



City of Philadelphia

Operating Budget & Five Year Plan: FY 2022-2026

Capital Budget & Six Year Program: FY 2022-2027

Proposed April 15, 2021



City of
Philadelphia



Budget Vision Statement

Our vision for this budget cycle and beyond is a budget that enables investments that provide quality government services and infrastructure while maintaining the City's long-term fiscal health, reduces racial disparities among Philadelphians, and advances equitable outcomes for all Philadelphians.

How Are We Getting Ready To Reopen Economy?

Lookin' Good

- Paving (\$132M in FY22, a \$100M increase so we can pave 115 miles)
- \$500K for Storefront Improvement Grants/Security
- Sustained funding for TCB Commercial Corridor Cleaning enforcement and return/start of street sweeping
- Restored funding for L&I Demolitions

Tax Relief

- Catch up BIRT rates to planned pre-pandemic for FY22
- Accelerate FY22 Wage Tax reduction to be lower than pre-pandemic plan for FY22
- \$300K for EITC outreach
- Parking Tax reverts to lower, pre-pandemic level
- No tax increases

Education

- Increased \$ for Community College
- \$255M for the Philadelphia School District
- 700 new slots in PreK (FY22 = 4,000 slots)
- Community Schools expansion
- \$170K for Digital Equity staff

Economic Development

- \$2.99M for the Office of Workforce
- \$3.1M for Neighborhood Commercial Corridor for capital projects + funding for specific locations
- Staff for Biz Response Team + Tech Industry
- Funds to certify minority biz
- New Building Inspectors and remote eCLIPSE support

Operations Transformation

- \$5M for City departments to transition to new ways of working.

Don't forget the federal small biz relief!



How Are We Keeping People Safe?

Violence Prevention

- Expand Police Assisted Diversion, CCIP, GVI
- Expand Roadmap Community Response
- Targeted Community Investment Grants
- Transitional Jobs Program
- Restored services at libraries, parks and rec centers

Mental Health & Police Reform

- 911 Co-Responder
- Mobile Crisis Units

Improved Policing

- PPD Training
- Citizen Police Oversight Commission
- Early Intervention System

Crime Solving

- Office of Forensic Science enhancements
- Technology for Detectives

Fire/EMS

- Maintain level of fire service by adding about \$15M to FY22 Base Budget
- Additional EMS supplies



How Are We Keeping People Healthy?

Physical Health

- Strategy to improve Racial Equity in Health Outcomes
- COVID Containment
- Air Management Services
- Tele-lactation
- More doses of opioid treatments

Housing

- Sustained Shelter Beds
- Significant Rental Assistance from State and Federal Governments





Racial Equity & Budgeting



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Strategy for Budgeting for Equity Process & Outcomes

To achieve this vision, we will make changes to the budget process by expanding who is involved and altering how the budget process works.

These changes are intended to produce budgetary decisions that have measurable impacts in reducing racial disparities.

Tactics for Budgeting for Equity

Participatory Budgeting

- \$1M for Capital projects
- Co-designed with Community Members

External Input

- Accessible Materials – 5 Year Plan in 4 pages in 7 languages
- Survey (13K+ responses)
- Focus Groups

Internal Process Improvements

- M/W/DBE Participation Goals Setting
- Budget Equity Committee
- Focus Groups
- Racial Equity Questions in budget forms and meetings

Impact & Data Analysis

- Revenue Burden Disparities
- Historical Investments by Location

Action Plans

- Support development of departmental Racial Equity Action Plans led by the Office of Diversity, Equity, and Inclusion





FY22 – Equity Evaluation Rubric

Health & Safety

- How will this change impact racial disparities in health outcomes?
- How will this change impact racial disparities in public safety and the criminal justice system?

Opportunity

- How will this change impact racial disparities in economic outcomes?
- How will this change impact racial disparities in educational outcomes?

Engagement

- How/Were communities of color engaged in the development of this proposal?
- How will this change impact City gov't ability to meaningfully engage communities of color in the future?

Impact

- How certain are we of the impacts on disparities if the change is effectively implemented?
- How certain are we that the change can be effectively implemented?



Limitations with Equity Lens

Inadequate Metrics

- Hard to tie \$ spent to impact on racial disparity outcomes
- Hard to compare \$1 spent across programs with impacts on racial disparities
- No scoring system

Departmental Self-Assessment

- Variable definitions/subjective
 - Ex. Opioid Use Disorders
- Uneven training/experience with using a racial equity lens

Odd Incentives

- Incentive to suggest cuts with racial equity impacts if expecting those will be spared



Budget Community Engagement Recap



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Community Budget Engagement

Online Survey

- 13K responses - not representative of Philadelphia (skewed towards white, wealthy, women)
- Prioritize spending on health and education.
- Prefer reductions in spending, particularly Police, rather than tax increases

Biz

- Focus on Clean and Safe to lure back visitors and office workers
- Happy to pay more for L&I services if they could be sped up, slow turn around times are hurting development

Philanthropy

- Prioritize arts/culture, mental health, and trauma-informed services
- Non-profits providing services on the ground should be more involved in budget decisions

Reconciliation Committee

- Prioritize violence prevention, youth services and support, and food insecurity
- See a tension between defunding the police and funding anti-violence efforts

Neighborhood Groups

- Pursue PILOTs and end 10 Year Abatement to fund City services
- Prioritize investment in Library, minority biz, and community organizations

Boards & Commissions

- Prioritize spending for populations (youth, Black and Brown communities, small businesses, etc.) and in areas (neighborhoods with high rates of crime and poverty) that need it the most
- Collect more from corporations and large institutions

City Employee Engagement

Sanitation Frontline

- Prioritize sanitation, anti-violence and education
- Concerns with capital equipment and pay parity for different positions within Streets
- Hazard pay for Streets employees

FLP, PPR, DHS Townhall

- Prioritize housing, PPR, FLP, DHS, combating illegal dumping, enforcing fines and restitution
- Reduce spending on PPA and lawsuits
- Suggested PILOTs

Racial Equity Working Group

- Prioritize education, healthcare, parks and recreation and trash collection
- Strong preference to reduce spending on Police.

Citywide Fiscal Staff

- Lots of ideas for savings – copiers/printers, WFH and cancel leases, less advertising in newspapers
- Prioritize PPR, Schools, Pensions, Paving/Streets, Seniors, Homeless Services and small business

City Resource Groups

- Pursue PILOTs and end 10 Year Abatement to fund City services
- Concerned about layoffs and exempt pay cuts
- Support community organizations doing essential work

Budget Equity Committee

- Support minimal tax increases to maintain services
- Prioritize 911 Co-responder, Mobile Crisis Units, 5-day service at Libraries
- Want to avoid cuts at PPR, FLP and OHS



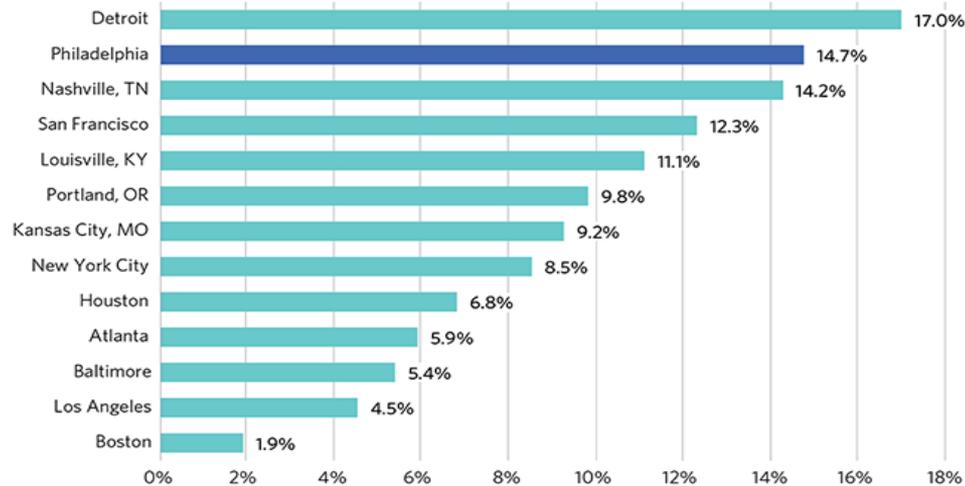
The Fiscal Context



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Philadelphia Faced Large Shortfall Before ARP

Figure 1
Cities' Projected General Fund Budget Shortfall for 2021
As percentage of fiscal year 2020 expenditures



Note: Officials in Los Angeles originally projected a shortfall of \$200 million to \$400 million. The estimate used in this analysis was \$300 million, the midpoint of the original range. Nashville's reported budget shortfall is for the city's entire operating budget. In addition to the pandemic, Nashville experienced a tornado in March 2020, further affecting revenue.

Sources: Pew analysis of city budget documents, media articles, and interviews with budget officials

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Why is Philadelphia faring worse than most other cities?

- Heavy reliance on income taxes (not property taxes)
- Heavy reliance on non-residents
- Limited reserves

American Rescue Plan

Local Gov't Relief

- \$1.4B to the City/County of Philadelphia (\$700M in May 2021, \$700M in May 2022)
- Must be spent by December 2024
- Will be used to fill shortfalls for City operations in FY21 thru FY25

Targeted Grants

- Homelessness (estimated \$42M for non-congregate sheltering, capital improvements)
- Emergency Rental Assistance (amount TBD)
- Vaccine Related Activities (\$14 million)
- Testing, Surveillance and Safe Reopening of Schools (\$48 million, primarily for SDP)

Other Gov't Entities

- School District (estimated \$1.3 billion)
- SEPTA (\$667 million)
- Community College of Philadelphia (estimated \$55 million)

Direct Relief to Biz & Individuals

- More than 1 million Philadelphians to get stimulus checks
- Expanded Child Tax Credit- most Philadelphia children will be eligible
- Expansion of Paycheck Protection Program
- New Restaurant Revitalization Fund

FY22 shortfall before
ARP
= \$450M

Ballpark estimate of
shortfall through FY26
without ARP
= \$1.5B

**\$1.5B Shortfall >
\$1.4B ARP**



American Rescue Plan

Wit

- No layoffs
- No tax/fee increases
- Many public-facing services restored like summer pools, 5-day library service, and demolitions.
- Enables new investments like
 - \$13M for 911 Co-responder and mobile crisis units
 - \$2.6M for Violence Intervention and Community Response
 - Doubles the Cultural Fund to \$2M
 - \$950K for Citizen Police Oversight Commission (on top of existing PAC funds)
 - Covers debt service for paving 115 miles of road.

Witout

- \$450M gap in FY22
- \$1.5B gap through FY26
- Requires 10%+ cuts to non-fixed/inflexible cost
 - Virtually impossible to achieve without **significant layoffs**.
 - Unable to sustain current levels of service like Fire/EMS.
 - Unable to backfill expiring grants, like \$12.9M for homeless shelter beds.
 - No return of pools, 5-day libraries, and Keypots
 - No new anti-violence/police reform investments
- AND/OR Would require **significant tax increases** to maintain current services



American Rescue Plan – Draw Down Schedule

FY21

• \$32M

FY22

• \$575M

FY23

• \$425M

FY24

• \$250M

FY25

• \$143M

ARP Treated as Flexible Revenues to the General Fund to (mostly) fill gap created by pandemic.

Not Targeted to Particular Spending; Supports overall operations, COVID costs, enables new investments in education, health, and anti-violence, and keeps Plan balanced

Anticipated Interest Earnings = \$25M (after management fees)





FY22 Capital Budget



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FY22 – Capital Budget Proposal

New Borrowing

**\$270
million**

- Largest new borrowing ever
- \$1M for Participatory Budgeting
- Adds about \$19M in annual debt service incl. \$7M+ to support 115 miles of paving

Total Investment

**\$3.25
billion**

- More than \$9 for each \$1 in new borrowing
- \$1.12B in Self-Sustaining (Airport, Water)
- \$399M in Carryforward
- State, Federal, Private, and Revolving Funds

FY22-27 Capital Program

**\$ 9.47
billion**

- \$1.1B in new City borrowing
- Significant projects include paving/ADA ramps (\$317M), Citywide Technology Improvements/Enhancements (\$136.8M), FDR Park Master Plan Improvements (\$50M), Neighborhood Commercial Centers (\$26.5M), and Penn's Landing/I-95 Cap (\$60M)



FY22 Capital Budget

Top 10 Departments \$262M out of \$270M

Streets	\$145 Million
OIT	\$31 Million
Parks and Rec	\$25.5 Million
Commerce	\$20 Million
Department of Public Property	\$13.7 Million
Fleet	\$12 Million
Fire	\$5 Million
Finance	\$4 Million
Transit	\$3.5 Million
Library	\$2 Million





FY22 Capital Budget

Top 10 Line Items \$209M out of \$270M total

Paving + ADA Ramps	\$132.2 Million
OIT Citywide Business Apps	\$25.3 Million
Fleet Vehicles	\$10.5 Million
FDR Park	\$10 Million
I-95 CAP project	\$9 Million
OIT-Network Applications	\$5.7 Million
Life Safety for PPR	\$5.5 Million
SRDC Christian to Crescent	\$4 Million
SEPTA	\$3.5 Million
Neighborhood Commercial Centers	\$3.1 Million





FY22 General Fund



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FY22 – General Fund Proposal

Revenues

**\$ 5.22
billion**

- Accelerates Wage Tax cuts and BIRT rate reduction catch up to pre-pandemic
- Includes \$575M from ARP (all \$1.4B must be spent by Dec 2024)

Expenses

**\$5.18
billion**

- Maintain services for public facing departments
- Up to 5% cuts for back-office functions
- Targeted Restorations & New Investments
- \$75M Recession and Reopening Reserve
- \$25M Labor Reserve

Projected FY22 General Fund Balance

**\$ 109
million**

- Less than FY19 pre-pandemic level of \$439M
- FY17-21 Average of \$267M
- Fund Balance @ 2.09% of revenues (internal goal=6-8%, best practice=17%)
- FY26 = \$106.8M (1.97% of spending)

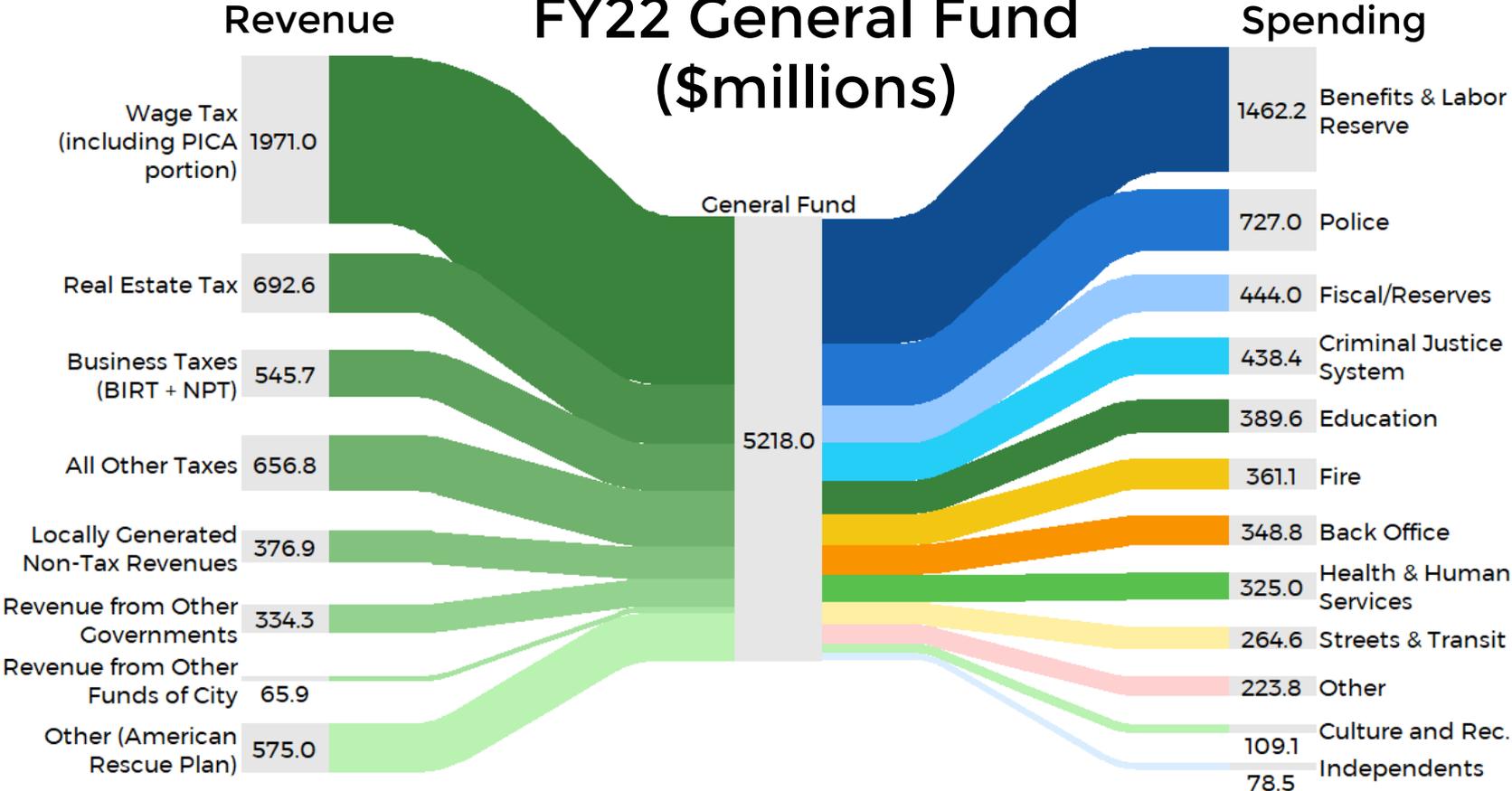
Fund Balance FY22-26

	FY22	FY23	FY24	FY25	FY26
Revenues	\$5.22B	\$5.28B	\$5.32B	\$5.37B	\$5.43B
Spending	\$5.18B	\$5.26B	\$5.34B	\$5.41B	\$5.48B
Fund Balance	\$109.3M	\$152.8M	\$157.0B	\$143.2B	\$106.8M
FB as % Revenues	2.09%	2.89%	2.95%	2.66%	1.97%

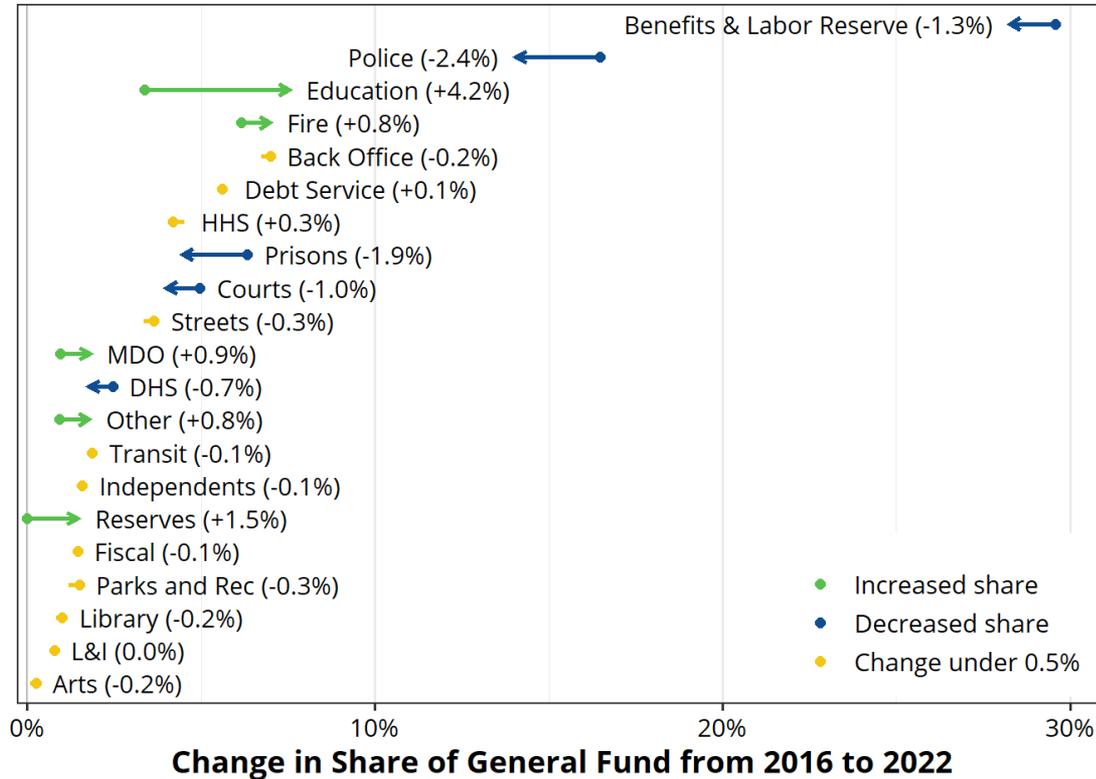
There are no deposits into the Rainy Day Fund in any year because the Fund Balance is under 3% of revenues



FY22 General Fund (\$millions)



Change in Share of General Fund: FY16 → FY22



Increased Share

- Education +4.2%
- Reserves +1.5%
- MDO +0.9%
- Fire +0.8%
- Other +0.8%

Decreased Share

- Police -2.4%
- Prisons -1.9%
- Benefits & Labor Reserve -1.3%
- Courts -1%
- DHS -0.7%



General Fund Revenues



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No Rate Increases, Accelerated Reductions

Taxes

- No rate increases
- Largest Wage Tax Reduction since 2009; deeper than pre-pandemic
- BIRT Net Income at planned pre-pandemic level for TY21
- Parking Tax reverts to pre-pandemic level of 22.5%

Fees & Fines

- No rate increases
- Reduced fees for Prisons' inmates; builds upon racial equity work that led to Library fee elimination

American Rescue Plan

- Draws down \$575M in FY22
- \$32M drawn down for FY21
- Entire amount drawn down by December 2024 as required by ARP



Tax Rate Proposals

WAGE TAX RATES	NEW RATES		PERCENT CHANGE	
	Fiscal Year	Resident	Non-Resident	Resident
FY21	3.8712%	3.5019%		
FY22	3.8398%	3.4201%	-0.81%	-2.34%
FY23	3.8360%	3.4167%	-0.10%	-0.10%
FY24	3.8322%	3.4133%	-0.10%	-0.10%
FY25	3.8283%	3.4099%	-0.10%	-0.10%
FY26	3.8245%	3.4065%	-0.10%	-0.10%

BIRT TAX RATES	NET INCOME	
Tax Year	Proposed	Percent Change
2020	6.20%	
2021	6.10%	-1.6129%
2022	6.00%	-1.6393%
2023	5.75%	-4.1667%
2024	5.50%	-4.3478%
2025	5.25%	-4.5455%

\$343M of Wage & BIRT tax cuts over the Five Year Plan



Without ARP, Revenues Only Grow \$76M in FY22 (\$190 Million Below FY20)

Revenue Projections in \$000s	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Taxes	3,555,945	3,226,280	3,375,098	3,614,989	3,768,257	3,928,870	4,068,774
Locally Generated Non-Tax Revenues	365,113	359,831	376,853	326,358	339,659	311,059	339,429
Revenue from Other Governments	362,597	393,816	334,304	321,178	323,179	324,294	325,432
Other Govts. - PICA City Account	495,942	462,718	490,842	530,469	577,760	604,917	632,206
Sub-Total Other Governments	858,539	856,534	825,146	851,647	900,939	929,211	957,638
Revenue from Other Funds of City	53,995	123,898	65,906	63,418	61,922	62,401	62,070
Total - Revenue	4,833,592	4,566,543	4,643,003	4,856,412	5,070,777	5,231,541	5,427,911
Other (ARP)	0	32,000	575,000	425,000	250,000	143,222	
Total Revenue and Other Sources	4,833,592	4,598,543	5,218,003	5,281,412	5,320,777	5,374,763	5,427,911





General Fund

Department by Department



City of
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Before We Dive In – A Definition

FY22 Base Budget

- Typically means sustaining current services
- Removes one-time/ending costs from FY21
- Adds \$ for automatic/planned increases when known
- Attorney salaries moved to Law Department except DHS and DBHIDS to consolidate payroll.

Exceptions

- Fire, DA, OHS, Defender base budgets don't cover existing service level – require increases to sustain services
- Baked in increases from last year for Mayoral Priorities – PHLpreK, Street Sweeping, Community Schools and CCP



Independents (Except Court System)

Auditing (Controller)

•FY22 Base Budget

Board of Ethics

•FY22 Base Budget

Board of Revision of Taxes

•FY22 Base Budget

City Commissioners

•FY22 Base Budget + \$5.93M = \$18M
•\$4M less than FY21, \$4M more than FY20

← Adds \$4M in FY25 for next presidential election

City Council

•FY22 Base Budget + \$1M

Register of Wills

•FY22 Base Budget

Sheriff

•FY22 Base Budget





Court System

District Attorney

- FY22 Base Budget + \$2.8M to maintain current service level.
- \$1M less than FY21 Original and \$5M less than FY20 (but that had one-time costs)

First Judicial District

- FY22 Base Budget + \$163K for MacArthur grant for electronic monitoring

Defenders Association

- FY Base Budget + \$834K to maintain current service level
- Equals FY20, and is \$834K more than FY21





Arts

Art Museum

- FY22 Base Budget
- \$510K less than FY20, equals FY21

Mural Arts

- FY22 Base Budget + \$150K for Color Me Back Same Day Pay + \$50K for Restorative Justice

MDO

- Cultural Fund doubles to \$2M
- FY22 Base Budget for Office of Arts & Culture + \$150K for African American Museum



Administration - slide 1 of 2

Civil Service Commission	•FY22 Base Budget
Fleet Management	•5% Cut
Fleet – Vehicle Purchases	•5% Cut
Labor	•FY22 Base Budget + transition to Civil Service, staff, contract negotiation, language access + Domestic Worker Task Force translation services
Law	•FY22 Base Budget + Racial Equity training + consolidate Citywide lawyer salaries (except DHS and DBHIDS)
Mayor’s Office	•FY22 Base Budget
Office of the CAO	•5% Cut – 2 ppl transferred to Procurement + \$502K for Conduent contract + \$5M Operations Transformation Fund



Administration slide 2 of 2

Office of Human Resources

- 5% Cut + maintain existing staff + firefighter exam development

OIT

- 1% Cut + funding for PPD Technology + \$170K for Digital Equity - \$444K for Westlaw (transferred to Procurement)

Office of the Inspector General

- FY22 Base Budget

Procurement

- 5% cut (except advertising) + 2 ppl from CAO + \$630K for Westlaw

Public Property

- 5% Cut + PPSB maintenance + rent contingency + 3 Capital Admin Staff

Public Property – Space Rentals

- FY22 Base Budget

Public Property - Utilities

- FY22 Base Budget





Fiscal

City Treasurer

- FY22 Base Budget

Finance

- 5% cut from the core budget + 1 Participatory Budget staffer + 1 Grants/Recovery Staffer + \$395K for core budget error correction + \$456K Insurance Premiums

Office of Property Assessment

- FY22 Base Budget + \$1.1M for reassessment
- \$800K more than FY21 Current Projection, \$700K less than FY21 Original

Revenue

- 5% Cut + \$300K for EITC Outreach

Sinking Fund (Debt Service)

- FY22 Base Budget





Labor Costs

Finance – Employee Benefits

- \$1.43B, a \$132M increase
- Includes \$34M increase for reallocation among funds.
- FY21 was low due to Pension Obligation Bond restructuring

Labor Reserve

- FY22 Base Budget = \$25M
- Same level as in FY21-25 Plan

Reg 32 (Finance)

- FY22 Base Budget





Education

Community College

- FY22 Base Budget = \$48M, up \$4M from FY21

School District

- FY22 Base Budget = \$255.9M
- \$3M increase for Ryan Ave

Mayor's Office Scholarship

- FY22 Base Budget (\$100K)

Hero Scholarship

- FY22 Base Budget (\$25K)

NOTE

- Funding for PreK and Community Schools is in the DHS Budget, not this group – but increasing PHLpreK slots by 700 to 4,000.





Economic Development

Commerce

- FY22 Base Budget + \$3.9M in new requests, including \$2.99M for the Office of Workforce, OEO certification, staff

Convention Center Subsidy

- FY22 Base Budget (\$15M fixed cost)

Economic Stimulus

- FY22 Base Budget
- \$1.9M higher than pre-pandemic FY21





Public Safety

Fire

- FY22 Base Budget + \$15M to maintain existing service level + \$2.3M for EMS supplies

Police

- \$727M, flat funded with FY21
- \$47M less than FY20
- Funding for policing reforms and improved crime solving in MDO and OIT

Prisons

- FY22 Base Budget + increases tied to census increase (food, medical) + free video visits + increased inmate pay + radios + PPE + eliminates fees
- Assumes census of 5K for food/video, 4.5K for medical (in-facility = 4,671 on April 6th)

Licenses & Inspections

- FY22 Base Budget + demolition funding + new inspectors + remote support for eCLIPSE
- Board of Building Standards and Board of L&I Review both sustained





Health & Human Services

Health

- FY22 Base Budget + Strategy for Racial Equity in Health Outcomes + COVID containment + Tele-Lactation + Air Mgmt. Services + Lab Relocation costs – reduced COVID costs.

DHS

- FY22 Base Budget + \$1.489M for health services at PSJJC and Case Management Retention

DBHIDS

- FY22 Base Budget + \$7.265M for Mobile Crisis Units

OHS

- FY22 Base Budget + \$12.9M to sustain shelter beds





Neighborhood Services

Free Library

- FY22 Base Budget + 5-day service + LEAP + warehouse rent + budget director

Parks & Rec

- FY22 Base Budget + summer pools + CSA2 + turf + events + staff + Dell + Keypots – 2 Capital Admin positions to DPP

Planning & Development

- FY22 Base Budget + \$30K for DEI consulting

SEPTA

- FY22 Base Budget (set by formula)

Streets

- FY22 Base Budget (includes street sweeping) + sustain Taking Care of Business Corridor Cleaning

Streets – Disposal

- Flat fund at FY21 level





Managing Director

Managing Director

- FY22 Base Budget + Atwater Kent Storage+ Moving Columbus Statue + Police Training + Police Early Intervention + 75 Civilian Dispatchers + OFS Upgrades + Kensington Bathrooms + CCIP + GVI + Community Interventions + Staffer for Elections + PAD + 911 Co-Responder + PSEO equipment + Opioid Response Unit + Police Oversight Commission + ACCT wage increases + Targeted Community Investment Grants





Other

Recession & Reopening Reserve

- \$75M, flat funded (\$25M Recession & Reopening Reserve + \$50M COVID Reserve)

Indemnities

- FY22 Base Budget

Refunds

- FY22 Base Budget

Human Relations Commission

- FY22 Base Budget

CEO

- FY22 Base Budget

Sustainability

- FY22 Base Budget + \$50K for Building Energy Audits

Records

- 5% cut + \$100K for deed fraud prevention





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