

City of Philadelphia Committee on Finance
February 3, 2015

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, February 3, 2014
10:25 a.m.

PRESENT:

COUNCILWOMAN MARIAN B. TASCO - CHAIR
COUNCILWOMAN JANNIE L. BLACKWELL - VICE
COUNCILMAN BOBBY HENON
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN DENNIS O'BRIEN

BILLS: 141027

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

1 - - -

2 COUNCILWOMAN TASCO: Good morning. The
3 Council Committee on Finance will come to
4 order. We are here today to have a Public
5 Hearing regarding Bill No. 141027. The Chair
6 recog -- asks the Clerk to please read the
7 Bill.

8 THE CLERK: An Ordinance authorizing the
9 issuance from time to time of one or more
10 series of general obligation bonds to provide
11 funds to refund certain outstanding general
12 obligation bonds of the City of Philadelphia
13 authorizing the Mayor, City Controller and
14 City Solicitor or a majority of them to sell
15 the bonds at public or private negotiated
16 sale; setting forth the purposes of which the
17 proceeds of the bonds will be expended;
18 providing for the maturities and for other
19 terms and conditions and for the form of the
20 bonds; providing that bonds may be redeemable
21 prior to maturity; providing sinking funds for
22 the bonds and for appropriations to the
23 Sinking Fund Commission for the payment
24 thereof; authorizing agreements to provide

1 credit enhancement or payment or liquidity
2 sources for the bonds and certain other
3 actions.

4 COUNCILWOMAN TASC0: Thank you very
5 much.

6 Chair now recognizes Ms. Winkler, Nancy
7 Winkler to come and testify please, City
8 Treasurer.

9 Good morning.

10 MS. WINKLER: Good morning,
11 Councilwoman.

12 COUNCILWOMAN TASC0: Would you please
13 state your name for the record and proceed
14 with your testimony.

15 MS. WINKLER: Good morning, Chairwoman
16 Tasco and Members of the Committee on Finance.
17 I am Nancy Winkler, City Treasurer of the City
18 of Philadelphia. And with me is James Lanham,
19 Deputy Treasurer. I'm here to testify in
20 favor of Bill No. 141027.

21 The ordinance would authorize the Office
22 of the City Treasurer to issue up to
23 \$700 million of General Obligation Refunding
24 Bonds to refund maturities of any outstanding

1 general obligation bonds, pay issuance costs
2 and certain other items. This ordinance does
3 not authorize issuing bonds to finance new
4 capital expenditures. The sole purpose is to
5 lower interest rates and reduce debt service
6 burden on the City's general fund.

7 Based on current interest rates, we're
8 only anticipating refunding between 150 and
9 200 million in 2015; although, this could
10 change depending on interest rates. In this
11 ordinance, we are seeking a larger authority
12 to refund bonds for savings because we expect
13 them to become economic refunding candidates
14 over the next several years.

15 The rationale for requesting the larger
16 authority is to allow the City in the future
17 to quickly take advantage of favorable low
18 interest rates and issue refunding bonds.
19 This will reduce the risk that the City might
20 miss a window of lower interest rates due to
21 the need to obtain separate ordinance at the
22 very time the opportunity emerges.

23 At the request of City Council staff, we
24 have asked our legal counsel to evaluate our

1 ability to incorporate refunding authorization
2 within future new money authorizations. As
3 stated in the current market, we have an
4 opportunity to refund certain outstanding
5 series for debt service savings, meaning the
6 City's Debt Policy.

7 The plan of Finance is to issue fixed
8 rate bonds to refund those bonds and any other
9 viable candidates, meaning the City's Debt
10 Policy. Savings realized from a refunding
11 authorized for this ordinance will reduce the
12 debt service cost incurred by the General
13 Fund.

14 Again, thank you very much for the
15 opportunity to come before you today. I
16 respectfully ask that the Committee give this
17 Bill its favorable recommendation and request
18 a suspension of the rules to allow for a first
19 reading at the next meeting of City Council.

20 This concludes my testimony. And I'm
21 happy to answer any questions you may have at
22 this time.

23 COUNCILWOMAN TASC0: Thank you very
24 much. Are there any questions?

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1 Councilman Henon.

2 COUNCILMAN HENON: Thank you, Madam
3 Chairman. And good morning.

4 MS. WINKLER: Good morning.

5 COUNCILMAN HENON: Just a few questions.

6 MS. WINKLER: Sure.

7 COUNCILMAN HENON: And it is my
8 understanding as well, unfortunately, that
9 General Counsel had met with City Council
10 members of this body to go over this -- this
11 ordinance.

12 When was the last time the committee
13 had -- had met over the General Obligation
14 Bonds? When did they meet? When was the last
15 time they were refunded; do you know?

16 MS. WINKLER: We refunded some GO Bonds
17 that we had authority to refund last January,
18 I believe. Yeah. Last January. And I -- but
19 we didn't have to come to City Council for
20 approval for those bonds because they had
21 already had authorization.

22 COUNCILMAN HENON: Okay.

23 MS. WINKLER: Yeah.

24 COUNCILMAN HENON: So any time moving

1 forward you would need authorization?

2 MS. WINKLER: We're about out of
3 authorization at this point, yes.

4 COUNCILMAN HENON: Okay. Do you know
5 is -- moving forward here as the Committee is
6 taking a look at the savings and renegotiating
7 the GO Bonds, is there an estimate of the cost
8 savings?

9 MS. WINKLER: Well, currently --

10 COUNCILMAN HENON: I think you were
11 saying greater than 3 percent. Is there a
12 dollar value to that?

13 MS. WINKLER: The City Policy does refer
14 to a 3 percent savings threshold. However,
15 we, over the past several years, have held the
16 refunding criteria to a substantially higher
17 standard than a 3 percent savings. And that
18 has to do with the current interest rate
19 environment.

20 Because when the City sells its new
21 money bonds, it's normal in the municipal bond
22 world for the City for really no cost to
23 obtain a free option to refund the bonds once,
24 to advance refund the bonds once. And that

1 option is extremely valuable.

2 And so, the 3 percent threshold we don't
3 think adequately values that option. And so,
4 we've been waiting and not refunding bonds
5 that have 3 percent savings because we don't
6 believe it gives the City the full value of
7 its call option. And so, we've been very
8 judicious. So we don't -- we would not -- we
9 run an option value model and we evaluate the
10 negative arbitrage and we evaluate the years
11 to the call date, as well.

12 And as a result, I believe it's going to
13 produce much more savings for the City over
14 time.

15 COUNCILMAN HENON: Well, obviously,
16 that's fiscally responsible to do that. Puts
17 us in a --

18 MS. WINKLER: But to answer your other
19 question, this is just an estimate. And, you
20 know, so I wouldn't want to be held to it.
21 I'm looking for the summary page. So, right
22 now the savings that we are thinking for this
23 deal could be a million five a year or more.

24 COUNCILMAN HENON: The City has the -- I

1 mean, you are constantly monitoring this. So
2 everything is, I guess, according to the
3 market, right, and what the call is and what
4 the rates are and how we proceed. So, it
5 doesn't happen often, as you say, but it does
6 happen, right, where we get a chance for
7 reauthorization to take a look at better
8 rates?

9 MS. WINKLER: Right. That's right.

10 Yes.

11 COUNCILMAN HENON: Thank you. Thank you
12 very much.

13 COUNCILWOMAN TASC0: Any other
14 questions?

15 Thank you very much.

16 MS. WINKLER: Thank you.

17 COUNCILWOMAN TASC0: Is there anyone
18 else here to testify on this Bill?

19 Thank you, Ms. Winkler. We appreciate
20 it very much. That concludes our Public
21 Hearing. We will go on to our Public Meeting.

22 (Public Hearing adjourns.)

23 - - -

24 (Public Meeting commences.)

1 COUNCILWOMAN TASC0: Chair recognizes
2 Councilwoman Blackwell to move the -- you want
3 a suspension of the rules, Ms. Winkler? Ms.
4 Winkler, you want a suspension of the rules?

5 MS. WINKLER: Yes, please.

6 COUNCILWOMAN TASC0: Okay.

7 COUNCILWOMAN BLACKWELL: Thank you very
8 much. The Committee on Finance now reports
9 out Bill No. 141 -- sorry.

10 That's what happens when you move too
11 fast. Thank you, Madam Chair. Sorry for the
12 distractions.

13 I move that Bill No. 141027 be reported
14 out of committee with a favorable
15 recommendation; also, recommendation for
16 suspension of the rules so as to permit first
17 reading at our next session of council.

18 COUNCILMAN GREENLEE: Second.

19 COUNCILWOMAN TASC0: It has been moved
20 and properly seconded that Bill 141027 be
21 reported out of committee with a favorable
22 recommendation, and a request that the Rules
23 of Council be suspended so this Bill can be
24 heard at Council's next session.

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1 All in favor?

2 (Chorus of Ayes)

3 COUNCILWOMAN TASC0: Is there any
4 opposition?

5 There being none, the motion is carried.

6 Thank you very much.

7 (Committee on Finance Public Meeting
8 adjourned at 10:35 a.m.)

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

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

ANGELA M. KING, RPR
Court Reporter - Notary Public

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