

**The City of Philadelphia's
Quarterly City Managers Report:
FY12 Results and FY13 Projections
after the First Quarter of FY2013**

Staff Report

Pennsylvania Intergovernmental Cooperation Authority

December 21, 2012

Introduction

- The Pennsylvania Intergovernmental Cooperation Authority (PICA) Act (Act of June 5, 1991, P. L. 9, No. 6), Section 209(i), requires the City to submit to PICA within 45 days following the end of each fiscal quarter a report describing actual or estimated revenues and expenditures and comparing them to budgeted levels for the most recent quarter.
- Accordingly, the City submits a Quarterly City Managers Report (QCMR) to PICA 45 days after the end of each fiscal quarter. The QCMR contains extensive detail on actual and estimated General Fund revenues and expenditures for the current fiscal year, as well as information on personnel, performance, cash flow, and quarterly financial results for the Water Fund and Aviation Fund.
- This PICA staff report analyzes the most recent QCMR covering the period ending September 30, 2012, the first quarter of fiscal year 2013 (FY13).¹ It compares estimates of FY13 revenues and expenditures in the FY13-FY17 *Five-Year Financial Plan* with the current FY13 estimates contained in the QCMR. In addition the report highlights key finance and management issues that impact City financial results.
- Since the QCMR for the first quarter of FY13 also includes unaudited actual FY12 revenues and expenditures, this report also analyzes differences between estimates of FY12 revenues and expenditures in the FY12-FY16 *Five-Year Financial Plan*, subsequent estimates in the four FY12 QCMRs, and unaudited actual amounts.
- Unless otherwise noted, information in this report is drawn from the City's FY12-FY16 and FY13-FY17 *Five-Year Financial Plan* and various QCMRs.

¹The QCMR is available at <http://www.phila.gov/finance/reports-Quarterly.html>

FY12 Unaudited Actual

- ▶ Overview
- ▶ Revenue
- ▶ Obligations

FY12 Unaudited Actual: Overview

- ▶ Unaudited actual revenues for FY12 are \$3,591.4 million, an increase of \$44.8 million from the Q4 QCMR, and \$88.6 million from the initial estimate in FY12-16 Plan. Unaudited actual obligations for FY12 are \$3,484.9 million, an increase of \$14.5 million from the estimate in the Q4 QCMR and \$14.8 million from Plan. The operating surplus was \$106.5 million, an increase of \$30.3 million from the Q4 QCMR and \$73.9 million from Plan. Prior year adjustments – which reflect revisions to previous fiscal year obligations and revenues – totaled \$40.2 million, an increase of \$17.5 million from the Q4 QCMR and \$15.7 million from Plan.
- ▶ The unaudited actual FY12 year-end fund balance is \$146.8 million, an increase of \$47.8 million from the Q4 QCMR and \$86.2 million from Plan.

FY12 General Fund Projections and Unaudited Actual (\$ in Millions)								
<u>Category</u>	<u>FY12-16 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR to Actual</u>	<u>Change from Plan to Actual</u>
Revenues	\$3,502.7	\$3,505.8	\$3,517.2	\$3,531.7	\$3,546.6	\$3,591.4	\$44.8	\$88.6
Obligations	3,470.1	3,479.6	3,474.1	3,487.5	3,470.4	3,484.9	14.5	14.8
Operating Surplus/(Deficit)	32.6	26.2	43.2	44.2	76.2	106.5	30.3	73.9
Prior Year Adjustments	24.5	24.5	16.5	22.7	22.7	40.2	17.5	15.7
Prior Year Fund Balance/(Deficit)	3.5	0.1	0.1	0.1	0.1	0.1	--	(3.4)
Year-End Fund Balance	60.6	50.8	59.7	66.9	99.0	146.8	47.8	86.2

FY12 Unaudited Actual: Revenue

- ▶ Unaudited actual FY12 General Fund revenues were \$3,591.4 million, an increase of \$44.8 million from the estimate in the Q4 QCMR, and \$88.6 million from the Plan estimate.
- ▶ Actual tax revenues were \$33.3 million above the Q4 QCMR and \$31.0 million above Plan. Revenue from other governments were \$11.0 million above the Q4 QCMR and \$64.1 million above Plan. The source of these changes are detailed in the pages below.

FY12 General Fund Revenue Projections and Unaudited Actual (\$ in Millions)								
<u>Category</u>	<u>FY12-16 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR to Actual</u>	<u>Change from Plan to Q4 QCMR</u>
Taxes	\$2,539.5	\$2,507.8	\$2,521.5	\$2,521.6	\$2,537.1	\$2,570.4	\$33.3	\$31.0
Locally-Generated Non-Tax	260.0	258.0	265.3	248.2	251.5	256.7	5.2	(3.3)
Revenue from Other Governments	651.8	688.6	685.2	708.6	704.9	715.9	11.0	64.1
Revenue from Other Funds	51.5	51.5	45.3	53.2	53.0	48.3	(4.7)	(3.2)
Total	3,502.7	3,505.8	3,517.2	3,531.7	3,546.6	3,591.4	44.8	88.6

FY12 Unaudited Actual: Tax Revenue

- ▶ Actual FY12 tax revenue was \$2,570.4 million, an increase of \$33.3 million from the Q4 QCMR and \$31.0 million from Plan.
- ▶ Actual wage tax revenue increased \$27.9 million from the Q4 estimate. The increase primarily reflected an usually high accrual of wage taxes at the end of FY12 compared to FY11, which reflected timing.¹

FY12 General Fund Tax Revenue Projections and Unaudited Actual (\$ in Millions)								
<u>Tax</u>	<u>FY12-16 Five- Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR To Actual</u>	<u>Change from Plan to Actual</u>
Wage and Earnings	\$1,188.6	\$1,166.8	\$1,168.4	\$1,168.4	\$1,168.4	\$1,196.3	\$27.9	\$7.7
Real Estate	486.7	486.7	491.5	491.5	498.5	500.7	2.3	14.0
Business Income and Receipts	369.3	369.3	386.4	386.4	391.4	389.4	(2.0)	20.1
Net Profits	17.5	17.5	12.1	12.1	12.1	15.1	3.1	(2.3)
Sales	256.5	248.6	250.2	250.2	250.2	253.5	3.3	(2.9)
Real Estate Transfer	120.9	120.9	115.9	115.9	118.4	119.4	1.0	(1.5)
Parking	74.3	74.3	74.3	74.3	73.3	70.9	(2.4)	(3.4)
Amusement	21.6	19.6	19.6	19.6	21.6	21.9	0.3	0.3
Other	4.1	4.1	3.3	3.4	3.4	3.2	(0.2)	(0.9)
Total	2,539.5	2,507.8	2,521.5	2,521.6	2,537.1	2,570.4	33.3	31.0

¹ For the wage tax, the City accrues payments received in July and August for tax withheld for pay periods ending on or before June 30. June 30, 2011 fell on a Thursday, so the FY11 accrual excluded a significant amount of revenue received for pay periods ending July 1, a Friday, and the end of the pay period for many employers. This did not occur at the end of FY12, when June 30 fell on a Saturday.

FY12 Unaudited Actual: Locally-Generated Non-Tax Revenue

- Actual FY12 locally generated non-tax revenue was \$256.7 million, an increase of \$5.2 million from the Q4 QCMR estimate and a decline of \$3.3 million from Plan. The decrease from the Plan estimate reflects: a \$9.5 million reduction in Fire Department emergency medical services reimbursements; a \$2.9 million reduction in Streets Department revenue reflecting lower commercial waste collection fees; an unanticipated \$2.1 million in City revenue from casino settlement agreements (classified in the Revenue Department below); a \$4.2 million reduction in City Treasurer interest earnings; a \$2.4 million reduction in Traffic Court fines; a \$4.0 million increase in court revenue due in part to higher forfeited bail and bail fees; and an additional \$4.2 million in Human Services revenue due to reclassification of SSI payments to the General Fund (shown in the “other” category below).

FY12 General Fund Locally-Generated Non-Tax Revenue Projections and Unaudited Actual (\$ in Millions)								
<u>Agency Source</u>	<u>FY12-16 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR to Actual</u>	<u>Change from Plan to Actual</u>
City Treasurer	\$6.8	\$3.8	\$2.8	\$2.8	\$2.8	\$2.6	(\$0.2)	(\$4.2)
Finance	13.4	13.4	25.9	14.9	17.9	17.9	--	4.5
Fire	37.2	37.2	37.2	35.2	27.7	27.7	--	(9.5)
First Judicial District	32.8	32.8	32.8	32.8	36.9	36.9	--	4.0
First Judicial District – Traffic Court	9.8	9.8	7.8	7.8	7.4	7.4	--	(2.4)
Licenses and Inspections	46.5	46.5	46.5	46.5	49.8	49.7	(0.1)	3.2
Public Health	12.2	12.2	13.0	13.0	13.6	13.6	--	1.4
Records	17.1	17.1	17.1	16.6	16.1	16.1	--	(0.9)
Revenue	3.7	4.7	4.7	5.7	6.4	6.4	--	2.7
Sheriff	9.1	9.1	8.1	6.1	5.8	5.8	--	(3.3)
Streets	24.0	24.0	23.7	21.7	21.2	21.2	--	(2.9)
Other	47.5	47.5	45.7	45.2	46.2	51.5	5.4	4.1
Total	260.0	258.0	265.3	248.2	251.5	256.7	5.2	(3.3)

FY12 Unaudited Actual: Revenue from Other Governments

- Actual FY12 revenue from other governments was \$715.9 million, an increase of \$11.0 million from the Q4 QCMR estimate and \$64.1 million from Plan. Significant changes between the Q4 QCMR projection and FY12 actual revenue from other governments include: a \$4.7 million increase in PICA City Account revenue; a \$6.2 million decline in Public Health revenue due to delayed Medical Assistance reimbursements; a \$6.3 million increase in Human Services revenue; and a \$5.3 million increase in Philadelphia Parking Authority (PPA) fines. Changes between the Plan estimate and actual revenue include: a \$43.8 million increase in the Office of the Director of Finance, reflecting higher State pension aid and parking garage revenue; a \$7.1 million increase in City Treasurer, reflecting a PICA settlement agreement with JP Morgan Chase; and a \$16.7 million increase in Revenue Department, reflecting higher PPA fines and a PPA payment related to a City-owned garage at JFK Plaza.

FY12 General Fund Revenue from Other Governments Projections and Unaudited Actual (\$ in Millions)								
<u>Agency Source</u>	<u>FY12-16 Five- Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR to Unaudited Actual</u>	<u>Change from Plan to Q4 QCMR</u>
City Treasurer	\$5.2	\$12.3	\$12.2	\$12.2	\$12.3	\$12.3	--	\$7.1
Finance	157.1	186.6	186.3	198.9	199.1	201.0	1.8	43.8
First Judicial District	15.4	16.1	16.1	16.1	15.1	15.3	0.3	--
Human Services	59.8	59.8	57.1	57.1	57.1	63.3	6.3	3.5
PICA City Account	290.9	290.9	289.8	289.7	290.5	295.2	4.7	4.3
Police	2.4	0.4	0.3	0.3	0.1	0.1	--	(2.3)
Public Health	58.8	58.8	60.9	60.9	60.9	54.7	(6.2)	(4.1)
Revenue	32.0	32.0	32.0	43.0	43.4	48.7	5.3	16.7
All Other	30.2	31.7	30.5	30.5	26.4	25.4	(1.1)	(4.8)
Total	651.8	688.6	685.2	708.6	704.9	715.9	11.0	64.1

FY12 Unaudited Actual: Obligations

- FY12 unaudited actual obligations were \$3,484.9 million, an increase of \$14.5 million from the Q4 QCMR estimate and \$14.8 million from Plan. The most significant changes are shown below and described on the next pages.

FY12 General Fund Obligations Projections and Unaudited Actual (\$ in Millions)								
<u>Agency or Cost Center</u>	<u>FY12-16 Five- Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR to Actual</u>	<u>Change from Plan to Actual</u>
Debt Service	\$223.9	\$223.9	\$216.9	\$216.9	\$201.1	\$201.0	(\$0.1)	(\$22.9)
Employee Benefits	1,022.7	1,022.7	1,027.9	1,027.9	1,027.9	1,066.2	38.3	43.5
Fire	190.0	192.0	194.0	194.0	195.2	195.0	(0.2)	5.0
First Judicial District	110.8	110.8	110.8	117.0	117.0	116.9	(0.1)	6.1
Fleet Management	53.7	53.7	56.2	56.2	56.2	55.9	(0.3)	2.3
Human Services	111.9	109.9	110.1	110.1	110.1	101.9	(8.2)	(10.0)
Innovation and Technology	63.9	63.9	63.0	70.9	70.4	63.3	(7.2)	(0.7)
Law	13.1	13.1	12.9	14.9	14.9	14.3	(0.5)	1.2
Police	550.7	553.2	553.2	553.2	553.2	552.3	(0.9)	1.6
Prisons	227.2	230.2	230.2	231.3	231.3	231.5	0.2	4.3
Property Assessment	11.7	11.7	11.5	9.1	8.1	8.0	(0.1)	(3.8)
Revenue	19.9	19.9	19.5	19.5	19.0	18.8	(0.2)	(1.1)
Sheriff	13.1	15.1	15.6	15.6	15.6	15.4	(0.1)	2.4
Streets	121.4	121.4	119.8	115.8	115.3	115.9	0.6	(5.5)
Supportive Housing	36.5	38.5	38.5	38.5	38.5	38.3	(0.1)	1.9
All Other	699.6	699.6	694.1	696.7	696.7	689.8	(6.9)	(9.7)
Total	3,470.1	3,479.6	3,474.1	3,487.5	3,470.4	3,484.9	14.5	14.8

FY12 Unaudited Actual: Obligations

- ▶ Changes between the FY12 unaudited actual and the estimate in the Q4 QCMR include:
 - **Employee Benefits** (\$38.3 million increase): Higher costs for employee health benefits and FICA payroll taxes, offset by reductions in other categories. These changes are discussed in more detail on page 11 of this report.
 - **Human Services** (\$8.2 million decrease): This change reflects final end of year accounting changes that reallocated costs between the Grant Revenue Fund and General Fund.
 - **Innovation and Technology** (\$7.2 million decrease): Due to \$6.5 million reduction in 911 costs and lower than projected payroll costs.

FY12 Unaudited Actual: Obligations

- ▶ Significant changes in FY12 obligations between the FY12-16 Plan estimate and the unaudited actual include:
 - **Debt Service** (\$22.9 million decrease): Lower costs for short-term borrowing and variable rate debt
 - **Employee Benefits** (\$43.5 million increase): Increased costs for health insurance, payroll taxes and unemployment compensation, offset by reductions in pension and pension obligation bond costs
 - **Fire** (\$5.0 million increase): Increased overtime resulting from unfilled positions and injuries
 - **First Judicial District** (\$6.1 million increase): Increased obligations consistent with revenue sharing agreements between the City and First Judicial District
 - **Fleet Management** (\$2.3 million increase): Increased fuel costs, offset by reduced vehicle purchases
 - **Human Services** (\$10.0 million decrease): Lower than anticipated child welfare program costs
 - **Law** (\$1.2 million increase): Increased costs related to real estate assessment appeals
 - **Police** (\$1.6 million increase): Increased personnel costs
 - **Prisons** (\$4.3 million increase): Increased overtime due to a higher prison census and employee bonus payments required under arbitration award
 - **Property Assessment** (\$3.8 million reduction): Transfer of costs related to real estate assessment appeals to Law Department, and a reduction in personal services costs
 - **Revenue** (\$1.1 million reduction): Reduction in personal services costs
 - **Sheriff** (\$2.4 million increase): Higher personnel costs due to wage increases required under an arbitration award and higher overtime
 - **Streets** (\$5.5 million decrease): Reduction in snow removal and personal services costs.
 - **Supportive Housing** (\$1.9 million increase): Increased City funding to compensate for a reduction in State funding.

FY12 Unaudited Actual: Employee Benefit Obligations

- ▶ FY12 unaudited actual obligations for employee benefits were \$1,066.2 million, an increase of \$38.3 million from the Q4 QCMR estimate and \$43.5 million from Plan.
- ▶ Actual employee health benefits were \$33.3 million higher than Plan, in part due to creation of a reserve fund required under the 2009 FOP arbitration award, and cost containment incentive funds for the FOP health plan.
- ▶ Actual pension costs were \$4.6 million below Plan due to the reallocation of some DHS personnel and benefits costs to the Grants Revenue Fund.

FY12 General Fund Employee Benefits Obligations Projections and Unaudited Actual (\$ in Millions)								
<u>Category</u>	<u>FY12-16 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Unaudited Actual</u>	<u>Change from Q4 QCMR to Actual</u>	<u>Change from Plan to Actual</u>
Pension Contribution	\$452.3	\$452.3	\$452.3	\$452.3	\$452.3	\$447.7	(\$4.6)	(\$4.6)
Pension Obligation Bonds	102.1	102.1	102.1	102.1	102.1	100.1	(2.0)	(2.0)
Health Benefits	346.1	346.1	346.1	346.1	346.1	379.4	33.3	33.3
Employee Disability	55.9	55.9	55.9	55.9	55.9	54.3	(1.6)	(1.6)
FICA	62.1	62.1	64.9	64.9	64.9	67.2	2.2	5.0
Unemployment Compensation	3.2	3.2	5.6	5.6	5.6	5.2	(0.4)	2.0
Group Life and Legal	11.8	11.8	11.8	11.8	11.8	11.6	(0.2)	(0.2)
Other	1.1	1.1	1.1	1.1	1.1	0.8	(0.3)	(0.3)
Anticipated Savings	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)	--	11.9	11.9
Total	1,022.7	1,022.7	1,027.9	1,027.9	1,027.9	1,066.2	38.3	43.5

FY13 Projection

- ▶ Overview
- ▶ Revenue
- ▶ Obligations

FY13 Projection: Overview

- ▶ The Q1 QCMR projects FY13 General Fund revenues at \$3,591.3 million, an increase of \$23.6 million from the FY13-17 Plan estimate. Obligations are projected at \$3,638.7 million, an increase of \$34.9 million from Plan. The FY13 operating deficit is projected at \$47.4 million, an increase from the \$36.1 million operating deficit projected in the Plan. Prior year adjustments are projected at \$18.5 million.
- ▶ The FY13-17 Plan projected the FY12 fund balance at \$99.0 million, while the FY13 unaudited actual fund balance was \$146.8 million, an increase of \$47.8 million.
- ▶ The sum of the projected operating deficit, prior year adjustments, and prior year fund balance is the currently projected FY13 fund balance of \$117.9 million. This is an increase of \$36.5 million from Plan.

FY13 General Fund Projections (\$ in Millions)			
<u>Category</u>	<u>FY13-17 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Change from Plan to Q1 QCMR</u>
Revenues	\$3,567.7	\$3,591.3	\$23.6
Obligations	3,603.9	3,638.7	34.9
Operating Surplus/(Deficit)	(36.1)	(47.4)	(11.3)
Prior Year Adjustments	18.5	18.5	--
Prior Year Fund Balance/(Deficit)	99.0	146.8	47.8
Year-End Fund Balance	81.3	117.9	36.5

FY13 Projection: Revenue

- ▶ The Q1 QCMR projects FY13 General Fund revenues of \$3,591.3 million, an increase of \$23.6 million from the FY13-17 Plan estimate.
- ▶ The increase reflects higher projected tax revenue (\$12.2 million), locally-generated non-tax revenue (\$4.7 million), and revenue from other governments (\$6.6 million). These changes are detailed in the pages below.

FY13 General Fund Revenue Projections (\$ in Millions)			
<u>Category</u>	<u>FY13-17 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Change from Plan to Q1 QCMR</u>
Taxes	\$2,614.4	\$2,626.6	\$12.2
Locally-Generated Non-Tax	246.3	251.0	4.7
Revenue from Other Governments	653.8	660.5	6.6
Revenue from Other Funds	53.3	53.3	--
Total	3,567.7	3,591.3	23.6

FY13 Projection: Tax Revenue

- ▶ FY13 General Fund tax revenue is projected at \$2,626.6 million in the Q1 QCMR, an increase of \$12.2 million from the FY13-17 Plan estimate.
- ▶ Projected wage tax revenue in the Q1 QCMR increased \$11.0 million from Plan, due to higher than anticipated FY12 collections. The projected business income and receipts (BIRT) revenue increased \$3.1 million. Projected parking tax revenue declined \$2.0 million from Plan due to lower than anticipated revenue in FY12.
- ▶ Preliminary collections data through November are generally consistent with the Q1 QCMR tax revenue projections, with the exception of the parking and amusement taxes, which show year-to-date growth that is somewhat lower than the Q1 QCMR projection.

FY13 General Fund Tax Revenue Projections (\$ in Millions)			
<u>Tax</u>	<u>FY13-17 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Change from Plan to Q1 QCMR</u>
Wage and Earnings	\$1,207.8	\$1,218.8	\$11.0
Real Estate	514.9	514.9	--
Business Income and Receipts	394.9	398.0	3.1
Net Profits	12.3	12.4	0.1
Sales	259.3	259.3	--
Real Estate Transfer	124.5	124.5	--
Parking	75.1	73.2	(2.0)
Amusement	22.1	22.1	--
Other	3.4	3.4	--
Total	2,614.4	2,626.6	12.2

FY13 Projection: Locally-Generated Non-Tax Revenue

- ▶ The Q1 QCMR projects FY13 locally-generated non-tax revenue at \$251.0 million, an increase of \$4.7 million from Plan. Fire Department fee collections for emergency medical services are projected \$4.0 million below Plan due in part to a change in vendors and difficulty in collecting prior year receivables. Human Services revenue is projected \$4.4 million above Plan due to a reclassification of Supplemental Security Income (SSI) revenue from the Grants Revenue Fund to the General Fund. Finance Department revenue is projected at \$16.3 million, a \$2.5 million increase from Plan due to higher employee contributions for health care in 2013, reflecting changes in required contributions from exempt and non-represented employees who participate in the City-administered health plan.

FY13 General Fund Locally-Generated Non-Tax Revenue Projections (\$ in Millions)			
<u>Agency Source</u>	<u>FY13-17 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Change from Plan to Q1 QCMR</u>
Finance	\$13.8	\$16.3	\$2.5
Fire	37.4	33.4	(4.0)
First Judicial District	32.8	32.8	--
First Judicial District – Traffic Court	7.8	7.8	--
Human Services	--	4.4	4.4
Innovation and Technology	19.3	19.3	--
Licenses and Inspections	44.3	44.3	--
Records	17.4	16.9	(0.5)
Streets	19.1	19.1	--
Other	54.4	56.8	2.4
Total	246.3	251.0	4.7

FY13 Projection: Revenue from Other Governments

- ▶ The Q1 QCMR projects FY13 revenue from other governments at \$660.5 million, an increase of \$6.6 million from the FY13-17 Plan estimate. Department of Finance revenue is projected at \$158.4 million, an increase of \$4.5 million from Plan due to an increase in projected State aid dedicated to support the City’s pension costs. Human Service revenues are projected at \$44.9 million, a \$5.0 million reduction from Plan that reflects lower federal and State reimbursement of prior year costs. PICA City Account revenue is projected at \$307.7 million, an increase of \$5.9 million from Plan due to higher projected PICA wage, earnings, and net profits taxes. Projected Revenue Department collections are \$2.0 million above Plan due to an increase in projected revenue from Philadelphia Parking Authority on-street operations.

FY13 General Fund Revenue from Other Governments Projections (\$ in Millions)			
<u>Agency Source</u>	<u>FY13-17 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Change from Plan to Q1 QCMR</u>
Finance	\$153.4	\$158.4	\$4.5
First Judicial District	15.1	15.1	--
Human Services	49.9	44.9	(5.0)
PICA City Account	301.8	307.7	5.9
Public Health	59.0	58.0	(1.0)
Revenue	35.2	37.2	2.0
All Other	39.0	39.2	0.2
Total	653.8	660.5	6.6

FY13 Projection: Obligations

- ▶ The Q1 QCMR projects FY13 General Fund obligations at \$3,638.7 million, an increase of \$34.9 million from the FY13-17 Plan estimate. The most significant changes are shown below and described on the next page.

FY13 General Fund Obligations Projections (\$ in Millions)			
<u>Agency or Cost Center</u>	<u>FY13-17 Five- Year Plan</u>	<u>Q1 QCMR</u>	<u>Change from Plan to Q1 QCMR</u>
City Council	\$35.5	\$15.5	(\$20.0)
Employee Benefits	1,118.3	1,120.8	2.5
Fire	189.3	191.3	2.0
Fleet Management	55.4	60.9	5.5
Human Services	111.0	102.8	(8.2)
Law	12.8	14.8	2.0
Legal Services	37.1	38.3	1.2
Parks and Recreation	47.8	50.5	2.7
Prisons	227.9	236.9	9.0
Property Assessment	11.7	14.6	2.9
School District Contribution	49.0	69.0	20.0
Supportive Housing	39.6	42.6	3.0
All Other	1,668.5	1,680.8	12.3
Total	3,603.9	3,638.7	34.9

FY13 Projection: Obligations

- ▶ Changes in obligation projections between the FY13-17 Plan and Q1 QCMR estimate include:
 - **City Council** (\$20.0 million decrease): Reflects transfer of additional appropriation to School District of Philadelphia to Office of Director of Finance appropriation
 - **Employee Benefits** (\$2.5 million increase): Reflects projected increase in employee health benefits of \$12.3 million, offset by projected reduction in pension costs of \$9.8 million.¹ The higher cost of health benefits reflects a reallocation of cost for DHS employees to the Grants Revenue Fund, and higher costs associated with the City-administered health plan. The reduced pension cost reflects refinancing of the interest costs associated with State-authorized deferrals of FY10 and FY11 pension payments.
 - **Fire** (\$2.0 million increase): Reflects a projected \$4.9 million increase in overtime that is partially offset by reductions in other personal services costs.
 - **Fleet Management** (\$5.5 million increase): Higher costs for fuel and vehicle purchases.
 - **Human Services** (\$8.2 million decrease): Reallocation of costs from the General Fund to the Grants Revenue Fund
 - **Law** (\$2.0 million increase): Increased costs for appraisals required to defend real estate assessment appeals related to the State Tax Equalization Board's revision of the Common Level Ratio.
 - **Legal Services** (\$1.2 million increase): Increased costs for Defender Association of Philadelphia
 - **Parks and Recreation** (\$2.7 million increase): Increased personal services costs.
 - **Prisons** (\$9.0 million increase): Higher overtime due to increased prison census and lower staffing levels
 - **Property Assessment** (\$2.9 million increase): Increased costs to establish a call center and communications effort related to the Actual Value Initiative and homestead exemption
 - **School District Contribution** (\$20.0 million increase): Transfer of appropriation from City Council. Represents additional funding for the School District of Philadelphia generated by the 2013 increase in the City property tax rate.
 - **Supportive Housing** (\$3.0 million increase): Increased projected costs for shelter beds.

Note

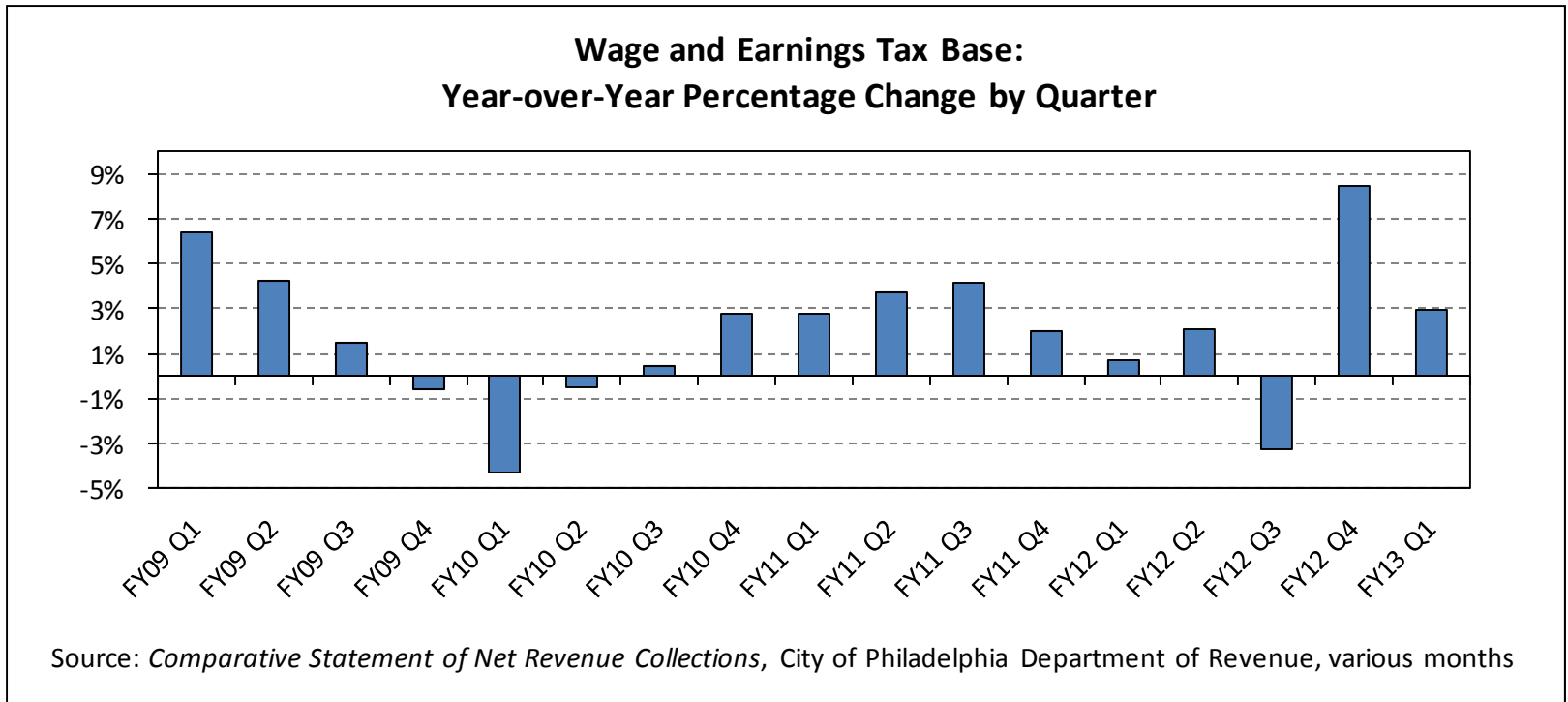
¹To achieve these savings, the Administration's pension proposals for non-represented employees must be enacted by City Council.

Key Financial Issues

- ▶ Tax Collections
- ▶ Labor Contracts
- ▶ Pension Benefits

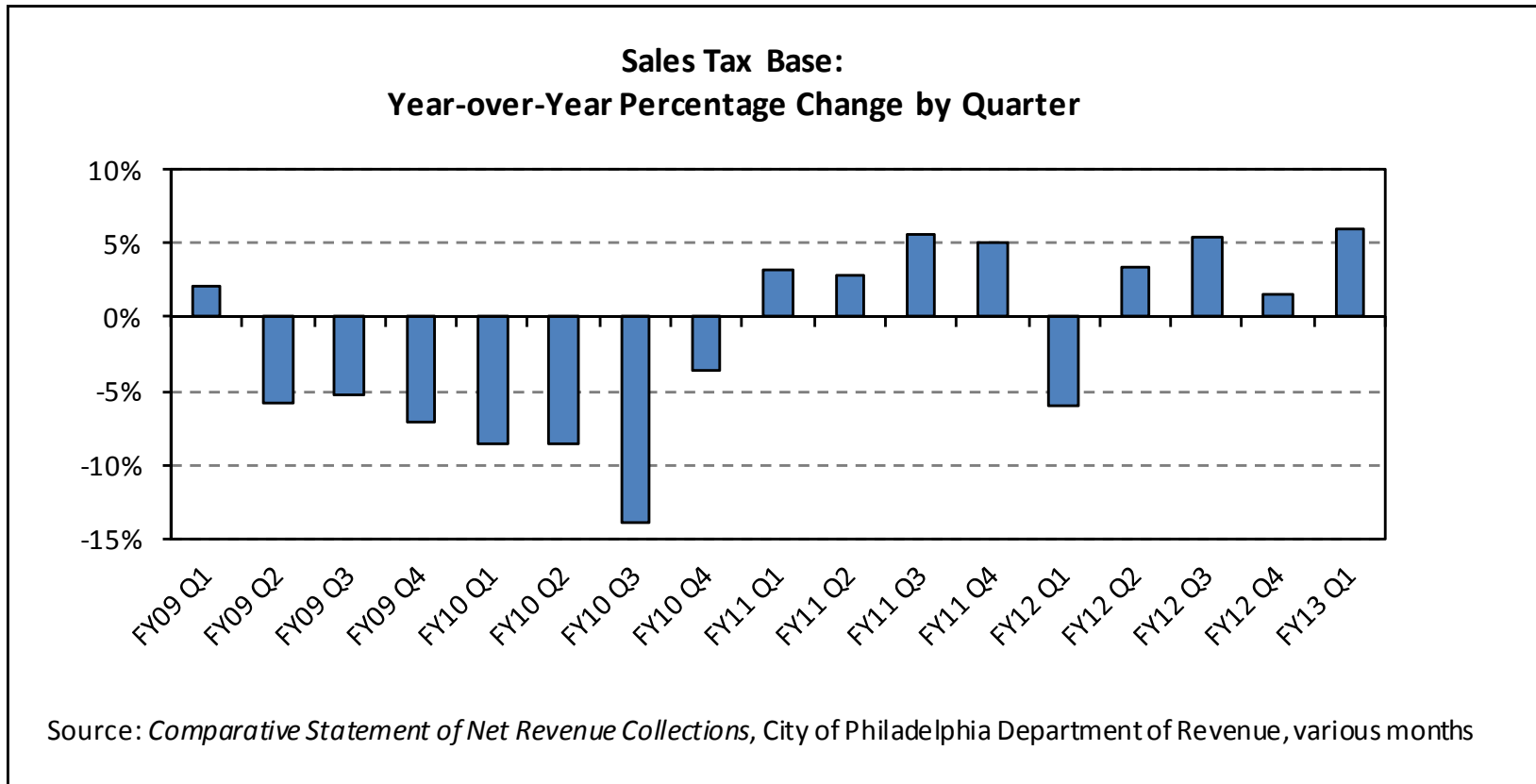
Key Financial Issues: Tax Collections

- ▶ In the first quarter of FY13, revenue growth was relatively strong for the wage and earnings and sales taxes. The wage tax base increased 3.0 percent.
- ▶ Among the other major taxes that are collected continually through the year, sales tax growth in the first quarter was relatively strong, while the real estate transfer tax base declined 11.9 percent and the parking tax declined 2.1 percent.



Key Financial Issues: Tax Collections

- ▶ The sales tax base increased 5.9 percent in the first quarter of FY13, the strongest result since the third quarter of FY08, and the fourth consecutive quarter of growth.



Key Financial Issues: Labor Contracts

- ▶ The City's financial stability depends on the outcome of ongoing labor contract arbitration with the International Association of Fire Fighters (IAFF) and Fraternal Order of Police (FOP), and collective bargaining with District Councils 33 and 47 of AFSCME. The FY13-FY17 Five-Year Plan projects that new contracts will result in \$10.1 million in cost savings in FY13 and \$9.6 million in FY14 through FY17 and does not include increased wage costs.
- ▶ In October 2010, an arbitration panel awarded a contract to the IAFF covering the FY10-FY13 period. This award, with the exception of provisions related to pensions and vacation scheduling, was appealed by the City in the Court of Common Pleas. The City's appeal was upheld by the court in November 2011. In July 2012, the arbitration panel issued a substantially similar award which included wage increases retroactive to FY11. The City appealed this award to the Court of Common Pleas as well. The Court denied the City's appeal in November 2012. The City has since appealed the Common Pleas Court ruling to Commonwealth Court.

Key Financial Issues: Pension Benefits

- ▶ Recent pension changes include:
 - ▶ Newly-hired court, corrections, and Register of Wills employees will be required to participate in the City's hybrid pension plan ("Plan 10") that includes a mandatory defined benefit component and a voluntary defined contribution component. The City has proposed that newly-hired non-union employees participate in Plan 10 as well.
 - ▶ Newly-hired police officers, firefighters, and Deputy Sheriffs have the option of participating in Plan 10 or making higher contributions to participate in the existing defined benefit plan ("Plan 87").
 - ▶ Effective July 1, 2013, currently-employed corrections employees have the option of participating in Plan 10 or remaining in Plan 87 while increasing their contributions to 50 percent of normal cost. Under a City proposal, currently-employed non-union employees participating in defined benefit plans ("Plan 67" or "Plan 87") will also increase their contributions.
 - ▶ Details of the status of pension changes for various employee groups are shown in the table on the next page.

Key Financial Issues: Pension Benefits

Status of Pension Changes, City of Philadelphia Employees ¹		
Bargaining Unit/ Employee Category	Current Employees	Newly-Hired Employees
Fraternal Order of Police (FOP)	Plan 67/87 ²	Two options: Plan 10 ² ; or Plan 87 with employee contribution 6 percent of wages
International Association of Fire Fighters (IAFF)	Plan 67/87	Two options: Plan 10; or Plan 87 with employee contribution 6 percent of wages
Deputy Sheriffs (FOP)	Plan 67/87	Two options: Plan 10; or Plan 87 with employee contribution 50 percent of normal cost
Register of Wills (FOP)	Plan 67/87	Plan 10
Correctional Officers (DC 33 Local 159)	Effective July 1, 2013, two options: Plan 10; or Plan 67/87 with increased contributions ³	Plan 10
Courts (DC 47 Local 810)	Plan 67/87	Plan 10
Other DC 33 and DC 47 ⁴	Plan 67/87	Plan 87
Non-Union and DC 47 Local 2186 ⁵	Plan 67 with employee contribution 6 percent of wages; or Plan 87 with employee contribution 50 percent of normal cost	Plan 10

¹ Based on arbitration awards issued in 2009 (FOP), 2010 (IAFF), 2011 (Deputy Sheriffs and Register of Wills), and 2012 (Corrections and court employees), and information provided by the City on proposed legislation for non-represented employees and DC 47 Local 2186.

² "Plan 67" and "Plan 87" refer to various defined benefit plans. "Plan 10" refers to a hybrid defined benefit/defined contribution plan.

³ Contributions for Plan 87 participants will increase to 50 percent of normal cost, and contributions for Plan 67 participants will remain at 6 percent of wages.

⁴ Pensions for members of these bargaining units are the subject of ongoing collective bargaining.

⁵ Administration proposal announced September 26, 2012. Requires City Council legislation to implement.

Key Management Issues

- ▶ Performance Measures
- ▶ Staffing
- ▶ Overtime
- ▶ Leave Usage

Key Management Issues: Performance Measures

- Police Department:** In FY12, 350 homicides occurred, an increase from 318 in FY11. Through the first quarter of FY13, an estimated 76 homicides occurred, a decline from 81 in the first quarter of FY12. Part 1 violent crime incidents were 18,107 in FY12, a 1.5 percent decline from FY11. Estimated Part 1 crime increased slightly from the first quarter of FY12 to FY13. The clearance rate for homicides declined from 72.2% in FY10 to 64.4% in FY12. The clearance rate for homicides increased from 65 percent in the first quarter of FY12 to an estimated 75.0 percent in the first quarter of FY13. The clearance rate for other violent crime was 46.2 percent in the first quarter of FY13, unchanged from the first quarter of FY12.
- Fire Department:** The average fire response time in FY12 was 4:57, unchanged from the prior year. In the first quarter of FY13, the average response time was 4:56, a decline from the 5:06 average in the first quarter of FY12. The number of structural fires was 3,108 in FY12. Structural fires declined from 663 in the first quarter of FY12 to 642 in the first quarter of FY13. Fire deaths declined from 41 in FY11 to 24 in FY12. One fire death occurred in the first quarter of FY13, compared to 2 in the first quarter of FY12. In the first quarter of FY13, 67 percent of EMS responses occurred within 9 minutes, compared to 70 percent in the first quarter of FY12.

Performance Measures: Public Safety						
<u>Agency</u>	<u>Measure</u>	<u>FY10 Total</u>	<u>FY11 Total</u>	<u>FY12 Total</u>	<u>FY12 Q1</u>	<u>FY13 Q1</u>
Police ¹	Homicides	305	318	350	81	76
	Part 1 Violent Crime	17,740	18,446	18,224	4,957	4,981
	Homicide Clearance Rate	72.2%	67.9%	64.4%	60.5%	75.0%
	Other Violent Crime Clearance Rate	51.2%	49.8%	49.1%	46.2%	46.2%
Fire	Fire Average Response Time	4:46	4:57	4:57	5:04	4:56
	Structural Fires ²	1,362	3,041	3,108	663	642
	Fire Deaths	32	41	24	2	1
	EMS Response Time (Percent Within 9 Minutes)	73.9%	68.5%	68%	70%	67%

¹ Figures for FY13 are based on actual figures through August and an estimate for September.

² Beginning in FY11, figures are based on the National Fire Incident Reporting System (NFIRS) definition of structural fires, and not comparable to figures for FY10, which are based on a less inclusive definition.

Key Management Issues: Performance Measures

- ▶ **Department of Human Services:** The number of permanency discharges other than adoptions declined from 1,476 in FY11 to 1,153 in FY12. In the first quarter of FY13, the number of non-adoption permanency discharges was 217, a decline from the first quarter of FY12. Adoptions decline from 654 in FY11 to 480 in FY12. In the first quarter of FY13, 76 adoptions occurred, a decline from the first quarter of FY12. The number of dependent placements declined from 4,182 at the end of FY11 to 4,030 at the end of FY12, but increased to 4,116 at the end of the first quarter of FY13. Delinquent placements declined from 1,413 at the end of FY11 to 1,198 at the end of FY12 and 1,189 at the end of the first quarter of FY13. The Youth Study Center average daily population was 119 in FY12, and 101 in the first quarter of FY13.
- ▶ **Department of Public Health:** District health center visits increased from 339,000 in FY11 to 348,000 in FY12. In the first quarter of FY13, the number of visits declined slightly from the first quarter of FY12. The percentage of visits from uninsured patients increased from 49.6 percent in FY11 to 51.1 percent in FY12 and 54.7 percent in the first quarter of FY13.

Performance Measures: Public Health and Human Services					
<u>Agency</u>	<u>Measure</u>	<u>FY11 Total</u>	<u>FY12 Total</u>	<u>FY12 Q1</u>	<u>FY13 Q1</u>
Human Services	Permanency Discharges Other than Adoptions	1,476	1,153	376	217
	Adoptions	654	480	95	76
	Dependent Placements as of End of Period	4,182	4,030	4,082	4,116
	Delinquent Placements as of End of Period	1,413	1,198	1,332	1,189
	Youth Study Center Average Daily Population	118	119	126	101
Public Health	Visits to District Health Centers	339,032	348,472	85,638	85,486
	Percent of Visits from Uninsured Patients	49.6%	51.1%	52.9%	54.7%
	Philadelphia Nursing Home Residents as of End of Period	427	424	434	409

Key Management Issues: Performance Measures

- ▶ **Office of Supportive Housing:** The number of households receiving homeless prevention services declined from 1,898 in FY11 to 809 in FY12. In the first quarter of FY13, 80 households received these services. In FY12, 179 new permanent supportive housing units were created, an increase from 120 in FY11. Figures for the first quarter of FY12 and FY13 for this measure are not available. Transitional housing placements increased from 510 in FY11 to 558 in FY12. There were 120 transitional housing placements in the first quarter of FY13.
- ▶ **Office of Housing and Community Development:** In FY12, 1,423 mortgage foreclosures were diverted, a decline from 1,647 in FY11. This measure declined from 457 in the first quarter of FY12 to 236 in the first quarter of FY13. In FY12, 7,123 owner-occupied homes were repaired through one of three programs (Basic System Repair Program, weatherization, or Heater Hotline). This measure declined from 8,232 in FY11. In the first quarter of FY13, 1,209 repairs occurred. In FY12, 11,034 city lots were greened and cleaned, an increase from FY11. The number of homebuyer grants awarded decreased from 307 in FY11 to 200 in FY12. In the first quarter of FY13, 71 grants were awarded, compared to 30 in the first quarter of FY12.

Performance Measures: Housing					
<u>Agency</u>	<u>Measure</u>	<u>FY11 Total</u>	<u>FY12 Total</u>	<u>FY12 Q1</u>	<u>FY13 Q1</u>
Supportive Housing	Households Receiving Homeless Prevention Services	1,898	809	6	80
	New Permanent Supportive Housing Units ¹	120	179	NA	NA
	Transitional Housing Placements	510	558	123	120
Housing and Community Development	Mortgage Foreclosures Diverted	1,647	1,423	457	236
	Owner-Occupied Homes Repaired ²	8,232	7,123	1,782	1,209
	City Lots Greened and Cleaned ³	8,417	11,034	2,863	NA
	Homebuyer Grants Awarded	307	200	30	71

Notes

¹ Excludes Philadelphia Housing Authority units.

² Through Basic System Repair Program, Weatherization, or Heater Hotline.

³ Includes land stabilization and land maintenance.

Key Management Issues: Performance Measures

- ▶ **Department of Parks and Recreation:** The number of programs offered by the department increased from 3,824 in FY11 to 4,050 in FY12. In the first quarter of FY13, 2,270 programs were offered. Total visits to departmental facilities and sites increased from 6.57 million in FY11 to 6.60 million in FY12. In the first quarter of FY13, there were 2.90 million visits. The department mowed 37.5 million acres in FY11, and 36.0 million in FY12. The number of acres mowed in the first quarter of FY13 was 19.4 million. In FY11, 18,300 trees were planted, and in FY12, 20,300 trees were planted. Tree planting generally occurs in the late fall and spring, so no tree plantings occurred in the first quarter of FY13.
- ▶ **Free Library of Philadelphia:** Total circulation increased from 7.21 million items in FY11 to 7.50 million in FY12. Circulation in the first quarter of FY13 was 2.00 million. Total visits to library facilities declined from 6.10 million in FY11 to 6.02 million in FY12. The number of visits declined from 1.69 million in the first quarter of FY12 to 1.57 million in the first quarter of FY13. Facilities were open 100,000 hours in FY11, and 97,800 hours in FY12. Facility hours open declined from 25,900 in the first quarter of FY12 to 23,500 in the first quarter of FY13.

Performance Measures: Parks and Recreation and Libraries					
<u>Agency</u>	<u>Measure</u>	<u>FY11 Total</u>	<u>FY12 Total</u>	<u>FY12 Q1</u>	<u>FY13 Q1</u>
Parks and Recreation	Programs Offered	3,824	4,050	2,553	2,270
	Visits to Departmental Facilities and Sites (Millions)	6.57	6.60	3.04	2.90
	Acres Mowed ¹ (Thousands)	37.5	36.0	19.4	19.4
	Trees Planted ² (Thousands)	18.3	20.3	0	0
Free Library	Circulation of Materials (Millions)	7.21	7.50	2.07	2.00
	Visits (Millions)	6.10	6.02	1.69	1.57
	Hours Open (Thousands)	100.0	97.8	25.9	23.5

Notes

¹ Includes athletic fields and neighborhood parks.

² Includes trees planted along streets, on departmental sites and public land, and trees planted in partnership with other organizations.

Key Management Issues: Performance Measures

- ▶ **Streets Department:** The recycling rate increased from 18 percent in the first quarter of FY12 to 19 percent in the first quarter of FY13. On-time trash collection increased from 91 percent in the first quarter of FY12 to 97 percent in the first quarter of FY13. On-time recycling collection in the first quarter of FY13 was 97 percent, unchanged from the first quarter of FY12.
- ▶ **Department of Licenses and Inspections:** The QCMR reports on performance with respect to twelve customer service standards relating to timeliness of service. For all but one standard (reviewing plumbing plans within 20 days), the percentage of time that the department met its standard increased or remained constant between the first quarter of FY12 and the first quarter of FY13. Data for three standards are shown below. In addition, the department reports on three activity measures, properties cleaned and sealed, residential buildings demolished, and building permits issued. For two of these three measures, activity increased from the first quarter of FY12 to the first quarter of FY13.

Performance Measures: Streets and Licenses and Inspections					
<u>Agency</u>	<u>Measure</u>	<u>FY11 Total</u>	<u>FY12 Total</u>	<u>FY12 Q1</u>	<u>FY13 Q1</u>
Streets	Recycling Rate ¹	19%	19%	18%	19%
	On-Time Trash Collection ²	94%	94%	91%	97%
	On-Time Recycling Collection ²	96%	97%	97%	97%
Licenses and Inspections	Service License Customers Within 30 Minutes	84%	96%	94%	99%
	Service Zoning Customers Within 30 Minutes	94%	98%	99%	100%
	Service Building Customers Within 30 Minutes	90%	96%	97%	100%
	Properties Cleaned and Sealed	1,488	1,632	384	381
	Residential Buildings Demolished	567	543	123	173
	Building Permits Issued	16,448	9,455	2,404	2,641

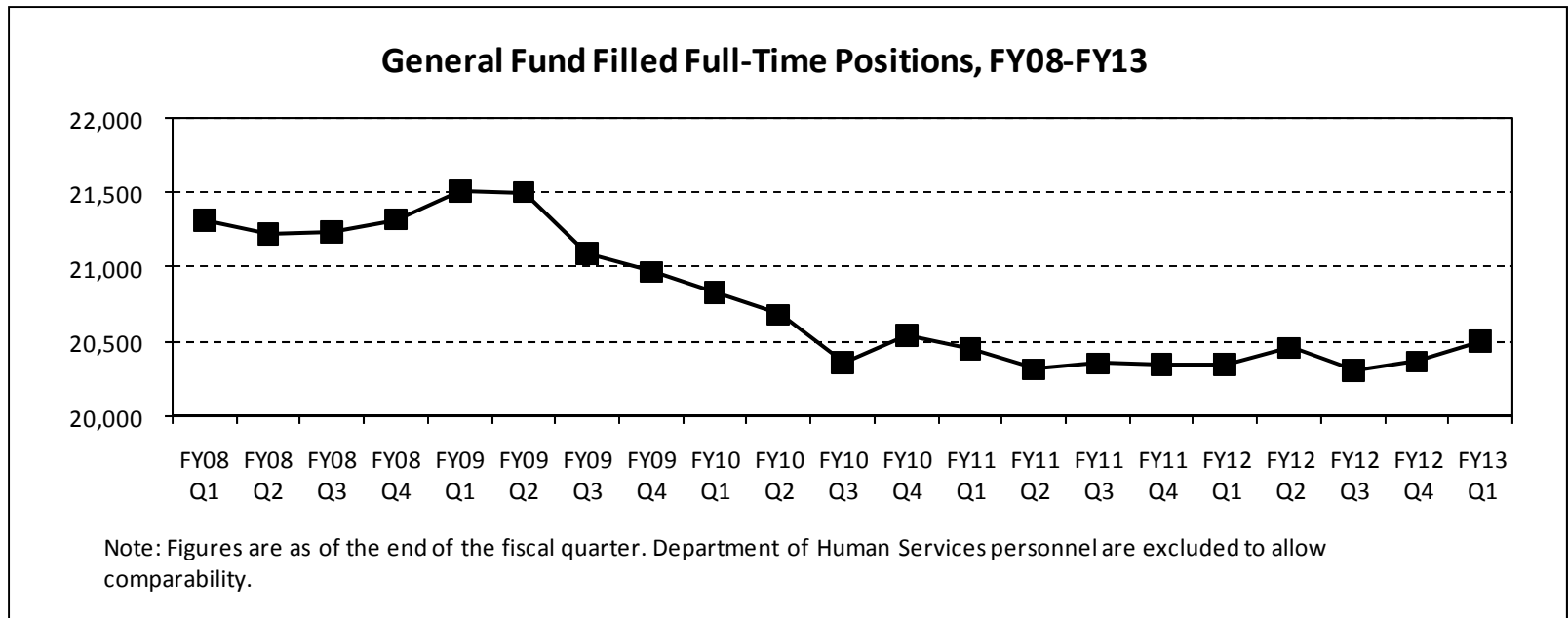
Notes

¹ Percentage of waste stream recycled.

² Percentage of collections completed by 3:00 PM.

Key Management Issues: Staffing

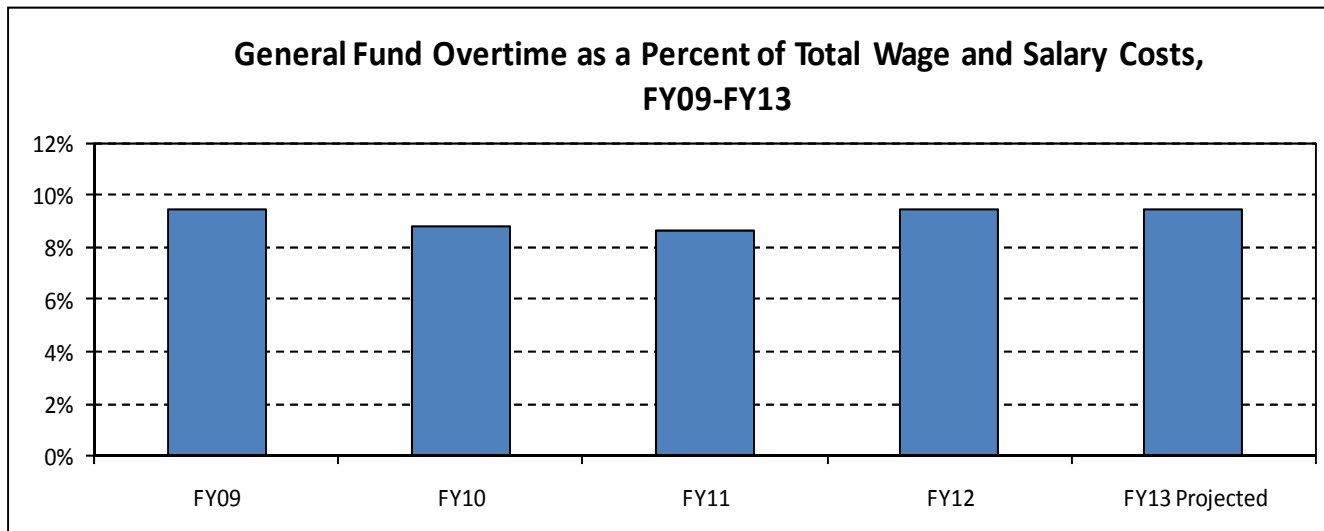
- General Fund filled full-time positions declined from 21,521 at the end of the first quarter of FY09 to 20,316 at the end of the second quarter of FY11, a reduction of 1,205 or 5.6 percent. From the end of the second quarter of FY11 to the end of the first quarter of FY12, filled General Fund positions have increased somewhat, from 20,316 to 20,509 (193 positions or 0.9 percent).¹ From the end of the third quarter of FY12 to the first quarter of FY13, positions increased by 200. The increases were largely due to increases in personnel in the Fire Department (93), Department of Public Health (21), Department of Streets (21), Office of Managing Director (22), Office of Property Assessment (21), and Department of Revenue (19).



¹ Department of Human Service (DHS) personnel are excluded to allow comparability. DHS personnel are reported in the Grants Revenue Fund beginning in FY12, due to an accounting change.

Key Management Issues: Overtime

- ▶ The QCMR for the first quarter of FY13 projects total FY13 overtime costs of \$127.4 million, or 9.5 percent of total wages and salaries. While overtime as a percentage of wages and salaries had declined significantly from 9.5 percent of wages and salaries in FY09 to 8.6 percent in FY11, it increased to 9.5 percent of wages and salaries in FY12 and is projected to remain at that level in FY13.¹ The currently projected overtime cost exceeds the adopted budget projection significantly in the following agencies: Fire (\$4.9 million), Police (\$2.3 million), Prisons (\$8.3 million), and Sheriff (\$2.0 million).



¹ The FY11 amount excludes \$3.8 million in Fire Department overtime due to an unusual legal settlement related to overtime for emergency medical services personnel.

Key Management Issues: Leave Usage

- ▶ For the median City agency, employees were absent from work on 15.6 percent of available work days in the first quarter of FY13. Leave usage varied from a high of 21.1 percent in the Office of City Commissioners to 9.4 percent in the Managing Director's Office.
- ▶ For agencies that require consistent workforce levels over the year, seasonal variability in leave use has major cost implications, since overtime is often necessary to assure consistent staffing. Contractual restrictions on the City's ability to manage leave use compound the problem. For instance, while the 2009 Fraternal Order of Police arbitration award allows the Police Department to limit new hires to one week of vacation during the summer for the first five years of employment, departmental management cannot impose these limits for the majority of its current workforce.

