

# PICA Fact Sheet: Submitted FY25–29

## 5YP Fiscal Highlights

### Key Stats

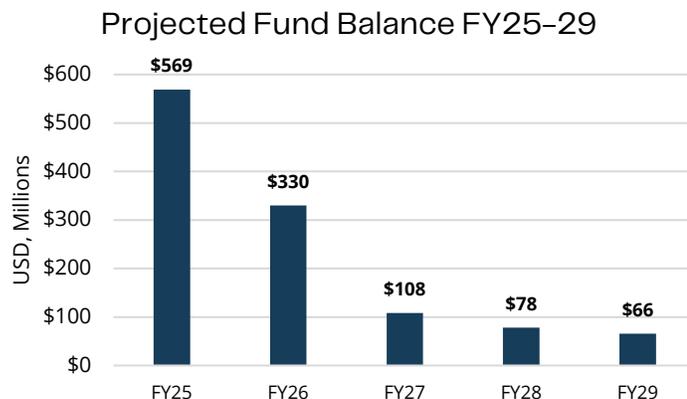
- The General Fund balance is expected to drop from \$569M in FY25 to \$66M in FY29, falling short of the City's goal of 6-8% of revenues in four out of five Plan years.
- Revenues are projected to grow by 4.5%, reaching almost \$6.56B in FY29, while expenditures are expected to increase by 3.7% over the 5YP.
- The City anticipates an operating deficit in all years of the Plan.
- New contributions to Budget Stabilization Reserve are expected to total \$176M over five years.
- The City is committing over \$10B to capital projects over six years, of which \$1.4B will be new General Obligation (GO) borrowing.

### What's the Submitted 5YP?

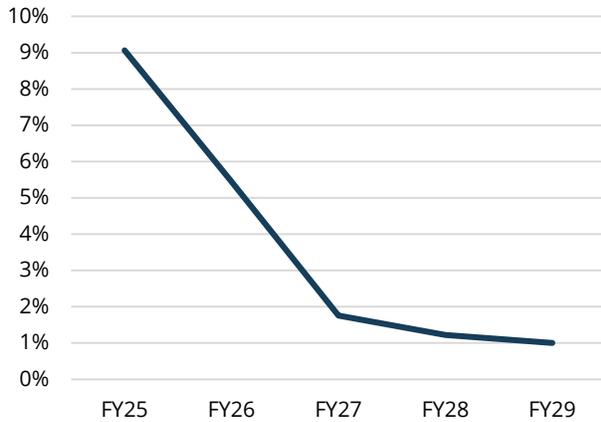
On March 14, 2024, Mayor Parker gave her first budget address and released the Administration's proposed Five-Year Financial Plan (5YP) for Fiscal Years 2025 to 2029 (FY25-29). It detailed the City's expected revenues, spending, staffing levels, new borrowing, and more over the next five fiscal years. FY25 budget negotiations with City Council resulted in changes to the proposed Plan. Following City Council's adoption of an FY25 budget, a final 5YP was submitted to PICA on June 25<sup>th</sup>, 2024. The PICA Board has 30 days to vote on whether to approve the 5YP or have the City revise its Plan. If the City is unable to deliver an acceptable revised Plan in the allotted time, state funds are withheld.

### Fund Balance

The General Fund balance is projected to be positive in each year of the Five-Year Plan, declining by \$503 million over the Plan. Fund balances in the 5YP are higher in every year compared to the Plan proposed in March. Positive fund balances, based on reasonable assumptions, are a statutory requirement for PICA Board approval of the Plan.



Fund Balance as Percent of Revenues FY25-29



Fund Balance as a Percent of Revenues

Beyond being merely positive, a fund balance should be robust enough to cushion the City against unplanned changes in revenue collections or spending. The Government Finance Officers Association (GFOA) recommends that fund balances be 17 percent of revenues or spending, while the City set itself a lower goal of at least 6 to 8 percent of revenues. The General Fund balance will meet the City's goal in only FY25 and will not meet the GFOA recommendation in any year of the Plan. If the Budget Stabilization Reserve (BSR) is considered in addition to the fund balance, the combined totals range from 11.7 percent of revenues in FY25 to 5.3 percent in FY29.

Estimated Revenue Growth

ESTIMATED REVENUES BY TYPE (USD, \$000 OMITTED)

|                                   | FY25             | FY26             | FY27             | FY28             | FY29             |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
| Tax Revenue                       | 4,260,467        | 4,376,370        | 4,531,580        | 4,693,270        | 4,861,337        |
| Locally-Generated Non-Tax Revenue | 391,844          | 365,668          | 382,272          | 424,743          | 374,250          |
| Revenue from Other Governments    | 398,416          | 428,444          | 400,495          | 401,569          | 402,567          |
| PICA City Account                 | 739,412          | 768,168          | 796,000          | 825,207          | 855,753          |
| Revenue from Other Funds          | 481,223          | 119,605          | 65,570           | 61,770           | 62,292           |
| <b>TOTAL</b>                      | <b>6,271,362</b> | <b>6,058,255</b> | <b>6,175,917</b> | <b>6,406,559</b> | <b>6,556,199</b> |

From FY25-29, total City revenue is expected to grow by 4.5 percent, reaching \$6.56 billion in FY29. Tax revenue is estimated to increase from \$4.26 billion in FY25 to \$4.86 billion in FY29. Over the Plan period, Locally-Generated Non-Tax Revenue is projected to decrease by \$17.6 million, Revenue from Other Governments (including PICA) is projected to increase by \$120.5 million, and Revenue from Other Funds is expected to decrease by \$419 million as the American Rescue Plan funds are fully expended by mid-FY25. Total City revenue is \$92 million higher over the five years in the submitted 5YP than the proposed version from March.

Projected Spending Growth

ESTIMATED OBLIGATIONS BY CLASS (USD, 000 OMITTED)

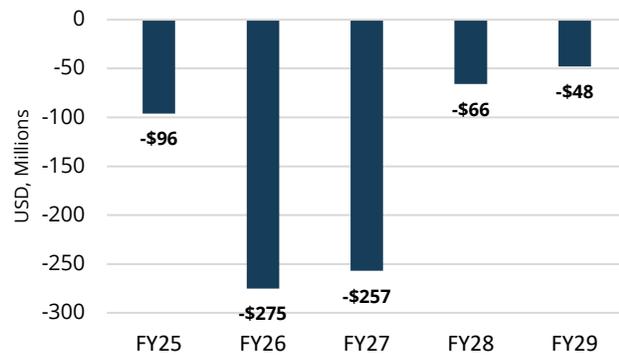
|   | FY25             | FY26             | FY27             | FY28             | FY29             |
|---|------------------|------------------|------------------|------------------|------------------|
| 100: Wages & Benefits                     | 3,956,212        | 3,989,094        | 4,043,447        | 4,091,622        | 4,207,374        |
| 200: Purchase of Services                 | 1,422,267        | 1,345,332        | 1,350,674        | 1,370,053        | 1,362,057        |
| 300/400: Materials, Supplies, & Equipment | 148,326          | 139,623          | 138,494          | 138,615          | 138,629          |
| 500: Contributions, Indemnities, etc.     | 432,724          | 413,594          | 413,094          | 413,094          | 413,094          |
| 700: Debt Service                         | 234,667          | 242,227          | 274,825          | 281,871          | 279,388          |
| 800: Payments to Other Funds              | 71,491           | 74,165           | 76,982           | 80,420           | 83,916           |
| 900: Advances & Miscellaneous             | 43,505           | 69,620           | 77,620           | 96,620           | 119,620          |
| Budget Stabilization Reserve              | 58,291           | 59,676           | 57,754           | -                | -                |
| <b>TOTAL</b>                              | <b>6,367,483</b> | <b>6,333,331</b> | <b>6,432,890</b> | <b>6,472,295</b> | <b>6,604,078</b> |

From FY25-29, total City expenditures are expected to increase by 3.7 percent, growing from \$6.37 billion in FY25 to \$6.6 billion in FY29. Total FY25-29 spending is \$134 million higher in the submitted 5YP than the proposed version from March. Class 100, which is comprised of employee wages and benefits, is the largest category. It's projected to increase by 6.3 percent (\$251 million) over this period, going from \$3.96 billion (62.1 percent of expenditures) in FY25 to \$4.21 billion (63.7% of expenditures) in FY29. To prepare for new labor contract agreements and arbitration awards, the City sets aside funds in the Labor Reserve. The submitted 5YP dedicates \$43.5 million in FY25 and a total of \$407 million from FY25-29, in addition to incorporating recent new agreements.

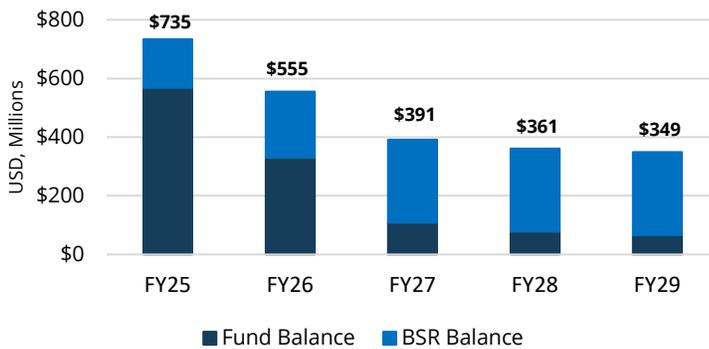
### Operating Surplus/Deficit

The submitted FY25-29 5YP projects operating deficits, in which City spending will outpace revenues, in all years of the Plan. The largest operating deficits of \$275 million and \$257 million are expected in FY26 and FY27, respectively. The projected FY25-29 expenditures in these deficits include \$583M in contributions to reserves. The impact of these operating deficits is mitigated by drawing down on the City's fund balance.

### Operating Deficits FY25-29



### Fund Balance and Cumulative Rainy Day Fund Balance FY25-29



### Reserves

In addition to the General Fund balance, the City has set aside additional money to be tapped in case of emergency. Together these reflect the resources the City expects to have to navigate the unexpected.

**Budget Stabilization Reserve.** The BSR is the City's rainy day fund for unanticipated fiscal challenges that may arise, like lower-than-expected revenues. The City follows a legally-mandated formula to determine how

much is deposited each fiscal year. The submitted 5YP includes new deposits totaling \$176 million in FY25-29, with a projected BSR total of \$283 million at the end of the 5YP period, assuming no withdrawals are needed.

Together with the fund balance, the City's reserves will amount to \$735 million in FY25, or 11.7 percent of revenues. Over the Plan period, this total is expected to drop to \$349 million in FY29, or 5.3 percent of revenues. This is lower than the combination of the ending fund balance and reserves of the last approved Plan, which totaled \$373 million (5.8 percent of revenues), but higher than the proposed FY25-29, which totaled \$280 million (4.3 percent of revenues).

## Capital Program

The FY25-FY30 Capital Program projects \$10.4 billion in City capital investments over the six-year program, including \$1.4 billion in new General Obligation (GO) borrowing over the life of the program for projects such as street paving, wellness facilities, expanding the Parkway Central Library, a new forensics lab, and relocating the African American Museum of Philadelphia. FY25 new borrowing of \$328 million is significantly larger than prior years.

| CITY CAPITAL FUNDING SOURCES | Amount (FY25-FY30) |
|------------------------------|--------------------|
| New GO Borrowing (CN)        | \$1.4B             |
| Other New Borrowing (XN)     | \$5.7B             |
| PAYGO (CR, XR)               | \$1.2B             |
| Carried-Forward (CT, XT)     | \$1.8B             |
| Other (CA, A, Z)             | \$242M             |
| <b>TOTAL</b>                 | <b>\$10.4B</b>     |

In addition to the \$10.4 billion the City is committing to the Capital Program over the next six years, the City is anticipating receiving \$5.9 billion from other sources for capital projects.