

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, September 27, 2016
10:20 a.m.

PRESENT:

COUNCILWOMAN JANNIE L. BLACKWELL, CHAIR
COUNCILWOMAN CINDY BASS
COUNCILMAN ALLAN DOMB
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN DAVID OH
COUNCILWOMAN BLONDELL REYNOLDS BROWN

BILL 160767 - An ordinance authorizing the
Bond Committee to sell bonds at public or
private negotiated sale, to provide funds
toward various capital municipal purposes;
providing for appropriations to the Sinking
Fund Commission for the payment of such
bonds...

- - -

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2 COUNCILWOMAN BLACKWELL: Good
3 morning. The Committee on Finance is
4 called to order, and we will hear Bill
5 No. 160767. And we'd ask the Clerk to
6 read the title of the bill, as we ask Rob
7 Dubow and company to come forward. Thank
8 you.

9 THE CLERK: Bill No. 160767, an
10 ordinance authorizing the Bond Committee
11 to sell bonds at public or private
12 negotiated sale, to provide funds toward
13 various capital municipal purposes;
14 providing for appropriations to the
15 Sinking Fund Commission for the payment
16 of such bonds; authorizing agreements to
17 provide credit or payment or liquidity
18 sources for the bonds in connection with
19 issuance of the bonds, and certain other
20 actions; providing for obtaining the
21 consent of the electors to increasing the
22 indebtedness of the City; and fixing a
23 day and providing for arrangements for
24 holding the election for obtaining such
25 consent.

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2 (Witnesses approached witness
3 table.)

4 COUNCILWOMAN BLACKWELL: Thank
5 you very much.

6 We now welcome Rob Dubow,
7 Director of Finance here, and welcome him
8 to give his statement, and thank you.

9 MR. DUBOW: Good morning.

10 COUNCILWOMAN BLACKWELL: Excuse
11 me one moment, Rob. I'm sorry.

12 The Chair notes we have a
13 quorum. To my left, Councilman Bob
14 Henon, Vice Chair. To his left,
15 Councilwoman Blondell Reynolds Brown. To
16 my right, Councilman Bill Greenlee, and
17 certainly to his right, Councilman Allan
18 Domb. Thank you.

19 Thank you.

20 MR. DUBOW: Good morning,
21 Councilwoman Blackwell and members of the
22 Committee. I'm Rob Dubow. I'm Director
23 of Finance. I'm here today to testify in
24 support of Bill No. 160767, and with me
25 today is Peilin Chen, Deputy Budget

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2 Director for Capital.

3 The bill is exactly identical
4 in language and effect to Bill No.
5 160610, which Council passed unanimously
6 three weeks ago. The only difference is
7 that it would replace the bill in order
8 to fix a technical defect under the
9 complex state procedure the
10 Administration and Council use to fund
11 the annual capital budget for
12 capital-eligible items, like trash
13 compactors, street paving, commercial
14 corridor upgrades, improvements to police
15 and fire facilities.

16 That state act requires a
17 controller's certificate be filed with
18 the Chief Clerk of Council prior to final
19 passage of the bill, putting the
20 borrowing on the ballot. The prior bill
21 passed and was signed into law without
22 that certificate. This time the
23 certificate will be filed before final
24 passage of the current bill. The act
25 requires the certificate to cover the

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2 expected impact on the City's debt limit.

3 As with the prior bill, this
4 bill seeks to obtain approval from
5 Council to place a loan authorization
6 question on the General Election ballot
7 on Tuesday, November 8th. The loan
8 question requests an increase in
9 indebtedness in an amount not to exceed
10 184.3 million to fund the City's Fiscal
11 Year 2017 Capital Budget that Council
12 approved last spring. State law requires
13 the City to place a question on the
14 ballot before increasing its borrowing
15 capacity.

16 As of July 1st, 2016, our legal
17 debt limit was about \$5.4 billion and the
18 amount of debt applicable to that limit
19 was about 1.7 billion. As a result, the
20 City has debt capacity of about 3.7
21 billion. The FY17 Capital Budget for GO
22 bonds is approximately \$177 million. The
23 proposed ordinance includes new GO loans
24 in the amount of \$184 million. If
25 approved, the loan authorization would

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2 finance capital projects, and we show how
3 they're classified by each category.

4 In order to provide appropriate
5 time to advertise the ballot question
6 prior to the November 8th election, the
7 bill should receive final passage by
8 October 6th. Finally, attached as part
9 of this testimony is the proposed ballot
10 question requesting loan authorization
11 from the electorate.

12 I respectfully request that the
13 Committee give Bill No. 160767 its
14 favorable recommendation and, further,
15 that the rules of Council be suspended so
16 as to permit first reading at the next
17 session of Council.

18 That concludes my written
19 testimony, and we'd be happy to answer
20 any questions that Council may have.

21 COUNCILWOMAN BLACKWELL: Thank
22 you very much.

23 Are there questions or
24 comments?

25 Councilman Domb.

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2 COUNCILMAN DOMB: Thank you,
3 Chairwoman Blackwell.

4 And good morning.

5 MR. DUBOW: Good morning.

6 COUNCILMAN DOMB: So I have
7 just a general question. I just want to
8 make sure I understand. The legal debt
9 limit of the City is 5.4 billion, and
10 currently we have -- we're at about 1.7?

11 MR. DUBOW: That's right.

12 COUNCILMAN DOMB: And we're
13 looking to increase this by 177 million?

14 MR. DUBOW: Correct.

15 COUNCILMAN DOMB: And as a
16 relationship to other cities similar to
17 Philadelphia, is our amount of debt
18 similar to other cities, higher or lower
19 from your perspective?

20 MR. DUBOW: So we looked at
21 kind of comparison to other cities what
22 the rating agencies look at in general is
23 total fixed costs. So we're relatively
24 high on total fixed costs because of our
25 unfunded pension liability. Our debt by

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2 itself is not that high, but it's the
3 unfunded liability combined with our debt
4 that makes our fixed costs high.

5 COUNCILMAN DOMB: Is there any
6 kind of chart showing, like we had last
7 week, showing 20 cities, the
8 relationship, like population of 500,000
9 to 4 million and showing where
10 Philadelphia fits into that model as it
11 relates to debt?

12 MR. DUBOW: We don't have that,
13 but we can put that together.

14 COUNCILMAN DOMB: We can get
15 Matt Stitt to do it maybe. He's good at
16 those charts.

17 MR. DUBOW: Sure. It makes it
18 easier for us if Matt did it.

19 COUNCILMAN DOMB: So as far as
20 the costs, do we match up the term of the
21 debt with the length of the life of the
22 investment, for example?

23 MR. DUBOW: We do, yes.

24 COUNCILMAN DOMB: So if we have
25 Parks and Recreation that have -- what's

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2 the useful life of an infrastructure in
3 Parks and Recreation?

4 MR. DUBOW: Right. So we have
5 a variety of useful lives in the capital
6 budget. We have everything from
7 compactors, which may be 10 to 15 years,
8 to roof replacements, which may be more
9 like 20 years. So we work with bond
10 counsel to make sure that the useful
11 lives match up with the maturities on our
12 bond issue.

13 COUNCILMAN DOMB: So if we do
14 these Parks and Recreation rebuilds, what
15 is the typical useful life that we
16 anticipate on a park or a rec center?

17 MR. DUBOW: So to be clear, the
18 rebuild financing will be separate from
19 this. This is not for rebuild.

20 COUNCILMAN DOMB: I understand,
21 but in general.

22 MS. CHEN: It's about 20 years
23 for Parks and Rec facilities.

24 COUNCILMAN DOMB: So if we do a
25 park or rec in someone's district today,

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2 we're not anticipating having to do that
3 again for 20 years? Does that hold up
4 for 20 years?

5 MS. CHEN: I mean, I think it
6 depends on what we're rehabbing. So if
7 it's a facility at the recreation center,
8 it's a building, I think that that is
9 certainly true. If it's some other
10 improvement like a site improvement or
11 otherwise, the useful life will be
12 different.

13 MR. DUBOW: And we're talking
14 about averages. So some will be more,
15 some will be less.

16 COUNCILMAN DOMB: All right.
17 Thank you very much.

18 Thank you.

19 COUNCILWOMAN BLACKWELL: Thank
20 you very much.

21 The Chair notes that
22 Councilwoman Cindy Bass is here as well
23 as Councilman David Oh. Thank you.

24 Are there any other questions
25 or comments with regard to this bill,

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2 160767?

3 (No response.)

4 COUNCILWOMAN BLACKWELL: I

5 think this one will be kind of short and
6 sweet, colleagues.

7 MR. DUBOW: Those are our
8 favorite type.

9 COUNCILWOMAN BLACKWELL: We
10 will conclude our hearing and into our
11 stated meeting, and the Chair recognizes
12 Councilman Henon for a motion on Bill No.
13 160767.

14 COUNCILMAN HENON: Thank you,
15 Madam Chair. I move that Bill No. 160767
16 be reported from this Committee with a
17 favorable recommendation and further move
18 that the rules of Council be suspended as
19 to permit first reading of this bill at
20 our next Council session.

21 (Duly seconded.)

22 COUNCILWOMAN BLACKWELL: It has
23 been moved and properly seconded that
24 Bill No. 160767 be reported from this
25 Committee with a favorable recommendation

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2 and further moved that the rules of
3 Council be suspended to permit first
4 reading of this bill at our next session
5 of Council.

6 All those in favor?
7 (Aye.)

8 COUNCILWOMAN BLACKWELL: Those
9 opposed?

10 (No response.)

11 COUNCILWOMAN BLACKWELL: The
12 ayes have it and the motion carries, and
13 Bill No. 160767 will be reported from
14 this Committee with a favorable
15 recommendation and a request that the
16 rules be suspended in order to permit
17 first reading at our next session.

18 Well, this Committee meeting is
19 adjourned. Thank you all for coming.

20 MR. DUBOW: Thank you.

21 (Committee on Finance concluded
22 at 10:30 a.m.)

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CERTIFICATE

I HEREBY CERTIFY that the
proceedings, evidence and objections are
contained fully and accurately in the
stenographic notes taken by me upon the
foregoing matter, and that this is a true and
correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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