

**The Recommended FY2020-2025 Capital Program and FY2020 Capital Budget**

**Bill Nos. 190152 and 190153**

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**Philadelphia City Planning Commission**

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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 FY2020-2025 Capital Program and FY2020 Capital Budget, approved by the City Planning Commission at its meeting in February 2019.

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 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, the Managing Director's Office, and individual departments. This collaborative process produces a Capital Program and Budget that advance the City's comprehensive plan, address capital needs, and align with our financial resources and spending capacity.

The Recommended six-year Capital Program calls for over \$1.1 billion of new, City, tax-supported, general obligation bond funding to support public improvements throughout Philadelphia. When possible, City funds are purposefully programmed to leverage additional resources provided by our valued regional, state, federal, and private partners. Considering all sources of expected, new funding (including Aviation and Water), the Recommended Capital Program proposes more than \$9.6 billion of additional improvements. Including carryforward appropriations from previous years, the overall FY2020-2025 Recommended Capital Program envisions investments totaling more than \$10.8 billion.

For FY2020 alone, the Recommended Capital Budget calls for \$194.1 million of new, general obligation bond funding. This is twenty million more than the \$174.0 million appropriated by Council for the FY2019 Capital Budget, and it would continue the City's steady progress to boost capital investment. The City's financial constraints prevent the City from issuing larger amounts of debt, as the debt issuance would raise the City's fixed costs above the current levels. The Capital Budget would support new general obligation bond funding for 16 of the 19 departments that rely on general obligation dollars for at least part of their capital investments. This includes funding in FY2020 for new voting machines. The Recommended Capital Budget also reflects better integration between departments' operating and capital budgets.

The projects included in the Recommended Capital Program and Budget complement the Mayor's priorities to invest in safety and justice, inclusive growth, and quality government services.

### Public Safety and Justice

More than 25 percent of the recommended City-supported general obligation borrowing for FY20 is directly related to departments and facilities that help ensure public safety and justice. Additional appropriations for capital investments are also recommended from the Operating Budget. Highlights include:

- Fire Facilities – Nearly \$4 million is recommended in FY20 for ongoing improvements to Fire Department facilities. \$6.8 million will be made available to purchase fire-fighting and EMS vehicles.
- Police – New Facilities and Renovations – More than \$23 million is recommended in the budgets for the Police Department and the Office of Innovation and Technology (OIT) to support the construction and outfitting of new and renovated Police facilities.
- Health – Facility Renovations – The FY20 Capital Budget includes \$800,000 toward improvements at district health centers.
- MDO - Office of Emergency Management – The Capital Budget includes \$2.75 million of new funds, combined with carryforward funds, for more than \$18 million to co-locate the OEM at the new Philadelphia Public Safety Building.
- Office of Homeless Services – Facility Renovations - \$1 million is recommended in FY20 for ongoing interior and exterior improvements to City-owned shelters and personal care facilities.
- Parks and Recreation – Life Safety Improvements - \$600,000 is budgeted in FY20 for fire alarm, security system, and lighting improvements at neighborhood parks and recreation facilities, in addition to the Rebuild investments, discussed below.

- Prisons – Renovations - \$2 million of operating revenue (CR) funding will be provided to finish out the construction of the PICC roof project.
- Public Property – Buildings and Facilities – More than \$7.5 million in City tax-supported funds and \$8.5 million in operating revenue is budgeted in FY20 for improvements to building systems, elevators, payroll and environmental remediation.
- Streets – Improvements to City Highways, and Traffic Control – Investments in Roosevelt Boulevard, improved traffic signals, and Vision Zero total more than \$6 million in FY20.

### Inclusive Growth

Recommended investments to support expanded access to opportunity for City residents include projects in Streets, Commerce, Free Library, MDO, Parks and Recreation, and Transit.

- Streets and Bridges – The FY20 Capital Budget calls for \$27.9 million in City tax-supported funds for the reconstruction and resurfacing of City streets and the construction of accessible ramps. Over \$200 million is included in the Capital Program to improve City streets. This is the single largest investment in the FY20-FY25 Capital Program and will ensure that the City attains and sustains a state of repair that allows workers, residents, and visitors to reliably and safely access their destinations. An additional \$2.8 million in City tax-supported funds is slated for bridge reconstruction and improvements.
- Commerce – Neighborhood Commercial Corridors - Using previously appropriated City funds totaling nearly \$11.6 million, the Commerce Department will continue to implement a program of physical site improvements to enhance the competitiveness of neighborhood and community-serving commercial corridors. Corridor project funding from the City is coordinated with additional funding from state, regional, and private sources.
- Commerce - Industrial Land Redevelopment – The FY20 Capital Budget appropriates \$17 million in revolving funds for the Industrial Land Bank of the Philadelphia Industrial Development Corporation (PIDC). The land bank acquires and improves industrially-zoned parcels to create new jobs and increase tax revenues. Parcels are targeted within identified districts appropriate for new industrial and industrially-related employers.
- MDO – Bike Share Infrastructure – The City’s bikeshare program, Indego, has made significant investments in underserved communities and has made equity a cornerstone of its mission. The program is regarded as a role model for the equitable implementation of bike share across the country and internationally. Funds are included to match grants that will support the expansion of the Indego system to serve additional neighborhoods.

- Rebuild – The FY20 Capital Budget devotes a total of \$8 million toward the City’s multi-year commitment of \$48 million for the Rebuilding Community Infrastructure (Rebuild) initiative for selected Philadelphia parks, recreation centers, and libraries. \$7 million is for facilities of Philadelphia Parks and Recreation (PPR) and \$1 million is for branches of the Free Library. Sites in high-need communities are given high priority, and projects are designed to promote workforce development and participation by small and minority/women owned businesses.
- Transit – The Southeastern Pennsylvania Transit Authority (SEPTA) has proposed a program of investments totaling nearly \$287 million in FY20. Projects will improve basic transit infrastructure, vehicles, communications, and payment technologies, providing improved reliability and safety for Philadelphia riders needing to access services and opportunities throughout the city and region. The City’s contribution to SEPTA’s investment would be \$4.6 million and is a required match for state and federal funding.

#### Quality Government Services

In addition to the investments highlighted above, the Recommended Capital Program and Budget proposes other important investments to address deferred maintenance and to keep the City’s facilities in a state of good repair. Highlights include:

- Aviation – The Division of Aviation manages both Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE). The FY20 Capital Budget envisions \$487 million in self-sustaining, federal, state, and private investments on airfield and terminal assets, acquisitions and improvements outside the immediate terminal areas, and other aviation services.
- Fleet – More than \$11 million is recommended in FY20 for the purchase of new, capital-eligible vehicles for Fire, Streets, and various other departments. The purchase of specialized fire apparatus, EMS vehicles, trash compactors, construction equipment, and grounds maintenance equipment is essential to replace outdated apparatus, ensure vehicle availability and to manage personnel overtime.
- Office of Innovation and Technology (OIT) – The FY20 Capital Budget recommends roughly \$28 million of new City, tax-supported funding to implement planned improvements to Citywide and departmental applications, communications systems, and computer network stabilization and enhancement.
- Office of Sustainability – With funds from prior years and revenue from energy rebates, the Office of Sustainability will continue to invest in energy efficiency equipment and controls to reduce city government’s energy costs, consumption, and carbon footprint. Investments will help implement the

City's new Municipal Energy Master Plan. The City is undertaking a guaranteed energy savings agreement (GESAs) project at the Philadelphia Museum of Art.

- Parks and Recreation – In addition to fire alarm, security, and lighting improvements, the Capital Budget provides more than \$4 million to continue the stabilization of park infrastructure and facilities that serve citywide needs. Priority is given to restoration or modernization projects for which Parks and Recreation has successfully obtained private and state grants.
- Records – The FY20 Capital Budget includes the phased purchase of new printers to enable the Central Duplicating unit of the Records Department to cost-effectively meet anticipated printing demands from the many City departments it serves.
- Sanitation – The Sanitation Program of the Streets Department will receive \$2.5 million in FY20 to upgrade the Northwest Transfer Station in Roxborough. Improvements are estimated to yield a significant return on investment due to reduced costs for overtime, maintenance, and waste disposal. By increasing capacity and reliability, Sanitation will be able to handle a higher volume of material more efficiently.
- Water – The FY20 Capital Budget includes more than \$700 million in new and prior-year self-sustaining, federal, state, and other funds for Philadelphia Water Department (PWD) investments in drinking water treatment and conveyance, waste collection and treatment, meter replacement, and stormwater management.

We are pleased to propose these significant investments, but we know they do not include all the projects that departments requested, nor do they include everything envisioned in department master plans and facility plans. The amount of recommended new spending in this year's Capital Program and Budget is limited, in part to ensure that City departments continue to spend down or reprogram prior year, carryforward funds before the City incurs new, tax-supported debt. Departments have made progress on this, as the amount of carryforward dollars calculated for FY2020 is significantly less than in FY2019.

We also need to keep an eye on Philadelphia's ratio of debt service to total expenses, especially considering recent and planned, complementary borrowings such as for the Rebuild initiative, housing programs, energy conservation, and a Fire Department logistics center. Increasing City borrowing means increasing debt service and fixed costs, reducing the City's budgetary flexibility and potentially impacting the City's bond rating,

Given our financial constraints, however, the Administration is committed to investing in the City's infrastructure to the greatest extent possible. City agencies are working to implement projects already in the pipeline, and to improve project identification, design, and construction for projects in the future.

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 Public Property, to assist in answering your questions.