PICA Pennsylvania Intergovernmental
Cooperation Authority

PICA Fact Sheet

City of Philadelphia's Q2 Quarterly City Managers Report
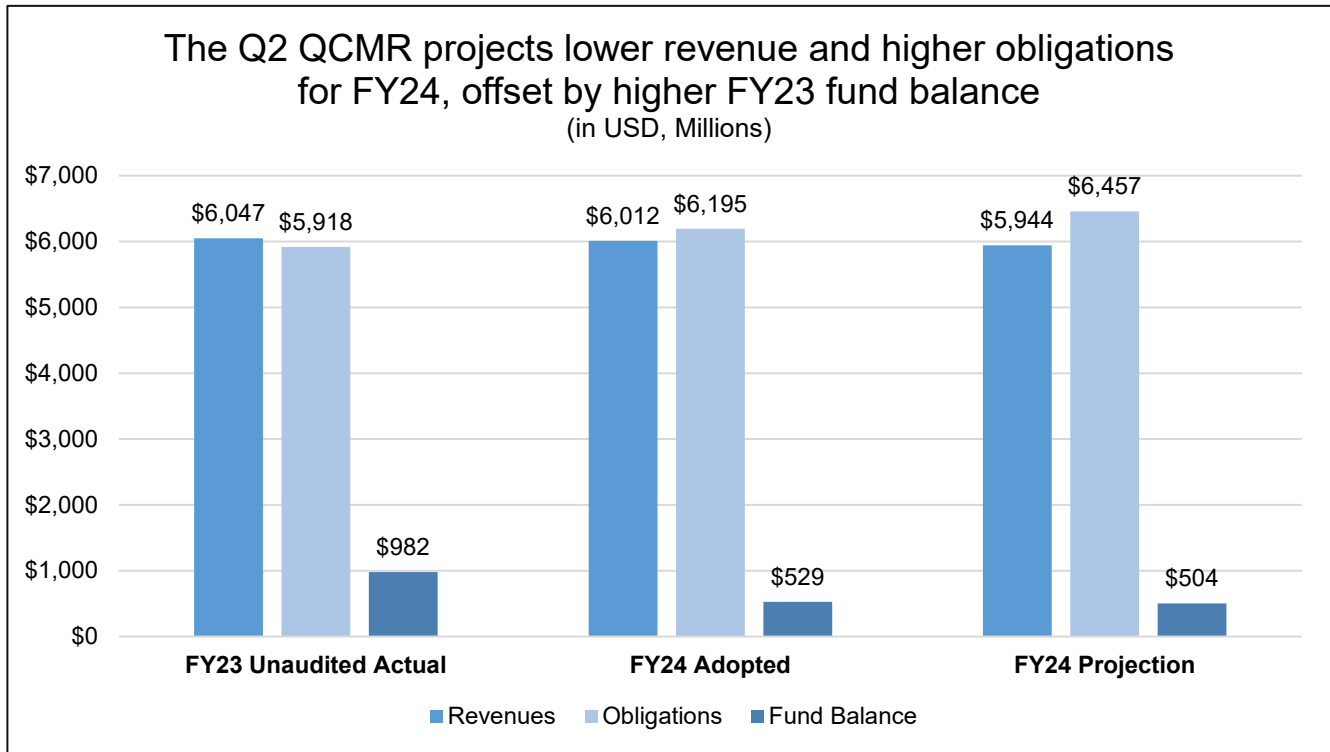
For the Period Ending December 31, 2023

Significant Stats

- **Spending is projected to increase by $262M over the Adopted Budget** due to over $100M allocated in the Fall Transfer Ordinance (as shown last quarter) and more new investments in the upcoming Spring Transfer Ordinance.
- **At $5.944B, there is virtually no change in the revenue estimate from last quarter.** This is $68M less than projected in the Adopted Budget. Business Income and Receipts collections are further declining, but the Realty Transfer Tax decline, while still significant, is less than previously projected and mostly offset by increased Wage Tax collections.
- **The FY24 Fund Balance estimate has been lowered to $504M, about $24M lower than the PICA-Approved 5YP.** This would lower the fund balance to a dangerously low $62M in FY28 according to the current adopted Five-Year Plan, absent any revisions to outyear spending and revenues.
- **About 1 in 5 jobs remain vacant.** The situation is worse in certain departments, like Prisons (43% vacancy).

The Takeaway

Despite a lower projected FY24 fund balance, the City's finances are okay for right now. Spending increases from this quarter are largely one-time costs, cushioned by last year's higher-than-expected fund balance. However, with revenues coming in $68M lower than anticipated and significant increases in spending, adequate reserves and continuous monitoring through the Quarterly City Managers Report (QCMR) are essential to safeguard against unpredictable or unsustainable changes. As spending continues to outpace revenues, the next Five-Year Plan will need to be cautious about a dwindling fund balance in later years.

The Big Picture

The Q2 QCMR projects lower revenue and higher obligations for FY24, offset by higher FY23 fund balance
(in USD, Millions)

Lower Revenues, Higher Obligations, and a Lower Fund Balance

Revenue. The current revenue projection is $68M lower than the approved Five-Year Plan and $1M lower than the Q1 projection. This can be primarily attributed to collection declines for the Realty Transfer Tax (RTT), Business Income and Receipts Tax (BIRT), and Locally-Generated Non-Tax (LGNT) revenue adjustments.

Obligations. FY24 General Fund obligations are projected at $6.5B, an increase of $262M above the approved Five-Year Plan and $182M more than the Q1 projection. This is primarily due to over $100M in funding allocated through the FY24 Fall Transfer Ordinance and proposed increases in the upcoming FY24 Spring Transfer Ordinance to address the new Administration's priorities such as $50M for street paving, $49M for clean and green initiatives, $15 million for the Recession Reserve (which will drop to fund balance if not needed), and an additional $10M for the Community College of Philadelphia.

Fund Balance. The FY24 Fund Balance is projected to decrease by $24M over the Five-Year Plan projection, to $504M, (8.5% of revenues). This is $178M less than the Q1 projection but still meets the City's target of at least 6-8% of revenues. It falls below the GFOA recommended level of 17% of obligations, or approximately $1.1B.

Revenues

FY24 General Fund Revenues
(USD, Millions)

Category	FY24 Adopted	FY24 YTD	FY24 Current Projection	Change from 5YP
Taxes	4,141.2	1,176.4	4,060.1	(81.1)
Locally Generated Non-Tax	386.7	208.6	356.9	(29.8)
Revenue from Other Governments	1,025.3	559.3	1,070.0	44.6
Revenue from Other Funds	458.8	-	456.8	(2.1)
Total	**6,012.1**	**1,944.3**	**5,943.7**	**(68.4)**

- **Taxes** are projected to decrease by $81M from the Five-Year Plan due to a decline in BIRT revenue, partially offset by increases in Wage Tax revenue. While RTT remains down from the Adopted Budget, the situation isn't as bleak as expected at the end of Q1.

- **Locally Generated Non-Tax Revenue** is projected to decrease by $23M from the Five-Year Plan, primarily due to a delay in the sale of the Medical Examiner facility and a reduction in anticipated Casino Settlement revenue. A bright spot was $10.5M more than expected from interest earnings.

- **Revenue from Other Governments** is projected to increase by $45M from the Five-Year Plan due to a projected increase in PICA Tax revenue ($28M), a Public Health revenue re-classification, and increased state Pension Fund aid. These increases are partially offset by a reduction in First Judicial District reimbursements.

FY24 General Fund Tax Revenues by Type
(USD, Millions)

Category	FY24 Adopted	FY24 YTD	FY24 Current Projection	Change from 5YP
Wage, Earnings, Net Profits	1,814.2	779.5	1,891.9	77.7
Real Estate	845.9	61.2	836.1	(9.8)
Business Income & Receipts	669.7	86.6	623.1	(46.6)
Sales	307.1	66.7	312.3	5.2
Real Estate Transfer	388.9	128.4	278.7	(110.2)
Amusement	33.4	19.8	38.3	4.9
Beverage	73.5	29.3	72.3	(1.2)
Other	8.5	4.7	7.3	(1.2)
Total	**4,141.2**	**1,176.4**	**4,060.1**	**(81.1)**

- **Wage, Earnings, and Net Profits** collections are projected to increase by $55M compared to the Q1 projection due to inflation, employment growth, and low unemployment.

- **Real Estate** is projected to decrease by $10M compared to the Q1 projection as more residents take advantage of the homestead exemption and payments suspended by Board of Revision of Taxes appeals.

- **BIRT** is projected to decrease by $26M compared to the Q1 projection based on economists' projections of a continued economic slowdown compared to past years.

- **Sales Tax** is projected to decrease by $9M compared to the Q1 projection as COVID-19 recovery growth has slowed.

- **Real Estate Transfer** is projected to increase by $14M compared to the Q1 projection as the recent loss rate stabilizes.

- **Amusement** is projected to increase by $1M compared to the Q1 projection due to increased revenue from live events like Wrestlemania and playoff games.

- **Beverage** is projected to decrease by $2M compared to the Q1 projection due to year-to-date collections being lower than expected.

Obligations

|	**FY24 General Fund Obligations by Class** (USD, Millions)			
Obligation Class	**FY24 Adopted**	**FY24 YTD**	**FY24 Current Projection**	**Change from 5YP**
Wages & Benefits	3,829.0	1,398.8	3,839.0	10.0
Purchase of Services	1,380.1	954.2	1,421.7	41.6
Materials, Supplies, and Equipment	145.1	76.6	213.7	68.6
Contributions & Indemnities	425.2	198.3	478.7	53.5
Debt Service	201.6	134.9	201.6	-
Payments to Other Funds	147.0	79.2	236.2	89.1
Advances & Miscellaneous	67.4	-	66.5	(0.8)
Total	**6,195.4**	**2,841.9**	**6,457.4**	**262.0**

- **Wages and benefits (Class 100)** are projected to increase by $2M compared to the Q1 projection due to higher personnel costs in the Mayor's Office, Managing Director's Office, City Council, District Attorney's Office, and Law Department.

- **Purchase of services (Class 200)** are projected to increase by $8M compared to the Q1 projection, some of which is allocated to the Recession Reserve.

- **Materials, supplies, and equipment (Class 300/400)** are projected to increase by $62M compared to the Q1 projection due primarily to purchases for greening and cleaning initiatives.

- **Contributions and indemnities (Class 500)** are projected to increase by $39M compared to the Q1 projection due in part to an increase in indemnities and the City's contribution to the Community College of Philadelphia.

- **Payments to Other Funds (Class 800)** are projected to increase by $73M compared to the Q1 projection, primarily due to PAYGO transfers to the Capital Fund.

Departments with the Largest $ Change FY24 Adopted to Current Projection
(USD, Millions)

Department	FY24-28 5YP	Current Projection	Change from 5YP
Finance	52.6	123.2	70.6
Streets	108.0	155.1	47.1
Finance - Indemnities	49.2	74.2	25.0
Police	855.9	878.3	22.5
Finance – Recession Reserve	54.0	69.0	15.0
Total	**1,119.7**	**1,299.8**	**180.2**

- **Finance** spending is projected to be $68M higher than the Q1 projection due to increases in contributions and payment to the Capital Fund for street paving.

- **Streets** spending is projected to be $49M higher than the Q1 projection due to increased support for clean and green initiatives.

- **Indemnities** are projected to be $13M higher than the Q1 projection due to recent exonerations and an increase in claims.

- **Police** spending is projected to be $23M higher than the Q1 projection due to an increase in payment to the Capital Fund for the forensics lab.

- The City is increasing its allocation to the **Recession Reserve** by $15M compared to the Q1 projection.

Staffing, Overtime, and Leave Usage

General Fund Filled Full-Time Positions FY18-FY24
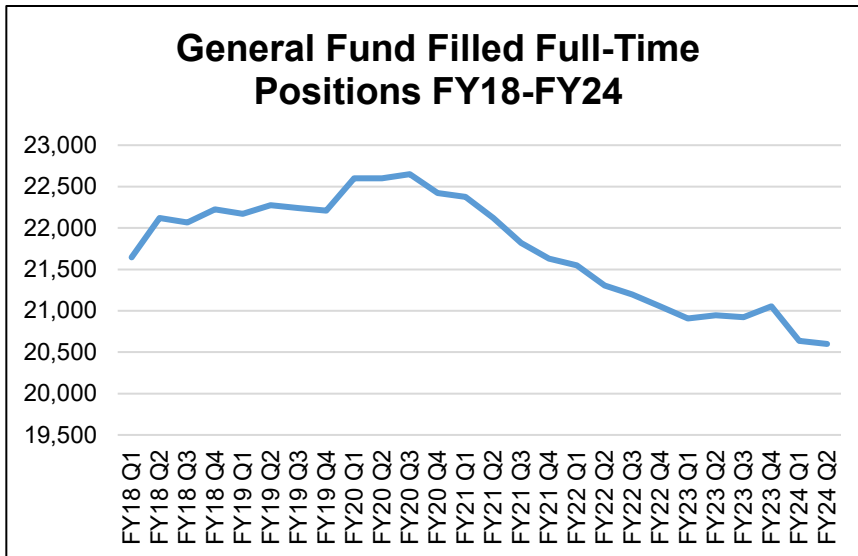
Staffing Trends

Total staffing through Q2 of FY24 is 20,599. The City's adopted budget for FY24 approved a total of **25,185** full-time General Fund employees.

The departments with the highest vacancy rates are Prisons (43%) and Procurement (35%). Some of the decline stems from shifting staff to the new Transportation Fund.

General Fund Overtime as Percent of Total Wage Costs FY20-FY24
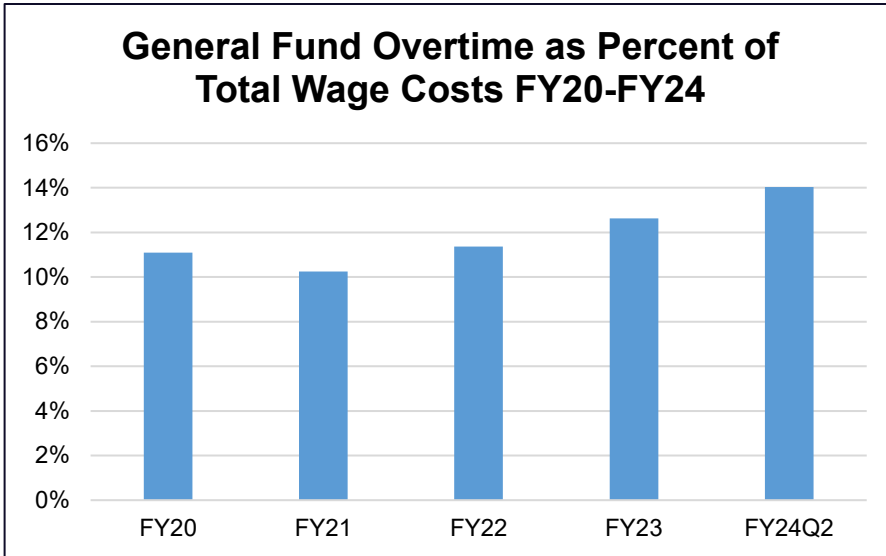
Overtime Trends and Leave Usage

FY24 preliminary overtime costs through the second quarter were $134M, or 14% of total wages.

City departments spent $522,560 less on overtime through the second quarter of FY24 than over the same period last year; however, this is affected by shifting some staff to the new Transportation Fund.

Median leave usage in Q2 was 15.2%, 0.8 percentage points higher than Q2 of FY23, due to an increase in sickness leave usage.

Critical Performance Measures

These performance measures are identified as critical based on their immediate impact on Philadelphians' health and safety. Some critical measures that are currently not on track to meet the FY24 target show improvement over the same quarter last year, like the Percent of EMS calls responded to within nine minutes.

Critical Measures Not on Track to Meet FY24 Target

Department	Measure	FY23 Q2	FY24 Q2	FY24 Target
Police	Homicide clearance rate	64.7%	61.7%	65%
Fire	Percent of EMS calls responded to within 9 minutes	35.2%	36.8%	Over 90%
Public Health	Number of months between food establishment inspections	12	13	Less than 12
Public Health	Children 19-35 months with complete immunizations	65.9%	67%	70%

Critical Measures Meeting FY24 Target

Department	Measure	FY23 Q2	FY24 Q2	FY24 Target
Police	Number of shooting victims	469	309	Less than FY23
Police	Number of homicides	111	81	Less than FY23
Fire	Number of civilian fire-related deaths	13	11	Less than FY23
Fire	Fire engine response time (minutes:seconds)	6:50	6:39	6:39
Streets	On-time trash collection	96.0%	99.0%	95.0%
Water	Percent of time Philadelphia's drinking water met or surpassed state and federal standards	100%	100%	100%