



Budget Office

CITY OF PHILADELPHIA

April 6, 2023

The Honorable Darrell Clarke
City Council President
City Hall, Room 490
Philadelphia, PA 19107

Dear Council President Clarke,

This letter is in response to questions raised by Councilmembers during the Five-Year Plan and Finance hearings on March 28 and 29, respectively. The following questions were asked:

Council President Clarke: *How are we marketing the City around being open for business?*

The Commerce Department is prepared to address this issue in its upcoming budget hearing.

Councilmember Gauthier: *How much Wage relief would individuals of various income levels receive with the proposed cut?*

Over the past nearly 30 years, Mayors and City Councils have worked together to make incremental reductions to the City’s Wage Tax rate, bringing the residential rate down from 4.96% at its peak in FY95 to the proposed rate of 3.76% in FY24. The proposed FY24 rate would continue that progress, bringing the rate to its lowest level since the 1970s.

The following table illustrates the cumulative impact of these rate changes over time for different income levels:

Income Level	Wage Tax Owed at Maximum Residential Wage Rate (4.96%) in FY95	Wage Tax Owed in FY23 (3.79%)	Proposed: Wage Tax Owed in FY24 (3.76%)	Amount Saved under Proposed Rate in FY24 vs. FY23	Amount Saved under Proposed Rate in FY24 vs. Max. Rate in FY95
\$35,000	\$1,736	\$1,327	\$1,316	\$11	\$420
\$50,000	\$2,480	\$1,895	\$1,880	\$15	\$600
\$100,000	\$4,960	\$3,790	\$3,760	\$30	\$1,200

Councilmember Harrity: *How long does it take the City to pay vendors?*

On average, it takes the City about two weeks to pay a vendor once we have received an invoice. Our analysis shows that the longest part of process is the time from the date on the invoice to the date that the invoice actually reaches the City, which typically takes about 5 weeks.

Councilmember Gilmore Richardson: *Provide a table outlining fund balance and BSR contribution by year throughout the Plan, including what things would look like without BSR contribution requirements.*

The BSR contributions in the proposed FY24-FY28 Plan are determined by what fund balances would be before those BSR contributions are made. The fund balances shown in the proposed Plan show what those balances are projected to be after those BSR contributions are made. As the table below shows, before the BSR deposits are factored in, fund balances would be \$566 million in FY24, \$721 million in FY25 and \$508 million in FY26.

Five Year Plan Fund Balance Comparison -- With and Without BSRF Contributions After FY23					
	FY24	FY25	FY26	FY27	FY28
<i>Proposed Five Year Plan</i>	523,574	507,491	253,592	141,586	127,175
<i>Fund Balances Without BSRF Contributions After FY23</i>	565,891	720,523	508,461	396,455	382,044
Difference	42,317	213,032	254,869	254,869	254,869

Councilmember Johnson: *Provide OEO information for each department.*

OEO information by department is provided in the testimony packets submitted to Council throughout the FY24 Budget Hearing process.

Councilmember Johnson: *What did the FY23 budget assume around the cost of LOOP, Senior Freeze, and Homestead (how much we budgeted, how much has been used by taxpayers, and how much is left in the budget)?*

For LOOP, \$30M in combined City/District tax value was budgeted. Based on the December billing, we expect that \$31.3M in LOOP will be used in FY23.

For Senior Freeze, \$17.3M of City/District combined tax value was budgeted. Based on the December billing, we expect that \$7.8M in Senior Freeze will be used in FY23.

For Homestead, following the increase of the Exemption to \$80,000, \$248.9M of City/District foregone real estate tax was budgeted. Based on the December billing, we expect that \$252.0M in Homestead will be used in FY23.

Councilmember Brooks: *How much revenue would be reduced if the gross receipts exemption increased from \$100,000 to \$200,000?*

Law has provided further briefing on this to the Councilmember's staff privately.

Sincerely,



Rob Dubow
 Director of Finance