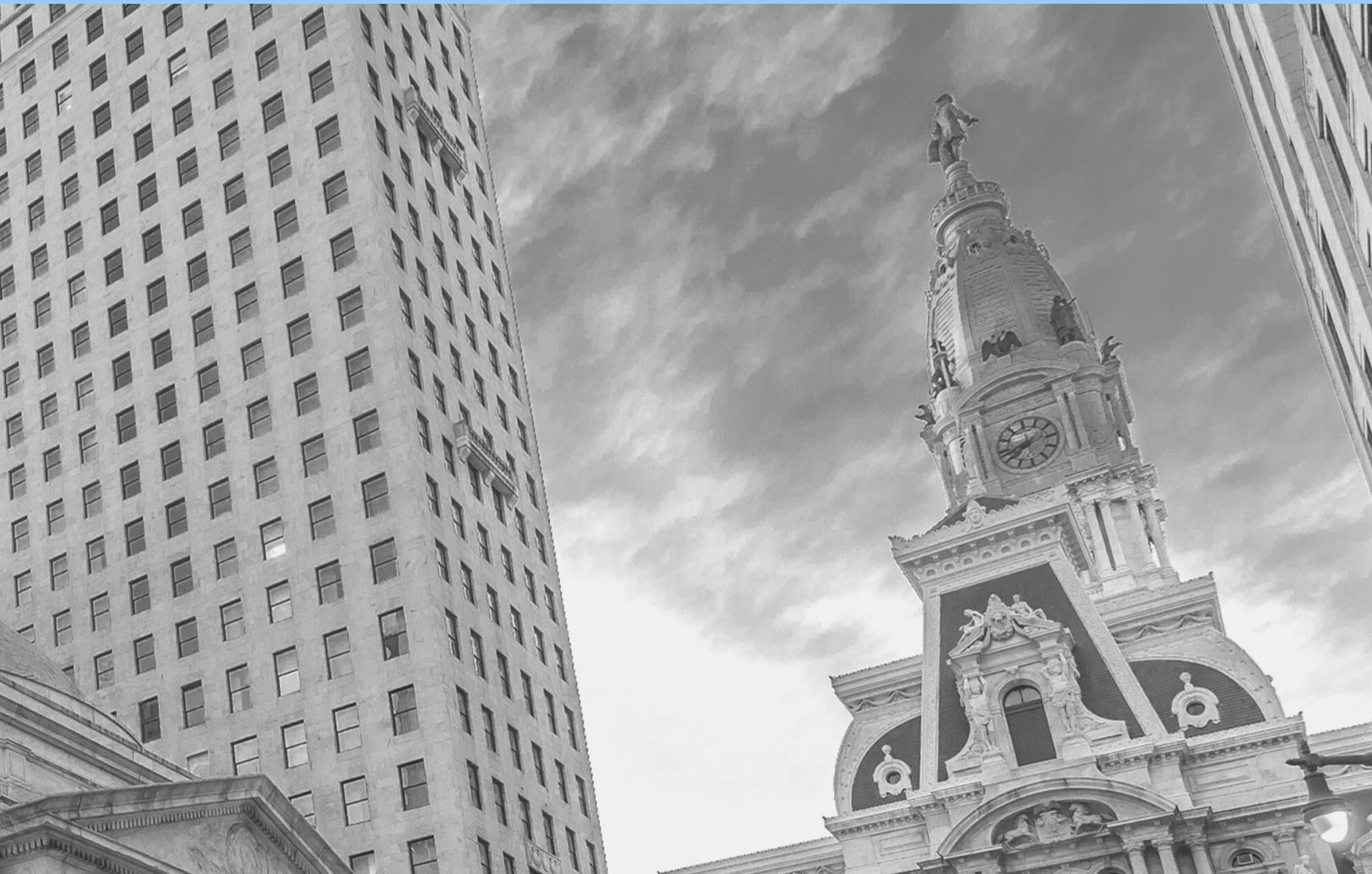


Cash Report: Fiscal Year 2022 Q2



City Controller
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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 second quarter of fiscal year 2022 (FY22 Q2), 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 Q2. All data used in this report is taken directly from the City's QCMRs. The QCMR for FY22 Q2 is available [here](#).

Key Takeaways

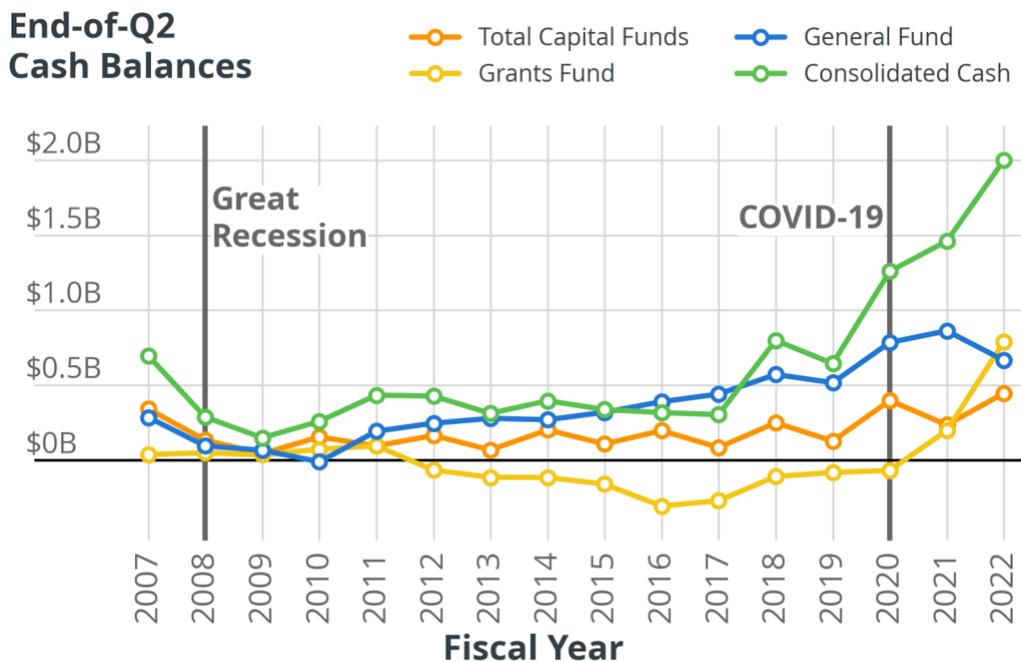
- Boosted by federal American Rescue Plan funds, the Grants Fund ended FY22 Q2 at a historic high with a balance of \$788M. This balance, in addition to an increase in the Capital Fund balance, contributed to the Consolidated Cash account ending FY22 Q2 with a balance of \$2,000M.
- General Fund cash revenue totaled \$987M in FY22 Q2, an \$89M (+10 percent) increase over FY21 Q2. This increase is largely attributable to increased collections for the City's Wage Tax and Business Income Receipts Tax (BIRT), rather than American Rescue Plan (ARP) funds. The City has not yet transferred ARP funds from the Grants Fund to the General Fund since receiving these funds in FY21 Q4.
- Cash spending for the General Fund totaled \$1,115M in FY22 Q2. This is a \$76M (-6 percent) decrease relative FY21 Q2 due to changes in the timing of expenditures between quarters. The City projects annual FY22 cash spending to exceed all prior years, with anticipated General Fund expenditures totaling \$5,239M.
- The Consolidated Cash fund is projected to end the fiscal year with a historically high balance of \$2,577M, while the General Fund balance is expected to decline by \$93M from FY21. The City is set to receive the remaining \$700M from the American Rescue Plan in May 2022 and is projecting a year-end Grants Fund balance of \$1,199M.

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 Q2 was \$2,000M, an increase from \$1,460M at the end of FY21 Q2. This year-over-year growth was largely driven by an increase in the Grants Fund balance, which grew from \$197M in FY21 Q2 to \$788M in FY22 Q2. This increase reflects the influx of federal COVID-19 relief funding, including the first half of the City's \$1.4B allocation from the ARP during FY21 Q4.

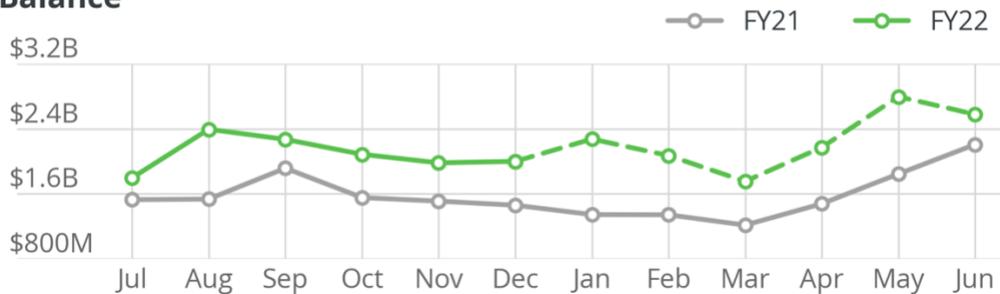


The General Fund balance decreased from a high of \$862M in FY21 Q2 to \$665M in FY22 Q2 (a \$197M decrease). Most of this decline is due to the City's issuance of a \$300M Tax and Revenue Anticipation Note during FY21 Q1. This short-term borrowing boosted the cash fund balance relative to FY22 when no such borrowing was made. The Capital Fund balance increased from

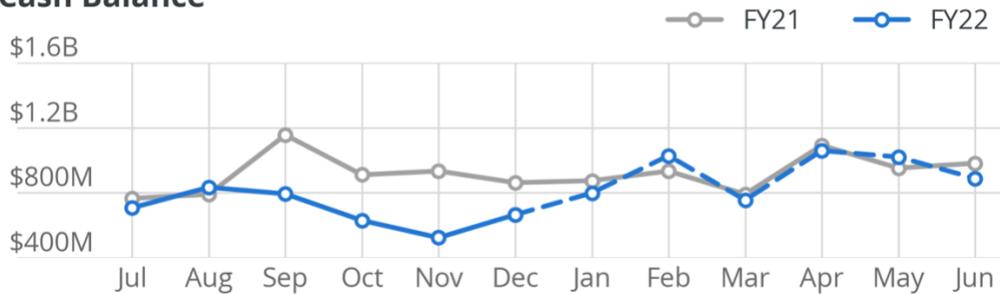
\$235M in FY21 Q2 to \$445M in FY22 Q2 following the issuance of \$295M in bond proceeds for capital projects during the first quarter of FY22.

The City is currently projecting a historically high fiscal-year-end Consolidated Cash balance of \$2,577M, a \$371M 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 (\$1,199M in FY22 vs. \$950M in FY21) and Capital Fund (\$385M in FY22 vs. \$147M in FY21). The General Fund is projected to end the fiscal year with a balance of \$888M, a decline of \$93M relative to the ending balance in FY21.

Consolidated Cash Balance



General Fund Cash Balance



Note: Projections beyond FY22 Q2 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.

FY22 Q2 Totals

General Fund cash receipts totaled \$987M in FY22 Q2, an \$89M (+10 percent) increase relative to FY21 Q2. This growth is part of an upward trend in collections across most of the City’s major tax streams in recent months, the result of the city’s ongoing recovery from the impacts of the COVID-19 pandemic. This trend was particularly positive in FY22 Q2, with all of the City’s tax revenue streams showing signs of growth compared to FY21 Q2. The \$89M year-over-year increase was largely driven by increased collections for the Wage Tax (+\$46M), BIRT (+\$46M), and the Realty Transfer Tax (+\$23M). There were also notable increases to the City’s non-tax revenue (+\$14M), the Parking Tax (+\$9M), the Sales Tax (+\$7M), the Real Estate Tax (+\$6M), and the Amusement Tax (+\$4M).

Cash spending for the General Fund totaled \$1,115M in FY22 Q2, a \$76M (6 percent) decrease compared to the same quarter in FY21. This decline is largely the result of differences in the timing of expenditures between quarters, particularly for the categories with the two largest decreases, contributions (-\$47M) and payroll (-\$42M). Other spending categories had only modest changes relative to FY21 Q2: contracts and leases (-\$6M), prior year payments (+\$13M), debt service (+\$2M), and materials and equipment (+\$2M).

Cash Revenue



Cash Spending



Projected FY22 Annual Totals

The City currently projects an annual total of \$5,146M in cash receipts for the General Fund in FY22, a \$232M increase relative to FY21 and a \$63M increase from last quarter’s projections. The City anticipates transferring more COVID-19 relief funding from the Grants to the General Fund in FY22, resulting in a large year-over-year increase in interfund transfers (+\$215M). Additionally, several revenue streams are projected to have year-over-year increases in FY22, including the Parking and Amusement Taxes (+\$67M), the Sales Tax (+\$50M), non-tax revenues (+\$31M), the Wage Tax (+\$24M), and the Beverage Tax (+\$9M). These increases are partially offset by a year-

over-year decline in BIRT collections, which are projected to fall \$267M below last year's total due to a double payment of the tax in FY21, the result of a one-time shift in collection dates (from FY20 Q4 to FY21 Q1).

Despite the projected increase in cash receipts, General Fund cash spending is still expected to outpace revenue, totaling \$5,239M in FY22. This annual spending total would be more than any prior year and \$548M (+12 percent) more than FY21. Annual expenditures are expected to increase across all spending areas in FY22 compared to FY21, with the exception of payments to other funds (-\$14M). The largest anticipated increase in cost is payroll spending, which is projected to grow by \$194M (+11 percent) in FY22 compared to FY21. Much of this increase (\$119M) is the result of increased costs from new labor union contracts. The City also expects increased spending on contracts (+109M), pension (+105M), and employee benefits (+\$82M).

Comparison to the Adopted FY22 Budget

The City's updated projections in the FY22 Q2 QCMR reflect some significant changes from the cash flow projections included in the original adopted FY22-FY26 Five Year Plan, which was approved by City Council and Mayor Kenney in June 2021. The City revised down how much of its ARP funding it plans to use in FY22 from \$575M to \$250M (a net revenue decrease of \$325M) and is now planning to use more ARP funds during FY23 and FY24. Despite this change, the City is projecting the General Fund will end FY22 with a cash balance \$59M more than originally expected in the adopted budget. Three things have allowed the City to use less ARP funding while increasing its cash balances: less projected spending, stronger-than-expected tax collections, and higher cash balances at the start of FY22.

First, the City's latest spending projections show a modest \$34M decrease in total cash spending for the General Fund in FY22. Second, the City began FY22 with a General Fund cash balance of \$981M, which is \$220M more than the projection in the adopted budget. And finally, the City has revised its projection for total FY22 tax revenue projection upwards by \$200M. This increase is driven by larger projected collections across all of the City's tax revenue streams, with the largest increases projected for the Sales Tax (+\$53M), Parking and Amusement Taxes (+\$49M), the Wage Tax (+\$38M), BIRT (+\$34M), and the Realty Transfer Tax (+\$18M).

At the end of FY22 Q2, the City had not yet spent any of its ARP allocation, with the entirety of the City's ARP funds remaining in the Grants Fund. By the end of FY22, the City will have received its full \$1.4B ARP allocation and is expecting to have more than \$1.1B left to spend before the end of FY25 Q2. In future cash reports, the Controller's Office will continue to monitor the City's progress in spending its ARP funds and its impact on the City's cash balances.