



**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
**STAFF REPORT ON THE CITY OF PHILADELPHIA'S**  
**FIVE YEAR FINANCIAL PLAN FOR FISCAL YEARS 2020-2024**  
**JULY 2019**

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
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# TABLE OF CONTENTS

Letter of Transmittal.....	i
Executive Summary.....	ii
Highlights of the Report.....	iii
<b>I. Introduction</b>	
Purpose of the Report.....	1
PICA Organization.....	1
PICA’s Oversight Authority.....	2
Plan Requirements.....	2
<b>II. Analysis of Plan Projections</b>	
Required Elements of the Plan.....	4
Standards for Formulation of Plan.....	5
Evaluation of Plan Projections.....	6
General Fund Revenue Projections.....	8
General Fund Obligation Projections.....	12
<b>III. Risks to the Plan</b>	
Key Risks.....	17
Economic Growth.....	17
BIRT Volatility.....	19
Real Estate Transfer Tax.....	20
School District of Philadelphia Funding.....	20
Pension Funding.....	21
Other Financial Concerns.....	22
Future Labor Costs.....	22
Speculative Revenues.....	23
Real Estate Tax Appeals.....	25
Fund Balance.....	26
Employee Health Benefits Costs.....	27
Overtime Costs.....	28
Fire Department Overtime Costs .....	29
Indemnities.....	30
Budget Stabilization Reserve.....	30
<b>IV. Spending and Personnel Staffing Trends</b>	
General Fund Spending.....	32
General Fund Personnel Staffing.....	34
Agency Obligations.....	35
Employee Benefits Obligations.....	41
Other Obligations.....	42
<b>V. Indicators of Financial Health</b>	
Economic Indicators.....	43
Financial Indicators.....	45
<b>VI. Capital Program</b>	
Capital Program and Approval Process.....	52
Glossary of Acronyms.....	56
Appendix A – Spending Trends.....	57
Appendix B – Personnel Trends.....	59
Appendix C – Office of the City Controller Report.....	61
Appendix D – City’s FY2020-FY2024 Five Year Financial Plan Submitted to PICA on June 18, 2019.....	80

## LIST OF TABLES & FIGURES

Table 2.1	PICA Act Criteria and Plan Compliance.....	5
Table 2.2	Summary of FY2020-FY2024 Five Year Plan Projections.....	6
Table 2.3	General Fund Revenues.....	7
Table 2.4	Philadelphia Tax Rates.....	8
Table 2.5	Growth in Tax Bases and Revenues.....	9
Table 2.6	General Fund Obligations.....	13
Table 3.1	Terms of Current Labor Contracts by Bargaining Unit.....	22
Table 3.2	Wage Risk by Bargaining Unit.....	23
Table 3.3	Potential Impact of Wage Risk on Plan Fund Balance.....	23
Table 4.1	General Fund Obligations Categories.....	33
Table 4.2	General Fund Spending by Obligations Category.....	36
Table 4.3	General Fund Full-Time Positions by Function.....	38
Table 5.1	Non-Farm Payroll Employment by Area.....	43
Table 5.2	Unemployment Rate by Employment Area.....	44
Table 5.3	Poverty Rate and Median Household Income.....	44
Table 5.4	General Fund Year End Fund Balance and Total Obligations.....	45
Table 5.5	Debt Indicators, City and School District of Philadelphia .....	46
Table 5.6	Pension System Funding Status.....	47
Table 5.7	Other Post-Employment Benefits (OPEB) Funding Status.....	50
Table 6.1	Capital Program Departments.....	52
Table 6.2	Major Projects in FY2020 Recommended Capital Budget.....	53
Table 6.3	Stand Alone Department Capital Projects FY2020.....	53
Table 6.4	DPP Client Departments Capital Projects FY2020.....	54
Figure 2.1	Major Tax Projected Growth.....	8
Figure 2.2	Locally Generated Non-Tax Projected Revenue Growth.....	11
Figure 2.3	Projected FY2020 Obligations by Agency Function.....	12
Figure 2.4	Projected Obligations by Category.....	14
Figure 2.5	Employee Benefits Projected Growth.....	15
Figure 3.1	Annual Tax Base Growth, Wage and Earnings Tax.....	18
Figure 3.2	Annual Tax Base Growth, Real Estate Transfer Tax.....	18
Figure 3.3	Appeals Filed vs. Appeals Heard with Total Market Value.....	25
Figure 3.4	Fund Balance Growth vs. Revenue and Obligations Growth.....	27
Figure 3.5	Projected Fund Balance.....	28
Figure 3.6	Budgeted vs Actual Overtime Costs.....	29
Figure 4.1	Obligations by Category.....	34
Figure 4.2	Obligations by Agency Function (Part 1).....	35
Figure 4.3	Obligations by Agency Function (Part 2).....	35
Figure 4.4	Benefits Costs by Category.....	39
Figure 5.1	Unemployment Rate by Employment Area.....	45
Figure 5.2	Poverty Rate.....	48
Figure 5.3	Pension System Funding Status.....	48
Figure 5.4	Pension System Annual Rates of Return.....	50
Figure 6.1	Capital Budget Comparison.....	53
Figure 6.2	FY2020-FY2025 Recommended Capital Budget.....	54



**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
1500 Walnut Street, Suite 1600, Philadelphia, PA 19102  
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July 16, 2019

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 2020 through 2024* (the “Plan”).

This report provides a comprehensive review and assessment of the Plan and its compliance with the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “PICA Act”). It analyzes the revenue, expenditure, and fund balance projections, evaluates the reasonableness of the assumptions, 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 PICA staff and our economic consultant, Charles Swanson. I would also like to thank the City of Philadelphia’s Office of the Director of Finance, the Office of Budget and Program Evaluation, and the Department of Revenue for their cooperation, support and continued assistance.

Sincerely,

Harvey M. Rice  
Executive Director

## EXECUTIVE SUMMARY

Based on a thorough analysis of the City of Philadelphia's *FY2020-FY2024 Five Year Financial Plan* (the "Plan"), PICA staff recommends its approval. The following reasons present our rationale:

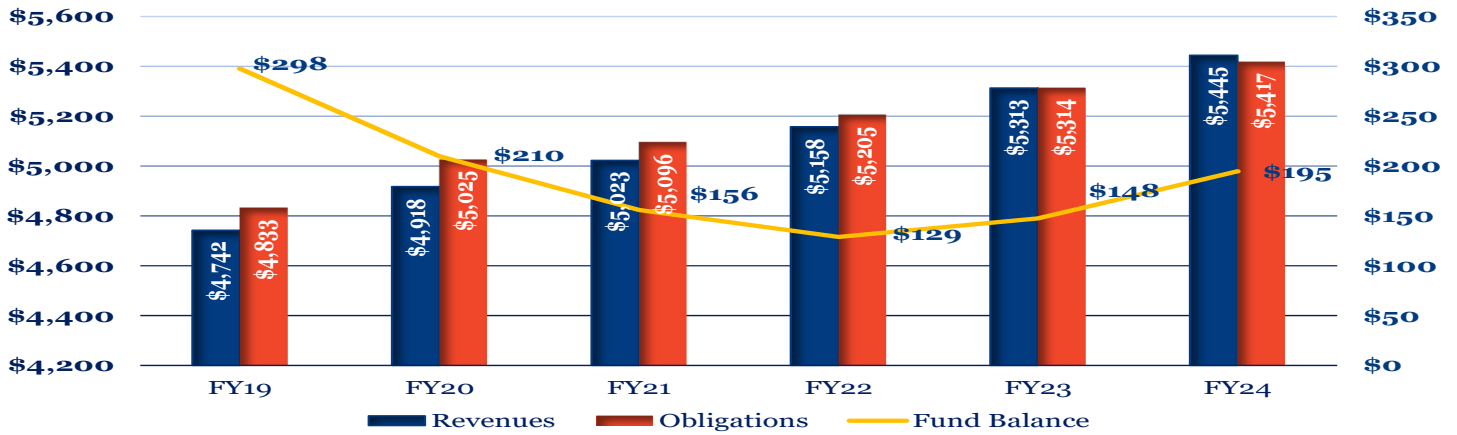
- Revenue and expenditure projections, as presented in the Plan, are "based on reasonable and appropriate assumptions and methods of estimation," which are "consistently applied," as required by the PICA Act.
- The City's revenue collections continue to outpace projections. According to preliminary revenue data, FY2019 tax revenues will surpass both the prior year's actual totals, and the originally projected amounts, for almost all taxes. As discussed in Section II of this report, barring a recession, our consultant's analysis of the City's FY2020-2024 tax revenue projections finds them to be reasonable.
- The Plan includes the first ever contribution into the Budget Stabilization Reserve Fund ("BSR") since its enactment in 2011 and continues those contributions in all five years of the Plan. The Plan includes a \$34.2 million contribution in FY2020 and continued contributions of over \$35 million in each of the subsequent years of the Plan, for a total of \$180.8 million.
- For FY2020, the Plan projects a fund balance of \$209.9 million and remains positive throughout the Plan period, while contributing a significant amount to the BSR. The FY2019 year end fund balance is estimated at \$297.6 million, a \$158.2 million increase over what was projected in the FY2019-2023 Plan. In addition, the year end fund balances presented in this Plan are higher than the fund balances in prior plans.
- The City is taking steps to improve the health of the pension fund with reforms to plan design and employee contributions, and by steadily lowering the assumed rate of return on investments. The City has also increased annual contributions through the establishment of a new funding policy known as the Revenue Recognition Policy, which directs supplemental amounts above the Minimum Municipal Obligation to pay down the unfunded pension liability, with the goal of attaining an 80 percent funded ratio by 2030.
- The current financial health of the City has allowed it to make important investments in its future, including contributions to: the BSR, the School District of Philadelphia, violence reduction programs, the Philadelphia Resilience Project (to combat the opioid crisis), homeless services, extended library hours, and additional street repaving. The Plan also continues the wage and business tax rate reductions that seek to promote business activity in the City.

Although PICA is confident that the Plan is based on reasonable and appropriate assumptions, and year end fund balances are positive throughout the life of the Plan, certain factors were identified that might present risks to the Plan. The key risks outlined in Section III of this report include:

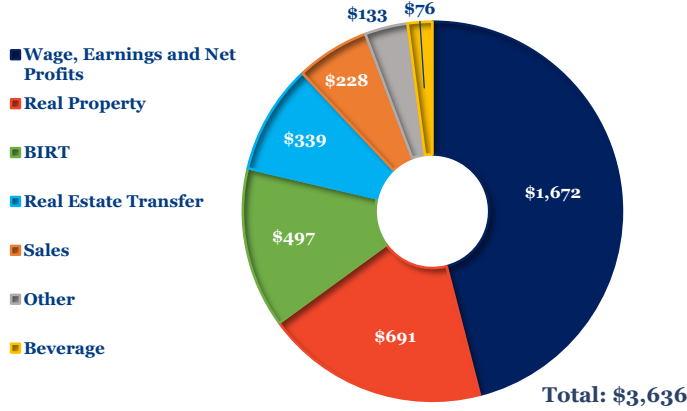
- the possibility of an economic recession over the Plan period;
- the projected growth of the BIRT and the Real Estate Transfer Tax;
- funding of the now locally controlled School District of Philadelphia; and
- costs of funding increasing pension liabilities.

# HIGHLIGHTS OF THE REPORT

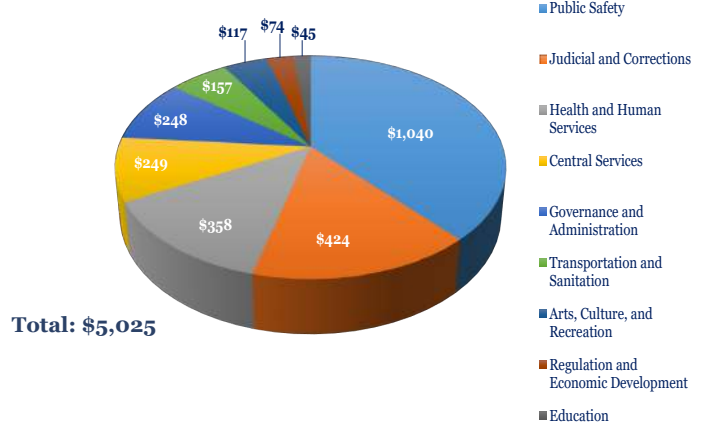
## FIVE YEAR PLAN



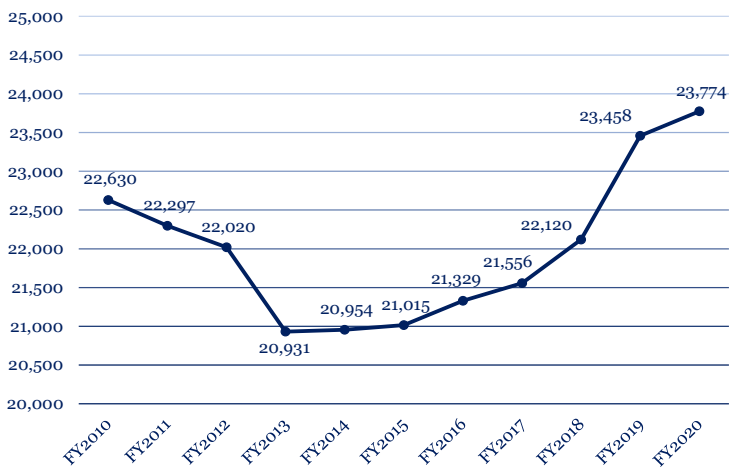
### FY2020 TAX REVENUE PROJECTIONS



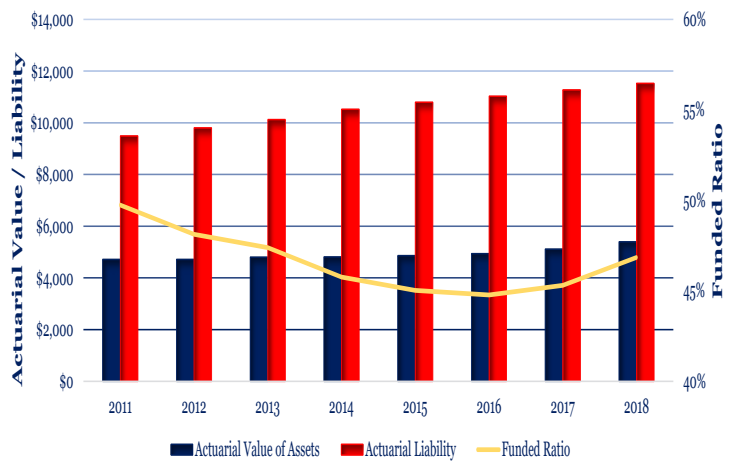
### FY2020 OBLIGATIONS



### GENERAL FUND STAFFING LEVELS



### PENSION SYSTEM FUNDING STATUS



## RISKS TO THE PLAN

**BIRT Volatility**

**School District Funding**

**Economic Growth**

**Pension Funding**

**Real Estate Transfer Tax**

Note: \$ in Millions



# I. INTRODUCTION

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## Purpose of the Report

The Pennsylvania Intergovernmental Cooperation Authority (“PICA”) is mandated with assessing the City of Philadelphia’s annual Five Year Financial Plan. The framework for evaluating the Plan is provided by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the “Act”).

Currently, PICA’s role in oversight of the City is expected to end in 2023. According to our enabling legislation by the Act, Section 204, enacted in 1991, PICA is set to expire upon the retirement of all outstanding PICA bonds, with an up to one-year wind down period. Therefore, this plan represents one of the final four plans we will be evaluating and assessing, pending any legislative action to extend PICA past its sunset.

The City of Philadelphia’s *FY2020-FY2024 Five Year Financial Plan* (the “Plan”) was submitted to PICA on June 18, 2019. The objective of this report is to provide an overview of the Plan; discuss potential risks; evaluate spending and personnel staffing trends; assess indicators of financial health; review the capital program; and make a recommendation for PICA Board action.

## PICA Organization

PICA was created in 1991 by the Commonwealth of Pennsylvania (the “Commonwealth”) Legislature for the purpose of providing financial assistance to the City 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, had seen its credit ratings drop below the investment grade level by national rating agencies, had instituted an across-the-board hiring freeze, and had experienced an erosion in the quality of municipal services.

PICA was designed to address the City’s short-term financing needs, while overseeing a long-term financial planning process that would restore the confidence of investors, residents, and public officials in the ability of the City to maintain financial stability over the long-term.

PICA is administered by a governing Board consisting of five voting members and two ex-officio nonvoting members. The Governor, the President pro tempore and the Minority Leader of the Senate, the Speaker and the Minority Leader of the 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 Act provides that PICA shall have certain oversight and financial functions. In its oversight capacity, PICA has certain advisory and review powers with respect to the City’s financial affairs, including the power to review and approve five year financial plans prepared annually by the City. PICA also has the responsibility to monitor the City’s compliance with those plans. Should the City fail to adhere to the requirements of the 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).

At the outset, PICA had the power to issue bonds for the financial benefit of the City. Through debt issuance and capital program earnings, PICA has made available \$1.138 billion to directly assist the City, allocated to the following purposes: deficit elimination/indemnities, productivity bank, capital projects, and retirement of certain high interest debt. Such power to issue debt for those original purposes has expired; however, PICA remains authorized under the Act to issue refunding bonds and to grant or lend the proceeds to the City.

### PICA’s Oversight Authority

PICA was founded on the Commonwealth’s public policy interests to “foster the fiscal integrity of cities of the first class... and provide for proper financial planning procedures and budgeting practices,” as explained in the section of the Act dedicated to legislative intent.<sup>1</sup>

In a discussion of sound financial planning and budgetary practices, the Act “charge[s]” Philadelphia with the “responsibility to exercise efficient and accountable fiscal practices.” These include: managerial accountability, consolidation/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.<sup>2</sup>

<sup>1</sup> Act of June 5, 1991, Pub. L. No. 9, 53 Pa. Stat. Ann. § 12720.

<sup>2</sup> PICA Act, Section 102(b).

The legislative intent, as evident throughout the Act, includes assuring that the City is prepared to manage not only the fiscal pressure Philadelphia was experiencing at the time PICA was established, but also to avert such potential situations in the future and safeguard against their consequences. Thus, the Act grants PICA the ability to “make recommendations to an assisted city concerning its budgetary and fiscal affairs.”<sup>3</sup>

To this end, PICA and the City entered into an agreement largely based on the provisions of the Act, known as the Intergovernmental Cooperation Agreement (the “Agreement”). The Agreement provides PICA with broad access to all data pertaining to City and other Corporate Entities’ finances (Corporate Entities include the School District of Philadelphia, for example).<sup>4</sup> The underlying principle in both documents is that in order to facilitate the City’s “fiscal integrity,” PICA was intended, since its inception, to have a wide purview over the City’s financial data, which ultimately extends to PICA’s authority to “[conduct] such independent audits, examinations or studies of the City as the Authority deems appropriate.”<sup>5</sup>

### Plan Requirements

As mandated in the Act, the Plan is required to include:<sup>6</sup>

- Projected revenues and expenditures of the principal operating funds of the City for five fiscal years (the current fiscal year and the next four); and
- Components to “(i) eliminate any projected deficit for the current fiscal year; (ii) restore to special fund accounts money from those accounts used for purposes other than those specifically authorized; (iii) balance the current fiscal year budget and subsequent budgets in the Plan through sound budgetary practices, including, but not limited to, reductions in expenditures, improvements in productivity, increases in revenues, or a

<sup>3</sup> PICA Act, Section 203(c)(4).

<sup>4</sup> Intergovernmental Cooperation Agreement by and between Pennsylvania Intergovernmental Cooperation Authority and The City of Philadelphia, Section 5.04, January 8, 1992.

<sup>5</sup> Agreement, Section 5.05.

<sup>6</sup> PICA Act, Section 209.

combination of such steps; (iv) provide procedures to avoid a fiscal emergency condition in the future; and (v) enhance the ability of the City to regain access to the short- and long-term credit markets.”<sup>7</sup>

There are also statutorily mandated standards for the development of the Plan and the manner in which it is to be evaluated by PICA:

- all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation;
- revenues are to be recognized in the accounting period in which they become both measurable and available.

The Act also mandates standards for the basis for estimation of City revenues:

*City sources* - current or proposed tax rates, historical collection patterns, and generally recognized econometric models;

*State sources* - historical patterns, currently available levels, or levels proposed in a budget by the Governor;

*Federal sources* - historical patterns, currently available levels, or levels proposed in a budget by the President or in a Congressional budget resolution; and

*Non-tax sources* - current or proposed rates, charges or fees, historical patterns, and generally recognized econometric models.

The Plan is also required to include debt service projections for existing and anticipated City obligations; a schedule of payments for legally-mandated services projected to be due during the term of the Plan; and a schedule showing the number of authorized employee positions (filled and unfilled), inclusive of estimates of wage and benefit levels for various groups of employees.



The Act requires that PICA solicit an opinion or certification from the City Controller, prepared in accordance with auditing standards generally accepted in the United States, with respect to the reasonableness of the assumptions and estimates in the Plan. The Act does not, however, require that the Controller’s determinations bind the PICA Board in its evaluation of the Plan.

Finally, the Act stipulates that approval of a financial plan is contingent upon a “qualified majority” of the PICA Board (four of its five voting members).

Once a Plan is approved by the PICA Board, the City is required to stay “in compliance” with the current Plan. The City may occasionally be faced with a situation where it comes out of compliance with a currently approved Plan for several reasons, including extraordinary contracts, collective bargaining agreements, arbitration awards, or other unforeseen variances in revenue collection and/or expenditures.

For instance, if the City executes an extraordinary contract—a contract not in compliance with the current Plan—that contract is not void by virtue of being out of compliance, but the City must submit a proposed revision to the Plan incorporating those costs for consideration by the PICA Board.<sup>8</sup> Collective bargaining agreements and arbitration awards require revisions as well, if they are out of compliance with a currently approved Plan. Each of these categories trigger their own respective time frames for submission of proposed revisions and subsequent Board consideration.

<sup>7</sup> PICA Act, Section 209(b).

<sup>8</sup> Agreement, Section 5.06.



## II. ANALYSIS OF PLAN PROJECTIONS

## II. ANALYSIS OF PLAN PROJECTIONS

As discussed in the Introduction, the statutory criteria are used as a baseline for assessing the Plan. These are the minimal requirements that the Plan must meet to gain PICA approval. Table 2.1 presents the PICA Act criteria and Plan compliance. The discussion below summarizes our assessment of the Plan's adherence to these requirements.

### Required Elements of the Plan

*Projecting Revenues and Expenditures.* The Plan includes projections of General Fund revenues and expenditures for five fiscal years, fiscal year 2020 through fiscal year 2024. In addition, the below components are included in the Plan.

*Eliminating Deficits.* The Plan projects positive General Fund year end fund balances for the current fiscal year, FY2020, and for the four subsequent fiscal years, FY2021 through FY2024, thus meeting the criterion of PICA Act Section 209 (b). To avert deficits, the Plan must be realistic—as the Act states: projections must be based on “reasonable and appropriate assumptions and methods of estimation” that are “consistently applied.”

*Restoring Funding to Special Accounts.* At the time PICA was created, the City faced a cash crisis and had resorted to using restricted funds for general operations. The Act required that the Plan demonstrate that the City would restore these funds to proper accounts. Aided with PICA's 1992 deficit bonds, this criterion has been met.

*Sound Budgetary Practices.* This provision applies to several fundamental practices, namely “reductions in expenditures, improvements in productivity, increases in revenues, or a combination of such steps.” Although the City faces some challenges with regard to high fixed costs, it is making strides in improving efficiencies.

The City's budget process is evolving as a result of PICA's advocacy and City Council's legislation for program-based budgeting. Under the current



budget process, which was implemented in FY2017, resources are displayed by program, taking into account direct and indirect costs and revenues generated by each program. The City has also been adopting performance measures associated with each program, in order to assess program impact, efficiency, and return on investment. As of the beginning of FY2020, 43 departments are currently using this new program-based budgeting format. The remaining 10 departments will be phased in during fiscal year 2020, at which time all City departments will be integrated into the process by FY2021.

The City is also taking measures to resolve discrepancies in accounting practices by improving its approach to bank reconciliations and strengthening internal controls.

The City also seeks to modernize its approach to revenue collections, with the overall goal of maximizing collections and reducing delinquencies. Additionally, the City is embarking on an effort to modernize its financial and procurement systems, related to payroll, benefits, and human resources.

*Avoiding a Fiscal Emergency.* The City can avoid a fiscal emergency by continuing to address its major financial challenges. It should develop financial polices to address key issues that form the core of its financial condition: a sound economy; tax competitiveness; managing long-term obligations,

**Table 2.1: PICA Act Criteria and Plan Compliance**

PICA Act Provision	PICA Act Text	Plan Compliance
Section 209(b)(1)	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	Yes
Section 209(b)(2)(i)	Eliminate any projected deficit for the current fiscal year and for subsequent fiscal years	Yes
Section 209(b)(2)(ii)	Restore to special fund accounts money from those accounts used for purposes other than those specifically authorized	Yes
Section 209(b)(2)(iii)	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	In Progress
Section 209(b)(2)(iv)	Provide procedures to avoid a fiscal emergency condition in the future	In Progress
Section 209(b)(2)(v)	Enhance the ability of the city to regain access to the short-term and long-term credit markets	Yes

Source: Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class ("PICA Act")

such as pensions; providing quality infrastructure; and ensuring adequate financial reserves. These policies should be comprehensive, publicly reported, and include quantitative targets, and the City should report its progress toward meeting them. If the City makes progress in these areas over time, it will increase the likelihood that it will be able to respond to financial challenges.

The Plan should specifically address the City’s policies related to its financial condition and its plans for improvement over the coming years. This has been achieved in recent years with the addition of sections on debt management, fund balance, and the budget process. Additional discussion should be included about more detailed plans to address the City’s economic development, tax policy, and high fixed costs.

*Access to the Credit Markets.* The City maintains access to the credit markets; however, the City’s General Obligation bond rating is the second lowest of the 20 largest US cities.<sup>1</sup> In FY2018, S&P downgraded the City to an “A” rating; while Moody’s upgraded its “negative outlook” to “stable.” Additionally, Fitch revised its outlook in 2019 from “stable” to “positive.” Efforts to improve credit ratings remain important to reduce the cost of borrowing and to ensure continued access to the credit markets (see Section V discussion, “Bond Ratings”).

<sup>1</sup> City of Philadelphia, *Five-Year Financial and Strategic Plan for Fiscal Years 2020-2024*, City of Philadelphia, as proposed March 7, 2019, p. 47.

### Standards for Formulation of Plan

The Act stipulates that all projections of revenues and expenditures are to be based upon consistently applied reasonable and appropriate assumptions and methods of estimation. The Act’s language that assumptions must be “reasonable and appropriate” is intended to convey the idea that “reasonable” assumptions are those which represent a likely scenario, neither too optimistic nor too pessimistic.

This has historically been interpreted to refer to realistic assumptions surrounding certain risks over which PICA has expressed concern, including: the underfunded pension system, growing health benefit costs, potential and/or pending labor costs, foregone revenues, increasing indemnities, fund balances below the GFOA recommendation, and lacking or exiguous reserve funds. PICA credits the City on consistently providing a balanced budget; however PICA and the City have consistently agreed that larger fund balances are necessary for the fiscal health of the City.

Fund balances are notably larger in this Plan than in recent years. The City also projects contributions to the Budget Stabilization Reserve in each year of the Plan, which was never funded since its inception. Additionally, this Plan continues to set aside reserves each fiscal year, in the event of any

<b>Table 2.2: Summary of FY2020-FY2024 Five Year Plan Projections<sup>1</sup> (\$ in Millions)</b>							
Plan Component	Actual	Estimate	Projected				
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
<b>Revenues</b>							
Taxes	3,401.8	3,552.3	3,636.5	3,766.8	3,877.4	3,985.1	4,077.8
Locally Generated Non-Tax	320.6	325.6	353.3	314.9	316.4	326.4	319.6
Other Governments	778.2	791.4	847.2	877.1	899.4	935.4	980.9
Other Funds	55.4	72.9	81.0	63.9	65.4	65.9	66.3
<b>Total Revenues</b>	<b>\$4,556.1</b>	<b>\$4,742.1</b>	<b>\$4,918.0</b>	<b>\$5,022.8</b>	<b>\$5,158.5</b>	<b>\$5,312.8</b>	<b>\$5,444.6</b>
<b>Obligations</b>							
Agencies	2,449.2	2,637.4	2,711.4	2,694.6	2,694.9	2,716.6	2,728.7
Employee Benefits	1,314.0	1,378.0	1,412.0	1,437.2	1,484.8	1,533.8	1,581.2
Other Obligations	639.6	817.4	901.9	964.5	1,025.5	1,063.1	1,107.0
<b>Total Obligations</b>	<b>\$4,402.9</b>	<b>\$4,832.7</b>	<b>\$5,025.3</b>	<b>\$5,096.2</b>	<b>\$5,205.1</b>	<b>\$5,313.5</b>	<b>\$5,417.0</b>
<b>Fund Balance</b>							
Prior Year Adjustments	26.3	19.5	19.5	19.5	19.5	19.5	19.5
Adjusted Operating Surplus/(Deficit)	179.5	(71.1)	(87.8)	(53.9)	(27.1)	18.7	47.2
Prior Year Fund Balance	189.2	368.8	297.7	209.9	156.0	128.9	147.6
<b>Fund Balance</b>	<b>\$368.8</b>	<b>\$297.7</b>	<b>\$209.9</b>	<b>\$156.0</b>	<b>\$128.9</b>	<b>\$147.6</b>	<b>\$194.8</b>
<sup>1</sup> All figures rounded for readability Source: FY2020-FY2024 Five-Year Financial Plan submitted to PICA on June 18, 2019							

federal funding cuts. The Plan also includes labor reserves from FY2021 through FY2024, since all contracts will expire at the end of FY2020. While there is a significant increase in the reserves set aside for contingencies in this Plan, as compared to previous plans, these reserves combined still do not reach the GFOA recommendation.

The PICA Act also requires that estimates for tax revenues collected by the City should be “based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models;” while revenues received from federal or state government should be based on “historical patterns,” “currently available levels,” or levels contained in a budget proposed by the Governor, President, or in a Congressional budget resolution. Locally generated non-tax revenue estimates should be based on “current or proposed rates, charges or fees, historical patterns and generally recognized econometric models.” The Plan does meet these criteria.

Furthermore, the City derives projections on the growth of its tax base from forecasts created by a consultant, IHS Markit (“IHS”). The forecasts are then reviewed by a group of professional economists before they are used by the City to

estimate the tax base. As explained later in the “Evaluation of Plan Projections” section, some of the estimates related to tax base growth for several taxes were recently modified.

With regard to expenditures, estimates are required to include “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.” The Act continues by stating that obligations from previous fiscal years “not covered by encumbered funds” should also be included in estimated expenditures. If there are any obligations not factored into the Plan that may be incurred “during the fiscal year or in the 24-month period following,” such as new contracts, debt service, or settlements, they could pose risks to the Plan.

The Act also requires that estimates be made on a modified accrual basis, whereas revenues are recognized in the accounting period in which they become both measurable and available. The City uses the modified accrual basis of accounting to recognize revenues and expenditures for budgeting purposes, therefore the Plan meets this criterion, and all projections are shown in this manner.

Overall, the Plan adheres to important provisions in the PICA Act with regard to structure, as well as how to formulate a significant portion of its assumptions. However, the Plan could be made more transparent with the incorporation of background information and data used to formulate the projections within.

Evaluation of Plan Projections

Table 2.2 presents a summary of the Plan revenue, obligations, and fund balance projections for each of the five fiscal years. The Plan, as required, projects a positive fund balance in each of its years. Although fund balances are significantly higher than those of recent Five Year Plans, they are lower than the City’s own targets in some years, while simultaneously being lower than the GFOA’s recommendation in all years of the Plan. The fund

balance is projected at \$209.9 million in FY2020, or 4.2 percent of General Fund obligations. The City’s target, as stated in the proposed Plan, is between 6 and 8 percent of obligations.

The Plan does not project significant overall changes in the General Fund revenue structure. As indicated in Table 2.2, taxes generate the majority of revenues. Total tax revenue, including revenue from the PICA tax, represents 84.1 percent of General Fund revenue in FY2020. This percentage increases slightly to 86.4 percent in FY2024. The City’s largest tax category is wage and earnings, which makes up approximately 46.0 percent of projected tax revenue in FY2020. The real estate tax, which is the primary source of tax revenue in most comparable jurisdictions, accounts for just 19.0 percent of tax revenue.

Revenues	Actual	Estimate	Projected				
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
<b>Taxes</b>							
Real Estate	650.4	689.4	690.9	730.2	754.6	780.6	810.2
Wage and Earnings	1,542.3	1,566.3	1,633.7	1,692.7	1,751.8	1,812.7	1,872.1
Net Profits	32.3	36.7	38.2	38.3	38.2	38.0	37.8
Business Income and Receipts	446.1	503.3	497.3	512.3	512.4	507.1	516.4
Sales	198.4	215.2	227.9	238.7	249.5	260.5	269.9
Real Property Transfer	331.5	334.7	339.3	343.1	357.4	370.6	353.6
Parking	96.5	98.1	100.2	102.1	104.0	105.9	107.8
Beverage	77.4	76.6	75.9	75.1	74.4	73.6	72.9
Other Taxes <sup>2</sup>	27.0	32.1	33.2	34.1	35.1	36.1	37.1
<b>Total Taxes</b>	<b>\$3,401.8</b>	<b>\$3,552.3</b>	<b>\$3,636.5</b>	<b>\$3,766.8</b>	<b>\$3,877.4</b>	<b>\$3,985.1</b>	<b>\$4,077.8</b>
<b>Locally Generated Non-Tax</b>							
Innovation and Technology	23.4	22.2	22.4	22.6	22.8	23.1	23.3
Streets	21.9	24.1	25.0	25.1	25.2	25.4	25.5
Fire	42.7	40.0	41.0	41.0	42.0	42.0	42.0
Public Property	4.3	5.1	40.1	6.6	6.6	12.3	6.6
Licenses and Inspections	66.2	73.2	68.7	62.7	63.8	63.8	63.8
Records	18.0	18.3	18.8	18.8	18.8	18.8	18.8
Finance	17.9	13.7	13.8	13.8	13.0	13.8	13.8
Other	126.2	129.1	123.8	124.5	124.3	127.4	126.0
<b>Total Locally Generated Non-Tax</b>	<b>\$320.6</b>	<b>\$325.6</b>	<b>\$353.3</b>	<b>\$314.9</b>	<b>\$316.4</b>	<b>\$326.4</b>	<b>\$319.6</b>
<b>Revenues from Other Governments</b>							
Federal	31.3	32.8	45.8	45.8	45.8	45.8	45.8
State	224.5	221.5	235.7	234.7	234.8	234.8	234.9
Other Governments	59.8	60.4	64.4	65.4	67.2	68.3	70.2
PICA City Account	454.2	474.7	499.3	529.2	549.6	584.5	628.1
Other Authorized Adjustments	8.3	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total Revenues from Other Govts.</b>	<b>\$778.2</b>	<b>\$791.4</b>	<b>\$847.2</b>	<b>\$877.1</b>	<b>\$899.4</b>	<b>\$935.4</b>	<b>\$980.9</b>
<b>Revenues from Other Funds</b>	<b>\$55.4</b>	<b>\$72.9</b>	<b>\$81.0</b>	<b>\$63.9</b>	<b>\$65.4</b>	<b>\$65.9</b>	<b>\$66.3</b>
<b>Total General Fund Revenues</b>	<b>\$4,556.1</b>	<b>\$4,742.1</b>	<b>\$4,918.0</b>	<b>\$5,022.8</b>	<b>\$5,158.5</b>	<b>\$5,312.8</b>	<b>\$5,444.6</b>

<sup>1</sup>All figures rounded for readability  
<sup>2</sup>Includes Amusement, Smokeless Tobacco, and other miscellaneous taxes

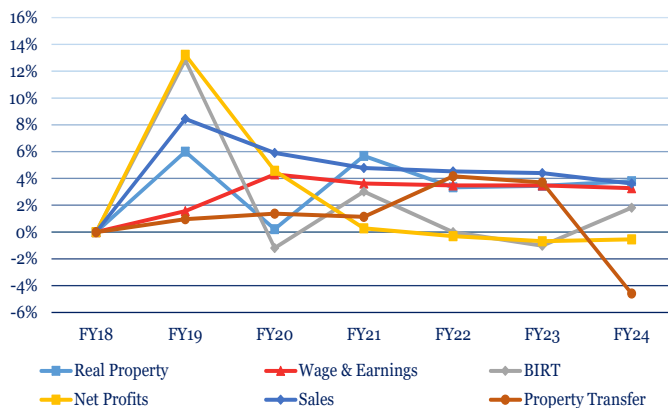
The Plan projects total FY2020 obligations at \$5.025 billion. Of this amount, \$2.711 billion are for Agency Obligations, \$1.412 billion are for Employee Benefits, and \$901.9 million are for Other Obligations—expenditures including, but not limited to, debt service, and payments to the School District of Philadelphia (“School District”), the Southeastern Pennsylvania Transportation Authority (“SEPTA”), Community College of Philadelphia, and the Pennsylvania Convention Center. Agency Obligations are projected to increase from FY2020 to FY2024 by less than one percent, while Employee Benefits are projected to increase by 12.0 percent, and Other Obligations by over 22 percent.

The remainder of this section describes key assumptions that form the basis of the projections of revenues and obligations in the Plan. Some of the policy issues raised by the projections are also discussed.

### General Fund Revenue Projections

**Taxes.** Table 2.3 presents General Fund revenue over the Plan period. The majority of City tax revenue is generated by the wage and earnings, real estate, business income and receipts, real estate transfer, and sales taxes. This table also includes locally generated non-tax revenue, revenue from other governments, and revenue from other funds. Table 2.4 presents the Plan’s projected tax rates

Figure 2.1: Major Tax Projected Growth (Percent)



Note: Growth is measured from FY2018, therefore FY2018 figures are represented as zero

for each tax, while Table 2.5 presents the Plan’s projected rates of tax base and tax revenue growth.

Revenue projections are based on projected tax base growth for each tax. Base growth projections for every tax, except the real estate tax and the beverage tax, were made initially by the City’s revenue forecasting consultant, IHS. These projections were reviewed by economists at a meeting held at the Federal Reserve Bank of Philadelphia prior to the release of the proposed Plan in March. The IHS projections were generally accepted by the experts present at the Federal Reserve meeting; some were adopted by the City in the proposed Plan, while others were modified by the City before inclusion into the Plan. Finally, as part of the Plan review process, PICA engages its own economic consultant to evaluate the reasonableness of the City’s revenue projections.

Tax Type	Actual		Projected				
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Real Estate							
City	0.6317	0.6317	0.6317	0.6317	0.6317	0.6317	0.6317
School District	0.7681	0.7681	0.7681	0.7681	0.7681	0.7681	0.7681
Total	1.3998	1.3998	1.3998	1.3998	1.3998	1.3998	1.3998
Wage, Earnings, and Net Profits							
Resident	3.8907	3.8809	3.8712	3.8616	3.8519	3.8423	3.8327
Non-Resident	3.4654	3.4567	3.4481	3.4395	3.4309	3.4223	3.4137
Business Income and Receipts							
Net Income	6.30	6.25	6.20	6.15	6.10	6.00	6.00
Gross Receipts <sup>1</sup>	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415	0.1415
Sales <sup>2</sup>	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Real Property Transfer	3.1	3.278	3.278	3.278	3.278	3.278	3.278
Parking	22.5	22.5	22.5	22.5	22.5	22.5	22.5
Beverage <sup>3</sup>	1.5	1.5	1.5	1.5	1.5	1.5	1.5

<sup>1</sup> Alternative gross receipts tax rates permitted for manufacturers, wholesalers and retailers  
<sup>2</sup> The School District of Philadelphia receives annual allocation of \$120 million in sales tax revenue  
<sup>3</sup> Assessed per ounce

Our consultant’s forecast for total revenues over the Plan period is lower than the City’s projection. PICA’s consultant thus concluded that, while some City projections deviate from his own estimates, they are reasonable, as stipulated by the PICA Act.

As always, revenue forecasting is vulnerable to changes in economic growth. Table 2.5 shows the annual base growth projections for most taxes, which reflect modest growth as a whole, but growth nonetheless. If a recession were to occur during the Plan period, the actual base growth rates would be well below the current projections. The potential impact of a recession is an ongoing risk to the Plan (see Section III discussion, “Economic Growth”).

Table 2.5 also presents annual revenue growth rates in the Plan. These growth rates reflect projected tax rates, tax bases, deductions or abatements, collection of delinquent taxes, and other factors influencing revenue collections. These factors are most significant in the case of the real estate, BIRT, and sales taxes. See Figure 2.1 for a visualization of projected tax growth for the major taxes.

For the wage, earnings, and net profits taxes, the Plan projects gradual reductions in tax rates, as has been the case in recent years. The resident tax rate is projected to decline from 3.8712 percent in FY2020 to 3.8327 percent in FY2024, while the non-resident tax rate is projected to fall from 3.4481 percent to 3.4137 percent over the same period.

These reductions are consistent with trends over the past two decades, as the City has sought to reduce its disparity with other cities in terms of local earned income taxes, with the goal of increasing its overall competitiveness. However, the incremental declines are smaller in this Plan than in the past to support the School District with the additional difference. The tax rate is projected to decline by 0.0482 percentage points for residents, and 0.0430 percentage points for non-residents from FY2019 to FY2024.

The City formulates wage revenue projections on the basis of IHS forecasts of the national economy. The IHS estimates are then adjusted to reflect historical trends of the interrelationship between the national economy and actual Philadelphia wage tax collections. Subsequently, the City makes

**Table 2.5: Growth in Tax Bases and Revenues (Percent)**

Tax Type	Estimate	Projected				
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Real Estate						
Base <sup>1</sup>	6.5	0.3	3.0	3.0	3.0	3.0
Revenue	6.0	0.2	5.7	3.3	3.4	3.8
Wage and Earnings						
Base	3.0	4.3	4.0	3.8	3.8	3.6
Revenue	1.6	4.3	3.6	3.5	3.5	3.3
Net Profits						
Base	9.5	5.5	0.6	(0.1)	(0.5)	(0.4)
Revenue	13.2	4.6	0.3	(0.3)	(0.7)	(0.5)
Business Income and Receipts						
Base <sup>2</sup>	13.7	1.8	1.2	0.6	0.1	1.8
Revenue	12.8	(1.2)	3.0	--	(1.0)	1.8
Sales						
Base	5.5	3.8	3.1	3.0	3.0	3.0
Revenue	8.4	5.9	4.8	4.5	4.4	3.6
Real Property Transfer						
Base	0.1	1.4	1.1	4.2	3.7	(4.6)
Revenue	0.1	1.4	1.1	4.2	3.7	(4.6)
Parking						
Base	1.7	2.1	1.9	1.9	1.8	1.8
Revenue	1.7	2.1	1.9	1.9	1.8	1.8

Notes:  
<sup>1</sup>Includes estimates of revised assessment values, net of the homestead exemption, and projected appeal losses.  
<sup>2</sup>Amounts shown are calculated prior to the impact of tax reform measures.

adjustments for tax rate changes in this revenue stream before finalizing projections.

The wage tax is among the City’s revenue streams that is most vulnerable to declines in economic growth. The City projects a 4.3 percent revenue growth in FY2020 and approximately 3.5 percent annually thereafter. These projections are based on IHS’s view that there is a 25 percent possibility of a recession in FY2020 (see Section III discussion, “Economic Growth”).<sup>2</sup>

The business income and receipts tax (“BIRT”) is composed of separate levies on net income and gross receipts. The net income tax rate is projected to decline from 6.20 percent in FY2020 to 6.00 percent in FY2024. The gross receipts portion is projected to remain at 0.1415 percent throughout the Plan period. As with the wage tax, the BIRT imposes a tax burden that far exceeds comparable taxes in the suburbs and is unique compared to most other major US cities.

The Plan projects a negative 1.2 percent growth in BIRT revenues in FY2020 and minimal or negative growth thereafter. PICA’s consultant anticipates lower growth rates in the two initial Plan years, due to concerns about a looming recession (see Section III discussion, “BIRT Volatility”).<sup>3</sup>

The City has taken steps to reduce and reform this tax by instituting an exemption on the first \$100,000 of gross receipts and a single sales factor apportionment to determine net income. BIRT revenue is difficult to project due to these exemptions. Many firms subject to the tax receive rebates after filing their taxes, if their actual tax bill differs from the original filing. Furthermore, the City cannot quantify the total amount of rebates until after the end of a given fiscal year.

Projections for this tax are further complicated by the need to anticipate corporate earnings, which comprise the tax base, and which are more volatile than wage earnings. Additionally, BIRT revenue is also impacted by business activity outside the City limits conducted by companies not located here, but having some operations in Philadelphia.

<sup>2</sup> Charles Swanson, Associate Professor of Economics, Temple University, 5 July, 2019.

<sup>3</sup> Swanson.

As such, national business activity interplays with local activity and the local tax structure, combining into a complex revenue stream. An overall decline in the national economy would thus negatively impact BIRT revenue growth, hence PICA’s designation of this revenue stream as a risk.

The real estate tax rate is a combination of City and School District rates, which together equal 1.3998 percent. The overall tax includes a City-dedicated portion of 0.6317 percent and a School District portion of 0.7681 percent.

The real estate tax projection process begins with the City’s estimate of the tax base. This estimate is not based on IHS projections, but rather on an assumption about the rate of growth of taxable assessed value, which includes residential and commercial property classifications. The real estate tax revenue projection also reflects other factors, including: the rate at which assessments for new construction and rehabilitation return to taxable status, homestead exemptions, Longtime Owner Occupants Program (“LOOP”) discounts, and Tax Increment Financing (“TIF”) programs. Also reflected in the Plan is the impact of enforcement initiatives, including the Revenue Department’s data warehouse, sequestration, and delinquent billing policies.

The Plan projects a 6.0 percent increase in this tax for FY2019, due to reassessments, and 2.0 percent in FY2020. These increases may be distorted by City Council legislation—Bill No. 171009, enacted in January 2019, the impact of which is a delay in payments on taxes associated with reassessments under appeal—amounts are not due until the resolution of appeals. Reassessments included in the Plan’s projections have given rise to an estimated tax base increase that hinges on a success rate on appeals that may not be achieved (see Section III discussion, “Real Estate Tax Appeals”). PICA’s consultant estimates a higher rate of decline due to such appeals than the City.<sup>4</sup>

Additionally, this year, there is the added unique circumstance of an increase in the Homestead Exemption for residential properties, which will have the effect of offsetting increases in real

<sup>4</sup> Swanson.

estate tax revenue brought about by the recent reassessment.<sup>5</sup>

Properties returning from abatement in both residential and commercial categories will also impact real estate tax revenue. The expiration of ten-year abatements results in a permanent increase in the real estate tax base overall; however, the impact on growth rates for the tax remain only in the year in which the return from abatement occurs.<sup>6</sup>

The sales tax in Philadelphia is 2.0 percent, in addition to the state’s 6.0 percent rate. This tax is allocated between the City and the School District, with the first one percent going to the City, and the remaining one percent shared between the School District and the City. Under state legislation, the School District’s share is capped at \$120 million annually, with all residual revenue over that amount dedicated to the pension fund. As a result, projected revenue growth exceeds projected base growth in each year of the Plan.<sup>7</sup>

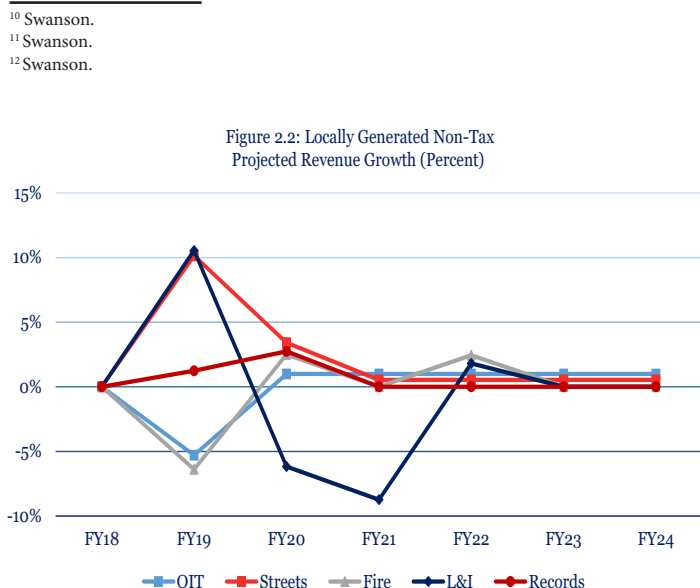
PICA’s consultant determined that the City’s sales tax projections are very close to his own estimates. He cites the high likelihood of a recession within the Plan period as an explanation for his estimates being slightly below those of the City; however, the sales tax is among the taxes least susceptible to changes resulting from economic declines.<sup>8</sup>

The parking tax, which has exhibited reliable levels of growth in recent years, is projected by the City to grow at an average rate around 2 percent in each year of the Plan. This is the growth rate recommended by IHS, based on a growing economy. Ride hailing services, such as Uber and Lyft, have prompted some reductions in parking utilization. PICA’s consultant estimates a slightly higher growth rate in parking revenue than the City, based on the assumption that ride hailing services have already exhibited their full impact on this tax and have reached their saturation levels.<sup>9</sup>

The real estate transfer tax (“RTT”) rate was increased from 3.1 percent to 3.278 percent on July 1, 2018. This revenue stream has historically been volatile, as it depends on the housing market and the status of the overall economy. The City’s annual growth projections for this tax range between a low of negative 4.6 percent, to a high of 4.2 percent. PICA’s consultant estimates the RTT at significantly lower levels over the Plan period, due to the expectation of a recession in the coming years (see Section III discussion, “Real Estate Transfer Tax”).<sup>10</sup>

The beverage tax is levied on distributors at the rate of 1.5 cents per ounce, and for this reason, changes in price do not impact collections. The tax is projected to generate between \$75.9 million to \$72.9 million annually, which includes minor annual reductions to account for one percent declines in consumption trends each year. The initial years of collections for this tax have clarified certain questions related to the size of the tax base, the impact of the tax on consumption, and the rate of enforcement.

PICA’s consultant projects slightly lower rates of decline in consumption than the City because the City’s population and its associated income are both expected to continue growing.<sup>11</sup> It is also likely that any shifts in consumption have already been experienced.<sup>12</sup>



Note: Growth is measured from FY2017, therefore FY2017 figures are represented as zero

<sup>5</sup> Swanson.  
<sup>6</sup> Swanson.  
<sup>7</sup> The final debt service payment of \$15 million, for a School District borrowing, was made in FY2018; Swanson.  
<sup>8</sup> Swanson.  
<sup>9</sup> Swanson.

*Locally Generated Non-Tax.* Locally generated non-tax revenue is projected at \$353.3 million in FY2020. This category includes a variety of revenue sources, including fees related to cable franchises, emergency medical services, commercial property refuse collections, business licenses, and the court system. Fine revenue is also included. Revenues collected by City agencies that account for a significant portion of this category are shown in Table 2.3. Overall revenue from this category is projected to remain relatively constant over the life of the Plan, decreasing slightly to \$319.6 million in FY2024. See Figure 2.2 for locally generated non-tax projected revenue growth. (see Section III discussion, “Speculative Revenues”).

*Revenue from Other Governments.* The City receives grant revenue from state and federal governments to support a variety of programs. The majority of these revenues are not a part of this report because they are recognized in governmental funds other than the General Fund. In FY2020, the Plan projects \$847.2 million in revenue from other governments. Major categories include reimbursement for certain health programs, the Philadelphia Gas Works annual rental fee, state pension aid, state funding to support wage tax reduction, Philadelphia Parking Authority on-street parking revenue, certain grants to support the court system, and PICA City Account revenue. These revenues are shown in Table 2.3. (see Section III discussion, “Speculative Revenues”).

The largest source of revenue within this category is the PICA City Account. PICA receives a share of the resident portion of the wage, earnings and net profits taxes to pay debt service on outstanding PICA bonds. Revenues from PICA-dedicated taxes not needed to pay debt service are returned directly to the City through the PICA City Account. This revenue source is projected at \$499.3 million in FY2020 and is projected to increase to \$628.1 million in FY2024. The significant rate of increase reflects projected growth in wage tax revenue and declining PICA debt service through FY2023.

*Revenue from Other Funds.* General Fund revenue from other funds is projected at \$81 million in FY2020, decreasing to \$66.3 million in FY2024. Major categories include reimbursements from the

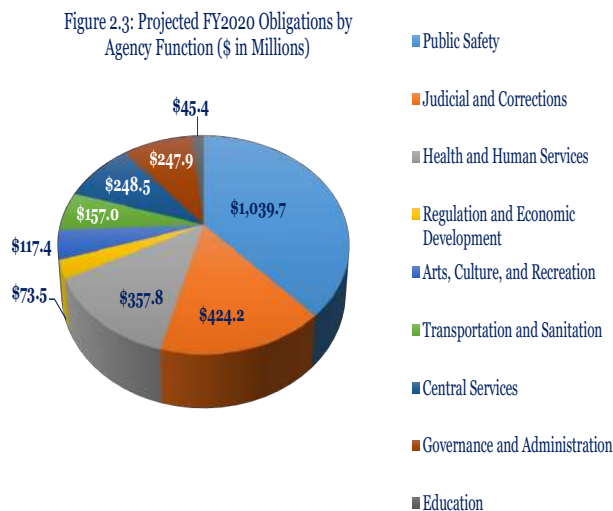
Water Fund, Aviation Fund and Grants Revenue Fund, for services provided. Grants Revenue related to the 911 system is projected to be higher in FY2020 than in the other years of the Plan. (see Section III discussion, “Speculative Revenues”).

### General Fund Obligation Projections

The Plan projects General Fund obligations will increase from \$5.025 billion in FY2020 to \$5.417 billion in FY2024, an increase \$392 million, or 7.8 percent, over those five fiscal years. This amounts to an average annual increase of 1.9 percent. Obligations are projected to surpass the five billion dollar mark for the first time in the City’s history in FY2020, after having surpassed the four billion dollar mark just four years earlier, in FY2016.

General Fund obligations are comprised of three major categories: Agency Obligations, Employee Benefits, and Other (see Table 4.1, in Section IV, for a list of agencies and obligations included in each function and category). The General Fund includes appropriations to finance the operations of 54 City agencies. These agencies range from major departments, such as Police and Prisons, to relatively minor offices and commissions (in terms of funding), such as the Office of Sustainability and the Commission on Human Relations. Some are under the jurisdiction of the Mayor, such as the Office of the Managing Director and the Chief Administrative Officer, while others are led by independently elected officials, such as the Sheriff and the Register of Wills.

Figure 2.3: Projected FY2020 Obligations by Agency Function (\$ in Millions)



<b>Table 2.6: General Fund Obligations</b>							
<b>FY2020-FY2024 Five Year Financial Plan Projections (\$ in Millions)<sup>1</sup></b>							
<b>Obligations Category</b>	<b>Actual</b>	<b>Estimate</b>	<b>Projected</b>				
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
<b>Function<sup>2</sup></b>							
Public Safety	958.8	1,017.3	1,039.7	1,039.6	1,045.8	1,051.7	1,054.7
Judicial and Corrections	439.5	435.4	424.2	424.2	424.2	424.2	424.2
Health and Human Services	308.6	328.4	357.8	357.5	354.2	353.7	353.7
Regulation and Economic Development	56.3	62.1	73.5	61.8	61.4	60.7	60.7
Arts, Culture, and Recreation	109.4	116.1	117.4	119.3	119.6	120.3	120.1
Transportation and Sanitation	136.6	146.7	157.0	156.9	158.5	160.1	161.8
Central Services	203.1	235.2	248.5	243.7	239.8	246.3	248.2
Governance and Administration	213.8	266.6	247.9	234.7	227.9	230.9	237.9
Education	23.1	29.5	45.4	56.8	63.4	68.7	67.2
<b>Total Functions</b>	<b>\$2,449.2</b>	<b>\$2,637.4</b>	<b>\$2,711.4</b>	<b>\$2,694.6</b>	<b>\$2,694.9</b>	<b>\$2,716.6</b>	<b>\$2,728.7</b>
<b>Employee Benefits</b>							
Pensions <sup>3</sup>	742.4	719.1	749.1	765.7	781.5	800.1	815.1
Health and Welfare <sup>4</sup>	431.6	514.4	504.4	509.9	538.7	565.9	594.9
Disability/Workers' Compensation	56.0	61.8	69.8	72.8	75.9	79.1	82.5
Social Security	80.4	78.6	84.5	84.6	84.6	84.7	84.7
Unemployment Compensation	3.5	4.1	4.1	4.1	4.1	4.1	4.1
<b>Total Employee Benefits</b>	<b>\$1,314.0</b>	<b>\$1,378.0</b>	<b>\$1,412.0</b>	<b>\$1,437.2</b>	<b>\$1,484.8</b>	<b>\$1,533.8</b>	<b>\$1,581.2</b>
<b>Other Obligations</b>							
Sinking Fund Commission (Debt Service)	265.5	295.0	296.7	305.8	336.1	355.3	379.7
Art Museum Subsidy	2.6	2.6	2.6	2.6	2.6	2.6	2.6
PA Convention Center Subsidy	15.0	15.0	15.0	15.0	15.0	15.0	15.0
School District Contribution	104.3	185.8	222.5	252.6	267.0	270.1	273.2
Community College Subsidy	30.4	32.4	33.8	33.8	33.8	33.8	33.8
SEPTA Subsidy	81.9	84.6	87.6	91.0	94.3	98.0	101.9
Indemnities <sup>5</sup>	44.6	48.8	49.2	49.2	49.2	48.8	48.8
Space Rentals	21.6	22.5	26.3	26.1	25.7	25.6	26.3
Utilities	24.6	25.0	27.4	25.1	25.9	26.8	27.7
Legal Services (Defender Association)	48.8	51.6	50.9	50.9	50.9	50.9	50.9
Provision for Future Labor Obligations	--	--	--	20.0	30.0	40.0	50.0
Provision for Potential Reduction in Federal Grants	0 <sup>6</sup>	53.6	55.1	56.7	58.4	58.4	58.4
Budget Stabilization Reserve Fund	--	--	34.3	35.1	36.1	37.2	38.2
Miscellaneous <sup>7</sup>	0.3	0.6	0.6	0.6	0.6	0.6	0.6
<b>Total Other Obligations</b>	<b>\$639.6</b>	<b>\$817.4</b>	<b>\$901.9</b>	<b>\$964.5</b>	<b>\$1,025.5</b>	<b>\$1,063.1</b>	<b>\$1,107.0</b>
<b>Total General Fund Obligations</b>	<b>\$4,402.9</b>	<b>\$4,832.7</b>	<b>\$5,025.3</b>	<b>\$5,096.2</b>	<b>\$5,205.1</b>	<b>\$5,313.5</b>	<b>\$5,417.0</b>

<sup>1</sup> All figures rounded for readability

<sup>2</sup> Please see Table 4.1 for definitions of agency functions.

<sup>3</sup> Includes mandated pension fund payments, debt service on pension obligation bonds, and pension relief payments from the sales tax

<sup>4</sup> Includes Health and Medical, Group Life and Legal, Tool Allowance, and Flex Cash payments

<sup>5</sup> FY2018 indemnities not included in function costs

<sup>6</sup> \$50.9 million was allocated in FY2018 for a potential reduction in federal grants, but not spent

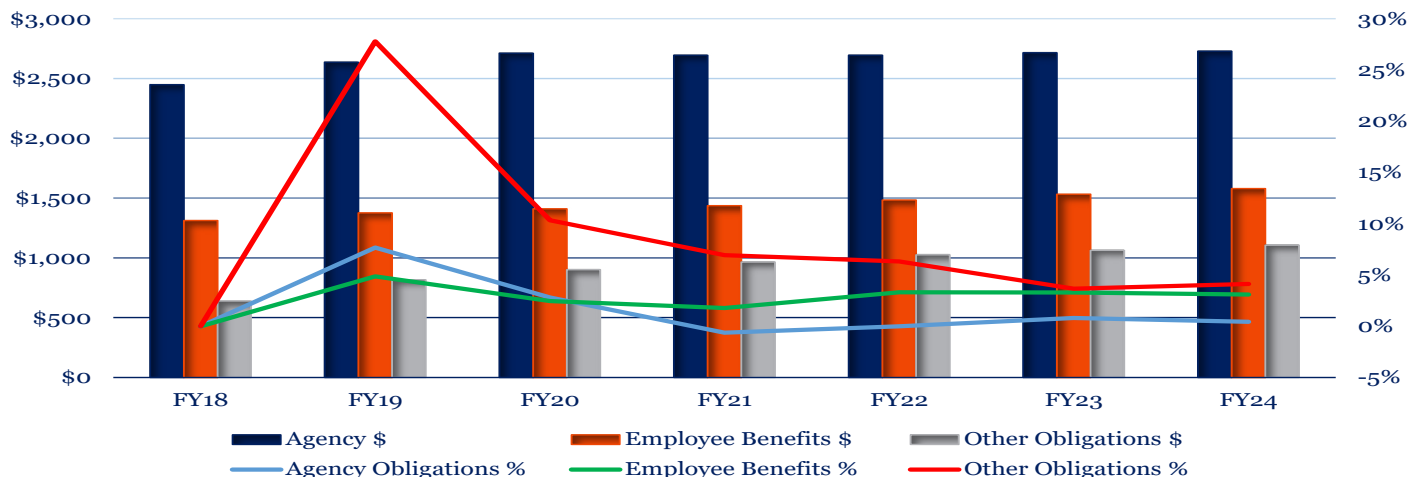
<sup>7</sup> Includes refunds, witness fees, Hero Awards, and Mayor's scholarships

Almost all agencies have employees paid, at least in part, through General Fund appropriations, and most have other direct General Fund expenditures for contracted services, materials and supplies. Agency Obligations in FY2020 are projected at \$2.711 billion, an increase of approximately \$74 million over FY2019 estimated Agency Obligations. Agency Obligations are projected to represent 54.0 percent of total General Fund spending. Table 2.6 presents the Plan's projected Agency Obligations by major function and category.

*Agency Obligations.* PICA has categorized City departments based on its own methodology. Public Safety is the perennial highest-spending category. It includes the Police and Fire Departments, and is projected to account for \$1.039 billion of total agency spending in FY2020, or 38.3 percent. Furthermore, the City is projected to spend over 20 percent of its total General Fund budget on Public Safety in FY2020.

Public Safety costs are estimated to surpass one billion dollars in FY2019. These costs, projected at approximately \$987 million in last year's five year

Figure 2.4: Projected Obligations by Category Cost (\$ in Millions) vs. Percent Growth



Note: Percent Growth is measured from FY2017, therefore FY2017 figures are represented as zero

plan, have now increased to an estimated total of \$1.017 billion, due in part to excessive overtime spending within the Fire Department.

Judicial and Corrections is the next largest category of spending, with \$424.2 million in projected obligations in FY2020. This represents a 2.6 percent decrease from FY2019 spending, and costs for the category are projected to remain flat over the life of the Plan. Two agencies, the Prisons Department and the Office of the District Attorney, are projected to reduce costs in FY2020, by 5.0 percent and 7.5 percent, respectively. Several Agency Function categories are projected to reduce spending over the life of the Plan. Central Services costs are projected to decrease by 0.1 percent by FY2024, Health and Human Services by 1.1 percent, Governance and Administration by 4.0 percent, and Regulation and Economic Development by a considerable 17.4 percent.

Within the latter category, the Commerce Department has received an influx of funds in FY2020 to enhance its neighborhood commercial corridor program. This is a one-year economic stimulus increase, which accounts for the Department’s 50 percent decrease in spending by 2024. Additionally, the Department of Planning and Development’s FY2020 spending is bolstered by funds earmarked for the Housing Trust Fund, accounting for that Department’s projected decrease in spending by FY2024.

In addition to projected reduced spending within several categories, growth within the remaining categories is projected to be minimal. Arts, Culture, and Recreation obligations are projected to increase by 2.3 percent, and Transportation and Sanitation obligations by 3.1 percent. While obligations for the Education category increased by 48.2 percent, this only amounts to an increase of \$21.9 million.

Figure 2.3 illustrates projected FY2020 obligations by Agency function, while Figure 2.4 illustrates projected obligations by category as both a dollar amount and on a percentage growth basis over the Plan period. As is evident from Figure 2.4, the City projects spending reductions in all three obligations categories over the life of the Plan.

*Employee Benefits Obligations.* The General Fund also includes separate appropriations to fund various employee benefits, such as pension payments, employee health benefits, disability, workers’ compensation, social security contributions, and unemployment compensation. Contrary to Agency Functions, the Employee Benefits category is projected to see steady growth in spending over the life of the Plan. As shown in Table 2.6, Employee Benefits Obligations for FY2020 are projected at \$1.412 billion, increasing to \$1.581 billion in FY2024—an increase of \$169.3 million. This amounts to growth of almost 12.0 percent, at an average annual rate of almost three percent.

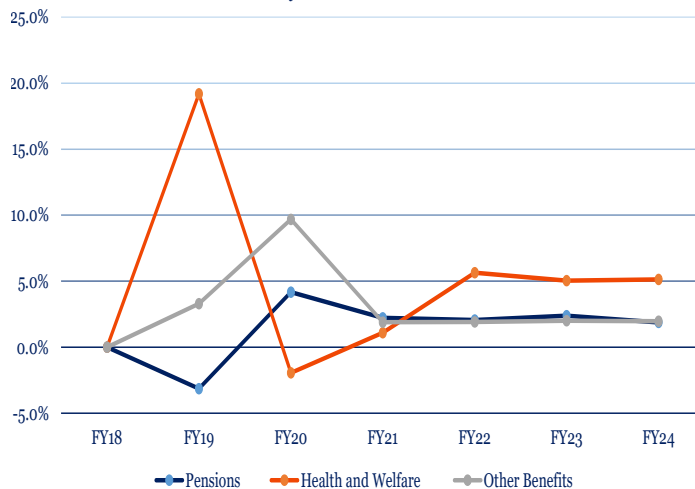
The largest Employee Benefits Obligations category, by far, is the pensions category, which is projected at \$749.1 million in FY2020 and \$815.1 million in FY2024. This represents an increase of \$66.1 million, or 8.8 percent, over the life of the Plan. Pensions represent more than half of Employee Benefits Obligations and almost 15 percent of the City’s total spending in FY2020. This amount includes the General Fund portion of the state mandated minimum pension contribution, called the Minimum Municipal Obligation (“MMO”), pension-related debt service, an additional portion of the sales tax dedicated to pension funding relief, and a small amount for matching 401K-style payments for City employees enrolled in Plan 10.

The second largest Employee Benefits category is employee health and welfare costs, which includes payment for health benefits, life insurance, legal services, tool allowances, and flex cash payments for active and retired workers. Health and welfare benefits are provided under separate plans covering members of the major municipal unions – Fraternal Order of Police (“FOP”), International Association of Fire Fighters (“IAFF”), AFSCME District Council 33 (“DC33”), and AFSCME District Council 47 (“DC47”) – and a City-administered plan that covers non-represented, exempt, and unionized workers who opt out of the union plans.

Employee health and welfare is the fastest growing benefits category; costs are projected to increase by over \$90 million over the life of the Plan, or 17.9 percent. The projected increase reflects the rapidly rising cost of healthcare in the United States, despite increased employee health contributions in recent years.

*Other Obligations.* The Other Obligations category includes City funding for various non-City entities, debt service, indemnities, the Defender Association, a provision for a potential reduction in federal funding, and other miscellaneous line items. The City supports various entities through direct appropriations, including: the School District, Community College of Philadelphia, the Pennsylvania Convention Center, SEPTA, and the Philadelphia Museum of Art.

Figure 2.5: Employee Benefits Projected Growth (Percent)



Note: Percent Growth is measured from FY2017, therefore FY2017 figures are represented as zero

Certain reserve funds are also included in the Other Obligations category. Examples of such funds include a provision for future labor obligations—to cover increased contract costs in the fiscal years after the current contracts or arbitration awards expire. Another such reserve is a provision for future potential reductions in federal funding, as a result of the current Presidential administration’s policies concerning sanctuary cities and Community Development Block Grants (“CDBG”), disbursed through the federal Department of Housing and Urban Development (“HUD”). As each of the administration’s last two budget proposals included blanket reductions in CDBGs and other community and city-based programs, City officials have included a total of \$286.8 million in reserves over the life of the Plan.

Other Obligations also includes a line item for the Budget Stabilization Reserve (“BSR”), established in 2011 through a voter-approved Home Rule Charter change. The BSR is intended as a rainy day fund with certain emergency stipulations for drawing from the fund. The legislation calls for the City to reserve 0.75 percent of the unrestricted local General Fund revenues, should the projected fund balance reach three percent of General Fund appropriations for the coming fiscal year. This would create a reserve to help the City avoid budget cuts and tax increases in case of an economic downturn or other fiscal emergency.

Notably, and at the urging of PICA, the City projects a deposit into the BSR for the first time in FY2020,



and projects a deposit in each of the years included in the Plan. According to the Plan, a rainy day fund of \$180.8 million will be established by FY2024. The importance of this reserve is paramount; the funds may only be drawn and spent in specific, emergency situations, shielding the funds from other discretionary spending.

Another growing payment in the Other Obligations category is the contribution to the School District—governance of which was returned to a local school board on July 1, 2018, following the dissolution of the School Reform Commission (“SRC”).

The City’s contribution was \$104.3 million in FY2018—before the District’s return to local control—it grew to \$185.8 million in FY2019, and will increase further, to \$222.5 million in FY2020. The contribution is projected to increase to \$272.2 million in FY2024.

The City’s debt service payment (Sinking Fund) is the fastest-growing Other Obligations category, projected to increase by \$83 million to \$379.7 million, or 28.0 percent, over the life of the Plan. The City projects spending \$1.674 billion on debt service over the five fiscal years included in the Plan.

Considering the fast-growing payments to the School District and for debt service, along with

the aforementioned reserves, Other Obligations is the fastest growing obligations category by far. As a whole, this category is projected to grow from \$901.9 million in FY2020 to \$1.107 billion in FY2024, an increase of \$205.1 million, or 22.7 percent. Additionally, spending within this category nearly doubled from FY2016 to FY2024, an increase of nearly \$520 million. While establishing reserves and funding the School District are considered investments in the future, the City will need to take caution that essential services, categorized in the Agency Function, do not suffer as a result of the additional spending on Other Obligations.

*Revenue and Obligations Growth.* The City projects continued revenue growth over the life of the Plan due to the ongoing economic expansion. General Fund revenues are projected to increase from \$4.918 billion in FY2020 to \$5.445 billion in FY2024, a growth of 10.7 percent. General Fund spending is also projected to grow; from \$5.025 billion to \$5.417 billion, or 7.8 percent growth. Whereas revenues are growing at a faster rate than obligations, obligations remain higher than revenues in all but the final year of the Plan.

This threatens the higher fund balances the City has been able to accumulate in recent years. FY2019’s estimated fund balance of almost \$300 million is projected to drop to just under \$200 million by FY2024. Whereas the City has been able to achieve a fund balance-to-appropriations ratio triggering a deposit into the BSR in FY2020, this may not be possible if the City’s fragile revenue projections are negatively affected by an economic downturn or volatile BIRT or real estate tax collections.

Though the City has made progress in recent years, shoring up fund balances and projecting revenues more accurately, to the point that major rating agencies have upgraded the City’s credit rating, the City must now focus on maintaining these improved financial practices and planning for the long-term. The City should continue to focus on spending within its means, or at a minimum, keep, spending levels within ranges of projected revenues.



### III. RISKS TO THE PLAN

### III. RISKS TO THE PLAN

The PICA Act requires that Plan projections of revenues and obligations are based on reasonable assumptions and methods of estimation. This requirement was included in the Act to ensure that the Plan provides adequate assurance that the City will continue to maintain financial stability, most notably exhibited through positive fund balances. Reasonable assumptions and methods of estimation, in addition to other budget balancing measures, ensure a positive General Fund balance each fiscal year over the Plan period.

#### Key Risks

The discussion below focuses on key risks to the Plan and its projections. They include: economic growth, the business income and receipts tax (“BIRT”), the real estate transfer tax (“RTT”), School District of Philadelphia funding, and pension funding, as well as other financial concerns, which are worth noting, but are not considered by PICA as key risks to the Plan. PICA recommends approval of the FY2020 to FY2024 Plan as currently proposed, but a well-rounded discussion of the City’s finances requires the presentation of any risk factors or other financial issues facing the City.

#### Economic Growth

A risk to any Five Year Plan is the possibility that slower than projected economic growth could result in actual tax revenues below Plan projections. The Plan assumes overall growth in revenues of approximately 2.8 percent annually. These projections account for slower expected economic growth than in recent years, but they reflect the median of growth forecasts, not the lower end of possible growth rates.<sup>1</sup>

There are several indicators economists look to in assessing the likelihood of an economic downturn, one of which is the labor market. When the unemployment rate reaches a low point, this could be a sign of an approaching recession. The current U.S. unemployment rate is at its lowest

<sup>1</sup> Charles Swanson, Associate Professor of Economics, Temple University, *Economic Outlook - Philadelphia and the Nation*, 6 July, 2019.



in 50 years: 3.6 percent, as of June 2019. The Philadelphia unemployment rate is similarly very low, 4.9 percent, although it is typically higher than the national rate (see section V discussion, “Unemployment Rate”).

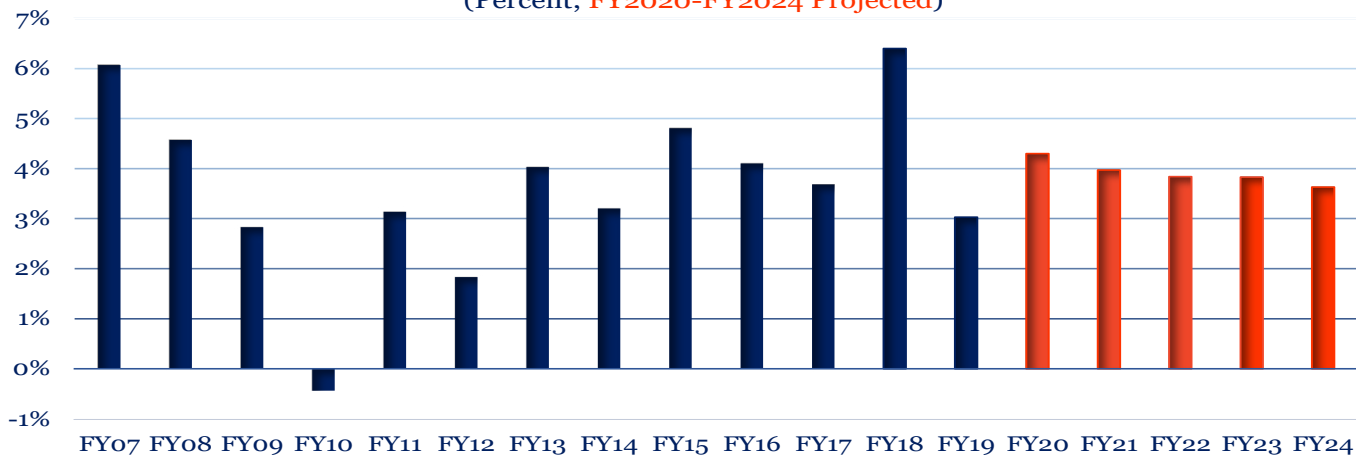
Additionally, although recessions are difficult to predict, there are measures of confidence and other surveys that indicate the potential for a recession. The Wall Street Journal’s survey of experts reports that 85 percent of respondents believe there will be a recession either in 2020 or 2021.<sup>2</sup> Consumer confidence, along similar lines, has also recently declined to a 21-month low, as of June 2019, partly due to the concerns of a trade war with China.<sup>3</sup> Meanwhile, the City’s consultant, IHS, places the possibility of a recession at 25 percent for 2020, which is built into the City’s growth projections.

Perhaps the most significant indicator of an approaching recession is an inverted yield curve.

<sup>2</sup> Swanson.

<sup>3</sup> Harr, Ryan. “Bloomberg.” Bloomberg, 25 June 2019, [www.bloomberg.com/news/articles/2019-06-25/u-s-consumer-confidence-falls-to-lowest-since-september-2017](http://www.bloomberg.com/news/articles/2019-06-25/u-s-consumer-confidence-falls-to-lowest-since-september-2017).

Figure 3.1: Annual Tax Base Growth, Wage and Earnings Tax  
(Percent; FY2020-FY2024 Projected)



The yield curve shows the difference between the 10-year yield and the 1-year yield on U.S. Treasury notes. In a good economy, the difference is usually 2 percent, which is displayed by the yield curve as an upward slope. When the difference nears zero or becomes negative—in other words, when long-term rates fall below short-term rates—this is known as an inverted yield curve.<sup>4</sup> To date, the yield curve has been inverted for one quarter, which may be a predictor that a recession is looming.<sup>5</sup>

City tax bases and actual revenue collections are sensitive to macroeconomic trends. In particular, Philadelphia and national Gross Domestic Product (“GDP”) are directly correlated to most major taxes, while the unemployment rate directly

impacts wage tax revenues.<sup>6</sup> Furthermore, the City’s tax structure makes it very reliant on wage tax revenue in particular. The Plan’s wage tax projections assume the unemployment rate will not rise significantly for the duration of the Plan, as evidenced by projected growth in this tax ranging between 4.3 percent in FY2020 and approximately 3.5 percent annually thereafter.

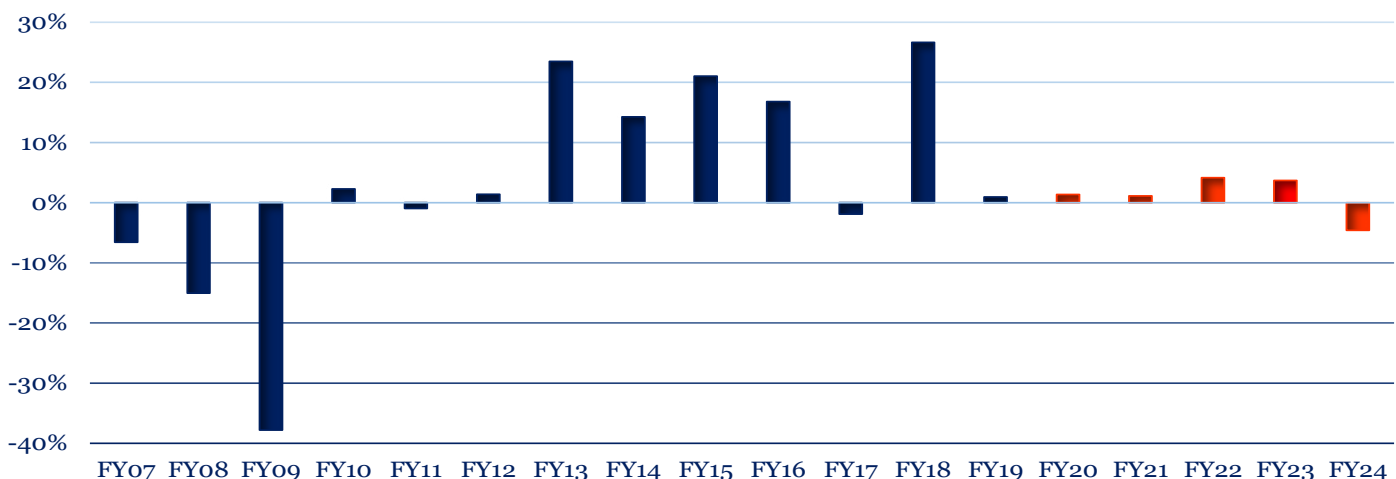
PICA’s consultant forecasts wage tax collections over the five year period to be slightly lower than the City’s estimates, largely due to the high potential for a recession over the next several years. Another reason for his deviation is the possible closure of two large employers in Philadelphia: Hahnemann Hospital and the refinery in South Philadelphia.

<sup>4</sup>Swanson.

<sup>5</sup>Allyn, Bobby, and Michel Martin. “NPR.” NPR, 30 June 2019, www.npr.org/2019/06/30/737476633/what-just-happened-also-occurred-before-the-last-7-u-s-recessions-reason-to-worry.

<sup>6</sup> Charles Swanson, Associate Professor of Economics, Temple University, *Economic Outlook - Philadelphia and the Nation*, 6 July, 2019.

Figure 3.2: Annual Tax Base Growth, Real Estate Transfer Tax  
(Percent; FY2020-FY2024 Projected)



Additionally, the real estate transfer tax, and the business income and receipts tax (BIRT), both discussed below, are particularly volatile, with the BIRT highly sensitive to the business cycle, and the real estate transfer tax sensitive to the housing market.<sup>7</sup>

The recent actual, estimated, and projected growth rates are shown in Figures 3.1 (wage and earnings tax) and 3.2 (real estate transfer tax). They present actual growth from FY2007 through FY2018, estimated in FY2019, and projected growth from FY2020 through FY2024.

The figures illustrate the impact of the Recession of 2008 and the housing crisis of 2007-2009 on City tax bases. The rate of growth in the wage tax in Figure 3.1 is shown to be highly sensitive to the macro economy, as indicated by the steep decline in growth rates from FY2007 to FY2010, and the gradual increase from FY2010 to FY2015.

The real estate transfer tax, in Figure 3.2, shows a significant negative impact attributable to the housing crisis of 2007, with the base declining by more than 30 percent in FY2009. In the years following, during the economic expansion, this tax shows mostly high rates of growth between FY2010 to FY2018.

These past experiences may serve as an indication of the impact of future economic downturns on revenues. In the event of a recession, the impact would be observed almost immediately, within a month for the wage and real estate transfer taxes, and within several months for the sales tax.<sup>8</sup> BIRT declines would be experienced in a more delayed manner.<sup>9</sup> Overall, the revenue streams where the City stands to see the largest declines during an economic downturn, in dollar amounts, would be the wage and real estate transfer taxes.<sup>10</sup> For this reason, the discussion on risks pertaining to the real estate transfer tax projections, below, is particularly important.

Particularly, in light of the fact that the current economic expansion has been ongoing for ten

years, the assumption of continued economic growth over the full five years of the Plan is a potential risk factor.

### BIRT Volatility

The business income and receipts tax (BIRT) is one of the most difficult revenue streams to project. Corporate earnings, being a volatile revenue stream, are difficult to predict. The tax is impacted by both national and local economic trends, and any slowdown in the economy would adversely affect BIRT collections.

Furthermore, in formulating BIRT projections, the City must not only account for future corporate earnings as estimated by a combination of City and IHS experts, but it must also include in those estimates, business activity occurring within City limits, which is conducted by businesses located elsewhere.<sup>11</sup> This complexity may further be exacerbated by the high level of refunds and credits incorporated into the BIRT reforms on single sales factor apportionment and exemptions in gross receipts from the gross receipts portion of the tax.<sup>12</sup>

The Plan projects a very minimal BIRT growth over the five year period, averaging approximately 0.5 percent annually. This represents a total projected growth of only 2.6 percent between FY2019 and FY2024, or \$13.1 million overall. This is a notable difference from the City's BIRT projections in last year's Plan, which projected growth in each of its years of more than 3 percent annually on average, representing an overall increase of \$69.6 million over the five year period.

Despite this Plan's minimal projected growth in BIRT revenue, there is a heightened level of uncertainty regarding where business earnings will trend over the next several years during this Plan period.

While the City's FY2020 projection is in line with our economist, a larger disparity exists between our economist's forecast and the City's projections in the later years of the Plan. PICA's economist

<sup>7</sup> Swanson.

<sup>7</sup> Swanson.

<sup>8</sup> Swanson.

<sup>9</sup> Swanson.

<sup>11</sup> Charles Swanson, Associate Professor of Economics, Temple University, Discussion of Tax Revenue Estimates, 5 July, 2019.

<sup>12</sup> Swanson.

estimated BIRT revenues to come in below City projections due to the high likelihood of a recession over the life of the Plan (see above discussion, “Economic Growth”).

### Real Estate Transfer Tax

The real estate transfer tax (“RTT”) tax rate was increased to 3.278 in FY2019 and is legislated to remain at that level for 10 years. Prior to that, the rate was 3.1 percent beginning in 2016; and formerly, it was 3 percent from 2016 dating back to 1995. The Commonwealth of Pennsylvania collects 1 percent above the aforementioned rate, meaning that property transfers in Philadelphia are taxed at 4.278 percent.

The RTT is projected to experience modest growth –slightly over 1 percent–in the first two fiscal years of the Plan. The City’s projections then increase in the subsequent two fiscal years to an average of 4 percent growth. In the final year of the Plan, the City projects negative growth of 4.6 percent.

According to PICA’s economist, the RTT has brought in historically high revenues in the past two fiscal years, namely FY2018 and FY2019. In FY2018, the value of properties sold accounted for 11 percent of the \$97.8 billion of total taxable property that year. In FY2019, the value of properties changing hands accounted for 10 percent of all taxable property for that fiscal year. According to PICA’s economist, the typical value of property transferred in any given year, based on national trends, represents approximately 7.5 percent of all taxable property in the City.<sup>13</sup>

RTT is a characteristically volatile revenue stream because it is highly dependent on the growth of the overall economy, as well as on any fluctuations in the housing market, as described in the “Economic Growth” above.

Despite accounting for minimal growth in the first two years of this Plan, the City’s projections for the Plan period overall are derived from very high collections, attributable to an economic expansion and a booming market – a base which may not be sustainable. For this reason, PICA’s consultant

estimates the RTT to generate significantly less revenue over the life of the Plan than the City projects.<sup>14</sup>

### School District of Philadelphia Funding

The School District of Philadelphia’s (“School District”) funding and its financial issues have been a longstanding challenge, which culminated in 2001, when the Commonwealth declared the School District financially distressed and established the School Reform Commission (“SRC”). In November 2017, the SRC voted to dissolve, ending its control over the School District on June 30, 2018, which effectively returned control to the City.

With the return of its control over the District, the City has undertaken efforts to increase its funding, beginning with the FY2019-FY2023 Plan. The FY2020-FY2024 Plan further increases contributions to the School District, ranging between \$222.5 million in FY2020 to \$273.2 million in FY2024, for an average annual growth of 8.3 percent over the Plan period.

<sup>14</sup> Swanson.



<sup>13</sup> Swanson.

The cumulative City contribution from the General Fund for FY2020 through FY2024 will total \$1.28 billion. In addition to increasing its General Fund contribution, attributable to the slow down of wage tax reductions (as explained in Section II) and departmental funding cuts of \$222.2 million over the Plan period, the City has also allocated other revenue streams to the School District. The additional revenues are derived from the real estate transfer tax (\$126.7 million), which serves to offset losses from the increased Homestead exemption, and the slowdown of wage tax rate reductions (\$414.6 million) over the life of the Plan.

Nonetheless, the School District's five year projections show deficits of \$76.4 million in FY2022, \$186.0 million in FY2023, and \$296.7 million in FY2024. Additionally, the School District's fund balance as a percentage of total expenditures is low in the years where the fund balance is positive. In FY2019, the fund balance is estimated at approximately 5 percent of expenditures, however, in FY2020 the fund balance falls to 3.8 percent of expenditures, and ultimately to 0.8 percent of expenditures in FY2021, before showing a deficit in the three remaining years.

Furthermore, the current teachers' contract for the Philadelphia Federation of Teachers ("PFT") will expire in FY2020. Four of the School District Plan's five years do not budget for raises and related labor costs. Assuming a conservative two percent growth, a new contract could mean a very low fund balance in FY2021 of approximately \$28.8 million, and even larger deficits in FY2022 through FY2024. Deficits could reach \$92.4 million in FY2022, \$222.0 in FY2023, and \$354.7 million in FY2024 if teachers negotiate a 2 percent raise.

As evidenced by the re-allocation of funds from City operating departments to the School District, the risk is that the City may be compelled to further supplement its contribution to the School District within this Plan period, which could draw vital resources away from other City services, or could impact the fund balance.

### Pension Funding

The Plan's annual projected pension costs reflect the City's annual contributions to the pension system in satisfaction of the state mandated minimum contribution, known as the Minimum Municipal Obligation ("MMO"). In this year's Plan, the total projected MMO ranges between \$749.1 million in FY2020 to \$815.1 million in FY2024, which includes dedicated amounts arising from the sales tax and employee contributions. The General Fund portion of the MMO ranges between \$584.7 in FY2020 to \$629.7 in FY2024. The City also pays debt service on pension obligation bonds, which account for approximately \$110.2 million annually.

The major risk associated with the MMO projections in any five year plan, is that they are significantly impacted by investment performance. This risk becomes heightened in this Plan, as the City continues into a long period of economic expansion, with potential for a recession increasing with time (see above discussion, "Economic Growth").

The investment return assumption for FY2018, the year of the most recently available Actuarial Valuation, was 7.65 percent, net of fees. The market value of assets, as of the Actuarial Valuation for the year ending June 30, 2018, was 9.01 percent, which was higher than the assumed rate of return. However, the actuarial value of assets—which reflects gains and losses extended over a ten year period, was 5.11 percent—shows that the pension fund has incurred substantial experience losses related to investments in prior years, the effects of which are being incrementally recognized under the City's ten-year asset smoothing policy. As the losses are recognized, they will then be amortized, leading to higher required contributions. Any future losses in any of the years of the Plan will result in even higher required contributions.

Apart from risks of immediate costs related to the MMO, the City's pension liability represents a long-term financial risk to the City. The pension fund is currently 46.8 percent funded, with an unfunded actuarial accrued liability ("UAAL")

of \$6.123 billion.<sup>15</sup> Pension costs that continue to increase beyond 15 percent of total fiscal year General Fund obligations may eventually threaten the City's ability to continue to finance its other services optimally.

Perhaps most significantly, all credit rating agencies look to the funded ratio as an indicator of a city's financial condition; thus, a low funded ratio could eventually impact the City's credit ratings, which would in turn drive up the costs of borrowing in the future.

The City has implemented some major reforms in recent years by establishing a new stacked hybrid pension plan, increasing contributions for current and future employees, as well as making changes to its investment strategy. Furthermore, the Plan dedicates supplemental amounts, above the MMO, to pay down the unfunded liability. Such funds arise from sales tax revenue collected above the School District share of the tax, and from tiered and increased contributions from employees. This is referred to as the "Revenue Recognition Policy."<sup>16</sup> The City must continue to seek additional reforms and dedicate additional funding whenever possible, to preserve the viability of the system.<sup>17</sup>

### Other Financial Concerns

The below discussion focuses on other financial concerns impacting the City's financial future. They include: future labor costs, speculative revenues, real estate tax appeals, fund balance, employee health benefits costs, overtime costs, Fire Department overtime costs, indemnities, and Budget Stabilization Reserve ("BSR").

### Future Labor Costs

Among the most significant risks faced by the Plan is that actual wage increases could exceed the provision for future labor obligations and consequently, negatively impact the projected

fund balances in FY2021 through FY2024, after the expiration of the current labor contracts.

As shown in Table 3.1, current labor contracts for all eight bargaining units, with annual salary increases that range from 2.50 to 3.75 percent, expire at the end of FY2020, the first year of the Plan. In previous reports, PICA has advocated the benefits of including reasonable assumptions regarding labor costs in the Plan. As such, the Plan includes a \$140 million reserve for labor costs spread across each fiscal year, with \$20 million in FY2021, \$30 million in FY2022, \$40 million in FY2023, and \$50 million in FY2024.

Table 3.2 shows the potential additional annual wage costs for each bargaining unit for FY2021 through FY2024 assuming a 2.0 percent increase in wages for each bargaining unit. Based on our analysis, the annual potential wage increases would result in additional costs of \$242.2 million over the life of the Plan. It should be noted that our analysis does not take into account any potential

**Table 3.1: Terms of Current Labor Contracts by Bargaining Unit**

Bargaining Unit	Term	Wage Provisions <sup>1</sup>
FOP – Police	7/1/17–6/30/20	3.25%–7/1/17 3.50%–7/1/18 3.75%–7/1/19
FOP – Sheriff	7/1/17–6/30/20	3.00%–7/1/17 3.25%–7/1/18 3.25%–7/1/19
FOP – Register of Wills	7/1/17–6/30/20	3.00%–7/1/17 2.50%–7/1/18 3.00%–7/1/19
IAFF – Fire and EMS	7/1/17–6/30/20	3.25%–7/1/17 3.50%–7/1/18 3.75%–7/1/19
DC 33	7/1/16–6/30/20	3.00%–7/1/16 3.00%–7/1/17 2.50%–7/1/18 3.00%–7/1/19
DC 33 – Local 159	7/1/17–6/30/20	3.00%–7/1/17 3.25%–7/1/18 3.25%–7/1/19
DC 47	7/1/17–6/30/20	3.00%–7/1/17 2.50%–7/1/18 3.00%–7/1/19
DC 47 – Local 810	7/1/17–6/30/20	3.00%–7/1/17 2.50%–7/1/18 3.00%–7/1/19

Notes:  
<sup>1</sup> Only provisions that affect the union pay plan are described; some unions received lump sum bonuses, but these provisions are not included

<sup>15</sup> The UAAL is defined in the Actuarial Valuation as "the excess of the System's actuarial liability over the actuarial value of assets."

<sup>16</sup> City of Philadelphia Board of Pensions and Retirement. *City of Philadelphia Municipal Retirement System Actuarial Valuation Report as of July 1, 2018*, Cheiron, April 2019.

<sup>17</sup> *Philadelphia's Pension System: Reducing Risk and Achieving Fiscal Stability*, Pennsylvania Intergovernmental Cooperation Authority, Staff Report, January 2015; <http://www.picapa.org/wp-content/uploads/2016/02/Full-Report-Without-Appendix-C.pdf>.

**Table 3.2: Wage Risk by Bargaining Unit (\$ in Millions)**

Estimated Wage Increase	--	2%	2%	2%	2%	
Bargaining Unit	FY2020	FY2021	FY2022	FY2023	FY2024	Plan Total
FOP – Police	--	\$10.6	\$21.4	\$32.4	\$43.7	\$108.1
FOP – Sheriff	--	0.4	0.8	1.2	1.6	3.8
FOP – Register of Wills	--	0.1	0.2	0.2	0.3	0.8
IAFF – Fire and EMS	--	3.9	7.8	11.9	16.0	39.6
DC 33	--	4.0	8.0	12.1	16.3	40.3
DC 33 – Local 159	--	2.0	4.1	6.2	8.4	20.8
DC 47	--	2.4	4.9	7.4	10.0	24.8
DC 47 – Local 810	--	0.4	0.8	1.2	1.6	4.0
<b>Total Estimated Wage Risk</b>	--	<b>\$23.7</b>	<b>\$48.0</b>	<b>\$72.7</b>	<b>\$97.9</b>	<b>\$242.2</b>

Source: PICA estimates based on FY2019 salaries with the assumption that all bargaining units will receive 2% increases from FY2021 through FY2024, after the current contracts/awards expire  
 Note: These figures do not constitute a projection of future costs, rather they are compiled based on existing data for analytical purposes

wage increases for non-union employees such as exempts and non-represented employees, nor does it account for overtime costs. These potential wage increases do not constitute a projection but are used solely for the purpose of this risk analysis.

Despite the labor reserve set aside, according to our analysis, the City could face a deficit in the labor reserve of \$3.7 million, \$18.0 million, \$32.7 million, and \$47.9 million, in FY2021, FY2022, FY2023, and FY2024, respectively. Therefore, the provision for future obligations is not enough to cover potential wage increases in the later years of the Plan. Despite these additional wage costs, our analysis estimates that the projected fund balances will still remain positive throughout the life of the Plan but dropping significantly in the last two years of the Plan.

Table 3.3 presents the potential impact of the Plan’s wage risk on the fund balance. Therefore, despite the labor reserve set aside, a risk exists that

the Plan does not cover the cost of all potential wage increases. It should be noted that any future labor agreements that increase General Fund costs beyond the labor reserve included in the Plan would require a revision. This revision would have to demonstrate the existence of sufficient funds to cover any additional costs.

### Speculative Revenues

The FY2020-FY2024 Plan includes some revenues that are speculative in the following categories: locally generated non-tax, revenue from other governments, and revenue from other funds.

As discussed at length throughout this report, the PICA Act requires that estimates for tax revenues collected by the City should be “based on current or proposed tax rates, historical collection patterns, and generally recognized econometric models.”

**Table 3.3: Potential Impact of Wage Risk on Plan Fund Balance (\$ in Millions)**

	FY2020	FY2021	FY2022	FY2023	FY2024	Total
Provision for Future Labor Obligations	\$--	\$20.0	\$30.0	\$40.0	\$50.0	\$140.0
Estimated Wage Risk	--	23.7	48.0	72.7	97.9	242.2
Plan (Shortage)/Overage	--	(3.7)	(18.0)	(32.7)	(47.9)	(102.2)
Fund Balance as Projected in the Plan	209.9	156.0	128.9	147.6	194.8	
(Shortage)/Overage from FY2020		--	--	--	--	
(Shortage)/Overage from FY2021			(3.7)	(3.7)	(3.7)	
(Shortage)/Overage from FY2022				(18.0)	(18.0)	
(Shortage)/Overage from FY2023					(32.7)	
(Shortage)/Overage from FY2024					--	
<b>Potential Plan Fund Balance</b>	<b>\$209.9</b>	<b>\$152.2</b>	<b>\$107.2</b>	<b>\$93.3</b>	<b>\$92.6</b>	

Source: PICA estimates based on FY2019 salaries with the assumption that all bargaining units will receive 2% increases from FY2021 through 2024, after the current contracts/awards expire

Meanwhile, according to the PICA Act, revenues received from federal or state government should be based on “historical patterns,” “currently available levels,” or levels contained in a budget proposed by the Governor, President, or in a Congressional budget resolution. Locally generated non-tax revenue estimates should be based on “current or proposed rates, charges or fees, historical patterns and generally recognized econometric models.”

Locally generated non-tax revenue (“LGNT”) is projected at \$353.3 million in FY2020. Revenues collected by City agencies that account for a significant portion of this category are shown in Table 2.3. PICA noted several projections in LGNT that appear speculative. A particularly sensitive assumption in LGNT revenue relates to the sale of assets under the Department of Public Property. This line item is projected to increase from \$0 to more than \$34 million between FY2019 and FY2020, based on the assumption that three City properties will be sold within the fiscal year; that they will sell at specific price points; and that money will be received from those sales, also within this fiscal year. This seems to be an optimistic assumption, both in terms of timing and money.

In the City Treasurer’s Office LGNT, interest earnings are projected to increase over the Plan period. The reasoning behind this is that interest earnings are based on estimated cash on hand due to increased revenue collections, which have been high in FY2018 and FY2019. While this may be the case, assuming these circumstances will continue poses a risk due to the possibility of an economic recession during the Plan period.

Also, there is a nearly 70 percent projected increase in LGNT for Traffic Court fine revenue. The reasoning cited by the City is that traffic tickets reached an all-time low in FY2018 due to decreased Police enforcement. The basis for the assumption that the current trend will revert back to its prior pattern is unclear. Thus, the current trend may be the more appropriate pattern to follow.

In revenue from other governments, the City receives grant revenue from state and federal

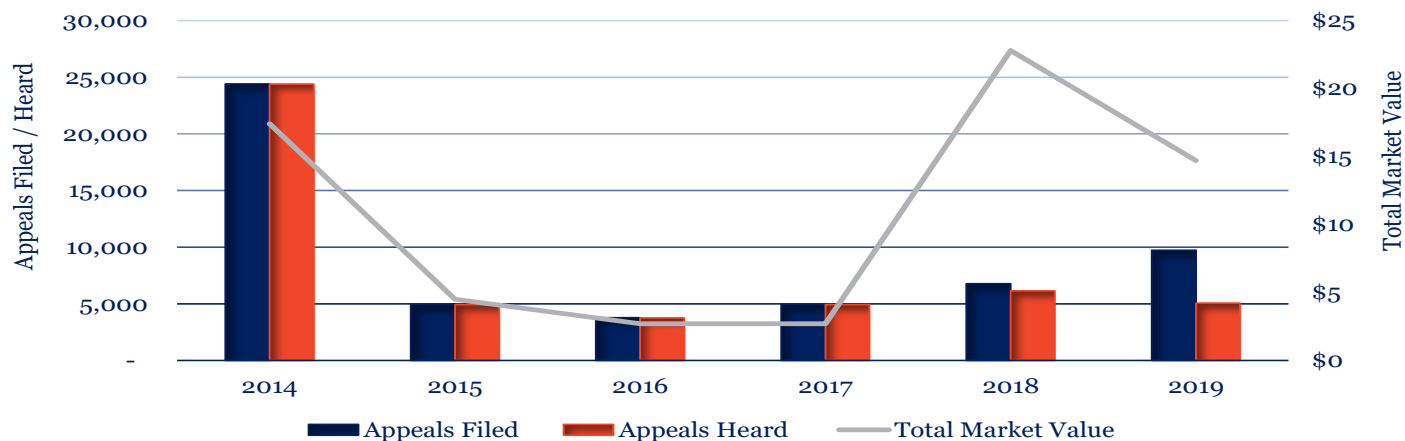
governments to support a variety of programs. In FY2020, the Plan projects \$847.2 million in revenue from other governments, as shown in Table 2.3. In this category of revenue, the City shows a projected \$26 million increase in FY2020 in revenue to the Department of Public Health for medical assistance in outpatient health centers, arising from federal and state governments. The Plan carries forward these reimbursement levels for the remainder of the five year period. The City bases this projection on expected new state Medicaid funding for City health centers, which will trigger a federal match. In the Governor’s Executive Budget for 2019-2020, Medical Assistance program funding is stated to decrease by \$1.2 billion from last year’s budget, due to a decrease in the federal participation rate, which will be mitigated at the state level, through cost containment and other measures. Therefore, the increase in FY2020 and the expected level of funding for the remainder of the Plan, may be a speculative assumption. However, this risk is partly mitigated by the fact that associated spending is contingent upon receipt of these revenues.

Also in this category, Philadelphia Parking Authority (“PPA”) fine revenue is projected to increase by \$10 million through FY2024. The explanation for the growth is that it partly compensates for losses in prior years. Ultimately, the City projects 2 to 4 percent growth in PPA on-street parking revenue annually, based on an assumed increase in ticket issuances, fines or cost cutting measures. As explained in Section II, regarding parking revenue, growth in this type of revenue stream ultimately reaches a saturation point. Thus, assuming a constant growth, year-over-year in this line item is speculative.<sup>18</sup>

In revenue from other funds, the Plan assumes an increase of approximately \$5 million in revenue from the Water Fund, as a reimbursement for fire hydrant maintenance to be done by the Philadelphia Fire Department. This assumption is based on a Memorandum of Understanding that does not yet have an effective date and has not been executed by the parties. The MOU also does not include an exhibit of the breakout of the anticipated revenue.

<sup>18</sup> Charles Swanson, Associate Professor of Economics, Temple University, *Discussion of Tax Revenue Estimates*, 10 July, 2018.

Figure 3.3: Appeals Filed vs. Appeals Heard with Total Market Value (\$ in Billions)



The total of speculative revenues could reach between \$30 and \$60 million in FY2020, if the aforementioned projections are not realized. The current fund balance would most likely absorb such a decrease, but PICA cautions the City as to not overproject revenues.

### Real Estate Tax Appeals

In 2014, the City implemented the Actual Value Initiative (“AVI”), which required that all City properties be assessed at their current market value for taxation purposes.

Since the implementation of AVI, the City has conducted reassessments each year. Reassessments in recent years have prompted some litigation based on questions surrounding classification and ensuing reassessments of different types of properties. The basis of the litigation is the Pennsylvania constitution’s uniformity clause, which requires that all properties be taxed in a uniform manner, even between different categories. Additionally, a key component of AVI is the requirement that all City property be appraised each year. On this basis, 700 commercial property owners have sued the City, rendering \$63 million in City and School District revenues at stake, \$13 million of which are City revenues. A ruling on the lawsuit is pending.

Apart from the immediate risk of the City having to repay commercial property owners \$63 million if the reassessment is found to violate the uniformity clause, the Office of Property Assessment (“OPA”) faces other, non-legal challenges, as well.

OPA completed a citywide reassessment of all properties in March 2018 for calendar year 2019 real estate taxes. Subsequently, City Council conducted an audit of that reassessment, based on increasing concerns of flaws in the new values and their impact on taxpayers. The audit flagged a number of deficiencies with the current system and issued recommendations. Among the findings were the following: assessments lack uniformity, assessments generally do not meet industry standards (with the exception of those for condominiums), properties valued below \$100,000 tend to be overassessed, and timing of First Level Reviews was too slow. The audit issued several recommendations, including: examination of inadequacies of staffing, budgets, procedures, and methodologies; reestablishment of clear goals; creation of alternative strategies to accomplish goals; and interaction with stakeholders; among others.

City Council issued several recommendations as a result of the audit, including the identification and correction of any outlier assessments by April 2019. Council’s other recommendations centered around hiring leadership and procurement of experts. The City’s response to City Council’s audit indicated that the report did not provide specific assessment process improvements, did not give the City credit for implementing recommendations from a previous audit conducted in 2012, and was a missed opportunity to help OPA focus on its weaknesses. In addition, the City had significant concerns with the audit’s methodology related to the assessment valuation process, as sales data that was not fully validated was used.

Consequently, OPA conducted its own audit, which uncovered material flaws in its assessment methodology and gave rise to a number of recommendations from its consultant. One of the major recommendations is the long-awaited implementation of a Computer-Assisted Mass Appraisal (“CAMA”) system. As a result of the audit’s findings, OPA has conducted a “market trending valuation” for tax year 2020, rather than another reassessment without a CAMA system, while it implements the recommendations.<sup>19</sup>

Furthermore, the real estate tax appeal success rate is difficult to project. The City projects real estate tax revenues by accounting for success rates of tax appeals based on past experience. Over this Plan period, the anticipated net increase in residential property assessments are projected at 2.76 percent annually, after adjusting for successful appeals. Meanwhile, the projected net increase in commercial property assessments is 2.67 percent annually. Figure 3.3 shows appeals filed and heard, as well as the total market value associated with them.

Real estate tax appeals may pose a risk to the Plan, in that assessment challenges may be more successful than anticipated, which in turn would have a negative impact on projected real estate tax revenues. PICA’s consultant assumes a slightly higher success rate on appeals for property owners than the City and assumes some successful appeals of properties coming out of tax abatement, as well.

### Fund Balance

Projected fund balances in this year’s Plan range between \$209.9 million in FY2020 to \$194.8 million in FY2024. Fund balances are projected to range from a high of 4.2 percent of obligations in FY2020, to a low of 2.5 percent of obligations in FY2022.

The Government Finance Officers Association (“GFOA”) recommends that city governments, regardless of size, maintain a fund balance of approximately 17 percent of obligations, described as “unrestricted fund balance in their general fund of no less than two months of regular general

<sup>19</sup> Five-Year Financial and Strategic Plan for Fiscal Years 2020-2024, City of Philadelphia, as proposed March 7, 2019, p. 250.

fund operating revenues or regular general fund operating expenditures.”<sup>20</sup>

Simultaneously, the City has stated its fund balance target goal to be 6 to 8 percent of General Fund expenditures.<sup>21</sup> Philadelphia has historically ranked below the median for fund balance as a percentage of revenue, as compared to the top 25 cities in the United States.<sup>22</sup> Although fund balances are higher in this Plan, than in previous years, which shows significant progress in the City’s contingency planning, the fund balances still fall below the City’s own targets, as well as the GFOA recommendation. This presents a risk to the Plan each year. The risk is potentially heightened this year, due to anticipation and speculation from experts of a looming recession (see above discussion, “Economic Growth”).

In figure 3.4, revenue and obligation growth have generally been trending together, while the fund balance has been experiencing mostly minimal and even negative growth. This figure shows a correlation between revenue growth and spending, with little effect on fund balance growth. In other words, during the economic expansion, the City has benefited from strong revenue performance; however, the City has been allocating that money to increased obligations.

The FY2020-FY2024 Plan sets aside additional reserves for the Budget Stabilization Reserve (see risk on “BSR”), future labor costs (see risk on “future labor costs”)—all current contracts are set to expire in FY2020—as well as for potential federal funding cuts. Over the Plan period, amounts set aside for the BSR total \$180.8 million, labor reserves total \$140 million, and the provision for potential federal grant loss totals \$286.9 million.

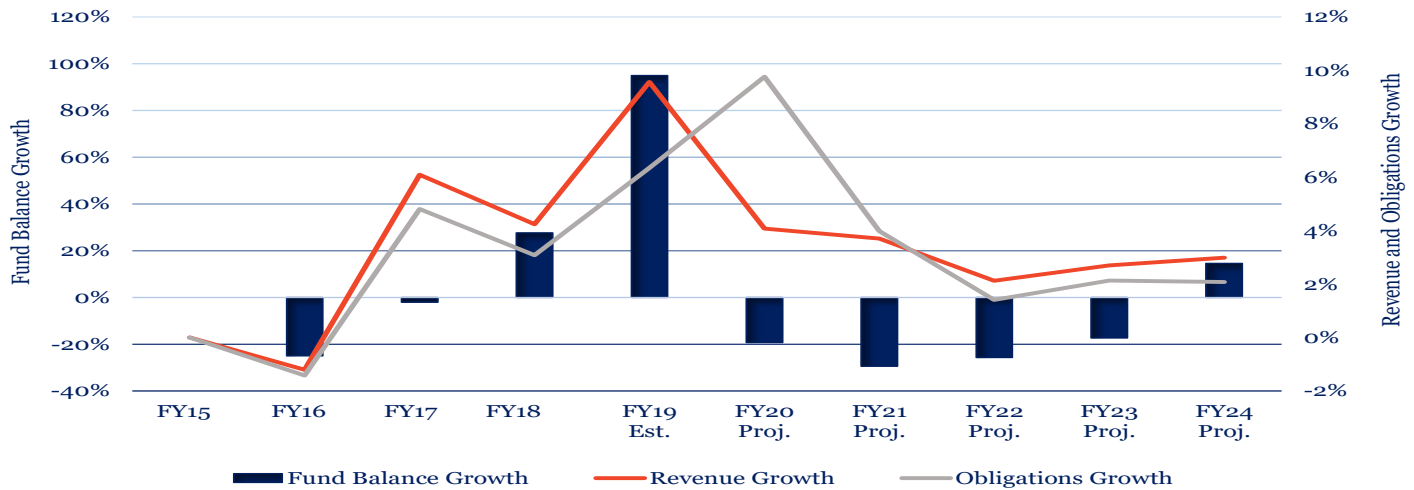
Figure 3.5 compares the City’s projected fund balance for each year of the Plan to the GFOA recommendation and the City’s target fund balance. The figure illustrates fund balance along with the BSR and GFOA best practice threshold, in

<sup>19</sup> Government Finance Officers Association, *Best Practice: Fund Balance Guidelines for the General Fund*, September 2015: <http://www.gfoa.org/fund-balance-guidelines-general-fund>.

<sup>21</sup> Five-Year Financial and Strategic Plan for Fiscal Years 2020-2024, City of Philadelphia, as proposed March 7, 2019, p. 16.

<sup>22</sup> Pennsylvania Intergovernmental Cooperation Authority, Staff Report on the City of Philadelphia’s Five-Year Financial Plan for Fiscal Year 2016-Fiscal Year 2020, July 2015: [http://www.picapa.org/docs/SRFYP/SRFYP\\_FY16FY20.pdf](http://www.picapa.org/docs/SRFYP/SRFYP_FY16FY20.pdf).

Figure 3.4: Fund Balance Growth vs. Revenue and Obligations Growth (Percent)



Note: Growth is measured from FY2015, therefore FY2015 figures are represented as zero

order to show a full picture of the funds set aside in this Plan. It also illustrates that total reserves are still well below not only GFOA recommended levels, but also the City’s own target.

As it pertains to the federal funding reserve, the City contends that amounts need to be set aside in the event of potential federal cuts to grant money. Although PICA advocated for such contingency planning at the beginning of the Trump administration when there was a true threat of this possibility, the City has since prevailed in a lawsuit regarding federal funding. Since the conclusion of this litigation, the risk of funding cuts from the federal government has been minimal, yet the City continues to set aside money in this reserve. The reserve appears to be akin to a second unrestricted fund balance that the City appropriates to other purposes at the conclusion of each fiscal year, upon discovering that federal cuts did not occur. In the interest of transparency and good budgeting, the City should properly designate this reserve for the true purpose it will serve, whether as a part of the fund balance, labor reserve, or another purpose.

There are a number of reasons, apart from the most obvious need to guard against contingencies, for maintaining adequate fund balances, including: cash availability, favorable credit ratings, generating investment earnings, and avoiding interest costs. In consideration of these factors, all of which are particularly relevant to the City, PICA recognizes the City’s efforts to ensure larger fund balances in this Plan. PICA hopes the City

will continue in this direction by increasing fund balances to meet GFOA recommendations.

### Employee Health Benefit Costs

Health benefits for active and retired workers are currently estimated at a cost of \$500.2 million for FY2019, 3.8 percent higher than the originally budgeted amount, and 19.6 percent higher than the FY2018 actual. The main contributors to the increased cost above the FY2019 adopted budget were the DC33 reopener payment to the union’s health fund of approximately \$17 million and fringe benefit increases associated with DC47 and exempt employee raises.

Despite healthcare trends, the Plan projects health benefit costs to decrease in FY2020, to \$490.0 million, or 2 percent below the FY2019 estimate. The remaining years of the Plan budget for continued increases between FY2020 to FY2024, reaching \$580.4 million. This accounts for higher than 5 percent increases in each year, except in FY2021, which will see a 1.1 percent increase, while a 2.0 percent decrease is projected in FY2020. It is concerning that the first two years of the Plan do not factor in realistic growth expectations for employee benefits—a 2.0 percent decline in FY2020, followed by only 1.1 percent growth in FY2021.

During the Plan period, the overall health benefit cost projections incorporate separate calculations for the union plans and the City-administered

plan, which covers non-represented and exempt employees. DC33 is the only major union still in a monthly per-employee structure. The current DC33 contract expires in FY2020, and the Plan does not project health cost increases for this union beyond the existing contract. The DC33 reopener, costing \$17 million, significantly impacted total FY2019 health benefit costs.

The DC47, IAFF, FOP, and City-administered health plans are projected to grow at rates ranging from 5 to 7.5 percent annually, reflecting the City’s assumption about medical cost growth for these self-insured plans. The City pays the costs of claims and administration, rather than a fixed monthly fee per covered employee for self-insured plans.

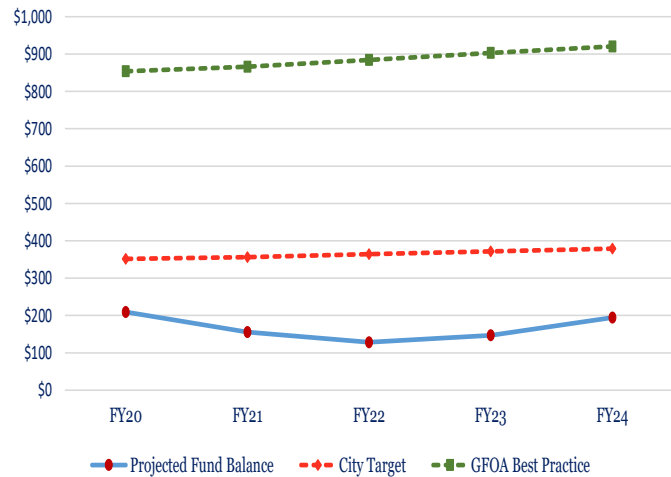
Projected increases between 5 and 7.5 percent, annually, signify that health benefit costs are increasing at rates that will be challenging to sustain in the long-term. In particular, the 19.6 percent growth between the FY2018 actual and FY2019 estimate is alarmingly high. This reveals a potentially flawed method of projecting health benefit costs, as well as growth that is unprecedented on a year-over-year basis.

The risk associated with any growth projection is that actual experience may differ from estimates. According to the US Centers for Medicare and Medicaid Services, experts anticipate healthcare costs to increase by approximately 5.5 percent annually between 2018 and 2027.<sup>23</sup> A significant driver behind the overall projected increases is the aging baby boomer population, which will increasingly rely on health services in the coming years, and which will in turn increase its enrollment in Medicare for elderly and disabled services.

Another risk factor that may impact health benefit costs is the potential for changes to the Affordable Care Act at the federal level, which has been a lingering possibility for the past few years. The impact of such reforms are extremely difficult to foresee or quantify at this point in time.

<sup>22</sup> Centers For Medicare & Medicaid Services, <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>.

Figure 3.5: Projected Fund Balance (\$ in Millions)



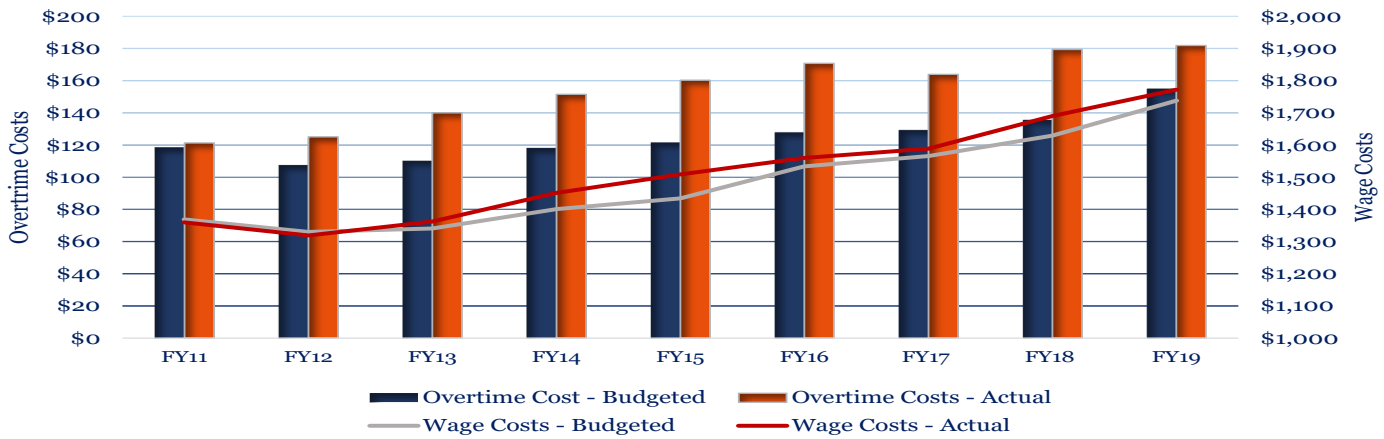
### Overtime Costs

The City projects it will spend \$181.9 million in General Fund overtime in FY2019, \$27.1 million more than budgeted, exceeding its annual overtime allocation for the ninth consecutive year. This figure represents a \$2.5 million increase over FY2018 overtime costs, and the most the City has ever spent on overtime. As General Fund full-time staffing also reached the highest level in recent history, it is concerning that overtime costs continue to rise (see Section IV discussion, “General Fund Personnel Staffing”).

While certain departments with traditionally high overtime costs such as Police, Prisons, and Streets are projected to reduce their overtime spending compared to last year, high overtime costs within the Fire Department outpaced these reductions. (see Section III discussion, “Fire Department Overtime Costs”).

There were fewer special events, protests, and winter weather days (factors which have driven overtime spending in the past) in FY2019; therefore, the City increased overtime spending by just 1.4 percent over last year. However, the City exceeded its overtime allocation by over \$27 million, as shown in Figure 3.5. As the City overspent its budget for wages in FY2019 by \$33.1 million, it is clear that exceeding its overtime allocation helped push wage costs beyond the adopted budget.

Figure 3.6: Budgeted vs. Actual Overtime Costs (\$ in Millions)



Note: FY19 Wage Cost is estimated

The City has shown signs of improvement when it comes to overtime: FY2019 overtime spending only exceeded last year’s total by 1.4 percent (less than contractually negotiated wage increases for the fiscal year), and departments came closer to remaining within their annual overtime allocation than in previous years. While improved, the City still exceeded its FY2019 overtime allocation. Additionally, \$181.9 million in overtime spending may be seen as high, considering the myriad other City programs that require funding. Finally, with the current high staffing levels, it should be expected that overtime costs will decrease in the future. Continued high overtime costs represent a risk to the Plan, in that they threaten both the City’s budget for wages, as well as crucial funding for other City services.

### Fire Department Overtime Costs

The Philadelphia Fire Department is projected to spend \$51.1 million on overtime in FY2019, the highest total, by far, in its history. As Fire Department overtime costs have fluctuated between approximately \$25 and \$35 million since FY2011, FY2019 overtime costs represent a sharp increase in overtime spending. Additionally, the Department exceeded its annual allocation for overtime by \$22.7 million; City departments, as a whole, only overspent their combined allocation by \$27.1 million. Thus, the Fire Department accounted for 83.8 percent of that overspend. Consequently, high overtime spending necessitated a mid-year fund transfer, as costs pushed the Department beyond its budget for

wages; the potential for such fund transfers in future fiscal years represents a risk to the Plan.

Fire Department officials have cited various factors contributing to the considerable growth in overtime spending within the Department. These factors include: staffing special events, backfilling vacancies due to vacation, illness, training, injury, and employees placed on restricted or no duty due to results on a biennial exam.<sup>24</sup> In addition, recruiting and training new employees, especially EMS staff, is a lengthy and costly process which has led to chronic under-staffing.

While these factors are relevant to explaining the excessive overtime spending, Department management should make a concerted effort to control overtime spending by developing a detailed overtime reduction plan, and a comprehensive staffing plan that anticipates the needs of the Department to fill shifts without the excessive use of overtime. Planning for attrition should be a key part of that staffing plan, to ensure overtime costs do not again result in the City exceeding its overtime budget.

### Indemnities

General Fund indemnities are projected to stay relatively level throughout the life of the Plan, ranging between a low of \$48.8 to a high of \$49.2 million. Indemnity spending totaled \$45.3 million in FY2019.

<sup>24</sup> Fire Department Response to PICA Five Year Plan Questionnaire, April 2019.

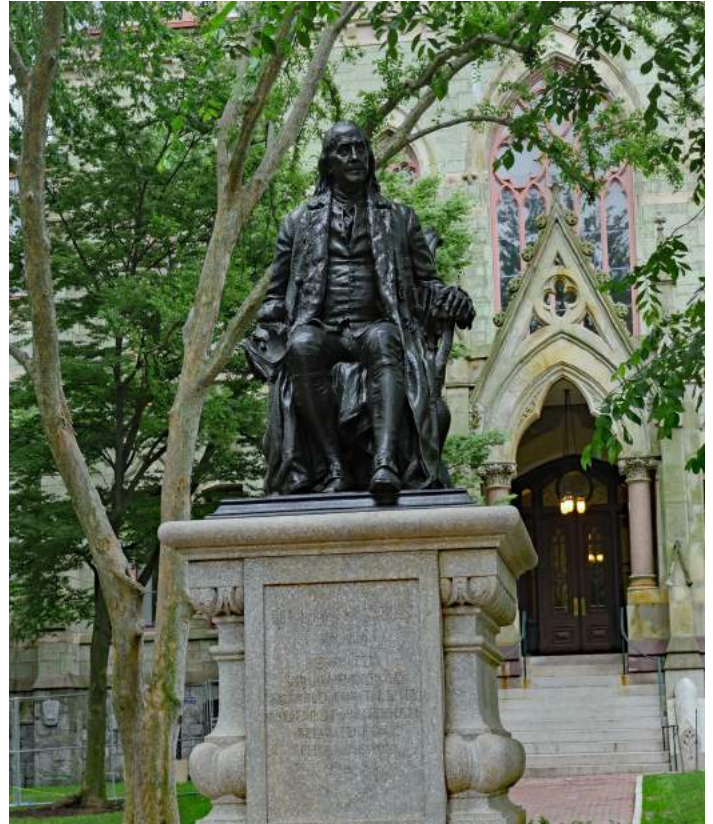
The two departments with the highest indemnity costs in FY2019 were Police (\$21.3 million) and Streets (\$14.9 million). Generally, these departments consistently account for the largest amount of indemnity spending each year. From FY2012 and FY2019, indemnities in the Police Department increased 28 percent, while those in Streets, increased 95 percent. This type of growth is not only unsustainable, but also reveals causes above and beyond inflation or even anomalies due to special circumstances or unusual litigation.

Of the \$21.3 million in Police indemnities in FY2019, \$18.0 million were attributable to civil rights abuses, while an additional \$1.5 million was expended for attorneys' fees related to civil rights abuses. Overall, of the total \$45.3 million in indemnity obligations in FY2019, \$19.5 million, or almost half of the overall cost for all City departments arose from civil rights abuses. In other words, with improved police training, a substantial portion of indemnities are avoidable.

Other departments accounting for significant amounts of indemnities are nonetheless far below the aforementioned levels, including: District Attorney (\$2.9 million) and Parks and Recreation (\$1.7 million). The remaining departments represent amounts below one million dollars.<sup>25</sup>

The Law Department manages cases involving indemnities by settling some claims, while strategizing which cases to litigate to conclusion, in order to limit costs more efficiently. PICA continues to advocate for a resolute, diligent cost-saving strategy to avoid the occurrence of incidents or conditions leading to indemnities.

The City should simultaneously strive to reduce indemnity spending, while also reasonably plan for potential contingencies. Moreover, because of the nature of this type of litigation, amounts incurred from indemnities related to special events may not become clear for several years to come. Therefore, the City should take this into account when projecting costs for future years.



### Budget Stabilization Reserve

This year's Plan notably makes contributions to the Budget Stabilization Reserve ("BSR") in each of its years. The BSR policy, the City's first ever policy establishing an official reserve, was enacted by City Council in April 2011. It was subsequently approved by voters during the November 2011 election, as an amendment to the Philadelphia Home Rule Charter.

The BSR requires that the City appropriate 0.75 percent of Unrestricted Local General Fund Revenues (unrestricted, locally-generated taxes and non-tax revenues) to the Reserve each year, when the projected General Fund balance for the upcoming fiscal year "equals or exceeds three percent (3%) of General Fund appropriations." In addition to this amount, any unencumbered balance remaining in the Reserve from the prior year, as well as investment earnings arising from those funds, must be rolled over into the Reserve for the upcoming year. Ultimately, total Reserve appropriations cannot exceed five percent of General Fund appropriations.

This Plan marks not only the first time a contribution will be made into the BSR since

<sup>24</sup> FY2019 indemnity amounts by operating department and by incident type provided by Office of Budget and Program Evaluation

its inception, but also the first Plan where such contributions are projected to be made in each fiscal year. Total projected contributions to the BSR over the Plan period are \$180.8 million. PICA has long advocated for this kind of contingency planning; it should be the City's goal to continue this effort and contribute to the BSR every year.

The risk to the Plan is that the BSR contributions are not realized as projected. In past Plans, where the City has projected contributions to the BSR, other contingencies have taken precedence. For example, the FY2015-FY2019 Plan submitted to PICA included a contribution to the BSR in its final year, amounting to \$24.6 million. However, there were two subsequent revisions to that Plan in August and September, due to new labor agreements and changes in pension related actuarial assumptions, which resulted in the City eliminating the projected BSR contribution.

Similarly, in the FY2016-FY2020 Proposed Plan, the City projected another BSR contribution in the final fiscal year, amounting to \$25.7 million; by the time the Plan was adopted by City Council, that contribution reached \$26.0 million. However, in the following year, the FY2017-FY2021 Plan was submitted to PICA without a BSR contribution included.

Another example of a foregone BSR contribution arose in FY2019, when the City realized a fund balance that was higher than originally projected, which also triggered a BSR contribution. Due to intricacies in the existing BSR legislation, City Council would have had to pass an amendment to allow a contribution to be made in that particular circumstance. Unfortunately, the legislation never passed, and the contribution to the BSR was not made as a result.

These examples reflect financial priorities that do not rank the BSR highly. This Plan, in particular, gives rise to concerns that pending labor costs for all unions beginning in FY2021 will result in more foregone BSR contributions in future years of the Plan. Although PICA is hopeful the contributions will occur as projected in each year of this Plan, projected contributions in previous Plans were either deferred or eliminated altogether.

The City should ensure that the projected contributions are made, and that the City continues to put money aside in the BSR every year thereafter.





## IV. SPENDING AND PERSONNEL STAFFING TRENDS

## IV. SPENDING AND PERSONNEL STAFFING TRENDS

This section discusses trends in General Fund spending and personnel levels by major category. The review of obligations covers actual spending from FY2015 to FY2018, estimated spending for FY2019, and projected spending for FY2020. Personnel trends from FY2015 to FY2019 are also discussed along with approved personnel levels for FY2020. The purpose of this section is to provide perspective on recent trends in costs and changes in budgetary priorities.

For purposes of the analysis, General Fund obligations are classified into three broad categories: Agency Functions, Employee Benefits, and Other Obligations. Agencies have been classified into nine functional categories. In FY2018, the City restructured certain departments and functions, therefore, for consistency and comparability purposes, we restated prior year obligations accordingly. Table 4.1 lists these three categories of obligations. The following section analyzes these obligations categories as a percentage of total obligations, while also considering rates of spending growth.

### General Fund Spending

Table 4.2 presents overall General Fund obligation trends from FY2015 to FY2020. Figures for FY2019 represent unaudited estimates, and figures for FY2020 represent spending projections listed in the City's Five Year Plan. The analysis considers spending trends from FY2015 to FY2019, the most recent years for which actual and estimated data are available, while looking ahead to projected spending for FY2020 where appropriate. Total General Fund obligations increased by 26.1 percent from FY2015 to FY2019, from \$3.831 billion to \$4.832 billion, at an average annual rate of 6.0 percent.

This represents a considerable increase in spending over the previous five-year period, in which spending increased by just 15.2 percent from FY2014 to FY2018, at an average annual increase of 3.2 percent. Furthermore, City obligations will exceed five billion dollars in FY2020 for the first



time in the City's history, having just crossed the four billion dollar threshold four years earlier, in FY2016. FY2020 obligations are projected at \$5.025 billion, a 4.0 percent increase over FY2019.

This increase in spending has been driven by marked increases in each of the three aforementioned spending categories: spending on Agency Functions increased by 21.1 percent from FY2015-FY2019, while Employee Benefits spending increased by 25.3 percent, and spending on Other Obligations increased by 47.4 percent. This growth in spending far outpaces the period from FY2014 to FY2018, when spending on Agency Functions increased by 13.4 percent, Employee Benefits by 9.1 percent, and Other Obligations by 13.3 percent.

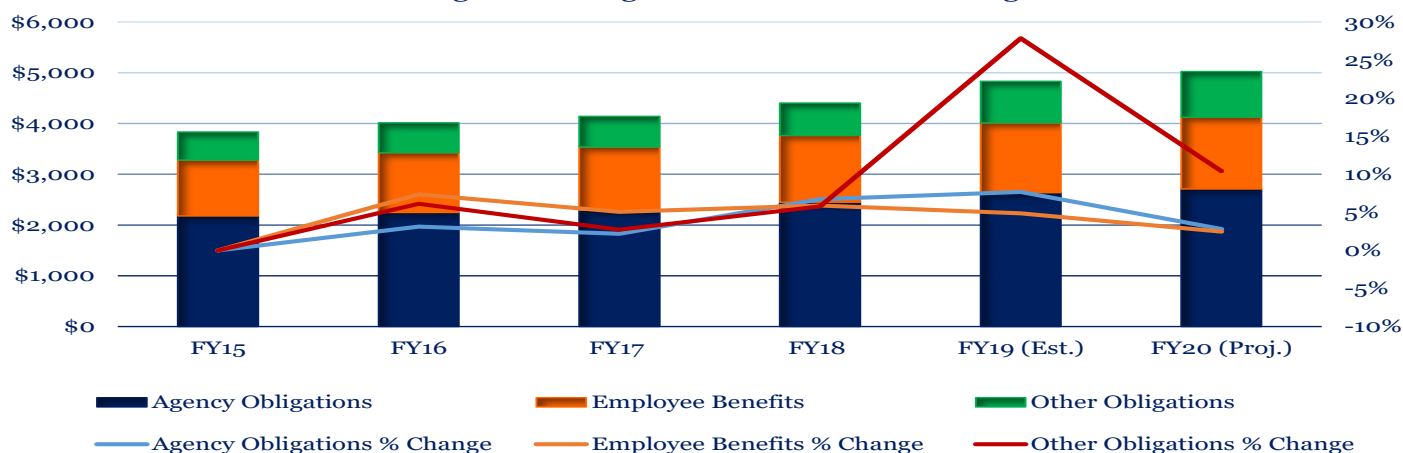
***Such growth in spending as a function of one additional year poses the question of whether revenues can keep pace with obligations in the coming fiscal years.***

Figure 4.1 illustrates costs by each obligation category, as well as the percentage change for each category from FY2015 to FY2020. Agency costs represented 56.8 percent of total General Fund obligations in FY2015, but decreased slightly to 54.6 percent by FY2019, and are projected

**Table 4.1: General Fund Obligation Categories**

Agency Function	Agencies Included	
<b>Public Safety</b>	Police Department	Fire Department
<b>Judicial and Corrections</b>	First Judicial District of PA Prisons Department Office of the District Attorney	Register of Wills Office of the Sheriff
<b>Health and Human Services</b>	Department of Human Services Office of Homeless Services <sup>1</sup> Department of Behavioral Health and Intellectual disAbility Services	Department of Public Health Commission on Human Relations Youth Commission <sup>2</sup>
<b>Regulation and Economic Development</b>	Department of Planning and Development <sup>3</sup> Office of Community Empowerment and Opportunity Department of Commerce Department of Licenses and Inspections	Office of the City Representative Office of Sustainability Board of Building Standards Board of Licenses and Inspections Review
<b>Arts, Culture, and Recreation</b>	Department of Parks and Recreation Office of Arts, Culture, and the Creative Economy Free Library of Philadelphia	Mural Arts Program Atwater Kent Museum
<b>Transportation and Sanitation</b>	Streets Department	
<b>Central Services</b>	Department of Public Property Office of Fleet Management	Office of Innovation and Technology <sup>4</sup>
<b>Governance and Administration</b>	Office of the Mayor City Council Office of the Chief Administrative Officer Office of the City Controller Office of the Managing Director <sup>5</sup> Office of the Director of Finance Board of Ethics Board of Revision of Taxes Office of the Philadelphia City Commissioners Department of Revenue	Office of the City Treasurer Civil Service Commission Office of the Inspector General Office of Labor Relations Law Department Office of Human Resources Procurement Department Office of Property Assessment Department of Records
<b>Education</b>	Mayor's Office of Education (Community Schools and Pre-K Programs)	
<b>Employee Benefits</b>		
Pensions <sup>6</sup> Health and Medical Employee Disability (Workers' Compensation) Social Security (FICA) Unemployment Compensation	Group Life Group Legal Tool Allowance Flex Cash Payments	
<b>Other Obligations</b>		
Sinking Fund Commission (Debt Service) Art Museum Subsidy PA Convention Center Subsidy School District Contribution Community College Subsidy SEPTA Subsidy Indemnities Space Rentals Utilities	Legal Services (Defender Association) Budget Stabilization Reserve Fund Provision for Future Labor Negotiations Provision for Potential Reduction in Federal Grants Refunds Witness Fees Hero Awards Mayor's Scholarships	
<sup>1</sup> Formerly Office of Supportive Housing <sup>2</sup> Ended operations 06/30/2016 <sup>3</sup> Formerly Mayor's Office of Planning and Development; as of FY2018, includes City Planning Commission, Historical Commission, Zoning Board of Adjustment, and Division of Housing and Community Development <sup>4</sup> Includes 911 Emergency Call Center <sup>5</sup> As of FY2017 includes Office of Transportation and Infrastructure Services/Utilities <sup>6</sup> Includes mandated pension fund payments, debt service on pension obligation bonds, pension relief payments from the sales tax, and additional payments from Plan 10 participants		

Figure 4.1: Obligations by Category (\$ in Millions);  
Obligations Categories Annual Percent Change



to decrease further, to 54 percent in FY2020. Figures 4.2 and 4.3 illustrate the costs associated with Agency Function categories from FY2015 to FY2019, along with the projected cost of each category in FY2020. Further analysis on cost trends within these categories is provided later in this section.<sup>1</sup>

Employee Benefits represented 28.7 percent of General Fund spending in FY2015 and decreased slightly, by two-tenths of a percentage point by FY2019. Benefits costs are projected to decrease further, to 28.1 percent of total obligations in FY2020, but the change—less than one percentage point over five years—means spending on Employee Benefits has remained relatively constant.

Other Obligations was the only obligations category to show any significant increase as a percent of total spending, growing from 14.5 percent in FY2015 to an estimated 16.9 percent in FY2019. Continued growth in spending within this category is projected for FY2020, to 17.9 percent of total obligations. The increase is primarily driven by the City's larger contribution to the School District of Philadelphia ("School District"), which was officially returned to local control from the School Reform Commission on July 1, 2018.

Thus, as the City's total obligations have increased from FY2015 to FY2019, spending on Agency Functions as a percent of total obligations has decreased, Employee Benefits spending has

remained consistent, and Other Obligations spending has increased over that period. Additionally, the growth in spending for each of these categories has not been proportional, as spending on Agency Functions and Employee Benefits have increased by an average of 4.9 percent and 5.8 percent per year, respectively, while spending on Other Obligations has grown at a rate of 10.2 percent per year.

#### General Fund Personnel Staffing

The number of City employees has exceeded the previous peak level, recorded before the Great Recession of 2008.

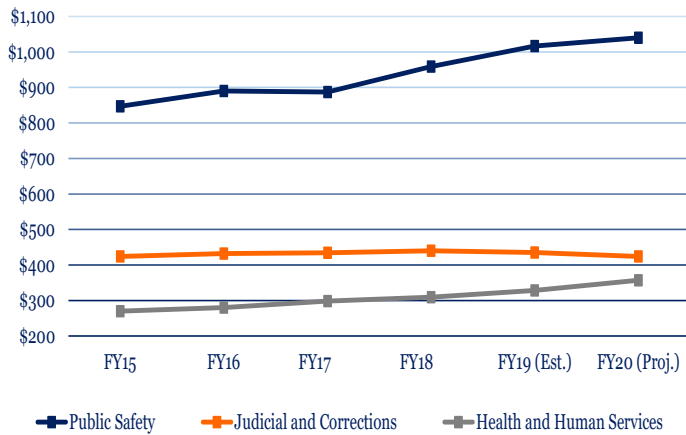
***FY2015 to FY2019, the City added 2,443 full-time positions, increasing the City's workforce by 11.6 percent over that period.***

The largest increase was in the Public Safety category, as it added 975 employees. Following Public Safety was Governance and Administration, which added 308 employees, then Transportation and Sanitation with 264 employees, and Health and Human Services with 247 employees.

In terms of the rates growth, Regulation and Economic Development led the Agency Function category, as it grew its workforce by 36.5 percent from FY2015 to FY2019. The next highest growth was in Education (20.0 percent), followed by Health and Human Services (19.7 percent), and then Governance and Administration (17.6 percent).

<sup>1</sup> Appendix A and B provide detailed information on General Fund spending and personnel staffing levels, by agency.

Figure 4.2: Obligations By Agency Function (\$ in Millions)



PICA has monitored rising City staffing levels over the past several years, as the City has attempted to balance overtime usage with additional hiring (see Section III discussion, “Overtime Costs”). It is notable that City staffing levels have exceeded previous pre-recession levels, and at 23,458, the total has reached the highest level in recent history. Although overtime spending appears to have leveled off, the PICA Board has recommended the City complete an analysis of staffing levels versus overtime to determine if the City has reached an optimum number of full-time employees. PICA is aware that, in some cases, overtime usage can be more cost effective than hiring, as savings may be achieved from avoiding additional pension and benefits costs associated with full-time employees.

Agency Obligations

**Public Safety.** In FY2015, Public Safety obligations totaled \$847.5 million, representing 38.9 percent of Agency Function spending and 22.1 percent of total obligations. In FY2019, both of these figures remained relatively flat, and are projected to nominally decrease in FY2020. It appears these decreases come as a result of increased investment in Health and Human Services and Governance and Administration.

**By FY2019, spending on Public Safety is estimated to reach \$1,017.3 million, the highest total of any Agency Function category, outpacing Judicial and Corrections, the next highest-spending category, by \$582.0 million.**

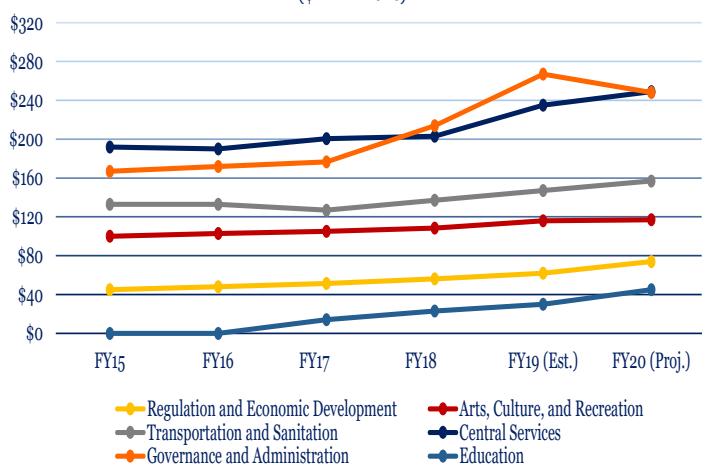
It is important to note that, in absolute figures, spending on Public Safety has increased by almost \$170 million from FY2015 to FY2019, with an overall growth of 20.0 percent, at an average annual increase of 4.7 percent. Costs are projected to increase by an additional 2.2 percent in FY2020.

The hiring and training of additional uniformed employees within the Fire Department is the primary factor driving spending growth in the Public Safety function, as wage increases and training costs have resulted in the highest increase in overtime spending of any city department in FY2019 (see Section III discussion, “Fire Department Overtime Costs”). These costs necessitated a mid-year fund transfer in FY2019 to bolster the Fire Department’s budget. Furthermore, the Department’s spending grew by almost 32 percent from FY2015 to FY2019, but is projected to decrease by 2.5 percent in FY2020.

Finally, necessary staffing increases within both the Police and Fire Departments have impacted spending over the last four fiscal years. The Police Department increased by 351 employees over that period, while the Fire Department added 624 employees, at an increase of five percent and 30 percent, respectively. In total, the City added 975 new Police and Fire Department employees, growing the Public Safety workforce by 10.8 percent.

**Judicial and Corrections.** General Fund Judicial and Corrections obligations were estimated to be \$435.4 million in FY2019, 16.5 percent of Agency Obligations and 9.0 percent of total obligations.

Figure 4.3: Obligations By Agency Function (\$ in Millions)



**Table 4.2: General Fund Spending by Obligation Category<sup>1</sup> (\$ in Millions)**

Obligations Category	Actual				Estimate	Projected
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Function<sup>2</sup></b>						
Public Safety	847.5	889.7	887.1	958.8	1,017.3	1,039.7
Judicial and Corrections	423.9	431.7	434.7	439.5	435.4	424.2
Health and Human Services	269.9	280.1	298.3	308.6	328.4	357.8
Regulation & Economic Development	44.9	48.0	51.4	56.3	62.1	73.5
Arts, Culture, and Recreation	100.2	102.8	105.2	109.4	116.1	117.4
Transportation and Sanitation	133.1	132.6	126.9	136.6	146.7	157.0
Central Services	191.6	189.5	200.5	203.1	235.2	248.5
Governance and Administration	166.7	172.1	176.7	213.8	266.6	247.9
Education	--	--	13.9	23.1	29.5	45.4
<b>Function Totals</b>	<b>\$2,177.8</b>	<b>\$2,246.4</b>	<b>\$2,294.8</b>	<b>\$2,449.2</b>	<b>\$2,637.4</b>	<b>\$2,711.4</b>
<b>Employee Benefits</b>						
Pension Payments	558.3	622.1	665.3	742.4	719.1	749.1
Health and Welfare	410.3	424.8	442.4	431.6	514.4	504.4
Disability/Workers' Compensation	57.3	60.3	56.2	56.0	61.8	69.8
Social Security	71.2	71.7	75.1	80.4	78.6	84.5
Unemployment Compensation	2.5	2.4	2.0	3.5	4.1	4.1
<b>Employee Benefits Totals</b>	<b>\$1,099.5</b>	<b>\$1,181.3</b>	<b>\$1,241.0</b>	<b>\$1,314.0</b>	<b>\$1,378.0</b>	<b>\$1,412.0</b>
<b>Other Obligations</b>						
Sinking Fund Commission (Debt Service)	238.4	224.7	238.4	265.5	295.0	296.7
Art Museum	2.6	2.6	2.6	2.6	2.6	2.6
PA Convention Center Subsidy	15.0	15.0	15.0	15.0	15.0	15.0
School District Contribution	69.1	104.2	104.3	104.3	185.8	222.5
Community College Subsidy	26.9	30.3	29.9	30.4	32.4	33.8
SEPTA Subsidy	70.4	74.2	79.7	81.9	84.6	87.6
Indemnities	37.3	40.3	38.3	44.6	48.8	49.2
Space Rentals	19.9	20.2	19.8	21.6	22.5	26.3
Utilities	31.4	31.6	29.3	24.6	25.0	27.4
Legal Services (Defender Association)	42.9	44.7	46.5	48.8	51.6	50.9
Provision for Future Labor Negotiations	--	--	--	0	0	0
Provision for Potential Reduction in Federal Grants	--	--	--	0	53.6	55.1
Budget Stabilization Reserve Fund	--	--	--	--	--	34.3
Miscellaneous <sup>3</sup>	0.3	0.3	0.3	0.3	0.6	0.6
<b>Other Obligations Totals</b>	<b>\$554.2</b>	<b>\$588.1</b>	<b>\$604.0</b>	<b>\$639.6</b>	<b>\$817.4</b>	<b>\$901.9</b>
<b>Spending Totals</b>	<b>\$3,831.5</b>	<b>\$4,015.8</b>	<b>\$4,139.8</b>	<b>\$4,402.9</b>	<b>\$4,832.7</b>	<b>\$5,025.3</b>

<sup>1</sup> Indemnities not included in function costs

<sup>2</sup> Please see Table 4.1 for definitions of agency functions; agency functions have been updated to reflect the FY2018 structure of City agencies for purposes of comparability

<sup>3</sup> Includes refunds, witness fees, Hero Awards, and Mayor's scholarships

Spending in this category rose by just 2.7 percent since FY2015, at an average rate of 0.7 percent per fiscal year. Spending within the category actually decreased by almost one percent from FY2018 to FY2019, and is projected to decrease by an additional 1.7 percent in FY2020.

Double-digit increases within the independent elected offices of the Sheriff ("Sheriff"), District Attorney ("DAO"), and Register of Wills over the four-year period were offset by a marginal increase of 1.9 percent within the Philadelphia Department of Prisons ("PDP"), and a decrease of seven percent within the First Judicial District of Pennsylvania ("FJD").

After years of spending increases at the PDP, costs declined by 2.9 percent from FY2018 to FY2019 and are projected to further decline in FY2020. The City's justice partners have managed to cut the prison population by nearly half while depopulating the aging House of Correction—the result of the City's successful participation in the MacArthur Foundation Safety and Justice Challenge, which has impacted PDP spending.<sup>2</sup>

Changes in staffing levels within Judicial and Corrections departments mirror trends in

<sup>2</sup> The City's justice partners include representatives from the Police Department, the Department of Prisons, the Offices of the District Attorney and Managing Director, and the First Judicial District.

spending, as those departments and offices that increased staffing saw the highest and fastest growth in spending, while those whose staffing levels decreased or remained largely constant, saw slower and reduced spending as a result.

From 2015 to 2019, the FJD reduced their total number of employees by 17 while the PDP added just 39, growth rates of -0.9 percent and 1.7 percent, respectively. Conversely, the DAO, Sheriff, and Register of Wills added 117, 111, and 6 employees, at rates of 32.2 percent, 37.1 percent, and 9.4 percent, respectively. The result was the aforementioned double-digit increases in the rates of spending amongst the latter three offices, while PDP spending remained largely constant (less than two percent increase) and the FJD managed to reduce their spending by more than seven percent.

*Health and Human Services.* General Fund obligations for Health and Human Services are estimated to total \$328.4 million in FY2019, representing 12.5 percent of total Agency spending and 6.8 percent of General Fund obligations. Every department in this category saw steady obligations growth since FY2015, with spending within the Department of Public Health (“DPH”) growing by the widest margin (\$26.7 million) and the Office of Homeless Services (“OHS”) at the highest rate (25.8 percent). Conversely, spending within the Department of Behavioral Health and Intellectual disAbility Services (“DBHIDs”) increased by just

\$3.1 million over that span, but is projected to decrease by \$1.2 million in FY2020.

A number of initiatives can be cited for the increase in spending within the Health and Human Services category. The departments in this group are tasked with tackling the ongoing opioid epidemic (DPH, DBHIDs) and the resulting homelessness (OHS), and youth issues (Department of Human Services “DHS”)—some of the current Administration’s most visible goals. Additionally, DPH has upgraded and renovated its district health centers, and OHS has invested in its Rapid Rehousing program to assist individuals and families experiencing homelessness throughout the City, while DHS has managed to reduce the dependent population and the time that dependents are in the Department’s care.

***All departments within the category have had to grapple with a blanket reduction in federal health and human services grants, forcing them to dig deeper into the City’s General Fund to continue providing services.***

It follows that to successfully implement the Administration’s initiatives to combat the opioid epidemic and homelessness, a considerable number of staff have been added to the category since FY2015. In line with spending trends, DPH has added 206 employees through FY2019, a 32.8



percent increase in staff, while DHS added 21 employees and OHS added 17 employees, increases of 4.8 percent and 12.1 percent, respectively. Every department in the category added at least some employees except DBHIDs, whose staff of 16 remained constant. Thus, Health and Human Services added 247 employees as a whole, third only to Public Safety and Governance and Administration in number of employees added, for a total increase of 19.7 percent.

*Regulation and Economic Development.* Obligations for the Regulation and Economic Development function are estimated to total \$62.1 million in FY2019, an increase of \$17.2 million from FY2015, or 38.4 percent. Despite the increase, spending totals represented just 2.4 percent of Agency Obligations and 1.3 percent of total General Fund obligations in FY2019.

Approximately \$7.4 million, or 43 percent of the increase in Regulation and Economic Development is a result of the addition of the Department of Planning and Development, which was created in FY2015 and is responsible for City Planning, affordable housing, historical preservation, and oversight of public art. The Department absorbed the Office of Housing and Community Development, the Historical Commission, the Zoning Board of Adjustment, and the City Planning Commission, and consequently, the obligations associated with those entities.

Other increases in obligations within the Regulation and Economic Development function were driven by increased spending within the

Department of Licenses and Inspections (“L&I”). To accommodate the City’s ongoing development boom, and to improve response time to complaints and violations, L&I has hired 103 new employees, increasing its workforce by 31.6 percent. L&I also opened two new satellite offices in FY2018.

***The Commerce Department, responsible for most of the economic development initiatives in the category, has seen its budget remain relatively flat since FY2015, but it is set to receive an increase in FY2020 to strengthen its neighborhood commercial corridor initiatives.***

Every department in the category increased its employee count over the past four fiscal years, and, as a result, the Regulation and Economic Development category has increased staff by 144 employees, or 36.5 percent. This increase is projected to continue; the City has approved an additional 66 full time positions for FY2020, which would bolster Regulation and Economic Development staff by another 12.2 percent.

*Arts, Culture, and Recreation.* Obligations for Arts, Culture, and Recreation are estimated to total \$116.1 million in FY2019, 4.4 percent of Agency Obligations, and 2.4 percent of total General Fund obligations, representing an increase of \$15.8 million, or 15.9 percent from FY2015. Each agency within the category saw spending increases of less than one million dollars over the four-year period except the Free Library of Philadelphia (“FLP”), whose obligations increased by two

**Table 4.3: General Fund Full-Time Positions by Function<sup>1</sup>**

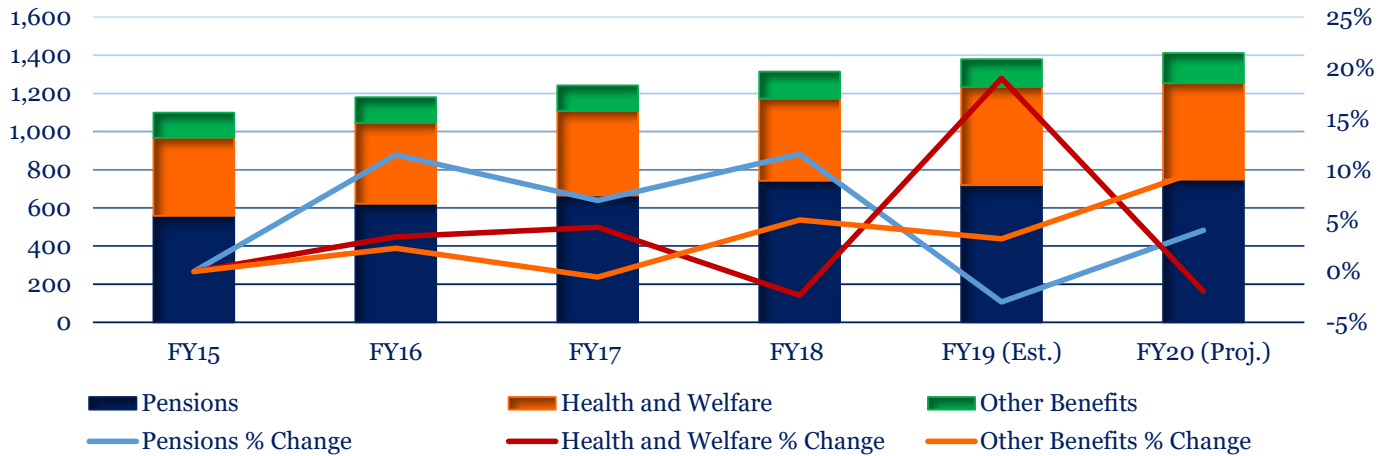
Function	Actual				Estimate	Adopted	Increases / (Decreases) FY2019 to FY2020 <sup>2</sup>
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	
Public Safety	9,068	9,347	9,221	9,584	10,043	10,147	104
Judicial and Corrections	4,979	4,973	5,103	5,034	5,159	5,021	(138)
Health and Human Services	1,254	1,239	1,261	1,358	1,501	1,494	(7)
Regulation and Economic Development	395	407	422	474	539	605	66
Arts, Culture, and Recreation	1,261	1,256	1,249	1,321	1,459	1,516	57
Transportation and Sanitation	1,648	1,676	1,687	1,700	1,912	1,982	70
Central Services	658	675	689	701	749	775	26
Governance and Administration	1,752	1,756	1,894	1,916	2,060	2,187	127
Education	--	--	30	32	36	47	11
<b>Full-Time Positions Totals</b>	<b>21,015</b>	<b>21,329</b>	<b>21,556</b>	<b>22,120</b>	<b>23,458</b>	<b>23,774</b>	<b>316</b>

Source: City of Philadelphia Five-Year Financial Plans

<sup>1</sup> Figures represent filled, full-time General Fund positions as of January 1 of each fiscal year

<sup>2</sup> For increases and decreases in full-time General Fund positions by department, see Appendix B

Figure 4.4: Benefits Costs by Category (\$ in Millions);  
Benefits Costs Annual Percent Change



million dollars, and the Department of Parks and Recreation (“DPR”), whose obligations increased by \$12.9 million.

After spending cuts were made to what were viewed as “non-essential” departments during the Great Recession of 2008 were restored in FY2015, spending increased for each of the departments from FY2015 to FY2019. While Mural Arts’ spending increased by 43.0 percent; this percentage represents an increase of just \$626,357. While DPR spending has increased by \$12.9 million over the same period; this figure represents just a 5.9 percent average increase in obligations.

Over the past year, the City has faced public criticism for failing to fully fund its library system, resulting in temporary closures due to staffing shortages. For FY2020, the City has committed an additional \$3.5 million from the General Fund, with the goal of alleviating the aforementioned issues and keeping neighborhood libraries open six days per week.

Each department in the category has added employees since FY2015, including FLP, which has added 52 employees, increasing its total workforce by 8.1 percent. FLP is second only to DPR, which has added 143 employees, at an increase of 23.6 percent. These two departments represent the bulk of the staff additions in the category which, as a whole, added 198 employees for a total increase of 15.7 percent—bringing the total for Arts, Culture, and Recreation to 1,459 employees.

*Transportation and Sanitation.* The Transportation and Sanitation function includes the Streets Department, comprised of its transportation and sanitation (disposal) divisions. The Mayor’s Office of Transportation and Infrastructure Services was moved to the Office of the Managing Director (“MDO”) during FY2017, in order to better implement the administration’s Vision Zero Strategy.<sup>3</sup>

Total General Fund obligations for Transportation and Sanitation are estimated at \$146.7 million for FY2019, 5.6 percent of agency spending and 3.0 percent of total obligations. From FY2015 to FY2019, Streets Department spending increased by \$13.6 million, or 10.2 percent. Some of this increase is associated with the addition of a second paving crew to address the general state of disrepair of Philadelphia’s street system.

***It is projected that 95 miles of street surface will be repaved in FY2019, resulting in a 238 percent increase in street paving productivity over the last five fiscal years as a result of the City’s investment.***

To achieve the Administration’s transportation goals, such as repaving, pothole repair, and Vision Zero, significant staff has been added to the Streets Department in recent fiscal years. From FY2015 to FY2019, 264 new employees have been added, with 212 of those employees added from FY2018

<sup>3</sup> Vision Zero is a data-driven action plan with the goal of reducing traffic-related deaths on Philadelphia streets to zero by 2030.



to FY2019. The additional staff has resulted in a 16 percent increase in the Streets Department’s workforce, with 70 additional full-time positions approved for FY2020.

*Central Services.* Central Services includes internal services that support the operation of other City departments, such as the Department of Public Property (“DPP”), which manages City properties, workspace, and utilities; the Office of Fleet Management (“OFM”), which maintains the City’s vehicle inventory; and the Office of Innovation and Technology (“OIT”), which manages the City’s internet and information systems and manages technological innovation projects and upgrades.

General Fund obligations for Central Services are estimated to total \$235.2 million in FY2019, representing 8.9 percent of agency spending and 4.9 percent of total obligations. After increasing by \$43.6 million from FY2015 to FY2019, or 22.8 percent, FY2020 obligations are estimated to increase by \$13.3 million, or an additional 5.7 percent over that one fiscal year.

Approximately \$23.5 million of the increased spending from FY2015 to FY2019 was due to the implementation of an upgraded citywide 911 service, an ongoing project within OIT that

features the use of a geographic information system (“GIS”) for high positional accuracy, and address and street network data for the routing of emergency response vehicles.<sup>4</sup> Thus, the bulk of Central Services’ spending increase was within OIT; spending within OFM has risen slightly, while remaining relatively level within DPP.

As with every other Agency Function category, staffing has increased over the four-year period from FY2015 to FY2019. OFM has added 42 new employees, for an increase of 15.9 percent; OIT has added 37 employees, for an increase of 14.5 percent; and DPP has added 12 employees, for an increase of 8.7 percent. In total, Central Services has added 91 employees, for an increase of 13.8 percent.

*Governance and Administration.* The Governance and Administration function includes leadership and legislative bodies, such as, the Office of the Mayor and Philadelphia City Council (“City Council”); administrative departments such as the Office of the Managing Director (“MDO”), the Office of the Director of Finance (“Finance”), the Office of the Chief Administrative Officer (“CAO”); and oversight agencies such as the Board of Ethics, and the Office of the Inspector General (“OIG”). The category also includes the highest number of total entities of any of the Agency Functions, at 19.

The high number of agencies suggests that governance and management of the City is a complex and varied task, ranging from protecting the City’s legal interests (Law Department), to creating bond issuances (City Treasurer) to managing the City’s finances and budget (Finance).

***In terms of spending and staffing levels, Governance and Administration represents some of the lowest totals in both regards, despite including the most departments and offices.***

Spending in this category is estimated to total \$266.6 million in FY2019, 10.1 percent of Agency Obligations and just 5.5 percent of total General Fund obligations. Obligations increased by a total of \$99.9 million from FY2015 to FY2019,

<sup>4</sup> These costs may be reimbursed through revenues from other funds.

with \$52.8 million of that increase coming from FY2018 to FY2019. Much of this increase is due to fluctuation in obligations within the Office of the Director of Finance; FY2017 obligations were \$14.5 million before increasing to \$47.0 million in FY2018, then jumping to an estimated \$74.6 million in FY2019. These fluctuations are the result of a deposit to the City's Housing Trust Fund flowing through the Office, and the estimated BSR deposit that did not occur in FY2019.

Other spending increases over the four-year period were minimal, ranging from an increase of \$17,000 within the Civil Service Commission, to an increase of \$14.9 million within MDO. Finance, MDO, CAO, Department of Revenue ("Revenue"), City Council, the Office of Property Assessment ("OPA"), the Office of Labor Relations ("Labor") and the Office of the Philadelphia City Commissioners ("City Commissioners") saw increases in spending of more than one million dollars from FY2015 to FY2019, with only CAO, Revenue, City Council, and OPA exceeding a two million dollar increase.

Despite the minimal increases in spending, the category added 308 new employees from FY2015 to FY2019, a 17.6 percent increase in its workforce. A large portion of that increase was in Revenue (131 employees), as the Department made concerted efforts to collect delinquent taxes and create efficiencies in revenue collection. The number of employees in Finance and Law decreased over this same period.

*Education.* The Education category was added to PICA's analysis in FY2017 with the creation of the Mayor's Office of Education. This Office is tasked with managing the pre-K and Community Schools programs, partnering with the newly formed Board of Education, and advancing key educational policy.

Spending in this category nearly doubled from FY2017 to FY2018, from \$13.9 million to \$23.2 million, and is estimated to double again from FY2019 to FY2020, to \$45.4 million. This increase in spending corresponds with the City's plan to incrementally add pre-K seats (5,500 by FY2023) and Community Schools (20 by 2020).

Additionally, the City declined to spend proceeds from the Philadelphia beverage tax before the favorable Supreme Court of Pennsylvania decision in June of 2018, upholding the legality of the tax.

Accordingly, the Office has added staff since its inception in FY2017. There were 30 employees at the outset, there are now 36 employees at the close of FY2019, and the Office is projected to add 11 more employees in FY2020, for a total of 47.

### Employee Benefits Obligations

Employee Benefits Obligations includes contributions from the City to support the employee health and welfare program (which includes Health and Medical, Life, Group Legal, Tool Allowance, and Flex Cash Payments), various employee pension plans, and other benefits such as unemployment compensation, disability and worker's compensation. Total benefits costs increased by \$278.4 million from FY2015 to FY2019, for a total increase of 25.3 percent, at an average annual growth rate of 5.8 percent. Figure 4.4 illustrates costs by each obligation category, as well as the percentage change for each category from FY2015 to FY2020.

Pension costs, the largest Employee Benefits expenditure by far, totaled \$719.8 million in FY2019, or 15.2 percent of total General Fund obligations.<sup>5</sup>

***Furthermore, pension costs increased by \$161.5 million from FY2015 to FY2019, the largest growth of any expenditure over that period.***

This is primarily due to increased payments the City has made to increase the funded ratio of the currently underfunded system to 80 percent by FY2030 (the funded ratio is currently 46.8 percent). These changes have resulted in the growth in pension spending of 28.9 percent from FY2015 to FY2019, at an average annual growth rate of 7.2 percent per year.

Spending associated with the City's health and welfare program has also increased over the same

<sup>5</sup> Pension costs include the General Fund's portion of the MMO, debt service on pension obligation bonds, and pension relief payments from the sales tax.

period, though at a lesser average annual rate than pension spending. Obligations increased from \$410.3 million in FY2015, to an estimated \$514.4 million in FY2019, an increase of \$104.1 million, or 25.4 percent, with an average annual increase of 6.3 percent. The City projects health and welfare spending to decrease to \$504.4 million in FY2020, by 2.4 percent. As the national average for healthcare cost increases hovered between three and five percent over that same period, it appears the City has not been able to keep pace with such increases, but is attempting to rein in healthcare costs in FY2020.

There have also been increases in Other Employee Benefits Obligations, such as Unemployment Compensation, Disability, and Social Security. The most stark increase has been in Unemployment Compensation, which, after declining in cost from FY2016 to FY2017, jumped by 77.3 percent in FY2018, and then increased by 16.8 percent in FY2019, for a total growth of 60.4 percent over the four-year period. This increase pushed total Other Employee Benefits costs to increase by 10.3 percent over the same period.

### Other Obligations

Other Obligations include subsidies and payments made to support non-City entities such as SEPTA, the Defender Association and the Art Museum; operational costs such as workspace rentals and utilities; certain provisions, or funds set aside by the City for various purposes, such as a potential reduction in federal grants; the City's Budget Stabilization Reserve, and Debt Service on outstanding bonds. The City also supports the School District, a cost that has increased since the District's return to local control from the state-appointed School Reform Commission on July 1, 2018 (see Section III discussion, "School District of Philadelphia Funding").

***The City's contribution to the School District was, by far, the highest and fastest growing obligation in the Other Obligations category.***

The contribution increased from \$69.1 million in FY2015 to \$185.8 million in FY2019, for an increase of 168.8 percent. The City projects the contribution to increase to \$222.5 million in FY2020, or by another 19.8 percent.

Most contributions in the Other Obligations category increased between FY2015 and FY2019, ranging from a \$56.6 million increase in debt service payments, to a \$7,000 increase in Hero Awards. Other contributions remained flat, such as the City subsidies paid to the Philadelphia Museum of Art (\$2.6 million) and the Pennsylvania Convention Center (\$15.0 million).

***The City managed to reduce utilities costs over the four-year period, from \$31.4 million in FY2015 to an estimated \$25.0 million in FY2019—a savings of \$6.4 million.***

As a whole, Other Obligations increased by \$263.2 million, or 47.5 percent from FY2015 to FY2019, increasing from 14.5 percent of total obligations to 16.9 percent. Again, that increase largely reflects the increased contribution to the School District. As the School District projects deficits in the later years of its five year plan, the City's contribution is also likely to increase.





**V. INDICATORS OF FINANCIAL HEALTH**

## V. INDICATORS OF FINANCIAL HEALTH

This section is designed to promote “efficient and accountable fiscal practices,” one of PICA’s core objectives as stated in the PICA Act, by presenting quantitative measures of the overall economic performance of Philadelphia and the financial performance of its government.

The quantitative measures discussed include four economic indicators: payroll employment, the unemployment rate, poverty, and median household income. Financial condition indicators include the General Fund year end fund balance, outstanding debt, and the funding status of the municipal pension system and other post-employment benefits. Multi-year trends are reported to allow an assessment of whether the indicator is improving or declining over time.

### Economic Indicators

*Payroll Employment.* Table 5.1 presents trends in payroll employment for the City, region, and nation since 2011. The City’s share of regional and national employment is also presented to indicate the extent to which the City’s employment basis is growing more or less rapidly than that of the region and nation. This data reflects payroll of Philadelphia-based business establishments. As such, it reflects earnings of Philadelphia workers, rather than just residents.

City employment increased to 724,400 in 2018, representing an increase of approximately 2.3 percent over 2017, and an almost 10 percent



increase from 2011. As Table 5.1 illustrates, this rate of increase has been broadly consistent with regional employment trends, as the City’s share of regional payroll employment has remained roughly constant since 2011. In contrast, national employment increased by 12.5 percent since 2011, therefore outpacing the City’s increase of 9.7 percent. As a result, the City’s share of national employment declined slightly from 0.500 percent in 2011 to 0.486 percent in 2018.

***It should be noted that the City’s employment figure has slightly outpaced the region and the nation, since 2016.***

**Table 5.1: Non-Farm Payroll Employment by Area**

Employment Area	2011	2012	2013	2014	2015	2016	2017	2018
City of Philadelphia	660,200	662,400	665,300	673,300	683,000	696,900	708,200	724,400
Region <sup>1</sup>	2,708,600	2,724,200	2,746,200	2,778,000	2,820,500	2,868,700	2,912,700	2,940,500
Nation	131,940,800	134,170,700	136,380,300	138,937,300	141,813,100	144,348,900	146,624,300	149,064,300
City as Percent of Region	24.4%	24.3%	24.2%	24.2%	24.2%	24.3%	24.3%	24.6%
City as Percent of Nation	0.500%	0.494%	0.488%	0.484%	0.482%	0.483%	0.483%	0.486%

Source: US Bureau of Labor Statistics and Metro Area Employment Hours and Earnings (City and Region) and Current Employment Statistics (Nation)

Note: Amounts are annual averages of seasonally adjusted monthly data

<sup>1</sup> Region is the Philadelphia-Camden-Wilmington PA-NJ-DE-MD metropolitan statistical area

**Table 5.2: Unemployment Rate by Employment Area**

Employment Area	2011	2012	2013	2014	2015	2016	2017	2018
City of Philadelphia	10.7%	10.9%	10.3%	8.1%	7.1%	6.8%	6.2%	5.6%
Region <sup>1</sup>	8.5%	8.4%	7.7%	6.2%	5.4%	5.1%	4.7%	4.2%
Nation	9.0%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%	3.9%
City as Percent of Region	126%	130%	134%	131%	131%	133%	132%	133%
City as Percent of Nation	119%	135%	139%	131%	134%	139%	141%	144%

Source: US Bureau of Labor Statistics Current Population Survey (Nation) and Local Area Unemployment Statistics (City and Region)  
Note: Amounts are annual averages of monthly data that are not seasonally adjusted  
<sup>1</sup> Region is the Philadelphia-Camden-Wilmington PA-NJ-DE-MD metropolitan statistical area

**Unemployment Rate.** Table 5.2 presents unemployment rates in the City, region, and nation since 2011. After peaking at 10.9 percent in 2012, the City unemployment rate in 2018 declined to 5.6 percent and has further declined to 4.7 percent as of March 2019, according to preliminary data.

During the Great Recession, the regional rate peaked at 8.8 percent in 2010 and has since declined to 4.2 percent. Similarly, the national rate peaked at 9.6 percent in 2010 and declined to 3.9 percent in 2018, as illustrated in Figure 5.1.

As is evident by Table 5.2, the City unemployment rate has been consistently higher than that of both the region and the nation over the past decade. In 2018, the City rate was approximately 44 percent higher than the national rate and 33 percent higher than the regional rate, a slight increase over 2017 figures.

**Poverty Rate.** Table 5.3 presents trends in the poverty rate in the City, state, and nation. As the economy has recovered since the Great Recession, the City's poverty rate has decreased slightly. The rate peaked at 28.4 percent in 2011 and has declined to approximately 25.7 percent, representing a 9.5 percent decrease. However, this rate has not changed since 2016, while the poverty rates for the state and nation continue to decline.

***As such, among the ten biggest US cities by population, Philadelphia continues to have the highest rate of citizens living in poverty.<sup>1</sup>***

As illustrated in Figure 5.2, the state and national poverty rates have been steadily declining since they reached their peak in 2011. The City's poverty rate relative to the state and nation was improving between 2011 and 2014, however that trend has reversed, and the City's poverty rate is now

<sup>1</sup> City of Philadelphia's Proposed FY2020-FY2024 Five Year Financial and Strategic Plan, March 2019.

**Table 5.3: Poverty Rate and Median Household Income: Philadelphia, Pennsylvania, and Nation**

Component	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Poverty Rate (Percent)</b>										
City	24.1%	25.0%	26.7%	28.4%	26.9%	26.3%	26.0%	25.8%	25.7%	25.7%
State	12.1%	12.5%	13.4%	13.8%	13.7%	13.7%	13.6%	13.2%	12.9%	12.5%
United States	13.2%	14.3%	15.3%	15.9%	15.9%	15.8%	15.5%	14.7%	14.0%	13.4%
City as Percent of State	199.2%	200.0%	199.3%	205.8%	196.4%	192.0%	191.2%	195.5%	199.2%	205.6%
City as Percent of US	182.6%	174.8%	174.5%	178.6%	169.2%	166.5%	167.7%	175.5%	183.6%	191.8%
<b>Median Household Income (\$)</b>										
City	\$36,976	\$37,045	\$34,400	\$34,207	\$35,386	\$36,836	\$39,043	\$41,233	\$41,449	\$39,759
State	\$50,713	\$49,520	\$49,288	\$50,228	\$51,230	\$52,007	\$53,234	\$55,702	\$56,907	\$59,195
United States	\$52,029	\$50,221	\$50,046	\$50,502	\$51,371	\$52,250	\$53,657	\$55,775	\$57,617	\$60,336
City as Percent of State	72.9%	74.8%	69.8%	68.1%	69.1%	70.8%	73.3%	74.0%	72.8%	67.2%
City as Percent of US	71.1%	73.8%	68.7%	67.7%	68.9%	70.5%	72.8%	73.9%	71.9%	65.9%

Source: American Community Survey, one-year estimates

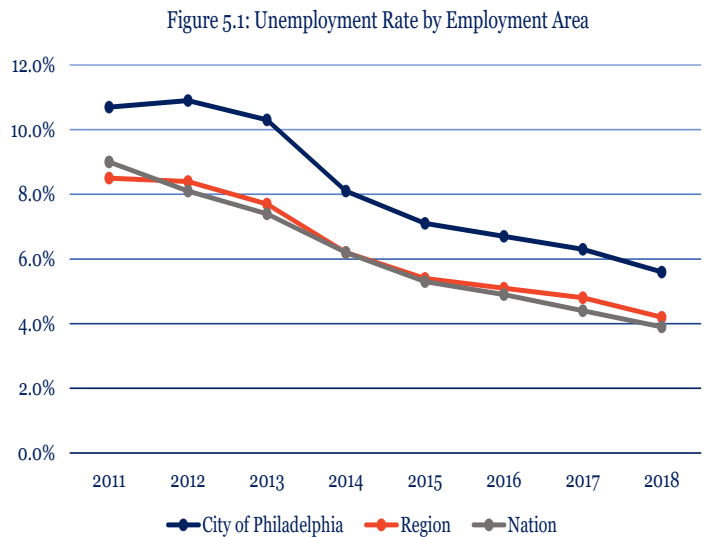
105.6 percent higher than the state rate (where it was in 2011) and 91.8 percent higher than the national rate (the highest point this decade).

**Median Household Income.** Table 5.3 presents median household income for the City, state and nation. The City’s median household income in 2017 was \$39,759, representing a 4.1 percent drop from the high of \$41,449 reached in 2016. Alternatively, the state and nation experienced an increase of 4.0 and 4.7 percent, respectively, in median income from 2016, continuing their ascent. As such, the City’s income level gap between the state and nation increased to over 32 percent, from 26 percent as recently as 2015.

**Financial Indicators**

**Fund Balance.** The Plan and budget reflect the budgetary basis of accounting. Table 5.4 presents trends in the General Fund year end fund balance on the budgetary basis, dating back to pre-recession figures. The year end fund balance has been positive in each year with the exception of FY2009 and FY2010, the two years coinciding with the Great Recession.

In FY2018, the most recent year with audited financial statements, the year end fund balance



was \$368.8 million, 8.4 percent of General Fund obligations. This represented \$140.3 million more than the projected \$228.5 million in the FY2019-2023 Plan and signified the first time the City met its internal target for fund balance, between 6 and 8 percent of obligations.

***For FY2019, the year end fund balance is estimated at approximately \$297.7 million, or 6.2 percent of obligations. This estimate should be viewed in context, along with the federal funding reserve the City has also set aside for that year, amounting to \$53.6 million.***

Fiscal Year	General Fund Balance	Total Obligations	Percent of Obligations
2007	\$297.9	\$3,736.7	8.0%
2008	119.5	3,919.9	3.0
2009	(137.2)	3,915.3	-3.5
2010	(114.0)	3,653.7	-3.1
2011	-	3,785.3	0.0
2012	146.8	3,484.9	4.2
2013	256.9	3,613.3	7.1
2014	202.1	3,886.6	5.2
2015	151.5	3,831.5	4.0
2016	148.3	4,015.8	3.7
2017	189.2	4,139.8	4.6
2018	368.8	4,402.9	8.4
2019 (estimate)	\$297.7	\$4,832.7	6.2%

Source: City of Philadelphia’s Comprehensive Annual Financial Report, General Fund Budgetary Comparison Schedule for the Fiscal Year Ended June 30

Fund balances since FY2008 have been modest relative to obligations, until FY2018. The highest level until FY2018 was the FY2013 fund balance of approximately \$257 million, or 7.1 percent of obligations. However, the fund balance in that year was bolstered significantly due to a delay in settling labor contracts with the City’s major unions. After FY2013, the General Fund balances dipped lower, as they have reflected the impact of settled labor contracts and a return to annual wage increases for employees since the recession.

Despite the recent larger fund balance in FY2018, and despite the higher fund balances in this Plan, which trigger contributions to the Budget Stabilization Reserve in each fiscal year, fund balances remain below GFOA recommendations. As mentioned previously, the City has established an internal target fund balance of 6 to 8 percent of obligations. The City is poised to meet this goal

<b>Table 5.5: Debt Indicators, City and School District of Philadelphia</b>								
<b>Debt Category</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
<b>Debt Outstanding (\$ in Millions)</b>								
City Pension-Related	1,407.3	1,379.3	1,594.6	1,421.2	1,363.0	1,297.3	1,227.0	1,152.1
City-Other	2,927.3	2,804.4	2,714.1	2,872.8	2,716.3	2,744.6	2,572.2	2,965.6
School District	3,089.3	3,248.1	3,429.7	3,305.4	3,223.9	3,101.9	3,218.2	3,350.7
<b>Total Debt Outstanding</b>	<b>\$7,423.9</b>	<b>\$7,431.8</b>	<b>\$7,738.4</b>	<b>\$7,599.4</b>	<b>\$7,303.2</b>	<b>\$7,143.8</b>	<b>\$7,017.4</b>	<b>\$7,468.4</b>
<b>Debt Per Capita (\$)</b>								
City	2,817.3	2,703.3	2,774.1	2,752.0	2,602.5	2,578.0	2,403.2	NA
School District	2,007.9	2,098.8	2,208.2	2,118.4	2,056.8	1,978.8	2,035.7	NA
<b>Total Debt Per Capita</b>	<b>\$4,825.2</b>	<b>\$4,802.2</b>	<b>\$4,982.3</b>	<b>\$4,870.5</b>	<b>\$4,659.3</b>	<b>\$4,556.8</b>	<b>\$4,439.0</b>	<b>NA</b>
<b>Debt as Percent of Personal Income</b>								
City	6.9	6.5	6.6	6.5	5.2	5.0	4.3	NA
School District	4.9	5.1	5.2	5.0	4.1	3.8	3.7	NA
<b>Total Debt as Percent of Personal Income</b>	<b>11.9%</b>	<b>11.6%</b>	<b>11.8%</b>	<b>11.4%</b>	<b>9.4%</b>	<b>8.8%</b>	<b>8.0%</b>	<b>NA</b>
<b>City Debt Service as Percent of General Fund Obligations</b>								
Pension-Related Debt	3.0	3.0	5.6	5.6	2.9	2.8	2.7	2.6
Other	6.1	5.9	6.0	5.7	6.4	5.7	5.9	6.2
<b>Total City Debt Service as Percent of General Fund Obligations</b>	<b>9.1%</b>	<b>8.9%</b>	<b>11.5%</b>	<b>11.3%</b>	<b>9.3%</b>	<b>8.5%</b>	<b>8.6%</b>	<b>8.7%</b>
<b>Population<sup>1</sup></b>	1,538,567	1,547,607	1,553,165	1,560,297	1,567,442	1,567,872	1,580,863	NA
<b>Personal Income (\$ in Millions)<sup>1</sup></b>	\$62,633	\$64,152	\$65,473	\$66,495	\$77,904	\$80,973	88,081	NA
<small>Notes:  Measures of City indebtedness include only debt related to governmental activities  City pension-related debt includes pension obligation bonds issued by the Philadelphia Authority for Industrial Development ("PAID") in 1999, and two series of PAID bonds issued in 2012 to refund a portion of the 1999 pension obligation bonds, and to finance payment of deferred pension contributions  Debt Service as a percent of General Fund obligations uses a measure of obligations that excludes Department of Human Services ("DHS") obligations to ensure comparability over time  DHS funded obligations were recognized in the Grants Revenue Fund beginning in FY2012  NA: Not Available  <sup>1</sup>City of Philadelphia Comprehensive Annual Financial Report for Fiscal Year 2018</small>								

several times over this Plan period, while also setting aside significant reserves for labor and possible federal funding cuts.

***With higher fund balances, the City would be able to address many of its greatest financial challenges, including the inadequately funded pension system, outdated infrastructure, and high tax rates.***

**Outstanding Debt.** The level of outstanding debt is an important measure of financial flexibility, as well as an indication of the level of investment in capital infrastructure. Table 5.5 presents total debt outstanding from FY2011 to FY2018. Amounts include City and School District debt (which are separate) related to governmental activities only. Debt related to business type activities, such as the City's water system and airports is excluded.

Total City and School District debt outstanding increased from \$7.4 billion in FY2011 to a high of \$7.7 billion in FY2013. Thereafter, it decreased to \$7.0 billion in FY2017, and then spiked to 7.5 billion in FY2018, which is partly attributable to a new lease agreement for the new Police headquarters. A substantial portion of outstanding debt relates to the City pension system. In 1999, the City issued bonds to reduce the unfunded liability of the pension system. In 2012, a portion of these bonds were refunded. At the end of FY2018, \$1.2 billion in pension-related debt remained outstanding, accounting for 15.4 percent of total City and School District debt.

City and School District debt per capita was \$4,439.0 in FY2017, representing a 10.9 percent decrease from the high of \$4,982 at FY2013. The decline is primarily due to an increase in personal income of approximately 34.5 percent

**Table 5.6: Pension System Funding Status (\$ in Millions)**

Component	2011	2012	2013	2014	2015	2016	2017	2018
Actuarial Value of Assets	\$4,719.1	\$4,716.8	\$4,799.3	\$4,814.9	\$4,863.4	\$4,936.0	\$5,108.6	\$5,397.4
Actuarial Liability	\$9,487.5	\$9,799.9	\$10,126.2	\$10,521.8	\$10,800.4	\$11,024.8	\$11,275.7	\$11,521.0
Unfunded Actuarial Accrued Liability (“UAAL”)	\$4,768.4	\$5,083.1	\$5,326.9	\$5,706.9	\$5,937.0	\$6,088.8	\$6,167.1	\$6,123.5
Actuarial Funded Ratio	49.7%	48.1%	47.4%	45.8%	45.0%	44.8%	45.3%	46.8%
Covered Payroll	\$1,371.3	\$1,372.2	\$1,429.7	\$1,495.4	\$1,597.8	\$1,676.5	\$1,744.7	\$1,805.4
UAAL as a Percent of Covered Payroll	347.7%	370.4%	372.6%	381.6%	371.6%	363.2%	353.5%	339.2%
City Funding Policy	\$715.5	\$722.5	\$738.0	\$823.9	\$798.0	\$846.2	\$881.4	\$871.8
Minimum Municipal Obligation (MMO) <sup>1</sup>	\$511.0	\$507.0	\$492.0	\$523.4	\$556.0	\$598.5	\$629.6	\$661.3
Revenue Recognition Policy (“RRP”)	--	--	--	--	--	--	--	\$662.1
Amount paid	\$470.2	\$555.7	\$781.8	\$553.2	\$577.2	\$660.2	\$706.2	\$782.0
Percentage of City Funding Policy Paid	65.7%	76.9%	105.9%	67.1%	72.3%	78.0%	80.1%	89.7%
Percentage of MMO Paid	92.0%	109.6%	158.9%	105.7%	103.8%	110.3%	112.2%	118.3%
Percentage of RRP Paid	--	--	--	--	--	--	--	118.1%

Source: City of Philadelphia Municipal Retirement System Actuarial Valuation Reports; City of Philadelphia Fiscal Year 2018 Comprehensive Annual Financial Report  
<sup>1</sup>Minimum Municipal Obligation shown is prior to deferred amounts in FY2011; amount paid includes repayment of deferred amounts in FY2013

from FY2013 levels. Local government debt as a percentage of personal income declined from 11.9 percent in FY2011, to 8.0 percent in FY2017. General Fund debt service payments have decreased slightly as a percentage of General Fund obligations. Total debt service, including debt service on pension-related debt, decreased from 9.1 percent to 8.7 percent of General Fund obligations from FY2011 to FY2018.

**Bond Ratings:** Improving credit ratings is important to reducing the City’s cost of borrowing and maintaining its access to the credit markets. The City has gradually enhanced its access to the credit markets since the inception of PICA.

The City maintains an “A” category rating for its General Obligation debt from all three major rating agencies as follows: “A2” from Moody’s Investor Service; “A” from Standard & Poor’s; and “A-” from Fitch. In 2016, the outlook for the City’s General Obligation bonds was changed from stable to negative by both Moody’s Investor Service and Standard & Poor’s. This means that the rating agencies decided to closely monitor the City’s fiscal health for signs of improvement or deterioration.<sup>2</sup>

In FY2018, S&P downgraded the City from “A+” to an “A” rating; while Moody’s upgraded its “negative outlook” to “stable.” S&P’s main concerns included the pension liability and funding for the School District. On the other hand, Moody’s rationale cited a diverse tax base and revenue performance that exceeds budget projections.<sup>3</sup> Meanwhile, in its 2019 rating, Fitch revised its outlook from “stable” to “positive.”

***Fitch stated that PICA’s oversight role “provides further assurance the city would quickly address potential imbalances caused by economic downturns.”***

The report continued: “Philadelphia has an extensive statutory and policy-based framework for timely and proactive budget management throughout the economic cycle, revolving around PICA’s reporting and certification requirements.”<sup>4</sup>

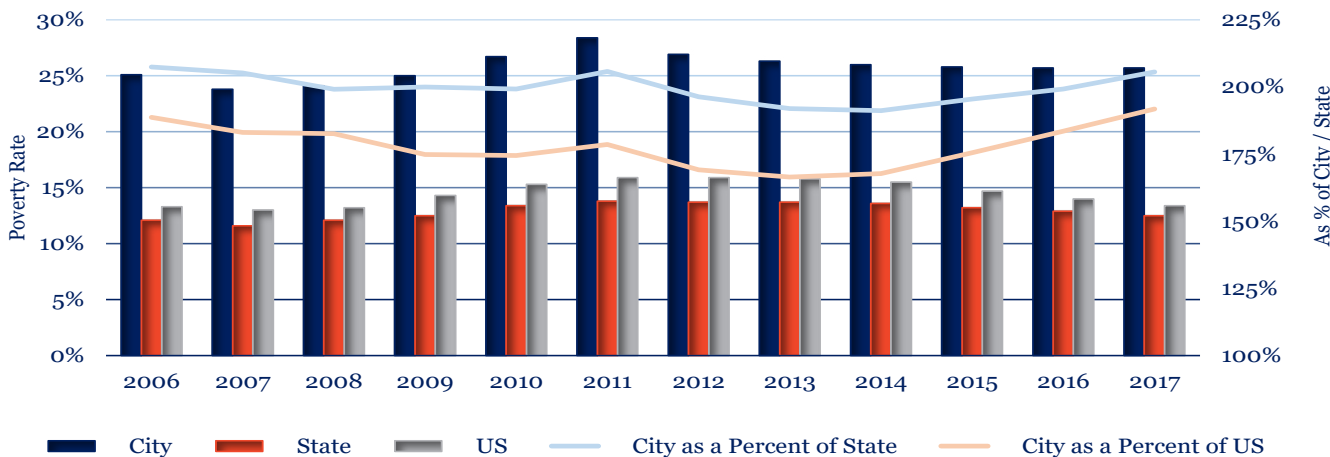
The City is faced with several significant financial challenges that the rating agencies have historically flagged, including pension funding, low fund balances, high poverty rate, and School

<sup>2</sup> City of Philadelphia’s *Five Year Financial and Strategic Plan for Fiscal Years 2019-2023*, March 1, 2018.

<sup>3</sup> City of Philadelphia, *Five-Year Financial and Strategic Plan for Fiscal Years 2020-2024*, City of Philadelphia, as proposed March 7, 2019, p. 47.

<sup>4</sup>“Fitch Rates Philadelphia, PA’s GOs ‘A-’; Outlook Revised to Positive.” *Fitch Ratings*. 19 Apr., 2019.

Figure 5.2: Poverty Rate: Philadelphia, Pennsylvania, and Nation



District funding challenges. The City’s ratings are relatively weak and rank the second lowest among the 20 largest cities (behind Chicago) as of December 2017.<sup>5</sup>

Ultimately, the City continues to save on the cost of borrowing thanks to its current credit ratings, as the difference between A and BBB borrowing rates as of February 2019 was 0.37 percent.<sup>6</sup> It is crucial that the City maintain A ratings so that it can continue to improve its infrastructure and finance capital projects on a sustainable basis.

*Pension Funding Status.* The funded status of the City’s Municipal Retirement System (“MRS”) is one of the most critical financial challenges facing the City. Risks related to pension funding are also described in Section III. Table 5.6 presents a multi-year trend in the primary indicators of

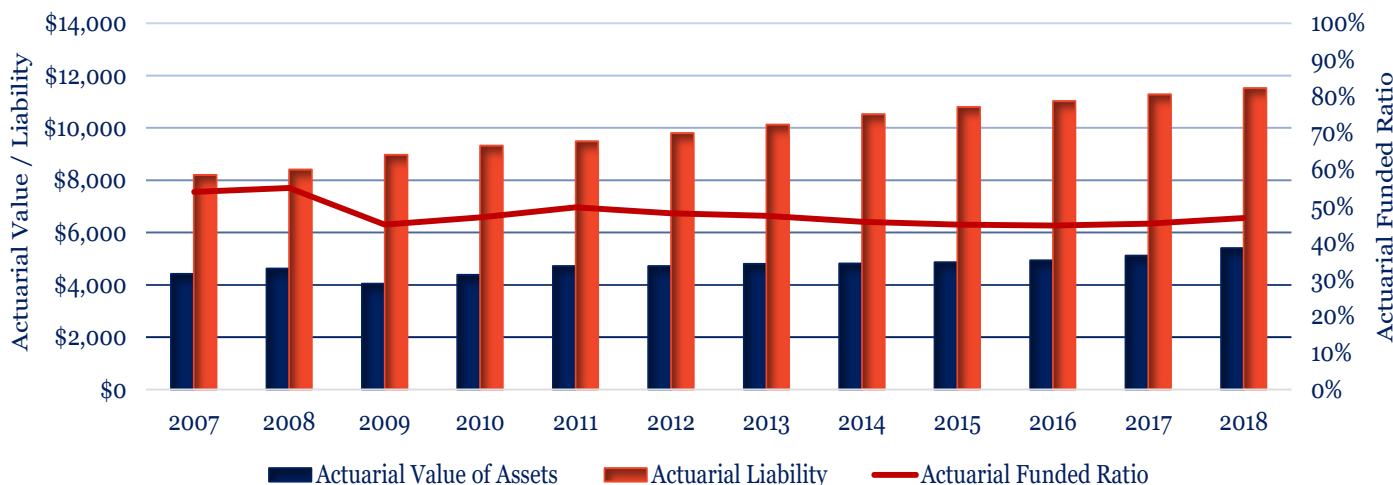
<sup>5</sup> FY2020-FY2024 Five-Year Plan, p. 47.  
<sup>6</sup> FY2020-FY2024 Five-Year Plan, p. 47.

pension funding status. These measures are drawn from the annual actuarial valuation reports and City Comprehensive Annual Financial Reports (“CAFR”).

The City’s funding is determined by state law, which mandates that the City annually contribute a Minimum Municipal Obligation (“MMO”) to the pension fund. The MMO includes costs accrued during the year as a result of services provided by current employees, and an amortization payment sufficient to amortize the unfunded liability of the MRS over a defined period, as determined by an actuarial valuation.

The MMO is calculated by the consulting actuary of the Board of Pensions and Retirement. The actuary’s calculation is based on a number of key demographic and economic assumptions, many of which are based on experience. The assumptions

Figure 5.3: Pension System Funding Status (\$ in Millions)



address returns of pension fund investments, timing of retirement, salary growth, mortality and disability rates, among other factors.

Based on these assumptions and standard actuarial methods, the actuary calculates, as of June 30 of each year, the value of assets, liabilities, funded ratio, and MMO contribution, as well as the level of the City Funding Policy, and most recently the Revenue Recognition Policy (“RRP”).

The City Funding Policy is calculated based on shorter amortization periods than the MMO of: 1) the unfunded liability as of FY1986; and 2) the investment losses of 2001 and 2002. The City Funding Policy, therefore, has been higher than the MMO in recent years.

The RRP is calculated to determine dedicated supplemental revenues, above the MMO, which are then allocated with the goal of lowering the unfunded liability. Sources of supplemental revenue include a portion of the sales tax, collected above the School District share of the tax, and tiered and additional employee contributions to the pension fund.

Since FY2011, the actuarial value of assets of MRS has increased from \$4.719 billion to \$5.397 billion, as illustrated in Figure 5.3. Over the same period, the actuarial liability has increased from \$9.487 billion to \$11.521 billion. The funded ratio of the system has declined from 49.7 to a low of 44.8 percent, and currently stands at 46.8 percent. The unfunded liability has decreased from 347 to 339 percent of covered payroll.

***The most troubling aspect of these trends is that, despite the state law mandating the gradual reduction of the unfunded liability of the system through the MMO amortization payment, the actual funded ratio of the system has declined over the past decade.***

This decline reflects, in part, the adoption of more conservative actuarial assumptions with respect to the rate of return on investments. It also reflects actual investment returns that have often been below the assumed rate. In particular, the large

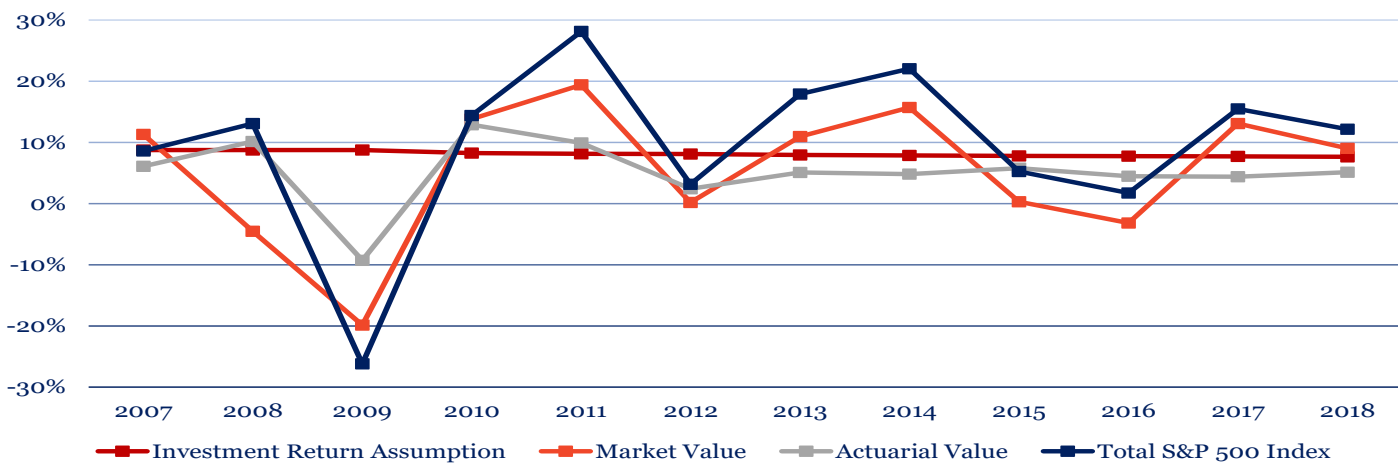


investment losses of 2008 and 2009 resulted in returns on market value of assets well below the assumed rate of return.

In FY2018, returns on market value of assets were 9.01 percent, as of the Actuarial Valuation in April 2019, however, the actuarial value of assets was 5.11 percent. The actuarial value of assets is a reflection of the effect of smoothing gains and losses over a ten year period (see Section III discussion, “Pension Funding”).

With returns reaching a low point of -3.17 percent in FY2016 (as shown in Figure 5.4), compounding losses from the previous year’s 0.29 percent return, this trend in investment performance may point to a past vulnerability in the asset allocation, during what has been widely viewed as a robust market period. Furthermore, the investment losses from these returns are smoothed over a 10-year period, which in part accounts for an actuarial value of assets that is well below the market value for the fiscal year, as well as the assumed rate of return.

Despite the positive FY2017 and FY2018 returns of 13.08 and 9.01 percent, respectively; in light of the returns from the past several years, as well as the unfunded liability, a continued re-evaluation of the investment portfolio is prudent. In recent years, the pension system has divested from hedge funds

Figure 5.4: Pension System  
Annual Rates of Return

and has started to move into index funds. The Board of Pensions also continues its commitment to reduce the expected return on investments.

In FY2018, the expected return on investments was lowered to 7.65 percent, which has since been reduced to 7.55 percent for FY2021. These efforts, which move the assumptions in a more conservative direction, will reduce the risk that contributions will continue their unpredictable growth. In addition, they will increase the probability that the RRP funding levels will increase the funded ratio of the MRS over time.

Table 5.6 also presents the City Funding Policy as reported in the City's CAFR. The Annual Required Contribution ("ARC") is defined as a payment sufficient to pay system normal costs and amortize any unfunded liabilities over a period not to exceed 30 years. The MMO qualifies as an appropriate measure of the ARC, but the MMO has historically

been below the City Funding Policy, due to the different amortization methods explained previously. The City's actual contributions since 2003 have been based on the MMO rather than the City Funding Policy, pursuant to state Act 205. Accordingly, the actual contributions have been below the City Funding Policy in most years.

As shown in Table 5.6, the City's new RRP still bases payments on the MMO but dedicates supplemental revenues, described earlier in this section, over and above MMO amounts. Basing payments on the lower MMO amount, in lieu of the City Funding Policy, may reflect that the City is unable to make the higher payments. However, the recently implemented RRP, shows the City's ability to contribute higher amounts to the pension fund going forward, which could be viewed as a positive indicator of the City's financial health.

Table 5.7: Other Post-Employment Benefits (OPEB) Funding Status (\$ in Millions)

Component	2011	2012	2013	2014	2015	2016	2017
Actuarial Value of Assets	--	--	--	--	--	--	--
Actuarial Accrued Liability	\$1,212.5	\$1,511.9	\$1,703.6	\$1,732.1	\$1,772.6	\$1,936.6	\$1,861.6
Net OPEB Liability <sup>1</sup>	\$1,212.5	\$1,511.9	\$1,703.6	\$1,732.1	\$1,772.6	\$1,936.6	\$1,861.6
Actuarial Funded Ratio	0%	0%	0%	0%	0%	0%	0%
Covered Payroll	\$1,469.2	\$1,371.6	\$1,416.9	\$1,495.1	\$1,544.5	\$1,676.5	\$1,864.8
Net OPEB Liability as a Percent of Covered Payroll	82.5%	110.2%	120.2%	115.9%	114.8%	115.5%	99.8%
Annual OPEB Cost	\$101.7	\$105.8	\$114.4	\$129.3	\$133.1	\$137.4	\$141.5
Payments Made	\$65.5	\$76.3	\$57.1	\$67.1	\$95.3	\$107.2	\$114.8
Percentage of OPEB Cost Paid	64.4%	72.1%	49.9%	51.9%	71.6%	78.0%	81.1%

Source: City of Philadelphia Fiscal Year 2018 Comprehensive Annual Financial Report

<sup>1</sup> Formerly referred to as the "Unfunded Actuarial Accrued Liability (UAAL)". Under GASB Statement No. 75, effective in FY2018, this liability will be known as the "Net OPEB Liability"

In the most recent year, actual contributions, although higher than the MMO, were only 90 percent of the City Funding Policy. Nonetheless, this is a significant increase over the previous year, where the actual contribution was 80 percent of the City Funding Policy.

***In addition to lowering the assumed rate of return on investments and increasing contributions through the establishment of the RRP, the City has made other significant reforms to plan design and employee contributions, which will bolster the health of the pension fund in the long-term.***

The City has implemented a stacked hybrid pension plan called Plan 16, which is mandatory for all newly-hired exempt and non-represented employees (except elected officials) and members of DC33, DC47, Deputy Sheriffs, and Register of Wills. Additionally, all current union, exempt employees, non-represented employees, and elected officials are required to make increased contributions.

Based on these reforms and initiatives, the City has set the goal of reaching an 80 percent funded ratio by FY2030 and 100 percent funded ratio, by FY2033. A recent report by the Pew Charitable Trusts examined the City's efforts to reach this goal and concluded that the City is on the right path to achieving it; with the caveat that the City would have to meet all of its demographic and actuarial assumptions and stay the course in making increased payments to the pension fund for at least 15 years. The Pew report also credits the City with having a more robust funding policy, namely the RRP, than the funding policies of the other cities in the comparison. This high level of employer contributions will help "insulate" the pension fund from "adverse scenarios," according to the report.<sup>7</sup>

***Other Post-Employment Benefits Funding Status.*** The City has a substantial unfunded liability related to Other Post-Employment Benefits ("OPEB"). These benefits are defined to include all post-employment benefits other than pensions. For City

retirees, they include health coverage in the first five years after retirement and life insurance.

Table 5.7 presents trends in the OPEB liability since 2011. The net OPEB liability has increased from \$1.212 billion in 2011 to \$1.861 billion in 2017, the most recent available data. This liability is entirely unfunded from an actuarial standpoint. The net OPEB liability as a percentage of covered payroll, increased from 82.5 percent in 2011 to 99.8 percent in 2017.

The City reports an annual OPEB cost, which is the contribution that would be required to fund OPEB liabilities on an actuarially sound basis. The City's funding policy for OPEB is making payments equivalent to the net expected benefits for current retirees. Since the City finances OPEB on a pay-as-you-go basis, actual payments have been below the annual OPEB cost. In FY2017, the City's actual payments were \$114.8 million, representing 81 percent of the annual OPEB cost.

The City's OPEB liability is smaller than in the case of some other state and local governments, reflecting the limitation of retiree health benefits to five years for City workers. Nonetheless, the unfunded OPEB liability of the City is significant.

In addition, the unfunded OPEB liability of \$1.9 billion represents a financial concern and an equity issue. The financial concern is that OPEB costs, if not funded, will increase at an unsustainable rate over the long term. From an equity standpoint, pay-as-you-go financing ensures that current taxpayers are paying for an expense that has been incurred in the past, over the course of the working lifetime of retirees. An actuarial funding method would avoid this problem, due to its ability to evenly distribute, or smooth costs. Actuarially-based funding would also require policy-makers to take full account of the cost of current services and create an additional incentive to manage the cost of retiree health care programs.

<sup>7</sup>A Stress Test of Philadelphia's Retirement System. The Pew Charitable Trusts, 2019, p. 7-8.



**VI. CAPITAL PROGRAM**

## VI. CAPITAL PROGRAM

In addition to the Five Year Financial Plan, the City of Philadelphia also issues a recommended six year Capital Program and budget each year. Thus, in conjunction with PICA’s review of the Five Year Plan, PICA reviewed the City’s Capital Budget and Program to ensure consistency with the Five Year Plan per Section 208 of the PICA Act, which states: “the proposed operating budget and capital budget are consistent with the proposed financial plan.”<sup>1</sup>

Since the Adopted Capital Program for FY2020-FY2025 was not available at the time of this report, the foregoing discussion is based on the Recommended Capital Program for FY2020-FY2025. The recommended capital budget for FY2020 is for \$194.1 million in new general obligation borrowing and \$374.6 million in prior year loans.

### Capital Program and Approval Process

The size of the capital budget is determined, largely based on debt service costs and departmental needs. The Treasurer’s Office provides input on how much debt service the City can realistically handle. The Finance Director, the Office of Budget and Program Evaluation (“Budget Office”), and the City Planning Commission together determine the recommended amount of new debt to be issued, and the projects to be included in the Capital Program. Finally, consideration is given to whether



proposed projects fit within existing plans of the City Planning Commission.

There are twenty-one City departments included in the Capital Program, some of which are stand-alone departments, while the majority are client departments of the Department of Public Property. The Budget Office communicates with the Department of Public Property (“DPP”) regarding the needs of its client departments, as DPP assists client departments in preparing capital project requests. The Budget Office also consults with the Managing Director’s Office on what projects need to be done and their importance. The City Planning Commission gets briefed on the capital projects to be included throughout the entire process. Finally, the Capital Program is presented to the Mayor for review and submission to City Council for final adoption.

<sup>1</sup>PICA Act Sec. 208 (f)(1)(ii).

<b>DPP Client Departments</b>	Philadelphia Museum of Art, Department of Commerce, Office of Sustainability, Office of the Director of Finance, Philadelphia Fire Department, Office of Fleet Management, Free Library of Philadelphia, Department of Public Health, Managing Director’s Office, Office of Supportive Housing, Philadelphia Police Department, Philadelphia Department of Prisons, Department of Records, & Philadelphia Zoo
<b>Stand-Alone Departments</b>	Division of Aviation, Office of Innovation and Technology, Philadelphia Parks & Recreation, Streets Department, Southeastern Pennsylvania Transportation Authority (“SEPTA”), & Philadelphia Water Department

**Table 6.2: Major Projects in FY2020  
Recommended Capital Budget  
(\$ in Millions)**

Department	New City Tax Supported Funding
Streets	\$43.2
OIT	\$28.0
Finance	\$22.0

### Capital Project Funding Eligibility

Generally, in order for a project to qualify for capital funding, it must cost at least \$15,000 and have a lifespan of at least five years. After this general inquiry, eligibility requirements for capital funding, based on bond requirements, other legal considerations, and financial policy, play a central role in selecting capital projects.

Capital Program eligibility is determined by the Budget Office and is subsequently certified by the Controller's Office. The eligibility requirements have not been revisited since 2014, but best practice indicates this should ideally be done annually.

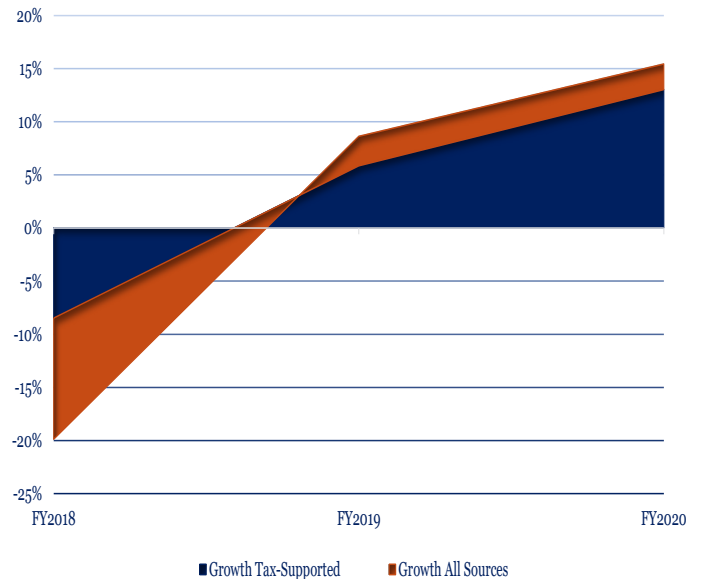
Furthermore, while the bond and legal requirements are clear, eligibility based on financial policy priorities seems unclear, and the formulation of such policy is admittedly not a formal process. The City considers its own financial needs when formulating policies related to eligibility but has not analyzed best practices or policies of similar jurisdictions related to capital funding eligibility.

Prioritization of the projects is based on the City's priorities and on what federal or state funding can be leveraged. For FY2020, federal funding, new and prior, is a source of 17.5 percent of the budget, while state funding is 13.6 percent.

### FY2020 Capital Projects

The largest recommended investment in the current Capital Program is in the Streets Department, totaling \$315.4 million over six years. In FY2020, \$43.2 million in new general obligation bonds is recommended for resurfacing streets, constructing accessible ramps, and other improvements.

Figure 6.1: Capital Budget Comparison



The Office Of Innovation and Technology (“OIT”) shows an investment of \$107.6 million in tax supported funds over the six year program, with \$28 million in FY2020. In that year, approximately \$5.5 million is attributable to IT needs for the new Police headquarters. Another significant investment is the Rebuild program, consisting of \$113 million in currently available funding, from Rebuild bonds, capital funds and grants, with additional potential funding between \$295 million and \$360 million.

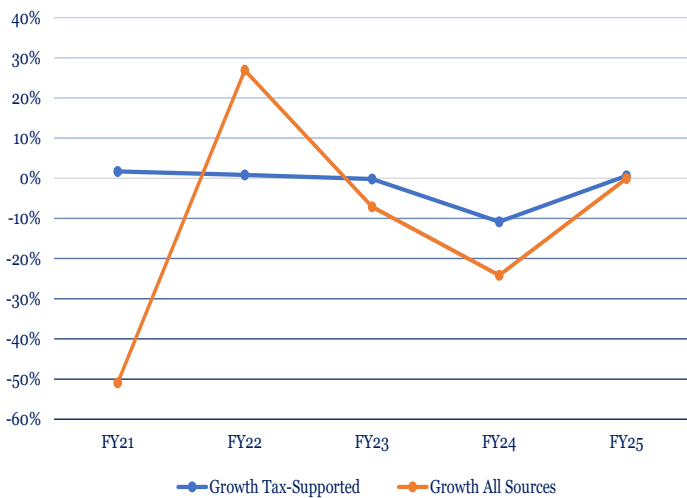
According to the recommended capital budget, another major project, mandated by the state, is the purchase of new voting machines and related technology. This project will be substantially financed on a pay-as-you-go basis. Additional funding will come from new general obligation bonds and other sources.

There are other major projects involving new tax-supported City funds in the Capital Program in several other major departments. Still, other major projects will be financed through federal,

**Table 6.3: Stand Alone Department Capital Projects FY2020 (\$ in Millions)**

Department	New City Tax Supported Funding
Streets	\$43.2
OIT	\$28.0
Parks & Recreation	\$23.8
SEPTA	\$4.6

Figure 6.2 FY2020-FY2025 Recommended Capital Budget



state, and self-sustaining funds, the largest of which will occur in the Philadelphia Water Department, the Division of Aviation, Streets Department, as well as in the Southeastern Pennsylvania Transportation Authority (“SEPTA”).

**Pay-As-You-Go Financing**

In FY2019, approximately \$30 million in Capital Projects was financed on a pay-as-you-go basis. Pay-as-you-go is a best practice for financing Capital Projects and allows the City to fulfill capital needs without incurring debt service payments. However, due to the City’s high fixed operating costs, there is a limit to what is feasible to fund in this manner.

Along these lines, a previous PICA report recommended moving capital program-related payroll costs to the General Fund, with the idea of financing expenses on a pay-as-you-go approach.<sup>2</sup> The City began the process of moving payroll and fringe benefit expenses from the Capital budget to the corresponding operating funds in FY2018. That fiscal year, the City transferred \$18 million in fringe benefits from the capital budget to the General Fund. In FY2019, \$0.6 million in Parks and Recreation payroll expenses were transferred to the General Fund. In FY2020, \$2.2 million in OIT and Water Department payroll costs will be transferred to the General Fund and Water Operating Fund. In FY2021, \$2.9 million in payroll costs related to the Department of Public Property and Water Department will be transferred to both

<sup>2</sup> Pennsylvania Intergovernmental Cooperation Authority, “Reversing the Trend of Doing too Little with too Much: Maintaining the City’s Infrastructure while Reducing its Dangerously High Debt Load,” 23 Jan., 2006, pg. 14.

the General Fund and Water Operating Fund. The total process of transferring payroll costs to the appropriate operating funds will be complete in several years. This will not only save on borrowing costs associated with funding these positions, but will also provide increased flexibility in moving employees between different projects when necessary.

**PICA Capital Funding**

In a process that is distinct from the Five Year Plan and Capital Program, PICA also issued bonds to the City for certain capital projects, pursuant to Section 301(e) of the PICA Act. At inception, PICA issued \$1.1 billion in capital funds for the City; with approximately \$6 million remaining, as of year end FY2018.

There are special requirements that projects must meet in order to qualify for this funding. Pursuant to the PICA Act, to qualify for PICA funding, a project must be either (1) “an emergency capital project which must necessarily be undertaken as a direct result of an order by a court of competent jurisdiction or for the repair or replacement of an existing facility that had been placed in service prior to” June 5, 1991 (the effective date of the Act) and was owned or occupied by the City on June 5, 1991” (“Emergency Capital Projects”); or (2) “a capital project necessary to achieve savings and balanced budgets under an approved financial plan.” The City has budgeted \$4.3 million in PICA capital funds for FY2020.

**Facilities Assessments**

PICA conducted a Facilities Assessment Project in 2007 in order to provide a working tool for

Department	New City Tax Supported Funding
Finance	\$32.1
Police	\$17.6
Commerce	\$13.8
Fleet	\$12.0
DPP	\$7.0
MDO	\$3.6

the City in prioritizing and allocating capital funding. Although the City encourages such assessments on a departmental level, the last comprehensive assessment was PICA's 2007 assessment, despite this being a best practice. Furthermore, Philadelphia 2035 does not include plans regarding IT needs, as well as certain other major needs.<sup>3</sup> Facilities assessments have limited lifespans and eventually become obsolete due to changing conditions and capital needs; therefore, any assessments should be conducted with purpose and preparedness to act upon them.

### Risks

There are always risks associated with capital projects, particularly risks that may derail projects or cause costs to increase above projections, including: higher than budgeted construction costs, change orders, delays in projects, and contractor defaults, among others. The status and costs of projects are continuously monitored by the Budget Office during the funding approval process. If there is a change in the prioritization of projects, due to an emergency or some other need during this process, funding is reallocated from other projects accordingly. If projects become more expensive than the original appropriation allows, left-over funds from other, completed projects, are reallocated.

<sup>3</sup>The City's comprehensive development plan, which is created and updated by the City Planning Commission.

### Conclusion

Based on our review of the City's Recommended Capital Program, PICA staff noted several areas the City can improve upon. The City should continue to put an emphasis on first spending down carry-forward amounts before issuing new debt and research best practices to determine the best time of year to perform the carry-forward calculation. In discussions, PICA and the City agreed that the City ought to maximize pay-as-you-go financing opportunities and revisit eligibility requirements annually or bi-annually. Additionally, best practices indicate that the City should conduct facilities assessments to prioritize needs most efficiently and formulate articulable financial policies regarding eligibility for capital funding.

Although the capital planning process could be improved in the aforementioned ways, the FY2020 capital budget is consistent with the Five Year Plan, and as such, is in compliance with the PICA Act's requirements in Section 208.



## GLOSSARY OF ACRONYMS

<b>AFSCME</b>	American Federation of State, County, and Municipal Employees
<b>ARC</b>	Annual Required Contribution
<b>AVI</b>	Actual Value Initiative
<b>BIRT</b>	Business Income and Receipts Tax
<b>BRT</b>	Board of Revision of Taxes
<b>BSR</b>	Budget Stabilization Reserve
<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CAMA</b>	Computer-Assisted Mass Appraisal system
<b>CAO</b>	Office of the Chief Administrative Officer
<b>CEO</b>	Office of Community Empowerment and Opportunity
<b>DBHIDS</b>	Department of Behavioral Health and Intellectual disAbility Services
<b>DC33</b>	AFSCME District Council 33
<b>DC47</b>	AFSCME District Council 47
<b>DHS</b>	Department of Human Services
<b>DPD</b>	Department of Planning and Development
<b>FOP</b>	Fraternal Order of Police
<b>FY</b>	Fiscal Year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GASB</b>	Governmental Accounting Standards Board
<b>GDP</b>	Gross Domestic Product
<b>GFOA</b>	Government Finance Officers Association
<b>HUD</b>	Department of Housing and Urban Development
<b>IAFF</b>	International Association of Fire Fighters
<b>IHS</b>	IHS Markit
<b>LGNT</b>	Locally Generated Non-Tax revenue
<b>L&amp;I</b>	Department of Licenses & Inspections
<b>LOOP</b>	Longtime Owner Occupants Program
<b>MDO</b>	Managing Director's Office
<b>MMO</b>	Minimum Municipal Obligation
<b>MRS</b>	Municipal Retirement System
<b>OEO</b>	Office of Economic Opportunity
<b>OHS</b>	Office of Homeless Services
<b>OIT</b>	Office of Innovation & Technology
<b>OPEB</b>	Other Post-Employment Benefits
<b>PDP</b>	Philadelphia Department of Prisons
<b>PFT</b>	Philadelphia Federation of Teachers
<b>PICA</b>	Pennsylvania Intergovernmental Cooperation Authority
<b>Pre-K</b>	Pre-Kindergarten
<b>RRP</b>	Revenue Recognition Policy
<b>RTT</b>	Real Estate Transfer Tax
<b>SEPTA</b>	Southeastern Pennsylvania Transportation Authority
<b>SRC</b>	School Reform Commission
<b>TIF</b>	Tax Increment Financing
<b>UAAL</b>	Unfunded Actuarial Accrued Liability



# APPENDICES

## APPENDIX A: SPENDING TRENDS

## APPENDIX A: SPENDING TRENDS BY FUNCTION AND MAJOR AGENCY

<b>Spending by Functional Category: General Fund<sup>1</sup> (\$ in Millions)</b>						
Function and Agency	Actual				Estimate	Projected
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
<b>Public Safety</b>						
Police Department	615.3	646.1	651.4	690.9	711.1	741.2
Fire Department	232.2	243.6	235.7	267.9	306.2	298.5
<i>Public Safety Totals</i>	<b>\$847.5</b>	<b>\$889.7</b>	<b>\$887.1</b>	<b>958.8</b>	<b>1,017.3</b>	<b>1,039.7</b>
<b>Judicial and Corrections</b>						
First Judicial District	117.8	117.1	109.1	114.2	112.7	115.5
Department of Prisons	245.4	252.0	259.8	257.5	250.2	238.2
Office of the District Attorney	35.6	35.7	35.6	35.3	41.8	38.9
Other <sup>2</sup>	25.1	27.1	30.2	32.5	30.7	31.6
<i>Judicial and Corrections Totals</i>	<b>\$423.9</b>	<b>\$431.7</b>	<b>\$434.7</b>	<b>\$439.5</b>	<b>\$435.4</b>	<b>\$424.2</b>
<b>Health and Human Services</b>						
Department of Human Services	95.6	97.9	102.7	108.6	112.1	119.0
Office of Homeless Services	45.2	45.7	46.8	48.0	56.8	59.9
Department of Public Health	113.3	120.6	132.7	135.2	140.0	160.6
DBHIDs	14.0	14.0	14.1	14.7	17.1	15.9
Other <sup>3</sup>	1.9	2.0	2.0	2.1	2.3	2.4
<i>Health and Human Services Totals</i>	<b>\$269.9</b>	<b>\$280.1</b>	<b>\$298.3</b>	<b>\$308.6</b>	<b>\$328.4</b>	<b>\$357.8</b>
<b>Regulation and Economic Development</b>						
Department of Planning and Development <sup>4</sup>	5.6	6.7	7.6	8.2	13.0	11.8
Department of Licenses and Inspections	28.4	30.4	32.8	35.2	38.0	41.3
Other <sup>5</sup>	10.9	10.9	11.0	12.8	11.2	20.4
<i>Regulation and Economic Development Totals</i>	<b>\$44.9</b>	<b>\$48.0</b>	<b>\$51.4</b>	<b>\$56.3</b>	<b>\$62.1</b>	<b>\$73.5</b>
<b>Arts, Culture, and Recreation</b>						
Free Library of Philadelphia	40.3	39.4	40.4	41.4	42.3	45.8
Department of Parks and Recreation	54.3	57.3	58.6	61.7	67.2	65.1
Other <sup>6</sup>	5.7	6.1	6.1	6.4	6.7	6.6
<i>Culture and Recreation Totals</i>	<b>\$100.2</b>	<b>\$102.8</b>	<b>\$105.2</b>	<b>\$109.4</b>	<b>\$116.1</b>	<b>\$117.4</b>
<b>Transportation and Sanitation</b>						
Streets Department	133.1	132.6	126.9	136.6	146.7	157.0
<i>Transportation and Sanitation Totals</i>	<b>\$133.1</b>	<b>\$132.6</b>	<b>\$126.9</b>	<b>\$136.6</b>	<b>\$146.7</b>	<b>\$157.0</b>
<b>Central Services</b>						
Department of Public Property	67.1	62.8	62.8	62.5	68.6	68.7
Office of Innovation and Technology <sup>7</sup>	63.9	64.9	76.9	76.3	102.0	112.4
Office of Fleet Management	60.6	61.7	60.8	64.4	64.6	67.4
<i>Central Services Totals</i>	<b>\$191.6</b>	<b>\$189.5</b>	<b>\$200.5</b>	<b>\$203.1</b>	<b>\$235.2</b>	<b>\$248.5</b>
<b>Governance and Administration</b>						
Office of the Mayor	5.0	4.9	4.1	4.1	5.5	6.1
City Council	14.6	14.9	15.5	16.5	17.8	17.9
Office of the City Controller	8.3	8.4	8.5	8.8	9.2	9.4
Office of the Managing Director <sup>8</sup>	35.9	37.9	38.6	43.3	50.8	55.2
Office of the Director of Finance	22.3	22.6	14.5	46.8	74.5	47.9
Other <sup>9</sup>	80.6	83.2	95.6	94.4	108.7	111.4
<i>Governance and Administration Totals</i>	<b>\$166.7</b>	<b>\$172.1</b>	<b>\$176.7</b>	<b>\$213.8</b>	<b>\$266.6</b>	<b>\$247.9</b>
<b>Education</b>						
Mayor's Office of Community Schools and Pre-K	--	--	13.9	23.1	29.5	45.4
<i>Education Totals</i>	--	--	<b>\$13.9</b>	<b>\$23.1</b>	<b>\$29.5</b>	<b>\$45.4</b>
<b>Function and Agency Totals</b>	<b>\$2,177.8</b>	<b>\$2,246.4</b>	<b>\$2,294.8</b>	<b>\$2,449.2</b>	<b>\$2,637.4</b>	<b>\$2,711.4</b>

<sup>1</sup> Indemnity costs excluded

<sup>2</sup> Includes Register of Wills and Office of the Sheriff

<sup>3</sup> Includes Commission on Human Relations and Youth Commission

<sup>4</sup> Formerly Mayor's Office of Planning and Development; as of FY2018 includes City Planning Commission, Historical Commission, Zoning Board of Adjustment, and Division of Housing and Community Development; prior fiscal year totals have been updated to reflect the FY2018 structure of City agencies for purposes of comparability

<sup>5</sup> Includes Commerce Department, City Representative, Office of Sustainability, Board of Building Standards, and Board of Licenses and Inspections Review, and Office of Community Empowerment and Opportunity

<sup>6</sup> Includes Office of Arts, Culture and the Creative Economy, Mural Arts Program, and the Atwater Kent Museum

<sup>7</sup> Includes 911 emergency call center

<sup>8</sup> As of FY2017 includes Office of Transportation and Infrastructure Services/Utilities; prior fiscal year totals have been updated to reflect the FY2018 structure of City agencies for purposes of comparability

<sup>9</sup> Includes Board of Ethics, Board of Revision of Taxes, Office of the Philadelphia City Commissioners, Office of the City Treasurer, Office of Human Resources, Civil Service Commission, Office of the Inspector General, of Labor Relations, Law Department, Procurement Department, Office of Property Assessment, Department of Records, Department of Revenue, and Office of the Chief Administrative Officer

## APPENDIX B: PERSONNEL TRENDS

## APPENDIX B: PERSONNEL TRENDS BY FUNCTION AND AGENCY

### Agency Full-Time Positions by Functional Category: General Fund<sup>1</sup>

Function and Agency	Actual					Adopted	Increases/ (Decreases) FY2019 to FY2020
	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	
<b>Public Safety</b>							
Police Department	7,020	7,011	6,925	7,128	7,371	7,443	72
Fire Department	2,048	2,336	2,296	2,456	2,672	2,704	32
<i>Public Safety Totals</i>	<b>9,068</b>	<b>9,347</b>	<b>9,221</b>	<b>9,584</b>	<b>10,043</b>	<b>10,147</b>	<b>104</b>
<b>Judicial and Corrections</b>							
First Judicial District	1,858	1,815	1,866	1,860	1,841	1,850	9
Department of Prisons	2,286	2,279	2,326	2,234	2,325	2,160	(165)
Office of the District Attorney	472	484	493	501	513	513	0
Other <sup>2</sup>	363	395	418	439	480	498	18
<i>Judicial and Corrections Totals</i>	<b>4,979</b>	<b>4,973</b>	<b>5,103</b>	<b>5,034</b>	<b>5,159</b>	<b>5,021</b>	<b>(138)</b>
<b>Health and Human Services</b>							
Department of Human Services	439	395	385	437	460	437	(23)
Office of Homeless Services	140	136	152	150	157	160	3
Department of Public Health	628	658	675	724	834	839	5
Behavioral Health & Intellectual disAbility Services	16	16	16	16	16	23	7
Other <sup>3</sup>	31	34	33	31	34	35	1
<i>Health and Human Services Totals</i>	<b>1,254</b>	<b>1,239</b>	<b>1,261</b>	<b>1,358</b>	<b>1,501</b>	<b>1,494</b>	<b>(7)</b>
<b>Regulation and Economic Development</b>							
Department of Planning and Development <sup>4</sup>	40	38	43	45	58	62	4
Department of Licenses and Inspections	326	332	333	379	429	466	37
Other <sup>5</sup>	29	37	46	50	52	77	25
<i>Regulation and Economic Development Totals</i>	<b>395</b>	<b>407</b>	<b>422</b>	<b>474</b>	<b>539</b>	<b>605</b>	<b>66</b>
<b>Arts, Culture, and Recreation</b>							
Free Library of Philadelphia	640	647	637	651	692	737	45
Department of Parks and Recreation	607	592	593	652	750	759	9
Other <sup>6</sup>	14	17	19	18	17	20	3
<i>Culture and Recreation Totals</i>	<b>1,261</b>	<b>1,256</b>	<b>1,249</b>	<b>1,321</b>	<b>1,459</b>	<b>1,516</b>	<b>57</b>
<b>Transportation and Sanitation</b>							
Streets Department	1,648	1,676	1,687	1,700	1,912	1,982	70
<i>Transportation and Sanitation Totals</i>	<b>1,648</b>	<b>1,676</b>	<b>1,687</b>	<b>1,700</b>	<b>1,912</b>	<b>1,982</b>	<b>70</b>
<b>Central Services</b>							
Department of Public Property	138	145	149	136	150	149	(1)
Office of Innovation and Technology	256	265	271	282	293	316	23
Office of Fleet Management	264	265	269	283	306	310	4
<i>Central Services Total</i>	<b>658</b>	<b>675</b>	<b>689</b>	<b>701</b>	<b>749</b>	<b>775</b>	<b>26</b>
<b>Governance and Administration</b>							
Office of the Mayor	50	41	47	41	53	60	7
City Council	182	175	188	194	195	208	13
Office of the City Controller	116	132	131	130	134	135	1
Office of the Managing Director	267	275	293	303	312	344	32
Office of the Director of Finance	164	162	110	111	123	124	1
Other <sup>7</sup>	973	971	1,125	1,137	1,243	1,316	73
<i>Governance and Administration Totals</i>	<b>1,752</b>	<b>1,756</b>	<b>1,894</b>	<b>1,916</b>	<b>2,060</b>	<b>2,187</b>	<b>127</b>
<b>Education</b>							
Mayor's Office of Community Schools and Pre-K	--	--	30	32	36	47	11
<i>Education Totals</i>	--	--	<b>30</b>	<b>32</b>	<b>36</b>	<b>47</b>	<b>11</b>
<b>Full-Time Positions Totals</b>	<b>21,015</b>	<b>21,329</b>	<b>21,556</b>	<b>22,120</b>	<b>23,458</b>	<b>23,774</b>	<b>316</b>

<sup>1</sup> As of January 1 of each fiscal year

<sup>2</sup> Includes Register of Wills and Office of the Sheriff

<sup>3</sup> Includes Commission on Human Relations and Youth Commission

<sup>4</sup> Formerly Mayor's Office of Planning and Development; as of FY2018 includes City Planning Commission, Historical Commission, Zoning Board of Adjustment, and Division of Housing and Community Development; previous fiscal year totals have been updated to reflect the FY2018 structure of City agencies for purposes of comparability

<sup>5</sup> Includes Commerce Department, City Representative, Office of Sustainability, Board of Building Standards, and Board of Licenses and Inspections Review, and Office of Community Empowerment and Opportunity

<sup>6</sup> Includes Office of Arts, Culture and the Creative Economy, Mural Arts Program, and the Atwater-Kent Museum

<sup>7</sup> Includes Board of Ethics, Board of Revision of Taxes, Office of the Philadelphia City Commissioners, Office of the City Treasurer, Office of Human Resources, Civil Service Commission, Office of the Inspector General, of Labor Relations, Law Department, Procurement Department, Office of Property Assessment, Department of Records, Department of Revenue, and Office of the Chief Administrative Officer

**APPENDIX C:  
OFFICE OF THE CITY CONTROLLER REPORT  
ON THE FY2020-FY2024 PLAN**



## CITY OF PHILADELPHIA

OFFICE OF THE CITY CONTROLLER  
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 Philadelphia, PA 19102  
 (215) 686-6680  
 FAX (215) 686-3832  
 Rebecca.Rhynhart@Phila.gov

REBECCA RHYNHART  
 City Controller

July 8, 2019

Mr. Harvey M. Rice, Executive Director  
 Pennsylvania Intergovernmental Cooperation Authority  
 1500 Walnut Street, Suite 1600  
 Philadelphia, PA 19102

Dear Mr. Rice:

Pursuant to its mandate as specified in Section 12720.209(f)(1) of the Pennsylvania Intergovernmental Cooperation Authority (PICA) Act, the Office of the Controller conducted its annual review of the Forecasted General Fund Statements of Operations for each of the fiscal years ending June 30, 2020 through June 30, 2024. The Statement of Operations, also known as the Five-Year Plan (Plan), was prepared by the City of Philadelphia's Office of the Director of Finance and submitted to PICA on June 18, 2019. My staff conducted its review of the Plan in accordance with attestation standards set forth by the American Institute of Certified Public Accountants. Attached please find the independent accountant's report signed by my deputy who is a Certified Public Accountant.

I recommend that PICA approve the Plan; however, in reviewing the projected annual budgets, our office noted two sensitive assumptions and two causes for concern that PICA should take into consideration while evaluating the Plan. In particular, the scheduled dissolution of PICA at the end of fiscal year (FY) 2023 represents a serious risk to the Plan as indicated in the sensitive assumption detailed below. Our office expects the City to provide a plan with concrete steps for its course of action to resolve this issue by the next budget cycle.

### Sensitive Assumptions

The Plan does not anticipate the dissolution of PICA at the close of FY23, following the City's repayment of outstanding PICA bonds. In the current iteration of the Plan, the City assumes \$2.5B in Wage and Net Profits Tax revenue for FY24, inclusive of \$628M that will no longer be collected by the PICA Tax. This assumption represents a significant risk to the Plan and requires either state legislative action to reinstate PICA or City Council legislation to amend the Wage Tax rate to account for the discontinued PICA portion.

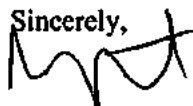
As noted in the accountant's report, the City set aside roughly \$140M for future labor obligations. Such provisions should anticipate future labor negotiations between the City and corresponding bargaining units certain to occur upon the expiration of existing contracts. It is our view that the budgetary allocations as specified in the Plan do not adequately account for the likely cost of such renegotiations.

**Causes for Concern**

The City's annual contribution to the School District was \$104M in FY18 and is expected to grow over the life of the plan from \$222M in FY20 to \$273M in FY23. Over the lifetime of the Plan, the City budgeted for \$1.3B in contributions to the School District. While not overly burdensome at present given the strength of Philadelphia's economy, in the event of lower-than-expected revenue receipts, these obligations may place significant strain on City resources. To meet these obligations during a potential economic downturn, budgetary adjustments may be required at the cost of vital City services.

Our office's revenue projections are more conservative than the Budget Office's estimates, resulting in a difference of \$200M over the life of the Plan. In particular, our office's projections indicate the possibility of an economic slowdown, and subsequent weaker tax revenues, in the earlier years of the Plan. Given the recent uncertainty in both the national and global economies, as well as the City's reliance on the Wage Tax, our office believes that the current economic climate warrants fiscal prudence when appropriating for the future.

In closing, my office expresses its gratitude to the management and staff of the Office of Budget and Program Evaluation for their cooperation and assistance during this review and looks forward to our continued relationship.

Sincerely,  
  
Rebecca Rhynhart  
City Controller

cc: Chair and Board Members of the  
Pennsylvania Intergovernmental Cooperation Authority  
James F. Kenney, Mayor  
Rob Dubow, Director of Finance  
Anna Adams, Budget Director

# City of Philadelphia Forecasted General Fund Statements of Operations Fiscal Years 2020-2024



**City Controller  
Rebecca Rynhart**

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**CONTENTS**

Independent Accountant’s Report

Forecasted General Fund Statements of Operations –  
 Fiscal Years Ending June 30, 2020 through June 30, 2024..... 1

Notes to Forecasted General Fund Statements of Operations –  
 Fiscal Years Ending June 30, 2020 through June 30, 2024

A. Nature of the Forecast ..... 2

B. Summary of Significant Accounting Policies ..... 2

C. Summary of Significant Forecast Assumptions ..... 2

    1. Approach to Revenue Forecasting..... 2

    2. The National and Local Economic Context..... 4

    3. The City’s Major Taxes ..... 4

    4. Locally Generated Non-Tax Revenues..... 9

    5. Revenue from Other Governments ..... 9

    6. Obligation Estimates..... 9



# CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER  
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REBECCA RHYNHART  
 City Controller

CHRISTY BRADY  
 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, 2024, 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.

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.

The forecasted statement referred to above includes assumptions that are particularly sensitive because they require state or city legislative approval and successful labor negotiations. As discussed in Note C.3.a. the Wage Tax rate includes 1.5 percent that is reserved for PICA. This assumption is particularly sensitive because the plan assumes the state will enact legislation to reinstate PICA upon its dissolution at the end of fiscal year 2023 or, alternatively, City Council will pass legislation to increase the Wage Tax to produce the expected revenue. The assumptions pertaining to labor agreement costs as described in Note C.6. are particularly sensitive due to the uncertainty in the outcome of expected future negotiations with the four major municipal unions whose contracts are set to expire in 2020.

A handwritten signature in cursive script that reads "Christy Brady".

CHRISTY BRADY, CPA  
 Deputy City Controller  
 Philadelphia, Pennsylvania  
 July 8, 2019

Forecasted General Fund Statements of Operations

Fiscal Years Ending June 30, 2020 through June 30, 2024

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, 2020 through June 30, 2024**

(Amounts in thousands)

NO.	ITEM	FY 2020 Adopted	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>OPERATIONS OF FISCAL YEAR</b>						
<b><u>REVENUES</u></b>						
1	Taxes	3,636,492	3,766,841	3,877,365	3,985,106	4,077,837
2	Locally Generated Non-Tax Revenues	353,328	314,947	316,376	326,371	319,587
3	Revenue from Other Governments	847,172	877,139	899,389	935,426	980,943
4	Sub-Total (1 thru 3)	<b>4,836,992</b>	<b>4,958,927</b>	<b>5,093,130</b>	<b>5,246,903</b>	<b>5,378,367</b>
5	Revenue from Other Funds of City	81,011	63,879	65,410	65,883	66,264
6	<b>Total Revenue and Other Sources (4)+(5)</b>	<b>4,918,003</b>	<b>5,022,806</b>	<b>5,158,540</b>	<b>5,312,786</b>	<b>5,444,631</b>
<b><u>OBLIGATIONS/APPROPRIATIONS</u></b>						
7	Personal Services	1,820,084	1,827,596	1,833,217	1,839,141	1,841,407
8	Personal Services-Pensions	749,051	765,734	781,479	800,086	815,114
9	Personal Services-Other Employee Benefits	662,912	671,446	703,275	733,750	766,132
10	<b>Sub-Total Employee Compensation (7 thru 9)</b>	<b>3,232,047</b>	<b>3,264,776</b>	<b>3,317,971</b>	<b>3,372,977</b>	<b>3,422,653</b>
11	Purchase of Services	1,001,325	998,411	1,015,784	1,036,563	1,041,707
12	Materials, Supplies and Equipment	123,682	118,173	113,115	112,483	112,495
13	Contributions, Indemnities, and Taxes	322,432	350,139	363,564	367,147	370,787
14	Debt Service	187,483	189,461	214,845	228,965	253,787
15	Advances & Misc. Pmts. / Labor Obligations	0	20,000	30,000	40,000	50,000
16	Advances & Misc. Pmts. / Federal Grants	55,108	56,705	58,356	58,356	58,356
17	Sub-Total (10 thru 16)	4,922,077	4,997,665	5,113,635	5,216,491	5,309,785
18	Payments to Other Funds	103,189	98,572	91,492	97,047	107,186
19	<b>Total - Obligations (17)+(18)</b>	<b>5,025,266</b>	<b>5,096,237</b>	<b>5,205,127</b>	<b>5,313,538</b>	<b>5,416,971</b>
20	Oper.Surplus (Deficit) for Fiscal Year (6)-(19)	(107,263)	(73,431)	(46,587)	(752)	27,660
21	<b>Prior Year Adjustments:</b>					
22	Other Adjustments	19,500	19,500	19,500	19,500	19,500
23	Total Prior Year Adjustments	19,500	19,500	19,500	19,500	19,500
24	<b>Adjusted Oper. Surplus/ (Deficit) (20)+(23)</b>	<b>(87,763)</b>	<b>(53,931)</b>	<b>(27,087)</b>	<b>18,748</b>	<b>47,160</b>
<b><u>OPERATIONS IN RESPECT TO</u></b>						
<b><u>PRIOR FISCAL YEARS</u></b>						
25	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year	297,666	209,903	155,972	128,885	147,633
26	Fund Balance Available for Appropriation June 30 (24)+(25)	<b>209,903</b>	<b>155,972</b>	<b>128,885</b>	<b>147,633</b>	<b>194,793</b>

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

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

### **A. Nature of the Forecast**

The City of Philadelphia Office of Budget and Program Evaluation (OBPE) is responsible for providing revenue and obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the FY2020 budget and the FY2020-2024 Five Year Financial Plan (FYP) submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (PICA) on June 18, 2019. 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 18, 2019, 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 Policies**

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 FY20 total \$4.918 billion. Approximately 73.9% of the City's revenue comes from local taxes, and 17.2% comes from other governments. Locally generated non-tax revenues, which include fees, fines and permits, account for 7.2% of revenues.

OBPE provides forecasts for the seven major taxes, totaling over \$3.636 billion in the adopted FY20 budget, as well as \$353.3 million of Locally Generated Non-Tax revenues, and \$847.2 million in Revenue from Other Governments. These three sources comprise 98.4% of the revenues anticipated for the FY20 budget.

OBPE employs several approaches to developing its forecasts of local revenues. These include:

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

- 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.

OBPE's tax forecasts for the FYP were developed in conjunction with a revenue forecasting consultant, IHS Markit, Ltd. (IHS). IHS 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 IHS to forecast tax revenues for the City. IHS focused on the following taxes – Wage and Earnings Tax, Net Profits Tax, Business Income and Receipts Tax, Real Estate Transfer Tax, Parking Tax and Sales Tax. These forecasts were refined by OBPE after discussions with economists at a meeting at the Federal Reserve Bank of Philadelphia, as well as with experienced staff within the Department of Revenue. Forecasts for the remaining major taxes – Real Estate and Philadelphia Beverage – were developed using the internal expertise of employees within the City. The Real Estate Tax estimates were forecasted by OBPE with data and input from the Office of Property Assessment and the Department of Revenue. The Philadelphia Beverage Tax estimates were based upon initial collections of this new tax, along with an assumption of a 1% decline in consumption assumed based upon national trends of reduced sugar-sweetened beverage consumption, in consultation with the Department of Revenue.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

## 2. The National and Local Economic Context

The strength of the economy is a key determinant of the fiscal health of the City since tax revenues, which are directly tied to the economy's strength, account for almost 73.9% of the City's General Fund revenue. The Congressional Budget Office (CBO) forecast for U.S. Real Gross Domestic Product shows projected growth of 2.7% for 2019, as compared to 2.9% growth in 2018. Growth is expected to continue to slow slightly in 2020 at 1.9%. The CBO forecast projects domestic economic profits to decrease by 1.8% in 2020.<sup>1</sup>

Wages and salaries are projected to grow at 4.8% in 2019 and 4.7 % in 2020. Unemployment is expected to decline from 3.9% in 2018 to 3.5% in 2019 and then increase to 3.7% in 2020.<sup>2</sup>

According to IHS Markit, the medium-term economic outlook for the city of Philadelphia remains moderately optimistic. The Center City area is doing well, and other neighborhoods are experiencing increased interest, especially in housing markets. Continued expansion of the city and regional economy will require ongoing gains in the labor force at all skill levels through education, access to transportation, affordable housing, and other means. IHS Markit expects total payrolls in the city to expand 0.2% per year on average from 2019 to 2024. Real gross county product looks poised to grow 1.2% on average, while increasing rates of gain in wage rates will improve the outlook for total incomes. Philadelphia's unemployment rate has dipped into the low-5% range, and will continue to press lower over the next couple of years.

## 3. The City's Major Taxes

The City receives revenue to fund its services and programs from seven major taxes which are budgeted to contribute almost 74% of the expected General Fund revenue in FY20. These include:

1. Wage and Earnings and Net Profit Tax (Wage),
2. Real Property Tax,
3. Business Income and Receipts Tax (BIRT),

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<sup>1</sup> Congressional Budget Office, The Budget and Economic Outlook: 2019 to 2029 (January 2019 Report), Page 147.

<sup>2</sup> Congressional Budget Office, The Budget and Economic Outlook: 2019 to 2029 (January 2019 Report), Page 147.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

4. Real Estate Transfer Tax (RTT),
5. Sales Tax,
6. Parking Tax, and
7. Philadelphia Beverage Tax.

The remaining taxes, including the amusement tax, are budgeted to provide less than 1% of General Fund revenue. Philadelphia’s reliance on the Wage Tax (43.4% of the General Fund, including PICA portion), the BIRT (10.9%) and the Sales Tax (4.6%) places the City at risk from economic trends and employment fluctuations of the local economy. 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 44.9% of 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. In FY20, the Wage Tax rate has been reduced from 3.8809% to 3.8712% for residents and from 3.4567% to 3.4481% for non-residents. The resident rate includes 1.5% that is reserved for the PICA. PICA has overseen the City’s finances since 1992, but under current statute is scheduled to dissolve following the repayment of all outstanding bonds at the close of fiscal year 2023. Revenue projections for fiscal year 2024 assume the City and Commonwealth will work together to extend PICA's existence or, alternatively, that City Council will adopt a Wage Tax rate, independent of the PICA portion, to produce the expected revenue. This FYP maintains the assumption that the 1.5% will continue in FY24. 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. Excluding the PICA portion, the Wage Tax and Net Profits Tax is projected to bring in \$1.672 billion in FY20. This projection includes a 4.30% growth rate for the Wage and Earnings component and 5.52% growth rate for the Net Profit component of the tax.<sup>3</sup>

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<sup>3</sup> Growth rates referenced throughout these notes are applied to the current portion of the tax base.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

The City resumed cuts to the Wage Tax in FY14, after those cuts had been suspended during the fiscal crisis, and plans to continue Wage Tax cuts in each year of the FYP if the City's fund balances remains consistent with or higher than those in the FYP. By FY24, the Wage Tax rates in the FYP are 3.8327% for residents and 3.4137% for non-residents.

**b. Real Property Tax**

The Real Property Tax (Property) is the City's second largest source of tax revenue (19.0%), estimated to contribute \$691.0 million of the FY20 tax revenues. This tax is levied on the assessed value of residential and commercial property in the City. The Adopted FY20 Budget has a combined City/School District property tax rate for FY20 of 1.3998%, unchanged from FY19. The City portion of the tax is 0.6317% and the School District portion is 0.7681%. The property tax projection includes an expansion of the homestead exemption from \$40,000 of assessed value to \$45,000 of assessed value for eligible property owners and the Longtime Owner Occupants Program (LOOP) capped at \$30 million of waived revenue for the City and School District combined and additional relief programs. The FYP assumes taxable assessed values grow each year of the plan, based upon regular reassessments provided by the City's Office of Property Assessment. The projection also uses a collection rate of 96.1%, which is based upon the FY18 actual collection rate.

**c. Business Income and Receipts Tax**

The Business Income and Receipts Tax (BIRT) is projected to produce \$497.3 million in FY20, 13.7% of total tax revenue. Most the BIRT is derived from corporate profits which are volatile and dependent on economic conditions within the City. In FY12, BIRT tax reform legislation was enacted, which incorporated several changes intended to help small and medium size businesses grow in Philadelphia. Under Bill 110548, business taxes for the first two years of operations for all new businesses that employ at least three employees in their first year and six in the second would be eliminated beginning in FY13. Bill 110554 provides for across the board exclusions on the gross receipts portion for all businesses scaled in over a three-year period beginning in FY15 and reductions in the net income portion of the BIRT. The first \$100,000 of receipts have been excluded since the exclusions were first fully applied in FY17. The bill called for implementation of single sales factor apportionment in FY16. This enables businesses to pay BIRT solely on sales, not on property or payroll. By taxing property and payroll, the BIRT previously had provided disincentives

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

to firms to locate in the city. Lastly, starting in FY20, the BIRT will be collected on a quarterly basis, easing the impact on new businesses.

**d. Real Estate Transfer Tax**

The Real Estate Transfer Tax (RTT) is projected to provide \$339.3 million in FY20. After a strong several years, the base growth of the RTT is projected to grow by 1.37% in FY20. The City currently imposes a 3.278% tax on real property sales and an additional 1% is charged by the Commonwealth for a 4.278% total RTT.

**e. Sales Tax**

Sales Tax revenues are projected to generate \$227.9 million for the City's general fund in FY20, based on a growth rate of 3.8%, and comprising 6.3% 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 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. The tax 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 is complete, and therefore all of the proceeds above the \$120 million in Sales Tax receipts from the second 1% is going to the City's Pension Fund (projected to be \$53.9 million). From FY20 through FY24, the City's pension fund is projected to receive \$323.3 million from the proceeds of the Sales Tax.

**f. Parking Tax**

The Parking Tax is levied on the gross receipts from all parking transactions. Parking Tax revenue is projected to generate \$100.2 million in FY20, based on prior-year revenue history and local economic trends.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

**g. Philadelphia Beverage Tax**

The Philadelphia Beverage Tax is a relatively new revenue source, applied to non-retail distributions of both sugar-sweetened and diet beverages, at a rate of one and one-half cents per fluid ounce of sweetened beverages. Original tax estimates were developed by the City’s Department of Revenue, and utilized local consumption data provided by the University of Connecticut’s Rudd Center for Food Policy and Obesity, along with a -1-elasticity rate. The projections in the FYP were based upon past receipts, reduced by 1% annually, in line with national trends on consumption. The tax was effective January 1, 2017 and is projected to impact revenues and expenditures in the following ways:

- An estimated \$371.9 million will be collected in gross revenue from FY20-FY24, before additional costs for collection, advertising and auditing.
- Revenues from the Philadelphia Beverage Tax is funding expenditures for three major initiatives: expanded Pre-K, community schools, and debt service for the Rebuilding Community Infrastructure program when those programs are fully implemented.

<b>City of Philadelphia General Fund FY 2020 - 2024 Five Year Financial Plan Major Taxes (\$ in Millions) with Percentage Change from Previous Year</b>							
<b>Tax</b>	<b>Actual FY18</b>	<b>Projected FY19</b>	<b>Projected FY20</b>	<b>Projected FY21</b>	<b>Projected FY22</b>	<b>Projected FY23</b>	<b>Projected FY24</b>
Wage & Net Profits - Current & Prior	1,574.6	1,602.8	1,671.9	1,731.1	1,790.0	1,850.7	1,909.9
% change from prior year	n.a.	1.8%	4.3%	3.5%	3.4%	3.4%	3.2%
Real Property - Current & Prior	650.4	689.4	690.9	730.2	754.6	780.6	810.2
% change from prior year	n.a.	6.0%	0.2%	5.7%	3.3%	3.4%	3.8%
Business Income & Receipts - Current & Prior	446.1	503.3	497.3	512.3	512.4	507.1	516.4
% change from prior year	n.a.	12.8%	-1.2%	3.0%	0.0%	-1.0%	1.8%
Sales	198.4	215.2	227.9	238.7	249.5	260.5	269.9
% change from prior year	n.a.	8.5%	5.9%	4.7%	4.5%	4.4%	3.6%
Real Property Transfer	331.5	334.7	339.3	343.1	357.4	370.6	353.6
% change from prior year	n.a.	1.0%	1.4%	1.1%	4.2%	3.7%	-4.6%
Parking	96.5	98.1	100.2	102.1	104.0	105.9	107.8
% change from prior year	n.a.	1.7%	2.1%	1.9%	1.9%	1.8%	1.8%
Other Taxes	26.9	32.2	33.1	34.2	35.1	36.1	37.1
% change from prior year	n.a.	19.7%	2.8%	3.3%	2.6%	2.8%	2.8%
Philadelphia Beverage	77.4	76.6	75.9	75.1	74.4	73.6	72.9
% change from prior year	n.a.	-1.0%	-0.9%	-1.1%	-0.9%	-1.1%	-1.0%
<b>Total Taxes</b>	<b><u>3,401.8</u></b>	<b><u>3,552.3</u></b>	<b><u>3,636.5</u></b>	<b><u>3,766.8</u></b>	<b><u>3,877.4</u></b>	<b><u>3,985.1</u></b>	<b><u>4,077.8</u></b>
<b>% Change from prior year</b>	<b><u>10.8%</u></b>	<b><u>4.4%</u></b>	<b><u>2.4%</u></b>	<b><u>3.6%</u></b>	<b><u>2.9%</u></b>	<b><u>2.8%</u></b>	<b><u>2.3%</u></b>

Note: Wage & Net Profits Taxes include rate reductions that resumed in FY14. Business Income & Receipts Tax incorporate rate reductions that began in FY13. Wage tax does not include the PICA portion. Real Property Transfer Tax includes the rate increase from 3.1% to 3.278% effective July 1, 2018.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

#### **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.

#### **5. Revenue from Other Governments**

Revenue from Other Governments is forecasted based on historical trends and state and federal budget information. The PICA City account, which represents 58.9% of Revenue from Other Governments, is forecasted using Wage Tax variables.

#### **6. Obligation Estimates**

OBPE provided obligation estimates to the Director of Finance and the Mayor for discussion and inclusion in the revised annual FY2020 budget and FY2020-2024 FYP submitted by the Mayor to the PICA on June 18, 2019. OBPE provides forecasts of all major expenditure categories. Obligations total \$5.025 billion, an increase of \$192.5 million over the FY19 estimate. A handful of items account for much of that increase: pensions; the School District contribution; employee disability; disposal contracts, which have been driven up by global markets; a contribution to the budget stabilization reserve fund; and expansion of Pre-K and Community Schools with the resolution of the litigation challenging the Philadelphia Beverage Tax.

##### **a. Labor Agreements**

The forecasted statements include:

- The final contract pay raise for AFSCME DC33 of 3% in FY20 and a one-time \$11 million lump sum payment to the union's health and welfare fund in FY20.
- Per the FY18 to FY20 arbitration award for the Fraternal Order of Police (FOP), a 3.75% increase in FY20.
- Per the FY18 to FY20 arbitration award for the International Association of Fire Fighters (IAFF), a 3.75% in FY20. Fire fighters also received an increase to premium pay rates of an additional 0.2 hours per week in FY20.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

- Per the FY18 to FY20 arbitration award for Deputy Sheriffs and Register of Wills employees, a 3.25% increase in FY20 for Deputy Sheriffs. Register of Wills employees received wage increases in line with District Council 33: 3% in FY20.
- Per the FY18 to FY20 arbitration award for the Correctional Officers, Local 159 of AFSCME DC33, a 3.25% increase in FY20.
- Per the FY17-FY20 collective bargaining agreement with AFSCME DC47, a 3% increase in FY20 and a one-time lump sum payment of \$1 million to the union's health and welfare fund in FY20.

The City has set aside \$140 million from FY20 to FY24 in a labor reserve, to cover the costs associated with upcoming labor agreements as all of the union contracts and arbitration awards expire on June 30, 2020.

**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.

DC47, the IAFF, and the FOP have also implemented self-insured group health plans. For the FOP, because the City has no control over the design of the its health plan, an increase of 7.5% per year based on medical cost trends has been included. For DC47, an increase of 5.0% per year based on medical cost trends has been included, and the recent agreement also included one-time lump sum payments to their fund in FY18, FY19, and FY20. For FY20, the City will contribute of \$1 million in FY20.

AFSCME District Council 33 (DC33) projections are based on prior year expenditures. Under the new contract, there was a reopener to determine payments to the union health and welfare fund for FY19 and FY20. In FY20, the City will make an \$11 million payment to the fund.

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

**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 past few years. The City continues to seek ways to improve the long-term health of the fund.

The City's Act 111 interest arbitration awards with the FOP, Lodge No. 5 and IAFF, Local 22 both require 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% 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 the DC47 collective bargaining agreement, closely mirroring the earlier reforms agreed to with DC33. 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 been applied to employees who are not represented by a union, which means that all City employees will be participating in strengthening the pension fund.

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 at least 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), debt service on a four-year borrowing for the District (next \$15 million through which was satisfied in FY18), and any remaining funds are dedicated to the pension fund. From FY20 through FY24, the City's pension fund is projected to receive \$323.3 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

City of Philadelphia – Office of the Director of Finance  
Notes to Forecasted General Fund Statements of Operations  
Fiscal Years Ending June 30, 2020 through June 30, 2024

arbitration are to be paid above the City's annual required contribution to the pension fund. This means that the City will pay more than what is legally required each year to improve the funding status of the plan more quickly.

- Over the past eleven years, reduced the pension fund's earnings assumption from 8.75% to 7.60%, with an additional reduction to 7.55% scheduled for July 1, 2020. 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, which improves the fund's health.

The net impact of these changes to the City's pension benefits and fund is to moderate what would have been devastating increases in pension costs and to increase the City's ability to fund existing liabilities in the long term. 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 FYP are provided by the City's actuary and are higher than the amounts required to be paid under state law.

**APPENDIX D:  
CITY'S FY2020-FY2024 FIVE YEAR FINANCIAL PLAN  
SUBMITTED TO PICA ON JUNE 18, 2018**

# **CITY OF PHILADELPHIA**



## **FY2020 - FY2024 FIVE YEAR FINANCIAL PLAN**

**PER COUNCIL APPROVED BUDGET**

**JUNE 2019**

**JAMES F. KENNEY**

**MAYOR**

City of Philadelphia As Adopted Five Year Financial Plan FY2020-2024		SUMMARY OF OPERATIONS FISCAL YEARS 2018 TO 2024 (Amounts in Thousands)						
FUND General								
NO.	ITEM	FY 2018 Actual	FY 2019 Estimate	FY 2020 Budget	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>OPERATIONS OF FISCAL YEAR</b>								
<b>REVENUES</b>								
1	Taxes	3,401,829	3,552,256	3,636,492	3,766,841	3,877,365	3,985,106	4,077,837
2	Locally Generated Non-Tax Revenues	320,643	325,585	353,328	314,947	316,376	326,371	319,587
3	Revenue from Other Governments	323,948	316,701	347,882	347,914	349,787	350,880	352,869
4	Other Govts. - PICA City Account (1)	454,205	474,651	499,290	529,225	549,602	584,546	628,074
5	Sub-Total Other Governments	778,153	791,352	847,172	877,139	899,389	935,426	980,943
6	Revenue from Other Funds of City	55,437	72,916	81,011	63,879	65,410	65,883	66,264
7	<b>Total - Revenue</b>	<b>4,556,062</b>	<b>4,742,109</b>	<b>4,918,003</b>	<b>5,022,806</b>	<b>5,158,540</b>	<b>5,312,786</b>	<b>5,444,631</b>
8	Other	0	0	0	0	0	0	0
9	<b>Total Revenue and Other Sources</b>	<b>4,556,062</b>	<b>4,742,109</b>	<b>4,918,003</b>	<b>5,022,806</b>	<b>5,158,540</b>	<b>5,312,786</b>	<b>5,444,631</b>
<b>OBLIGATIONS/APPROPRIATIONS</b>								
10	Personal Services	1,690,081	1,771,525	1,820,084	1,827,596	1,833,217	1,839,141	1,841,407
11	Personal Services-Pensions	718,035	671,496	695,122	706,362	716,708	729,828	740,140
12	Personal Services-Pensions - Sales Tax	24,202	47,578	53,929	59,372	64,771	70,258	74,974
13	Personal Services-Other Employee Benefits	571,784	658,891	662,912	671,446	703,275	733,750	766,132
14	<b>Sub-Total Employee Compensation</b>	<b>3,004,102</b>	<b>3,149,490</b>	<b>3,232,047</b>	<b>3,264,776</b>	<b>3,317,971</b>	<b>3,372,977</b>	<b>3,422,653</b>
15	Purchase of Services	891,074	955,793	1,001,325	998,411	1,015,784	1,036,563	1,041,707
16	Materials, Supplies and Equipment	102,191	123,211	123,682	118,173	113,115	112,483	112,495
17	Contributions, Indemnities, and Taxes	195,197	286,985	322,432	350,139	363,564	367,147	370,787
18	Debt Service	148,795	169,496	187,483	189,461	214,845	228,965	253,787
19	Payments to Other Funds	61,495	94,178	68,913	63,510	55,426	59,833	68,998
20	Advances & Misc. Pmts. Incl. Labor Reserve	0	0	0	20,000	30,000	40,000	50,000
21	Adv & Misc. Pmts. / Federal Funding Reserve	0	53,573	55,108	56,705	58,356	58,356	58,356
22	Sub-Total	4,402,854	4,832,726	4,990,990	5,061,175	5,169,061	5,276,324	5,378,783
23	Payment to Budget Stabilization Reserve Fund	0	0	34,276	35,062	36,066	37,214	38,188
24	<b>Total - Obligations</b>	<b>4,402,854</b>	<b>4,832,726</b>	<b>5,025,266</b>	<b>5,096,237</b>	<b>5,205,127</b>	<b>5,313,538</b>	<b>5,416,971</b>
25	Oper. Surplus (Deficit) for Fiscal Year	153,208	(90,617)	(107,263)	(73,431)	(46,587)	(752)	27,660
<b>Prior Year Adjustments:</b>								
26	Revenue Adjustments	0	0	0	0	0	0	0
27	Other Adjustments	26,331	19,500	19,500	19,500	19,500	19,500	19,500
28	Total Prior Year Adjustments	26,331	19,500	19,500	19,500	19,500	19,500	19,500
29	<b>Adjusted Oper. Surplus/ (Deficit)</b>	<b>179,539</b>	<b>(71,117)</b>	<b>(87,763)</b>	<b>(53,931)</b>	<b>(27,087)</b>	<b>18,748</b>	<b>47,160</b>
<b>OPERATIONS IN RESPECT TO PRIOR FISCAL YEARS</b>								
Fund Balance Available for Appropriation								
30	June 30 of Prior Fiscal Year	189,244	368,783	297,666	209,903	155,972	128,885	147,633
Fund Balance Available for Appropriation								
31	June 30	368,783	297,666	209,903	155,972	128,885	147,633	194,793

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND								
General								
REVENUE								
Taxes								
NO.	AGENCY AND REVENUE SOURCE	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>A. Real Property</b>								
1	1. Current	611,346	651,115	653,359	693,363	718,509	745,204	775,508
2	2. Prior	39,090	38,332	37,565	36,814	36,078	35,356	34,649
3	<b>Subtotal</b>	<b>650,436</b>	<b>689,447</b>	<b>690,924</b>	<b>730,177</b>	<b>754,587</b>	<b>780,560</b>	<b>810,157</b>
<b>B. Wage and Earnings</b>								
4	1. Current	1,536,868	1,566,260	1,628,251	1,687,337	1,746,375	1,807,301	1,866,744
5	2. Prior	5,389	0	5,400	5,400	5,400	5,400	5,400
6	<b>Subtotal</b>	<b>1,542,257</b>	<b>1,566,260</b>	<b>1,633,651</b>	<b>1,692,737</b>	<b>1,751,775</b>	<b>1,812,701</b>	<b>1,872,144</b>
<b>C. Business Taxes</b>								
7	<b>1. Business Income &amp; Receipts</b>	<b>446,071</b>	<b>503,293</b>	<b>497,317</b>	<b>512,344</b>	<b>512,353</b>	<b>507,130</b>	<b>516,378</b>
<b>2. Net Profits</b>								
8	a. Current	27,608	31,869	33,544	33,648	33,530	33,269	33,063
9	b. Prior	4,689	4,700	4,700	4,700	4,700	4,700	4,700
10	<b>Subtotal</b>	<b>32,297</b>	<b>36,569</b>	<b>38,244</b>	<b>38,348</b>	<b>38,230</b>	<b>37,969</b>	<b>37,763</b>
11	<b>Total, Business Taxes</b>	<b>478,368</b>	<b>539,862</b>	<b>535,561</b>	<b>550,692</b>	<b>550,583</b>	<b>545,099</b>	<b>554,141</b>
<b>D. Other Taxes</b>								
12	1. Sales	159,203	167,578	173,928	179,372	184,770	190,257	194,974
13	2. Sales (Pension)	24,202	47,578	53,928	59,372	64,770	70,257	74,974
14	3. Sales (Debt Service)	15,000	0	0	0	0	0	0
15	4. Amusement	22,970	27,895	28,919	29,865	30,797	31,730	32,717
16	5. Real Property Transfer	331,517	317,788	322,373	326,207	340,480	353,703	336,692
17	6. Real Property Transfer (SDP Homestead)	0	16,898	16,898	16,898	16,898	16,898	16,898
18	7. Parking	96,472	98,141	100,192	102,116	104,005	105,898	107,825
19	8. Smokeless Tobacco	976	981	986	991	996	1,001	1,006
20	9. Philadelphia Beverage	77,421	76,647	75,881	75,122	74,371	73,627	72,891
21	10. Other	3,007	3,181	3,251	3,292	3,333	3,375	3,418
22	<b>Subtotal</b>	<b>730,768</b>	<b>756,687</b>	<b>776,356</b>	<b>793,235</b>	<b>820,420</b>	<b>846,746</b>	<b>841,395</b>
23	<b>Total Taxes</b>	<b>3,401,829</b>	<b>3,552,256</b>	<b>3,636,492</b>	<b>3,766,841</b>	<b>3,877,365</b>	<b>3,985,106</b>	<b>4,077,837</b>

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND

**General**

REVENUE

**Locally Generated Non - Tax**

No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b><u>Office of Innovation &amp; Technology</u></b>								
1	Cable Franchise Fees	23,068	21,941	22,160	22,382	22,606	22,832	23,060
2	Telephone Commissions	213	0	0	0	0	0	0
3	Other	134	235	235	235	235	235	235
4	Subtotal	23,415	22,176	22,395	22,617	22,841	23,067	23,295
<b><u>Mavor</u></b>								
5	Other	133	130	130	130	130	130	130
<b><u>Managing Director</u></b>								
6	Other	901	1,612	1,567	1,592	1,617	1,642	1,667
<b><u>Police</u></b>								
7	Prior Year Reimb.- Special Services	4,260	4,750	4,000	4,000	4,000	4,000	4,000
8	Carry Arms Fees	228	215	150	150	150	150	150
9	Witness & Jury Fees	62	70	70	70	70	70	70
10	Other	2,224	2,550	2,050	2,050	2,050	2,050	2,050
11	Subtotal	6,774	7,585	6,270	6,270	6,270	6,270	6,270
<b><u>Streets</u></b>								
12	Survey Charges	861	875	1,659	1,659	1,659	1,659	1,659
13	Streets Issued Permits	4,560	5,250	5,250	5,250	5,250	5,250	5,250
14	Prior Year Reimbursements	39	25	25	25	25	25	25
15	Collection Fee - Housing Authority	1,077	1,100	1,100	1,100	1,100	1,100	1,100
16	Disposal of Salvage (Recyclables)	46	10	10	10	10	10	10
17	Right of Way Fees	997	1,960	2,000	2,135	2,270	2,405	2,540
18	Commercial Property Collection Fee	13,895	14,120	14,120	14,120	14,120	14,120	14,120
19	Other	443	800	800	800	800	800	800
20	Subtotal	21,918	24,140	24,964	25,099	25,234	25,369	25,504
<b><u>Fire</u></b>								
21	Emergency Medical Services	41,423	39,000	40,000	40,000	41,000	41,000	41,000
22	Other	1,253	950	950	950	950	950	950
23	Subtotal	42,676	39,950	40,950	40,950	41,950	41,950	41,950
<b><u>Public Health</u></b>								
24	Payments for Patient Care (HC's)	16,762	20,500	18,145	18,145	18,145	19,445	19,445
25	Pharmacy Fees	3,223	3,350	3,350	3,350	3,350	3,350	3,350
26	Environment User Fees	3,646	4,125	4,365	4,340	4,260	4,205	4,105
27	Other	875	500	500	500	500	500	500
28	Subtotal	24,506	28,475	26,360	26,335	26,255	27,500	27,400

City of Philadelphia

SUPPORTING REVENUE SCHEDULES

Five Year Financial Plan FY2020-2024

FISCAL YEARS 2018 TO 2024

(Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b><u>Parks &amp; Recreation</u></b>								
29	Other Leases	0	60	60	60	60	60	60
30	Rent from Land, Real Estate	82	80	80	80	80	80	80
31	Permits	1,210	1,254	1,254	1,254	1,254	1,254	1,254
32	Other	2,223	575	575	575	575	575	575
33	Subtotal	3,515	1,969	1,969	1,969	1,969	1,969	1,969
<b><u>Public Property</u></b>								
34	Rent from Real Estate	510	650	650	650	650	650	650
35	Sale/Lease of Capital Assets	553	0	34,750	1,250	1,250	6,950	1,250
36	Commission from Other Leases	2,515	2,800	3,000	3,000	3,000	3,000	3,000
37	Prior Year Refunds & Reimbursements	699	1,600	1,600	1,600	1,600	1,600	1,600
38	Other	26	50	50	50	50	50	50
39	Subtotal	4,303	5,100	40,050	6,550	6,550	12,250	6,550
<b><u>Human Services</u></b>								
40	Payments for Child Care - S.S.I.	2,623	2,500	2,500	2,500	2,500	2,500	2,500
41	Other	222	100	100	100	100	100	100
42	Subtotal	2,845	2,600	2,600	2,600	2,600	2,600	2,600
<b><u>Philadelphia Prisons</u></b>								
43	Telephone Commissions	161	1,475	1,400	1,400	1,400	1,400	1,400
44	Work Release	18	50	50	50	50	50	50
45	Inmate Account Fees	258	125	125	125	125	125	125
46	Other	29	25	25	25	25	25	25
47	Subtotal	466	1,675	1,600	1,600	1,600	1,600	1,600
<b><u>Office of Homeless Services</u></b>								
48	Payments for Patient Care	598	600	600	600	600	600	600
49	Other	161	20	20	20	20	20	20
50	Subtotal	759	620	620	620	620	620	620
<b><u>Fleet Management</u></b>								
51	Sale of Vehicles	884	1,234	500	500	500	500	500
52	Fuel and Warranty Reimbursements	2,020	2,250	2,250	2,250	2,250	2,250	2,250
53	Other	501	550	300	300	300	300	300
54	Subtotal	3,405	4,034	3,050	3,050	3,050	3,050	3,050

City of Philadelphia		SUPPORTING REVENUE SCHEDULES						
Five Year Financial Plan FY2020-2024		FISCAL YEARS 2018 TO 2024						
		(Amounts in Thousands)						
FUND								
General								
REVENUE								
Locally Generated Non - Tax								
No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<b><u>Licenses and Inspections</u></b>							
55	Amusement	30	25	25	25	25	25	25
56	Health and Sanitation	18,592	19,000	18,250	17,500	17,500	17,500	17,500
57	Police and Fire Protection	589	875	875	875	875	875	875
58	Street Use	3,235	2,900	2,900	2,900	2,900	2,900	2,900
59	Professional & Occupational	1,240	800	800	800	800	800	800
60	Building Structure & Equipment	31,341	36,908	34,851	31,351	34,486	34,486	34,486
61	Business	43	200	200	200	200	200	200
62	Other Licenses & Permits	81	175	175	175	175	175	175
63	Code Violation Fines	1,701	2,625	1,875	1,125	1,125	1,125	1,125
64	Other	9,353	9,680	8,725	7,725	5,725	5,725	5,725
65	Subtotal	66,205	73,188	68,676	62,676	63,811	63,811	63,811
	<b><u>Records</u></b>							
66	Recording of Legal Instrument Fees	12,575	12,575	12,950	12,950	12,950	12,950	12,950
67	Preparation of Records	220	275	400	400	400	400	400
68	Commission on Tax Stamps	1,019	1,000	1,000	1,000	1,000	1,000	1,000
69	Accident Investigation Reports	1,092	1,200	1,200	1,200	1,200	1,200	1,200
70	Document Technology Fee	2,342	2,450	2,450	2,450	2,450	2,450	2,450
71	Other	777	750	750	750	750	750	750
72	Subtotal	18,025	18,250	18,750	18,750	18,750	18,750	18,750
	<b><u>Director of Finance</u></b>							
73	Prior Year Refunds	8	200	200	200	200	200	200
74	SWEEP Fines	39	0	0	0	0	0	0
75	Burglar Alarm Licenses	20	0	0	0	0	0	0
76	False Alarm Fines	12	0	0	0	0	0	0
77	Reimbursements - Other	7,641	5,800	5,800	5,800	5,000	5,800	5,800
78	Reimbursement - Prescription Program	8,260	6,250	6,250	6,250	6,250	6,250	6,250
79	Health Benefit Charges	1,427	1,450	1,500	1,500	1,500	1,500	1,500
80	Other	524	10	10	10	10	10	10
81	Subtotal	17,931	13,710	13,760	13,760	12,960	13,760	13,760
	<b><u>Revenue</u></b>							
82	Miscellaneous Fines	474	75	75	75	75	75	75
83	Non-Profit Org. Voluntary Payments	2,918	3,650	3,740	3,740	3,740	3,740	3,740
84	Casino Settlement Payments	614	2,060	2,350	5,243	3,910	3,910	0
85	Other	555	1,010	1,010	1,010	1,010	1,010	1,010
86	Subtotal	4,561	6,795	7,175	10,068	8,735	8,735	4,825

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND

**General**

REVENUE

**Locally Generated Non - Tax**

No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<b><u>Procurement</u></b>							
87	Performance Bonds	1	15	15	15	15	15	15
88	Master Performance Bonds	15	30	30	30	30	30	30
89	Bid Application Fees etc.	176	175	175	175	175	175	175
90	Other	148	135	135	135	135	135	135
91	Subtotal	340	355	355	355	355	355	355
	<b><u>City Treasurer</u></b>							
92	Interest Earnings	10,979	8,972	7,733	8,702	8,910	9,974	12,112
93	Other	375	600	600	600	600	600	600
94	Subtotal	11,354	9,572	8,333	9,302	9,510	10,574	12,712
	<b><u>Law</u></b>							
95	Legal Fees & Charges	239	250	250	250	250	250	250
96	Court Awarded Damages	505	500	500	500	500	500	500
97	Other	77	50	50	50	50	50	50
98	Subtotal	821	800	800	800	800	800	800
	<b><u>Board of Ethics</u></b>							
99	Other	117	155	90	90	90	90	90
	<b><u>Inspector General</u></b>							
100	Other	80	0	0	0	0	0	0
	<b><u>Office of Sustainability</u></b>							
101	Other	0	0	3,700	0	0	0	0
	<b><u>Free Library</u></b>							
102	Library Fees & Fines	299	277	277	277	277	277	277
103	Other	759	775	775	775	890	890	890
104	Subtotal	1,058	1,052	1,052	1,052	1,167	1,167	1,167
	<b><u>Personnel</u></b>							
105	Other	1	2	2	2	2	2	2
	<b><u>Office of Property Assessment</u></b>							
106	Other	0	2	2	2	2	2	2
	<b><u>Board of Revision of Taxes</u></b>							
107	Other	0	1	1	1	1	1	1

City of Philadelphia

SUPPORTING REVENUE SCHEDULES

Five Year Financial Plan FY2020-2024

FISCAL YEARS 2018 TO 2024

(Amounts in Thousands)

FUND

General

REVENUE

Locally Generated Non - Tax

No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b><u>Chief Administrator's Office</u></b>								
108	SWEEP Fines	4,803	5,375	5,375	5,375	5,375	5,375	5,375
109	Burglar Alarm Licenses	2,799	2,965	2,965	2,965	2,965	2,965	2,965
110	False Alarm Fines	1,692	1,910	1,910	1,910	1,910	1,910	1,910
111	Reimbursements - Other	1,260	70	70	70	70	70	70
112	Subtotal	10,554	10,320	10,320	10,320	10,320	10,320	10,320
<b><u>Register of Wills</u></b>								
113	Court Costs, Fees & Charges	837	700	700	700	700	700	700
114	Recording Fees	2,673	5,610	2,365	2,365	2,365	2,365	2,365
115	Other	710	885	885	885	885	885	885
116	Subtotal	4,220	7,195	3,950	3,950	3,950	3,950	3,950
<b><u>District Attorney</u></b>								
117	Other	40	30	30	30	30	30	30
<b><u>Sheriff</u></b>								
118	Sheriff Fees	7,576	6,000	6,000	6,000	6,000	6,000	6,000
119	Commission Fees	5,196	5,246	5,246	5,246	5,246	5,246	5,246
120	Other	2,584	50	50	50	50	50	50
121	Subtotal	15,356	11,296	11,296	11,296	11,296	11,296	11,296
<b><u>Planning &amp; Development</u></b>								
122	Zoning Permits	406	415	350	350	350	350	350
123	Accelerated Review Fees	300	280	260	260	260	260	260
124	Other	254	1	1	1	1	1	1
125	Subtotal	960	696	611	611	611	611	611
<b><u>City Commissioners</u></b>								
126	Other	2	25	25	25	25	25	25
<b><u>1st Judicial District - Clerk of Courts</u></b>								
127	Other Fines	143	350	350	350	350	350	350
128	Court Costs, Fees & Charges	1,754	1,750	1,750	1,750	1,750	1,750	1,750
129	Bail Forfeited	448	0	0	0	0	0	0
130	Cash Bail Fees	2,979	1,000	0	0	0	0	0
131	Other	0	125	125	125	125	125	125
132	Subtotal	5,324	3,225	2,225	2,225	2,225	2,225	2,225
<b><u>1st Judicial District - Traffic Court</u></b>								
133	Traffic Court Fines	4,969	5,000	5,800	6,400	7,200	8,000	8,400

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND

**General**

REVENUE

**Locally Generated Non - Tax**

No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<b>1st Judicial District - CP &amp; Mun. Court</b>							
134	Court Costs, Fees & Charges	20,069	20,000	20,000	20,000	20,000	20,000	20,000
135	Other Fines	836	1,500	1,500	1,500	1,500	1,500	1,500
136	Other	1,996	2,350	2,350	2,350	2,350	2,350	2,350
137	Subtotal	22,901	23,850	23,850	23,850	23,850	23,850	23,850
138	Other Adjustments	208	0	0	0	0	0	0
139	<b>Total Locally Generated Non-Tax</b>	<b>320,643</b>	<b>325,585</b>	<b>353,328</b>	<b>314,947</b>	<b>316,376</b>	<b>326,371</b>	<b>319,587</b>

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND								
<b>General</b>								
REVENUE								
<b>Revenue from Other Governments</b>								
No.	Agency and Revenue Source	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
(1)	(2)	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<b><u>Managing Director</u></b>							
	Federal:							
1	Emergency Management	100	115	115	115	115	115	115
	<b><u>Police</u></b>							
	State:							
2	Police Training - Reimbursement	2,490	3,200	3,200	2,200	2,200	2,200	2,200
	<b><u>Streets</u></b>							
	Federal:							
3	Highways	151	350	350	350	350	350	350
4	Bridge Design	264	215	215	215	215	215	215
5	Delaware Valley Reg. Planning Comm.	185	185	185	185	185	185	185
	State:							
6	Snow Removal	2,500	2,500	2,500	2,500	2,500	2,500	2,500
7	PennDot Bridge Design	57	50	50	50	50	50	50
8	PennDot Highways	0	25	25	25	25	25	25
9	Subtotal	3,157	3,325	3,325	3,325	3,325	3,325	3,325
	<b><u>Public Health</u></b>							
	Federal:							
10	Medicare - Outpatient / HC's	2,060	2,791	2,791	2,791	2,791	2,791	2,791
11	Medicare - PNH	893	1,476	1,476	1,476	1,476	1,476	1,476
12	Medical Assistance - Outpatient / HC's	2,050	4,048	17,065	17,065	17,065	17,065	17,065
13	Medical Assistance - PNH	23,649	22,775	22,775	22,775	22,775	22,775	22,775
14	Summer Food Inspection	59	60	60	60	60	60	60
	State:							
15	County Health	12,796	9,706	9,706	9,706	9,706	9,706	9,706
16	Medical Assistance - Outpatient / HC's	1,677	3,329	13,916	13,916	13,916	13,916	13,916
17	Medical Assistance - PNH	19,326	18,607	18,607	18,607	18,607	18,607	18,607
18	Subtotal	62,510	62,792	86,396	86,396	86,396	86,396	86,396
	<b><u>Public Property</u></b>							
	Other Governments:							
19	PGW Rental	18,000	18,000	18,000	18,000	18,000	18,000	18,000
	<b><u>Human Services</u></b>							
	Federal:							
20	Title IV-E Adoption Services	1,457	0	0	0	0	0	0

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND								
<b>General</b>								
REVENUE								
<b>Revenue from Other Governments</b>								
No.	Agency and Revenue Source	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
(1)	(2)	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<b><u>Philadelphia Prisons</u></b>							
	Federal:							
21	SSA Prisoner Incentive Payments	295	220	220	220	220	220	220
	<b><u>Director of Finance</u></b>							
	Federal:							
22	Medicare Part D-Retirees	33	200	200	200	200	200	200
	State:							
23	Pension Aid - State Act 205	73,360	74,810	74,810	74,810	74,810	74,810	74,810
24	Juror Fee Reimbursement	407	500	500	500	500	500	500
25	State Police Fines (Phila. County)	647	700	700	700	700	700	700
26	Wage Tax Relief Funding	86,278	86,278	86,278	86,278	86,278	86,278	86,278
27	Gaming - Local Share Assessment	7,979	5,400	5,450	5,500	5,550	5,600	5,650
	Other Governments:							
28	PATCO Community Impact Fund	75	75	75	75	75	75	75
29	PAID - Parametric Garage	474	500	500	500	500	500	500
30	Subtotal	169,253	168,463	168,513	168,563	168,613	168,663	168,713
	<b><u>Revenue</u></b>							
	Federal:							
31	Reimb. - PILOT	0	3	3	3	3	3	3
32	Tinicum Wildlife Preserve	4	2	2	2	2	2	2
	Other Governments:							
33	PPA - Parking/Violations/Fines (on St.)	41,284	41,832	45,840	46,822	48,645	49,688	51,627
34	Burlington County Bridge Comm.	14	7	7	7	7	7	7
35	Subtotal	41,302	41,844	45,852	46,834	48,657	49,700	51,639
	<b><u>City Treasurer</u></b>							
	State:							
36	Retail Liquor License	1,175	1,100	1,100	1,100	1,100	1,100	1,100
37	Public Utility Tax Refund	3,571	3,678	3,678	3,678	3,678	3,678	3,678
38	Subtotal	4,746	4,778	4,778	4,778	4,778	4,778	4,778
	<b><u>Commission on Human Relations</u></b>							
	Federal:							
39	Deferred EEOC Cases	107	125	125	125	125	125	125
	<b><u>District Attorney</u></b>							
	State:							
40	Reimbursement - DA Salary	12	119	119	119	119	119	119

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES**

**Five Year Financial Plan FY2020-2024**

**FISCAL YEARS 2018 TO 2024**

(Amounts in Thousands)

FUND								
General								
REVENUE								
Revenue from Other Governments								
No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<b><u>1st Judicial District</u></b>							
	Federal:							
41	Title IV-E	39	200	200	200	200	200	200
	State:							
42	Intensive Probation - Adult	3,983	3,650	3,650	3,650	3,650	3,650	3,650
43	Intensive Probation - Juvenile	1,232	1,232	1,232	1,232	1,232	1,232	1,232
44	Reimbursement - Court Costs	6,634	6,556	10,075	10,075	10,075	10,075	10,075
45	Reimbursement - Attorney Fees	328	82	82	82	82	82	82
46	Subtotal	12,216	11,720	15,239	15,239	15,239	15,239	15,239
47	PICA City Account	454,205	474,651	499,290	529,225	549,602	584,546	628,074
	<b><u>Totals</u></b>							
48	Federal	31,346	32,765	45,782	45,782	45,782	45,782	45,782
49	State	224,452	221,522	235,678	234,728	234,778	234,828	234,878
50	Other Governments	59,847	60,414	64,422	65,404	67,227	68,270	70,209
51	PICA Funding	454,205	474,651	499,290	529,225	549,602	584,546	628,074
52	Other Authorized Adjustments	8,303	2,000	2,000	2,000	2,000	2,000	2,000
53	<b>Total, Revenue From Other Govts.</b>	<b>778,153</b>	<b>791,352</b>	<b>847,172</b>	<b>877,139</b>	<b>899,389</b>	<b>935,426</b>	<b>980,943</b>

**City of Philadelphia**

**SUPPORTING REVENUE SCHEDULES  
FISCAL YEARS 2018 TO 2024**

**Five Year Financial Plan FY2020-2024**

(Amounts in Thousands)

**General**

REVENUE

**Revenue from Other Funds**

No.	Agency and Revenue Source	FY 2018 Actual	FY 2019 Estimate	FY 2020 Estimate	FY 2021 Estimate	FY 2022 Estimate	FY 2023 Estimate	FY 2024 Estimate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b><u>Water Fund</u></b>								
1	Services performed & costs borne by General Fund	7,319	7,491	12,662	13,091	13,543	14,016	14,517
2	Excess interest on Sinking Fund reserve	1,628	1,500	1,500	1,500	1,500	1,500	1,500
3	Sub-total	8,947	8,991	14,162	14,591	15,043	15,516	16,017
<b><u>Aviation Fund</u></b>								
4	Services performed & costs borne by General Fund	3,265	3,110	3,110	3,110	3,110	3,110	2,990
<b><u>Grants Revenue Fund</u></b>								
5	Services performed & costs borne by General Fund	109	750	750	750	750	750	750
6	911 Surcharge	37,831	55,165	59,089	41,528	42,607	42,607	42,607
7	Sub-total	37,940	55,915	59,839	42,278	43,357	43,357	43,357
<b><u>Other Funds</u></b>								
8	Services performed & costs borne by General Fund	5,285	4,900	3,900	3,900	3,900	3,900	3,900
9	<b>Total Revenue from Other Funds</b>	<b>55,437</b>	<b>72,916</b>	<b>81,011</b>	<b>63,879</b>	<b>65,410</b>	<b>65,883</b>	<b>66,264</b>

**City of Philadelphia  
General Fund  
FY 2020- 2024 Five Year Financial Plan  
Summary by Class**

<u>Expenditure Class</u>	FY 18 Actual	FY 19 Budget	FY 19 Estimate	FY 20 Budget	FY 21 Estimate	FY 22 Estimate	FY 23 Estimate	FY 24 Estimate
<b>Class 100 - Wages</b>	1,690,080,953	1,738,440,262	1,771,524,860	1,820,084,499	1,827,596,120	1,833,217,514	1,839,141,221	1,841,406,813
<b>Class 100 - Benefits</b>	1,314,021,386	1,360,238,207	1,377,964,739	1,411,963,002	1,437,179,783	1,484,753,943	1,533,835,869	1,581,245,546
<b>Class 200 - Contracts / Leases</b>	891,073,171	951,665,336	955,792,944	1,001,324,495	998,411,245	1,015,783,670	1,036,562,583	1,041,706,682
<b>Class 300/400 - Supplies, Equipment</b>	102,191,249	114,356,297	123,211,426	123,681,775	118,172,828	113,114,754	112,482,505	112,495,505
<b>Class 500 - Indemnities / Contributions</b>	195,196,948	282,184,841	286,984,841	322,432,210	350,139,358	363,564,001	367,147,390	370,786,621
<b>Class 700 - Debt Service</b>	148,795,403	169,496,126	169,496,126	187,482,819	189,460,472	214,844,846	228,964,828	253,787,321
<b>Class 800 - Payments to Other Funds</b>	61,494,747	38,095,798	94,178,098	103,189,100	98,572,100	91,492,100	97,047,100	107,186,100
<b>Class 900 - Advances / Misc. Payments</b>	0	71,020,472	53,573,100	55,108,100	76,705,100	88,356,100	98,356,100	108,356,100
<b>Total</b>	<u>4,402,853,857</u>	<u>4,725,497,339</u>	<u>4,832,726,134</u>	<u>5,025,266,000</u>	<u>5,096,237,006</u>	<u>5,205,126,928</u>	<u>5,313,537,596</u>	<u>5,416,970,688</u>

**City of Philadelphia**  
**FY 2020 - 2024 Five Year Financial Plan**  
**General Fund**  
**Summary by Department**

Department	FY 18 Actual	FY 19 Budget	FY 19 Estimate	FY 20 Budget	FY 21 Estimate	FY 22 Estimate	FY 23 Estimate	FY 24 Estimate
Art Museum	2,550,500	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
Atwater Kent Museum	306,771	250,000	250,000	0	0	0	0	0
Auditing	8,762,254	8,893,008	9,209,745	9,384,550	9,384,550	9,384,550	9,384,550	9,384,550
Board of Ethics	974,344	1,074,792	1,098,971	1,101,630	1,101,630	1,101,630	1,101,630	1,101,630
Board of Revision of Taxes	952,531	1,046,903	1,071,422	1,060,791	1,060,791	1,060,791	1,060,791	1,060,791
City Commissioners	10,124,526	10,351,881	15,928,677	12,216,911	11,195,911	11,014,911	11,014,911	11,150,911
City Council	16,959,076	17,225,693	17,807,973	17,927,973	17,927,973	17,927,973	17,927,973	17,927,973
City Representative	1,116,837	1,158,249	1,223,288	1,249,695	1,249,695	1,249,695	1,249,695	1,249,695
City Treasurer	1,177,474	1,692,315	1,725,724	1,483,167	1,408,167	1,408,167	1,408,167	1,408,167
Civil Service Commission	193,463	198,056	201,591	204,935	204,935	204,935	204,935	204,935
Civil Service Comm - Provision for Future Labor Obligations	0	16,447,372	0	0	20,000,000	30,000,000	40,000,000	50,000,000
Commerce	5,581,442	6,013,658	7,415,783	9,948,861	7,557,267	7,565,883	7,574,714	7,583,767
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	2,854,448	2,397,004	1,242,883	7,671,624	1,171,624	1,171,624	1,171,624	1,171,624
District Attorney	35,520,200	41,792,293	41,832,195	38,908,536	38,908,536	38,908,536	38,908,536	38,908,536
Finance	44,263,571	24,790,260	71,892,419	45,227,334	36,870,334	28,887,334	31,749,334	38,685,334
Finance-Reg #32	2,556,892	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000	2,650,000
Finance-Budget Stabilization	0	0	0	34,276,000	35,062,000	36,066,000	37,214,000	38,188,000
Finance - Provision for Grant Loss Funding	0	53,573,000	53,573,000	55,108,000	56,705,000	58,356,000	58,356,000	58,356,000
Finance - Community College Subsidy	30,409,207	32,409,207	32,409,207	33,759,207	33,759,207	33,759,207	33,759,207	33,759,207
Finance - Employee Benefits	1,314,021,386	1,360,238,207	1,377,964,739	1,411,963,002	1,437,179,783	1,484,753,943	1,533,835,869	1,581,245,546
Finance - Hero Awards	2,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Finance - Indemnities	0	48,780,000	48,780,000	49,246,000	49,246,000	49,246,000	48,780,000	48,780,000
Finance - Refunds	10,202	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Finance - School District Contribution	104,348,281	180,870,541	185,770,541	222,456,410	252,578,558	266,953,201	270,052,590	273,191,821
Finance - Witness Fees	86,141	171,518	171,518	171,518	171,518	171,518	171,518	171,518
Fire	268,563,285	277,613,180	306,185,387	298,549,278	300,358,856	306,587,229	312,497,063	315,485,155
First Judicial District	114,171,926	109,556,573	112,731,854	115,503,975	115,503,975	115,503,975	115,503,975	115,503,975
Fleet Management	45,083,004	49,062,057	49,827,789	50,114,034	51,341,478	51,389,478	51,437,478	51,437,478
Fleet Management - Vehicle Lease/Purchases	19,340,817	14,797,739	14,797,739	17,286,549	14,797,739	14,797,739	14,797,739	14,797,739
Free Library	41,794,729	41,286,517	42,265,871	45,760,383	48,060,383	48,060,383	48,060,383	48,060,383
Human Relations Commission	2,079,631	2,202,336	2,297,418	2,386,402	2,386,402	2,386,402	2,386,402	2,386,402
Human Services	108,622,882	112,073,598	112,073,598	118,965,013	119,648,349	120,210,008	119,161,669	119,161,669
Labor	1,445,501	1,746,946	2,014,103	2,454,828	2,397,828	2,297,828	2,397,828	2,397,828
Law	14,800,512	15,835,164	16,066,096	16,085,045	16,035,045	16,185,045	16,235,045	16,285,045
Licenses & Inspections	35,400,379	37,507,876	37,979,690	41,282,551	41,442,043	41,050,744	40,394,494	40,394,494
L&I: Board of Building Standards	67,339	75,419	78,574	80,366	80,366	80,366	80,366	80,366
L&I: Board of L+I Review	153,135	172,720	172,720	173,870	173,870	173,870	173,870	173,870
Managing Director	43,263,090	46,633,137	50,840,245	55,183,220	53,563,546	54,964,262	54,986,764	54,807,778
Managing Director - Legal Services	48,824,041	50,375,841	51,574,391	50,938,541	50,938,541	50,938,541	50,938,541	50,938,541
Mayor	4,097,960	5,316,168	5,528,157	6,113,633	6,086,633	6,086,633	6,086,633	6,086,633
Mayor - Scholarships	170,500	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Mayor - Office of Chief Administrative Officer	5,894,030	6,619,329	6,548,985	7,588,265	7,044,015	6,984,015	6,924,015	6,924,015

**City of Philadelphia**  
**FY 2020 - 2024 Five Year Financial Plan**  
**General Fund**  
**Summary by Department**

Department	FY 18 Actual	FY 19 Budget	FY 19 Estimate	FY 20 Budget	FY 21 Estimate	FY 22 Estimate	FY 23 Estimate	FY 24 Estimate
Mayor - Office of Education	23,073,129	24,949,452	29,510,497	45,350,014	56,845,964	63,433,271	68,683,368	67,219,358
Mayor's Office of Community Empowerment and Opportunity	2,146,763	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Mural Arts Program	1,921,140	2,034,016	2,084,602	2,499,602	2,349,602	2,349,602	2,349,602	2,349,602
Office of Arts and Culture and the Creative Economy	4,132,910	4,172,855	4,335,840	4,098,002	4,098,002	4,098,002	4,098,002	4,098,002
Office of Behavioral Health and Intellectual disAbilities	14,683,674	14,202,289	17,131,339	15,895,444	15,465,360	15,465,360	15,465,360	15,465,360
Office of Homeless Services	48,016,836	52,761,498	56,816,894	59,945,719	58,233,112	56,771,738	57,439,011	57,439,011
Office of Human Resources	5,626,437	6,343,869	6,535,350	6,724,287	6,634,287	6,634,287	6,634,287	6,714,287
Office of Innovation and Technology	61,598,068	65,491,927	66,497,367	71,198,539	80,440,845	73,121,998	77,328,479	77,328,479
Office of Innovation and Technology - 911	14,748,137	35,380,008	35,478,870	41,235,086	23,564,955	24,643,267	24,643,267	24,643,267
Office of Inspector General	1,487,259	1,636,311	1,680,441	1,680,441	1,680,441	1,680,441	1,680,441	1,680,441
Office of Property Assessment	13,434,758	14,216,425	14,714,490	17,318,408	16,993,408	16,993,408	16,993,408	16,993,408
Office of Sustainability	908,498	949,327	963,258	1,213,258	1,213,258	1,213,258	1,213,258	1,213,258
Parks and Recreation	64,066,064	66,062,181	67,198,713	65,058,055	64,823,438	65,124,821	65,754,945	65,614,945
Planning & Development	8,216,495	12,811,669	12,973,533	11,810,746	8,785,746	8,785,746	8,785,746	8,785,746
Police	712,744,848	709,492,944	711,140,370	741,165,097	739,245,083	739,245,083	739,245,083	739,245,083
Prisons	258,968,396	249,371,806	250,152,237	238,183,523	238,183,523	238,183,523	238,183,523	238,183,523
Procurement	4,789,509	4,938,442	5,014,187	5,674,563	5,074,563	5,074,563	5,074,563	5,074,563
Public Health	135,237,848	156,633,875	140,042,886	160,572,140	161,753,789	159,415,538	159,265,538	159,265,538
Public Property	63,077,078	67,881,546	68,581,774	68,691,597	73,594,737	75,827,411	78,071,025	80,018,025
Public Property - SEPTA Subsidy	81,946,000	84,608,000	84,608,000	87,556,000	91,025,000	94,259,000	98,004,000	101,901,000
Public Property - Space Rentals	21,553,679	22,457,948	22,457,948	26,278,677	26,113,076	25,677,141	25,601,607	26,316,824
Public Property - Utilities	24,580,646	25,008,269	25,008,269	27,393,339	25,055,344	25,898,337	26,820,921	27,723,386
Records	4,429,732	4,768,507	4,826,755	4,910,278	4,910,278	4,910,278	4,910,278	4,910,278
Register of Wills	4,126,862	4,438,881	4,438,881	4,551,645	4,551,645	4,551,645	4,551,645	4,551,645
Revenue	29,308,141	30,707,541	31,251,491	32,879,233	32,477,233	32,477,233	32,477,233	32,477,233
Sheriff	28,432,276	26,150,422	26,212,604	27,046,961	27,046,961	27,046,961	27,046,961	27,046,961
Sinking Fund Commission (Debt Service)	265,503,720	295,032,504	295,032,504	296,705,317	305,791,529	336,107,169	355,333,697	379,655,714
Streets	152,550,647	141,981,270	146,719,741	157,032,932	156,918,279	158,484,431	160,129,039	161,839,375
<b>Total</b>	<b>4,402,853,857</b>	<b>4,725,497,339</b>	<b>4,832,726,134</b>	<b>5,025,266,000</b>	<b>5,096,237,006</b>	<b>5,205,126,928</b>	<b>5,313,537,596</b>	<b>5,416,970,688</b>

City of Philadelphia  
 General Fund  
 FY 2020 - 2024 Five Year Financial Plan  
 Estimated Fringe Benefit Allocation

<u>Expenditure Category</u>	FY 18 Actual	FY 19 Budget	FY 19 Estimate	FY 20 Budget	FY 21 Estimate	FY 22 Estimate	FY 23 Estimate	FY 24 Estimate
Unemployment Comp.	3,492,886	4,080,260	4,080,260	4,080,260	4,080,260	4,080,260	4,080,260	4,080,260
Employee Disability	56,011,219	61,799,849	61,799,849	69,844,607	72,809,986	75,901,266	79,123,792	82,483,137
Pension	607,875,436	561,418,620	561,418,620	584,663,838	595,903,869	606,249,336	619,369,608	629,681,943
Pension Obligation Bonds	110,159,328	110,077,649	110,077,649	110,158,479	110,158,479	110,158,479	110,158,479	110,158,479
FICA	80,441,125	78,631,100	78,631,100	84,546,988	84,608,478	84,633,502	84,664,314	84,664,314
Health / Medical	418,230,169	481,764,702	500,175,375	489,978,550	495,485,260	524,199,261	551,420,554	580,441,819
Group Life	7,782,681	8,407,794	8,407,794	8,465,202	8,465,202	8,465,202	8,465,202	8,465,202
Group Legal	4,769,947	4,849,842	4,849,842	5,049,842	5,049,842	5,049,842	5,049,842	5,049,842
Tool Allowance	209,050	146,267	146,267	146,267	146,267	146,267	146,267	146,267
Flex Cash Payments	645,989	800,000	800,000	800,000	800,000	800,000	800,000	800,000
Pension Relief - Sales Tax	24,202,319	48,262,124	47,577,983	53,928,969	59,372,140	64,770,528	70,257,551	74,974,283
Pension - Plan 10	201,237	0	-	300,000	300,000	300,000	300,000	300,000
<b>Total</b>	<b>1,314,021,386</b>	<b>1,360,238,207</b>	<b>1,377,964,739</b>	<b>1,411,963,002</b>	<b>1,437,179,783</b>	<b>1,484,753,943</b>	<b>1,533,835,869</b>	<b>1,581,245,546</b>

OFFICE OF THE DIRECTOR OF FINANCE

CASH FLOW PROJECTIONS  
GENERAL FUND - FY2020

Amounts in Millions

Projection	Amounts in Millions												Total	Accrued	Not Accrued	Estimated Revenues		
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30						
<b>REVENUES</b>																		
Real Estate Tax	10.5	9.7	8.7	8.7	8.1	19.2	57.2	364.5	147.5	31.6	16.2	9.2	690.9				690.9	
Total Wage, Earnings, Net Profits	143.0	127.0	123.2	145.3	131.4	121.5	170.1	131.2	148.0	169.9	138.2	123.1	1671.9				1671.9	
Realty Transfer Tax	33.7	28.9	26.4	27.2	25.7	26.9	28.5	21.7	27.1	28.7	31.0	33.5	339.3				339.3	
Sales Tax	25.9	27.8	16.1	13.9	15.4	13.9	13.4	16.5	13.5	11.8	29.6	28.4	225.9	1.9			227.9	
Business Income & Receipts Tax	5.0	5.1	17.6	16.4	1.7	8.6	17.6	5.0	56.4	277.8	76.7	9.4	497.3				497.3	
Beverage Tax	7.0	6.4	6.5	6.5	7.0	5.6	6.1	5.9	5.5	6.6	6.3	6.4	75.9				75.9	
Other Taxes	10.9	13.4	11.0	10.5	10.8	10.4	10.4	10.9	10.1	13.9	10.9	10.1	133.3				133.3	
Locally Generated Non-tax	30.0	30.5	28.2	28.2	27.2	26.5	30.7	28.0	30.9	31.4	30.1	31.5	353.3				353.3	
Total Other Governments	4.5	71.2	90.6	61.5	28.2	8.2	9.3	14.5	15.1	13.3	14.0	17.4	347.9				347.9	
Total PCA Other Governments	33.8	37.9	39.3	30.5	45.3	30.8	47.0	45.2	47.8	50.2	61.3	30.2	499.3				499.3	
Interfund Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.5	25.5	55.5			81.0	
<b>Total Current Revenue</b>	<b>304.1</b>	<b>357.8</b>	<b>367.6</b>	<b>348.7</b>	<b>300.8</b>	<b>271.6</b>	<b>390.4</b>	<b>643.5</b>	<b>502.0</b>	<b>635.2</b>	<b>414.2</b>	<b>324.6</b>	<b>4860.6</b>	<b>1.9</b>			<b>4918.0</b>	
Collection of prior year(s) revenue	24.7	8.7	2.4	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.8					
Other fund balance adjustments																		
<b>TOTAL CASH RECEIPTS</b>	<b>328.8</b>	<b>366.5</b>	<b>370.0</b>	<b>357.8</b>	<b>300.8</b>	<b>271.6</b>	<b>390.4</b>	<b>643.5</b>	<b>502.0</b>	<b>635.2</b>	<b>414.2</b>	<b>324.6</b>	<b>4905.4</b>					

	Amounts in Millions												Total	Vouchers Payable	Encumbrances	Estimated Obligations		
	July 31	Aug 31	Sept 30	Oct 31	Nov 30	Dec 31	Jan 31	Feb 29	March 31	April 30	May 31	June 30						
<b>EXPENSES AND OBLIGATIONS</b>																		
Payroll	90.1	196.4	140.9	136.5	149.6	136.5	199.6	135.8	136.5	136.5	149.6	140.9	1748.7	67.2	4.2		1820.1	
Employee Benefits	33.3	72.7	52.2	50.5	55.4	50.5	72.7	50.3	50.5	50.5	55.4	52.2	646.3	16.1	0.5		662.9	
Pension	3.7	(5.7)	4.2	69.6	(5.5)	(2.3)	(5.3)	(2.7)	632.8	(3.0)	(2.2)	(1.8)	681.8	67.2			749.1	
Purchase of Services	41.6	43.6	76.3	105.4	60.0	78.7	56.4	58.0	82.6	79.8	89.5	71.1	843.1	26.4	131.8		1001.3	
Materials, Equipment	4.4	5.5	12.1	10.4	7.7	7.7	8.4	7.6	9.8	8.7	8.1	11.0	102.3	3.0	18.4		123.7	
Contributions, Indemnities	15.5	68.8	11.1	9.5	12.6	58.9	6.0	11.6	56.6	5.0	2.6	64.1	322.4				322.4	
Debt Service-Short Term	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	6.1				6.1	
Debt Service-Long Term	39.9	93.8	10.6	0.2	0.2	0.2	7.1	28.5	0.4	0.2	0.2	0.2	181.4				181.4	
Interfund Charges	37.5	15.5	0.0	0.0	0.0	13.3	0.2	3.2	0.0	4.2	0.5	6.8	81.2	22.0			103.2	
Advances & Misc. Pmts. / Labor Obligations	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	55.1				55.1	
<b>Current Year Appropriation</b>	<b>270.6</b>	<b>495.2</b>	<b>312.0</b>	<b>386.8</b>	<b>284.6</b>	<b>348.9</b>	<b>349.8</b>	<b>296.9</b>	<b>973.9</b>	<b>286.5</b>	<b>308.3</b>	<b>354.8</b>	<b>4668.4</b>	<b>201.9</b>	<b>155.0</b>		<b>5025.3</b>	
Prior Yr. Expenditures against Encumbrances	63.0	36.0	23.7	14.0	7.7	4.9	11.0	7.1	4.6	4.1	1.7	1.8	179.6					
Prior Yr. Salaries & Vouchers Payable	126.1	26.3	0.0	110.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	262.7					
<b>TOTAL DISBURSEMENTS</b>	<b>459.7</b>	<b>557.4</b>	<b>335.7</b>	<b>511.1</b>	<b>292.3</b>	<b>353.8</b>	<b>360.9</b>	<b>304.0</b>	<b>978.5</b>	<b>290.6</b>	<b>310.1</b>	<b>356.7</b>	<b>5110.7</b>					
Excess (Def) of Receipts over Disbursements	(130.9)	(191.0)	34.3	(153.3)	8.5	(82.1)	29.5	339.6	(476.5)	344.6	104.1	(32.0)						
Opening Balance	840.3	709.4	518.5	552.7	399.4	407.9	475.8	505.3	844.8	368.3	712.9	667.0						
TRAN	0.0	0.0	0.0	0.0	0.0	150.0	0.0	0.0	0.0	0.0	(150.0)	0.0						
<b>CLOSING BALANCE</b>	<b>709.4</b>	<b>518.5</b>	<b>552.7</b>	<b>399.4</b>	<b>407.9</b>	<b>475.8</b>	<b>505.3</b>	<b>844.8</b>	<b>368.3</b>	<b>712.9</b>	<b>667.0</b>	<b>635.0</b>						

CASH FLOW PROJECTIONS  
 CONSOLIDATED CASH - ALL FUNDS - FY2020  
 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 29	March 31	April 30	May 31	June 30
General	709.4	518.5	552.7	399.4	407.9	475.8	505.3	844.8	368.3	712.9	667.0	635.0
Grants Revenue	(90.2)	(19.0)	(42.0)	(98.3)	(149.0)	(212.2)	(138.9)	(184.1)	(210.1)	(202.6)	(184.7)	(125.7)
Community Development	(7.6)	(7.1)	(5.6)	(3.8)	(4.3)	(4.8)	(6.5)	(5.2)	(4.7)	(1.0)	(0.4)	(6.5)
Vehicle Rental Tax	6.6	7.2	2.0	2.4	2.9	3.3	3.7	4.1	4.4	4.9	5.3	5.8
Hospital Assessment Fund	12.1	14.5	24.6	11.6	11.4	20.1	12.2	11.2	20.1	11.6	31.4	13.8
Housing Trust Fund	37.8	38.3	38.9	38.3	39.9	54.3	53.2	53.4	53.3	53.2	53.5	52.7
Budget Stabilization Fund	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3	34.3
Other Funds	8.5	9.4	8.8	8.6	8.9	8.7	8.9	8.2	7.7	7.8	7.8	7.5
<b>TOTAL OPERATING FUNDS</b>	<b>710.8</b>	<b>596.2</b>	<b>613.6</b>	<b>392.5</b>	<b>352.1</b>	<b>379.7</b>	<b>472.3</b>	<b>766.7</b>	<b>273.2</b>	<b>621.0</b>	<b>614.2</b>	<b>616.8</b>
Capital Improvement	28.1	383.0	367.1	351.2	335.3	323.8	312.3	300.8	289.3	277.8	266.3	254.8
Industrial & Commercial Dev.	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<b>TOTAL CAPITAL FUNDS</b>	<b>38.1</b>	<b>393.0</b>	<b>377.1</b>	<b>361.2</b>	<b>345.3</b>	<b>333.8</b>	<b>322.3</b>	<b>310.8</b>	<b>299.3</b>	<b>287.8</b>	<b>276.3</b>	<b>264.8</b>
<b>TOTAL FUND EQUITY</b>	<b>748.9</b>	<b>989.2</b>	<b>990.7</b>	<b>753.7</b>	<b>697.4</b>	<b>713.5</b>	<b>794.6</b>	<b>1077.5</b>	<b>572.6</b>	<b>908.8</b>	<b>890.5</b>	<b>881.7</b>

**City of Philadelphia**  
**Fiscal Year 2020 Operating Budget**  
**FY 2020-2024 Five Year Plan**  
**General Fund Full-Time Positions**

<b>Department</b>	<b>Filled Positions 6/30/18</b>	<b>FY 2019 Adopted Budget</b>	<b>November 2018 Increment</b>	<b>FY 2020 Adopted Budget</b>	<b>FY 2021 Estimate</b>	<b>FY 2022 Estimate</b>	<b>FY 2023 Estimate</b>	<b>FY 2024 Estimate</b>
Atwater Kent Museum	4	0	0	0	0	0	0	0
Auditing	116	134	127	135	135	135	135	135
Board of Ethics	10	12	9	12	12	12	12	12
Board of Revision of Taxes	11	15	14	15	15	15	15	15
City Commissioners	100	105	98	105	105	105	105	105
City Council	192	195	191	208	208	208	208	208
City Representative	9	9	9	10	10	10	10	10
City Treasurer	15	16	15	18	18	18	18	18
Civil Service Commission	2	2	2	2	2	2	2	2
Commerce	31	32	49	55	55	55	55	55
<i>District Attorney Civilian</i>	416	470	456	470	470	470	470	470
<i>District Attorney Uniform</i>	39	43	38	43	43	43	43	43
District Attorney - Total	455	513	494	513	513	513	513	513
Finance	115	123	114	124	124	124	124	124
<i>Fire Civilian</i>	119	141	111	170	170	170	170	170
<i>Fire Uniform</i>	2,392	2,531	2,434	2,534	2,534	2,654	2,654	2,654
Fire - Total	2,511	2,672	2,545	2,704	2,704	2,824	2,824	2,824
First Judicial District	1,867	1,841	1,850	1,850	1,850	1,850	1,850	1,850
Fleet Management	281	306	286	310	310	310	310	310
Free Library	649	692	637	737	737	737	737	737
Human Relations Commission	32	34	31	35	35	35	35	35
Human Services	517	460	395	437	437	437	437	437
Labor	20	23	21	30	30	30	30	30
Law	121	129	118	133	133	133	133	133
Licenses & Inspections	396	429	376	466	466	466	454	454
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	307	312	302	344	344	344	344	344
Mayor	41	53	50	60	60	60	60	60
Mayor - Office of the Chief Administrative Officer	58	64	58	74	74	74	74	74
Mayor - Office of Education	33	36	28	47	50	50	50	50
Mayor's Office of Community Empowerment and Opportunity	2	0	0	0	0	0	0	0
Mural Arts Program	11	12	11	12	12	12	12	12
Office of Arts and Culture	5	5	8	8	8	8	8	8
Office of Behavioral Health and Intellectual disAbility	16	16	15	23	23	23	23	23
Office of Human Resources	78	85	79	88	88	88	88	88
Office of Innovation & Technology	284	293	271	316	316	316	316	316
Office of Inspector General	19	21	19	21	21	21	21	21
Office of Property Assessment	193	225	194	251	251	251	251	251
Office of Homeless Services	150	157	148	160	160	160	160	160
Office of Sustainability	9	8	10	9	9	9	9	9
Parks & Recreation	629	750	636	759	759	759	759	759
Planning & Development	49	58	56	62	62	62	62	62
<i>Police Civilian</i>	776	846	807	868	868	868	868	868
<i>Police Uniform</i>	6,396	6,525	6,460	6,575	6,575	6,575	6,575	6,575
Police - Total	7,172	7,371	7,267	7,443	7,443	7,443	7,443	7,443
Prisons	2,177	2,325	2,160	2,160	2,160	2,160	2,160	2,160
Procurement	46	50	44	50	50	50	50	50
Public Health	711	834	738	839	839	839	839	839
Public Property	135	150	139	149	164	164	164	164
Records	57	59	57	59	59	59	59	59
Register of Wills	71	70	70	70	70	70	70	70
Revenue	414	437	405	458	458	458	458	458
Sheriff	364	410	359	428	428	428	428	428
Streets	1,738	1,912	1,772	1,982	1,982	1,982	1,982	1,982
<b>TOTAL GENERAL FUND</b>	<b>22,226</b>	<b>23,458</b>	<b>22,280</b>	<b>23,774</b>	<b>23,792</b>	<b>23,912</b>	<b>23,900</b>	<b>23,900</b>

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

**PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY**  
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