



CITY OF PHILADELPHIA

OFFICE OF BUDGET & PROGRAM EVALUATION

1401 John F. Kennedy Blvd.
Suite 1400, Municipal Services Bldg.
Philadelphia, PA 19102-1693
P 215-686-6146
F 215-686-2625

Anna Adams
Budget Director

November 23, 2018

Dear Mr. Rice:

On November 8, 2018, a collective bargaining reopener was concluded with AFSCME District Council 33. This reopener agreed that the City would make a one-time lump sum payment of \$17 million to the DC 33 Health Fund within 30 days of ratification, and that the City would make a one-time lump sum payment of \$11 million to the DC 33 Health Fund on July 1, 2019. It also requires DC 33 to hire a health fund administrator.

The \$28 million cost in FY19 and FY20 will be absorbed completely by the additional FY18 fund balance shown in the unaudited financial statement of \$368.8 million, \$140.2 million above the amount included with the Approved Five Year Plan for FY19-23. Under the PICA Act, the award would typically require the City to submit a revised Five Year Plan. As the fund balance far exceeded projections, and as the City will be updating its Five Year Plan with the proposed FY20 budget in a few months, please accept this letter as our Revised Five Year Plan for FY19-23.

Even with the City's commitment to provide \$53 million through FY23 in additional funding for affordable housing, approximately \$12 million in additional funding through FY23 for living wage costs and to deposit \$20 million in a budget stabilization reserve fund, the City will have positive fund balances in each year, including the cost of the D.C. 33 healthcare reopener. These costs total just under \$113 million, and therefore is less than the additional \$140 million that the higher FY18 Actual Fund Balance achieved. With these additional costs and assuming no change in other revenues or expenditures from those included in the Plan, fund balances would be \$223 million in FY19, \$145 million in FY20, \$98 million in FY21, \$81 million in FY22 and \$128 million in FY23. Those projections do not include any benefit from the higher revenue base and lower expenditure base included in the FY18 unaudited actual.

Sincerely,

A handwritten signature in blue ink that reads "Anna Adams".

Anna Adams
Budget Director

Cc: Rob Dubow, Finance Director
Jim Engler, Chief of Staff