

PICA Fact Sheet

City of Philadelphia's Q4 Quarterly City Managers Report

For the Period Ending June 30, 2024

Significant Stats

- **Consistent with the recently approved FY25-29 Five-Year Plan, the FY24 fund balance estimate is \$628M, over \$99M higher than the FY24 Adopted Budget.** At 10.6% of revenues, this is an improvement from last quarter, when the projection was \$537M. This exceeds the City's goal of at least 6-8% of revenues but falls below the GFOA's recommendation of 17% of revenues or spending.
- **At \$6.3B, year-end spending is estimated to be \$140M over the Adopted Budget** due to over \$250M allocated in the Fall and Spring Transfer Ordinances. This is \$82M lower than last quarter's projection because the City did not need the \$54M allocated to the Recession Reserve and some departments' funding for initiatives that haven't occurred yet were rolled from FY24 into FY25.
- **At \$5.9B, the FY24 revenue estimate is \$67M lower than the Adopted Budget.** This is \$9M more than year-end expectations from last quarter, following higher-than-anticipated Realty Transfer Tax and Locally Generated Non-Tax revenues.
- **More than 1 in 6 jobs remain vacant.** Over the fourth quarter of FY24 the City's staffing increased by 39, falling short of last quarter's year-end projection by 2,215 employees. The situation is worse in certain departments, like public safety agencies.

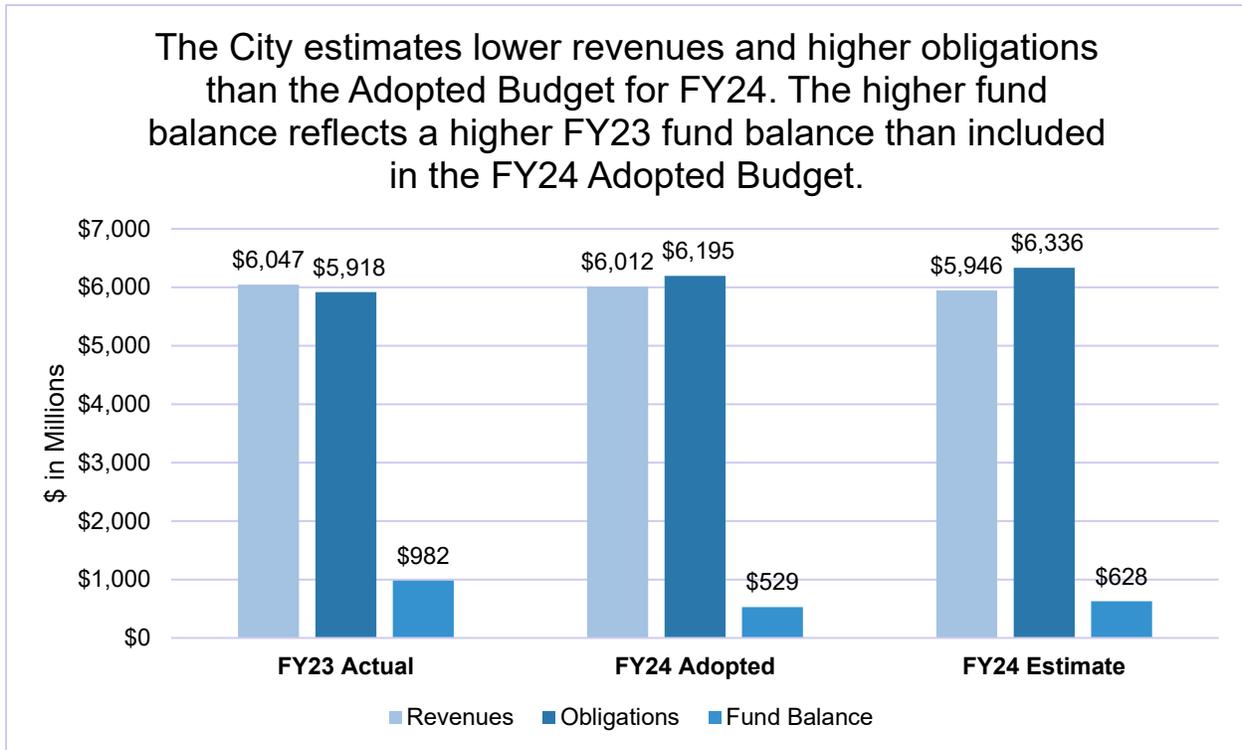
The Takeaway

The City's projected ending fund balance estimate is higher than previous quarters' projections after spending less and collecting higher revenues than expected.

As shown in the FY25-29 Plan, much of what wasn't spent in FY24 is being rolled into FY25 and the \$54M set aside in the Recession Reserve has dropped to the fund balance. While overall revenue projections were driven higher than last quarter by Wage and Earnings Tax estimates, year-end estimates for BIRT, Sales, Net Profits, and Beverage were lower than Q3 projections. Except for the Wage and Earnings Tax, every major tax is estimated at lower revenues than the Adopted Budget.

Though the City's finances appear more stable than last quarter, it will need to be cautious of slowing tax revenues while running operating deficits, especially as the fund balance is expected to fall to \$66M in FY29, according to the recently PICA-approved FY25-29 Plan. Updated figures for FY24 revenues, spending, and fund balance are expected in the fall when the City completes the closing of its books.

The Big Picture



The Q4 fund balance estimate is higher than last quarter’s because of lower expenditures and slightly higher revenues.

Revenue. The current revenue projection is \$66.5 million lower than the approved FY24-28 Five-Year Plan but \$9.2 million higher than the Q3 projection. The improvement since last quarter can be primarily attributed to lower tax revenues being somewhat offset by higher-than-expected locally generated non-tax revenues.

Obligations. FY24 General Fund obligations are estimated at \$6.3 billion, an increase of \$140 million above the FY24-28 Five-Year Plan but \$82 million less than the Q3 projection. The reduction from last quarter’s estimate is primarily because the City did not need to use funds set aside in the Recession Reserve and because some departmental FY24 allocations have been rolled into FY25.

Fund Balance. The FY24 General Fund Balance is estimated to be almost \$100 million higher than projected in the adopted FY24-28 Five-Year Plan, at \$628 million (10.6 percent of revenues). This is also \$91.2 million higher than the Q3 projection and exceeds the City’s target of at least 6-8 percent of revenues. It falls below the GFOA recommended level of about 17 percent of revenues or obligations, or approximately \$1.06 billion. The City’s \$42.3 million contribution to the Budget Stabilization Reserve remained unchanged from the FY24 Adopted Budget.

PICA Fact Sheet: FY24 QCMR Q4

Revenues

| FY24 General Fund Revenues | | | |
|-----------------------------------|---------------------|----------------------|------------------------|
| <i>(USD, Millions)</i> | | | |
| Category | FY24 Adopted | FY24 Estimate | Change from 5YP |
| Taxes | 4,141.2 | 4,008.7 | (132.5) |
| Locally Generated Non-Tax | 386.7 | 408.6 | 21.9 |
| Revenue from Other Govs | 1,025.3 | 1,073.5 | 48.1 |
| Revenue from Other Funds | 458.8 | 454.8 | (4.0) |
| Total | 6,012.1 | 5,945.6 | (66.5) |

- **Taxes** are projected to decrease by \$24 million compared to Q3 projections and almost \$133 million compared to the FY24-28 Five-Year Plan. The change from last quarter is due to lower-than-expected BIRT, Sales Tax, and Other Tax revenue, partially offset by stronger-than-expected Realty Transfer Tax results (although still way below initial projections).
- **Locally Generated Non-Tax revenue** is projected to be \$32 million higher than the Q3 projection and \$22 million above the FY24-28 Five-Year Plan, attributable to higher EMS reimbursements due to a State Medicare allocation increase and high interest earnings.
- **Revenue from Other Governments** is estimated to be \$3 million higher than the Q3 projection and \$48 million above the FY24-28 Five-Year Plan mainly attributable to high PICA Tax revenues and state Pension Fund aid.
- **Revenue from Other Funds** is estimated to be \$2 million lower than the Q3 projection and \$4 million below the FY24-28 Five-Year Plan due to a decreased amount anticipated from flex payroll deductions and lower-than-expected reimbursements from the Water Fund.

| FY24 General Fund Tax Revenues by Type | | | |
|---|---------------------|----------------------|------------------------|
| <i>(USD, Millions)</i> | | | |
| Category | FY24 Adopted | FY24 Estimate | Change from 5YP |
| Wage, Earnings, Net Profits | 1,814.2 | 1,888.1 | 73.9 |
| Real Estate | 845.9 | 825.7 | (20.2) |
| Business Income & Receipts | 669.7 | 606.7 | (63.0) |
| Sales | 307.1 | 300.5 | (6.6) |
| Realty Transfer | 388.9 | 271.8 | (117.1) |
| Amusement | 33.4 | 38.3 | 4.9 |
| Beverage | 73.5 | 70.3 | (3.2) |
| Other | 8.5 | 7.3 | (1.2) |
| Total | 4,141.2 | 4,008.7 | (132.5) |

- End-of-year estimates for **Wage and Earnings and Real Estate Taxes** have not changed since last quarter. Current projections are higher than the Adopted Budget for Wage and Earnings (\$77 million) but lower for Real Estate (\$20 million).
- The City estimates lower revenues for **BIRT (\$16.4 million), Sales (\$12 million), Net Profits (\$4 million), and Philadelphia Beverage (\$3 million) Taxes** compared to last quarter. These are also lower than the FY24-28 Five-Year Plan.
- The **Realty Transfer Tax** estimate increased by \$10 million since Q3 but remains \$117 million lower than the Adopted FY24-28 Plan.

Obligations

| FY24 General Fund Obligations by Class | | | |
|---|----------------|----------------|-----------------|
| (USD, Millions) | | | |
| Obligation Class | FY24 Adopted | FY24 Estimate | Change from 5YP |
| 100: Wages & Benefits | 3,829.0 | 3,802.6 | (26.4) |
| 200: Purchase of Services | 1,380.1 | 1,400.5 | 20.4 |
| 300/400: Materials, Supplies, & Equipment | 145.1 | 204.7 | 59.6 |
| 500: Contributions & Indemnities | 425.2 | 475.7 | 50.5 |
| 700: Debt Service | 201.6 | 201.6 | - |
| 800: Payments to Other Funds | 147.0 | 239.2 | 92.2 |
| 900: Advances & Miscellaneous | 67.4 | 11.2 | (56.2) |
| Total | 6,195.4 | 6,335.5 | 140.1 |

- **Wages and Benefits (Class 100)** estimates are consistent with last quarter and \$26.4 million lower than the Five-Year Plan due to the allocation of more pension expenses to the Grants Revenue Fund.
- **Purchase of Services (Class 200)** is estimated at \$18.4 million lower compared to Q3 as funding in the Managing Director's Office (MDO) for unanticipated expenses and the Office of Innovation and Technology for public safety initiatives has been rolled into FY25. The current year-end FY24 estimate is \$20.4 million higher than the Adopted Budget.
- **Materials, Supplies, and Equipment (Class 300/400)** are estimated to be \$6.5 million lower compared to the Q3 projection due to spending rollovers in MDO for unanticipated expenses and Parks and Recreation for youth sports and tree pruning. The Q4 estimate is almost \$60 million higher than the FY24 Adopted Budget.
- **Contributions and Indemnities (Class 500)** are estimated at \$3 million lower than last quarter due to a rollover in the Office of the Director of Finance for contributions to FY25. This estimate is \$50.5 million higher than the FY24-28 Five-Year Plan.
- **Advances and miscellaneous expenses (Class 900)** are estimated at \$54 million lower compared to the Q3 projection because advances set aside in the Recession Reserve were not expended. The current estimate is \$56 million less than the Adopted Budget.

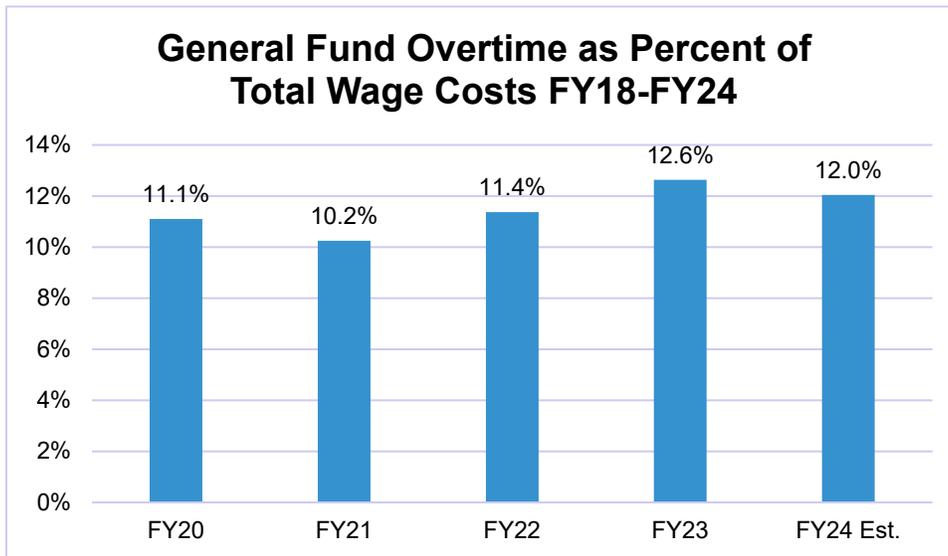
| Departments with the Largest \$ Change FY24 Adopted to Current Projection | | | |
|---|----------------|--------------------|-----------------|
| (USD, Millions) | | | |
| Department | FY24-28 5YP | Current Projection | Change from 5YP |
| Finance | 52.6 | 123.2 | 70.6 |
| Finance – Recession and Inflation Reserve and Reopening | 54.0 | 0 | (54.0) |
| Finance – Employee Benefits | 1,661.0 | 1,625.5 | (35.5) |
| Streets | 108.0 | 142.5 | 34.6 |
| Finance – Indemnities | 49.2 | 74.2 | 25.0 |
| Fleet Services – Vehicle Purchases | 15.4 | 40.4 | 25.0 |
| Police | 855.8 | 878.3 | 22.5 |
| Total | 2,796.0 | 2,884.2 | 88.2 |

- Significant increases from the Adopted FY24 budget reflect funding **priorities of the new Parker Administration**, centered on clean and green efforts.
- **Finance** spending is projected to be \$3 million lower than the Q3 projection due to a rollover from FY24 to FY25 for Class 500 contributions. Finance's increase from the FY24-28 5YP is largely related to increased contributions to the capital budget for paving.
- The \$54 million **Recession Reserve** was not spent in FY24.
- Consistent with last quarter, **employee benefits** are projected to be \$36M lower than the Adopted Budget due to the allocation of more pension costs to the Grants Revenue Fund.

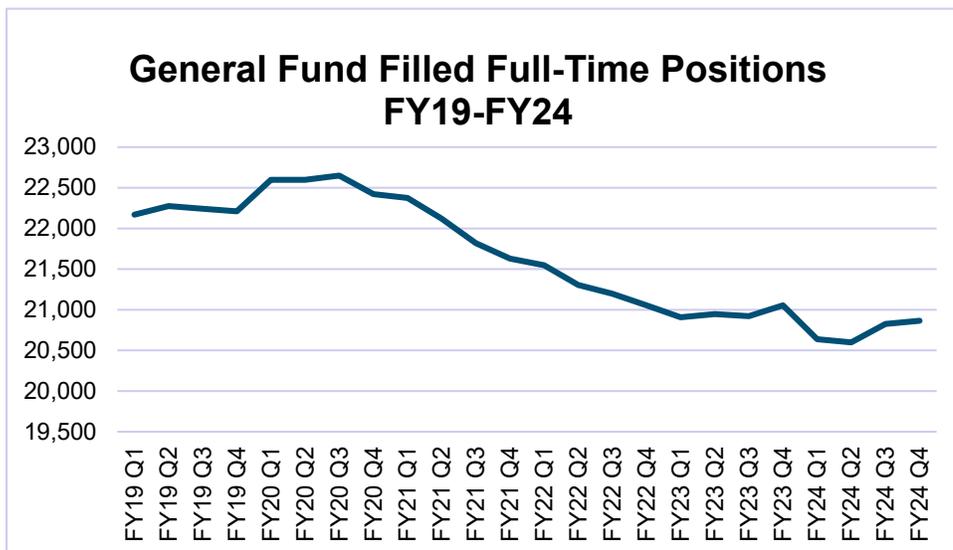
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- **Streets** spending is projected to be \$2 million lower than the Q3 projection due to a rollover from FY24 to FY25 for compactor rentals.
- Projected costs for **indemnities** are consistent with past quarters following additional allocations via midyear transfer.
- Consistent with Q3, **vehicle purchase** costs are projected to be \$25 million higher than the Adopted Budget due to the purchase of radio patrol cars and undercover vehicles.
- **Police** spending is estimated at \$22.5 million higher than the Five-Year Plan following additional allocations for the new forensics lab in Q2.

Staffing, Overtime, and Leave Usage



Overtime Trends. FY24 preliminary full-year overtime costs were \$262 million, or 12% of total wages. This is \$8.2 million under the Adopted overtime budget.



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Leave Usage. Median leave usage in Q4 is estimated at 13.7 percent, 0.5 percentage points higher than Q4 of FY23, due to an increase in sick leave usage. The full-year median leave usage is estimated at 14.5 percent, 1.2 percentage points higher than FY23.

Staffing Trends. The total staffing estimate at the end of FY24 is 20,865 employees. The City’s adopted budget for FY24 approved a total of 25,185 full-time General Fund employees. Since Q3, the City has lowered its expectations for filled positions by more than 2,000 employees.

Critical Performance Measures

These performance measures are identified as critical based on their immediate impact on Philadelphians’ health and safety.

| Critical Measures Not on Track to Meet FY24 Target | | | | |
|--|---|---------|---------|----------------|
| Department | Measure | FY23 Q4 | FY24 Q4 | FY24 Target |
| Fire | Percent of EMS calls responded to within 9 minutes | 35.3% | 35.0% | Over 90% |
| Licenses & Inspections | Number of “imminently dangerous” properties | 132 | 160 | Less than FY23 |
| Public Health | Number of months between food establishment inspections | 12 | 12 | Less than 12 |
| Public Health | Children 19-35 months with complete immunizations | 66.5% | 67.0% | 70.0% |

| Critical Measures on Track to Meet FY24 Target | | | | |
|--|--|----------|---------|----------------|
| Department | Measure | FY23 Q4 | FY24 Q4 | FY24 Target |
| Police | Number of shooting victims | 500 | 300 | Less than FY23 |
| Police | Number of homicides | 105 | 61 | Less than FY23 |
| Fire | Number of civilian fire-related deaths | 4 | 3 | Less than FY23 |
| Licenses & Inspections | Median timeframe from “imminently dangerous” designation to demolition | 136 days | 72 days | 130 days |
| Streets | On-time trash collection | 97.0% | 99.0% | 95.0% |
| Water | Percent of time Philadelphia’s drinking water met or surpassed state and federal standards | 100% | 100% | 100% |