COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

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Room 400, City Hall

Philadelphia, Pennsylvania

Wednesday, March 30, 2005, 3:40 p.m.

BILL NO. 050213, An Ordinance constituting the Fifth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to issue Airport Revenue Bonds.....

BILL NO. 050214, An Ordinance constituting the Sixth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to issue Airport Revenue Bonds....

PRESENT:

COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN BRIAN O'NEILL
COUNCILMAN JUAN RAMOS
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN W. WILSON GOODE, JR.

ALSO PRESENT: COUNCILMAN MICHAEL A. NUTTER

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3/30/05 - Bills 050213 & 050214 - Finance

P R O C E E D I N G S

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COUNCILWOMAN BLACKWELL: The Committee on Finance is being called to order.

The Clerk will read the title of two Bills, Bill Nos. 050213 and 050214. They are both Bond Ordinances to be issued on behalf of the City's Airport for the purposes of construction enhancement.

Before he does that, let me say that we have a quorum. To my left, Councilman W. Wilson Goode, Councilwoman Marian Tasco. To my right, Councilman Brian O'Neill, Councilman Juan Ramos.

We also have Councilman Michael Nutter in attendance. Thank you.

THE CLERK: Bill No. 050213, an Ordinance constituting the Fifth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Mayor, the City Controller and the City Solicitor, or a majority of them, to issue Airport Revenue Bonds, of the City of Philadelphia, in a maximum aggregate principal amount not to exceed $125 million exclusive of certain items, and in the event the Airport Revenue Bonds are issued with such items, authorizing an increase in the aggregate principal amount of such Airport Revenue Bonds, so issued, by the amount of such items; setting forth the use of proceeds; determining the sufficiency of pledged Amounts Available for Debt Service; covenanting for the payment of interest and principal; authorizing the Bond Committee to take certain action with regard to the terms and conditions of the Airport Revenue Bonds and related agreements and the elections under the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Director of Finance to take certain actions with regard to the sale of such Airport Revenue Bonds, the investment of the proceeds thereof and the City's continuing disclosure obligation; and specifying applicability of Sections of The First Class City Revenue Bond Act and the Amended and Restated General Airport Revenue Bond Ordinance.

And Bill No. --

COUNCILWOMAN BLACKWELL: Excuse me one moment. We also note that the Vice Chair of the Committee, Councilwoman Blondell Reynolds Brown is in attendance. And while the Clerk is reading the ordinances, we're asking for Vincent Jannetti, Finance Director, and Charles Isdell, Director of Aviation to come to the witness table.

Thank you. Please continue.

THE CLERK: And Bill No. 050214, an Ordinance constituting the Sixth Supplemental Ordinance to the Amended and Restated General Airport Revenue Bond Ordinance; authority the Mayor, the City Controller and the City Solicitor, or a majority of them, to issue Airport Revenue Bonds, of the City of Philadelphia, in a maximum aggregate principal amount not to exceed $230 million exclusive of certain items, and in the event the Airport Revenue Bonds are issued with such items, authorizing an increase in the aggregate principal amount of such Airport Revenue Bonds, so issued, by the amount of such items; designating the obligations to be refunded from certain proceeds of such Airport Revenue Bonds; setting forth the use of proceeds; determining the sufficiency of pledged Amounts Available for Debt Service; covenanting for the payment of interest and principal; authorizing the Bond Committee to take certain action with regard to the terms and conditions of the Airport Revenue Bonds and related agreements and the elections under the Amended and Restated General Airport Revenue Bond Ordinance; authorizing the Direction of Finance to take certain actions with regard to the sale of such Airport Revenue Bonds, the investment of the proceeds thereof and the City's continuing disclosure obligation; and specifying applicability of sections of the First Class City Revenue Bond Act and the Amended and Restated General Airport Revenue Bond Ordinance.

COUNCILWOMAN BLACKWELL: Thank you very much.

Please identify yourself for the

record. Thank you for your patience, and begin your testimony.

DIRECTOR JANNETTI: Good afternoon, Councilwoman Blackwell and Members of the Committee. My name is Vince Jannetti. I'm the acting Director of Finance. With me today is Charles Isdell, Director of Aviation, and Edward Anastasi, Deputy Director of Aviation for Finance and Administration. We're here to provide testimony in support of Bill No. 050213 and Bill No. 050214.

The purpose of Bill No. 050213 is to authorize the City to issue General Airport Revenue Bonds, Series 2005A, in one or more series, under the First Class City Revenue Bond Act, Act of October 18, 1972, Act No. 234, the Amended and Restated General Revenue Bond Ordinance, approved June 16, 1995. It was under Bill No. 950282, as amended and supplemented.

Specifically, Bill No. 050213 will authorize the Fifth Supplemental Ordinance, to the General Ordinance, to issue Project Funds not to exceed $125 million. The proceeds of the bond sale will be used to finance the cost of certain improvements to Terminal A East and to Terminal B-C and expansion of Terminals D and E, as well as resurfacing of Runway 9R-27L.

The purpose of Bill No. 050214 is to authorize the City to issue General Airport Revenue Bonds, Series 2005B and 2005C, in one or more series under the First Class City Revenue Bond Act, Act of October 18, 1972, Act No. 234, the Amended and Restated General Revenue Bond Ordinance, approved June 16, 1995, as Amended and Supplemented under the General Ordinance.

Specifically, Bill No. 050214 will authorize the Sixth Supplemental Ordinance, to the General Ordinance, to issue General Airport Revenue Bonds, Series 2005B and 2005C, to fund the Project Fund and refunding escrow in an aggregate amount not to exceed $230 million. The proceeds of the bond sale related to Series 2005B is to fund certain projects related to Terminal A East improvements and Terminals D-E expansion that are eligible for reimbursement from the Transportation Safety Administration. The proceeds of the bond sale related to Series 2005C bonds will be used to retire the Series 1995A outstanding bonds.

The Series 2005B, 2005C bonds will be issued as variable rate demand bonds. The Series 2005B bonds are expected to be retired prior to their stated maturity date from funds reimbursed by the Transportation Safety Administration. Further, the Series 2005C bonds will be the variable rate component of the 2002 interest rate swap. The Airport will receive variable rate payments from the interest rate swap counterparty as specified in that contract.

As required by the First Class City Revenue Bond Act, and the General Ordinance, I am submitting the required financial report, which is based on the analyses of the Airport System conducted by Leigh Fisher Associates, the feasibility consultant, and Urban Engineers, consulting engineers. Copies of both firms' reports are being transmitted along with the Director of Finance's report.

Subject to the necessary approvals, the Series 2005A bonds are scheduled to be priced during the week of May 9, 2005. The series 2005B and 2005C bonds are scheduled to be priced the week of May 30, 2005. The closing for the Series 2005A, 2005B and 2005C bonds is scheduled to occur before June 15, 2005, in order to meet the date for the interest to accrue on the interest rate swap and to award contracts associated with the various projects. Therefore, we respectfully request approval of Bills No. 050213 and 050214.

I'd also ask for a suspension of the Rules to allow for first reading at the next session of Council.

This concludes my testimony. I'd be happy to answer any questions at this time.

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Isdell?

DIRECTOR ISDELL: Good afternoon, Madam Chair and Members of the

3/30/05 - Bills 050213 & 050214 - Finance Committee. My name is Charles Isdell, Director of Aviation. The following testimony is presented in supported of Bill No. 050213 and Bill No. 050214, as they've been described by Finance Director Jannetti.

Approval by this body of both ordinances would provide funding in the amount of $355 million for terminal building expansion, improvements, security upgrades, airfield rehabilitation and the refunding of outstanding Series 1995A Airport Revenue Bonds totalling $190 million.

Calendar Year 2004 included several important milestone events for Philadelphia International Airport. A record-setting 28.5 million passengers utilized our airport, an increase of 15-1/2 percent over the previous calendar year. International passengers rose to 4.1 million, a 17.1 percent increase. Aircraft operations, that's takeoffs and landings, reached 486,000, an 8.9 percent increase over the previous year. And air cargo totaled over 600,000 tons, also an 8.9 percent increase over Calendar 2003. All of the above figures represent new activity records for Philadelphia International Airport. And I might add that the first two months of Calendar 2005 indicate continued growth in all of these areas.

For many years, our airport had the undesirable distinction of being synonymous with high air fares. Now, our airport leads the nation in airfare reductions, with a 15 percent decrease in the third quarter of last year alone. Average airfares out of Philadelphia International Airport now rank slightly below the national average compared to 20 percent higher than the national average in Calendar '03.

The above milestones are due primarily to the addition of low fair competition at Philadelphia. Southwest Airlines commenced service last May and its operation here has grown to 41 daily flights. Four new flights to Pittsburgh will be added in May with introductory fares as low as $29.

By this summer, Southwest Airlines is expected to reach 50 daily departures.

Additional Southwest flights will then depend on the availability of more gates.

Frontier Airlines also commenced service in May of last year and AirTran Airways has continued to grow its Philadelphia operation and now has 18 daily low fare departures.

U.S. Airways, the airport's hub carrier, responded vigorously to the competition with its own fare reduction program and additional flights out of Philadelphia. And all of this has benefited our citizens in the form of fare savings in excess of $200 million per year.

Expansion of facilities at Philadelphia has enabled the City to accommodate traffic growth and new entrant airlines. The completion of the 34-store Terminal B/C retail mall and food court in 1998 not only provided new and exciting food, beverage and retail options for the traveling public but also was a turning point in the public perception of our airport.

Completion of the 38-gate commuter

Terminal F in June of 2001 provided state-of-the-art amenities to regional passengers who previously had to board and disembark aircraft from an outdoor commuter apron under a variety of weather conditions.

Four new gates in Terminal D opened in 2002 and are now serving AirTran's growing low fare operation. New international Terminal A West completed in May 2003 provided 13 additional gates, along with expanded federal inspection service facilities and mandated post-9/11 security systems. To serve the new terminals, an additional 5,100 parking spaces were financed and constructed by the Philadelphia Parking Authority.

The $125 million requested in Bill No. 050213 would fund Terminal D/E expansion, along with Terminal A East improvements, Terminals B/C security enhancements and the resurfacing of Runway 9 Right-27 Left. The Terminal D/E project consists of the expansion and renovation of Terminals D and E and the construction of a three-level connector between the terminals to consolidate them into a single complex similar to the Terminal B/C complex.

A combined D/E security checkpoint will double the number of screening lanes, reducing long lines and waits for our passengers. Three new gates will be added in Terminal E, providing much needed growth capacity for that facility's tenants.

The Terminal A East improvements represent the completion phase of the City's program to expand and upgrade international terminal facilities at the airport. The Terminal A East security checkpoint, concourse, ticketing lobby and other facilities will be renovated and upgraded to standards compatible with the new Terminal A West facilities.

In Terminals B and C, passenger security screening areas will be expanded and upgraded, allowing the addition of up to two screening lanes at each terminal and installation of advanced technology security equipment. The Terminals B and C ticketing lobby and inbound baggage facilities will also be improved to enhance the efficiency of baggage screening.

Runway 9 Right-27 Left is 10,500 feet long, 200 feet wide, and it is one of the airport's two main runways. This runway was last resurfaced in 1990 and will be resurfaced again as part of the City's airfield renewal and replacement program.

There are two components to be funded from the $230 million in bond proceeds requested in Bill No. 050214. Security upgrades And Explosives Detection System installations will be included in the Terminal D/E expansion project and A East improvements package.

The cost of these initiatives, approximately $40 million, is eligible for 75 percent reimbursement from the Transportation Security Administration based on available federal funding. The airport is currently working with federal authorities to obtain a letter of intent to secure federal funding for this project.

The second component to be funded

under Bill No. 050214 is a current refunding of outstanding Series 1995A Airport Revenue Bonds totalling $190 million. The City entered into swaption agreement with JP Morgan in 2002. This financial transaction provided the airport with a payment of $6.5 million in exchange for the option to enter into an interest rate swap. JP Morgan notified the City in February of this year that it would exercise its option with the City when the 1995A bonds are callable on June 15th of this year.

I would like to thank Madam Chair and Members of the Council for the opportunity to present these projects today for your consideration, and my colleagues and I are available to answer any questions you may have.

COUNCILWOMAN BLACKWELL: Thank you very much. Mr. Isdell, were any of the construction enhancements required by FAA?

DIRECTOR ISDELL: The construction enhancements that I just described are not mandated by the FAA. The ones that I mentioned under the variable rate bond are ultimately required by the Transportation Security Administration, which is a division of the Department of Homeland Security, and that's the Department to which we are applying for the 75 percent reimbursement.

COUNCILWOMAN BLACKWELL: Are we showing preferential treatment to Southwest Airlines on parts of this transaction?

DIRECTOR ISDELL: I don't believe so. We are in fact very proud of the fact that all of the signatory airlines currently under lease at the airport unanimously approved this transaction. Southwest, as a matter of fact, is not one of the signatories.

The improvements to Terminals D and E will in fact benefit several other carriers in addition to Southwest; namely, United, Continental, Delta, Northwest, AirTran, and I think I'm missing one, but Southwest will have an opportunity, when we complete the three additional gates, to expand, if they wish to.

At the present time, I think they're the only carrier that is actively seeking additional gate space, but I don't see any particular preferential treatment being given to them.

COUNCILWOMAN BLACKWELL: Thank you.

Mr. Jannetti, what will happen if we don't meet the June 15th deadline set for closing?

DIRECTOR JANNETTI: Council, if we don't meet that deadline, depending on interest rates, we would be paying a second set of interest on bonds. For six months, it could cost us somewhere between 2.75 and $4 million.

COUNCILWOMAN BLACKWELL: How much in savings will the City gain in refunding the outstanding bonds?

DIRECTOR JANNETTI: Well, actually, Councilwoman, the airport received the savings of $6-1/2 million in 2002 when they exercised the swaption, which that was a three and a half percent present value savings. So basically the savings has already been taken.

COUNCILWOMAN BLACKWELL: Thank you.

I entertain questions from the Committee.

Councilman O'Neill?

COUNCILMAN O'NEILL: On the second bill, 214, we don't have much choice to do that today. I mean, it's an intelligence test. We have to get this Bill out, right? We've already done some things that we now need to do this.

DIRECTOR JANNETTI: Right. That's correct, Councilman.

COUNCILMAN O'NEILL: On the first bill, 213, I understand there's some people over on the other side of the room talking about whether it can be amended or not. This Bill as presently written would allow swaps in the future without coming back to Council; isn't that correct?

DIRECTOR JANNETTI: Yes, Councilman, I believe that's correct.

COUNCILMAN O'NEILL: I think

it's the Committee's intent, and I don't want to speak for the Chairman or other Members, but many of us have had a conversation. I think that's why the attorneys are on the side talking. If it can be amended today to take that language out, I think we'll be fine. If not, you'll understand that. I don't think anybody has a problem with -- or I don't have a problem. I shouldn't say anybody.

Has that language ever been in a Bill before like this?

DIRECTOR JANNETTI: I believe that it has, Councilman.

COUNCILMAN O'NEILL: Shame on us.

The Chair has just mentioned that it can be amended. Apparently the brain trust that's over there has worked it out.

DIRECTOR JANNETTI: We thank them for that.

COUNCILMAN O'NEILL: I just want to announce, I have to leave and I will be leaving my vote as yes on both Bills, the first one as amended and on the amendment.

COUNCILWOMAN BLACKWELL: Thank you, Councilman O'Neill.

Are there other questions from Members of the Committee?

(No response.)

(Pause.)

COUNCILWOMAN BLACKWELL: Thank you for your patience. We want to get clarification on the language and then our testimony is finished, so we can complete our hearing and into our stated meeting as soon as we get clarity, unless you gentlemen, if someone is ready to testify as to that.

Councilman Nutter, you had a question?

COUNCILMAN NUTTER: I had some questions on the Bill, Madam Chair, which may also serves as a bit of a filler while the Members are working on their issues.

COUNCILWOMAN BLACKWELL: Certainly.

COUNCILMAN NUTTER: Thank you.

Mr. Isdell, I wanted to ask you a couple of questions, one about the Runway 1735 expansion. From the environmental impact study that was done on this, I'm trying to understand, this is a $36 million project?

DIRECTOR ISDELL: Approximately, yes. That's the estimate.

COUNCILMAN NUTTER: And this is in an effort to alleviate some of the delay times at the airport?

DIRECTOR ISDELL: Yes.

COUNCILMAN NUTTER: Now, if I'm reading this report correctly, which is indicated as the final environmental impact statement, presently the delay by minutes per operation is 15.3?

DIRECTOR ISDELL: That's correct.

COUNCILMAN NUTTER: And with this alternative, which is the proposed Runway 1735 expansion project, it would go to 13.9?

DIRECTOR ISDELL: That is correct, yes.

COUNCILMAN NUTTER: So in the short term, for the $36 million it's a 1.4 minute reduction in delay?

DIRECTOR ISDELL: That's correct, but, remember, first of all, that's an average operational delay, and as I mentioned earlier, last year we had 486,000 takeoffs and landings at the airport. So a different way of looking at it is, it's 486,000 times a minute and a half or whatever.

There is a significant economic benefit to the airlines in terms of their cost reductions as a result of that. It doesn't sound very impressive to shave a minute off of a 15-minute delay, but it is significant enough that the FAA supports it.

COUNCILMAN NUTTER: Right. And going forward with no action, the same delay would go from 15.3 to 32.4 minutes, and with this alternative one, you would shave, it looks like, 6.5 minutes off of that, leaving you with a 25.9-minute delay after spending the $36 million?

DIRECTOR ISDELL: Again, that's an average delay, and I believe that's forecasted based on the expected number of takeoffs and landings that would continue to grow into the future and no further action on the airfield during the period that they're talking about.

But, in reality, we're working concurrently with another environmental impact study on additional improvements to the airfield that we would hope would result in a lower number than the 25-minute number if we could get them done in that same time frame.

COUNCILMAN NUTTER: Is this the Capacity Enhancement Program?

DIRECTOR ISDELL: That's correct.

COUNCILMAN NUTTER: And if you do that, what do you think the delay times will be?

DIRECTOR ISDELL: I don't have that number, but I think I have a member of my staff who could probably assist me, if I could bring him up to the mic.

DEPUTY DIRECTOR DAVENGER: My name is Calvin Davenger. I'm Deputy Director of Aviation for Planning and Environmental Stewardship.

Councilman Nutter, to address your question, we have done numerous simulation runs to try to determine the capacity changes at our airport and the delay changes that will take place into the future for runs for years beyond 2007, 2015, 2020 and 2025.

They're still adjusting those runs. We're currently in the process of actually ramping up to a fuller extent on the capacity enhancement EIS right now, and so very soon we will have technical reports that will give us some good numbers on the things that you're inquiring about.

COUNCILMAN NUTTER: Okay. If you could forward those to the Chair, I'd greatly appreciated it.

DEPUTY DIRECTOR DAVENGER: Yes, sir.

COUNCILMAN NUTTER: Let me go back to Mr. Isdell.

What is our rank nationally with regard to delays at the airport?

DIRECTOR ISDELL: In Calendar 2004, we were the fourth most delayed airport in the country.

COUNCILMAN NUTTER: What were the three ahead of us?

DIRECTOR ISDELL: I'm not 100 percent sure. I would guess Chicago O'Hare and LaGuardia. They're usually in the top five. And Newark is another one that's usually up there, but I'm speculating.

COUNCILMAN NUTTER: Okay. If you could get that information, I'd appreciate it.

DIRECTOR ISDELL: Yes.

COUNCILMAN NUTTER: Could I have Mr. Jannetti, please.

Mr. Jannetti, on one of your more recent appearances, we had some discussion about a whole host of transactions coming to us. This is, I think, the first since you were last here in Council.

I want to ask you some questions with regard to the team to work on this. Who are the professionals that will be working on this transaction?

DIRECTOR JANNETTI: Councilman,

I have actually a copy of the briefing book that was given out a couple weeks ago at our briefing, and at Page 12, it has the team, which I will now tell you. For bond counsel, Saul Ewing and Denise Smyler, bond counsel. Financial advisors are First Southwest Company and Phoenix Capital Partners. The swap advisors chambers, Dunhill Rubin. It's actually CDR Financial. Special counsel is Blank Rome. The underwriters are Bear Stearns on the Series A and Series B bonds. JP Morgan is the underwriter on the Series C bonds. The liquidity bank is Bear Stearns on the B bonds and JP Morgan on the C bonds. And underwriters counsel is Obermayer Rebmann Maxwell & Hippel and White & Dalia.

COUNCILMAN NUTTER: That's the whole team?

DIRECTOR JANNETTI: Except for the printer and --

COUNCILMAN NUTTER: Who is the printer?

DIRECTOR JANNETTI: We'll get that for you, Councilman. I printed out the water team before I left the office and not the airport.

COUNCILMAN NUTTER: I understand, but you'll get the information?

DIRECTOR JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Going back to the earlier questions, and this was probably back in either February or last month, how was the team put together?

DIRECTOR JANNETTI: The team was drawn from the group of professionals, bankers and attorneys that the City uses for bond financing. Bond counsel, Saul Ewing, is one of the -- I mean, is the group of attorneys that actually wrote the Garbo Ordinance. So basically it's from our list of professionals.

COUNCILMAN NUTTER: And what individual, or was it yourself, actually composed this particular team? Who picked the professionals?

DIRECTOR JANNETTI: This team was actually put together, I think, a year, year and a half ago. We were looking into the possibility of doing something with the airport garages. So this team was basically that team.

COUNCILMAN NUTTER: Well, what happened to that transaction?

DIRECTOR JANNETTI: I think for some reason we decided not to do it.

COUNCILMAN NUTTER: Oh, okay. That's a good answer. So you decided not to do that transaction, you said, without being able to keep to a straight face. You're saying this is the team that was in place for that transaction?

DIRECTOR JANNETTI: Basically. I mean, JP Morgan I believe was part of that. JP Morgan is on the swap.

COUNCILMAN NUTTER: Can you describe to us, Mr. Jannetti, now in your present capacity how are the teams put together? How do you decide which players are on a particular team?

DIRECTOR JANNETTI: The underwriter is usually from -- we constantly get proposals from underwriters on various types of financings and refinancings and swaps and whatever, and we analyze those, and based on something with merit or on a new financing, if something looks good, we will proceed with that. The rest of the team, the attorneys again are from the group of professionals that we have in our --

COUNCILMAN NUTTER: Now, about a week or so ago; more specifically, on March 2nd, I believe during budget testimony for the Mayor's office, Secretary of External Affairs Burrell indicated that the Finance Department had a list of qualified professionals and that some work had been done possibly as early as 2000 to put such a list together. He did not have it handy. He indicated that it was a document over in the Finance office.

Is that the document that you use?

DIRECTOR JANNETTI: That's correct, Councilman. As a matter of fact, based on that testimony, I thought I had copies of that sent to the Chair, but I will check on that.

COUNCILMAN NUTTER: Okay.

Could you?

And so you get pitched by one of the bankers, they give you an exciting idea, and then do you then go to that list and determine which professionals work on a particular transaction?

DIRECTOR JANNETTI: Myself and a member of my staff, yes.

COUNCILMAN NUTTER: Solely?

DIRECTOR JANNETTI: Well, in Finance, yes.

COUNCILMAN NUTTER: And then what happens with the information from there?

DIRECTOR JANNETTI: And then the list goes over to the Mayor's office.

COUNCILMAN NUTTER: And then what happens when it goes over there?

DIRECTOR JANNETTI: And then it gets approved or amended.

COUNCILMAN NUTTER: And who makes that decision?

DIRECTOR JANNETTI: I think -- well, the list comes back to me from Mr. Burrell.

COUNCILMAN NUTTER: So he decides?

DIRECTOR JANNETTI: I believe.

COUNCILMAN NUTTER: What's the cost of issuance for this transaction?

DIRECTOR JANNETTI: Actually, Councilman, I don't know that yet. We're just starting to get the team members lined up with their cost.

COUNCILMAN NUTTER: Do you have a range or an estimate?

DIRECTOR JANNETTI: It's about two percent for the cost of issuance.

COUNCILMAN NUTTER: And the two percent is split up among maybe, it looks like, about ten, nine or ten professionals on the list?

DIRECTOR JANNETTI: Yes, sir.

COUNCILMAN NUTTER: And how do you decide who gets what?

DIRECTOR JANNETTI: That's based on what the professionals -- on their billing, based on the hours they put in, travel time, whatever.

COUNCILMAN NUTTER: Well, I don't know that you want to say "whatever." I mean, there are costs here. It's our money.

DIRECTOR JANNETTI: Let me clarify that, Councilman. I'm sorry. The attorneys' billings are based on time spent. The underwriters is based on cost per bond, which we like to negotiate.

COUNCILMAN NUTTER: The total transaction here, did I read somewhere, is it 230? What's the total cost of this transaction? I mean, the total proceeds out of this transaction?

DIRECTOR JANNETTI: 355 million.

COUNCILMAN NUTTER: So we're looking at somewhere in the range of about $7 million?

DIRECTOR JANNETTI: Yes, sir.

COUNCILMAN NUTTER: And at what point is it decided what the different professionals are paid?

DIRECTOR JANNETTI: For this transaction, we actually are going to try to pin that down in the next week or so.

COUNCILMAN NUTTER: And the two percent figure, is that some kind of standard? I mean, why is it two percent versus three percent versus one percent? How do you decide that.

DIRECTOR JANNETTI: Historically that's about what it has been costing us to do a transaction.

COUNCILMAN NUTTER: And is there a negotiation involved or is it just the firms bill what they bill and that's the end of the conversation?

DIRECTOR JANNETTI: No. I think --

COUNCILMAN NUTTER: Or, as you might say, whatever.

DIRECTOR JANNETTI: No. There is some negotiation.

COUNCILMAN NUTTER: Some negotiation?

DIRECTOR JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Who does the negotiating?

DIRECTOR JANNETTI: Usually me.

COUNCILMAN NUTTER: The list that you sent over on this transaction, is it exactly the same list that you read into the record?

DIRECTOR JANNETTI: Yes, except for, as I said, the printer and I guess the trustee the bank, which would be Wachovia.

COUNCILMAN NUTTER: Right. So you're saying that the list of firms that you read into the record is the list that you personally put together and then sent over to the Mayor's office and it came back looking exactly the way you sent it over?

DIRECTOR JANNETTI: No, sir. That's the way we do it now, but when this list was put together, I was not, shall we say, in charge of that process.

COUNCILMAN NUTTER: Who was in charge?

DIRECTOR JANNETTI: It was Corey Kemp.

COUNCILMAN NUTTER: On this transaction?

DIRECTOR JANNETTI: No, sir; on the garage transaction.

DIRECTOR JANNETTI: So you're saying that --

DIRECTOR JANNETTI: He was the treasurer at the time.

COUNCILMAN NUTTER: We were still up in 696.

DIRECTOR JANNETTI: Pardon me?

COUNCILMAN NUTTER: I'm just trying to figure out the time frame. We were still up in 696 when we were dealing with the garage transaction. Was that in '03?

DIRECTOR JANNETTI: I believe so.

COUNCILMAN NUTTER: Okay. So the team was put together on the garage transaction.

DIRECTOR JANNETTI: Correct.

COUNCILMAN NUTTER: And that team has survived intact since that transaction to this transaction?

DIRECTOR JANNETTI: I believe so, but I'd have to go back and check the actual team that we had then. I'm pretty sure it's the same team.

COUNCILMAN NUTTER: Okay. I mean, you apparently had nothing to do with the team that you read into the record; you didn't make any decision in way, shape or form regarding the composition of this team?

DIRECTOR JANNETTI: No, sir, other than JP Morgan on the swap, but they are the counterparty for the swap, so it was kind of inherited.

COUNCILMAN NUTTER: You inherited them?

DIRECTOR JANNETTI: Well, I mean, since JP Morgan was the counterparty of the swap.

COUNCILMAN NUTTER: Right. They go with the thing.

Do you have any particular views on the current process which seems to be somewhat driven by the pitches and the proposals and the ideas that come in the shop? Obviously you do transactions because you need to do a transaction, not because someone necessarily

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has a particular idea one day.

What are your views as the Finance Director on the whole issue of competitive bidding?

DIRECTOR JANNETTI: I never actually analyzed that for this purpose, Councilman.

COUNCILMAN NUTTER: Have you ever had a thought about it?

DIRECTOR JANNETTI: I've thought about it. I think about what we do and how we do it.

COUNCILMAN NUTTER: Well, what are your thoughts?

DIRECTOR JANNETTI: I think that it's kind of competitive right now. I mean, I don't even have to ask and stuff comes in the door every week.

COUNCILMAN NUTTER: Well, I mean, that would seem to indicate it's competitive for the person that has the idea that comes in the door.

DIRECTOR JANNETTI: Yes, but usually in a lot of cases, I mean, everybody is studying our bonds. We're a big issuer, so you will get two, three proposals on the same transaction.

COUNCILMAN NUTTER: What's the work product with regard to these transactions? What actually comes back to you? I mean, obviously the underwriters, they're out in the market, they have salespeople, they go and sell the bonds, they make the advertisements. But in terms of the advice that you receive from the variety of the legal team, what actually comes back to you by way of work product?

DIRECTOR JANNETTI: Well, all the documents related to the transaction, the official statement, the bond purchase agreement, the advertising, the ordinances, that's all done by the attorneys.

COUNCILMAN NUTTER: And do you see the product when it comes back?

DIRECTOR JANNETTI: Yes, sir. We have team meetings, working group meetings, go through --

COUNCILMAN NUTTER: You have

what?

DIRECTOR JANNETTI: We have working group.

COUNCILMAN NUTTER: What did you say, TBs?

DIRECTOR JANNETTI: Team meetings.

COUNCILMAN NUTTER: Team meeting, got you.

DIRECTOR JANNETTI: Working group meetings. We go through the documents, sometimes painstakingly page by page.

COUNCILMAN NUTTER: Sometimes what?

DIRECTOR JANNETTI: Painstakingly.

COUNCILMAN NUTTER: Page by page, okay.

I think most of your career has been with the City; is that correct?

DIRECTOR JANNETTI: All of my career, sir.

COUNCILMAN NUTTER: I didn't want to pigeonhole you.

Have you had any contact with other professionals who do what you do in other municipalities and the way that they conduct in this particular instance their bond business? Have you ever had any discussions about that?

DIRECTOR JANNETTI: Actually, no, Councilman. That's an interesting thing, that I don't know why I haven't, but, no, I have not.

COUNCILMAN NUTTER: Okay. After today you might do that?

DIRECTOR JANNETTI: I think that might be a good idea. Maybe a road trip. Just kidding.

COUNCILMAN NUTTER: If you're going to take a road trip, you should at least fly. Maybe we'll get a passenger facility charge out of you or something. You're just --

DIRECTOR JANNETTI: I'm sorry.

COUNCILMAN NUTTER: If you were a different guy, we'd probably be here all night, but there's just something about you I just can't --

DIRECTOR JANNETTI: Thank you, Councilman.

COUNCILMAN NUTTER: I just really -- but you're right up on the line there. You got a little chalk on your shoe.

So you're going to come back to us at some point in time, with or without the road trip, with some of your ideas about how we might enhance or where possible, not skimming on quality, but if there are some opportunities to drive down some of the costs, you think that that might be a worthwhile exercise?

DIRECTOR JANNETTI: Absolutely.

COUNCILMAN NUTTER: All right. And when will we know what the disbursement of proceeds from the approximately $7 million in the cost of issuance, when will we know --

DIRECTOR JANNETTI: We'll know in a couple of weeks. At least we'll know before closing.

COUNCILMAN NUTTER: And closing is June 15th?

DIRECTOR JANNETTI: Yes, sir. On the floating rate bonds, they are. I'm not so sure about the fixed rate bonds. I think that might be -- the date of that might be being determined.

COUNCILMAN NUTTER: Over on the side there?

DIRECTOR JANNETTI: Yes.

COUNCILMAN NUTTER: The little separate meeting.

DIRECTOR JANNETTI: Councilman, I misspoke. The pricing has to be two different dates. The closing is June 15th.

COUNCILMAN NUTTER: The closing is June 15th. So you'll know at that point?

DIRECTOR JANNETTI: Yes.

COUNCILMAN NUTTER: Okay. I look forward to that.

DIRECTOR JANNETTI: Thank you, Councilman.

COUNCILMAN NUTTER: Thank you very much.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank

you, Councilman Nutter.

We understand that the Law Department is prepared to testify on amendment. We would ask that representative of the Law Department to come forward.

Now we're told Bond Counsel would like to talk about the amendment. We're trying to work with you.

MR. MAGNATTA: Thank you. This amendment would relate to Bill No. 05 -- George Magnatta, Co-Bond Counsel.

COUNCILWOMAN BLACKWELL: Talk into the mic. We can't hear you well.

MR. MAGNATTA: George Magnatta, Co-Bond Counsel, Saul Ewing.

COUNCILWOMAN BLACKWELL: Would you spell your last name?

MR. MAGNATTA: M-A-G-N-A-T-T-A.

COUNCILWOMAN BLACKWELL: Thank you.

MR. MAGNATTA: This amendment would be to Bill No. 050213 and it is intended to amend the General Ordinance to proscribe the airport from entering into any type of qualified swap or exchange agreement without City Council approval.

Do you want me to read in the amendment?

COUNCILWOMAN BLACKWELL: Yes.

MR. MAGNATTA: We would amend the title of the Ordinance by looking to the second-to-last line after the word "and" and insert the following: Quote, Amending the Amended and Restated General Airport Revenue Bond Ordinance of 1995, end quote. And then in the Ordinance itself, we would redesignate Section 11 --

COUNCILWOMAN BLACKWELL: Excuse me one moment, Mr. Magnatta. Start again. You said you're beginning where? In the first paragraph?

MR. MAGNATTA: The title. We would amend the title of the Ordinance, the second-to-last line --

COUNCILWOMAN BLACKWELL: Second-to-last line?

MR. MAGNATTA: Of the title. Actually, it's the third line from the bottom of the title.

COUNCILWOMAN BLACKWELL: Can we ask you to hold up a minute, because our rules are that you can't amend the title of a Bill without having to have an entire new Bill introduced. You can amend the content of it, but not the title of the Bill.

We've been advised that we can amend the title if we readvertise; is that correct?

MR. McPHERSON: Yes.

COUNCILWOMAN BLACKWELL: All right. We will take the advice of Mr. McPherson, our financial expert.

Tell us again where you are reading in this correction.

MR. MAGNATTA: Sure. In the title, third-to-last line from the bottom of the title after the word "and," insert the following: Quote, Amending the Amended and Restated General Airport Revenue Bond Ordinance of 1995, end quote. And then in the body of the Ordinance, we would redesignate Section 11 at the end of the Ordinance as Section 12 and insert new Section 11. New

Section 11 would read as follows: Section 11, period. Amendment to Amended and Restated General Airport Revenue Bond Ordinance of 1995, period.

Section 312 of the Amended and Restated General Airport Revenue Bond Ordinance of 1995 is amended by adding the following new paragraph at the end thereof to read as follows, colon: Quote, Notwithstanding anything herein to the contrary, any qualified swap or exchange agreement entered into after June 15, 2005 may only be authorized by a supplemental ordinance, period, quote.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions from Members of the Committee?

Councilwoman Tasco?

COUNCILWOMAN TASCO: Does the title have to be amended?

COUNCILWOMAN BLACKWELL: Mr. McPherson tells us that the title can be amended as long as we readvertise.

COUNCILWOMAN TASCO: The question is, does it have to be amended? Does the action that we're calling for have to appear in the title of the Bill or can you amend the section and add Section 12?

MR. MAGNATTA: I think the better practice would be to amend the title to notify the public that we're amending the General Ordinance.

COUNCILWOMAN BLACKWELL: Thank you. We'll have confirmation.

(Pause.)

COUNCILWOMAN BLACKWELL: Thank you for your patience, Everyone. We're having confirmation by the Law Department as well.

MR. MAGNATTA: We think that you should amend the title. We need to.

COUNCILWOMAN BLACKWELL: All right. Thank you.

MR. MAGNATTA: Thank you.

COUNCILWOMAN BLACKWELL: Both Bond Counsel and Law Department agree.

Councilman Nutter?

COUNCILMAN NUTTER: Madam

Chair, I appreciate your patience with me, which I know can be trying at times.

I have the deepest respect for Mr. Magnatta, but I think both for this record and for the body, notwithstanding Mr. Dutchie, standing there, I think it would be quite helpful to have that confirmation also come from our Law Department. I've at least raised the question at the moment and there's some timing issues. I don't know why we just don't introduce another Bill with the correct title. I know that that has its own complications. I'm not trying to be a problem, but we should at least have word on the record from our own Law Department.

I don't know that we've ever done this before.

COUNCILWOMAN TASCO: I don't think so either.

COUNCILWOMAN BLACKWELL: Well, I don't know either, as my colleagues have said, but if it is requested by the majority of those in attendance that we move forward, even if we report this Bill out, it would have to sit on the calendar until the advertising is done. So it still would not move and legally could not. But certainly I agree with you, that I don't know of an instance when we've done it quite this way before.

COUNCILMAN NUTTER: If I had that opportunity, I'd at least -- or the Chair could certainly ask that question.

COUNCILWOMAN BLACKWELL: Thank you, Councilman.

Please identify yourself for the record.

MR. DUTCHIE: Good afternoon. My name is Francois Dutchie. I'm the Divisional Deputy City Solicitor for Finance and Contracts.

I believe your question is have we ever done this before. I couldn't answer that. I don't know if we have.

I don't see that there is any real difference in amending this Ordinance, including amending the title and submitting a new Ordinance. As Councilwoman Blackwell stated, because of our advertising requirements, this Bill can't go anywhere for several weeks. So to amend the title, advertise a new public hearing is not going to add any additional time to the passage of this Ordinance.

COUNCILMAN NUTTER: I think there's another issue. Again, I'm not on the Committee. I know Councilman Goode is and wants to weigh in.

I don't think it's about time. I think it's about precedent. I think it's about how we conduct our business. And if you're telling me there's no time differential, then, quite frankly, I think you just lost the argument.

MR. DUTCHIE: Well, then, I'm not quite sure exactly what your concern is.

COUNCILMAN NUTTER: The concern is, this is not what we do and we've not done it, to the best of my recollection. I've got a little bit of time. Councilwoman Tasco has a little more time. Councilwoman Blackwell, between her previous City time and her Council time, has more than anybody else in the room.

So I think it does make a difference. It's not just about this transaction or about the airport. I mean, we pass a few Bills around here, and this is like a whole new operation. So this is not an action that's limited -- this is just from my small perspective over here. This action is not just limited to this Bill or the airport or the wonderful nature of what it is that we're trying to do. I don't believe that we've done it in recent history. So that starts a whole new operation around here where there's been a certain sanctity about titles versus body.

COUNCILMAN GOODE: Point of information.

COUNCILWOMAN BLACKWELL: Excuse me, Councilman. We have a point of information on the floor.

Councilman Goode?

COUNCILMAN GOODE: I think what the confusion/disagreement may be is that this is not necessarily a legal issue. You're probably right about the legal issue, but a legislative matter, it deals more with the Rules of Council than any legal issues. And, in fact, the Rules of Council state in any number of things regarding title of a Bill that when a Bill is introduced as it is crafted, that the title of the Bill be very specific in terms of what it says, and as it's introduced, the Chief Clerk read the title of the Bill.

So, in other words, we don't read the entire Bill after the Bill is introduced. We read the title. That title is supposed to be very specific, and anything after that point, quote/unquote, guts of the Bill, can even be scratched, but the title cannot. And that is my understanding of our procedure here, that you never change the title of a Bill for that purpose, according to the Rules of Council.

MR. DUTCHIE: Which is why I felt that if you're going to change the title, you would be required to readvertise the Bill and hold a second public hearing on that Bill, and I think that handles, at least from a legal perspective, that handles the problem from --

COUNCILMAN GOODE: It does not handle it, because essentially it is a matter of precedent for us and whether someone can take a Bill and change that Bill totally, and not to say anything disparaging, but we don't do business like other legislative bodies that tack on anything to any Bill. I mean, essentially, we have a totally separate process than a state legislature and other legislative bodies, and that starts with the actual title of the Bill.

COUNCILWOMAN BLACKWELL: Gentlemen, I polled Members of this Committee and they all concur that they are not comfortable with establishing a whole new precedent and would, in fact, like to, since there is no time difference, to hold this Bill until a new Bill is introduced, since it makes no difference in timing.

You have to advertise. A new Bill can be produced as soon as tomorrow and then we start the process over, and then everybody is comfortable that it's legal and proper.

So if somebody writes the Bill, we can reintroduce it tomorrow and go from there. So there would be no great difference in what happens from here.

MR. DUTCHIE: Madam Chairman, our special counsel, Joan Stern, actually has a comment that she'd like to make.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Ms. Stern.

MS. STERN: For the record, my name is Joan Stern. I'm with Blank Rome, LLP. I serve as special counsel to the City for the Airport Revenue Bond transactions.

As you are all aware from the testimony already given, our only concern here is to accommodate the amendment into the General Airport Revenue Bond Ordinance in a way that still makes sure that we can keep the end closing date for the transaction intact, because there are important timing issues around the closing.

As Mr. Dutchie explained, as a

technical matter, and because I am very old and have been doing this since the early '70s, there have been times when Councils in the past have amended Bills and amended titles in committee and then readvertised, held a second hearing for precisely the reasons that Councilman Goode enunciated, so that the public will know that the Bill has been changed, because the Bill is identified and explained by title.

So this is something that, in our opinion, Council may do. If it's the choice of Council to withdraw this Ordinance and have it reintroduced tomorrow with the amendment, the only concern that we have is that we be able to keep to the same timing, and that means -- we just want to check and sort of count the days and make sure --

COUNCILWOMAN BLACKWELL: Thank you. It is our opinion between today and tomorrow if it has to be readvertised, there's no difference. It's too late to advertise today and so it would happen tomorrow, at any rate.

COUNCILMAN NUTTER: It wouldn't happen until Friday. I mean, tomorrow is shot for advertising. I mean, you've got to have an ad in by noon possibly to be in the next day, and it's usually two-day delay just for our regular stuff. So I think the best case scenario is, maybe starts Friday on that. But there's some additional advertising that I know that was discussed because of these revenue bonds.

MS. STERN: We would have to start -- we're counting on having the advertising the first -- of the next sequence of advertising start on Saturday, because we have to allow for the amount of time that it takes to get the ad into the paper and published and so on.

As long as we can keep to final passage on the 21st of April and we can do this so that we can have final passage by the 21st of April.

COUNCILMAN NUTTER: You're going to go tomorrow. You're going to try to advertise it for a hearing one day next week.

You're going to get a first reading on the 7th, and you can vote it the 14th.

COUNCILWOMAN BLACKWELL: We believe we can get it done, as has been --

COUNCILMAN NUTTER: And a week to spare.

COUNCILWOMAN BLACKWELL: -- as has been said. We don't have to testimony again. We could have a very short hearing and get this done expeditiously.

MS. STERN: It would be introduced tomorrow?

COUNCILWOMAN BLACKWELL: Yes. We're happy to accommodate you. We just want to be legal and proper and not establish a precedent whose ramifications we're not clear of. As you say, maybe it was done in the past. None of us just can recall, and we don't want to tread on new ground here when we're not sure what that will mean and how other issues could be implicated in other Bills and other subject.

MS. STERN: I certainly would not say to you that it's a common occurrence, Councilwoman. It's not. It's not unheard of, but it's not common.

COUNCILWOMAN BLACKWELL: Thank you.

(Pause.)

MS. STERN: Madam Chair?

COUNCILWOMAN BLACKWELL: Yes, Ms. Stern.

MS. STERN: I apologize for us taking all the time, but we really want -- we've just counted twice through the calendar to make sure that we give you the right dates.

Because the First Class City Revenue Bond Act requires a sequence of five advertisements for the bond ordinance, what we would request is a schedule that allows us to introduce the ordinance tomorrow so that we can begin that sequence of advertising again, and then we would need a public hearing between the 7th of April and the 20th of April, because in order to accommodate the five sequences of advertising, we would need final passage on the 21st of April.

COUNCILWOMAN BLACKWELL: Yes.

We see no problem with that and we're happy to accommodate you in that regard.

MS. STERN: Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you.

Again, we thank everyone for their patience. We just want to make sure that we're doing it correctly.

(Pause.)

COUNCILWOMAN BLACKWELL: Thank you again, Everyone, for your patience.

This will conclude our stated hearing and we will enter the stated meeting.

The Chair notes that we've made an agreement to hold Bill No. 050213.

We will now ask the Vice Chair of the Committee for a motion to report out with the suspension of the rules Bill No. 050214 with a favorable recommendation.

COUNCILWOMAN BROWN: Very well. Madam Chair, I make a motion that Bill No. 050214 be moved out of Committee with a favorable recommendation. I further move that the Rules of Council be suspended to allow first reading at the next regularly scheduled session of City Council.

COUNCILMAN GOODE: Second.

COUNCILWOMAN BLACKWELL: It's been moved and properly seconded that Bill No. 050214 be reported out of Committee with a favorable recommendation and, furthermore, that the Rules of Council be suspended so as to permit first reading at our next session of Council.

All in favor say aye.

MEMBERS: Aye.

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it. We also note that Councilman O'Neill left his vote in the affirmative as well.

The ayes have it. This Bill is passed out, and we thank you all very much for your cooperation and your patience. We'll get the other done. Thank you.

(Committee on Finance adjourned at 5:00 p.m.)

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I N D E X

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 March 30, 2005, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY

RPR-Notary Public

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