



Office of the President – Finance and Budget Team

Analysis of the Quarterly City Managers Report
Fiscal Year 2024 Q3

Published June 26, 2024



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Fiscal Year 2024 Quarter 3

Executive Summary:

The Quarterly City Managers Report for the Period Ending March 31, 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](#).

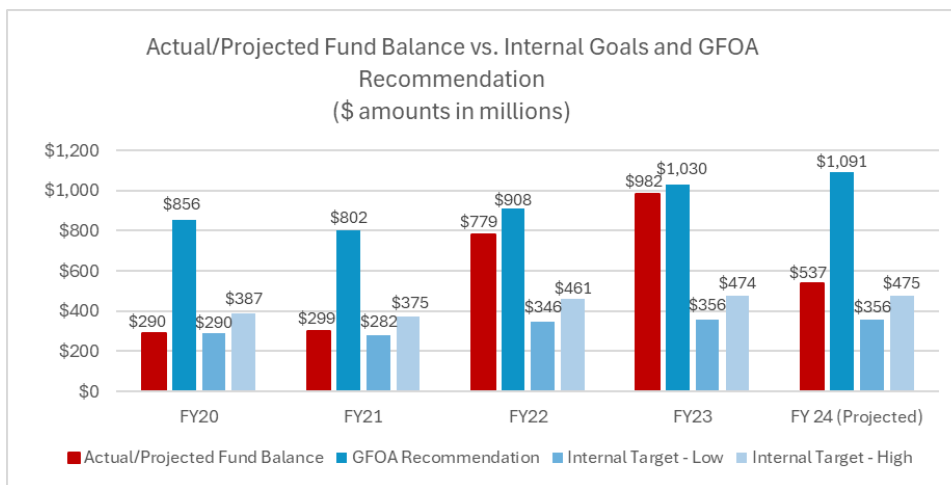
Big Picture:

- The City projects ending FY24 with a General Fund Balance of \$536.9 million (9.0% of revenues and 8.4% of obligations) \$8.3 million more than budgeted and \$32.6 more than the estimate in the Q2 QCMR. At 9% of revenues, the City exceeds its internal target of 6-8% of revenues. However, this is well below the Government Finance Officers Association (GFOA) recommendation of 17% (or two months' worth) of spending.
- Revenues are projected to decrease slightly by \$7.4 million from Q2. The decrease is due to decreases in Real Estate Tax Transfer revenues (-\$16.9M) and a projected decrease in current year Real Estate collections (-\$10.4M), although these are offset a bit by increases in projected locally generated nontax revenue.
- Obligations are projected to decrease by \$40 million from Q2. This is a consequential reduction in spending, contributing to a higher fund balance. These obligations are due to ongoing staffing vacancies. However, FY24 obligation projections remain \$222 million above the Adopted Budget due to the accelerated investments in the FY24 spring mid-year transfer ordinance to achieve a head start on some of the Mayor's core initiatives.
- American Rescue Plan (ARPA) funds from the Grants Fund in FY24 is unchanged in the Q2 projection. 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 Q3 QCMR shows improvements from Q2, 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 forecasted to conclude the fiscal year with a fund balance of \$536.9 million. This figure is \$8.3 million above what was initially approved in the budget and \$32.6 million above the projection made in the Q2 QCMR. Even though there is improvement from last quarter, the FY24 fund balance is a decline of roughly \$444.6 million from FY23's ending fund balance. **The FY24 Fund Balance, at 9% of reserves, the projected fund balance 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 1¹



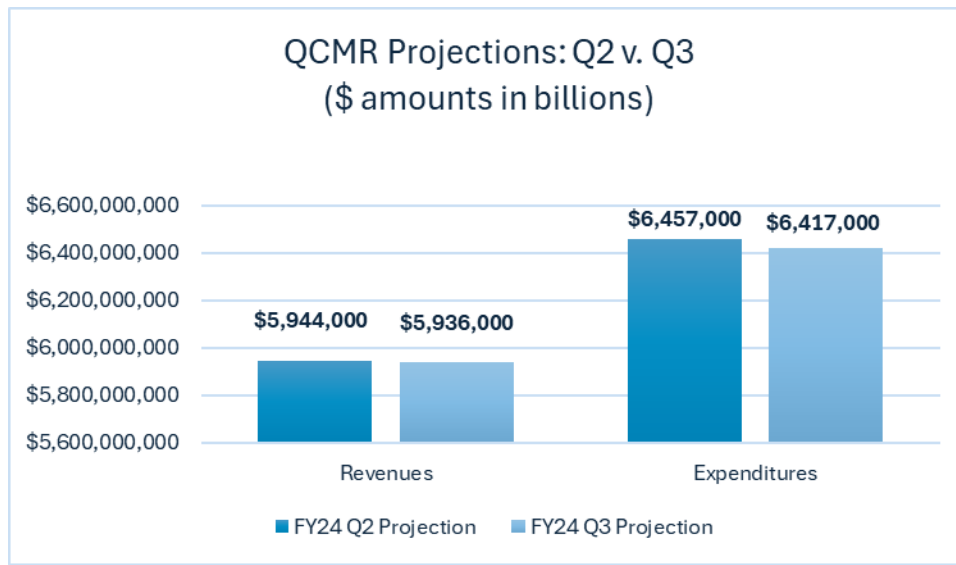
Revenues

Revenue projections have decreased nearly \$7.4 million from \$5.944 billion in Q2 to \$5.936 billion in FY24 Q3. The decreases are due to declines in collection from the Real Estate Transfer Tax by \$16.9 million from Q2 to Q3 as well as a projected decrease in current year Real Estate collections \$10.4 million. **The decrease in revenue projections are outlined in Figure 2.** Compared to the Adopted Budget, FY24 revenues have been adjusted down by \$108.4 million. The largest sources of revenue for the City include the Wage tax, Real Estate tax, Business Income and Receipts tax (BIRT) and Sales tax. The Wage tax is showing year-over-year growth due to continuing labor market trends. Other major revenue sources, aside from taxes, include locally generated non-tax revenues which are adjusted down by \$10.3 million compared to the Adopted Budget.

¹Quarterly City Managers Report FY2024 Q3

Additional sources of revenue include funds from the federal government, state reimbursements, and funds from the Pennsylvania Intergovernmental Cooperation Authority (PICA).

Figure 2²



Obligations

The QCMR projects \$222 million more in spending than the adopted budget for FY24, decreasing the overall projected obligations to \$6.417 billion. This represents \$40 million less than the estimate in the FY24 Q2 QCMR. The increase reflects additional funding for urgent needs, one-time costs, and proposed investments to support the Mayor’s objectives for the city, offset by several items, including a lower-than-anticipated General Fund share of pension expenses. The following items have led to an increase in spending: City Council, Commerce - Economic Stimulus, Finance, Fleet, Fleet - Vehicles, Licenses and Inspections, Office of Innovation and Technology, Parks and Rec and Revenue.

Citywide Performance

Service Delivery

In Q3, service delivery showed improvement from COVID-19 disruptions, yet hiring and retention challenges impacted various city departments, including Public Health and Public Property.

The FY24 Budget aims to address these issues with targeted investments in recruitment and retention, especially for critical public safety roles. The Police Department reported a decrease in homicides, shooting, violent crimes, and burglaries in FY24 Q3 compared to the

² [Quarterly City Managers Report FY2024 Q3](#)



previous year, alongside an improvement in the homicide clearance rate, surpassing 76%. The Department of Human Services observed a continued decline in dependent placements, however, the proportion of the dependent population in care for more than two years has remained higher than the department's desired level.

Staffing Levels

The City, like many other employers nationwide, is facing difficulties in hiring and keeping staff. By March 31, 2024, there were 20,826 full-time positions filled within the General Fund, which is 4,359 less than expected for the FY24 budget and 445 (2%) fewer than the previous fiscal year, when the count of General Fund positions had been 21,271. During the close of March 2023 there were 20,921 filled full-time, General Fund positions, fewer than the 21,198 that were filled at the end of FY22 Q3 and 4,264 fewer than were budgeted for FY23. During FY24 Q2, there were 20,599 filled full-time General Fund positions. This represents 4,603 fewer positions filled than had been anticipated in the FY24 Adopted Budget and marks a decrease of 672 positions from the end of FY23 when the count of full-time General Fund positions had been 21,271.

Currently, about 17% of General Fund full-time roles are vacant, with significant shortages in departments like Fire, Free Library, Police, Prisons, Parks and Recreation, Public Health, the Sheriff, and Streets. These departments all have vacancies in the triple digits. The FY24 Budget aims to address these issues with targeted recruitment and retention efforts, especially for public safety roles and other positions that are difficult to fill.

Leave Usage

In FY24 Q3, the median rate of time that departments were unavailable increased to 12.5% up from 12.3% in FY23 Q3. This indicates a slight rise in departmental unavailability. Median usage of vacation and sick time decreased from 0.3% in Q3 of FY23 to 0.1% in Q3 of FY24, but injury leave increased to 0.1%. However, it's noteworthy that the time Police Uniform officers spent Injured on Duty (IOD) has decreased compared to the same period in FY23. This improvement is attributed to the positive impact of changes in medical care provided through the Heart and Lung provider panel.

Overtime

The FY24 Q3 overtime spending reached \$53.6 million, marking a \$6.1 million decrease (10.2%) compared to the same period in the previous year. **Also, the City projects that FY24 overtime costs will be nearly \$282 million, which is an increase of roughly \$33 million over FY23 as demonstrated in Figure 3.** This increase in overtime spending is attributed to several factors, including addressing staff shortages due to vacancies and leave usage, which have been exacerbated by an unusually tight labor market.

Additionally, the need to cover for staff on leave, fill vacant positions, and meet increased service demands has further driven overtime spending beyond initial estimates. 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 3³

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	\$282,514,440.00

³ [Quarterly City Managers Report FY2024 Q3](#)