COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING

COMMITTEE OF THE WHOLE

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Room 401, City Hall
Philadelphia, Pennsylvania
March 6, 2002
10:25 a.m.

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BILL 020024 - An Ordinance amending an ordinance approved April 4, 2001 (Bill No. 010001)...
BILL 020025 - An Ordinance amending an ordinance approved April 4, 2001 (Bill No. 010002)...
BILL 020026 - An Ordinance amending an ordinance approved by the Mayor on October 11, 2000 (Bill No. 000535)...
BILL 020027 - An Ordinance authorizing the creation of a loan or loans to provide funds for and toward capital municipal purposes...

PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA

COUNCILWOMAN JANNIE BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK J. DI CICCO
COUNCILMAN WILSON W. GOODE, JR.
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

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VINCENT VARALLO ASSOCIATES, INC.

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3/06/02 - WHOLE - BILLS 020024, 020025

COUNCIL PRESIDENT VERNA: Good morning, everyone. This is the public hearing of the Committee of the Whole. I would ask Mr. McPherson to please read the titles of Bill Nos. 020024 and 020025. We will consider both of them at the same time since they're interrelated.

MR. MCPHERSON: Bill No. 020024, an ordinance amending an ordinance approved April 4, 2001 (Bill No. 010001), relating to the Capital Program for the six Fiscal Years 2002-2007, by increasing and adding projects and amounts in certain departments.

Bill No. 020025, an ordinance amending an ordinance approved April 4, 2001 (Bill No. 010002), relating to the Fiscal 2002 Capital Budget by increasing and adding projects and amounts in certain departments.

COUNCIL PRESIDENT VERNA: Ms. Griffith, you're going to be the first one to testify.

(Witness comes forward.)

COUNCIL PRESIDENT VERNA: Good morning. Kindly identify yourself for the record and proceed with your testimony.

MS. GRIFFITH: Thank you. Good morning,

Council President Verna and Members of the Council. My name is Maxine Griffith, and I'm Executive Director of the City Planning Commission and Secretary for Strategic Planning for the City of Philadelphia.

I appear before you today to offer testimony on Bills No. 020024 and 020025 which are companion bills providing for appropriations amending the current FY 2002 to 2007 Capital Program and the FY 2002 Capital Budget. These amendments were reviewed and adopted by the City Planning Commission at its meeting of February 20, 2002.

These amendments provide $39,519,000 in appropriations for 12 Capital Budget project lines. All funding is either from a prior year authorization, operating revenue, state or federal funds, Pennsylvania Intergovernmental Cooperation Authority funds, revenue bond proceeds, or general obligation funding being shifting between departments. The amendments do not increase general obligation debt or request new general obligation debt authorization.

There is a request for an appropriation of $220,000 for Capital Program Administration, Design, and Engineering in the Capital Program Office. As you know, in July 2001 the CPO absorbed the engineering staff from the Recreation Department. In order to properly account for payroll expenditures, payroll appropriations must be moved to the CPO's payroll line item from the Recreation Department line item in the Capital Budget. Most of the Recreation staff payroll was transferred either earlier in the Fiscal Year through a Financial Adjustment Memorandum, FAM, which allows the Director of Finance to increase an individual line item appropriation by up to 120 percent provided a decrease of the same amount is reflected in another line item or in a combination of line items. Through the FAM $1,098,000 of the Recreation Department's costs were transferred. This ordinance would transfer the remaining $220,000.

There is a $543,000 in the Commerce Department to cover additional costs for site improvements in neighborhood commercial centers. The CA designation represents pre-finance loans that the electorate and City Council have already authorized.

The bills include a $14 million Pennsylvania Intergovernmental Corporation Authority appropriation for prison system renovations. The City is requesting 14 million from PICA to complete funding of the new Women's Detention Facility. Once the PICA Board approves the funds, the City will need the requested $14 million appropriation to spend the funds.

There is a $1 million appropriation requested for the use of 911 revenue for the new 800 megahertz radio communication system project in the Department of Public Property. The City has sufficient 911 revenues to cover the final cost of the projects but lacks the appropriation authority required to spend these funds.

A 1.2 million appropriation is requested for the State-funded recreation improvements in the Recreation Department. This funding leverage is 1.4 million of State funds for building replacement at Lonnie Young Recreation Center.

Also requested is a 1 million federal appropriation for the State Grant Funded Recreation Improvements line. The Recreation Department anticipates receiving 1 million in federal grants under the Urban Parks and Recovery Program. The grant will be used for pool and site renovations at Kingsessing Recreation Center and will be matched by State and local funds.

There is a request for 75,000 state appropriation for the State Grant Funded Recreation Improvements in the Recreation Department. In November 2001, the Recreation Department was awarded a Community Waste Tire Recreational Grant from the Commonwealth of Pennsylvania's Department of Environmental Protection for the construction of an outdoor, all-weather running track at Chalfont Playground. The stipulation of the grant is that the consideration use recycled waste tire material and that the project be completed by August 2002. In order to complete the project by the grant deadline, the funding must be available in FY 2002.

There is a request for $815,000 appropriation for the bridge reconstruction improvements in the Streets Department. The appropriation will be used for the Germantown Avenue Bridge Project. The project is being funded by remaining balances that the Streets Department identified from completed projects or from projects that were never begun.

There is a request for appropriation of 1,147,000 in reconstruction resurfacing of streets in the Streets Department. As part of the FY 2001 Year-End transfer ordinance approved by City Council last year, 3 million in operating revenue was transferred to the Streets Department Capital Budget for street resurfacing projects. However, the Street Department did not have sufficient appropriation authority in the FY 2002 Capital Budget to spend the entire 3 million. As a result, there remains an appropriation shortfall 1,147,000. This request will permit the Streets Department to proceed with street surfacing projects.

Finally, there is a 19,517,000 appropriation of self-sustaining funds for storm flood relief projects in the Water Department. The appropriation is required to transfer carry forward authority from the FY 2001 Capital Budget that is was inadvertently left off of the list of carry forward projects Water Department during the FY 2002 carry forward budget process.

I hope these comments have been helpful in describing the content of the ordinances before you. Although I will be happy to answer any questions you may have at this time, as you can tell, Madam Council President, for the most part these requests modifications relate to accounting changes bringing agency budgets in line with already-established programmatic objectives. Because of that fact and to the extent that that is the case, the Budget Office is also here to respond to questions and representatives of the various departments included in these ordinances are also present and prepared to answer your questions. Thank you very much.

COUNCIL PRESIDENT VERNA: Are there any questions from Members of the Committee?

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair. I had two questions. One actually goes -- I fully understand that this is a hearing about the FY 2002 and '07 Capital Program and some amendments to that program as well as the '02 Capital Budget. Notwithstanding that, since the Planning Commission Director is here as well as the Commerce Director and one of the items is to supplement some site improvements in neighborhood commercial centers, one, I wanted to better understand what's going on with that particular program. And secondly, there was an issue raised at the Capital Budget hearing earlier this month, and I think at the time I asked a question the Commerce Department was not here and then we moved on. And it had to do with neighborhood commercial centers site improvements, Page 31 of the Capital Program book, there's a million dollars listed. And I had asked a question at that time was that enough to serve the entire City and did not get an answer to that question at that time.

MS. GRIFFITH: You're correct, Councilman, the Commerce Director is here, and if I could ask Mr. Cuorato to step forward.

MR. CUORATO: Good morning, Madam President and Members of Council. My name is James Cuorato, I'm the City Representative and Director of Commerce for the City.

Councilman, your first question relates to the money that's being transferred as part of this ordinance before you today?

COUNCILMAN NUTTER: Yes.

MR. CUORATO: The money that's being

transferred is intended to be used for a project at the 10 and 1100 blocks of Girard Avenue called Heritage Village II. It's a shopping plaza. And the bulk of the money would be used to reconfigure Harper Street, to relocate utilities and narrow the right-of-way to add developable land for this project. We're funding approximately half of that cost and OHCD is funding the balance. It's a project that's been planned and talked about for a number of years. It is now under construction and we're very pleased that it is finally on its way to completion in an area that's very important for us.

COUNCILMAN NUTTER: And just from a terminology standpoint, when we talk about neighborhood commercial centers, is that primarily to connotate something that is site based or a particularly large development in contrast to neighborhood commercial corridors which are usually a block or several blocks long? Is there anything special to the terminology "neighborhood commercial center"?

MR. CUORATO: No, I don't believe there's anything beyond. It's just a different use of the phrase.

COUNCILMAN NUTTER: Okay. The balance of the funds will be used for?

MR. CUORATO: The balance of the funds transferred for Commerce will be used for several different neighborhood commercial projects. We have programmed for but, frankly, we're looking to see which projects will move. And it may be that we'll need to direct the funds in that fashion. We have on our list Germantown Avenue, Front and Kensington, additional improvements to the South Street area and Baltimore Avenue at 60th Street. So those are the project areas that we're targeting the balance of these funds in this transfer ordinance but, again, if priorities change, we may need to direct the money to one or two of those four rather than all four.

COUNCILMAN NUTTER: And these funds primarily -- obviously they're capital in nature, so they fund either rehabilitation or reconstruction of infrastructure and public space?

COUNCILMAN NUTTER: That is correct, Councilman.

COUNCILMAN NUTTER: The second question had to do the 2003-2008 Capital Program and the question that had been asked about neighborhood commercial centers and site improvements. There's a million dollars in the Capital Program coming up. Is that enough money City wide to really have an impact on our neighborhood commercial corridors or centers?

MR. CUORATO: Well, certainly our list of projects that we'd like to undertake is long and comprehensive and goes beyond a million dollars. So I guess the direct answer to your question is no, it's not enough. But we're going to do the best we can with the funding that we're provided. We understand the City's Capital Budget overall and that there are competing priorities in this year. So it's not enough. We'd certainly like to do a lot more. But I can absolutely assure you we'll make the best possible use of that money that we can.

COUNCILMAN NUTTER: Could you submit the list that you just made reference to in terms of the longer more comprehensive list? Could you submit that to the Chair for our review?

MR. CUORATO: Yes, Councilman, sure.

COUNCILMAN NUTTER: Thank you.

Madam Director Griffith, just one last

question. We had at the same Capital Budget hearing a little bit of conversation about the Lancaster Avenue project. Again, I understand that this is an '02 budget transfer, but, again, since you're here, do you know if we had any progress in terms of proposed funding for that particular project for the '03 Capital Budget?

MS. GRIFFITH: It was my understanding that there was money in '03 for design and that design was going to commence. I think I saw the Street Commissioner and his staff and perhaps they would have more detailed information.

If you want to repeat the question, Councilman.

COUNCILMAN NUTTER: Okay. During the Capital Budget and Program hearing earlier this month, I made a request about funding for the Lancaster Avenue Project which has been proposed and developed by the Planning Commission. I think the testimony back at the time of the hearing was there was no funding at that moment for that project. I'm just asking since basically we're all here to try to get an update on that because I think the conclusion of that discussion was that we were going to seek to make an amendment possibly to find some fund for the '03 Capital Budget. And since you're here, I thought I'd ask the question. Has there been any progress on that particular issue?

MR. JOHNSON: Good morning, Council President and Members of the Council. My name is William Johnson, Streets Commissioner.

In response to that question, I do not believe that we have funding in the '03 Capital Budget for design for that project. So I don't think we've been able to find any funding at this point. There may be some '02 money for design and some '04 for construction, but I don't have the exact amounts right now.

MS. GRIFFITH: And we need to get back to you. It's my understanding that '02 money could be rolled over to '03 and perhaps logistically that hasn't happened yet. I'm just sharing conversations and discussions that we had had. But that was what we were working towards doing, rolling that money over and then having a sequence of events that would have design in '03 and the beginning of construction hopefully in '04.

COUNCILMAN NUTTER: Well, if I can ask

you during the course of the budget hearing before the hearing process concludes if we could have a resolution to that particular issue, whatever the logistics are to make the transfer of '02 money rolled over to '03, we can make sure that that happens and take whatever action that needs to taken to ensure that, I would greatly appreciate it. Thank you.

MS. GRIFFITH: You have my word, Councilman.

COUNCILMAN NUTTER: Thank you.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair. I just wanted to get some clarification on the question with respect to the 10 and 1100 block of Girard Avenue. Wasn't that a previously-funded project?

MS. GRIFFITH: I don't know, Councilman. We can get that information for you.

COUNCILMAN CLARKE: My recollection is that this was funded around three years ago when we initially started working on the project and mysteriously the money kind disappeared. I'm just trying to track it down.

MS. GRIFFITH: Well, Councilman, I won't give the excuse that I wasn't here three years about because that would be wrong. I will certainly find out.

I'm getting a signal from Mr. Cuorato that all secrets will be revealed.

MR. CUORATO: Councilman, I apologize. I was in a conversation with your aid. Could I ask you to just repeat the question?

COUNCILMAN CLARKE: My understanding when we initially started working on this project, I believe it was an Empowerment Zone project, and we had allocated funding for both the 10 and the 11 -- I think it was the tennis facility on one parcel and the Heritage Shopping Plaza on the other, and we had allocated -- I'm not sure if it was 4 or 500,000 at that time. And then earlier this year or late last year it was discovered that the money had -- I hate to use the term "mysteriously disappeared," but it did. I'm just trying to find out, one, if in fact we had previously allocated funding for this project? And, two, what happened to that funding?

Although I'm very happy to get it back, but I'd just like to track the money.

MR. CUORATO: We can go back and find out. Some of this money, I believe, was targeted for Heritage Village II, although I don't think the full amount that's going in as a result of the transfer ordinance was targeted for this project. We can go back and certainly find out how much was programmed. Other projects that either did not proceed or projects that were completed where there was money left over makes up the balance of this. But I can assure you from our perspective this money is going into that project and sufficient for the public improvements that are necessary to make this work.

COUNCILMAN CLARKE: Both the tennis facility --

MR. CUORATO: Both for the tennis facility and for the retail and office complex, yes.

COUNCILMAN CLARKE: Thank you.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

Ms. Griffith, in your testimony you

mentioned that the $14 million requested for the Women's Detention Facility will be funded by PICA. What is the total amount of PICA un-designated funds available for capital purposes?

MS. GRIFFITH: May I ask the Budget Office to step forward and respond?

COUNCIL PRESIDENT VERNA: Good morning, Mr. Dubow.

MR. DUBOW: Good morning. Rob Dubow, the City's Budget Director. PICA has available about $39 million by the last accounting that they gave us.

COUNCIL PRESIDENT VERNA: What are the restrictions of these funds?

MR. DUBOW: The PICA Act says that any projects that they fund have to either be designed to help the City balance its budget or meet an emergency condition. And an emergency had to be for a facility that the City owned at the time the bonds were issued which was '92 and then there were a series of conditions that make something an emergency, including compliance with consent decrees, and that's where the prison project would fit in.

COUNCIL PRESIDENT VERNA: That's why the Planning Commission, I assume, recommended these projects be used for the purpose --

MS. GRIFFITH: Yes, ma'am.

COUNCIL PRESIDENT VERNA: Ms. Griffith, you mention in your testimony the funding being requested by the Streets Department is a combination of funds remaining from completed projects or from projects that were never begun. What are the projects that were never begun and why is the Planning Commission recommending that these projects be deleted, if they are being deleted?

MS. GRIFFITH: I'm assuming that the streets Commissioner is approaching the table even as I speak.

MR. JOHNSON: Good morning again. William Johnson, streets Commissioner.

The projects that were not done were projects that were approved a number of years ago, Crewstown Road is one and Bridge 3R is another project that were not done.

COUNCIL PRESIDENT VERNA: Why weren't they done? Are they being deleted? Are they being put into another budget?

THE WITNESS: Good morning, Council President. My name is Joseph Sernick, ^ CK ^ CKI'm Chief Engineer of the Streets Department. The Crewstown Road Bridge is a replacement for an existing bridge over the Pennypack creek. It's a very old bridge. It has severe curves, horizontal curves on either end. We believe it needed to be replaced, as much as from a safety standpoint as from other standpoints. We've been working on this for more than 10 years. There's a lot of community opposition to removing the old bridge which is thought to be historic and scenic. And we've, frankly, just not been able to move this project forward. We've had this money carried along for a long, long time and we needed some money for Germantown Avenue. We still would like to do that, but truthfully, with the environmental and historic laws that we've got, we're probably several years away from anything happening.

The Bridge 3R was a bridge painting project which we had programmed hoping to get some federal funds. As you know, federal money is usually not available for maintenance-type work. Bridge painting is generally considered to be maintenance. We thought we could make an argument that this was in fact capital work or construction. That argument never panned out, so we actually had money programmed for which we could not get the federal match.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any further questions?

COUNCIL PRESIDENT VERNA: Seeing none, I would ask Mr. McPherson to please read the Bill Nos. 020026 and 020027, which are interrelated.

MR. MCPHERSON: Bill No. 020026, an ordinance amending an ordinance approved by the Mayor on October 11 2000, (Bill No. 000535), authorizing a loan in the amount $162,135,000 subject to the approval of the electors at the November 7, 2000 election to reduce the total amount of the loan authorized by said ordinance to $120,935,000.

Bill No. 020027, an ordinance authorizing the creation of a loan or loans to provide funds for and towards various capital municipal purposes, authorizing the Mayor, City Controller, the City Solicitor, or a majority of them to sell bonds at the public or private negotiated sale, setting for the capital purposes in the amounts for which the proceeds of the loan or loans will be expended.

COUNCIL PRESIDENT VERNA: Good morning.

MR. FARALDO: Good morning, Madam President. My name is Joseph Faraldo and I'm the Acting City Treasurer. Would you like me to do testimony on these two bills jointly or separately?

COUNCIL PRESIDENT VERNA: Jointly would be fine.

MR. FARALDO: Good morning, Madam President and Members of the City Council. My name is Joseph Faraldo and I serve as the Acting Treasurer for the City of Philadelphia. With me this morning is Corey Kemp, Deputy City Treasurer. I am here today to testify in support of Bills No. 020026 and 020027, both introduced on February 5, 2002.

Bill No. 020026 would amend Bill No. 000535 approved by the Mayor on October 11, 2000. Bill No. 000535 authorized the creation of a loan or loans in an amount up to $162,135,000 for and toward various capital municipal purposes. This amendment to Bill No. 000535 reduces the ordinances total loan authorization amount by $41,200,000.

As described in Bill No. 000535, of the $162,135,000 local tax supported portion of the proposed Fiscal Year 2001 Capital Budget, $40 million was originally designated to make certain repairs to the City-owned Veterans Stadium. However, the City has funded these repairs by issuing debt through the Philadelphia Authority for Industrial Development and therefore does not need the 40 million originally earmarked for this purpose.

The Administration made a verbal and written commitment that should City Council approve Bill No. 000535 and should the City ultimately fund Veterans Stadium repairs through PAID, a subsequent request would be made to City Council to amend the loan authorization to reduce the original amount from 162,135,000 to 120,935,000 and in effect extinguish the 40 million originally requested for repairs Veterans Stadium. The additional $1,200,000 represents the estimated 3 percent cost of issuance related to the bond financing transaction.

At this time, the Administration is

returning to City Council to introduce this bill requesting the amendment of Bill 000535 to reflect the previously described loan authorization reduction. Bill 000535 would have Section 1 reduced by 41,200,000, Section 2 reduced by 41,200,000 under the category of municipal buildings, and Section 6 by 41,200,000. Notwithstanding the question that was previously placed on the ballot and any prior approval from the electorate, this amendment would permit the City to issue only 120,935,000 in tax-supported general obligation debt related to the loan authorization referenced to Bill No. 000535.

This concludes my testimony on bill 020026.

Now I would like to proceed with testimony in regards to Bill 020027. The purpose of this bill is to obtain approval from City Council to place a question on the May 21, 2002 Primary Election Ballot. The question being placed on the ballot is requesting an increase indebtedness from the electorate an amount not to exceed 92,195,000 to fund the City's Fiscal Year 2003 Capital Budget. State law permits the City to increase its borrowing authority by placing a question before the electorate during an election.

The City currently lacks sufficient legal authorization to finance its capital project for Fiscal Year 2003. The loan authorization, if approved would finance capital projects classified for the following purposes and in the following aggregate amounts: Transit, 4,711,000, Streets and Sanitation, 20,914,000. Municipal Buildings, 35,589,000. Parks, Recreation, and Museums, 21,324,000. Economic and Community Development, 10,657,000.

City Council's approval of this proposed bill would permit the City to place the loan authorization question on the Tuesday, May 21, 2002 Primary Election Day Ballot. Enactment of this bill and the subsequent approval of the May 21, 2002 Primary Election Ballot question by the electorate of the City of Philadelphia would permit the City to implement its Fiscal Year 2003 Capital Budget in a timely manner. Without approval of additional authorization to the City, there could be a disruption of the Capital Program and related City services.

In order to provide the appropriate time to advertise and print the ballot question to ensure that it's placed on May 21, 2002 Primary Election Day Ballot, the bill should be enacted by April 4, 2002.

Finally, I have attached as part of my testimony the proposed ballot question requesting an increase in indebtedness from the electorate of the City of Philadelphia.

This concludes my written testimony, and I'll be happy to answer any questions you may have at this time.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: I have two questions. First is an issue relative to Bill No. 020026 which is a reduction from 162 to 120 on the amount of money that we're actually going to borrow. The professional service fees associated with that particular $120 million amended request, are the fees paid based on a percentage of the 162 or the 120?

MR. FARALDO: In the original amount of th 162,135,00, that included cost of issuance, estimate of 3 percent. The money we're asking back is 40 million including the 3 percent cost of issuance to bring up the 41,200,000.

COUNCILMAN KENNEY: Did we actually physically borrow the 162?

MR. FARALDO: To my knowledge, no.

COUNCILMAN KENNEY: Have we paid fees on the cost of issuance of 162?

MR. FARALDO: No.

COUNCILMAN KENNEY: So we haven't paid any fees yet.

MR. FARALDO: No.

COUNCILMAN KENNEY: Are we paying fees on the cost of issuance based on 120?

MR. FARALDO: Yes. It's 3 percent is built in.

COUNCILMAN KENNEY: To the 120 or the 162?

MR. FARALDO: Both.

COUNCILMAN KENNEY: Which one are we paying, the amount we're borrowing or the amount we had potentially intended to borrow?

MR. FARALDO: Well, the 3 percent is an estimate.

COUNCILMAN KENNEY: It may be

simplistic, but if I pay a real estate brokers fee or a real estate agents fee of so many percent on a house worth a 200,000, and the house turns out to be 150,000, that real estate agent's fee is going to be a percentage of 50,000 of that percentage less.

I guess the question in the end is, the less 3 percent built into the initial 162, when we ultimately pay it out will be 3 percent of 162 or 3 percent of 120?

MR. DUBOW: It will be 3 percent on 120.

COUNCILMAN KENNEY: And the 3 percent fee --

MR. DUBOW: AND it might be different. That's just an estimate.

COUNCILMAN KENNEY: It may be different up or different down?

MR. DUBOW: Well, it can't be different up because this is all the authority that we have.

COUNCILMAN KENNEY: No. The professional service fee percentage --

MR. DUBOW: What we're asking for in the ordinance is the ability to borrow and to build into borrowing our borrowing costs, so what we're saying is saying we estimate those borrowing costs to be 3 percent so please give us the authority to borrow up to that amount. We can't borrow more than that because we haven't gotten the authority.

COUNCILMAN KENNEY: That's not my question. My question is, we approved this, we're actually going to go and borrow 120 million as opposed to 162 million.

MR. DUBOW: Correct.

COUNCILMAN KENNEY: Inside both of the plans, this 162 or 120, is built in what you say is a 3 percent cost of issuance for professional services. That 3 percent can't go up or it can go up?

MR. KEMP: Corey Kemp, Deputy City Treasurer.

Typically, the cost of issuance is somewhere around 2 percent. The 3 percent is giving us a little room just in case it goes up.

COUNCILMAN KENNEY: A little wiggle room.

I guess what I'm trying to determine is whether or not based on what we expected to pay out between 2 and 3 percent of 162, when we go borrow the 120, are we still going to build into that 120 what was originally expected for professional services on the 162.

MR. DUBOW: No. It's what we'd expect on a $120 million loan.

COUNCILMAN KENNEY: 2 percent is built into the 162, wiggle to 3. Are we going to wiggle our room up to 3 because of 120?

MR. DUBOW: No.

COUNCILMAN KENNEY: How are we going to determine what the fees associated with the borrowing of $120 million in City taxpayers supported debt is going to be? Who will we know what that number is once we pass this ordinance authorizing that borrowing, who will we know what those fees are going to be, whether it's going to be based on 162, 120; 2 percent of 162, 3 percent? How do we determine that?

MR. KEMP: We determine that at the time of the borrowing. I can't estimate it at this point, but typically we will not go over the 3 percent threshold.

COUNCILMAN KENNEY: I thought it was 2 percent.

MR. KEMP: Well, I'm saying 2 percent

with the room to go up to3. And if you notice in the other ordinance, we estimated 2 1/2 percent for the Bill No. 020027.

COUNCILMAN KENNEY: When we approved the original 162, was there a professional team in place to deal with the issuance needs, the professional issuance needs of the 162? Were they identified?

MR. KEMP: No, not at that time.

COUNCILMAN KENNEY: There's no legal law firms identified, financial investment firms identified, financial consultants, advisors, no one's been identified for the 162?

MR. KEMP: Not at this time.

COUNCILMAN KENNEY: So now we're going to be asked to pass 120. We still don't know who those individuals are?

MR. KEMP: Correct.

COUNCILMAN KENNEY: When will that be?

MR. KEMP: At the point that we issue the bonds associated with this ordinance.

COUNCILMAN KENNEY: And when is that expected?

MR. KEMP: At this current time, we're looking at probably Fiscal Year '03 or early Fiscal

Year '04.

COUNCILMAN KENNEY: So we'll just wait and see what happens and wait and see who gets chosen and how much we pay them? Pretty self-evident, answer that as yes.

Let me just go a moment to the issue of borrowing. The 162 that was anticipated, now 120, for last year, right? We're amending last year's --

MR. FARALDO: No, for Fiscal 2001. Two years ago.

COUNCILMAN KENNEY: So that's 120. Now the one on 020027 is we're permission to borrow 92 million.

MR. FARALDO: Correct.

COUNCILMAN KENNEY: If look at the five-year plan, we go out to 2007 or 2008, I think we're down to 50 million in capital borrowing.

MR. DUBOW: Yes, it goes down into the 50s.

COUNCILMAN KENNEY: It seems to be an alarming downward trend. Our capital infrastructure problems, capital needs going to be substantially less in 2007, 2008, than they are now? And what are the factors associated with this very sharp decline, I guess from 4, 5, 6 years ago when we had -- I guess we had PICA to take out some of the debt for us and we were spending more capital dollars than we had spent in many years in prior administrations. We seem to have gone a pretty healthy Capital Budget into an okay Capital Budget and have projected out into 2008 in a pretty weak Capital Budget. What are we going to do about that?

MR. DUBOW: There are a couple questions in there. Let me first start with why the number is going down. Our ability to issue general obligation bonds to fund our Capital Program is constrained by the State Constitution limit on our debt, which is 13 1/2 percent of the 10-year average of assessed value of property in the City. We are quickly approaching that cap. I think we have $143 million left. That only goes up when we either retire debt or the assessed value of land in the City goes up. So that's why what we're able to borrow is going down over time.

COUNCILMAN KENNEY: There are three questions. Let me just get a little more enlightenment on the first question.

MR. DUBOW: Okay.

COUNCILMAN KENNEY: What are the factors that kind of hurdle us towards this debt limit? Are there specific capital issues, borrowings, debt that has pushed us closer to this debt limit in a swifter period of time?

MR. DUBOW: I think the underlying problem is that we have an older infrastructure that needs a significant amount of capital investment. Last year, the City planning Office did an analysis of the minimum needs that we have should fund every year to keep our facilities up. And their conclusion was that we'd need $180 million a year.

COUNCILMAN KENNEY: Annually ?

MR. DUBOW: Yes, $180 million annually. Over the last seven or eight years before this year, we had probably been getting up to about 120 a year which ate into our capacity but wasn't enough to really fund our needs.

COUNCILMAN KENNEY: It beats 50.

MR. DUBOW: It beats 50, it sure does. And that was going to be the second part of my question. Looking forward, the number gets even worse. You're talking about, well, what are we going to do about it. There are a couple of options that we've discussed. One is using other authorities to issue debt to help fund our capital improvements. Another is looking at paying for things out of Operating. One of the thing that we've done in laying out the Capital Program is try to give ourselves a year or two where we go down gradually to figure out what the best approach to tacking this problem in the long-term is.

COUNCILMAN KENNEY: That's it?

MR. DUBOW: I think so.

COUNCILMAN KENNEY: That's it on what we're planning to do about it? I mean, the question I guess I have is, if we in the last two or three years entered into certain areas of borrowing that have exacerbated and accelerated the problem of us reaching our Constitutional debt limit, are there things -- I mean, for example, the overall borrowing, not just borrowing for capital needs, but our overall debt and our need to pay debt service, whether it be on NTI, whether it be on what we borrowed, what we're planning to borrow to do the schools, to do that kind of stopgap two-year measure before we hit the wall again on the schools in 2004, is the accumulation of that debt in any way a factor in the quicker approach of this City to its Constitutional debt limit then necessitating much less borrowing into the future in a City that's getting older, it's not getting younger, with more apparently as many at least for more capital needs because our own City Planning Commission looks at $180 million a year just to take care of what we have already. Isn't that kind of a recipe for capital diaster.

MR. DUBOW: The Neighborhood Transformation Initiative bonds are not being borrowed against our Constitutional debt limit. The way that's being structured is the money is being borrowed by the Redevelopment Authority, so that did not count against our Constitutional debt limit.

COUNCILMAN KENNEY: So I understand the process. Any debt that's taken on by an agency is not the responsibility of the taxpayers in the City?

MR. DUBOW: No, it does not count against our Constitutional debt limit.

COUNCILMAN KENNEY: Is it a factor in any way in our ongoing projected Capital Budget, general Capital Budget?

THE WITNESS: I'm sorry, say that again.

COUNCILMAN KENNEY: Is it in anyway a factor overall projected Capital Budgets for the City over the next five to seven years? I mean, it's the same people paying -- you can call it whatever you want, but it's the same taxpayer that's paying the debt, is it not?

MR. DUBOW: I think the answer to your question is if you look at debt service and the appropriate level of debt service in terms -- one way to look at it is what your debt service is as a percent of your revenues. And what we've testified to before is that the level that we wouldn't want to go above is 15 percent. So any borrowing, of course, does bring you closer to that number.

You mentioned also the School District borrowing. As I understand the way that that will be done, that will be a School District borrowing; that won't be ours.

COUNCILMAN KENNEY: Who is the ultimate responsible party for the payment of debt service as a result of borrowing?

MR. DUBOW: School District.

COUNCILMAN NUTTER: And who is responsible for funding the needs of the School

District?

MR. DUBOW: I think your question was going to debt service and revenue sources. There's whole other revenue base that goes towards that.

COUNCILMAN KENNEY: Going back to the original question. When do you think -- at what point in time do you think we'll have a more healthier Capital Budget as an opposed to this continuing decline?

MR. DUBOW: I think that the only way we'll have a healthier Capital Budget is if we start using other agencies to fund it. We're not going to have PICA in our GO capacity unless there's a dramatic change in interest rates and we do big refundings. Other than that, there won't be a change in our capacity --

COUNCILMAN KENNEY: Well, explain to me the source of funds that would support debt acquired by RDA or PAID or any of those other agencies that we're going to rely on over the next five to seven years. Where is their source of revenue that pays for that debt?

MR. DUBOW: It's all revenues, but I guess the distinction I would make is that the State constitutional limit is based solely on real estate taxes, and as you know, there are many other sources of revenue. So that's why we look at that 15 percent threshold. But I don't think we'll ever get to the point where our State Constitutional limit, which is based just on real estate, will get significantly higher. So in terms of looking at how our Capital Budget would change over the years, if that funding is going to increase, I don't see it coming through GO bonds unless there's a change in the way we have to calculate --

COUNCILMAN KENNEY: So indirectly what we'll be doing is taking other revenue sources that would be going to operations, for example, and using that to fund capital debt through other agencies?

MR. DUBOW: Yes. That's how we always fund our capital program, it's by paying debt service. So it's always putting resources that would go to other things toward the debt. And the reason, the justification for that is that when you make those capital improvements, they last over a long period of time.

COUNCILMAN KENNEY: Those revenues were also at some point in tim earmarked for other City services as opposed to the payment of debt service for capital borrowing.

MR. DUBOW: It would go to other things, that's right.

COUNCILMAN KENNEY: And they won't go to other things at this point. In your proposed forward-looking scenario is the dollars coming in through other revenue streams in taxes to the City will in some way be diverted to pay for debt service --

MR. DUBOW: That's right.

COUNCILMAN KENNEY: -- acquired by other quasi-City agencies and those dollars that would normally be going to, I guess, pay for employees in a certain department or services provided by a certain department will no longer be provided but will go to pay debt service so that the RDA or PAID can borrow because we're up against the debt limit that's set State?

MR. DUBOW: Yes, but let me be clear what they'll be borrowing for is things like improvements to rec. centers and police stations. They'll be borrowing for things that normally would have been things that we would have borrow for ourselves but we can't anymore because of the State limit.

COUNCILMAN KENNEY: Well, I can tell you that if you look at the five-year plan in the capital plan, when see a $50 million number for capital in 2007 or 2008, that is a very unsettling situation and the continuing reduction in capital borrowing going for the needs of the infrastructure of the City in a continual decline is not a very good situation, especially in a City this old with the problems that it has. Whatever you're going to do, you're going to do, but it is not a very terrific situation.

MR. DUBOW: I agree, but we're looking into ways to try to handle it.

COUNCILMAN KENNEY: Good luck.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions from Members of the Committee?

MR. FARALDO: Excuse me, Madam President. I would also, while we're here today, respectfully request a suspension of rules on both of these bills.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Dubow, is a suspension also being requested for Bills 020024 and 020025?

MR. DUBOW: No, we don't need a suspension on those two.

COUNCIL PRESIDENT VERNA: Very well. Thank you.

This concludes our public hearing.

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COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC MEETING

COMMITTEE OF THE WHOLE

- - -

Wednesday, March 6, 2002

- - -

Public Meeting conducted by the Committee of the Whole, held in Room 401, City Hall, Philadelphia, Pennsylvania, on the above date, to consider action on the following:

BILLS 020024, 020025, 020026, 020027

- - -

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA

COUNCILWOMAN JANNIE BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK J. DI CICCO
COUNCILMAN WILSON W. GOODE, JR.
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN JOAN L. KRAJEWSKI
COUNCILMAN W. THACHER LONGSTRETH
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

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COUNCIL PRESIDENT VERNA: We will now go into our public meeting.

The Chair recognizes Councilwoman Blackwell for a motion on Bill No. 020024.

COUNCILWOMAN BLACKWELL: Madam President, I move that the Bill No. 020024 be reported out of Committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 020024 be reported out of Committee with a favorable recommendation.

All in favor will say aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

The ayes have it. The motion carries.

The Chair recognizes Councilwoman Blackwell regarding Bill No. 020025.

COUNCILWOMAN BLACKWELL: Madam President, I move that 020025 be reported out of a Committee with a favorable recommendation.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 020025 be reported out of Committee with a favorable recommendation.

All in favor will say aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

The ayes have it. The motion carries.

The Chair recognizes Councilwoman Blackwell regarding Bill No. 020026.

COUNCILWOMAN BLACKWELL: Madam President, I move that Bill No. 020026 be reported out of Committee with a favorable recommendation, and also a suspension of the rules so as to be considered at our next Session of Council.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 020026 be reported out of Committee with a favorable recommendation, also a recommendation that the Rules of Council be suspended so as to permit first reading at our next meeting.

All in favor will say aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

The ayes have it and the motion carries.

The Chair recognized Councilwoman

Blackwell regarding Bill No. 020027.

COUNCILWOMAN BLACKWELL: Thank you, Madam President. I move that Bill 020027 be reported out of Committee with a favorable recommendation, and also a recommendation for suspension of the rules so as to be considered at our next session of Council.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Bill No. 020027 be reported out of Committee with a favorable recommendation, also a recommendation that the Rules of Council be suspended so as to permit first reading at our next Council Session.

All in favor will signify by saying aye.

(Aye.)

COUNCIL PRESIDENT VERNA: Those opposed?

The ayes have it. The motion carries.

This concludes our public hearing and meeting. Thank you.

(Council adjourned at 11:19 a.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of March 6, 2002, were reported fully and accurately by me, and that this is a correct transcript of the same.

RE: COMMITTEE OF THE WHOLE

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Lisa C. Bradley, RPR
and Notary Public