



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

Legislation Text

File #: 120110, **Version:** 1

Amending Title 21 of The Philadelphia Code, entitled "Miscellaneous," by requiring the Mayor to submit to Council, with the proposed annual capital budget and capital program, a cost-benefit analysis that includes the return on investment and payback time for each capital project funded through the capital program and certain other information, following procedures to be adopted by the Finance Director, all under certain terms and conditions.

WHEREAS, The City of Philadelphia faces ongoing budgetary pressures due to multiple factors including the broad-based economic downturn, thereby increasing the need for City government to make the most efficient and effective use of its resources and deliver the most value possible to citizens; and

WHEREAS, The City makes a significant investment every year in projects funded through the capital program - the most recently approved capital budget for Fiscal Year 2013 totaled over \$3 billion, including over \$107 million in new City bond funds, and the six-year capital program totals close to \$9 billion; and

WHEREAS, The projects funded through the capital program include the construction of new facilities and the repair of existing facilities and infrastructure; and

WHEREAS, In determining whether to proceed with a particular capital project and in allocating scarce resources among capital projects, it is important to consider cost-benefit analysis - including both the return on investment and payback time - for individual capital projects; and

WHEREAS, The budget detail presented during the annual hearings on the capital program does not identify the return on investment and payback time for each capital project, nor the rationale for proceeding with projects that do not have identifiable returns on investment or payback; and

WHEREAS, This type of cost-benefit analysis would assist the City in making strategic capital investment decisions based on cost and priority; and

WHEREAS, Philadelphia should utilize cost-benefit analysis in developing and considering the capital program in order to maximize the value received from the expenditure of capital funds; now, therefore

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Title 21 of The Philadelphia Code is hereby amended to read as follows:

TITLE 21. MISCELLANEOUS

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CHAPTER 21-2200. COST-BENEFIT ANALYSIS FOR CAPITAL BUDGETING.

§ 21-2201. *Required Submission of Cost-Benefit Analysis for Capital Program Projects.*

(1) Beginning with the submission of the proposed Fiscal Year 2016 capital budget ordinance and Fiscal Year 2016-21 capital program, the Mayor shall submit to Council, together with the proposed annual capital budget ordinance and six-year capital program, complete cost-benefit analysis for each new capital project for which appropriations are made in the proposed program, including both return on investment and payback data, following the cost-benefit analysis procedure adopted by the Finance Director under Section 21-2202.

§ 21-2202. *Adoption of Cost-Benefit Analysis Procedure for Capital Program.*

(1) The Finance Director shall adopt a cost-benefit analysis procedure for the capital program. Such procedure shall provide a method to determine, for each new capital project funded in whole or in part through the City's capital program, the costs and benefits of the project, and the rationale for proceeding with projects for which the benefits are not calculable or for which the costs exceed the benefits.

(2) The cost-benefit analysis provided to Council pursuant to Section 21-2201 shall include the following information for each new capital project:

(a) Life-cycle cost of the project, including all initial project costs, periodic or continuing costs of operation and maintenance, and any anticipated costs of future decommissioning or disposal of the capital asset;

(b) Benefits of the project, including the internal and external performance benefits the project will generate (for example, improved working conditions for City employees and increased utilization of the facility by City residents) and any specific quantitative benefits (for example, lower utility expenses as a result of upgrading an HVAC system);

(c) Analysis of any alternatives to the proposed capital investment (for example, de-accessioning a City-owned capital asset and leasing space rather than pursuing substantial repairs to the asset);

(d) Projected return on the capital investment (i.e., manner in which benefits of project exceed its cost) and anticipated payback schedule; and

(e) For each project for which the benefit is not calculable, or the costs exceed the benefits, the rationale for proceeding with the project (e.g., legal mandate, project funded with non-City funds).

SECTION 2. This Ordinance shall take effect if and when the voters approve the amendments to Sections 2-310 and 6-105 of the Philadelphia Home Rule Charter proposed by Resolution No. 120119.

Explanation:

Italics indicate new matter added.

