

NEWS



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MAYOR'S OFFICE OF COMMUNICATIONS

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FOR IMMEDIATE RELEASE

NUTTER MAINTAINS URGENT REQUEST FOR HARRISBURG ACTION

Updates timetable for implementation of Plan C, announces short-term borrowing to ease cash flow problems

Philadelphia, PA – Today Mayor Michael A. Nutter provided an update on the City’s financial situation in light of last week’s commitment by the Pennsylvania House of Representatives to vote September 8th on the amended House Bill 1828 (HB1828), the Harrisburg legislation which authorizes the City of Philadelphia to temporarily increase the sales tax and to make changes to its pension payments.

“We are taking all possible responsible steps to avoid any negative impact from our budget crisis hurting citizens or organizations in Philadelphia, but time is running out and our options are limited,” said Mayor Nutter.

At a press conference in City Hall Mayor Nutter announced that on September 10, 2009 the City of Philadelphia will actively notify residents, vendors, and other stakeholders of the reduction in City services effective October 2, 2009, in the absence of approval of House Bill 1828. These notices will be sent to city residents to notify them of the new trash collection schedules as we shift weekly trash collection to twice a month, parents whose children use libraries and recreation centers after school, senior centers serving meals to thousands of elderly Philadelphians, and countless others who will be negatively impacted by the devastating consequences of Plan C. Notices will also be posted on City facilities whose operations will cease without approval of HB1828.

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These notifications were originally scheduled for this week but they have been delayed until the following week given the commitment of the Pennsylvania House of Representatives to act on HB1828 on September 8, 2009. The impact of not realizing the \$700 million in additional revenue and reduced expenditures contained within HB1828 will be devastating for a wide range of City services including libraries, pools, recreation centers, and services for senior citizens and special populations. Notifying those who use and/or provide these services of the possibility that the City will no longer be able to afford to fund them is the only responsible course of action.

Also on September 10, 2009, the City of Philadelphia will submit to the Public Employee Retirement Commission (PERC) a proposed pension plan which meets the terms of the complex pension reform language adopted by the Pennsylvania State Senate. On September 11, 2009, one year to the day after Mayor Nutter first informed Philadelphians of the City's growing fiscal crisis, the Pennsylvania Intergovernmental Cooperation Authority will vote on the City's Five Year Plan – the so-called Plan C which includes \$700 million in devastating reductions in services that will be required if the General Assembly does not approve House Bill 1828. Finally, if approval from Harrisburg is not granted by September 18, 2009, lay-off notices will be sent to approximately 3,000 City employees in order for lay-offs to be effective October 2, 2009.

Mayor Nutter also announced today that the City of Philadelphia has been offered a \$275 million short-term loan from JPMorgan Chase & Co. in order to help ease the City's cash flow problems. Funds from this privately placed tax and revenue anticipation note (TRAN) will allow the City to make approximately \$200 million in delayed payments to vendors out of a total of \$225 million in payments delayed since mid-July. The remainder of the loan, together with the City's continuing cash conservation measures, will be used to maintain an adequate cash balance.

JPMorgan Chase & Co. recently approached the City with an offer to loan funds at an acceptable level of interest. The interest rate through November 30th will be 3%, increasing to 8% on December 1st. However as soon as House Bill 1828 is passed by the General Assembly the City expects to access the public markets to undertake a cash flow borrowing at a lower rate to replace this private borrowing.

JPMorgan has recently offered loans to other state and local governments including the California, New Jersey, and Wayne County, Michigan. With the absence of approval of House Bill 1828, the City has been unable to access the public markets at an acceptable rate and therefore had no other option for short-term cash borrowing.

This short-term borrowing eases but does not solve the City's cash flow problems. It has no impact on the City's budgetary situation as the entire loan must be repaid during this current fiscal year. Therefore cash conservation measures will continue to be in place with spending on anything other than payroll, debt service and emergencies still subject to a case-by-case review.

“Today's announcement is a good development for agencies and organizations that provide crucial services to some of our most vulnerable populations, and to small businesses operating in Philadelphia and the surrounding region, but it does not in any way solve our budget deficit,” said Mayor Nutter. “There is very little time left on the clock which is why it is crucial that the General Assembly approves HB1828 without delay and without amendment.”

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