

**SINKING FUND COMMISSION  
FISCAL YEAR 2025 BUDGET TESTIMONY  
MARCH 27, 2024**

**INTRODUCTION**

Good afternoon, President Johnson and Members of City Council. I am Matthew Bowman, Deputy City Treasurer and Executive Director of the Sinking Fund Commission. Joining me today is Jackie Dunn, City Treasurer. I am pleased to provide testimony on the Sinking Fund Commission's Fiscal Year 2025 Operating Budget.

**DEPARTMENT MISSION & PLANS**

**Mission:**

The mission of the City Treasurer's Office (CTO) is to safeguard City funds, serve as the disbursement agent for all City-related payments, and invest excess funds to meet daily cash requirements. The CTO also manages new and outstanding debt in accordance with the City's debt management policies and works to improve and maintain the City's credit ratings. These functions are critical to the City's overall fiscal health, which enables the City to meet the Mayor's policy goals to make Philadelphia the safest, cleanest, and greenest big city in the nation with economic opportunity for everyone.

**Plans for Fiscal Year 2025:** The Commission oversees the timely repayment of bond principal and interest on City-related debt, service agreements and lease obligations. The City has approximately \$9.1 billion of debt outstanding as of 3/31/2024; the City's general obligation bond ratings are A1/A/A from Moody's, S&P, and Fitch, respectively.

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**PROPOSED BUDGET OVERVIEW**

<b>General Fund Financial Summary by Class</b>						
	<b>FY23 Original Appropriations</b>	<b>FY23 Actual Obligations</b>	<b>FY24 Original Appropriations</b>	<b>FY24 Estimated Obligations</b>	<b>FY25 Proposed Appropriations</b>	<b>Difference: FY25-FY24</b>
<b>Class 200 - Purchase of Services</b>	\$115,087,498	\$102,388,979	\$122,585,099	\$122,585,099	\$120,860,169	(\$1,724,930)
<b>Class 700 - Debt Service</b>	\$193,710,223	\$190,495,836	\$201,632,422	\$201,632,422	\$234,667,304	\$33,034,882
<b>Total</b>	<b>\$308,797,721</b>	<b>\$292,884,815</b>	<b>\$324,217,521</b>	<b>\$324,217,521</b>	<b>\$355,527,473</b>	<b>\$31,309,952</b>

<b>Water Fund Financial Summary by Class</b>						
	<b>FY23 Original Appropriations</b>	<b>FY23 Actual Obligations</b>	<b>FY24 Original Appropriations</b>	<b>FY24 Estimated Obligations</b>	<b>FY25 Proposed Appropriations</b>	<b>Difference: FY25-FY24</b>
<b>Class 700 - Debt Service</b>	\$200,992,399	\$199,767,276	\$209,771,743	\$209,771,743	\$244,803,424	\$35,031,681
<b>Total</b>	<b>\$200,992,399</b>	<b>\$199,767,276</b>	<b>\$209,771,743</b>	<b>\$209,771,743</b>	<b>\$244,803,424</b>	<b>\$35,031,681</b>

<b>Aviation Fund Financial Summary by Class</b>						
	<b>FY23 Original Appropriations</b>	<b>FY23 Actual Obligations</b>	<b>FY24 Original Appropriations</b>	<b>FY24 Estimated Obligations</b>	<b>FY25 Proposed Appropriations</b>	<b>Difference: FY25-FY24</b>
<b>Class 700 - Debt Service</b>	\$119,361,583	\$116,337,517	\$168,997,540	\$168,997,540	\$151,145,020	(\$17,852,520)
<b>Total</b>	<b>\$119,361,583</b>	<b>\$116,337,517</b>	<b>\$168,997,540</b>	<b>\$168,997,540</b>	<b>\$151,145,020</b>	<b>(\$17,852,520)</b>

**Car Rental Fund Financial Summary by Class**

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	<b>FY23 Original Appropriations</b>	<b>FY23 Actual Obligations</b>	<b>FY24 Original Appropriations</b>	<b>FY24 Estimated Obligations</b>	<b>FY25 Proposed Appropriations</b>	<b>Difference: FY25-FY24</b>
<b>Class 200 - Purchase of Services</b>	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000	\$0
<b>Total</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$7,000,000</b>	<b>\$0</b>

<b>Housing Trust Fund Financial Summary by Class</b>						
	<b>FY23 Original Appropriations</b>	<b>FY23 Actual Obligations</b>	<b>FY24 Original Appropriations</b>	<b>FY24 Estimated Obligations</b>	<b>FY25 Proposed Appropriations</b>	<b>Difference: FY25-FY24</b>
<b>Class 200 - Purchase of Services</b>	\$2,750,000	\$0	\$8,270,000	\$8,720,000	\$8,259,348	(\$460,652)
<b>Total</b>	<b>\$2,750,000</b>	<b>\$0</b>	<b>\$8,270,000</b>	<b>\$8,720,000</b>	<b>\$8,259,348</b>	<b>(\$460,652)</b>

**Proposed Funding Request:**

The highlights of the Fiscal Year 2025 Sinking Fund debt service budget are as follows:

- The total budget (All Funds) is \$766.74 million, which is an increase of \$48.03 million, or 6.68% from the estimated obligations for Fiscal Year 2024.
- The Fiscal Year 2025 budget for each of the funds and the change from FY24 estimated obligations are as follows:

	<b>Budget (in millions)</b>	<b>Increase/(Decrease) (in millions)</b>	<b>Percent Increase/(Decrease)</b>
General	\$355.53	\$31.31	9.66%
Water	\$244.80	\$35.03	16.70%

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Aviation	\$151.15	(\$17.85)	(10.56%)
Car Rental Tax	\$7.00	\$0.00	0.00%
Housing Trust	\$8.26	(\$0.46)	(5.28%)
<b>Total</b>	<b>\$766.74</b>	<b>\$48.03</b>	<b>6.68%</b>

The highlights for each fund are discussed below.

### **GENERAL FUND**

The General Fund portion of this request totals \$355.53 million, comprised of two classes: Class 200 for city service agreement obligations and lease payments, and Class 700 for debt service.

The Class 200 request of \$120.86 million reflects a \$1.72 million decrease from the FY24 current estimate.

The Class 700 request of \$234.67 million is mainly for debt service on the City's general obligations. This is \$33.03 million more than the FY24 current estimate.

### **WATER FUND**

The Commission's request for the Water Fund for FY25 totals \$244.80 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a \$35.03 million increase from FY24 estimated obligations.

### **AVIATION FUND**

The Commission's request for the Aviation Fund for FY25 is \$151.15 million, all Class 700. This amount is a decrease of \$17.85 million from FY24 estimated obligations.

### **CAR RENTAL TAX FUND**

The Commission's request of \$7.00 million in the Car Rental Tax fund is to provide for lease revenue bond payments on the sports stadiums from vehicle rental tax revenues. This is unchanged from FY24.

### **HOUSING TRUST FUND**

The Commission's request of \$8.26 million in the Housing Trust fund is to provide for lease revenue bond payments on one existing Neighborhood Preservation Initiative (NPI) borrowing. This represents a \$0.46 million decrease from FY24 estimated obligations.

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### **Staffing Levels**

*N/A. The Sinking Fund has no staff.*

### **NEW HIRES**

*N/A. The Sinking Fund has no staff.*

### **PROGRAM BASED BUDGETING:**

The Sinking Fund Commission's sole function is the timely and accurate payment of debt service. As such, it does not have specific programs, nor are there any associated Performance Measures.

**Program Name:** Sinking Fund Commission

**Program Number:** 01

**FY25 Proposed General Fund:** \$355,527,473

**Program Description:** The Sinking Fund is responsible for the budgeting, payment, and administration of the City's debt service and debt-related payments across its General Obligation, City Service Agreement, Airport Revenue, and Water Revenue credits. The Sinking Fund also coordinates with an outside consultant for calculation of arbitrage rebates on the City's tax-exempt bonds and the timely payment of any liabilities to the Internal Revenue Service (IRS).

**FY25 Strategic Goals:** Continue to make timely and accurate debt service payments for all the City's credits. Make the payment process more efficient while maintaining the appropriate internal controls.

**FY25 Performance Measures:** N/A

### **Other Budgetary Impacts**

**Federal and State (Where Applicable)**

N/A