

Legislation Details (With Text)

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On agenda:		Final action:			
Title:	Authorizing the committee on Fiscal Stability and Intergovernmental Cooperation to conduct hearings to determine the City of Philadelphia's preparedness for the possibility of an economic recession and the strength of the reserve stabilization funds.				
Sponsors:	Councilmember Gilmore Richardson, Councilmember Quiñones Sánchez, Councilmember Parker, Councilmember Green, Council President Clarke, Councilmember Domb, Councilmember Gym, Councilmember Henon, Councilmember Squilla, Councilmember Oh, Councilmember Bass, Councilmember Johnson				
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Date	Ver.	Action By	Action	Result	Tally
2/25/2020	0	Committee on Fiscal Stability and Intergovernmental Cooperation			
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2/25/2020	0	Committee on Fiscal Stability and Intergovernmental Cooperation			
1/23/2020	0	CITY COUNCIL	Introduced and Ordered Placed on This Week's Final Passage Calendar		
1/23/2020	0	CITY COUNCIL	ADOPTED & REFERRED		

Authorizing the committee on Fiscal Stability and Intergovernmental Cooperation to conduct hearings to determine the City of Philadelphia's preparedness for the possibility of an economic recession and the strength of the reserve stabilization funds.

WHEREAS, Historically, one of the most reliable signals of an oncoming economic recession is an inverted yield curve, wherein short-term bonds, on average, begin to deliver a higher yield than long-term bonds. The last 7 recessions were preceded by an inverted yield curve; and

WHEREAS, In May 2019, the yield curve inverted for the first time since the financial recession of 2007, and remained inverted until October 2019; and

WHEREAS, A December 2019 report from Moody's Investors Service summarized the results of a study of the financial ability of the 25 largest cities in the nation to endure a recession comparable to the "great recession" that occurred between 2007-2011; and

WHEREAS, The results of the study showed that Philadelphia had the largest peak to trough fund balance decline of all of those cities during the last recession; and

WHEREAS, The City of Philadelphia has 4 reserve funds, specifically, the budget stabilization fund, the federal reserve fund, the recession fund, and the labor reserve fund; and

WHEREAS, Philadelphia had the second lowest balance of operating funds as a percentage of revenue of the 25 largest cities and as of 2018, the city's reserves consisted of less than 10% of the total operating fund balance; and

WHEREAS, Philadelphia was found to be the only City studied that did not have reserves robust enough to withstand the balance decline that it underwent during the 2007-2011 recession; and

WHEREAS, The City of Philadelphia Budget Office projected that the fund balance for the city in the first quarter of Fiscal Year 2020 will fall short of the recommended level by more than \$560 million; and

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, Hereby authorizes the committee on Fiscal Stability and Intergovernmental Cooperation to conduct hearings to determine the City of Philadelphia's preparedness for the possibility of an economic recession and the strength of the reserve stabilization funds.