

PICA Staff Report
on the
City of Philadelphia's
***Quarterly City Managers Report
for the Fourth Quarter of FY2011***

Submitted to PICA on August 15, 2011

August 25, 2011

Introduction: PICA Staff Report on the City of Philadelphia's Quarterly City Managers Report for the Fourth Quarter of FY11

- 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 in relation to the budgeted level 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 report is PICA staff's analysis of the most recent QCMR submitted by the City, covering the period ending June 30, 2011, the fourth quarter of fiscal year 2011 (FY11). A copy of the QCMR can be found on the City's website at: <http://www.phila.gov/finance/reports-Quarterly.html>
- Since the projections in the annual PICA-approved Five-Year Financial Plan establish the original budgetary baseline for each fiscal year, the analysis in this report compares the FY11 revenue and expenditure projections contained in the QCMR for the fourth quarter of FY11 to projections for FY11 in the FY11-FY15 Five-Year Plan approved by PICA in August 2010.
- The City's projections of FY11 revenue and obligations in the fourth quarter QCMR are the same as those in the Five-Year Plan currently in effect, the FY12-FY16 Five-Year Financial Plan approved by PICA on July 26, 2011.

FY11 Projections

- ▶ Overview
- ▶ Tax Revenue
- ▶ Locally-Generated Non-Tax Revenue
- ▶ Revenue from Other Governments
- ▶ Obligations

FY11 Projections: Overview

- ▶ The QCMR for the fourth quarter of FY11 projects FY11 General Fund revenues to be \$46.7 million above the original FY11-15 Five-Year Plan projection. This reflects tax revenues that are projected at \$42.8 million above the Plan, locally-generated non-tax revenue \$3.2 million below Plan, revenue from other governments \$3.7 million below Plan, and revenue from other funds \$10.9 million above Plan. Obligations are projected to be \$14.9 million above the Plan projection.
- ▶ The FY11 operating surplus (excluding adjustments) is projected at \$93.0 million, \$31.9 million above the Plan estimate.
- ▶ The FY11 year-end fund balance is projected at \$3.5 million, \$30.5 million below the Plan estimate. The reduction from the Plan projected fund balance reflects an actual FY10 year-end fund balance that was \$62.4 million below Plan, primarily due to a delay in State and federal reimbursements for Department of Human Services costs.

FY11 General Fund Projections (\$ in Millions)							
<u>Category</u>	<u>FY11-15 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Change from Q3 to Q4 QCMR</u>	<u>Change from Plan to Q4 QCMR</u>
Revenues	\$3,849.2	\$3,916.0	\$3,933.5	\$3,928.7	\$3,895.9	(\$32.8)	\$46.7
Obligations	3,788.1	3,796.8	3,830.4	3,834.0	3,802.9	(31.1)	14.9
Operating Surplus/(Deficit)	61.1	119.2	103.1	94.7	93.0	(1.7)	31.9
Prior Year Adjustments	24.5	24.5	24.5	24.5	24.5	--	--
Prior Year Fund Balance/(Deficit)	(51.7)	(114.0)	(114.0)	(114.0)	(114.0)	--	(62.4)
Year-End Fund Balance	34.0	29.6	13.5	5.1	3.5	(1.7)	(30.5)

FY11 Projections: Tax Revenue

- ▶ The QCMR for the fourth quarter projects FY11 tax revenue at \$2,489.0 million, an increase of \$7.5 million from the third quarter QCMR projection. The projection of business privilege tax increased \$10.0 million, reflecting stronger than anticipated collections in the fourth quarter, while projected real estate transfer tax revenue was reduced by \$2.5 million, reflecting weaker than expected collections.
- ▶ The FY11 projection is \$42.8 million higher than Plan, reflecting increases in wage and earnings (\$18.3 million), business privilege (\$20.1 million), sales (\$5.7 million), and net profits (\$5.2 million), offset by reductions in real estate (\$2.6 million) and real estate transfer (\$3.9 million) taxes.

FY11 General Fund Tax Revenue Projections (\$ in Millions)							
Tax	<u>FY11-15 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Change from Q3 to Q4 QCMR</u>	<u>Change from Plan to Q4 QCMR</u>
Wage and Earnings	\$1,131.6	\$1,136.6	\$1,149.9	\$1,149.9	\$1,149.9	--	\$18.3
Real Estate	491.4	491.4	488.7	488.7	488.7	--	(2.6)
Business Privilege	350.7	350.7	360.8	360.8	370.8	\$10.0	20.1
Net Profits	11.9	11.9	17.1	17.1	17.1	--	5.2
Sales	241.8	243.8	247.5	247.5	247.5	--	5.7
Real Estate Transfer	121.2	121.2	119.8	119.8	117.3	(2.5)	(3.9)
Parking	72.5	72.5	72.5	72.5	72.5	--	--
Amusement	21.1	21.1	21.1	21.1	21.1	--	--
Other	4.1	4.1	4.1	4.1	4.1	--	--
Total	2,446.3	2,453.3	2,481.5	2,481.5	2,489.0	7.5	42.8

FY11 Projections: Locally-Generated Non-Tax Revenue

- ▶ The QCMR for the fourth quarter projects FY11 locally-generated non-tax revenue at \$266.1 million, \$4.9 million lower than the third quarter QCMR projection, and \$3.2 million below Plan. Compared to the third quarter QCMR, Streets Department revenue is projected to be \$11.0 million lower, due to delayed billing of commercial trash collection fees, Sheriff's Office revenue is lower by \$4.0 million, due to a temporary suspension of Sheriff sales, and First Judicial District revenue is higher by \$8.0 million, due to a one-time acceleration in processing forfeited bail after the First Judicial District absorbed the functions of the Clerk of Quarter Sessions.

FY11 General Fund Locally-Generated Non-Tax Revenue Projections (\$ in Millions)							
<u>Agency Source</u>	<u>FY11-15 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Change from Q3 to Q4 QCMR</u>	<u>Change from Plan to Q4 QCMR</u>
Division of Technology	\$18.7	\$22.7	\$22.7	\$22.8	\$20.8	(\$2.0)	\$2.1
Police	4.8	4.8	4.8	4.8	3.8	(1.0)	(1.0)
Streets	22.0	27.0	28.0	27.8	16.8	(11.0)	(5.3)
Fire	37.2	37.2	37.2	35.4	35.4	--	(1.8)
Public Property	8.5	8.5	8.5	8.5	10.5	2.0	2.0
Licenses and Inspections	43.2	43.2	43.2	43.2	46.0	2.8	2.8
Records	18.0	18.0	18.0	16.2	16.2	--	(1.8)
Finance	12.5	12.5	18.4	18.5	19.8	1.3	7.3
Revenue	7.4	7.4	6.4	6.2	4.2	(2.0)	(3.3)
City Treasurer	12.8	4.8	4.8	5.3	5.3	--	(7.6)
Sheriff	9.6	9.6	9.1	9.1	5.1	(4.0)	(4.5)
First Judicial District ¹	43.1	43.1	42.1	42.1	50.1	8.0	7.0
All Other	31.6	31.6	31.7	31.3	32.3	1.0	1.0
Total	269.3	270.3	274.8	271.0	266.1	(4.9)	(3.2)

¹ Includes Clerk of Quarter Sessions.

FY11 Projections: Revenue from Other Governments

- ▶ The fourth quarter QCMR projects FY11 revenue from other governments at \$1,076.6 million, a decrease of \$35.4 million from the third quarter QCMR, and a decrease of \$3.7 million from Plan. The most significant changes between the third and fourth quarter QCMR projections include an increase of PICA City Account revenues (\$12.0 million), due in large part to a reallocation of the City share of the net profits taxes, and a decline in Department of Human Services revenues (\$48.4 million) due to a reduction in projected State Act 148 and Federal Title IV-E reimbursements.

FY11 General Fund Revenue from Other Governments Projections (\$ in Millions)							
<u>Agency Source</u>	<u>FY11-15 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Change from Q3 to Q4 QCMR</u>	<u>Change from Plan to Q4 QCMR</u>
PICA City Account	\$295.6	\$295.6	\$279.2	\$279.2	\$291.2	\$12.0	(\$4.4)
Public Health	58.8	58.8	58.8	58.8	58.8	--	--
Public Property	18.0	18.0	18.0	18.0	18.0	--	--
Human Services	495.5	546.6	546.6	535.1	486.6	(48.4)	(8.8)
Finance	148.3	150.2	150.2	150.2	151.2	1.0	2.8
Revenue	32.0	32.0	32.0	32.0	32.0	--	--
First Judicial District	15.4	15.4	15.4	15.4	15.4	--	--
All Other	16.7	23.6	24.9	23.4	23.4	--	6.7
Total	1,080.3	1,140.2	1,125.0	1,112.0	1,076.6	(35.4)	(3.7)

FY11 Projections: Obligations

- FY11 obligations are projected at \$3,802.9 million in the fourth quarter QCMR, a decrease of \$31.1 million from the third quarter QCMR. The decline in the obligations projection from the previous QCMR reflects reduced debt service costs (\$13.1 million) due to the timing of general obligation bond issuance and reduced interest costs for short-term borrowing, reduced costs for out-of-home placement in the Department of Human Services (\$15.0 million), and reduced Department of Licenses and Inspections demolition costs (\$3.0 million) in the General Fund, due to the availability of alternative funding sources.

FY11 General Fund Obligations Projections (\$ in Millions)							
Agency or Cost Center	FY11-15 Five-Year Plan	Q1 QCMR	Q2 QCMR	Q3 QCMR	Q4 QCMR	Change from Q3 to Q4 QCMR	Change from Plan to Q4 QCMR
Property Assessment ¹	\$6.5	\$8.0	\$8.2	\$8.2	\$8.2	--	\$1.7
Debt Service	211.0	211.0	211.0	211.0	197.9	(\$13.1)	(13.1)
District Attorney	29.1	30.5	30.5	30.5	30.5	--	1.5
Employee Benefits	964.9	964.9	979.9	979.9	979.9	--	15.0
Fire	185.0	191.0	191.0	191.0	191.0	--	6.0
First Judicial District ²	103.5	103.5	110.1	110.1	110.1	--	6.6
Human Services	564.4	564.4	564.4	564.4	549.4	(15.0)	(15.0)
Indemnities	40.6	36.8	36.0	35.0	35.0	--	(5.6)
Licenses and Inspections	22.1	22.1	22.1	22.1	19.1	(3.0)	(3.0)
Police	527.6	530.0	530.0	530.0	530.0	--	2.4
Sheriff	13.1	14.3	14.3	14.3	14.3	--	1.2
Streets	114.7	114.7	124.1	125.7	125.7	--	11.0
All Other	1,005.6	1,005.6	1,008.8	1,011.7	1,011.7	--	6.1
Total	3,788.1	3,796.8	3,830.4	3,834.0	3,802.9	(31.1)	14.9

¹ Includes Board of Revision of Taxes and Office of Property Assessment.

² Includes Clerk of Quarter Sessions.

FY11 Projections: Changes in Obligation Projections

The largest changes in projected FY11 obligations between the Plan and fourth quarter QCMR are as follows:

- ▶ **Property Assessment** (\$1.7 million increase): Transfer of assessment personnel from the School District to the City, and consulting services for full valuation and operational assessment.
- ▶ **Debt Service** (\$13.1 million decrease): Later than anticipated issuance of general obligation bonds, and lower than anticipated costs for short-term borrowing.
- ▶ **District Attorney** (\$1.5 million increase): Higher personnel costs.
- ▶ **Employee Benefits** (\$15.0 million increase): Additional \$12.5 million in pension obligations and \$2.5 million in unemployment compensation.
- ▶ **Fire** (\$6.0 million increase): Includes \$2.2 million in overtime costs, and \$3.8 million for a legal settlement regarding EMS overtime which was transferred from indemnities.
- ▶ **First Judicial District** (\$6.6 million increase): Reflects \$5.5 million allowed under revenue sharing agreements between the City and the First Judicial District, and \$1.1 million for counsel and juror fees.
- ▶ **Human Services** (\$15.0 million decrease): Lower cost for out-of-home placements.
- ▶ **Indemnities** (\$5.6 million decrease): Reflects an anticipated reduction in the cost of settlements, and \$3.8 million transferred to the Fire Department to cover a legal settlement regarding EMS overtime.
- ▶ **Licenses and Inspections** (\$3.0 million decrease): Lower than anticipated General Fund costs for demolitions, which were funded by grants in FY11.
- ▶ **Police** (\$2.4 million increase): Higher personnel costs due to a larger than anticipated workforce.
- ▶ **Sheriff** (\$1.2 million increase): \$1.0 million in higher personnel costs and \$0.2 million for a forensic audit.
- ▶ **Streets** (\$11.0 million increase): \$8.4 million for snow removal , \$1.9 million for salt, and \$0.7 million for LED traffic lights
- ▶ **All Other** (\$6.1 million increase): Increases of \$1.5 million in Fleet Management for Police patrol cars, \$0.7 million in City Controller for forensic and citywide audits, \$0.9 million in Finance for contributions to external agencies, \$0.7 million in Defender Association for insurance and benefits costs, \$0.5 million in Revenue for the E-tides on-line tax filing system, \$0.3 million in Public Property for space rentals, and \$0.4 million in City Commissioners for special election and primary elections.

FY11 Projections: Employee Benefit Obligations

- FY11 employee benefit obligations are projected at \$979.9 million in the fourth quarter QCMR, unchanged from the projection in the third quarter QCMR, and an increase of \$15.0 million from Plan. The increase from Plan reflects an increase of \$12.5 million for pension costs due to interest costs for deferred FY10 payments that were not included in the original Actuary projection, and an increase of \$2.5 million in unemployment compensation for extended benefits. The Plan assumed \$25 million in benefit cost savings due to new labor contracts and other benefit program efficiencies. Of this amount, \$13.1 million has been achieved due to changes in the Fraternal Order of Police and City-administered health plans. The additional anticipated workforce savings of \$11.9 million is likely to be achieved, but will not be finalized or reported until end-of-year accounting adjustments are completed.

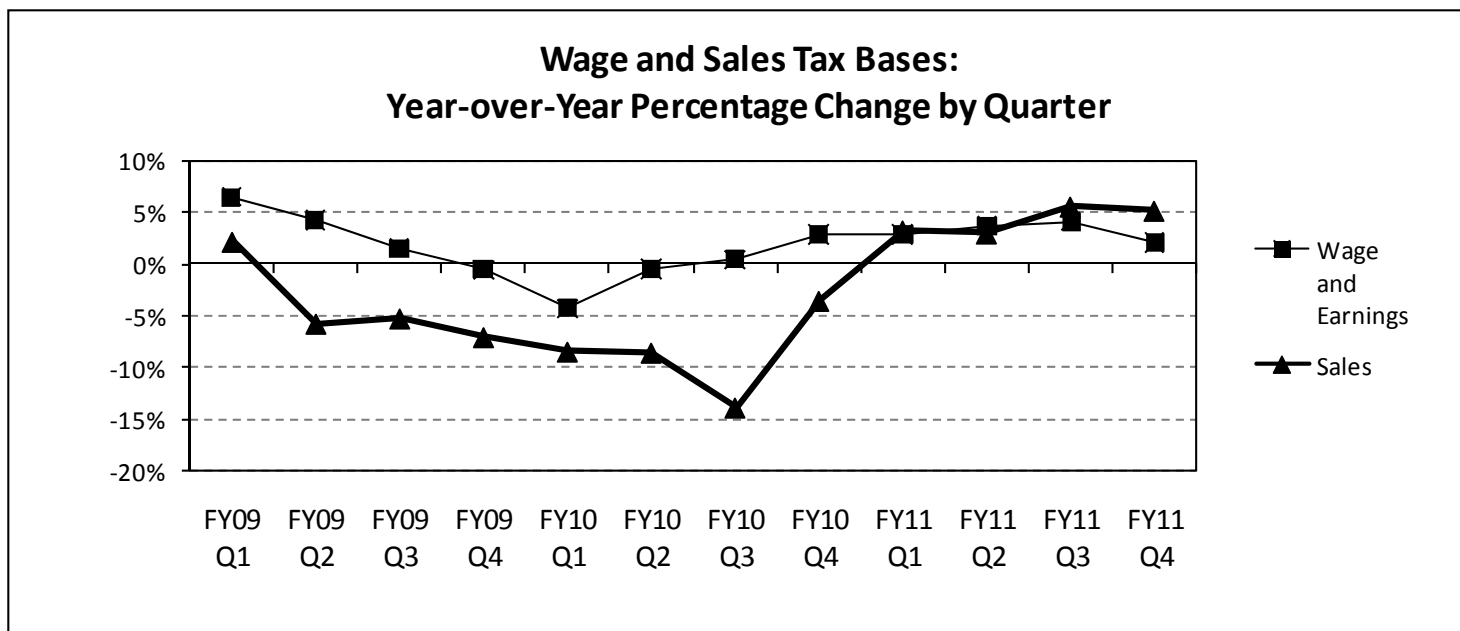
FY11 General Fund Employee Benefits Obligations Projections (\$ in Millions)							
<u>Category</u>	<u>FY11-15 Five-Year Plan</u>	<u>Q1 QCMR</u>	<u>Q2 QCMR</u>	<u>Q3 QCMR</u>	<u>Q4 QCMR</u>	<u>Change from Q3 to Q4 QCMR</u>	<u>Change from Plan to Q4 QCMR</u>
Pension Contribution	\$381.4	\$381.4	\$393.9	\$393.9	\$393.9	--	\$12.5
Pension Obligation Bonds	98.6	98.6	98.6	98.6	98.6	--	--
Health Benefits	370.0	370.0	356.8	356.8	356.8	--	(13.1)
Employee Disability	54.0	54.0	54.0	54.0	54.0	--	--
FICA	70.2	70.2	70.2	70.2	70.2	--	--
Unemployment Compensation	2.5	2.5	5.0	5.0	5.0	--	2.5
Group Life and Legal	12.0	12.0	12.0	12.0	12.0	--	--
Other	1.1	1.1	1.1	1.1	1.1	--	--
Anticipated Savings	(25.0)	(25.0)	(11.9)	(11.9)	(11.9)	--	13.1
Total	964.9	964.9	979.9	979.9	979.9	--	15.0

Key Financial Issues

- ▶ Tax Collections
- ▶ Labor Contracts

Key Financial Issues: Tax Collections

- ▶ Tax collections in the fourth quarter of FY11 indicate somewhat slower economic growth than in the third quarter. The wage and earnings tax base increased at an annual rate of 2.0 percent in the fourth quarter, compared to 4.1 percent in the third quarter. The sales tax base grew at an estimated annual rate of 5.1 percent in the fourth quarter, somewhat below the estimated 5.5 percent rate in the third. The real estate transfer tax base declined 15.5 percent in the fourth quarter, compared to a decline of 7.2 percent in the third quarter, reflecting continued weakness in the housing market.
- ▶ Maintaining wage and retail sales growth, and achieving stability in the real estate market, is important for maintaining the City’s fiscal stability. The FY12-FY16 Five-Year Plan projects annual tax base growth rates ranging from 3.1 to 4.0 percent for the wage and sales taxes, -0.4 to 2.5 percent for the business privilege tax, 3.0 to 5.0 percent for the real estate transfer tax, and 1.3 percent in the real estate tax in the final three years of the Plan.



Key Financial Issues: Labor Contracts

- ▶ Labor contracts with three major municipal unions – the International Association of Firefighters (IAFF) and District Councils (DC) 33 and 47 of AFSCME – remain unresolved. The FY12-FY16 Five-Year Plan projects \$11.9 million in annual savings from changes resulting from new labor contracts for these three unions. Implementation of a self-insurance model for the Fraternal Order of Police (FOP) and City-administered health plans contributed to an estimated \$13.1 million in savings in FY11, and these savings are expected to recur in future years.
- ▶ In October 2010, an arbitration panel awarded a four year contract to the IAFF. This award, other than the pension provisions, was appealed by the City in the Court of Common Pleas in November. The City’s petition argues that the economic provisions of the award violate the PICA Act because they do not accord substantial weight to the City’s Five-Year Plan or ability to pay for increased wages while maintaining City service levels.
- ▶ The most recent FOP arbitration award was issued in December 2009 and covers the period through FY14. Determination of FOP wages for FY13 and FY14 will be subject to a “reopener” arbitration process that will occur next year.
- ▶ Resolution of the City’s appeal of the IAFF contract, and the outcome of bargaining with DC 33 and 47, will determine whether the City can maintain financial stability and service levels, as the FY12-FY16 Plan projects. Addressing health care and pensions is particularly critical. Reforms to the administration of health care benefits will allow the City to control the growth in benefit costs despite cost inflation. Restructuring of employee pensions, as initiated with the Police and Fire arbitration awards, is necessary to ensure the viability of the pension program and prevent unsustainable cost growth over the long term.

Key Management Issues

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

Key Management Issues: Performance Measures

- ▶ **Police Department:** Homicides increased from 305 in FY10 to an estimated 318 in FY11. Part 1 violent crime increased from 17,740 in FY10 to an estimated 18,472 in FY11. Clearance rates for homicide and other violent crime declined somewhat from FY10 to FY11.
- ▶ **Fire Department:** Average fire response times increased from 4:46 in FY10 to 4:57 in FY11. The number of structural fires increased from 1,362 in FY10 to 3,041, although the FY11 figures are based on a new reporting system and are not comparable to the FY10 figures. Fire deaths increased from 32 in FY10 to 41 in FY11.
- ▶ **Prison System:** The proportion of sentenced inmates given the opportunity to participate in education, training or treatment increased from 75 percent in FY10 to 77 percent in FY11.

Performance Measures: Public Safety							
<u>Agency</u>	<u>Measure</u>	<u>FY10 Total</u>	<u>FY11 Q1</u>	<u>FY11 Q2</u>	<u>FY11 Q3</u>	<u>FY11 Q4</u>	<u>FY11 Total</u>
Police ¹	Homicides	305	95	65	83	75	318
	Part 1 Violent Crime	17,740	5,162	4,644	3,873	4,793	18,472
	Homicide Clearance Rate	72.2%	66.3%	76.9%	71.1%	69.0%	70.8%
	Other Violent Crime Clearance Rate	51.2%	45.5%	48.6%	53.2%	52.0%	49.8%
Fire	Fire Average Response Time	4:46	4:49	4:59	5:09	4:52	4:57
	Structural Fires ²	1,362	656	824	858	703	3,041
	Fire Deaths	32	4	12	16	9	41
Prisons	Percent of Sentenced Inmates with Opportunity to Participate in Education, Training, or Treatment	75%	77%	76%	76%	77%	77%
	Inmates Processed within 24 Hours of Admission	100%	100%	100%	100%	100%	100%

¹ Figures for both the fourth quarter of FY11 and the FY11 total are estimated.

² FY11 figures are based on the National Fire Incident Reporting System (NFIRS) methodology, and not comparable to the FY10 figures.

Key Management Issues: Performance Measures

- ▶ **Department of Human Services (DHS):** The number of reports of child abuse and neglect declined from 12,372 in FY10 to 12,352 in FY11. The number of dependent children in placement outside the home declined 12.1 percent from 4,762 at the end of FY10 to 4,186 at the end of FY11. The number of delinquent children in placement declined 13.2 percent from 1,774 at the end of FY10 to 1,539 at the end of FY11. The number of adoptions finalized increased from 561 in FY10 to 630 in FY11. The average daily population at the Youth Study Center increased from 106 in FY10 to 118 in FY11. Given that approximately 43 percent of FY11 DHS obligations were payments to providers of out-of-home placement services, the reduction in the number of children in placement and the increase in finalized adoptions from FY10 to FY11 represents a substantial financial benefit to the City and State, which share responsibility for funding DHS costs.
- ▶ **Department of Public Health:** Patient visits to the district health centers declined from 350,695 in FY10 to 339,032 in FY11. Visits by uninsured patients made up 49.6 percent of all visits to the health centers in FY11, the same level as in FY10.

Performance Measures: Public Health and Human Services							
Agency	Measure	FY10 Total	FY11 Q1	FY11 Q2	FY11 Q3	FY11 Q4	FY11 Total
Human Services	Abuse and Neglect Reports	12,372	2,800	2,928	3,279	3,345	12,352
	Dependent Placements as of End of Period	4,762	4,585	4,362	4,345	4,186	4,186
	Delinquent Placements as of End of Period	1,774	1,762	1,713	1,668	1,539	1,539
	Adoptions Finalized	561	142	163	134	191	630
	Youth Study Center Average Daily Population	106	126	106	119	119	118
Public Health	Visits to District Health Centers	350,695	82,021	93,757	79,105	84,149	339,032
	Percent of Visits from Uninsured Patients	49.6%	52.4%	49.3%	50.0%	47.0%	49.6%

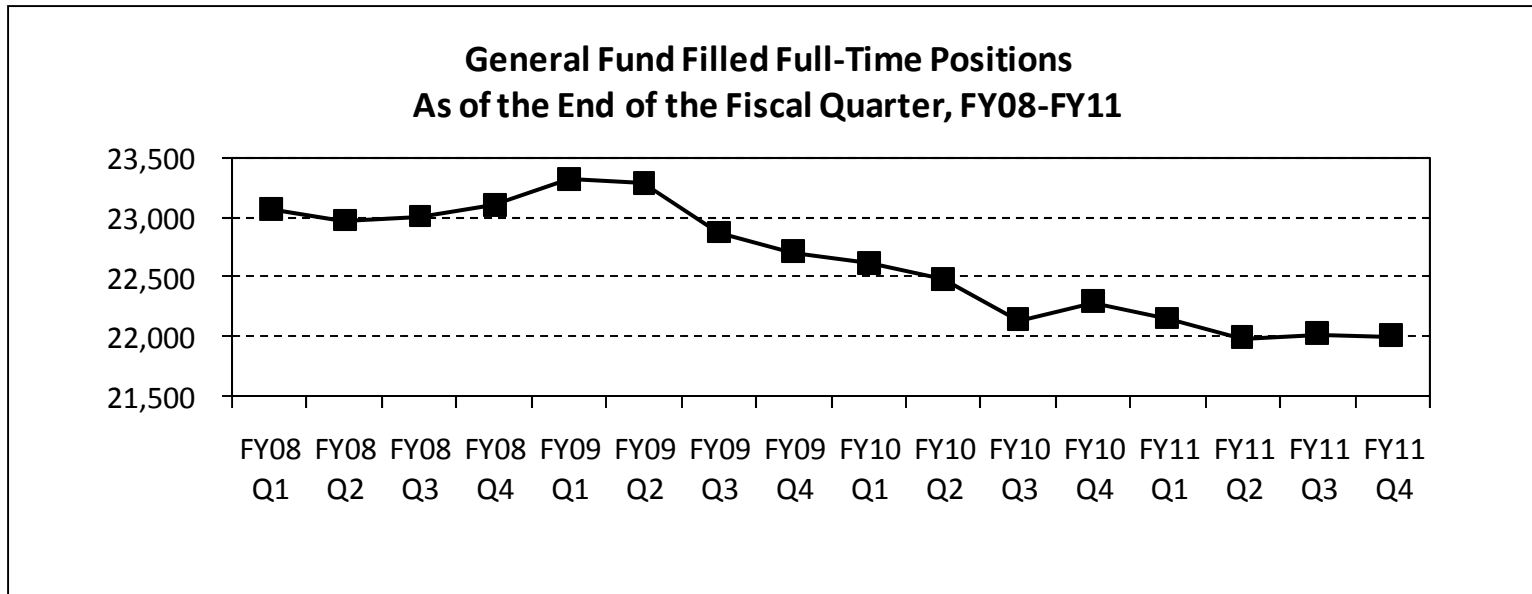
Key Management Issues: Performance Measures

- ▶ **Streets Department:** The recycling rate increased from 16 percent in FY10 to 19 percent in FY11. The on-time collection rate for trash increased from 90 percent in FY10 to 94 percent in FY11, despite a particularly severe winter that affected collection rates in the third quarter of FY11. The on-time collection rate for recycling increased from 94 percent in FY10 to 97 percent in FY11.
- ▶ **Department of Licenses and Inspections:** The QCMR for the fourth quarter reports on Department of Licenses and Inspections (L&I) performance with respect to twelve customer service standards relating to timeliness of service. For ten of the twelve standards, L&I met the standard at least 90 percent of the time in FY11. The data for eight of the twelve standards are shown in the table below.

Performance Measures: Streets and Licenses and Inspections							
<u>Agency</u>	<u>Measure</u>	<u>FY10 Total</u>	<u>FY11 Q1</u>	<u>FY11 Q2</u>	<u>FY11 Q3</u>	<u>FY11 Q4</u>	<u>FY11 Total</u>
Streets	Recycling Rate	16%	17%	19%	20%	18%	19%
	On-Time Trash Collection	90%	98%	98%	84%	97%	94%
	On-Time Recycling Collection	94%	96%	99%	93%	98%	97%
Licenses and Inspections	Service License Customers Within 30 Minutes	92%	89%	88%	80%	79%	84%
	Service Zoning Customers Within 30 Minutes	NA	92%	92%	96%	97%	94%
	Service Building Customers Within 30 Minutes	NA	82%	88%	94%	95%	90%
	Review Residential Building Plans Within 15 Days	95%	88%	87%	89%	95%	90%
	Review Commercial Building Plans Within 20 Days	96%	96%	95%	93%	96%	95%
	Review Plumbing Plans Within 20 Days	NA	98%	96%	100%	100%	99%
	Review Electrical Plans Within 20 Days	NA	98%	98%	87%	99%	96%
	Review Zoning Plans Within 20 Days	NA	97%	99%	98%	99%	98%

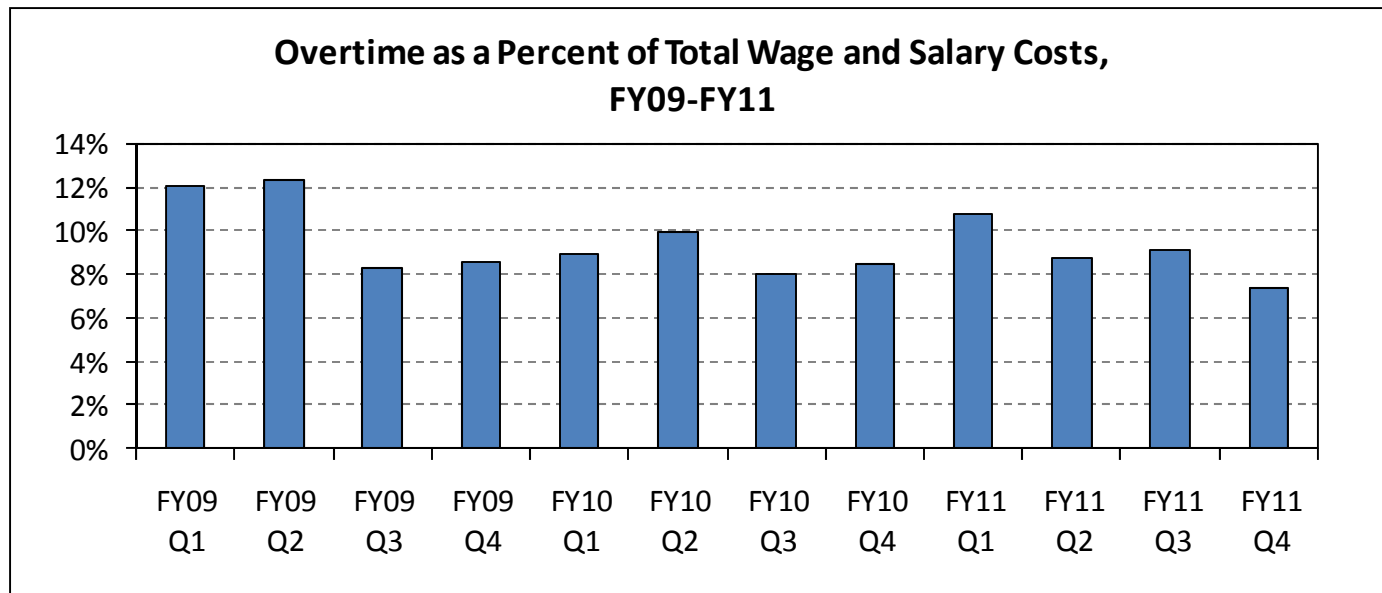
Key Management Issues: Staffing

- ▶ General Fund filled full-time positions declined from 23,330 at the end of the first quarter of FY09 to 21,995 at the end of the second quarter of FY11, a decline of 1,335 or 5.7 percent. Over the last six months of FY11, overall General Fund position levels remained roughly constant, increasing by 25 (0.1 percent).
- ▶ The QCMR projects that in FY11 employee wage and benefit costs will make up 61.6 percent of General Fund expenditures. Initiatives to increase labor productivity should ultimately result in freeing up additional resources for key economic and financial priorities such as addressing the unfunded pension liability, tax reduction, seeding a rainy day fund and pay-as-you-go investment in capital infrastructure. These types of initiatives are essential to the long-term fiscal health of the City.



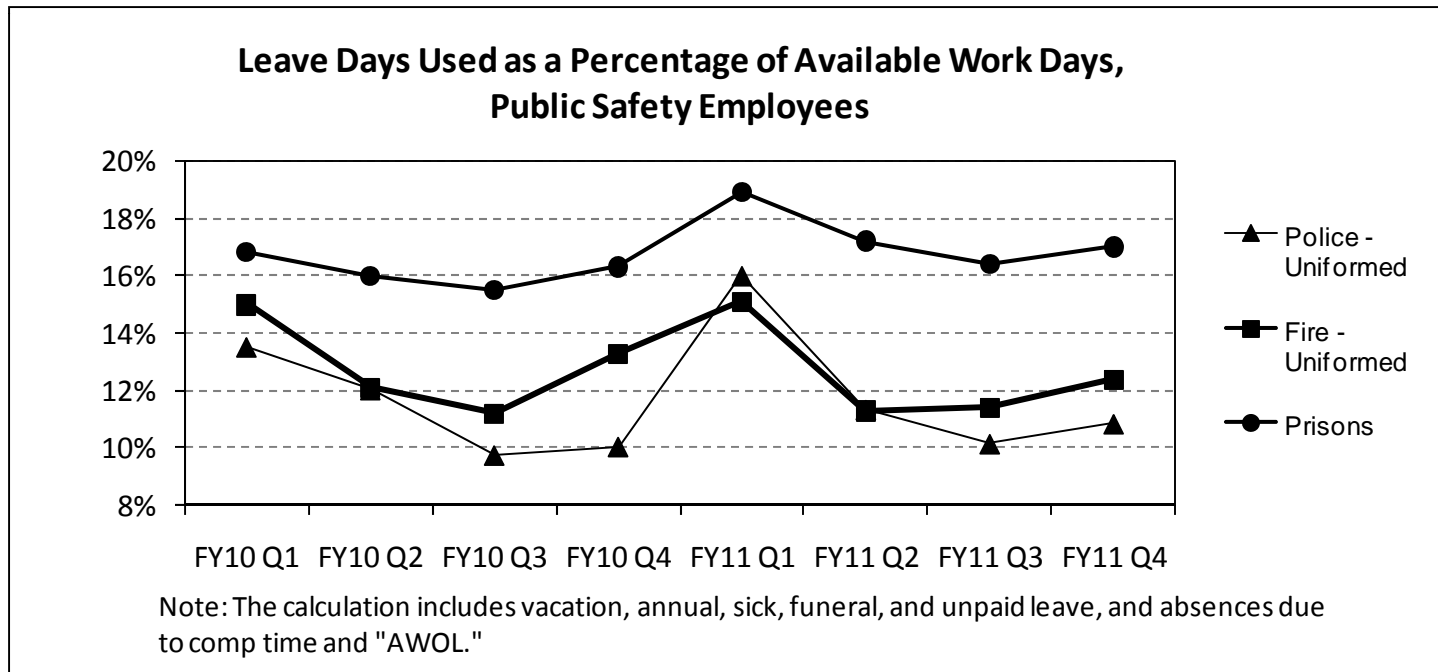
Key Management Issues: Overtime

- ▶ Despite the reduction in filled General Fund positions since the first quarter of FY09, the City has reduced overtime costs. Total General Fund overtime costs declined from \$132.9 million in FY09 to \$119.9 million in FY10. General Fund overtime is projected to increase to \$121.3 million in FY11. However, of this amount, \$3.8 million represents an unusual, one-time cost of a legal settlement regarding overtime for emergency medical services personnel. Excluding this amount, total overtime costs in FY11 were \$117.5 million. Overtime costs as a percentage of payroll decreased from 9.5 percent in FY09 to 8.8 percent in FY10 and a projected 8.6 percent in FY11 (excluding the \$3.8 million EMS overtime settlement).
- ▶ The City has been successful in reducing unnecessary overtime expenses through management initiatives. For instance, the Police Department has worked with the First Judicial District to reduce court-related Police overtime through efficiencies in scheduling court appearances of police officers. Continued progress at controlling overtime costs through management initiatives will be necessary to meet budgeted overtime targets.



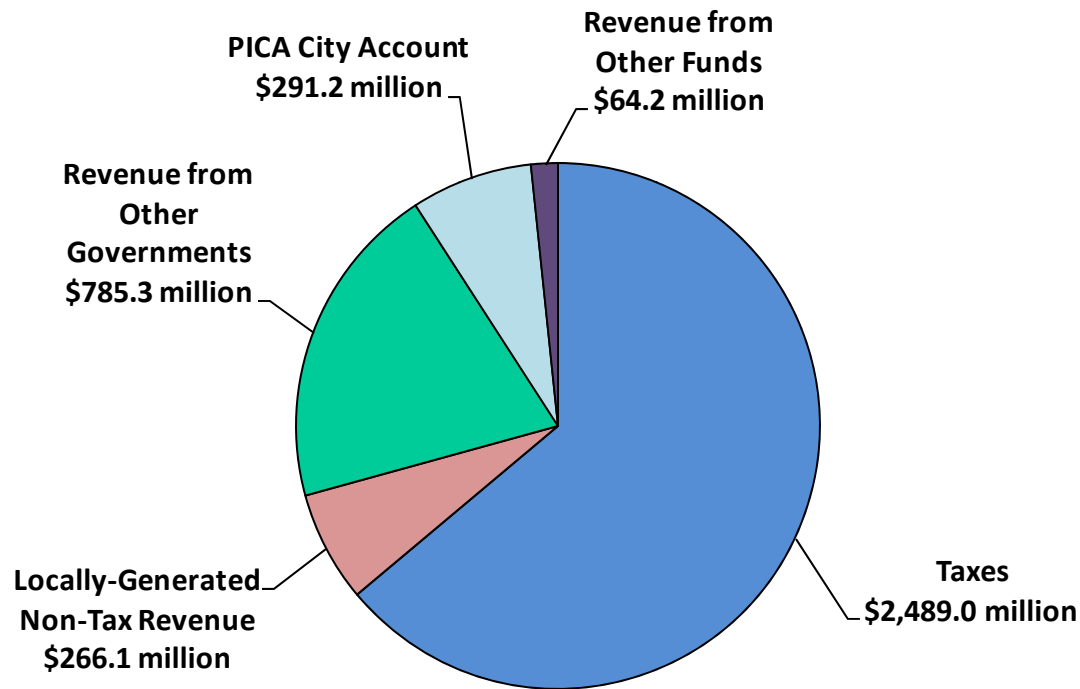
Key Management Issues: Leave Usage

- ▶ For the median City agency, employees were absent from work on 14.5 percent of available work days in the fourth quarter of FY11. Among agencies, leave usage in the fourth quarter varied from a high of 19.8 percent in the Revenue Department to a low of 4.5 percent in the Board of Revision of Taxes.
- ▶ For agencies that require consistent personnel availability 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.



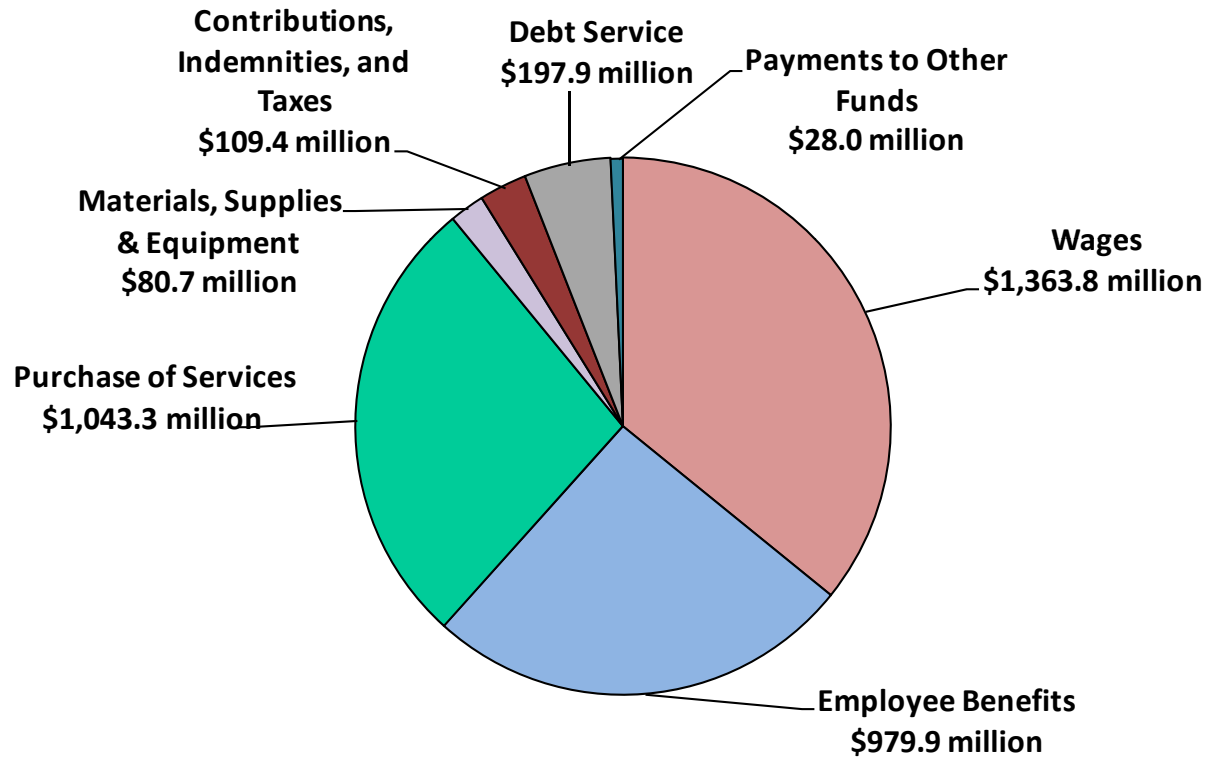
Key City Budget Characteristics

FY11 Sources of General Fund Revenues
Total Projected Revenues: \$3.896 Billion



Key City Budget Characteristics

Distribution of FY11 General Fund Obligations
Total FY11 Projected Obligations: \$3.803 Billion



Note: Debt Service includes \$87.5 million in debt service for lease-supported debt. This spending is classified in the Quarterly Report as purchase of services.