

PICA Fact Sheet

City of Philadelphia's Q3 Quarterly City Managers Report

For the Period Ending March 31, 2024

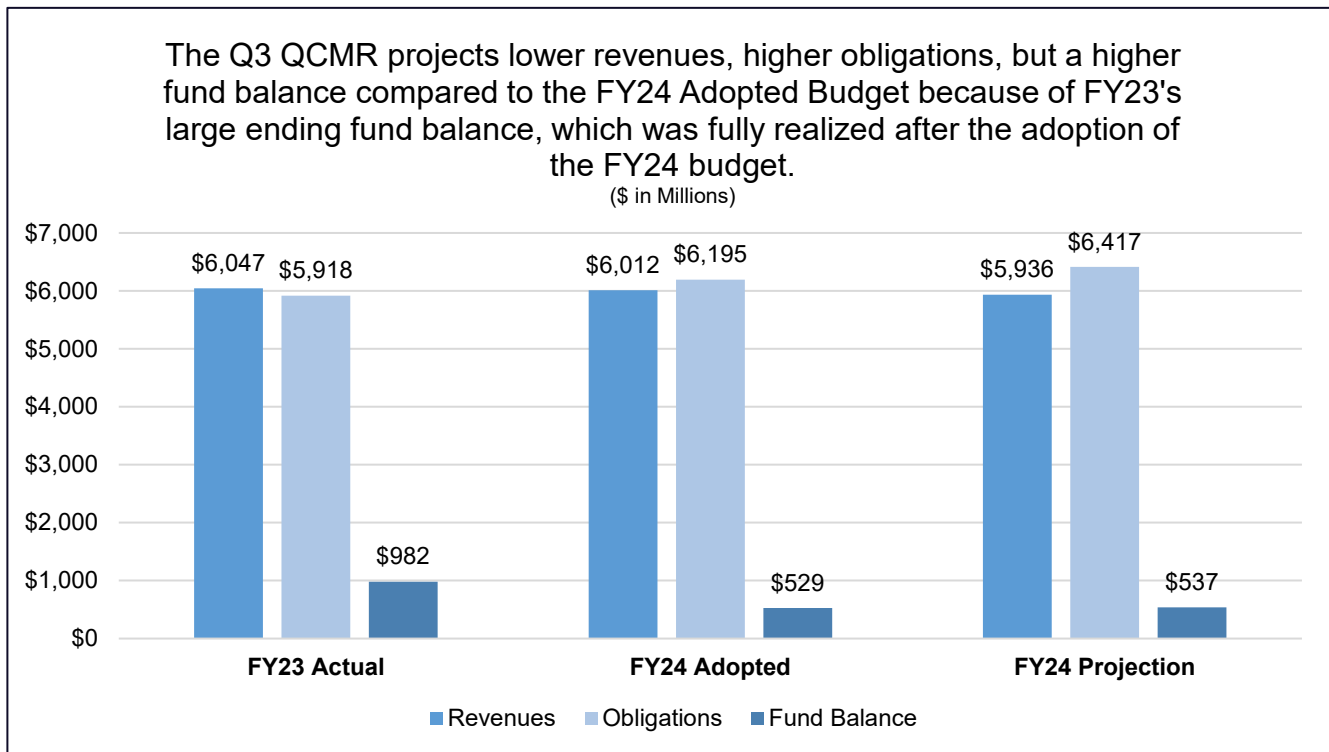
Significant Stats

- **The FY24 Fund Balance estimate is \$537M, about \$8M higher than the PICA-approved 5YP.** This is an improvement from last quarter, when the projection was lowered from the Q1 estimate of \$682M to \$504M.
- **At \$6.4B, year-end spending is projected to be \$222M over the Adopted Budget** due to over \$250M allocated in the Fall and Spring Transfer Ordinances. This is \$40M lower than last quarter's projection due primarily to a smaller allocation of pension expenses to the General Fund.
- **At \$5.9B, the FY24 revenue estimate is \$76M lower than the PICA-approved 5YP.** This is \$7M less than projected last quarter. Real Estate Tax and Realty Transfer Tax collections were lowered in Q3, but stronger Wage Tax collections identified earlier in the year offset the impact.
- **About 1 in 6 jobs remain vacant,** an improvement over last quarter. The situation is worse in certain departments, particularly public safety agencies.

The Takeaway

Because FY23 had such a high fund balance and the City is anticipating lower FY24 spending than last quarter, the City's finances look slightly better than they did last quarter. The FY24 fund balance is higher than both last quarter's projection and the Adopted Budget but shows a significant decline (\$445M) from FY23's ending fund balance. Revenue projections for the Real Estate Tax and Realty Transfer Tax were lowered due to ongoing assessment appeals and less market activity, emphasizing the need for continuous monitoring via the Quarterly City Managers Report (QCMR). The FY25-29 Five-Year Plan will need to be cautious in its revenue projections and safeguard sufficient reserves to weather the expiration of ARPA funds, new labor contracts, and unpredictable challenges that may arise.

The Big Picture



Because of lower spending than Q2 projected, the ending FY24 fund balance is projected to be higher than last quarter's estimates despite lower revenues.

Revenue. The current revenue projection is \$76M lower than the approved Five-Year Plan and \$7M lower than the Q2 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 \$6.4B, an increase of \$222M above the approved Five-Year Plan and \$40M less than the Q2 projection. This is primarily due to over \$250M in funding allocated through two FY24 Midyear Transfer Ordinances, partially offset by a lower allocation of pension costs to the General Fund.

Fund Balance. The FY24 Fund Balance is projected to increase by \$8M over the adopted Five-Year Plan, to \$537M, (9.0% of revenues). This is \$33M higher than the Q2 projection and 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.

PICA Fact Sheet: FY24 QCMR Q3

Revenues

FY24 General Fund Revenues (USD, Millions)				
Category	FY24 Adopted	FY24 YTD	FY24 Current Projection	Change from 5YP
Taxes	4,141.2	2,236.3	4,032.8	(108.4)
Locally Generated Non-Tax	386.7	326.3	376.4	(10.4)
Revenue from Other Govt's	1,025.3	763.2	1,070.4	45.1
Revenue from Other Funds	458.8	390.8	456.8	(2.1)
Total	6,012.1	3,716.6	5,936.3	(75.8)

- **Taxes** are projected to decrease by \$27M compared to Q2 and by \$108M compared to the Five-Year Plan due to a decline in Real Estate and Realty Transfer Tax (RTT) revenue, partially offset by increases in Wage and Sales Tax revenue.
- **Locally Generated Non-Tax revenue** is projected to be \$20M higher than the Q2 projection, primarily attributable to high interest earnings; however, this estimate is \$10M lower than the Five-Year Plan projection.
- **Revenue from Other Governments** is projected to increase by \$471K from last quarter due to an increase in the Gallery garage loan repayment and reimbursements of health-related grants. The current projection is \$45M above the Five-Year Plan, mainly due to a projected increase in PICA Tax revenue (\$28M) and increased state Pension Fund aid.
- There has been no change this quarter in **Revenue from Other Funds**. At \$456.75M, this source is projected to be \$2M lower than the Five-Year Plan due to a lower-than-expected reimbursement from the Water Fund.

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	1,266.9	1,891.9	77.7
Real Estate	845.9	417.3	825.7	(20.2)
Business Income & Receipts	669.7	160.5	623.1	(46.6)
Sales	307.1	124.1	312.3	5.2
Realty Transfer	388.9	189.8	261.8	(127.1)
Amusement	33.4	25.9	38.3	4.9
Beverage	73.5	46.5	72.3	(1.2)
Other	8.5	5.4	7.3	(1.2)
Total	4,141.2	2,236.3	4,032.8	(108.4)

- End-of-year projections for **Wage, Earnings, and Net Profits (WENP)**, **BIRT**, **Sales**, **Amusement**, **Beverage**, and **Other** have not changed since last quarter. Current projections are higher than the Adopted Budget for WENP (\$78M), Sales (\$5M), and Amusement (\$5M) but lower for BIRT (\$47M), Beverage (\$1M), and Other (\$1M).
- **Real Estate** is projected to decrease by \$10M compared to the Q2 projection and \$20M compared to the Adopted Budget due to the deferral of payments from increased assessments as the Board of Revision of Taxes makes its way through appeals.
- **Realty Transfer** is projected to decrease by \$17M compared to the Q2 projection as recent declines continue. The RTT projection has been lowered significantly (\$127M) since the 5YP estimate of \$389M.

PICA Fact Sheet: FY24 QCMR Q3

Obligations

FY24 General Fund Obligations by Class

(USD, Millions)

Obligation Class	FY24 Adopted	FY24 YTD	FY24 Current Projection	Change from 5YP
100: Wages & Benefits	3,829.0	2,710.7	3,802.6	(26.4)
200: Purchase of Services	1,380.1	1,143.1	1,418.9	38.8
300/400: Materials, Supplies, & Equipment	145.1	104.5	211.2	66.1
500: Contributions & Indemnities	425.2	368.9	478.7	53.5
700: Debt Service	201.6	173.8	201.6	-
800: Payments to Other Funds	147.0	99.7	239.2	92.2
900: Advances & Miscellaneous	67.4	-	65.2	(2.2)
Total	6,195.4	4,600.6	6,417.4	222.0

- **Wages and Benefits (Class 100)** are projected to decrease by \$36M compared to the Q2 projection and \$26M from the 5YP due to the allocation of more pension expenses to the Grants Fund.
- **Purchase of Services (Class 200)** are projected to decrease by \$3M compared to the Q2 projection because an expected \$10M appropriation to the Recession Reserve did not occur, partially offset by increases in Licenses and Inspections for eClipse upgrades, the Office of Human Resources for recruitment and retention contracting, and Fleet Services for towing, collision repair, and vehicle maintenance contract costs. The current year-end estimate is \$39M higher than the 5YP.
- **Materials, Supplies, and Equipment (Class 300/400)** are projected to decrease by \$3M compared to the Q2 projection. Reductions include an anticipated \$5M Recession Reserve contribution not occurring, delaying SCBA equipment replacement for the Fire Department to FY25, and a reduction in anticipated obligations for Clean and Green initiatives. Costs added since last quarter include \$15M for police vehicles. The Q3 projection is \$66M higher than the 5YP.
- **Payments to other funds (Class 800)** are projected to increase by \$92M from the 5YP and \$3M compared to the Q2 projection. The increase since last quarter is primarily due to an increase in payments to the Capital Fund for the Eastwick Recreation Center.
- **Advances and miscellaneous expenses (Class 900)** are projected to decrease by \$1.3M compared to the Q2 projection due to the use of funds from the Labor Reserve for recruitment and retention contracting. The current estimate is \$2M less than the 5YP.

Departments with the Largest \$ Change FY24 Adopted to Current Projection

(USD, Millions)

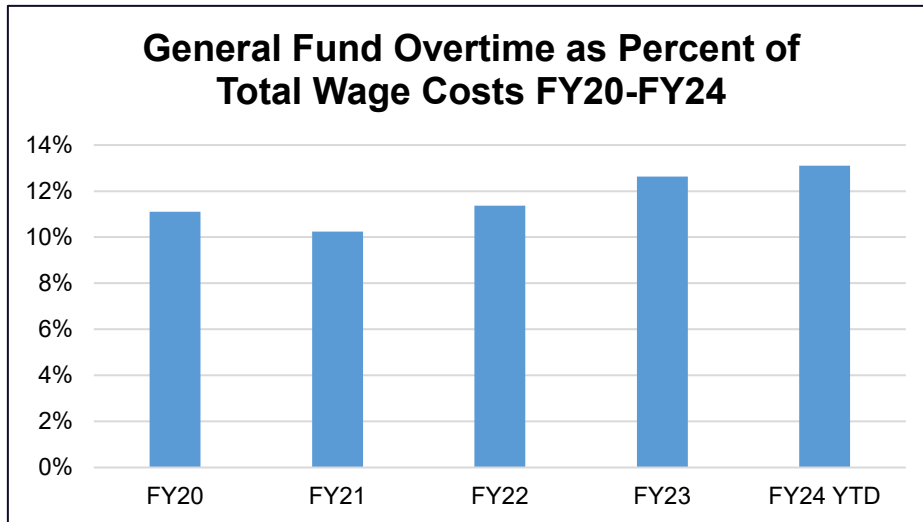
Department	FY24-28 5YP	Current Projection	Change from 5YP
Finance	52.6	126.2	73.6
Streets	108.0	144.4	36.5
Finance – Employee Benefits	1,661.0	1,625.5	(35.5)
Finance – Indemnities	49.2	74.2	25.0
Fleet Services – Vehicle Purchases	15.4	40.4	25.0
Total	1,886.2	2,010.7	124.6

- **Finance** spending is projected to be \$3M higher than the Q2 projection due to increases in payments to the Capital Fund. Last quarter, \$68M was added to the Finance budget for Capital Fund street paving (\$50M) and contributions (\$18M), making the current projection \$74M higher than the 5YP.
- **Streets** spending is projected to be \$11M lower than the Q2 projection due to changes in anticipated obligations for Clean and Green initiatives, but \$36.5M higher than the Adopted Budget.
- **Employee benefits** are projected to be \$36M lower than the Adopted Budget and Q2 projection due to the allocation of more pension costs to the Grants Fund.

PICA Fact Sheet: FY24 QCMR Q3

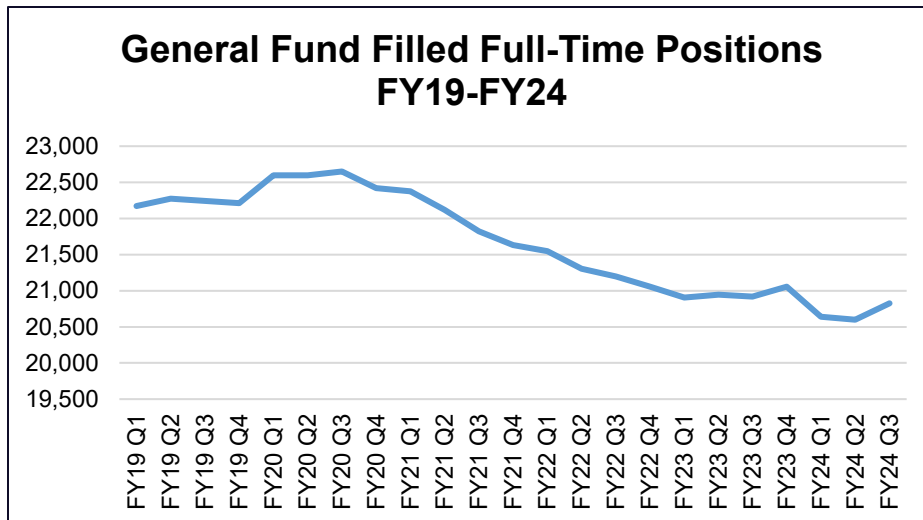
- **Vehicle** costs are projected to be \$25M higher than the 5YP and \$15M higher than the Q2 projection due to the purchase of radio patrol cars and undercover vehicles.

Staffing, Overtime, and Leave Usage



Overtime Trends. FY24 preliminary overtime costs through the third quarter were \$188M, or 13.1% of total wages. City departments spent \$6M less on overtime through the third quarter of FY24 than over the same period last year; however, \$3.9M of this reduction is due to the transfer of some staff to the new Transportation Fund,.

Leave Usage. Median leave usage in Q3 was 12.5%, 0.2 percentage points higher than Q3 of FY23, due to a slight increase in injury leave usage.



Staffing Trends. Total staffing through Q3 of FY24 is 20,826. The City's adopted budget for FY24 approved a total of 25,185 full-time General Fund employees. Some of the FY24 decline in full-time employees compared to FY23 stems from shifting staff to the new Transportation Fund.

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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.

Critical Measures Not on Track to Meet FY24 Target

Department	Measure	FY23 Q3	FY24 Q3	FY24 Target
Fire	Percent of EMS calls responded to within 9 minutes	35.5%	35.3%	Over 90%
Public Health	Number of months between food establishment inspections	11	12	Less than 12
Water	Percent of hydrants available	98.8%	99.0%	99.7%

Critical Measures on Track to Meet FY24 Target

Department	Measure	FY23 Q3	FY24 Q3	FY24 Target
Police	Number of shooting victims	413	242	Less than FY23
Police	Number of homicides	106	69	Less than FY23
Police	Homicide clearance rate	63.8%	76.8%	65.0%
Fire	Number of civilian fire-related deaths	9	8	Less than FY23
Public Health	Children 19-35 months with complete immunizations	66.7%	68.0%	70.0%
Streets	On-time trash collection	99.0%	99.0%	95.0%
Water	Percent of time Philadelphia's drinking water met or surpassed state and federal standards	100%	100%	100%