



City Council of Philadelphia

---

**Finance and Budget Team:**  
**City and School District of Philadelphia**  
**Fiscal Year 2022 Q2 Update**

---



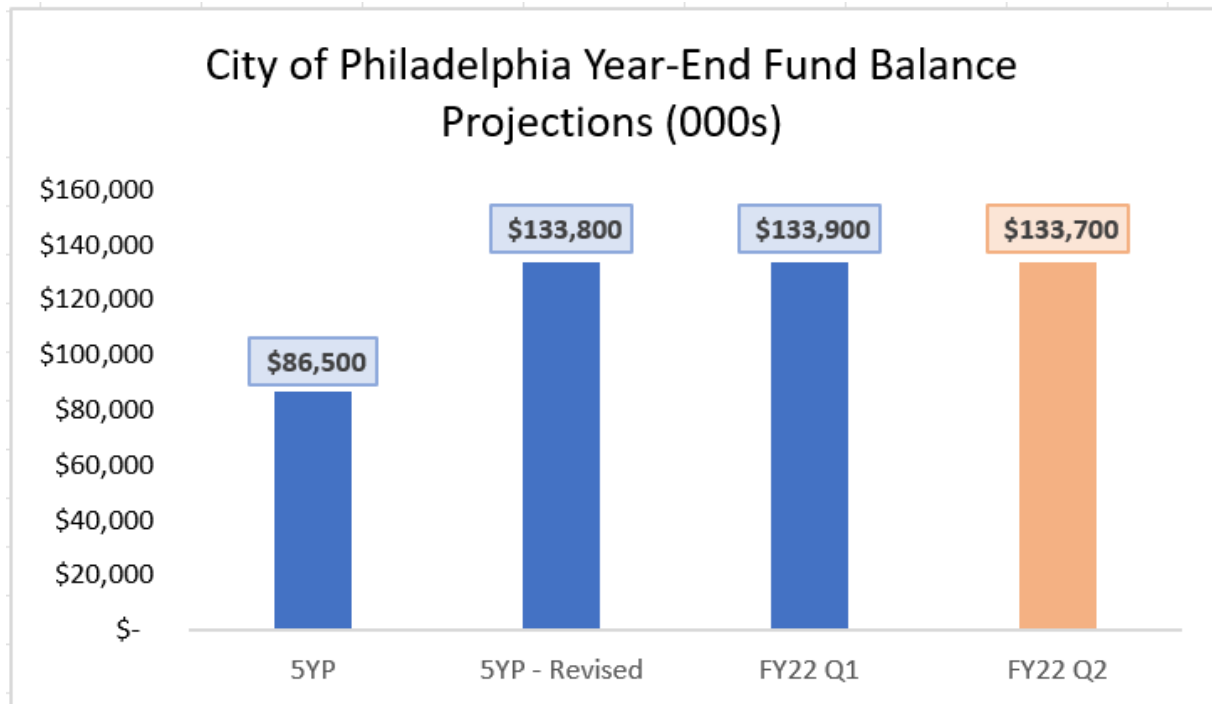
**Finance and Budget Team:**

**City and School District of Philadelphia Fiscal Year 2022 Mid-Year Update**

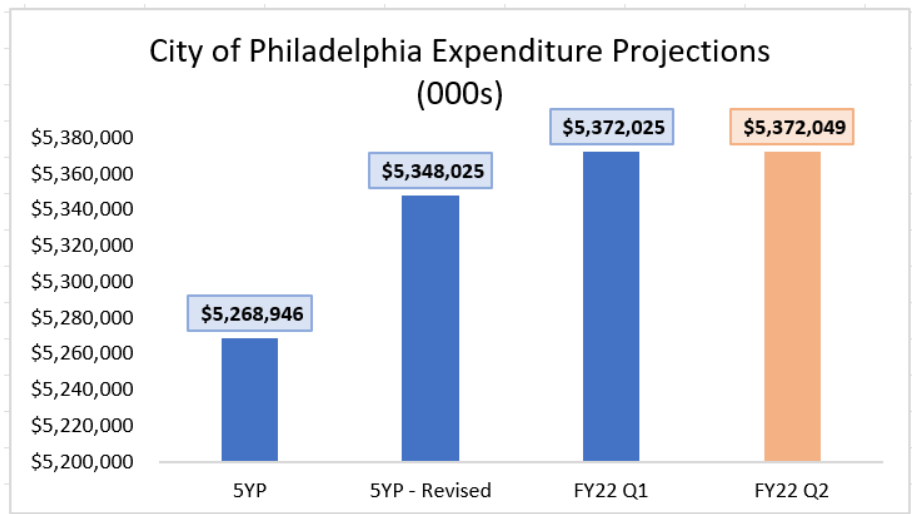
**City of Philadelphia: Q2 QCMR**

This section details the City's financial standing at the ending of the second quarter, while providing an update to year-end revenue and expenditure projections.

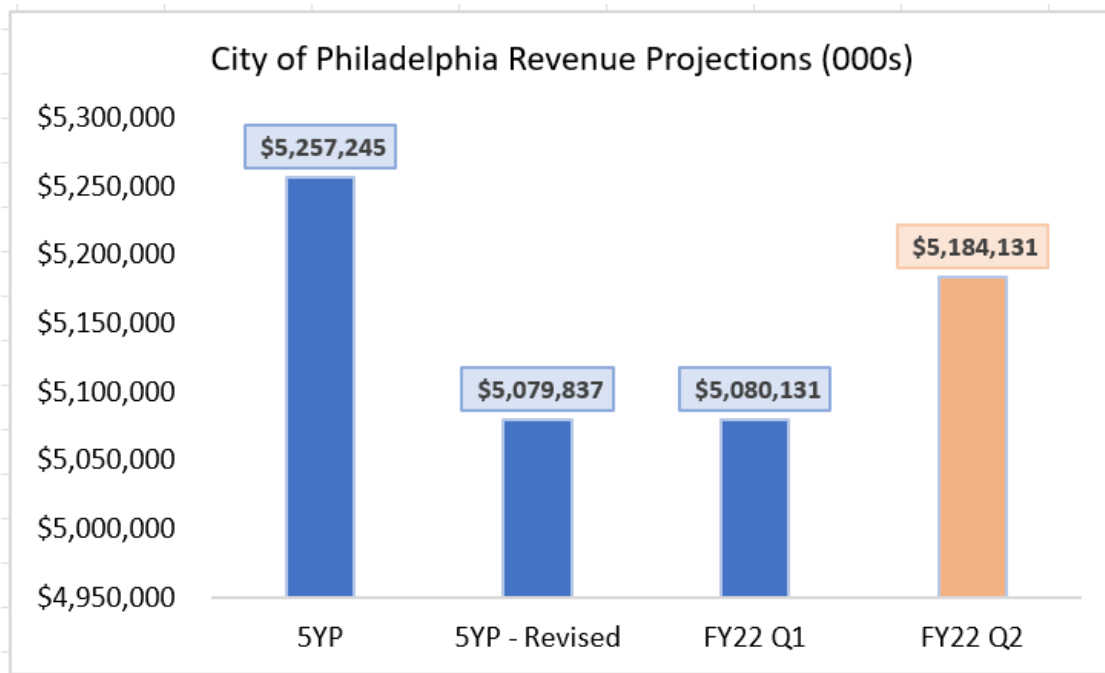
- **FY22 Year-End Fund Balance** projection has remained nearly unchanged (\$100,000 decrease) in Q2 compared to the Revised 5YP projection.
  - Please note that \$133.7 million represents one week of General Fund expenditures
    - The City's internal goal is to have a fund balance equal to 6-8% of expenditures (currently 2.5%)



- **FY22 Full-Year Obligation projections** have increased by \$24 million in Q2 compared to the Revised 5YP, raising overall projected spending to \$5.37 billion. due to employee fringe benefits, increased prisons expenditures and increased contributions to the pension fund.
  - Employee Fringe Benefits are projected to increase by \$53 million due to new labor agreements.
  - \$12.6 million in increased expenditures for Prisons due to court-ordered COVID testing, vaccination, and screening
  - \$15.4 million in increased contribution to the pension fund necessitated by higher Sales Tax receipts

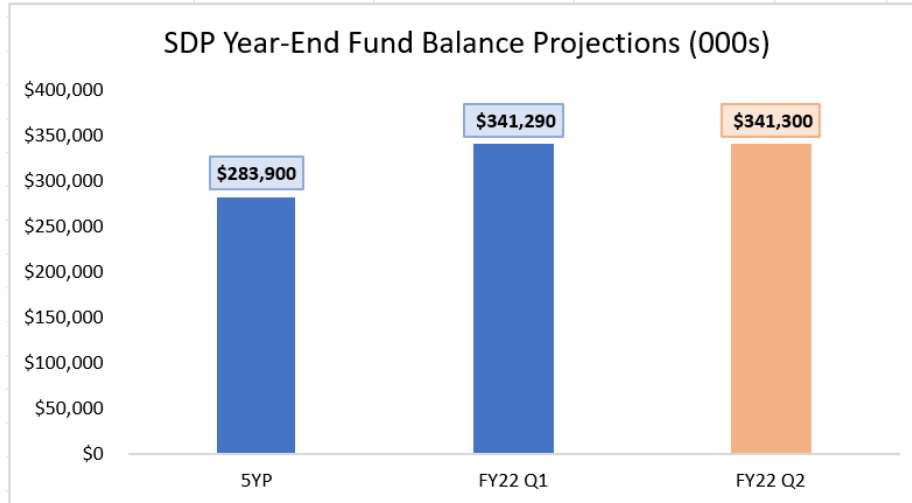


- **FY22 Full-Year Revenue projections** have increased by \$104.3 million in Q2 compared to the Revised 5YP due to higher-than-expected tax revenue collections.
  - Higher-than-expected tax revenue from Sales and Wage Tax. There is uncertainty around Wage Tax collections as the shift to remote/hybrid work can see employees seeking Wage Tax refunds toward the end of the year.

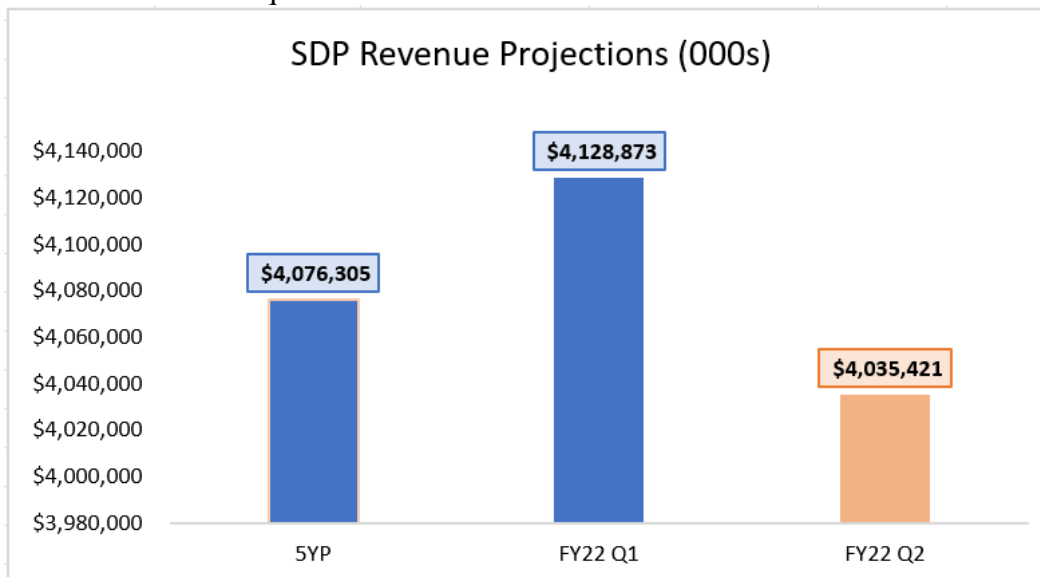


# School District of Philadelphia: Q2 School Manager Report

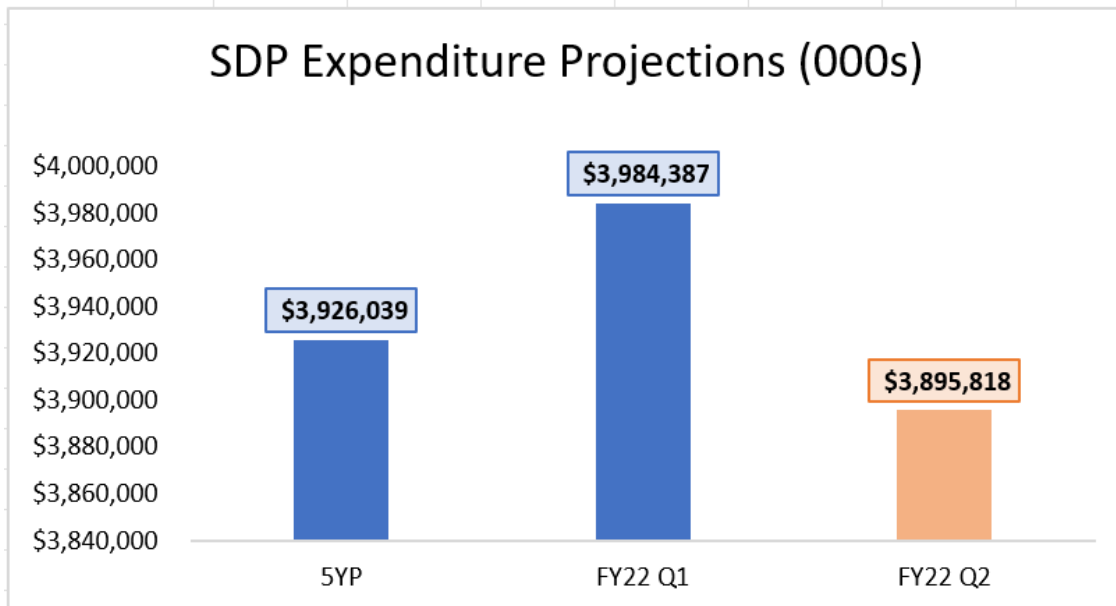
- **The Year-End Fund Balance projection** for Q2 has increased by \$57.4M compared to the 5YP projection and has been adjusted upwards by \$9.7 million from the Q1 projection.
  - This increase in the fund balance projection can be attributed to a decrease (\$88.6 million) in projected expenditures, a decrease (\$93.5 million) in projected revenues, and a \$14.5 million increase in the FY21 year end fund balance.



- **Revenue Projections** have decreased by \$40.8M in Q2 compared to the 5YP projection. They have also decreased \$93.6 million in Q2 compared to Q1,
  - Local Taxes: \$1.8 million increase
    - \$1.7 million increase in projected *Business Use and occupancy tax* revenues
    - \$.1 million increase in projected *Rideshare* revenues
  - State Revenues: \$32.4 million increase
    - \$22.8 million increase in estimated *Retirement & Social Security reimbursements*
    - \$8.4 million increase in the State's *Transportation Subsidy*
    - \$1.2 million increase in the State's in all other revenues
  - Federal Relief Act: \$126.8 million decrease
    - This decrease is primarily due to the shift in the timing of expenditures and subsequent reimbursements.



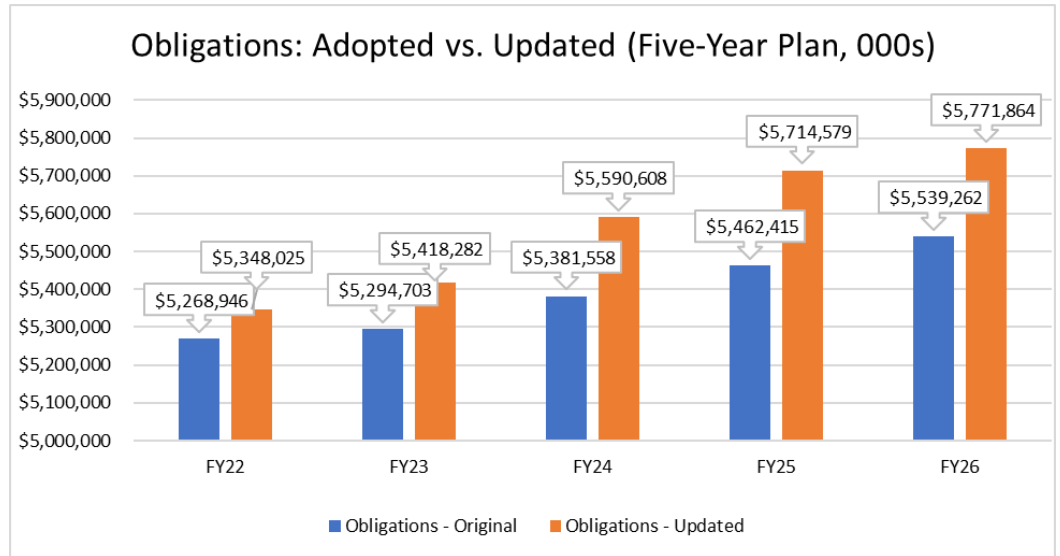
- **Expenditure projections** have decreased by \$30.2 million compared to the 5YP and decreased \$88.6 million when compared to the Q1 projections.
  - This decrease is primarily due to the shifts in the spending of federal relief funding and savings related to staffing challenges from the pandemic which led to an \$89.9 million net reduction in District Operated School expenditures.



## FY22-26 Five-Year Plan Update

In October 2021, the City of Philadelphia revised its Five-Year Financial and Strategic Plan for Fiscal Years 2022 to 2026 due to greater than expected labor costs and unforeseen health related costs. The revised plan includes the collective bargaining agreements with District Councils 33 and 47, and an arbitration award for the Fraternal Order of Police. *Figure 1* highlights the changes in obligation projections from FY22 to FY26. **Over the course of the Five-Year Plan, obligation projections have increased \$896.5 million – \$79 million annually in FY22, to \$232.6 million annually in FY26.** The two primary reasons for these projected increases are labor costs, as mentioned above, increased cybersecurity costs, and medical costs for the Philadelphia Department of Prisons and city-run Philadelphia Nursing Home.

The revised plan Five-Year Plan includes a Recession and Reopening (Pandemic) Reserve of \$177.5 million over the Plan period, \$287.6 million in reserves for future labor costs for the five remaining bargaining units whose contracts expire at the end of FY2022, and a projected \$40.6 million contribution to the Budget Stabilization Reserve (“BSR” or “Rainy-Day Fund”) in FY2025.



*Figure 1*

The revised plan adjusts

FY21 tax revenues to reflect preliminary actual collections and includes changes in tax revenue projections throughout the plan. **Over the course of the revised plan, local tax revenue projections have increased a total of \$408 million compared to the adopted plan. Excluding FY21, local tax revenue projections have increased \$268.2 million.** The revised plan has adjusted *Wage and Earnings* and *Beverage Tax* revenues down by \$197.7 million and \$10.2 million from FY22-26, respectively. This projected reduction in revenues is offset by adjustments in other revenue sources: *Business taxes* (\$273.2 million increase), *Sales* (\$112.7 million increase), and all other local taxes (\$90.2 million increase).

In order to rebalance the plan, the higher than projected FY21 revenue collections were factored into the revised plan. This led to a larger than expected FY21 fund balance. **The revised Five-Year Plan includes an updated fund balance for FY21 of \$298.5 million -- \$220 million above the projection available during the FY22 budget process.** Other efforts to rebalance include reducing costs, vacancies, and hiring delays on top of reductions to departmental spending.

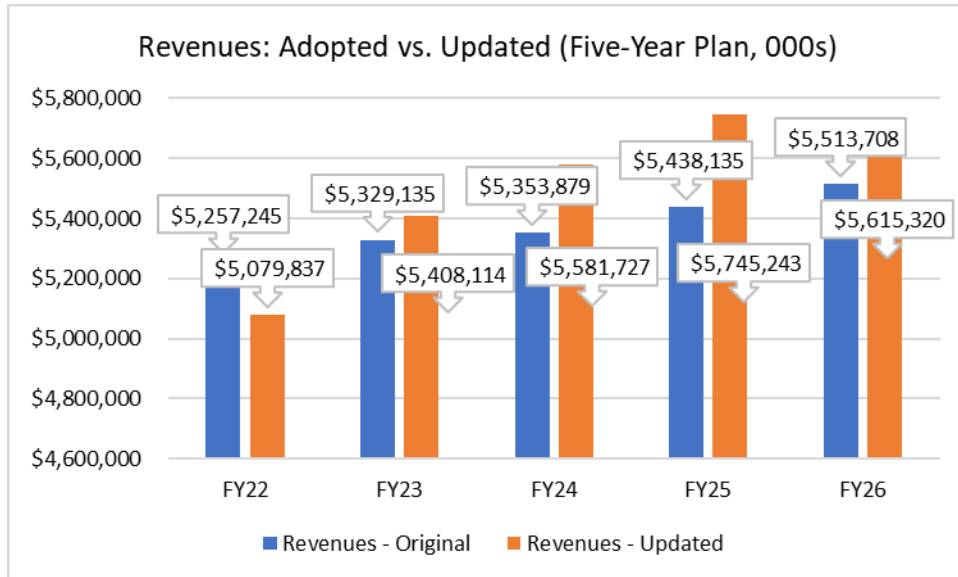


Figure 2

The revised 5YP shows a change in year end fund balances throughout the plan. In FY22, the projected year end fund balance increased from \$86.5M to \$133.8M due to a higher-than-expected fund balance from FY21. Although the year-end fund balance projections are higher for FY22 and FY23 in the revised plan, the updated Five-Year Plan includes a fund balance projection of only \$66.9 million by FY26.

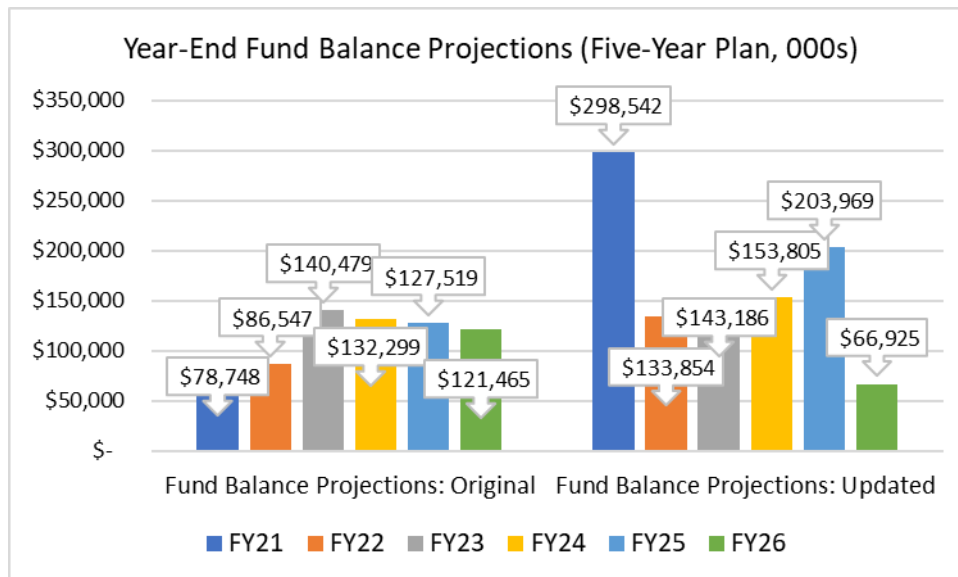


Figure 3

The revised 5YP adjusts the spending of federal ARPA revenue compared to the original 5YP by planning to spend the \$1.4 billion more evenly throughout the five year period. *Figure 4* shows that spending in FY22 has decreased from \$575 million in the original plan to \$250 million in the revised plan. This allows more federal dollars to be allocated in the outer years of the plan.

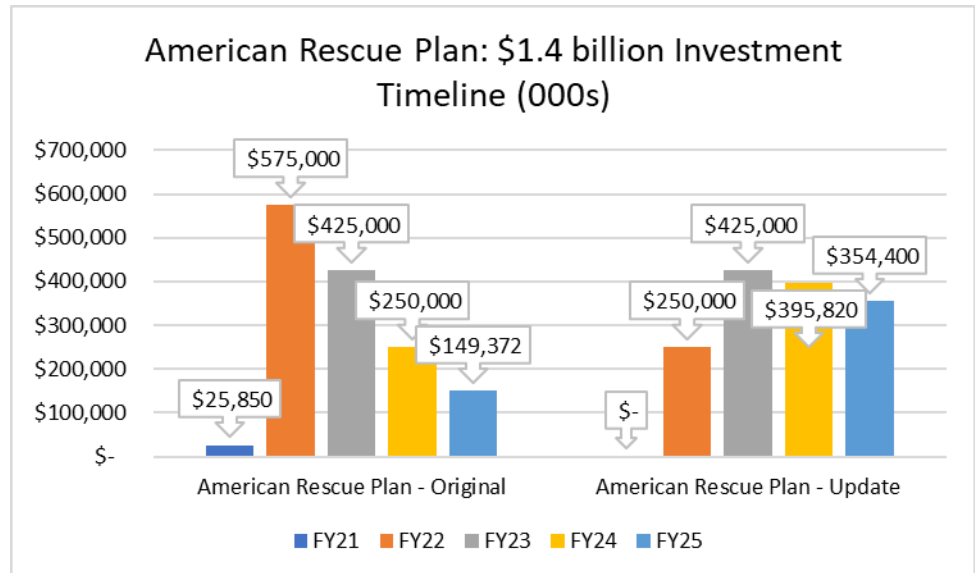


Figure 4



