

**Sinking Fund Commission**  
**FISCAL YEAR 2017 BUDGET TESTIMONY**  
**4/6/2016**

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INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Matthew Mazza, Executive Director of the Sinking Fund. I am pleased to provide testimony on Sinking Fund's Fiscal Year 2017 operating budget.

DEPARTMENT MISSION/PLANS

**Mission:** To efficiently pay appropriate debt service and bills for the City of Philadelphia Treasurer's Department and to lower the fees in relation to investment management on the PGW Pension Plan.

**Plans for Fiscal Year 2017:** To effectively pay debt service and related costs for the City of Philadelphia. To pay pensioner benefits for the PGW Pension plan on time and to help lower investment management fees for the plan.

**Sinking Fund Commission**  
**BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class  
(Sinking Fund currently has no contracts outstanding)

	Fiscal 2015 Actual Obligations	Fiscal 2016 Original Appropriations	Fiscal 2016 Estimated Obligations	Fiscal 2017 Proposed Appropriations	Difference FY17 - FY16
<b>Class 100</b> Employee Compensation	\$0	\$0	\$0	\$0	\$0
<b>Class 200</b> Purchase of Services	\$112,420,541	\$110,546,913	\$110,546,913	\$129,639,615	\$19,092,702
<b>Class 300</b> Materials and Supplies	\$0	\$0	\$0	\$0	\$0
<b>Class 400</b> Equipment	\$0	\$0	\$0	\$0	\$0
<b>Class 500</b> Contributions	\$0	\$0	\$0	\$0	\$0
<b>Class 700</b> Debt Service	\$460,815,872	\$492,042,677	\$492,042,677	\$500,948,129	\$8,905,452
<b>Class 800</b> Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
<b>Class 900</b> Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	\$573,236,413	\$602,589,590	\$602,589,590	\$630,587,744	\$27,998,154

**Sinking Fund Commission  
PROPOSED BUDGET OVERVIEW**

PROPOSED FUNDING REQUEST

**HIGHLIGHTS**

The Commission oversees the timely repayment of bond principal and interest (P&I) on City-related debt, service agreements and lease obligations. The City currently has \$7.7 billion of debt outstanding inclusive of the General Fund, Aviation, Water, PGW, PICA, and TRAN; the City’s G.O. bond ratings are A2/A+/A-, the most recent upgrade in December of 2013.

The highlights of the debt service budget are as follows:

- The total budget is \$630.58 million which is an increase of \$27.99 million or 4.64% over the estimated obligations for Fiscal Year 2016.
- The Fiscal Year 2017 budget for each of the funds and the change from last year are as follows:

	Budget (In millions)	Increase (In millions)
General	\$277.58	\$ 31.6 + 12.85%
Water	207.37	(19.7) -8.7%
Aviation	139.62	14.1 +11.4%
Car Rental Tax	<u>6.00</u>	<u>-- -- %</u>
Total	\$ 630.58	\$27.9 +4.64%

The highlights for each fund are discussed below.

**GENERAL FUND**

The General Fund portion of this request totals for FY17 is \$277 million, comprised of two classes: Class 200 for city service agreement obligation and lease payments and Class 700 for debt service.

The Class 200 request of \$123.6 million reflects a \$19 million increase from FY16 estimates due mainly to the anticipated new PMA debt issue for the public safety building, as well as \$5.5 million for two of the Mayor’s strategic initiatives (\$3.75 million for Rebuilding Community Infrastructure and \$1.75 million for the Energy Authority)

The Class 700 request of \$153.95 million is mainly for debt service on the City’s general obligations. This is \$17.46 million more than FY16 estimates due mainly to an increase in estimates for interest on new issues as well as increases in interest on variable rate debt.

**WATER FUND**

The Commission’s request for the Water Fund for FY17 totals \$207.37 million, all in Class 700, for payment of debt service on Water and Wastewater bonds. This represents a \$20.8 million decrease over FY16 due mainly to there being no interest on new issues in FY17.

**AVIATION FUND**

The Commission’s request for the Aviation Fund for FY17 is \$139.62 million, all Class 700. This amount is an increase of \$14.1 million over FY16. This increase is due to interest on new revenue bonds for \$17.5 million.

**CAR RENTAL TAX FUND**

The Commission's request of \$6 million in the Car Rental Tax fund is to provide for lease revenue bond payments on the sports stadiums from vehicle rental tax revenues.

This concludes the written portion of my testimony. I would be glad to answer any questions the Council may have relative to this budget either now or at Council's convenience.