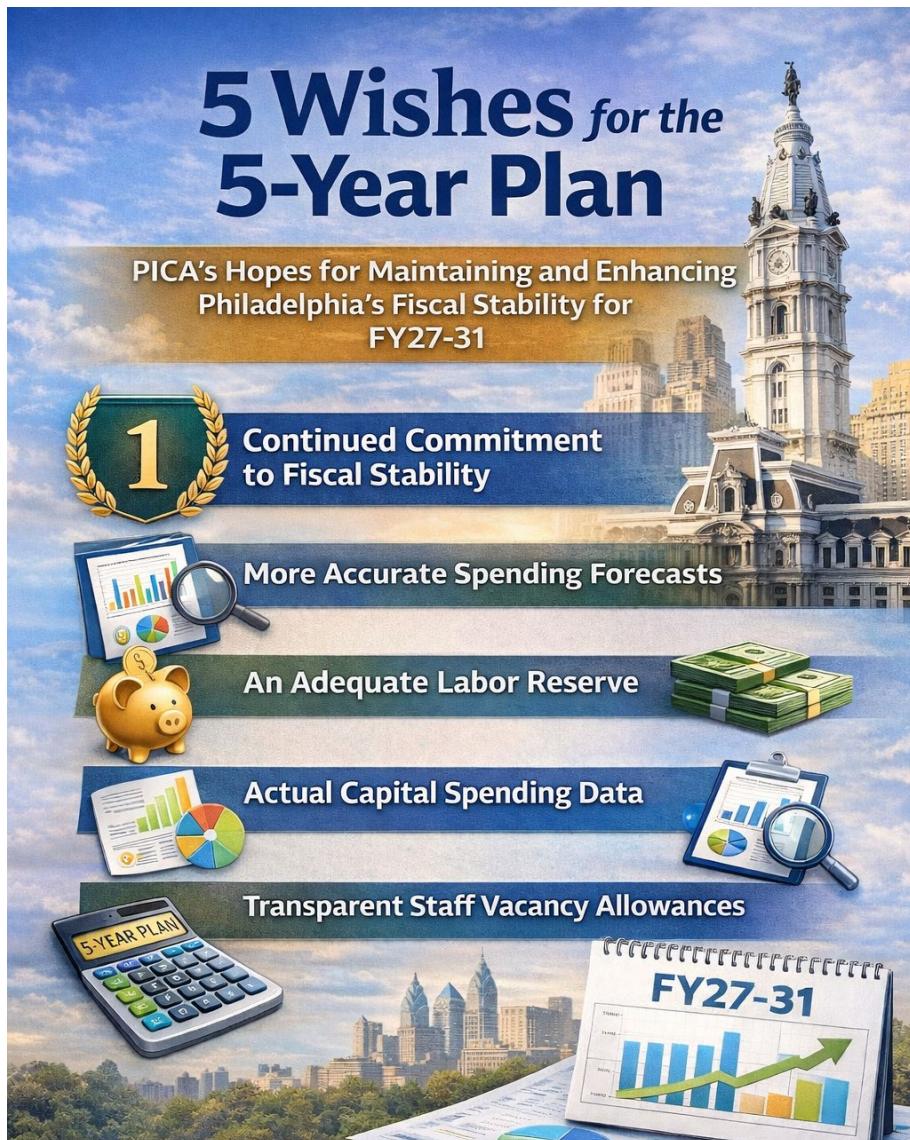


5 Wishes for the 5-Year Plan

PICA's Hopes for Maintaining and Enhancing Philadelphia's
Fiscal Stability for FY27-31



Each spring, the City of Philadelphia releases a new Five-Year Plan, as required by the PICA Act. The Plan isn't just a spreadsheet with numbers, it expresses a vision for the community and must be balanced and based on reasonable, consistent assumptions for available resources and spending. PICA evaluates Philadelphia's fiscal sustainability by forecasting risks, testing assumptions, and identifying where those assumptions may diverge from operational reality.

As the City prepares its FY27-31 Plan, there are several areas where greater transparency and discipline would improve the credibility and usefulness of the document:

1. Continued Commitment to Fiscal Stability

The City should sustain, and where possible expand, its commitment to fiscal stability and improvement. This includes maintaining its efforts to achieve a fully funded Pension Fund, utilizing reasonable, consistent assumptions for its revenue forecasts, and timely, accurate reporting. As we start 2026, there are threats on the horizon that have the potential to affect the City's revenue streams and may increase service demands. Reserves serve as an insurance policy for cities in times of uncertainty, economic downturns, and fiscal crises. Despite progress, Philadelphia is not currently expected to meet the Government Finance Officers Association's recommended level of reserves in the coming five years and has trailed behind comparison cities. Not only do inadequate reserves hurt the City during a catastrophe, but they raise the cost of borrowing even when things are going as planned, reducing the City's ability to invest in critical infrastructure. The City should continue to set meaningful targets for reserves in its fund balance and Budget Stabilization Reserve and would benefit from planning to achieve those targets in each year of the FY27-31 Plan.

2. More Accurate Spending Forecasts

The City has regularly achieved higher-than-expected year-end fund balances in recent years, allowing it to offset higher-than-planned spending on new initiatives and overtime, but as the COVID-era federal relief is fully expended and there are shifts in other federal funds, the City will not be positioned to absorb cost overruns as easily in the coming years. In its review of the FY26-30 Plan, PICA noted that new initiatives like the Wellness Centers were launched and then shortly saw material increases in their costs, and PICA has repeatedly raised concerns with overtime spending estimates that routinely fall short. With the details of the HOME initiative, expanded homeless shelter capacity, and plans for 2026 events still taking shape with limited budget details, spending uncertainty continues. The FY27-31 Plan should include improved budget scoping and accuracy to achieve less deviation between budgeted and actual spending.

3. An Adequate Labor Reserve

PICA appreciates that the City incorporated our recommendation to start including a reserve for upcoming labor contracts in its Plans several years ago. Having a labor reserve acknowledges that additional spending on personnel costs is anticipated even if the exact amount is unknown until negotiations and arbitrations are complete. That uncertainty makes setting the exact level of reserves impossible, but the amount should be in the ballpark. The City has already exhausted the Labor Reserve set aside to cover costs through FY30, with some contracts still pending and others only in effect through FY27. The FY27-31 Plan should estimate the upcoming labor expenditures more realistically through the end of the Plan.

4. Actual Capital Spending Data

In FY26, at the request of PICA, the City began including information about Capital expenditures in its Quarterly City Managers Reports. For the FY27-31 Plan, PICA would like to see actual spending data for prior years and estimates for the current year included in the budget documents and Plan. Understanding the actual pace of spending and the source of those dollars is critical for evaluating whether upcoming investments are reasonable. Beyond including past spending for Capital, as it always has for its operating budgets, the City should consider improving transparency further by making data available about progress on projects, including project status, spending, timelines, and locations.

5. Transparent Staff Vacancy Allowances

The City doesn't assume that 100 percent of budgeted staff positions will be filled 100 percent of the time but reverse engineering exactly what vacancy allowance assumptions it does make is complex due to the opaque information provided. Since so much of the budget is allocated to personnel costs, these assumptions can have a significant impact on overall appropriations and actual spending. PICA would like the budget documents to include:

- Dollar and/or percentage reductions from 100% position funding by department.
- Explanation of how savings from vacant positions interact with overtime spending.

When vacancy allowances are treated as a black box, evaluation of the reasonableness of spending assumptions becomes less meaningful, reducing PICA's ability to assess whether the Plan is realistic.

Looking Ahead

The Five-Year Financial Plan is one of the most important fiscal documents the City produces. It should be a tool for diagnosing risk, not masking it. PICA's recent publications on revenues, overtime, staffing, and capital budgeting all point to the same conclusion: transparency, consistency, and realistic scoping are the difference between a Plan that informs decision-making and one that merely satisfies a statutory requirement.

As Philadelphia prepares its FY27–31 Plan, PICA hopes to see a document that reflects those principles—and provides policymakers, stakeholders, and the public with a clear view of the policy choices that will impact the City's fiscal trajectory over the next five years.

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