

Fact Sheet: Philadelphia's FY25 Annual Financial Report

Key Takeaways on the General Fund:

According to its Annual Financial Report (AFR), released in October 2025, the City of Philadelphia ended FY25 with an operating surplus, rather than the expected deficit included in the PICA-approved FY26-30 Plan. As a result, Philadelphia achieved a \$1.19 billion General Fund balance in FY25, 29.9 percent above the most recent estimate and more than double the original estimate, exceeding GFOA-recommended levels for reserves.

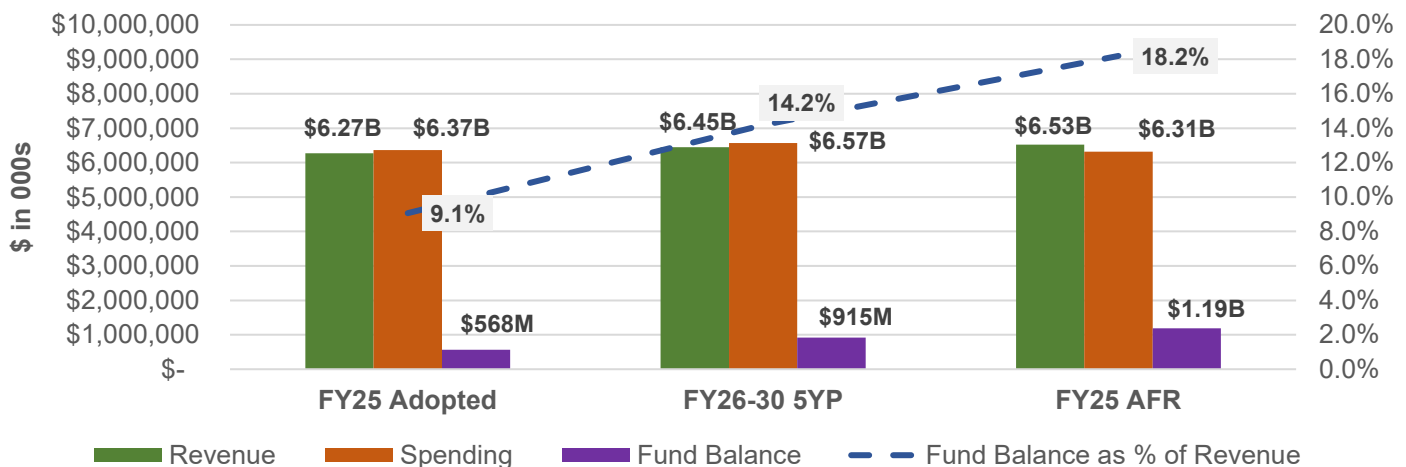
- **Revenues** were up by \$78.9 million (1.2 percent). Major drivers were BIRT, BPT, and Realty Transfer Taxes that were \$102 million higher than expected, and lower than expected state, federal, and Wage Tax collections.
- **Spending** was lower than estimated, by \$251.0 million (-3.8 percent). Most of the underspend (\$109.7 million) came from ongoing staff vacancies that reduced salary and benefit costs. Also, the City did not use the \$95.0 million set aside for a loss of federal funds.

Areas of Concern

Revenue Variances - Given the ongoing budget delays at other levels of government and the consistent inconsistency in BIRT and Realty Transfer Tax collection, future overall revenue collections may be vulnerable to shortfalls.

Staff Vacancies – Although bolstering the fund balance, there are negative impacts from staff vacancy on service delivery and capacity.

Revenues outpaced spending, and the City ended FY25 with a \$1.19B fund balance, 29.9 percent higher than recent estimates.



FY25 Revenues

	FY25-29 PICA Approved Plan (July 2024)	FY26-30 PICA Approved Plan (July 2025)	FY25 Unaudited Actual (October 2025)	Difference between Unaudited Actual and FY25-29 Plan	Difference between Unaudited Actual and FY26-30 Plan
Tax Revenue	\$4.26B	\$4.32B	\$4.41B	\$152.1M	\$92.2M
Locally Generated Non-Tax	\$391.8M	\$460.7M	\$466.5M	\$74.6M	\$5.8M
Other Gov'ts	\$1.14B	\$1.18B	\$1.15B	\$12.6M	-\$29.0M
Other Funds	\$481.2M	\$486.6M	\$496.5M	\$15.3M	\$9.9M
TOTAL	\$6.27B	\$6.45B	\$6.53B	\$254.7M	\$78.9M

The City's revenue projections from July 2024 of \$6.27 billion were nearly \$255 million less than actual collections of \$6.53 billion. The total announced in October 2025 is \$78.9 million higher than the updated estimate projected in July 2025. Revenue from Real Estate, Wage and Earnings, and Amusement taxes were lower than estimated in the FY26-30 Five-Year Plan for FY25, but these decreases were offset by higher-than-expected revenue in Business Income, Net Profits and Receipts, and Realty Transfer taxes. The increases over prior estimates were offset by Revenue from Other Governments (ROG) that came in lower than expected by \$29.0 million from the July 2025 estimate, with revenue from the federal (-\$31.7 million) and state (-\$8.8 million) governments lower than previously projected. This was partially offset by \$17.5 million higher-than-expected revenue from the PICA Tax as compared with estimates in the FY26-30 Five Year Plan.

FY25 Expenditures

	FY25-29 PICA Approved Plan (July 2024)	FY26-30 PICA Approved Plan (July 2025)	FY25 Unaudited Actual (October 2025)	Difference between Unaudited Actual and FY25-29 Plan	Difference between Unaudited Actual and FY26-30 Plan
Employee Compensation	\$3.96B	\$3.96B	\$3.85B	-\$107.2M	-\$109.7M
Purchase of Services	\$1.42B	\$1.48B	\$1.45B	\$29.5M	-\$30.3M
Materials, Supplies and Equipment	\$148.3M	\$173.6M	\$165.5M	\$17.1M	-\$8.1M
Contributions, Indemnities, and Taxes	\$432.7M	\$477.5M	\$475.0M	\$42.3M	-\$2.5M
Debt Service	\$234.7M	\$220.4M	\$195.1M	-\$39.5M	-\$25.3M
Payment to Other Funds	\$129.8M	\$161.6M	\$181.5M	\$51.7M	19.9M
Advances/Misc	\$43.5M	\$95.0M	\$0	-\$43.5M	-\$95.0M
TOTAL	\$6.37B	\$6.57B	\$6.31B	-\$49.6M	-\$251.0M

The City's FY25 spending expectations decreased by \$49.6 million from the Adopted Budget to the \$6.57 billion estimate in the FY26-30 Five-Year Plan with decreased estimates in personnel costs and debt service payments. The actual spending was \$251.0 million less than that. The City underspent in all classes compared to projections from July 2025, except for payments to other funds (Class 800). In Class 800, the City has higher than previously anticipated payments to the Housing Trust Fund and PAYGO for Capital Projects. Major drivers in underspending from projections in July 2025 to actual were decreased personnel costs (-\$109.7 million) for both salaries and benefits connected with staff vacancies and not using the Federal Funds Reserve (-\$95.0 million).

FY25 Fund Balance

FY25-29 PICA Approved Plan (July 2024)	FY26-30 PICA Approved Plan (July 2025)	FY25 Actual (October 2025)	Difference between Actual and FY25-29 Plan	Difference between Actual and FY26-30 Plan
\$568.5M	\$914.5M	\$1.19B	\$619.2M	\$273.1M

The City's actual FY25 General Fund balance of \$1.19 billion was nearly 30 percent higher than its estimate four months earlier and more than double the original estimate. The Government Finance Officers Association (GFOA) recommends that cities have about 17 percent of General Fund revenue or spending in reserve. The City's actual fund balance for FY25 is \$273.1M higher than recent estimates, and 18.2 percent of General Fund revenues. The growth in fund balance over expectations reflects an operating surplus of \$208.2 million that is a marked improvement over the anticipated operating deficit.

The City's Budget Stabilization Reserve (BSR) balance for FY25 was \$178.9 million, \$2.8 million higher than estimates in July 2025, which brought the City's total reserves to \$1.37 billion (21.0 percent). Philadelphia's FY25 reserves were \$622.4 million higher than the FY25 Adopted Budget, and \$275.9 million higher than the FY26-30 Plan, reflecting a stronger position of reserves relative to fund balance than previously anticipated, and exceeding GFOA recommendations.

Areas of Concern

1. **Lower than planned personnel costs**, while having a positive impact on fund balance, reflect the ongoing struggle to achieve desired staffing and service levels. Future projections of wages and benefits will be monitored for consistency and reasonableness based on actual experience and impacts of service delivery.
2. **Variances in revenue estimates** from the FY25 Adopted Budget and FY26-30 Five-Year Plan estimates. In this year, the City's notoriously volatile BIRT and Realty Transfer Tax collections were able to offset reduced state and federal funds. Given the ongoing budget delays at other levels of government and the consistent inconsistency in BIRT and Realty Transfer Tax collection, future overall revenue collections may be vulnerable to shortfalls.

What is the AFR?

The Annual Financial Report (AFR) is prepared in accordance with the Philadelphia Home Rule Charter and provides an overview of the City's finances at the end of each fiscal year. It shows how much money the City received and spent, and the remaining balances in each fund. The report includes both operating and special-purpose funds, as well as other City-related entities whose information was available at the time of publication.

The AFR is unaudited, meaning the figures are preliminary and may change. A complete and audited version of the City's financial statements, called the Annual Comprehensive Financial Report (ACFR), will be published by the end of February.

PICA focuses on results presented on a budgetary basis rather than modified accrual. The budgetary basis recognizes a reduction of fund balance when available funds are obligated. The modified accrual basis recognizes reductions in fund balance when an expense is incurred, typically when a good or service is received. The main difference in fund balances is a result of encumbrances and reserves that do not reduce fund balance on the modified accrual basis, but so long as the City isn't in distress, PICA anticipates these funds will be spent as originally intended and therefore should not be seen as available. Should conditions change, PICA's focus could change.