

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, November 14, 2012
11:50 a.m.

PRESENT:

COUNCILWOMAN MARIAN B. TASCO, VICE-CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN DENNIS O'BRIEN
COUNCILWOMAN BLONDELL REYNOLDS BROWN

BILL 120824 - An ordinance authorizing and approving the City to amend the payments due under an Alternative Funding Mechanism for a portion of the unfunded actuarial liability of the City of Philadelphia Retirement System...

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COUNCILWOMAN TASC0: Good

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afternoon. The Committee on Finance will

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come to order. I'd like to recognize

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that we have a quorum in the presence of

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Councilman Goode, Councilwoman Blackwell,

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Councilman Greenlee, and Councilwoman

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Brown.

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We'd like the Clerk to read the

10

bill.

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THE CLERK: Bill No. 120824, an

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ordinance authorizing and approving the

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City to amend the payments due under an

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Alternative Funding Mechanism for a

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portion of the unfunded actuarial accrued

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liability of the City of Philadelphia

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Retirement System pursuant to the

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Municipal Pension Plan Funding Standard

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and Recovery Act; and authorizing and

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approving a New Service Agreement under

21

certain circumstances; all under certain

22

terms and conditions.

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COUNCILWOMAN TASC0: Thank you

24

very much.

25

Do we have a witness relative

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2 for this bill from the Administration?

3 (Witnesses approached witness
4 table.)

5 MS. WINKLER: Good afternoon --
6 or good morning, almost afternoon,
7 Vice-Chairwoman Tasco and members of the
8 Committee on Finance. I'm Nancy Winkler,
9 City Treasurer from the City of
10 Philadelphia. I'm here to testify in
11 favor of Bill No. 120824. With me is
12 Jimmy Lanham, my Deputy Treasurer. I
13 want to thank the Council President's
14 office and Councilman Green for their
15 cooperation in introducing this bill and
16 scheduling it for a hearing quickly,
17 which will allow the City to achieve
18 significant savings.

19 The proposed ordinance would
20 authorize the Director of Finance to
21 direct the Philadelphia Authority for
22 Industrial Development, PAID, to issue
23 bonds or notes in one or more series on
24 behalf of the City to finance the
25 purchase of all or a portion of PAID's

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2 Pension Funding Bonds, City of
3 Philadelphia Retirement System, Series
4 1999A through 1999C, the '99 bonds,
5 interest on the bonds or notes or
6 obligations, costs of issuance and
7 related costs and an expected deposit in
8 the municipal pension fund. The proposed
9 ordinance would authorize the Director of
10 Finance to enter into a Service Agreement
11 with PAID, or a supplement to the
12 existing Service Agreement for the 1999
13 bonds, to pay debt service for the
14 obligations, provided that the amount
15 payable by the City in the aggregate with
16 respect to service fees on the 1999 bonds
17 and the obligations is not increased.

18 A single institutional investor
19 has approached the City and requested
20 that the City buy back the capital
21 appreciation bonds which it holds in the
22 maturity range of 2020 to 2026. Based on
23 current market interest rates, the City
24 expects that the cost to issue current
25 interest bonds to pay -- to purchase such

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2 bonds will be less than the cost to pay

3 such bonds were the City not to refund

4 them and simply pay them at maturity.

5 The cost savings, which is estimated to

6 be approximately \$18 million, will be

7 structured as an upfront benefit. These

8 savings are estimated to be based -- are

9 estimated based on an assumption that the

10 only investor who will participate is the

11 single investor who has indicated

12 interest, although this could change.

13 The City plans to use the savings to

14 finance a deposit at closing into the

15 municipal pension fund as a one-time

16 payment. The savings will not be used to

17 reduce the Fiscal Year 2013 minimum

18 payment into the Pension Fund.

19 The City views this transaction

20 as a high interest rate to low interest

21 rate refunding of capital appreciation

22 bonds to current interest bonds. The

23 City's written debt policy calls for a

24 refunding to generate at least 3 percent

25 net present value savings of refunded

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2 principal. Current estimates of savings
3 on this transaction are in excess of 9
4 percent of refunded principal at current
5 accrued value. There is a risk that
6 this transaction may not be economic at
7 the time the bonds are priced. We will
8 not finalize the refunding transaction if
9 it will not achieve the City's economic
10 goals.

11 Again, thank you very much for
12 your assistance with scheduling this
13 hearing. I would like to request a
14 suspension of the rules to allow for
15 first reading of the bill at the next
16 meeting of Council.

17 This concludes my testimony and
18 I'm happy to answer any questions you may
19 have at this time.

20 COUNCILWOMAN TASC0: Thank you
21 very much.

22 Are there any questions from
23 the Committee?

24 (No response.)

25 COUNCILWOMAN TASC0: No

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2 questions. Thank you very much.

3 MS. WINKLER: Thank you.

4 COUNCILWOMAN TASC0: No

5 questions.

6 Is there anyone else here to
7 testify on this bill?

8 (No response.)

9 COUNCILWOMAN TASC0: Thank you.

10 There being none, we will now close the
11 hearing and go into the public meeting.

12 The Chair calls on Councilwoman
13 Blackwell to move Bill 120824 out of
14 Committee.

15 COUNCILWOMAN BLACKWELL: Thank
16 you, Madam Chair. I move that Bill No.
17 120824 be reported out of Committee with
18 a favorable recommendation and a
19 recommendation for suspension of the
20 rules so as to permit first reading at
21 our next session of Council.

22 (Duly seconded.)

23 COUNCILWOMAN TASC0: It has
24 been moved and seconded that Bill 120824
25 be reported out of Committee with a

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2 favorable recommendation and that the
3 rules of Council be suspended so this
4 bill could be heard at Council's next
5 session.

6 All in favor will say aye.
7 (Aye.)

8 COUNCILWOMAN TASC0: Is there
9 any opposition?

10 (No response.)

11 COUNCILWOMAN TASC0: There
12 being none, the bill is passed.

13 Thank you very much. This
14 meeting is adjourned.

15 (Committee on Finance concluded
16 at 11:56 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 on November 14, 2012, and
that this is a true and correct transcript of
same.

MICHELE L. MURPHY

RPR-Notary Public

(The foregoing certification of this
transcript does not apply to any reproduction
of the same by any means, unless under the
direct control and/or supervision of the
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A accreted 6:5 accrued 2:15 accurately 9:5 achieve 3:17 6:9 Act 2:19 actuarial 1:16 2:15 adjourned 8:14 Administration 3:2 afternoon 2:3 3:5 3:6 aggregate 4:15 Agreement 2:20 4:10,12 allow 3:17 6:14 Alternative 1:15 2:14 amend 1:15 2:13 amount 4:14 and/or 9:23 answer 6:18 apply 9:21 appreciation 4:21 5:21 approached 3:3 4:19 approving 1:15 2:12,20 approximately 5:6 assistance 6:12 assumption 5:9 Authority 3:21 authorize 3:20 4:9 authorizing 1:14 2:12,19 aye 8:6,7 a.m 1:7 8:16 B B 1:10 back 4:20 based 4:22 5:8,9 behalf 3:24	benefit 5:7 bill 1:14 2:10,11 3:1,2,11,15 4:1 5:1 6:1,15 7:1,7 7:13,16,24 8:1,4 8:12 Blackwell 1:10 2:6 7:13,15 BLONDELL 1:12 bonds 3:23 4:2,4 4:5,13,16,21,25 5:2,3,22,22 6:7 Brown 1:12 2:8 buy 4:20 C calls 5:23 7:12 capital 4:20 5:21 certain 2:21,21 CERTIFICATE 9:2 certification 9:20 CERTIFY 9:3 certifying 9:24 Chair 7:12,16 change 5:12 circumstances 2:21 City 1:2,6,15,16 2:13,16 3:9,9,17 3:24 4:2,15,19 4:20,23 5:3,13 5:19 City's 5:23 6:9 Clerk 2:9,11 close 7:10 closing 5:14 come 2:4 Committee 1:3 2:3 3:8 6:23 7:14,17,25 8:15 concluded 8:15 concludes 6:17 conditions 2:22 contained 9:5 control 9:23	cooperation 3:15 correct 9:8 cost 4:24 5:2,5 costs 4:6,7 Council 1:2 3:13 6:16 7:21 8:3 Councilman 1:11 1:11,12 2:6,7 3:14 Councilwoman 1:10,10,12 2:2,6 2:7,23 6:20,25 7:4,9,12,15,23 8:8,11 Council's 8:4 current 4:23,24 5:22 6:2,4 D debt 4:13 5:23 DENNIS 1:12 deposit 4:7 5:14 Deputy 3:12 Development 3:22 direct 3:21 9:23 Director 3:20 4:9 due 1:15 2:13 Duly 7:22 E economic 6:6,9 enter 4:10 estimated 5:5,8,9 estimates 6:2 evidence 9:4 excess 6:3 existing 4:12 expected 4:7 expects 4:24 F favor 3:11 8:6 favorable 7:18 8:2 fees 4:16 finalize 6:8 finance 1:3 2:3	3:1,8,20,24 4:1 4:10 5:1,14 6:1 7:1 8:1,15 first 6:15 7:20 Fiscal 5:17 foregoing 9:7,20 fully 9:5 fund 4:8 5:15,18 Funding 1:15 2:14,18 4:2 G generate 5:24 go 7:11 goals 6:10 good 2:2 3:5,6 Goode 1:11 2:6 Green 3:14 Greenlee 1:11 2:7 H Hall 1:6 happy 6:18 heard 8:4 hearing 3:16 6:13 7:11 high 5:20 holds 4:21 I increased 4:17 indicated 5:11 Industrial 3:22 institutional 4:18 interest 4:5,23,25 5:12,20,20,22 introducing 3:15 investor 4:18 5:10 5:11 issuance 4:6 issue 3:22 4:24 J JANNIE 1:10 Jimmy 3:12 JR 1:11 K	K 1:11 L L 9:15 Lanham 3:12 liability 1:16 2:16 low 5:20 M Madam 7:16 MARIAN 1:10 market 4:23 matter 9:7 maturity 4:22 5:4 means 9:22 Mechanism 1:15 2:14 meeting 6:16 7:11 8:14 members 3:7 MICHELE 9:15 million 5:6 minimum 5:17 morning 3:6 move 7:13,16 moved 7:24 municipal 2:18 4:8 5:15 MURPHY 9:15 N Nancy 3:8 net 5:25 New 2:20 notes 3:23 4:5 9:6 November 1:7 9:7 O objections 9:4 obligations 4:6,14 4:17 office 3:14 one-time 5:15 opposition 8:9 order 2:4 ordinance 1:14 2:12 3:19 4:9 O'BRIEN 1:12
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