

**CITIZEN'S GUIDE
TO
THE PHILADELPHIA BUDGET**
Fourth Edition

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**WHAT'S COVERED IN
THE CITIZENS' GUIDE**

The *Citizens' Guide* is intended to give a short, non-technical introduction to the Philadelphia budget process, and serve as a directory to the city budget documents. Our aim is to help citizens to become better informed so that they can knowledgeably and confidently participate in the budget process.

Budgets are documents that conform to technical legal and accounting standards. In addition, the writing and designing of budgets is the work of finance specialists, who tend to use a technical vocabulary. To help overcome the semantic barriers to a general reader's understanding of the budget, the *Citizens' Guide* defines the most important terms and concepts that are used. The *Citizens' Guide* also explains the format of the budget, how to read the summaries and detail sheets, and where to find information. *Terms defined in the glossary appear in italics in the text.*

After that, the whole inches-thick set of three ordinances and four volumes of information will become less of a mystery, and more of a . . . challenge.

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***WHY THE BUDGET IS
YOUR BUSINESS***

As citizens and taxpayers, we have the right to participate in decisions about how city dollars are spent. The Philadelphia budget is the city's legal spending plan for our tax dollars. The budget indicates a set of priorities for spending. It is important that citizens understand what those priorities are, and to inform their elected officials if they agree or disagree. The budget process in Philadelphia gives citizens an opportunity to be present at all hearings on the budget, and to testify before the City Council themselves. A better understanding of the budget allows the citizen to ask relevant questions and provide meaningful input into the process.

WHAT'S IN THE PHILADELPHIA CITY BUDGET

What are budgets?

Budgets are financial plans. A budget shows both the amount of money that may be spent and the sources of funding to pay for proposed spending. Philadelphia's budgets are legal documents, enacted as local law by action of the City Council and the Mayor. The legal document of the Operating Budget is fairly short--an ordinance that comprises about 45 pages of the City Council *Appendix to the Journal* (contains the full text of some legislation, and documents that are supplementary to legislation). The Capital Budget is some 70 pages, and the Capital Program is 200 pages.

As required by 1991 legislation (discussed later), the city also prepares a five-year financial plan. This document has over 300 pages.

For informational purposes only, the city also provides three thick volumes of information, one an overview of the budget with detail on revenues, and two for expenditures. (A stack of the volumes measures 4 and 1/2 inches, and weighs in at over 10 pounds.) Using these volumes, the reader can trace personnel costs from the smallest level of detail--pay for individual positions--up through the cost of labor for an entire division, department, and finally, city-wide.

The budget documents also show the reader spending by governmental unit (e.g., the Streets Department) and by type of expense (e.g., Personal Services). The budget also permits the reader to compare three year's worth of financial data--last year's actuals, this year's estimates, and the request for the next year. PEL considers the Philadelphia budget detail to be admirably systematic and in many ways superior to the budgets of other large municipalities because the presentation is so much more complete.

By studying the budget documents in detail, readers can judge for themselves how the pieces of the pie have been divided. Priorities and how they have changed over time can be traced by dollar and labor force share.

What city services and functions are included in the budget?

The main branches of the city government are the legislative (City Council), executive (Mayor and administration), and judicial (Municipal and Common Pleas Courts). The city budget tells how much each may spend.

Philadelphia has a mayor-council form of government. The voters elect the Mayor and the 17 members of the legislative body, the City Council. The executive branch is headed by the Mayor, who appoints four principal cabinet members: the managing director, director of finance, city representative, and city solicitor. In turn, they appoint the heads of 14 departments. Several city agencies are headed by boards or commissions. An example is the Fairmount Park Commission. A number of other offices are headed by persons directly elected by the voters. Examples are the City Controller and the Sheriff. In addition, local courts and related agencies, while technically part of the state government, are included in the city budget. In all, there are some 55 different agencies in the Philadelphia city budget.

What the city budget does not include

Philadelphia has two major government units with taxing power: the City and the School District. They have separate budgets. Some governmental functions are also performed by *authorities*, such as the Parking Authority, Housing Authority, and Redevelopment Authority. Like the School District, Philadelphia's authorities adopt their own budgets. Authority budgets, however, do not include tax revenues, since authorities do not have taxing power. Authorities may also be involved in financing some city construction projects, as discussed later in the section on debt limits. (Information on the finances of the school district and some of the authorities is included in the city's financial report, which comes out about six months after the end of the city fiscal year.)

BASICS OF PHILADELPHIA BUDGETING

What is the fiscal year?

Philadelphia's *fiscal year* starts on July 1 and ends June 30. The charter requires Philadelphia to enact its budgets for the next year 30 days before the end of the current fiscal year.

Why are there two city budgets?

Philadelphia has two budgets, the *operating budget* and the *capital budget*. The segregation of information satisfies a sensible charter requirement to separately lay out what will be consumed in a short period of time (operations), and what will be a more long-term investment (capital).

The **capital budget** covers spending for purchases of land and major construction items with useful life of more than five years. The capital budget is supplemented by a *capital program* which shows projects planned for the next six years.

In the capital budget, bond issues may be used to pay for proposed projects, as long as Philadelphia does not exceed its *debt limit* (see "Why's and wherefore's of borrowing"). In addition to city funds, part of the cost of capital projects may be paid from grants from other governments.

The **operating budget** covers the ongoing spending needs of city government, purchases of equipment and construction with life of less than five years, and the interest and principal on debt used to finance the capital budget.

The operating budget must be balanced, that is, estimated revenue must match proposed outgo. Borrowing is not permitted to balance the budget. (See "Why's and wherefore's of borrowing.")

The city also has a five-year financial plan. This is mandated by 1991 legislation establishing the Pennsylvania Intergovernmental Cooperation Authority (PICA). The city must submit a new financial plan to PICA 100 days before the start of the fiscal year. PICA then has 20 days to approve or disapprove the plan

The yearly time frame for budget consideration

Under the charter's timetable, the Mayor presents the proposed budgets 90 days before the end of the fiscal year or by the end of March. But the new PICA requirements have accelerated the timetable. In order that the Mayor can submit an approved budget and plan to PICA 100 days before the end of the fiscal year (March 23), the Mayor must present the proposed budget and plan to Council in the latter part of January. For example, the Mayor presented the proposed FY94 budget to Council on January 21, 1993.

City Council considers the budget, meeting as a Committee of the Whole. The Committee of the Whole has about seven weeks to consider the budgets before it must place the budget bills on "first reading" on the Council "calendar." The voting process provides that bills are to be read aloud, in order to alert the public, and the Council members, that legislation has been placed on the legislative agenda, called the calendar. The Chief Clerk of Council reads the bills at two separate sessions of Council. The Council President verbally acknowledges each bill and agrees to its placement on the calendar.

Usually amendments to bills are made in committee prior to placement on first reading, because time does not permit amendment to take place during Council session. According to the Charter, all bills must "lay over" for five days before final passage, in order to avoid overly hasty enactment. If amendments are to be considered, they must be made in time to provide the five-day layover period before "second reading." "Second reading" and "final passage" of the budget bills is required by the end of May, usually occurring at the last regular Thursday Council session in May (at least 30 days before the start of the new fiscal year on July 1).

Public hearings--When can the public hear and be heard?

About two weeks after the Mayor has presented the proposed budget, the City Council, sitting as the Committee of the Whole, begins public hearings. The term "public hearing" refers to the long-standing practice of ensuring citizens the right to "hear" and "be heard" on pending legislation. A hearing is a tried and true, if not fool-proof, method of preventing secrecy in the decision-making process, along with the requirement that all meeting of Council be open to the public

Hearings are held in the City Council Chamber in City Hall (room 400). The public must be given five days' notice of hearings--advertisements must be placed in the major newspapers. The hearings begin with testimony from administrative departments, and extend throughout the month on a schedule that can be obtained from Council. The Director of Finance and heads of city departments appear to explain their budgets and answer questions of the members of Council. The general public may attend the presentations by city agencies, but may not ask questions. The public has an opportunity to present views on the budget at times which are scheduled throughout the public hearing period. A telephone call to the office of the Council President (215) 686-3424 will enable interested citizens to reserve a place on the schedule for public testimony.

Enactment and amendment

A majority vote of Council is needed for enactment of budgets.

Once a budget bill has been passed by Council, the Mayor has three choices: sign the budget bill as passed, veto the whole bill, or veto or reduce any item. Council may over-ride a veto by a two-thirds vote. In this case, the bill passes, and becomes a legally binding *ordinance* without the Mayor's approval

Once passed, the operating budget cannot be increased except in emergencies (even if more income becomes available than originally estimated). However, amounts appropriated in the budget may be moved around (for example, from one department to another), by amendments to the budget ordinance, known as "transfer ordinances." Each transfer ordinance requires a full legislative hearing process.

Role of PICA

State legislation established the Pennsylvania Intergovernmental Cooperation Authority (PICA) in 1991. The five members of PICA's board are appointed by state officials. In accordance with the act, PICA and the City entered into an intergovernmental cooperation agreement, and the city developed and submitted a five-year plan to PICA for approval. The PICA act provides for the issuance by PICA, at the request of the city, of bonds for deficit reduction and to finance a limited range of capital projects.

PICA has the task of approving the city's financial plan, and then monitoring compliance with the plan. The city must provide quarterly finance reports; if PICA finds a deviation of more than one percent from the plan, the city must provide monthly financial reports.

The income side--What are the main sources of revenue?

The Mayor's estimates of income for the operating budget are legally binding on City Council, and cannot be changed by them legislatively. The city obtains income for the operating budget from three main sources: (1) *taxes*; (2) payments from other governments; and (3) local fees, charges, and other non-tax revenues (see discussion of *funds* below).

In most budget seasons, City Council prepares a bill for each tax, leaving the rate of taxation blank. These bills are introduced so that the rate may be preserved or changed, as determined by Council. The Mayor also submits taxation bills with suggested rates when the need for an increase is foreseen or decreases are proposed. Council must provide adequate tax revenue to pay for the budget, but the members are not bound by the Mayor's specific suggestions. Council may, and does change the rate of taxes at will.

The city of Philadelphia has wide taxing powers. Under a 1932 state law (the Sterling Act), the city has power to tax any item without limit on the tax rate, as long as the state does not tax the same item. If the state does tax an item, the city may also tax the item, but only after obtaining specific permission by state law. An example is taxation of corporate net income by the city as part of the Business Privilege Tax. Before the city could enact this new tax in 1984, the state had to pass a law giving the city permission, because the state already taxes corporate net income. Another example is the 1 percent city sales tax imposed in 1991.

Table 1 shows the taxes imposed by the city in FY93, and estimated income from each. The tax producing the largest revenues by far is the wage tax, with a rate of 4.96 percent on residents and 4.3125 percent on non residents. There is a limitation on city taxing powers: the city cannot increase the wage tax on non residents over 4.3125 percent unless the tax on residents exceeds 5.75 percent. In that event, the rate on non residents is limited to three-quarters of the rate on residents.

Payments from other governments--mainly state and federal, but also local governments--are important revenue elements. Because the state and federal budget cycles do not synchronize with Philadelphia's, the administration must anticipate a level of contribution from the state and federal government in advance of submitting the revenue estimate for the budget to City Council. The Council must accept the Mayor's estimate.

Table 1: Philadelphia City Government Taxes

Tax	Items Taxed	1993 Rate (Percent)	1993 Est. Revenues (Millions)	Percent of Total
Wage & Earnings	Salary, commission	4.96*	\$808.1	52.8
Real Estate	Assessed value of property	3.74	336.0	22.0
Business Privilege	Net income	6.50	203.1	13.3
	Gross receipts total	0.325		
Sales	Items subject to state tax	1.00	80.0	5.2
Real property transfer	Sale price	3.92	42.0	2.7
Parking lot	Gross receipts	15.00	22.7	1.5
Net profits	Unincorporated business profits	4.96	14.6	1.0
Personal property	Specified intangibles	0.40	16.9	1.1
	Admissions	5.00	5.6	0.4
Other	Various		0.3	0.0
Total			\$1,529.3	100.0

* The non-resident rate is 4.3125 percent.

The outgo side--How is it divided up?

The operating budget ordinance *appropriates* moneys (authorizes spending) for the city's 55 governmental units (departments, boards, etc.). Each appropriation for a governmental unit is in the form of *lump sums* that covers various *objects of expense* such as equipment. The budget detail gives additional information about the objects of expense, such as numbers of employees, overtime. Definitions of the objects of expense, and city-wide totals, are found in Table 2.

The largest object of expense by far is personal services, or pay for the "service" of using employee time. The city's "lump-sum" budgeting may be contrasted with *line-item* budgeting which would show, for example, the pay rates of individual classes of employees on separate lines. Before the Home Rule Charter went into effect in 1952, the city budgets appropriated moneys by line items. The Charter eliminated this provision as a way of restraining Council from making management decisions, such as the number of persons to be employed or number of vehicles to purchase.

The Mayor has the responsibility to see that the city does not incur a deficit in its operating budget. If income begins to fall below the estimates, the Mayor has the power to curtail expenditures of city agencies to bring them into line with the developing revenue situation. To do this, mayors have generally put a "freeze" on new hiring and the letting of new contracts.

In the *capital budget*, appropriations are made to city *agencies* for each separate project, such as a park, library, or police station.

Table 2: General Fund Spending by Objects of Expense

Object of Expenditure	1993 Estimated Amount (Millions)	Percent
Personal Services	\$875	38
Employee benefits	417	18
Subtotal	\$1,292	56
Purchase of services	693	30
Debt service	127	6
Contributions, indemnities	68	3
Materials, supplies, equipment	77	3
Payments to other funds; Other	37	2
Subtotal	\$1,002	44
Total	\$2,294	100

* Definitions for the categories in this table are as follows:

Personal services: payroll;

Employee benefits: pensions, employee insurance;

Purchase of services: contracts, leases, rent, payments for care of individuals;

Debt service: interest and principal on loans;

Contributions: city payments to nonprofit agencies or other governments;

Indemnities: payments on claims against city;

Payments to other funds: for example, payment to water fund for water and sewer services for city buildings.

OPERATING BUDGET FUNDS

Philadelphia's operating budget is divided into a number of parts, called *funds*. The present fund structure is based in part on legal requirements for accountability, and on part on judgments by city officials as to a useful way to divide the budget according to customs of *accounting*. Accountability to the public is a major theme in government financial reporting.

"Accounting" is a way of conveniently grouping expenditures so that the reader can judge the relative costs of activities and whether money is spent according to plan.

There are two basic types of funds: the *enterprise funds* and the governmental funds. The enterprise funds are self-supporting, matching expenditures from their own non-tax sources of revenue, such as service charges and fees. Philadelphia has three enterprise funds: the water fund, for the water and sewer functions; the aviation fund for the airport function; and the convention and civic center fund (to be merged into the *General Fund* in FY94).

Most other city functions are financed through what are called "governmental" funds. The basic governmental fund is the *General Fund*. It is financed through taxes, local non-tax revenues, and some payments from the federal, state, or local governments. Other governmental type funds are financed entirely by grants. The funds include the Grants Revenue Fund, the Community Development Fund, the Liquid Fuels Tax Fund, and the Special Gasoline Tax Fund. The only other fund financed from tax revenues is the tiny Hotel Room Rental Tax Fund. Table 3 lists the funds and their income sources in FY92.

Table 3: Revenues of Funds Used in the Philadelphia Operating Budget

Governmental Funds	Fiscal 1992 Revenues* (Millions)			
	Taxes	Local Non-Tax	Other Governments	Total
General Fund	\$1,481	\$98	\$568	\$2,147
Grants Revenue Fund	0	7	184	191
Community Development Fund	0	3	56	59
Special Gasoline Tax Fund	0	1	15	16
County Liquid Fuels Tax Fund	0	0	4	4
Hotel Room Rental Tax Fund	8	0	0	8
Subtotal	\$1,489	\$108	\$828	\$2,425
Enterprise Funds				
Water Fund	0	\$324	\$5	\$329
Aviation Fund	0	109	0	109
Convention & Civic Center	0	9	0	9
Subtotal	\$0	\$441	\$5	\$446
Total, all funds	\$1,489	\$550	\$833	\$2,871

* Excluding inter fund payments.

** Local non-tax revenue include service charges, fines, interest earnings, and sale of property.

***Budget decisions--General
Fund***

A basic budget decision is how to strike the best balance between spending and the local sources of income: taxes or service charges. Such a decision has to be made in setting the level of spending in the General Fund and the enterprise funds. In the budgetary process, the greatest focus of attention is the General Fund, since this fund involves local taxes. There is also much concern on the best way to distribute the available resources among the many functions competing for tax funds.

In order to evaluate the city's priorities in terms of the budget, the citizen will want to know what percentages of the budget are devoted to various programs. (See Table 4.)

Table 4: Functions Included in the General Fund

Function	FY83 Percent Distribution	FY93 Percent Distribution
Crime prevention	15.6	12.9
General management	12.5	12.9
Judicial and prisons	10.7	9.2
Services to property	9.7	9.9
Health	8.6	7.7
General welfare	8.4	13.5
Transportation	5.3	3.4
Culture and recreation	4.2	3.0
Economic development	0.5	1.4
Subtotal	75.4	74.0
Employee benefits (all functions)	16.7	18.7
Debt service (all functions)	7.9	7.3
Subtotal	24.6	26.0
Total	100.0	100.0

Budget decisions--Enterprise funds

Two enterprise funds, the Water Fund and the Aviation Fund, support themselves by means of service charges. Decisions have to be made as to the level of spending and its impact on the level of charges. Under Philadelphia's charter, water and sewer rates are set by the Water Commissioner, not by City Council. Before changing rates, the Water Department holds public hearings, to obtain the views of consumers and others.

Budget decisions--Grant funds

By definition, the various grant funds are financed by moneys from other governments. No decision has to be made during the budget process as to the level of spending for grant funds, since that is determined by the sums available. Spending in these funds is geared to revenues; if revenues are less than estimated, spending is reduced; if revenues are higher for a given program than anticipated, the budget includes "contingent grant funds" (see below), which can be transferred to give spending power.

Contingent grant funds

The Philadelphia Charter does not permit spending to be increased above the legal budget level, even if income is more than estimated. However, the amount of grants which will become available is often not known when the budget is passed. To allow for possible additional grants, Philadelphia's budgets usually include several hundred millions of spending authorization in the grants funds contingent on extra grant moneys coming in.

Mandatory and discretionary expenditures

In making budget decisions, the city's discretion is often severely limited by mandatory items, also referred to as the "structural costs" of government. These include interest and principal payments on outstanding debt, spending mandated by the grantor (if grant funds are involved), and in some cases, spending mandated by court decisions or consent agreements. Pay and benefits of employees may also be set, if the budget is for a year included in a multi-year contract. Therefore, the budget decisions revolve around items which are discretionary, such as numbers of employees, equipment purchases, new programs, and changes in programs

WHY'S AND WHEREFORE'S OF BORROWING

Upon adoption, the city's operating budget must be balanced: estimated revenues equal projected spending, as adjusted for carryover surplus or deficit. Borrowing cannot be used to balance the budget. The reasoning behind this prohibition is to prevent postponing of payment for consumables into future years--the idea is to "pay as you go."

On a temporary basis, the PICA act permits borrowing for operating purposes. In 1992, PICA granted the City \$225 million to fund accumulated deficits through FY92. Also, the PICA act permits funding further operating deficits through the end of 1994. The budget for FY93 included an \$8 million deficit to be funded by a PICA grant, financed by borrowing. To pay the principal and interest on its bonds, PICA receives a portion of the city wage, earnings, and net profits tax.

Borrowing for the Operating Budget: Short-term borrowing

The city regularly borrows to help finance the operating budget, but only on a short-term basis, and only when matching revenues can be anticipated. For example, in November 1992, the city borrowed \$100 million, to be repaid by the following June. This borrowing involved short-term loans to meet cash flow needs. All of the short-term loan is repaid by the end of the budget year.

Borrowing for the Capital Budget: Long-term borrowing

The city pays its share of the cost of capital projects by issuing *bonds*, often with a duration of 25 or more years. In FY92, the city issued \$89 million of bonds for capital projects in the Water Fund. Each year, the Operating Budget includes *debt service*, namely interest and principal payments on the bonds.

The fiscal crisis prevented the City from issuing bonds at advantageous terms in 1992. Therefore, the City asked PICA to provide moneys for some capital projects. PICA has power to finance emergency capital projects or projects necessary to achieve savings and balanced budgets under an approved financial plan.

Constitutional debt limit

The state constitution limits the amount of city debt for capital projects which are tax supported. The limit is 13.5 percent of the previous ten years' assessment of taxable real estate. The purpose of debt limits is to prevent the government from issuing too much debt, unfairly overburdening future taxpayers. Philadelphia, however, is the only local government in Pennsylvania with a debt limit related to the assessment of taxable real estate. All other local governments in Pennsylvania have debt limits tied to some multiple of the government's revenues in recent years.

Of the 13.5 percent limit, the first 3 percent can be authorized by City Council, and the remaining 10.5 percent requires voter approval. Requests for voter approval can appear either on primary or general election ballots. As of 1992, under the 13.5 percent debt limit, the city is able to issue about \$50 million of new tax supported debt annually.

The debt limit does not apply to issuing bonds for self-supporting projects, which are projects which are financed from service charges, rather than taxes. An example of a self-supporting project is a water system improvement, financed from water services charges. Nor does the debt limit apply to debt issued by the various authorities that do not have taxing power, such as the Parking Authority.

Authority debt, however, is widely viewed as a way of getting around the constitutional debt limit for tax supported projects. There are many projects which the city is unable to undertake because they would require more borrowing power than the \$50 million or so now available annually under the debt limit. The technique used currently is to have projects undertaken by an authority which does not have taxing power, and has no legal debt limit. To supply revenue to support the authority's bond issue, the authority negotiates a long-term lease with the city. The lease is payable by the city from General Fund revenue. A project that will use authority funding is the proposed criminal justice center.

WHERE TO FIND BUDGET INFORMATION

The "budget cycle" starts in the fall, when city departments are required to fill out budget request forms to submit to the Director of Finance and the City Planning Commission. Most of the forms have figures for three years: the actual for the year just completed; estimates for the current year, and requests for next year's budget. When the Mayor has decided on a budget to recommend to City Council, the departments are required to prepare forms which conform to the Mayor's budget. These forms are then summarized, compiled, and published in three volumes for use by the City Council in reviewing the proposed budgets. The volumes, which are chock full of figures, are also available to the public. Copies of the volumes can be consulted at the Philadelphia Free Library, main branch, and at several of the neighborhood branch libraries. The volumes are:

The Proposed Operating Budget in Brief

Usually about 100 pages, the Mayor's Operating Budget in Brief is issued at the same time as the presentation of the budget message by the Mayor. It includes a copy of the proposed *appropriation* ordinance, showing how much each department or other agency will be permitted to spend. It also has summaries of the appropriations by major *object of expense* for each fund, and detailed figures on sources of revenues. A later section of this guide explains the main form of the Operating Budget in Brief.

Supporting Detail for the Proposed Operating Budget

Published in two volumes the size of telephone books, the supporting detail is usually available two weeks after the budget message. It has many pages on the proposed spending level for each of the 55 or so departments, boards, and offices that receive city appropriations, as well as similar information on divisions or sections of larger departments. For example, there are pages showing number of employees, payroll divided between full time, part time, and overtime, major contracts and contributions. Two of the forms found in the Supporting Detail are described later in the *Citizens' Guide*.

Proposed Capital Program and Capital Budget

The volume containing the Proposed Capital Program and Capital Budget is prepared by the City Planning Commission. It gives summary figures on capital expenditures by department for each of the six years of the program, and describes each of the proposed capital projects. However, "off-budget" projects that will be financed by leases with authorities or private enterprise are not included in the Capital Program. (See "Why's and Wherefore's of Borrowing.")

What to look for and where to find it

- **Income, outgo, and surplus or deficit?** A city-wide overview of the whole operating budget and fund targets are shown in the Proposed Operating Budget in Brief, summary schedule.
- **Overview of the General Fund?** A summary schedule in the Proposed Operating Budget in Brief gives the basic information.
- **How much money will each tax raise?** Tax yield is shown in a table in the Proposed Operating Budget in Brief.
- **How much income comes from non tax sources?** Details on sources of income are in the Proposed Operating Budget in Brief schedules for each fund.
- **How much is recommended for each department?** The budget bill (formally called the Proposed Appropriation Ordinance) shows the amount recommended for each department. It is reproduced in the Proposed Operating Budget in Brief. To make comparisons of the recommended spending with estimates for the current year, the reader should look in the Supporting Detail, under the various tabbed departmental sections.
- **Spending for divisions of departments?** For larger departments, the Supporting Detail has information on divisions or functions.
- **Number of city employees proposed?** Summary figures are shown in the proposed Operating Budget in Brief. The Supporting Detail has figures for individual departments and divisions, including comparisons with last year and the current year.
- **Size of the payroll?** This is shown city-wide, by fund and by department in the proposed Operating Budget; and by departments and divisions in the Supporting Detail.
- **Overtime pay?** Shown by departments in the Supporting Detail, along with such items as regular pay, shift premium, holiday pay. There are no city-wide summaries of these items.
- **Employee benefits such as pensions and insurance?** Information on benefits can be found on a city-wide basis and fund basis in the Supporting Detail, listed under Director of Finance. These benefits are not shown by department for the General Fund.
- **Equipment Purchases?** Some figures for equipment are shown under individual departments in the Supporting Detail. However, most city vehicle purchases are budgeted in the Office of Fleet Management.
- **Workload Measures?** Only a few of these are shown sporadically in the Supporting Detail for the Operating Budget.

How to read the Summary of Operating Budget

The *statements* in the Operating Budget in Brief that are entitled Summary of Operating Budget--and there is one for each fund--give a concise overview of revenues, expenditures, and balance, once you know the vocabulary. On the facing page, we have reproduced the Summary of Operating Budget for the FY94 General Fund, the most important fund. As you can see, the statement is divided into numbered columns and rows (lines). For convenience, the following explanations of key items are referred to by the numbered line on which they appear. Definitions of most terms are found in the glossary or elsewhere in the *Citizens' Guide*.

- **Lines 1 to 6.** The first six lines list the four major types of revenues, with subtotals and totals. More information on each of these revenues can be found in the supporting schedules in the Operating Budget in Brief.
- **Line 7.** The column 4 of Other Sources shows prior year deficits eliminated through PICA borrowing in FY92. In other years, this line included hoped-for or unusual revenues. Explanations are usually found in the Mayor's budget message.
- **Lines 9 to 21.** Lines lines 9-21 itemize spending, using the technical term *obligations* to describe actual or estimated spending, and *appropriations* for the proposed spending of the budget year. Spending is shown by *objects of expense* (defined in Table 2). To get a sense of spending trends in the city, calculations can be made that permit comparisons of the percentage increases shown in column 9 with actual increases in prior years (columns 4-5).
- **Line 21.** Line 21 shows whether revenues (line 8) are greater or less than total spending (line 20). If revenues exceed spending, there is an operating surplus; otherwise, there is an operating deficit. As a general rule, the fund is in good financial shape if there is an operating surplus, but only if there is not a large carry-over deficit from prior years (as is the case on line 22).
- **Line 22.** Line 22 shows the carryover: the balance at end of the prior year. A deficit is indicated by parentheses.
- **Line 23.** Line 23 lists revenue adjustments made to the prior year balance. If the figure is negative (as in this case, column 5), some items of anticipated revenue did not come in; if positive, additional revenues were obtained or are anticipated.
- **Line 24.** Commitments Canceled means that some of the *encumbrances* for contracts are (or are estimated to be) greater than actually needed at the final billing.
- **Line 29.** The Philadelphia Home Rule Charter requires the city to adopt balanced budgets: the place where the budget must balance is line 29, called "Fund Balance Available for Appropriation June 30." Line 29, not the operating surplus or deficit on line 21, shows us the final fund balance, surplus, or deficit for the year. In most years, the proposed General Fund budget (column 7) shows a zero balance, in accordance with the charter mandate for adoption of balanced budgets. Each budget, however, actually always ends with a surplus or deficit. A small surplus is considered desirable. The ending *fund balance* is calculated by combining the operating surplus (or deficit) with the carry-over from the prior year.

CITY OF PHILADELPHIA

SUMMARY OF OPERATING BUDGET
FISCAL YEARS 1992, 1993, AND 1994

FISCAL 1994 OPERATING BUDGET

(Amounts in Thousands)

FUND		NO.	TABLE						
General		0194	IA						
LINE NO.	ITEM	SUPP. SCHED. NO.	F.Y. 1992	FISCAL 1993		F.Y. 1994		OVER (UNDER) F.Y. 1993	
			ACTUAL	BUDGET	CURRENT ESTIMATE	BUDGET	AMOUNT	%	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
OPERATIONS OF FISCAL YEAR									
REVENUES									
1	Taxes	IA-1	1,481,122	1,541,154	1,529,351	1,594,968	65,617	4.3%	
2	Locally Generated Non-Tax Revenues	IA-2	98,161	123,027	125,555	155,975	30,420	24.2%	
3	Revenue from Other Governments	IA-3	567,549	602,543	607,956	593,289	(14,667)	-2.4%	
4	Sub-Total (1) + (2) + (3)		2,146,832	2,266,724	2,262,862	2,344,232	81,370	3.6%	
5	Revenue from Other Funds of City	IA-4	10,096	12,222	13,783	18,972	5,189	37.6%	
6	Total - Revenue (4) + (5)		2,156,928	2,278,946	2,276,645	2,363,204	86,559	3.8%	
7	Other Sources		153,500	-	-	-	-	-	
8	Total Revenue and Other Sources (6)+(7)		2,310,428	2,278,946	2,276,645	2,363,204	86,559	3.8%	
OBLIGATIONS/APPROPRIATIONS									
9	Personal Services		884,127	879,633	874,996	862,008	(12,988)	-1.5%	
10	Personal Services-Employee Benefits		437,227	404,908	416,661	438,001	21,340	5.1%	
11	Sub-Total Employee Compensation		1,321,354	1,284,541	1,291,657	1,300,009	8,352	0.6%	
12	Purchase of Services		665,036	689,348	693,435	764,343	70,908	10.2%	
13	Materials, Supplies and Equipment		55,089	86,824	76,617	80,651	4,034	5.3%	
14	Contributions, Indemnities, and Taxes		60,180	59,845	67,660	56,473	(11,187)	-16.5%	
15	Debt Service		133,172	134,470	127,032	132,413	5,381	4.2%	
16	Capital Budget Financing		-	-	-	-	-	-	
17	Advances and Miscellaneous Payments		4,900	19,712	18,772	23,685	4,913	26.2%	
18	Sub-Total (11 thru 17)		2,239,731	2,274,740	2,275,173	2,357,574	82,401	3.6%	
19	Payments to Other Funds		15,909	18,706	18,205	21,905	3,700	20.3%	
20	Total - Obligations (18+19)		2,255,640	2,293,446	2,293,378	2,379,479	86,101	3.8%	
21	Oper.Surplus (Deficit) for Fiscal Year (8-20)		54,788	(14,500)	(16,733)	(16,275)	458	-2.7%	
OPERATIONS IN RESPECT TO									
PRIOR FISCAL YEARS									
22	Fund Balance Available for Appropriation June 30 of Prior Fiscal Year		(153,474)	0	* 0	0	0	N.A.	
Adjustments to Prior Fiscal Years Operations:									
23	Revenue Adjustments - Net		1,452	(4,000)	(4,000)	(2,000)	2,000	-50.0%	
24	Commitments Cancelled - Net		20,719	18,500	20,733	20,000	(733)	-3.5%	
25	Other Adjustments - Net		5,105	-	-	-	-	-	
26	Sub-Total Net Adjustments (23+24+25)		27,276	14,500	16,733	18,000	1,267	7.6%	
27	Adjusted Fund Balance June 30 of Prior Fiscal Year (22)+(26)		(126,198)	14,500	16,733	18,000	1,267	7.6%	
28	Residual Equity Transfer		-	-	-	-	-	-	
29	Fund Balance Available for Appropriation June 30 (21)+(27)+(28)		* (71,410)	0	0	1,725	1,725	N.A.	

***Departmental Summary by
Fund
(Supporting Detail)***

The Supporting Detail for the Operating Budget contains *schedules* like the one on the facing page. There is a schedule for each major agency (department, board, office) which receives an appropriation. Similar information for smaller agencies is shown in a form called "Division Summary" described later.

The Supporting Detail for the Operating Budget allows you to compare the proposed budget with actual spending of last year and the estimated spending of the current year. Figures are shown for the major *objects of expense* which were explained earlier (Table 2). Details, or *line items*, for each of these major categories, are contained in other *schedules* of the supporting detail.

A few cautions are in order in comparing major objects of expense from year to year:

- The "Materials and Supplies" category may not be precisely the same over many years, since the city's budgeting practices have changed. Formerly, for example, motor vehicle fuel was included under Materials and Supplies in the budget of each department operating motor vehicles; more recently, this is shown in the Office of Fleet Management.
- The "Equipment" category does not show cost of all equipment used by the department, since major vehicles are shown in the Office of Fleet Management.
- In most years, only contributions are included under the heading "Contributions, etc." The figures, however, may include indemnities (city payments to those who have claims against the city) as they do for actual obligations (but not for budget years, when indemnities for all agencies are shown under the Director of Finance).
- "Fringe Benefits" (city payments for pensions and employee insurance) are shown for grants funds, but not for the General Fund. All fringe benefits for the General Fund are shown in the budget of the Director of Finance.

This schedule from the Supporting Detail for the Operating Budget also illustrates that a department may receive spending authorizations from more than one fund. However, moneys from one fund cannot be mingled with another; the department must account for expenditures separately.

CITY OF PHILADELPHIA

DEPARTMENTAL SUMMARY BY FUND

FISCAL 1994 OPERATING BUDGET

DEPARTMENT								NO.
STREETS DEPARTMENT								12
NO. (1)	FUND (2)	CLASS (3)	DESCRIPTION (4)	FISCAL 1992 ACTUAL OBLIGATIONS (5)	FISCAL 1993 ORIGINAL APPROPRIATION (6)	FISCAL 1993 ESTIMATED OBLIGATIONS (7)	FISCAL 1994 OBLIGATION LEVEL (8)	INCREASE OR DECREASE (9)
01	GENERAL	100	Employee Compensation					
		a)	Personal Services	69,499,649	67,466,300	64,507,797	58,223,994	(6,283,803)
		b)	Fringe Benefits					
		200	Purchase of Services	83,550,301	88,752,037	85,987,318	86,776,156	788,838
		300	Materials and Supplies	5,498,371	6,482,474	6,488,474	2,140,403	(4,348,071)
		400	Equipment	132,002	273,169	267,169	262,419	(4,750)
		500	Contributions, etc.	6,249,428	26,125	26,125	25,671	(454)
		800	Payments to Other Funds					
			TOTAL	164,929,751	163,000,105	157,276,883	147,428,643	(9,848,240)
04	COUNTY LIQUID FUELS TAX	100	Employee Compensation					
		a)	Personal Services	3,799,997	3,800,000	3,800,000	3,800,000	
		b)	Fringe Benefits					
		200	Purchase of Services	420,000	1,940,000	1,340,000	1,200,000	(140,000)
		300	Materials and Supplies					
		400	Equipment					
		500	Contributions, etc.					
	800	Payments to Other Funds	16,000	16,000	15,000	15,000		
			TOTAL	4,235,997	5,756,000	5,155,000	5,015,000	(140,000)
05	SPECIAL GASOLINE TAX	100	Employee Compensation					
		a)	Personal Services	6,239,000	6,239,000	12,021,172	11,351,972	(669,200)
		b)	Fringe Benefits					
		200	Purchase of Services	5,457,270	7,833,658	2,051,486	2,051,486	
		300	Materials and Supplies	3,302,120	3,913,550	3,377,892	2,964,092	(413,800)
		400	Equipment	26,196	86,450	36,108	36,108	
		500	Contributions, etc.					
	800	Payments to Other Funds	31,195	33,342	31,342	31,342		
			TOTAL	15,055,781	18,106,000	17,518,000	16,435,000	(1,083,000)
08	GRANTS REVENUE	100	Employee Compensation					
		a)	Personal Services					
		b)	Fringe Benefits					
		200	Purchase of Services		1,000,000	345,710	371,170	25,460
		300	Materials and Supplies					
		400	Equipment	839,270		30,000	3,000,000	2,970,000
		500	Contributions, etc.					
	800	Payments to Other Funds						
			TOTAL	839,270	1,000,000	375,710	3,371,170	2,995,460
10	COMMUNITY DEVELOPMENT	100	Employee Compensation					
		a)	Personal Services	61,442	61,000	61,000		(61,000)
		b)	Fringe Benefits					
		200	Purchase of Services					
		300	Materials and Supplies					
		400	Equipment					
		500	Contributions, etc.					
	800	Payments to Other Funds						
			TOTAL	61,442	61,000	61,000		(61,000)
	DEPARTMENTAL TOTAL ALL FUNDS	100	Employee Compensation					
		a)	Personal Services	79,600,088	77,566,300	80,389,969	73,375,966	(7,014,003)
		b)	Fringe Benefits					
		200	Purchase of Services	89,427,571	98,525,695	89,378,804	90,027,642	648,838
		300	Materials and Supplies	8,800,491	11,396,024	10,212,076	5,475,665	(4,736,411)
		400	Equipment	997,468	359,619	333,277	3,298,527	2,965,250
		500	Contributions, etc.	6,249,428	26,125	26,125	25,671	(454)
	800	Payments to Other Funds	47,195	49,342	46,342	46,342		
			TOTAL	185,122,241	187,923,105	180,386,593	172,249,813	(8,136,780)

*Division Summary
(Supporting Detail)*

This schedule is included for smaller departments or agencies which receive all of their appropriations from only one fund, as well as for divisions of larger departments.

A narrative statement on mission of the agency precedes the summary of spending by objects of expense. The same cautions about year-to-year comparisons apply to this form as to the Departmental Summary discussed above.

Details on line items for each of the major objects of expense are contained in other schedules of the supporting detail.

This form also has spaces (not filled in) for "indirect costs," such as employee benefits, utilities, and rents. Only direct costs are appropriated to the division or department; indirect costs are appropriated to other departments, such as Finance (employee benefits) and Public Property (utilities and rents). The purpose of showing the indirect costs is to provide an estimate of the total cost of carrying out the activities of the division.

At the bottom, this form has figures on numbers of employees; more details on numbers of classes of positions are in other schedules.

CITY OF PHILADELPHIA

DIVISION SUMMARY

FISCAL 1994 OPERATING BUDGET

DEPARTMENT STREETS	NO. 12	DIVISION ENGINEERING DESIGNS AND SURVEYS	NO. 11
PROGRAM TRANSPORTATION	NO. 02	FUND GENERAL	NO. 01

MAJOR OBJECTIVES

This Division is designated by City Charter to design city streets, highways, bridge tunnels, roads and drives in Fairmount Park; perform all surveying functions of the City, furnishing lines and grade of all kinds; prepare maps, plans, and other land records of real property; maintain all road records and street opening data; exercise powers and perform duties imposed on the Board of Surveyors by statute and ordinance; coordinate City-State highway program including preparation of long range joint City-State Program.

SUMMARY OF DIRECT COSTS

CLASS (1)	DESCRIPTION (2)	FISCAL 1992 ACTUAL OBLIGATIONS (3)	FISCAL 1993 ORIGINAL APPROPRIATION (4)	FISCAL 1993 ESTIMATED OBLIGATIONS (5)	FISCAL 1994 OBLIGATION LEVEL (6)	INCREASE OR (DECREASE) (7)
100	EMPLOYEE COMPENSATION					
a)	PERSONAL SERVICES	4,471,728	4,617,914	4,727,892	4,451,774	(276,118)
b)	FRINGE BENEFITS					
200	PURCHASE OF SERVICES	15,851	20,604	20,604	20,604	
300	MATERIALS AND SUPPLIES	37,989	31,737	43,737	43,725	(12)
400	EQUIPMENT	19,702	27,117	15,117	15,117	
500	CONTRIBUTIONS, INDEMNITIES AND TAXES		160	160		(160)
700	DEBT SERVICE					
800	PAYMENTS TO OTHER FUNDS					
900	ADVANCES AND OTHER MISC. PAYMENTS					
	SUB-TOTAL DIRECT COSTS	4,545,270	4,697,532	4,807,510	4,531,220	(276,290)

SUMMARY OF INDIRECT COSTS

CLASS (1)	DESCRIPTION (2)	FISCAL 1992 ACTUAL OBLIGATIONS (3)	FISCAL 1993 ORIGINAL APPROPRIATION (4)	FISCAL 1993 ESTIMATED OBLIGATIONS (5)	FISCAL 1994 OBLIGATION LEVEL (6)	INCREASE OR (DECREASE) (7)
193,194,195	EMP. WELFARE(HLTH./MED./LIFE INS./LEGAL)					
191	PENSIONS					
189,192	F.I.C.A.					
186	FLEX CASH PAYMENTS					
151,167,168	EMPLOYEE DISABILITY					
200	UTILITIES: GAS, STEAM, ELECTRIC					
200	TELEPHONES AND COMMUNICATION					
210	POSTAL SERVICES					
240	ADVERTISING					
285	RENTS					
	OTHER -					
	SUB-TOTAL INDIRECT COSTS					
	TOTAL - ALL COSTS	4,545,270	4,697,532	4,807,510	4,531,220	(276,290)

SUMMARY OF POSITIONS

CODE (1)	CATEGORY (2)	FISCAL 1993 APPROVED POS. (4)	INCREMENT RUN (5)	FISCAL 1994 APPROVED POS. (6)	INC. (DECR.) COL(6) - COL(5) (7)
101	FULL - TIME	137	124	133	9
111	PART - TIME				
	TOTAL	137	124	133	9

SUMMARY OF FISCAL TRENDS

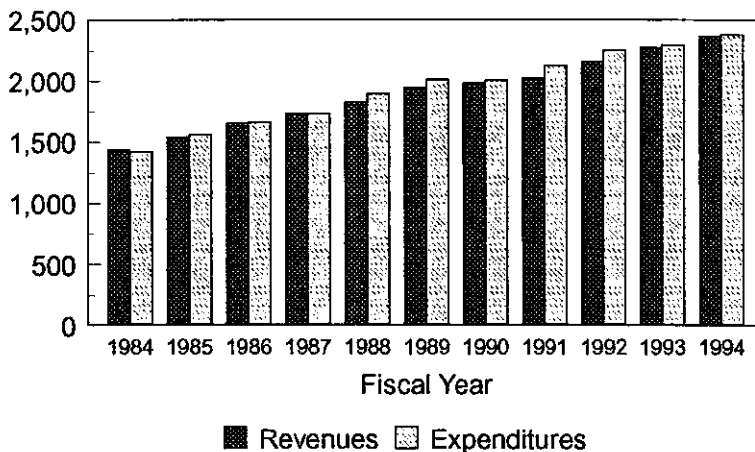
To put a proposed budget into perspective, the reader should consider fiscal trends like those presented on the following pages. We have provided charts that display fiscal trends from 1984 to the proposal for 1994 (prepared February 1993).

Figure 1 below shows that Philadelphia General Fund expenditures exceeded revenues in all years, excluding FY84. Fiscal Year 1991 had the largest operating deficit in the period, with expenditures exceeding revenues by \$100 million.

Figure 1

General Fund Revenues & Expenditures

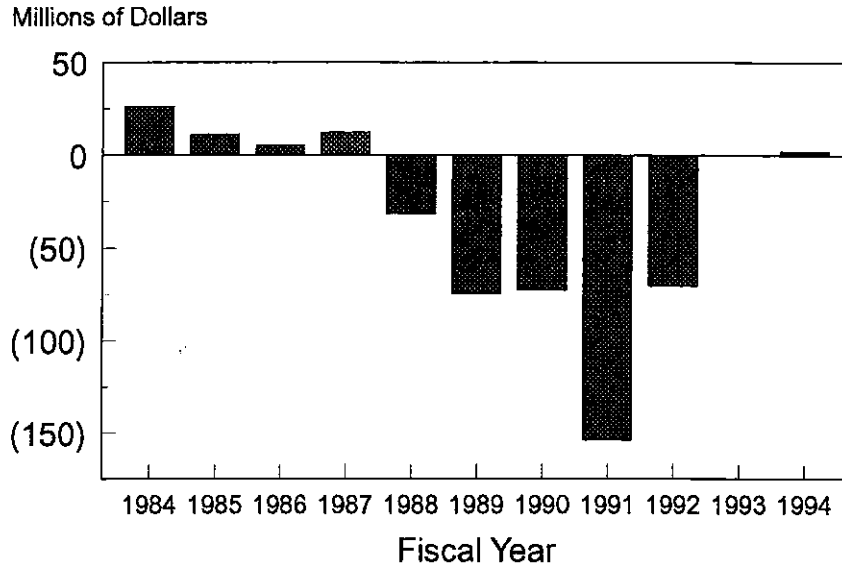
Millions of Dollars



FY93 figures are estimates; FY94 are proposed.

Figure 2

General Fund Year End Balance



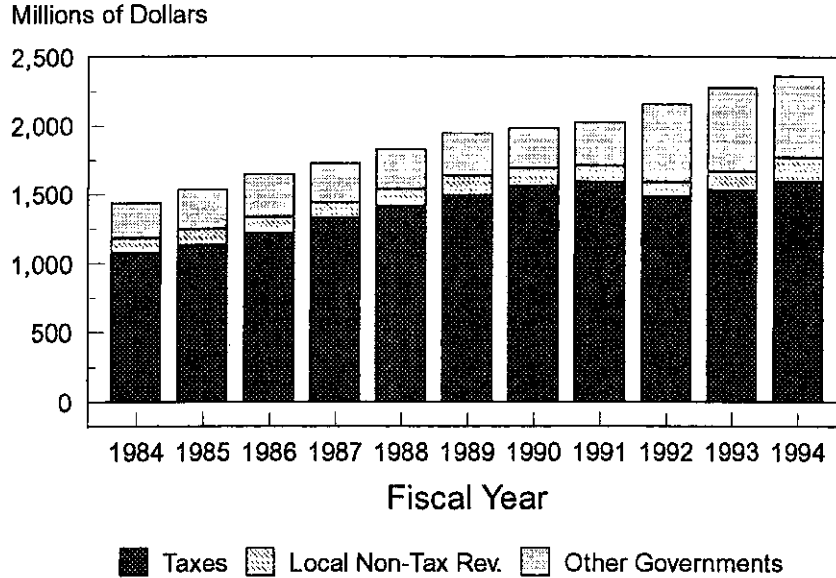
FY93 figures are estimates; FY94 are proposed.

The Philadelphia city charter requires the adoption of balanced budgets; the "balance" is determined by taking into account any surplus or deficit from the prior year, as well as the operating surplus or deficit from the current year.

Figure 2 shows that the General Fund ended in a deficit balance for five consecutive years, FY88 through FY92. In 1992, the cumulative deficit was funded by a \$225 million grant from PICA, supported by borrowing. Thereafter, a turnaround is expected, owing to the provisions of the Five-Year Recovery Plan.

Figure 3

General Fund Revenue Elements



FY93 figures are estimates; FY94 are proposed.

Figure 3 shows that tax revenues, which account for the largest share of general fund revenues, were increasing each year, until they dropped suddenly in FY92. The reason is that a portion of the wage, earnings, and net profits tax is paid directly to PICA. After deducting the debt service charge and its own operating costs, PICA pays the remaining amount to the city, where the receipts are classified as payments from other governments. Tax revenues are expected to be rising, though, for FY93 and FY94, at a rate similar to the previous trend.

Revenues from other governments for Fiscal Years 1992 through 1994 more than doubled figures for the preceding eight years, totalling \$600 million in FY93.

Local non-tax revenues (fines, fees, interest earnings, asset sales) are a minor source of income for the city.