

# Cash Report: Fiscal Year 2022 Q1



**City Controller**  
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January 2022

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 finances, 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 2022 (FY22 Q1), and it reflects the ongoing impacts of the COVID-19 pandemic on the City's finances. As the City's economy recovers, 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 FY22 Q1. All data used in this report is taken directly from the City's QCMRs. The QCMR for FY22 Q1 can be found [here](#).

## Key Takeaways

- Boosted by federal American Rescue Plan funds, the Grants Fund ended FY22 Q1 at a historic high with a balance of \$882M. This balance, in addition to an increase in the Capital Fund balance, contributed to the Consolidated Cash account ending FY22 Q1 with a balance of more than \$2,200M.
- General Fund cash revenue was substantially less in FY22 Q1 compared to FY21 Q1 as a result of the delay in the BIRT collection date during last fiscal year due to the pandemic. This one-time change resulted in \$263M less in BIRT receipts collected during Q1 of this fiscal year. However, several other taxes showed signs of recovery, and the overall decline in revenue receipts was only \$194M (-16 percent) in FY22 Q1 relative to FY21 Q1.
- Cash spending for the General Fund totaled \$1,200M in FY22 Q1, a \$91M (+8 percent) increase relative to the same quarter in FY21. The City projects annual FY22 cash spending to exceed all prior years, with anticipated General Fund expenditures totaling \$5,265M.
- The Consolidated Cash fund is projected to end the fiscal year with a historically high balance of \$2,431M. The City anticipates an unprecedented year-end balance of \$1,149M for the Grants Fund, while the General Fund balance is expected to decline by \$183M from FY21.

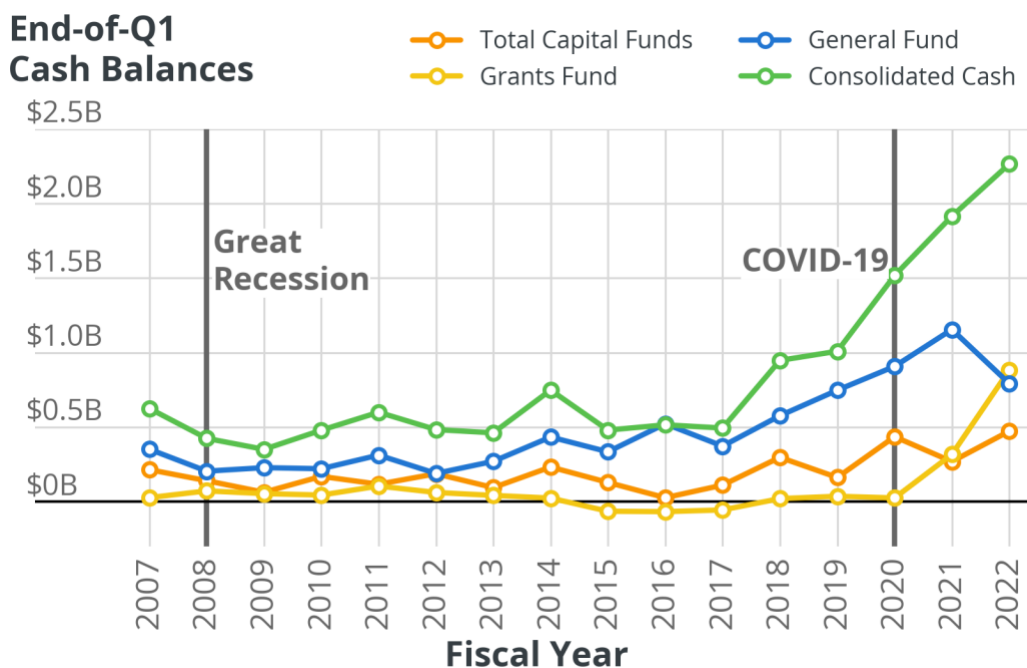
## Cash Balances

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.

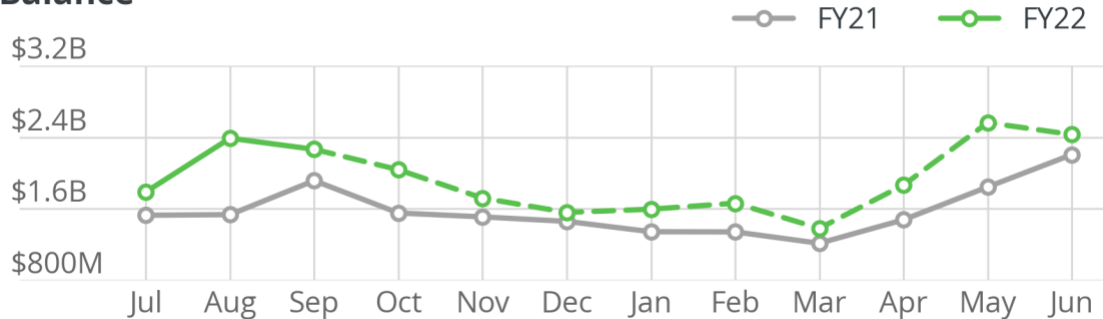
The Consolidated Cash balance at the end of FY22 Q1 was \$2,266M, an increase from \$1,916M at the end of FY21 Q1. This year-over-year growth was largely driven by an increase in the Grants Fund balance, which grew from \$317M in FY21 Q1 to \$882M in FY22 Q1. This increase reflects the influx of federal COVID-19 relief funding, including the first half of the City's \$1.4B allocation from the American Rescue Plan (ARP) during the second half of FY21.



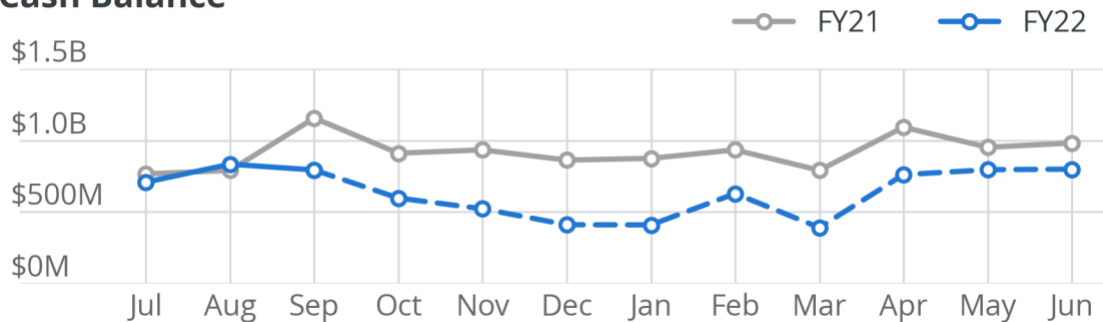
The General Fund balance decreased from a high of \$1,155M in FY21 Q1 to \$793M in FY22 Q1 (a \$363M decrease). Most of this decline is due to the City's issuance of a \$300M Tax and Revenue Anticipation Note (TRAN) during FY21 Q1, which boosted the cash fund balance relative to this fiscal year when no such borrowing was made. The Capital Fund balance increased from \$267M in FY21 Q1 to \$473M in FY22 Q1. This \$204M year-over-year increase in the Capital Fund balance is due to the issuance of \$295M in bond proceeds for capital projects during the first quarter of FY22.

The City is currently projecting a historically high fiscal-year-end Consolidated Cash balance of \$2,431M, a \$224M increase from the year-end cash balance of FY21. This is due to higher projections for the year-end cash balances for the Grants Fund (\$1,149M in FY22 vs. \$950M in FY21) and Capital Fund (\$391M in FY22 vs. \$147M in FY21). The General Fund is projected to end the fiscal year with a balance of \$799M, a decline of \$183M relative to the ending balance in FY21.

### Consolidated Cash Balance



### General Fund Cash Balance



*Note: Projections beyond FY22 Q1 shown as a dashed line*

### 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.

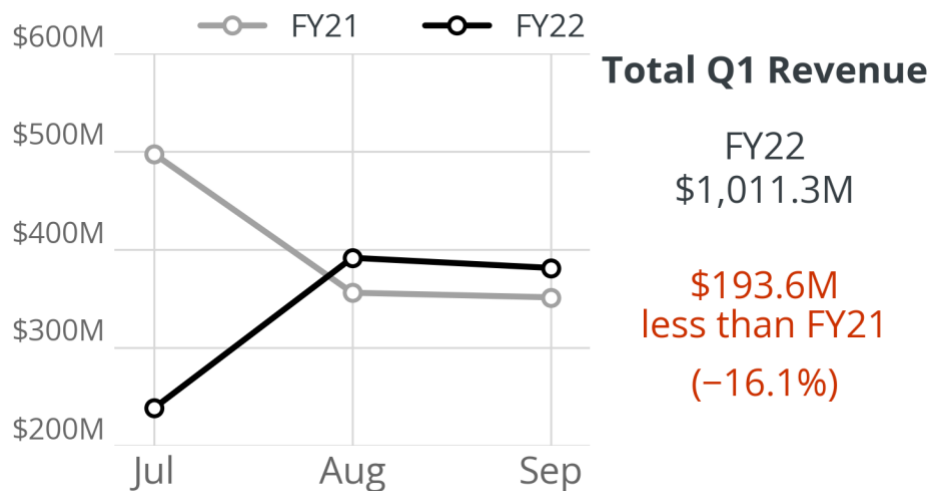


## Cash Revenues

As seen in the chart below, General Fund cash receipts totaled \$1,011M in FY22 Q1, a \$194M (16 percent) decrease relative to FY21 Q1. One reason for the lower revenues is the pandemic-related shift in the BIRT collection date from FY20 Q4 to FY21 Q1, resulting in unusually high BIRT revenues in FY21 Q1. BIRT revenue totaled \$50M in FY22 Q1, a \$263M decrease from FY21 Q1, but more in line with pre-pandemic BIRT revenues for the first quarter. Year-over-year losses were realized in collections for the Wage Tax (-\$44M), the Realty Transfer Tax (-\$21M), and the Real Estate Tax (-\$9M).

The City's other tax revenue streams showed signs of growth in FY22 Q1 relative to FY21 Q1, suggesting that the City's revenue sources might be experiencing recovery from the economic impacts of the pandemic. These improved collections include the Sales tax (+\$16M), the Parking Tax (+\$11M), the Amusement Tax (\$8.6M), and the Beverage tax (+\$3.0M). There were also significant increases to non-tax revenue (+\$21M), driven partially by additional reimbursement opportunities for health services provided by the Public Health department, as well as a higher-than-expected volume of construction permits issues issued by the Licenses and Inspections department.

### General Fund Cash Revenue in FY22 Q1 vs. FY21 Q1



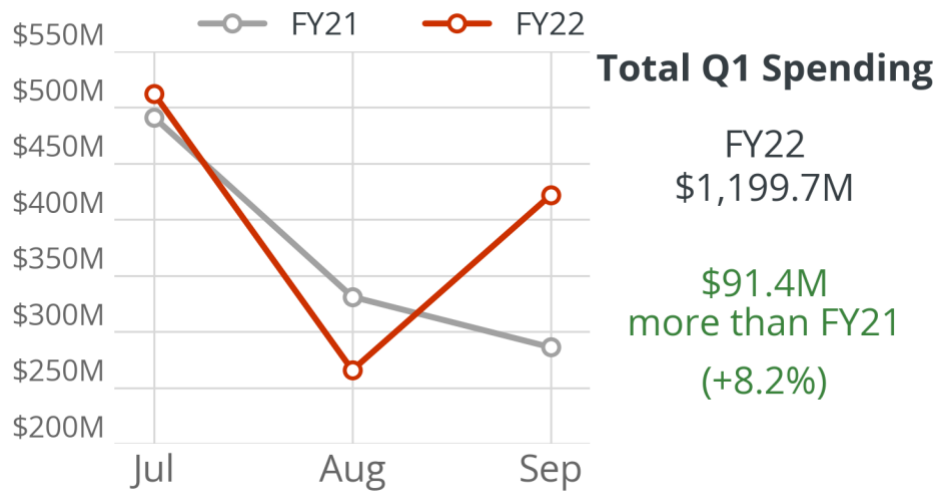
The City currently projects an annual total of \$5,083M in cash receipts for the General Fund in FY21, a \$169M increase relative to FY21. BIRT tax collections are projected to fall \$278M below prior year collections due to the extra payments in FY21. Other tax revenue streams projected to decline from FY21 are the Realty Transfer Tax (-\$16M) and the Real Estate Tax (-\$13M). The City anticipates a large year-over-year increase in interfund transfers (+\$215M) due to higher levels of funding from the American Rescue Plan that will be transferred from the Grants to the General

Fund. Additionally, the City projects increased funds from other governments (+\$81M), the Parking and Amusement Taxes (+\$31M), non-tax revenue sources (+\$30M), the Sales Tax (+\$19M), the Wage Tax (+\$9M), and the Beverage Tax (+\$7M).

### Cash Spending

Cash spending for the General Fund totaled \$1,200M in FY21 Q1, a \$91M (8 percent) increase compared to the same quarter in FY21. Most of this increase is due to additional spending on contributions/indemnities (+\$55M), employee benefits (+\$25M), contracts and leases (+\$23M), and payroll (+\$6M). There were year-over-year decreases in spending on prior year contracts (-\$14M) and pension payments (-\$6M).

#### General Fund Cash Spending in FY22 Q1 vs. FY21 Q1



General Fund cash spending is projected to total \$5,265M in FY22, more than any prior year and \$575M more than FY21. The City anticipates payments to labor obligations will increase by \$119M from FY21 due to increased costs of new and pending labor union contracts. Annual expenditures are expected to increase across all spending areas in FY22 compared to FY21, including payroll (+\$114M), pension (+\$107M), contracts and leases (+\$77M), prior year payments (+\$53M), employee benefits (+\$44M), materials and equipment (+\$42M), contributions/indemnities (+\$16M), and debt services (+\$14M). Total cash spending for FY22 is projected to outpace General Fund cash revenues by \$183M.

It should be noted that the City's Q1 projections tend to overestimate fiscal year cash spending and underestimate cash revenues. Since FY07, the only years when the actual end-of-year General Fund balance was lower than the Q1 projection occurred during unprecedented economic crises: the Great Recession and the first year of the COVID-19 pandemic. As seen in the chart below, the Q1 projections from FY21 are an outlier, with initial projections falling far below

year-end actuals due to the unanticipated influx of federal COVID-19 relief funding. In all other years, actual end-of-year General Fund balances have fallen significantly above Q1 projections, due to over-projections of spending and under-projections of revenues. As the economy recovers from the effects of the COVID-19 pandemic, the Controller's Office will continue to monitor the City's finances and projections throughout this fiscal year.

## Year-End Cash Balances: Actual vs. the Q1 Projection

