

The Recommended FY2024-2029 Capital Program and FY2024 Capital Budget

Bill Nos 230144 and 230145

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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. Along with my City colleagues, we are here to present, for your review and consideration, the Recommended FY2024-2029 Capital Program and FY2024 Capital Budget. These were approved by the City Planning Commission on February 27, 2023.

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.

Beginning in early fall of last year, the staff of the City Planning Commission and the Budget Office received and evaluated requests from 20 departments. We then worked with department heads and managers to produce a Capital Program and Budget that address our capital needs, align with Administration priorities, including racial equity, and reflect 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 used to leverage additional resources provided by our greatly appreciated regional, state, federal, and private partners. Considering all sources of funding (including self-sustaining Aviation and Water funds, and carryforward appropriations from previous years), the Recommended Capital Program proposes \$13.2 billion of additional improvements.

For FY2024 alone, the Recommended Capital Budget calls for \$185 million of new, general obligation bond funding, which is consistent with recent Budget years and the City's estimated ability to support debt service. The FY2024 Capital Budget will also benefit from recent savings from vacant positions and higher-than-expected tax revenues in the City's Operating Budget. An additional \$71 million in new Operating Revenues (CR) is also recommended for appropriation to the Capital Budget in FY2024.

For FY2024, recommendations in the Capital Budget include:

- Investments in streets, transit, parks, and energy efficiency improvements needed for Building Thriving Neighborhoods.
- Funding for City-owned Free Library, Zoo, and Art Museum facilities, to complement schools' capital investments and provide equitable, educational resources for Investing in Future Generations.
- Renovations to fire, police, prison, health, and shelter facilities help with Enhancing Public Safety.
- Funding for neighborhood commercial corridors and industrial and waterfront land redevelopment as part of the City's efforts towards Driving Inclusive Growth and Economic Opportunity.

- Support for IT infrastructure, public property renovations, and fleet vehicles and facilities help ensure Efficient, Effective and Diverse Government.

We are pleased to propose these investments, but we know they do not include all the projects that departments requested. There remains a lot of documented need.

But the amount of recommended new General Obligation bond-funded spending in this year's Capital Program and Budget is limited. Increasing City borrowing means increasing debt service and fixed costs, reducing the City's budgetary flexibility and potentially impacting the City's bond rating. A reduction in that rating could increase our cost to borrow.

We do have the opportunity to spend down or reprogram carryforward dollars from prior year appropriations, before the City appropriates new, tax supported funds. With many projects experiencing delays as a result of the recent pandemic and global supply chain issues, the amount of carryforward appropriations available to many departments remains significant.

We also have an opportunity to strategically leverage our limited City appropriations to Capital with federal and state grants, such as the Bipartisan Infrastructure Law (BIL).

Overall, given our financial constraints and the challenges of the past three years, the Administration feels the Recommended Capital Program and Budget invests in the City's infrastructure to the greatest extent possible.

Thank you for the opportunity to testify. We would be happy to address any questions that you may have. Please note that leaders of City departments are present to assist in answering your questions.