

From: Council President’s Office – Finance and Budget Team

Date: 9/6/2016

RE: Comparable City Study: Philadelphia compared to Median and Average Data Points of Other Cities

Comparable Cities Studies

There are a total of 18 comparable cities, including Philadelphia, that were used for the purpose of this financial analysis. Eight of the top ten most populous cities are represented, along with other cities that have similar demographics and/or government structures as Philadelphia. There are also a few cities included that may not appear to be as similar to Philadelphia demographically or government structure-wise, but are included to provide for a more in-depth look at potential best-practices that may not be readily apparent.

The analysis directly below shows how Philadelphia compares to the 18 cities, using a few different demographic and financial data points. Specifically, the median and average of each data point (along with the minimum and maximum data point) was used to see where Philadelphia stands compared to its peers. Also included is a “Credit Matrix” (attached in separate document), which encompasses the majority of data points used for this analysis; other charts and graphs describing the City’s comparable financial position are also shown below.¹

Median and Average Comparison

The City is below the average and median values of comparable cities the following categories:

- General Fund Balance as a % of Expenditures
- Pension Funding Ratio
- Poverty Rate (above average and median in this category)
- Median Household Income

The City, however, remains around the average or median values of comparable cities in the following categories:

- General Fund Expenditures per Citizen
- Pension Assumed Rate of Return

Table 1:

Data Point	Philadelphia	Comparable City Average	Comparable City Median	Comparable City Minimum	Comparable City Maximum
Moody’s Credit Rating (Scale; 1 = Highest)	A2 (6)	Aa3 (4)	Aa2 (3)	B2 (15)	AAA (1)
FY15 General Fund Balance (% of Expenditures)	4%	18%	18%	1%	32%
General Fund Expenditures per Citizen	\$2,444	\$2,575	\$1,240	\$649	\$11,116
Pension Funding Ratio	45%	71%	72%	39%	101%
Pension Assumed Rate of Return	7.75%	7.70%	7.75%	6.50%	8.50%
Median Household Income (City, Census Quickfacts)	\$37,460	\$46,786	\$46,084	\$26,095	\$78,378
Poverty Rate (Census 2014)	26%	24%	23%	12%	39%
Years Since Peak Population	60	29	20	0	80

¹ Unrestricted fund balance levels were reported on a budgetary basis, where available, and on a GAAP basis - Generally Accepted Accounting Basis- where not. Certain cities restricted fund balance amounts may include mandated reserves.

The City's current Pension Assumed Rate of Return is 7.75%, which is not an anomaly when compared to its peer cities. In fact, there are a number of cities with higher pension funding ratios, but there are a number of these cities with higher assumed rates of return, including Cleveland, Houston, Tampa, Milwaukee, and Phoenix. Pension costs management, in general, has become an elevated level of concern for many municipalities across the country; Dallas experienced a significant downgrade in their credit rating last year due to their growing unfunded pension liabilities. Chicago, also, continues to maintain a high assumed rate of return and low pension funded ratio (of just below 40%).

The City's poverty rate continues to remain a concern, as it is the highest amongst the top ten most populous cities in the country. Of the cities in the bottom third of credit ratings (Miami, Milwaukee, Cleveland, Houston, Philadelphia, Chicago and Detroit), Philadelphia is only behind Houston and Chicago; the other five cities actually have worse poverty rates relative to Philadelphia.

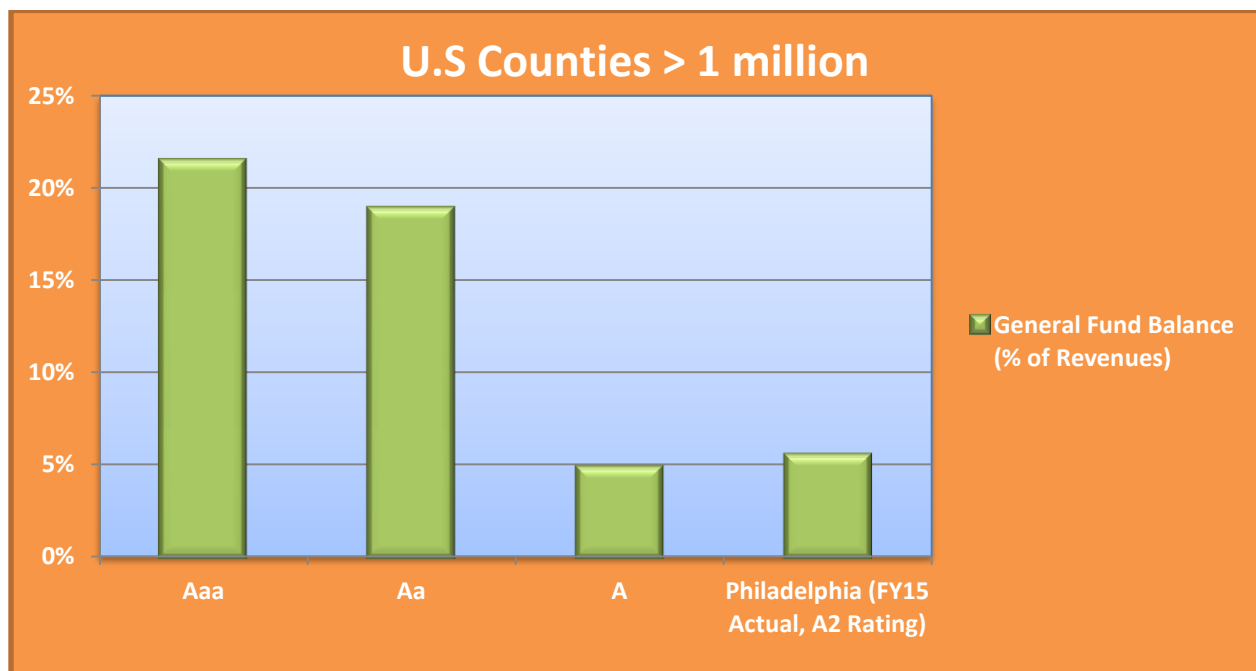
Median Study: US Counties with Population greater than 1 Million Persons

Below is a table showing how the City compares to the median of US counties with populations greater than one million. The data on the US counties was pulled from a Moody's report. Philadelphia seems to be on par with other major cities with a single "A" rating; however, there appears to be a significant gap between General Fund Balance as a percentage of Revenues, Available General Fund Balance as a percentage of Revenues, and General Fund Revenues per Citizen. In particular, Philadelphia holds a fund balance that is only at about 25% of where it should be, compared to peer cities with higher credit ratings. This is graphed in the chart below.

Table 2: Moody's Chart

MOODY'S: US Counties (>1 mill.)	Philadelphia (FY15 Actual, A2 Rating)	Aaa	Aa	A
Total General Funds Revenues (\$000s)	\$2,777,020,000	\$648,233,000	\$2,258,581,000	\$2,096,616,000
General Fund Balance (% of Revenues)	5.5%	21%	19%	5%
Available General Fund Balance as % of Revenues	5.5%	21%	17%	1%
Population 2010 Census	1,526,006	1,517,454	1,993,240	1,418,788
GF Revenues per citizen	\$1,820	\$427	\$1,133	\$1,478

Chart 1:



Average FY14/FY15 Fund Balance Levels and Credit Ratings

Below is a chart that shows each city, ranked by credit rating from left to right, graphed against its average fund balance level for fiscal years 2014 and 2015. The chart seems to depict a trend, which shows that as credit scores increase, so do unrestricted fund balance levels.

Chart 2: City's Average FY14-FY15 Fund Balance, Ranked by Credit Rating

