

City of Philadelphia



Council of the City of Philadelphia
Office of the Chief Clerk
Room 402, City Hall
Philadelphia

(Resolution No. 180710)

RESOLUTION

Authorizing the Committee on Fiscal Stability and Intergovernmental Cooperation to hold public hearings to examine the financial condition of the City and School District of Philadelphia in light of a recent downgrade of the City's general obligation bond rating, to examine the impact that local control of the School District will have on the City's fiscal condition, and to further explore cost-efficiency and non-tax revenue generating measures that could improve the City's and School District's long-term fiscal health.

WHEREAS, The City of Philadelphia continues to face pressure from credit rating agencies to further decrease unfunded pension liabilities, further increase its fund balance and reserve levels, expand its tax base in a sustainable way, and further strengthen its fiscal management; and

WHEREAS, Earlier this year, the School Reform Commission voted to dissolve itself and return control of the School District of Philadelphia to the City of Philadelphia; and

WHEREAS, Given the challenges associated with regaining local control of the School District, the City needs to be thoroughly informed on how the reconstituted Board of Education will manage the assets, liabilities, revenues and expenditures that will be under its purview; and

WHEREAS, In late March 2018, S&P Global Ratings downgraded the City's general obligation bond rating to A from A+, citing uncertainty on how the City will address its long-term obligations to manage growing costs associated with the City's pensions and the School District of Philadelphia; and

WHEREAS, Absent changes to state law, the School District of Philadelphia will continue to experience fast growth in pension and non-district operating expenses; and

WHEREAS, The City's FY19-23 Five-Year Plan includes approximately \$260 million in federal funding reserves (against the risk of future federal cuts). Although that amount is

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not currently included in the City's projected fund balances, if it remains intact and is therefore restored to the fund balances, under current projections, the City would have a fund balance – expressed as a percentage of expenditures ratio – of over eight percent at the end of FY23. This percentage would be higher than the City's Target but still below the level recommended by the Governmental Accounting Standards Board (GASB); and

WHEREAS, In considering and adopting the City's FY19 budget, Council and the Administration identified cost-efficiency and other non-tax revenue generating measures sufficient to yield more than \$600 million over five years for the School District of Philadelphia. Continued efforts to identify efficiencies can result in further investments, and are vastly preferable to tax increases or reductions in service delivery; and

WHEREAS, Other governments – both state and local – have successfully expanded internal performance reviews with the goals of either increasing efficiency or reducing expenses; and

WHEREAS, Efficiencies pay high dividends across the years: if an efficiency is found in any current fiscal year, the value of improved structural savings can immediately be multiplied by a factor of five, as savings could continue throughout the entirety of each Five-Year Plan; and

WHEREAS, For example, the City of Philadelphia's General Fund is projected to spend approximately \$25 billion over the next five fiscal years; one half of one percent in structural savings would yield approximately \$125 million over five years; and

WHEREAS, Before the City initiates borrowings for Rebuild, and if the School District of Philadelphia is going to initiate additional borrowings to address its capital backlog, the City's credit outlook must be addressed with the goal of improving bond ratings and reducing the cost of future borrowing; and

WHEREAS, It is also important that Council examine actions intended by the Administration – including its Departments, Boards and Commissions – to more effectively produce revenue generating and cost control measures; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That the Committee on Fiscal Stability and Intergovernmental Cooperation is authorized to hold public hearings to examine the financial condition of the City and School District of Philadelphia in light of a recent downgrade of the City's general obligation bond rating, to examine the impact that local control of the School District will have on the City's fiscal condition, and to further explore cost-efficiency and non-tax revenue generating measures that could improve the City's and School District's long-term fiscal health.

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CERTIFICATION: This is a true and correct copy of the original Resolution, Adopted by the Council of the City of Philadelphia on the twenty-first of June, 2018.

Darrell L. Clarke
PRESIDENT OF THE COUNCIL

Michael A. Decker
CHIEF CLERK OF THE COUNCIL

Introduced by: Councilmember Greenlee for Council President Clarke and
Councilmember Henon
Sponsored by: Councilmember Greenlee and Council President Clarke and
Councilmember Henon