Class 900 Fact Sheet: Advances, Reserves, and Miscellaneous

What's Class 900?

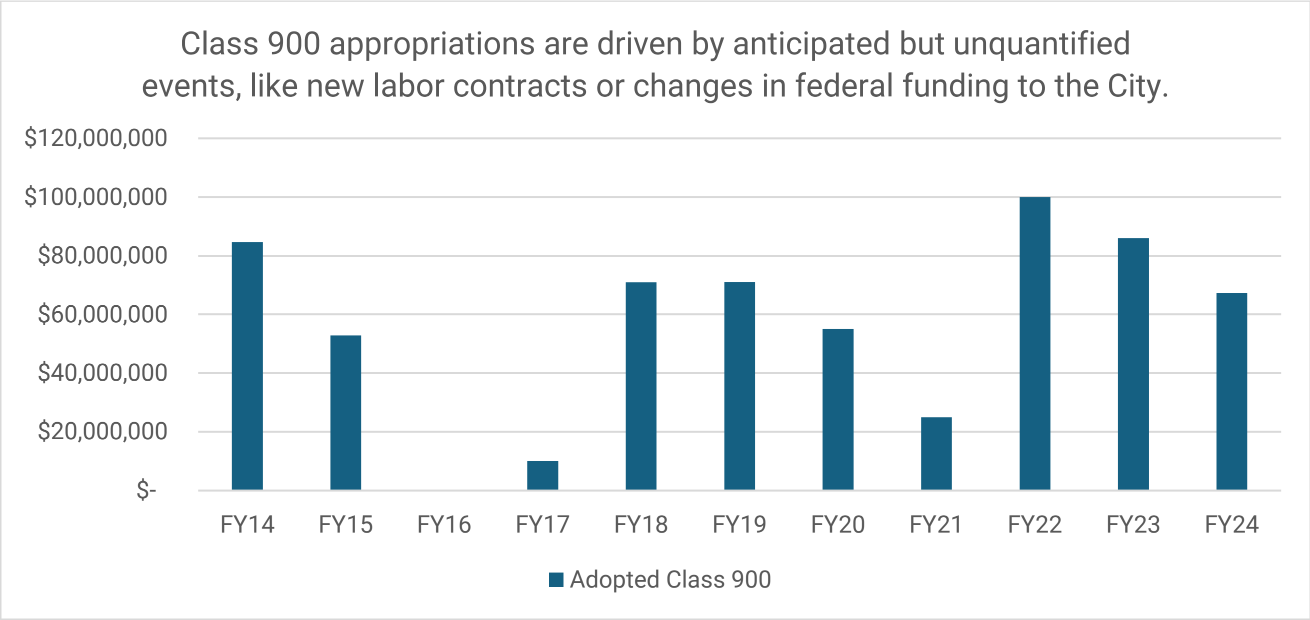
Class 900 is the City of Philadelphia's budget classification for reserve appropriations. These appropriations are meant to cushion the impact of expected, but unquantified, events on the City's finances.

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).

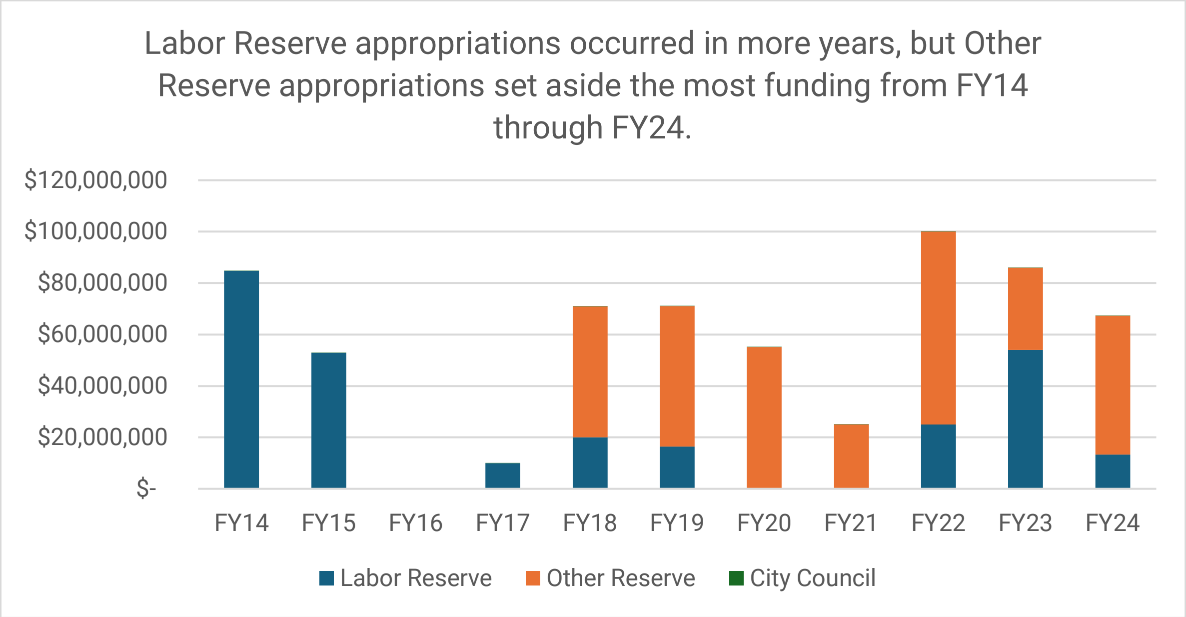
These classes are important because the annual budget passed by City Council appropriates money by department, fund, and class. Departments must align spending with the allocation for each class, in addition to the total departmental budget set by the Mayor and Council. A department cannot choose, for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

Changes in Class 900 (FY14-24)



Class 900 appropriations change significantly from year to year. Increases to Class 900 are driven by anticipated events, like new labor contracts or changes in federal funding to the City. From FY14 through FY24 Class 900 appropriations totaled $623 million, averaging $56.6 million per year. Funds are not expended directly from Class 900, but rather transferred via amendments to the budget ordinance when needed. For example, funds may be shifted from Class 900 to Class 100 following a new labor contract to the individual departments to pay staff. During the COVID-19 pandemic, when there was great uncertainty around what supplies and services would be needed, Class 900 reserve acted as a placeholder while plans were finalized. Funds not transferred by the end of the fiscal year will be added to the fund balance.

Uses of Class 900 Appropriations



The City most regularly uses Class 900 appropriations to set aside funds for its **Labor Reserve**, at the recommendation of PICA. In preparation for new labor agreements where expenditures will need to increase by an unknown amount, the City sets the Labor Reserve aside to address those new costs. Without the reserve, the budget would need to be reconfigured with each sizeable agreement. From FY14 through FY24, 44.4 percent of total Class 900 appropriations ($276.4 million) have gone towards the Labor Reserve.

In FY18, the City began using Class 900 appropriations in **Other Reserves** to set funds aside for eventualities that are likely to occur, like recessions or reductions in federal funding, but at times and scales that are hard to predict. From FY14 through FY24, 55.6 percent of total Class 900 appropriations ($346.6 million) have been dedicated to other reserves. These reserves, together with the General Fund balance and Budget Stabilization Reserve balance give the City some fiscal flexibility in the case of declining revenues or increased demand for services.

Other Reserves		
Fiscal Year	**Purpose**	**Amount**
2018	Reduction in Federal Revenues	$50,893,000
2019	Reduction in Federal Revenues	$54,573,000
2020	Reduction in Federal Revenues	$55,108,000
2021	Recession and Reduction in Federal Revenues	$25,000,000
2022	Recession and Post-COVID Reopening	$75,000,000
2023	Post-COVID Reopening and Inflation	$32,000,000
2024	Post-COVID Reopening and Recession	$54,000,000

The Takeaway

From FY14 through FY24, Class 900 allocations declined by $17.4 million to a total of $67.4 million. This decrease was driven by the timing of labor contracts negotiated by the City. Although budgets for fiscal years 2019 through 2024 included Other Reserves, there were none included in the FY25 budget despite continuing economic risks to the City's fiscal health, even with a higher balance in the City's Budget Stabilization Reserve. Increased reserves increase the City's fiscal resilience, providing some cushion from economic cycles of boom and bust or the whims of changing state or federal administrations. Setting aside more reserves is not without drawbacks. There are tradeoffs with other policy priorities, and estimating the correct amount of needed reserves can be challenging. The benefits of increased reserves include less need to reduce spending and services when a crisis hits, and potential for improved credit ratings and lower borrowing costs.

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.