

The Recommended FY2018-2023 Capital Program and FY2018 Capital Budget

Bill Nos. 170195 and 170196

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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 FY2018-2023 Capital Program and FY2018 Capital Budget, approved by the City Planning Commission at its meeting on February 21, 2017.

As you know, 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 is for spending appropriations in the first year of the six-year Program. As both the Program and Budget are vital instruments of planned physical development, the Philadelphia Home Rule Charter directs that their initial preparation and submission to the Mayor is a function of the City Planning Commission.

Beginning each September, the staffs of the City Planning Commission and Finance Department's Office of Budget and Program Evaluation work closely with the Department of Public Property's Capital Projects Division and twenty-one departments (including SEPTA, the Art Museum, and the Zoo) to prepare these recommendations. This collaborative, labor-intensive, and iterative process aims to produce a Program and Budget that balances the City's capital needs with its spending capacity and limited financial resources.

The six-year Recommended Capital Program calls for nearly \$972 million of City, tax-supported, general obligation bond funding to support public improvements throughout the City and strategically leverage other sources of funding from state, federal, and private partners. When all sources of funding are included, the Recommended Capital Program includes more than \$9.5 billion of improvements during FY2018-2023.

For FY2018, the Recommended Capital Budget calls for \$162.2 million of general obligation bond funding. This is slightly less than the amount authorized in the FY2017 Budget. However, this would be more than \$30 million higher than the average, annual commitment of GO funds over the past six years (\$129.8 million), and it would support more than 70 project lines across 19 departments that rely on City GO funds to pay for capital investments.

The projects included in the Recommended Program and Budget would help meet the Mayor's goals for improving educational outcomes, expanding economic opportunity, ensuring diversity and respect for the City's workforce, improving public safety, and operating an efficient and effective government with integrity. To highlight some examples under each of these priorities:

- To support expanding economic opportunities and better resources for our City's children, the six-year Program proposes to continue the commitment of \$48 million to invest in parks, recreation centers, and libraries as part of Rebuilding Community Infrastructure (Rebuild).
- The Program recommends \$174 million of City funds for the reconstruction and resurfacing of City streets, \$30 million towards improvements to transit, \$25 million in existing and new funds for neighborhood commercial corridors, and major investments to implement master plans for our waterfronts and the Navy Yard.
- Respect for the City's workforce is reflected in the level of existing and new City funds proposed for Police and Fire facilities, the renovation and expansion of Fleet Shop 134, elevator replacement in City administrative buildings, and a new training facility for staff of the Philadelphia Prison System.

- Investments that particularly address public safety include the proposed, \$50 million in City funds for new Fire Department vehicles and a new, \$5 million commitment toward re-engineering City streets to align with the Vision Zero initiative.
- Government efficiency and effectiveness would be enhanced through the Program's six-year investment of \$124.6 million in City IT infrastructure and systems, \$33.6 million in new vehicles and equipment for Streets and Sanitation, and approximately \$6 million for a Fire Department vehicle storage and recall facility.

While these proposed investments are significant, they do not include all the new projects and equipment that City 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 a considerable amount of 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 also keep a close eye on Philadelphia's ratio of debt service to total expenses, since increasing the City's borrowing also 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.

Nevertheless, the Administration is committed to investing in the City's infrastructure to the greatest extent possible. We have recommended that more than \$450 million in previously appropriated GO, Operating, and PICA funds be carried forward into the FY2018 Capital Budget to address critical needs, and City agencies are working hard to reduce project backlogs and to reduce future barriers to more timely project identification, design, and construction. When all Budget Year proposed and carryforward funding is considered, including the substantial self-sustaining investments proposed in Aviation and Water, federal, state, and other sources, the Recommended FY2018 Budget calls for appropriations of nearly \$2.9 billion for FY2018. Additionally, there are also related, planned, FY2018 borrowings for the Rebuild initiative and affordable housing.

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.