

Legislation Text

File #: 220259, **Version:** 0

March 9, 2022

TO THE PRESIDENT AND MEMBERS OF THE COUNCIL OF THE CITY OF PHILADELPHIA:

I am hereby returning without my signature Bill Number 210956-A, which was passed by Council at its session on March 3, 2022. Bill Number 210956-A signifies the intention of the City of Philadelphia to organize the Philadelphia Public Financial Authority pursuant to authority established under state law, and amending Chapters 20-600 ("Standards of Conduct and Ethics"), 20-1200 ("Lobbying"), and 17-1400 ("Non-Competitively Bid Contracts; Financial Assistance") of The Philadelphia Code to address ethics, contractual and other requirements applicable to the Philadelphia Public Financial Authority.

My Administration supports the broad policy aims outlined in this piece of legislation, particularly the focus on challenges faced by minority-owned businesses who are denied conventional loans and seek access to capital to start and grow businesses. However, existing entities such as the Philadelphia Authority for Industrial Development (PAID) and the Philadelphia Industrial Development Corporation (PIDC) can carry out the important work outlined in this bill. Additionally, the City is fortunate to be served by many community banks, credit unions, and Community Development Financing Institutions (CDFIs) that provide access to capital for small businesses as well as consulting services, trainings, and workshops for entrepreneurs and community developers. Working with these organizations may be a more effective way of accomplishing the goals of this legislation.

There are also several critical questions related to the Philadelphia Public Financial Authority ("the Authority") that remain unanswered. First, it is likely that the Authority will compete with existing entities for financing, but it is unclear how it will be funded and/or how much funding it will seek. Additionally, the Bill allows the Authority to issue debt, but it is unclear what revenues would be used to repay that debt and whether those debts would be financial obligations of the City that would compete with other priorities for City support.

There are also significant concerns around potentially pursuing depository status for this Authority, as the Bill contains conditional language that would allow it to accept City and School District deposits if there is additional federal and state legislation in the future. Without this additional authorization, the Authority cannot serve as a City depository. As City deposits fund the critical operations of all City departments, payroll, and reserves to help the City navigate financial crises such as that posed by the COVID-19 pandemic, those funds must be collateralized to limit risk and ensure they are available when needed. Those dollars are therefore unavailable for loans or other activities contemplated under the Bill.

Lastly, the Bill gives the Authority the power to buy and sell securities and property. While there may be no intention to do that immediately, we have concerns about what kind of risk that power could create in the future for the Authority and potentially the City.

For these reasons, I am returning without my signature Bill Number 210956-A.

Respectfully,
JAMES F. KENNEY
Mayor