

City Council Finance and Budget Team

FY22 Adopted Budget Overview

Introduction



The following report is an internal assessment of the Administration's adopted FY22-26 Five-Year Plan (5YP), including analyses and information on the following:

1. Caucus Changes Resulting from the FY22 Budget Negotiations
2. Revenue Projections
3. Expenditure Projections
4. Year End Fund Balances
5. Surplus/Deficit Projections Over the Next Five Years

This report does not offer any recommendations for funding, but instead attempts to inform Council on the latest budgetary trends, adopted budget, and potential impacts to certain constituents based on information received from the Administration in the City's adopted 5YP. The FY22-26 Five-Year Plan has been approved by PICA.

Section 1: Caucus Changes (attached)

Please see highlights below. A complete list is attached.

Anti-Violence Initiatives - \$155M

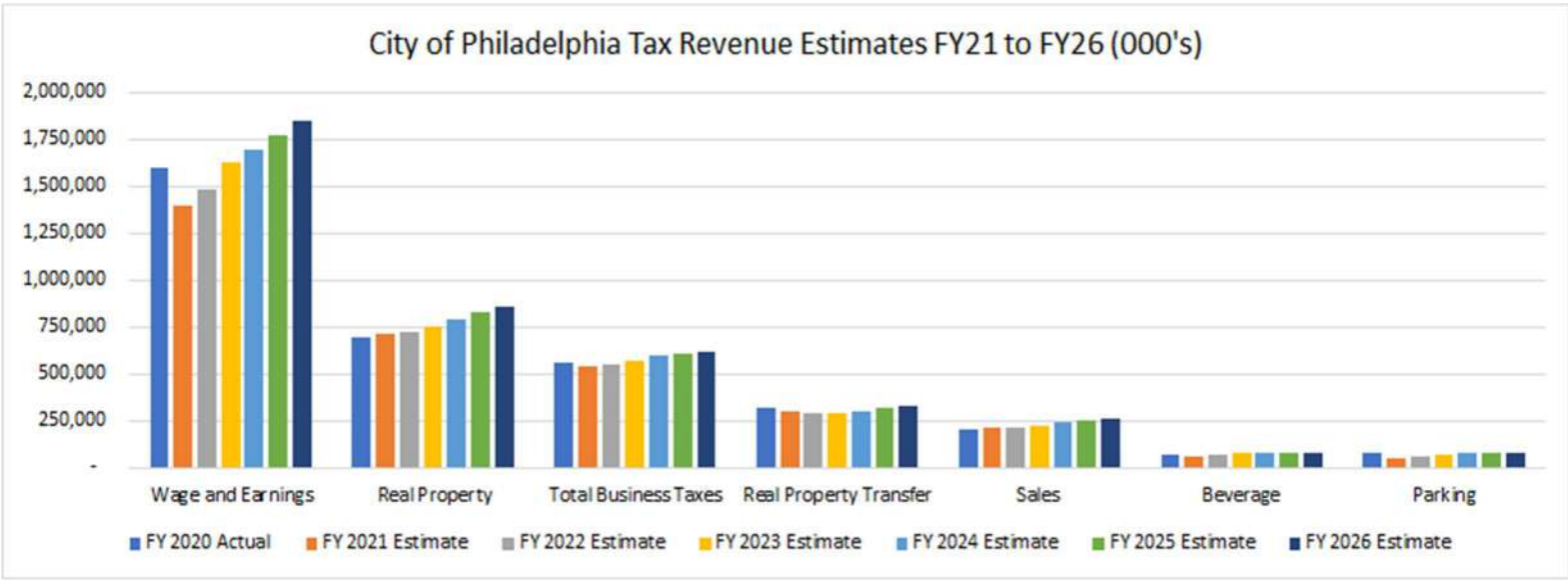
- Anti-Violence initiatives contain a mix of new and existing funding, totaling \$155M. The \$155M has been categorized into the following five strategies (the numbers below are rounded):
 - Community Empowerment: \$23M (\$16M new)
 - Employment & Careers: \$19M (\$9M new)
 - Healing: \$25M (\$18M new)
 - Prevention: \$70M (\$9M new)
 - Safe Havens for Youth & Families: \$20M (\$15M new)
- The categories above include \$20M in new community partnerships grant funding that will be directed by City Council

Other Additions

- Poverty Action Fund: \$10M
- Land Bank: \$6.5M
- Economic development initiatives to the Commerce Department: \$5.6M
- Arts Grants: \$5M
- Activities Fund: \$3.5M
- Hospitality Support: \$3M
- Philadelphia Eviction Prevention Program (PEPP): \$2.07M
- Taking Care of Business: \$1.7M
- Cultural Fund: \$500,000
- Philadelphia Energy Authority: \$420,000
- Office of Arts, Culture & Creative Economy Staffing: \$420,000

Section 2: Revenue Projections

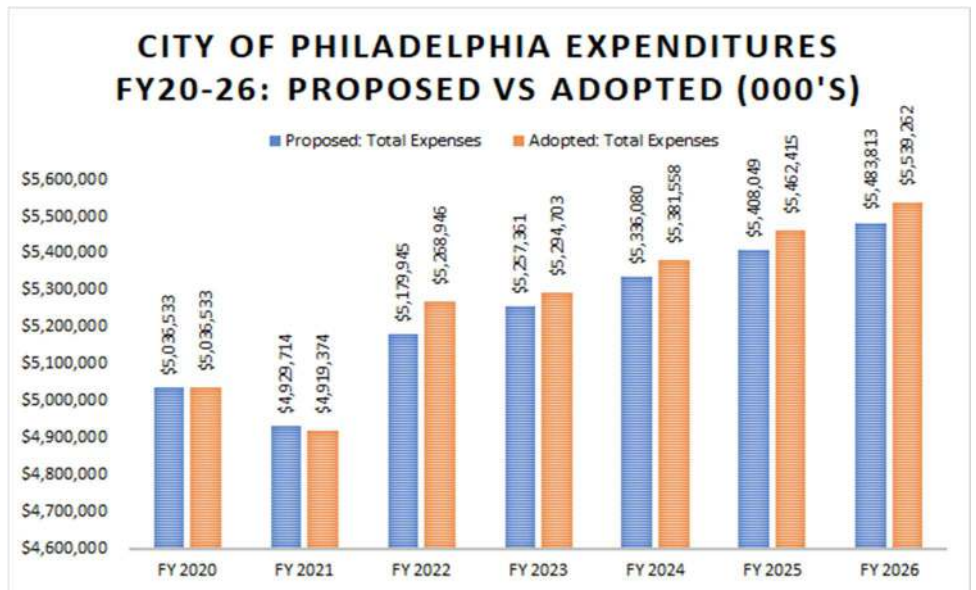
The Adopted FY22 budget does not include any tax increases. It does include a reduction of the resident wage tax (3.8712% to 3.8398%), as well as a smaller reduction of the non-resident wage tax (3.5019% to 3.4481%), bringing the non-resident rate back to FY20 levels. This results in a projected increase in revenue of \$6.48M compared to the Mayor’s proposed budget.



Section 3: Expenditures

The FY22 adopted budget projects \$5.27B of expenditures, compared to \$5.18B from the Mayor’s original proposal. This is \$90M higher than the original mayoral proposal due to amendments to the budget that contributed to an overall increase in expenditures. Expenditures are expected to steadily increase year over year to \$5.5B in FY26.

Listed below are selected items that account for the increase in expenditures from the Mayor’s proposed budget. Full list is attached.



- \$20M in new funding for anti-violence
- \$10M to the Poverty Action Fund
- \$6.5 for the Land Bank
- \$5M in Arts & Culture Grants
- \$3.5M Activities Fund
- \$3M in Hospitality Support
- \$2.07M Philadelphia Eviction Prevention Program
- \$1.7M for Taking Care of Business

In addition to the investments noted above, the Administration added the following items:

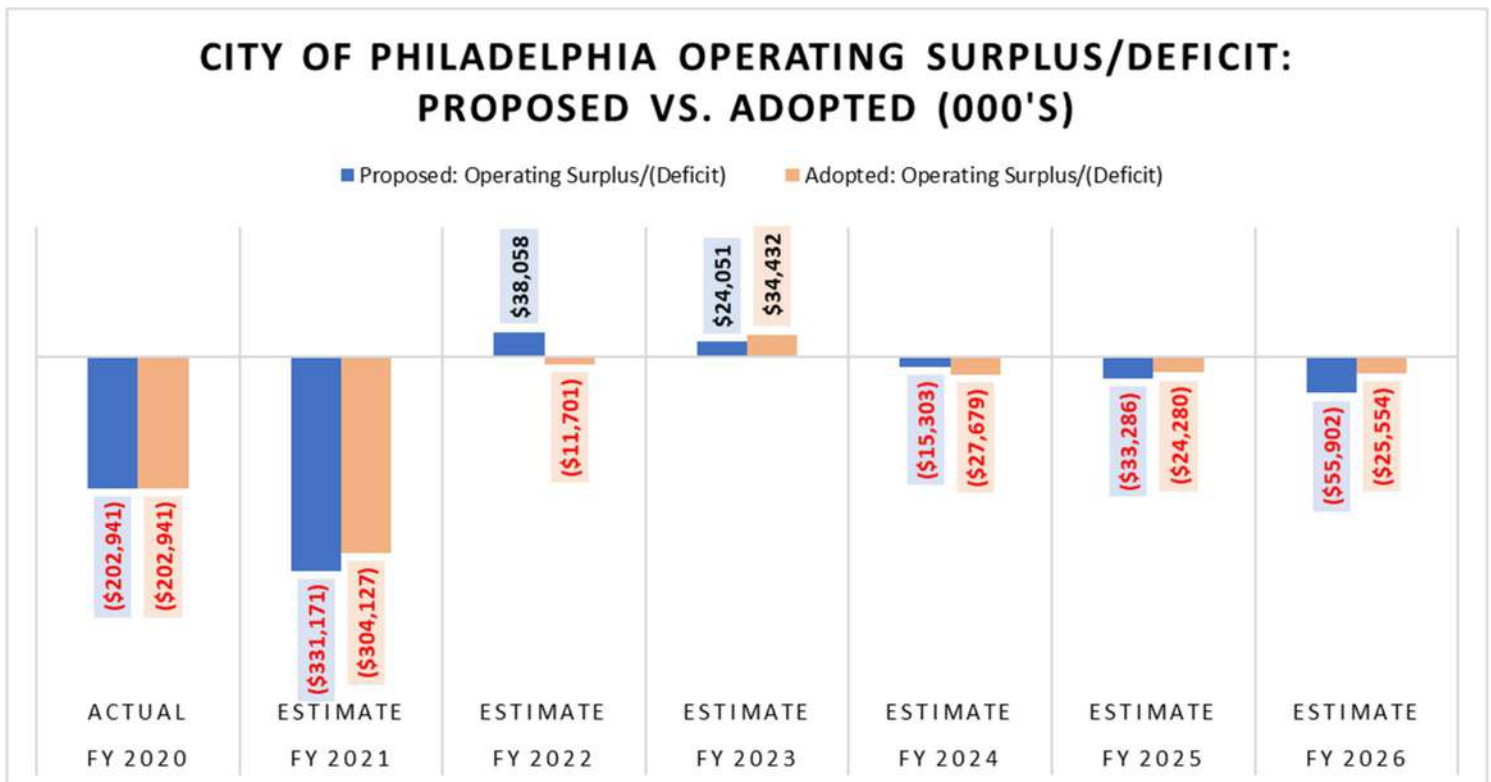
- Court-ordered Expenditures for Prisons (\$8.1M)
- Tasers (\$2.34M)
- Earned Income Tax Credit/Child Tax Credit Outreach & Free Tax Prep (\$1.5M)
- Increased benefits costs based on existing and proposed positions (\$1.5M)

Section 4: Operating Surplus/Deficit

FY22 (000s)	Proposed	Adopted	Change
Revenue	\$ 5,218,003	\$ 5,257,245	\$ 39,242
Expenditures	\$ 5,179,945	\$ 5,268,946	\$ 89,001
Surplus (Deficit), unadjusted	\$ 38,058	\$ (11,701)	\$ (49,759)

The Mayor’s proposed FY22 budget projected that the City would have a **\$38M surplus** at the end of the year. However,

the Adopted budget projects an **\$11.7M deficit**, driven by amendments to the budget that contributed to the change in projected expenditures. Please note: the Five-Year Plan includes an \$19.5M placeholder for prior-year expenditure adjustments, which turns the projected \$11.7M deficit into a \$7.7M surplus (i.e. the *adjusted* surplus/deficit).

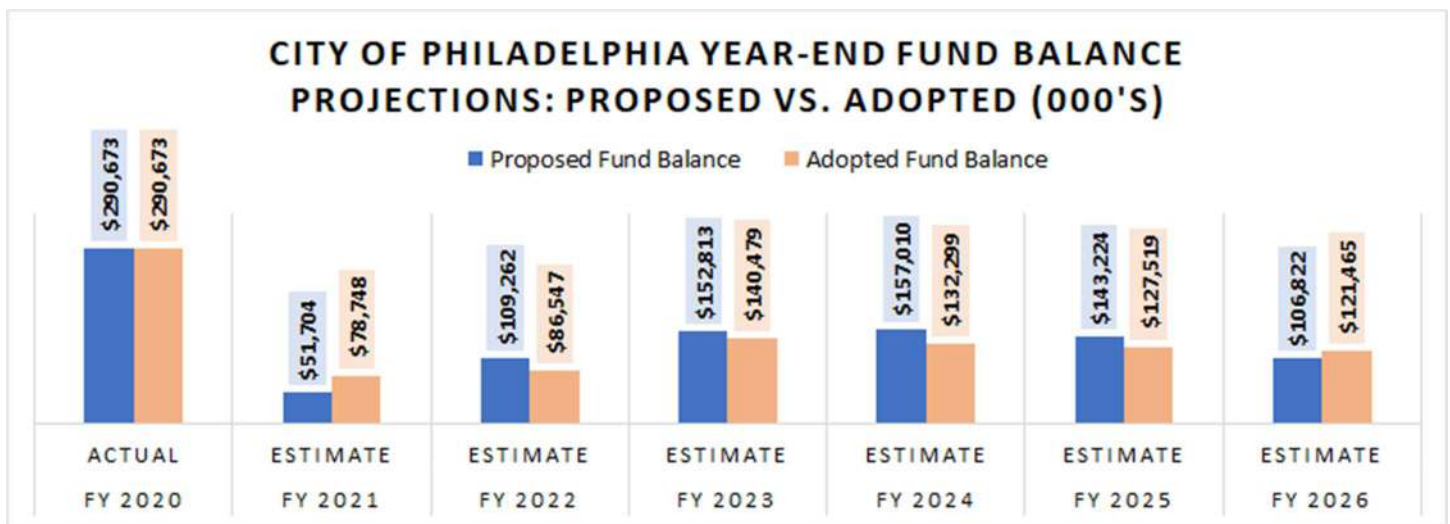


Section 5: Year End Fund Balance

The Kenney administration is now projecting a beginning positive fund balance of \$78.7M, which is projected to increase by \$7.7M throughout the fiscal year, leading to a year-end fund balance of \$86.5M. Although the City projects an \$11.7M operating deficit, the Five-Year Plan includes a \$19.5M prior-year adjustment, leading to an increase of \$7.7M in the fund balance. This \$7.7M figure represents the *adjusted operating surplus/deficit*.

The decrease in the projected year-end fund balance from the original proposal reflects increased investments mentioned above, such as gun violence prevention, commerce, arts funding, etc., that were negotiated between City Council and the administration. These additional investments drive the difference of Proposed vs. Adopted year end fund balance figures.

The Adopted fund balance is projected to be 1.64% of expenditures, well below the City’s goal of 6-8% and the Government Finance Officers Association (GFOA) goal of 17%. By FY2026, the projected fund balance is \$121.4M, or 2.19% of expenditures.



Operating Surplus/Deficit vs. Year End Fund Balance

FY22 (000s)	Proposed	Adopted	Change
FY21 Year-End Fund Balance	\$ 51,704	\$ 78,748	\$ 27,044
FY22 Year-End Fund Balance	\$ 109,262	\$ 86,547	\$ (22,715)

The Adopted Five-Year Plan includes a \$17M increase to FY21 revenue projections and

a \$10M decrease in FY21 obligations, resulting in a \$27M larger year-end fund balance for FY21, which carried forward to FY22. Additionally, the changes to revenue and expenditure projections for FY22 (as a result of the budget process) resulted in a \$22.7M decrease in the projected fund balance for FY22.