Pennsylvania Intergovernmental Cooperation Authority

Staff Report on the City of Philadelphia's Five-Year Financial Plan for Fiscal Years 2026-2030

July 2025

PICA Pennsylvania Intergovernmental Cooperation Authority

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July 28, 2025

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 2026 through 2030 (the Plan).

This report provides a comprehensive assessment of the Plan and its compliance with the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the PICA Act). This report:

- Analyzes the revenue, expenditure, and fund balance projections;
- Evaluates the reasonableness of the assumptions used to develop those projections; 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, Professor Charles Swanson. I would also like to thank the City of Philadelphia's Office of the Director of Finance, the Budget Office, the Department of Revenue, and the Office of the City Controller for their expertise, cooperation, and ongoing assistance.

Sincerely,

Marisa G. Waxman, AICP
Executive Director

Photo credit: Kevin Vaughan

PICA Staff Report on the City of Philadelphia's FY26-30 Five-Year Plan: Executive Summary

PICA Staff recommend PICA Board approval of the City of Philadelphia's FY26-30 Five-Year Plan because it meets the PICA Act's criteria:

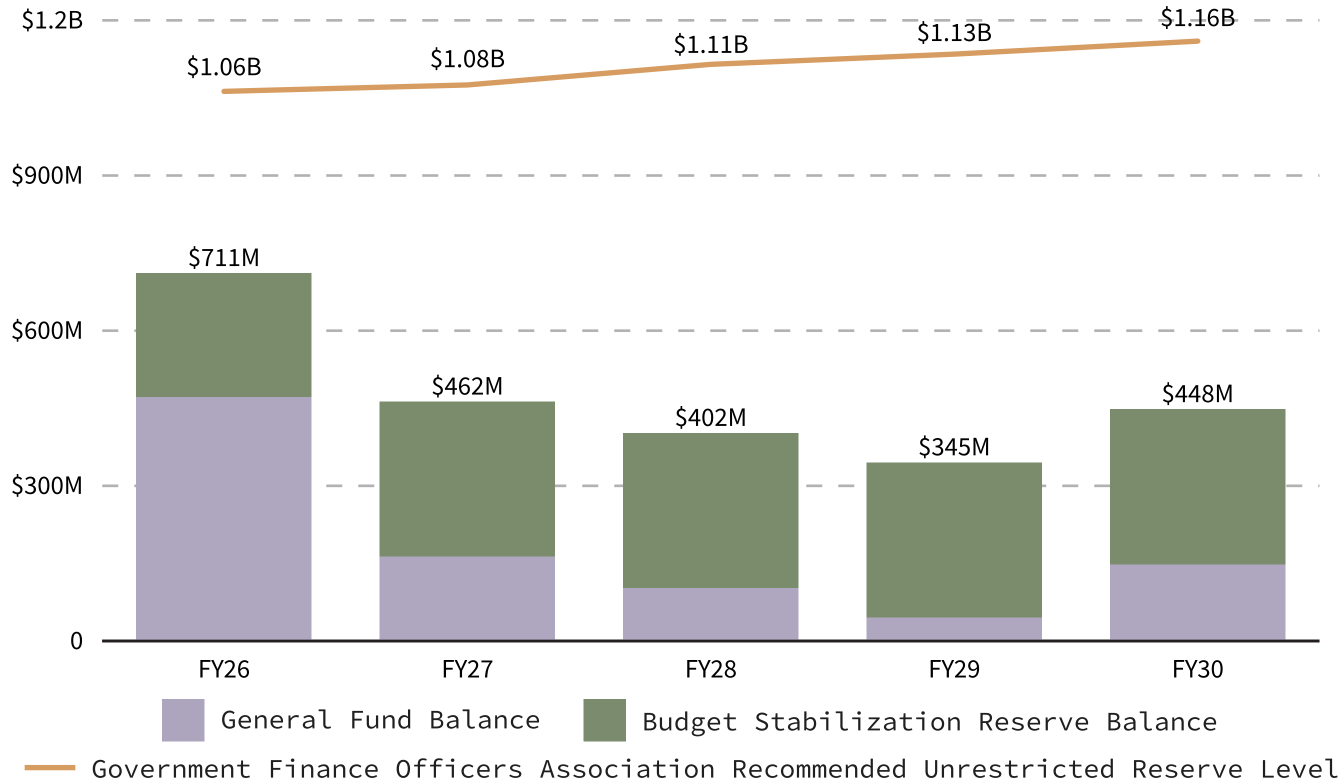
- ✓ Positive fund balances in all years of the Plan.
- ✓ Projections of all revenues and expenditures for five fiscal years, including projected capital expenditures, short- and long-term debt incurrence, and cash flow forecasts for the first year of the Plan.
- ✓ Revenue and spending projections based on reasonable assumptions and applied consistently.
- ✓ Includes required elements: Mayor's statement, debt service payment schedule, legally-mandated service schedule, description of methods and assumptions, Operating and Capital Budget for FY26, cashflow forecast, City Controller's opinion, and number of employee positions.

PICA Staff are confident that the Plan is based on reasonable and appropriate assumptions including year-end fund balances that are positive, but there are risks to the Plan:

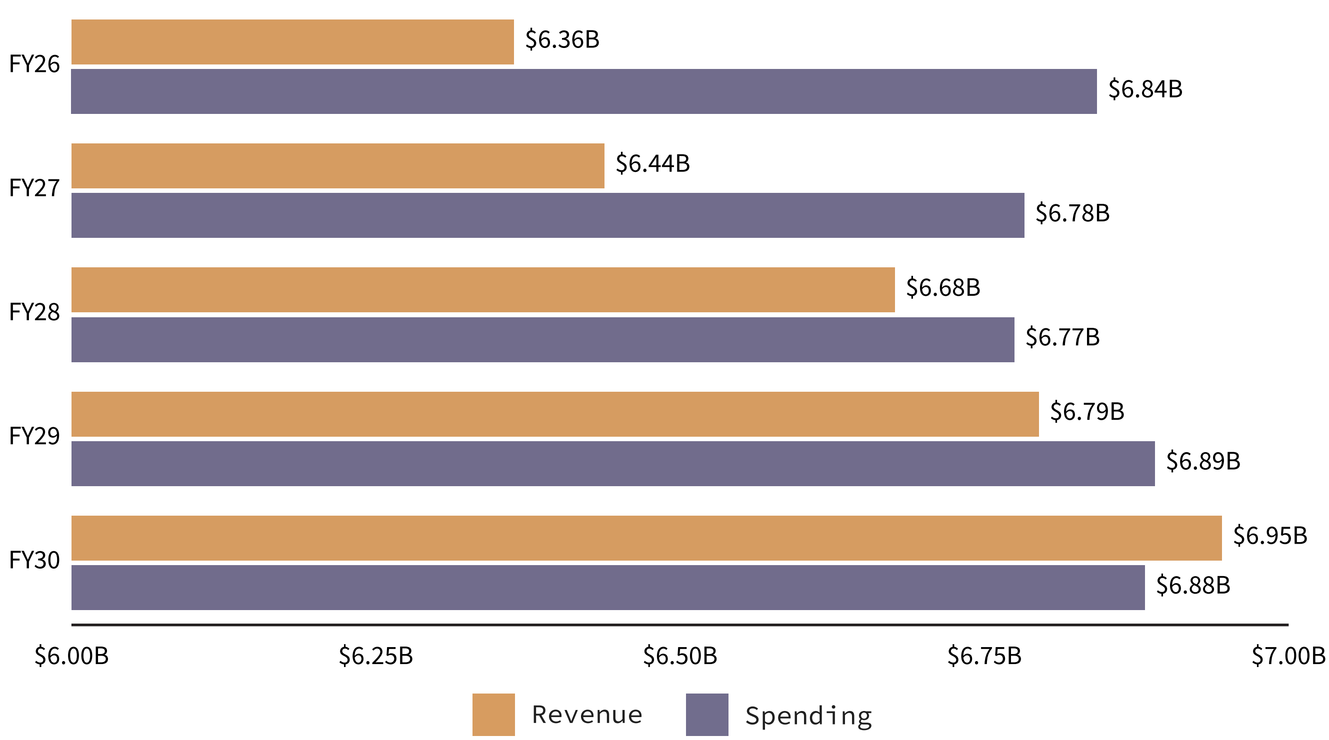
- Labor Costs and Availability
- Pension Costs
- Economic Downturns or Other Disruptions
- Detrimental Changes to Federal Funding and Policies
- Incompletely Scoped Budgets

About the FY26-30 Five-Year Plan		
Revenue	**Spending**	**Fiscal Stability**
• Annual reductions to gross receipts and the net income portion of BIRT and elimination of the $100,000 exemption. • Realty Transfer Tax rate increases to 3.578%. • Wage Tax reductions for residents and non-residents in each year of the Plan (no change to PICA Tax rate). • Increased share of Real Estate Tax revenue to School District of Philadelphia starting in FY30.	• Pension Obligation Bond balloon payment in FY29, with reduced pension costs in FY30. • $549M set aside in the Labor Reserve (which includes $207M for District Council 33 and 47 agreements). • $263M budgeted for debt service for the new H.O.M.E. Initiative. • $17.93B for capital investments in the FY26-31 Capital Program.	• Deposits to the Budget Stabilization Reserve (aka Rainy-Day Fund) in FY26 and FY27. ◦ Total balance at least $299M by FY27 if no withdrawals are needed. • Positive fund balances in the General Fund in all years, but well below recommended levels. • Operating deficits in 4 out of 5 years of the Plan.

Total Projected Reserves FY26-30



General Fund Revenue and Spending FY26-30



General Fund Operating Surplus/(Deficit) FY26-30				
FY26	FY27	FY28	FY29	FY30
($479M)	($345M)	($98M)	($95M)	$63M

Purpose of the Report and Plan Requirements

In the early 1990s, the City of Philadelphia (the City) was in fiscal crisis. The City's precarious fiscal condition meant that it was denied access to capital markets at reasonable rates, preventing investment in infrastructure or steady cashflow. In 1991, the Pennsylvania Legislature passed the Pennsylvania Intergovernmental Authority Act for Cities of the First Class (PICA Act) to bolster the City's fiscal condition and restore its access to capital markets.

The PICA Act created the Pennsylvania Intergovernmental Cooperation Authority (PICA) to issue bonds and assist the City. To support the City's ongoing fiscal stability, the PICA Act requires the City to produce annually a Five-Year Financial Plan (the Plan).

This report is PICA's evaluation of the City's Five-Year Financial Plan for Fiscal Years 2026 to 2030 as submitted to PICA on June 30, 2025. The framework for producing and evaluating the Plan is provided by the PICA Act. The objective of this report is to analyze whether the Plan meets the criteria in the PICA Act, identify potential risks to the City's fiscal stability, evaluate spending and personnel trends, assess indicators of financial health, and make a recommendation for approval or disapproval of the Plan by PICA's Board of Directors.

Photo credit: Kevin Vaughan


Photo credit: Kevin Vaughan

Section 1: Fiscal Indicators

- Debt
- Fiscal Management
- Pension
- Reserves
- Revenues

Fiscal Indicators

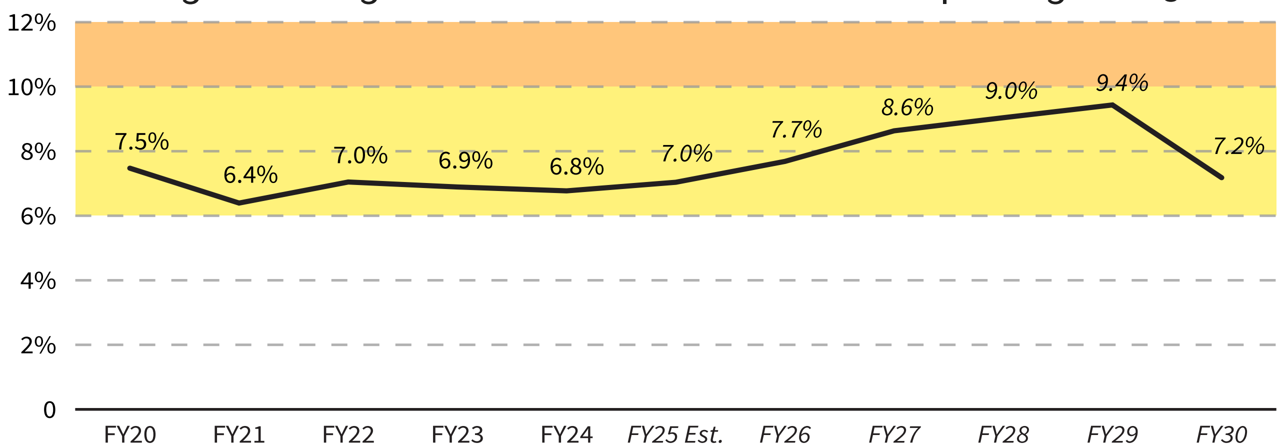
PICA monitors Philadelphia's fiscal condition using a set of indicators to support its review of City Five-Year Financial Plans. While a single metric, like a negative fund balance, may signal distress, understanding overall fiscal health and direction requires multiple measures. Though selecting and interpreting indicators is subjective, they help assess the reasonableness of assumptions in the Plan. Developed with input from City officials and regional experts, these nine indicators—grouped into Debt, Fiscal Management, Pension, Reserves, and Revenues—include historical trends, benchmarks, and projections from the FY26–30 Financial and Strategic Plan. While most indicators lack mandated thresholds, PICA uses defined ranges to flag minimal, moderate, or significant concern.

Category	Indicator	Minimal Concern	Moderate Concern	Significant Concern
Debt	Long-term Obligations as Percent of Spending		X	
Fiscal Management	Credit Rating	X		
Fiscal Management	Operating Surplus/Deficit as Percent of Revenues			X
Pension	Percent of Pension Funded			X
Reserves	Change in Fund Balance			X
Reserves	Fund Balance as Percent of Revenue			X
Reserves	Total Reserves for Unanticipated Conditions			X
Revenues	Change in Tax and Local Government Non-Tax Revenue	X		
Revenues	Wage Tax Collections as Percent of Estimates	X		

Long-Term Obligations as a Percent of Spending

Benchmarks	
Minimal Concern:	Long-term Obligations below 6 percent of spending
Moderate Concern:	Long-term Obligations are between 6 and 10 percent of spending
Significant Concern:	Long-term Obligations above 10 percent of spending

Long-Term Obligations as a Percent of General Fund Spending FY20-30



Description

The Long-Term Obligations (LTO) as a Percent of Spending indicator is calculated as tax-supported debt service budgeted in the Sinking Fund (Class 200 + Class 700) plus the Pension Obligation Bond (POB) repayments budgeted in the Office of the Director of Finance divided by total General Fund spending. This captures most of the City's long-term obligations, but some non-debt service payments budgeted elsewhere are omitted (e.g. pension costs other than bond repayment and the $15 million annual payment for the Convention Center). The City has a debt policy which aims to keep tax-supported debt (excluding the Pension Bonds) below six percent of General Fund expenditures, which it has achieved consistently in the past five years. When the Pension Bonds, Convention Center, and Eagles Stadium are included, the City's goal is 20 percent or less.

Why is it important?

A trend of higher debt service expenditures as a share of spending is unfavorable as it may mean less revenue will be available for meeting current operating needs and additional capital asset repair and replacement. This metric helps identify potential risks associated with debt levels and future liabilities, enabling informed decisions on borrowing and investment. A high ratio indicates that a more significant portion of the budget is dedicated to servicing debt, which can limit funds available for essential services like public safety, neighborhood services like parks and trash pickup, and infrastructure maintenance. This can lead to a doom loop where deferred capital investments cause infrastructure to deteriorate, increasing future costs and necessitating further borrowing. Monitoring and managing this ratio helps avoid a negative cycle, ensuring that both current and future needs are adequately met.

Past Performance: FY20-24

Over the past five years, the ratio of long-term obligations to spending has declined, with a significant dip in FY21 as the City refinanced its Pension Obligation Bonds. The share of spending for LTO went from 7.5 percent in FY20 to 6.8 percent in FY24. A declining share of spending dedicated to long-term obligations is positive as long as the City also continues making adequate investments to maintain its infrastructure.

Future Performance: FY25-30

The City is planning to increase its share of spending on LTO in each of the first four years of the Plan, growing from 7.7 percent in FY26 ($526 million) to 9.4 percent in FY29 ($650 million), when the $186 million Pension Obligation Bond balloon payment is due. Once the Pension Obligation Bond balloon payment is made, remaining POB costs and Sinking Fund spending will fall just below $500 million in FY30 (7.2 percent of spending). Sinking Fund costs grow over the course of the Plan, due to planned borrowing and assumptions of interest rates between 5 percent and 6 percent for new borrowing.

Discussion

The City is projected to have long-term obligations that are between 6 and 10 percent of overall spending, the range at which **PICA has moderate concern about the ratio of long-term obligations to spending**. The City has demonstrated an ability to plan for periods of known increases in LTO spending, as well as taking measures to reduce LTO spending (on a short-term basis) when there is intense pressure elsewhere in the budget, as it did in FY21 due to the extraordinary circumstances of COVID-19, a tactic that should only be deployed as a last resort since it raises costs overall. A well-managed debt portfolio can also lower costs via refinancing when market conditions are favorable, an approach the City often uses.

Credit Rating

Benchmarks	
Minimal Concern:	Stable or positive outlook and rating
Moderate Concern:	Negative outlook
Significant Concern:	Ratings decrease

Description

Credit ratings reflect independent assessments of the City's ability to meet its financial obligations. There are three primary rating agencies: Moody's, Fitch, and S&P. Each has a scale to assign ratings ranging from highest quality with minimal risk to lowest quality with high likelihood of default. Additionally, outlooks of positive, negative, and stable can indicate whether a city is improving, declining, or holding steady with respect to its credit worthiness.

Why is it important?

There are significant benefits to improving the City's credit rating, including the ability to attract more investors, get lower interest rates on new borrowing, and refinance existing high-cost debt for savings when market conditions are favorable. Lower credit ratings result in higher interest rates and more difficulty in accessing capital markets, which means that a city will pay more for whatever it is using the borrowed money for than if it had a better credit rating. Dismal credit ratings can result in no investors being willing to lend to a city or loans only at exorbitant rates – that was the situation that led to the creation of PICA in the early 1990s. PICA was able to borrow when the City of Philadelphia could not.

Past Performance: FY20-24

The City of Philadelphia currently has its highest credit ratings in more than four decades. This is a tremendous achievement, but Philadelphia continues to trail most other large cities.

Philadelphia Credit Ratings: FY20-24			
Fiscal Year	Moody's	Standard & Poor's	Fitch
FY24	A1 (stable)	A (stable)	A+ (stable)
FY23	A1	A	A
FY22	A2	A	A-
FY21	A2	A	A-
FY20	A2	A	A-

Future Performance: FY25-30

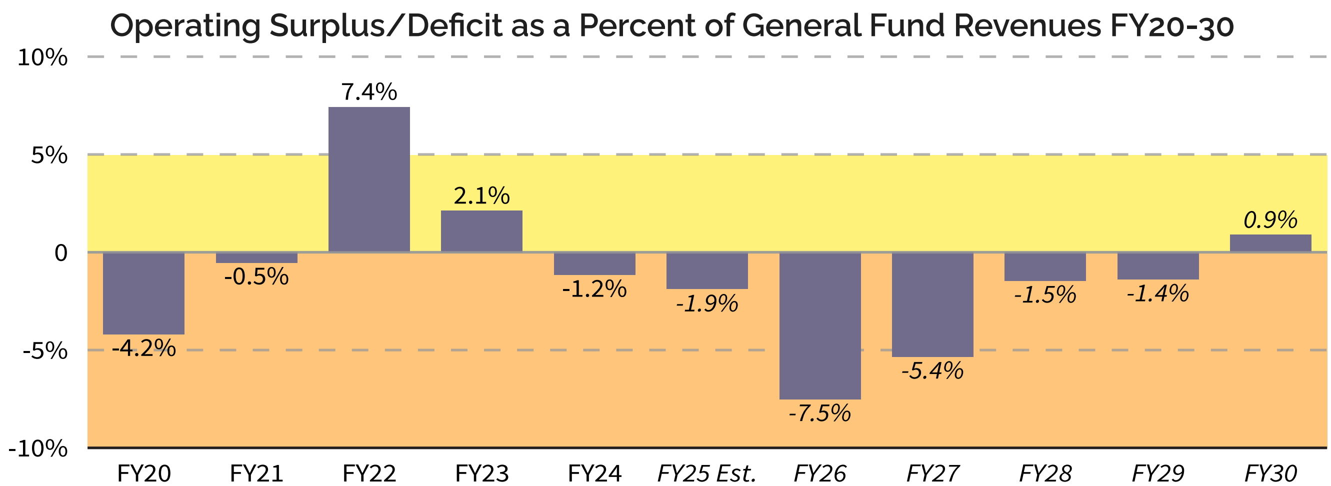
The City of Philadelphia does not project future ratings, but the outlooks by all three rating agencies are stable and ratings were affirmed during a round of updates in May 2025, following an upgrade by S&P to A+ earlier in FY25. S&P's stable outlook assumes that the City will maintain reserves while containing expenditure growth, reducing outyear budget gaps, and remain committed to funding pensions and the Budget Stabilization Reserve (BSR). Moody's identified factors that could lead to a downgrade, including a declining fund balance below 6 percent, heavy capital needs, and economic underperformance relative to the region or nation. Fitch could envision a ratings upgrade if Philadelphia can maintain unrestricted reserves above 10 percent of General Fund spending, an approximate 50 percent decline in long-term liabilities, and sustained improvement in the local economy.

Discussion

With stable ratings and no negative outlooks, **PICA has minimal concern for the City's credit ratings** but would like to see improvement to levels attained by other large US cities. Particularly in an environment of high interest rates, the City must continue to prioritize fiscal health to maintain and enhance its credit ratings.

Operating Surplus/Deficit as a Percent of Revenues

Benchmarks	
Minimal Concern:	Operating surplus above 5 percent
Moderate Concern:	Operating surplus between 0 and 5 percent
Significant Concern:	Operating deficit



Description

Operating Surplus/Deficit as a Percent of Revenues is calculated as total General Fund revenues less total expenditures, divided by total revenues. It provides an indication of structural balance and the scale of an operating surplus/deficit compared to the current budget year.

Why is it important?

This indicator identifies if a city is spending more than it brings in and the scale of any imbalance. A deficit is unsustainable in the long run. When paired with a low fund balance, or reserves, a city has limited financial cushion to absorb unexpected expenses or revenue shortfalls. This lack of financial flexibility can jeopardize a city's ability to provide essential services, respond to emergencies, and invest in critical infrastructure. Recurring operating deficits, particularly when a city is starting with a modest fund balance, can lead to an inability to have a balanced budget, which is a requirement of the PICA Act.

Past Performance: FY20-24

The City of Philadelphia had operating deficits in three of the past five years, including FY24, when the City spent $71 million more than it collected (1.2 percent of revenues). A significant surplus, $429 million, was achieved in FY22 following the receipt of federal COVID relief funding.

Future Performance: FY25-30

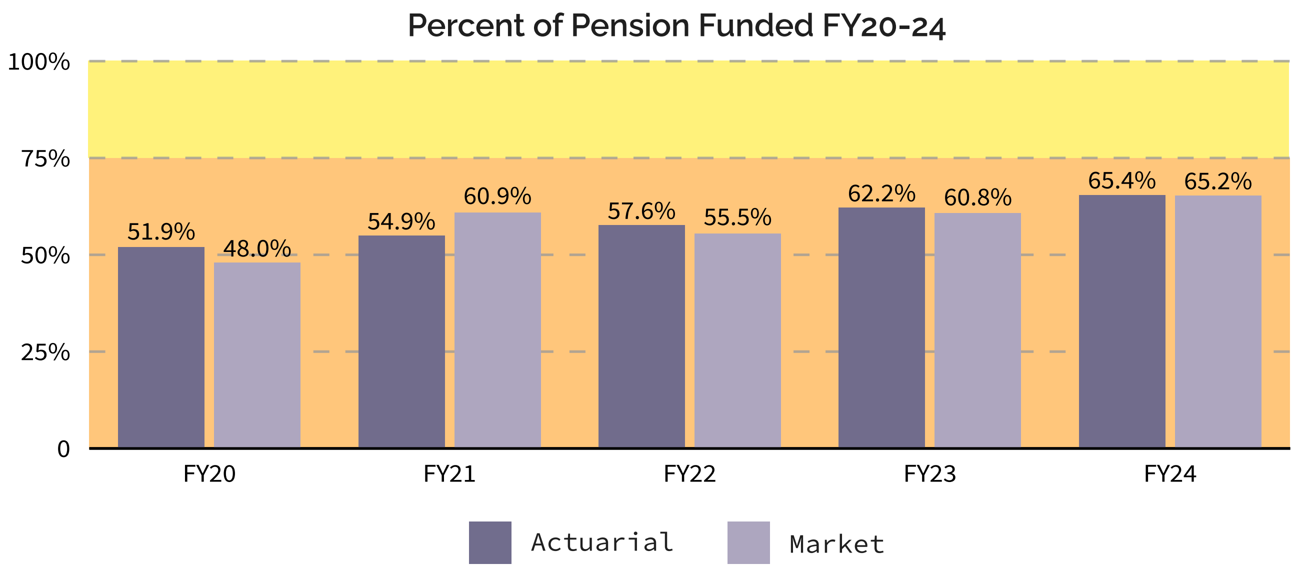
The City plans to spend more than it collects in the first four years of the Plan, reflecting cumulative operating deficits of $1 billion. The final year of the Plan, FY30, anticipates an operating surplus of $63 million.

Discussion

Now that the City has fully spent its American Rescue Plan funds, the City's ability to spend more than it collects on an ongoing basis will not be sustainable through this Plan. The structural deficits were a prudent policy for dealing with ongoing challenges with a one-time infusion of federal relief. It is also prudent policy to plan for structural balance, which this Plan does, albeit in just the final year. Structural imbalances would be less concerning if paired with higher combined fund balances and reserves but given declining fund balances and no increases to the Budget Stabilization Reserve after FY27, this indicator takes on greater significance. **PICA has significant concern about operating deficits as a percent of revenue**, but is optimistic that this Plan anticipates at least one year of structural balance and is hopeful for the future.

Percent of Pension Funded

Benchmarks	
Minimal Concern:	More than 100 percent
Moderate Concern:	Between 75 and 100 percent
Significant Concern:	Less than 75 percent



Description

This indicator measures the Pension Fund's net position as a percentage of the total pension liability.

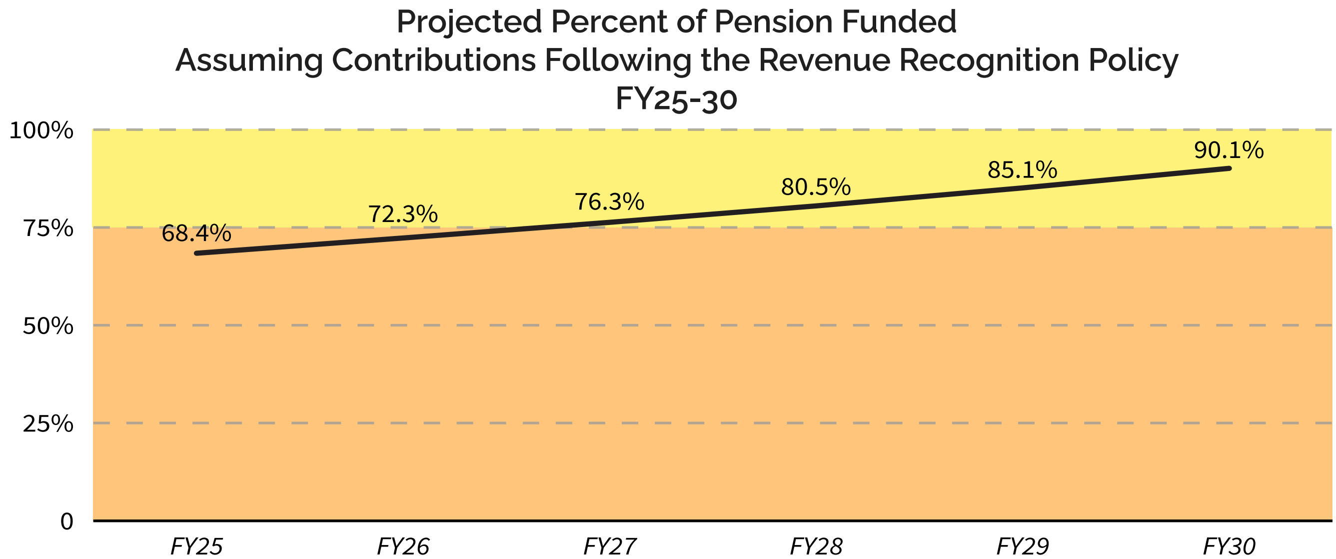
Why is it important?

Payment of pensions to retired employees is an obligation that cannot be shirked, even if it creates pressure on other priorities, resulting in fewer services or higher taxes. The City of Philadelphia's General Fund already allocates a significant share of the budget to pensions (16 percent in FY24), but if this level of spending is not adequate to meet pension requirements, higher allocations could be required in the future. Achieving a high funding percentage indicates a well-managed pension system, ensuring that a city can fulfill its commitments without imposing additional financial burdens on future budgets. Conversely, a low funding percentage suggests potential shortfalls, which could require increased contributions from a city's budget, diverting resources from essential services and infrastructure projects.

Past Performance: FY20-24

After adopting a new funding policy aimed at increasing the funding percentage, unfunded liabilities have decreased consistently. The actuarial funding percentage increased from 52 percent in FY20 to 65 percent in FY24.

Future Performance: FY25-30



The City's actuary projects that the pension fund will be 80 percent funded by 2028 and 100 percent funded by 2033. Achieving this will require continuing to direct Sales Tax receipts and increased employee pension contributions beyond the state-mandated amount annually to the Pension Fund. Simultaneously, the City plans to continue to lower the the assumed rate of return, which will require higher contributions, and minimize manager fees through greater use of index funds.

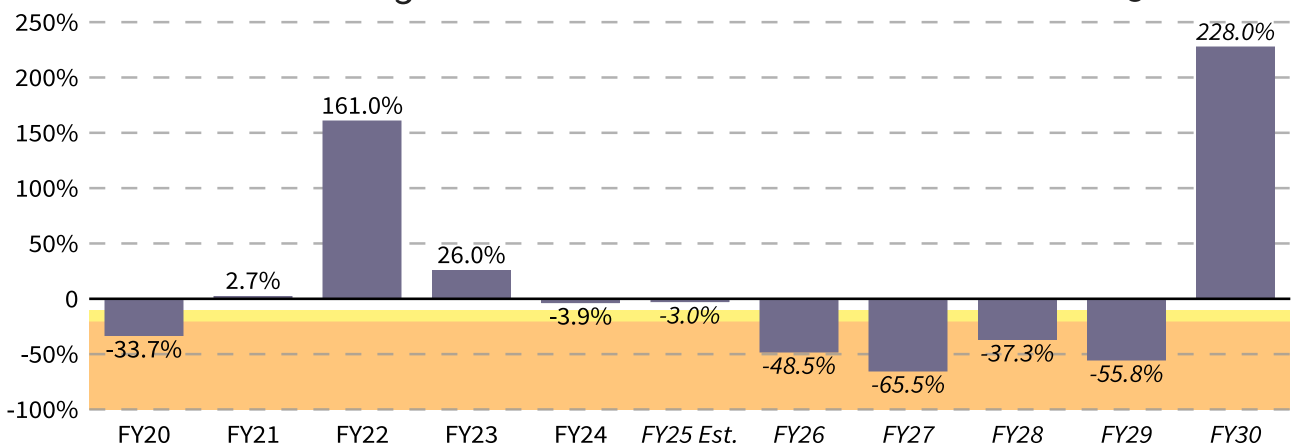
Discussion

The funded status of the City's Municipal Retirement System remains one of the most critical financial challenges faced by the City. Tremendous progress has been made in recent years to raise the funding level and PICA commends City leadership, City employees, City Council, City unions, Pension Board members, Pension Board staff, and the Pennsylvania State Legislature for the effort and resources that continue to be dedicated to stabilizing the Pension Fund. Even with this progress, **PICA is significantly concerned with the funding percentage of the Pension Fund**. Continued commitment to achieving 100 percent funding by 2033 through the ongoing skillful management of the funds and dedication of resources is essential.

Change in General Fund Balance

Benchmarks	
Minimal Concern:	Declines in two or fewer years of less than 10 percent
Moderate Concern:	Declines in at least 3 of 5 years of 10 to 20 percent
Significant Concern:	Declines in at least 3 of 5 years over 20 percent

Percent Change in General Fund Balance Year over Year FY20-30



Description

This indicator identifies changes (positive and negative) in the General Fund balance from the prior year.

Why is it important?

A falling fund balance—even if it is still high in a given year or has a desired ratio to revenues—can be a warning sign. It means a city has fewer financial reserves to handle surprises like emergencies or economic downturns. Credit rating agencies may also view it as risky, which can increase borrowing costs. Declines may lead to service cuts, delayed projects, or tax rate increases. Alternatively, a sharp, one-time increase in reserves might not last and could create future budget challenges, while unusually high balances on an ongoing basis might mean a city is missing opportunities to invest in services or ease the burden on taxpayers.

Past Performance: FY20-24

The City's changes in fund balance between FY20 and FY24 were shaped by COVID-19 and the infusion of American Rescue Plan federal dollars. FY20 saw a tremendous drop in revenues in the final quarter with the onset of the pandemic and related closures, contributing to a 34 percent decline in fund balance. FY22 yielded a 161 percent increase in fund balance driven by the availability of federal funds. Fund balance growth continued in FY23, through a blend of federal funds, local economic resilience, and challenges in spending as planned due to labor shortages. After four years of growing fund balances, a four percent decline in fund balance occurred in FY24, as spending grew and new federal COVID-relief fund revenues decreased.

Future Performance: FY25-30

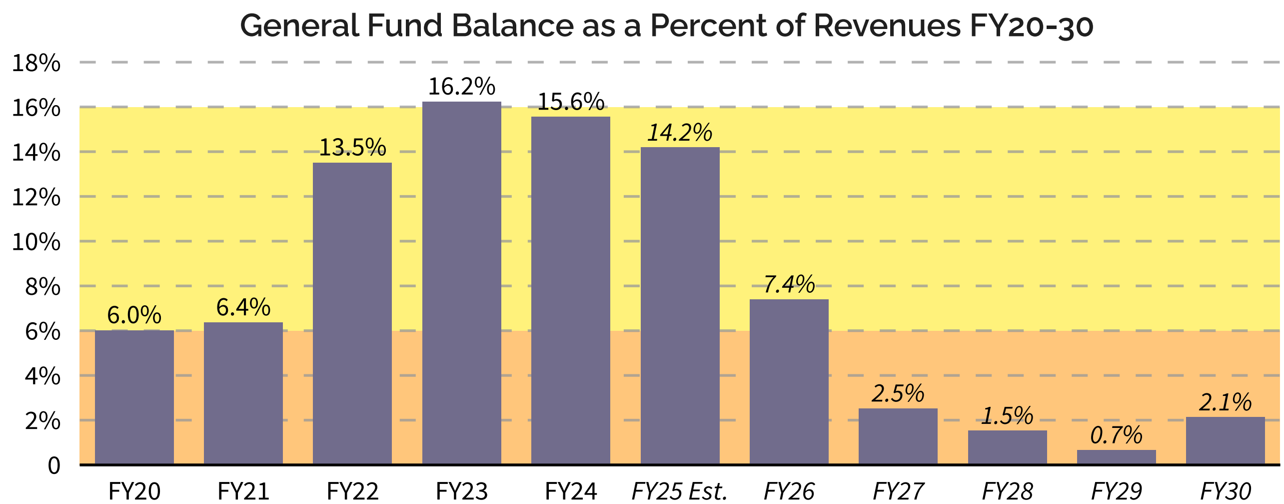
As the City has built up fund balances over recent years, the opportunity exists and the City has planned for drawing it down over the first four years of the Plan, with year-to-year reductions ranging from 37 percent to 56 percent between FY26 and FY29. In FY30, the City expects to grow its fund balance by more than $100 million to reach $148 million, a 228 percent increase over the low point for fund balances of $45 million in FY29.

Discussion

With declines in fund balances greater than 20 percent in four years of the Plan, **PICA is significantly concerned about the projected changes in fund balance** but is optimistic that this Plan includes one year of growth in fund balance, an improvement over the approved FY25-29 Plan which had declines in all years.

General Fund Balance as a Percent of Revenues

Benchmarks	
Minimal Concern:	Over 16 percent
Moderate Concern:	Between 6 and 16 percent
Significant Concern:	Less than 6 percent



Description

This indicator measures the amount of funds available that have no related liabilities or obligations as a percentage of revenues. The larger the fund balance, the easier it is to absorb increased costs or revenue reductions, providing time to make financial and operational adjustments. The PICA Act requires a balanced budget but does not specify a required level of fund balance. The Government Finance Officers Association recommends maintaining a fund balance of nearly 17 percent of revenues or expenditures (two months of spending).

Why is it important?

The fund balance acts as a financial safety net, helping cities handle unexpected drops in revenue or spikes in spending. It can be supported by reserves like Philadelphia's Budget Stabilization Reserve. When the fund balance is too low, cities may face hard choices—starting with hiring freezes or delayed maintenance and escalating to service cuts, layoffs, or tax hikes. A strong fund balance shows good financial management and planning, supports essential services during downturns, and improves credit ratings, lowering borrowing costs and boosting long-term stability.

Past Performance: FY20-24

The City of Philadelphia met its low-end target of having a fund balance of at least six to eight percent of its revenues in FY20 and FY21, even while contending with the initial impacts of COVID-19. The City achieved significantly higher fund balances, much closer to the GFOA recommendation, in FY23 and FY24 through a mix of access to federal relief, stronger than expected local tax collections, and lower than planned spending as the City grappled with hiring and retention challenges, like other governments.

Future Performance: FY25-30

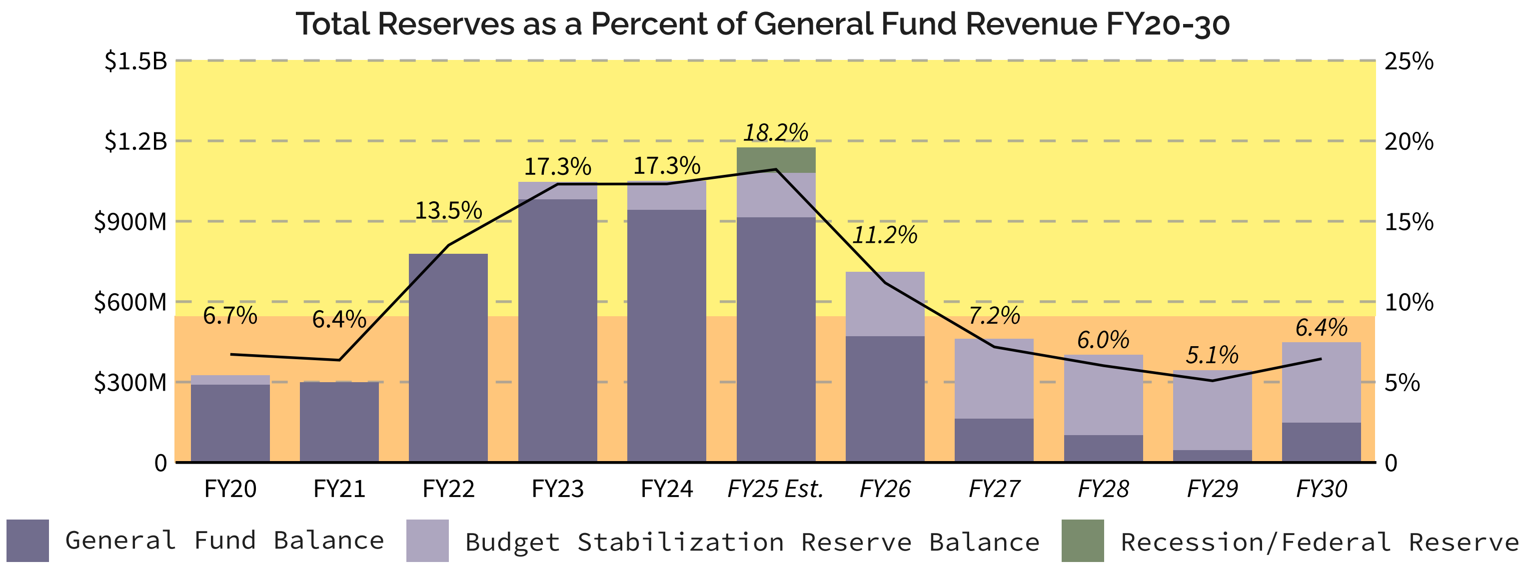
The FY26-30 Plan includes fund balances between 0.7 percent of revenues in FY29 ($45 million) and 7.4 percent of revenues ($471 million) in FY26. The ending fund balance in FY30 is expected to be 2.1 percent of revenues. Prior to having funds in the Budget Stabilization Reserve, the City had a goal of achieving fund balances of at least 6 to 8 percent of revenues, which is achieved in just the first year of this Plan. The City no longer has a goal for fund balance as a percent of revenues, replacing it with a combined goal for fund balance and other reserves, including the Budget Stabilization Reserve.

Discussion

While Philadelphia has a track record of conservative budgeting and actual fund balances that often exceed initial estimates and has been building reserves in the Budget Stabilization Fund, planning for adequate fund balances remains essential for maintaining flexibility, particularly in instances where additional spending is desired but not a legitimate use of the Budget Stabilization Reserve (like Super Bowl Parades). Although the PICA Act only requires that the fund balance be greater than zero, **PICA is significantly concerned with the fund balance as a percent of revenues**. The City has opted to prioritize other policy objectives over increasing the fund balance, which is a risk to the City's overall fiscal stability.

Total Reserves for Unanticipated Events as a Percent of General Fund Revenues

Benchmarks	
Minimal Concern:	Over 25 percent
Moderate Concern:	Between 9 and 25 percent
Significant Concern:	Less than 9 percent



Description

This indicator is the sum of the Budget Stabilization Reserve, General Fund balance, and any other undesignated reserves as a percentage of revenues. It does not include reserves for specific uses, like the Labor Reserve.

Why is it important?

Maintaining reserves, not just fund balance, is crucial for a city's fiscal health as it reflects all forms of financial safety nets. A comprehensive financial cushion ensures a city can weather various challenges, including natural disasters, unexpected revenue losses, and other operational demands and disruptions.

By maintaining diverse reserves, a city can lessen the need for costly, time-pressured decisions without overreliance on borrowing. Adequate reserves instill confidence in investors, residents, businesses, and other levels of government.

Past Performance: FY20-24

The City of Philadelphia met or exceeded its target of at least six to eight percent of revenues as reserves in each of the prior five years. To address needs related to the pandemic, the City withdrew funds from its Budget Stabilization Reserve in FY21 but was able to replenish it in FY23 and add more in FY24. Prior years' actual results do not show funds that were set aside in other reserves, such as the Recession and Reopening Reserve, as those are either spent during the year or incorporated into the fund balance at the end of the year if unspent.

Future Performance: FY25-30

The City's estimate for FY25 shows over $1 billion in reserves combined from a Federal Funds reserve, the Budget Stabilization Reserve, and the General Fund balance. Although showing as an FY25 expenditure in the FY26-30 Plan submitted to PICA, the City has advised PICA that those funds have not been spent, and thus will drop to fund balance when the City closes its books on the year and could be reallocated to spending or used to increase reserves in future years. With planned operating deficits in the first four years of the Plan, the City is projecting a reduction in reserves in FY26 to $711 million. Reserves will continue to decline annually but remain within the City's new target range for all reserves of at least 6 to 8 percent of revenues until FY29, when reserves of $345 million will be 5.1 percent of revenues. The City will achieve its target again in FY30, with total reserves equaling 6.4 percent of revenues ($448 million).

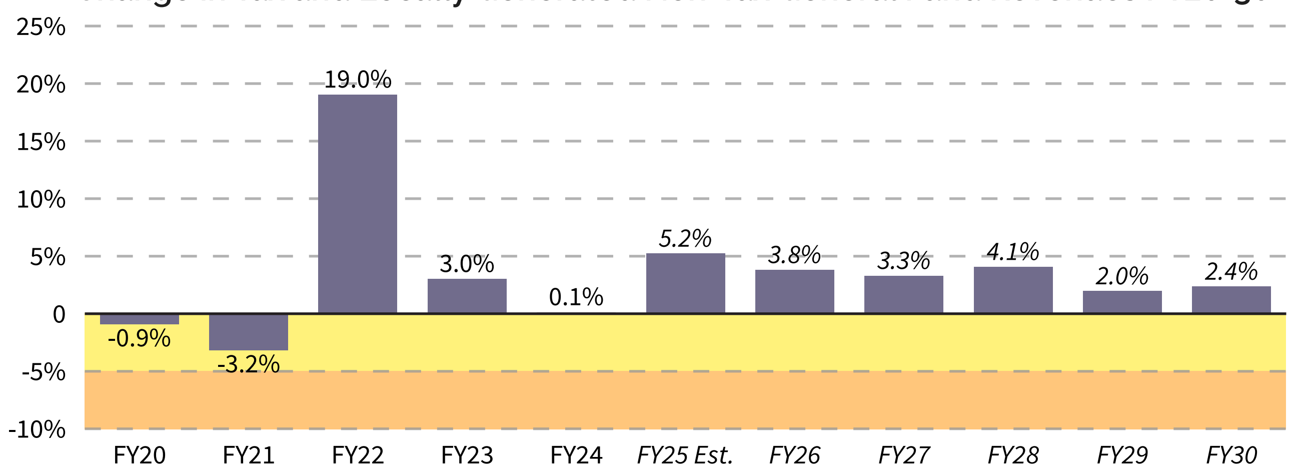
Discussion

PICA has set a higher benchmark for total reserves than for fund balance on its own, given less flexibility for some of these funds and ongoing expectations for relatively low fund balances. Although the PICA Act only requires that the fund balance be greater than zero, **PICA is significantly concerned with the total reserves as a percent of revenues**. By the end of the Plan, total reserves will be 6.4 percent of revenues, which is significantly less than the GFOA recommendation of 17 percent and matching the City's lowest point during the pandemic in FY21. The City has chosen to prioritize other policy objectives over its already modest goals for its reserves, which is a risk to the City's overall fiscal stability.

Change in Tax and Locally Generated Non-Tax General Fund Revenues

Benchmarks	
Minimal Concern:	Growth in at least 3 years
Moderate Concern:	Negative or zero growth in at least 3 of 5 years
Significant Concern:	Declines greater than 5 percent in at least 3 of 5 years

Change in Tax and Locally Generated Non-Tax General Fund Revenues FY20-30



Description

This indicator identifies a positive or negative change in Tax (including the PICA Tax) and Locally Generated Non-Tax revenues from the prior year.

Why is it important?

Local revenues reflect a city's policy choices, economic health, and ability to deliver services. Stable or growing revenues support essential services like education, safety, and transportation, while declines can force cuts, delays, or tax rate increases. Reliable revenue also helps cities manage surprises without taking on costly debt. Revenue trends affect credit ratings and borrowing costs, making careful monitoring key to long-term stability and public trust.

Past Performance: FY20-24

Local revenues declined in the first two fiscal years of the pandemic, but rebounded strongly in FY22, with total local collections exceeding the last pre-pandemic year. Subsequent years exhibited modest growth, even with the resumption of tax rate reductions for the Wage Tax and net income portion of the Business Income and Receipts Tax, as well as the shifting of some revenues to the Transportation Fund starting in FY24.

Future Performance: FY25-30

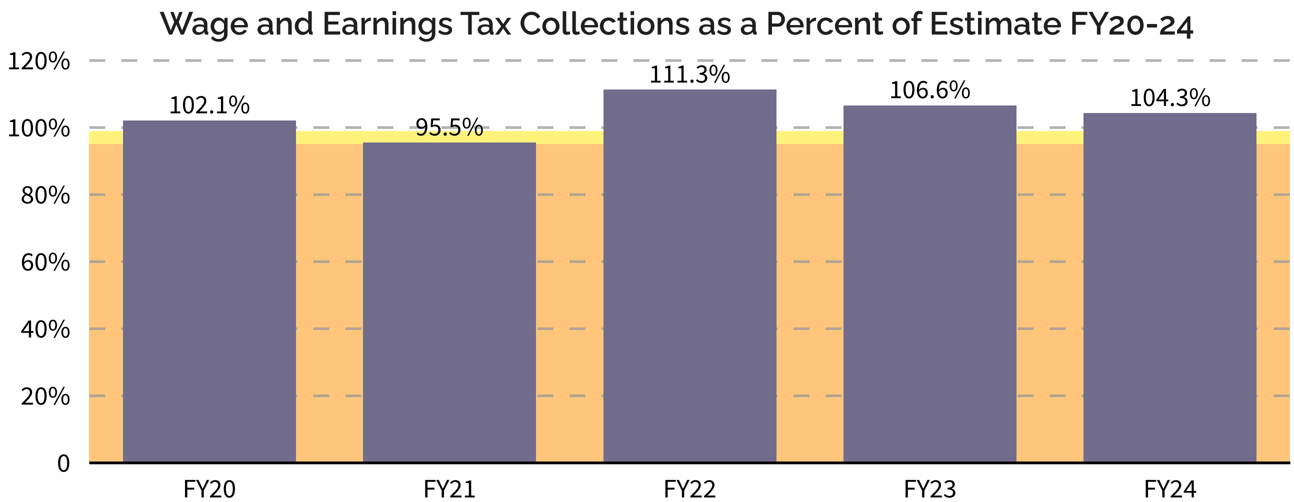
If collections of local revenue sources materialize as expected, FY25 and beyond are expected to see growth in each year. Tax revenues (including those from the PICA Tax) are expected to grow steadily. There is more variability in the projections for Locally Generated Non-Tax revenues, as those include one-time events, such as significant asset sales in FY28.

Discussion

The resiliency of local tax and non-tax revenues despite the pandemic is hopefully a good indicator that projections for future collections will meet expectations. While Philadelphia cannot control all the factors that impact local collections, the current trend is promising, and its continuation is essential to maintaining balanced budgets. Elsewhere in this report, PICA evaluates the reasonableness of the City's revenue projections and finds them sound. The combination of appropriate methods of estimation and the resulting expected growth in local revenues in the upcoming years means that **PICA has minimal concern with changes in Tax and Locally Generated Non-Tax revenues**. Given the dependency on these revenues to materialize to maintain balanced budgets, ongoing monitoring remains an important tool to support Philadelphia's fiscal stability.

Wage and Earnings Tax Collections as a Percent of Estimate

Benchmarks	
Minimal Concern:	Collections over 99% of expectations in at least 3 years
Moderate Concern:	Collections between 95-99% of expectations in at least 3 of 5 years
Significant Concern:	Collections less than 95% of expectations in at least 3 of 5 years



Description

This indicator compares the actual Wage and Earnings Tax collections to the estimate included in the PICA-approved Five-Year Plan, presented as a percentage.

Why is it important?

As the largest General Fund revenue source, unexpected deviations in Wage and Earnings Tax collection warrant immediate evaluation and possibly action. To maintain a balanced Plan, the City may need to make swift adjustments if the Wage Tax collections, which are ongoing through the fiscal year, are not materializing as expected. Fluctuations can occur during the year and must be evaluated at least quarterly. Accurate tracking of results to expectations helps City officials make informed decisions about resource allocation adjustments. The Wage Tax also provides near real time insights into Philadelphia's economic condition and can help identify trends or issues that may need to be addressed.

Past Performance: FY20-24

Even with a global pandemic that caused a shifting of job locations outside the city and job losses, Philadelphia only experienced one fiscal year with actual Wage Tax collections below original estimates, and even in that year the shortfall was less than five percent. The collections do not reflect revenue losses compared to a world without the pandemic, because the City revised its Five-Year Plan following the onset of COVID-19. As the pandemic-related volatility subsided, Wage Tax Collections hewed closer to estimates in FY23 and FY24.

Future Performance: FY25-30

It is not possible to evaluate performance on this indicator for future years. PICA will continue to monitor Wage and Earnings Tax collections at least quarterly.

Discussion

A 2025 PICA report analyzing accuracy in City revenue tax projections found that Philadelphia's largest tax streams—Wage and Earnings and Real Estate—are forecasted with high accuracy, typically within three percent of actual results over the past two decades. This is particularly important as the Wage & Earnings Tax is the single largest revenue stream for the City of Philadelphia's General Fund at 30 percent ($1.8 billion) in FY24. Elsewhere in this report, PICA evaluates the reasonableness of the City's revenue projections, including the Wage Tax, and finds them sound. The combination of appropriate methods of estimation and track record of Wage Tax collections meeting or exceeding estimates in most years means that **PICA has minimal concern with the Wage Tax collections as a percentage of the original estimate**. Given the dependency on the Wage Tax to materialize to maintain balanced budgets, ongoing monitoring remains a crucial tool to support Philadelphia's fiscal stability.

Section 2: Existing Conditions

- Demographic and Economic Indicators
- Covered Funds
- Revenue
- Spending
- Fund Balances and Reserves

Existing Conditions

The City's fiscal, demographic, and economic history influenced the present and informs expectations for the future. The following section provides an overview of how the City has been raising and spending funds in recent years and economic and demographic factors that shape and are shaped by the City's financial choices. This context, combined with an understanding of how the City has performed on the fiscal indicators covered in the prior section, is necessary grounding for an assessment of the reasonableness of the City's assumptions about the future.

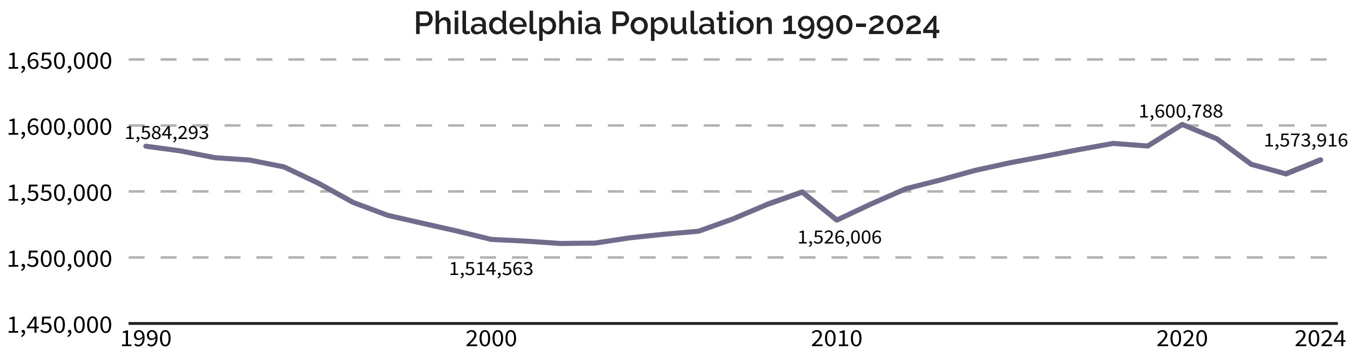
Photo credit: Kevin Vaughan

Demographic and Economic Indicators

Philadelphia's fiscal stability impacts and is impacted by the demographic and economic context. Understanding current conditions and trends is necessary to evaluate the reasonableness of the revenue and spending projections. Demographics and economic indicators provide insight into challenges and opportunities Philadelphia faces that affect spending allocations and revenue projections for the next five years. Unless otherwise noted, data for these indicators comes from the US Census 2023 American Community Survey.

Positive Indicators of Economic Development and Demographic Change	Potential Future Challenges
• Higher median household income than ever before.	• Continued population decline could further weaken the tax base.
• Growing payroll employment.	• Persistent high poverty translates into a weak tax base and high service demands.

City Population



Source: U.S. Census Bureau County Population Estimates 1990-2024

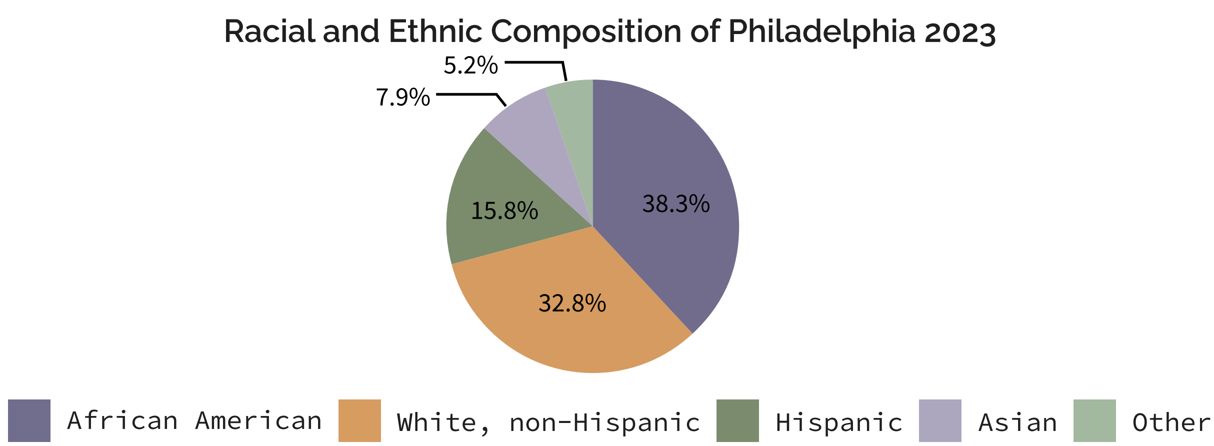
2024 Population Estimate: 1,573,916

The most recent population data from U.S. Census shows Philadelphia's 2024 population to be 1,573,916 residents, a decrease from previous years. Philadelphia's population grew to 1,600,788 residents in 2020, its highest level since the 1980s. Since July 2020, Philadelphia's population has declined by an average of 6,718 residents per year, although counts are less reliable for interim estimates between the censuses.

Why is it important?

Population decline could have impacts on the City's fiscal health as it may indicate a shrinking tax base, which could result in lower revenues. Population declines could also point to economic, health and safety, or quality of life issues impacting residents that make living in Philadelphia less feasible or desirable.

Demographic Makeup

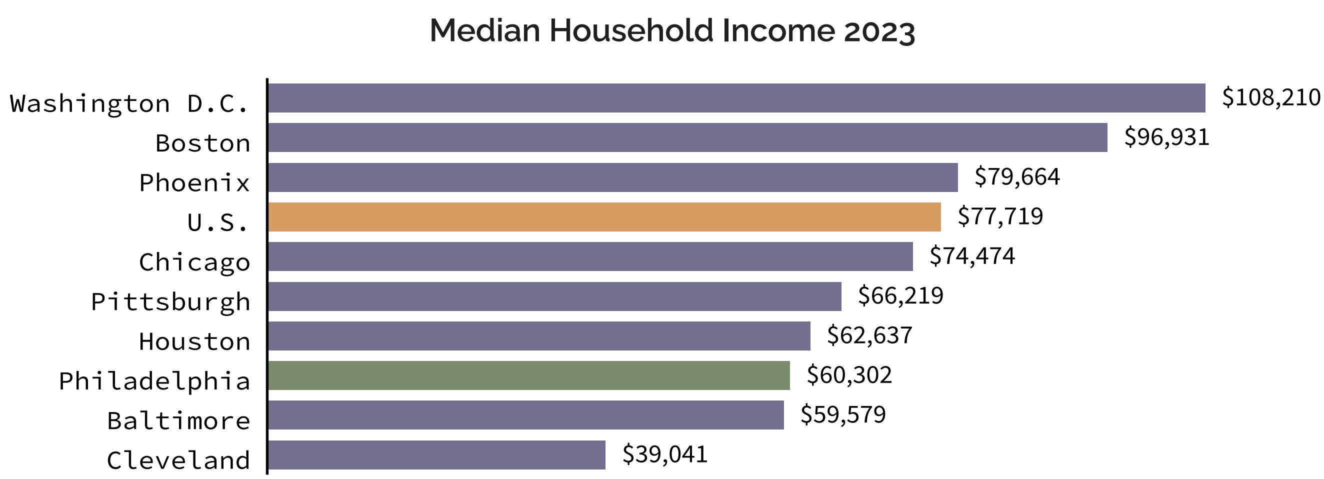


Black or African American individuals account for the largest racial and ethnic group in Philadelphia at 38.3 percent of the population. White, non-Hispanic residents are the second largest group, making up 33 percent of the population. These two groups represent a smaller portion of the population compared to previous decades as Hispanic and Asian populations have grown to 15.8 and 7.9 percent of Philadelphians, respectively. Since 1990, the percentage of Philadelphians that are Hispanic has tripled and the Asian population has more than doubled. The Black or African American population decreased slightly, and White residents' share declined more sharply from 52.1 percent of the population in 1990. Immigration, particularly from Asia, Latin America, and the Caribbean, has played a pivotal role in the demographic shift and the city's population growth from 2000 to 2020.

Why is it important?

Understanding the racial and ethnic composition of Philadelphia provides insight into residents' service needs and opportunities for growth that impact the City's fiscal policy choices. Different communities have varying poverty and unemployment rates as well as wealth and income gaps. Some racial and ethnic groups are impacted disproportionately by tax policies, fees, and fines. The demographic composition also shows that demands for City services may change over time; for example, a larger immigrant population may require language-accessible services from the City. Because immigration has played a key role in the City's population stabilization and growth since the 1950s, the City may choose to invest more in programs that serve immigrant populations to reverse its population decline since 2020. Changes in national immigration policy may impact future growth opportunities for Philadelphia.

Median Household Income



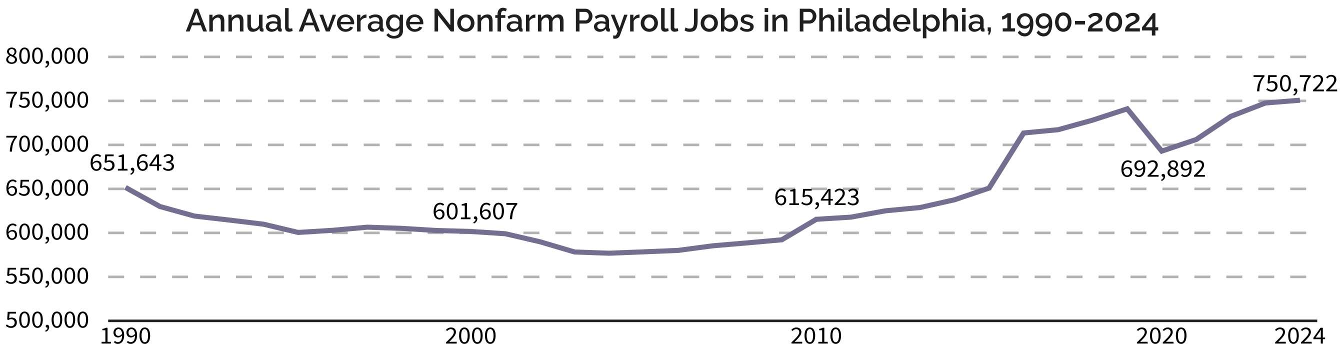
2023 Median Household Income: $60,302

In 2023, the median household income in Philadelphia was $60,302. While this is higher than previous years, it is far below the national median of $77,719 and lower than many comparable cities. Median household income differs between racial and ethnic groups. White, non-Hispanic Philadelphians have the highest median household income at $84,623, followed by Native Hawaiian and Other Pacific Islander with $75,308, and Asian households at $66,969. Households below the overall city median are Hispanic and Latino households with $50,786, Black or African American residents at $45,483, and individuals who identify as some other race at $43,110.

Why is it important?

Although Black or African American households saw the largest increase in median income between 2020 and 2021 at 1.2%, their income levels remain lower than other groups, reflecting ongoing economic disparities. Households with lower incomes have less resources available to spend flexibly and contribute to taxes. Revenue projections and tax policy decisions are impacted by the City's relatively weak tax base and inequities in how the tax burden is distributed amongst groups.

Payroll Employment



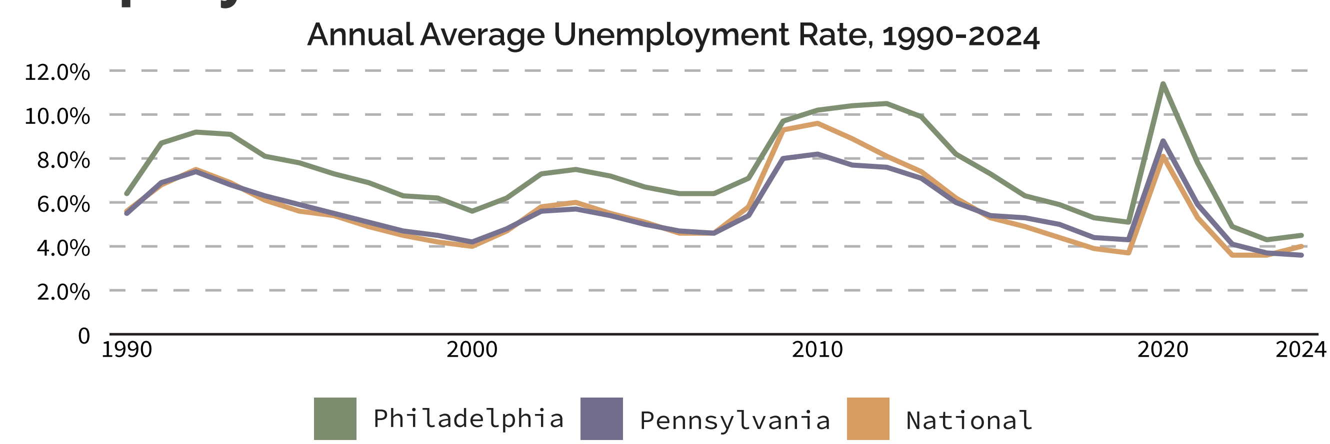
May 2025 Employment: 744,527

Payroll employment in Philadelphia reached an annualized average of 750,722 in 2024, the highest in at least a decade. Preliminary data from May 2025 estimate that there are 744,527 payroll jobs in Philadelphia.

Why is it important?

The General Fund's primary revenue stream is the Wage Tax, a tax on the wages of residents regardless of job location and commuters into Philadelphia. The level of payroll employment (and the wages paid to those employees) drive collections. Understanding trends in job opportunities that drive employment growth is necessary for both making revenue projections and evaluating service needs.

Unemployment Rate



May 2025 Unemployment Rate: 4.8%

The most recent preliminary data indicate an unemployment rate of 4.8 percent for Philadelphians in May 2025. This is an increase over April when unemployment was 4.5 percent, and higher than the national unemployment rate of 4.2 percent in May.

Why is it important?

A higher unemployment rate may indicate a struggling local economy. People who are employed can spend more and rely less on government programs and services. More economic activity is good for the City's fiscal health because revenues driven by employment and consumer activity, like the Wage and Sales Taxes, increase.

Poverty Rate

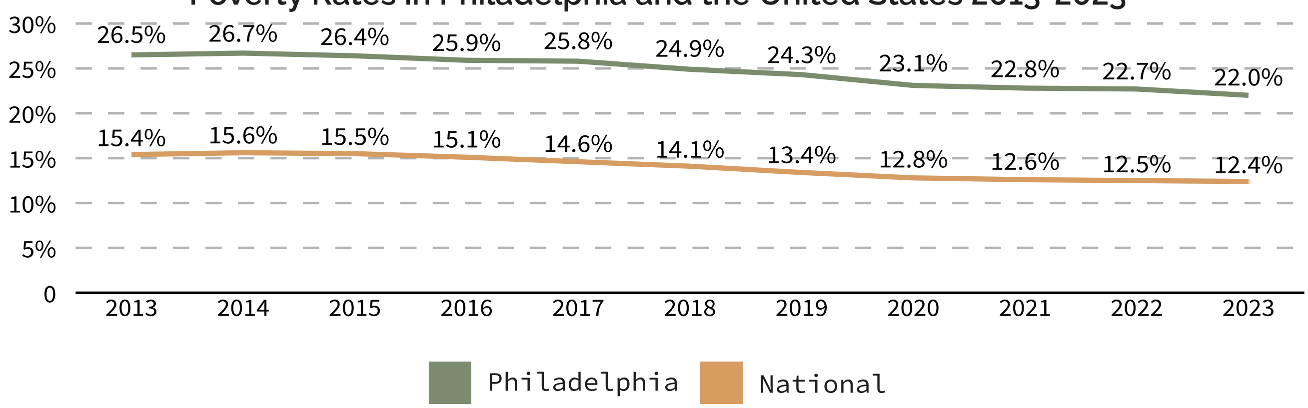
2023 Poverty Rate: 22.0%

As of 2023, Philadelphia's poverty rate was 22.0 percent, and its deep poverty rate, defined as individuals with incomes 50 percent or less than the poverty threshold, was 10.7 percent. According to federal guidelines, a household of four is living in poverty if its 2023 income was less than $31,200. From 2013 to 2023, the rate of poverty decreased in Philadelphia but remained above the national rate of poverty.

Why is it important?

Philadelphia's relatively high poverty rate translates into a weak tax base and higher service demands. As a result, revenue projections and service delivery plans need to reflect the economic condition of residents and taxpayers to be reasonable.

Poverty Rates in Philadelphia and the United States 2013-2023



Source: US Census American Community Survey 2013-2023 5 Year Estimates

Covered Funds

What is a Covered Fund?

The Intergovernmental Cooperation Agreement (ICA) between PICA and the City of Philadelphia requires information on certain funds of the City covered by the PICA Act to be included in each Five-Year Plan and its associated quarterly reporting. These are referred to as Covered Funds, which include the General Fund, Housing Trust Fund, Transportation Fund, and Capital Fund. Financial plans for each of these Covered Funds is included in the City of Philadelphia's Five-Year Plan and are analyzed in PICA's Staff Report on the Plan.

General Fund

The City of Philadelphia's General Fund is the primary operating fund that supports core municipal services such as public safety, neighborhood services, sanitation, and government administration. It is largely funded by local taxes, including the Wage, Real Estate, and business taxes.

Housing Trust Fund

The Housing Trust Fund (HTF) was established in 2005 as a dedicated funding source for Philadelphians' affordable housing needs. The HTF supports programs for building affordable housing, preserving and repairing homes, and preventing homelessness.

Transportation Fund

Created in FY24, the Transportation Fund was established to have a dedicated pool of funds to support the functions of the Streets Department.

Capital Fund

The Capital Fund is for the City's major infrastructure investments like public buildings and facilities, computer and communication networks, specialized municipal vehicles, and its transit system and streets. Items funded through the Capital Budget typically cost more than $15,000 and last more than five years.

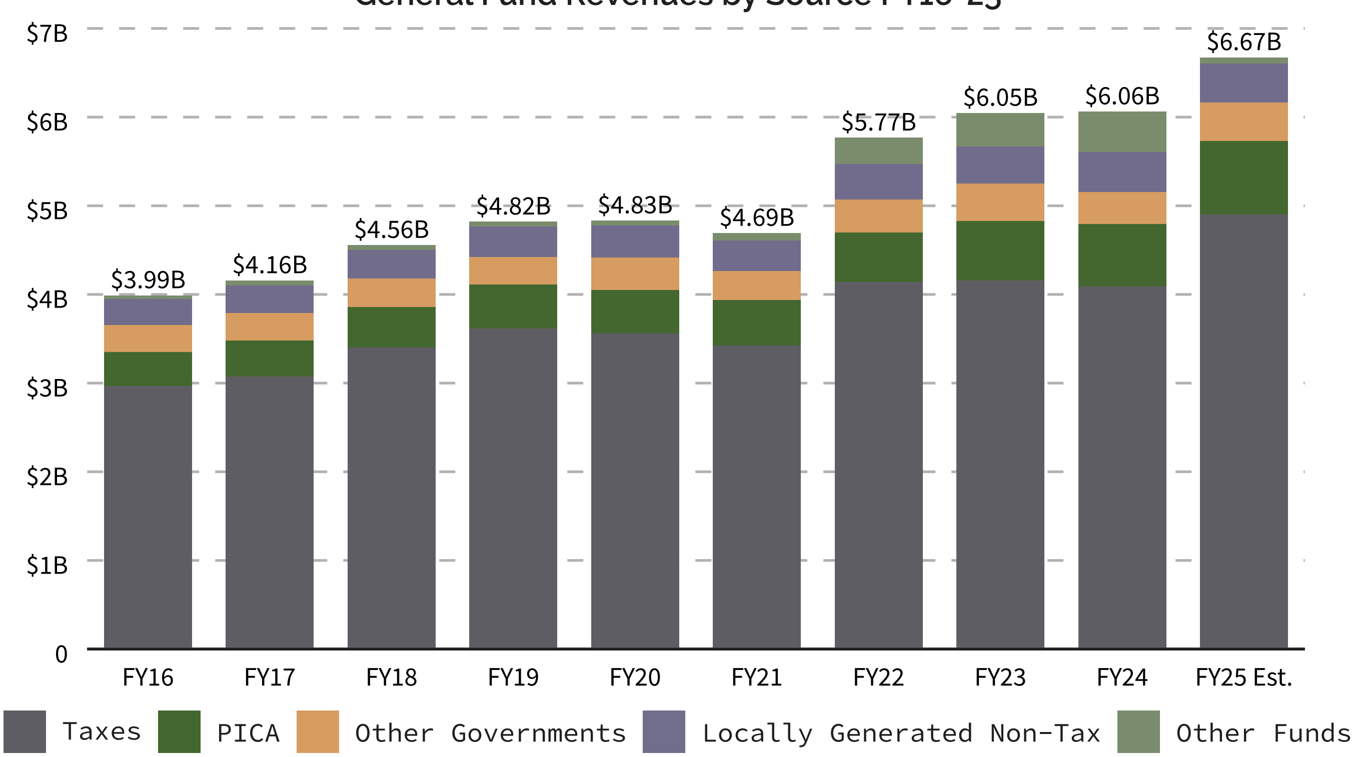
Revenue

General Fund Revenue Trends

The City of Philadelphia's General Fund receives revenue from a variety of sources, including taxes, Locally Generated Non-Tax (LGNT) revenue, the state and federal governments, and from other City funds. The total amount of revenue collected increased from $3.99 billion in FY16 to an estimated $6.45 billion in FY25 at a compound annual rate of 5.5 percent, outpacing the average annual inflation rate over this period of 3 percent. This growth may be attributed to various factors, including the introduction of new taxes, like the Philadelphia Beverage Tax, and changes in grants, tax rates, and local economic activity.

FY23 marked the first time the City collected more than $6 billion in General Fund revenue. In FY24, General Fund revenues were nearly flat from the prior year, as the creation of the Transportation Fund redirected Parking Tax and certain LGNT revenues out of the General Fund. The estimate for FY25 revenue shows an increase of $383.5 million over FY24 collections. In recent years, revenue growth has been supported by the $1.4 billion the City received from the federal government's American Rescue Plan (ARP). FY25 was the final year that ARP funds were available to support the City's budget, although interest earnings on those funds will be drawn down in FY26.

General Fund Revenues by Source FY16-25



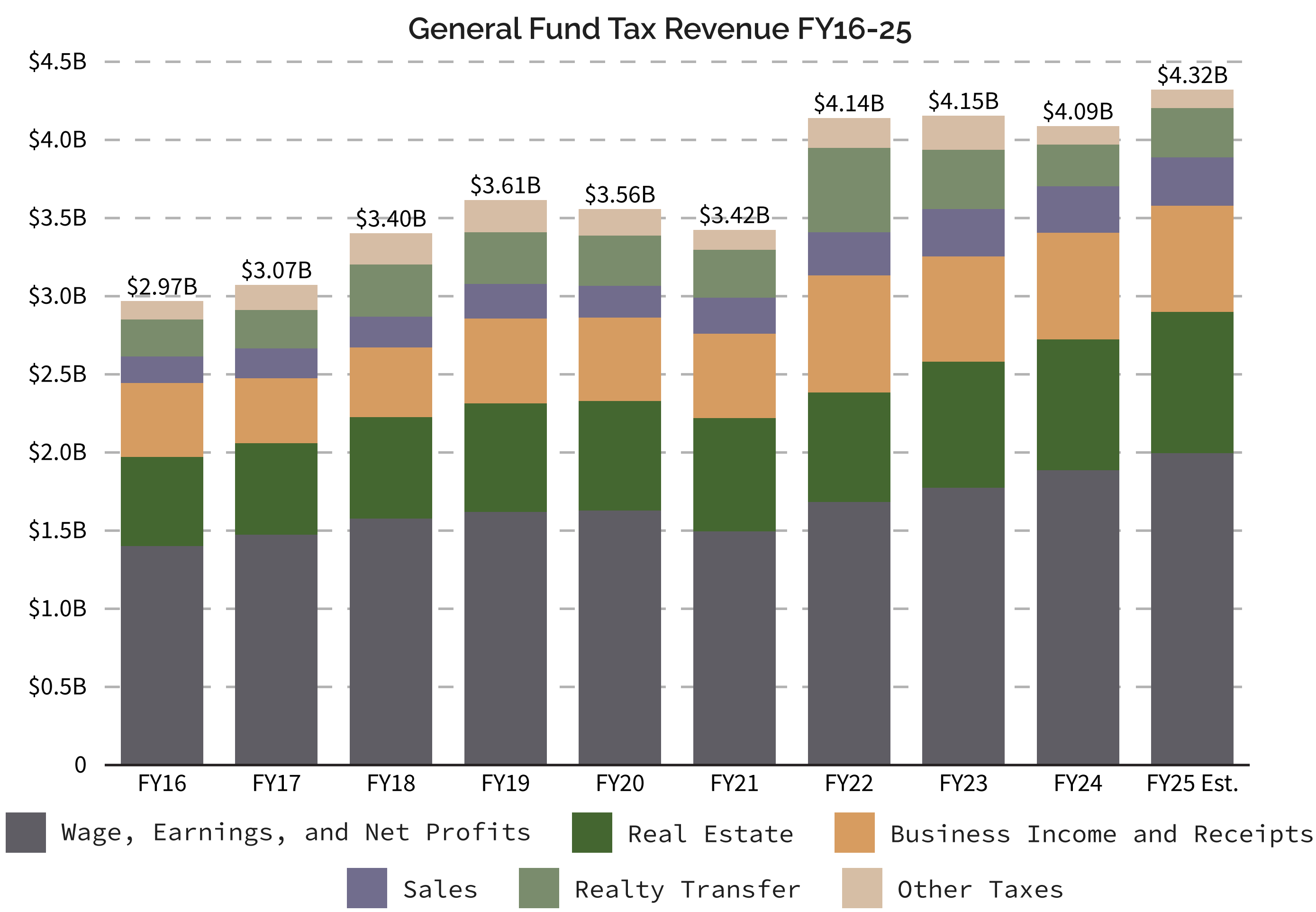
Measuring Growth

PICA's evaluation of the City of Philadelphia's revenue and spending trends requires comparison of growth rates across different time periods. To compare growth over different periods of time without giving outlier years too much influence, PICA utilizes compound annual growth rates. Factoring in the compounding effect of growth measures long term trends while accounting for the way each year's changes build on the growth (or decline) that took place in prior years over the period being analyzed.

Measuring Volatility

PICA evaluates the volatility of each tax source to understand its consistency and predictability. PICA's 2025 report Precision in Projections, found that the City's largest taxes, Wage and Real Estate, have been the most accurately predicted and have had low volatility over the past 20 years, whereas the Realty Transfer and Amusement Taxes experience the greatest swings from year to year. To measure volatility, PICA analyzes the standard deviation, or how much revenue varies each year compared to the average change over the decade, of each tax. A higher standard deviation indicates greater year-to-year fluctuations in revenue, while a lower standard deviation suggests more stable revenue over time.

Tax Revenue



Wage, Earnings, and Net Profits Taxes

Tax Base:	Earned income for everyone who lives or works in Philadelphia.
FY25 Tax Rate:	3.75% for residents, 3.44% for non-residents.
Relevant Policy Changes:	Small annual rate reductions FY15-24.
Volatility:	Low - 5.0% standard deviation from the annual average percent change.

More than 45 percent of the City's tax revenue comes from its Wage, Earnings, and Net Profits Taxes. Of the $4.32 billion in tax revenue the City estimates it collected in FY25, $1.99 billion was from the Wage, Earnings, and Net Profits Taxes. Except for FY21, which was most heavily impacted by the COVID-19 pandemic, Wage, Earnings, and Net Profits collections have increased every year since FY15, despite small annual rate reductions through FY23, at a compound annual rate of 4.0 percent. This is slightly less than the average annual percent change for total wages in Philadelphia County from 2015 through 2024 of 4.3 percent and below the national average annual change in total wages of 5.3 percent according to figures from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

The PICA Tax is a tax of 1.5 percent on the wages, earnings, and net profits of Philadelphians. Because these funds are remitted to the City of Philadelphia by PICA, an independent agency of the Commonwealth of Pennsylvania, they are categorized and discussed as Revenue from Other Governments.

Real Estate Tax

Tax Base:	Taxable property in Philadelphia.
FY25 Tax Rate:	1.3998% of assessed property value, shared between the City and School District of Philadelphia.
Relevant Policy Changes:	Starting in FY25, the City's share of the Real Estate Tax decreased from 56 percent to 55 percent.
Volatility:	Low - 5.1% standard deviation from the annual average percent change.

Real Estate Tax revenue is the second largest tax revenue source for the City. From FY16 to FY25, Real Estate Tax collections grew from $572 million to an estimated $905 million, at a compound annual growth rate of 5.2 percent. Except for FY22, Real Estate Tax revenue has increased every year since FY16. Growth rates are impacted by the City's multiple relief programs, including the Homestead Exemption, Longtime Owner Occupant Program (LOOP) discounts, Tax Increment Financing (TIF) districts, the Senior Citizen and Low-Income Tax Freeze programs, and a ten-year abatement on the value of new construction, as well as the cadence and scale of reassessments and collections enforcement.

Business Income and Receipts Tax

Tax Base:	The gross receipts and net income of every individual, partnership, association, limited liability company (LLC), and corporation engaged in a business, profession, or other activity for profit within the city.
FY25 Tax Rate:	5.81% of Net Income, 1.415 mills on Gross Receipts.
Relevant Policy Changes:	• Incremental net income rate reductions annually from FY16 through FY24. • Adoption of single sales factor apportionment in FY15, removing property and payroll from the calculation. • Exemption from tax for the first $100,000 of gross receipts and proportionate amount of net income for tax years 2016 through 2024. • For tax years 2020 through 2024, businesses with $100,000 or less in gross receipts were not required to file.
Volatility:	High - 14.2% standard deviation from the annual average percent change.

The Business Income and Receipts Tax (BIRT) has historically been the third largest source of tax revenue for the City of Philadelphia. BIRT is a volatile revenue stream, and projections are difficult to estimate due to market volatility, how and when businesses claim profits, and refund issuances. From FY16 through estimates for FY25, BIRT had a compound annual growth rate of 4.1 percent. However, with a 14.2 percent standard deviation in the average annual percent change, growth rates vary greatly from year to year. For example, in FY22, BIRT collections grew 38.5 percent as BIRT collections surpassed Real Estate Tax collections. The following year, BIRT receipts declined by over 10 percent. Because business profits are reported in April, it is virtually impossible to accurately predict what end-of-year BIRT collections will be early in the fiscal year. The City estimates that it collected $680 million in BIRT revenue in FY25, the same amount it collected in FY24, however the FY25 figure may be adjusted in the coming months as the City closes its books.

Realty Transfer Tax

Tax Base:	Sales or transfers of real estate located in Philadelphia.
FY25 Tax Rate:	3.278% of the sale price or assessed value or the property, plus any assumed debt in FY25. There is also a state transfer tax.
Relevant Policy Changes:	Tax rate increased by 0.1% in 2017 and 0.178% in 2018.
Volatility:	Very High - 29.6% standard deviation from the average annual percent change.

The Realty Transfer Tax (RTT) is a volatile revenue stream, dependent on the real estate market and impacted by the volume of sales and prices. RTT collections grew at high rates from FY16 to FY18 but fell in FY19 through FY21. Because of low interest rates following the COVID-19 pandemic and the December 2021 deadline before changes to the ten-year tax abatement went into effect, FY22 saw tremendous RTT growth of 77 percent up to $537 million in revenue but subsequently dropped by 29 percent to $379 million in FY23 when interest rates rose significantly and dropped again in FY24 by another 30 percent to $266 million. The current estimate for FY25 ($315 million) is projected to be 18.8 percent higher than FY24 collections. From FY16 to FY25, RTT grew at an estimated compound annual rate of 3.2 percent, but with significant spikes and falls.

Sales Tax

Tax Base:	Sales of taxable goods and services. Collected and remitted by retailers and vendors.
FY25 Tax Rate:	2%. There is also a state sales tax.
Relevant Policy Changes:	The United States Supreme Court's *South Dakota v. Wayfair* (2018) ruling increased the City's ability to enforce and collect Sales Tax from online retailers.
Volatility:	High - 8.0% standard deviation from the annual average percent change.

The Philadelphia Sales Tax is collected by retailers and service providers and remitted to the Commonwealth of Pennsylvania. The first one percent of the local Sales Tax goes to the City, and the remaining one percent is shared by the School District of Philadelphia and the City. The School District's share is capped at $120 million annually and the remainder of the shared one percent goes toward the City's Pension Fund.

Sales Tax revenue was an estimated $307 million in FY25, reflecting a 2.4 percent increase from FY24. Sales Tax collections grew at a compound annual rate of 6.8 percent between FY16, when City Sales Tax collections totaled $169 million, and FY25. Because the Sales Tax is charged against the sale price of taxable goods and services, it is more responsive to inflation and changes to tariffs than other City of Philadelphia taxes.

Other Taxes (including Amusement and Beverage)

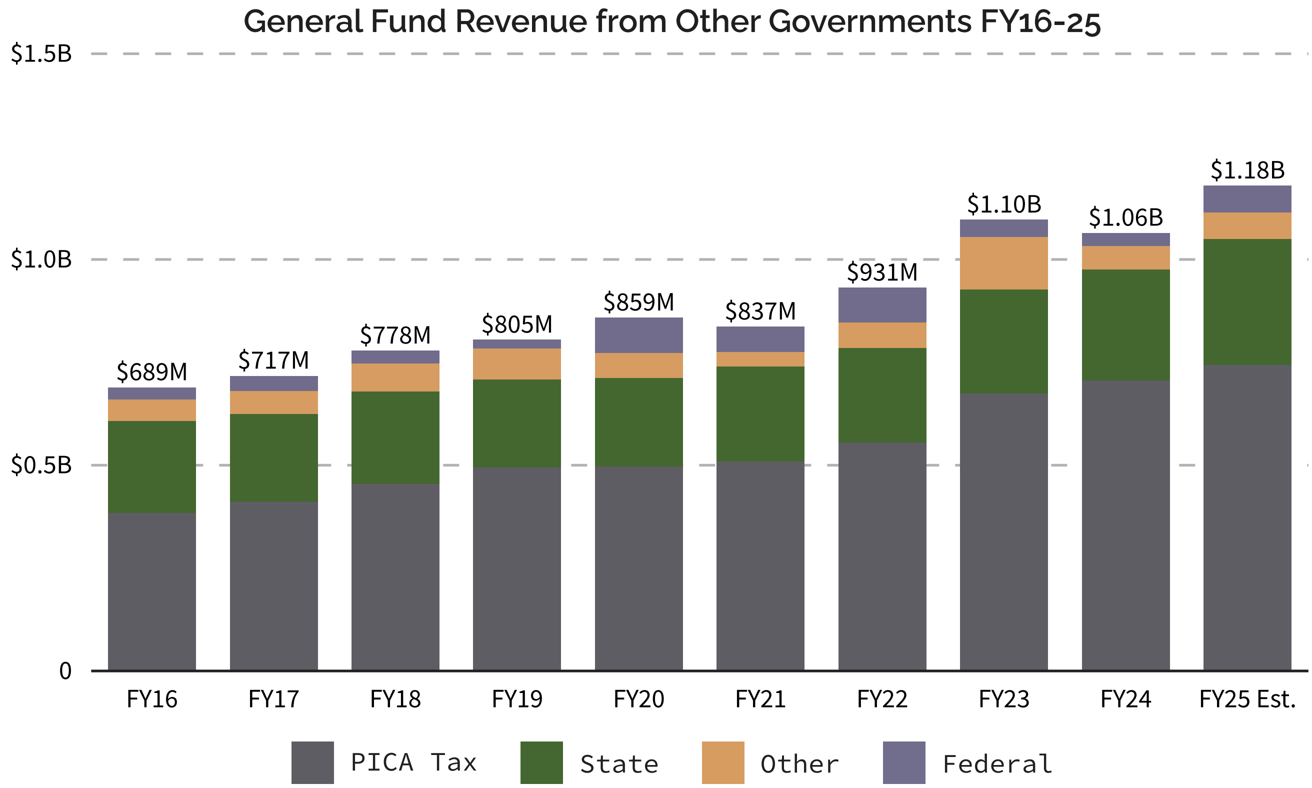
The City has several taxes with collections that are a significantly smaller share of revenues, including the Philadelphia Beverage Tax, Amusement Tax, Construction Impact Tax, and others. The Amusement and Beverage Taxes are the largest of this group.

From FY16 to FY25, Amusement Tax revenue grew from $19 million to an estimated $45 million, a 135 percent increase.

Established in FY17, the Philadelphia Beverage Tax generated an estimated $66 million in FY25, down from the FY18 high of $77 million, the first full year of collections. Negative growth rates reflect a nationwide trend for reduced consumption of sweetened beverages and were anticipated at the time the tax was implemented.

Revenue from Other Taxes, including the Construction Impact Tax introduced in FY22, grew from $4 million in FY16 to an estimated $8 million in FY25 at a compound annual rate of 9.4 percent.

Revenue from Other Governments

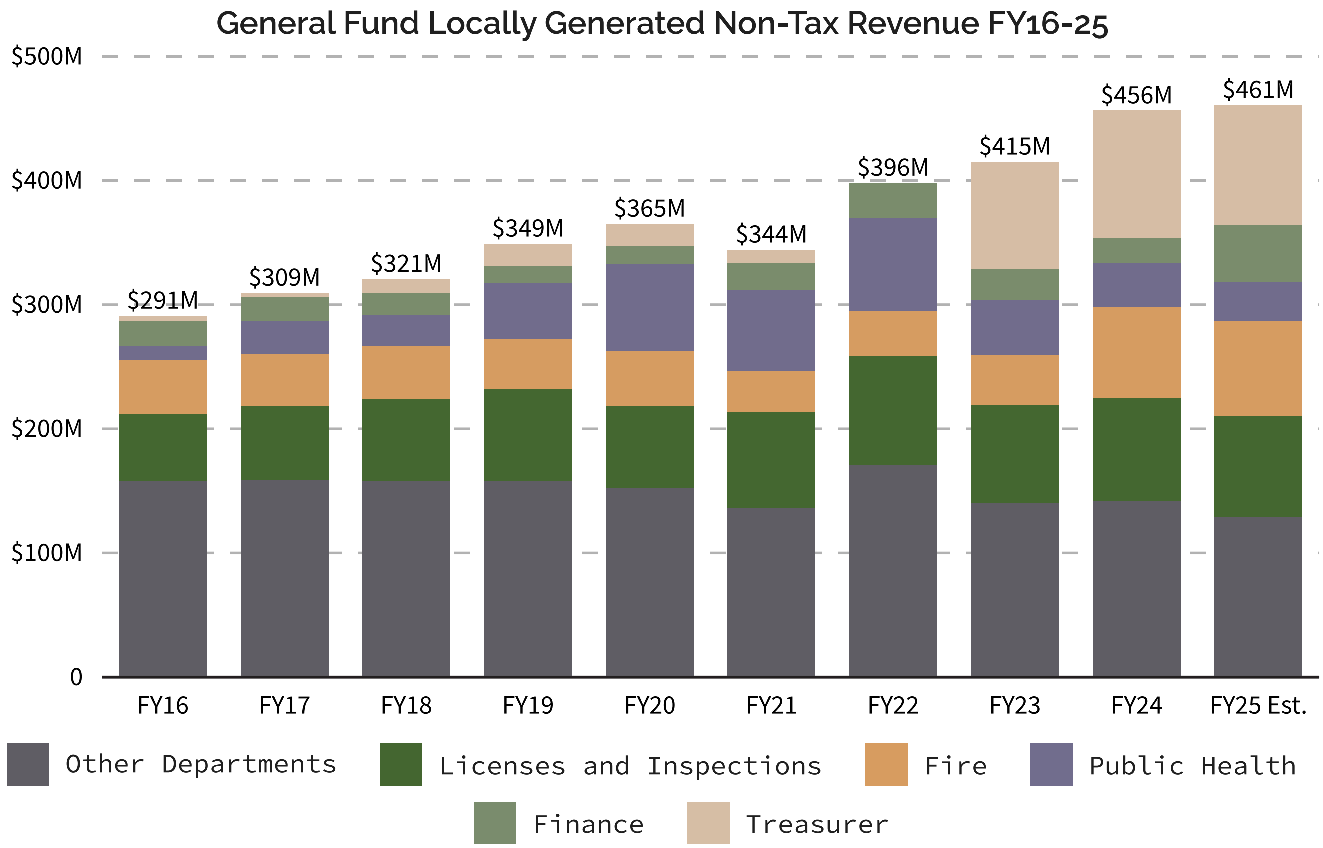


Revenue from Other Governments is the second largest revenue category for the City of Philadelphia, with proceeds from the PICA Tax contributing more than 60 percent of Revenue from Other Governments over the last decade. Other primary sources for Revenue from Other Governments are state Wage Tax relief funding, state pension fund aid, state and federal medical assistance funding, and violations and fines from the Philadelphia Parking Authority. About $1.06 billion in FY24 and an estimated $1.18 billion in FY25 came from Other Governments. From FY16 to FY25, Revenue from Other Governments has grown in fits and starts, with a compound annual growth rate of 6.2 percent.

Revenue from PICA comes from the 1.5 percent income tax on Philadelphia residents that serves as the PICA Tax portion of the City's Wage and Earnings Tax, collected by the City and remitted to the Commonwealth. Any PICA Tax revenue that PICA does not need for debt service or administrative costs is passed back to the City. In FY23, PICA retired the debt it issued in the early 1990s and has not issued any new debt since. Revenue from the PICA Tax grew from $383 million in FY16 to an estimated $743 million in FY25, increasing at a compound annual rate of 7.6 percent.

Funds from government sources other than PICA grew from $306 million in FY16 to an estimated $436 million in FY25, with fluctuations since FY20 that were largely attributable to changes in emergency preparedness funding following the COVID-19 pandemic.

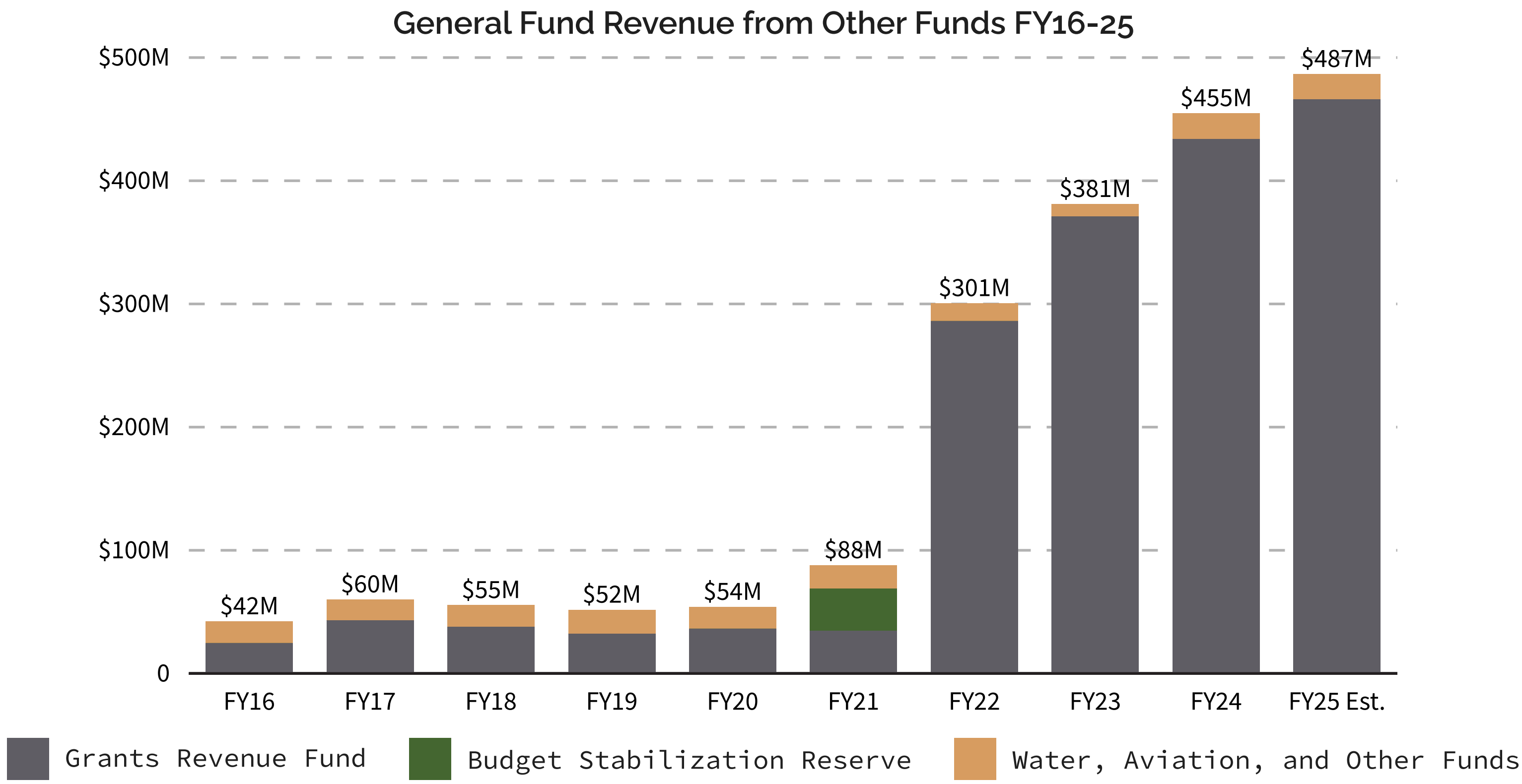
Locally Generated Non-Tax Revenue



Locally Generated Non-Tax (LGNT) revenue is comprised of City fines and fees, reimbursements, sales and leases of City assets, and more. The LGNT sources with the highest revenue are Emergency Medical Services fees, payments for patient care in the Department of Public Health's health centers, licenses and permits issued by the Department of Licenses and Inspections, and interest earnings.

LGNT revenue grew from $291 million in FY16 to an estimated $461 million in FY25, at a compound annual rate of 5.2 percent. Estimated FY25 LGNT collections increased one percent over the prior year, with increases in some areas, most notably prior year refunds to the Office of the Director of Finance, and declines in others, including interest earnings, payments for patient care by Public Health, and permits and licenses.

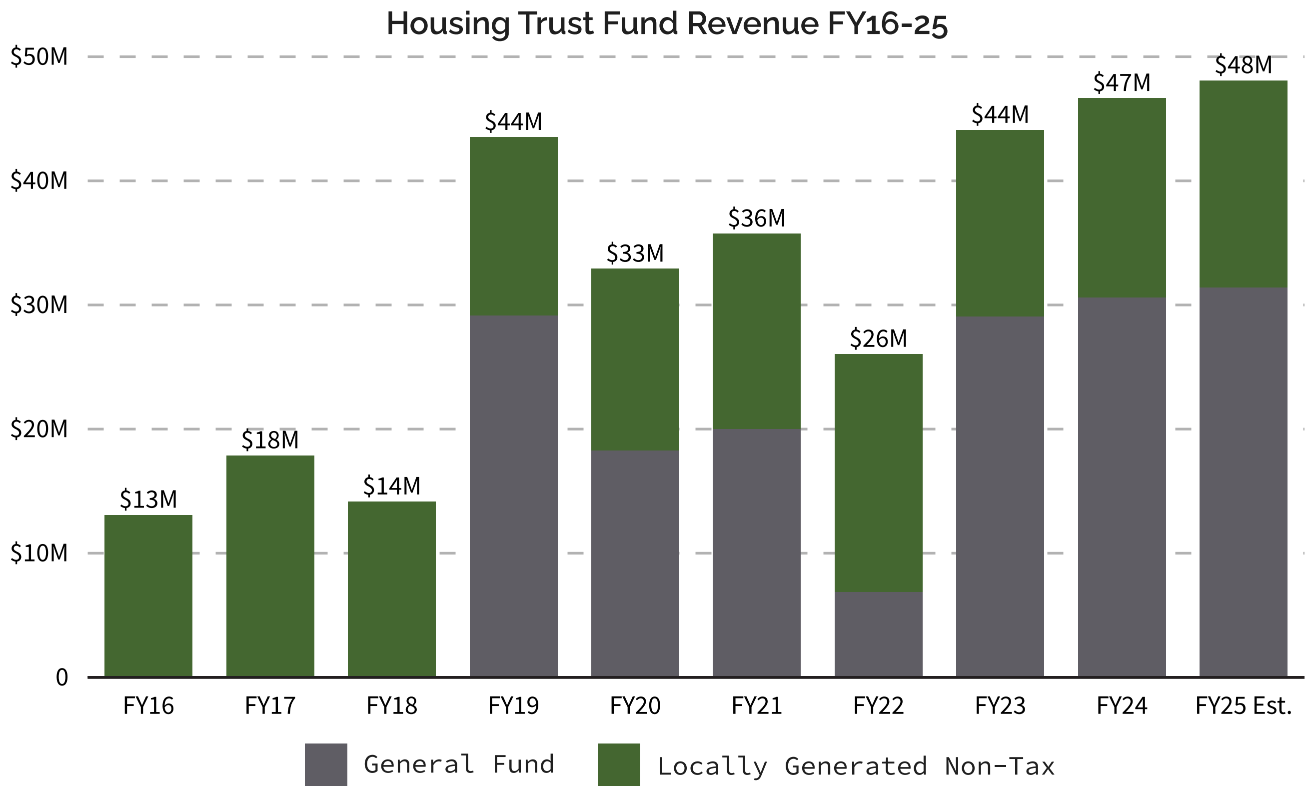
Revenue from Other Funds



The General Fund receives revenue from other City funds as payment for services provided by departments funded through the General Fund or from the Grants Revenue Fund. For example, money is transferred from the Aviation Fund to the General Fund to reimburse costs from the Department of Fleet Services' maintenance support.

Revenue from Other Funds grew from $42 million in FY16 to $88 million in FY21. In FY22, Revenue from Other Funds jumped to over $300 million because of American Rescue Plan (ARP) funding. After the City received ARP funds from the federal government for revenue replacement, it held those funds in the Grants Revenue Fund to be gradually moved over to the General Fund. In FY25, a total of $487 million was estimated to have been transferred to the General Fund from other funds, including $419 million in ARP funding.

Housing Trust Fund Revenue Trends



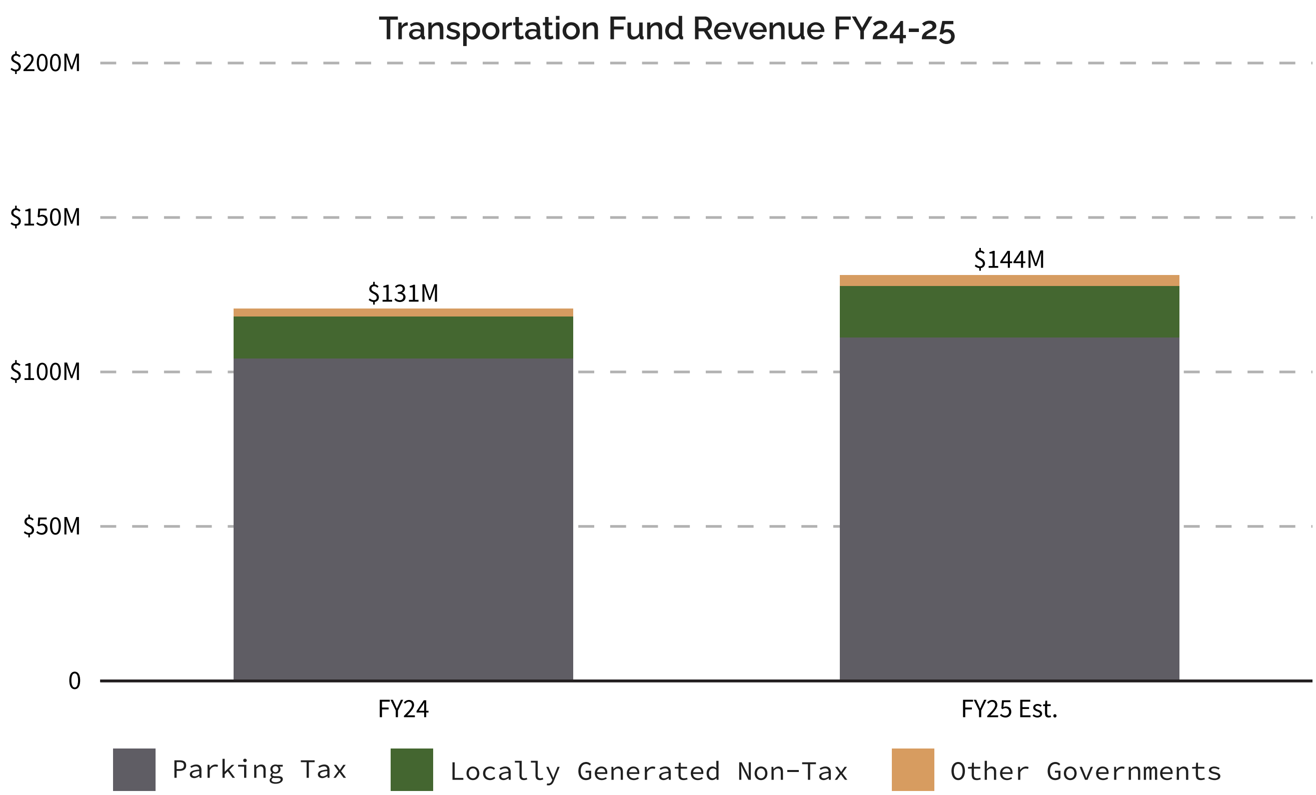
The Housing Trust Fund is funded through document recording feeds, Real Estate Tax revenue allocated from properties with an expiring ten-year tax abatement (until FY23), and a City Charter-required transfer from the General Fund equivalent to 0.5 percent of General Fund spending.

The HTF receives both Locally Generated Non-Tax revenue from recording fees and interest earnings, and revenue from the General Fund. The LGNT revenue increased from $13 million in FY16 to an estimated $17 million in FY25, with a compound annual growth rate of 2.8 percent and a high of $19 million in FY22. Since FY19, the HTF has also received funds from the General Fund. General Fund contributions to the HTF were $29 million in FY19, and then were much lower in FY20 through FY22. In FY25, an estimated $31 million was transferred from the General Fund to the HTF, bringing total estimated FY25 revenue for the HTF to $48 million.

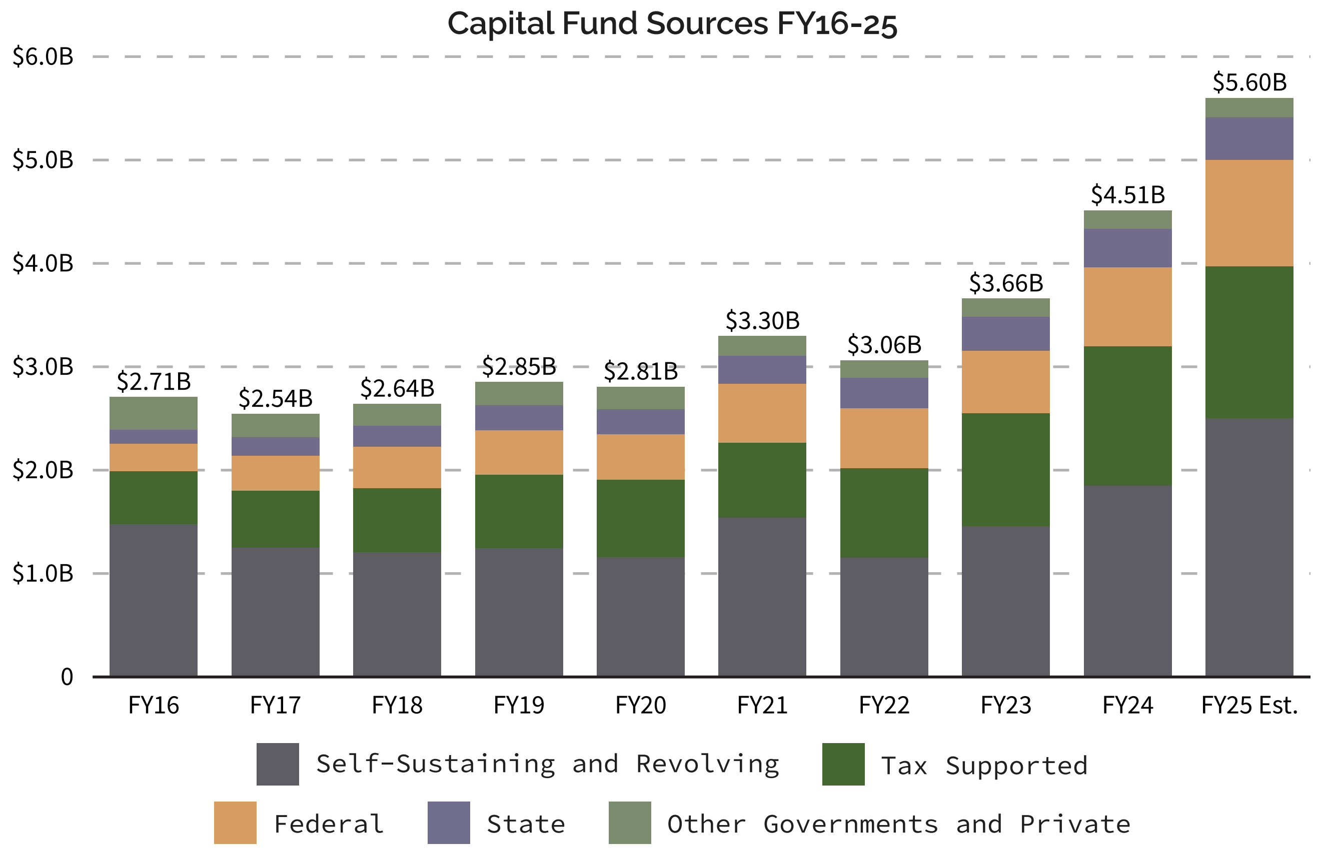
Transportation Fund Revenue Trends

The primary revenue source for the Transportation Fund is the Parking Tax (including the Valet Parking Tax), representing about 87 percent of total collections for this fund. The Transportation Fund also relies on LGNT revenue from Streets Department survey charges, street permits, right of way fees, and prior year reimbursements; federal funding for highways, bridge design, and the Delaware Valley Regional Planning Commission (DVRPC); and state funding for snow removal, PennDOT bridge design, and PennDOT highways. Prior to FY24, these revenues and expenses were in the General Fund.

Transportation Fund revenue is an estimated $131 million in FY25, a nine percent increase over FY24. In the ten years before the creation of the Transportation Fund, the collections from the same revenue sources averaged $98 million annually. Over the course of the FY26-30 Plan, Transportation Fund revenues are expected to grow from $134 million to $147 million, with the growth almost entirely coming from the Parking Tax.



Capital Fund Source Trends



From FY16 to FY25, resources for Capital more than doubled from $2.7 billion in FY16 to $5.6 billion in FY25 from all sources.

The Capital Fund relies on four categories of funding:

- City Tax Supported
  - These funds are either directly appropriated operating dollars being used for capital purposes or borrowed funds that will be repaid from the City's General Fund. Loans issued by PICA for capital projects are included in this group.
- City Self-Sustaining
  - These are funds from the City's enterprise operations, primarily the Airport and Water Department, that are used for their infrastructure only. Funds may be either operating revenues or borrowed funds to be repaid with the operating funds of the enterprise agencies.
- Other City Funds – Revolving
  - Proceeds from property sales that can be reinvested in other projects.
- Other than City Funds
  - Funding received from external sources, including the federal government and Commonwealth of Pennsylvania and private sources. These funds often require local matches and/or have restricted uses. The Capital Program also shows funding that is the responsibility of other agencies, like SEPTA, to provide a comprehensive picture for projects that the City engages in with other entities.

Within each category, aside from Revolving, some funds may have been previously authorized and rolled forward to the coming year if not yet spent. These carryforward funds reflect the size and complexity of many capital projects that can take several years to complete, and as a result some items may be counted multiple times if spending doesn't occur in the year it was initially budgeted.

From FY16 to FY25, the City has become more reliant on federal sources of funds. In FY16, federal sources of funds made up 10 percent ($264 million) of the total Capital Budget, and in FY25 federal sources of funds were authorized to be 18 percent ($1.1 billion) of the Capital Budget. Authorizations for grant-funded sources may overstate actual receipts, as the appropriations anticipate awards that have not yet (and may not) be made. Increasing reliance on Federal sources of funds should be monitored closely in light of changing federal funding priorities. The share of the Capital Fund supported by PAYGO funds, allocations of operating dollars for capital uses, grew as a share of capital funding starting in FY20. By FY25, PAYGO was nearly 10 percent of all Capital Fund dollars for that year. Self-Sustaining funds for Airport and Water projects grew over the past decade (from $1.5 billion to $2.4 billion) but shrank as a share of the overall Capital Fund. Even so, these sources (and their associated uses) remain a significant portion of the City's capital fund at about 40 percent in recent years, down from more than 50 percent in FY16.

Spending

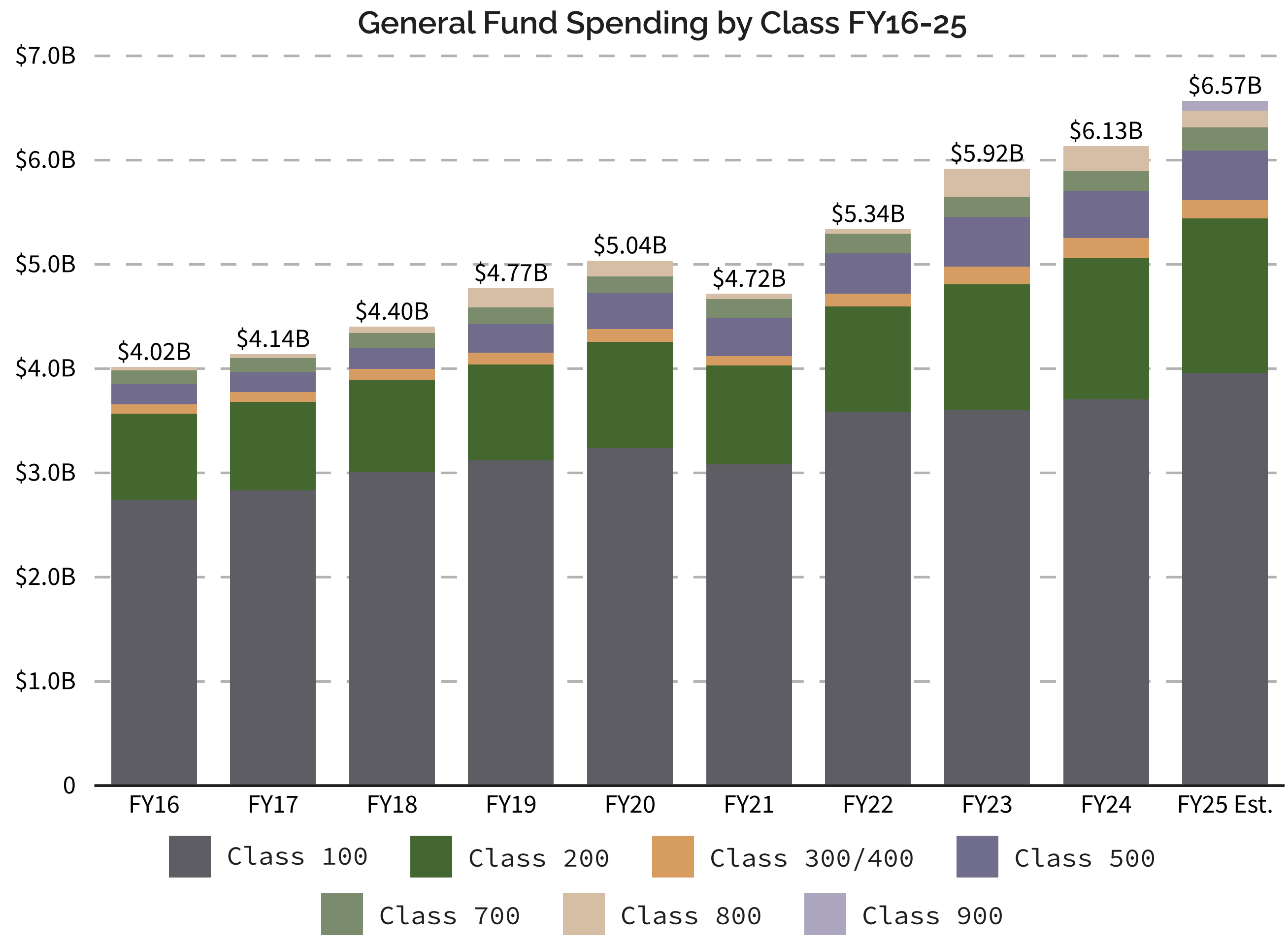
The City organizes its operating expenditures by grouping similar expenditures together into distinct classes. Understanding the City's spending trends for the last decade provides context for the analysis of the FY26-30 Five-Year Plan.

Photo credit: Kevin Vaughan

The City of Philadelphia's Spending Classes	
Class	**Description**
Class 100 Personal Services	Class 100 covers compensation in the form of wages, salaries, benefits, and pension-related costs for people employed directly by the City. Because most of the City of Philadelphia's services and operations are performed by its employees, Class 100 is the largest budget class.
Class 200 Professional Services	Class 200 is for spending on contracted services to perform work that can't be effectively or efficiently provided by the City's workforce. Contracted services can be for internal support (ex. janitorial services), direct service delivery (ex. nonprofit organizations providing emergency homeless shelter services), or service agreement-related debt (ex. repaying funds borrowed for special initiatives).
Classes 300 and 400 Materials, Supplies, and Equipment	Classes 300 and 400 are the budget classifications for the physical materials the City purchases. Class 300 covers materials and supplies, while Class 400 covers equipment. Things like printer paper, lab supplies, uniforms, gasoline, office furniture, and vehicle parts all fall under Classes 300 and 400.
Class 500 Contributions, Indemnities, and Taxes	Class 500 is for expenditures directed to outside entities like educational institutions, parties to a legal outcome, or other governments. Contributions move dollars from the City's operating budget to an outside organization or institution, most notably the School District of Philadelphia (SDP). Class 500 includes payments for indemnity costs related to legal claims and judgements against the City. It is also used in instances when the City is required to pay taxes.
Class 700 Debt Service	Class 700 is used to service the City's General Obligation debt, which is debt backed by the full faith, credit, and taxing power of the City. All Class 700 expenditures are made through the Sinking Fund.
Class 800 Payments to Other Funds	Class 800 spending moves appropriations between different funds of the City. Most typically, these expenditures function as utility payments to reimburse the Water Fund for water used by the City or Pay-As-You-Go capital funding.
Class 900 Reserves, Advances, and Miscellaneous	Class 900 appropriates funds for upcoming expenditures that are anticipated but not fully known, like new labor agreements. Typically, funds are transferred via ordinance to the class they will be spent from once the use is identified. For example, Class 900 Labor Reserve funds are typically reallocated into Class 100 when the terms and costs of new labor agreements are finalized.

Capital expenditures (Class 600) are utilized for items that cost at least $15,000 and will last longer than five years. Because of the shared criteria, capital expenditures are treated as a single class of spending and organized by project within the Capital Budget and Program.

General Fund Spending Trends



The General Fund is the principal operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. General Fund expenditures increased by $2.55 billion between FY16 and FY25, growing from $4.02 billion in FY16 to an estimated $6.57 billion in FY25. Although General Fund expenditures grew at a compound annual rate of 5.7 percent over the last decade, recent years saw larger growth enabled by the availability of federal COVID relief funds. Between FY22 and FY23, expenditures grew 10.9 percent from $5.34 billion to $5.92 billion.

The composition of General Fund spending by class has changed over recent years. Historically, Class 100 spending comprised about two thirds of all General Fund expenditures. Another 20 percent has typically gone towards Class 200 spending, with the remaining classes responsible for single-digit percentages of General Fund spending. More recently, Class 100 spending has fallen as a percentage of overall General Fund spending while the share of Class 200, Class 300/400, Class 500, and Class 800 expenditures have grown. A key driver in recent years has been a challenging labor market that has affected the City's ability to retain and attract staff.

General Fund Spending by Class as Percent of Overall General Fund Spending			
Class	10-Year (FY16-25) Average	5-Year (FY21-25) Average	FY25 Estimate
Class 100 - Wages	*36.5%*	*35.1%*	*35.0%*
Class 100 - Benefits	*28.3%*	*27.7%*	*25.2%*
Class 100	64.8%	62.8%	60.2%
Class 200	20.5%	20.8%	22.6%
Class 300/400	2.5%	2.6%	2.6%
Class 500	6.4%	7.6%	7.3%
Class 700	3.4%	3.4%	3.4%
Class 800	2.3%	2.6%	2.5%
Class 900	0.1%	0.3%	1.4%

Photo Credit: Kevin Vaughan

Housing Trust Fund Spending Trends

Using local funds for affordable housing investment through the Housing Trust Fund can allow for more flexibility than state, federal, or grant sources. There are specific, locally-legislated requirements for how HTF dollars can be expended. One half of annual HTF spending is targeted towards very low-income families and individuals earning at or below 30 percent of Area Median Income (AMI). The other half is targeted towards low- and moderate-income households.

Unlike the General Fund or Transportation Fund, HTF spending is most heavily concentrated in Class 200 with minimal spending on City employees. Class 200 spending is concentrated in contracts with the Department of Planning and Development for services including rent subsidies, legal aid for housing issues like foreclosure and tenant/landlord conflicts, stabilization of vacant lots, funding for adaptive modifications to homes to keep them livable, and technical assistance and education to the community and organizations who provide housing counseling and rental assistance to unhoused Philadelphians; among other services. Although HTF Class 100 allocations have grown in recent years, they still represent just 10.2 percent of overall projected HTF expenditures in FY25.

Housing Trust Fund Spending by Class as Percent of Overall Housing Trust Fund Spending

Class	10-Year (FY16-25) Average	5-Year (FY21-25) Average	FY25 Estimate
Class 100 - Wages	*3.1%*	*4.1%*	*7.9%*
Class 100 - Benefits	*0.4%*	*0.7%*	*2.3%*
Class 100	3.5%	4.8%	10.2%
Class 200	96.5%	95.1%	89.6%
Class 300/400	0.1%	0.1%	0.3%
Class 500	0.0%	0.0%	0.0%
Class 700	0.0%	0.0%	0.0%
Class 800	0.0%	0.0%	0.0%
Class 900	0.0%	0.0%	0.0%

Transportation Fund Spending Trends

Transportation Fund Spending ($000s)		
Class	**FY24**	**FY25 Estimate**
Class 100 - Wages	*44,444*	*54,399*
Class 100 - Benefits	*25,013*	*40,232*
Class 100	69,457	94,631
Class 200	10,390	13,991
Class 300/400	9,199	10,660
Class 500	11,987	15,000
Class 700	-	-
Class 800	445	1,407
Class 900	-	-
Total	**101,478**	**135,689**

Expenditures from the Transportation Fund are concentrated in the Streets Department, with additional allocations to Finance for indemnities and employee benefits related to Streets Department activities and staff, and to the Civil Service Commission's Labor Reserve to provide for costs associated with future labor agreements.

The Transportation Fund expended $101 million in FY24 and FY25 spending is estimated at $136 million. Around 70 percent of spending is for employee wages and benefits, with the next largest share of spending allocated to indemnities. The City's road resurfacing and repair work is carried out by Streets Department employees whose wages and benefits are funded by the Transportation Fund.

Capital Fund Appropriation Trends

Unlike other funds, the Capital Budget and Program's authorization for revenue sources and departmental allocations are equal each year, with no starting or ending fund balance (although unspent funds from prior years are carried forward). Fewer departments receive allocations in the Capital Fund compared to the General Fund as many smaller departments do not have or handle their own infrastructure.

Between FY16 and FY25, the City's enterprise agencies averaged almost half of the Capital Budget allocations, with 32 percent of funds appropriated for Water and 17 percent for Aviation. In recent years, the share for Aviation has fallen, while Water's has grown. The Capital Fund includes allocations for the Zoo and Art Museum, owing to the City's ownership of the Art Museum building and some of the Zoo land. Together these institutions receive less than one percent of capital allocations. Another one-third of a percent of the Capital Fund has been allocated to SEPTA as the Philadelphia County share for transit capital projects unlocking access to funding from other governments.

Capital Fund Appropriations by Department	
Department	**FY16-25 Budget ($M)**
Water	10,707
Streets	6,951
Aviation	5,641
Parks and Rec	2,279
Commerce	1,796
Finance	1,109
Managing Director's Office	889
Innovation & Technology	842
Public Health	780
Fleet	587
Police	531
Public Property	476
Prisons	257
Zoo	229
Free Library	163
Fire	160
Transit	105
Art Museum	74
Homeless Services	55
Records	24
Sustainability	20
Total	**33,674**

After Water and Aviation, Streets commands the largest share of the Capital Budget, accounting for 22 percent of spending in FY25 and 21 percent over the past decade. The City's vast transportation network, the need to provide matching dollars for state and federal transportation grants, and mandated accessibility compliance responsibilities, have led to this segment of the Capital Fund growing to over $1 billion per year starting in FY24. This increase is primarily associated with the terms of a 2022 settlement agreement requiring the City to build or remediate 10,000 curb cuts over 15 years.

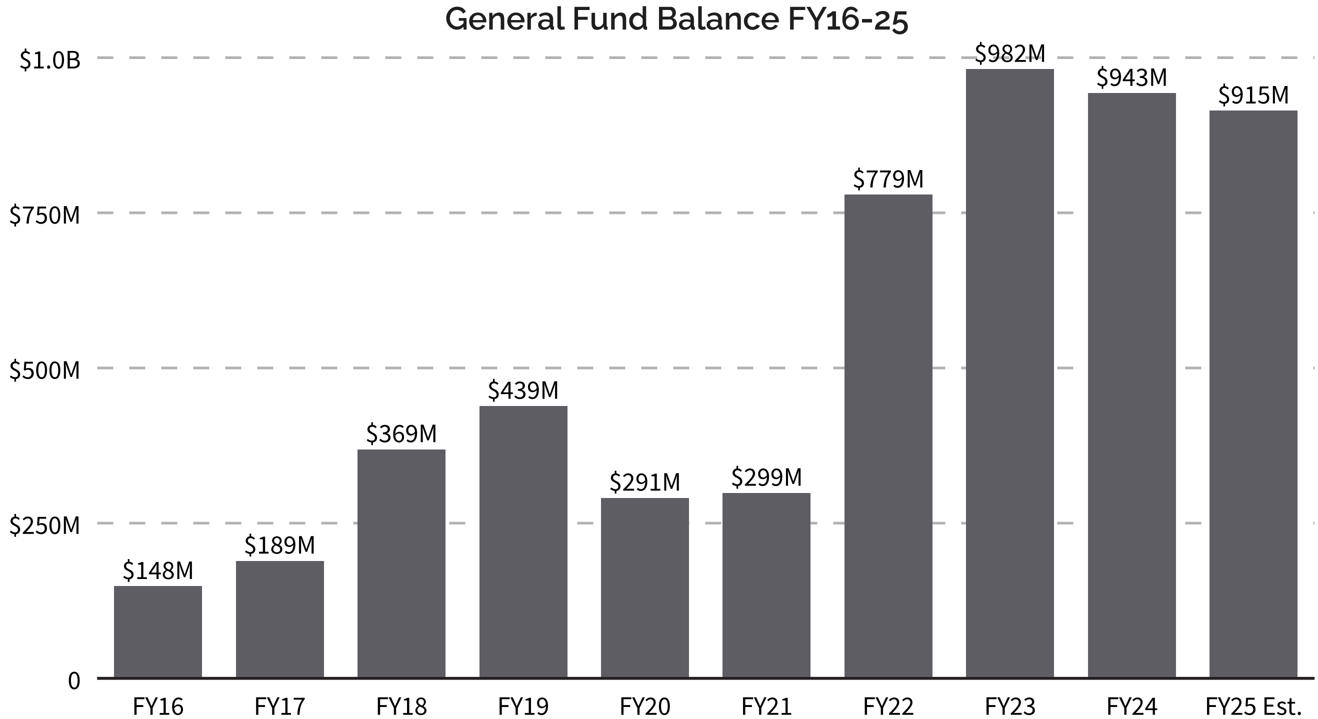
Two other agencies have accounted for over five percent of capital dollars in the past decade, Commerce and Parks and Recreation. Funds for the Commerce Department have been used for community and economic development projects, including Waterfront projects like Penn's Landing. Appropriations to Parks and Recreation include allocations for individual district councilmembers and the Mayor to be allocated at their discretion, as well as funds directed by the Department. While it may seem unexpected that Capital allocations for the Art Museum have been 35 percent more than those for Homeless Services, it should be noted that most facilities for Homeless Services are in leased spaces and their infrastructure is not supported through the Capital Fund. It may also be surprising that more funds have been allocated to the Zoo than the Fire Department, with its facilities across the city and many vehicle needs, but the vast majority of the Zoo allocations were from private source that could not be redeployed, not tax-supported debt.

Fund Balances and Reserves

Healthy fund balances and financial reserves are essential to municipal fiscal stability. When unexpected events happen, cities often face both rising costs and falling revenues at the same time. Even expected challenges, like inflation, can lead to higher expenses than originally budgeted. Without strong reserves, cities risk being unable to deliver critical services when residents need them most.

Reserves give governments time to respond thoughtfully — to assess the problem, understand how long it might last, and adjust their budgets without resorting to harmful, rushed cuts. In recent years, Philadelphia's fiscal resiliency has improved as its General Fund balance and Budget Stabilization Reserve (BSR) have grown. The City has also budgeted reserves for future labor costs. These steps, reflecting PICA's recommendations, have been recognized by credit rating agencies and have allowed the City to navigate unexpected developments. Maintaining healthy fund balances will be key to preserving and enhancing credit ratings and protecting the City's ability to weather future fiscal challenges.

General Fund Balance



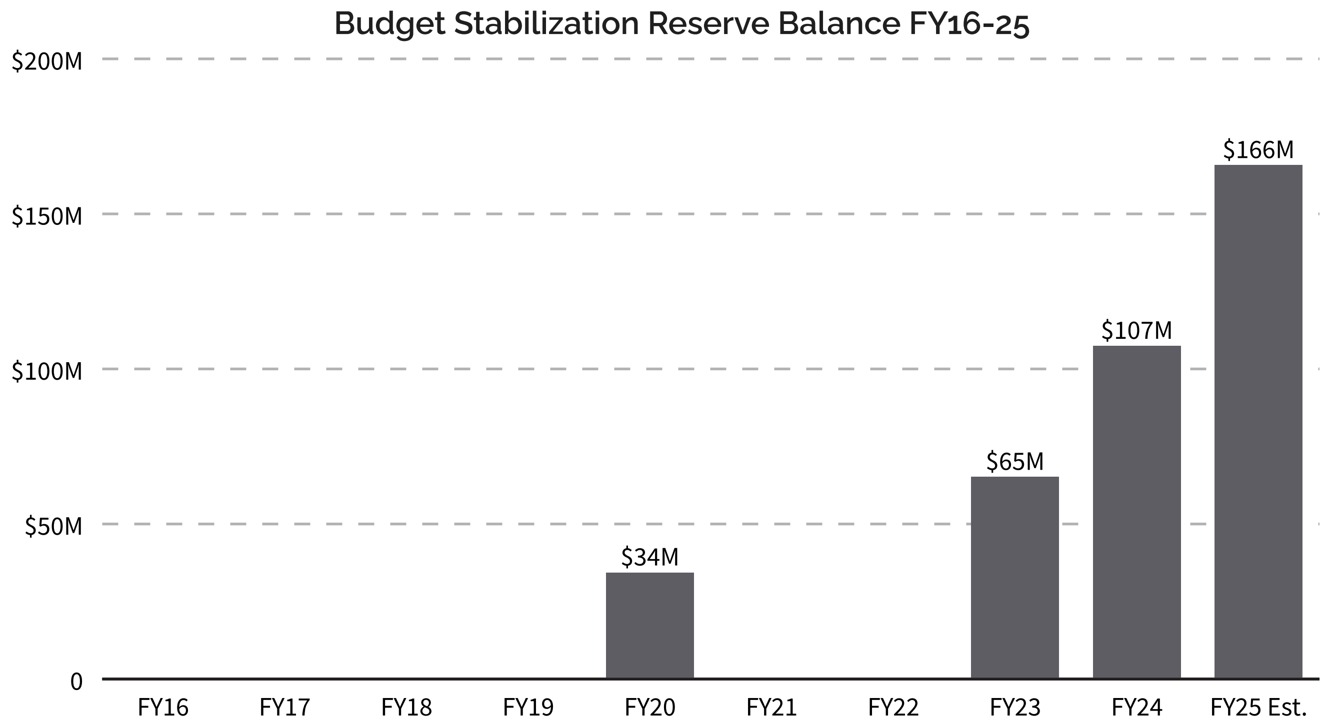
The City of Philadelphia's first line of fiscal defense against unexpected events is its General Fund balance. General Fund dollars are the City's most flexible funding source, allowing it to quickly direct resources where they are needed — without waiting for state or federal aid or for economic conditions to improve.

The PICA Act requires the City to maintain a positive General Fund balance. The Government Finance Officers Association (GFOA) recommends that cities hold unrestricted reserves equal to about 17 percent of annual spending or revenues — roughly $1 billion for Philadelphia. Internally, the City's target for its General Fund balance has been more modest: at least 6 to 8 percent of revenues.

After a long recovery from the Great Recession, the City first met its internal goal in FY18, reaching a fund balance of 8.1 percent of revenues ($369 million). The balance rose to 9.1 percent ($439 million) in FY19 but fell to 6.0 percent during FY20 as the COVID-19 pandemic took hold. With federal support, including American Rescue Plan (ARP) dollars, the City stabilized and grew its fund balance to 6.4 percent ($299 million) in FY21. It more than doubled the following year, reaching 13.5 percent ($779 million) in FY22.

In FY23, the City came close to the GFOA benchmark, ending the year with a fund balance equal to 16.2 percent of revenues ($982 million). However, FY24 witnessed a decline to 15.6 percent ($943 million) and FY25 is expected to result in a further decline to 14.2 percent of revenues ($915 million), with operating deficits in both years as spending outpaced revenues, even as revenues grew.

Budget Stabilization Reserve



The Budget Stabilization Reserve (BSR) is the City's rainy day fund, a reserve that can only be used under certain emergency conditions. There are two scenarios that can lead to a withdrawal from the BSR:

- A drop in revenues of at least 1 percent compared to adopted revenue estimates.
- A need to avoid a major disruption in the delivery of City services or need to provide emergency programs to protect the health, safety, and welfare of City residents.

These conditions make the BSR less flexible than unrestricted General Fund dollars, but invaluable in fiscal emergencies. Created in FY11 following PICA's recommendation, the BSR did not receive its first deposit until FY20. Months later, the COVID-19 pandemic arrived and BSR funds helped make the City's pandemic response possible. The next BSR deposit came in FY23, followed by deposits to the BSR in FY24 and FY25 to bring the BSR balance to $166 million. In May 2023, Philadelphia voters approved changes to the formula used to decide the scale and timing of deposits made to the BSR. PICA's Fact Sheet on Philadelphia's Rainy Day Fund discusses the changes in more detail.

Reserve Appropriations

The City uses reserve appropriations to cushion the impact of expected, but unquantified, events on the City's finances. In recent years, the Labor Reserve is the most consistent reserve appropriation the City makes. In preparation for new labor agreements where expenditures will need to increase by an unknown amount, the City sets the Labor Reserve aside to address those new costs. Nine of the last ten Five-Year Plans have included Labor Reserves. Without the reserve, the budget would need to be reconfigured with each sizeable agreement. Recent years have also included reserves set aside for a potential recession, the revenue impact of a gradual post-COVID-19 economic recovery, rising costs due to inflation, and to offset potential federal uncertainty.

Fund Balances in Other Covered Funds

The Housing Trust Fund achieved a 27.9 percent fund balance ($13 million) in FY24 and expects a 16.4 percent fund balance ($7.8 million) in FY25. The City's new Transportation Fund achieved a 15.7 percent fund balance ($19 million) in its first year of operations. The FY25 estimated fund balance is 13.0 percent ($17 million).

Other Covered Funds, like the Grants Fund and Capital Fund, aren't suitable for fund balance analysis, as expenditures are not authorized unless funds are secured.

Section 3: Analysis of Plan Projections

- Required Elements
- Standards of Formulation
- Revenue
- Spending
- Fund Balances and Reserves
- Performance

Analysis of Plan Projections

The PICA Act states that PICA shall promptly review each submitted Five-Year Plan along with the corresponding annual operating budget and capital budget. Within 30 days of receiving the Plan and associated documentation, PICA's Board must vote on the submitted Five-Year Plan. Prior to the vote, PICA Staff authors and submits a report on the Plan to the Board. The PICA Staff Report helps the Board determine whether the Plan projects balanced budgets in each year of the Plan, whether the operating and capital budgets are consistent with the Plan, and whether the revenue and obligation projections in the Plan are based on reasonable assumptions and estimates.

This section of the report details the legally required elements and standards of formulation for the FY26-30 Five-Year Plan. It then analyzes the Plan's projected revenues, obligations, performance, and fund balances for reasonableness and consistency throughout the Plan.

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Required Elements

The statutory criteria detailed in the PICA Act are used to assess the City of Philadelphia's Five-Year Plan. These are the elements required for the Plan to gain the approval of PICA's Board of Directors:

PICA Act Requirement	FY26-30 Five-Year Plan
"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."	✓ The Plan includes projections of revenues and expenditures for the General Fund and other covered operating funds, namely the Transportation and Housing Trust Funds.
"Eliminate any projected deficit for the current fiscal year and four subsequent fiscal years."	✓ The Plan projects positive fund balances for each year from FY26 through FY30.
"Restore to special fund accounts money from those accounts used for purposes other than those specifically authorized."	✓ The Plan does not include any restricted funds being used for unauthorized purposes. At the time PICA was created, the City had dipped into special fund accounts to ease a cashflow crisis. PICA's 1992 bond issuance helped to restore funds and resolve this issue.

PICA Act Requirement		FY26-30 Five-Year Plan
"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."	✓	Despite structural deficits in four of the five years, the Plan maintains positive fund balances in each year. It advances sound financial planning and budgeting by sustaining efforts to improve pension funding, maintaining a rainy-day fund, and increasing local tax and non-tax revenues to meet service needs.
"Provide procedures to avoid a fiscal emergency condition in the future."	✓	The Plan budgets for more than $100 million of deposits into the Budget Stabilization Reserve, raising the total available to at least $299 million by FY27.
"Enhance the ability of the city to regain, improve, or maximize access to the short-term and long-term credit markets."	✓	The City holds an 'A' category rating for its general obligation debt from all three major municipal credit rating agencies, the highest combined ratings in four decades, and therefore has access to short-term and long-term credit markets.

Standards of Formulation

The PICA Act codifies specific standards for the formulation of the Five-Year Plan. These standards ensure that the Plan and its estimates and projections are reasonable and realistic.

PICA Act Standard	FY26-30 Five-Year Plan
"All projections of revenues and expenditures in a financial plan shall be based on reasonable and appropriate assumptions and methods of estimation, all such assumptions and methods to be consistently applied."	✓ The Plan projects revenues in accordance with the estimation standards included in the PICA Act. Expenditure projections are based on reasonable and appropriate assumptions and methods of estimation.
"All revenue and appropriation estimates shall be on a modified accrual basis in accordance with generally accepted standards. Revenue estimates shall recognize revenues in the accounting period in which they become both measurable and available."	✓ The Plan uses a modified accrual basis of accounting to recognize revenues and expenditures for budgeting purposes.
"Estimates of city-generated revenues shall be based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models."	✓ Tax revenue projections included in the Plan are primarily based on econometric forecasts from the City's consultant, S&P Global Market Intelligence. In February, prior to the release of the proposed budget and Five-Year Plan, PICA held a conference of economists and policymakers at the Federal Reserve of Philadelphia to evaluate the reasonableness of the City's tax revenue projections. The City later, in consultation with their external economists, reduced some of the growth rate projections to reflect actual collections experience and updated expectations. PICA engaged Professor Charles Swanson to evaluate the City's tax projections and he deemed them reasonable.
"Estimates of revenues to be received from the State government shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the Governor."	✓ The Plan's estimates for revenue from the Commonwealth of Pennsylvania incorporate changes to funding levels and local-match requirements included in the budget proposed by the Governor. As of July 15, 2025, the Commonwealth's FY26 budget had not been adopted.

PICA Act Standard		FY26-30 Five-Year Plan
"Estimates of revenues to be received from the Federal Government shall be based on historical patterns, currently available levels, or on levels proposed in a budget by the President or in a congressional budget resolution."	✓	The Plan incorporates estimates of revenue from the federal government based on the end of the American Rescue Plan. The City is continuing to assess the scale and timing of impacts of recent federal policy and budget changes.
"Nontax revenues shall be based on current or proposed rates, charges or fees, historical patterns, and generally recognized econometric models."	✓	Locally Generated Non-Tax revenue projections included in the Plan are based on historical patterns and current rates for charges and fees.
"Appropriation estimates shall include, at a minimum, 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 and all obligations of prior fiscal years not covered by encumbered funds from prior fiscal years."	✓	The Plan meets this standard.
"All cashflow projections shall be based upon reasonable and appropriate assumptions as to sources and uses of cash, including, but not limited to, reasonable and appropriate assumptions as to the timing of receipt and expenditure thereof, and shall provide for the operations of the assisted city to be conducted within the resources so projected."	✓	The Plan incorporates cash flow projections based on historic and seasonal revenue collection patterns for each source of revenue. In the event of a timing mismatch between General Fund revenues and expenditures, the City costs for a Tax and Revenue Anticipation Notes (TRANs) are included in each year of the Plan.

Revenues

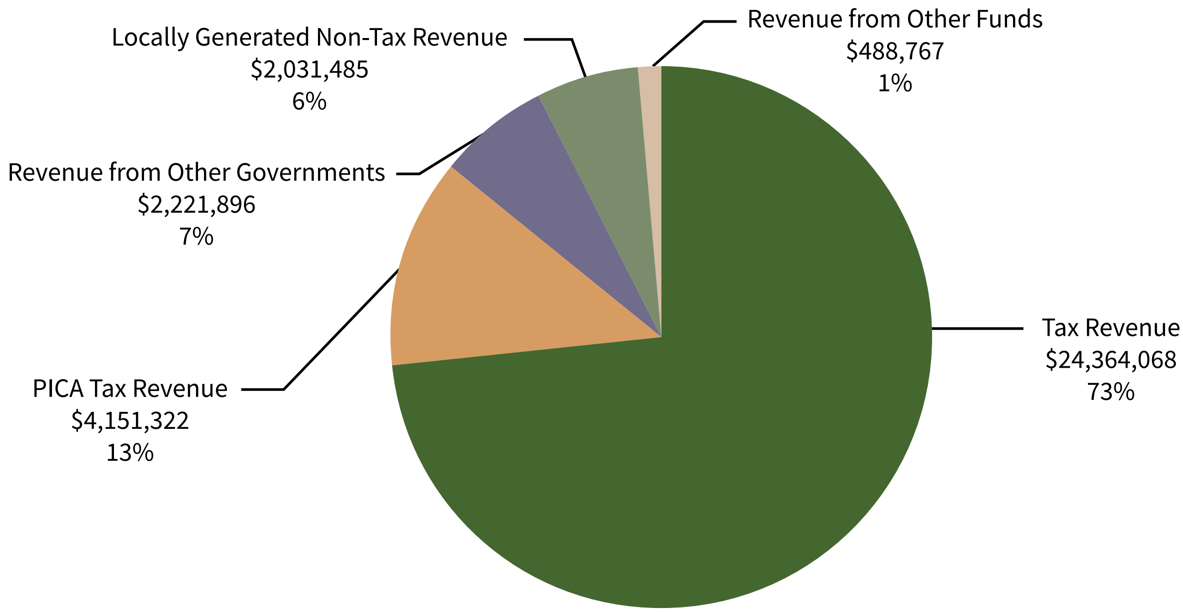
Projected General Fund Revenues

Overview of Projected General Fund Revenues FY25-30 ($M)						
Revenue Sources	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Tax	$4,320.3	$4,555.2	$4,734.6	$4,897.4	$5,030.0	$5,147.0
PICA Tax	$743.4	$769.3	$799.9	$830.8	$860.9	$890.3
Revenue from Other Governments	$436.0	$456.5	$446.6	$438.5	$439.6	$440.8
Locally Generated Non-Tax	$460.7	$410.4	$389.6	$437.6	$395.8	$398.0
Revenue from Other Funds	$486.6	$172.1	$67.1	$72.1	$68.4	$69.0
Total	**$6,447.1**	**$6,363.5**	**$6,437.8**	**$6,676.4**	**$6,794.7**	**$6,945.1**

The PICA Act requires the City's Five-Year Plan revenue projections to be based on "reasonable and appropriate assumptions and methods of estimation." To project most tax revenues over the five-year period, the City engages S&P Global Market Intelligence (S&P GMI), an econometrics firm with decades of experience projecting tax revenues for the City and the Commonwealth of Pennsylvania. Projections for other revenue sources are based on various methodologies, including historical patterns. This section provides an overview of General Fund revenues included in the FY26-30 Five-Year Plan, followed by analysis of each revenue type and discussion of the reasonableness of projections included in the Plan.

The FY26-30 Five-Year Plan projects total General Fund revenues of $33.22 billion from five main sources:

Taxes (including the PICA Tax) will be 86% of revenues from FY26 to FY30



Total FY26-30 General Fund Revenue ($000s)

The City's revenue projections anticipate year-over-year growth from FY26 to FY30, following an expected decline from FY25, with the rate of growth peaking in FY28 at 3.7 percent. FY26 revenues are estimated at $6.36 billion, and by FY30 revenues are projected to be $6.95 billion. The City's estimates consider expectations for the economy, as well as changes to tax rates and administration. Tax policy changes include:

- Elimination of the $100,000 Business Income and Receipts Tax exemption following a lawsuit brought against the City challenging the uniformity of the exemption. This change is expected to result in an approximately net $200 million increase in collections over the Plan compared to if the exemption stayed in place.

- Annual rate reductions to the gross receipts and net income portions of the Business Income and Receipts Tax in every year of the Plan.

- An increase to the Realty Transfer Tax rate, raising the rate to 3.578 percent from 3.278 percent.

- Wage Tax rate reductions for residents and non-residents in each year of the Plan, with no change to the PICA Tax rate.

- An increase in the share of the Real Estate Tax allocated to the School District of Philadelphia starting in FY30, with no change to the overall rate.

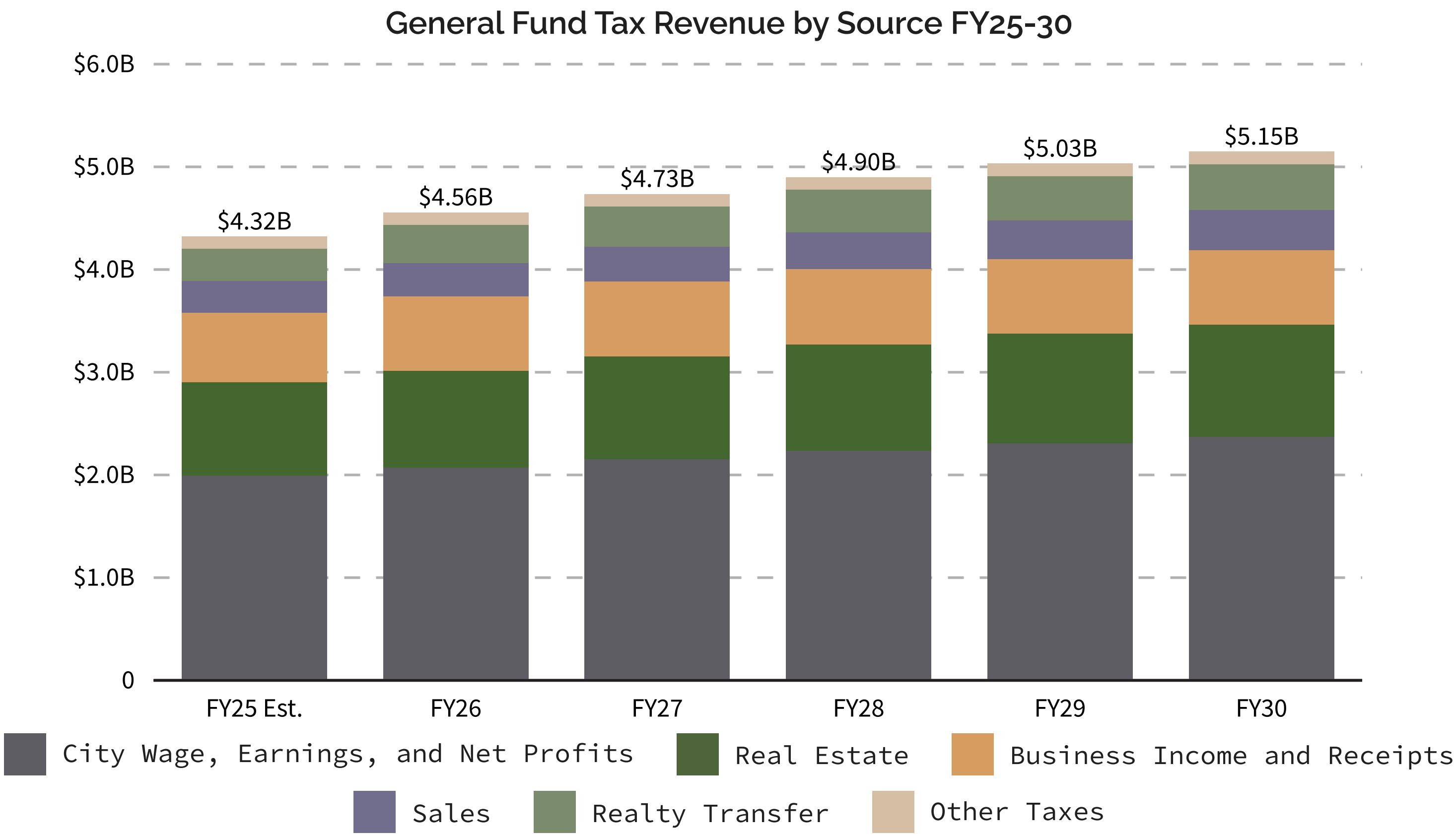
Economic Expectations

In February, the City's outside econometric consultant projected slowing growth rates for the US economy based on an early assessment of the expected policies of the Trump administration, like higher tariffs, reduced immigration, and reduced federal spending, with partial offset from the effects of tax cuts and deregulation. They anticipated ongoing payroll employment growth in 2025 and 2026, and 2028 through 2030, but at lower rates than in 2024, and a decline in 2027. Wage Disbursements and Personal Income were expected to grow in all years through 2030, but the City had lowered its expectations by June 2025, as evidenced by lower expectations for Wage Tax collections in FY25 and FY26 compared to its March estimates included in the Plan as originally proposed.

Current economic conditions in the United States are generally good relative to past levels for employment, inflation, general economic activity, and interest rates. Inflation was 2.9 percent in 2024, still somewhat above pre-pandemic levels but greatly reduced from the high levels in 2021. Unemployment nationwide was 4.1 percent in June, low by historical standards but higher than the prior year. This trend was consistent in Philadelphia, with a May 2025 unemployment rate of 4.8 percent, which was higher than 2024 but below most of the 30 years before the pandemic. Interest rates are higher than the period between 2008 and 2021, but still lower than in the 1980s and 1990s. Philadelphia faces a number of economic challenges, including a high fraction of residents cost-burdened by housing costs despite relatively low home prices as compared to the rest of the region.

The Federal Reserve Bank of Philadelphia's Second Quarter 2025 Survey of Professional Forecasters released in May 2025 predicts higher inflation through the end of this Plan than previously expected (2.51 percent annual average for 2025 through 2029 for headline Consumer Price Index (CPI), up from 2.40 percent in February.) Contractions in Real Gross Domestic Product (GDP) are looking increasingly likely to forecasters within the next four quarters and growth remains below two percent until 2027. Concerns for the future of the Philadelphia economy through FY30 stem from rising national debt and its impact on interest rates, changes in immigration policies that could reduce the workforce, particularly in construction-related jobs, and a reduction in graduate program enrollment at area universities.

Tax Revenue



The FY26-30 Plan projects $24.36 billion in tax revenue over the Plan, with compound annual growth of 3.1 percent, growing from $4.56 billion in FY26 to $5.15 billion in FY30. Local taxes are projected to be 73.3 percent of all General Fund revenues over the life of the Plan, and 85.8 percent when the PICA Tax on resident wages is included. The majority of projected tax revenue in the Plan is generated from Wage, Earnings, and Net Profits Taxes (45.7 percent, not including the PICA Tax), the Real Estate Tax (21.0 percent), and the Business Income and Receipts Tax (15.0 percent). Revenue projections are dependent on economic conditions, definitions of the tax base, and adopted tax rates. The FY26-30 Plan incorporates several significant changes to the tax base and rates, including the end of a $100,000 exemption from the Business Income and Receipts Tax (BIRT) base for each taxpayer, adjustments to the tax base of the Construction Impact Tax, an increase in the Realty Transfer Tax rate, and rate reductions for both the BIRT and Wage Tax.

Assumptions and Methods of Estimation

Revenue forecasts are subject to anticipated economic growth or decline, and are also affected by tax rates, deductions, credits, abatements, and other relief measures. Operational effort and success in current year and delinquent collections will also affect the level of revenue generated. Tax base growth projections for most taxes were initially made by S&P GMI. Prior to the release of the proposed Plan, the projections were reviewed and discussed by regional economists and other subject matter experts at a PICA-convened forum held in February 2025 at the Federal

Reserve Bank of Philadelphia. S&P GMI and the City presented growth rate projections for each tax and offered two scenarios for the Wage Tax given uncertainty around the impact of tariffs and other federal policies and factors. At that time, the more optimistic set of S&P GMI growth assumptions for the Wage Tax were viewed by attendees as being too optimistic or about right (with no one assessing them as too conservative). The other tax growth rate assumptions were generally accepted as presented. To reflect the feedback, the FY26-30 Plan proposed to City Council in March assumed Wage Tax base growth rates between the two initial scenarios presented at the PICA forum.

The FY26-30 Plan submitted to PICA on June 30, 2025 incorporated lower base growth assumptions for the Wage Tax in FY25 and FY26 than the March version, owing to additional collections experience and updated economic assumptions. All other tax base growth rates used in the Plan are consistent with those presented in February, however the tax base sizes have been updated to reflect more recent collections data, resulting in revised revenue estimates since the Plan was first proposed in March 2025. Revenue collection estimates also reflect the changes in tax rates adopted by City Council, including rate reductions for the Wage, Earnings, Net Profits and Business Income and Receipts (gross receipts and net income portions) Taxes in each year of the Plan, as well as an increase to the Realty Transfer Tax rate, a new exemption for affordable housing from the Construction Impact Tax, and a shift in Real Estate Tax millage to the School District starting in FY30.

Projected Tax Base and Revenue Growth Rates by Tax FY25-30

Tax		FY25 Est.	FY26	FY27	FY28	FY29	FY30
Wage	Base	5.19%	4.99%	4.27%	4.01%	3.79%	3.57%
	Revenue	5.83%	4.58%	4.06%	3.80%	3.39%	2.78%
Real Estate	Base	16.87%/11.21%	0.0%	6.00%/2.00%	3.00%	3.00%	3.00%
	Revenue	8.03%	3.87%	5.90%	3.58%	3.40%	2.11%
BIRT	Base	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Revenue	0.00%	6.79%	0.94%	0.36%	-1.33%	0.08%
RTT	Base	18.77%	18.14%	4.82%	6.66%	3.58%	3.62%
	Revenue	18.77%	18.14%	4.82%	6.66%	3.58%	3.62%
Sales	Base	1.75%	3.90%	3.87%	3.70%	3.64%	3.62%
	Revenue	2.44%	5.42%	5.30%	5.00%	4.86%	3.95%
Net Profits	Base	2.74%	1.41%	0.54%	3.54%	2.64%	2.64%
	Revenue	2.49%	-25.92%	-3.50%	0.23%	-1.01%	-1.17%
Amusement	Base	9.28%	6.42%	1.81%	2.40%	3.02%	2.70%
	Revenue	9.28%	6.42%	1.81%	2.40%	3.02%	2.70%
Beverage	Base	-5.50%	-2.00%	-1.04%	-0.93%	-1.50%	-1.56%
	Revenue	-5.50%	-2.00%	-1.04%	-0.93%	-1.50%	-1.56%

Note: Shaded cells indicate divergence between tax base and tax revenue growth assumptions, which can be due to rate changes, collection administration, changes in exemptions or abatements, and other factors.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for taxes in the FY26-30 Plan are reasonable and appropriate. The City's methods are consistent with prior years, and as shown in PICA's 2025 report Precision in Predictions: Evaluating Philadelphia's Tax Revenue Forecasts and Volatility, are typically accurate, particularly its largest tax streams – Wage and Real Estate Taxes – which are typically within three percent of actual results.

As part of the Plan review process, PICA engages an independent economic consultant, Professor Charles Swanson, to evaluate the reasonableness of the City's major tax revenue projections. Professor Swanson analyzed major taxes (Wage and Earnings, BIRT, Real Estate, Sales, Amusement, Realty Transfer, and Beverage) and developed forecasts for those tax revenues from FY26 through FY30. PICA's consultant considered national economic trends and federal policies, like increased tariffs, and their local impacts, as well as projections by large forecasting organizations, like the Congressional Budget Office (CBO), the Board of Governors of the Federal Reserve System (the Fed) and the International Monetary Fund (IMF).

Professor Swanson notes that GDP forecasts have changed significantly in the first half of 2025, as U.S. economic policy has changed. Current estimates for nominal GDP growth, which include real growth plus inflation, are expected to be about 4.5 percent in 2025 and then range from 3.8 percent to 4.0 percent for each year from 2026 to 2030.

Based on this analysis, PICA's consultant developed tax projections that are substantially similar to the City's, with the City's projections 0.3 percent ($71 million) higher than Professor Swanson's over the life of the Plan. Professor Swanson's view is that the methods by which the City obtained its revenue forecasts for the major taxes are reasonable, and that the estimates themselves are reasonable. The independently obtained numbers that are provided below are in some cases higher, and in some cases lower than those obtained by the City but are not sufficiently different as to indicate faulty methods or estimation procedures on the part of the City in its FY26-30 Five-Year Plan.

FY26-30 Tax Revenue Estimates ($000s)			
Tax	City's Estimate	Independent Analysis	City's Estimate as % of Independent Analysis
Wages and Earnings	$10,984,964	$10,937,996	100.4%
Real Estate	$5,123,574	$5,108,720	100.3%
BIRT	$3,645,644	$3,617,636	100.8%
Sales	$2,058,630	$2,030,675	101.4%
RTT	$1,789,689	$1,810,248	98.9%
Beverage	$314,844	$343,268	91.7%
Amusement	$248,517	$246,429	100.8%
Total	**$24,165,862**	**$24,094,972**	**100.3%**

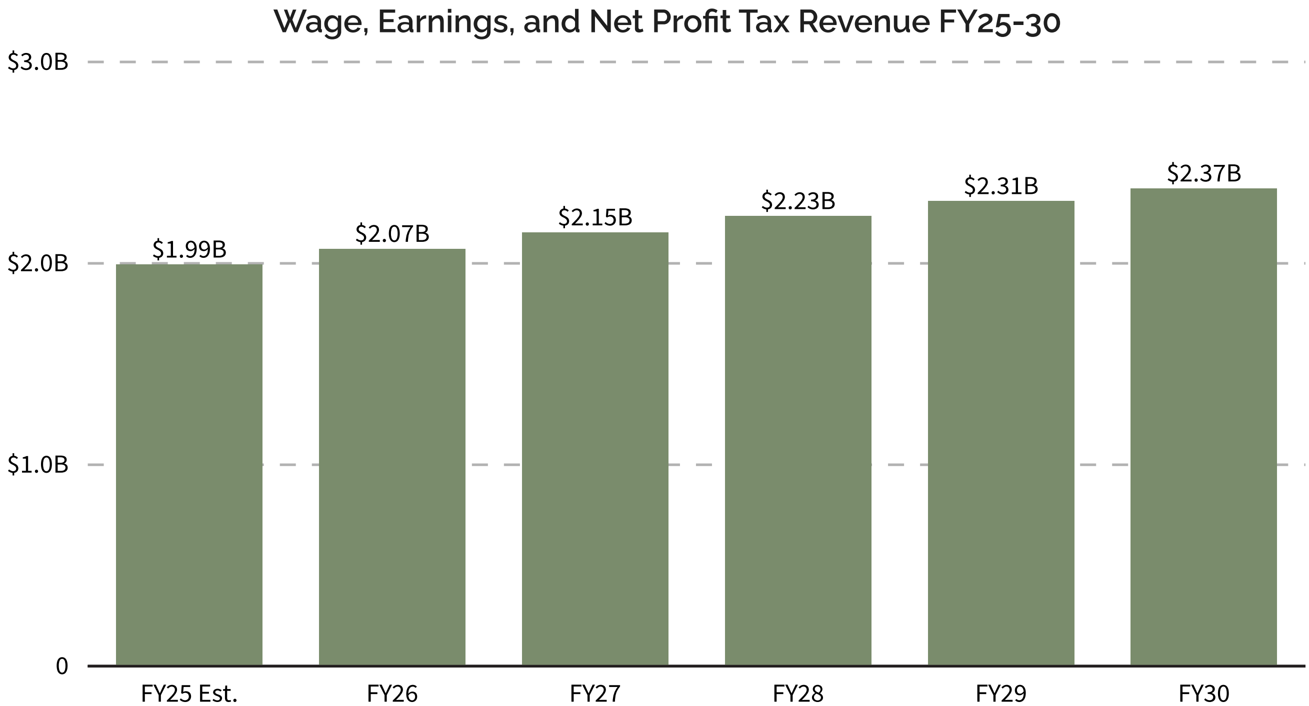
As required by the PICA Act, PICA also requested an examination of the Plan by the City Controller. The City Controller offered an opinion that the Plan's forecasts are in accordance with American Institute of Certified Public Accountants guidelines and that the underlying assumptions are reasonable. The Controller does raise concerns about operating deficits, erosion of the fund balance, and that estimates of labor costs are particularly sensitive due to uncertainty about upcoming union contracts.

Wage, Earnings, and Net Profits (Wage) Taxes

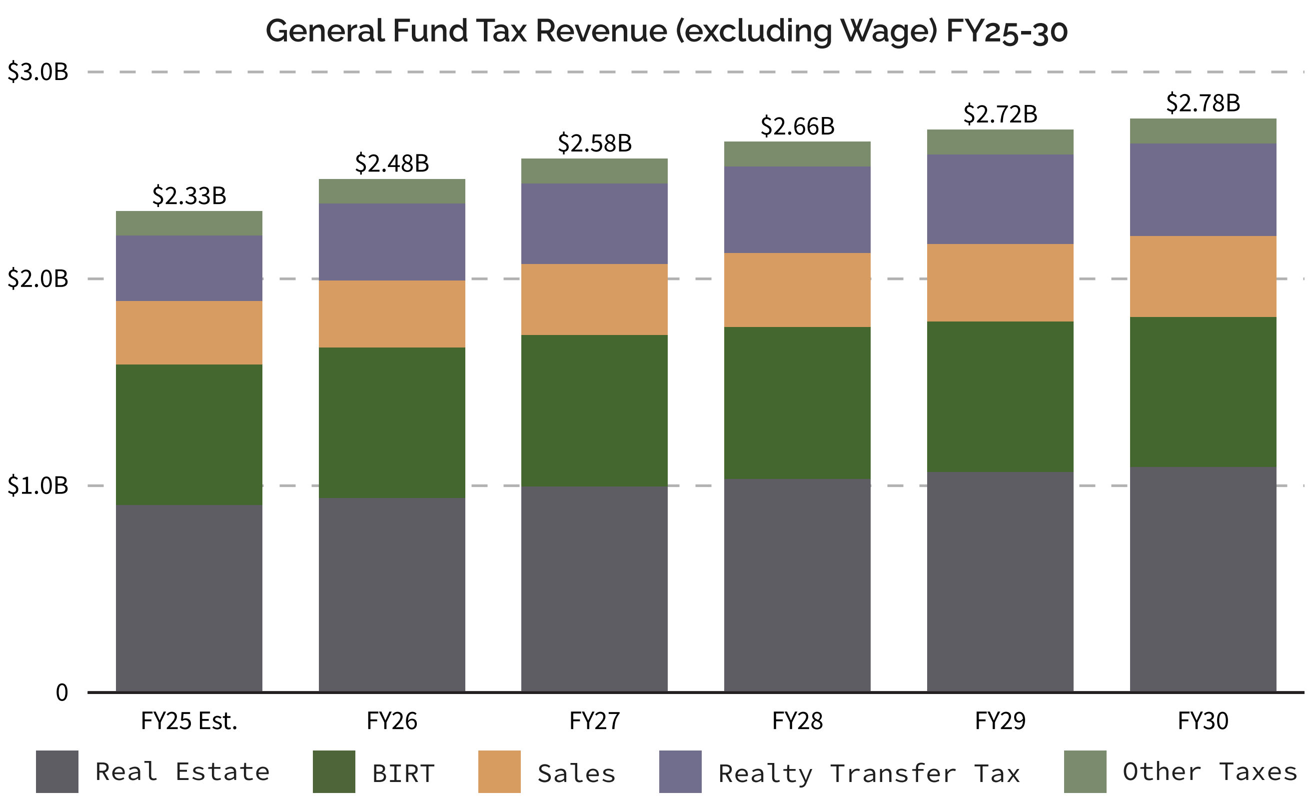
Wage, Earnings, and Net Profits (Wage) Tax Revenue ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
City Wage and Earnings	$1,950,278	$2,039,688	$2,122,570	$2,203,326	$2,278,029	$2,341,351
City Net Profits	$43,627	$32,321	$31,191	$31,263	$30,947	$30,586
City Wage, Earnings, and Net Profits	**$1,993,905**	**$2,072,009**	**$2,153,761**	**$2,234,589**	**$2,308,976**	**$2,371,937**

- **Percent of FY26-30 General Fund Revenues:** 33.5%
- **Compound Annual Growth Rate FY26-30:** 3.4% for Wage, Earnings, and Net Profits
    - 3.5% growth for Wage and Earnings
    - 1.4% decline for Net Profits
- **Changes:** In each year of the FY26-30 Plan there are rate reductions for the resident and non-resident Wage, Earnings, and Net Profits Taxes. Rates will go from 3.44 percent in FY25 to 3.39 percent in FY30 for non-residents, and from 3.75 percent in FY25 for residents to 3.70 percent in FY30.

The City estimates $1.99 billion collected in Wage, Earnings, and Net Profits Taxes in FY25. In FY26, the City projects these tax revenues to increase by 3.9 percent to $2.07 billion. Over the Plan period, Wage, Earnings, and Net Profits revenues are expected to grow at a compound annual rate of 3.4 percent to reach $2.37 billion in FY30. This growth is driven primarily by earned income growth anticipated throughout the Plan period. The decline in Net Profits revenues reflects the repeal of the Business Income and Receipts Tax (BIRT) filing exemption for businesses with gross receipts under $100,000. Taxpayers that are liable for both BIRT and Net Profits receive a credit equal to 60 percent of their BIRT liability against their Net Profits liability. The repeal of the exemption will increase the number of filers that can apply BIRT credits against Net Profits liabilities.



PICA's economic consultant examined the link between past Wage Tax collections experience with U.S. aggregate income levels, finding that Philadelphia typically has fallen more than nominal U.S. GDP during downturns and that while recovery periods were similar, Philadelphia experiences some additional fluctuations. Overlaying those trends onto forecasts for future national income growth and inflation, Professor Swanson's estimates for the Wage Tax are slightly lower than the City's in each year of the Plan, with a total difference of $47 million (0.4 percent).



Real Estate Tax

Real Estate Tax Revenue ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Real Estate	$905,363	$940,428	$995,879	$1,031,506	$1,066,607	$1,089,154

- **Percent of FY26-30 General Fund Revenues:** 15.4%
- **Compound Annual Growth Rate FY26-30:** 3.7%
- **Changes:** No changes in the overall rate paid by property owners, but in FY30 the share that goes to the School District will increase.

The City produces Real Estate Tax projections internally, as Real Estate Tax revenues are based on assessments of property value conducted by the Office of Property Assessment. This process starts with the City's mass appraisal of property values and incorporates assumptions about the growth rate of taxable assessed value, including residential and commercial properties. Other factors influencing the projections include new construction, rehabilitated properties returning from abatement, homestead exemptions, Longtime Owner Occupant Program (LOOP) discounts, Tax Increment Financing (TIF) districts, the Senior Citizen Tax Freeze program, and other programs like the new Low-Income Tax Freeze. When properties return from abatement in both residential and commercial categories, the previously abated assessed value becomes taxable, thereby increasing the taxable assessed value base for the Real Estate Tax. Additionally, delinquent collections from enforcement initiatives are reflected, as well as assumptions about current collection rates.

The FY26-30 Plan includes a shift in the share of the Real Estate Tax that goes to the School District, increasing from 56 percent to 56.5 percent starting in FY30. This change is projected to generate about $12 million in additional revenue annually for the School District, starting in FY30.

Projected at $940 million in collections for the City in FY26, revenue from this tax is expected to grow by 3.9 percent over FY25. The City anticipates FY27 collections to be $996 million, 5.9 percent more than FY26. For the later years of the Plan, the City assumes continued growth but at lower levels.

PICA's economic consultant's estimate of Real Estate Tax revenue is very similar to the City's, with a slightly lower estimate. The small difference, $12 million (0.3 percent) less over five years, reflects differences in expected collections rates and appeal losses.

Business Income and Receipts Tax (BIRT)

Business Income and Receipts Tax Revenue ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
BIRT	$679,751	$725,920	$732,716	$735,335	$725,544	$726,129

- **Percent of FY26-30 General Fund Revenues:** 11.0%
- **Compound Annual Growth Rate FY26-30:** 0.0%
- **Changes:** Reductions in Net Income and Gross Receipts rates in each year of the Plan. Elimination of the $100,000 exemption.

The Business Income and Receipts Tax (BIRT) is challenging to project for several reasons. Many firms subject to the tax receive rebates after filing if their actual tax bill differs from the initial filing, preventing the City from determining the total rebate amount until the fiscal year ends. Projections are also complicated by the need to anticipate corporate earnings, which form the tax base and are more volatile than wage earnings. Additionally, estimating the amount of net operating loss businesses will apply to a given year's tax liability is difficult to anticipate. BIRT revenue is also influenced by business activities outside the City conducted by companies with some operations in Philadelphia. Consequently, national business activity interacts with local activity and the local tax structure, creating a complex revenue stream.

In FY25, BIRT revenue totaled an estimated $680 million. Collections for FY26 are expected to grow by 6.8 percent, to $726 million, primarily due to the end of the $100,000 exemption. In all years of the FY26-30 Plan, S&P GMI has projected zero growth in the BIRT tax base due to historic volatility and current economic uncertainty, however this excludes the impact of repealing the $100,000 exemption, which is accounted for separately in revenue estimates. BIRT revenues are projected to be generally flat over the FY26-30 Plan once the impact of the end of the $100,000 exemption is incorporated, with slight declines due to reduced tax rates being offset with improved collections related to the end of the exemption.

Professor Swanson's estimate for the Business Income and Receipts Tax is $19 million (0.4 percent) lower than the City's for the FY26-30 period. The estimate reflects the close but imperfect relationship between national profits and Philadelphia's net income tax base. The independent analysis notes that the historically difficult to predict BIRT may be even more challenging to estimate in the coming years as the end of the $100,000 exemption is a major change.

Realty Transfer Tax (RTT)

Realty Transfer Tax Revenue ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Realty Transfer	$315,446	$372,657	$390,619	$416,634	$431,549	$447,171

- **Percent of FY26-30 General Fund Revenues:** 6.2%
- **Compound Annual Growth Rate FY26-30:** 4.7%
- **Changes:** Rate increase in FY26 to 3.578%, up from 3.278% for the City portion.

This revenue stream, with growth rates projected by S&P GMI, 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, interest rates, and other factors.

Estimated at $315 million in FY25, this tax is expected to grow 18.1 percent to $373 million in FY26. The RTT is expected to exhibit continued growth over the Plan, but at a lower level, ranging from 3.6 to 6.7 percent. FY30 collections are estimated to reach a Plan-high of $447 million, which is below the recent high of $537 million in FY22.

Professor Swanson, incorporating national growth projections from the National Association of Realtors, expects Realty Transfer Tax collections to be $28 million (1.4 percent) less than the City's projections over the Plan.

Sales Tax

Sales Tax Revenue ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Sales	$307,354	$324,019	$341,204	$358,268	$375,678	$390,520

- **Percent of FY26-30 General Fund Revenues:** 5.4%
- **Compound Annual Growth Rate FY26-30:** 4.8%
- **Changes:** None.

Sales Tax estimates are developed by S&P GMI using consumer activity trends and the impact of inflation on consumers. Estimated at $307 million in FY25, this tax is expected to grow by 5.4 percent to reach $324 million in FY26. The City expects strong Sales Tax revenue growth throughout the Plan. At 4.8 percent, the compound annual growth rate for Sales Tax over the five-year period is expected to outperform all other taxes. Higher growth is expected in the earlier years of the Plan, with 5.4 and 5.3 percent growth expected in FY26 and FY27, respectively. Sales Tax growth is expected to slow from 5.0 percent in FY28 down to 4.0 percent in FY30. Overall, Sales Tax revenue is projected to grow by about $67 million over the Plan to $391 million in FY30.

The independent analysis by Professor Swanson results in a higher Sales Tax projection by $21 million (1.1 percent) compared to the City's estimate and aligns with the Congressional Budget Office forecasts for nominal GDP growth, which incorporate the effect of inflation.

Other Taxes

Revenue from Other Taxes ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Beverage	$65,749	$64,434	$63,764	$63,171	$62,223	$61,252
Amusement	$44,586	$47,448	$48,307	$49,466	$50,960	$52,336
All Other	$8,188	$8,267	$8,322	$8,384	$8,440	$8,485
Total Other Taxes	**$118,523**	**$120,149**	**$120,393**	**$121,021**	**$121,623**	**$122,073**

- **Percent of FY26-30 General Fund Revenues:** 1.8%
- **Compound Annual Growth Rates FY26-30:**
    - 1.3% decline for Beverage
    - 2.5% growth for Amusement
    - 0.7% growth for All Other Taxes
- **Changes:** Affordable housing development will be exempted from the Construction Impact Tax beginning in FY26.

The taxes included in this category are the Philadelphia Beverage Tax (PBT), Amusement Tax, Tobacco Tax, Construction Impact Tax (CIT), and others. Amusement Tax and PBT revenues are the majority of this category (93.1 percent), and growth rates are projected by S&P GMI, while the much smaller taxes are estimated internally. Projections for FY26 show 1.4 percent increase in Other Tax Revenue from $119 million in FY25 to $120 million in FY26. The City projects this category to grow at a minimal rate, no more than 0.5 percent in any single year throughout the Five-Year Plan period. The modest growth rates reflect a reduction in Philadelphia Beverage Tax revenue, which is expected to decline due to changes in consumption patterns for sweetened drinks. The Amusement Tax is projected to grow to $47 million in FY26, which is $3 million more than the FY25 estimate. This tax is projected to grow from $48 million in FY27 to $52 million in FY30, at a compound annual rate of 2.5%. Other taxes, including the Construction Impact Tax (CIT), and Smokeless Tobacco Taxes are estimated to generate $8 million in FY25 with modest growth in each year of the Plan, even after accounting for the new exemption to the CIT for affordable housing.

PICA's economic consultant's estimate for the Amusement Tax is similar to the City's, with just a $2 million difference over five years. Professor Swanson's projection for the Beverage Tax is more optimistic than the City's by $28 million over the Plan, with the expectation that the events that will drive Amusement Tax collections, like the 2026 World Cup and Major League Baseball All-Star Game, will have a positive impact on Beverage Tax collections.

Locally Generated Non-Tax Revenue

Locally Generated Non-Tax Revenue ($000s)						
Tax	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Fire	$77,050	$87,050	$87,050	$87,050	$87,050	$87,050
L&I	$80,755	$83,825	$87,795	$87,795	$91,995	$91,995
Public Health	$30,755	$31,755	$31,755	$51,827	$52,607	$53,487
Sanitation	$25,161	$24,735	$24,735	$24,735	$24,735	$24,735
First Judicial District	$24,035	$24,265	$24,265	$24,265	$24,265	$24,265
Finance	$46,270	$20,210	$20,610	$21,300	$22,030	$22,790
Records	$15,795	$16,995	$16,995	$16,995	$16,995	$16,995
Office of Innovation and Technology	$14,242	$12,823	$11,541	$10,387	$9,349	$8,415
Sheriff	$2,771	$12,596	$12,596	$12,596	$12,596	$12,596
Chief Administrative Officer	$7,355	$7,355	$7,355	$7,355	$7,355	$7,355
All Other Departments	$136,536	$88,831	$64,927	$93,284	$46,832	$48,340
Total	**$460,725**	**$410,440**	**$389,624**	**$437,589**	**$395,809**	**$398,023**

Locally Generated Non-Tax (LGNT) Revenue is projected to generate $2.03 billion over the life of the Plan, with $410 million expected to be collected in FY26, a $50 million decrease from the FY25 estimate. The FY26-30 Five-Year Plan projects LGNT revenue to decrease again in FY27 by $21 million to $390 million and then increase in FY28 (due to planned City asset sales and increases in payments for patient care), before dropping in FY29 to an estimated $396 million before increasing in FY30 to an estimated $398 million. The FY26 decrease can mostly be attributed to lower interest earnings as cash balances in the City's accounts are projected to decline.

Over the FY26-30 Plan, significant revenue increases are anticipated in Public Health, Public Property, and Licenses and Inspections. Payments for patient care to the Department of Public Health are expected to increase from $18 million in FY27 to $38 million to $40 million in FY28-FY30 as new health centers open and capacity is expanded. The lease and sale of assets are estimated to generate a minimal $50,000 from FY26-FY30, except in FY28, when $40 million is expected, with properties like 500 S. Broad and the Medical Examiner's Building planned to be sold. LGNT revenues from the Department of Licenses and Inspections are projected to increase from $84 million in FY26 to $92 million in FY30. These permit and license revenues are particularly sensitive to economic conditions and the vitality of the real estate market.

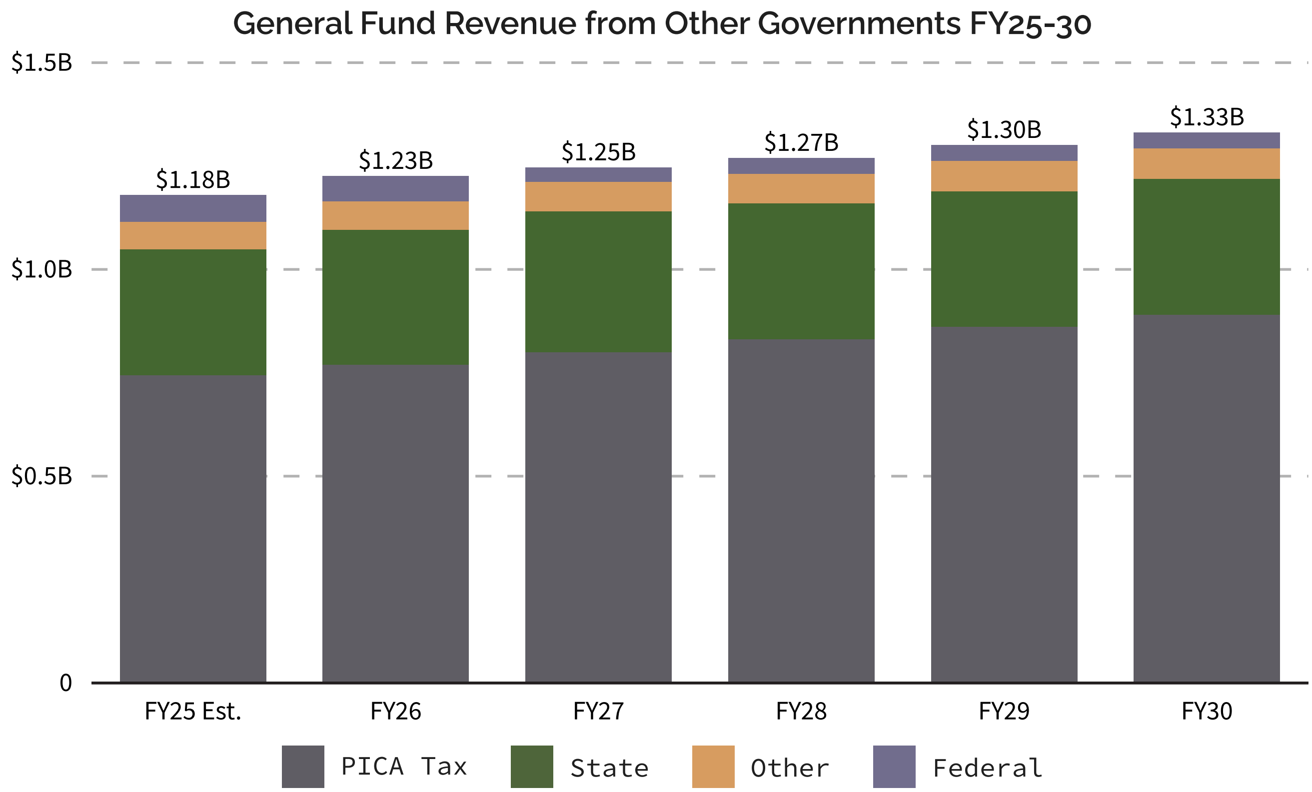
Assumptions and Methods of Estimation

The City formulates its LGNT revenue projections based on trends in historical data, planned changes in fee and fine rates and administration, and anticipated asset sales. It also examines zoning data and real estate market activity to anticipate the volume of license and permit activity for departments like Planning and Development and Licenses and Inspections.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Locally Generated Non-Tax revenue sources in the FY26-30 Plan are reasonable and appropriate. Overall, FY30 LGNT revenues are projected to bring in three percent less than in FY26, with increases and decreases in the intervening years. It is prudent that the City doesn't anticipate interest earnings being generated at the same level as in recent years as cash holdings are expected to be drawn down. Anticipated increases from expanded Public Health Centers' capacity are tied to development of new sites already underway that can reasonably be expected to be completed, but changes in Medicaid allocations could lead to a higher proportion of uninsured patients and/or lower reimbursement rates. Implementation impacts and timing are not yet known. Proceeds from asset sales, estimated at $40 million in FY28, are for properties that the City owns but does not need for their prior purposes and have committed buyers or strong candidates for buyers.

Revenue from Other Governments



The City projects a total of $6.37 billion in Revenue from Other Governments (ROG) over the FY26-30 Five-Year Plan, representing 19.2 percent of all General Fund revenues. ROG is projected to grow at a compound annual rate of 2.1 percent over the life of the Plan, from $1.23 billion in FY26 to $1.33 billion in FY30. Most of the $105 million increase in ROG projected through the Plan is attributable to growth in the PICA Tax aligned with growth projections for the Wage Tax, with expectations for state funds to be flat, and federal funds to decline.
The City groups ROG into three main categories: federal, state, and other. The $212 million in federal funds included in this Plan for the General Fund is primarily (87 percent) for reimbursement of public health medical expenses. Federal funds, direct and passed through the Commonwealth, are a significant revenue source for many of the City's funds that are not covered by the PICA Act.

Of the $1.65 billion expected from the state, the largest portion (45.5 percent) of state revenue included in the Plan is $752 million in Wage Tax relief funding, with $516 million in pension aid (31.3 percent) the second largest source. Additional sources of state revenue include the local share of Commonwealth gaming revenues, court and probation related reimbursements, police training reimbursement, and utility tax refunds. The Plan also includes one-time funding of $15 million from the Commonwealth of Pennsylvania for 2026 events in FY27. Medical expense reimbursements are about 11 percent of Commonwealth funds.

Aside from state and federal funds, there is $4.51 billion from other governments included in the Plan, of which $4.15 billion is projected PICA Tax revenue. Any revenues in excess of PICA's debt service and operating requirements are sent to the City's General Fund. With no PICA bonds outstanding in the FY26-30 Plan, nearly all PICA Tax revenue will pass through to the

City. Philadelphia Parking Authority (PPA) revenue from violations and fines ($259 million) and rental payments ($90 million) from Philadelphia Gas Works (PGW) are the remaining two significant sources of revenue from other governments.

Assumptions and Methods of Estimation

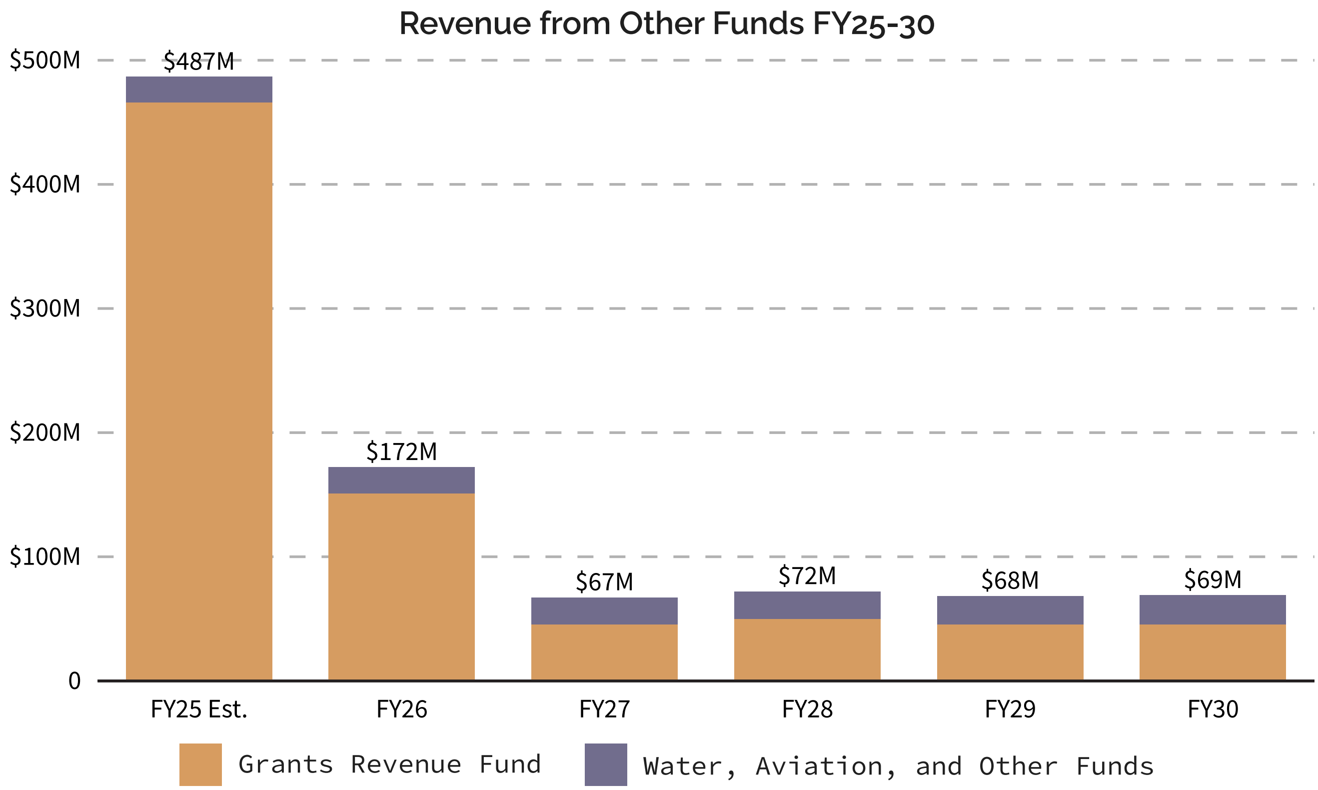
The PICA Act provides standards for estimation of federal and state revenue. Each set of estimates should be based on historical patterns, currently available levels, or a proposed budget from the President, Congress, or the Governor. PICA Tax revenue estimates are provided by the City's economists because the PICA Tax is subject to the same dynamics as the City's Wage Tax. Wage Tax relief amounts, planned to increase by $20 million to $150 million, have been provided by the Commonwealth. Estimates for pension aid match the FY25 estimate for each year in the Plan. Philadelphia Parking Authority revenues are projected based on moderate growth estimates for PPA revenues, increased rates adopted by City Council, and the revenue sharing threshold between PPA and the City determined by state legislation. The PGW rental amount is based on the terms of a long-standing legal agreement for PGW's use of City-owned assets.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Revenue from Other Governments in the FY26-30 Plan are reasonable and appropriate. The PICA Tax projections, 65 percent of all Revenue from Other Governments, are in line with estimates for the City's Wage Tax produced by the City's economists and confirmed by PICA's external economic consultant. State revenues, accounting for 26 percent of this revenue stream, show increases from Wage Tax relief and for 2026 events that have been confirmed despite the state budget still pending as of July 15th and are otherwise generally flat. Increases in PPA revenues reflect rate increases in FY26, with modest growth in the out years and the $18 million payment from PGW has been made consistently for many years.

Of concern is that more than $180 million of the City's anticipated General Fund revenue from FY26 to FY30 is expected to come from federal Medicare and Medicaid reimbursements for health services provided by the City. The Plan assumes an increase in these funds in the outyears of the Plan, coinciding with the opening of new health centers that increase capacity. The revenue estimates have not been adjusted since the signing into law of President Trump's One Big Beautiful Bill. Pennsylvania Governor Shapiro estimates that more than 50,000 Philadelphians will lose their health insurance. With nearly 700,000 Philadelphians relying on public sources of health insurance, according to the Census' 2023 American Community Survey, this could mean significant reductions in reimbursements for care at City Health Centers. At 0.6 percent of the anticipated General Fund revenues, even total elimination of these reimbursements would not meet the five percent revenue loss threshold in the PICA Act to trigger a Plan revision. Low fund balances in the later years of the Plan could require adjustments elsewhere in the budget to offset reductions from this source.

Revenue from Other Funds



Revenue from Other Funds (ROF) is expected to account for just 1.4 percent of all General Fund revenues through the FY26-30 Five-Year Plan. This is a notable change from recent years, when $1.4 billion in federal American Rescue Plan dollars made its way into the General Fund as Revenue from Other Funds by way of the Grants Fund. The last vestige of these dollars will be $87 million in interest earnings on the ARP proceeds transferred from the Grants Fund to the General Fund in FY26.

In the coming years, the largest source of ROF included in the Plan is $238 million in 911 surcharge revenue from FY26-30 that flows through the Grants Revenue Fund. This revenue stream is projected at $60 million in FY26 and $45 million annually for FY27-30. These funds must be spent on technology to maintain and enhance the City's 911 system and reimbursement for 911 staff salaries. FY26 includes some one-time revenues to cover the costs of non-recurring maintenance and upgrades to the 911 system. Through the FY26-30 Five-Year Plan, ROF also includes a total of $87 million for payments from the Water and Aviation Funds for services provided by the General Fund and interest earnings of the Water Fund's Sinking Fund.

Assumptions and Methods of Estimation

To determine the amount of ROF included in the Plan, typically the City evaluates the cost of services provided by the General Fund to other funds in prior years and adjusts for known changes in scope or costs. Interest earnings from American Rescue Plan (ARP) funds have accrued since the City received its ARP allocation in FY21. Funds from ARP were used as revenue replacement, and accrued interest prior to their expenditure ahead of the December 31, 2024 deadline for obligation. Interest earnings included in the FY26-30 Plan are a one-time revenue source available only in FY26.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Revenue from Other Funds in the FY26-30 Plan are reasonable and appropriate. Aside from the last interest earnings on ARP funds anticipated in FY26, the FY26-30 projections for Revenues from Other Funds mark a return to pre-COVID trends and levels. Funds associated with the 911 surcharge are not expended unless received and there is clear guidance from the Pennsylvania Emergency Management Agency explaining how funds are disbursed and allowable uses, making any deviations in this larger revenue stream within Revenue from Other Funds less impactful on the overall finances of the City.

Photo credit: Adobe Stock

Housing Trust Fund Revenue

Housing Trust Fund Revenue ($000s)						
Source	FY25 Est.	FY26	FY27	FY28	FY29	FY30
General Fund Contribution	$31,391	$33,753	$33,451	$33,704	$34,279	$34,238
Document Recording Fees	$11,055	$11,355	$11,355	$11,355	$11,355	$11,355
Interest Earnings	$4,690	$5,060	$5,060	$5,060	$5,060	$5,060
Zoning Permits	$960	$660	$660	$660	$660	$660
Total	**$48,096**	**$50,828**	**$50,526**	**$50,779**	**$51,354**	**$51,313**

Document Recording Fee proceeds were the first dedicated source of revenue for the Housing Trust Fund. In FY19, the City began making contributions to the HTF from the General Fund. After a voter-approved change to Philadelphia's Home Rule Charter in FY22, the City is now required to send 0.5 percent of General Fund expenditures to the Housing Trust Fund. In May 2025, Philadelphia voters approved another change to the Home Rule Charter, requiring additional contributions to the Housing Trust Fund equal to the amount of money developers pay the City each year for zoning benefits.

Total HTF revenues in the FY26-30 Five-Year Plan are projected to be $255 million, with minimal growth over the Plan period, from $50.8 million in FY26 to $51.3 million in FY30. In FY26, 66.4 percent of revenue comes from contributions from the General Fund, while 33.6 percent comes from Locally Generated Non-Tax (LGNT) Revenues such as document recording fees, interest earnings, zoning permits, and other LGNT sources.

The assumptions and methods of estimation for revenue for the Housing Trust Fund in the FY26-30 Plan are reasonable and appropriate. The Housing Trust Fund revenue from the General Fund contributions match the amounts allocated in the General Fund, although the Administration has shared that the calculations in the General Fund contained a small error. The Administration has indicated to PICA that there are sufficient Class 800 appropriations in the General Fund to ensure the Charter-required half percent of the General Fund is allocated to the Housing Trust Fund. The City projects a $370,000 increase to $17.1 million of LGNT revenues in FY26 from increases in interest earnings and document recording fees. The increases stem from raising the price of document recording, high cash balances, and rising interest rates. LGNT revenues for the Housing Trust Fund are projected to be flat over the life of the Plan, a conservative assumption given past trends of growth and expectations for increased real estate activity.

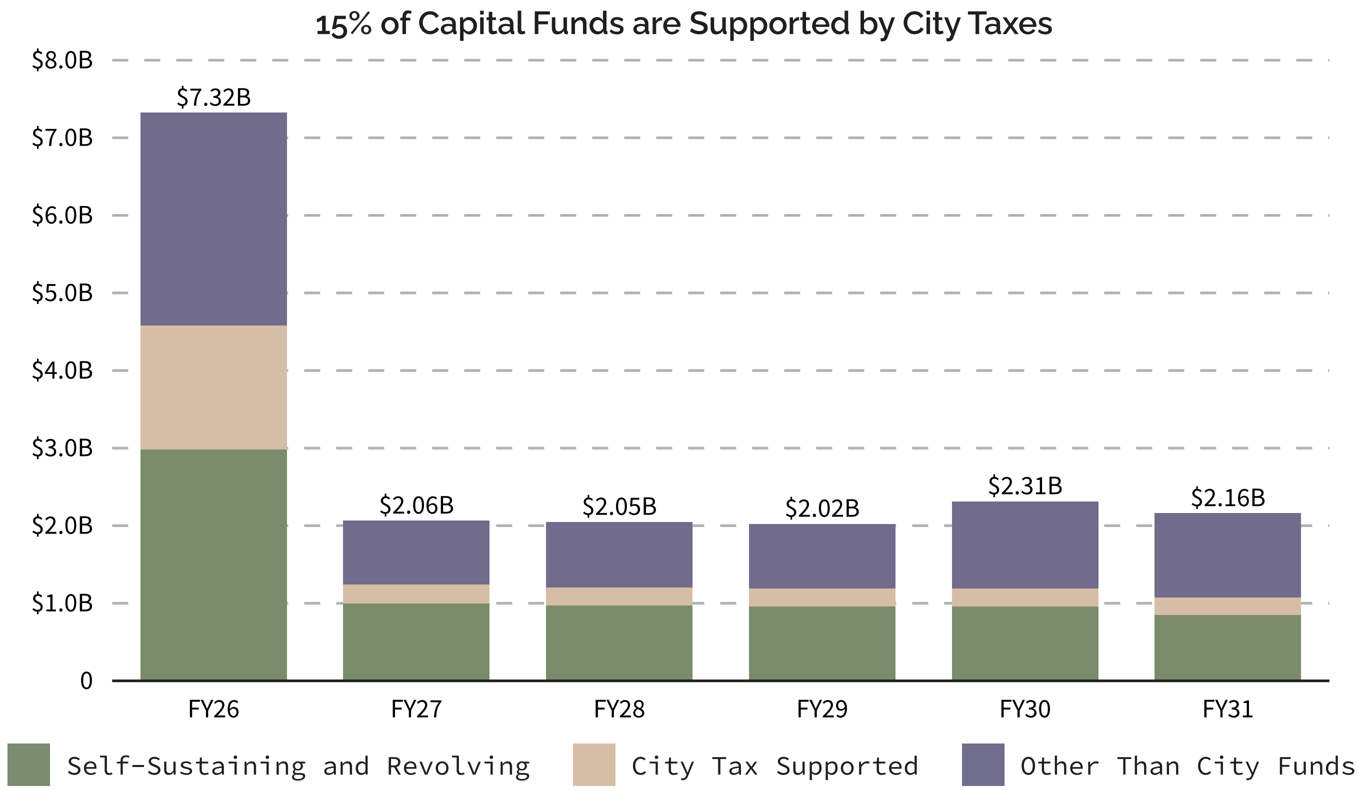
Transportation Fund Revenue

Transportation Fund Revenue ($000s)						
Source	**FY25 Est.**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**
Parking Tax	$111,042	$115,795	$119,257	$122,644	$125,465	$128,050
Locally Generated Non-Tax	$16,765	$14,840	$15,280	$15,280	$15,280	$15,280
Revenue from Other Governments	$3,581	$3,325	$3,325	$3,325	$3,325	$3,325
Total	**$131,388**	**$133,960**	**$137,862**	**141,249**	**$144,070**	**$146,655**

The revenues for the Transportation Fund are generated by the Parking Tax (including the Valet Parking Tax), plus certain fees generated by transportation-related permits and charges, and grants. Over the FY26-30 Plan, the Transportation Fund is expected to collect $704 million, with $611 million (87 percent) coming from the Parking Tax. This revenue source is projected to grow by 4.3 percent in FY26, with growth rates declining from 3.0 percent to 2.1 percent from FY27-30. Locally Generated Non-Tax funds, from right-of-way fees, street permits, and survey charges will generate about $15 million each year, and $3.3 million is expected annually from state and federal grants, with the bulk of those dollars from the Commonwealth of Pennsylvania for snow removal.

The assumptions and methods of estimation for Transportation Fund revenues in the FY26-30 Five-Year Plan are reasonable and appropriate. Estimates for LGNT and Revenue from Other Governments are generally consistent with past trends. Parking Tax estimates by PICA's independent economic consultant are slightly higher than the City's by $7.4 million (1.2 percent) over the Plan, based on concerns that reductions in SEPTA service may lead to more driving and demand for parking.

Capital Fund Sources



The FY26-31 Capital Program authorizes $17.93 billion in capital investments over six years, with $7.32 billion (41 percent) in the first year. This scale is larger than the FY25-30 Capital Program, which anticipated $6.23 billion in the first year and $16.35 billion over six years. The concentration of funds in the first year of the Program reflects pre-financed loans and the carrying forward of previously approved funds that have not yet been spent. In FY26, 54 percent of the $7.32 billion was previously authorized and appropriated.

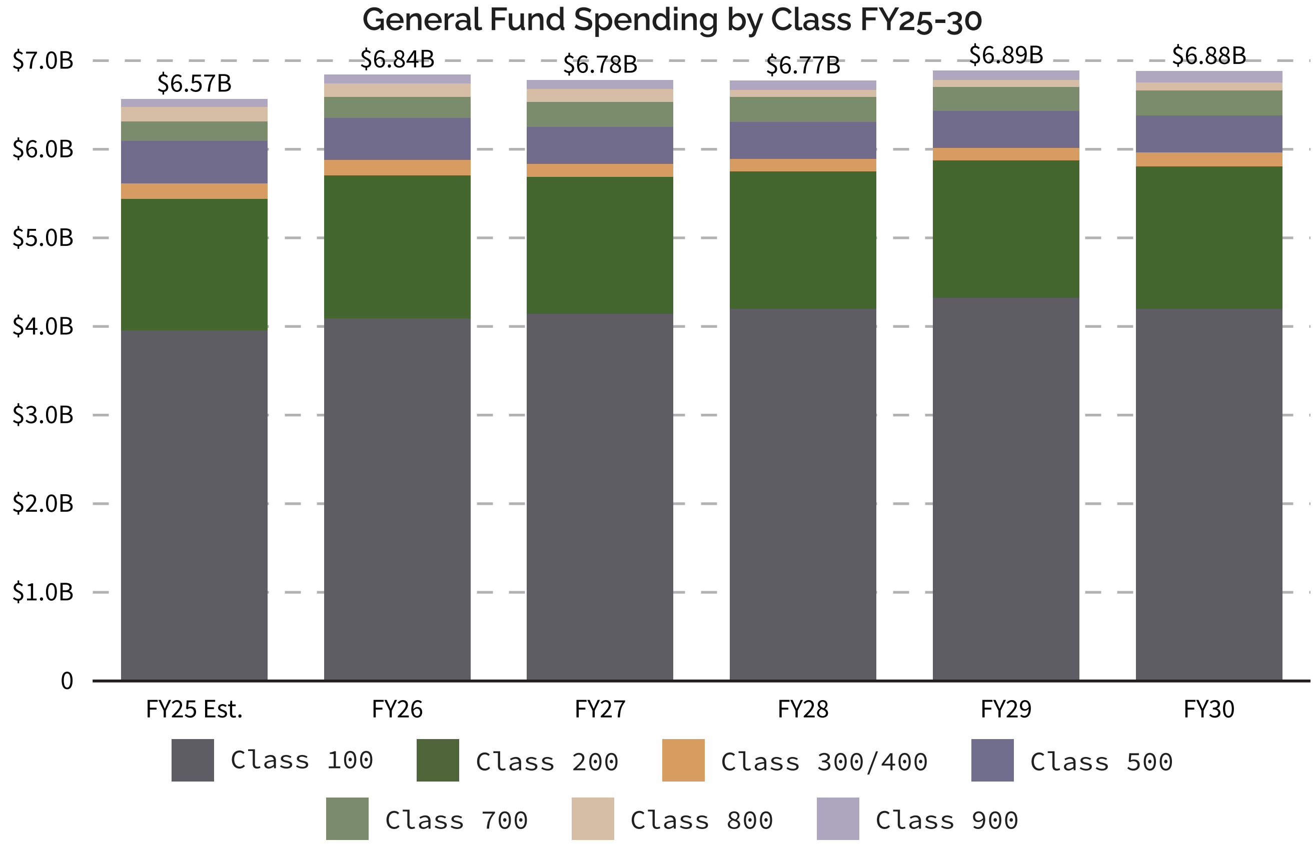
Nearly 42 percent of the Capital Budget and Program resources are expected to be derived from the City's enterprise funds, Water and Aviation. Revenues from those operations are used to fund the capital investments for water and wastewater facilities and at the airports, respectively. A similar amount of funding ($7.46 billion) is expected to come from non-local sources, with approximately $3.2 billion each from the state and federal governments, as well as smaller amounts from private sources and other governments, much of this having been previously awarded but not yet spent. The City's expectation for future new federal funding is for declining awards in each year of the Program and begins with the assumption of $358 million in FY26 and less than $150 million in FY31, however updates are made closer to each budget year to reflect adjusted expectations. The Program also tracks funding budgeted and managed by SEPTA, where expectations for federal funding are more optimistic, with FY30 and FY31 predicted to result in allocations over $200 million, compared to the $180 million anticipated in FY26. Expectations for new state allocations to the Capital Fund are less variable but also do not predict increases over FY26 for the Capital Fund in any subsequent year. Expectations for state capital funding to SEPTA include a decline in funding in FY27, from $379 million in FY26 down to just under $300 million, followed by annual increases through FY31 when it is expected that nearly $474 million of state funds will be available for SEPTA's capital needs.

Over the course of the FY26-31 Capital Program, $1.51 billion in new borrowing for capital projects has been authorized and once borrowed, will need to be repaid from the General Fund, beginning with $379 million authorized for FY26. Outyear authorizations range from $221 million to $232 million per year. To support infrastructure investments, the City has approved $615 million of operating revenue and more than $610 million in previously authorized loans.

The assumptions and methods of estimation for revenue for the Capital Fund in the FY26-30 Plan are reasonable and appropriate. Future year federal funding levels are harder to predict and are responsibly estimated to decline for funds managed and budgeted by the City. With more than half of the Capital Budget's funding representing carried forward and prefinanced funds, the availability of those funds can be relied upon with a high degree of confidence. New, self-sustaining funds for use by Aviation and Water are consistent with past levels and while new City Tax Supported loans are at the highest level ever in FY26, the new borrowing keeps the City within its constitutional debt limit, adheres to its more restrictive debt policy, and the funds to repay borrowing authorized for FY26 are budgeted for within the City's General Fund. The increasing size of the Capital Program, deemed "hefty" by Moody's rating agency, should be monitored to ensure it doesn't create unsustainable pressure on the General Fund over time.

Spending

General Fund Spending



The PICA Act requires expenditure estimates in the City's Five-Year Plan to be "based on reasonable and appropriate assumptions and methods of estimation." The development of the spending side of the Five-Year Plan is guided by evaluation of costs for existing operations, changes in services driven by the Mayor's policy priorities, understanding of fixed costs, and external cost drivers.

General Fund spending is projected to total $34.17 billion over the FY26-30 Plan. FY26 spending is estimated to grow 4.2 percent over FY25, with spending projected to decline by 0.9 percent in FY27 and 0.1 percent in FY28. Fiscal Year 2029 spending will increase by 1.7 percent, primarily reflecting a balloon payment for the City's Pension Obligation Bonds (POB). To offset the impact of that balloon payment, the City has structured certain other spending, including debt service for conduit borrowings, to avoid FY29. Spending is expected to decline by a tenth of a percent in FY30, with increased spending on professional services and non-POB debt service while pension costs are reduced. Spending in the last year of the Plan, FY30, is expected to be 0.6 percent higher than in the first year of the Plan, FY26, with compound annual growth of 0.1 percent, significantly lower than the compound annual growth of 5.6 percent in the preceding 10 years. Even when setting aside the impact of reduced POB debt service requirements, compound annual growth as included in the Plan only comes to 1.6

percent. With the most recent Survey of Professional Forecasters from the Federal Reserve Bank of Philadelphia indicating long-term annual inflation at 2.35 percent, it would seem that Philadelphia may struggle to keep up with inflation, but there are some mitigating factors. The less robust growth in operating costs compared to prior spending growth and inflation expectations may be attributed to the Administration's signature programs, the Wellness Initiative and the H.O.M.E. Initiative, being funded in ways that reduce the impact on the General Fund from FY26 to FY30. That includes using borrowed funds which will amortize eligible costs over a longer period of time, allocating costs to quasi-governmental agencies like the Philadelphia Redevelopment Authority and other funds, like the Housing Trust Fund, and utilizing opioid settlement dollars and Capital Pay-As-You-Go (PAYGO) funds appropriated before FY26. The reduced spending growth in the FY26-30 Plan also reflects the end of American Rescue Plan funding, which bolstered the City's budget and spending during the recovery from the economic impacts of the COVID-19 pandemic. Additionally, the FY26-30 Plan is somewhat front-loaded with non-recurring costs early in the Plan, which creates space in later years for inflation-related increases for ongoing expenditures.

Percent Change in General Fund Spending				
FY26	FY27	FY28	FY29	FY30
4.2%	-0.9%	-0.1%	1.7%	-0.1%

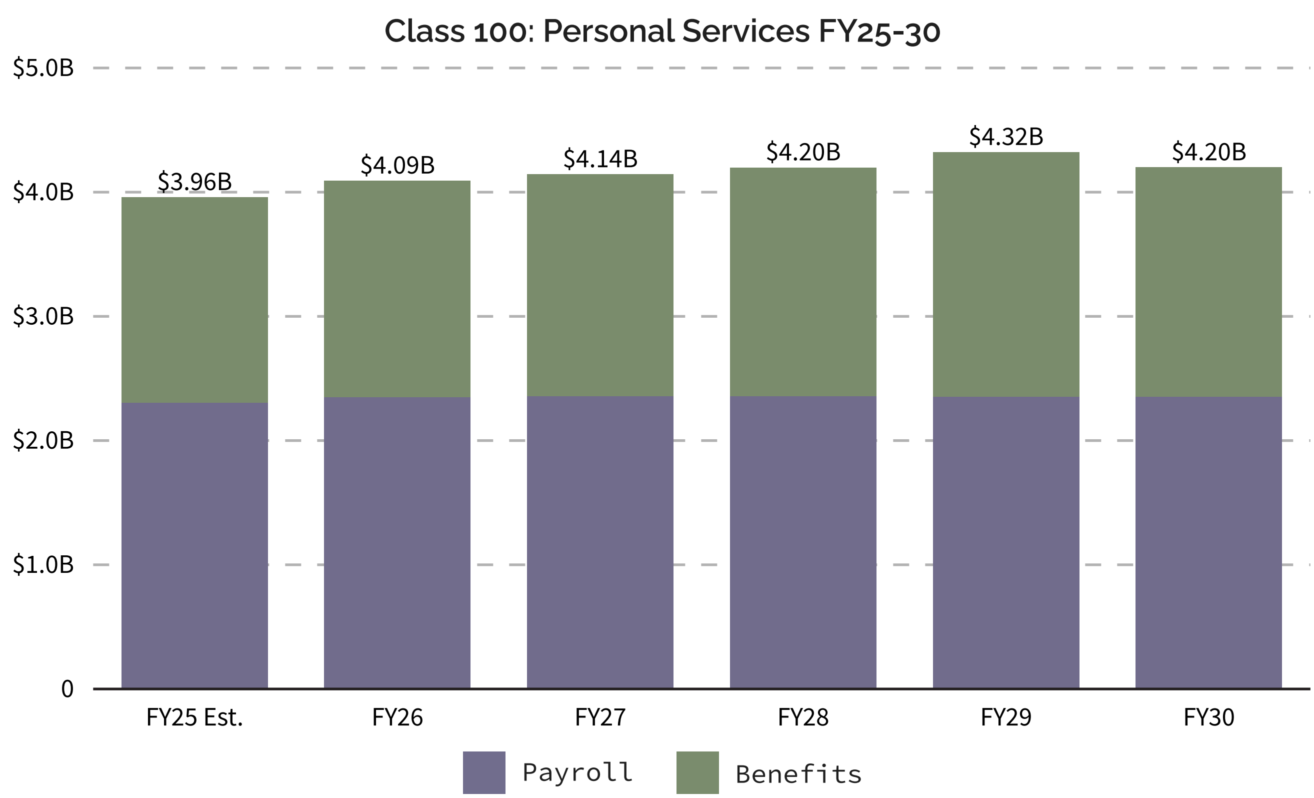
General Fund expenditures are organized into categories, called classes, to track spending for different purposes, as required by the City Charter. Spending on personnel and employee benefits (Class 100) is the largest share of planned General Fund spending, at 59.8 percent of all General Fund spending in FY26, which includes some growth over the prior year owing to overtime for 2026 events and newly authorized positions related to public safety, affordable housing, and new and expanded grant programs for businesses. Wage costs are held mostly flat from FY27 and beyond as only two labor agreements are in place beyond June 30, 2025, neither of which had been ratified as of July 15, 2025.Benefit costs increase in the first four years of the Plan, with annual increases ranging from 2.3 percent to 6.7 percent, with the largest growth in FY29 due to the POB balloon payment. Benefit costs are expected to decline by 6.2 percent in FY30.

The FY26-30 Plan also includes $549 million budgeted in Class 900 as a Labor Reserve. Once new union contracts are in place and raise determinations are made for non-represented employees, these funds will be reallocated to Class 100. Together, Class 100 and 900 expenditures represent 62.9 percent of the General Fund for FY26-30, slightly less than the Class 100 average for FY16-25 of 64.8 percent.

Spending on contracted services, Class 200, is the second largest share of the General Fund budget, accounting for 23 percent of spending in FY26-30. Spending in this class is expected to fluctuate from year to year, with 8.5 percent growth in FY26, followed by a 4.0 percent decline in FY27, growth again in FY28, virtually flat in FY29, and finally growth in FY30. Nearly half (48.9 percent) of the growth in FY26 stems from increased debt service, including payments for the new housing initiative and a new forensic lab. Contributions, Indemnities, and Taxes (Class 500) represent 6.3 percent of FY26-30 Plan spending. The City's annual $284 million contribution to the School District of Philadelphia is the largest component of Class 500 spending in the Plan. All other spending classes each represent less than five percent of overall General Fund spending.

Class Spending as Percent of FY26-30 Plan Total vs 10-Year (FY16-25) Average			
Class	FY26-30 Projected Spending	As % of FY26-30 Total	As % of Total 10-Year Average
100	$20.95 billion	61.3%	64.8%
200	$7.86 billion	23.0%	20.5%
300/400	$770 million	2.3%	2.5%
500	$2.15 billion	6.3%	6.4%
700	$1.34 billion	3.9%	3.4%
800	$556 million	1.6%	2.3%
900	$549 million	1.6%	0.1%
Total	**$34.17 billion**	**100%**	**100.0%**

Class 100: Personal Services



The FY26-30 Plan allocates $20.95 billion to Class 100 (Personal Services and Employee Benefits). This is the largest General Fund allocation by class, comprising 61.3 percent of expenditures throughout the Plan. Class 100 allocations are expected to grow by a total of $107 million (2.6 percent) over the FY26-30 Plan, from $4.09 billion in FY26 to $4.20 billion in FY30. The total Class 100 allocation has two components: payroll and benefits. The Labor Reserve, for future labor costs, is appropriated in Class 900 and not presented here. If it were included in Class 100, the total increase from FY26 to FY30 would be 3.3 percent.

Payroll is the larger of the two components, making up 56.1 percent of Class 100 allocations over the Five-Year Plan at $11.76 billion. Spending on payroll is projected to grow by $6 million over the Plan, essentially flat at $2.35 billion from FY26 through FY30, growing at a compound annual rate of 0.1 percent. Employee salaries and wages are the sole payroll expenditure category. The $3 million drop in payroll allocations between FY27 and FY28 represents a reduction in overtime allocations included in prior fiscal years for 2026 events.

Class 100 Spending as Percent of General Fund Obligations				
Class	Ten-Year (FY16-25) Average	Five-Year (FY21-25) Average	FY26	FY26-30
Payroll	36.5%	35.1%	34.3%	34.4%
Benefits	28.3%	27.7%	25.5%	26.9%
Total	**64.8%**	**62.8%**	**59.8%**	**61.3%**

Employee benefits make up the other 43.9 percent of Class 100 allocations, totaling $9.19 billion. Employee benefit spending includes pension funding, health and medical expenses, and Federal Insurance Contribution Act (FICA) contributions, with each component estimated separately. Growth in benefit spending is projected at a compound annual rate of 1.4 percent over the Plan, growing from $1.75 billion in FY26 to $1.85 billion in FY30. Health and medical expenses are the largest contributor to growth in Employee Benefits, growing by 19.9 percent ($130 million) over the Plan at a compound annual rate of 4.6 percent. The next largest contributor to benefit cost growth are employee disability payments, which are projected to increase by $73 million (58.9 percent) over the FY26-30 Five-Year Plan at a compound annual rate of 12.3 percent. Pension costs are the largest portion of employee benefits spending, but are projected to decline over the Plan, falling to $732 million in FY30 after peaking at $917 million in FY29 due to a balloon payment due on the City's Pension Obligation Bonds (POBs).

Class 100 Growth Rates FY26-30								
	FY26	FY27	FY28	FY29	FY30	FY26-30 Compound Annual Growth Rate	Five-Year (FY21-25) Compound Annual Growth Rate	Ten-Year (FY16-25) Compound Annual Growth Rate
Payroll	1.9%	0.4%	-0.1%	0.0%	0.0%	0.1%	6.2%	4.4%
Benefits	5.4%	2.3%	3.3%	6.7%	-6.2%	1.4%	6.9%	3.8%
Total	**3.4%**	**1.2%**	**1.3%**	**2.9%**	**-2.8%**	**0.6%**	**6.5%**	**4.2%**

Assumptions and Methods of Estimation

A large portion of payroll spending is set by the terms of labor contracts with represented City employees. New contracts typically include scheduled pay increases for represented workers. Class 100 allocations do not presume the terms of future labor contracts, or those yet to be ratified. Instead, the City sets funds aside in Class 900 (Reserves and Miscellaneous Payments) as a Labor Reserve to ensure resources are available for the uncertain outcomes of contract negotiations.

Payroll spending is also dependent upon the City's staffing level. Each year's budget includes the desired staffing level tied to departmental needs and administrative priorities. Desired staffing levels are more aspirational in some years than others, with budgeted vacancy rates below current vacancy levels. In recent years, the City has included enough funding to be able to approach desired staffing levels while acknowledging that meeting those goals may be unlikely due to hiring and retention challenges.

Employee benefit allocations are similarly determined by labor contracts and staffing levels. As with payroll allocations, terms of future labor contracts are not presumed in benefit allocations. Any negotiated increases will pull resources from the Labor Reserve or elsewhere in the budget. Pension contribution assumptions decline over the Plan based on assumptions from the Pension Fund's actuary. Payments towards the City's POBs are determined by the debt service schedules for the 1999 bond issuance and later refunding transactions in 2012 and 2021. Pension payments, using certain Sales Tax revenue, are tied to collections from the City's two percent Sales Tax. Revenue from the first percent of the City's Sales Tax goes to the City's General Fund. Revenue from the second percent is split between the City's Pension Fund and the School District of Philadelphia, with $120 million going to the School District and the remainder to the City's Pension Fund. Pension Sales Tax contribution estimates are derived from Sales Tax revenue projections.

Aside from potential increases from labor agreements not yet ratified as of July 15, 2025, the largest sources of growth in employee benefit spending in the FY26-30 Plan are health and medical expenses. Some City employees are members of the City's self-administered health plan, which assumes 5.0 percent growth in costs from year to year. Health and medical expenses for uniform employees assume 7.5 percent annual growth. The total health and medical spending projected in the FY26-30 Plan applies those growth assumptions in accordance with health plan membership and any additional contributions negotiated in labor agreements. FICA estimates are generated as a flat percentage of overall payroll and based on a five-year rolling average. Employee disability estimates are also estimated by applying a five-year rolling average of annual growth.

The FY26-30 Five-Year Plan confronts two major challenges in budgeting for payroll and benefit costs. First is the absence of ratified labor contracts beyond FY25. The absence of contractual pay increases for General Fund employees for the entirety of the Plan means that Class 100 allocations are flat compared to historical averages but should be expected to increase with support from the Labor Reserve as contract agreements are finalized.

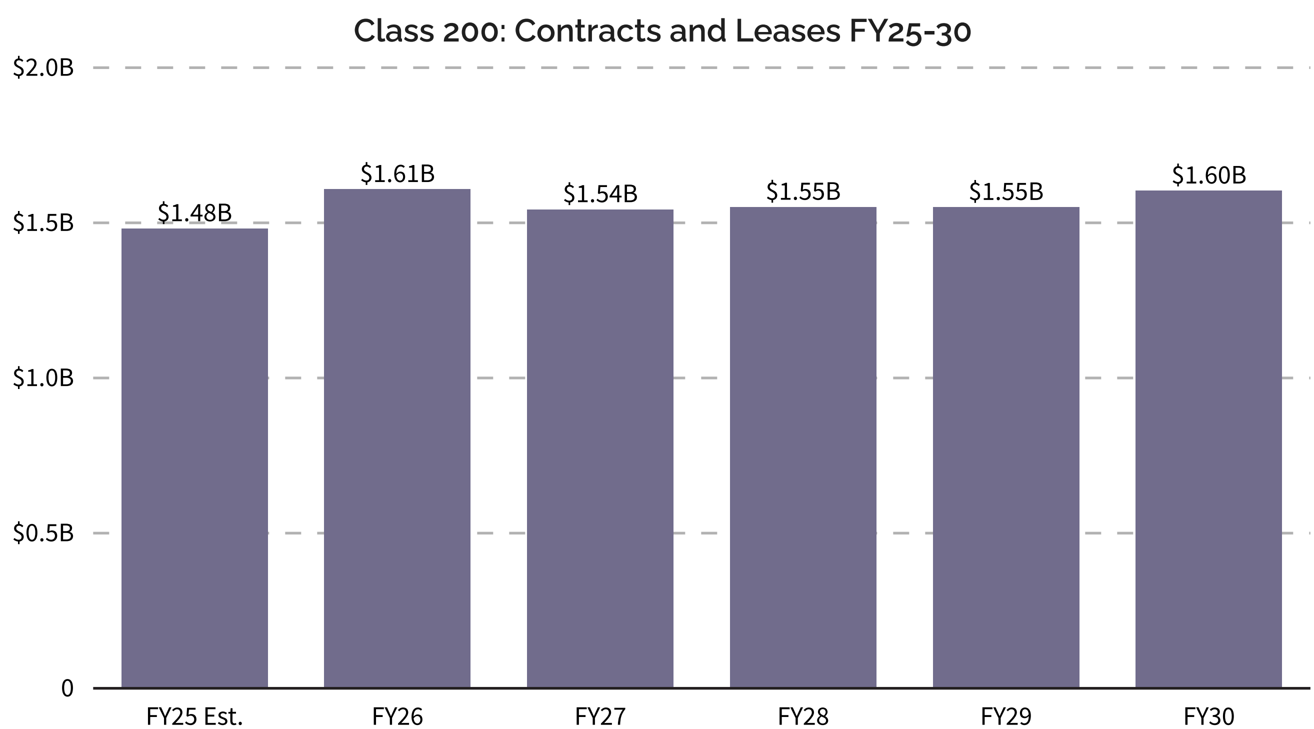
The second challenge is in retaining and recruiting staff, particularly in public safety departments. At the end of the third quarter of FY25, the City had 83.1 percent of its budgeted staffing complement. This is a slight improvement from the second quarter of FY24, when the City reached a low of 81.8 percent staffed. Understaffing can make service delivery more difficult. When coupled with conservative vacancy allowances, understaffing can also result in budgeted Class 100 allocations going unspent (PICA Issue Brief: Budgeting for Staff Vacancy). In a city with greater need than fiscal capacity, overallocation of Class 100 can prevent funds from being allocated elsewhere with the potential for greater impact.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Class 100 costs in the FY26-30 Five-Year Plan are reasonable and appropriate. Class 100 allocations included in this Plan align with spending and experience in recent fiscal years, when recruitment and retention of City employees has resulted in spending less than budgeted. Growth assumptions for Class 100 spending are lower than recent experience, but the difference in these estimates is supported by the absence of American Rescue Plan funding, and declining Pension Obligation Bond debt service in FY30. As in past years, should the City not reach its desired staffing level, unspent funds in Class 100 may become available.

Benefit cost assumptions included in this Plan are reasonable and appropriate. Budgeted pension costs align with projections from the City's actuary and the City is slated to continue making contributions to the Pension Fund at a level that would result in 100 percent funding in 2033. FICA and employee disability cost estimates are reasonably based on rolling averages of prior year expenses. Budgeted costs for medical care in the FY26-30 Plan assume 5.0 percent annual growth for the City Administered Plan. From FY16-24 medical care costs have grown slower than general rates of inflation, at a compound annual rate of 1.8 percent according to figures from the Bureau of Labor Statistics on the Medical Care Consumer Price Index (CPI) for the Philadelphia Metropolitan Area. Inflation estimates from the Federal Reserve Bank of Philadelphia's most recent Survey of Professional Forecasters predict annual average rates of CPI inflation between 3.3 and 2.4 percent for calendar years 2025 through 2027. These rates are still lower than the 5.0 percent annual growth assumptions for the City Administered Plan. Medical costs for unionized employees include annual growth assumptions ranging from 5.0 to 7.5 percent and are otherwise determined through arbitration and collective bargaining.

Class 200: Contracts and Leases



The FY26-30 Plan allocates $7.86 billion to Class 200 (Professional Services). The FY26-30 Plan anticipates an increase in spending in FY26 to $1.61 billion compared to the estimate for FY25 of $1.48 billion, with a reduction in FY27 of $65 million (4.0 percent). Class 200 is projected to increase slightly in FY28 by $8 million (0.5 percent) and decline by $578,481 in FY29. In the final year of the Plan, Class 200 is projected to increase by $53 million (3.4 percent).

Three areas of expenditure make up over one-third of all Class 200 spending:

1. Debt service payments for borrowed via service agreements with conduit entities like the Philadelphia Authority for Industrial Development (PAID) and the Philadelphia Municipal Authority (PMA), for initiatives including Rebuild, the Neighborhood Preservation Initiative, the Eagles stadium, and the H.O.M.E. Initiative. These are budgeted in the Sinking Fund.
2. Contracted services by the Department of Human Services.
3. The City's subsidy to the Southeastern Pennsylvania Transit Authority (SEPTA), which is calculated based on legislative requirements for local matching fund contributions in line with budgeted state funding.

Class 200 spending in the City's Sinking Fund makes up 12.4 percent ($975 million) of all Class 200 spending in the FY26-30 Five-Year Plan. These are funds budgeted for debt service costs incurred through service agreement borrowing for special initiatives. Sinking Fund Class 200 spending is expected to increase in each year of the Plan, growing from $173 million in FY26 to $210 million in FY30 at a compound annual rate of 4.9 percent. Growth in Sinking Fund Class 200 spending over the Plan is driven by new service agreement borrowing debt service for the H.O.M.E. Initiative ($263 million FY26-30), Rebuild ($75 million FY26-30), the Public Safety Building at 400 N. Broad Street ($58 million FY26-30), the new forensics lab ($20 million FY26-30), and the Neighborhood Preservation Initiative ($14 million FY26-30).

Contracted services through the Department of Human Services (DHS) are 12.1 percent ($951 million) of Class 200 spending in the FY26-30 Five-Year Plan. DHS uses Class 200 allocations to fund service delivery by non-profits and other providers for county-level functions, with General Fund dollars often functioning as local matching funds supplementing grant funding from state and federal sources. DHS Class 200 spending is budgeted to grow by $8.3 million from FY25 to FY26, before declining by $783,750 from FY26 to FY27 and remaining flat through FY30.

The third largest Class 200 expenditure is the SEPTA subsidy, representing 9.1 percent of Class 200 spending in the FY26-30 Five-Year Plan. The Plan includes $135 million in FY26 and grows annually, reaching $153 million in FY30. The contribution to SEPTA is based on formulas set in state legislation for local matches to state funding levels. The contributions in the Five-Year Plan for SEPTA are based on the proposed FY26 Pennsylvania budget which was still pending when the City's FY26-30 Plan was submitted to PICA.

Class 200 allocations for Commerce's Economic Stimulus spending increase notably in FY26, growing from an estimated $36 million in FY25 to $101 million in FY26, before declining to $76 million in FY27 and ranging from $67 to $69 million in FY28-30. These increased costs are largely associated with programs to support businesses as the City ends its BIRT exemption which excluded the first $100,000 in revenues and profits on those revenues from tax and the filing exemption for businesses with less than $100,000 in receipts.

Other significant Class 200 expenses are focused on providing vulnerable populations with access to life-sustaining services and programs. This includes $122-$123 million annually for health and security services at Philadelphia Department of Prisons facilities, $72 million annually to the Office of Homeless Services, $71 million in FY26 and $68 million thereafter for the Department of Public Health, and $69 million in FY26 and $67 million each year thereafter for the Philadelphia Defender Association.

Fluctuations in overall Class 200 spending reflect a mixture of new or expanded spending in areas like debt service, with reductions elsewhere. This is illustrated by changes in Class 200 spending in the Managing Director's Office (MDO). In FY25, the Managing Director's Office was responsible for an estimated 11.1 percent ($165 million) of all Class 200 spending. Between FY25 and FY26 MDO's Class 200 allocation declined by $100 million. Through the FY26-30 Five-Year Plan, MDO is responsible for just 3.3 percent of Class 200 spending. The largest declines come from the non-recurrence of $50 million in FY25 startup costs for the Riverview Wellness Village, and lack of continued funding for the Zero-Fare low-income transit pass program, which was budgeted at $31 million in FY25. Unused funds from FY25 will allow the Zero-Fare program to continue in FY26. Additionally, the Office of Public Safety and Citizen's Police Oversight Commission are no longer housed in the Managing Director's Office and are responsible for 2.1 percent of all Class 200 spending now elsewhere in the Plan. In FY30, the City plans to replace opioid settlement funding for the Riverview Wellness Village with $27 million in Class 200 spending.

Assumptions and Methods of Estimation

Obligation levels in the current Plan have been established for most departments and cost centers based upon desired service levels, management and productivity initiatives underway, anticipated competitive contracting, existing and anticipated contractual obligations, and a host of other factors, rather than overarching growth rate assumptions.

Cost estimates for debt service on existing service agreement borrowings are based on the debt service terms associated with each issuance. Estimates for new borrowings are based on authorized borrowing amounts (PICA Fact Sheet: Bond Authorizations) and interest rate and repayment assumptions.

Funding levels for the Department of Human Services are developed in conjunction with a needs-based budget allocation from the Commonwealth, understanding of expected service demand, and matching funds requirements. The impact of changes from recent federal reconciliation legislation is not yet clear and the City has not made any adjustments to spending reliant on expected federal or state pass through funds. General Fund spending will not be able to compensate for large reductions in federal support.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Class 200 costs in the FY26-30 Five-Year Plan are reasonable and appropriate. More than one third of the City's Class 200 costs are derived from state legislation and allocations, previously approved borrowing and debt service agreements, and new borrowing and debt service agreements under similar terms. While formula-driven costs can be affected by changes in state funding outside local control, such changes are typically known in advance and give the City time to make budget adjustments to respond to any shifts.

The FY26-30 Plan includes significant new service agreement borrowings, with associated costs assumptions based on reasonable estimates of market and repayment conditions over the next five years. In its most recent federally taxable service agreement borrowings, the City has incurred interest rates ranging from 4.65 to 5.00 percent. The FY26-30 Plan assumes interest rates between 5.50 and 6.00 percent over the course of the Plan. Additionally, the City does not plan to borrow the full amounts authorized by City Council in a single borrowing, allowing flexibility to borrow as needed and defer future debt service costs if the rate of spending (PICA Issue Paper: Speed of Spend) is slower than anticipated.

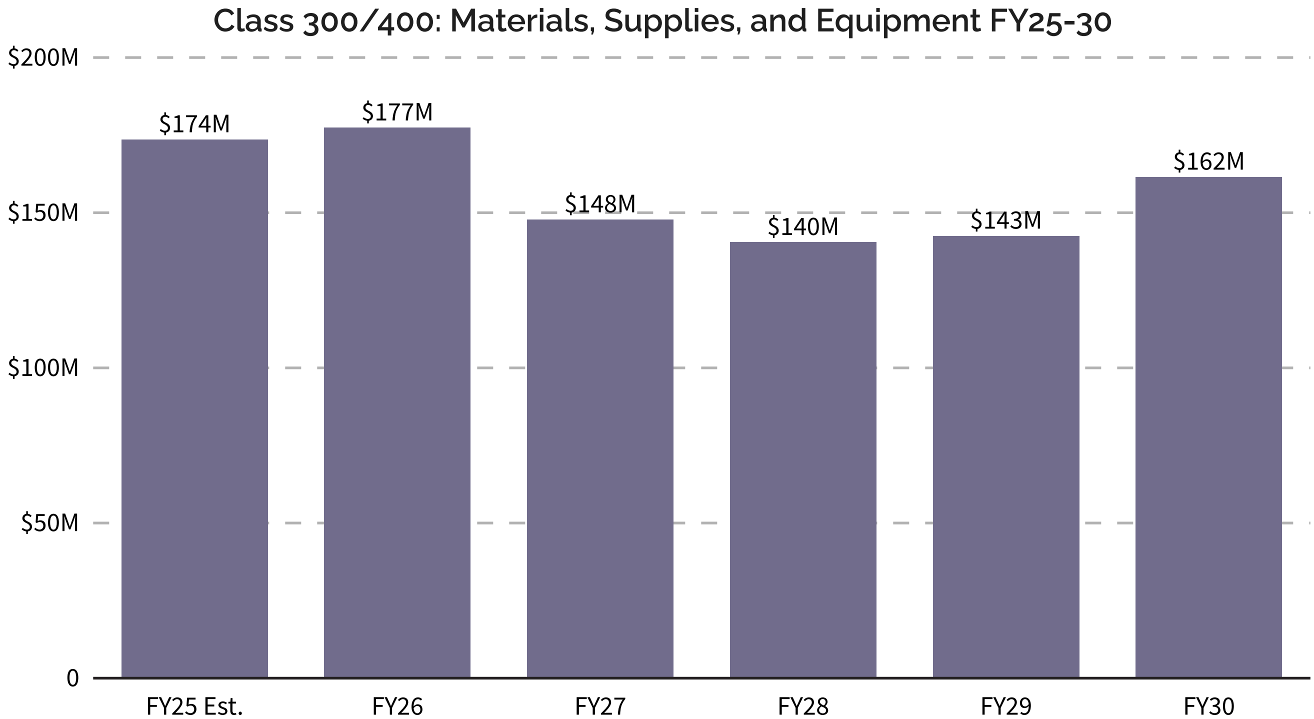
From FY16 through FY25 estimates, Class 200 spending increased at a compound annual rate of 6.8 percent, supported in part by funds from the American Rescue Plan. The FY26-30 Plan anticipates reducing Class 200 spending over its duration by an annual compound rate of 0.1 percent. A substantial portion of this decline over the Plan can be attributed to one-time or short-term costs, like special events in 2026, workforce development programs, and some of the new assistance to small businesses, which are not intended to recur in each year of the Plan, but it is often more difficult to reduce spending than increase spending. Recent budgets have also included significant new borrowing for special initiatives. From FY27 through FY30, the Plan projects compound annual growth of 1.3 percent in Class 200 spending, which, while positive, is still below long-term trends and long-term inflation estimates from the Federal Reserve Bank of Philadelphia's most recent Survey of Professional Forecasters. Together with the potential for increased service demand and reduced funding support resulting from recent federal tax and budget legislation, there is likely to be significant pressure for increased Class 200 spending from FY27-30.

The rest of the City's Class 200 costs are developed in conjunction with departmental leadership to identify expected costs of sustaining existing operations, identifying expected reductions, and estimating the costs of new or expanded programs to provide reasonable estimates for future costs. In accordance with the PICA Act, any extraordinary contracts the City enters into that are not included in the Five-Year Plan as submitted and reviewed must first be submitted to PICA with assurances that the new contract will not bring the Plan out of compliance.

Class 300/400: Materials, Supplies, and Equipment

The FY26-30 Plan allocates $770 million to Class 300/400 (Materials, Supplies, and Equipment) over the life of the Plan for all supplies, materials, and equipment that typically have a useful life of under five years and/or a cost below $15,000. The FY26-30 Five-Year Plan budgets $177 million in FY26, and between $140 and $162 million annually in FY27-30. The FY26 budget represents a slight increase from the FY25 estimate of $174 million.

The FY25 Class 300/400 allocation included one-time funds for vehicle purchases for 2026



special events ($14 million) and $5 million for trash compactors to support biweekly trash collection in certain parts of the city. Replacement vehicle purchases are budgeted at $29 million in FY30.

Four departments are responsible for 64.9 percent ($499 million) of the City's spending on materials, supplies, and equipment included in the FY26-30 Plan. The **Department of Fleet Services'** budget for vehicle parts is 20.1 percent ($155 million) of the Plan's Class 300/400 estimates. Funding at this level maintains increases for parts included in the City's FY25 budget in anticipation of the potential for increased costs due to tariffs. Its budget for new vehicle purchases is 10.1 percent ($78 million) of the Plan's Class 300/400 total.

The **Office of Innovation and Technology's** (OIT) 911 call center functions include 6.7 percent ($51 million) of the Plan's Class 300/400 spending, with $19 million budgeted in FY26 which includes one-time funding of $11 million for an upgrade of the City's radio system, and a total of $8 million budgeted each year thereafter. These costs are offset by state reimbursement for 911 services. The core functions of OIT include 6.6 percent ($51 million) of the Plan's Class 300/400 obligations, with $11 million budgeted in FY26 and $10 million budgeted in the remaining years of the Plan.

The **Police Department's** Class 300/400 budget is 11 percent ($84 million) of the Plan's Class 300/400 spending and includes one-time increases in FY26 for the purchase of electric bicycles and software, training, IT, and equipment in preparation for 2026 events, which include the FIFA World Cup, Major League Baseball All-Star Game, and celebratory events surrounding the 250th anniversary of the signing of the United States Declaration of Independence.

The **Fire Department** is responsible for 10.4 percent ($80 million) of the Class 300/400 spending in the FY26-30 Plan. The FY26 budget includes a one-time $9 million increase from FY25 estimates for firefighting and fire prevention supplies and equipment. After a $23 million allocation in FY26, Fire Department Class 300/400 obligations are projected at $14 million annually for FY27-30.

Other departments whose Class 300/400 obligations comprise more than five percent of total FY26-30 Class 300/400 obligations are Public Health at 5.5 percent ($42 million) for medical supplies and equipment and the Free Library of Philadelphia at 5.3 percent ($41 million) for library materials and a one-time radio system upgrade.

Assumptions and Methods of Estimation

The City develops its Class 300/400 obligation level estimates based on recent experience, departmental processes, conversations with suppliers, responses to procurement bids, and market trends. The Budget Office then works with departments to evaluate short-term and long-term needs and identify areas for cost reductions when applicable. Recent budgets have included increases to account for inflation and the potential impact of tariffs on the cost of materials, supplies, and equipment.

PICA Staff Assessment of Assumptions and Methods of Estimation

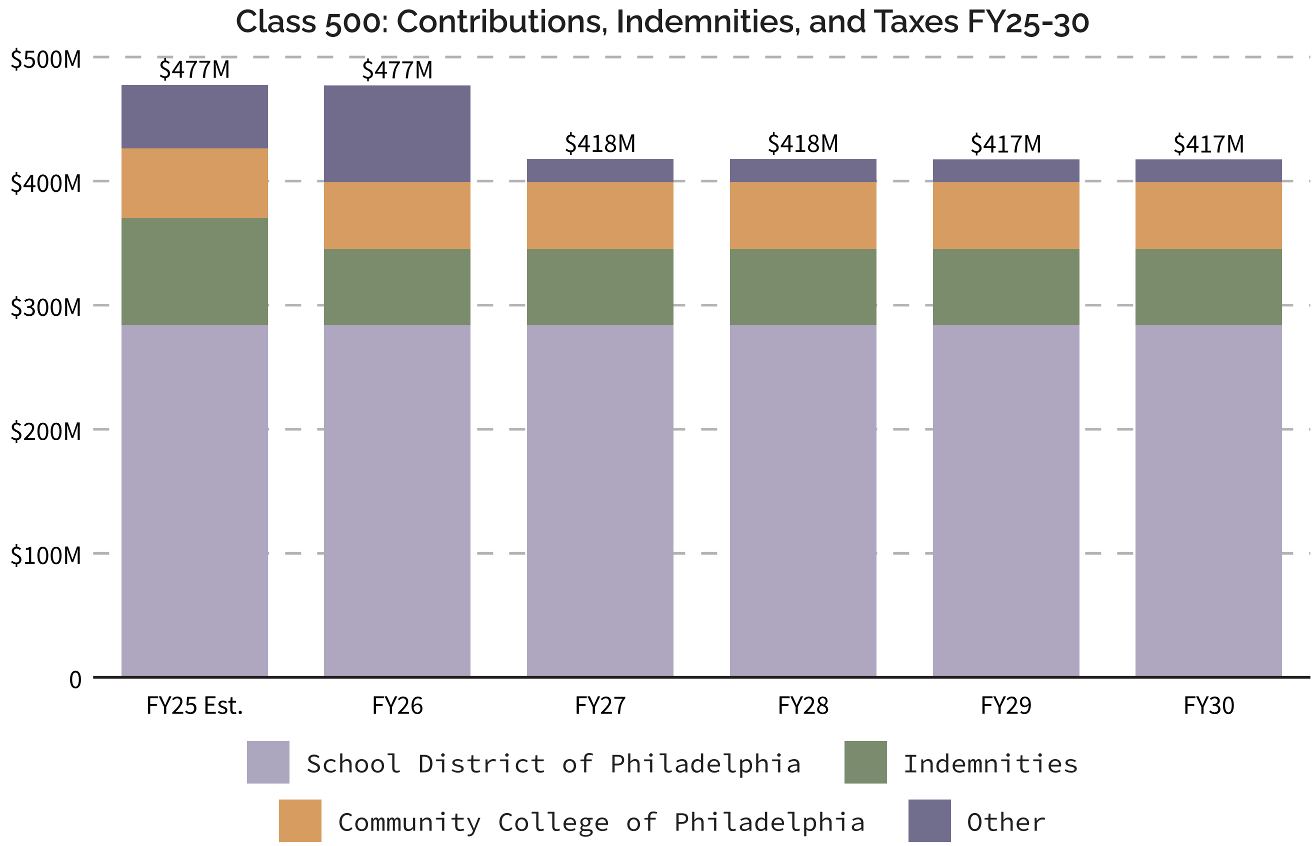
The assumptions and methods of estimation for Class 300/400 costs in the FY26-30 Plan are reasonable and appropriate. The City's process of working with departments to evaluate Class 300/400 allocations sets expectations and parameters for departments to work within. By tracking trends that influence costs and working with departments to identify both one-time and ongoing needs, the City incorporates these costs in its estimates. Departments like Fleet Services with high materials, supplies, and equipment budgets are highly attuned to market trends that will impact the cost of providing services. Reductions to Class 300/400 spending from FY25-26 levels through the rest of the Plan are reasonable as reductions are associated with non-recurring purchases or 2026 special events.

Class 300/400 allocations from FY27 through FY30 grow at a compound annual rate of 3.0 percent. Inflation estimates from Federal Reserve Bank of Philadelphia's most recent Survey of Professional Forecasters range from a high of 3.3 percent in 2025 to 2.4 percent in 2027, with long-term annual averages through 2034 at 2.35 percent. As inflation is anticipated to be lower towards the end of the Plan and higher towards the beginning, allocations may need to be shifted but the total estimate through the Plan is likely sufficient.

Class 500: Contributions, Indemnities, and Taxes

The FY26-30 Five-Year Plan includes $2.15 billion in appropriations for Class 500 (Contributions, Indemnities, and Taxes) spending. Ninety-three percent of Class 500 spending in the Plan are contributions to the School District of Philadelphia ($1.42 billion, $284 million per year), indemnities payments ($306 million, $61 million per year), and contributions to the Community College of Philadelphia ($270 million, $54 million per year). The other seven percent of Class 500 ($150 million) is allocated to other non-profits and organizations, refunds, scholarships, and payments to prisoners. Other contributions in FY26 will total $110 million and go to at least 55 different organizations in amounts ranging from $25,000 to nearly $4 million.

The estimated Class 500 costs in FY25 are higher than the years in the Plan, due to additional investments for 2026 special events and a court-ordered payment related to litigation



regarding Philadelphia prisons. The $477,418 decline from FY25 to FY26 reflects a $25 million reduction to indemnities because FY25 included a one-time $25 million sanction imposed by the federal court in the prisons litigation and a $2 million reduction in the contribution to the Community College of Philadelphia (CCP), offset by a $27 million increase in other contributions, many related to 2026 events. After FY26, a $59 million reduction in other contributions will bring total Class 500 allocations down to $418 million annually for FY27-30.

Assumptions and Methods of Estimation

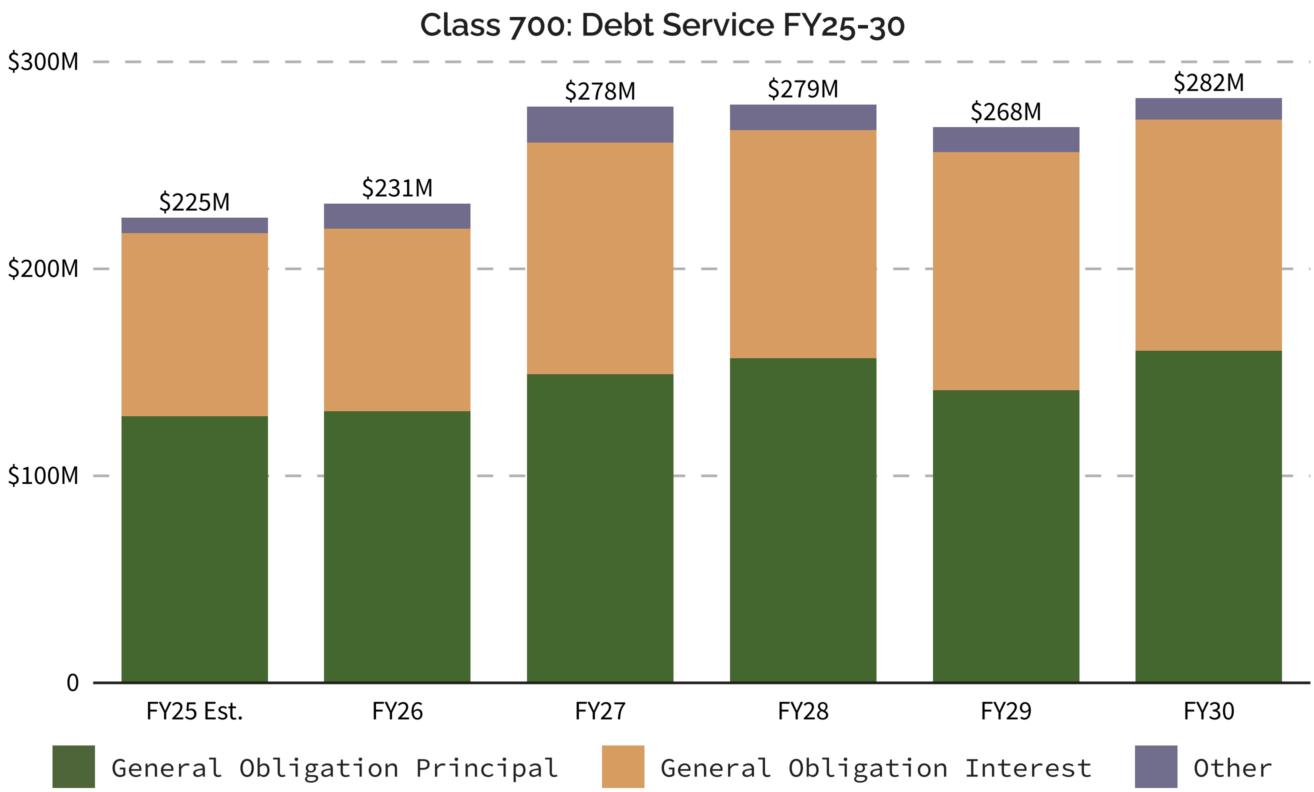
The allocation for indemnities, which are unavoidable costs, makes up less than 15 percent of Class 500 spending. Indemnities are projected based on an analysis of settlement cost trends, open and new cases, risk assessments, and litigation capacity. Civil rights cases and auto/motor vehicle claims are the primary drivers of indemnity payments. These two categories, which grew 91 percent and 132 percent between FY14 and FY24, totaled $46 million in FY24. Several other categories of indemnities saw reduced costs from FY14 to FY24. The $61 million budgeted in each year of the FY26-30 is lower than actual expenditures in FY23 ($69 million) and FY24 ($74 million) but reflect redistribution of Streets Department-related indemnity costs to the Transportation Fund, and a trend of a declining number of cases and increased number of City litigators each year since FY20.

The vast majority of Class 500 allocations are discretionary, subject to the agreement between the Administration and City Council. Contributions to CCP and the School District of Philadelphia are critical to those organizations, whose success can affect the City's tax base and service needs, making these expenditures challenging to dramatically alter though they are technically discretionary.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Class 500 costs in the FY26-30 Plan are reasonable and appropriate, particularly because, although critical to the educational infrastructure of the city, the contributions to the School District and CCP are discretionary. The cost of indemnities poses a risk to the Plan due to their mandatory nature, and because there can be unexpected changes in indemnities, adequate reserves are necessary to handle unanticipated increases, such as the $25 million payment ordered in FY25 related to the Prisons that required an amendment to the annual budget.

Class 700: Debt Service



The FY26-30 Five-Year Plan allocates $1.34 billion to Class 700 (Debt Service), growing from $231 million in FY26 to $282 million in FY30. Total growth in Class 700 spending over the FY26-30 Plan is $51 million (22.0 percent) at a compound annual rate of 5.1 percent.

Class 700 allocations service the City's general obligation debt, which is backed by the full faith, credit, and taxing power of the City. More than 95 percent of the Plan's Class 700 allocations are dedicated to debt service on the City's general obligation bonds, with 55.1 percent ($738 million) towards principal and 40.1 percent ($537 million) towards interest.

A relatively small portion (4.8 percent) of Class 700 allocations included in the FY26-30 Plan are for expenses other than general obligation principal and interest. These costs include the issuance of Tax and Revenue Anticipation Notes (TRANs), debt service for a 1999 Philadelphia Parking Authority (PPA) bond issuance backed by the City, arbitrage payments, and servicing costs for the City's line of credit. The City issues TRANs when it needs to bridge the gap created by a timing mismatch between General Fund revenue receipts and expenditure needs. The FY26-30 Five-Year Plan budgets for the use of TRANs, should they be necessary, in all years.

Most (81.1 percent) Class 700 allocations correspond to existing debt service required for prior general obligation borrowing. Payments for FY27 and FY29 general obligation debt issuances to fund the Capital Program add $189 million in debt service over the Plan. Interest payments on TRANs are projected to total $45 million over the Plan.

Issue-specific borrowing governed by service agreements with quasi-governmental entities for initiatives like Rebuild, the Neighborhood Preservation Initiative, and the H.O.M.E. Initiative is included in Class 200 (Professional Services) rather than Class 700.

Assumptions and Methods of Estimation

Underlying the City's assumptions and methods of estimation for general obligation debt are policies included in the Constitution of the Commonwealth of Pennsylvania and the City's debt management policy. The Constitution limits the City's total outstanding debt to 13.5 percent of a ten-year average of assessed value of taxable real estate within the City. Any debt issuance that would push the City's total outstanding debt beyond three percent of the assessed value of taxable real estate within the City requires voter approval via ballot measure.

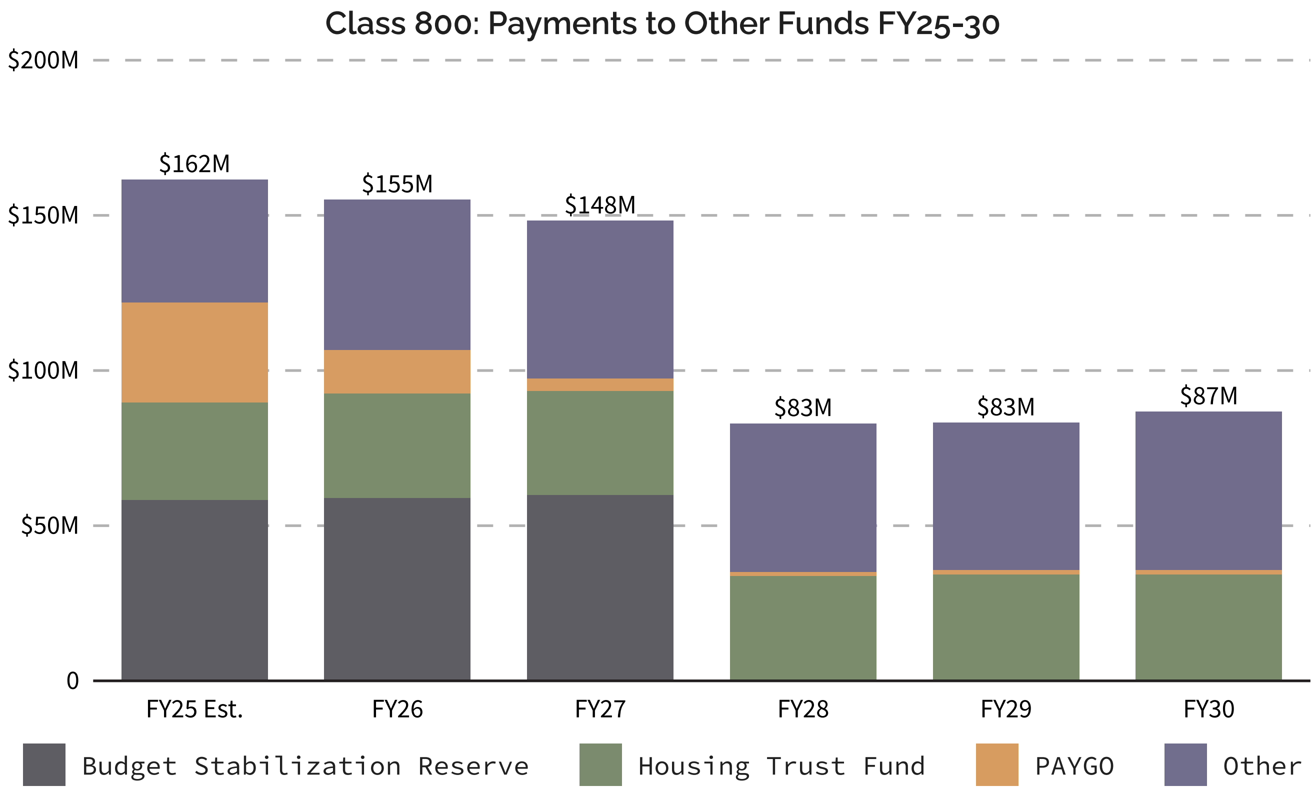
Most of the Class 700 allocations included in the FY26-30 Five-Year Plan are associated with prior bond issuances, which include debt service schedules for principal and interest payments in issuance documentation. Year-to-year increases in Class 700 allocations are driven by the assumed costs of newly issued general obligation debt and assumptions about interest rates in the coming years.

The City's most recent issuance of general obligation debt included a combination of taxable bonds and tax-exempt refunding bonds. Recent federal tax and budget legislation maintained the tax-exempt status of certain municipal bond issuances, which should help maintain demand and pricing for tax-exempt bonds. Federally taxable bonds have strong demand from certain classes of investors and allow for more flexible spending of bond proceeds. Increased operating deficits at the federal level will increase the federal government's use of debt to fund operations, which is expected to drive the cost of borrowing in the US higher. To account for potential increases in borrowing costs, the City projects interest rates ranging from 5.50 to 6.00 percent for general obligation borrowing included in the Plan. The City has not needed to issue TRANs in recent years but is assuming an increase in associated interest costs from 4.25% in FY25 to 4.50% for FY26-30.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for Class 700 costs in the FY26-30 Plan are reasonable and appropriate. The majority of projected Class 700 spending is tied to previous borrowing with well documented fixed debt service costs. New Class 700 spending included in the FY26-30 Plan is based on assumptions about interest rates that should make new borrowings possible within the current budget even if market conditions worsen. Constitutional limits on borrowing and the City's debt management policy provide additional assurance that Class 700 costs will not put the Plan in jeopardy.

Class 800: Payments to Other Funds



The FY26-30 Plan allocates $556 million to Class 800 (Payments to Other Funds), with most allocations going towards the Budget Stabilization Reserve (BSR), Housing Trust Fund (HTF), and payments from the General Fund for costs borne by other funds of the City, particularly for water usage. The FY26-30 Plan also includes allocations for Pay-as-You-Go (PAYGO) financing in the Capital Fund, which funds capital projects with operating revenue.

The City's payments to the BSR and HTF are governed by the City's Home Rule Charter. According to the Charter, the City's BSR payments are calculated for the following fiscal year using the City's projected year-end fund balance as a percentage of revenues included in the Quarterly City Managers Report for the second quarter of the fiscal year. The FY26-30 Five-Year Plan includes two payments to the BSR for a combined $119 million (21.3 percent of FY26-30 Class 800). The FY26 Adopted Budget includes a BSR payment of $59 million, and the FY26-30 Plan projects an FY27 BSR payment of $59 million. The General Fund balance from FY28-30 is projected to be beneath the threshold that would trigger Charter-required payments to the BSR.

The City's Charter requires annual payments equivalent to 0.5 percent of total General Fund spending, plus an amount equivalent to payments made in lieu of providing affordable housing in the prior calendar year, to the Housing Trust Fund. Payments to the HTF included in the FY26-30 Plan total $169 million, 0.5 percent of total General Fund spending not including the payment to the HTF. Amounts equivalent to zoning-related payments in lieu of providing affordable housing are included as Locally Generated Non-Tax revenue in the Housing Trust Fund.

Class 800 includes annual payments to the Water Fund for the use of water by General Fund departments, totaling $202 million over the FY26-30 Plan. The Fire Department also makes payments to the Water Fund for servicing fire hydrants, which total $44 million over the life of the Plan.

Other transfers from the General Fund ($22 million) will go to the Capital Fund for PAYGO capital expenses in Finance ($5 million), Public Health ($15 million), the Managing Director's Office ($2 million), and the Office of Sustainability ($875,000).

Assumptions and Methods of Estimation

The City of Philadelphia uses Charter-mandated formulas to estimate contributions to the Budget Stabilization Reserve and the Housing Trust Fund. These requirements set the floor for what must be contributed to the HTF and BSR, but the City can choose to contribute more. The Budget Stabilization Reserve contribution is calculated by assessing the prior fiscal year's fund balance as a percentage of revenues according to the following:

Budget Stabilization Reserve Contribution Charter Requirements	
General Fund Balance as Percent of General Fund Revenues	Budget Stabilization Reserve Deposit as Percent of General Fund Balance
Less than 3%	No Deposit
3%-5%	0.75% of Unrestricted Local General Fund Revenues
5%-8%	1.00 % of Unrestricted Local General Fund Revenues
>8%	Greater of all funds over 8% of General Fund balance as percent of revenues as projected for prior fiscal year, or 1% of Unrestricted Local General Fund Revenues in budgeted fiscal year.

Other types of spending in Class 800 are calculated based on either prior year actual data and current utility rates, such as the Department of Public Property and Fire payments. Payments to the Capital Fund for PAYGO capital financing are set by the Capital Budget and Program.

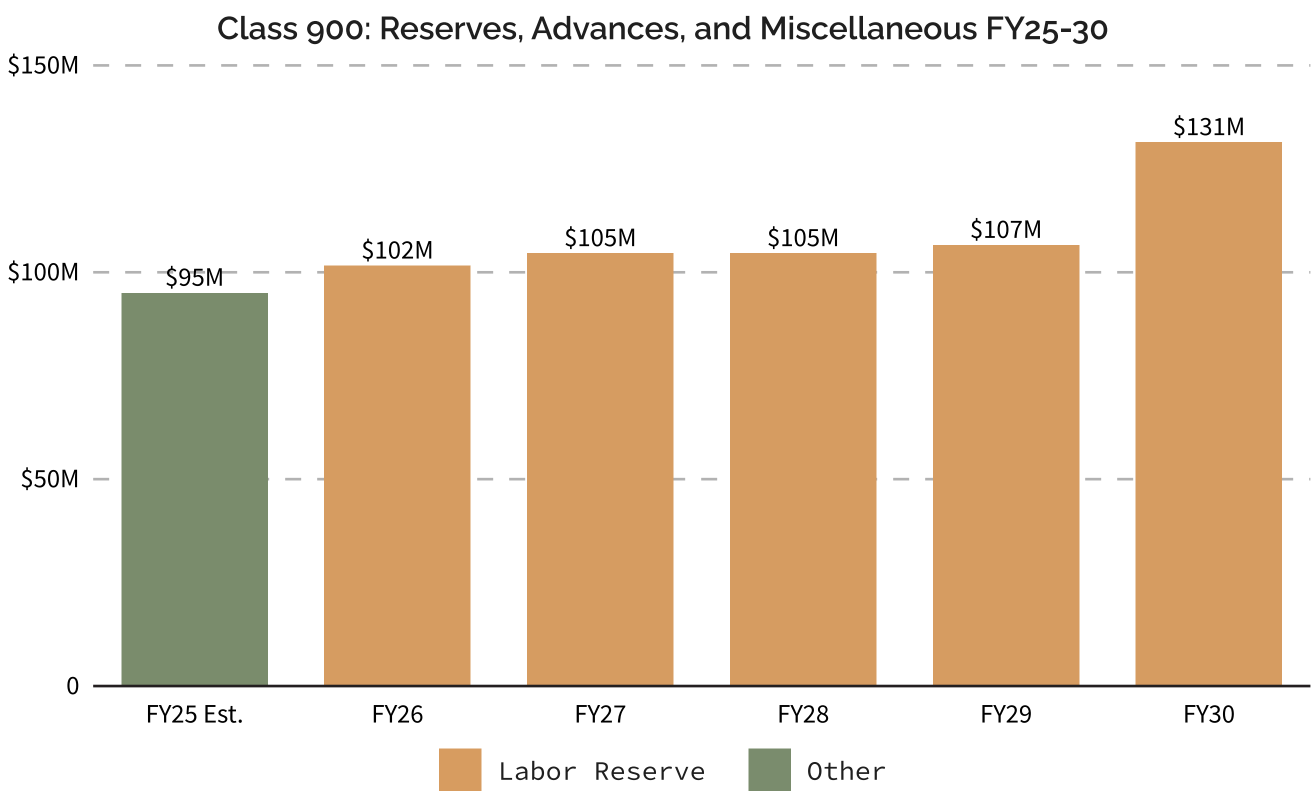
PICA Staff Assessment of Assumptions and Methods of Estimation

Following the submission of the FY26-30 Plan to PICA, errors in contribution amounts to the Budget Stabilization Reserve and Housing Trust Fund were identified that resulted in Class 800 amounts included in the submitted Plan not aligning with formulas included in the Charter. Budget Stabilization Reserve contributions were short of formula requirements in FY26, but higher than projected contribution requirements in FY27. Overall, this error did not impact FY26-30 Plan BSR contributions in a way that would notably reduce overall reserves or put the Plan out of compliance with the PICA Act. The Administration has stated to PICA that errors will be corrected.

Discrepancies between Housing Trust Fund contributions and associated Charter requirements occurred due to minor errors in the order of operations required to correctly calculate the Charter requirements. The City has identified sufficient appropriations in Class 800 to correct the errors and make the full required contributions to the HTF for all years in the FY26-30 Plan.

Neither of these issues would have been sufficient to put the FY26-30 Plan out of compliance with the PICA Act's requirement for positive General Fund balances in all years of the Plan. Because these issues have been identified and can be rectified, **the assumptions and methods of estimation for Class 800 payments in the FY26-30 Plan are reasonable and appropriate.**

Class 900: Reserves, Advances, and Miscellaneous



The FY26-30 Plan allocates $549 million to Class 900 (Reserves, Advances, and Miscellaneous Payments). The entire amount proposed in the FY26-30 Plan is designated as a Labor Reserve to fund costs arising from future labor contracts. These funds are appropriated in the City's Civil Service Commission. In recent years, including FY25, Class 900 has also included reserves available to aid the City in the event of federal funding disruption or recession. The impetus for a Labor Reserve is the expiration of contracts for the City's unionized workforce at the end of FY25. New contracts historically have resulted in increased wages and other costs (e.g. higher meal or uniform reimbursement rates). Non-represented staff have typically received salary increases alongside non-uniform employees.

Assumptions and Methods of Estimation

The City of Philadelphia does not use a specific formula to determine the size of the Labor Reserve but aims to set aside adequate resources to accommodate the terms of new contracts and other changes to labor costs.

PICA Staff Assessment of Assumptions and Methods of Estimation

PICA commends the City for the continued use of a Labor Reserve, initially recommended by PICA, to plan for expected but difficult to quantify future labor costs. The $549 million budgeted between FY26 and FY30 is equivalent to 2.6 percent of Class 100 costs included in the Plan. Combined, the Labor Reserve and Class 100 allocations included in the FY26-30 Plan grow at a compound annual rate of 0.8 percent. This is notably lower than the 3.4 percent compound annual growth in Class 100 spending experienced from FY16 through FY24, fiscal years for which actual spending figures are available. Compliance with the PICA Act requires that the City plans to maintain positive General Fund balances in all years of the Five-Year Plan. PICA's calculations of potential future labor costs indicate that the Labor Reserve and General Fund balances included in the FY26-30 Five-Year Plan are capable of supporting 2.6 percent annual increases across all bargaining units and exempt employees for all years of the Plan.

The PICA Act requires that police and firefighter arbitration awards consider and accord substantial weight to the approved Five-Year Plan and the financial ability of the City to pay increased costs for wages and fringe benefits. Any collective bargaining agreements that the City executes must either be in compliance with the Five-Year Plan as approved, or the City shall submit a revised Plan to the PICA Board that is in compliance with the requirements of the PICA Act.

The City has not included reserves for changes in federal funding levels in the FY26-30 Plan despite continued uncertainty in federal funding and the recent enactment of legislation that will result in reduced federal funding that supports Philadelphia's most vulnerable residents. The scale of reduced federal funding is likely to put pressure on the City to increase spending or reduce services. Most federal dollars received by the City have historically not flowed to funds covered by the PICA Act, thus having a federal funds reserve isn't necessarily essential to maintaining a balanced Five-Year Plan. But given the likely impacts to other funds of the City outside the purview of the PICA Act, like those supporting community development and mental health services, and directly upon Philadelphia residents, fiscal and operational impacts are likely. While the timing for the impact on Philadelphia is not yet clear, now that the federal budget has been adopted the potential impacts should be assessed and planned for. The City does not have the fiscal capacity to make up reductions in federal support with General Fund spending.

Despite the absence of a federal reserve and the difference between projected labor cost increases and historical trends, **the assumptions and methods of estimation for Class 900 costs in the FY26-30 Five-Year Plan are reasonable and appropriate**; particularly given that Class 900 spending acts as a set aside for expected but difficult to quantify future costs. Should future costs or reductions in revenue drive projected General Fund balances negative in any year of the FY26-30 Five-Year Plan, the City shall submit a revised Plan for consideration and approval by the PICA Board.

Housing Trust Fund Spending

Housing Trust Fund Spending ($000s)						
Class	**FY25 Est.**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**
Class 100	$5,831	$6,701	$6,701	$6,701	$6,701	$6,701
Class 200	$51,442	$65,211	$45,210	$45,208	$41,426	$45,206
Class 300/400	$150	$150	$150	$150	$150	$150
Class 900	$0	$0	$20	$40	$60	$80
Total	**$57,423**	**$72,062**	**$52,081**	**$52,099**	**$48,337**	**$52,138**

The FY26-30 Plan includes $277 million in Housing Trust Fund expenditures. This spending is highest in FY26 at $72 million. Annual spending for FY27 and FY28 is budgeted at $52 million, followed by a slight decrease to $48 million in FY29, before returning to $52 million in spending for FY30. Unlike the General Fund or Transportation Fund, HTF spending is concentrated in Class 200 with minimal spending on City employee salaries and benefits. Class 200 spending in the Housing Trust Fund is mostly used to support contracts with service providers for affordable housing programs. Contracted services include programs for housing counseling and rental assistance.

The HTF will also cover $38 million in Class 200 debt service payments related to the Neighborhood Preservation Initiative. Although HTF Class 100 allocations have grown in recent years, they are held flat throughout the Plan and represent 12.1 percent of overall HTF expenditures. The FY26-30 Five-Year Plan includes a Labor Reserve of $200,000 to account for increased costs associated with labor agreements entered during the Plan.

The assumptions and methods of estimation for spending for the Housing Trust Fund in the FY26-30 Plan are reasonable and appropriate. Class 100 expenditures increase in FY26 and remain at that level over the life of the Plan, consistent with the Administration's intention to expand staffing for the H.O.M.E Initiative. Class 200 increased spending in FY26 aligns with the overall H.O.M.E. Initiative budget for that year. Individual outyear budgets for the H.O.M.E. Initiative across all funds and revenue streams have not been developed, making it hard to assess the decline in HTF Class 200 spending after FY26, but the Administration can manage the timing and scale of those contracts.

Transportation Fund Spending

Transportation Fund Spending ($000s)						
Class	FY25 Est.	FY26	FY27	FY28	FY29	FY30
Class 100	$94,631	$102,718	$103,622	$103,602	$105,475	$99,525
Class 200	$13,991	$13,991	$13,991	$13,991	$13,991	$13,991
Class 300/400	$10,660	$11,640	$10,006	$10,006	$10,006	$10,006
Class 500	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000
Class 800	$1,407	$2,102	$498	$518	$518	$539
Class 900	$0	$380	$760	$1,140	$1,520	$1,900
Total	**$135,689**	**$145,830**	**$143,877**	**$144,257**	**$146,510**	**$140,961**

The FY26-30 Plan projects $717 million in spending over five years, starting with $146 million in FY26. Over the course of the Plan, spending fluctuates between $141 million in FY30 and $147 million in FY29. Funds are allocated to the Streets Department for salaries and other operational costs, the Office of the Director of Finance for employee benefits for Streets employees, and the Civil Service Commission for a Labor Reserve for new union contracts for Streets employees. For non-personnel costs, the changes from year-to-year result from one-time, non-recurring items, notably a $1.6 million payment to reimburse the County Liquid Fuels Tax Fund following an adverse audit finding in FY26 and more than $1 million in equipment purchases for a new line striping crew that same year. Personnel costs include a $5.7 million Labor Reserve over the life of the Plan on top of about $100 million per year in wages and benefits. Like the General Fund, Class 100 personnel costs are the largest share of the Transportation Fund budget, at 71 percent. Unlike the General Fund, the next largest category of spending is Class 500 – Contributions, Indemnities, and Taxes (10.5 percent), primarily for settlements related to roads and related infrastructure, reflecting a change from the prior Plan that absorbed these costs in the General Fund. No debt service or borrowing using the revenues of the Transportation Fund is included in the FY26-30 Plan.

The assumptions and methods of estimation for Transportation Fund spending in the FY26-30 Five-Year Plan are reasonable and appropriate. The inclusion of a Labor Reserve, consistent with PICA's previous recommendation, is prudent. Benefit costs reflect the costs of the Pension Obligation Bonds, with a notable increase in FY29 when the balloon payment is due, and an associated sharp decline in FY30. Significant program expansions are budgeted to ramp up over multiple years. Indemnities estimates are based on prior payments when these costs were borne by the General Fund.

Uses of Capital Funds

The largest uses of capital funds are the City's airports, water and wastewater systems, and transit and transportation networks. Of the $17.93 billion expected to be spent over the coming six years, $15.25 billion (85 percent) will be for these purposes and no other agency will receive more than five percent of the capital funding.

Capital Allocations: Total FY26-31 Capital Program ($M)		
Department	**City Tax Supported Funds**	**All Funds**
Water	$0	$6,377
Transit	$90	$4,194
Streets	$758	$2,601
Aviation	$21	$2,082
Parks & Recreation	$349	$558
Commerce	$117	$505
Managing Director's Office	$256	$313
Finance	$208	$236
Fleet Services	$220	$229
Public Health	$141	$166
Office of Innovation and Technology	$164	$164
Police	$104	$109
Public Property	$78	$90
Zoo	$21	$68
Prisons	$60	$60
Fire	$59	$59
Free Library	$50	$50
Office of Homeless Services	$18	$18
Sanitation	$16	$16
Art Museum	$15	$15
Sustainability	$14	$14
Records	$0	$0
Total	**$2,761**	**$17,925**

Streets will continue to be the biggest recipient of tax-supported capital funds owing to Philadelphia's vast, vintage transportation network and mandated accessibility improvements, like curb ramps. Philadelphia Parks and Recreation (PPR) has allocations for neighborhood parks, natural areas, and recreational facilities. Additionally, each of the ten district City Councilmembers are allocated $2.5 million each year to be directed to existing City-owned facilities at their discretion, appropriated in PPR and Finance. Streets will utilize significant shares of both City Tax Supported funds and federal and state dollars. The Commerce Department oversees investments in the City's waterfronts and other economic and community development projects in neighborhood commercial centers, industrial districts, and the Navy Yard and funds in this program will be used to cap I-95 at Penn's Landing and make improvements along East Market Street.

The assumptions and methods of estimation for spending for the Capital Fund in the FY26-30 Plan are reasonable and appropriate. The allocations are consistent with past trends, known needs, and mandates, but are likely to be insufficient to maintain all existing facilities in a state of good repair and support all desired new improvements.

Photo credit: Adobe Stock

Fund Balances and Reserves

General Fund Balance and Reserves

While the PICA Act simply stipulates that each year of the Five-Year Plan must have positive fund balances, there are other benchmarks that the City's financial cushion can be judged against. The Government Finance Officers Association (GFOA) recommends governments have no less than two months (or 16.7 percent) of revenues or expenditures to achieve an adequate fund balance. For the City of Philadelphia, that would mean more than $1 billion in each year of the Plan. The City of Philadelphia sets its own target, of the combined resources of the General Fund balance and other reserves, including the Budget Stabilization Reserve, being at least six to eight percent of General Fund revenues. The City's lower goal than the GFOA recommendation reflects a choice to avoid the significant revenue increases or service reductions that meeting the GFOA target in the short term could require, although the City came quite close to meeting the GFOA target in FY23 and FY24, years marked by underspending on staff salaries due to hiring challenges and availability of federal COVID-relief funds.

The FY26-30 Plan projects a General Fund balance of $471.0 million in FY26, which will drop to a Plan low of $45.1 million in FY29, before growing to $147.9 million in FY30. The City's Budget Stabilization Reserve will start FY26 with $176.1 million, is expected to have deposits in FY26 ($58.9 million) and FY27 ($59.9 million) that bring the total funds available to at least $299 million with interest earnings, and will remain at that level through FY30, assuming no withdrawals and no further interest earnings.

At these levels, the FY26-30 Plan will not reach or exceed the GFOA recommendation in any year.

General Fund Balance and Reserves as Percent of General Fund Revenues						
	FY25 Est.	FY26	FY27	FY28	FY29	FY30
GF Balance (% of revenues)	$915M (14.2%)	$471M (7.4%)	$163M (2.5%)	$102M (1.5%)	$45M (0.7%)	$148M (2.1%)
BSR Balance (% of revenues)	$166M (2.6%)	$240M (3.8%)	$299M (4.7%)	$299M (4.5%)	$299M (4.4%)	$299M (4.3%)
Total Reserves (% of revenues)	$1.18B* (18.2%)	$696M (10.9%)	$447M (6.9%)	$386M (5.8%)	$330M (4.8%)	$432M (6.2%)
City's Minimum Goal (6% of revenues)	$387M	$382M	$386M	$401M	$408M	$417M
GFOA Recommendation (16.7% of revenues)	$1.08B	$1.06B	$1.08B	$1.11B	$1.13B	$1.16B

*includes $95 million federal reserve

Assumptions and Methods of Estimation

The City's fund balance is calculated based on its projections for prior year fund balance, revenues, obligations, and adjustments for prior years. The City's Budget Stabilization Reserve balance is based on prior year balance, deposits made in accordance with the City Charter, withdrawals, and interest earnings.

PICA Staff Assessment of Assumptions and Methods of Estimation

The assumptions and methods of estimation for General Fund balances and Budget Stabilization balances for the FY26-30 Plan are reasonable and appropriate. Though the City's fund balance projections fall short of the GFOA-recommended level in all years, the PICA Act only requires positive fund balances for Board approval. The projected General Fund balances, based on reasonable assumptions of revenues and obligations, meet the requirements of the PICA Act but may be insufficient to address potential changes in service delivery costs or reductions in revenues without further budget balancing actions.

Housing Trust Fund Balance

The HTF projects operating deficits in each year of the Plan, aside from FY29, which has a projected $3 million operating surplus. Over the course of the FY26-30 Five-Year Plan, the fund balance for the HTF is projected to grow from $6.6 million (13.1 percent of revenues) in FY26, to $14 million (27.2 percent of revenues) at the end of FY30. The Administration has not set a target for reserve levels for the Housing Trust Fund.

Transportation Fund Balance

The Transportation Fund will maintain positive fund balances in each year of the Plan despite planned structural deficits in FY26 through FY29. Fund balances for the Transportation Fund range from $5.3 million (3.8 percent of revenues) in FY27 to $16.0 million (10.9 percent of revenues in FY30. The Administration has not set reserve targets for the Transportation Fund.

Performance

The City of Philadelphia uses program-based budgeting to link the outputs and outcomes of government programs to the costs and resources used to deliver services. Connecting program performance measures to the budget supports transparency, accountability, and data-driven decision making. Performance measures and narratives included in Quarterly City Managers Reports and Five-Year Plans and discussion of City performance and plans in budget hearings paint a picture for city managers, community members, and other stakeholders of the efficiency and effectiveness of City government.

The FY26-30 Plan includes performance measures for most departments and programs. The City reports on a subset of these measures throughout the year in the Quarterly City Managers Report (for the most recent data refer to the Performance Delivery Report in the FY25Q3 QCMR). The most recent data available to inform the discussion below is current as of March 31, 2025, and may include some lagging data measures. Year-end performance data for FY25 will be available in August 2025. Other sources for this discussion include the Proposed FY26-30 Five-Year Plan, presented to City Council on March 13, 2025, and City Council budget hearings that took place from April through June of 2025. Although PICA Staff do not assess the reasonableness of the methodology for City's performance measures, the information provides context for understanding the assumptions related to spending and revenues.

City of Philadelphia Priority Areas					
Public Safety	**Housing**	**Clean and Green**	**Economic Opportunity**	**Education**	**Core Support**
Police	Office of Homeless Services	Sanitation	Aviation	Free Library of Philadelphia	Department of Fleet Services
Fire	Department of Planning and Development	Streets			Department of Public Property
Prisons		Water Department			311
Licences and Inspections		Office of Sustainability			
Office of Behavioral Health		Parks and Recreation			
Department of Human Services		CLIP			
Department of Public Health					

Performance: Public Safety

What Happened in FY25

- The Police Department was on track to see reductions in the number of homicides and shooting victims since FY24 and improve clearance rates (the proportion of crimes solved) for homicides.
- The Fire Department's efforts were on track to contribute to a reduction in the number of structure fires.
- As a result of population reduction efforts spearheaded by the Philadelphia criminal court judges, with support from criminal justice partners and the City, the Department of Prisons saw its average daily census fall to 3,513 as of June 30, 2025, per the daily headcount.
- The Department of Licenses and Inspections estimated it would meet FY25 performance targets for the median timeframe for permit issuance. The length of time until demolition of imminently dangerous properties was anticipated to increase following a Commonwealth Court decision mandating comparison of the costs of demolition to repair.
- The Department of Behavioral Health and Intellectual disAbility Services was on track to make significant improvements on patient discharge follow-up within 30 days. DBHIDS did not anticipate meeting targets for readmission to inpatient psychiatric facilities and instituted new processes intended to decrease readmission.
- Public Health was on track to reach their target of reducing the number of new HIV diagnoses. The Department was not on track to reach their target goals on performance measures for the percentage of uninsured visits, children with complete immunizations, the number of patient visits to Department-run STD clinics, and others.

Changes for FY26

- The Police Department seeks to reduce the number of homicides and shooting victims through FY26. The Department also aims to increase its staffing level while building a force whose members reflect the demographics of the city.
- Data issues continue to limit the Fire Department's ability to properly measure its response time performance. The Department's recent implementation of a computer-aided dispatch system should improve measurement going forward.
- Changes to shift scheduling in the Department of Prisons are anticipated to increase staffing levels. The implementation of a new Management Information System, combined with RFID technology and electronic health monitoring and an integrated camera system, is expected to increase safety for inmates and staff.
- The Department of Licenses and Inspections anticipates lower caseloads for building inspectors due to recent hiring but anticipates that demolitions will take longer due to court-required cost analyses.
- DBHIDS will increase its target from 1,700 in FY25 to 2,000 individuals in FY26 as Mental Health First Aiders, who are individuals trained to assist people who may be experiencing mental health issues or crises.
- Public Health will reduce their target for complete immunizations for children, and visits to Department-run STD clinics. The Department will increase targets for the number of high school students who are tested for STDs, and for the number of families referred to Philly Families CAN, a network of intake coordinators.

Performance: Housing

What Happened in FY25

- The Office of Homeless Services was on track to provide an increased number of households with homeless prevention assistance, though permanent housing from shelter and transitional housing declined with the end of COVID-related funding.
- The Department of Planning and Development had exceeded its FY25 target for mortgage foreclosure diversion by the end of the third quarter and was just shy of its full year goal for tax foreclosure counseling.

Changes for FY26

- With support from H.O.M.E. Initiative funding, the Department of Planning and Development is increasing its targets for applications for home improvement programs, the number of homes repaired, and the number of properties acquired through tax foreclosure.

Photo credit: Adobe Stock

Performance: Clean and Green

What Happened in FY25

- Recycling tonnage and timeliness of recycling collections declined as the City focused on trash collection and diverted recycling crews to trash collection following the NFC Championship Game and Super Bowl victory celebrations.
- The Philadelphia Streetlight Improvement Project (PSIP) progressed towards completion, and when the Proposed FY26-30 Five-Year Plan was published, goals for street paving and resurfacing were on track to be met.
- The Water Department was on track to treat enough water to meet customer demand and meet its goal for timely water main repairs. Staffing challenges led the Department to fall short of its goals for inlet cleaning and fire hydrant availability.
- The Office of Sustainability projected that energy consumption by City facilities declined in FY25, although utility rate increases led to increased costs despite decreased usage.
- Parks and Recreation program attendance improved over FY24, although it was not on track to meet the target. The Eagles Super Bowl parade contributed to increased visits to Philadelphia parks in Q3.
- The Community Life Improvement Program (CLIP) was on track to meet all targets, including the number of graffiti cleanup projects completed citywide and vacant lot and exterior property maintenance violations issued.

Changes for FY26

- Sanitation intends to increase recycling tonnage and the recycling rate.
- Streets anticipates completing the Philadelphia Streetlight Improvement Project but foresees a decrease in the number of miles paved or resurfaced as resources are directed towards meeting court-ordered remediation for ADA accessibility requirements, primarily curb cuts.
- Sustainability increased performance targets for City energy usage and greenhouse gas emission from FY25 to FY26.
- For FY26, Parks and Recreation has increased the target of the percentage of 311 requests closures that meet their standard from 68 percent in FY25 to 70 percent in FY26.

Performance: Economic Opportunity

What Happened in FY25

- The Department of Aviation saw low-cost carriers reduce scheduled flights, putting the Department on track for fewer passengers than targeted coming through Philadelphia International Airport (PHL) in FY25. Cargo tonnage declined due to industry trends. Non-airline revenue and retail sales increased with the opening of new concessions.

Changes for FY26

- For FY26, Aviation anticipates adding summer routes to Europe and offering additional incentives to drive more air carriers to consider expansion at PHL.

Performance: Education

What Happened in FY25

- Compared to FY24, the Free Library was on track to increase digital access through e-book circulation from new library materials.

Changes for FY26

- The Free Library has increased the target for virtual visits by 200,000 to 4.2 million in FY26 and increased the target for circulation counts by 10 percent to 9.35 million.

Performance: Core Support

What Happened in FY25

- The Department of Fleet Services was on track to meet its service level agreements and vehicle availability targets. Vehicle purchases in FY25 were anticipated to lower the median vehicle age going forward.
- Staffing vacancies in FY25 impacted the Department of Public Property's ability to complete work orders within service level.
- For Philly 311, the average satisfaction score for tickets and phone calls monitored by 311 supervisors increased by 4.1 percent in FY25 Q3 to 94.7 percent and was on track to meet the year-end target of greater than 90 percent.

Changes for FY26

- The Neighborhood Community Action Centers (NCACs) have increased their target for community engagement by 30 in FY26 to hold 330 meetings and events.

Photo credit: Kevin Vaughan

Section 4: Key Risks

- Longstanding Risks
- Emerging and Evolving Risks

Key Risks

The PICA Act requires that the Plan projections of revenues and obligations are based on reasonable assumptions and methods of estimation and result in balanced budgets in each year of the Plan. Based on staff and expert analysis, PICA recommends approval of the FY26-30 Plan as submitted, but there are risks.

As a consolidated city/county with high service needs, a relatively weak tax base, and at times slim projected fund balances; external factors, internal policies, and operational choices could unbalance the Plan and trigger a variance that would require the City to devise and deliver a new Plan for PICA approval. The discussion below focuses on key risks to the Plan, grouped into two categories: Longstanding Risks and Emerging & Evolving Risks. Deviations from projections in these areas could occur at a scale significant enough to lead to a variance to the Plan.

Longstanding Risks

- Labor Costs
- Pension Costs
- Economic Downturns & Other Disruptions

Emerging and Evolving Risks

- Federal Funds & Policies
- Labor Availability
- Incompletely Scoped Budgets for New Initiatives

Longstanding Risks

Future Labor Costs

One of the major challenges facing the City in budgeting for staffing and benefit costs is the general absence of labor agreements beyond FY25 as of July 1, 2025. On July 9, 2025, the City agreed to a three-year contract with AFSCME District Council 33 that includes annual pay increases of 3.0 percent for FY26-28. The City reached an agreement with AFSCME District Council 47 on July 15, 2025 that includes pay increases of 2.5 percent in FY26, and 3.0 percent annually for FY27 and FY28. The City will likely enter into new contracts with all of its bargaining units over the course of the FY26-30 Plan.

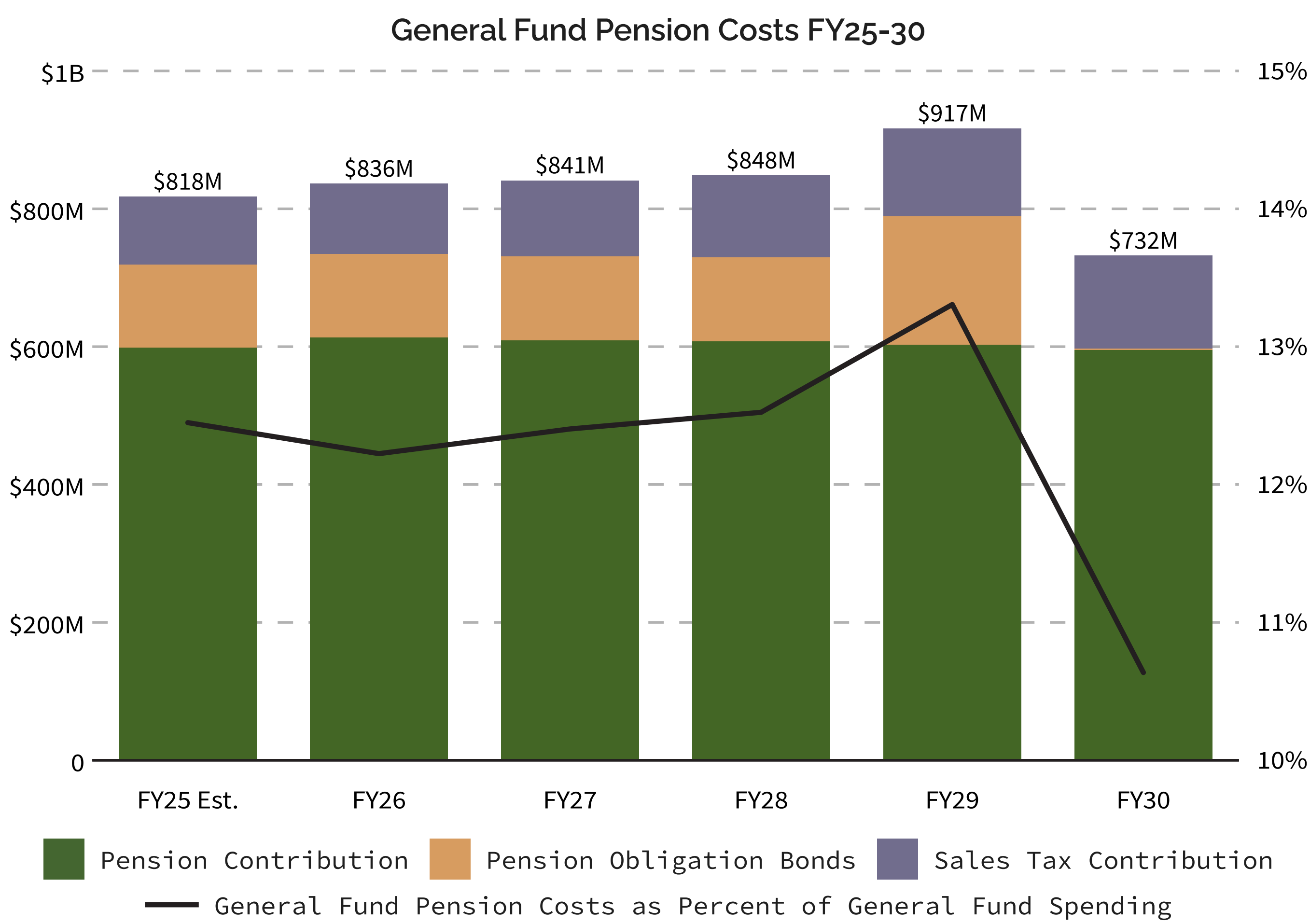
The flat Class 100 allocations included in the Plan will be insufficient to cover increased General Fund spending resulting from new contracts that contain wage increases, which is likely given the content of past contracts. The one-year contracts and awards negotiated for FY25 included wage increases that ranged from 4.4 to 5 percent. To account for the potential need to increase spending on Personal Services, including Employee Benefits, the City has included a Labor Reserve of $549 million in the FY26-30 Plan, which will be used to absorb the costs of the recently announced contract with AFSCME D.C. 33 (estimated to cost $115 million over the Plan) the recently announced contract with AFSCME D.C. 47 (preliminarily estimated to cost $92 million over the Plan), and any increases for contracts with the other unions and for non-represented staff.

To assess the sufficiency of the Labor Reserve, PICA does rough calculations of additional labor costs, or wage risk, that may arise during the Plan. These calculations include the recently announced contracts with AFSCME D.C. 33 and AFSCME D.C. 47 and otherwise assume 2.5 percent wage increases in each year of the Plan – the highest level the Labor Reserve and fund balance can support while maintaining positive fund balances in each year of the Plan. Wage increases beyond this level, absent other adjustments to the Plan, would lead to a negative fund balance in at least FY29.

PICA's assessment does not constitute a projection, as it assumes flat and uniform wage increases over the Plan and does not account for potential lump-sum payments that may be negotiated or arbitrated in future labor contracts. Any future labor agreements or awards entered into by the City that increase General Fund spending beyond Labor Reserve amounts could materially impact the General Fund balance, especially in later years of the Plan. Such additional spending would likely require the City to submit a revised Five-Year Plan to PICA demonstrating sufficient funds to cover additional costs and maintain positive fund balances.

Potential Impact of Wage Risk on General Fund Balance					
2.5% Annual Increase	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**
Labor Reserve	101,577,000	104,577,000	104,577,000	106,577,000	131,412,000
Estimated Wage Risk	(43,599,496)	(89,317,151)	(136,241,395)	(182,153,469)	(229,213,345)
Plan (shortage) / overage	**57,977,504**	**15,259,849**	**-31,664,395**	**-75,576,469**	**-97,801,345**
Projected GF Balance	**470,969,000**	**162,580,000**	**101,931,000**	**45,089,000**	**147,897,000**
FY26 (shortage) / overage	57,977,504	57,977,504	57,977,504	57,977,504	57,977,504
FY27 (shortage) / overage		15,259,849	15,259,849	15,259,849	15,259,849
FY28 (shortage) / overage			(31,664,395)	(31,664,395)	(31,664,395)
FY29 (shortage) / overage				(75,576,469)	(75,576,469)
Potential GF Balance	**528,946,504**	**235,817,353**	**143,503,958**	**11,085,489**	**113,893,489**

Pension Costs



Note: City matching funds of $1.8M or less are included in pension cost totals

General Fund costs for the City's pension obligation bonds and pension contributions are projected to total $4.17 billion over the Plan, 12.2 percent of total General Fund expenditures. The most recent actuarial report on the Pension Fund's status shows that as of July 1, 2024, the Fund's unfunded actuarial liability decreased by $292 million during FY24, bringing the funded ratio to 65.4 percent with an assumed rate of investment return of 7.30 percent.

As detailed in PICA's Fact Sheet on the City of Philadelphia's Pension Fund, in recent years the City and an array of pension stakeholders have implemented reforms designed to improve the fiscal health of the City's Pension Fund. The lower bound for Philadelphia's annual pension contribution is set by Pennsylvania's Act 205 of 1984, which defines the Minimum Municipal Obligation (MMO). Since FY18, the City has followed its award-winning Revenue Recognition Policy (RRP), utilizing a portion of Sales Tax revenues and employee contributions to make payments beyond the MMO and bring down the Pension Fund's unfunded liability. When possible, the City has added additional contributions above the RRP. These additional contributions allow the City to reduce unfunded pension liability even when returns from the Pension Fund's investments are below actuarial assumptions.

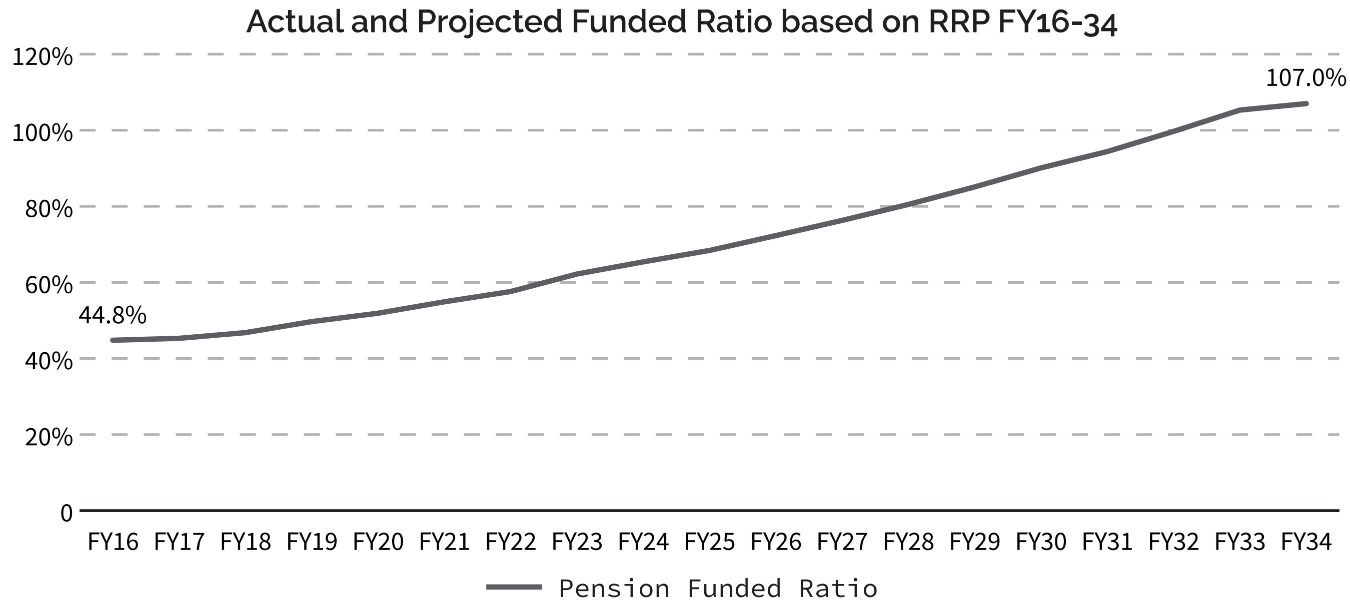
The City's ultimate goal is to fully fund the Pension Fund's liabilities and pay only the normal costs, or contributions required to cover future benefits earned by employees in a given year. Achieving that goal would allow the City to bring pension contribution levels down by hundreds of millions of dollars annually while still maintaining the fiscal health of the City's pensions. The City's actuary projects that full funding could be achieved by FY33 if current practices are maintained.

Risks to the FY26-30 Five-Year Plan may arise if the City shifts its pension policy or market conditions are worse than expected. Even though the City has continued to reduce its earnings assumptions, down to 7.25 percent as of July 1, 2025, this level may still be overly optimistic. For example, S&P Global Ratings suggests a 6 percent rate to mitigate contribution volatility.

The City's pension obligation bonds (POBs) were issued in 1999 and are expected to be fully retired in 2035. To create fiscal capacity during the pandemic, the City restructured its POB debt service schedule. This adjustment freed up funds in the pandemic years but extended the timeline for retirement of the bonds. The FY26-30 Plan includes a POB balloon payment in FY29, followed by notably lower POB debt service in FY30. Further adjustments to POB repayment, which are not contemplated in the FY26-30 Plan, would potentially add additional costs in the outyears of the FY26-30 Plan and future Five-Year Plans.

If the City moves away from its RRP and additional contributions, unfunded pension liabilities could grow, which would cause the funded ratio to decline and the MMO to increase. The City is on an achievable path to full pension funding. Deviation from that path will delay the timeline for full pension funding while adding to future pension costs. Declining funded ratios over multiple years may result in downgraded credit ratings which could increase the City's borrowing costs.

PICA commends City leadership, City employees, City Council, City unions, Pension Board members, Retirement System staff, and the Pennsylvania State Legislature for the effort and resources that continue to be dedicated to stabilizing the Pension Fund. Should the City continue with RRP and additional contributions as intended, the City will have hundreds of millions of dollars more each year to commit to other efforts to bolster the City's fiscal stability in the next decade.



Economic Downturns and Other Disruptions

The specter of an economic downturn has long loomed as a financial concern for Philadelphia, particularly if the economy slows more than the City's revenue projections assume or creates additional community needs. As of June 2025, uncertainty around trade wars, restrictive immigration policies, and other federal policy shifts have economic forecasters anticipating slower growth in the second half of 2025, as well as potential for higher inflation. A reduction in the foreign-born labor force will have differing effects by sector. For example, Philadelphia's large hospitality sector may be more significantly impacted although the relatively lower wages in this area may minimize the harm to Wage Tax collections overall compared to if the effects were concentrated in other, higher paying industries. Elevated interest rates are expected to continue, maintaining higher mortgage rates and slowing new construction. The labor market continues to look relatively healthy, with unemployment steady at 4.2 percent in May and ongoing payroll gains in 2025, although at lower levels than in 2024. National employment in health care and social services, industries with significant representation in Philadelphia, continue to trend upward.

The impact of a slowing economy and rising inflation and interest rates may be felt throughout the budget; higher prices (owing to inflation, tariffs, and/or supply chain disruptions) may have an impact on City spending for goods and services. Although General Fund spending on materials, supplies, and equipment is expected to average just 2.25 percent of General Fund spending over the life of the Plan, some items can create pressure necessitating tradeoffs. For example, a fully loaded police patrol car currently costs around $70,000 and the Department of Fleet Services thinks the next round of purchases could be at least $10,000 more. Rising costs for goods may also affect construction materials needed to complete capital projects and could raise expenses for the City's vendors, which represents nearly a quarter of General Fund spending. Higher interest rates and supply costs may also affect the scale of the new housing program, slated to build or repair 30,000 homes over four years with $800 million in borrowed funds. The impact of higher prices on the local economy could lead to less business investment and employment, reducing the tax base and collections, and creating hardships for Philadelphia firms and families that could result in higher service needs.

If inflation is higher than expected, and the Federal Reserve pursues a path of raising interest rates, that could result in higher than projected debt service costs. Debt service is already a significant part of the General Fund budget, and nearly $800 million in new borrowing has been authorized for FY26, between a historically higher FY26 Capital Budget ($379 million in new General Obligation borrowing) and the first tranche of funds for the H.O.M.E. program ($400 million). Even a small increase in borrowing costs over current expectations can have a large impact over the life of the Plan and beyond if the same level of borrowing is pursued. For example, $800 million repaid over 20 years with a six percent interest rate would cost more than $100 million more in interest (around $575 million) compared to a five percent interest rate.

Economic uncertainty and decline can be coupled with, triggered by, or exacerbate other disruptions that could unbalance the Plan. Natural disasters, civil unrest, and health emergencies all have the potential to undermine the City's fiscal stability. As the Plan projects a less than one percent fund balance in FY29 ($45 million), events that could delay or decrease revenues and simultaneously increase costs pose a significant threat. Even when the fund balance is combined with the $299 million in the Budget Stabilization Reserve, the City has less than the low end of its six percent target for reserves in FY29.

The City's finances and ability to deliver services to Philadelphians is not the only local public sector area of concern. The Southeastern Pennsylvania Transportation Authority (SEPTA) and the School District of Philadelphia have both been challenged in their ability to provide desired levels of high-quality service for many years and face immediate challenges. Absent additional funding, SEPTA is planning dramatic service reductions starting this fall. The School District will be using its fund balance in FY26 to close a deficit and is projecting negative fund balances from FY27 through FY30. The fiscal health of SEPTA and the School District of Philadelphia are crucial to the overall fiscal stability of the City of Philadelphia. Both institutions play pivotal roles in the city's economic vitality, social equity, and quality of life, and their financial well-being directly influences the city's ability to thrive and prosper.

Emerging and Evolving Risks

Detrimental Changes to Federal Funds and Policies

With a new administration in Washington, D.C. as of January 2025, there has been a shift in policies and funding that affects Philadelphia, which receives roughly $2 billion across all funds of the City annually in federal funds received in FY24. This has included challenges receiving funds for previously awarded grants and uncertainty about future awards. While not all announced changes have been fully implemented, the City and the Commonwealth of Pennsylvania have needed to pursue Congressionally approved funding through the courts, which to date has minimized the reductions in revenues. With existing reserves and the current tax base, Philadelphia cannot absorb federal funding reductions at a greater scale without significant service reductions.

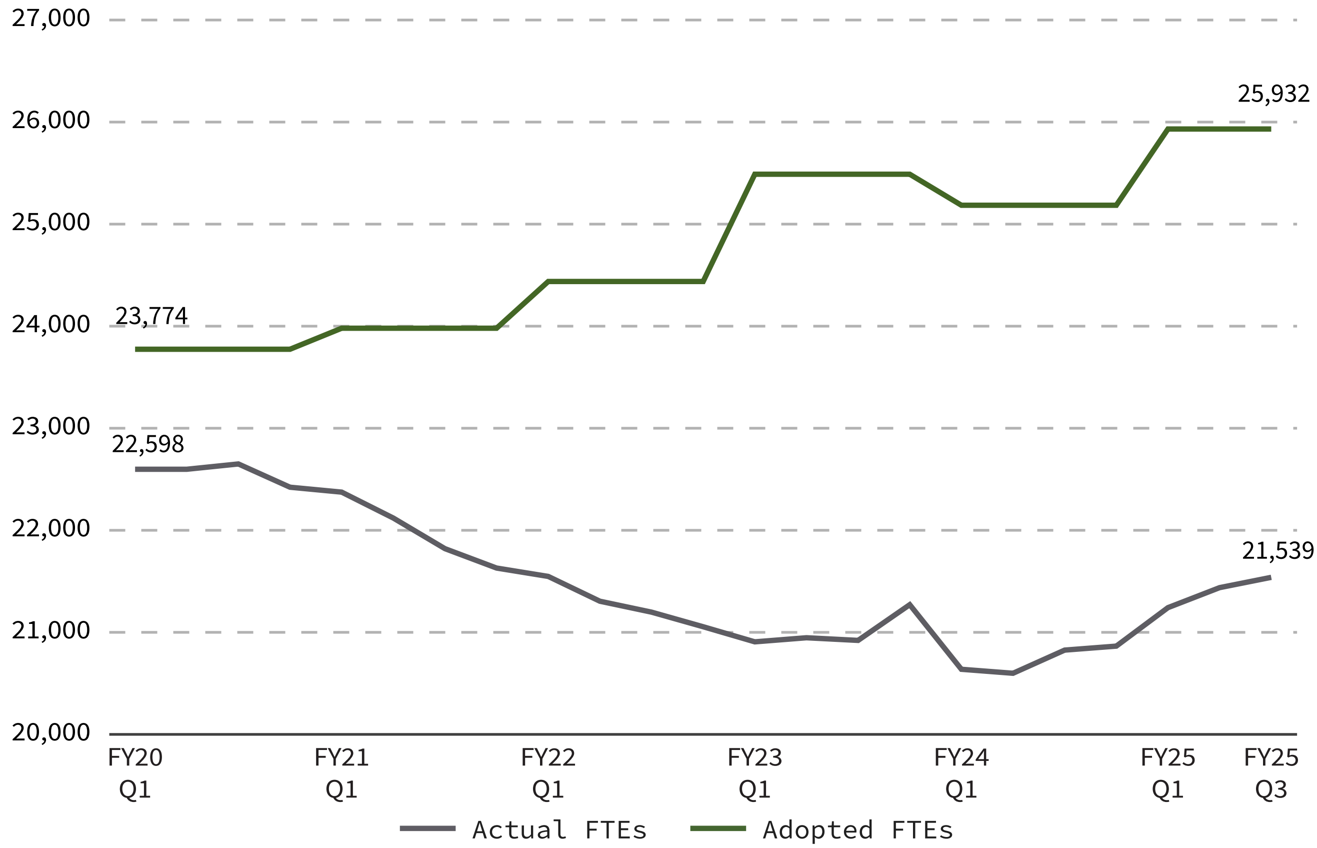
In addition to direct revenue losses, other federal changes have the potential to affect community conditions and local financial stability. Reduced funding and staff for federal programs could delay or eliminate services for Philadelphians, which may result in higher demand for local services. For example, reductions in Medicaid coverage could reduce access to healthcare, resulting in more EMS calls to the Fire Department and less reimbursement for services provided in City Health Centers. Reduced or eliminated federal attention to consumer protection may increase the financial vulnerability of Philadelphians and create an impetus for the City to take on new or expanded functions in this area.

Constraints on allowable actions and programs by local government may also be debilitating. Areas of concern include ending the ability of cities and states to enact Medicaid Provider Taxes to provide local matching funds. There remains great fluidity in the breadth, timing, and scale of federal changes in policy and grant funding, but even a five percent reduction in federal funds (about $100 million) could require the City to make hard decisions.

Labor Availability

Much of the work of Philadelphia's local government depends on staff to deliver programs and services, as well as manage critical back-office functions. The FY26 budget includes 26,253 budgeted General Fund positions, an increase of 1.3 percent over the budgeted number for FY25. At the end of the third quarter of FY25, the most recently available data, 21,539 positions are filled, leaving the City's headcount about 1,100 less than pre-COVID levels while the number of desired positions has grown by more than 2,000. Prior to COVID, roughly five percent of positions were vacant, but through the first three quarters of FY25, vacancy averaged 17.5 percent.

Full Time General Fund Employees by Quarter FY20 - FY25 Q3



While the hiring and retention challenges are ongoing, progress has been made this year. Several departments cite a change in civil service regulations allowing separated employees to return to their position for up to five years (previously only one year) as having a positive impact on staffing levels. Shift changes for Corrections Officers that allow for predictable schedules for weekends off have also proved useful in attracting and retaining staff in these critical, hard-to-fill positions. Even with these improvements, ongoing high vacancies can translate into sub-par service levels or quality and prolonged reliance on overtime, which can lead to employee burnout and thus drive turnover. Starting in October 2025, there may be additional pressure on the availability of first responders for work as the allowable reasons for workers compensation expand to include post-traumatic stress injuries.

Given the sustained nature of the vacancy challenge, the City will be undertaking an evaluation of vacant and budgeted positions with an eye towards eliminating long-vacant or low-priority positions. This should reduce the City's vacancy rate and align budget documents more closely with actual conditions. The variance in recent years did lead to higher than initially projected fund balances as Class 100 dollars were unspent but also may have reflected unmet community needs. Whether or not the budgeted number of positions changes, if the service delivery goals remain the same, there is potential for higher costs elsewhere in the budget if hiring and retaining adequate staff is not successful. This may come in the form of more costly methods of service delivery or court-ordered payments for failures to perform as required. Higher costs and lower service quality (which may eventually erode the tax base) are the threats to maintaining balanced budgets.

Incompletely Scoped Budgets

New programs and policies represent an opportunity to address emerging and persistent challenges for Philadelphia but come with uncertainty in the scope of these initiatives and the time and resources required. PICA approved the FY25-29 Plan in July 2024 that contained no General Fund resources for the launch of the Wellness Ecosystem, only capital dollars and the expectation of using opioid settlement funds and other external sources for operating costs. By the fall, the City announced the need to direct tens of millions of General Fund dollars to operating and pay-as-you-go capital expenses for the initiative. The Administration was transparent with the likelihood of increasing costs from the outset but did not include them in the Five-Year Plan.

The FY26-30 Plan similarly includes the launch of a significant initiative, for affordable housing, that the Administration in testimony to City Council indicated could cost more than the level proposed. Concerns have been raised about the level of demand for proposed programs. The Administration has also indicated that it is negotiating to extend the Zero Fare program for low-income transit riders beyond FY26. Funding for FY26 is available from underspends in the prior year, but no funding is included in the Plan for the following years.

The spending estimates of the City are reasonable and consistent, and these particular items are individually unlikely to unbalance the Plan, but it is notable that growth in this Plan from FY26 to FY30 is just 0.6 percent when the average actual annual spending growth from FY14-24 was 5.7 percent. The City has the flexibility to shift or curtail spending to avoid a deficit. But a pattern of announcing initiatives with preliminary cost projections that, while useful for initial decision-making, often prove insufficient once implementation begins, poses a risk to the Plan and undermines efforts for sound financial planning and budgetary practices that are required by the PICA Act. These early estimates appear to be developed before the full scope, operational needs, and long-term financial implications are fully understood. This approach can create uncertainty and raise concerns about the reliability of the initial budgeting process. In a period with robust fund balances buoyed by federal relief funds, underbudgeting in initial phases could be absorbed. As the City plans to draw down on its fund balance to address structural deficits in FY26 through FY29, continual underbudgeting of signature initiatives may become more destabilizing.

Section 5: Recommendations

Recommendation to the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority

Based on a thorough analysis of the City of Philadelphia's Fiscal Year 2026-2030 Five-Year Financial Plan (the Plan) and the requirements of the PICA Act, PICA Staff recommend approval for the following reasons:

- The Plan projects positive year-end General Fund balances in all years of the Plan
- 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.
    - PICA Staff analysis of non-tax revenues found that the projections for Locally Generated Non-Tax, Revenues from Other Funds, and Revenues from Other Governments to be reasonable over the life of the Plan.
    - PICA Staff analysis of expenditures by major class found the spending projections to be reasonable over the life of the Plan.
- The Plan included projections of all revenues and expenditures for five fiscal years, including projected capital expenditures, short- and long-term debt incurrence, and cash flow forecasts for the first year of the Plan, as required by the PICA Act.
- The Plan submitted by the City contained the elements required by the PICA Act:
    - The Mayor's Statement
    - A schedule of debt service payments
    - A schedule of payments for legally mandated services
    - The Mayor's proposed Operating and Capital Budget for each of the covered funds for the next fiscal year.
    - A cashflow forecast for the City's consolidated cash account
    - An opinion from the City Controller
    - A schedule setting forth the number of authorized employee positions (filled and unfilled)

Although PICA Staff are confident that the Plan is based on reasonable and appropriate assumptions and includes year-end fund balances that are positive in each year of the Plan, certain factors were identified that may present risks to the Plan. Those risks include:

- Labor Costs & Availability
- Pension Costs
- Economic Downturns and Other Disruptions
- Detrimental Federal Funds and Policy Changes
- Incompletely Scoped Budgets

Recommendations to the City of Philadelphia

With about $1 billion in reserves, sustained progress on pension funding, and the highest credit ratings in decades, there is much to celebrate about Philadelphia's financial condition at the start of FY26. Even with these tremendous achievements, there are threats to the City's ongoing fiscal stability stemming both from external, uncontrollable factors and internal budgeting and policy choices. In addition to staying the course on the policies and actions that have improved the City's fiscal footing, PICA recommends that the City enhances its efforts in the following ways:

Allocate Additional Reserves

Unlike many prior plans and the FY25 budget, the FY26-30 Plan does not include reserves specifically for the reasonable likelihood of adverse federal funding or policy changes or economic conditions worse the expected beyond the fund balance and Budget Stabilization Reserve, which even combined do not achieve the low end of the City's target for adequate reserves in all years of the Plan. While actual outcomes may deviate from the President's stated objectives to reduce existing federal funding for the City of Philadelphia and for programs relied upon by many vulnerable community members, the City could be better prepared to navigate detrimental changes. While fully offsetting losses of federal funding or other challenges is impossible, additional reserves would provide the City time to make strategic choices. PICA acknowledges that additional reserves represent a trade-off that may necessitate different revenue policies and spending choices.

Improve Budget Scoping and Accuracy

As noted in the Key Risks section of this report, recent, large initiatives, like the Wellness Centers, have been launched and then shortly seen material increases in their costs. Other budget areas have seen underspends, which means that appropriated funds might have had more positive community impacts if they had been budgeted elsewhere. Philadelphia already has many tools in place, like the Quarterly City Managers Report, to monitor actual performance to budget. PICA is supportive of the City's upcoming evaluation of long-vacant positions which are funded and encourages ongoing improvement in other areas, like accuracy in overtime spending projections. The City is encouraged to leverage existing tools and others in the development of future budgets in pursuit of less deviation between budgeted and actual spending.

Photo credit: Kevin Vaughan

Appendices

Appendix A:
PICA's Organization and Oversight Authority

Appendix B:
City of Philadelphia FY2026-FY2030 Five-Year Financial Plan

Appendix C:
Controller's Report on the FY2026-FY2030 Five-Year Plan

PICA's Organization and Oversight Authority

PICA's Organization

The Pennsylvania Intergovernmental Cooperation Authority Act (PICA Act) was passed by the legislature of the Commonwealth of Pennsylvania in 1991, creating the Pennsylvania Intergovernmental Cooperation Authority (PICA) to provide financial assistance to the City of Philadelphia 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, saw its credit ratings drop below investment grade level by national rating agencies, instituted an across-the-board hiring freeze, and experienced an erosion in the quality of municipal services. PICA was designed to address the City's short-term financing needs while providing oversight on long-term financial planning that would restore the confidence of residents, investors, and public officials in the ability of the City to maintain and enhance its financial stability over the long term.

PICA is administered by a governing Board consisting of five voting members and two ex-officio, non-voting members. The Governor, the President Pro Tempore of the State Senate, the Minority Leader of the State Senate, the Speaker of the State House of Representatives, 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 PICA Act tasks PICA with certain oversight and financial functions intended to enhance the fiscal stability of the City of Philadelphia. In its oversight capacity, PICA has advisory and review powers with respect to the City's financial affairs, including the responsibility to review and vote on the approval of the Five-Year Financial Plan prepared annually by the City. PICA is then responsible for monitoring the City's compliance with each adopted Five-Year Financial Plan.

Should the City fail to adhere to the requirements of the PICA 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.

PICA has the power to issue bonds for the financial benefit of the City. Through debt issuance and capital program earnings, PICA has made available $1.1 billion to directly assist the City in the following areas: deficit elimination, indemnities, productivity banking, capital projects, and the retirement of certain high-interest debt.

PICA's Oversight Authority

PICA's oversight authority is defined in the PICA Act and the Intergovernmental Cooperation Agreement (ICA) between PICA and the City of Philadelphia. As described in the PICA Act, PICA was created to foster fiscal integrity and provide for proper financial planning procedures and budgeting practices.

The PICA Act charges the City of Philadelphia with the "responsibility to exercise efficient and accountable fiscal practices." These 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.

The PICA Act and its provisions are intended to ensure that the City of Philadelphia works proactively to avoid fiscal crises and is able to manage fiscal pressures when times are tough. To support the City, PICA makes recommendations concerning its budgetary and fiscal affairs. Cooperation between PICA and the City is formalized in an Intergovernmental Cooperation Agreement (ICA) based on the provisions of the PICA Act. The ICA grants PICA broad access to all data pertaining to the finances of the City and other related corporate entities like the School District of Philadelphia. PICA is also authorized to conduct "such independent audits, examinations or studies of the City the Authority deems appropriate."

CITY OF PHILADELPHIA

FY2026 - FY2030 FIVE YEAR FINANCIAL PLAN

AS APPROVED BY THE COUNCIL - JUNE 2025

CHERELLE L. PARKER
MAYOR

CITY OF PHILADELPHIA

FY2026 - FY2030 FIVE YEAR FINANCIAL PLAN

AS APPROVED BY THE COUNCIL - JUNE 2025

GENERAL FUND

City of Philadelphia
As Adopted
Five Year Financial Plan FY2026-2030

SUMMARY OF OPERATIONS
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

NO.	ITEM	FY 2024 Actual	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	4,087,950	4,320,342	4,555,182	4,734,572	4,897,353	5,029,977	5,146,984
2	Locally Generated Non-Tax Revenues	456,326	460,725	410,440	389,624	437,589	395,809	398,023
3	Revenue from Other Governments	358,975	436,043	456,488	446,577	438,465	439,602	440,764
4	Other Govts. - PICA City Account (1)	705,546	743,429	769,286	799,898	830,842	860,948	890,348
5	Sub-Total Other Governments	1,064,521	1,179,472	1,225,774	1,246,475	1,269,307	1,300,550	1,331,112
6	Revenue from Other Funds of City	454,778	486,566	172,105	67,148	72,133	68,399	68,982
7	Total - Revenue	**6,063,575**	**6,447,105**	**6,363,501**	**6,437,819**	**6,676,382**	**6,794,735**	**6,945,101**
8	Other	0	0	0	0	0	0	0
9	**Total Revenue and Other Sources**	**6,063,575**	**6,447,105**	**6,363,501**	**6,437,819**	**6,676,382**	**6,794,735**	**6,945,101**
	OBLIGATIONS/APPROPRIATIONS							
10	Personal Services	2,038,411	2,302,352	2,346,195	2,356,699	2,353,677	2,352,661	2,352,677
11	Personal Services-Pensions	868,891	719,281	734,423	730,659	729,302	788,927	596,703
12	Personal Services-Pensions - Sales Tax	90,016	98,468	102,010	110,602	119,134	127,839	135,260
13	Personal Services-Other Employee Benefits	704,521	838,625	909,155	944,795	996,268	1,052,340	1,114,312
14	**Sub-Total Employee Compensation**	**3,701,839**	**3,958,726**	**4,091,783**	**4,142,755**	**4,198,381**	**4,321,767**	**4,198,952**
15	Purchase of Services	1,360,420	1,482,066	1,608,223	1,543,326	1,551,046	1,550,467	1,603,468
16	Materials, Supplies and Equipment	189,588	173,599	177,403	147,803	140,491	142,537	161,546
17	Contributions, Indemnities, and Taxes	452,529	477,460	476,983	417,694	417,694	417,194	417,194
18	Debt Service	189,138	220,417	231,495	278,252	279,346	268,329	282,430
19	Payments to Other Funds	198,960	103,313	96,235	88,389	82,996	83,206	86,791
20	Advances & Misc. Pmts. - Labor Reserve	0	0	101,577	104,577	104,577	106,577	131,412
21	Advances & Misc. Pmts. - Federal Reserve	0	95,000	0	0	0	0	0
22	Sub-Total	6,092,474	6,510,581	6,783,699	6,722,796	6,774,531	6,890,077	6,881,793
23	Payment to Budget Stabilization Reserve Fund	42,261	58,291	58,860	59,912	0	0	0
24	**Total - Obligations**	**6,134,735**	**6,568,872**	**6,842,559**	**6,782,708**	**6,774,531**	**6,890,077**	**6,881,793**
25	Oper. Surplus (Deficit) for Fiscal Year	(71,160)	(121,767)	(479,058)	(344,889)	(98,149)	(95,342)	63,308
	Prior Year Adjustments:							
26	Other Adjustments	32,488	93,394	35,500	36,500	37,500	38,500	39,500
27	Total Prior Year Adjustments	32,488	93,394	35,500	36,500	37,500	38,500	39,500
28	**Adjusted Oper. Surplus/ (Deficit)**	**(38,672)**	**(28,373)**	**(443,558)**	**(308,389)**	**(60,649)**	**(56,842)**	**102,808**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
29	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	981,572	942,900	914,527	470,969	162,580	101,931	45,089
30	Fund Balance Available for Appropriation June 30	**942,900**	**914,527**	**470,969**	**162,580**	**101,931**	**45,089**	**147,897**

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Taxes

NO.	AGENCY AND REVENUE SOURCE	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(5)	(6)	(7)	(8)	(9)	(9)	(9)
	A. Real Property							
1	1. Current	803,152	863,282	897,229	959,424	998,720	1,034,477	1,057,667
2	2. Prior	34,940	42,081	43,199	36,455	32,786	32,130	31,487
3	**Subtotal**	**838,092**	**905,363**	**940,428**	**995,879**	**1,031,506**	**1,066,607**	**1,089,154**
	B. Wage and Earnings							
4	1. Current	1,840,188	1,944,878	2,034,288	2,117,170	2,197,926	2,272,629	2,335,951
5	2. Prior	2,716	5,400	5,400	5,400	5,400	5,400	5,400
6	**Subtotal**	**1,842,904**	**1,950,278**	**2,039,688**	**2,122,570**	**2,203,326**	**2,278,029**	**2,341,351**
	C. Business Taxes							
7	**1. Business Income & Receipts**	**679,751**	**679,751**	**725,920**	**732,716**	**735,335**	**725,544**	**726,129**
	2. Net Profits							
8	a. Current	31,833	38,927	27,621	26,491	26,563	26,247	25,886
9	b. Prior	10,734	4,700	4,700	4,700	4,700	4,700	4,700
10	**Subtotal**	**42,567**	**43,627**	**32,321**	**31,191**	**31,263**	**30,947**	**30,586**
11	**Total, Business Taxes**	**722,318**	**723,378**	**758,241**	**763,907**	**766,598**	**756,491**	**756,715**
	D. Other Taxes							
12	1. Sales	210,015	213,677	222,010	230,602	239,134	247,839	255,260
13	2. Sales (Pension)	90,016	93,677	102,010	110,602	119,134	127,839	135,260
14	Subtotal	300,031	307,354	324,019	341,204	358,268	375,678	390,520
15	3. Amusement	40,800	44,586	47,448	48,307	49,466	50,960	52,336
16	4. Real Property Transfer	265,587	315,446	372,657	390,619	416,634	431,549	447,171
17	5. Smokeless Tobacco	508	511	514	517	520	523	526
18	6. Philadelphia Beverage	69,576	65,749	64,434	63,764	63,171	62,223	61,252
19	7. Construction Impact	3,693	3,700	3,500	3,500	3,500	3,500	3,500
20	8. Other	4,441	3,977	4,253	4,305	4,364	4,417	4,459
21	**Subtotal**	**684,636**	**741,323**	**816,825**	**852,216**	**895,923**	**928,850**	**959,764**
22	**Total Taxes**	**4,087,950**	**4,320,342**	**4,555,182**	**4,734,572**	**4,897,353**	**5,029,977**	**5,146,984**

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Office of Innovation & Technology							
1	Cable Franchise Fees	15,863	14,242	12,818	11,536	10,382	9,344	8,410
2	Other	3	0	5	5	5	5	5
3	Subtotal	15,866	14,242	12,823	11,541	10,387	9,349	8,415
	Mayor							
4	Other	2	4	15	15	15	15	15
	Managing Director							
5	Other	3,942	1,542	1,567	1,567	1,567	1,567	1,567
	Police							
6	Prior Year Reimb.- Special Services	0	150	11,000	11,000	11,500	11,500	11,500
7	Carry Arms Fees	521	500	500	500	500	500	500
8	Witness & Jury Fees	79	75	75	75	75	75	75
9	Other	11,135	11,050	1,050	1,050	1,050	1,050	1,050
10	Subtotal	11,735	11,775	12,625	12,625	13,125	13,125	13,125
	Sanitation							
11	Collection Fee - Housing Authority	1,321	1,300	1,300	1,300	1,300	1,300	1,300
12	Disposal of Salvage (Recyclables)	0	0	10	10	10	10	10
13	Commercial Property Collection Fee	20,755	22,625	22,625	22,625	22,625	22,625	22,625
14	Other	77	1,236	800	800	800	800	800
15	Subtotal	22,153	25,161	24,735	24,735	24,735	24,735	24,735
	Fire							
16	Emergency Medical Services	73,391	76,500	86,500	86,500	86,500	86,500	86,500
17	Other	585	550	550	550	550	550	550
18	Subtotal	73,976	77,050	87,050	87,050	87,050	87,050	87,050
	Public Health							
19	Payments for Patient Care (HC's/PNH)	21,743	16,800	17,900	18,000	38,172	39,052	39,932
20	Pharmacy Fees	8,657	8,650	8,650	8,650	8,650	8,650	8,650
21	Environment User Fees	3,128	3,505	3,405	3,305	3,205	3,105	3,105
22	Other	1,475	1,800	1,800	1,800	1,800	1,800	1,800
23	Subtotal	35,003	30,755	31,755	31,755	51,827	52,607	53,487

City of Philadelphia Five Year Financial Plan FY2026-2030	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2024 TO 2030 (Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Parks & Recreation							
24	Other Leases	0	0	1	1	1	1	1
25	Rent from Land, Real Estate	47	21	60	60	60	60	60
26	Permits	1,289	1,300	1,300	1,300	1,300	1,300	1,300
27	Other	843	575	575	575	575	575	575
28	Subtotal	2,179	1,896	1,936	1,936	1,936	1,936	1,936
	Public Property							
29	Rent from Real Estate	605	450	450	450	450	450	450
30	Sale/Lease of Capital Assets	14	11	50	50	40,050	50	50
31	Commission from Other Leases	3,086	3,078	3,100	3,100	3,100	3,100	3,100
32	Prior Year Refunds & Reimbursements	249	1,900	1,900	1,900	1,900	1,900	1,900
33	Other	30	50	50	50	50	50	50
34	Subtotal	3,984	5,489	5,550	5,550	45,550	5,550	5,550
	Human Services							
35	Payments for Child Care - S.S.I.	504	400	500	500	500	500	500
36	Other	208	200	200	200	200	200	200
37	Subtotal	712	600	700	700	700	700	700
	Philadelphia Prisons							
38	Other	3	2	0	0	0	0	0
	Office of Homeless Services							
39	Other	0	0	5	5	5	5	5
	Fleet Services							
40	Sale of Vehicles	2,469	1,650	1,650	1,650	1,650	1,650	1,650
41	Fuel and Warranty Reimbursements	3,245	3,250	3,250	3,250	3,250	3,250	3,250
42	Other	255	300	300	300	300	300	300
43	Subtotal	5,969	5,200	5,200	5,200	5,200	5,200	5,200

City of Philadelphia Five Year Financial Plan FY2026-2030			SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2024 TO 2030 (Amounts in Thousands)					
FUND	General							
REVENUE	Locally Generated Non - Tax							
No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Licenses and Inspections							
44	Amusement	38	0	40	40	40	40	40
45	Health and Sanitation	22,496	23,600	23,600	25,020	25,020	26,520	26,520
46	Police and Fire Protection	643	725	625	625	625	625	625
47	Street Use	1,125	150	0	0	0	0	0
48	Professional & Occupational	1,500	1,500	1,500	1,500	1,500	1,500	1,500
49	Building Structure & Equipment	41,000	39,460	42,460	45,010	45,010	47,710	47,710
50	Business	38	40	40	40	40	40	40
51	Other Licenses & Permits	57	55	55	55	55	55	55
52	Code Violation Fines	4,402	4,500	3,780	3,780	3,780	3,780	3,780
53	Other	11,344	10,725	11,725	11,725	11,725	11,725	11,725
54	Subtotal	82,643	80,755	83,825	87,795	87,795	91,995	91,995
	Records							
55	Recording of Legal Instrument Fees	10,393	11,095	12,595	12,595	12,595	12,595	12,595
56	Preparation of Records	264	300	300	300	300	300	300
57	Commission on Tax Stamps	777	800	500	500	500	500	500
58	Accident Investigation Reports	867	850	850	850	850	850	850
59	Document Technology Fee	1,828	2,000	2,000	2,000	2,000	2,000	2,000
60	Other	668	750	750	750	750	750	750
61	Subtotal	14,797	15,795	16,995	16,995	16,995	16,995	16,995
	Director of Finance							
62	Prior Year Refunds	133	21,760	200	200	200	200	200
63	Reimbursements - Other	4,650	9,000	4,900	4,900	4,900	4,900	4,900
64	Reimbursement - Prescription Program	13,113	13,440	13,440	13,840	14,530	15,260	16,020
65	Health Benefit Charges	1,653	1,660	1,660	1,660	1,660	1,660	1,660
66	Other	516	410	10	10	10	10	10
67	Subtotal	20,065	46,270	20,210	20,610	21,300	22,030	22,790
	Revenue							
68	Miscellaneous Fines	326	331	350	350	350	350	350
69	Non-Profit Org. Voluntary Payments	4,580	4,280	4,280	4,280	4,214	3,746	3,698
70	Casino Settlement Payments	1,000	0	0	0	0	0	0
71	Other	121	210	210	210	210	210	210
72	Subtotal	6,027	4,821	4,840	4,840	4,774	4,306	4,258

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Procurement							
73	Bid Application Fees etc.	301	300	300	300	300	300	300
74	Other	12	10	15	15	15	15	15
75	Subtotal	313	310	315	315	315	315	315
	City Treasurer							
76	Interest Earnings	101,196	95,897	47,949	23,975	11,988	5,994	7,540
77	Other	1,689	750	25	25	25	25	25
78	Subtotal	102,885	96,647	47,974	24,000	12,013	6,019	7,565
	Law							
79	Legal Fees & Charges	338	133	250	250	250	250	250
80	Court Awarded Damages	301	1,400	1,500	1,500	1,500	1,500	1,500
81	Other	86	50	50	50	50	50	50
82	Subtotal	725	1,583	1,800	1,800	1,800	1,800	1,800
	Board of Ethics							
83	Other	69	90	90	160	70	80	90
	Inspector General							
84	Other	35	203	20	20	20	20	20
	Free Library							
85	Other	1,340	440	475	475	475	475	475
	Personnel							
86	Other	1	1	1	1	1	1	1
	Office of Property Assessment							
87	Other	4	5	2	2	2	2	2
	Chief Administrator's Office							
88	SWEEP Fines	3,524	4,375	4,375	4,375	4,375	4,375	4,375
89	Burglar Alarm Licenses	2,211	1,500	1,500	1,500	1,500	1,500	1,500
90	False Alarm Fines	1,254	1,410	1,410	1,410	1,410	1,410	1,410
91	Reimbursements - Other	137	70	70	70	70	70	70
92	Subtotal	7,126	7,355	7,355	7,355	7,355	7,355	7,355

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Register of Wills							
93	Court Costs, Fees & Charges	925	1,200	1,000	1,000	1,000	1,000	1,000
94	Recording Fees	2,952	3,000	3,000	3,000	3,000	3,000	3,000
95	Other	1,078	1,085	1,085	1,085	1,085	1,085	1,085
96	Subtotal	4,955	5,285	5,085	5,085	5,085	5,085	5,085
	District Attorney							
97	Other	18	14	0	0	0	0	0
	Sheriff							
98	Sheriff Fees	1,661	765	6,000	6,000	6,000	6,000	6,000
99	Commission Fees	1,498	2,006	6,546	6,546	6,546	6,546	6,546
100	Other	0	0	50	50	50	50	50
101	Subtotal	3,159	2,771	12,596	12,596	12,596	12,596	12,596
	Planning & Development							
102	Zoning Permits	309	280	280	280	280	280	280
103	Accelerated Review Fees	342	340	340	340	340	340	340
104	Other	7,664	8	1	1	1	1	1
105	Subtotal	8,315	628	621	621	621	621	621
	City Commissioners							
106	Other	27	1	10	10	10	10	10
	1st Judicial District - Clerk of Courts							
107	Other Fines	116	100	115	115	115	115	115
108	Court Costs, Fees & Charges	1,056	940	1,100	1,100	1,100	1,100	1,100
109	Bail Forefeited	366	240	0	0	0	0	0
110	Cash Bail Fees	276	205	0	0	0	0	0
111	Other	0	0	0	0	0	0	0
112	Subtotal	1,814	1,485	1,215	1,215	1,215	1,215	1,215
	1st Judicial District - Traffic Court							
113	Traffic Court Fines	2,260	2,000	2,500	2,500	2,500	2,500	2,500
	1st Judicial District - CP & Mun. Court							
114	Court Costs, Fees & Charges	17,562	17,500	17,500	17,500	17,500	17,500	17,500
115	Other Fines	342	700	700	700	700	700	700
116	Other	1,527	2,350	2,350	2,350	2,350	2,350	2,350
117	Subtotal	19,431	20,550	20,550	20,550	20,550	20,550	20,550

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
118	Other Adjustments	4,793	0	0	0	0	0	0
119	**Total Locally Generated Non-Tax**	**456,326**	**460,725**	**410,440**	**389,624**	**437,589**	**395,809**	**398,023**

City of Philadelphia Five Year Financial Plan FY2026-2030	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2024 TO 2030 (Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Managing Director							
	Federal:							
1	Emergency Management	1,964	30,115	26,115	115	115	115	115
	State:							
2	2026 Special Events	0	0	0	15,000	0	0	0
3	Subtotal	1,964	30,115	26,115	15,115	115	115	115
	Police							
	State:							
4	Police Training - Reimbursement	2,290	3,063	2,275	2,275	2,275	2,275	2,275
	Streets**				`			
	Federal:							
5	Highways	743	0	0	0	0	0	0
6	Bridge Design	14	0	0	0	0	0	0
	State:							
7	PennDot Bridge Design	27	0	0	0	0	0	0
8	Subtotal	784	0	0	0	0	0	0
	Public Health							
	Federal:							
9	Medicare - Outpatient / HC's	1,899	2,791	2,791	2,791	2,791	2,791	2,791
10	Medicare - PNH	68	53	0	0	0	0	0
11	Medical Assistance - Outpatient / HC's	27,102	31,961	31,961	31,961	35,157	35,157	35,157
12	Summer Food Inspection	26	40	40	40	40	40	40
	State:							
13	County Health	10,221	9,653	8,395	8,395	8,395	8,395	8,395
14	Medical Assistance - Outpatient / HC's	22,174	25,797	25,797	25,797	28,377	28,377	28,377
15	Subtotal	61,490	70,295	68,984	68,984	74,760	74,760	74,760
	Public Property							
	Other Governments:							
16	PGW Rental	18,000	18,000	18,000	18,000	18,000	18,000	18,000
	Philadelphia Prisons							
	Federal:							
17	SSA Prisoner Incentive Payments	102	150	150	150	150	150	150

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

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Director of Finance							
	Federal:							
18	Medicare Part D-Retirees	222	50	50	50	50	50	50
	State:							
19	Pension Aid - State Act 205	93,743	103,147	103,147	103,147	103,147	103,147	103,147
20	Juror Fee Reimbursement	160	100	100	100	100	100	100
21	State Police Fines (Phila. County)	514	417	250	250	250	250	250
22	Wage Tax Relief Funding	108,754	130,632	150,313	150,313	150,313	150,313	150,313
23	Gaming - Local Share Assessment	13,891	14,000	14,000	14,000	14,000	14,000	14,000
	Other Governments:							
24	PATCO Community Impact Fund	0	75	75	75	75	75	75
25	PAID - Parametric Garage	1,255	670	250	250	250	250	250
26	Subtotal	218,539	249,091	268,185	268,185	268,185	268,185	268,185
	Revenue							
	Federal:							
27	Reimb. - PILOT	0	3	3	3	3	3	3
28	Tinicum Wildlife Preserve	4	4	4	4	4	4	4
	Other Governments:							
29	PPA - Parking/Violations/Fines (on St.)	40,331	46,723	49,479	50,568	51,680	52,817	53,979
30	Burlington County Bridge Comm.	0	7	7	7	7	7	7
31	Subtotal	40,335	46,737	49,493	50,582	51,694	52,831	53,993
	City Treasurer							
	State:							
32	Retail Liquor License	1,059	1,100	1,100	1,100	1,100	1,100	1,100
33	Public Utility Tax Refund	4,269	4,663	4,663	4,663	4,663	4,663	4,663
34	Subtotal	5,328	5,763	5,763	5,763	5,763	5,763	5,763
	Commission on Human Relations							
	Federal:							
35	Deferred EEOC Cases	81	90	90	90	90	90	90
	District Attorney							
	State:							
36	Reimbursement - DA Salary	16	137	0	0	0	0	0
	Sheriff							
	State:							
37	Reimbursement - Education	90	585	0	0	0	0	0

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Governments

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	1st Judicial District							
	Federal:							
38	Title IV-E	0	25	25	25	25	25	25
	State:							
39	Intensive Probation - Adult	4,019	4,019	4,019	4,019	4,019	4,019	4,019
40	Intensive Probation - Juvenile	1,232	1,232	1,232	1,232	1,232	1,232	1,232
41	Reimbursement - Court Costs	6,936	6,659	10,075	10,075	10,075	10,075	10,075
42	Reimbursement - Attorney Fees	125	82	82	82	82	82	82
43	Subtotal	12,312	12,017	15,433	15,433	15,433	15,433	15,433
44	PICA City Account	705,546	743,429	769,286	799,898	830,842	860,948	890,348
	Totals							
45	Federal	32,225	65,282	61,229	35,229	38,425	38,425	38,425
46	State	269,520	305,286	325,448	340,448	328,028	328,028	328,028
47	Other Governments	59,586	65,475	67,811	68,900	70,012	71,149	72,311
48	PICA Funding	705,546	743,429	769,286	799,898	830,842	860,948	890,348
49	Other Authorized Adjustments	(2,356)	0	2,000	2,000	2,000	2,000	2,000
50	**Total, Revenue From Other Govts.**	**1,064,521**	**1,179,472**	**1,225,774**	**1,246,475**	**1,269,307**	**1,300,550**	**1,331,112**

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
General

REVENUE
Revenue from Other Funds

No.	Agency and Revenue Source	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Water Fund							
1	Services performed & costs borne by General Fund	11,790	9,855	10,383	10,940	11,525	11,991	12,474
2	Excess interest on Sinking Fund reserve	1,687	1,500	1,500	1,500	1,500	1,500	1,500
3	Sub-total	13,477	11,355	11,883	12,440	13,025	13,491	13,974
	Aviation Fund							
4	Services performed & costs borne by General Fund	4,126	4,200	4,300	4,400	4,500	4,600	4,700
	Grants Revenue Fund							
5	American Rescue Plan	390,820	419,473	0	0	0	0	0
6	American Rescue Plan Interest Earnings	0	0	86,600	0	0	0	0
7	Services performed & costs borne by General Fund	13,450	750	4,750	750	5,050	750	750
8	911 Surcharge	29,556	45,788	59,572	44,558	44,558	44,558	44,558
9	Sub-total	433,826	466,011	150,922	45,308	49,608	45,308	45,308
	Other Funds							
10	Services performed & costs borne by General Fund	3,349	5,000	5,000	5,000	5,000	5,000	5,000
11	**Total Revenue from Other Funds**	**454,778**	**486,566**	**172,105**	**67,148**	**72,133**	**68,399**	**68,982**

City of Philadelphia
General Fund
FY 2026- 2030 Five Year Financial Plan
Summary by Class

Expenditure Class	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Class 100 - Wages	2,038,411,191	2,279,090,769	2,302,352,192	2,346,195,437	2,356,699,414	2,353,677,447	2,352,661,447	2,352,677,447
Class 100 - Benefits	1,663,428,148	1,677,120,077	1,656,372,555	1,745,587,635	1,786,055,404	1,844,704,382	1,969,104,986	1,846,274,451
Class 200 - Contracts / Leases	1,360,419,722	1,422,266,921	1,482,066,419	1,608,223,005	1,543,325,666	1,551,045,507	1,550,467,026	1,603,467,928
Class 300/400 - Supplies, Equipment	189,587,557	148,326,151	173,599,387	177,402,687	147,802,561	140,490,785	142,537,028	161,545,764
Class 500 - Indemnities / Contributions	452,529,151	432,724,220	477,460,241	476,982,823	417,694,220	417,694,220	417,194,220	417,194,220
Class 700 - Debt Service	189,137,695	234,667,304	220,417,304	231,495,486	278,252,201	279,345,572	268,328,648	282,429,663
Class 800 - Payments to Other Funds	241,221,074	129,782,448	161,603,863	155,094,827	148,301,004	82,995,868	83,206,314	86,791,097
Class 900 - Advances / Misc. Payments	0	43,505,110	95,000,100	101,577,100	104,577,100	104,577,100	106,577,100	131,412,100
Total	6,134,734,538	6,367,483,000	6,568,872,061	6,842,559,000	6,782,707,570	6,774,530,881	6,890,076,769	6,881,792,670

City of Philadelphia
FY 2026 - 2030 Five Year Financial Plan
General Fund
Summary by Department

Department	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Art Museum	2,142,000	2,642,000	2,642,000	2,342,000	2,142,000	2,142,000	2,142,000	2,142,000
Auditing	10,254,412	11,148,245	11,844,706	11,756,134	11,556,134	11,556,134	11,556,134	11,556,134
Board of Ethics	1,048,993	1,382,433	1,430,109	1,427,043	1,427,043	1,427,043	1,427,043	1,427,043
Board of Revision of Taxes	1,211,595	1,147,431	1,253,351	1,252,626	1,216,626	1,250,626	1,219,626	1,250,626
Citizens Police Oversight Commission (1)	0	0	0	3,106,032	3,106,032	3,106,032	3,106,032	3,106,032
City Commissioners	26,853,789	33,404,298	33,864,403	29,114,078	29,129,933	29,146,111	33,146,111	29,146,111
City Council	19,436,356	25,001,418	25,569,327	26,459,353	25,784,353	25,784,353	25,784,353	25,784,353
City Representative *	0	0	0	3,242,182	3,147,182	2,647,182	2,647,182	2,647,182
City Treasurer	4,175,412	5,289,652	5,372,215	5,361,799	5,361,799	5,361,799	5,361,799	5,361,799
Civil Service Commission	186,387	213,651	219,457	219,019	219,019	219,019	219,019	219,019
Civil Service Comm - Provision for Future Labor Obligations	0	43,505,010	0	101,577,000	104,577,000	104,577,000	106,577,000	131,412,000
Commerce	15,503,637	13,922,041	15,636,521	16,513,421	16,363,421	16,291,021	16,291,021	16,291,021
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	22,984,879	32,795,294	35,945,294	101,365,294	75,665,294	67,165,294	69,165,294	69,165,294
District Attorney	54,119,070	54,286,779	57,496,159	59,312,464	58,392,464	58,392,464	58,392,464	58,392,464
Finance	122,458,048	27,587,281	54,233,438	82,120,592	30,812,628	24,972,640	25,247,586	26,162,022
Finance-Reg #32	6,475,123	7,200,000	12,200,000	12,200,000	11,200,000	10,200,000	9,200,000	9,200,000
Finance-Budget Stabilization	42,261,000	58,291,000	58,291,000	58,860,000	59,912,000	0	0	0
Finance - Federal Reserve	0	0	95,000,000	0	0	0	0	0
Finance - Community College Subsidy	58,983,448	56,003,181	56,003,181	54,003,181	54,003,181	54,003,181	54,003,181	54,003,181
Finance - Employee Benefits	1,663,428,148	1,677,120,077	1,656,372,555	1,745,587,635	1,786,055,404	1,844,704,382	1,969,104,986	1,846,274,451
Finance - Hero Awards	22,000	50,000	50,000	150,000	150,000	150,000	150,000	150,000
Finance - Payment to Housing Trust Fund	30,612,698	31,006,714	31,390,926	33,752,780	33,451,252	33,704,134	34,278,989	34,237,774
Finance - Indemnities	-6,432,629	61,246,000	86,246,000	61,246,000	61,246,000	61,246,000	61,246,000	61,246,000
Finance - Refunds	238,134	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Finance - School District Contribution	282,052,590	284,052,590	284,052,590	284,052,590	284,052,590	284,052,590	284,052,590	284,052,590
Finance - Witness Fees	179,100	180,094	180,094	260,094	180,094	180,094	180,094	180,094
Fire	411,328,135	432,093,306	433,688,963	444,221,835	435,221,960	435,699,858	435,504,312	435,847,429
First Judicial District	128,755,233	129,901,368	133,996,830	132,912,092	132,912,092	132,912,092	132,912,092	132,912,092
Fleet Services	56,747,082	52,312,815	60,002,875	61,499,959	61,499,959	61,499,959	61,499,959	61,499,959
Fleet Services - Vehicle Lease/Purchases	41,044,910	6,047,245	25,343,145	16,359,245	15,359,245	8,359,245	8,359,245	29,359,245
Free Library	59,443,608	71,703,640	74,620,360	74,664,588	74,676,424	74,506,435	74,506,435	74,506,435
Human Relations Commission	2,540,360	2,758,676	2,909,959	2,920,858	2,923,295	2,925,817	2,925,817	2,925,817
Human Services	216,594,318	222,404,818	224,243,436	229,471,901	228,688,151	228,688,151	228,688,151	228,688,151
Labor	4,043,151	4,653,592	4,937,251	5,747,325	4,814,178	4,814,178	4,814,178	4,814,178
Law	33,088,597	29,701,870	35,498,385	36,680,253	36,680,253	36,080,253	36,080,253	36,080,253
Licenses & Inspections	42,679,821	43,226,201	44,597,631	45,991,326	45,592,326	45,592,326	45,592,326	45,592,326
L&I: Board of Building Standards	86,372	86,609	90,074	90,074	90,074	90,074	90,074	90,074
L&I: Board of L&I Review	181,127	182,543	189,014	187,369	187,369	187,369	187,369	187,369
Managing Director	187,859,110	177,556,197	236,925,429	106,699,001	87,481,836	80,996,237	80,353,427	107,504,617
Managing Director - Defender's Association	54,283,600	65,997,780	66,497,780	69,047,780	67,497,780	67,497,780	67,497,780	67,497,780
Managing Director - Citizens Police Oversight Commission (1)	1,390,833	3,023,642	3,106,032	0	0	0	0	0

City of Philadelphia
FY 2026 - 2030 Five Year Financial Plan
General Fund
Summary by Department

Department	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Managing Director - Clean and Green [(2)]	0	1,055,000	1,055,000	0	0	0	0	0
Managing Director - Public Safety [(3)]	0	13,384,101	14,124,101	0	0	0	0	0
Mayor	8,201,125	15,275,533	15,768,617	13,816,574	13,816,574	13,816,574	13,816,574	13,816,574
Mayor - Scholarships	60,043	0	0	0	0	0	0	0
Mayor - Neighborhood Community Action Centers [*]	0	0	0	3,309,604	3,309,604	3,309,604	3,309,604	3,309,604
Mayor - Office of Chief Administrative Officer	14,546,475	20,225,522	19,967,630	11,934,400	11,415,400	11,415,400	11,415,400	11,415,400
Mayor - Office of Education	481,098	949,098	970,866	9,210,440	9,256,940	9,256,940	9,256,940	9,256,940
Office of Arts and Culture and the Creative Economy	0	10,825,601	10,825,601	9,730,601	5,430,601	5,430,601	5,430,601	5,430,601
Mayor's Office of Community Empowerment and Opportunity	2,666,794	5,913,909	5,953,222	5,123,802	4,976,552	5,099,302	5,099,302	5,099,302
Mural Arts Program	3,506,907	3,683,320	4,207,386	5,107,386	3,707,386	3,707,386	2,917,386	2,917,386
Office of Behavioral Health and Intellectual disAbilities	29,724,186	28,998,703	29,202,796	31,534,108	31,534,108	31,034,108	31,034,108	31,034,108
Office of Homeless Services	82,062,853	88,714,379	89,243,868	84,188,038	84,221,163	84,255,281	84,255,281	84,255,281
Office of Human Resources	14,033,058	10,376,056	11,040,860	18,359,074	17,542,074	15,796,074	15,796,074	15,796,074
Office of Innovation and Technology	91,889,056	107,622,232	113,152,565	118,442,282	124,990,472	116,155,414	117,346,314	118,049,630
Office of Innovation and Technology - 911	13,930,680	27,840,014	27,840,014	41,624,234	26,610,452	26,610,452	26,610,452	26,610,452
Office of Inspector General	1,875,081	2,846,548	2,917,417	3,017,417	2,917,417	2,917,417	2,917,417	2,917,417
Office of Property Assessment	15,397,406	18,310,182	19,104,551	19,967,369	19,067,369	19,067,369	19,067,369	19,067,369
Office of Public Safety [(3)]	0	0	0	67,173,246	36,151,957	36,151,957	36,151,957	36,151,957
Office of Public Safety - Office of Prison Oversight [*]	0	0	0	1,398,107	1,398,107	1,398,107	1,398,107	1,398,107
Office of Sustainability	3,442,572	2,450,013	2,741,317	3,255,317	3,053,817	2,966,317	2,966,317	2,966,317
Parks and Recreation	83,254,916	81,498,310	90,345,501	87,315,660	82,205,660	82,205,660	82,205,660	82,205,660
Planning & Development	32,729,325	17,780,802	15,828,708	27,404,817	25,120,334	25,645,334	25,645,334	25,645,334
Police	873,063,727	877,435,832	850,638,088	873,494,820	871,466,594	871,656,922	871,656,922	871,656,922
Prisons	253,147,157	300,962,781	307,654,532	310,245,944	309,946,183	309,761,855	309,761,855	309,761,855
Procurement	6,170,980	6,769,498	6,935,292	6,904,589	6,904,589	6,904,589	6,904,589	6,904,589
Public Health	152,109,295	151,826,661	155,202,405	162,389,004	161,274,876	161,274,876	161,274,876	161,274,876
Public Property	98,064,728	88,063,779	94,437,596	102,234,178	104,258,949	100,755,471	100,245,338	103,616,705
Public Property - SEPTA Subsidy	109,567,000	133,291,440	133,291,440	134,989,000	137,958,000	142,608,000	147,545,000	152,556,000
Public Property - Space Rentals	37,309,097	40,038,929	40,038,929	57,736,320	58,859,688	60,125,055	61,765,630	63,526,338
Public Property - Utilities	28,534,487	26,276,250	26,276,250	33,578,003	33,599,779	34,765,518	35,972,036	37,220,771
Records	4,368,412	4,595,951	4,702,267	4,746,573	4,648,450	4,655,332	4,655,332	4,655,332
Register of Wills	5,045,259	5,774,798	5,966,842	6,218,094	5,968,094	5,968,094	5,968,094	5,968,094
Revenue	25,735,865	31,997,395	33,174,059	30,813,539	29,513,539	29,513,539	29,513,539	29,513,539
Sanitation-Disposal	55,899,306	59,589,127	59,589,127	63,238,164	66,709,405	68,719,515	71,960,914	75,237,176
Sanitation [(2)]	147,351,294	107,541,318	112,339,290	116,776,090	117,825,762	118,368,634	118,368,634	118,368,634
Sheriff	32,881,063	35,666,954	35,867,961	35,484,813	35,484,813	35,484,813	35,484,813	35,484,813
Sinking Fund Commission (Debt Service)	294,424,846	355,527,473	341,277,473	404,772,470	463,536,471	490,350,498	463,599,078	492,540,598
Total	6,134,734,538	6,367,483,000	6,568,872,061	6,842,559,000	6,782,707,570	6,774,530,881	6,890,076,769	6,881,792,670

[*] New department established in FY26.
[(1)] Managing Director - Citizens Police Oversight Commission transferred to Citizens Police Oversight Commission in FY26.
[(2)] Managing Director - Clean and Green transferred to Sanitation in FY26.
[(3)] Managing Director - Public Safety transferred to Office of Public Safety in FY26.

City of Philadelphia
General Fund
FY 2026 - 2030 Five Year Financial Plan
Estimated Fringe Benefit Allocation

Expenditure Category	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Unemployment Comp.	1,887,093	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
Employee Disability	90,003,981	112,137,837	112,137,837	124,487,514	139,762,153	156,910,993	176,163,999	197,779,352
Pension	958,907,007	833,146,961	817,749,439	836,432,333	841,261,537	848,435,973	916,765,824	731,963,237
FICA	97,955,333	101,729,695	101,729,695	109,206,189	109,829,931	109,694,970	109,738,916	110,848,761
Health / Medical	502,178,667	607,955,584	602,605,584	653,211,599	672,951,783	707,412,446	744,186,247	783,433,101
Group Life	6,525,108	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Group Legal	4,671,891	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000	6,500,000
Tool Allowance	159,750	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Flex Cash Payments	1,139,318	1,700,000	1,700,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Total	1,663,428,148	1,677,120,077	1,656,372,555	1,745,587,635	1,786,055,404	1,844,704,382	1,969,104,986	1,846,274,451

CASH FLOW PROJECTIONS
GENERAL FUND - FY2026

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	Total	Accrued	Not Accrued	Estimated Revenues
REVENUES																
Real Estate Tax	11.8	13.2	9.4	11.8	6.6	34.8	60.6	174.0	474.0	120.1	15.8	8.3	940.4			940.4
Total Wage, Earnings, Net Profits	180.8	175.9	155.3	173.0	170.9	154.5	202.9	166.3	174.3	193.9	162.5	161.7	2,072.0			2072.0
Realty Transfer Tax	43.2	33.6	31.9	37.2	31.3	34.4	29.0	21.5	30.3	25.2	27.3	27.7	372.7			372.7
Sales Tax	35.1	38.4	16.4	18.1	19.8	18.5	16.6	21.9	28.4	34.2	37.4	37.4	322.1	1.9 `		324.0
Business Income & Receipts Tax	25.2	20.6	27.8	34.7	7.0	36.5	20.1	14.1	57.4	339.0	111.2	32.3	725.9			725.9
Beverage Tax	5.8	5.6	5.6	6.3	5.1	5.1	5.3	4.8	4.8	5.4	5.2	5.4	64.4			64.4
Other Taxes	4.0	4.3	4.9	4.7	4.9	4.3	4.6	4.6	4.5	5.3	4.5	4.9	55.7			55.7
Locally Generated Non-tax	28.8	28.2	32.3	28.6	40.0	32.2	28.0	34.8	38.7	30.0	42.3	46.6	410.4			410.4
Total Other Governments, Excluding PICA Tax	12.9	7.0	185.2	97.6	9.2	14.1	18.6	9.4	4.9	16.6	22.6	58.4	456.5			456.5
Total PICA Other Governments	75.0	50.9	48.6	50.0	79.2	57.9	50.6	54.4	68.7	85.9	67.1	81.0	769.3			769.3
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	86.3	0.0	0.0	27.5	113.8		58.4	172.1
Total Current Revenue	422.6	377.9	517.4	462.2	373.8	392.4	436.3	505.9	972.3	855.6	495.8	491.1	6,303.2	1.9	58.4	6363.5
Collection of prior year(s) revenue	0.0	13.1	0.0	31.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.2			
Other fund balance adjustments		.														
TOTAL CASH RECEIPTS	422.6	391.0	517.4	493.3	373.8	392.4	436.3	505.9	972.3	855.6	495.8	491.1	6,347.4			

	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	153.5	227.4	187.6	164.9	255.8	187.6	193.3	164.9	159.2	164.9	238.8	177.2	2,275.2	66.6	4.4	2346.2
Employee Benefits	60.3	89.3	73.7	64.7	100.5	73.7	75.9	64.7	62.5	64.7	93.8	68.7	892.6	16.1	0.5	909.2
Pension	0.1	(5.5)	9.4	97.5	(7.5)	(4.1)	(6.0)	(5.9)	679.1	(4.6)	(4.4)	(13.6)	734.4	102.0		836.4
Purchase of Services	53.5	79.9	107.3	131.7	114.5	118.4	117.6	96.9	137.3	138.8	134.5	115.5	1,345.7	52.1	210.4	1608.2
Materials, Equipment	6.4	7.1	13.8	14.2	10.4	11.3	19.2	10.4	13.8	14.8	14.4	13.5	149.4	3.0	25.0	177.4
Contributions, Indemnities	29.7	14.4	94.0	20.6	25.2	85.3	12.1	18.6	76.7	8.7	4.5	87.3	477.0			477.0
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	10.7	10.7			10.7
Debt Service-Long Term	22.1	94.8	11.5	0.2	0.2	0.2	6.1	68.8	0.2	0.2	0.2	16.4	220.8			220.8
Interfund Charges	1.4	33.3	58.9	10.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	106.5	48.6		155.1
Advances & Misc. Pmts. / Labor Obligations	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	101.6			101.6
Current Year Appropriation	335.5	549.1	564.6	512.7	507.6	480.8	426.7	426.8	1,137.3	395.9	490.1	486.7	6,313.9	288.4	240.3	6842.6
Prior Yr. Expenditures against Encumbrances	56.9	39.7	31.0	30.4	13.9	45.0	11.8	12.6	17.6	6.7	5.1	7.7	278.2			
Prior Yr. Salaries & Vouchers Payable	447.2	29.4	0.0	123.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	37.7	637.2			
TOTAL DISBURSEMENTS	839.6	618.1	595.6	666.1	521.5	525.8	438.5	439.3	1,154.9	402.6	495.2	532.1	7,229.2			
Excess (Def) of Receipts over Disbursements	(417.1)	(227.1)	(78.2)	(172.8)	(147.7)	(133.4)	(2.2)	66.5	(182.6)	453.0	0.7	(41.0)				
Opening Balance	2,122.3	1,705.3	1,478.2	1,399.9	1,227.1	1,079.4	946.1	943.9	1,010.4	827.8	1,280.8	1,281.5				
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	1,705.3	1,478.2	1,399.9	1,227.1	1,079.4	946.1	943.9	1,010.4	827.8	1,280.8	1,281.5	1,240.5				

CASH FLOW PROJECTIONS
CONSOLIDATED CASH - ALL FUNDS - FY2026

OFFICE OF THE DIRECTOR OF FINANCE

Amounts in Millions

Projection	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	1,705.3	1,478.2	1,399.9	1,227.1	1,079.4	946.1	943.9	1,010.4	827.8	1,280.8	1,281.5	1,240.5
Grants Revenue	(16.9)	55.6	26.8	36.1	(34.9)	(87.3)	(22.7)	84.7	286.9	83.1	29.7	0.0
Community Development	(4.9)	(9.6)	(9.6)	(8.4)	(6.8)	(14.3)	(11.9)	(10.5)	(13.1)	(4.7)	(3.9)	0.0
Vehicle Rental Tax	9.5	10.1	5.1	5.6	6.2	6.6	7.1	7.5	8.0	8.3	8.8	9.3
Hospital Assessment Fund	22.1	21.3	49.2	23.2	22.6	47.7	20.9	20.6	41.2	22.6	44.4	34.0
Housing Trust Fund	87.6	120.8	118.7	116.6	114.5	112.4	110.3	108.2	106.1	104.0	101.9	99.8
Transportation Fund	22.0	24.0	26.0	28.0	30.0	9.0	11.0	13.0	15.0	17.0	19.0	21.0
Budget Stabilization Fund	176.1	176.1	235.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0	235.0	240.0
Other Funds	15.0	14.8	14.7	14.5	14.4	14.2	14.1	13.9	13.8	13.6	13.5	13.3
TOTAL OPERATING FUNDS	2,015.7	1,891.4	1,865.8	1,677.9	1,460.5	1,269.5	1,307.7	1,482.8	1,520.7	1,759.7	1,729.8	1,657.9
Capital Improvement	514.0	499.0	484.0	469.0	454.0	439.0	424.0	409.0	394.0	379.0	364.0	351.5
Industrial & Commercial Dev.	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
TOTAL CAPITAL FUNDS	525.5	510.5	495.5	480.5	465.5	450.5	435.5	420.5	405.5	390.5	375.5	363.0
TOTAL FUND EQUITY	2,541.2	2,401.9	2,361.3	2,158.4	1,926.0	1,720.0	1,743.2	1,903.3	1,926.2	2,150.3	2,105.3	2,020.9

City of Philadelphia
Fiscal Year 2026 Operating Budget
FY 2026-2030 Five Year Plan
General Fund Full-Time Positions

Department	Filled Positions 6/30/24	FY 2025 Adopted Budget	November 2024 Increment	FY 2026 Adopted Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Auditing	113	138	121	151	151	151	151	151
Board of Ethics	10	14	11	14	14	14	14	14
Board of Revision of Taxes	17	16	17	17	17	17	17	17
Citizens Police Oversight Commission (1)	0	0	0	32	32	32	32	32
City Commissioners	159	200	180	190	190	190	190	190
City Council	198	215	206	240	240	240	240	240
City Representative *	0	0	18	20	20	20	20	20
City Treasurer	19	23	22	23	23	23	23	23
Civil Service Commission	2	2	2	2	2	2	2	2
Commerce	58	84	62	96	96	96	96	96
District Attorney Civilian	*530*	*608*	*632*	*643*	*643*	*643*	*643*	*643*
District Attorney Uniform	*33*	*34*	*34*	*36*	*36*	*36*	*36*	*36*
District Attorney - Total	563	642	666	679	679	679	679	679
Finance	126	142	127	142	142	142	142	142
Fire Civilian	*135*	*177*	*136*	*177*	*177*	*177*	*177*	*177*
Fire Uniform	*2,680*	*3,215*	*2,642*	*3,215*	*3,215*	*3,215*	*3,215*	*3,215*
Fire - Total	2,815	3,392	2,778	3,392	3,392	3,392	3,392	3,392
First Judicial District	1,707	1,710	1,745	1,745	1,745	1,745	1,745	1,745
Fleet Services	269	319	275	319	319	319	319	319
Free Library	814	1,009	869	1,009	1,009	1,009	1,009	1,009
Human Relations Commission	34	35	34	35	35	35	35	35
Human Services	435	545	431	532	532	532	532	532
Labor	36	57	41	56	56	56	56	56
Law	223	226	230	257	257	257	257	257
Licenses & Inspections	351	441	382	442	442	442	442	442
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	459	532	473	510	510	510	510	510
MDO - Citizens Police Oversight Commission (1)	16	26	22	0	0	0	0	0
MDO - Clean and Green (2)	0	8	8	0	0	0	0	0
MDO - Public Safety (3)	0	60	54	0	0	0	0	0
Mayor	93	113	76	105	105	105	105	105
Mayor - Office of the Chief Administrative Officer	69	100	77	106	106	106	106	106
Office of Arts and Culture	0	9	7	10	10	10	10	10
Office of Education	3	9	4	53	53	53	53	53
Mayor's Office of Community Empowerment and Opportunity	13	50	43	21	21	21	21	21
Mural Arts Program	10	10	10	10	10	10	10	10
Neighborhood Community Action Centers *	0	0	0	38	38	38	38	38
Office of Behavioral Health and Intellectual disAbility	44	53	46	54	54	54	54	54
Office of Human Resources	91	99	93	105	105	105	105	105
Office of Innovation & Technology	369	421	358	439	439	439	439	439
Office of Inspector General	18	26	26	26	26	26	26	26
Office of Property Assessment	178	226	186	226	226	226	226	226
Office of Public Safety (3)	0	0	0	147	147	147	147	147
Office of Public Safety - Office of Prison Oversight *	0	0	0	9	9	9	9	9
Office of Homeless Services	129	149	147	154	154	154	154	154
Office of Sustainability	23	23	24	26	26	26	26	26
Parks & Recreation	680	926	684	926	926	926	926	926
Planning & Development	78	86	74	118	118	118	118	118
Police Civilian	*866*	*1,230*	*872*	*1,245*	*1,245*	*1,245*	*1,245*	*1,245*
Police Uniform	*5,338*	*6,380*	*5,310*	*6,380*	*6,380*	*6,380*	*6,380*	*6,380*
Police - Total	6,204	7,610	6,182	7,625	7,625	7,625	7,625	7,625
Prisons	1,266	2,186	1,330	2,186	2,186	2,186	2,186	2,186
Procurement	36	53	35	52	52	52	52	52
Public Health	730	871	748	873	873	873	873	873
Public Property	125	158	102	140	140	140	140	140
Records	55	60	55	60	60	60	60	60
Register of Wills	64	85	69	85	85	85	85	85
Revenue	341	400	347	401	401	401	401	401
Sanitation (2)	0	0	0	1,893	1,893	1,893	1,893	1,893
Sheriff	318	459	322	459	459	459	459	459
Streets	1,495	1,885	682	0	0	0	0	0
TOTAL GENERAL FUND	**20,859**	**25,906**	**20,504**	**26,253**	**26,253**	**26,253**	**26,253**	**26,253**

Note: The Adopted Budget position counts represent the maximum level of positions during the year. Attrition lowers the position count throughout the year.

* New department established in FY26.

(1) Managing Director - Citizens Police Oversight Commission transferred to Citizens Police Oversight Commission in FY26.

(2) Managing Director - Clean and Green transferred to Sanitation in FY26.

(3) Managing Director - Public Safety transferred to Office of Public Safety in FY26.

CITY OF PHILADELPHIA

FY2026 - FY2030 FIVE YEAR FINANCIAL PLAN

AS APPROVED BY THE COUNCIL - JUNE 2025

HOUSING TRUST FUND

City of Philadelphia as Adopted Five Year Financial Plan FY2026-2030

SUMMARY OF OPERATIONS FISCAL YEARS 2024 TO 2030

(Amounts in Thousands)

FUND

Housing Trust

NO.	ITEM	FY 2024 Actual	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	0	0	0	0	0	0	0
2	Locally Generated Non-Tax Revenues	16,041	16,705	17,075	17,075	17,075	17,075	17,075
3	Revenue from Other Governments	0	0	0	0	0	0	0
4	Other Govts. - PICA City Account (1)	0	0	0	0	0	0	0
5	Sub-Total Other Governments	0	0	0	0	0	0	0
6	Revenue from Other Funds of City	30,613	31,391	33,753	33,451	33,704	34,279	34,238
7	Total - Revenue	**46,654**	**48,096**	**50,828**	**50,526**	**50,779**	**51,354**	**51,313**
8	Other	0	0	0	0	0	0	0
9	**Total Revenue and Other Sources**	**46,654**	**48,096**	**50,828**	**50,526**	**50,779**	**51,354**	**51,313**
	OBLIGATIONS/APPROPRIATIONS							
10	Personal Services	2,547	4,535	4,535	4,535	4,535	4,535	4,535
11	Personal Services-Pensions	423	815	815	815	815	815	815
12	Personal Services-Pensions Sales Tax	0	0	0	0	0	0	0
13	Personal Services-Other Employee Benefits	275	481	1,351	1,351	1,351	1,351	1,351
14	**Sub-Total Employee Compensation**	**3,245**	**5,831**	**6,701**	**6,701**	**6,701**	**6,701**	**6,701**
15	Purchase of Services	51,972	51,441	65,211	45,209	45,208	41,426	45,206
16	Materials, Supplies and Equipment	0	150	150	150	150	150	150
17	Contributions, Indemnities, and Taxes	0	0	0	0	0	0	0
18	Debt Service	0	0	0	0	0	0	0
19	Payments to Other Funds	0	0	0	0	0	0	0
20	Advances & Misc. Pmts. Incl. Labor Reserve	0	0	0	20	40	60	80
21	Adv & Misc. Pmts.- Recession, Inflation Res.	0	0	0	0	0	0	0
22	Sub-Total	55,217	57,422	72,062	52,080	52,099	48,337	52,137
23	Payment to Budget Stabilization Reserve Fund	0	0	0	0	0	0	0
24	**Total - Obligations**	**55,217**	**57,422**	**72,062**	**52,080**	**52,099**	**48,337**	**52,137**
25	Oper. Surplus (Deficit) for Fiscal Year	(8,563)	(9,326)	(21,234)	(1,554)	(1,320)	3,017	(824)
25	**Prior Year Adjustments:**							
26	Revenue Adjustments	0	0	0	0	0	0	0
27	Other Adjustments	1,356	4,167	20,002	2,000	2,000	2,000	2,000
28	Total Prior Year Adjustments	1,356	4,167	20,002	2,000	2,000	2,000	2,000
29	**Adjusted Oper. Surplus/ (Deficit)**	**(7,207)**	**(5,159)**	**(1,232)**	**446**	**680**	**5,017**	**1,176**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
30	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	20,240	13,033	7,874	6,642	7,088	7,768	12,785
31	Fund Balance Available for Appropriation June 30	**13,033**	**7,874**	**6,642**	**7,088**	**7,768**	**12,785**	**13,961**

City of Philadelphia Five Year Financial Plan FY2026-2030		SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2024 TO 2030 (Amounts in Thousands)						
FUND **Housing Trust**								
REVENUE **Locally Generated Non - Tax**								
No.	**Agency and Revenue Source**	**FY 2024 Actual**	**FY 2025 Estimate**	**FY 2026 Estimate**	**FY 2027 Estimate**	**FY 2028 Estimate**	**FY 2029 Estimate**	**FY 2030 Estimate**
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Records							
1	Recording of Legal Instruments	10,631	11,055	11,355	11,355	11,355	11,355	11,355
	City Treasurer							
2	Interest Earnings	5,410	4,690	5,060	5,060	5,060	5,060	5,060
	Planning and Development							
3	Zoning Permits	0	960	660	660	660	660	660
4	**Total Locally Generated Non-Tax**	**16,041**	**16,705**	**17,075**	**17,075**	**17,075**	**17,075**	**17,075**

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
Housing Trust

REVENUE
Revenue from Other Funds

No.	Agency and Revenue Source	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	General Fund							
1	Contribution to the Housing Trust Fund	30,613	31,391	33,753	33,451	33,704	34,279	34,238
2	**Total Revenue from Other Funds**	**30,613**	**31,391**	**33,753**	**33,451**	**33,704**	**34,279**	**34,238**

City of Philadelphia
Housing Trust Fund
FY 2026 - 2030 Five Year Financial Plan
Summary by Class

Expenditure Class	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Class 100 - Wages	2,545,210	4,522,143	4,534,883	4,535,197	4,535,197	4,535,197	4,535,197	4,535,197
Class 100 - Benefits	698,275	1,308,857	1,296,117	2,166,117	2,166,117	2,166,117	2,166,117	2,166,117
Class 200 - Contracts / Leases	51,973,927	65,206,000	51,441,653	65,210,686	45,209,637	45,208,171	41,425,988	45,206,263
Class 300/400 - Supplies, Equipment	0	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Class 500 - Indemnities / Contributions	0	0	0	0	0	0	0	0
Class 700 - Debt Service	0	0	0	0	0	0	0	0
Class 800 - Payments to Other Funds	0	0	0	0	0	0	0	0
Class 900 - Advances / Misc. Payments	0	0	0	0	20,000	40,000	60,000	80,000
Total	55,217,412	71,187,000	57,422,653	72,062,000	52,080,951	52,099,485	48,337,302	52,137,577

City of Philadelphia
FY 2026 - 2030 Five Year Financial Plan
Housing Trust Fund
Summary by Department

Department	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Civil Service Commission - Provisions for Future Labor Agreements	0	0	0	0	20,000	40,000	60,000	80,000
Sinking Fund Commission (Debt Service)	3,942,888	8,259,348	8,259,348	8,264,034	8,262,985	8,261,519	4,479,336	8,259,611
Planning and Development - Employee Benefits	698,275	1,308,857	1,296,117	2,166,117	2,166,117	2,166,117	2,166,117	2,166,117
Planning and Development	50,576,249	61,618,795	47,867,188	61,631,849	41,631,849	41,631,849	41,631,849	41,631,849
Total	55,217,412	71,187,000	57,422,653	72,062,000	52,080,951	52,099,485	48,337,302	52,137,577

City of Philadelphia
Housing Trust Fund
FY 2026 - 2030 Five Year Financial Plan
Estimated Fringe Benefit Allocation

Expenditure Category	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Employee Disability	21,660	36,000	36,360	136,000	136,000	136,000	136,000	136,000
Pension	422,892	768,257	814,500	1,164,500	1,164,500	1,164,500	1,164,500	1,164,500
FICA	81,384	143,000	137,834	337,834	337,834	337,834	337,834	337,834
Health / Medical	170,932	360,000	304,779	521,139	521,139	521,139	521,139	521,139
Group Life	612	700	1,024	3,024	3,024	3,024	3,024	3,024
Group Legal	795	900	1,620	3,620	3,620	3,620	3,620	3,620
Total	698,275	1,308,857	1,296,117	2,166,117	2,166,117	2,166,117	2,166,117	2,166,117

City of Philadelphia
Fiscal Year 2026 Operating Budget
FY 2026-2030 Five Year Plan
Housing Trust Fund Full-Time Positions

Department	Filled Positions 6/30/24	FY 2025 Adopted Budget	November 2024 Increment	FY 2026 Adopted Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Planning and Development	25	29	23	34	34	34	34	34
TOTAL HOUSING TRUST FUND	**25**	**29**	**23**	**34**	**34**	**34**	**34**	**34**

Note: The Adopted Budget position counts represent the maximum level of positions during the year. Attrition lowers the position count throughout the year.

CITY OF PHILADELPHIA

FY2026 - FY2030 FIVE YEAR FINANCIAL PLAN

AS APPROVED BY THE COUNCIL - JUNE 2025

TRANSPORTATION FUND

City of Philadelphia
As Adopted
Five Year Financial Plan FY2026-2030

SUMMARY OF OPERATIONS
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
Transportation

NO.	ITEM	FY 2024 Actual	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	OPERATIONS OF FISCAL YEAR							
	REVENUES							
1	Taxes	104,275	111,042	115,795	119,257	122,644	125,465	128,050
2	Locally Generated Non-Tax Revenues	13,646	16,765	14,840	15,280	15,280	15,280	15,280
3	Revenue from Other Governments	2,500	3,581	3,325	3,325	3,325	3,325	3,325
4	Other Govts. - PICA City Account (1)	0	0	0	0	0	0	0
5	Sub-Total Other Governments	2,500	3,581	3,325	3,325	3,325	3,325	3,325
6	Revenue from Other Funds of City	0	0	0	0	0	0	0
7	Total - Revenue	**120,421**	**131,388**	**133,960**	**137,862**	**141,249**	**144,070**	**146,655**
8	Other	0	0	0	0	0	0	0
9	**Total Revenue and Other Sources**	**120,421**	**131,388**	**133,960**	**137,862**	**141,249**	**144,070**	**146,655**
	OBLIGATIONS/APPROPRIATIONS							
10	Personal Services	44,444	54,399	53,820	53,843	53,866	53,889	53,912
11	Personal Services-Pensions	18,331	22,546	23,013	22,894	22,852	24,702	18,729
12	Personal Services-Pensions Sales Tax	0	0	0	0	0	0	0
13	Personal Services-Other Employee Benefits	6,682	17,686	25,884	25,885	25,884	25,884	25,884
14	**Sub-Total Employee Compensation**	**69,457**	**94,631**	**102,717**	**102,622**	**102,602**	**104,475**	**98,525**
15	Purchase of Services	10,390	13,991	13,991	13,991	13,991	13,991	13,991
16	Materials, Supplies and Equipment	9,199	10,660	11,640	10,006	10,006	10,006	10,006
17	Contributions, Indemnities, and Taxes	11,987	15,000	15,000	15,000	15,000	15,000	15,000
18	Debt Service	0	0	0	0	0	0	0
19	Payments to Other Funds	445	1,407	2,102	498	518	518	539
20	Advances & Misc. Pmts. Incl. Labor Reserve	0	0	380	760	1,140	1,520	1,900
21	Adv & Misc. Pmts.- Recession, Inflation Res.	0	0	0	0	0	0	0
22	Sub-Total	101,478	135,689	145,830	142,877	143,257	145,510	139,961
23	Payment to Budget Stabilization Reserve Fund	0	0	0	0	0	0	0
24	**Total - Obligations**	**101,478**	**135,689**	**145,830**	**142,877**	**143,257**	**145,510**	**139,961**
25	Oper. Surplus (Deficit) for Fiscal Year	18,943	(4,301)	(11,870)	(5,015)	(2,008)	(1,440)	6,694
	Prior Year Adjustments:							
26	Revenue Adjustments	0	0	0	0	0	0	0
27	Other Adjustments	0	2,500	2,500	2,500	2,500	2,500	2,500
28	Total Prior Year Adjustments	0	2,500	2,500	2,500	2,500	2,500	2,500
29	**Adjusted Oper. Surplus/ (Deficit)**	**18,943**	**(1,801)**	**(9,370)**	**(2,515)**	**492**	**1,060**	**9,194**
	OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS							
30	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	0	18,943	17,142	7,772	5,257	5,749	6,809
31	Fund Balance Available for Appropriation June 30	**18,943**	**17,142**	**7,772**	**5,257**	**5,749**	**6,809**	**16,003**

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
Transportation

REVENUE
Taxes

NO.	AGENCY AND REVENUE SOURCE	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(5)	(6)	(7)	(8)	(9)	(9)	(9)
	A. Parking							
1	1. Current	102,922	110,227	115,795	119,257	122,644	125,465	128,050
2	2. Prior	1,353	815	0	0	0	0	0
3	**Subtotal**	**104,275**	**111,042**	**115,795**	**119,257**	**122,644**	**125,465**	**128,050**
4	**Total Taxes**	**104,275**	**111,042**	**115,795**	**119,257**	**122,644**	**125,465**	**128,050**

City of Philadelphia

Five Year Financial Plan FY2026-2030

SUPPORTING REVENUE SCHEDULES
FISCAL YEARS 2024 TO 2030
(Amounts in Thousands)

FUND
Transportation

REVENUE
Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Streets							
1	Survey Charges	657	625	875	875	875	875	875
2	Street Permits	8,073	7,440	8,440	8,880	8,880	8,880	8,880
3	Right of Way Fees	4,903	7,000	5,500	5,500	5,500	5,500	5,500
4	Other	13	1,700	25	25	25	25	25
5	Subtotal	13,646	16,765	14,840	15,280	15,280	15,280	15,280
6	**Total Locally Generated Non-Tax**	**13,646**	**16,765**	**14,840**	**15,280**	**15,280**	**15,280**	**15,280**

City of Philadelphia Five Year Financial Plan FY2026-2030	SUPPORTING REVENUE SCHEDULES FISCAL YEARS 2024 TO 2030 (Amounts in Thousands)
FUND **Transportation**	
REVENUE **Revenue from Other Governments**	

No.	Agency and Revenue Source	FY 2024 Actual	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Streets				`			
	Federal:							
1	Highways	0	848	350	350	350	350	350
2	Bridge Design	0	196	215	215	215	215	215
3	Delaware Vallet Reg. Planning Comm.	0	0	185	185	185	185	185
	State:							
4	Snow Removal	2,500	2,500	2,500	2,500	2,500	2,500	2,500
5	PennDOT Bridge Design	0	37	50	50	50	50	50
6	PennDOT Highways	0	0	25	25	25	25	25
7	Subtotal	2,500	3,581	3,325	3,325	3,325	3,325	3,325
8	**Total Revenue From Other Govts.**	**2,500**	**3,581**	**3,325**	**3,325**	**3,325**	**3,325**	**3,325**

City of Philadelphia
Transportation Fund
FY 2026- 2030 Five Year Financial Plan
Summary by Class

Expenditure Class	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Class 100 - Wages	44,444,232	50,801,224	54,399,050	53,820,181	53,843,156	53,866,131	53,889,106	53,912,080
Class 100 - Benefits	25,013,578	44,500,921	40,232,154	48,897,839	48,778,919	48,736,207	50,586,094	44,613,156
Class 200 - Contracts / Leases	10,389,707	13,990,739	13,990,739	13,990,739	13,990,739	13,990,739	13,990,739	13,990,739
Class 300/400 - Supplies, Equipment	9,198,756	9,624,523	10,660,093	11,639,555	10,006,023	10,006,023	10,006,023	10,006,023
Class 500 - Indemnities / Contributions	11,987,066	0	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Class 700 - Debt Service	0	0	0	0	0	0	0	0
Class 800 - Payments to Other Funds	444,930	2,145,593	1,406,663	2,101,686	497,996	517,916	517,916	538,634
Class 900 - Advances / Misc. Payments	0	0	0	380,000	760,000	1,140,000	1,520,000	1,900,000
Total	101,478,269	121,063,000	135,688,699	145,830,000	142,876,833	143,257,016	145,509,878	139,960,632

City of Philadelphia
FY 2026 - 2030 Five Year Financial Plan
Transportation Fund
Summary by Department

Department	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Civil Service Commission - Provisions for Future Labor Agreements	0	0	0	380,000	760,000	1,140,000	1,520,000	1,900,000
Finance - Employee Benefits	25,013,578	44,500,921	40,232,154	48,897,839	48,778,919	48,736,207	50,586,094	44,613,156
Finance - Indemnities	0	0	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Streets	76,464,691	76,562,079	80,456,545	81,552,161	78,337,914	78,380,809	78,403,784	78,447,476
Total	101,478,269	121,063,000	135,688,699	145,830,000	142,876,833	143,257,016	145,509,878	139,960,632

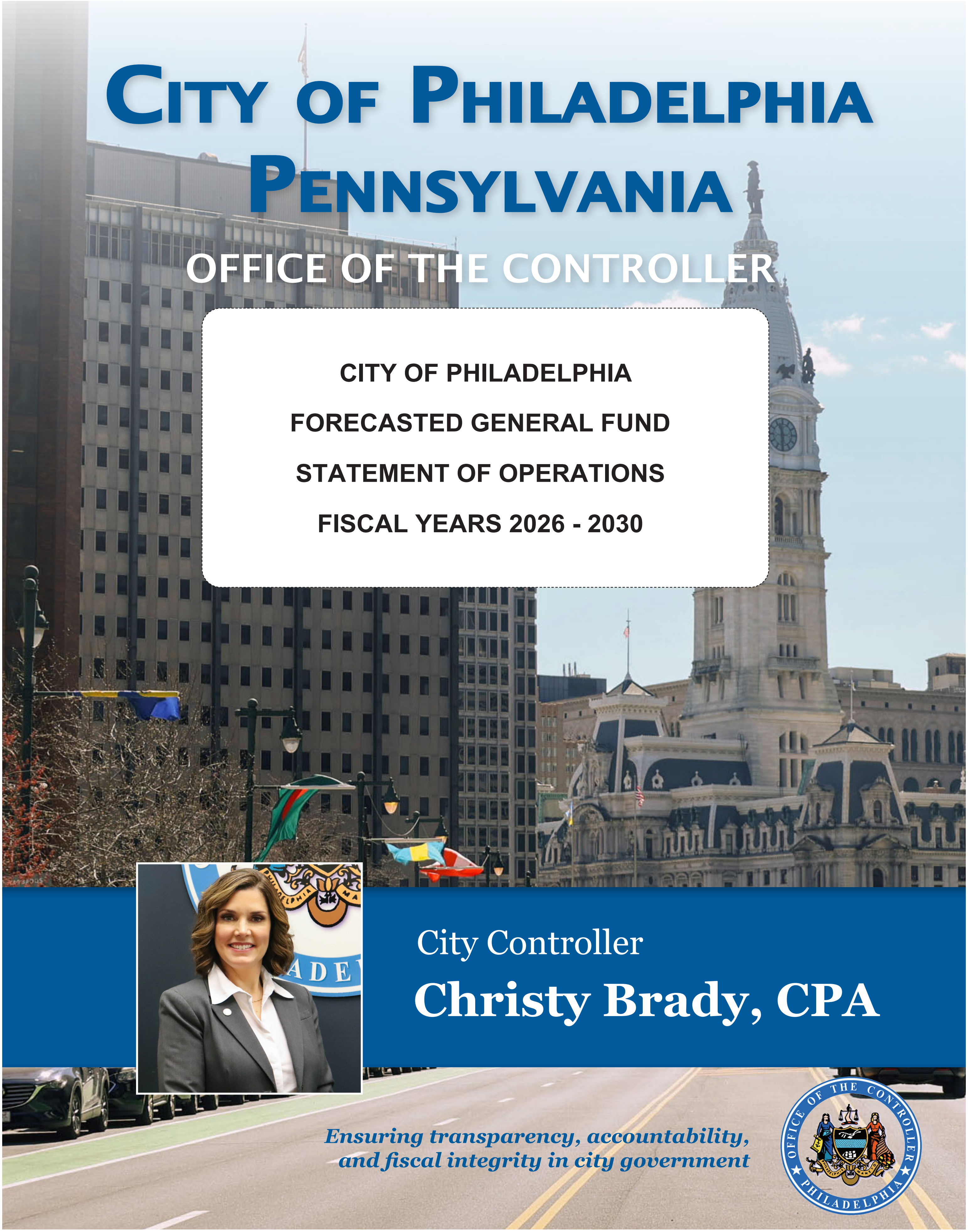
City of Philadelphia
Transportation Fund
FY 2026 - 2030 Five Year Financial Plan
Estimated Fringe Benefit Allocation

Expenditure Category	FY 2024 Actual	FY 2025 Budget	FY 2025 Estimate	FY 2026 Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Unemployment Comp.	48,422	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Employee Disability	647,867	1,585,000	1,585,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Pension	18,330,745	20,815,000	22,546,233	23,013,111	22,894,348	22,851,636	24,701,523	18,728,585
FICA	1,190,586	4,300,000	4,300,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000
Health / Medical	4,721,453	17,470,921	11,470,921	18,019,728	18,019,571	18,019,571	18,019,571	18,019,571
Group Life	11,805	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Group Legal	36,426	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Flex Cash Payments	26,274	40,000	40,000	75,000	75,000	75,000	75,000	75,000
Total	25,013,578	44,500,921	40,232,154	48,897,839	48,778,919	48,736,207	50,586,094	44,613,156

City of Philadelphia
Fiscal Year 2026 Operating Budget
FY 2026-2030 Five Year Plan
Transportation Fund Full-Time Positions

Department	Filled Positions 6/30/24	FY 2025 Adopted Budget	November 2024 Increment	FY 2026 Adopted Budget	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
Streets	656	819	681	831	831	831	831	831
TOTAL TRANSPORTATION FUND	**656**	**819**	**681**	**831**	**831**	**831**	**831**	**831**

Note: The Adopted Budget position counts represent the maximum level of positions during the year. Attrition lowers the position count throughout the year.



CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

CITY OF PHILADELPHIA

FORECASTED GENERAL FUND

STATEMENT OF OPERATIONS

FISCAL YEARS 2026 - 2030

City Controller

Christy Brady, CPA

Ensuring transparency, accountability, and fiscal integrity in city government

OFFICE OF THE CONTROLLER PHILADELPHIA

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CITY OF PHILADELPHIA

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CHRISTY BRADY
City Controller

CHARLES EDACHERIL
Deputy 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, 2030, 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 – Decline in Revenues and Fund Balance Resulting from the American Rescue Plan Act

The forecasted statement referred to above, and footnote C.6. reflect a significant reduction in revenues for *Revenue from Other Funds of City* for fiscal year 2026 due to the final spend down of grant funding received under the American

Rescue Plan Act (ARPA). The City received a $1.395 billion grant in fiscal year 2021 that, in accordance with federal regulations, was fully obligated by December 2024. As such, no new ARPA grant funding is anticipated in fiscal years 2026 through 2030. The City's forecasted annual spending combined with the ARPA fiscal cliff also results in a substantial decline to the City's fund balance, which is forecasted to decrease significantly from fiscal year 2026 through 2029. Our opinion is not modified with respect to this matter.

Emphasis of a Matter – Labor Agreements

The forecasted statement referred to above, and footnote C.7.a. includes assumptions that are particularly sensitive due to the uncertainty in the outcome of current negotiations with the major unions. Three-year contracts for FY 26 through FY28 have been negotiated, pending ratification, for employees represented by District Council 33 and District Council 47. However, contracts expired for the Fraternal Order of Police, the International Association of Firefighters, Deputy Sheriffs, the Steelworkers, and Correctional Officers, after a one-year extension ended on June 30, 2025. Our opinion is not modified with respect to this matter.

Charles Edacheril

CHARLES EDACHERIL, CPA
Deputy City Controller

Christy Brady

CHRISTY BRADY, CPA
City Controller
Philadelphia, Pennsylvania
July 15, 2025

Forecasted General Fund Statements of Operations

Fiscal Years Ending June 30, 2026 through June 30, 2030

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, 2026 through June 30, 2030

(Amounts in thousands)

NO.	ITEM	FY 2026 Adopted	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate	FY 2030 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	OPERATIONS OF FISCAL YEAR					
	REVENUES					
1	Taxes	4,555,182	4,734,572	4,897,353	5,029,977	5,146,984
2	Locally Generated Non-Tax Revenues	410,440	389,624	437,589	395,809	398,023
3	Revenue from Other Governments	1,225,774	1,246,475	1,269,307	1,300,550	1,331,112
4	Sub-Total (1 thru 3)	**6,191,396**	**6,370,671**	**6,604,249**	**6,726,336**	**6,876,119**
5	Revenue from Other Funds of City	172,105	67,148	72,133	68,399	68,982
6	**Total Revenue and Other Sources (4)+(5)**	**6,363,501**	**6,437,819**	**6,676,382**	**6,794,735**	**6,945,101**
	OBLIGATIONS/APPROPRIATIONS					
7	Personal Services	2,346,195	2,356,699	2,353,677	2,352,661	2,352,677
8	Personal Services-Pensions	836,433	841,261	848,436	916,766	731,963
9	Personal Services-Other Employee Benefits	909,155	944,795	996,268	1,052,340	1,114,312
10	**Sub-Total Employee Compensation (7 thru 9)**	**4,091,783**	**4,142,755**	**4,198,381**	**4,321,767**	**4,198,952**
11	Purchase of Services	1,608,223	1,543,326	1,551,046	1,550,467	1,603,468
12	Materials, Supplies and Equipment	177,403	147,803	140,491	142,537	161,546
13	Contributions, Indemnities, and Taxes	476,983	417,694	417,694	417,194	417,194
14	Debt Service	231,495	278,252	279,346	268,329	282,430
15	Payments to Other Funds	96,235	88,389	82,996	83,206	86,791
16	Payment to Budget Stabilization Reserve Fund	58,860	59,912	0	0	0
17	Advances & Misc. Pmts. / Labor Reserve	101,577	104,577	104,577	106,577	131,412
18	**Total - Obligations (10 thru 17)**	**6,842,559**	**6,782,708**	**6,774,531**	**6,890,077**	**6,881,793**
19	Oper.Surplus (Deficit) for Fiscal Year (6)-(18)	(479,058)	(344,889)	(98,149)	(95,342)	63,308
20	**Prior Year Adjustments:**					
21	Other Adjustments	35,500	36,500	37,500	38,500	39,500
22	Total Prior Year Adjustments	35,500	36,500	37,500	38,500	39,500
23	**Adjusted Oper. Surplus/ (Deficit) (19)+(22)**	**(443,558)**	**(308,389)**	**(60,649)**	**(56,842)**	**102,808**
	OPERATIONS IN RESPECT TO					
	PRIOR FISCAL YEARS					
24	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	914,527	470,969	162,580	101,931	45,089
25	Fund Balance Available for Appropriation June 30 (23)+(24)	**470,969**	**162,580**	**101,931**	**45,089**	**147,897**

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

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations Fiscal Years Ending June 30, 2026 through June 30, 2030

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 FY26 Budget and the FY26-30 Five Year Financial Plan (FYP) submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (PICA) on June 30, 2025. 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 30, 2025, 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 FY26 total $6.36 billion. Approximately 71.6% of the City's revenue comes from local taxes and 19.3% comes from other governments (including the PICA tax). Locally Generated Non-Tax Revenues, which include revenues from fees, fines and permits, account for 6.4% of revenues. In FY26, $172.1 million (2.7% of revenues) will come from Other Funds of the City. This is a drop from $486.6 million (7.5% of revenues) in FY25. This drop in revenues is attributed to the end of federal relief funding from the American Rescue Plan, which was spent down by the end of December 2024, as required by federal law. ARPA funds were placed into the Grants Fund upon receipt and then drawn down by the General Fund as revenue replacement compared to pre-pandemic expectations.

The Adopted FY26 Budget includes revenue forecasts totaling $4.56 billion in City taxes, $410.4 million in locally generated non-tax revenues, and $1.23 billion in revenue from other governments. These

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2026 through June 30, 2030

sources account for 97.3% of the City's projected revenues for FY26.

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;
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; and
g) The extensive experience of its staff.

Budget's tax forecasts for the Five Year Plan 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, Realty Transfer Tax, Parking Tax, Philadelphia Beverage Tax, and Sales Tax. The Real Estate Tax estimates were forecasted by Budget with data and input from the Office of Property Assessment and the Department of Revenue.

As part of this forecasting process, the City's financial oversight authority (PICA) convenes a meeting at the Federal Reserve Bank of Philadelphia, bringing together economists from throughout the region to review the City's initial proposed projections. At this meeting, which representatives of the Controller's Office attend, the City and S&P share initial projected growth rates for City taxes and obtain feedback from the economists in attendance. Typically, a single scenario is presented to the economists in attendance. This year, given increased federal uncertainty, the City presented two revenue growth scenarios: a baseline scenario, which assumed moderate tariff impacts and reduced immigration, and a more pessimistic scenario, which assumed more significant tariff impacts and reduced immigration, given federal uncertainty. The experts in attendance recommended a hybrid scenario between the baseline and more pessimistic scenarios. This hybrid scenario was subsequently included in the City's Plan as presented to City Council.

The estimates have been revised since the March 2025 introduction of the Five Year Plan based on updated collections information and macroeconomic conditions. The revenue forecasts for FY26-30 reflect sound projections in the face of federal and uneconomic uncertainty.

Budget Office
CITY OF PHILADELPHIA

Notes to the Forecasted General Fund Statements of Operations
Fiscal Years Ending June 30, 2026 through June 30, 2030

S&P forecasts that key sectors, including education, healthcare, and social services, are likely to continue driving job growth, but the labor market remains tight, which may limit further expansion. The FY26 projection includes a 4.99% base growth rate for the Wage and Earnings Tax, driven by reduced immigration, a limited labor force, and residual inflationary pressures. The City is heavily reliant on Wage Tax revenue from educational, medical, and governmental entities, as roughly 45 percent ($1 billion in FY24) comes from these industries.

Fiscal Year 2025 Sales Tax collections through April are 3.06% above the year-ago level. The Sales Tax base growth rate is projected to average 3.75% from FY26-FY30. While inflation may support revenues in nominal terms, price increases for non-taxable items can dampen real spending on taxable items. Additionally, evolving federal tariff policies can increase revenue by influencing the cost of and demand for taxable goods moving forward.

The FY26–FY30 Five Year Financial Plan includes rate reductions to both portions of the Business Income and Receipts Tax (BIRT). The Net Income portion will decrease from 5.81% in FY25 to 5.50% in FY30, while the Gross Receipts portion will decline from 0.1415% to 0.1380% over the same period. These reductions are part of a broader, codified plan to eliminate the Gross Receipts portion of the tax and reduce the Net Income portion by more than half within seven years of the Pension Fund reaching full (100%) funding. Because BIRT revenues are highly sensitive to economic conditions, tax planning strategies, and policy changes at other levels of government, BIRT is the City's most volatile tax. For this reason, S&P recommended that the City not assume any baseline growth in BIRT collections over the life of the Plan.

Additionally, the FY26 projections include an 8.23% base growth rate for the Realty Transfer Tax. This reflects an ongoing recovery from declines in recent years, which were driven by a slowdown in home sales as rising mortgage interest rates discouraged buyers. The projection assumes market conditions will continue to stabilize and anticipates modest growth each year.

Projections show growth for most major tax types in FY26, leading to a growth of $234.8M (5.4%) when compared to the FY25 estimate ($4.32 billion in FY25, increasing to $4.56 billion in FY26).

2. *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 approximately 71.6% of the City's General Fund revenue in FY26. In the Congressional Budget Office's (CBO) *The Budget and Economic Outlook:*

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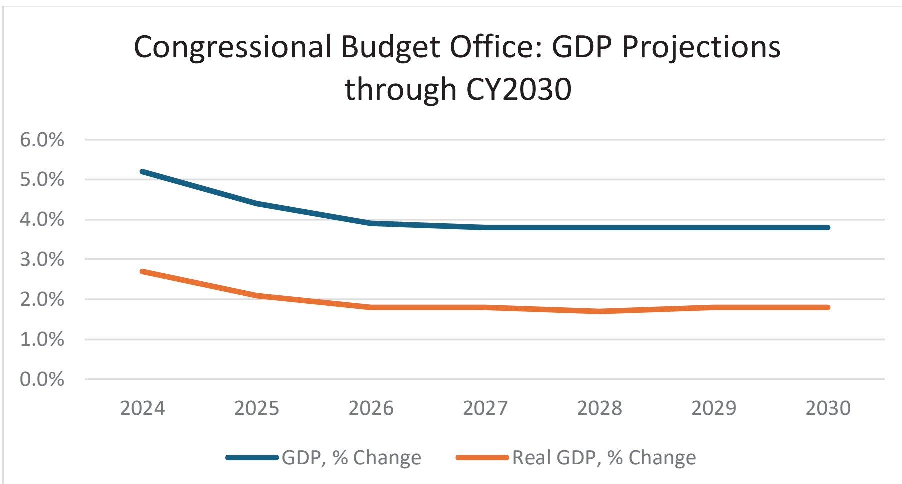
2025-2035 report[1], CBO forecasts that U.S. Real Gross Domestic Product will grow by 2.1% in 2025. After 2025, the CBO anticipates the annual growth of Real GDP to average 1.8% percent annually from 2026-2030. The unemployment rate is expected to remain stable at 4.3-4.4% from 2025-2030.



On May 29, 2025, S&P Global Market Intelligence provided updated projections for national, state, and city gross domestic product. For 2025, Philadelphia's outlook is expected to track above both state and national projections. By 2026, S&P anticipates generally comparable growth across Philadelphia, Pennsylvania, and the nation.

Economic Indicators: National, State, and City

	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2024	2025	2026
United States								
Employment (millions)	158.6	159.2	159.6	159.7	159.6	158.0	159.5	159.9
Real Per Capita Income (Thousand $)	51.5	51.8	51.6	52.1	52.3	51.4	51.9	53.2
GDP Growth Rate (%)	2.4	-0.3	1.0	0.9	1.4	2.8	1.3	1.7
Pennsylvania								
Employment (millions)	6.17	6.20	6.22	6.22	6.22	6.14	6.21	6.22
Real Per Capita Income (Thousand $)	59.3	59.8	59.6	59.7	60.0	58.9	59.8	61.1
GSP Growth Rate (%)	2.5	0.3	1.2	1.1	1.6	2.4	1.7	1.7
Philadelphia/Delaware County								
Employment (thousands)	1017.2	1023.7	1026.0	1025.4	1024.2	1013.2	1024.8	1026.3
Real Per Capita Income (Thousand $)	53.9	54.3	54.0	53.9	54.0	53.7	54.1	55.0
GMP Growth Rate (%)	3.2	0.2	2.8	1.1	1.4	2.7	2.0	1.9

[1] https://www.cbo.gov/publication/60870

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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 approximately 70.7% of the expected General Fund revenue in FY26. These include:

1. Wage and Earnings and Net Profit Tax (Wage),
2. Real Property Tax,
3. Business Income and Receipts Tax (BIRT),
4. Realty Transfer Tax (RTT),
5. Sales Tax, and
6. Philadelphia Beverage Tax [2]

The remaining taxes are budgeted to provide 0.9% of General Fund revenue. Philadelphia's reliance on business taxes, Wage, PICA City Account, BIRT, and Net Profits, which total 67% of total revenue from taxes in FY26, 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 45.5% of local 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. The FY26-FY30 Five Year Financial Plan includes rate reductions beginning in FY26, lowering the resident and non-resident portions of the Wage Tax from 3.75% to 3.70% and 3.44% to 3.39%, respectively, by FY30, as established with the adoption of Bill No. 250195.

The resident rate includes 1.5% that is reserved for PICA. PICA has overseen the City's finances since its creation in 1991 and, based on state legislation that was signed into law in 2022, will continue to do so through at least 2047. 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. The original PICA bonds were paid off in June 2023. Thus, starting in FY24, all PICA Wage Tax revenues are remitted to the City, minus administrative costs for PICA's operations.

Excluding the PICA portion, the Wage Tax and Net Profits Tax is projected to bring in $2.07 billion in FY26. This projection includes a 4.99% base growth rate for the Wage and Earnings component and 1.41% base growth rate for the Net Profit component of the tax.

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[2] 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.

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B. Real Property Tax

The Real Property Tax is the City General Fund's second-largest source of tax revenue (20.6%), estimated to contribute $940.4 million of the City's FY26 tax revenues. This tax is levied on the assessed value of residential and commercial property in the city. The Adopted FY26 Budget has a combined City/School District property tax rate for FY26 of 1.3998%, unchanged from FY25. In FY25, there was an adjustment to the millage split from 45% City/55% School District to 44% City/56% School District. Pursuant to the adoption of Bill No. 250201, an additional adjustment will take effect in FY30, further modifying the split to 43.5% City and 56.5% School District. The property tax projection accounts for the continuation of City property tax relief programs, including the $100,000 homestead exemption for owner-occupied properties, the Longtime Owner Occupants Program (LOOP), and the Senior and Low Income Tax Freeze programs.

C. Business Income and Receipts Tax

The BIRT is projected to produce $725.9 million in FY26, 15.9% of total local tax revenue. Every individual, partnership, association, and corporation engaged in a business, profession, or other activity for profit within Philadelphia must file a Business Income and Receipts Tax return, whether or not it earned a profit during the preceding year. The BIRT is filed and paid annually for business activity from the prior year. A majority of the BIRT is derived from business profits which are volatile and dependent on economic conditions within the City.

The FY26–FY30 Five Year Financial Plan includes reductions to both portions of the BIRT, as established with the adoption of Bill No. 250199. The Net Income portion will decrease from 5.81% in FY25 to 5.50% in FY30, while the Gross Receipts portion will decline from 0.1415% to 0.1380% over the same period. These reductions are part of a broader, codified plan to eliminate the Gross Receipts portion and reduce the Net Income portion by more than half within seven years of the Pension Fund reaching full (100%) funding. Additionally, as a result of a legal challenge, the City will eliminate the former exclusion from the BIRT tax base of a taxpayer's first $100,000 in receipts for Tax Year 2025 and forward.

D. Realty Transfer Tax

The Realty Transfer Tax is projected to total $372.7 million in FY26, accounting for 8.2% of total tax revenue. The Realty Transfer Tax rate has two components: the portion imposed by the City and an additional 1 percent which is charged by the Commonwealth of Pennsylvania. This tax applies to all property transfers and is collected at the time of sale.

With the adoption of Bill No. 250211, the City portion of the Realty Transfer Tax will increase from 3.278% to 3.578% starting in FY26. This adjustment will help support debt service costs associated with the two $400 million borrowings for the H.O.M.E Initiative, which aims to create or preserve 30,000 units of housing in Philadelphia.

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The FY26 projection includes an 8.23% base growth rate for the Realty Transfer Tax. This growth reflects a recovery from declines in recent years, which were driven by a slowdown in home sales as rising mortgage interest rates discouraged buyers.

E. Sales Tax

Sales Tax revenues are projected to generate $324.0 million in FY26, based on a base growth rate of 3.9%, comprising 7.1% 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. This change to the tax rate 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 and 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 FY20, 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% go to the City's Pension Fund (projected to be $102 million in FY26).

F. Philadelphia Beverage Tax

The Philadelphia 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. This tax is levied on the distribution of sweetened beverages intended for retail sale in Philadelphia. The tax is levied at 1.5 cents per ounce of sweetened beverages. While concentrates or syrups are also taxed, their tax rate is based on the final beverage produced, not the raw syrup or concentrate. The Philadelphia Beverage Tax is projected to generate $64.4 million in FY26. From FY26-FY30, Beverage Tax collections are projected experience modest annual declines, reflecting a gradual decrease in tax receipts observed over the past several years. This trend aligns with national patterns of reduced consumption of sweetened beverages.

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. In FY26, the City projects to collect $410.4 million in Locally Generated Non-Tax Revenue.

5. Revenues from Other Governments

Revenues from Other Governments—including the Commonwealth of Pennsylvania and the Federal Government—typically make up slightly less than 20 percent of total General Fund revenues. The total in FY26 is projected to be $1.23 billion, with the majority ($769.3 million) raised through the residential

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portion of the City's Wage Tax and then remitted by PICA after PICA's operating expenses. While the General Fund receives some federal revenue, the majority of the federal funding the City receives is in other funds, including the Grants Fund.

6. *Revenues from Other Funds*

This category consists of payments from other funds of the City to the General Fund, such as from Enterprise Funds (Water and Aviation) or from the Grants Fund and is projected to total $172.1 million in FY26. This is a decrease of $314.5 million (64.6%) from FY25. This drop in revenues is attributed to the end of federal relief funding from the American Rescue Plan, which was spent down by the end of December 2024, as required by federal law. ARPA Funds were placed into the Grants Fund upon receipt and then drawn down by the General Fund as revenue replacement compared to pre-pandemic expectations.

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 FY25 budget and FY26-30 FYP submitted by the Mayor to PICA on June 30, 2025. The Budget Office provides forecasts of all major expenditure categories. For FY26, obligations are budgeted at $6.84 billion, an increase of $273.7 million over the FY25 estimate. The largest driver of the increase is Personal Services, which includes salaries, pensions, and employee benefits. The FY26 obligation estimate also includes a $101.6 million Labor Reserve for future labor costs and a $58.9 million transfer to the Budget Stabilization Reserve Fund (BSRF). The FY26 projection also includes targeted investments directed towards making Philadelphia the safest, cleanest, and greenest big city in the nation, with access to economic opportunity for all.

A. Labor Agreements

In anticipation of entering into multi-year agreements, the City executed one-year extension agreements that expire on June 30, 2025 with each of its major unions. The City has been working with its union partners to reach agreements that are fair to employees while also maintaining the City's fiscal health. The forecasted statements include a set-aside of $550 million from FY26 to FY30 in a labor reserve to support fair and fiscally responsible collective bargaining 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,

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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 last several years. The City continues to seek ways to improve the long-term health of the fund.

Act 111 interest arbitration awards with the FOP Lodge No. 5 (August 2017) and IAFF Local 22 (May 2018) 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 collective bargaining agreements for DC33 (July 2016) and DC47 (June 2018). 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. Subsequent labor agreements and awards have maintained these changes.

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) with any remaining funds dedicated to the pension fund. From FY26 through FY30, the City's pension fund is projected to receive $594.8 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 pays more than what is legally required each year to improve the funding status of the

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plan more quickly.

- Over the past fourteen years, the pension fund's earnings assumption has been reduced incrementally from 8.75% to 7.25% (effective July 1, 2025). 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.

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. From 2015 to 2024, the pension system's funding percentage has increased from 45.9% to 65.4% 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 Five Year Plan 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 $74.9M originally due from the General Fund 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. In FY29, the City will make a balloon payment on the pension obligation bonds issued in 1999. Payments on these bonds decrease substantially in FY30, after increasing from $122.0 million in the General Fund in FY28 to $186.4 million in the General Fund in FY29. The reduction in debt service on those bonds will reduce the City's structural fixed costs over the long term. This reduction in fixed costs is reflected in FY30, when the payment from the General Fund drops to $1.6 million.

PICA

Pennsylvania Intergovernmental Cooperation Authority