



City of Philadelphia

FY23 Spring Transfer Ordinance
Operating Budget & Five Year Plan: FY 2024-2028
Capital Budget & Six Year Program: FY 2024-2029

Introduction: March 2, 2023



City of
Philadelphia

Vision Statement

To transform Philadelphia into a city where equal opportunities are open to all residents, race is not a determinant of success, and diversity is elevated as one of Philadelphia's greatest assets.



Kenney Administration Priorities

- Quality Education for All
- A Safer & More Just Philadelphia
- Thriving Neighborhoods
- Inclusive Growth & Economic Opportunity



Racial Equity & Community Engagement



City of
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Budgeting for Equity

Department Input

- Racial Equity Questionnaire designed with Equity & Results
- Office Hours with racial equity consultant to help complete Questionnaire

Rubric

- City's outside racial equity consultant scored new funding requests and department capacity

Budget Equity Committee

- Expanded to 50 members and included more non-executive staff from more departments
- Focused on new funding requests in five working groups

LeadershipOps

- Dedicated Budget Equity sessions with City's Leadership Operations
- Separate from multi-dept Cabinet member rankings

ODEI

- Received input from the Office of Diversity, Equity, and Inclusion



Community Budget Engagement

Top Concerns

- Education, Housing and Homelessness, Quality and Accessible City Services and Infrastructure, Public Safety, Racial Equity & Poverty

Focus Groups

- 15 virtual and in-person community focus group sessions; 145 participants
- Held in multiple languages
- Community members were compensated for time

Grass Tops

- 6 grasstop sessions with 131 participants
- Non-Profits, Philanthropy, Biz, Arts & Culture, City Boards & Commissions

Employees

- Nearly 170 employees at 5 sessions

26 Sessions
445 Participants







FY24 Budget Investment Highlights



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Quality Education for All

 = Racial Equity Priority

 = Community Priority

Operating



- **PHLpreK**

- Adds 950 seats (total 5,250) + Evaluations + Trauma Support



- **School District**

- +\$12M for a \$282M contribution



- **Community Schools**

- Adds staff/resources



- **Community College of Philadelphia**

- \$51M incl Catto Scholarship increase

- **Free Library**



- 6-day service at all sites

- **PHLConnectED**



- Accessible internet for K-12 families

Capital

- **Art Museum**

- \$2M

- **Zoo**

- \$2M



- **Community College**

- \$15M



- **Free Library**

- \$1.5M + Rebuild projects



A Safer & More Just Philadelphia

Operating



•DA & Defender

- +\$5M for each, \$25M over 5 years



•Forensics

- +\$14.7M over 5 years
- Shift to civilian staff



•Operation Pinpoint

- +\$9.2M over 5 years for analytical work



•Anti-Violence Programs

- Group Violence Intervention Stipends
- Trauma supports for responders



•Juvenile Justice

- Adds staff at PJJSC
- Youth arrest reform/diversion



•Clearing Criminal Justice Debts

- \$5M fund to reduce barriers to opportunity

Capital

•Fire

- \$6M for existing facilities, include Fire Station 57



•Police

- \$22.5M towards new Forensics Lab (\$50M identified in total)
- \$9.8M for existing facilities, including 39th District

•Prisons

- \$8.9M includes funds for roof repair, emergency power systems, and security systems.

\$65m over 5 years for new Forensics space, equipment and staff



Inclusive Growth & Economic Opp

Operating

- **Tax Cuts – Lowest Levels in Decades**
 - Resident Wage Tax reduced to 3.7565%
 - Net Income portion of the BIRT reduced to 5.83%
- **Transit**
 - \$109.6M SEPTA Support
 - \$31M for free transit for residents at or near the poverty level
- **Community & Economic Development**
 - +13 staff for City Planning
 - \$1M for BIL Diverse Suppliers




Capital

- **Neighborhood Commercial Centers**
 - \$1M + \$5M in FY23 Fall MidYear
- **Waterfronts**
 - \$5.75M for Navy Yard Quay Wall, Central Delaware, Schuylkill Trail, Lower Schuylkill, and North Delaware
- **I-95 Cap @ Penn's Landing**
 - \$6M for the ongoing project



Thriving Neighborhoods

 = Racial Equity Priority

 = Community Priority

Operating



• **Clean Streets**

- Adds new illegal dumping crew
- Expands mechanical street sweeping



• **Housing & Shelter**

- +100 Supportive Housing Units
- Sanctuary Village Tiny Homes
- Kensington Encampment Resolution
- Expanded Right-to-Counsel



• **Climate Change & Resiliency**

- +\$1M over 5 years for the Environmental Justice Commission



Capital



• **Paving & ADA Ramps**

- \$60M for FY24



• **New Health Centers**

- 2 new centers in the underserved Northeast



• **Rebuild**

- \$40M increase until next bond issue (Summer 2023) and to address inflation.
- 13 Park/Library/Rec Center sites completed, 46 underway (design, engagement or construction)

Internal Functions to Achieve Core

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Operating

- ★ **Recruitment & Retention**
 - \$1M over 5 years for DEI-focused Police recruitment
 - \$1.8M for the Office of Human Resources for hiring and retention
 - \$16M for Prisons 12-hour shifts
 - \$9M for free transit for City employees
- **Labor Costs**
 - All current union contracts fully funded
 - 3.25% exempt + non-rep raises
 - Labor Reserve for FY25-28
- **Reserves**
 - Rainy Day Fund
 - ARP \$ fully expended by Dec 2024

Capital

- **IT Systems & Infrastructure**
 - \$17.6M for FY24
 - Supports replacement of City's ancient procurement and financial systems.
- **Vehicles**
 - \$11M in new borrowing + \$10M in the FY23 MidYear transfer ordinance
 - For heavy duty, specialized equipment including fire apparatus, medic units, trash compactors, and construction equipment.
- **Public Property**
 - \$3.4M for city building improvements and environmental remediation.



Fiscal Context & Strategy



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Fiscal Context

Modest Revenue Growth

- Growth rates developed with S&P Market Intelligence
- Expecting virtually flat BIRT

Rising Prices & Interest Rates

- \$9M annual payment for each \$100M borrowed (was \$7M)
- Widespread cost increases

Mild Recession Expected

- Starts early 2023, eases by 3rd quarter
- PHL Payrolls still below pre-pandemic

Labor Market Challenges

- 18% of General Fund positions vacant as of December 2022.

Examples of cost increases:

- Court Reporting
- Food (PPR, Prisons)
- Trash bags
- Paper
- Fuel & Utilities



Trend & Projection Summary (in \$ millions)

Tax	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Estimate	FY24 Proposed	FY24 Base Growth Rate
Wage/ Earnings	\$1,582	\$1,599	\$1,451	\$1,654	\$1,709	\$1,759	3.74%
Real Estate	\$697	\$699	\$723	\$701	\$814	\$837	0%
BIRT	\$541	\$534	\$542	\$749	\$729	\$709	-0.80%
Realty Transfer	\$328	\$320	\$304	\$537	\$424	\$432	2.00%
Sales	\$224	\$205	\$230	\$278	\$281	\$296	3.95%
Parking	\$99	\$77	\$53	\$87	\$97	Transportation Fund	3.01%
Beverage	\$77	\$69	\$70	\$75	\$68	\$69	1.25%
Net Profits	\$36	\$29	\$44	\$27	\$35	\$36	3.52%
Amusement	\$26	\$18	\$3	\$26	\$37	\$38	3.37%



Fiscal Strategy

Inflation Increases

- Up to 5% increases for non-personnel costs to sustain existing services.
- \$42M in FY24, \$215M over five years.

One-Time Spending

- Use underspends from vacant positions for one-time investments to avoid borrowing and have immediate impact.

Adequate Reserves

- Spend down ARP \$ by Dec 2024 to avoid fiscal cliff & comply with federal requirements.
- Combined Rainy Day Fund and Fund Balance meet internal targets but not GFOA recommendation.

Realistic Recruitment & Retention

- Targeted compensation increases where it will help.
- Significant investment in HR for recruitment and retention to reduce barriers to employment.

No Rate Increases

- All tax rates stay the same or are reduced.





Budget Booby Traps: Things that Look Like Reductions but

Health Department

- Closure of the Philadelphia Nursing Home reduced revenues and costs.
- Legacy General Fund subsidy for PNH reallocated to other health operations.
- Overall budget smaller but funding for non-PNH functions grows.

Streets Department

- Certain transportation operations will leave the General Fund and be in the new Transportation Fund.
- Costs + associated fees/grants, for Paving, ROW, Traffic, Street Lighting, Engineering, Surveys, Crossing Guards, PSEOs.
- New Transportation Fund = \$107M in FY24.

Parking Tax

- No longer shown as a General Fund revenue.
- Will be used as revenue source for the new Transportation Fund, along with the fees/grants from transportation activities.





The Bottom Line



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FY23 MidYear Transfer Ordinance

Redeploys savings from vacant positions and higher than expected tax revenues to make an immediate impact, including:

Health Center 11s

- Identifies the last \$11M needed for 2 new health centers.
- \$75M overall project cost.

Parks, Rec Centers, & Libraries

- \$40M for Rebuild.
- \$10M for FDR Park.

Equipment

- Fire: Stretchers to reduce IOD and OT (\$2.5M) + Personal Escape Systems (\$7.9M).
- Fleet: EVs for L&I Inspectors (\$2M) + Heavy Duty Vehicles (\$10M).

Realignments

- Shifts funding btwn departments/classes to achieve original goals efficiently.
- Affects PHS, CLIP, PEA/OOS, Board of Ethics, City Commissioners, DBH, Fleet.
- Moves funding from Labor Reserve to Prisons for Local 159 award.



FY24 – General Fund Proposal

Revenues

**\$5.99
billion**

- Wage & BIRT rate cuts
- Includes \$391M from ARP (all \$1.4B must and will be spent by Dec 2024)
- Parking Tax now in Transportation Fund

Expenses

**\$6.10
billion**

- Inflation increases
- Anti-Violence Investments
- PHLpreK adds slots & supports
- Transit Passes for Low-Income Residents
- Shifts some expenses to Transportation Fund

Projected FY24 General Fund Balance

**\$524
million**

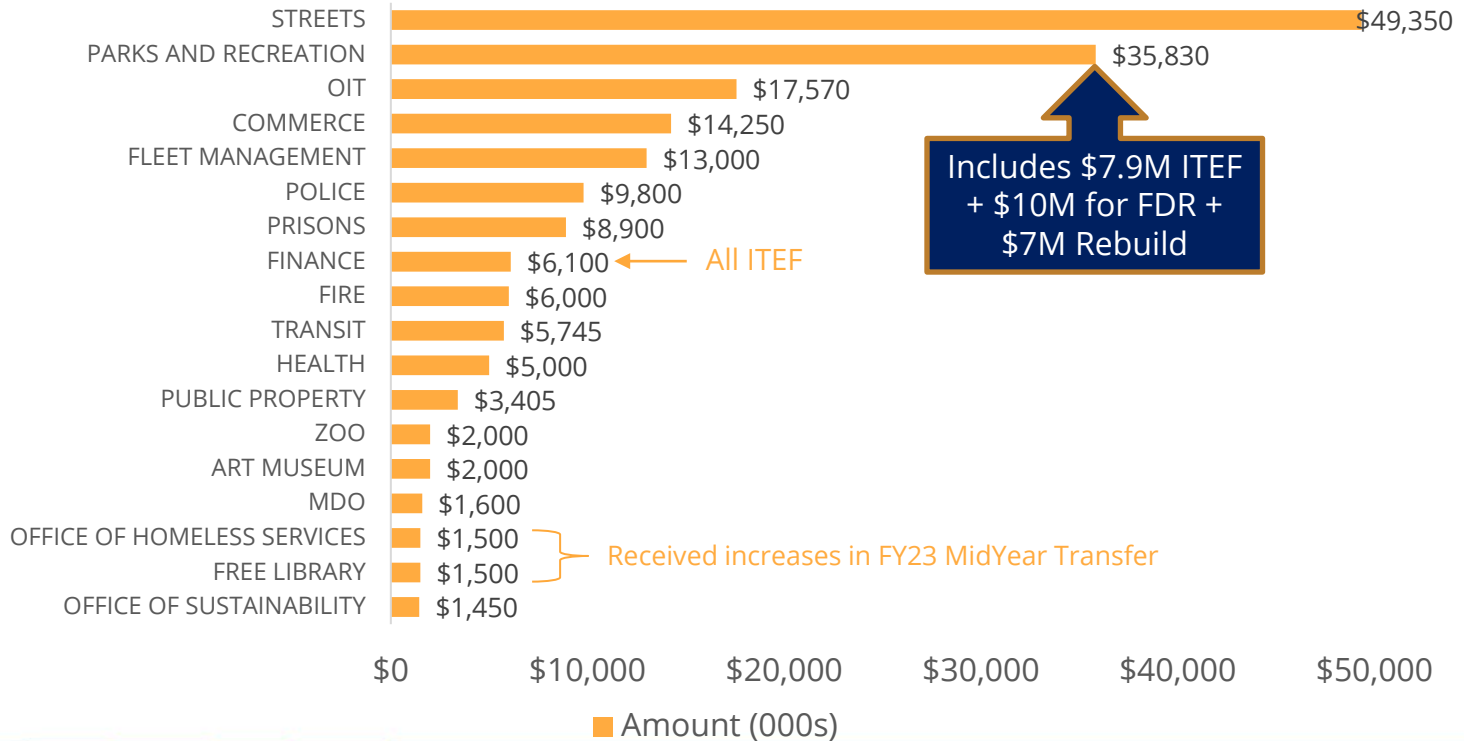
- \$256M less than FY22 Actual of \$779M, \$94M lower than FY23 estimate
- Fund Balance @ 8.7% of revenues (internal goal=6-8%, best practice=17%)
- FY28 = \$127M (2% of revenues)

Fund Balance (in \$M) w/ Budget Stabilization Reserve (BSR) Change

	FY24	FY25	FY26	FY27	FY28
Revenues	\$5,989	\$6,215	\$5,928	\$6,147	\$6,337
Spending	\$6,102	\$6,250	\$6,201	\$6,278	\$6,371
Fund Balance	\$524 \$391M ARP	\$507 \$449M ARP	\$254	\$142	\$127
FB as % Revenues	8.7% \$42M BSR Pym't	8.2% \$171M BSR Pym't	4.3% \$42M BSR Pym't	2.3%	2.0%

FY24 Capital Budget (in \$000s)

\$185M new borrowing, \$4.72B total budget



FY24-29 Capital Program (in \$000s)

\$1.1B new borrowing, \$13.2B total budget

Department	FY24	FY25	FY26	FY27	FY28	FY29	Total
ART MUSEUM	2,000	2,000	3,000	3,000	3,000	3,000	16,000
COMMERCE	14,250	26,025	15,775	14,675	8,000	8,000	86,725
FINANCE	6,100	6,100	6,100	6,100	6,100	6,100	36,600
FIRE	6,000	4,500	4,500	6,800	6,800	6,800	35,400
FLEET MANAGEMENT	13,000	14,300	17,450	19,100	20,600	20,600	105,050
FREE LIBRARY	1,500	1,500	2,500	4,000	5,000	5,000	19,500
HEALTH	5,000	1,200	1,100	1,000	1,000	1,000	10,300
MDO	1,600	1,000	300	300	300	300	3,800
OFFICE OF HOMELESS SERVICES	1,500	1,500	1,500	1,500	1,500	1,500	9,000
OFFICE OF SUSTAINABILITY	1,450	1,000	1,000	1,000	1,000	1,000	6,450
OIT	17,570	23,812	28,067	32,032	27,104	20,500	149,085
PARKS AND RECREATION	35,830	28,210	20,145	16,650	18,000	17,400	136,235
POLICE	9,800	7,425	6,425	6,000	6,000	6,000	41,650
PRISONS	8,900	9,464	13,650	4,500	4,500	4,500	45,514
PUBLIC PROPERTY	3,405	3,750	5,250	3,750	3,750	4,250	24,155
STREETS	49,350	47,500	46,300	56,800	62,850	67,450	330,250
TRANSIT	5,745	5,785	5,929	5,964	6,033	6,050	35,506
ZOO	2,000	2,000	3,000	3,000	3,000	3,000	16,000
Grand Total	185,000	187,071	181,991	186,171	184,537	182,450	1,107,220





Want to know more?

phila.gov/documents/mayor-kenneys-fiscal-year-2024-budget

Available starting Thursday, March 2nd

- Multi-lingual Infographics/Summaries
- FY24 Operating Budget
- FY24-28 Five Year Plan
- FY24-29 Capital Program
- FY24 Capital Budget
- Community Engagement Recap
- Budgeting for Racial Equity Recap
- And more!



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