COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE THE COUNCIL COMMITTEE ON FINANCE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
March 23, 1999, 1:10 p.m.

- - -

BILL 990115 - Authorizing creation of a loan or loans to provide funds for and toward various capital municipal purposes; authorizing the Mayor, City Controller, and City Solicitor, or a majority of them, to sell bonds at public or private negotiated sale; setting forth capital purposes and amounts for which the proceeds of the loan or loans will be expended; providing for the maturities and for other terms and conditions and for the form of the bonds; providing that certain bonds may be redeemable prior to maturity; providing sinking funds for the bonds and for appropriations to the Sinking Fund Commission for the payment thereof; authorizing agreements to provide credit or payment or liquidity sources for the bonds and certain other actions; providing for obtaining consent of electors to increasing the indebtedness of the City of Philadelphia; fixing a day for holding the election for obtaining such consent and providing for the arrangements for holding such election; and, further, upon condition, amending an ordinance approved by the Mayor on April 25, 1997 (Bill 970193) to provide that no additional loans may be created pursuant thereto after a certain date.

PRESENT: COUNCILWOMAN JANNIE BLACKWELL, Chair
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER
COUNCILWOMAN MARIAN B. TASCO

- - -

VINCENT VARALLO ASSOCIATES, INC.
Registered Professional Reporters
Eleven Penn Center, Suite 600
Philadelphia, PA 19103
(215) 561-2220

3/23/99 FINANCE COMMITTEE - Bill 990015

I N D E X

3/23/99 FINANCE COMMITTEE - Bill 990015

P R O C E E D I N G S

COUNCILWOMAN BLACKWELL: Good afternoon. We will now call to order the public hearing on Bill No. 990115.

For the record, we have in attendance Councilwoman Marian Tasco to my left; to my right, Councilman Jim Kenny; and to his right, Councilman Michael Nutter.

We are now ready and prepared to begin. I would you to identify yourself for the record and proceed with your testimony.

Oh, excuse me. Will the clerk please read the bill.

THE CLERK: Bill No. 990115, an ordinance authorizing the creation of a loan or loans to provide funds for and toward various capital municipal purposes; authorizing the Mayor, City Controller, and City Solicitor, or a majority of them, to sell bonds at public or private negotiated sale; setting forth the capital purposes and the amounts for which the proceeds of the loan or loans will be expended; providing for the maturities and for other terms and conditions and for the form of the bonds; providing that certain bonds may be redeemable prior to maturity; providing sinking funds for the bonds and for appropriations to the Sinking Fund Commission for the payment thereof; authorizing agreements to provide credit or payment or liquidity sources for the bonds and certain other actions; providing for obtaining the consent of the electors to increasing the indebtedness of the City of Philadelphia; fixing a day for holding the election for obtaining such consent and providing for the arrangements for holding such election; and, further, upon condition, amending an ordinance approved by the Mayor on April 25, 1997 (Bill No. 970193) to provide that no additional loans may be created pursuant thereto after a certain date.

COUNCILWOMAN BLACKWELL: Thank you.

Would you identify yourself first and proceed.

MR. KAPLAN: Thank you very much. Good afternoon, Chairwoman Blackwell and members of the committee. I'm Dean Kaplan, the City's Budget Director. With me today to my left, and to your right, is Whitney Reed, the City's Treasurer; and to my right, your left, Cathy Paster, the Deputy Budget Director for the City.

We're appearing before you today to offer testimony on Bill No. 990115, which proposes to authorize the creation of a loan or loans to provide for various capital purposes. This measure will authorize the City to sell bonds to finance various capital projects, authorize a ballot question to obtain the consent of the electors to increase the City's indebtedness, and set a date and provide arrangements for holding an election to obtain that consent. Obviously, the election in case would be the May primary election that's coming up.

As members of the committee are well aware, we go through this process each year in order to provide sufficient authorization to continue the capital program when the new fiscal year begins on July 1st.

This particular loan authorization allow for the financing of $196.9 million in capital projects classified for the following purposes and amounts:

9.8 million for Transit;

37.5 million for Streets and Sanitation;

47.4 million for Municipal Buildings;

55.7 million for Parks, Recreation, and Museums;

And 46.4 million for Economic and Community Development Projects.

The City Controller's required certificate of debt-incurring capacity has been forwarded to the clerk of City Council; and that, of course, certifies that the City will not exceed its legal debt limit if this increase in the City's borrowing authority is approved.

Approximately $117 million of the authorization being requested is necessary to finance new projects in the Fiscal 2000 Capital Budget, which was approved by this Council last week. The remaining $80 million in authorization is sought to replace the existing authorization approved by City Council ordinance on April 25, 1997. And this authorization of $80 million is requested to make a technical modification in the original authorization and will replace that authorization in equal amounts to the original ordinance.

As you know, there are a large number of projects in the Capital Budget that have been included at the direct request of City Councilmembers. And, as is quite traditional, I want to assure members of the committee that passage of this bill will not result in the cancellation of any of these projects and will not eliminate the funding or authorization for any of Council's current or previous projects. The authorization being requested today will allow the Administration to implement all new projects appropriated in the FY 2000 Capital Budget and continue implementation of all projects previously appropriated but not yet completed.

As you know, the State law permits the City to increase its borrowing authority by placing a ballot question before the voters during an election. This ordinance is necessary to get approval to do that. Passage of the ordinance in April will permit the City to place the loan authorization question on the May 18th primary election ballot. And, as you know, it's critical that the question be posed to the electorate during the primary election so that there's no disruption to the capital program.

For that reason, I'm requesting your favorable consideration of the proposed ordinance and a suspension of the rules so that Council can consider this at its next regularly scheduled session. This will, of course, allow passage with sufficient time for the ballot question to be legally advertised and printed for issuance of the absentee ballot and for inclusion on the primary election on May 18th.

Mr. Reed and Miss Paster and I would be happy to answer any specific questions you may have on this proposed ordinance.

COUNCILWOMAN BLACKWELL: Thank you.

We would note the presence of our President, Anna Vern, and are glad to have her here for our first hearing.

Any questions from members of the committee?

COUNCIL PRESIDENT VERNA: May I?

Mr. Kaplan, in your letter, you state that the authorization of $80 million is requested to make technical modifications in the original authorization. Can you please elaborate on that.

MR. KAPLAN: Yes, I can.

The structuring of Bill No. 990115 in the amendment to the prior authorization was requested by the Law Department as the means to eliminate any need for additional loans being created to the original 1997 authorization and to provide the City Controller with a legal basis after the effective date of this new bill to discontinue including those older authorizations in the calculation of the City's overall debt capacity.

The Law Department has made this request because, after the recent sale of about $42 million of bonds using this authorization, it was discovered that newspaper advertising of the ballot question in May 1997 had not entirely satisfied all of the applicable statutory requirements. And although the Law Department has determined that it did not have any impact on the recent bond sale, they also believed it would be sound to officially sanction the remaining unissued portion of the authorization with an official kind of reissue.

And, therefore, they proposed this method in Bill No. 990115 to essentially deauthorize the older loan and to reauthorize the same amount in a new loan.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILWOMAN BLACKWELL: Councilman Kenney.

COUNCILMAN KENNEY: Thank you.

Are there additional fees that are go going to be generated as a result of this reauthorization of what was not authorized fully legally the last time?

I mean, we're going to have a new set of bond --

MR. KAPLAN: No, the authorization won't have an effect on fees because this is merely the authorization to issue. In fact, if and when an issue occurs, then there would be fees. But since this is merely changing the authorization to issue from one ordinance to another, it will have no effect on the event.

There obviously will be fees eventually when bonds are issued against this authorization, but they won't be any different than they would have been otherwise.

COUNCILMAN KENNEY: Thank you.

COUNCILWOMAN BLACKWELL: Are there any further questions?

(No further questions at this time.)

COUNCILWOMAN BLACKWELL: All right. This will conclude our committee hearing

\- - -

COUNCILWOMAN BLACKWELL: We will now enter into our committee meeting.

And the Chair would ask the President if she would make a motion with a rules suspension with regard to Bill No. 990115.

COUNCIL PRESIDENT VERNA: Thank you, Madam Chair. I move that Bill No. 990115 be reported out of committee with a favorable recommendation; also that a recommendation that the rules of Council be suspended so as to permit first reading at our next session of Council.

COUNCILMAN KENNEY: Second.

COUNCILWOMAN BLACKWELL: All in favor?

Opposed?

The bill passed. And so we will see you at our next session of Council. Thank you, everyone.

MR. KAPLAN: Thank you.

COUNCILWOMAN BLACKWELL: Thanks, guys.

(Adjourned at 1:12 p.m.)

- - -

C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Tuesday, March 23, 1999, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE ON FINANCE
BILL NO. 990115

________________________________,
JOSEPHINE CARDILLO,
Registered Professional Reporter