

Capital Budget Fact Sheet

What are Capital Projects?

Capital projects are activities related to the acquisition, construction, and long-term investment in publicly-owned assets. Tangible assets include roads, bridges, heavy-duty vehicles and equipment, and buildings, capital assets can also be information technology. Generally, these assets need to cost more than \$15,000 and last at least five years. Long-term investment means funding for renovation or repair, but not routine maintenance.



What is the Capital Budget & Program?

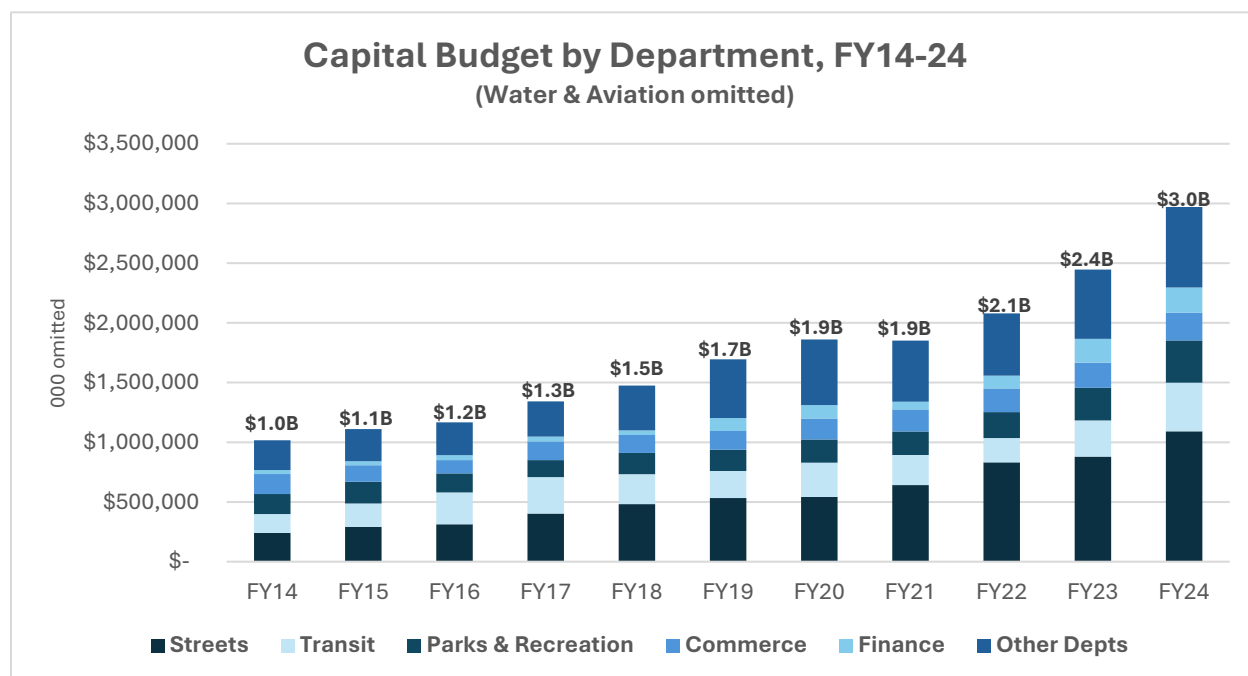
The Capital Budget (the first year) and Program (the following five years) are a forecast of the City's infrastructure needs and a plan for funding and implementing those capital projects. Unlike the City's operating budget, capital projects can be funded over multiple years and appropriations can be carried forward from year to year. Year One funds are appropriated by City Council, while Years Two through Six represent planned expenditures but are not yet authorized. The City can also make capital investments outside the Capital Fund, like the investments in parks, libraries and recreation Centers through the Rebuild program.

Looking Back & Forward at Capital Project Budgets

While the City's operating budget covers appropriations for over 50 departments, only 21 departments receive Capital Budget allocations. This includes categories for transit and the Philadelphia Zoo, which are not City departments.

The Water and Aviation departments have the largest Capital Budgets; however, these departments are funded by self-sustaining enterprise funds, meaning that they generate revenue used to cover their costs, including debt service for capital investments. After these two enterprise funds, the departments or agencies with the largest Capital Budgets over the past decade (FY14-24) are Streets, transit (SEPTA), Parks and Recreation, Commerce, and Finance.

Since 1959, Philadelphia requires capital projects with budgets over \$1M to allocate 1% of the budget to public art.



The Streets Department's Capital Budget has grown the most since FY14, increasing by over \$850 million, a 353% increase. This is more than any other department, including Water and Aviation, and is partially attributable to increased resources for street paving and the availability of federal funds for infrastructure investments. Overall, the Capital Budget (excluding the two enterprise funds) grew by about two billion dollars from FY14 to FY24, a 57% increase over the past decade.

Looking ahead, the FY25-30 Capital Program commits \$8.3 billion to the 19 non-enterprise funds. The largest investments over this six-year period are in transit (\$3.4 billion) and the Streets Department (\$2.2 billion). A significant new inclusion is \$100 million for that will support the capital costs for new centers to provide services and housing for individuals in addiction.

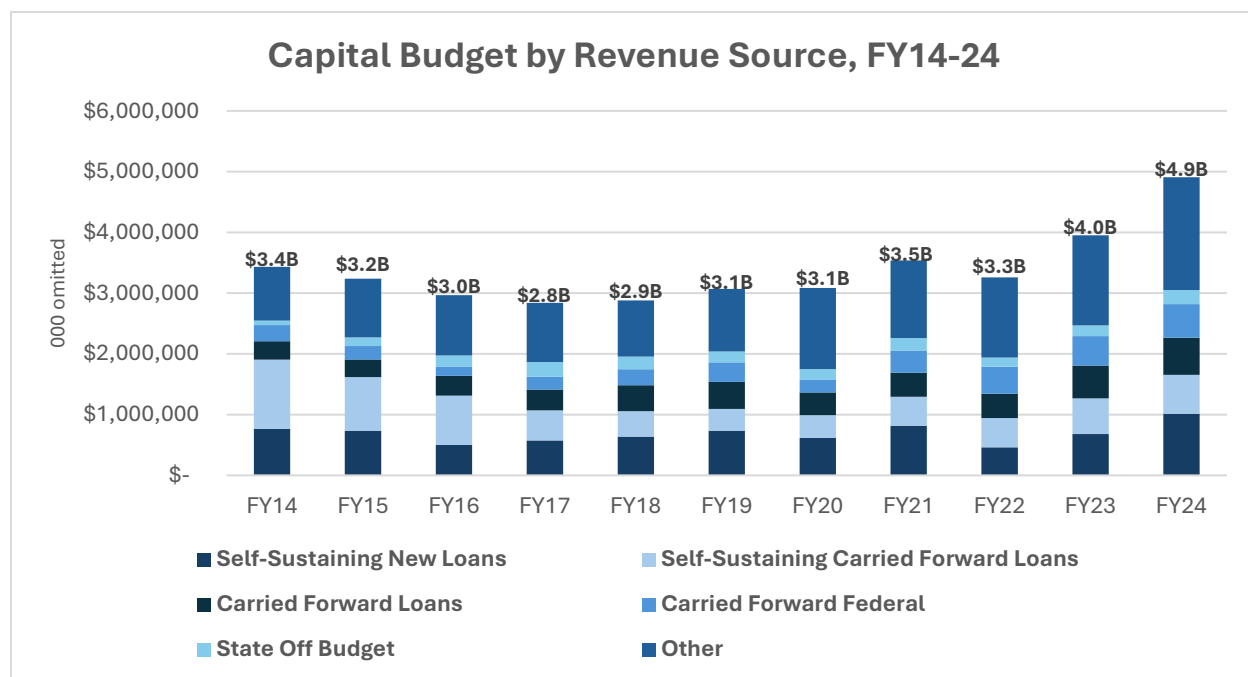
How Does Philadelphia Pay for Capital Projects?

The City of Philadelphia borrows money to be repaid over time and uses current revenue streams to pay for capital projects. The City also utilizes funds from private, state, federal programs (often requiring local matching funds), self-sustaining enterprise funds (ex. revenues from the Airport used for capital projects at the Airport), revolving loan funds, operating funds, and funds appropriated but unspent from prior years.

Looking Back & Forward at Funding Levels

From FY14 to FY24, the Capital Budget grew from \$3.4 billion to \$4.9 billion, a 43% increase; however, this growth was not steady, year-over-year growth. The FY15-18 period saw Capital Budget decreases, attributable to less spending by Water and Aviation using self-sustaining revenues. The most significant growth occurred in FY23 and FY24, when the Capital Budget increased by \$606 million and \$889 million, respectively.

Five revenue sources account for 60% of the Capital Budget: self-sustaining new loans (enterprise funds), self-sustaining carried forward loans (enterprise funds), carried-forward loans, carried-forward federal funds, and state off-budget funds.



The FY25-30 Capital Program draws most significantly on self-sustaining new loans, which represent 35.3% of the \$16.2 billion allocated toward capital projects over this six-year period. The next largest sources of funds in the FY25-30 Capital Program are state off-budget funds (\$1.7 billion or 10.6% of total), new General Obligation (GO) loans (\$1.4 billion or 8.9% of total),

and self-sustaining carryforward loans (\$1.2 billion or 7.4% of total). Debt service for the GO loans is paid from the City's General Fund budget, while debt service for self-sustaining loans is paid from the operating fund associated with the enterprise agency (ex. the Water Fund operating budget allocates money for debt service for Water capital projects).

What's New in Capital Budgeting in Philadelphia?

Capital Program Office

Mayor Parker signed [Executive Order No. 6-24](#) in April 2024 to re-constitute the Capital Program Office, which had previously existed from 1990 to 2008, to centralize the management of capital projects. The goal of the new/restored office is to standardize and centralize the care for the City's assets to improve efficiency and effectiveness. Per the executive order, its charge includes working with the City Planning Commission and Budget Office to create the Capital Budget and Program by evaluating proposed projects in terms of cost, timeline, utility and practicality. Its main operational focus is responsibility for the City's facilities, including overseeing the engineering and architectural functions for many City departments.

Reporting on Spending and Encumbrances

Unlike the General Fund and other operating funds of the City of Philadelphia, the Capital Budget and Program documents have not historically published actual spending levels of prior years, making it challenging to see if and when appropriated funds achieved their intended use. Additionally, the Capital Fund has not previously been included in quarterly financial reporting by the City and Capital Budget data in the City's financial statements are not detailed and only available months after the end of the fiscal year. Following a request by PICA, the City's Quarterly City Managers Reports starting in FY25 will include Capital Budget spending and encumbrance (reserves for specific projects) data. This information will be presented by department and revenue source. This data will aid PICA in its oversight of the Capital Fund and hopefully prove useful to the City and other stakeholders.

About the Report

This report was written by Marisa Waxman and Suzanne Staherski, with graphic support from ChatGPT's DALL-E feature. All AI-generated content was reviewed by PICA Staff prior to publication.