

Cash Report: Fiscal Year 2021 Q1



City Controller
Rebecca Rhynhart
April 2021

The City of Philadelphia (City) releases a summary of its current financial state, entitled the Quarterly City Manager's Report (QCMR), 45 days after the close of each fiscal quarter. As part of the QCMR, the City publishes actual and projected monthly cash balances for its major operating funds, as well as revenues and expenditures for its principal operating fund, the General Fund. The QCMR offers the most up-to-date snapshot of the current cash position of the City and the most accurate projection for cash balances at the close of the fiscal year. As part of our ongoing commitment to increasing transparency around the City's financials, the Controller's Office releases data on the City's cash position in an interactive format following the release of each QCMR.

This report summarizes the City's cash position at the end of the first quarter of fiscal year 2021 (FY21 Q1), and it reflects the ongoing impacts of the COVID-19 pandemic on the City's finances. While the ultimate impact of the pandemic remains unknown, unemployment remains well above pre-COVID levels and many public health restrictions remain in place. As the City's economy begins its recovery, the Controller's Office will continue to monitor the City's finances in future cash reports.

The report is divided into two main sections. The first discusses the cash balances for the City's major funds, and the second examines the revenues and expenditures associated with the General Fund. In both sections we present actual data for FY21 Q1. All data used in this report is taken directly from the City's QCMRs. The QCMR for FY21 Q1 can be found [here](#).

Key Takeaways

- Due to the impact of the pandemic, the City borrowed \$300M in short-term funds, known as a TRAN, during FY21 Q1. This is the first TRAN borrowing since FY18 and the largest borrowing since FY09 when the City borrowed \$350M in the aftermath of the Great Recession.
- Boosted by the additional TRAN funds, the General Fund ended FY21 Q1 at a historic high with a balance of \$1,282M. This balance, in addition to a large Grants Fund balance, contributed to the Consolidated Cash account ending FY21 Q1 with a balance of more than \$2,000M.
- Cash spending decreased by \$128M, or about 11 percent, in the first quarter of FY21 relative to last fiscal year. General Fund cash revenue increased by \$154M (+15 percent) in FY21 Q1 relative to FY20 Q1 due primarily to the change in the filing date for the City's Business Income and Receipts Tax to July 2020.
- The General Fund is projected to end FY21 with a total balance of \$598M, the lowest fund balance since FY17, when the General Fund ended the fiscal year with a balance of \$534M. This closing fund balance is still significantly higher than the balances maintained during the Great Recession, the lowest of which was -\$30.6M at the end of FY10.

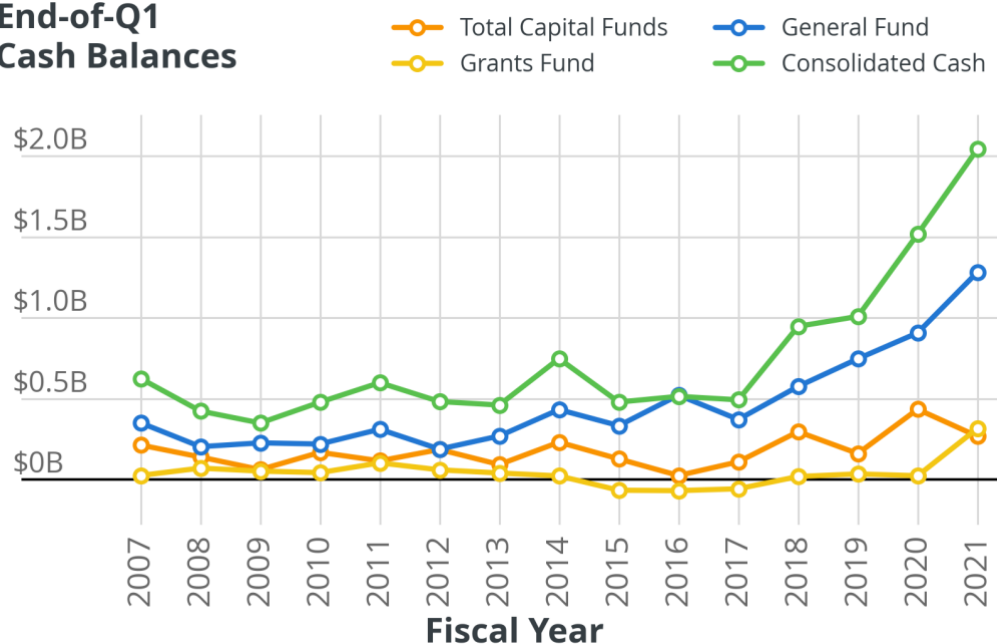
Cash Balances

The City publishes the monthly cash balance, actual and projected, for each of its major funds, within the QCMR. For its day-to-day operations, the City pools together the cash balances associated with several funds into a single account, known as the Consolidated Cash account. Three major funds, listed below, and several smaller funds, including the Housing Trust and Hospital Assessment Funds, contribute to the Consolidated Cash account:

- the General Fund, which is the principal operating fund of the City. About three-quarters of the revenue flowing into the General Fund is generated from local taxes;
- the Grants Fund, which manages grants received from state, federal, and private agencies; and
- the Capital Fund, which manages resources for investing in facilities and infrastructure throughout the city. The majority of its revenue arises from bond proceeds.

The Consolidated Cash balance at the end of FY21 Q1 was \$2,043M, an increase from \$1,518M at the end of FY20 Q1. The General Fund's Q1 balance was also higher: \$1,282M in FY21 as compared to \$908M in FY20.

End-of-Q1 Cash Balances



The City issued a \$300M Tax and Revenue Anticipation Note (TRAN) in FY21 Q1, contributing to higher fund balances at the end of Q1 relative to FY20. To offset seasonal trends in General Fund revenues and expenditures and to improve its cash position, the City often borrows short-term funds, known as TRANs. The City typically has borrowed these funds during the first half of each fiscal year, which it then repays before the close of the year. For example, the City last issued a TRAN in December of FY18, which raised the General Fund balance by \$125M. It then repaid this

note in May 2018. The City's \$300M borrowing in FY21 is the largest TRAN amount since FY09, when the City borrowed \$350M during the Great Recession.

The Consolidated Cash balance is also higher in FY21 Q1 compared to FY20 Q1 due to an increase in the balance of the Grants Fund. At the end of FY21 Q1, the Grants Fund had a balance of \$317M, a significant increase over FY20 Q1's ending balance of \$25M. The City has received an increase in grant funding as part of the response to the COVID-19 pandemic, which has contributed to the historically high Grants Fund balance.

The City is currently projecting a fiscal-year-end Consolidated Cash balance of \$723M, a 48 percent decrease from the year-end cash balance of FY20. This is due to lower projections for the year-end cash balances for the General Fund (\$598M in FY21 vs. \$759M in FY20), Grants Fund (-\$87M in FY21 vs. 162M in FY20), and Capital Fund (\$130M in FY21 vs. \$309M in FY20).

General Fund Revenue / Spending

As the principal operating fund for the City, the General Fund's finances offer a unique perspective on the City's current fiscal state. Monthly revenues and expenditures for the General Fund are published as part of the QCMR and offer further insight into the cash position of the City. The majority of revenues for the General Fund are generated from local taxes, the largest of which are the [Wage Tax](#), [Real Estate Tax](#), and [Business Income and Receipts Tax](#). On the expenditure side, the City's largest annual costs are due to payroll, pension payments, and employee benefits. Other costs include purchases of services (e.g., contracts), debt payments, and equipment and supplies.

Cash Revenues

As seen in the chart on the following page, General Fund cash receipts totaled \$1,205M in FY21 Q1, a \$154M (15 percent) increase relative to FY20 Q1. One reason for the higher revenues is the timing of payments for the Business Income and Receipts Tax (BIRT), which is typically due in April each fiscal year but was delayed in FY20 to July of FY21 due to the COVID-19 pandemic. BIRT revenue for the General Fund in FY21 Q1 totaled \$313M compared to only \$39M in FY20 Q1. The timing of BIRT payments accounts for a large portion of the increase in the General Fund balance in FY21 Q1 compared to last fiscal year.

Aside from the increase in BIRT revenue, other tax revenue streams have largely experienced declines in FY21 Q1 compared to FY20 Q1 due to the COVID-19 pandemic. Comparing tax revenue between the first quarters of FY21 and FY20, declines have been realized in the Wage tax (-\$11.4M), the Sales tax (-\$10.1M), and the Beverage tax (-\$2.8M). There were also significant declines to non-tax revenue (-\$21M).

The City currently projects an annual total of \$4,743M in cash revenue for the General Fund in FY21, a \$115M increase relative to FY20. However, this total includes the FY20 revenue that was

not collected until FY21 due to changes in filing dates. After accounting for these differences, the City is projecting a total of \$4,582M in revenue in FY21, a decrease of \$251M (-5.2 percent) from FY20 revenue totals.

Cash Expenditures

Cash spending for the General Fund decreased by 11.6 percent in FY21 Q1 compared to the same quarter in FY20. The majority of this \$128M decrease is due to reduced spending on contribution and indemnities (-\$54.5M), professional service contracts (-\$27.3M), and employee benefits (-\$15.8M).

General Fund cash spending is projected to total \$4,903M in FY21, a \$68.3M increase compared to the annual FY20 total. This increase is driven primarily by projected increases for payments against prior year spending (+\$131M) and contributions/indemnities (+\$48.6M). The contributions category includes a budgeted \$25.4M increase in the City's contribution to the School District as well as an \$8.1M increase in the contribution to the Community College of Philadelphia. These increases are partially offset by a projected decrease of \$86M in pension-related payments.

General Fund Cash Revenue/Spending in FY21 Q1 vs. FY20 Q1

