

# PICA Fact Sheet: Proposed FY25–29

## 5YP Fiscal Highlights

### Key Stats

- The General Fund balance is expected to drop from \$486M in FY25 to \$14M in FY29, falling short of the City's goal of 6-8% of revenues in four out of five Plan years.
- Revenues are projected to grow by 6%, reaching almost \$6.6B in FY29, while expenditures are expected to increase by 5% over 5YP.
- The City anticipates an operating deficit in all years of the Plan.
- New contributions to Budget Stabilization Reserve are expected to total \$158M over five years.
- The City is committing over \$10B to capital projects over six years, of which \$1.4B will be new General Obligation (GO) borrowing.

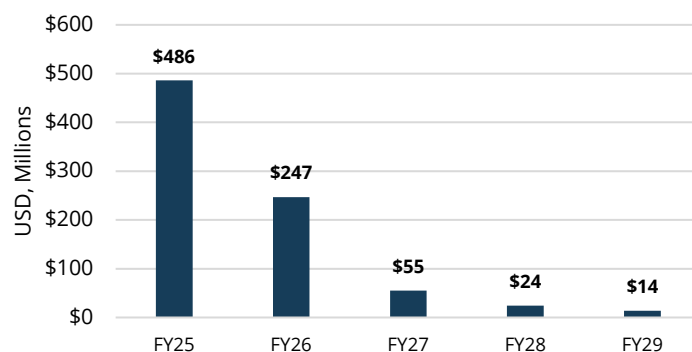
### What's the Proposed 5YP?

On March 14, 2024, Mayor Parker gave her first budget address and released the Administration's proposed Five-Year Financial Plan (5YP) for Fiscal Years 2025 to 2029 (FY25-29). It details the City's expected revenues, spending, staffing levels, new borrowing, and more over the next five fiscal years. As budget negotiations for FY25 take shape, the proposed 5YP will change and, following City Council's adoption of an FY25 budget, a final version will be presented to PICA's Board. The PICA Board will then have 30 days to vote on whether to approve the 5YP or have the City revise its Plan. If the City is unable to deliver an acceptable revised Plan in the allotted time, state funds are withheld.

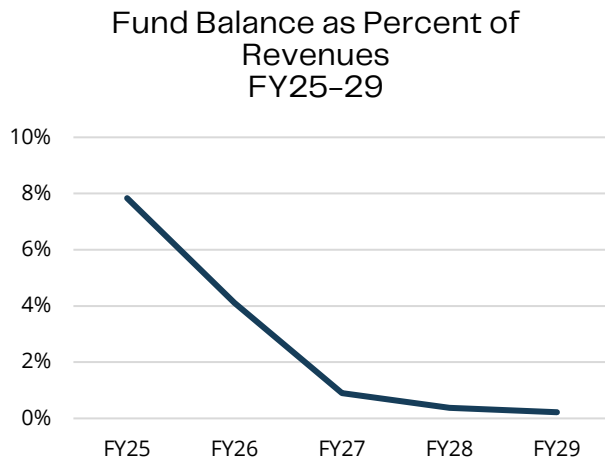
### Fund Balance

The General Fund Balance, the primary operating fund of the City, is projected to be positive in each year of the Five-Year Plan, declining by \$472M over the Plan. Positive fund balances, based on reasonable assumptions, are a statutory requirement for PICA Board approval of the Plan.

Projected Fund Balance FY25–29



### Fund Balance as a Percent of Revenues



Beyond being merely positive, a fund balance should be robust enough to cushion the City against unplanned changes in revenue collections or spending. The Government Finance Officers Association (GFOA) recommends that fund balances be 17% of revenues or spending, while the City set itself a lower goal of 6-8% of revenues. The General Fund balance will meet the City's goal in only FY25 and will not meet the GFOA recommendation in any year of the Plan. If the Budget Stabilization Reserve (BSR) is considered in addition to the fund balance, the combined totals range from 10.5% of revenues in FY25 to 4.3% in FY29.

### Estimated Revenue Growth

#### ESTIMATED REVENUES BY TYPE (USD, 000 OMITTED)

	FY25	FY26	FY27	FY28	FY29
Tax Revenue	4,255,125	4,397,031	4,559,603	4,729,070	4,902,837
Locally-Generated Non-Tax Revenue	355,294	337,678	373,122	418,583	367,700
Revenue from Other Governments	376,694	377,722	386,773	379,847	380,845
PICA City Account	735,495	764,117	791,834	820,933	851,366
Revenue from Other Funds	483,223	135,605	67,570	63,770	64,292
<b>TOTAL</b>	<b>6,205,831</b>	<b>6,012,153</b>	<b>6,178,902</b>	<b>6,412,203</b>	<b>6,567,040</b>

From FY25-29, total City revenue is expected to grow by 5.8%, reaching \$6.6B in FY29. Tax revenue is estimated to increase from \$4.3B in FY25 to \$4.9B in FY29. Over the Plan period, Locally-Generated Non-Tax Revenue is projected to increase by \$12M, Revenue from Other Governments (including PICA) is projected to increase by \$120M, and Revenue from Other Funds is expected to decrease by \$419M as the American Rescue Plan funds are fully expended by mid-FY25.

### Projected Spending Growth

#### ESTIMATED OBLIGATIONS BY CLASS (USD, 000 OMITTED)

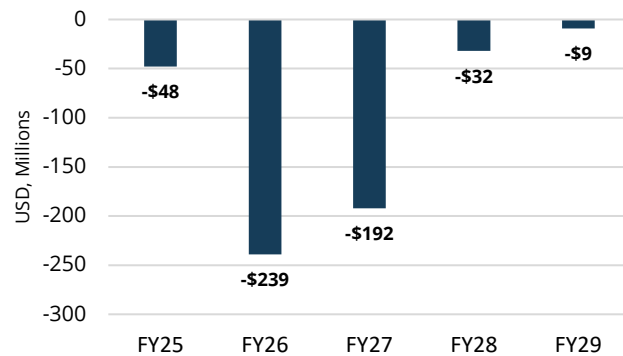
	FY25	FY26	FY27	FY28	FY29
100: Wages & Benefits	3,943,854	3,977,727	4,032,958	4,081,538	4,197,535
200: Purchase of Services	1,378,982	1,327,071	1,345,488	1,379,773	1,372,259
300/400: Materials, Supplies, & Equipment	142,188	138,090	137,948	138,055	138,055
500: Contributions, Indemnities, etc.	413,574	413,594	413,094	413,094	413,094
700: Debt Service	234,667	242,227	274,825	281,871	279,388
800: Payments to Other Funds	71,491	73,957	76,922	80,457	83,956
900: Advances & Miscellaneous	47,594	58,594	81,594	104,594	127,594
Budget Stabilization Reserve	58,291	56,344	43,441	-	-
<b>TOTAL</b>	<b>6,290,641</b>	<b>6,287,604</b>	<b>6,406,270</b>	<b>6,479,382</b>	<b>6,611,881</b>

From FY25-29, total City expenditures are expected to increase by 5.1%, growing from \$6.3B in FY25 to \$6.6B in FY29. Class 100, which is comprised of employee wages and benefits, is the largest category. It's projected to increase by 6.4% (\$254M) over this period, going from \$3.9B (62.7% of expenditures) in FY25 to \$4.2B (63.5% of expenditures) in FY29. To prepare for new labor contract agreements and arbitration awards, the City sets aside funds in the Labor Reserve. The proposed 5YP dedicates \$48M in FY25 and a total of \$420M from FY25-29.

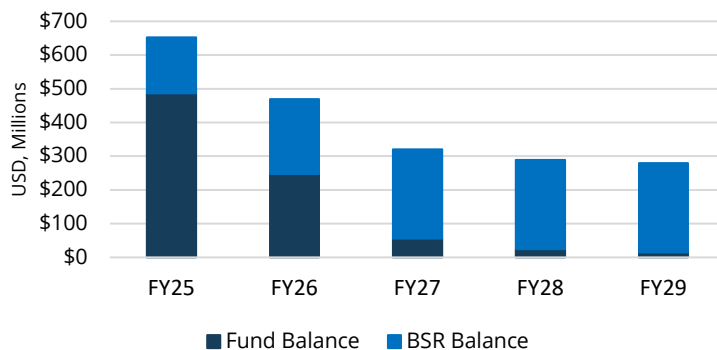
### Operating Surplus/Deficit

The proposed FY25-29 5YP projects operating deficits, in which City spending will outpace revenues, in all years of the Plan. The largest operating deficits of \$239M and \$192M are expected in FY26 and FY27, respectively. The projected expenditures in these deficits include the City's contributions to reserves. The impact of these operating deficits is expected to be mitigated by drawing down on the City's fund balance.

### Operating Deficits FY25-29



### Fund Balance and Cumulative Rainy Day Fund Balance FY25-29



### Reserves

In addition to the General Fund balance, the City has set aside additional money to be tapped in case of emergency. Together these reflect the resources the City expects to have to navigate the unexpected.

**Budget Stabilization Reserve.** The BSR is the City's rainy-day fund for unanticipated fiscal challenges that may arise, like lower-than-expected revenues. The City follows a legally-mandated formula to determine how

much is deposited each fiscal year. The proposed 5YP includes new deposits totaling \$158M in FY25-29, with an estimated BSR total of \$265M at the end of the 5YP period, assuming no withdrawals are needed.

Together with the fund balance, the City's reserves will amount to \$652M in FY25, or 10.5% of revenues. Over the Plan period, this total is expected to drop to \$280M in FY29, or 4.3% of revenues. This is lower than the combination of the ending fund balance and reserves of the last approved Plan, which totaled \$373M (5.8% of revenues).

**Recession & Reopening Reserve.** An appropriation of \$54M to the Recession and Reopening Reserve in FY24 may augment the FY25-29 Plan reserves if it is unspent and not re-allocated to other expenses. The City is not proposing appropriating funds to the Recession and Reopening Reserve from FY25 to FY29.

## Capital Program

The FY25-FY30 Capital Program projects \$10.3B in City capital investments over the six-year program, including \$1.4B in new General Obligation (GO) borrowing over the life of the program for projects such as street paving, triage facilities, expanding the Parkway Central Library, a new forensics lab, and relocating the African American Museum of Philadelphia. FY25 new borrowing of \$295M is significantly larger than prior years.

CITY CAPITAL FUNDING SOURCES	Amount (FY25-FY30)
New GO Borrowing (CN)	\$1.4B
Other New Borrowing (XN)	\$5.7B
PAYGO (CR, XR)	\$1.2B
Carried-Forward (CT, XT)	\$1.8B
Other (CA, A, Z)	\$229M
<b>TOTAL</b>	<b>\$10.3B</b>

In addition to the \$10.3B the City is committing to the Capital Program over the next six years, the City is anticipating receiving \$5.9B from other sources for capital projects.