

Class 800 Fact Sheet: Payments to Other Funds

What's Class 800?

Class 800 is the City of Philadelphia's budget classification for making payments between different funds of the City. Payments between funds happen for a variety of reasons, including transfers from the General Fund to special funds, like the Housing Trust Fund (HTF) and Budget Stabilization Reserve (BSR), funding of projects in the Capital Fund with operating dollars, and payments to enterprise funds, such as paying the Water Fund for the City's use of water in its buildings and operations.

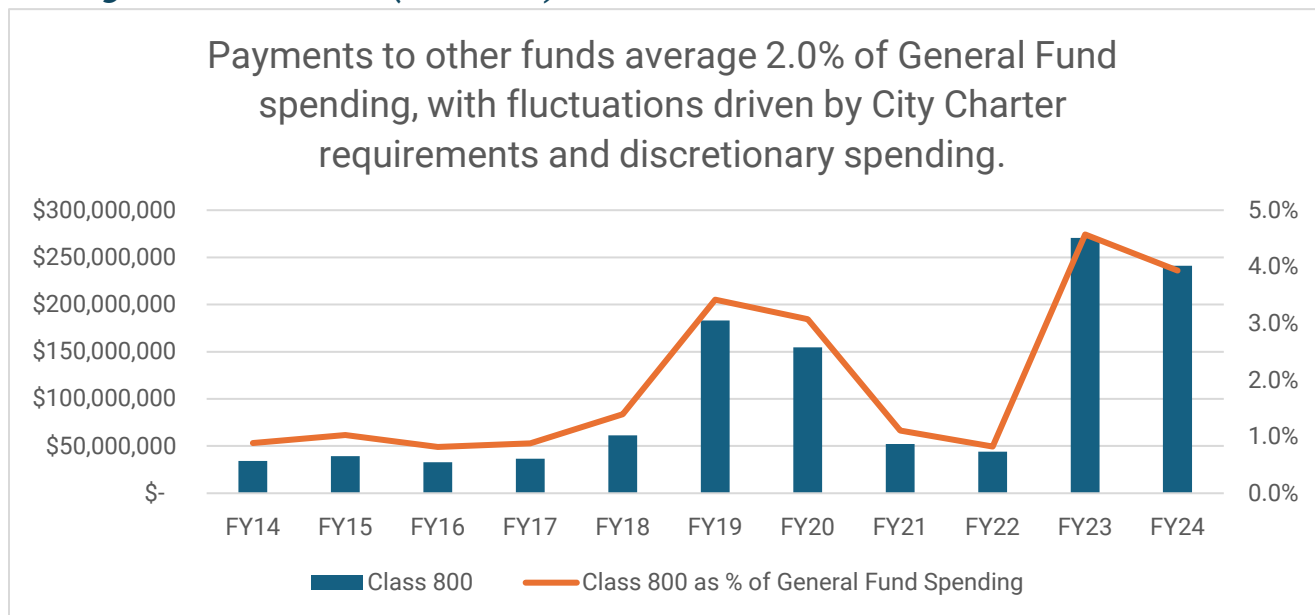


What's a Class?

The City organizes its budget into distinct categories, or classes, for grouping similar expenditures. There are nine classes, running from Class 100 (Personal Services) to Class 900 (Reserves and Advances). A concise, helpful breakdown of each budget class can be found in [PICA's Staff Report on the FY25-29 Five-Year Plan](#) (page 48).

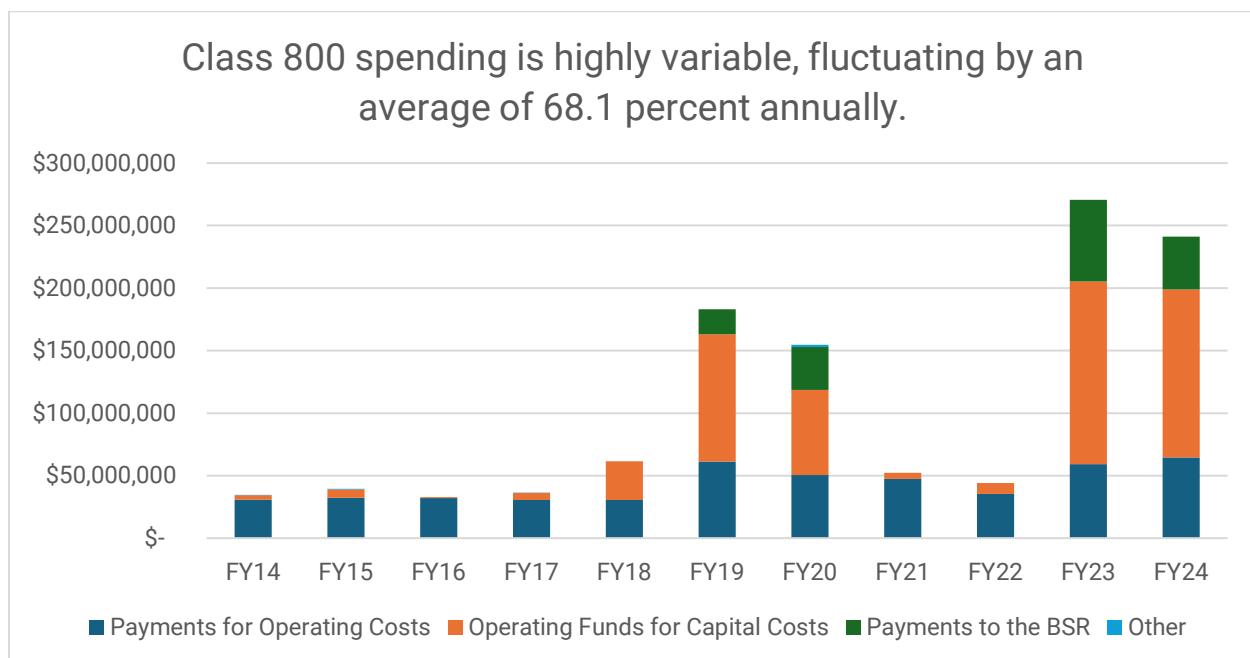
These classes are important because the annual budget passed by City Council appropriates money by department, fund, and class. Departments must align spending with the allocation for each class, in addition to the total departmental budget set by the Mayor and Council. A department cannot choose, for example, to spend funds intended for employee salaries and benefits (Class 100) on new office chairs (Class 300/400).

Changes in Class 800 (FY14-24)



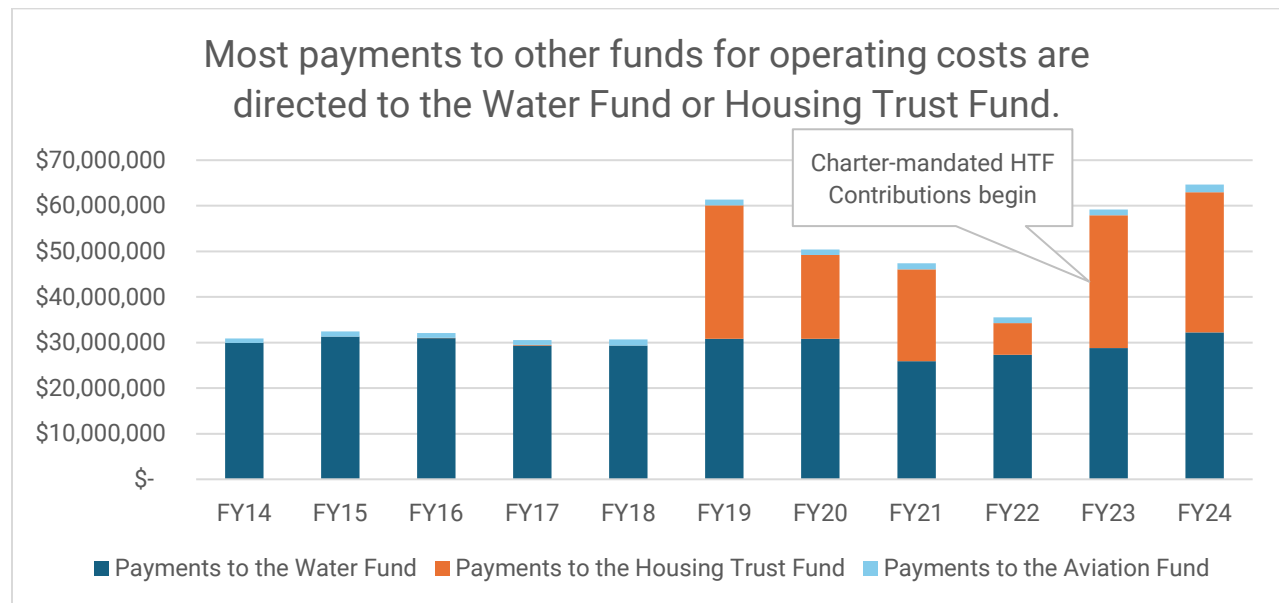
From FY14 through FY24, Class 800 spending has averaged 2.0 percent of General Fund spending, ranging from a low of 0.8 percent in FY16 to a high of 4.6 percent in FY23. Class 800 spending is extremely variable, fluctuating by an average of 68.1 percent annually from FY14 through FY24. Class 800 spending in recent years varies based on General Fund year end fund balances, which dictate contributions to the City's Budget Stabilization Reserve (BSR) in accordance with the City Charter. The City made its first contribution to the BSR in FY19.

Uses of Class 800 Dollars



Class 800 spending has three main uses that account for more than 99 percent of Class 800 expenditures: paying other funds for operating costs, transferring operating funds to the capital budget, and making deposits to the Budget Stabilization Reserve.

Payments for Operating Costs

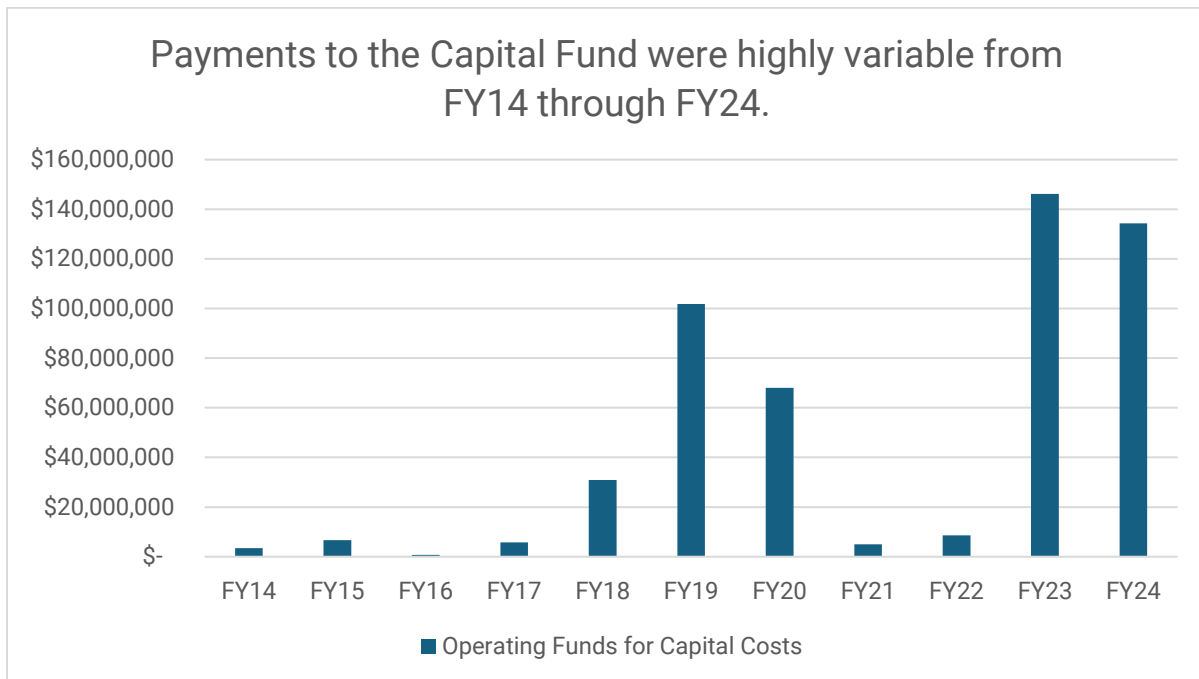


From FY14 through FY24, 41.3 percent of total Class 800 spending was for payments from the City's General Fund to the Water, Housing Trust, or Aviation Funds for operating costs. **Payments to the Water Fund** averaged \$29.7 million, growing at an average annual rate of 1.0 percent. These payments are effectively the City's water bill. The Philadelphia Water Department's functions are resourced through the Water Fund, a self-sustaining enterprise fund used primarily for Water Department operations. Most (75.1 percent) of the City's payments to the Water Fund from FY14 through FY24 were associated with City-owned and operated buildings, with the remainder accounting for the Fire Department's water usage.

The City began making **General Fund payments to the Housing Trust Fund (HTF)**, classified as "Payments to Other Funds," in FY19 to supplement the HTF's mortgage recording fee revenue. Since FY23, the Class 800 payment from the General Fund to the HTF has been determined by a City Charter requirement to transfer an amount equivalent to 0.5 percent of total projected General Fund spending each year. Although annual payments to the HTF averaged \$12.3 million from FY14 through FY24, since enactment of the Charter change, payments to the HTF have averaged nearly \$30 million.

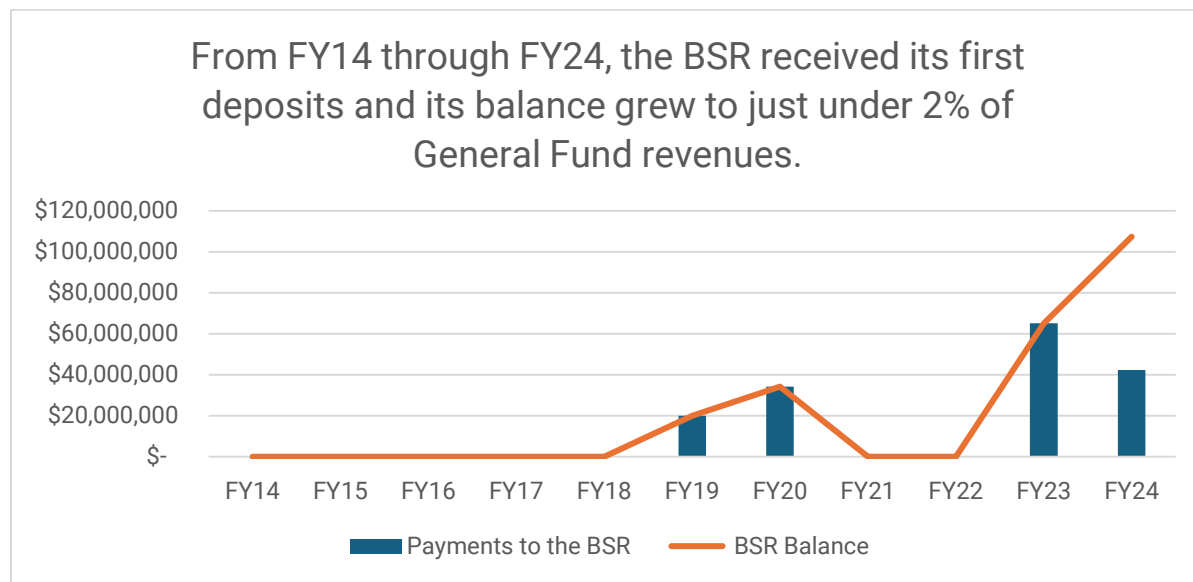
Annual **payments to the Aviation Fund** averaged \$1.2 million from FY14-24, growing at an average annual rate of 6.5 percent. Like the Water Fund, the Aviation Fund is a self-sustaining enterprise fund responsible for specific operations – in this case running the City's two airports. These payments are for maintenance of the airport high speed line.

Using Operating Funds for Capital Costs



Total payments from the General Fund to the Capital Fund were 44.4 percent of Class 800 spending from FY14 through FY24. A significant portion of the City's [Capital Budget](#) is financed with debt, which requires repayment of principal and interest to investors through debt service, typically as Class 700 spending. Payments to the Capital Fund from the General Fund, as opposed to bond proceeds, are called Pay-As-You-Go (PAYGO) financing, which has a key advantage over debt financing: there's no required debt service or interest costs. However, PAYGO financing comes from the City's General Fund as a lump sum – rather than amortizing principal and interest payments over decades – and therefore must be weighed against the City's other General Fund's spending priorities.

Payments to the Budget Stabilization Reserve



In FY11, the City created its Budget Stabilization Reserve (BSR) as a [Rainy Day Fund](#) to improve the City's fiscal condition by providing a financial cushion in tough times. Improvements to the City's fiscal condition can boost credit ratings and lower the cost of borrowing for infrastructure investments. Coming out of the Great Recession, it wasn't until FY19 that the City built up a large enough General Fund balance to trigger the first contribution to the BSR in accordance with the legislated contribution formula. Those funds were put to work almost immediately in response to revenue declines and the need for increased services at the onset of the COVID-19 pandemic in the third quarter of FY20. In FY23, Philadelphia voters approved changes to the formula used to calculate required payments to the BSR. The new formula, which ties the size of the allocation for the coming year to the projected fund balance for the current year as of the first business day after February 14th, combined with larger General Fund balances bolstered by federal American Rescue Plan funds, sent a combined \$107 million to the BSR in FY23 and FY24. With an additional deposit of \$58.3 million in FY25, the BSR balance is currently \$165.7 million.

Other Payments to Other Funds

Other Class 800 payment categories have seen little use from FY14 through FY24, totaling \$2.6 million and making up just 0.2 percent of all Class 800 spending. These include payments to the Grants Revenue Fund from proceeds from condemnations by the Philadelphia Redevelopment Authority, and payments to the Special Gasoline Tax Fund as reimbursement for prior non-permissible expenditures.

The Takeaway

From FY14 through FY24, Class 800 spending grew by \$206.9 million to a total of \$241.2 million. This increase was driven by changes to the Philadelphia Charter requiring payments to the Budget Stabilization Reserve and Housing Trust Fund, as well as increased PAYGO investments for capital projects. As an early promoter and champion of the City's Rainy Day Fund, PICA has been encouraged by the City's growing Budget Stabilization Reserve.

About this report

The graphics used in this publication were generated using ChatGPT's DALL-E feature. All AI-generated content and images were reviewed by PICA Staff prior to publication.