

Legislation Text

File #: 120643, **Version:** 0

Authorizing and approving (i) the execution and delivery of a Service Agreement between the City of Philadelphia and the Philadelphia Authority for Industrial Development relating to the financing of the repayment of a certain deferred funding obligation, (ii) the issuance by the Philadelphia Authority for Industrial Development of bonds, notes or other evidences of indebtedness in one or more series, to finance repayment of such deferred funding obligation; and (iii) the obligation of the City of Philadelphia to pay in full when due the Service Fee and other amounts payable under the Service Agreement; authorizing certain City officers to take certain actions required to issue bonds, notes or other evidences of indebtedness; covenanting that the City of Philadelphia will make necessary appropriations in each of the City's fiscal years to provide for the Service Fee and other amounts due under the Service Agreement; and covenanting that the City of Philadelphia will make timely payments of the Service Fee and other amounts due under the Service Agreement; all under certain terms and conditions.

WHEREAS, The City of Philadelphia (the "City"), pursuant to 53 P.S. § 895.1002, deferred a portion of its minimum municipal funding obligation (the "Deferred Funding Obligation") to its pension system in the amount of \$230,000,000; and

WHEREAS, 53 P.S. § 895.1002 requires the City to repay a portion of the Deferred Funding Obligation by June 30, 2013, and the remainder of the Deferred Funding Obligation by June 30, 2014, with the outstanding balance of the Deferred Funding Obligation to bear interest at 8.25% until repaid; and

WHEREAS, The City's budget for the current fiscal year includes payment of interest on the Deferred Funding Obligation and repayment of a portion of the Deferred Funding Obligation; and

WHEREAS, The City may repay the Deferred Funding Obligation at any time, and at current interest rates, the City will achieve interest savings from a repayment of the Deferred Funding Obligation; and

WHEREAS, The City and the Philadelphia Authority for Industrial Development ("PAID") have determined that PAID will, at the direction, and with the cooperation, of the City, undertake the financing of the repayment of the Deferred Funding Obligation in order to assist the City in achieving interest savings; and

WHEREAS, The Council of the City has, by this Ordinance, determined that it is in the best interests of the City to authorize and approve: (i) the execution and delivery of a Service Agreement (the "Service Agreement") by and between the City and PAID; (ii) the issuance by PAID of bonds, notes or other evidences of indebtedness in such amount and for such purposes as described in Section 1 herein in one or more series, either as taxable or tax-exempt obligations; and (iii) the performance by the City of its obligation to pay in full when due the Service Fee (as defined in the Service Agreement) and other amounts payable under the Service Agreement; and

WHEREAS, The City is authorized to enter into the Service Agreement and to undertake the financing of the repayment of the Deferred Funding Obligation; now, therefore

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Council of the City (the “Council”) hereby authorizes and approves: (i) the execution and delivery of the Service Agreement, which shall be substantially in the form of Exhibit A hereto, with PAID; (ii) the issuance from time to time by the Philadelphia Authority for Industrial Development (“PAID”) of bonds, notes or other evidences of indebtedness (the “Obligations”) in an aggregate principal amount not to exceed Two Hundred Thirty One Million Five Hundred Thousand Dollars (\$231,500,000) net of original issue discount, plus amounts necessary for costs of credit enhancement, at any one time outstanding, in one or more series, either as taxable or tax-exempt obligations, to finance the repayment of the Deferred Funding Obligation and the costs of issuing the Obligations; and (iii) the performance by the City of its obligation to pay in full when due the Service Fee payable under the Service Agreement (the “Service Fee”) and other amounts payable under the Service Agreement.

SECTION 2. The Director of Finance is hereby authorized to execute and deliver, on behalf of the City, the Service Agreement in substantially the form of Exhibit A hereto, with such changes as the City Solicitor shall advise and the Director of Finance shall approve, consistent with the terms of this Ordinance. No amendment or supplement to the Service Agreement which permits the aggregate principal amount (at any one time outstanding) described in Section 1 hereof or the maturity limitation in Section 4 hereof to be exceeded shall be executed unless first approved by ordinance of the Council.

SECTION 3. The issuance of Obligations to refund outstanding Obligations (whether at maturity, through redemption or otherwise) is hereby authorized, and the Director of Finance is hereby authorized to execute and deliver, on behalf of the City, any required amendment or supplement to the Service Agreement in such form as the City Solicitor shall advise and the Director of Finance shall approve, consistent with the terms of this Ordinance; provided that no amendment or supplement to the Service Agreement shall permit the issuance of Obligations which cause the aggregate principal amount (at any one time outstanding) described in Section 1 hereof or the maturity limitation in Section 4 hereof to be exceeded unless first approved by ordinance of the Council.

SECTION 4. The Service Agreement authorized by this Ordinance shall be executed in conjunction with the issuance by PAID of its Obligations for the purpose of financing the Deferred Funding Obligation in an aggregate principal amount (at any one time outstanding) that does not exceed that set forth in Section 1 hereof to be applied for the purposes described in Section 1 hereof. The Obligations shall not be executed or delivered until the Director of Finance has approved the terms thereof. No series of Obligations shall mature later than seven years after the date of execution and delivery of the Service Agreement.

SECTION 5. The City covenants to budget and make appropriations beginning in Fiscal Year 2013 and in each and every fiscal year thereafter in such amounts as shall be required in order to make timely all Service Fee payments due and payable and to pay timely all other amounts due and payable under the Service Agreement.

SECTION 6. As long as Obligations issued by PAID to finance the Deferred Funding Obligation are outstanding, the City covenants unconditionally to make all Service Fee payments and all other amounts due as provided for under the Service Agreement directly to any trustee and other entity (the “Trustee”) to which the Service Fee may be assigned as security for payment of the Obligations and the obligations of PAID under any credit facility securing the Obligations, only out of current revenues of the City, which payments shall not be suspended, abated, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever and regardless of any rights of set-off, recoupment or counterclaim that the City may have against PAID or the Trustee or any holder of Obligations or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstances or occurrence that may arise after the date thereof.

SECTION 7. The City agrees to be bound by each and every provision, covenant and agreement set forth in the Service Agreement.

SECTION 8. The Director of Finance and all other proper officials of the City are hereby authorized, jointly and severally, on behalf of the City, to execute all documents (including without limitation one or more continuing disclosure agreements and a letter of representations) as may be necessary in order to accomplish the intent and purpose of this Ordinance and to take all actions as may be required by the Constitution and the laws of the Commonwealth of Pennsylvania in order to effectuate the financing of the Deferred Funding Obligation and the issuance of the Obligations.

SECTION 9. This Ordinance shall take effect immediately.

EXHIBIT A

FORM OF SERVICE AGREEMENT