

The Recommended FY2019-2024 Capital Program and FY2019 Capital Budget
Bill Nos. 180162 and 180163

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Good morning Council President Clarke and members of City Council. I am Eleanor Sharpe, Executive Director of the City Planning Commission. With me is Anna Adams, the City's Budget Director. We are here to present, for your review and consideration, the Recommended FY2019-2024 Capital Program and FY2019 Capital Budget, approved by the City Planning Commission at its meeting on February 20, 2018.

The Recommended Program is a six-year plan for investing in the City's physical and technology infrastructure, neighborhood and community facilities, City-owned buildings, and specialized vehicles. The Recommended Budget reflects the spending appropriations for the first year of the six-year Program. As both the Program and Budget are key instruments of planned physical development, the Philadelphia Home Rule Charter directs that their initial preparation and submission to the Mayor be a function of the City Planning Commission.

The staffs of the City Planning Commission and the Finance Department's Office of Budget and Program Evaluation begin to prepare these recommendations in early fall, working closely with the Department of Public Property's Capital Projects Division and twenty-one individual departments. This collaborative process produces a Program and Budget that advance the City's comprehensive plan, addresses capital needs, and aligns with our spending capacity and financial resources.

The six-year Recommended Capital Program calls for over \$1 billion of new, City, tax-supported, general obligation bond funding to support public improvements throughout Philadelphia. Wherever possible, City funds are strategically programmed to leverage additional resources provided by our valued regional, state, federal, and private partners. When all sources (Aviation and Water included) of expected, new funding are included, the Recommended Capital Program proposes more than \$8.8 billion of additional improvements. Including carryforward appropriations from previous years, the overall FY2019-2024 Recommended Capital Program totals \$10.2 billion.

For FY2019, the Recommended Capital Budget calls for \$171.7 million of new, general obligation bond funding. This amount is an increase over the \$165.2 million appropriated in the FY2018 Budget, and it continues the City's overall effort this decade to boost capital investment. The Capital Budget would support new funding in 38 project lines across the 19 departments that rely on City general obligation dollars for at least part of their capital spending.

The projects included in the Recommended Program and Budget complement the Mayor's priorities to invest in the City's youth, in more efficient and effective public services, and in equitable economic progress. To highlight some examples:

- More than ten percent of the recommended tax-supported funding in the FY19 Capital Budget is directly related to departments and facilities that help improve the lives of the City's children. This includes a continued commitment of \$8 million toward the Rebuilding Community Infrastructure initiative, improvements to shelters that house families with children, life safety improvements at Parks and Recreation centers, \$7.9 million in Council-directed improvements to Parks and Recreation facilities, plus support for arts and cultural facilities that offer educational programming to children.
- The Capital Program and Budget support the City's plans to consolidate the Police Headquarters, Police Districts 6 and 9, the Medical Examiner's Office, and the 911 Call Center at 400 North Broad Street, to provide new or upgraded Police facilities for the 22nd, 2nd, and 15th Police Districts, to purchase new vehicles for the Fire Department, and to upgrade Fire Stations and training facilities.
- The FY19-24 Capital Program calls for \$178 million of City tax-supported funds for the reconstruction and resurfacing of City streets and the construction of accessible ramps. This reflects an increasing level of funding to achieve an annual level of resurfacing that will maintain City streets in a condition of good repair, while also leveraging state and federal grants. An additional total of \$12.2 million in City tax-supported funds is slated over the six-year Program as the City's contribution toward an overall \$157 million schedule of bridge reconstruction and improvements, and \$6.5 million is proposed for traffic safety improvements as part of the Vision Zero initiative.
- Significant amounts of City tax-supported funds (\$176M) are recommended over the six-year Capital Program to modernize building systems and infrastructure in City Hall and in other buildings managed by Public Property, and to implement improvements to citywide and departmental computer applications, communications systems, and networks managed by the Office of Innovation and Technology.
- The Recommended Program and Budget includes ongoing contributions to waterfront, industrial, transit, commercial corridor, and cultural improvements that will help Philadelphia retain and attract residents and jobs while leveraging significant funding from state, federal, and private partners. These projects include the implementation of recommendations from master plans for the Lower Schuylkill, and the Central Delaware, North Delaware, and Schuylkill waterfronts. Funds are also included to support ongoing improvements at the Museum of Art, Zoo, and Mann Center for the Performing Arts.
- For the Division of Aviation and Water Department, neither of which uses general obligation funds, the FY19-24 Capital Program envisions a total of more than \$3 billion in self-sustaining, federal, state, and private investments in airport-related assets and more than \$2.7 billion in self-sustaining, federal, state, and other funds for improved drinking water treatment and conveyance, waste collection and treatment, meter replacement, and stormwater management, respectively.

While these and the other investments included in the Recommended Program and Budget are significant, we know that they do not include all the projects and equipment that departments requested, nor everything

envisioned in the master plans and facility plans of our agencies and partners. The amount of new, recommended spending in this year's Capital Program and Budget is limited, in part because City departments have prior year, carryforward funds that should be spent down on projects already in the pipeline before the City incurs new, tax-supported debt. And, we must keep a close eye on Philadelphia's ratio of debt service to total expenses, being aware that there are complementary borrowings planned for the Rebuild initiative, housing, and energy conservation. Increasing the City's borrowing means increasing its debt service and fixed costs, reducing the City's budgetary flexibility. In addition, a high ratio could impact the City's bond rating, which would increase the costs of borrowing.

The Administration is nevertheless committed to investing in the City's infrastructure to the greatest extent possible. City agencies are working hard to implement projects that are already in the pipeline, and to improve project identification, design, and construction for projects in the future. In an effort to leverage more funding and advance more projects, additional resources on the operating budget have been set aside to fund additional staff in the Streets Department, Parks and Recreation and the Office of Innovation and Technology. This increase in capacity will result in the City's ability to apply for additional capital dollars from the federal and state government as well aligning investments on both the capital and operating budgets.

Thank you for the opportunity to testify. 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.