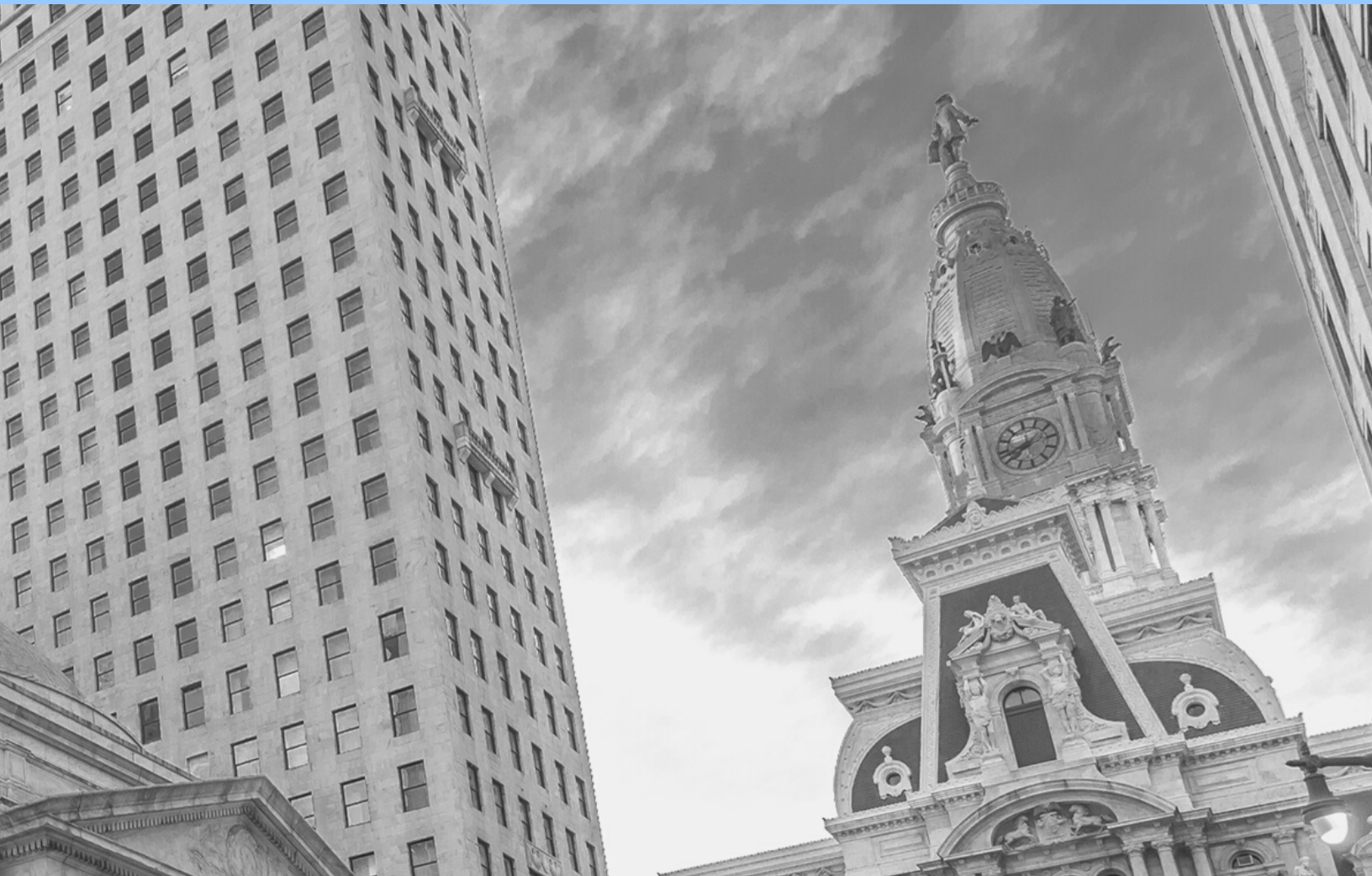


Cash Report: Fiscal Year 2022 Q3



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 third quarter of fiscal year 2022 (FY22 Q3), 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 Q3. All data used in this report is taken directly from the City's QCMRs. The QCMR for FY22 Q3 is available [here](#).

Key Takeaways

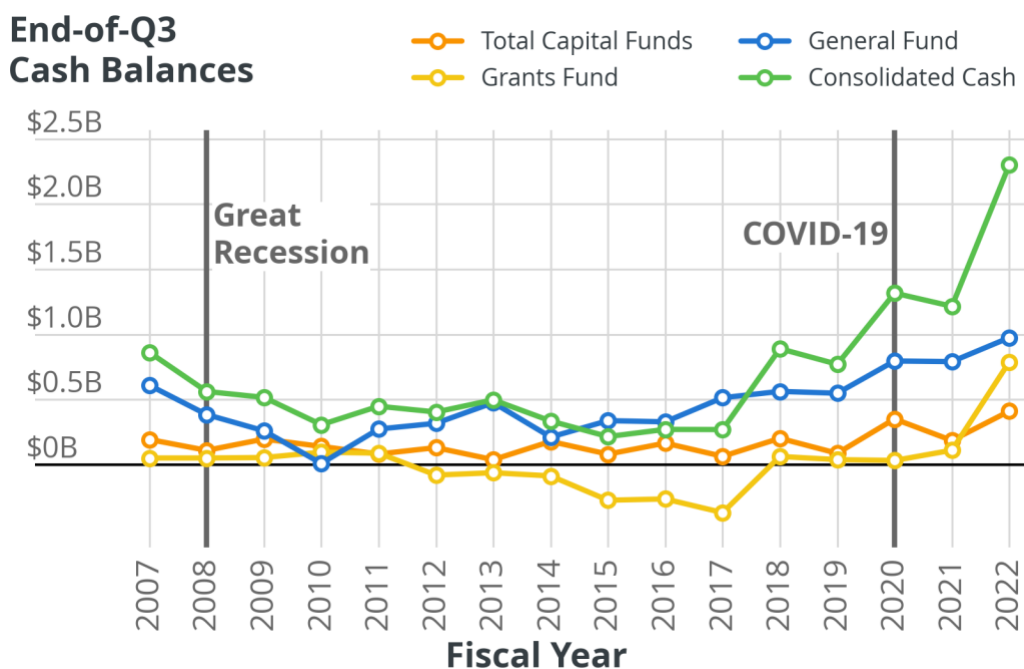
- A combination of better-than-expected tax revenue collections and federal funding received as part of the American Rescue Plan (ARP) have helped to keep the City's cash balances at historic highs.
- In FY22 Q3, cash revenue for the General Fund increased by 34% (+\$486M), boosted by the City's use of \$250M of its \$1.4B in ARP funds. This is the first portion of ARP funding used by the City, and it helped offset a 7.1% (+\$106M) increase in cash spending in FY22 Q3 relative to FY21 Q3.
- The City revised its annual revenue collection totals upwards for the Realty Transfer Tax (+\$176M) and the Business Income and Receipts Tax (+\$83M). Cash revenue is now expected to grow 10% in FY22, while cash spending is projected to increase 13%. This would be the largest annual spending increase since at least FY07.
- The City revised its end-of-year General Fund cash balance upwards by \$192M and is now projecting the highest end-of-year cash balance of all time for the General Fund (\$1.1B).

Cash Balances

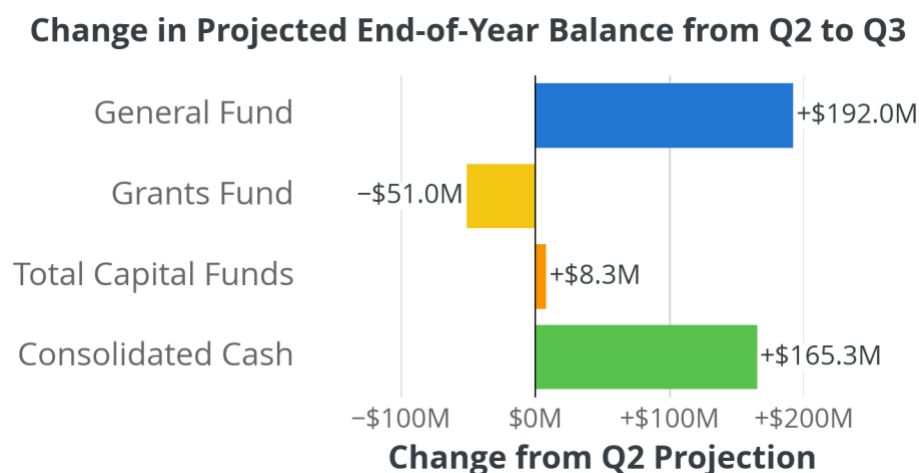
The City publishes the monthly cash balance, actual and projected, for each of its major funds, within the QCMR. For its day-to-day operations, the City pools together the cash balances associated with several funds into a single account, known as the Consolidated Cash account. Three major funds, listed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

As seen in the figure below, the City's cash balances for its three major funds, the General, Grants, and Capital Funds, ended FY22 Q3 at their highest end-of-Q3 levels since at least FY07. The cash balance for the Grants Fund continues to be at an all-time high due to the receipt of the first half of the City's \$1.4B allocation from the American Rescue Plan (ARP) during FY21. The City used its first portion of this funding during FY22 Q3, transferring \$250M to the General Fund. This transfer contributed to the General Fund's historically high end-of-Q3 balance of \$975M. The Capital Fund balance increased from \$186M in FY21 Q3 to \$411M in FY22 Q3 following the issuance of \$295M in bond proceeds for capital projects during the first quarter of FY22. With the high balances for these three funds, the City's combined Consolidated Cash account ended FY22 Q3 with a balance of \$2.3B, about \$1B higher than its previous record high in FY20 Q3.



As discussed in the next section, tax revenue collections, particularly for the Realty Transfer Tax, have exceeded expectations in FY22. With these stronger-than-expected tax revenue collections, the City revised its projected end-of-year General Fund cash balance to \$1.1B, an increase of \$192M. This balance would be the highest end-of-year cash balance ever, and the first time the General Fund's cash balance would end a fiscal year with more than \$1B. If the City had not used \$250M in ARP funds, the end-of-year balance would be \$830M, which would be the fourth time the balance has ended higher than \$800M since FY07.

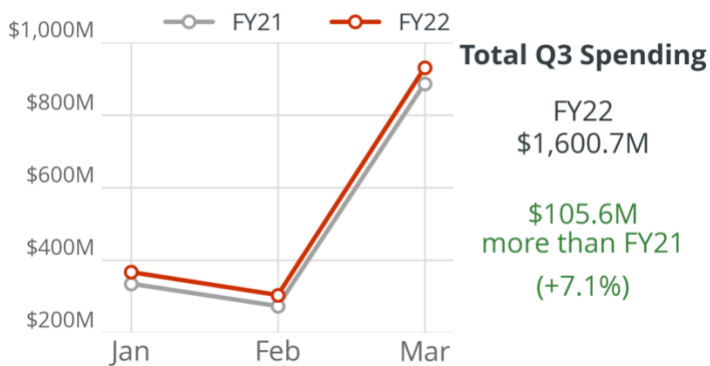


General Fund Revenue/Spending

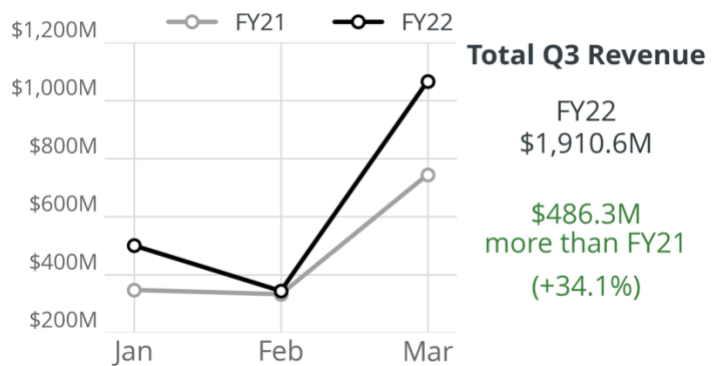
As the principal operating fund for the City, the General Fund's finances offer a unique perspective on the City's current fiscal state. Monthly revenues and expenditures for the General Fund are published as part of the QCMR and offer further insight into the cash position of the City. The majority 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.

Boosted by \$250M in revenue from the ARP, the General Fund's cash revenues outpaced its spending by about \$310M in FY22 Q3. As seen in the charts on the next page, the City's spending level increased by about 7% (+\$106M) relative to the third quarter of last fiscal year, while cash revenue increased by 34% (+\$486M). This revenue increase includes the \$250M in ARP funds — even without this additional federal funding, revenue increased by \$236M (+17%) in the third quarter relative to last fiscal year.

General Fund Cash Spending in FY22 Q3 vs. FY21 Q3



General Fund Cash Revenue in FY22 Q3 vs. FY21 Q3



Record-breaking collections for the Realty Transfer Tax (RTT) helped drive strong growth in General Fund cash receipts during FY22 Q3. As noted in the QCMR, a high volume of real estate sales, combined with processing delays from earlier in the year, have contributed to an unprecedented level of RTT collections in FY22 Q3. RTT collections totaled \$195M during FY22 Q3, \$129M more than the third quarter of last fiscal year and \$108M more than the City's original projections. Collections for two other taxes during FY22 Q3 came in above last quarter's projection as well: the Wage Tax (+\$34M) and BIRT (+\$14M).

With the higher-than-expected revenue totals in FY22 Q3, the City made significant changes to its annual cash revenue projections. Total cash revenue for FY22 was revised upwards by \$259M for a total of \$5.4B, which would represent annual growth of more than 10%. The updated total reflects increases for the fiscal year totals for RTT (+\$176M), BIRT (+\$83M), and Wage Tax (+\$12M) collections.

The City's annual contribution to the Pension Fund in March, totaling \$653M, accounted for about 40% of the total \$1.6B in cash spending in FY22 Q3. Overall, spending increased by \$106M relative to FY21 Q3, driven by additional spending on pensions (+\$121M) and payroll (+\$53M). Last year, the City restructured its debt service on pension-related bonds, which resulted in a one-year reduction in pension spending during FY21 Q3. These spending increases were partially offset by a decline in payments for prior year expenditures. The City spent \$90M less on these payments during FY22 Q3, as a result of a timing difference that shifted these payments into Q4 of this fiscal year.

Overall, the City has revised its projection for annual General Fund cash spending upwards slightly by \$66M for a total of \$5.3B. This would represent a 13% year-over-year increase in cash spending relative to FY21.

Conclusion

With the use of \$250M in ARP funds and better-than-expected tax revenue collections through three quarters of this fiscal year, the City is projecting an increase to the end-of-year General Fund cash balance, with total cash revenue expected to exceed total cash spending by about \$100M. The City anticipates the General Fund will end FY22 with a cash balance of more than \$1B, which would be the highest end-of-year cash balance ever. This historic cash balance would occur despite a projected 13% annual increase in cash spending, which would be the largest spending increase in recent history.

While the pandemic's impact on the local economy continues, economic activity and some tax revenue collections, particularly the City's Realty Transfer Tax, have rebounded so far in FY22. The City is set to receive the second half of its \$1.4B allocation from the ARP during the fourth quarter of FY22. With only \$250M of its ARP funds spent so far, the City will need to spend the remaining \$1.2B by the end of calendar year 2025. This spending will need to be done carefully to avoid creating unsustainable spending levels once the federal funds run out. In future cash reports, the Controller's Office will continue to monitor the City's cash position, including the impact of the federal relief on the City's finances.