

The Recommended FY2017-2022 Capital Program and FY2017 Capital Budget

Bill Nos. 160170 and 160171

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Good morning Council President Clarke and members of City Council. I am Gary Jastrzab, Executive Director of the City Planning Commission. With me is Anna Adams, the City's Budget Director. We are here today to present, for your review and consideration, the Recommended FY2017-2022 Capital Program and FY2017 Capital Budget, approved by the City Planning Commission at its meeting of March 1, 2016.

The Philadelphia Home Rule Charter directs the City Planning Commission to prepare and submit to the Mayor an annual Recommended Capital Program and Budget. The Recommended Program is a six-year plan for investing in the City's physical and technology infrastructure, neighborhood and community facilities, public buildings, and also includes critically-needed specialty vehicles. The Budget recommends spending appropriations for the first year of the six-year Program. The projects included in the Recommended Program and Budget provide funding to help meet the Mayor's goals for improving our neighborhoods, expanding economic opportunity, improving public safety, and operating an efficient and effective government.

Beginning each September, the staffs of the City Planning Commission and the Office of the Director of Finance's Office of Budget and Program Evaluation work closely with the Department of Public Property's Capital Projects Division and City operating departments to prepare the Recommended Capital Program and Budget. This collaborative, labor-intensive, and iterative process aims to produce a program and budget that balances the City's capital needs with its constrained financial resources.

The City's debt ratio and our ability to service this debt are key factors limiting our ability to issue General Obligation – or "GO" – bonds. If the City's debt ratio grows too high, it could result in a reduction in our bond rating and an increase in the costs of borrowing. High levels of debt service also crowd out other operating budget needs.

Nevertheless, the Administration is committed to investing in the City's infrastructure to the greatest extent possible. For FY2017, the Administration recommends a Capital Budget based on \$177.2 million raised through new GO bonds. This is an 18 percent increase over FY2016, and will support more than 60 projects across 18 departments that rely on GO funds to pay for capital investments and leverage substantial funds from federal, state, and private sources.

In addition, projects totaling \$374.2 million of previously appropriated GO, Operating, or PICA funds are recommended to be carried forward into FY2017. When all new and carried-forward funding is considered, as well as funds from federal, state, and other sources, including Aviation and Water self-sustaining funds, the Administration recommends appropriations totaling \$3.2 billion for the FY2017 budget year. There are also separate, related borrowings planned in FY2017 – \$100 million for the Rebuilding Community Infrastructure initiative, and \$50 million for the Philadelphia Energy Campaign – that will further invest in the City's capital facilities.

For the six-year Capital Program, \$1.2 billion of City tax-supported GO bond funding is recommended for public improvements and neighborhood investments. When all sources of funding are included, the Recommended Capital Program includes more than \$9.7 billion of improvements during the FY2017-2022 period.

I'd like to highlight several of the larger FY2017 budget year projects recommended to advance the Administration's goals:

- In the Streets Department, \$21 million of the \$32 million GO funding total in FY2017 is recommended for the reconstruction and resurfacing of city streets and ADA ramps. This is a \$1 million increase over the current fiscal year, and a key investment in neighborhood quality of life, transportation efficiency, and safety. Much of the remaining \$11 million recommended will leverage federal, state, and private dollars for bridge and roadway improvements.

- For the Office of Fleet Management, nearly \$20 million in GO funds are recommended in FY2017 to help implement an optimal vehicle replacement strategy to increase the reliability, effectiveness, and fuel efficiency of City vehicles. This is roughly a \$9 million increase over FY2016. In particular, \$9.8 million is recommended for much needed, new Fire and EMS vehicles, and \$8 million is slated for critically-needed Sanitation compactors.
- Further reflecting an emphasis on public safety and effective government, Police and Fire facilities are proposed in FY2017 for roughly \$20 million in GO funding for needed renovations and improvements. Many already-prioritized projects would be accelerated. Longer-term space and facility investments would be guided by a Public Safety Facilities Master Plan, led by the Department of Public Property and already funded with FY2016 capital dollars. Over the six-year Capital Program, more than \$50 million in GO funds are proposed for new or substantially renovated public safety facilities.
- For Parks and Recreation and the Free Library, a total of \$8 million in GO funding is recommended in the Budget Year for the Rebuilding Community Infrastructure program. This program is being designed to leverage significant non-City resources and non-GO borrowing to bring recreation centers, parks, libraries, and playgrounds to a state of good repair, and support the important services to children and adults delivered through these neighborhood facilities. This GO investment would total \$48 million over the six-year Capital Program
- In the Commerce Department, a total of \$18.75 million in GO funds are proposed for projects including site improvements on our neighborhood commercial corridors, public access investments in major private job-creating projects, and enhanced public access improvements along our Delaware and Schuylkill River waterfronts.
- For the Office of Innovation and Technology (OIT), the investment of over \$14 million in GO funds is recommended in FY2017 to continue implementation of network and application improvements designed to improve systems' reliability and city service efficiency.
- For the Philadelphia Water Department and the Division of Aviation, self-sustaining non-GO appropriations are required each year through the Capital Budget to implement needed

improvements to Philadelphia's drinking water, wastewater, stormwater, and airport infrastructure, and secure leveraged federal, state, and private funds. In FY2017, recommended city self-sustaining funds total over \$600 million.

These highlights demonstrate the variety of projects recommended for funding in FY2017, and show how the Recommended Capital Program and Budget seeks to make strategic and targeted investments in Philadelphia's infrastructure, using our limited resources for the greatest public benefit.

Thank you for the opportunity to testify today. Anna and I would be happy to address any questions that you may have. Please note that the leadership of City departments is present, in addition to representatives from the Department of Finance-Office of Budget and Program Evaluation and Department of Public Property, to assist in answering your questions.