



Office of the President – Finance and Budget Team

**Analysis of the Quarterly City Managers Report**  
**Fiscal Year 2024 Q4**

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## Analysis of the Quarterly City Managers Report

### Fiscal Year 2024 Quarter 4

#### Executive Summary

The Quarterly City Managers Report for the Period Ending June 30, 2024, provides a comprehensive assessment of the City of Philadelphia's financial and management performance. The report aims to provide an overview of the City's progress in implementing the goals of the current year regarding the City's Five-Year Financial plan. The report covers General Fund revenues and obligations, overtime, service delivery, leave usage, and overall city-wide performance. A link to the full report can be found [here](#).

#### Big Picture

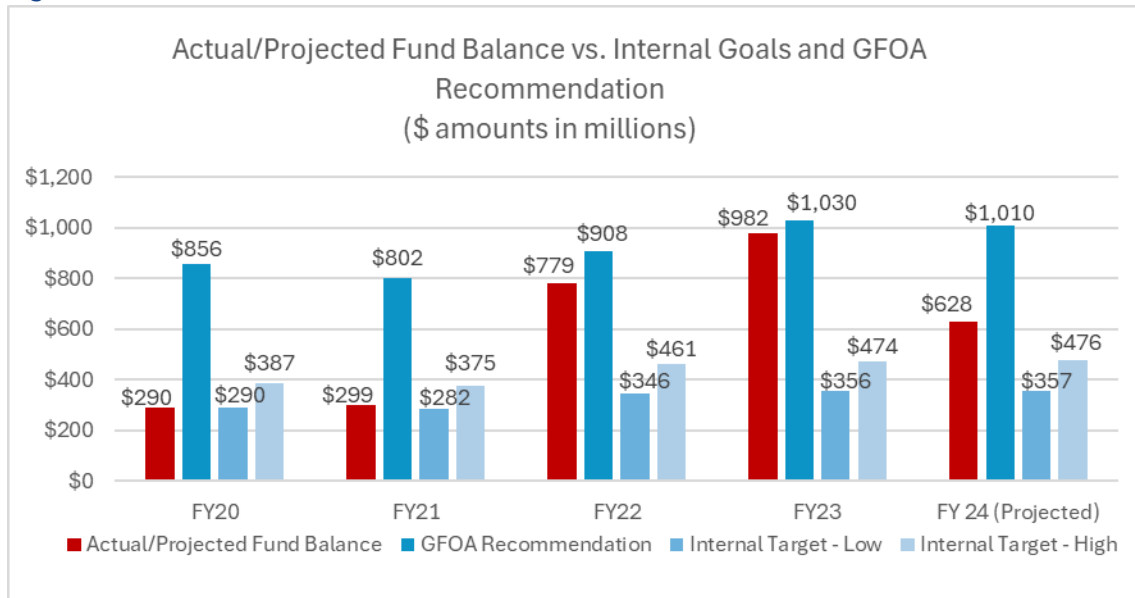
- The City projects ending FY24, with a General Fund Balance of \$628.1 million (10.6% of revenues and 9.9% of obligations) \$99.4 million more than budgeted and \$91.2 million more than the estimate in the Q3 QCMR. At 10.6% of revenues, the City exceeds its internal target of 6-8% of revenues, due largely to one-time American Rescue Plan Act (ARPA) funds that will be spent down by the end of calendar year 2024, as required. However, this is still well below the Government Finance Officers Association (GFOA) recommendation of 17% (or two months' worth) of spending.
- The General Fund revenues for FY24 are estimated to be \$5.95 billion, \$9.2 million higher than the Q3 projection but \$66.5 million less than the projection in the FY24 Adopted Budget. This decreased projection is driven by a downward adjustment of the Real Estate Transfer Tax (-\$117.1M) and the Business Income & Receipts Tax (-\$63M), offset by estimated increases in locally generated non-tax revenues and PICA Wage Tax revenues.
- General Fund obligations for FY24 are projected to be \$6.3 billion, \$140.1 million more than budgeted, largely due to investments in the FY24 spring mid-year transfer ordinance meant to accelerate the Mayor's priorities.
- Overtime costs are projected to increase by \$12.5 million in FY24 compared to FY23. The City continues to have hiring and retention challenges, with 17.1% of full-time positions still unfilled. Some departments including Fire, Free Library, Police, Prisons, Parks and Recreation, Public Health, the Sheriff, and Streets continue to have triple digit vacancies.
- The amount of ARPA funds to be drawn down from the Grants Revenue Fund remain unchanged in Q4 FY24 from Q3 FY24. All of the City's ARPA funds (\$391 million) must be obligated by December 31, 2024 and spent by December 31, 2026 as required by law.

- The FY24 Q4 QCMR shows improvements from Q3 specifically regarding the General Fund balance as well as a reduction in obligations. However, ongoing challenges remain including reduced revenues in certain areas.

## Fund Balance

The City is estimated to have ended the fiscal year with a fund balance of \$628.1 million. This figure is \$99.4 million above what was initially approved in the budget and \$91.2 million above the projection made in the Q3 QCMR. Even though there is improvement from last quarter, the FY24 fund balance has a decline of roughly \$353.5 million from FY23's ending fund balance. **The FY24 Fund Balance, at 10.6% of revenues, exceeds the City's internal target of at least 6-8% but falls short of the Government Finance Officers Association (GFOA) recommendation of 17% as illustrated in Figure 1.**

Figure 1<sup>1</sup>



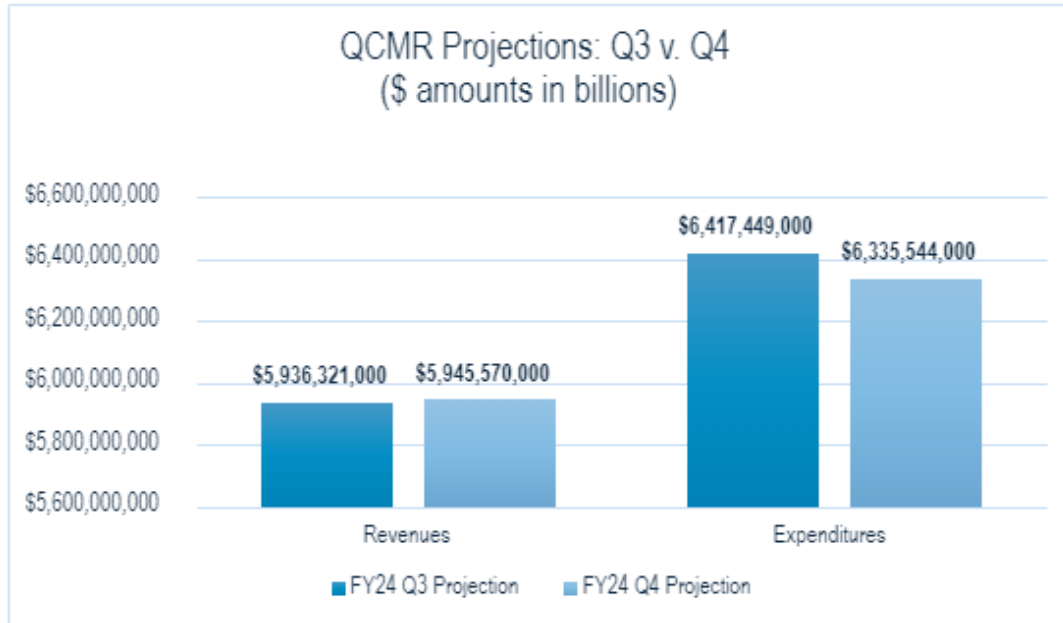
## Revenues

Revenue projections have increased by \$9.2 million from \$5.936 billion in FY24 Q3 to \$5.945 billion in FY24 Q4. This increase is due to a \$32.2 million increase in non-tax revenue projections offset by a \$20.3 million reduction in tax revenue projections, including PICA revenues. **The increase in revenue projections is outlined in Figure 2.** However, compared to the FY24 budget, revenues have been adjusted down by \$132.5 million. The largest sources of revenue for the City includes the Wage tax, Business Incomes and Receipts (BIRT) tax, Real Estate tax and Sales tax. The Wage tax is showing year-over-year growth due to continuing labor market trends, but the Real Estate Transfer tax (-\$117.1 million) and Business Income and Receipts Tax (-\$63 million) have produced less revenue than predicted in the FY24 budget. Other major revenue sources, aside from taxes, include locally generated non-

<sup>1</sup> [Quarterly City Managers Report FY2024 Q4](#)

tax revenues which are up \$21.8 million compared to the FY24 budget, revenue from other governments, up \$16.2 million, and PICA Wage Tax revenues, up \$31.9 million.

Figure 2<sup>2</sup>



## Obligations

**The QCMR report projects \$140.1 million more in spending than the adopted budget for FY24, decreasing the overall projected obligations to \$6.3 billion.** This represents \$81.9 million less than the estimate in the FY24 Q3 QCMR. This increase reflects additional funding in the FY24 spring mid-year transfer ordinance meant to accelerate the Mayor’s vision of a safer, cleaner, greener Philadelphia with access to economic opportunity for all. The decrease in spending from Q3 is due to the largely unspent \$54 million recession reserve and \$27.9 million in investments rolling over into FY25.

## Citywide Performance

### Service Delivery

In Q4, service delivery showed improvement in multiple areas. The *Community Life Improvement Program* (CLIP) increased the number of citywide cleanup projects by 48.1% from 1,641 to 2,431 in FY24 from FY23 and issued 78.5% more exterior maintenance violations (from 4,580 to 8,177) in FY24 than in FY23 as a part of increased enforcement efforts. The Sanitation department also saw improvements in service delivery metrics, as the City’s recycling rate increased in Q4 of FY24 to 13.5% from 10.8% in Q4 of FY23. Streets department increased their rates of filling potholes within 3 days to 92% in Q4 of FY24 compared to 83% in Q4 of FY23. Lastly, the police department saw improvements in

<sup>2</sup> [Quarterly City Managers Report FY2024 Q4](#)

performance metrics including in violent crime reduction and in apprehending offenders. In Q4 of FY24, the department saw a 41.9% decrease in homicides (from 105 to 61) compared to the same quarter the previous year as well as a 40% decrease in the number of shooting victims (from 500 to 300). The department's homicide clearance rate also increased to 73.8% in Q4 of FY24 from 57.1% in Q4 of FY23.

There were, however, several program performance measures that did worse in Q4 FY24 than prior years and failed to meet FY 24 targets. For example, the Police department set a target of a 2% increase in the percent of officers who are female for FY24, but in Q4 FY24, the percentage was 20.8% of officers are female, down from 21.2% in Q4 FY23, a -1.9% percent change from the prior year. Also, Licenses and Inspections saw a massive decline in the number of demolitions performed, to 11 in Q4 FY24 down from 118 in Q4 FY23. The department set a target of 425 demolitions performed in FY24 but only reached 306. However, they did note that a court ordered demolition of a property costing \$2.4 million reduced the number of demolitions able to be performed. Lastly, the Streets department collected and disposed 19,837 tons of recycling in Q4 FY24, down from 21,005 tons in Q4 FY23.

## Staffing Levels

The City continues to face difficulties in hiring and retaining staff as do other employers nationwide. There were 20,865 filled full time General Fund positions as of June 30, 2024, which is 4,320 less than expected for the FY24 budget and 406 fewer than FY23, when the count of General Fund positions had been 21,271. During FY24 Q3 there were 20,826 full-time positions filled within the General Fund.

Currently, about 17.1% of full-time General Fund positions remain vacant as of the end of Q4 of FY24, with significant shortages in Fire, Free Library, Police, Prisons, Parks and Recreation, Public Health, Sheriff, and Streets departments. These departments all have vacancies in the triple digits. The FY24 budget aims to address these issues with broad promotional campaigns, targeted recruitment, and hiring bonuses for public safety and other hard-to-fill positions.

## Leave Usage

In FY24 Q4, the median rate of time that departments were unavailable increased to 13.7%, up from 13.2% in FY24 Q3. This indicates a slight rise in departmental unavailability. Median usage of vacation time decreased from 9.4% in Q3 of FY24 to 9.1% in Q4 of FY24, but median sick usage increased from 4.1% in Q3 of FY24 to 4.6% in Q4 of FY24. However, Sanitation had a notable decline in sick usage from 17.4% in Q4 of FY23 to 12.9% in Q4 of FY24 due to improvements in centralized management and attendance controls. Also important to note, the time Police Uniform Officers spent Injured on Duty (IOD) has decreased from 29% in FY23 to 25.4% in FY24 due to the positive impact of changes in medical care provided through the Heart and Lung provider panel.

## Overtime

The FY24 Q4 overtime spending totaled \$74.7 million, marking a \$16.5 million increase compared to the same quarter in the previous year. **The City projects that FY24 overtime costs will be nearly \$262.2 million, which is an increase of about \$12.5 million over the**

**previous year, but a decrease of \$8.2 million from the FY24 Adopted Budget, as demonstrated in Figure 3.** This increase in overtime spending is attributed to several factors, including understaffing, increased service demands, and recruitment and retention challenges facing the labor market nationally. The report underscores the significance of overtime as a critical tool for delivering services in FY24, as city managers navigate the challenges of staffing and operational demands.

Overtime plays a critical role in ensuring essential city services are delivered given hiring and retention challenges.

Figure 3<sup>3</sup>

Class 100 Overtime				
(\$ amounts in millions)				
<i>FY20 Actual</i>	<i>FY21 Actual</i>	<i>FY22 Actual</i>	<i>FY23 Unaudited Actual</i>	<i>FY24 Projected</i>
\$208,034,045.00	\$185,591,876.00	\$215,014,701.00	\$249,647,862.00	\$262,200,808.00

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<sup>3</sup> [Quarterly City Managers Report FY2024 Q4](#)