2021.

Debt as a percentage of personal income declined from 9.4 percent in FY2015 to 7.5 percent in FY2021. This decrease is primarily attributed to the increase in personal income, rising from $77.9 billion in FY2015 to $95.9 billion in FY2021, representing a 23.0 percent increase.

General Fund debt service payments have decreased slightly as a percentage of General Fund obligations. Total debt service, including debt service on pension-related debt, decreased from 9.3 percent to 7.3 percent of General Fund obligations from FY2015 to FY2022. Debt service obligations are expected to increase over the course of the FY2024-FY2028 Plan, growing by nearly 41 percent from $201.6 million in FY2024 to reach $284.2 million in FY2028.

Bond Ratings. Credit ratings are a key factor in determining the interest rate the City pays on borrowings since higher credit ratings indicate less risk to the investor, resulting in lower interest costs. In FY2024, the City is projected to spend $324.2 million in debt service payments from the General Fund, representing 5.3 percent of projected obligations. In addition, the City also

Table 5.5: Debt Indicators, City and School District of Philadelphia

Debt Category	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Debt Outstanding ($ in Millions)								
City: Pension-Related	1,363.0	1,297.3	1,227.0	1,152.1	1,072.1	986.8	1,025.8	961.4
City: Other	2,716.3	2,744.6	2,572.2	2,965.6	2,897.0	3,032.7	2,835.4	3,094.4
School District	3,223.9	3,102.5	3,218.2	3,350.7	3,182.4	3,547.8	3,337.4	3,518.7
Total Debt Outstanding	**$7,303.2**	**$7,144.4**	**$7,017.4**	**$7,468.4**	**$7,151.5**	**$7,567.3**	**$7,198.6**	**$7,574.5**
Debt Per Capita ($)								
City	2,602.5	2,578.0	2,403.2	2,599.3	2,505.6	2,546.4	2,449.6	N/A
School District	2,056.8	1,978.8	2,035.7	2,115.2	2,009.0	2,247.6	2,117.3	N/A
Total Debt Per Capita	**$4,659.3**	**$4,556.8**	**$4,439.0**	**$4,714.5**	**$4,514.7**	**$4,794.0**	**$4,556.9**	**N/A**
Debt as Percent of Personal Income								
City	5.2%	5.0%	4.3%	4.7%	4.4%	4.3%	4.0%	N/A
School District	4.1%	3.8%	3.7%	3.8%	3.5%	3.8%	3.5%	N/A
Total Debt as Percent of Personal Income	**9.4%**	**8.8%**	**8.0%**	**8.5%**	**7.9%**	**8.1%**	**7.5%**	**N/A**
City Debt Service as Percent of General Fund Obligations								
Pension-Related	2.8%	2.7%	2.6%	2.5%	2.3%	2.2%	0.6%	1.7%
Other	6.2%	5.6%	5.8%	6.0%	5.4%	5.3%	5.8%	5.3%
Total City Debt Service as Percent of General Fund Obligations	**9.0%**	**8.3%**	**8.4%**	**8.5%**	**7.7%**	**7.5%**	**6.4%**	**7.0%**
Population	1,567,442	1,567,872	1,580,863	1,584,138	1,584,064	1,578,487	1,576,251	
Personal Income ($ in Millions)	$77,904	$80,973	$88,082	$88,312	$90,712	$93,038	$95,944	

• 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 pension obligation bonds, and to finance payment of deferred pension contributions
• Population and Personal Income is from the City of Philadelphia's FY2022 ACFR

pays debt service on pension obligation bonds, projected at $124.0 million in FY2024. Together, these two debt service obligations total $448.2 million, or 7.3 percent of total obligations. As such, improving credit ratings is critical to reducing the City's cost of borrowing and maintaining its access to the credit markets. The City has gradually enhanced its access to the credit markets since the inception of PICA.

The City maintains an 'A' category rating for its General Obligation debt from all three major rating agencies as follows: 'A1' from Moody's Investor Service (Moody's); 'A' from Standard & Poor's or S&P Global (S&P); and 'A' from Fitch Ratings (Fitch).[4] Ratings in this category from all three credit rating agencies is a major achievement as it permits the City to "access a broader base of institutional investors and to make the City's debt eligible to be sold directly to retail investors."[5] The City has maintained these high ratings over the last nine years, which has enabled it to refinance existing high-cost debt for savings. Despite these positive events, the City's ratings are relatively weak and rank the second lowest among the 20 largest cities (behind Chicago) as of January 2023.[6] In April 2020, S&P revised the City's bond rating outlook from 'positive' to 'stable' due to the worsening U.S. economic forecast spurred on by the COVID-19 pandemic. They noted that the lack of "continued pension funding discipline, reserve level growth, and preparation to avoid financial deterioration during a recession"[7] were factors in their revised outlook. In September 2021, S&P maintained its 'stable' outlook on a City service agreement revenue bond and noted that ARPA funding was expected to substantially mitigate the City's revenue losses stemming from the COVID-19 pandemic.[8] It further noted that ARPA funds would allow the City to regain structural balance and rebuild its general fund balance. However, it cautioned that if revenues underperform or if expenditures outpace management's assumptions requiring the City to drawdown the ARPA funds more quickly than projected, the outlook could be revised. In April 2023, S&P revised its outlook to positive from stable on the City's outstanding general bonds.[9]

In March 2021, Fitch revised the City's General Obligation outlook from 'stable' to 'negative,' citing a "large decline in General Fund reserves driven by the financial impacts of COVID-19."[10] However, in July 2021, Fitch revised its outlook from 'negative' to 'stable,' due primarily to the receipt of ARPA funds. Specifically, it stated that the "allocation from the ARPA affords the city time to achieve revenue recovery and/or rebalance spending to weaker revenue levels without depleting reserves."[11] This rating was the lowest of the three agencies, therefore, any future changes may impact future borrowing costs.[12] In September 2021, Fitch maintained its 'stable' outlook on a City service agreement revenue bond.[13]

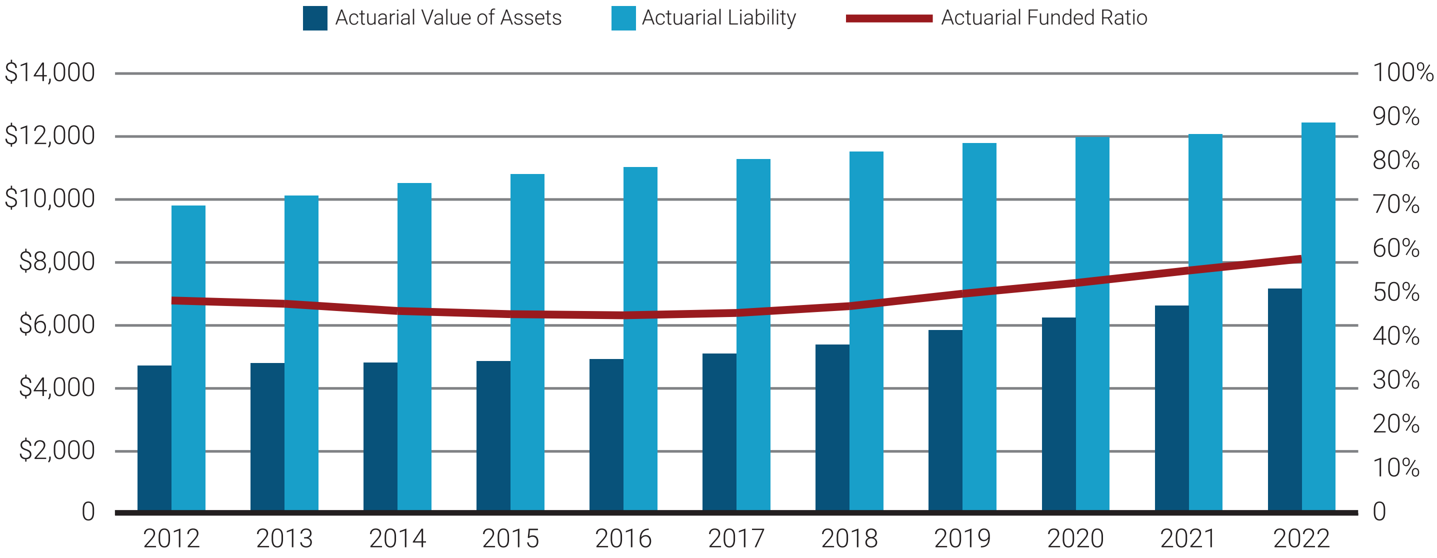
In July 2022, Fitch Ratings upgraded its rating on the City's General Obligation rating from 'A-' to 'A', citing improved economic performance, proactive budgetary management including rebuilding budgetary reserves, and the improving health of the City's pension fund.[14]

In November 2019, Moody's affirmed its 'stable' outlook on City bond indentures, but noted that the City also "continues to face a moderately high debt and pension burden."[15] In its March 2021 update to the City's credit opinion, it stated that the COVID-19 pandemic "adversely impacted several of the city's revenue sources, particularly its economically-sensitive wage and business income taxes," and was concerned about the City's "precarious reserve position for a city of Philadelphia's size." However, it went on to state that a key positive rating driver is the City's "demonstrated strong governance controls and prudent budget practices."[16] In September 2021, Moody's maintained its stable outlook on

4 City of Philadelphia, "Proposed Five Year Financial and Strategic Plan for FY2024-FY2028," March 2, 2023, p. 76.
5 City of Philadelphia, "Proposed Five Year Financial and Strategic Plan for FY2024-FY2028," March 2, 2023, p. 75.
6 City of Philadelphia, "Proposed Five Year Financial and Strategic Plan for FY2024-FY2028," March 2, 2023,, p. 75.
7 S&P Global Ratings, "Philadelphia's GO Bond Rating Outlook Revised," April 21, 2020: https://www.phila.gov/media/20210317155720/2020_general_obligation_bonds_sp.pdf.
8 S&P Global Ratings, "Philadelphia Redevelopment Authority; General Obligation," September 29, 2021: https://www.phila.gov/media/20211006154252/2021_general_obligation_bonds_sp.pdf.
9 S&P Global Ratings, "Philadelphia Industrial Development Authority," April 20, 2023.
10 City of Philadelphia, "Five Year Financial and Strategic Plan for FY2022-FY2026," April 15, 2022: p.73.
11 FitchRatings, "Fitch Rates Philadelphia, PA $436MM Gos 'A-'; Outlook Revised to Stable, July 16, 2021: https://www.fitchratings.com/research/us-public-finance/fitch-rates-philadelphia-pa-436mm-gos-a-outlook-revised-to-stable-16-07-2021.
12 City of Philadelphia, Five Year Financial and Strategic Plan for FY2023-FY2027, March 31, 2022: p 76: https://www.phila.gov/media/20220331102747/FY2023-2027-Five-Year-Financial-and-Strategic-Plan.pdf.
13 FitchRatings, "Fitch Rates Philadelphia Redev Auth, Pa $100 Million Rev bonds 'A-'; Outlook Stable, September 30, 2021: https://www.fitchratings.com/research/us-public-finance/fitch-rates-philadelphia-redev-auth-pa-100-million-rev-bonds-a-outlook-stable-30-09-2021.
14 City of Philadelphia, Five Year Financial and Strategic Plan for FY2024-2028, March 2, 2023: p 74.
15 Moody's Investor Service, "Rating Action, Moody's Assigns A2 to the City of Philadelphia," November 27, 2019: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.phila.gov/media/20211006154250/2021_general_obligation_bonds_moodys.pdf.
16 Moody's Investor Services, "Rating Action," September 20, 2021.

Figure 5.4: Pension System Funding Status

($ in Millions)



a City service agreement revenue bond, citing "demonstrated strong governance controls and prudent budget practices," in addition to the City outperforming projections over the last several years.

In April 2023, Moody's improved the City's credit rating from 'A2' to 'A1', citing that "Philadelphia's fund balance and liquidity has notably improved over the past three years" and that the City has a consistent track record of strong financial management and responsible budget controls. Moody's also considers the City's ability and willingness to proactively improve the health of its pension fund as a credit strength. This action marks the first time since 2018 that Moody's has updated the City's rating.[17]

The City continues to face several significant financial challenges that the rating agencies have historically flagged, including low fund balances, low pension funding levels, high poverty rates, and School District funding challenges that were exacerbated during an economic downturn. The City's high poverty rate, "limits tax revenue available to support general services and weighs on the economic performance of the City due to increased demand for those services."[18]

Ultimately, the City continues to save on the costs of borrowing thanks to its current investment grade credit ratings, as the difference between 'A' and 'BBB' borrowing rates would be approximately 1.0 percent at current rates.[19] It is crucial that the City maintain 'A' ratings so that it can continue to improve its infrastructure by financing capital projects on a sustainable basis.

Pension Funding Status. The funded status of the City's Municipal Retirement System (MRS), administered by the Board of Pensions and Retirement, is one of the most critical financial challenges facing the City. The City has committed to funding the MRS fully by fiscal year 2033 (see Section III discussion, "Pension Funding"). Figure 5.4 presents a multi-year trend in the primary indicators of pension funding status. These measures are drawn from the annual actuarial valuation reports and the City's Annual Comprehensive Financial Reports (ACFR).

The City's funding is determined by state law, which mandates that the City annually contribute

[17] City of Philadelphia City Treasurer's Office, "Philadelphia receives upgrade from Moody's", Press Release, May 3, 2023: https://www.phila.gov/2023-05-03-philadelphia-receives-rating-upgrade-from-moodys-positive-outlook-change-from-sp/#:~:text=PHILADELPHIA%20%E2%80%93%20The%20City%20of%20Philadelphia's,rating%20while%20revising%20its%20outlook.

[18] City of Philadelphia, Five Year Financial and Strategic Plan for FY2024-FY2028, March 2, 2023: p.75.

[19] City of Philadelphia City Treasurer's Office, based on a 20 year $100 million borrowing at June 2023 rates.

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.

The MMO is calculated by an actuary. The calculation is based on several key demographic and economic assumptions, many of which are based on experience. 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, and the funded ratio. In addition, the actuary computes the MMO contribution, as well as the level of the City Funding Policy, and, since FY2018, the Revenue Recognition Policy (RRP) amount.

The City Funding Policy is calculated based on shorter amortization periods than the MMO of 1) the unfunded liability as of FY1986; and 2) the investment losses of 2001 and 2002. The City Funding Policy, therefore, has been higher than the MMO in recent years.

The RRP is calculated to determine dedicated supplemental revenues, above the MMO, which are then allocated with the goal of lowering the pension fund's unfunded liability. Sources of supplemental revenue include a portion of the sales tax, collected above the School District's share of the tax, and additional employee pension contributions. Contributions made under the RRP help increase the fund's assets even if investment returns are lower than the assumed rates of return.

As Table 5.6 shows, the actuarial value of assets of the MRS has increased from $4.863 billion in FY2015 to $7.176 billion in FY2022. The actuarial liability has increased from $10.800 billion in FY2015 to $12.448 billion in FY2022. The actuarial value of assets increased by over $543 million, or 8.2 percent, from the FY2021 valuation of $6.633 billion, while the actuarial liability increased by $374 million over the FY2021 liability of $12.074 billion.

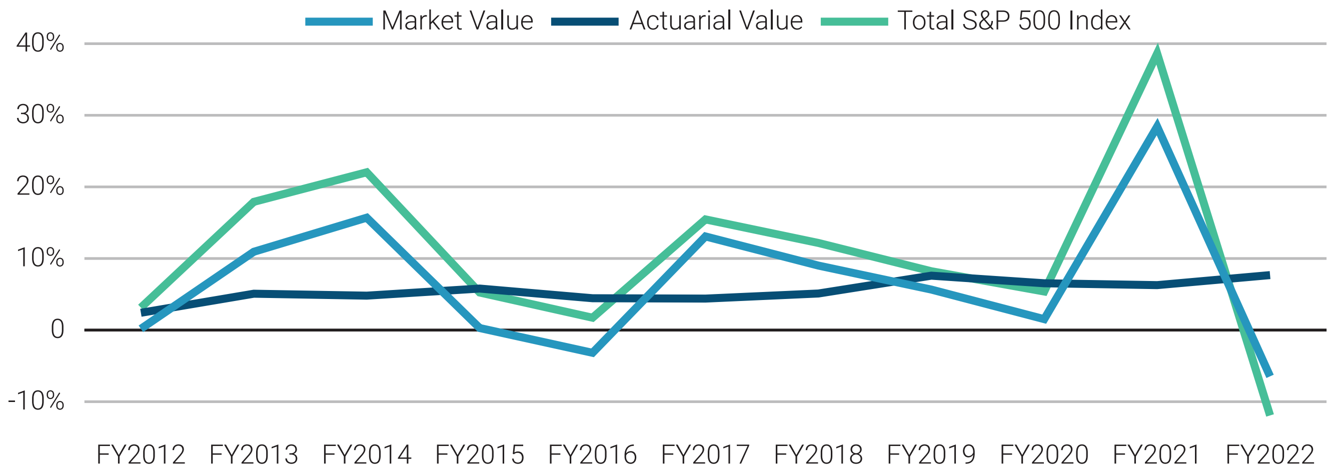
As a result, the funded ratio of the system reached 57.6 percent in FY2022. The funded ratio has not been at this level since 2008 when it reached 55.0 percent under more optimistic return assumptions. It should be noted that the unfunded liability has

Table 5.6: Pension System Funding Status ($ in Millions)

Component	2015	2016	2017	2018	2019	2020	2021	2022
Actuarial Value of Assets	$4,863.4	$4,936.0	$5,108.6	$5,397.4	$5,852.5	$6,242.7	$6,633.1	$7,176.1
Actuarial Liability	$10,800.4	$11,024.8	$11,275.7	$11,521.0	$11,783.1	$12,038.1	$12,074.0	$12,448.4
Unfunded Actuarial Liability (UAL)	$5,937.0	$6,088.8	$6,167.1	$6,123.5	$5,930.6	$5,795.4	$5,441.0	$5,272.3
Actuarial Funded Ratio	45.0%	44.8%	45.3%	46.8%	49.7%	51.9%	54.9%	57.6%
Covered Payroll	$1,597.8	$1,676.5	$1,744.7	$1,805.4	$1,816.1	$1,902.2	$1,878.4	$1,921.3
UAL as a Percent of Covered Payroll	371.6%	363.2%	353.5%	339.2%	326.6%	304.7%	289.7%	274.4%
City Funding Policy	$798.0	$846.2	$881.4	$871.8	$874.7	$839.7	$856.5	$826.4
Minimum Municipal Obligation (MMO)	$556.0	$598.5	$629.6	$661.3	$668.3	$675.8	$673.9	$678.2
Revenue Recognition Policy (RRP)				$662.1	$680.8	$704.6	$713.0	$727.4
Amount paid	$577.2	$660.2	$706.2	$782.0	$797.8	$768.7	$788.5	$859.8
Percentage of City Funding Policy Paid	72.3%	78.0%	80.1%	89.7%	91.2%	91.5%	92.1%	104.0%
Percentage of MMO Paid	103.8%	110.3%	112.2%	118.3%	119.4%	113.8%	117.0%	126.8%
Percentage of RRP Paid				118.1%	117.2%	109.1%	110.6%	118.2%

Source: City of Philadelphia Municipal Retirement System Actuarial Valuation Reports; City of Philadelphia Fiscal Year 2022 Annual Comprehensive Financial Report

Figure 5.5: Pension System Annual Rates of Return

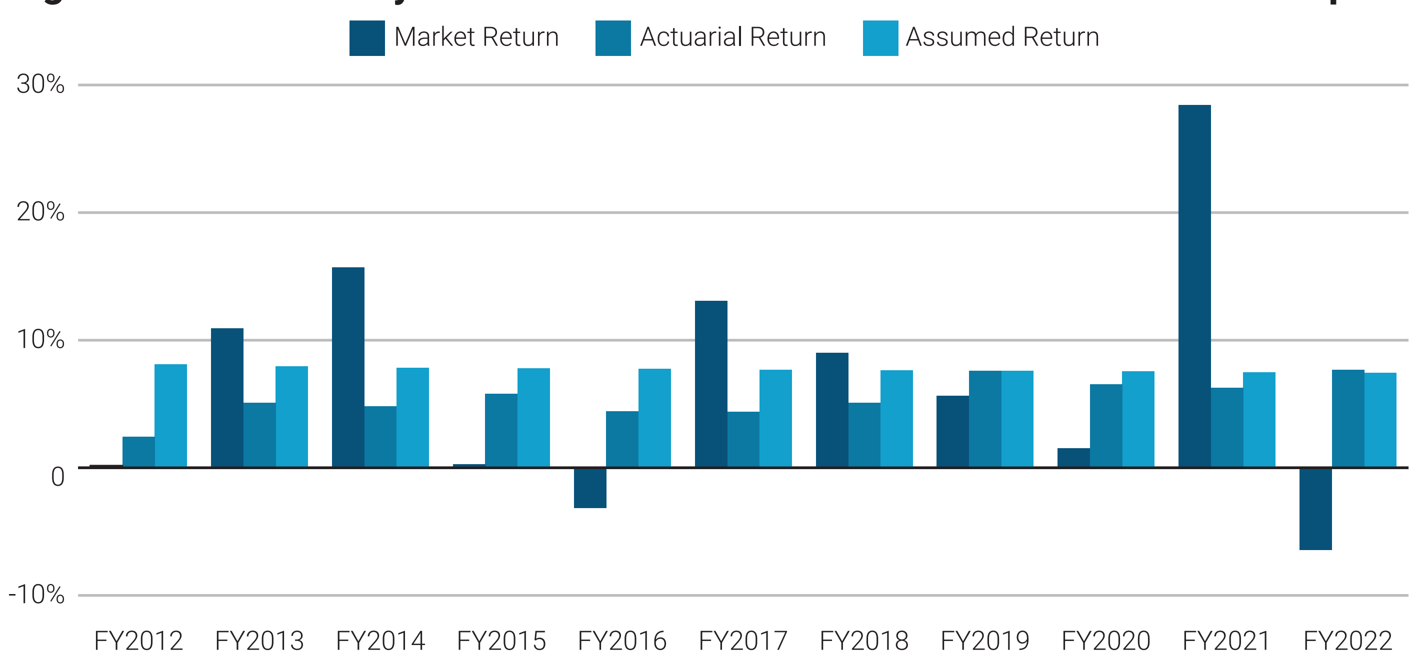


decreased from 381 to 274 percent of covered payroll, also indicating an improvement.

According to the Actuarial Valuation report issued in April 2023, the return on market value assets was -6.46 percent for the year ending June 30, 2022, which was significantly lower than the expected 7.45 percent assumed rate of return. On an actuarial asset value basis, the return as of June 30, 2022 was 7.68 percent. The actuarial asset value basis reflects the effect of smoothing actuarial investment gains and losses over a ten-year period.

In previous years, despite recent positive returns (FY2017-13.08%; FY2018-9.01%; FY2019–5.66%; FY2020–1.53%; and, FY2021–28.42%), the inability to meet or exceed the returns of the S&P 500 index (FY2017-15.46%; FY2018-12.17%; FY2019-8.22%; FY2020-5.39%; and, FY2021-38.62%) as shown in Figure 5.5, supports a continued re-evaluation of the investment portfolio, especially since this market period had been widely viewed as robust in FY2021. However, in FY 2022, the negative return of -6.46 percent, due to a declining stock market and volatility generated by the pandemic, inflation, and geopolitical events, did exceed the return of

Figure 5.6: Pension System Annual Returns vs. Investment Return Assumptions



the S&P 500 index of -11.92 percent. It should be noted that as of May 2023, the preliminary estimated market return was 4.2 percent.[20]

The Board of Pensions and Retirement will continue to manage its commitment to reduced management fees with the potential benefits that higher-fee actively-managed investments may provide in achieving the earnings assumption. As such, the ratio of management fees to assets under management was increased from 0.30 percent in FY2021 to 0.39 percent in FY 2022. The Pension Board's target for FY2024 is to maintain this ratio between 0.36 and 0.43 percent.[21]

In addition, the Board of Pensions and Retirement also continues its commitment to reduce the expected return on investments, as shown in Figure 5.6. The expected return on investments has been lowered by 0.05 percent each year, from FY2014, when it was 7.85 percent, reaching 7.40 percent in FY2023 and 7.35 in FY2024. These efforts, which move the assumptions in a more conservative direction, will reduce the risk that contributions will continue their unpredictable growth and improve the pension fund's risk profile. In addition, it increases the probability that the RRP funding levels will increase the funded ratio of the MRS over time.

Table 5.6 also presents the City Funding Policy as reported in the ACFR. 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 qualifies as an appropriate measure of the ARC, but the MMO has historically been below the City Funding Policy due to the different amortization methods explained previously. The City's actual contributions since 2003 have been based on the MMO rather than the City Funding Policy, pursuant to state Act 205. Accordingly, the actual contributions have been below the City Funding Policy in most years.

The City's RRP bases payments on the MMO but dedicates supplemental revenues, described earlier in this section, over and above MMO amounts. Basing payments on the lower MMO amount in lieu of the City Funding Policy may reflect that the City is unable to make the higher payments. However, the RRP shows the City's ability to contribute higher amounts to the pension fund, which could be viewed by ratings agencies as a positive indicator of the City's financial health.

In the most recent year, actual contributions were 104.0 percent of the City Funding Policy and continue to be more than the MMO. Additionally, this is a significant increase over FY2017, where the actual contribution was 80.0 percent of the City Funding Policy. In fact, for the past five reporting years, as shown in Table 5.6, the actual contributions hovered around or over 90 percent.

In addition to lowering the assumed rate of return on investments and increasing contributions through the establishment of the RRP, the City has made other significant reforms to the pension system and employee contributions, which will bolster the health of the pension fund in the long-term.

The City has implemented a stacked hybrid pension plan called Plan 16, which is mandatory for all newly-hired exempt and non-represented employees (except elected officials) and members of DC33, DC47, Deputy Sheriffs, and the Register of Wills. Additionally, all current union, exempt, and non-represented employees as well as elected officials are required to make increased contributions. However, no new pensions concessions were achieved during the FY2022 labor contract negotiations and arbitration awards. Based on these reforms and initiatives, the City has set the goal of reaching an 80 percent funded ratio by FY2029 and 100 percent funded ratio by FY2033.

Other Post-Employment Benefits Funding Status. The City has a substantial unfunded liability related to 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.

Table 5.7 presents trends in the OPEB liability

[20] City of Philadelphia, Employees Retirement System Executive Summary, May 31, 2023: https://www.phila.gov/media/20230630145652/Investment-performance-report-202305.pdf

[21] City of Philadelphia, Five Year Financial and Strategic Plan for FY2024-FY2028, March 2, 2023: p. 382.

Table 5.7: Other Post-Employment Benefits (OPEB) Funding Status ($ in Millions)

Component	2015	2016	2017	2018	2019	2020	2021
Actuarial Value of Assets	--	--	--	--	--	--	--
Actuarial Accrued Liability	$1,772.6	$1,936.6	$1,861.6	$1,823.9	$1,935.3	$2,087.2	$2,156.1
Net OPEB Liability[1]	$1,772.6	$1,936.6	$1,861.6	$1,823.9	$1,935.3	$2,087.2	$2,156.1
Actuarial Funded Ratio	0%	0%	0%	0%	0%	0%	0%
Covered Payroll	$1,544.5	$1,676.5	$1,864.8	$1,805.4	$1,842.6	$1,921.2	$1,886.5
Net OPEB Liability as a Percent of Covered Payroll	114.8%	115.5%	99.8%	101.0%	105.0%	108.6%	114.3%
Annual OPEB Cost	$133.1	$137.4	$141.5	$149.7	$154.3	$163.1	$158.4
Payments Made	$95.3	$107.2	$114.8	$96.4	$96.9	$104.6	$97.8
Percentage of OPEB Cost Paid	71.6%	78.0%	81.1%	64.4%	62.8%	64.1%	61.7%

Source: City of Philadelphia Fiscal Year 2022 Annual Comprehensive Financial Report
[1] Formerly referred to as the "Unfunded Actuarial Liability (UAL). Under GASB Statement No. 75, effective in FY2018, this liability will be known as the "Net OPEB Liability"

since 2015. The net OPEB liability has increased from $1.772 billion in 2015 to $2.156 billion as of June 30, 2022, the most recent available data. The net OPEB liability is entirely unfunded from an actuarial standpoint. The net OPEB liability, as a percentage of covered payroll, slightly decreased from 114.8 percent in 2015 to 114.3 percent in 2021.

The City reports an annual OPEB cost, which is the contribution that would be required to fund OPEB liabilities on an actuarially sound basis. However, the City's funding policy for OPEB is to make payments equivalent to the net expected benefits for current retirees, also known as "pay-as-you-go." Since the City finances OPEB on a pay-as-you-go basis, actual payments have been below the annual OPEB cost. In FY2021, the City's actual payments were $97.8 million, representing 61.7 percent of the annual OPEB cost, which is the same level of funding as the previous two fiscal years. In FY2022, the City's estimated contributions are $118.3 million, or 5.6 percent of total OPEB liability.

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 net OPEB liability of the City is significant. In addition, the net OPEB liability of $2.156 billion represents a financial concern and an equity issue. The financial concern is that OPEB costs, if not funded, 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 due to its ability to evenly distribute or smooth costs. Actuarially-based funding would also require policymakers to take full account of the cost of current services and create an additional incentive to manage the cost of retiree health care programs.

Such fixed costs and high liabilities can put an undue burden on City finances, especially during economic downturns. As with its pension reform efforts, the City should consider reevaluating the retirement benefits offered to its employees or make a concerted effort to pay down the unfunded portion of this liability.

VI. Capital Program

VI. Capital Program

Capital Budget

In conjunction with the Pennsylvania Intergovernmental Cooperation Authority's (PICA) analysis of the City of Philadelphia's Five-Year Financial Plan (the Plan), PICA also reviews the City's Capital Program and Capital Budget to ensure consistency with the Five-Year Plan per Section 208 of the PICA Act, which states: "the proposed operating budget and capital budget are consistent with the proposed financial plan."[1]

In addition to the Plan, the City issues a Six-Year Capital Program for Fiscal Years 2024-2029 and a Capital Budget for Fiscal Year 2024. The Capital Program is the City's six-year plan for investing in its physical and technological infrastructure, neighborhood and community facilities, and public buildings. The Capital Program supports the overall goals of the City and is updated annually.

The Approved Six-Year Capital Program for FY2024-FY2029 includes $1.199 billion in new City tax-supported borrowing for a total of $13.303 billion in capital investments over the life of the program. It focuses on improvements rooted in public safety, thriving neighborhoods, supporting youth, and inclusive growth and economic opportunity by balancing investment in existing infrastructures while pursuing opportunities to introduce new resources and amenities.

The Approved Capital Budget for FY2024 calls for $214.0 million in new general obligation borrowing, compared to $202.8 million in FY2023 and $273.9 in FY2022 (the largest amount approved in two decades). The Approved Capital Budget slightly increased in FY2024 compared to FY 2023 due to an almost $10 million increase in the Streets Department Capital Budget for reconstruction and resurfacing of streets and a $15.0 million increase in Parks and Recreation for improving parks and recreational facilities. This increase was offset by a decrease in the Capital Budget for other departments because of their existing carryforward funds used to continue implementation of capital projects through the coming year.

Table 6.1: FY2024 New Capital Borrowing Top Ten Departments

Department	FY2024 New Borrowing
Parks and Recreation	$57,430,000
Streets Department	49,350,000
Innovation & Technology	17,570,000
Commerce	14,250,000
Fleet Services	13,000,000
Finance	12,500,000
Police Department	9,800,000
Department of Prisons	8,900,000
Fire Department	6,000,000
Transit (SEPTA)	5,745,000
Sub-Total Top Ten Departments	**$194,545,000**
Other Departments	$19,455,000
Total FY2024 New Capital Borrowing	**$214,000,000**

Source: City's FY2024 Capital Budget

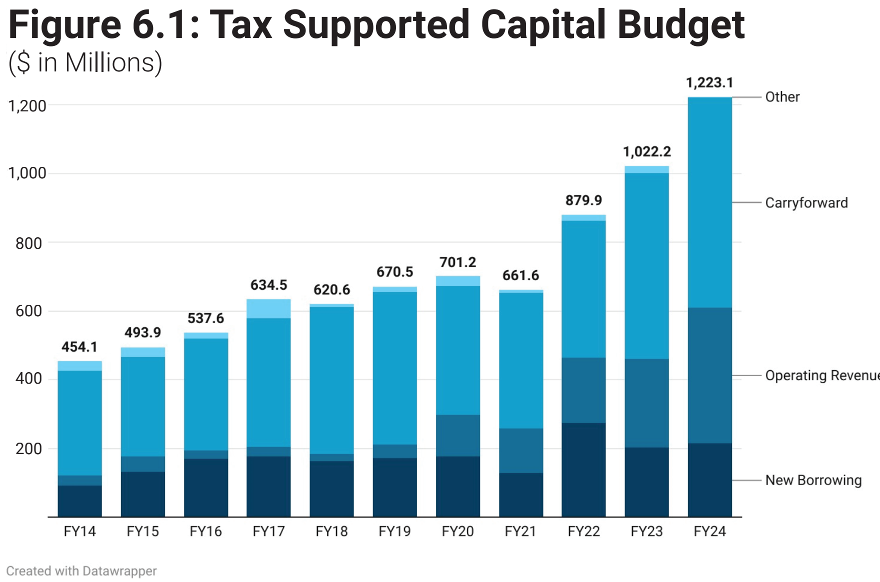
As shown in Table 6.1, the Approved Capital Budget for FY2024 is primarily allocated to ten City departments which account for 90.9 percent of new capital funding.

Capital Project Funding Eligibility

After the Mayor expresses capital project priorities to City officials, Capital Program funding eligibility is determined by the Budget Office and subsequently certified by the Controller's Office. Eligibility requirements for capital funding, which are based on bond requirements, other legal considerations, and financial policy, play a central role in selecting capital projects. Additionally, a key consideration to qualify for capital funding is that the project must cost at least $15,000 and have a lifespan of at least five years.

While the bond and legal requirements are clear, eligibility based on financial policy priorities seems unclear, and the formulation of such policy is admittedly not a formal process. The City considers

[1] PICA Act Sec. 208 (f)(1)(ii).



its own financial needs when formulating policies related to eligibility but does not analyze best practices or policies of similar jurisdictions related to capital funding eligibility. City Capital Program eligibility requirements have not been revisited since 2014. Best practice indicates this should ideally be done annually.

Prioritization of the projects is primarily based on mayoral priorities. After that, City officials consider what federal, state, or private funding can be leveraged. For FY2024, federal funding, new and prior, is a source of 17.9 percent of the budget, while state funding is 12.6 percent of the budget.

Capital Program Approval Process

The size of the Capital Budget is determined largely based on debt service costs and departmental needs. The Treasurer's Office provides input on how much debt service the City can realistically handle, and the Mayor makes the final determination on the amount of new debt to be issued within the parameters set by the Treasurer's Office.

Once the size of the budget is determined, consideration is given to whether proposed projects fit within the existing objectives of the City Planning Commission. There are 21 City departments included in the Capital Program, some of which are stand-alone departments, while the majority are client departments of the Department of Public Property.

The Budget Office and the City Planning Commission communicate with the Department of Public Property (DPP) regarding the needs of its client departments, as DPP assists these departments in preparing capital project requests. The Budget Office consults with the Managing Director's Office (MDO) on the prioritization of capital projects. Additionally, the City emphasizes racial equity in capital resource allocations by prioritizing investments in communities of color.

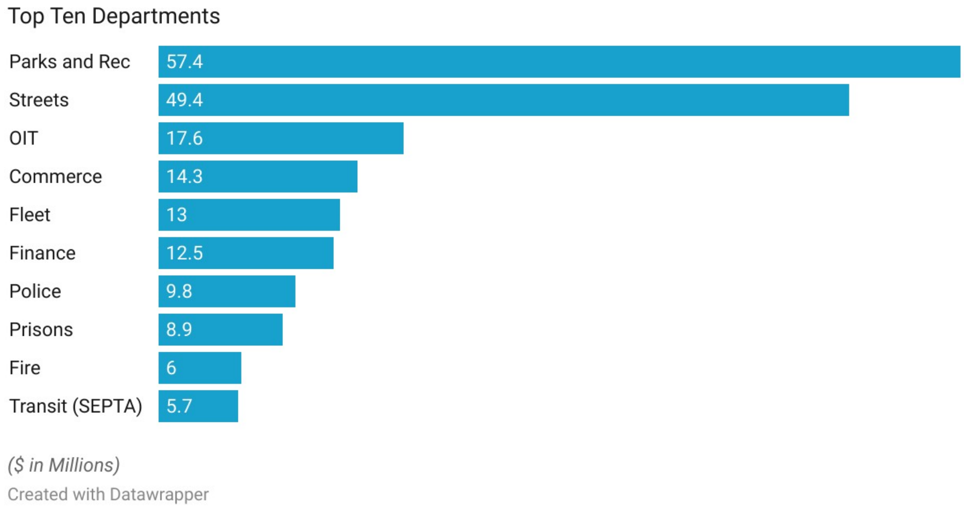
The City Planning Commission considers and votes on the Capital Budget. Finally, the Capital Program is presented to the Mayor for review and submission to City Council for final adoption.

PICA Capital Funding

In a process that is distinct from the Five-Year Plan and Capital Program, at inception, PICA also issued $1.13 billion in capital funding bonds to the City for certain capital projects, pursuant to Section 301(e) of the PICA Act.

There are special requirements that projects must meet in order to qualify for this funding. Pursuant to the PICA Act, to qualify for PICA funding, a project must be either (1) "an emergency capital project which must necessarily be undertaken as a direct result of an order by a court of competent jurisdiction or for the repair or replacement of an existing facility that had been placed in service prior to" June 5, 1991 (the effective date of the Act) and was owned or occupied by the City on June

Figure 6.2: FY2024 New Borrowing Capital Budget

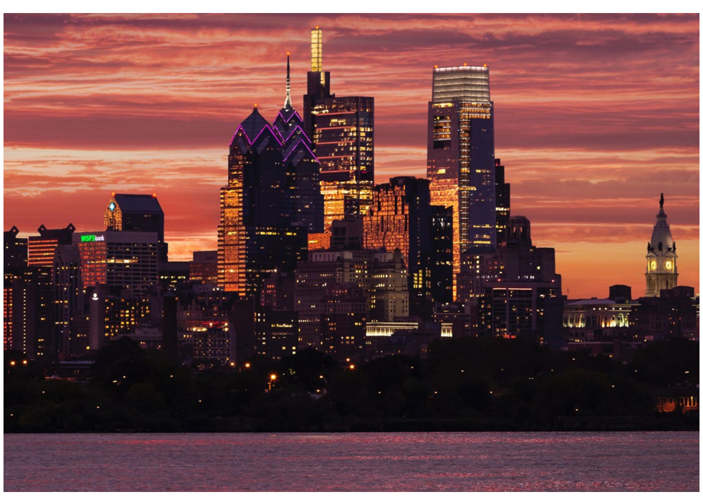


5, 1991 (‘Emergency Capital Projects’); or (2) “a capital project necessary to achieve savings and balanced budgets under an approved financial plan.”

The Approved Capital Budget for FY2024 includes $1.3 million carried forward from PICA’s initial appropriations.

Pay-As-You-Go Financing

Of financing for projects on a pay-as-you-go basis, the Approved Capital Budget for FY2024 includes a significant amount, approximately $396.3 million. Pay-as-you-go is a best practice for financing capital projects and allows the City to fulfill capital needs without incurring debt service payments. However, due to the City’s high fixed operating costs, there is a limit to what is feasible to fund in this manner.



FY2024 Capital Projects

The major investments included in the Approved Capital Budget for FY2024 include:

- $52.9 million for improving parks and recreational facilities/FDR Park
- $35.7 million for street paving and transit projects
- $34.3 million for public safety facility improvements and fleet replacements
- $29.3 million for technology and economic development.

Table 6.2 lists the larger projects included in the Capital Budget.

Risks to the Capital Program

There are inherent risks associated with capital projects, particularly risks that may derail projects or cause costs to increase above projections, including: higher than budgeted construction costs, change orders, delays in projects, and contractor defaults, among others.

Additionally, experts predict a forthcoming recession resulting from historic levels of inflation, reductions in bank lending and government spending,[2] and continued economic uncertainty as the COVID-19 global pandemic wanes. Therefore, additional potential risks exist, such as revenue

[2] Lundh, “The Conference Board Economic Forecast for the US Economy,” June 15, 2023: https://www.conference-board.org/research/us-forecast#:~:text=We%20now%20forecast%20that%20US,and%20%2D0.9%20in%20Q1%202024.

Table 6.2: FY2024 New Capital Borrowing Top Ten Capital Projects ($ in Millions)	
Project	**FY2024 New Borrowing**
Street Paving	$30.0
OIT Citywide Business Applications	17.5
Fleet Replacement	11.0
FDR Park Renovation	10.0
Police Facilities	8.4
I-95 Cap Park	6.0
Transit / SEPTA	5.7
Fire Facilities Improvements	5.0
Public Health Facilities Renovations and Repair	5.0
Prison Facility Renovation	4.9
Sub-Total	**$103.5**
Other Projects	110.5
Total FY2024 New Capital Borrowing	**$214.0**

Source: City of Philadelphia Budget Office

shortages due to decreased tax revenue and unforeseen emergency expenditures. A lengthy economic downturn could also limit borrowing in the subsequent years of the Capital Program.

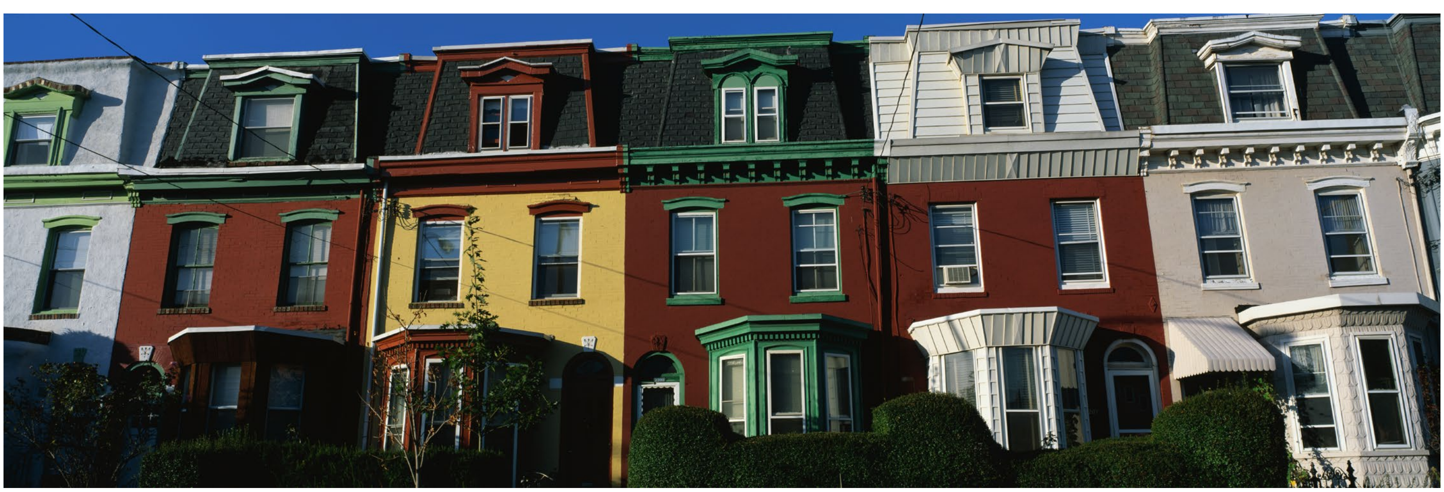
However, the status and costs of projects are continuously monitored by the Budget Office during the funding approval process. If there is a change in the prioritization of projects, due to an emergency or some other need during this process, funding is reallocated from other projects accordingly. If projects become more expensive than the original appropriation allows, left-over funds from other, completed projects, are reallocated.

Conclusion

Based on our review of the City's Capital Program, PICA staff noted several areas upon which the City could improve:

- Research best practices to determine the ideal time of year to perform the carry-forward calculation;
- Regularly evaluate projects supported by capital funds;
- Conduct facility and technological infrastructure assessments to prioritize needs more efficiently;
- Emphasize spending down carry-forward amounts before issuing new debt

Although the capital program planning process could be improved, the Approved Six-Year Capital Program for FY2024-FY2029 and the Capital Budget for FY2024 are consistent with the Five-Year Plan, and, as such, are in compliance with the PICA Act's requirements in Section 208.



Glossary of Acronyms

ACFR	Annual Comprehensive Financial Report	**GFOA**	Government Finance Officers Association
AFSCME	American Federation of State, County, and Municipal Employees	**IAFF**	International Association of Fire Fighters
ARC	Annual Required Contribution	**L&I**	Department of Licenses and Inspections
ARPA	American Rescue Plan Act	**LGNT**	Locally Generated Non-Tax Revenue
AVI	Actual Value Initiative	**LOOP**	Longtime Owner Occupants Program
BIRT	Business Income and Receipts Tax	**MDO**	Managing Director's Office
BSR	Budget Stabilization Reserve	**MMO**	Minimum Municipal Obligation
CAMA	Computer-Assisted Mass Appraisal	**MRS**	Municipal Retirement System
CEG	Community Expansion Grant	**OACCE**	Office of Arts, Culture, and the Creative Economy
CEO	Office of Community Empowerment and Opportunity	**OCF**	Office of Children and Families
CPI-U	Consumer Price Index for All Urban Consumers	**OHS**	Office of Homeless Services
CPOC	Citizens Police Oversight Commission	**OIT**	Office of Innovation and Technology
DAO	Office of the District Attorney	**OPEB**	Other Post-Employment Benefits
DBHIDS	Department of Behavioral Health and Intellectual disAbility Services	**PCHR**	Philadelphia Commission on Human Relations
DC33	AFSCME District Council 33	**PICA**	Pennsylvania Intergovernmental Cooperation Authority
DC47	AFSCME District Council 47	**Pre-K**	Pre-Kindergarten
DHS	Department of Human Services	**RRP**	Revenue Recognition Policy
DPP	Department of Public Property	**RTT**	Real Estate Transfer Tax
FICA	Federal Insurance Contributions Act	**S&P**	Standard and Poor's Global Ratings
FJD	First Judicial District of Pennsylvania	**S&P GMI**	Standard and Poor's Global Market Intelligence
FOP	Fraternal Order of Police	**SDP**	School District of Philadelphia
FY	Fiscal Year	**SEPTA**	Southeastern Pennsylvania Transportation Authority
GASB	Governmental Accounting Standards Board	**TIF**	Tax Increment Financing
GDP	Gross Domestic Product	**UAL**	Unfunded Actuarial Liability

List of Revenue Sources

Taxes

Wage, Earnings, and Net Profits
Business Income and Receipts (BIRT)
Real Estate
Real Estate Transfer
Sales
Parking
Beverage
Amusement
Construction Impact
Outdoor Advertising
Tobacco and Tobacco Related Products

Revenue from Other Governments

State and Federal Grants
Health Program Reimbursements
Commercial Refuse Collections
Philadelphia Gas Works
Rental Fees
State Pension Aid
State Funding to Support Wage Tax Reduction
Philadelphia Parking Authority On-Street Parking
Grants to Support the Courts
PICA City Account Revenue

Locally Generated Non-Tax (LGNT)

Fees
Emergency Medical Services
Commercial Refuse Collections
Court Costs
Fines
Permit Fees
Sales of Assets (Public Property)

Revenue from Other Funds

Water
Aviation
Grants - American Rescue Plan
Other Grants

Appendices

Appendix A: Spending Trends

Appendix A: Spending by Functional Category: General Fund ($ in Millions)

Function and Agency[1]	Actual				Estimate	Projected
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Public Safety						
Police Department	706.7	758.2	736.5	774.9	800.0	855.8
Fire Department	309.1	330.1	343.5	370.1	395.5	400.8
Public Safety Totals	$1,015.8	$1,088.3	$1,080.0	$1,145.0	$1,195.5	$1,256.6
Judicial and Corrections						
First Judicial District of Pennsylvania	113.2	116.6	114.3	117.6	123.7	129.1
Prisons Department	236.2	243.4	217.2	224.2	278.9	292.8
Office of the District Attorney	39.4	42.4	41.7	43.7	48.3	51.1
Other[2]	33.3	34.4	31.6	33.4	35.7	37.9
Judicial and Corrections Totals	$422.1	$436.7	$404.8	$418.9	$486.6	$510.8
Health and Human Services						
Department of Human Services	107.3	112.4	151.9	172.6	189.8	219.7
Office of Homeless Services	56.7	60.1	44.8	55.3	70.4	80.6
Department of Public Health	142.0	168.6	156.2	153.9	156.6	148.7
Department of Behavioral Health and Intellectual disAbility Services	17.1	15.9	15.5	22.3	28.4	29.0
Other[3]	2.1	45.4	2.7	2.7	3.0	3.2
Health and Human Services Totals	$351.3	$402.4	$371.0	$406.8	$448.3	$481.3
Regulation and Economic Development						
Department of Licenses & Inspections	38.0	38.6	37.2	38.1	41.6	44.3
Department of Planning & Development	12.5	18.3	14.7	13.4	32.3	35.4
Other[4]	30.9	18.4	7.6	22.3	35.3	41.5
Regulation and Economic Development Totals	$81.4	$75.3	$59.5	$73.8	$109.2	$121.2
Arts, Culture, and Recreation						
Free Library of Philadelphia	42.6	46.3	39.8	41.8	61.9	70.9
Department of Parks and Recreation	65.4	62.7	50.3	66.0	75.2	79.4
Other[5]	6.9	6.5	2.1	2.5	3.3	3.7
Arts, Culture, and Recreation Totals	$114.9	$115.5	$92.2	$110.3	$140.4	$154.0
Transportation and Sanitation						
Streets Department	144.6	151.8	154.6	189.7	216.7	163.1
Transportation and Sanitation Totals	$144.6	$151.8	$154.6	$189.7	$216.7	$163.1
Central Services						
Department of Public Property	70.9	68.6	64.0	75.4	83.6	95.7
Office of Innovation and Technology	78.6	95.9	90.7	99.6	122.2	128.3
Department of Fleet Services	64.3	64.3	55.2	57.7	78.8	70.6
Central Services Totals	213.8	228.9	210.0	232.7	284.5	294.5
Governance and Administration						
Office of the Mayor	5.4	6.1	6.4	6.3	7.3	6.1
City Council	16.5	17.4	17.0	17.1	22.0	19.8
Office of the City Controller	9.1	10.0	9.8	10.0	10.8	11.1
Office of the Director of Finance	74.6	100.4	58.5	42.4	197.6	57.8
Office of the Managing Director	45.0	106.8	63.4	80.1	122.3	180.7
Other[6]	104.9	104.9	108.6	110.8	148.4	163.0
Governance and Administration Totals	$341.8	$345.6	$263.8	$266.7	$508.4	$438.5
Function and Agency Totals	**$2,685.7**	**$2,844.6**	**$2,635.9**	**$2,844.0**	**$3,389.5**	**$3,420.2**

[1] Indemnity Costs Excluded.
[2] Includes Office of the Register of Wills and Office of the Sheriff.
[3] Includes Commission on Human Relations and Office of Children and Families.
[4] Includes Commerce Department, Office of the City Representative, Office of Sustainability, Office of Community Empowerment and Opportunity, Board of License and Inspection Boards Review, and Board of Building Standards.
[5] Includes Office of Arts, Culture and Creative Economy, Mural Arts Program, and Atwater Kent Museum.
[6] Includes Board of Ethics, Board of Revision of Taxes, Office of the Philadelphia City Commissioners, Office of the City Treasurer, Office of Human Resources, Civil Service Commission, Office of Labor Relations, Office of the Inspector. General, Law Department, Procurement Department, Office of Property Assessment, Department of Records, Department of Revenue, and Office of the Chief Administrative Officer.

Appendix B: Personnel Trends

Appendix B: Personnel Trends by Function and Agency (Full-Time General Fund)

Function and Agency	Actual FY2019	Actual FY2020	Actual FY2021	Actual FY2022	Estimate FY2023	Projected FY2024	Increase / (Decrease) FY2023 to FY2024
Public Safety							
Police Department	7,241	7,175	6,869	6,651	6,440	7,483	1,043
Fire Department	2,530	2,628	2,678	2,667	2,901	3,392	491
Public Safety Totals	9,771	9,803	9,547	9,318	93,41	10,875	1,534
Judicial and Corrections							
Prisons Department	2,130	1,975	1,620	1,393	1,400	2,186	786
Office of the District Attorney	491	545	521	503	583	605	22
First Judicial District of Pennsylvania	1,842	1,825	1,773	1,686	1,719	1,720	1
Other[1]	425	451	437	410	510	532	22
Judicial and Corrections Totals	4,888	4,796	4,351	3,992	4,212	5,043	831
Health and Human Services							
Department of Human Services	396	437	492	492	535	538	3
Office of Homeless Services	151	151	127	114	149	149	0
Department of Public Health	752	739	716	689	695	864	169
Department of Behavioral Health and Intellectual disAbility Services	16	24	23	30	53	53	0
Other[2]	64	74	35	34	36	37	1
Health and Human Services Totals	1,379	1,425	1,393	1,359	1,468	1,641	173
Regulation and Economic Development							
Department of Licenses & Inspections	372	394	372	346	425	430	5
Department of Planning & Development	56	55	55	54	70	83	13
Other[3]	68	59	47	49	94	126	32
Regulation and Economic Development Totals	496	508	474	449	589	639	50
Arts, Culture, and Recreation							
Free Library of Philadelphia	651	677	634	618	831	1,009	178
Department of Parks and Recreation	647	647	644	613	751	945	194
Other[4]	18	12	8	8	10	10	0
Arts, Culture, and Recreation Totals	1,316	1,336	1,286	1,239	1,592	1,964	372
Transportation and Sanitation							
Streets Department	1,736	1,925	1,941	2,072	2,378	1,690	(688)
Transportation and Sanitation Totals	1,736	1,925	1,941	2,072	2,378	1,690	(688)
Central Services							
Department of Public Property	135	119	142	133	156	176	20
Office of Innovation and Technology	277	317	313	300	368	398	30
Department of Fleet Services	286	282	268	266	275	319	44
Central Services Totals	698	718	723	699	799	893	94
Governance and Administration							
Office of the Mayor	51	61	61	60	64	45	-19
City Council	197	180	182	175	185	185	0
Office of the City Controller	124	121	118	109	135	135	0
Office of the Director of Finance	116	119	119	122	134	139	5
Office of the Managing Director	307	287	290	324	407	501	94
Other[5]	1,131	1,143	1,145	1,137	1,361	1,437	76
Governance and Administration Totals	1,926	1,911	1,915	1,927	2,286	2,442	156
Full-Time Positions Totals	**22,210**	**22,422**	**21,630**	**21,055**	**22,665**	**25,187**	**2,522**

[1] Includes Office of the Register of Wills and Office of the Sheriff.
[2] Includes Commission on Human Relations and Office of Children and Families.
[3] Includes Commerce Department, Office of the City Representative, Office of Sustainability, Office of Community Empowerment and Opportunity, Board of License and Inspection Review, and Board of Building Standards.
[4] Includes Office of Arts, Culture and Creative Economy, Mural Arts Program, and Atwater Kent Museum.
[5] Includes Board of Ethics, Board of Revision of Taxes, Office of the Philadelphia City Commissioners, Office of the City Treasurer, Office of Human Resources, Civil Service Commission, Office of Labor Relations, Office of the Inspector. General, Law Department, Procurement Department, Office of Property Assessment, Department of Records, Department of Revenue, and Office of the Chief Administrative Officer.

Appendix C:
Office of the City Controller Report on the FY2024-FY2028 Plan

City of Philadelphia
Forecasted General Fund
Statement of Operations
Fiscal Years 2024-2028

City of Philadelphia, Pennsylvania
Office of the Controller
Charles Edacheril
Acting City Controller

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CHARLES EDACHERIL
Acting City Controller

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying forecast of the City of Philadelphia, Pennsylvania, which comprises the forecasted general fund statements of operations and summaries of significant assumptions and accounting policies for each of the five years ending through June 30, 2028, of the City of Philadelphia, Pennsylvania, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). City of Philadelphia's Office of the Director of Finance management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the AICPA. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's forecast.

There will usually be differences between 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.

Emphasis of a Matter – Growth in Revenues Resulting from the American Rescue Plan Act

The forecasted statement referred to above, and footnote C.6. reflect significant growth in revenues for fiscal years 2024 and 2025 due to grant funding received under the American Rescue Plan Act (ARPA). ARPA provided direct relief to state and local governments in the wake of negative economic impacts caused by the COVID-19 public health emergency.

The City received a $1.395 billion grant in fiscal year 2021 that, in accordance with federal regulations, must be obligated by December 2024. As such, no new ARPA grant funding is anticipated in fiscal years 2026 through 2028. The City's forecasted annual spending combined with the ARPA fiscal cliff represent a substantial risk to the City's fund balance, which is forecasted to decrease substantially from fiscal year 2026 through 2028. Our opinion is not modified with respect to this matter.

Charles Edacheril

CHARLES EDACHERIL, CPA
Acting City Controller
Philadelphia, Pennsylvania
July 17, 2023

Forecasted General Fund Statements of Operations

Fiscal Years Ending June 30, 2024 through June 30, 2028

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
Fiscal Years Ending June 30, 2024 through June 30, 2028

(Amounts in thousands)

NO.	ITEM	FY 2024 Adopted	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	OPERATIONS OF FISCAL YEAR					
	REVENUES					
1	Taxes	4,141,206	4,302,810	4,428,068	4,615,905	4,775,170
2	Locally Generated Non-Tax Revenues	386,733	357,401	358,455	353,541	380,901
3	Revenue from Other Governments	1,025,340	1,058,500	1,090,585	1,121,910	1,153,496
4	Sub-Total (1 thru 3)	**5,553,279**	**5,718,711**	**5,877,108**	**6,091,356**	**6,309,567**
5	Revenue from Other Funds of City	458,835	506,467	57,427	57,001	57,658
6	**Total Revenue and Other Sources (4)+(5)**	**6,012,114**	**6,225,178**	**5,934,535**	**6,148,357**	**6,367,225**
	OBLIGATIONS/APPROPRIATIONS					
7	Personal Services	2,167,983	2,163,061	2,173,904	2,174,713	2,175,607
8	Personal Services-Pensions	868,190	888,137	909,491	914,726	923,406
9	Personal Services-Other Employee Benefits	792,806	838,000	880,439	927,111	974,946
10	**Sub-Total Employee Compensation (7 thru 9)**	**3,828,979**	**3,889,198**	**3,963,834**	**4,016,550**	**4,073,959**
11	Purchase of Services	1,380,127	1,285,764	1,252,034	1,267,153	1,280,343
12	Materials, Supplies and Equipment	145,090	134,614	132,990	132,794	132,843
13	Contributions, Indemnities, and Taxes	425,194	405,533	405,233	405,233	405,233
14	Debt Service	201,632	232,838	250,353	263,423	284,209
15	Payments to Other Funds	104,771	105,544	86,033	88,306	90,036
16	Payment to Budget Stabilization Reserve Fund	42,261	138,037	41,867	0	0
17	Advances & Misc. Pmts. / Labor Obligations	13,360	55,360	84,360	121,360	120,360
18	Adv. & Misc. Pmts. / Recession, Inflation & Reopenin	54,000	30,000	20,000	20,000	20,000
19	**Total - Obligations (10 thru 18)**	**6,195,414**	**6,276,888**	**6,236,704**	**6,314,819**	**6,406,983**
20	Oper.Surplus (Deficit) for Fiscal Year (6)-(19)	(183,300)	(51,710)	(302,169)	(166,462)	(39,758)
21	**Prior Year Adjustments:**					
22	Other Adjustments	29,500	29,500	29,500	29,500	29,500
23	Total Prior Year Adjustments	29,500	29,500	29,500	29,500	29,500
24	**Adjusted Oper. Surplus/ (Deficit) (20)+(23)**	**(153,800)**	**(22,210)**	**(272,669)**	**(136,962)**	**(10,258)**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS					
25	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	682,460	528,660	506,450	233,781	96,819
26	Fund Balance Available for Appropriation June 30 (24)+(25)	**528,660**	**506,450**	**233,781**	**96,819**	**86,561**

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

1

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

A. Nature of the Forecast

The City of Philadelphia Budget Office (Budget) is responsible for providing revenue and obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the FY2024 budget and the FY24-28 Five Year Financial Plan (FYP) submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (PICA) on June 26, 2023. 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 June 26, 2023, 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 Principles

The Forecasted General Fund Statements of Operations 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 FY24 total $6.012 billion. Nearly 70% of the City's revenue comes from local taxes, and roughly 17% comes from other governments (including the PICA tax). In FY24, $459 million (nearly 8% of revenues) will come from other funds of the City, $391 million of which is federal American Rescue Plan Act (ARPA) funds being drawn down. The City has received $1.395 billion in ARPA funds, all of which is allocated by the end of FY25. Locally generated non-tax revenues, which include revenues from fees, fines and permits, account for just over 6% of revenues.

Budget provides forecasts for the City's taxes, totaling over $4.14 billion in the adopted FY24 budget, as well as $386.7 million of Locally Generated Non-Tax revenues, and $1.025 billion in Revenue from Other Governments. These three sources comprise 92.4% of the revenues anticipated for the FY24 budget.

Budget employs several approaches to developing its forecasts of local revenues. These include:

a) Forecasts of economic activity provided by several sources including the Congressional Budget Office;
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;

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Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

e) Analysis 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;
g) The extensive experience of its staff.

Budget's tax forecasts for the FYP were developed in conjunction with a revenue forecasting consultant, S&P Global Market Intelligence (formerly IHS Markit, Ltd, or "IHS"). S&P 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 S&P to forecast tax revenues for the City. S&P focused on the following taxes – Wage and Earnings Tax, Net Profits Tax, Business Income and Receipts Tax, Real Estate Transfer Tax, Philadelphia Beverage Tax, and Sales Tax. These forecasts were refined by Budget after discussions with economists at a meeting hosted by the Federal Reserve Bank of Philadelphia, as well as with experienced staff within the Department of Revenue. Forecasts for the remaining major tax – Real Estate – were developed using the internal expertise of employees within the City. The Real Estate Tax estimates were forecasted by Budget with data and input from the Office of Property Assessment and the Department of Revenue. The Philadelphia Beverage Tax estimates are based upon collections of this tax and S&P-projected growth rates. The City assumes ongoing annual losses of approximately -0.7% starting in FY26 to reflect broad trends in sweetened beverage consumption.

The revenue projections for FY24-28 reflect the impacts of the COVID-19 global health crisis with permanent changes to Philadelphia's tax base. The estimates have been revised since the March 2, 2023 introduction of the Five Year Plan based on updated collections information, macroeconomic conditions, and changes to the tax rates initially proposed.

Prior to the impacts of COVID-19, Philadelphia's medium-term economic outlook had been moderately optimistic. As the City continues to recover from the pandemic, the outlook has improved. Monthly employment data for April 2023 showed a slight increase in total payroll in the city from the previous month (on a seasonally adjusted basis), with a gain of 1,100 jobs. Gains occurred mostly in the leisure and hospitality sector, along with construction. Most industry sectors were virtually unchanged, while financial services and state and local government posted modest losses.

Fiscal 2023 Sales Tax collections through May are up 9.2% from last year. However, continued inflation as reflection in increasing prices of fuel, food, rent, and other basics is likely to reduce gains in discretionary income and therefore, slowing growth in collections in the out years of the Plan.

Realty Transfer Tax collections through May continued to decline nearly 30% from the preceding year, dropping from $54.4 million in May 2022 to $24.5 million in May 2023. The residential real estate market continues to be impacted by higher mortgage rates and, with record lows in inventory, supply remains tight. Commercial real estate, too, continues to be impacted by rising interest rates.

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Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

The Business Income and Receipts Tax (BIRT) preliminary collections posted through May total $659 million. While this is down slightly from $673 million in May of the preceding year, credits typically reduce the year-end total so lower ending numbers are expected.

Despite improvements over the course of FY23 in leisure and hospitality, Philadelphia's economy continues to remain impacted by the after-effects of the COVID-19 pandemic, especially in the education, professional and business services, and health services. Historically, the three largest drivers of Philadelphia's economy are educational institutions, medical institutions, and hospitality. According to CBRE, in the first quarter of 2023, the total vacancy rate of office space in center city was 19.2%, an increase of 9% from before the pandemic.

As part of the FY24 Budget, Philadelphia's City Council passed tax legislation to further lower BIRT and Wage Tax rates. The rate for the BIRT on net income decreased to 5.81% from 5.99% in Tax Year 2023. The Wage Tax rate for city residents will drop from 3.79% to 3.75%, the lowest rate since the mid-1970s.

The Administration anticipates that the City's main revenue source, Wage, Earnings, and Net Profits collections, will grow by 2.76% in FY24. This growth reflects ongoing recovery from the pandemic and wage growth from the tight labor market, despite the Plan's incorporating the assumption of a permanent loss of 25% of the non-resident Wage Tax base within the overall Wage Tax projections. This 25% loss has already happened and continues throughout the Plan.

Projections show growth for all major tax types in FY24, except for a 3.05% decline in BIRT and the zeroing out of the Parking Tax in the General Fund starting in FY24, following the move of all Parking Tax-related revenue to the new Transportation Fund. This new fund creates dedicated revenue streams for transportation, starting in FY24.

2. The National and Local Economic Context

The strength of the economy is a key determinant of the fiscal health of the City since local tax revenues, which are directly tied to the economy's strength, account for nearly 70% of the City's General Fund revenue in FY24. As of February 2023, the Congressional Budget Office (CBO) forecast for U.S. Real Gross Domestic Product anticipates growth in 2023 of just 0.1%. However, after 2023, the CBO anticipates the annual growth of Real GDP averaging 2.2% from 2024 to 2028 and estimates growth between 1.7% and 1.9% for 2029-2033. Employment falls 0.4% in 2023 before growing at less than 1% per year from 2024 onward, with unemployment rising through 2024 reaching 4.9%, and then falling to 4.5% by 2027 and remaining at 4.5% through 2033.

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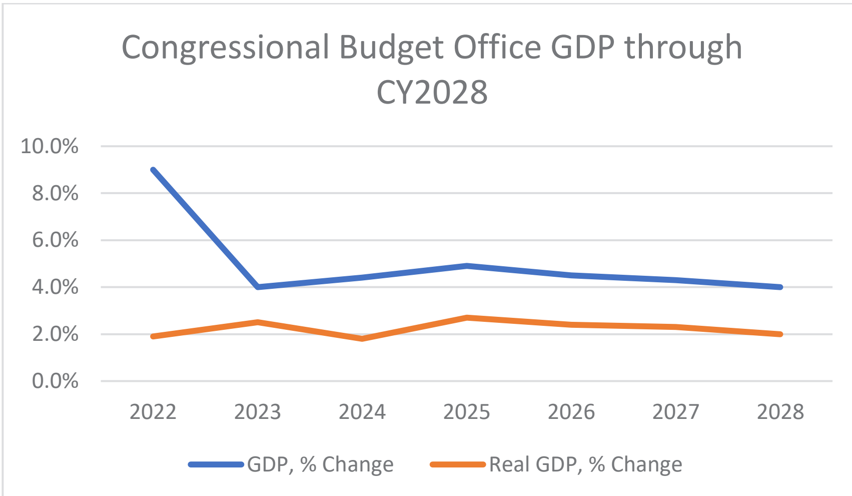
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028



[1]

On May 30, 2023, S&P Global Market Intelligence provided updated projections for the national, state, and city domestic product, indicating mostly comparable outlooks in 2024 for the City of Philadelphia, Pennsylvania, and the country.

Economic Indicators: National, State, and City

	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2022	2023	2024
United States								
Employment (millions)	154.3	155.2	155.8	156.0	155.9	152.6	155.7	155.6
Real Per Capita Income (Thousand $)	45.8	46.7	46.9	47.1	47.2	45.4	47.0	47.7
GDP Growth Rate (%)	2.6	1.1	-0.1	0.5	0.5	2.1	1.2	0.9
Pennsylvania								
Employment (millions)	6.05	6.10	6.12	6.13	6.12	5.99	6.12	6.11
Real Per Capita Income (Thousand $)	55.5	55.8	56.0	56.1	56.2	55.2	56.0	56.7
GSP Growth Rate (%)	3.2	1.7	-0.1	0.3	0.9	2.1	1.4	1.0
Philadelphia City								
Employment (thousands)	752.4	761.3	762.2	760.4	756.9	742.1	760.2	755.5
Real Per Capita Income (Thousand $)	51.9	52.4	52.2	52.1	51.9	51.4	52.2	52.3
GMP Growth Rate (%)	2.9	2.9	-0.6	-0.6	-0.6	4.6	1.6	0.5

[2]

3. The City's Major Taxes

The City receives revenue to fund its services and programs from the City's major taxes which are budgeted to contribute 68.9% of the expected General Fund revenue in FY24. These include:

a) Wage and Earnings and Net Profit Tax (Wage);
b) Real Property Tax;
c) Business Income and Receipts Tax (BIRT);
d) Real Estate Transfer Tax (RTT);

[1] https://www.cbo.gov/publication/58848
[2] S&P Global Market Intelligence projections from May 30, 2023.

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

e) Sales Tax;
f) Philadelphia Beverage Tax[3].

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 (41.4% of General Fund revenues, including the PICA portion), Business Income and Receipts Tax (11.1%), and the Sales Tax (5.1%) places the City at risk from economic trends and employment fluctuations of the local economy. By contrast, 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 43.8% of tax revenues, excluding the PICA portion) 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 FY24, the Wage Tax rate for residents will decline to 3.75% and remain at 3.44% for non-residents. The resident rate includes 1.5% that is reserved for PICA. PICA has overseen the City's finances since 1992 and, based on state legislation that was signed into Law in 2022, will continue to do so through at least 2047. This FYP assumes that the 1.5%, which was approved by City Council and signed into law by the Mayor as part of the FY24 Budget, will continue in FY24 and beyond.

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 and Net Profits Tax is projected to bring in $1.814 billion in FY24. This projection includes a 3.74% base growth rate for the Wage and Earnings component and 3.52% base growth rate for the Net Profit component of the tax.[4] The overall growth rate, when incorporating rate changes, for the current and prior portions of the Wage and Earnings Tax, is 2.8%.

The non-resident portion of the Wage Tax remains due from employees working from outside Philadelphia if the employer is not requiring that the work location be outside the city. Revenue projections reflect a permanent 25% contraction of the non-resident tax base.

b) Real Property Tax

The Real Property Tax (Property) is the City General Fund's second-largest source of tax revenue (20.4%), estimated to contribute $845.9 million of the City's FY24 tax revenues. This tax is levied on the assessed value of residential and commercial property in the City. The Adopted FY24 Budget has a combined City/School District property tax rate for FY24 of 1.3998%, unchanged from FY23. The City portion of the tax is 0.6317% and the School District portion is 0.7681%. The property tax projection includes an $80,000 homestead exemption for owner-occupied homeowners as well as homeowner relief through the LOOP and Senior Tax Freeze programs. The FYP assumes no growth in taxable assessed values in FY24, since the

[3] Prior to FY24, the Parking Tax was included among the City's major taxes. Starting in FY24, Parking Tax revenues appear in the Transportation Fund, which funds transportation-related obligations within the Streets Department.
[4] Growth rates referenced throughout these notes are applied to the current portion of the tax base.

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

City did not perform a revaluation for Tax Year 2024. Growth in taxable assessed values is projected to rebound at 4.5% in FY25 before leveling off to 3.0% per year throughout the rest of the Plan. The real estate projection increases the FY24-28 collection rate from 95.0% back up to 96.1%, which is in line with the pre-pandemic rate as collections have rebounded from pandemic lows.

c) Business Income and Receipts Tax

The Business Income and Receipts Tax (BIRT) is projected to produce $669.7 million in FY24, 16.2% of total tax revenue. Most the BIRT is derived from corporate profits which are volatile and dependent on economic conditions within the City. Starting in FY20, the BIRT was collected on a quarterly basis for new businesses in the second year of operations, easing the impact on new businesses. The net income portion of the BIRT rate decreased to 5.81% in Tax Year 2023, down from 5.99% in Tax Year 2022.

d) Real Estate Transfer Tax

The Real Estate Transfer Tax (RTT) is projected to provide $388.9 million in FY23, 9.4% of total tax revenue. After an unusually strong FY22, growth contracted nearly 30% in FY23 and is expected to increase just 2% in FY24, followed by marginal growth through the end of the Five Year Plan. The City imposes a 3.278% tax on real property sales and an additional 1% is charged by the Commonwealth for a 4.278% total RTT rate.

e) Sales Tax

Sales Tax revenues are projected to generate $307.1 million for the City's General Fund in FY24, based on a base growth rate of 3.95%, and comprising 7.4% 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 Philadelphia portion of 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. 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. In FY18, the debt service on the borrowing was complete, and therefore all the proceeds above the $120 million in Sales Tax receipts from the second 1% is going to the City's Pension Fund (projected to be $93.5 million in FY24). From FY24 through FY28, the City's pension fund is projected to receive $553.5 million from the proceeds of the Sales Tax.

f) Philadelphia Beverage Tax

The Philadelphia Beverage Tax (PBT) is still one of the City's newest revenue sources and is applied to non-retail distributions of sweetened beverages, at a rate of one-and-one-half cents per fluid ounce of sweetened beverages. Original 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. The projections in the proposed FYP were based on S&P Global Market Intelligence input but closely align with national trends on consumption. The tax was effective January 1, 2017.

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

An estimated $367.6 million will be collected in revenue from FY24-FY28. Revenues from the PBT support three major initiatives: expanded Pre-K, community schools, and debt service for the Rebuilding Community Infrastructure Program (Rebuild). As anticipated when the PBT was implemented, the costs of these programs now exceed the revenues from the PBT. The difference between the costs of these programs and the PBT revenues is covered by other General Fund revenue sources.

City of Philadelphia
General Fund
FY 2024 - 2028 Five Year Financial Plan
Major Taxes ($ in Millions) with Percentage Change from Previous Year

Tax	Actual FY22	Projected FY23	Projected FY24	Projected FY25	Projected FY26	Projected FY27	Projected FY28
Wage & Net Profits - Current & Prior	1,681.2	1,765.4	1,814.2	1,900.4	1,985.6	2,066.4	2,147.3
% change from prior year	n.a.	5.0%	2.8%	4.8%	4.5%	4.1%	3.9%
Real Property - Current & Prior	700.6	823.2	845.9	878.0	909.2	945.5	984.0
% change from prior year	n.a.	17.5%	2.8%	3.8%	3.6%	4.0%	4.1%
Business Income & Receipts - Current & Prior	749.9	690.8	669.7	685.5	669.4	715.2	729.8
% change from prior year	n.a.	-7.9%	-3.1%	2.4%	-2.3%	6.8%	2.0%
Sales	277.7	290.9	307.1	324.9	341.9	358.3	374.9
% change from prior year	n.a.	4.8%	5.6%	5.8%	5.2%	4.8%	4.6%
Real Property Transfer	536.9	381.3	388.9	396.7	404.6	412.7	421.0
% change from prior year	n.a.	-29.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Parking	86.6	101.6	0.0	0.0	0.0	0.0	0.0
% change from prior year	n.a.	17.3%		*See note below referencing the Parking Tax.*			
Philadelphia Beverage	75.4	72.6	73.5	74.4	73.6	73.2	72.9
% change from prior year	n.a.	-3.7%	1.2%	1.2%	-1.1%	-0.5%	-0.4%
Other Taxes	31.1	40.5	41.9	42.9	43.8	44.6	45.3
% change from prior year	n.a.	30.2%	3.5%	2.4%	2.1%	1.8%	1.6%
Total Taxes	**4,139.4**	**4,166.3**	**4,141.2**	**4,302.8**	**4,428.1**	**4,615.9**	**4,775.2**
% Change from prior year		**0.6%**	**-0.6%**	**3.9%**	**2.9%**	**4.2%**	**3.5%**

Notes: Wage & Net Profits Taxes include resident tax decreases in FY23 and FY24, moving the rate to 3.75% in FY24. Wage tax does not include the PICA portion. Business Income & Receipts Tax includes decreases to the Net Income portion in FY23 and FY24, moving the rate to 5.81% in FY24. Parking Tax will be removed from the General Fund in FY24 and assigned to the Transportation Fund.

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 conditions and are estimated accordingly. An estimated $386.7 million in Locally Generated Non-Tax Revenue is expected in FY24.

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 65.8% of Revenue from Other Governments, is

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

forecast using Wage Tax variables. An estimated $1.025 billion in Revenue from Other Governments is expected in FY24.

6. *Revenue from Other Funds*

Revenue from Other Funds has typically represented transfers for services provided by the General Fund that are reimbursed by another fund, such as fire protection at the airport, and are forecasted based on historical trends and operational expectations for the coming year. Starting in FY22 and continuing through FY25, there has been and continues to be significant growth in Revenue from Other Funds as American Rescue Plan Act (ARPA) funds deposited into the Grants Fund are drawn down to replace lost revenues to enable ongoing General Fund operations. The City has received $1.395 billion in ARPA funds. An initial drawdown of $250 million was made in FY22, $335 million was drawn down in FY23, and $391 million will be drawn down in FY24. The entire amount granted, plus interest earnings on those funds, is scheduled to be drawn down by FY25 in accordance with the federal deadline of December 2024 to obligate all funds. In FY26, the Revenue from Other Funds is projected to return to a traditional, pre-ARPA, level.

7. *Obligation Estimates*

The Budget Office provided obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the revised annual FY24 budget and FY24-28 FYP submitted by the Mayor to PICA on June 26, 2023. The Budget Office provides forecasts of all major expenditure categories. FY24 obligations are budgeted at $6.195 billion, an increase of $138.1 million over the FY23 estimate. The largest driver of the increase is personal services, which includes labor costs, pensions, and employee benefits. The FY24 obligation estimate also includes a $54 million Recession and Reopening Reserve and a $13.4 million Labor Reserve to support recruitment and retention initiatives for City employees. The FY24 projection also includes key investments in core services and additional educational support for PHLpreK, the School District of Philadelphia, and the Community College of Philadelphia.

a) Labor Agreements

The forecasted statements include a set-aside of $395 million from FY24 to FY28 in a labor reserve to cover certain recruitment and retention initiatives as well as the costs associated with upcoming labor agreements and other labor cost increases. The forecasts also include funding for all existing labor agreements.

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. The City has assumed a 5% annual growth in costs for the City Administered Plan.

AFSCME District Council 47, the International Association of Fire Fighters (IAFF), and the Fraternal Order of Police (FOP) have also implemented self-insured group health plans. For the FOP and IAFF, because the City has no control over the design of their health plans, an increase of 7.5% per year based on medical cost trends has been included. For DC47's plan, which the City also does not control the design of, an increase of 5.0% per year based on medical cost trends has been included. AFSCME District Council 33 (DC33) projections also reflect an increase of 5.0% per year, based on trends.

c) 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. The City continues to seek ways to improve the long-term health of the fund.

The City's Act 111 interest arbitration awards with the FOP, Lodge No. 5 and IAFF, Local 22 both required most current members to make additional contributions to the Pension Fund of 0.92% starting in FY18 and an additional 0.92% in FY19, for a combined 1.84% in additional contributions. New hires are now required to make an additional 2.5% contribution above rates in effect prior to the arbitration award.

Significant pensions changes were also included in the DC47 collective bargaining agreement, closely mirroring the earlier reforms agreed to with DC33. Effective in January 2019, current employees began participating in a tiered contribution system where those with higher annual salaries will pay higher contribution rates. New employees are now mandatory members of a stacked hybrid plan under which employees will receive a traditional defined benefit pension on their first $65,000 of salary as well as the option to participate in a voluntary defined contribution plan. These reforms have also been applied to employees who are not represented by a union, which means that all City employees, except for elected officials, are participating in strengthening the Pension Fund.

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

- The City continues to make more than 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 which was satisfied in FY18), and any remaining funds are dedicated to the Pension Fund. From FY24 through FY28, the City's Pension Fund is projected to receive $553.5 million from the proceeds of the Sales Tax. The Sales Tax revenues will supplement the City's MMO payment rather than supplanting a portion of it.
- The City also created the Revenue Recognition Policy under which the Sales Tax revenue and additional employee contributions achieved through collective bargaining and interest arbitration are to be paid above the City's annual required contribution to the Pension Fund. This means that the City will pay more than what is legally required each year to improve the funding status of the plan more quickly.
- Over the past thirteen years, the Pension Fund's earnings assumption has been reduced from 8.75% to 7.35% (effective July 1, 2023). Lower earnings assumptions allow funds to moderate the risk of their investments, which can also reduce the likelihood of losses. In addition, lower earnings assumptions increase the amount the City is required to contribute to the Pension Fund. This improves the fund's health.

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2024 through June 30, 2028

The net impact of these changes to the City's pension benefits and fund is to moderate what could have been devastating increases in pension costs and to increase the City's ability to fund existing liabilities in the long term. In five years, the pension system's funding percent has increased from 44% to 57.6% on an actuarial basis. 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 higher than the amounts required to be paid under state law.

The City restructured a portion of the Pension Obligation Bond (POB) payment due in FY21 and FY22 to postpone payment of $74.9 million originally due from the General Fund in FY21 and $19 million due in FY22 to future years, resulting in higher ongoing pension costs due to additional interest payments. This added cost is reflected in the Plan.

Appendix D:
City's FY2024-FY2028 Five Year Financial Plan

CITY OF PHILADELPHIA

FY2024 - FY2028 FIVE YEAR FINANCIAL PLAN

AS APPROVED BY THE COUNCIL - JUNE 2023

JAMES F. KENNEY

MAYOR

City of Philadelphia
As Adopted
Five Year Financial Plan FY2024-2028

SUMMARY OF OPERATIONS
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

NO.	ITEM	FY 2022 Actual	FY 2023 Estimate	FY 2024 Budget	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	4,139,390	4,166,315	4,141,206	4,302,810	4,428,068	4,615,905	4,775,170
2	Locally Generated Non-Tax Revenues	396,364	379,831	386,733	357,401	358,455	353,541	380,901
3	Revenue from Other Governments	376,115	349,253	350,244	351,250	352,278	353,329	354,403
4	Other Govts. - PICA City Account (1)	555,077	637,568	675,096	707,250	738,307	768,581	799,093
5	Sub-Total Other Governments	931,192	986,821	1,025,340	1,058,500	1,090,585	1,121,910	1,153,496
6	Revenue from Other Funds of City	300,567	394,584	458,835	506,467	57,427	57,001	57,658
7	Total - Revenue	**5,767,513**	**5,927,551**	**6,012,114**	**6,225,178**	**5,934,535**	**6,148,357**	**6,367,225**
8	Other	0	0	0	0	0	0	0
9	**Total Revenue and Other Sources**	**5,767,513**	**5,927,551**	**6,012,114**	**6,225,178**	**5,934,535**	**6,148,357**	**6,367,225**
	OBLIGATIONS/APPROPRIATIONS							
10	Personal Services	1,890,714	2,088,701	2,167,983	2,163,061	2,173,904	2,174,713	2,175,607
11	Personal Services-Pensions	952,558	756,669	774,647	785,645	798,565	795,582	795,964
12	Personal Services-Pensions - Sales Tax	78,845	85,426	93,543	102,492	110,926	119,144	127,442
13	Personal Services-Other Employee Benefits	658,643	763,794	792,806	838,000	880,439	927,111	974,946
14	**Sub-Total Employee Compensation**	**3,580,760**	**3,694,590**	**3,828,979**	**3,889,198**	**3,963,834**	**4,016,550**	**4,073,959**
15	Purchase of Services	1,014,424	1,245,680	1,380,127	1,285,764	1,252,034	1,267,153	1,280,343
16	Materials, Supplies and Equipment	125,593	186,523	145,090	134,614	132,990	132,794	132,843
17	Contributions, Indemnities, and Taxes	384,930	466,233	425,194	405,533	405,233	405,233	405,233
18	Debt Service	188,718	193,710	201,632	232,838	250,353	263,423	284,209
19	Payments to Other Funds	44,101	205,404	104,771	105,544	86,033	88,306	90,036
20	Advances & Misc. Pmts. Incl. Labor Reserve	0	0	13,360	55,360	84,360	121,360	120,360
21	Adv & Misc. Pmts.- Recession, Inflation Res. & Reopening	0	0	54,000	30,000	20,000	20,000	20,000
22	Sub-Total	5,338,526	5,992,140	6,153,153	6,138,851	6,194,837	6,314,819	6,406,983
23	Payment to Budget Stabilization Reserve Fund	0	65,128	42,261	138,037	41,867	0	0
24	**Total - Obligations**	**5,338,526**	**6,057,268**	**6,195,414**	**6,276,888**	**6,236,704**	**6,314,819**	**6,406,983**
25	Oper. Surplus (Deficit) for Fiscal Year	428,987	(129,717)	(183,300)	(51,710)	(302,169)	(166,462)	(39,758)
	Prior Year Adjustments:							
26	Revenue Adjustments	0	0	0	0	0	0	0
27	Other Adjustments	51,616	33,032	29,500	29,500	29,500	29,500	29,500
28	Total Prior Year Adjustments	51,616	33,032	29,500	29,500	29,500	29,500	29,500
29	**Adjusted Oper. Surplus/ (Deficit)**	**480,603**	**(96,685)**	**(153,800)**	**(22,210)**	**(272,669)**	**(136,962)**	**(10,258)**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
30	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	298,542	779,145	682,460	528,660	506,450	233,781	96,819
31	Fund Balance Available for Appropriation June 30	**779,145**	**682,460**	**528,660**	**506,450**	**233,781**	**96,819**	**86,561**

1

City of Philadelphia Five Year Financial Plan FY2024-2028	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2022 TO 2028 (Amounts in Thousands)

FUND
General

REVENUE
Taxes

NO.	AGENCY AND REVENUE SOURCE	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	A. Real Property							
1	1. Current	670,754	793,928	817,184	849,898	881,678	918,512	957,520
2	2. Prior	29,882	29,284	28,699	28,125	27,562	27,011	26,471
3	**Subtotal**	**700,636**	**823,212**	**845,883**	**878,023**	**909,240**	**945,523**	**983,991**
	B. Wage and Earnings							
4	1. Current	1,648,128	1,714,354	1,761,746	1,845,429	1,929,396	2,007,730	2,085,630
5	2. Prior	5,750	5,400	5,400	5,400	5,400	5,400	5,400
6	**Subtotal**	**1,653,878**	**1,719,754**	**1,767,146**	**1,850,829**	**1,934,796**	**2,013,130**	**2,091,030**
	C. Business Taxes							
7	**1. Business Income & Receipts**	**749,865**	**690,754**	**669,709**	**685,480**	**669,439**	**715,229**	**729,820**
	2. Net Profits							
8	a. Current	21,963	40,909	42,340	44,851	46,093	48,628	51,580
9	b. Prior	5,323	4,700	4,700	4,700	4,700	4,700	4,700
10	**Subtotal**	**27,286**	**45,609**	**47,040**	**49,551**	**50,793**	**53,328**	**56,280**
11	**Total, Business Taxes**	**777,151**	**736,363**	**716,749**	**735,031**	**720,232**	**768,557**	**786,100**
	D. Other Taxes							
12	1. Sales	198,845	205,426	213,543	222,492	230,926	239,144	247,442
13	2. Sales (Pension)	78,845	85,427	93,542	102,493	110,927	119,144	127,442
14	Subtotal	277,690	290,853	307,085	324,985	341,852	358,288	374,884
15	3. Amusement	26,055	32,315	33,404	34,296	35,061	35,780	36,510
16	4. Real Property Transfer	536,894	381,304	388,930	396,709	404,643	412,736	421,032
17	5. Parking**	86,621	101,589	0	0	0	0	0
18	6. Smokeless Tobacco	737	1,106	1,112	1,118	1,124	1,130	1,136
19	7. Philadelphia Beverage	75,367	72,594	73,501	74,368	73,624	73,226	72,911
20	8. Construction Impact	757	3,500	3,500	3,500	3,500	3,500	3,500
21	9. Other	3,604	3,725	3,896	3,951	3,996	4,035	4,076
22	**Subtotal**	**1,007,725**	**886,986**	**811,428**	**838,927**	**863,800**	**888,695**	**914,049**
23	**Total Taxes**	**4,139,390**	**4,166,315**	**4,141,206**	**4,302,810**	**4,428,068**	**4,615,905**	**4,775,170**

**Note: Parking Tax reassigned to the Transportation Fund in FY24 and beyond.

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Office of Innovation & Technology							
1	Cable Franchise Fees	22,438	17,660	16,777	15,938	15,141	14,384	13,665
2	Other	76	375	235	235	235	235	235
3	Subtotal	22,514	18,035	17,012	16,173	15,376	14,619	13,900
	Mayor							
4	Other	5	15	15	15	15	15	15
	Managing Director							
5	Other	903	1,217	1,617	1,642	1,667	1,667	1,667
	Police							
6	Prior Year Reimb.- Special Services	5,677	8,885	6,000	6,000	6,000	6,000	6,000
7	Carry Arms Fees	955	800	800	800	800	800	800
8	Witness & Jury Fees	33	40	40	40	40	40	40
9	Other	1,479	4,935	1,050	1,050	1,050	1,050	1,050
10	Subtotal	8,144	14,660	7,890	7,890	7,890	7,890	7,890
	Streets**							
11	Survey Charges	821	875	0	0	0	0	0
12	Streets Issued Permits	7,505	6,250	0	0	0	0	0
13	Prior Year Reimbursements	0	25	0	0	0	0	0
14	Collection Fee - Housing Authority	1,310	1,300	1,300	1,300	1,300	1,300	1,300
15	Disposal of Salvage (Recyclables)	0	10	10	10	10	10	10
16	Right of Way Fees	3,098	2,310	0	0	0	0	0
17	Commercial Property Collection Fee	20,311	20,050	20,050	20,050	20,050	20,050	20,050
18	Other	242	800	800	800	800	800	800
19	Subtotal	33,287	31,620	22,160	22,160	22,160	22,160	22,160
	Fire							
20	Emergency Medical Services	35,547	39,300	44,300	44,300	44,300	44,300	44,300
21	Other	587	950	950	950	950	950	950
22	Subtotal	36,134	40,250	45,250	45,250	45,250	45,250	45,250
	Public Health							
23	Payments for Patient Care (HC's/PNH)	62,948	37,241	33,600	33,700	54,072	54,952	55,832
24	Pharmacy Fees	5,098	4,350	4,350	4,350	4,350	4,350	4,350
25	Environment User Fees	5,131	5,205	5,105	5,005	4,905	4,805	4,705
26	Other	2,063	1,800	1,800	1,800	1,800	1,800	1,800
27	Subtotal	75,240	48,596	44,855	44,855	65,127	65,907	66,687

**Note: Some Streets revenue reassigned to the Transportation Fund in FY24 and beyond.

City of Philadelphia Five Year Financial Plan FY2024-2028	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2022 TO 2028 (Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Parks & Recreation							
28	Other Leases	1	1	1	1	1	1	1
29	Rent from Land, Real Estate	189	80	80	80	80	80	80
30	Permits	901	1,250	1,250	1,250	1,250	1,250	1,250
31	Other	485	575	575	575	575	575	575
32	Subtotal	1,576	1,906	1,906	1,906	1,906	1,906	1,906
	Public Property							
33	Rent from Real Estate	467	400	400	400	400	400	400
34	Sale/Lease of Capital Assets	10,339	50	28,250	14,250	1,250	1,250	29,250
35	Commission from Other Leases	3,040	3,000	3,000	3,000	3,000	3,000	3,000
36	Prior Year Refunds & Reimbursements	247	1,200	1,200	1,200	1,200	1,200	1,200
37	Other	0	50	50	50	50	50	50
38	Subtotal	14,093	4,700	32,900	18,900	5,900	5,900	33,900
	Human Services							
39	Payments for Child Care - S.S.I.	1,325	1,420	1,307	1,202	1,106	1,017	936
40	Other	223	200	200	200	200	200	200
41	Subtotal	1,548	1,620	1,507	1,402	1,306	1,217	1,136
	Philadelphia Prisons							
42	Inmate Account Fees	45	10	0	0	0	0	0
43	Other	34	20	0	0	0	0	0
44	Subtotal	79	30	0	0	0	0	0
	Office of Homeless Services							
45	Payments for Patient Care	189	0	0	0	0	0	0
46	Other	0	40	5	5	5	5	5
47	Subtotal	189	40	5	5	5	5	5
	Fleet Services							
48	Sale of Vehicles	1,728	1,650	1,650	1,650	1,650	1,650	1,650
49	Fuel and Warranty Reimbursements	2,079	3,250	3,250	3,250	3,250	3,250	3,250
50	Other	277	300	300	300	300	300	300
51	Subtotal	4,084	5,200	5,200	5,200	5,200	5,200	5,200

City of Philadelphia Five Year Financial Plan FY2024-2028	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2022 TO 2028 (Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Licenses and Inspections							
52	Amusement	26	25	25	25	25	25	25
53	Health and Sanitation	19,166	18,450	19,450	19,450	19,450	19,450	19,450
54	Police and Fire Protection	737	575	575	575	575	575	575
55	Street Use	2,747	2,900	2,900	2,900	2,900	2,900	2,900
56	Professional & Occupational	1,304	1,200	1,200	1,200	1,200	1,200	1,200
57	Building Structure & Equipment	48,495	38,600	38,600	38,600	42,460	42,460	42,460
58	Business	38	200	200	200	200	200	200
59	Other Licenses & Permits	63	175	175	175	175	175	175
60	Code Violation Fines	3,829	2,900	2,700	2,700	2,700	2,700	2,700
61	Other	11,127	11,725	11,725	11,725	11,725	11,725	11,725
62	Subtotal	87,532	76,750	77,550	77,550	81,410	81,410	81,410
	Records							
63	Recording of Legal Instrument Fees	17,120	13,395	13,395	13,395	13,395	13,395	13,395
64	Preparation of Records	263	300	300	300	300	300	300
65	Commission on Tax Stamps	1,595	1,000	1,000	1,000	1,000	1,000	1,000
66	Accident Investigation Reports	706	1,300	1,300	1,300	1,300	1,300	1,300
67	Document Technology Fee	3,237	2,450	2,450	2,450	2,450	2,450	2,450
68	Other	896	750	750	750	750	750	750
69	Subtotal	23,817	19,195	19,195	19,195	19,195	19,195	19,195
	Director of Finance							
70	Prior Year Refunds	0	2,000	200	200	200	200	200
71	Reimbursements - Other	4,137	3,900	5,900	5,900	5,900	5,900	5,900
72	Reimbursement - Prescription Program	11,677	11,250	8,250	8,250	8,250	8,250	8,250
73	Health Benefit Charges	1,067	1,275	1,160	1,160	1,160	1,160	1,160
74	Other	11,205	3,880	10	10	10	10	10
75	Subtotal	28,086	22,305	15,520	15,520	15,520	15,520	15,520
	Revenue							
77	Miscellaneous Fines	874	850	850	850	850	850	850
78	Non-Profit Org. Voluntary Payments	3,924	3,857	3,818	3,772	3,772	3,754	3,754
79	Casino Settlement Payments	0	0	11,427	0	0	0	0
80	Other	359	210	210	210	210	210	210
81	Subtotal	5,157	4,917	16,305	4,832	4,832	4,814	4,814

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Procurement							
82	Performance Bonds	0	1	1	1	1	1	1
83	Master Performance Bonds	0	10	10	10	10	10	10
84	Bid Application Fees etc.	253	200	200	200	200	200	200
85	Other	181	135	135	135	135	135	135
86	Subtotal	434	346	346	346	346	346	346
	City Treasurer							
87	Interest Earnings	(6,041)	32,870	19,720	16,760	7,540	2,640	2,120
88	Other	4,322	13,475	25	25	25	25	25
89	Subtotal	(1,719)	46,345	19,745	16,785	7,565	2,665	2,145
	Law							
90	Legal Fees & Charges	195	250	250	250	250	250	250
91	Court Awarded Damages	2,063	100	500	500	500	500	500
92	Other	105	50	50	50	50	50	50
93	Subtotal	2,363	400	800	800	800	800	800
	Board of Ethics							
94	Other	90	160	60	80	90	160	60
	Inspector General							
95	Other	477	20	20	20	20	20	20
	Free Library							
96	Other	847	775	775	775	775	775	775
	Personnel							
97	Other	0	1	1	1	1	1	1
	Office of Property Assessment							
98	Other	4	2	2	2	2	2	2
	Chief Administrator's Office							
99	SWEEP Fines	3,406	3,900	5,375	5,375	5,375	5,375	5,375
100	Burglar Alarm Licenses	1,820	2,530	2,965	2,965	2,965	2,965	2,965
101	False Alarm Fines	1,285	1,440	1,910	1,910	1,910	1,910	1,910
102	Reimbursements - Other	150	70	70	70	70	70	70
103	Subtotal	6,661	7,940	10,320	10,320	10,320	10,320	10,320

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Register of Wills							
104	Court Costs, Fees & Charges	943	1,000	1,000	1,000	1,000	1,000	1,000
105	Recording Fees	3,150	3,300	3,300	3,300	3,300	3,300	3,300
106	Other	1,139	1,085	1,085	1,085	1,085	1,085	1,085
107	Subtotal	5,232	5,385	5,385	5,385	5,385	5,385	5,385
	District Attorney							
108	Other	20	5	0	0	0	0	0
	Sheriff							
109	Sheriff Fees	72	0	6,000	6,000	6,000	6,000	6,000
110	Commission Fees	(3)	0	5,246	5,246	5,246	5,246	5,246
111	Other	0	0	50	50	50	50	50
112	Subtotal	69	0	11,296	11,296	11,296	11,296	11,296
	Planning & Development							
113	Zoning Permits	16,561	3,450	3,450	3,450	3,450	3,450	3,450
114	Accelerated Review Fees	476	260	260	260	260	260	260
115	Other	0	1	1	1	1	1	1
116	Subtotal	17,037	3,711	3,711	3,711	3,711	3,711	3,711
	City Commissioners							
117	Other	1	10	10	10	10	10	10
	1st Judicial District - Clerk of Courts							
118	Other Fines	93	90	150	150	150	150	150
119	Court Costs, Fees & Charges	948	1,175	1,175	1,175	1,175	1,175	1,175
120	Bail Forefeited	847	445	0	0	0	0	0
121	Cash Bail Fees	264	415	0	0	0	0	0
122	Other	0	0	0	0	0	0	0
123	Subtotal	2,152	2,125	1,325	1,325	1,325	1,325	1,325
	1st Judicial District - Traffic Court							
124	Traffic Court Fines	2,915	2,500	3,000	3,000	3,000	3,000	3,000
	1st Judicial District - CP & Mun. Court							
125	Court Costs, Fees & Charges	15,456	15,500	17,500	17,500	17,500	17,500	17,500
126	Other Fines	897	1,200	1,200	1,200	1,200	1,200	1,200
127	Other	864	2,350	2,350	2,350	2,350	2,350	2,350
128	Subtotal	17,217	19,050	21,050	21,050	21,050	21,050	21,050

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
129	Other Adjustments	176	0	0	0	0	0	0
130	**Total Locally Generated Non-Tax**	**396,364**	**379,831**	**386,733**	**357,401**	**358,455**	**353,541**	**380,901**

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Managing Director							
	Federal:							
1	Emergency Management	55,771	172	2,115	115	115	115	115
	Police							
	State:							
2	Police Training - Reimbursement	1,082	2,275	2,275	2,275	2,275	2,275	2,275
	Streets**							
	Federal:							
3	Highways	422	350	0	0	0	0	0
4	Bridge Design	1	215	0	0	0	0	0
5	Delaware Valley Reg. Planning Comm.	0	185	0	0	0	0	0
	State:							
6	Snow Removal	2,500	2,500	0	0	0	0	0
7	PennDot Bridge Design	54	50	0	0	0	0	0
8	PennDot Highways	0	25	0	0	0	0	0
9	Subtotal	2,977	3,325	0	0	0	0	0
	Public Health							
	Federal:							
10	Medicare - Outpatient / HC's	2,683	2,791	2,791	2,791	2,791	2,791	2,791
11	Medicare - PNH	1,656	1,187	0	0	0	0	0
12	Medical Assistance - Outpatient / HC's	23,538	23,836	23,836	23,836	23,836	23,836	23,836
13	Medical Assistance - PNH	195	526	0	0	0	0	0
14	Summer Food Inspection	0	60	60	60	60	60	60
	State:							
15	County Health	4,540	8,395	8,395	8,395	8,395	8,395	8,395
16	Medical Assistance - Outpatient / HC's	19,262	18,422	18,422	18,422	18,422	18,422	18,422
17	Medical Assistance - PNH	115	430	0	0	0	0	0
18	Subtotal	51,989	55,647	53,504	53,504	53,504	53,504	53,504
	Public Property							
	Other Governments:							
19	PGW Rental	18,000	18,000	18,000	18,000	18,000	18,000	18,000
	Philadelphia Prisons							
	Federal:							
20	SSA Prisoner Incentive Payments	122	150	150	150	150	150	150

**Note: Some Streets revenue reassigned to the Transportation Fund in FY24 and beyond.

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Director of Finance							
	Federal:							
21	Medicare Part D-Retirees	103	50	50	50	50	50	50
	State:							
22	Pension Aid - State Act 205	79,906	84,180	84,180	84,180	84,180	84,180	84,180
23	Juror Fee Reimbursement	96	200	200	200	200	200	200
24	State Police Fines (Phila. County)	254	500	500	500	500	500	500
25	Wage Tax Relief Funding	86,280	108,754	108,754	108,754	108,754	108,754	108,754
26	Gaming - Local Share Assessment	14,040	14,000	14,000	14,000	14,000	14,000	14,000
	Other Governments:							
27	PATCO Community Impact Fund	0	75	75	75	75	75	75
28	PAID - Parametric Garage	0	250	250	250	250	250	250
29	Subtotal	180,679	208,009	208,009	208,009	208,009	208,009	208,009
	Revenue							
	Federal:							
30	Reimb. - PILOT	0	3	3	3	3	3	3
31	Tinicum Wildlife Preserve	4	4	4	4	4	4	4
	Other Governments:							
32	PPA - Parking/Violations/Fines (on St.)	44,613	44,733	45,717	46,723	47,751	48,802	49,876
33	Burlington County Bridge Comm.	7	7	7	7	7	7	7
34	Subtotal	44,624	44,747	45,731	46,737	47,765	48,816	49,890
	City Treasurer							
	State:							
35	Retail Liquor License	124	1,100	1,100	1,100	1,100	1,100	1,100
36	Public Utility Tax Refund	4,124	3,869	3,869	3,869	3,869	3,869	3,869
37	Subtotal	4,248	4,969	4,969	4,969	4,969	4,969	4,969
	Commission on Human Relations							
	Federal:							
38	Deferred EEOC Cases	83	125	125	125	125	125	125
	District Attorney							
	State:							
39	Reimbursement - DA Salary	360	127	127	127	127	127	127

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	1st Judicial District							
	Federal:							
40	Title IV-E	0	200	200	200	200	200	200
	State:							
41	Intensive Probation - Adult	8,038	3,650	3,650	3,650	3,650	3,650	3,650
42	Intensive Probation - Juvenile	1,232	1,232	1,232	1,232	1,232	1,232	1,232
43	Reimbursement - Court Costs	6,798	6,543	10,075	10,075	10,075	10,075	10,075
44	Reimbursement - Attorney Fees	112	82	82	82	82	82	82
45	Subtotal	16,180	11,707	15,239	15,239	15,239	15,239	15,239
46	PICA City Account	555,077	637,568	675,096	707,250	738,307	768,581	799,093
	Totals							
47	Federal	84,578	29,854	29,334	27,334	27,334	27,334	27,334
48	State	228,917	256,334	256,861	256,861	256,861	256,861	256,861
49	Other Governments	62,620	63,065	64,049	65,055	66,083	67,134	68,208
50	PICA Funding	555,077	637,568	675,096	707,250	738,307	768,581	799,093
51	Other Authorized Adjustments	0	0	0	2,000	2,000	2,000	2,000
52	**Total, Revenue From Other Govts.**	**931,192**	**986,821**	**1,025,340**	**1,058,500**	**1,090,585**	**1,121,910**	**1,153,496**

City of Philadelphia

Five Year Financial Plan FY2024-2028

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2022 TO 2028
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Funds

No.	Agency and Revenue Source	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Water Fund							
1	Services performed & costs borne by General Fund	6,490	7,053	7,461	7,896	8,352	8,830	8,882
2	Excess interest on Sinking Fund reserve	576	1,500	1,500	1,500	1,500	1,500	1,500
3	Sub-total	7,066	8,553	8,961	9,396	9,852	10,330	10,382
	Aviation Fund							
4	Services performed & costs borne by General Fund	3,381	3,400	3,500	3,600	3,700	3,800	3,900
	Grants Revenue Fund							
5	American Rescue Plan	250,000	335,000	390,820	449,400	0	0	0
6	Services performed & costs borne by General Fund	1,643	750	750	750	750	750	750
7	911 Surcharge	34,504	41,881	49,804	38,321	38,125	37,121	37,626
8	Sub-total	286,147	377,631	441,374	488,471	38,875	37,871	38,376
	Other Funds							
9	Services performed & costs borne by General Fund	3,973	5,000	5,000	5,000	5,000	5,000	5,000
10	**Total Revenue from Other Funds**	**300,567**	**394,584**	**458,835**	**506,467**	**57,427**	**57,001**	**57,658**

City of Philadelphia
General Fund
FY 2024- 2028 Five Year Financial Plan
Summary by Class

Expenditure Class	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Budget	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
Class 100 - Wages	1,890,714,287	2,057,006,412	2,088,700,595	2,167,982,681	2,163,061,232	2,173,904,316	2,174,713,378	2,175,606,861
Class 100 - Benefits	1,690,045,986	1,603,509,081	1,605,888,041	1,660,996,026	1,726,135,960	1,789,928,558	1,841,836,004	1,898,351,664
Class 200 - Contracts / Leases	1,014,424,073	1,236,034,327	1,245,680,390	1,380,126,604	1,285,763,507	1,252,033,657	1,267,153,399	1,280,343,399
Class 300/400 - Supplies, Equipment	125,593,323	143,529,338	186,523,367	145,090,135	134,614,227	132,990,497	132,793,575	132,843,421
Class 500 - Indemnities / Contributions	384,930,193	408,158,303	466,233,303	425,194,220	405,533,451	405,233,451	405,233,451	405,233,451
Class 700 - Debt Service	188,717,560	193,710,223	193,710,223	201,632,422	232,838,496	250,353,379	263,423,094	284,208,730
Class 800 - Payments to Other Funds	44,101,326	114,532,216	270,532,216	147,031,812	243,580,809	127,899,957	88,305,882	90,035,531
Class 900 - Advances / Misc. Payments	0	86,000,100	100	67,360,100	85,360,100	104,360,100	141,360,100	140,360,100
Total	5,338,526,748	5,842,480,000	6,057,268,235	6,195,414,000	6,276,887,782	6,236,703,915	6,314,818,883	6,406,983,157

City of Philadelphia
FY 2024 - 2028 Five Year Financial Plan
General Fund
Summary by Department

Department	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Budget	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
Art Museum	2,040,000	2,040,000	2,040,000	2,142,000	2,142,000	2,142,000	2,142,000	2,142,000
Auditing	10,005,178	10,808,319	10,822,641	11,148,245	11,148,245	11,148,245	11,148,245	11,148,245
Board of Ethics	858,769	1,181,902	1,187,835	1,382,433	1,382,433	1,382,433	1,382,433	1,382,433
Board of Revision of Taxes	1,040,881	1,113,237	1,145,049	1,192,431	1,147,431	1,147,431	1,147,431	1,147,431
City Commissioners	20,505,148	29,061,492	29,072,517	29,117,650	32,864,480	29,117,650	29,117,650	29,117,650
City Council	17,069,960	21,876,395	21,970,151	19,751,418	19,751,418	19,751,418	19,751,418	19,751,418
City Treasurer	2,617,401	4,718,290	4,725,621	5,114,652	5,114,652	5,114,652	5,114,652	5,114,652
Civil Service Commission	170,974	211,582	211,582	213,651	213,651	213,651	213,651	213,651
Civil Service Comm - Provision for Future Labor Obligations	0	54,000,000	0	13,360,000	55,360,000	84,360,000	121,360,000	120,360,000
Commerce	13,160,081	15,508,816	15,564,283	18,545,558	13,298,722	13,298,722	13,298,722	13,226,322
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	5,834,550	13,334,550	15,334,550	16,334,550	16,334,550	16,334,550	16,334,550	16,334,550
District Attorney	43,732,338	44,344,210	48,268,146	51,119,070	51,054,470	51,054,470	51,054,470	51,054,470
Finance	39,946,257	27,724,771	194,818,003	52,600,924	28,543,922	29,089,828	29,644,227	30,293,597
Finance-Reg #32	2,497,028	2,800,000	2,800,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000
Finance-Budget Stabilization	0	40,128,000	65,128,000	42,261,000	138,037,000	41,867,000	0	0
Finance - Recession and Inflation Reserve and Reopening	0	32,000,000	7,000,000	54,000,000	30,000,000	20,000,000	20,000,000	20,000,000
Finance - Community College Subsidy	48,128,075	50,106,653	65,196,653	51,003,181	51,003,181	51,003,181	51,003,181	51,003,181
Finance - Employee Benefits	1,690,045,986	1,603,509,081	1,605,888,041	1,660,996,026	1,726,135,960	1,789,928,558	1,841,836,004	1,898,351,664
Finance - Hero Awards	54,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Finance - Payment to Housing Trust Fund	0	29,066,068	29,066,068	30,612,698	30,541,546	30,820,084	31,417,009	31,875,538
Finance - Indemnities	2,603,995	67,246,000	71,496,000	49,246,000	49,246,000	49,246,000	49,246,000	49,246,000
Finance - Refunds	51,581	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Finance - School District Contribution	255,953,201	269,953,201	269,953,201	282,052,590	288,191,821	288,191,821	288,191,821	288,191,821
Finance - Witness Fees	132,374	171,518	171,518	180,094	180,094	180,094	180,094	180,094
Fire	370,064,246	380,890,162	395,530,371	400,794,784	398,153,829	398,466,375	398,466,375	398,710,637
First Judicial District	117,602,127	122,019,892	123,716,044	129,052,430	128,252,430	128,252,430	128,252,430	128,252,430
Fleet Services	47,976,369	58,241,470	49,247,954	55,253,706	52,312,815	52,312,815	52,312,815	52,312,815
Fleet Services - Vehicle Lease/Purchases	9,745,852	12,507,852	29,507,852	15,359,245	15,359,245	15,359,245	15,359,245	15,359,245
Free Library	41,821,730	58,449,945	61,892,229	70,934,523	70,603,640	70,713,390	70,725,226	70,737,690
Human Relations Commission	2,312,602	2,573,736	2,580,609	2,756,401	2,758,676	2,761,031	2,763,468	2,765,990
Human Services	172,561,709	189,224,595	189,831,029	219,709,887	220,459,887	221,209,887	221,209,887	221,209,887
Labor	2,700,038	4,004,336	4,226,132	4,768,554	4,777,995	4,773,370	4,773,370	4,773,370
Law	21,424,000	21,876,309	24,744,625	28,854,870	26,104,870	26,104,870	26,104,870	26,104,870
Licenses & Inspections	38,135,396	41,626,239	41,649,024	44,257,829	43,307,829	43,307,829	43,307,829	43,307,829
L&I: Board of Building Standards	76,786	84,116	84,116	86,609	86,609	86,609	86,609	86,609
L&I: Board of L&I Review	144,949	180,813	180,813	182,543	182,543	182,543	182,543	182,543
Managing Director	131,641,917	192,481,451	179,677,365	187,205,603	133,854,973	103,996,172	105,589,317	106,126,528
Managing Director - Defender's Association	0	0	0	61,997,780	60,957,780	60,957,780	60,957,780	60,957,780
Managing Director - Citizens Police Oversight Commission	825,616	2,402,570	2,465,286	3,023,642	3,023,642	3,023,642	3,023,642	3,023,642
Mayor	6,333,266	7,148,978	7,256,624	6,067,744	6,067,744	6,067,744	6,067,744	6,067,744
Mayor - Scholarships	200,000	100,000	100,000	100,000	0	0	0	0
Mayor - Office of Chief Administrative Officer	7,162,451	14,877,756	14,027,260	18,420,959	16,716,134	7,626,134	7,626,134	7,626,134

City of Philadelphia
FY 2024 - 2028 Five Year Financial Plan
General Fund
Summary by Department

Department	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Budget	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
Office of Children and Families	377,938	463,413	467,834	481,098	481,098	481,098	481,098	481,098
Mayor's Office of Community Empowerment and Opportunity	1,509,378	1,895,000	1,895,000	3,449,909	3,449,909	3,449,909	3,449,909	3,449,909
Mural Arts Program	2,469,930	3,281,460	3,286,042	3,683,320	2,683,320	2,683,320	2,683,320	2,683,320
Office of Behavioral Health and Intellectual disAbilities	22,325,035	27,314,238	28,421,224	29,024,448	28,998,703	28,960,676	28,960,676	28,960,676
Office of Homeless Services	55,280,961	68,946,658	70,436,732	80,556,703	71,214,379	69,446,538	69,479,663	69,513,781
Office of Human Resources	6,131,614	7,418,259	8,918,760	12,710,756	8,866,056	9,223,756	8,906,756	8,910,756
Office of Innovation and Technology	82,566,426	91,632,802	92,530,743	96,415,805	103,197,921	103,684,967	104,275,886	104,996,018
Office of Innovation and Technology - 911	16,992,063	29,631,412	29,631,412	31,855,521	27,720,014	27,120,014	26,310,452	26,310,452
Office of Inspector General	1,515,056	2,296,063	2,307,394	2,346,548	2,346,548	2,346,548	2,346,548	2,346,548
Office of Property Assessment	14,953,046	17,858,376	17,866,977	18,310,182	18,310,182	18,310,182	18,310,182	18,310,182
Office of Sustainability	1,549,062	1,664,001	2,174,067	2,974,885	2,232,385	2,182,385	2,182,385	2,182,385
Parks and Recreation	66,049,429	73,136,403	75,183,118	79,418,097	79,257,499	79,319,205	79,319,205	79,319,205
Planning & Development	13,401,720	30,213,137	32,272,610	35,404,422	14,154,422	14,154,422	14,154,422	14,154,422
Police	774,947,990	788,044,264	799,989,015	855,831,761	848,454,377	826,222,292	826,400,169	826,590,497
Prisons	224,169,544	246,110,502	278,888,789	292,774,430	293,394,404	288,880,224	289,580,463	290,323,594
Procurement	5,003,058	6,874,776	7,857,061	7,235,722	7,235,722	7,235,722	7,235,722	7,235,722
Public Health	153,933,608	161,209,808	156,584,862	148,736,320	144,551,974	153,203,992	153,089,864	153,089,864
Public Property	75,404,863	78,182,271	83,553,269	95,659,168	98,634,946	101,418,721	103,175,699	104,285,964
Public Property - SEPTA Subsidy	91,214,000	100,699,000	100,699,000	109,567,000	113,889,000	118,842,000	123,979,000	129,051,000
Public Property - Space Rentals	27,430,707	33,293,144	34,123,144	37,448,243	38,653,527	40,085,446	41,665,393	43,004,728
Public Property - Utilities	24,767,455	32,986,853	32,986,853	31,162,103	28,685,099	28,004,736	28,952,261	29,931,469
Records	4,056,498	4,277,078	4,279,737	4,564,421	4,470,951	4,480,264	4,487,141	4,494,023
Register of Wills	4,519,129	4,856,966	4,874,752	5,024,798	5,024,798	5,024,798	5,024,798	5,024,798
Revenue	22,677,364	27,808,577	27,832,979	28,854,507	28,417,395	28,460,358	28,460,358	28,460,358
Sheriff	28,897,153	30,853,801	30,874,463	32,866,448	32,866,448	32,866,448	32,866,448	32,866,448
Sinking Fund Commission (Debt Service)	284,467,595	308,797,721	308,797,721	324,217,521	358,467,610	381,116,207	397,273,043	419,378,608
Streets	189,739,295	217,839,712	216,657,485	163,138,584	156,056,878	158,406,033	160,875,180	163,386,872
Total	5,338,526,748	5,842,480,000	6,057,268,235	6,195,414,000	6,276,887,782	6,236,703,915	6,314,818,883	6,406,983,157

City of Philadelphia
General Fund
FY 2024 - 2028 Five Year Financial Plan
Estimated Fringe Benefit Allocation

Expenditure Category	FY 2022 Actual	FY 2023 Budget	FY 2023 Estimate	FY 2024 Budget	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
Unemployment Comp.	2,335,123	4,500,000	4,500,000	4,468,204	4,468,204	4,468,204	4,468,204	4,468,204
COVID-19 Funeral Expense	15,227	0	50,000	0	0	0	0	0
Employee Disability	77,977,657	84,625,294	84,575,294	96,192,786	106,204,962	117,247,873	129,427,631	142,861,272
Pension	1,031,402,620	842,531,537	842,095,017	868,190,117	888,137,042	909,490,790	914,726,285	923,405,577
FICA	81,850,154	94,092,949	95,217,029	98,247,674	99,931,970	101,726,502	103,429,423	103,427,886
Health / Medical	484,339,297	559,501,006	559,501,006	576,660,058	610,156,595	639,758,002	672,547,274	706,951,538
Group Life	6,581,577	8,850,000	8,850,000	8,760,382	8,760,382	8,760,382	8,760,382	8,760,382
Group Legal	4,540,274	5,535,000	7,226,400	6,438,177	6,438,177	6,438,177	6,438,177	6,438,177
Tool Allowance	168,925	250,000	250,000	350,000	350,000	350,000	350,000	350,000
Flex Cash Payments	835,132	3,623,295	3,623,295	1,688,628	1,688,628	1,688,628	1,688,628	1,688,628
Total	1,690,045,986	1,603,509,081	1,605,888,041	1,660,996,026	1,726,135,960	1,789,928,558	1,841,836,004	1,898,351,664

CASH FLOW PROJECTIONS OFFICE OF THE DIRECTOR OF FINANCE
GENERAL FUND - FY2024

Projection Amounts in Millions

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	10.8	12.0	8.6	8.6	7.4	31.8	34.6	84.6	489.7	130.0	17.1	10.6	845.9			845.9
Total Wage, Earnings, Net Profits	158.7	143.8	138.9	156.3	140.9	131.6	191.7	137.7	157.3	182.7	144.0	130.6	1814.2			1814.2
Realty Transfer Tax	42.9	33.2	26.6	37.4	30.8	33.2	33.0	23.3	33.7	31.1	32.8	30.8	388.9			388.9
Sales Tax	36.7	35.8	15.5	17.0	18.2	17.0	16.7	20.5	16.7	37.5	38.7	35.0	305.3	1.8 `		307.1
Business Income & Receipts Tax	5.2	12.8	24.5	28.1	5.1	27.0	29.9	6.8	67.7	362.7	75.0	25.0	669.7			669.7
Beverage Tax	6.6	6.4	6.4	7.2	5.8	5.8	6.0	5.5	5.5	6.2	6.0	6.2	73.5			73.5
Other Taxes	3.5	4.2	3.8	3.5	3.6	3.5	3.6	3.5	3.3	3.8	3.0	2.7	41.9			41.9
Locally Generated Non-tax	31.5	34.9	29.7	30.3	34.5	30.5	34.5	29.0	33.9	28.6	38.9	30.4	386.7			386.7
Total Other Governments, Excluding PICA Tax	10.7	62.1	5.8	99.3	8.4	11.4	22.9	62.7	19.1	18.5	17.3	9.4	347.7	2.5		350.2
Total PICA Other Governments	45.6	57.8	46.5	45.6	54.9	53.7	59.0	59.9	57.4	81.8	74.9	38.0	675.1	0.0		675.1
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	390.8	0.0	0.0	25.9	416.7		42.2	458.8
Total Current Revenue	352.3	403.0	306.3	433.2	309.6	345.5	432.0	433.5	1275.2	882.9	447.5	344.5	5965.6	4.3	42.2	6012.1
Collection of prior year(s) revenue	11.6	3.6	3.8	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.0			
Other fund balance adjustments		.														
TOTAL CASH RECEIPTS	363.8	406.7	310.1	437.3	309.6	345.5	432.0	433.5	1275.2	882.9	447.5	344.5	5988.6			

	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30	Total	Vouchers Payable	Encum-brances	Estimated Obligations
EXPENSES AND OBLIGATIONS																
Payroll	108.3	169.3	179.8	164.1	164.1	236.1	164.1	163.3	179.8	164.1	236.1	169.3	2098.5	65.1	4.4	2168.0
Employee Benefits	40.1	62.6	66.5	60.7	60.7	87.3	60.7	60.4	66.5	60.7	87.3	62.6	776.2	16.1	0.5	792.8
Pension	3.6	(0.5)	16.8	84.2	(0.3)	3.2	(0.3)	(0.3)	679.3	(0.6)	(0.5)	(4.6)	780.0	88.2		868.2
Purchase of Services	54.8	74.8	94.0	133.6	86.7	104.2	80.1	78.5	120.6	110.8	119.6	96.1	1153.8	37.7	188.6	1380.1
Materials, Equipment	5.6	6.2	12.0	12.4	9.0	9.8	10.2	9.0	11.1	12.0	11.2	11.7	120.3	3.0	21.8	145.1
Contributions, Indemnities	22.8	8.7	84.2	14.4	18.6	77.8	9.4	17.2	74.5	8.0	4.7	85.0	425.2			425.2
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	2.2	2.2			2.2
Debt Service-Long Term	20.1	90.8	10.5	0.2	0.2	0.2	5.1	66.8	0.2	0.2	0.2	5.1	199.4			199.4
Interfund Charges	0.0	72.9	0.0	0.0	10.0	22.5	0.0	0.0	0.0	0.0	0.0	1.1	106.5	40.6		147.0
Advances & Misc. Pmts. / Labor Obligations	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	67.4			67.4
Current Year Appropriation	260.8	490.4	469.5	475.1	354.7	546.7	334.9	400.4	1137.7	360.8	464.2	434.2	5729.4	250.7	215.3	6195.4
Prior Yr. Expenditures against Encumbrances	104.4	70.6	43.5	26.8	13.7	10.9	13.7	15.7	12.7	6.8	4.7	5.2	328.6			
Prior Yr. Salaries & Vouchers Payable	207.0	43.1	0.0	181.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	433.5			
TOTAL DISBURSEMENTS	572.1	604.1	513.0	683.1	368.3	557.6	348.5	416.2	1150.4	367.6	468.9	441.7	6491.5			
Excess (Def) of Receipts over Disbursements	(208.3)	(197.4)	(202.9)	(245.8)	(58.7)	(212.1)	83.4	17.4	124.8	515.3	(21.4)	(97.1)				
Opening Balance	1646.7	1438.5	1241.0	1038.1	792.3	733.6	521.5	605.0	622.3	747.1	1262.4	1241.0				
TRAN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
CLOSING BALANCE	1438.5	1241.0	1038.1	792.3	733.6	521.5	605.0	622.3	747.1	1262.4	1241.0	1143.9				

CASH FLOW PROJECTIONS
CONSOLIDATED CASH - ALL FUNDS - FY2024

OFFICE OF THE DIRECTOR OF FINANCE

Projection						Amounts in Millions						
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 28	March 31	April 30	May 31	June 30
General	1438.5	1241.0	1038.1	792.3	733.6	521.5	605.0	622.3	747.1	1262.4	1241.0	1143.9
Grants Revenue	798.1	870.6	841.8	851.1	780.1	727.7	792.3	899.7	468.8	593.9	540.5	473.4
Community Development	(8.4)	(11.5)	(8.4)	(7.4)	(4.4)	(5.3)	(2.5)	(0.3)	(0.8)	3.3	1.4	0.0
Vehicle Rental Tax	8.6	9.1	1.7	2.3	2.9	3.5	4.1	4.7	5.3	5.9	6.5	7.1
Hospital Assessment Fund	19.4	19.0	46.6	20.6	20.3	53.0	20.2	19.9	25.8	21.7	50.6	24.7
Housing Trust Fund	77.0	105.3	103.2	101.1	99.0	96.9	94.8	92.7	90.6	88.5	86.4	84.3
Transportation Fund	(3.5)	(3.5)	(6.2)	(6.0)	(5.5)	1.0	0.4	(1.1)	(3.1)	(1.6)	2.6	3.0
Budget Stabilization Fund	65.1	107.4	107.4	107.4	107.4	107.4	107.4	107.4	107.4	107.4	107.4	107.4
Other Funds	12.3	12.2	12.0	11.9	11.7	11.6	11.4	11.3	11.1	11.0	10.8	10.7
TOTAL OPERATING FUNDS	2407.1	2349.7	2136.2	1873.3	1745.1	1517.4	1633.0	1756.5	1452.2	2092.4	2047.0	1854.3
Capital Improvement	430.9	415.9	400.9	385.9	380.9	388.4	373.4	358.4	343.4	328.4	313.4	298.4
Industrial & Commercial Dev.	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
TOTAL CAPITAL FUNDS	441.4	426.4	411.4	396.4	391.4	398.9	383.9	368.9	353.9	338.9	323.9	308.9
TOTAL FUND EQUITY	2848.5	2776.0	2547.6	2269.7	2136.5	1916.3	2016.9	2125.4	1806.1	2431.3	2370.9	2163.2

City of Philadelphia
Fiscal Year 2024 Operating Budget
FY 2024-2028 Five Year Plan
General Fund Full-Time Positions

Department	Filled Positions 6/30/22	FY 2023 Adopted Budget	November 2022 Increment	FY 2024 Adopted Budget	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate
Auditing	109	135	112	135	135	135	135	135
Board of Ethics	9	12	10	14	14	14	14	14
Board of Revision of Taxes	14	16	13	16	16	16	16	16
City Commissioners	134	187	142	187	187	187	187	187
City Council	175	185	172	185	185	185	185	185
City Treasurer	17	19	19	22	22	22	22	22
Civil Service Commission	2	2	2	2	2	2	2	2
Commerce	35	82	45	80	80	80	80	80
District Attorney Civilian	*503*	*547*	*561*	*572*	*572*	*572*	*572*	*572*
District Attorney Uniform	*34*	*36*	*33*	*33*	*33*	*33*	*33*	*33*
District Attorney - Total	537	583	594	605	605	605	605	605
Finance	122	134	119	139	139	139	139	139
Fire Civilian	*115*	*177*	*123*	*177*	*177*	*177*	*177*	*177*
Fire Uniform	*2,552*	*3,199*	*2,591*	*3,215*	*3,215*	*3,215*	*3,215*	*3,215*
Fire - Total	2,667	3,376	2,714	3,392	3,392	3,392	3,392	3,392
First Judicial District	1,686	1,719	1,685	1,720	1,857	1,857	1,857	1,857
Fleet Management	266	318	258	319	319	319	319	319
Free Library	618	961	629	1,009	1,009	1,009	1,009	1,009
Human Relations Commission	32	33	32	34	34	34	34	34
Human Services	420	526	406	538	538	538	538	538
Labor	28	44	34	52	52	52	52	52
Law	175	198	185	205	205	205	205	205
Licenses & Inspections	346	425	342	430	430	430	430	430
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
Managing Director	298	522	332	477	477	477	477	477
MDO - Citizens Police Oversight Commission	13	15	15	24	24	24	24	24
Mayor	60	64	58	45	45	45	45	45
Mayor - Office of the Chief Administrative Officer	75	92	81	76	76	76	76	76
Office of Children and Families	2	3	3	3	3	3	3	3
Mayor's Office of Community Empowerment and Opportunity	0	0	0	20	20	20	20	20
Mural Arts Program	8	10	9	10	10	10	10	10
Office of Behavioral Health and Intellectual disAbility	30	53	47	53	53	53	53	53
Office of Human Resources	73	88	70	96	96	96	96	96
Office of Innovation & Technology	300	397	312	398	398	398	398	398
Office of Inspector General	16	26	16	26	26	26	26	26
Office of Property Assessment	177	225	176	226	226	226	226	226
Office of Homeless Services	114	149	112	149	149	149	149	149
Office of Sustainability	11	15	12	23	23	23	23	23
Parks & Recreation	613	787	623	945	945	945	945	945
Planning & Development	54	74	57	83	83	83	83	83
Police Civilian	*799*	*947*	*823*	*1,103*	*1,133*	*1,133*	*1,133*	*1,133*
Police Uniform	*5,852*	*6,380*	*5,683*	*6,380*	*6,380*	*6,380*	*6,380*	*6,380*
Police - Total	6,651	7,327	6,506	7,483	7,513	7,513	7,513	7,513
Prisons	1,393	2,186	1,318	2,186	2,186	2,186	2,186	2,186
Procurement	35	52	29	54	54	54	54	54
Public Health	689	835	684	864	864	864	864	864
Public Property	133	156	129	176	176	176	176	176
Records	54	60	53	60	60	60	60	60
Register of Wills	67	73	63	73	73	73	73	73
Revenue	328	399	333	401	401	401	401	401
Sheriff	343	537	345	459	459	459	459	459
Streets**	2,071	2,378	2,019	1,690	1,690	1,690	1,690	1,690
TOTAL GENERAL FUND	**21,003**	**25,481**	**20,918**	**25,187**	**25,354**	**25,354**	**25,354**	**25,354**

Note: The Adopted Budget position counts represent the maximum level of positions during the year. Attrition lowers the position count throughout the year. **Also, beginning in FY24 808 Streets positions will be transferred to the Transportation Fund.

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