Executive Summary

PICA Staff recommends PICA Board approval of the City of Philadelphia's FY27-31 Five-Year Plan because it meets the PICA Act's criteria:

- Positive fund balances in all years of the Plan.
- Revenue and spending projections are based on reasonable and appropriate assumptions.
- Includes projections of all revenues and expenditures for five fiscal years.
- Includes all required elements: Mayor's statement, debt service payment schedule, legally mandated service schedule, description of methods and assumptions, operating and capital budget for FY27, cashflow forecast for FY27, City Controller's statement, and number of employee positions.

PICA Staff are confident that the Plan is based on reasonable and appropriate assumptions, and year-end fund balances are positive.

Positive Factors

- Commitment to Pension Plan funding
- Deposits into the Budget Stabilization Reserve
- Decreasing operating deficits over the life of the Plan and operating surplus towards the end of the Plan
- Stable credit ratings
- Maintaining Labor Reserve

Fiscal Risks

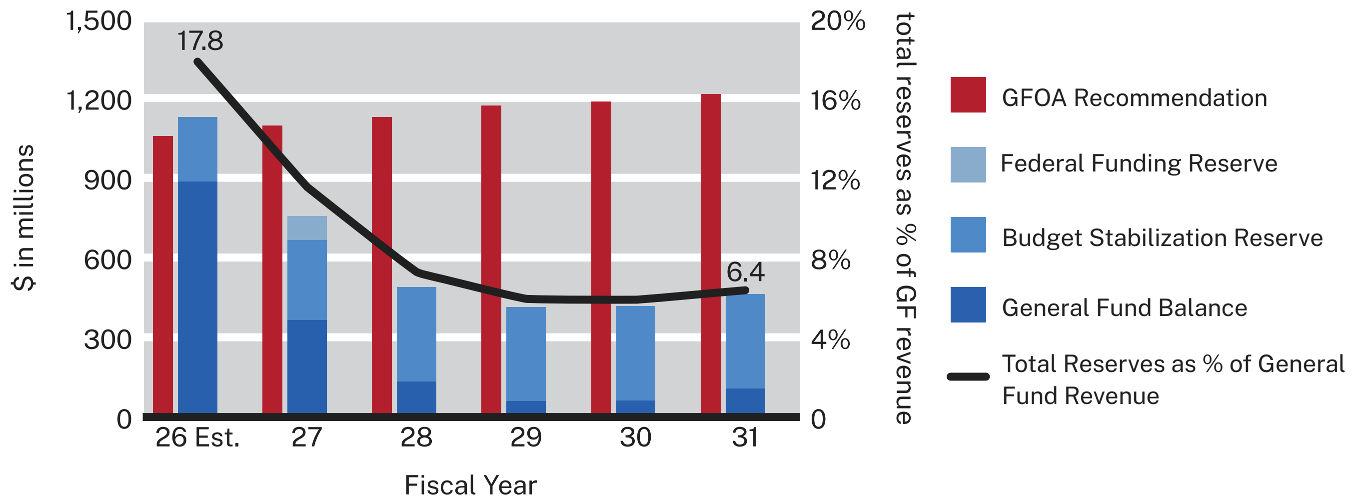
- External funding and policy uncertainty
- Economic downturns and other disruptions
- Labor needs & costs
- Budget blind spots that don't have regular reporting
- Expanding programs without a recurring revenue source and/or standard reporting

FY27-31 Revenue Growth Rate	FY27-31 Spending Growth Rate	FY31 General Fund Balance	FY31 Budget Stabilization Reserve Balance
2.5%	0.5%	$107,354,000	$354,853,000

Note: Revenue and spending growth rates are calculated using compound annual growth rates, which expresses the average annual rate of growth over the period.

Although the Plan is in compliance with the PICA Act, reserves are below Government Finance Officers Association (GFOA) recommended levels and and operating deficits persist through FY30. Adequate reserves are essential to maintain services and fiscal stability.

Total reserves as a percent of revenue fall below the GFOA recommended level in all years of the FY27-31 Plan.



The City anticipates spending to outpace revenues through FY30. The gap shrinks over time and an operating surplus is expected in FY31.