

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FISCAL STABILITY AND
INTERGOVERNMENTAL COOPERATION

Remote location using Microsoft® Teams
Wednesday, December 2, 2020
2:45 p.m.

PRESENT :

COUNCILMAN ALLAN DOMB, CHAIR
COUNCILMAN BRIAN J. O'NEILL, VICE-CHAIR
COUNCILWOMAN CINDY BASS
COUNCILWOMAN KENDRA BROOKS
COUNCILWOMAN JAMIE GAUTHIER
COUNCILWOMAN KATHERINE GILMORE RICHARDSON
COUNCILMAN DEREK S. GREEN
COUNCILWOMAN HELEN GYM
COUNCILMAN BOBBY HENON
COUNCILMAN DAVID OH
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA

RESOLUTION: 200406

1 - - -

2 COUNCILMAN DOMB: Good
3 afternoon. This hearing is called to
4 order. I want to recognize the presence
5 of a quorum of Committee members. And
6 the members of the Committee in
7 attendance are Vice-chair Brian O'Neill,
8 Councilmembers Derek Green, Helen Gym,
9 Jamie Gauthier, Kendra Brooks, Mark
10 Squilla, Maria Quinones-Sanchez and
11 Cindy Bass. Thank you all for being
12 here.

13 This is the public hearing of
14 Committee on Fiscal Responsibility and
15 Intergovernmental Cooperation. The
16 purpose of this public hearing is to
17 hear testimony on Resolution 200406.
18 I'm introducing this resolution with
19 co-sponsors Councilmembers Parker,
20 Councilmember Green, Councilmember
21 Quinones-Sanchez, Councilmember Squilla,
22 Councilmember Gilmore Richardson,
23 Councilmember Bass and Councilmember
24 Thomas.

25 I understand that state law

1 currently requires the following
2 announcement be made at the beginning of
3 every remote public hearing as follows:
4 Due to the current public health
5 emergency, City Council Committees are
6 currently meeting remotely. We are
7 using Microsoft Teams to make these
8 remote hearings possible.

9 Instructions for how the public
10 may view and offer public testimony at
11 public hearings of Council Committees
12 are included in the public hearing
13 notices that are published in the Daily
14 News, Inquirer and Legal Intelligencer
15 prior to the hearings and can also be
16 found on phlcouncil.com.

17 The Clerk will now please read
18 the title of the resolution before this
19 Committee today.

20 THE CLERK: Authorizing the
21 Committee on Fiscal Stability and
22 Intergovernmental Cooperation to hold
23 quarterly hearings that include monthly
24 reporting requirements to discuss the
25 fiscal position and overarching social

1 impact goals of the City, including and
2 as related to the Five-Year Plan, and
3 reporting requirements set forth in the
4 Quarterly City Manager's Report, as
5 submitted to the Pennsylvania
6 Intergovernmental Cooperation Authority.

7 COUNCILMAN DOMB: Thank you,
8 Ms. Grbach.

9 I just wanted to open up today
10 with really thanking everyone who has
11 worked so hard to stay on top of the
12 City's finances, especially in this
13 pandemic. It's unprecedented. And I
14 know a lot goes into tracking all this
15 data we're going to hear, study it,
16 finding the weaknesses and working to
17 make adjustments in this unusual
18 pandemic time.

19 So I want to thank the
20 Administration's Finance team, PICA, my
21 staff, my colleagues, their staff,
22 Council's Finance team for diving into
23 this data. We have a lot to get through
24 and I would like to be sure we have time
25 for questions, so let's get started.

1 Ms. Grbach, please call the
2 first panel of witnesses.

3 THE CLERK: Rob Dubow, Marisa
4 Waxman and Harvey Rice.

5 COUNCILMAN DOMB: I would like
6 to ask Rob if you could testify first,
7 everything except the Recovery Officer's
8 report. And then I'll ask everyone to
9 hold questions until Harvey Rice has
10 also given testimony.

11 MR. DUBOW: Got it. Thanks.
12 So good afternoon, Councilmember Domb
13 and members of the Committee. Rob
14 Dubow, Finance Director, and I'm here to
15 testify on Resolution 200406, regarding
16 the current fiscal position of the City
17 and our recovery effort. As you
18 mentioned, for this part of the
19 discussion we'll just focus on our
20 fiscal position.

21 I am joined by Marisa Waxman,
22 Budget Director, for the first part of
23 the testimony and then on the second
24 panel, I will be joined by Sarah
25 de Wolf, our Recovery Officer. And for

1 each section, I'll just give an overview
2 and hand it over to Marisa and later
3 Sarah for details.

4 So let's go to -- thank you.
5 You beat me there, Marisa. Slide 4
6 gives you kind of a snapshot of where we
7 are. We're projecting that our FY21
8 fund balance will end at a little under
9 \$23 million. That's about \$29 million
10 less than expected. It's also much less
11 than our internal goal and best practice
12 and we have another graph to illustrate
13 that. And really the bottom line about
14 it is that if we don't see a recovery or
15 we don't get additional help from the
16 federal government, it's going to be a
17 very tough second half of the year.

18 On the next slide shows fund
19 balance comparisons. So you can see
20 here what our fund balance has been over
21 the last three years. It's gone from
22 just under \$439 million in FY19 down to
23 about \$291 million last year, and then a
24 projected roughly \$23 million this year.
25 If we were at our internal goal, we

1 would be somewhere between 292 and 390.
2 And if we were where the Government
3 Finance Officers Association says we
4 should be, which is two months' worth of
5 obligations, we would be more like \$828
6 million. So instead of being at two
7 months' worth of obligations, we're at
8 about two days. So obviously we're in a
9 tight situation.

10 And with that, I'm going to
11 hand it over to Marisa to walk through
12 more of the details.

13 MS. GOREN WAXMAN: Thank you,
14 Rob. So I wanted to talk to you a
15 little bit more about how things went in
16 the first quarter. We had \$750 million
17 worth of revenue, which slight bit of
18 good news, slightly higher than we had
19 had anticipating the adopted budget by
20 about \$49 million. And that was mainly
21 however due to the timing and
22 anticipated revenues and some delayed
23 things coming in that should have come
24 in last year. So don't get excited by
25 that additional \$49 million because over

1 overall for the year, the only
2 adjustment at this point we are making
3 to our revenues is about \$680,000
4 increase. And so, there's a lot of
5 things up. A lot of things down, but we
6 did get some things earlier.

7 We do have to do some downward
8 revisions of receipts later in the year
9 as a result that just came in. So our
10 first-quarter actuals versus projections
11 aren't indicative of our full year.

12 What really we're not yet showing but
13 gives us the greatest pause and concern
14 is that our budget was built on having a
15 rotten, terrible first quarter and then
16 things getting better.

17 And we hit it on the nose, the
18 rotten, terrible first quarter is
19 basically exactly what we got. But
20 unfortunately, we are not seeing
21 conditions of improvement the way that
22 we thought they would and the way that
23 our projections anticipated. And so, if
24 the current levels of year-over-year
25 receipts month to month stay the same

1 for the rest of the fiscal year, we
2 would expect to see \$70 to \$100 million
3 less in revenues than we were currently
4 projecting. So that is a real risk for
5 us. We haven't yet made those downward
6 revisions. We need to watch and see,
7 but there's a real risk there.

8 I wanted to break out for you
9 sort of revenue stream by revenue
10 stream, what we saw in the first quarter
11 versus what we had planned. And so,
12 taxes came in a bit high by about 38
13 million, some of that again timing. The
14 locally generated nontax revenues was a
15 bit low, 15 million. And our biggest
16 sources of those nontax revenues are
17 license and permit fees, things that are
18 often closely linked to the state of the
19 economy and what's happening there.

20 We did see some improvements
21 this quarter over our initial
22 expectations from revenue from other
23 governments as well as the PICA City
24 Account. We classify that as other
25 governments, but really that's just the

1 resident portion of the wage tax looking
2 a little bit stronger than we thought it
3 would. But again, we think this is
4 timing and that that first quarter
5 performance is not indicative of what
6 we're going to see in the balance of the
7 fiscal year.

8 I wanted to dig deeper for you
9 into the revenue trends on the wage tax
10 because this is our -- number one, it is
11 our largest local revenue stream. And
12 secondly, it's the one that we can see
13 on a fairly consistent regular basis.
14 We won't see our real estate taxes or
15 our business taxes until later in the
16 fiscal year. And what this does is, the
17 top left box shows you where we are
18 month to month, year over year for the
19 entire wage tax. And you can see that
20 in August and September we started
21 getting back to at least even with the
22 prior year, but saw a dip again in
23 October.

24 I will say that dip, keep in
25 mind some things are just timing, we

1 could then got a \$30 million payment on
2 November 1st, so looking at an
3 individual month can be a bit
4 misleading, but that shows you big
5 picture. But then you can see there's
6 really variation from sector to sector.
7 So you can see that construction has
8 gotten back to where they were after
9 sort of a V-shaped dip there, coming
10 down lowest in May. And May is when
11 you'll see sort of the lowest. While
12 April was sort of the shutdown, shutdown
13 because there's a slight lag, you'll see
14 May really reflecting that.

15 And you can see in this then
16 the industries that have not been coming
17 back or have remained most below last
18 year, hospitality & entertainment is the
19 one that has stayed the most below.
20 Also, some with professional services.
21 So that's where the wage tax is looking.
22 And I do want to thank the Department of
23 Revenue for some of this incredible,
24 just aggregated data and graphics.

25 We wanted to go actually even

1 further with this to show you within a
2 sector what we're seeing, because really
3 the impacts of this are varied. And so,
4 in here you can see the solid red line,
5 the one that sort of had the worst
6 impact as doctors and dentists. And we
7 see that as some of the things where
8 earlier today we testified about
9 underspends from City employee medical
10 benefits in the last quarter of FY20,
11 and that's because doctors' offices,
12 dentists were closed, certain things
13 folks were deferring. And you can see
14 this here in our wage tax data.

15 Some of the other sectors
16 actually stayed above -- like social
17 services above last year's wage tax
18 collection. So again, variation here.
19 And as I recommended, don't look at any
20 single month bill, particularly October
21 in isolation because of some timing
22 issues, we got a bunch of money in on
23 November 1st.

24 And I want to give you beyond
25 the wage tax some of the variation in

1 the other taxes we collect. And what
2 you're seeing here is the ones that you
3 would expect to see at the bottom most
4 impacted by the closures, hotel,
5 liquor-by-the-drink, which is liquor
6 sold in bars and restaurants, the
7 amusement tax which primarily is derived
8 from professional sporting events, at
9 least 85 percent of that are the ones
10 that are showing the greatest year-over-
11 year declines on a monthly basis,
12 whereas the beverage tax is still seeing
13 a decline but much closer to the prior
14 year. And we are obviously going to be
15 looking at this as we look at current
16 conditions and shutdowns and what does
17 that mean.

18 Also, we've seen some
19 interesting trends within our realty
20 transfer tax. And as with our other
21 taxes, we are seeing a reduction in the
22 number of sales, but there is a
23 difference. The number of sales and the
24 tax amount are not in lockstep. And so,
25 we can see what's going on with prices

1 here.

2 Primarily in sort of the house
3 condo area where you can see calendar
4 year January through September, the tax
5 amount is down by about 12 percent,
6 while the number of sales is down by 22
7 percent, so that's telling us that the
8 individual house prices are probably
9 going up even as the volume goes down.
10 So that was where the money is coming
11 from and how that's going.

12 I want to share with you how
13 the money is going out. So the General
14 Fund obligations in the first quarter of
15 the fiscal year were 1.22 billion, about
16 \$11 million more than the adopted
17 budget, primarily due to some large
18 expenses around the Presidential
19 election and then additional support we
20 wanted to put into rental assistance,
21 eviction diversion and the public health
22 needs as well as those higher than
23 anticipated waste disposal obligations.
24 And so, in the FY21 Operating Budget
25 Mid-Year Transfer, you'll see those were

1 the things we were looking to add
2 funding for because those were the
3 expenses higher than initially planned.

4 And so, as a result after that
5 mid-year transfer, the year-end
6 obligations are projected to now be 64
7 million more than the adopted budget.
8 That was the amount in the proposed
9 version of the FY21 Mid-Year. However,
10 that was amended today. Now, that
11 number is a little bit higher. Some of
12 that 64, however, is offset by some new
13 revenues in the public health area. But
14 most of that is driven by Fire personnel
15 costs, election costs and the waste
16 disposal fees.

17 This is just a summary of the
18 items that had a net impact on the
19 City's fund balance. Some of the items
20 that are in there also were just moving
21 money within a department or are ones
22 that were offset by revenue. But I
23 guess I just want to make sure you had
24 this summary sheet of the items in the
25 Mid-Year Transfer Ordinance. We also

1 just wanted in addition to just talk
2 about the money coming in, the money
3 going out, talk a bit about performance
4 and staffing and what is going on.

5 So as of September 30th, we
6 wanted to provide some information
7 around overtime. We know obviously
8 Harvey Rice is here from PICA and that's
9 an area that's of key concern for them.
10 And we want to just share that in the
11 first quarter, overtime spending of 40
12 million is about 24 percent less than it
13 was this time last year which makes
14 sense. A lot of activities we'd
15 normally be doing are not happening. A
16 key theme running across all of our
17 departments is this overtime they are
18 not putting towards special events.
19 That is an area that a number of them
20 have. So with the exception of the Fire
21 Department, we're seeing decreases for
22 departments with significant overtime
23 budgets.

24 But overtime alone can't be
25 looked at in a vacuum. One of the

1 things we think about is leave usage,
2 who is available to work, because often
3 times overtime is what you use to
4 compensate when folks are not there,
5 particularly in our areas that have sort
6 of mandated staffing levels that you
7 need a certain ratio of staff to kids in
8 the Juvenile Justice Center, you need a
9 certain number of people to put on a
10 fire truck.

11 So we were looking at leave
12 usage this year as compared to last
13 year, and the data showed that it is
14 down dramatically. We think there's a
15 couple of things going on there, though.
16 One is we're now a year into One Philly
17 and we think there's just better human
18 data entry at this point. And honestly,
19 it's still not perfect. My boss Rob
20 Dubow had to correct my time sheet last
21 month or last pay period because I put
22 in the wrong code, but we're seeing less
23 and less of that as folks get familiar
24 with the system. And so, we're seeing
25 that. But we also think there is a

1 number of other things going on.

2 As I mentioned, employees were
3 not using their medical benefits. As a
4 result, they weren't taking as much sick
5 leave. Folks were taking the same level
6 of vacation leave during the shutdown,
7 so that contributes to the changes in
8 leave usage. I wanted to share also
9 just how many staff we have on hand, the
10 adopted budget includes close to 24,000
11 in the General Fund, a total of 30,589
12 across all funds. That's how many
13 positions were funded for. But the
14 actual folks on board at the end of
15 September was about 2500 less than that,
16 so fewer folks available to do work.
17 And again, that combined with the leave
18 usage sometimes paints a picture of then
19 the overtime usage.

20 So really the point of this is
21 performance, what services are we able
22 to provide. And so, in the Quarterly
23 City Manager's Report we include over
24 100 performance measures across a number
25 of departments tracking service delivery

1 and activity. And at end of this
2 quarter, close to two-thirds of those
3 were on track to meet or exceed their
4 targets for the year. Given the
5 pandemic, that's pretty impressive but
6 obviously not as great as a normal year.
7 Some things, clearly if you look in the
8 public safety area, there are clear
9 challenges. Those are borne out. In
10 others, it's just the nature of the
11 shutdown. Some of the measures from the
12 Free Library have to do with a number of
13 visitors. Given where we are, obviously
14 they're not going to hit their visitor
15 numbers that they had initially
16 projected.

17 I wanted to then drill down a
18 little bit more beyond the Quarterly
19 City Manager's Report to talk about
20 spending through October, so it takes us
21 through the first third of the year.
22 One of the things we've added this year
23 are monthly spending reports to track
24 where we are month to month and then on
25 a year-to-date basis, just to make sure

1 that we are staying within our budget.

2 And so, what we have here is a
3 breakdown for you showing that we have
4 spent in the first third of the year
5 slightly more than a third of the
6 dollars. But when I say spent, that is
7 actually literally cash out the door and
8 then funds that are already encumbered.

9 Some departments encumber their funds
10 for certain contracts early in the year
11 so it looks like they spent all of them.
12 For example, City Council encumbers all
13 of its dollars for court reporters in
14 the first month of the fiscal year even
15 though that money is then spent out over
16 the course of the year.

17 So an easier way to then sort
18 of look at that is look and see who
19 spent that third or not or obligated at
20 the encumbrance on the expenditure. And
21 so, a couple of the ones that you will
22 see that far exceed that are ones that
23 encumber early in the year. For
24 example, Commerce makes a \$15 million
25 payment for the Convention Center

1 subsidy. That is a huge chunk of their
2 budget. That happens earlier in the
3 year.

4 DBHIDS encumbers the vast
5 majority of their contracts with
6 providers very early on. The Sinking
7 Fund Commission pays a lot of the debt
8 service early in the year. So it's
9 normal to see variation here in terms of
10 what percent has been spent so far and
11 not spent, but this is a good way to ask
12 some questions.

13 But when you just look at Class
14 100, this is where I'd be concerned if
15 things looked tremendously out of whack.
16 And so, what you can see here is that
17 most departments are well within that
18 one-third of the year's worth of
19 personnel expenses with one-third of the
20 year down. There are a couple ones that
21 you'll notice that are popping up above
22 the dotted line. But also, those are
23 ones that we are aware of in addressing,
24 so those are items that are then
25 included in the Mid-Year Transfer

1 Ordinance.

2 So you see the City
3 Commissioners and what they just had to
4 do through the election, not surprising
5 that they're above. Commerce and the
6 District Attorney were both in the
7 Mid-Year Transfer to make some
8 adjustments to their budgets to either
9 move money into Class 100 or add it in
10 total. But basically by tracking this
11 on a monthly basis gives us a sense that
12 we are on track and where we should be,
13 but obviously we need to continue to
14 monitor our revenues, the economy very
15 carefully and make sure that our
16 spending doesn't get ahead of that.

17 So that is pretty much where we
18 are at the moment. I know you wanted to
19 pause at this point for the presentation
20 from PICA before we go back to the
21 recovery. And happy to take any
22 questions.

23 COUNCILMAN DOMB: Thank you,
24 Marisa. Let's hold the questions. And
25 we'll ask Harvey Rice -- great

1 presentation by the way. Thank you.

2 Let's ask Mr. Rice to give his
3 presentation from PICA.

4 MR. RICE: (Muted).

5 COUNCILMAN DOMB: You might be
6 on mute, Mr. Rice. I think you're on
7 mute.

8 MR. RICE: Yes. Good
9 afternoon, Chairperson Domb and City
10 Council. As you know, my name is Harvey
11 Rice. I'm the Executive Director of
12 PICA. We are the state oversight agency
13 for the City of Philadelphia. Thank you
14 for allowing me to testify today to
15 speak about PICA's report on the
16 Quarterly City Manager's Report for the
17 first quarter, which ended September
18 30th as well as our reports on the City
19 revenues, the budget obligations both
20 for September and October as well as the
21 overtime report for the first quarter of
22 this fiscal year.

23 I have prepared a short
24 PowerPoint presentation with highlights
25 of all these reports and the synopsis of

1 our revenue budget, obligations and
2 overtime. Let me share it with you.
3 Since Marisa and Rob did a pretty good
4 job, an excellent job of the numbers,
5 I'm not going to dwell on the numbers
6 already presented. I will point out
7 some of our observations and concerns.

8 When we compiled our report, we
9 usually issue a report. However, we
10 noticed as you can see that the fund
11 balance decreased from 51.3 million from
12 July, which is the Five-Year Plan that
13 the Board adopted, to now 22.8 million.
14 At the time in July, we said that 51.3
15 million was a concern, the fund balance
16 was a concern of ours. And then now we
17 see that it dropped to 22.8 million.

18 And this quarterly report
19 was -- the end of the quarter was
20 September 30th. This is prior to the
21 surge and the possible resurgence of the
22 pandemic and some of the measures that
23 the City has just recently put into
24 place, which could affect revenues in
25 the coming months. So as a result

1 instead of just issuing a report, at the
2 time we sent the City a letter stating
3 that this was a concern of PICA.

4 And at the time when they
5 issued their report, the Five-Year Plan
6 in July, at that time we asked them to
7 also put contingencies in for this 51.3
8 million fund balance in July. So we
9 followed that up and we said, we're
10 asking you to start looking at and start
11 implementing some of these contingencies
12 so that the City isn't saddled with a
13 very small fund balance, which the
14 pandemic or one event or two events
15 could either deplete it or wipe it out
16 completely.

17 So the City responded. And in
18 their response, they mentioned that it
19 looks like that 75 million of personnel
20 costs that have already been applied to
21 the General Fund can be reimbursed
22 through the CARES Act, so that would
23 bring the fund balance up to about 90.
24 And then the Finance Director had also
25 responded stating that they're now

1 looking at the contingency plan that
2 they put together and working with the
3 departments to see if they could start
4 implementing some of those contingencies
5 as we speak. So the other numbers on
6 this were discussed.

7 As Marisa stated, the revenues
8 are only 700,000 more than projected.

9 However, it is a timing issue of
10 different taxes and when they're
11 collected. So we're concerned that they
12 project between 70 million and 100
13 million less revenues than projected in
14 the Five-Year Plan, which is a concern
15 of ours. That's why PICA, we looked at
16 the revenue collections every month, not
17 just a quarter. And so, we'll keep a
18 close eye on that and we can run it
19 against all the different tax types to
20 see where concerns may lie as early on
21 as possible, but I think we need a
22 couple more months of revenue
23 collections and whether the surge and
24 the resurge will have a drastic impact
25 in the projections already submitted.

1 I've already spoken about this.

2 Our revenues, the same figures that
3 Marisa and Rob spoke about. And then
4 obligations by class, as they said we're
5 spending more than we're taking in. So
6 to do that, they're using money from the
7 fund balances that were transferred over
8 from the last fiscal year. Full-time
9 positions, a slight decrease through the
10 first quarter and that's understandable
11 since the pandemic has put a freeze on
12 hiring. So that is probably attrition
13 through retirement and other factors.

14 And overtime, as you know PICA
15 is very concerned about overtime costs.
16 And as we saw in the first quarter, we
17 see a drop of 12.8 million less in
18 overtime than the first quarter of
19 Fiscal Year 2020, which is about a
20 decrease of 24 percent. However, it's
21 because of the nature that we're in and
22 the pandemic and more people working at
23 home, there's a loss comparability here
24 to last year because it's not apples to
25 apples basically. So while we see that

1 a decrease is evident, we're taking it
2 with caution. And if you match it
3 against their allocations for the first
4 quarter, they're still above slightly,
5 spending their overtime allocation.

6 So it's something that we not
7 only issue a quarterly report, but we
8 look at every month on the overtime and
9 we report the monthly spending to the
10 Board, so that they're tracking every
11 month so the City can do the best to
12 lower this overtime.

13 What I would like to say is
14 when Marisa was speaking about the Class
15 100, how it was below other than the
16 City Commissioners, that's true. But if
17 we still do a good job of reducing
18 overtime, those orange bars would even
19 be lower, so we got to take that into
20 consideration. And we're working with
21 the City right now.

22 The City is developing overtime
23 action plans. And we should have all of
24 them by the end of December. And PICA
25 will be working with them going through

1 them as well as we have offered other
2 suggestions on this overtime, that there
3 should be someone in each department
4 responsible for the overtime as well as
5 one person within City government
6 responsible for the overtime, and one of
7 the Board members suggested that there
8 be some sort of a penalty put into the
9 departments who aren't controlling
10 overtime, who aren't budgeting it
11 correctly so that each department in the
12 future takes this seriously and reduces
13 overtime going forward, which will help
14 reduce Class 100, which would then have
15 more money that we could raise a fund
16 balance or we could put more money in
17 the Budget Restabilization Fund, other
18 opportunities for that money.

19 And our revenues through
20 October, as you can see we collected
21 208 million compared to 253 million last
22 year, a decline of about 45 million or
23 almost 18 percent. The only tax
24 category increases in October and the
25 year-to-date are real estate and BIRT

1 taxes. And as you know BIRT is very
2 hard to project, especially when
3 yesterday's announcement on City
4 business taxes. We need to re-adjust
5 BIRT going forward to see what that
6 impact will be and then what that impact
7 will be on the total revenues.

8 And our obligations through
9 October, as I mentioned before it's
10 higher than the monthly spend of 16.6
11 percent so they're doing slightly higher
12 in their obligations. But as Marisa
13 pointed out, there are many departments
14 such as Commerce, such as Finance, such
15 as Sinking Fund and other departments
16 who had a lot of encumbrances early on
17 in the first quarter. But we need to
18 see that that percentage goes down as we
19 get through the fiscal year.

20 And this is City departments
21 overtime through October, 2020 versus
22 2021. As you can see, there's three
23 departments that stand out. Even though
24 they are small amounts, they've exceeded
25 their allocation. And we were

1 concerned, Fire's allocation is high and
2 some others, Police and Streets. And we
3 can understand Streets being high
4 because of the pandemic and because of
5 the increased amount of trash that they
6 have to collect as well as the nature of
7 their job and people calling out sick.
8 You can understand that. But in some
9 other departments where people are
10 working at home and either overtime cost
11 increased from last year or they're more
12 than what they should be at this period
13 of time in the quarter, I guess their
14 allocation, these were questions that we
15 have presented to the City.

16 So I'm here to answer any questions that
17 the Council may have.

18 COUNCILMAN DOMB: Okay. Thank
19 you, Mr. Rice. And I thought what we
20 could do is I'm going to have a few
21 questions for the Administration and
22 you, and then I'll ask my colleagues for
23 any questions.

24 Let me start with Marisa. On
25 the presentation you gave us, I had a

1 question on the \$49.4 million of
2 additional revenue they were showing, do
3 you have any kind of breakdown of how
4 much of that was delayed and how much of
5 that was from 4601, so we can get a
6 clearer picture?

7 MS. GOREN WAXMAN: Yeah. I can
8 pull that up. I don't have it off the
9 top of my head. I know 38 million of
10 the increase was taxes. And so, the
11 4601 actually is the -- there was a net
12 in the local nontax. We were actually
13 at the end of the day down 15. That
14 would have been down a whole bunch more
15 because that's where we also show the
16 revenues from asset sales. So I can try
17 to pull that up or I can also just
18 follow up with the breakouts in a more
19 detailed manner of sort of within those
20 categories were finally graded.

21 COUNCILMAN DOMB: That's fine.
22 I had a question for you on the full-
23 time employee chart. I think I saw
24 2,528 employee positions we haven't
25 filled. I'm assuming those positions

1 are accounted for in our budget?

2 MS. GOREN WAXMAN: Yeah.

3 There's a couple of things that we do.

4 One that was 2500 across all funds,

5 slightly less and in General Fund. So

6 what we do is -- in some departments

7 basically that's just, oh, well,

8 shouldn't that then just mean we're

9 underspending. So that's why in some of

10 those in the departments, you will see

11 underspends under a third of the year.

12 But in other areas, that's sometimes why

13 we're offsetting with overtime, that if

14 the work still needs to be done,

15 overtime's a tool.

16 It's a way we do work.

17 Sometimes we do it full-time staff.

18 Sometimes we do it on overtime.

19 Sometimes we contract it out. Other

20 times we decide we're not going to do

21 that work. So there's an innerplay

22 there that if there's high vacancies,

23 sometimes you'll see that higher

24 overtime. But the last thing we do also

25 budget in, particularly with departments

1 that have trouble either filling
2 positions just because it's sort of
3 structural issues overtime where they
4 have high turn, we will build into the
5 budget what we call a vacancy allowance
6 which is basically we reduce their Class
7 100 to account for that.

8 So we know you will need \$1
9 million if you were 100 percent filled
10 positions, but we don't fund you \$1
11 million. We might fund you 950. We
12 take out a vacancy allowance, because we
13 know based on history and that's usually
14 with larger departments that have high
15 turnover, that you're never going to
16 have 100 percent on or departments that
17 do their hiring in classes so there's
18 always going to be time gaps that, you
19 know, the day a corrections officer
20 retires, we can't step in brand
21 new folks who got to wait for a class to
22 go through. So we do account for it in
23 the budget. Sometimes you'll see an
24 underspend if there's vacant positions,
25 but other times we've already planned

1 for that through that vacancy allowance
2 or need that money on the overtime side
3 to get the work done that's not being
4 done by somebody in that position.

5 COUNCILMAN DOMB: So we have a
6 hiring freeze right now. If we don't
7 fill those 2500 or so positions, have
8 you accounted for all 2500 or have you
9 accounted for 1,000? What could we
10 possibly save in the budget if we don't
11 fill those positions?

12 MR. DUBOW: Just before you --
13 one thing to be clear, we don't have
14 funding for those 30,589 positions for
15 the full year. So it's not like there's
16 a savings equal to that 2500 difference.
17 For the reasons Marisa is talking about,
18 the difference is much smaller.

19 Marisa, I think you wanted
20 to --

21 COUNCILMAN DOMB: Yes. Take
22 that into account, you don't have to
23 give us the answer now, but if we don't
24 fill those 2500 even it's for portions
25 of the year or whatever, what type of

1 savings could we possibly realize on the
2 budget? Are there other dollars that we
3 could save that we don't -- for the next
4 12 months we just say, you know what,
5 we're still on a hiring freeze, by the
6 way most businesses are laying people
7 off, we're on a hiring freeze and what
8 savings can we achieve from that 2500?
9 You don't have to give the answer today,
10 but I think we should look at that.

11 MS. GOREN WAXMAN: I was able,
12 however, while we were chatting to find
13 the proceeds from 4601, that was \$9.1
14 million, so 20 percent of that overage
15 is just attributable to the 4601
16 proceeds coming in differently.

17 COUNCILMAN DOMB: By the way, I
18 wanted to recognize that Councilmembers
19 Gilmore Richardson and Councilmember
20 Bobby Henon have joined us. Thank you
21 for joining.

22 And here is my next question:
23 I know we had the Appropriations hearing
24 this morning, and thank you to
25 Chairwoman Maria Quinones-Sanchez. It

1 was a good meeting. And we heard that
2 the reserves are about 22.9 million
3 right now, but we also heard that Harvey
4 said that there's another 73 or 75
5 million that could be added to reserves,
6 and so that's one question, if that's
7 going to actually happen that way?

8 And the other question is the
9 Fire Department that we heard in the
10 meeting today has a \$24 million overtime
11 requirement. And I guess my question to
12 the Administration, is there any type of
13 operational changes that the
14 Administration is willing to try to
15 implement in order to contain some of
16 these costs and reduce our exposure on
17 the expense side, because I already
18 heard in the meeting today that they may
19 not be the last request. It might be
20 more money needed for the Fire
21 Department.

22 MR. DUBOW: I can take the
23 recovery dollars one, probably what we
24 were going to talk about in the second
25 part of the hearing anyway. So even

1 though our allocation of recovery
2 dollars, part of what we've done is
3 allocated roughly \$75 million of public
4 health and public safety costs to the
5 CRF funding, which in the guidance from
6 Treasury Office is explicitly allowed.
7 If all those dollars do get charged to
8 CRF, that would increase our fund
9 balance.

10 One of the things we have to
11 think about though is what the second
12 half of the year will look like in terms
13 of COVID-related cost and if
14 COVID-related cost continue through the
15 second half of the year and there's no
16 more relief package, it's likely that
17 what that will have done is kind of
18 given us a reserve to help spend on
19 those additional costs.

20 COUNCILMAN DOMB: Okay. How
21 about looking at operationally some of
22 these overtimes and figuring out how we
23 can cut that down dramatically?

24 MS. GOREN WAXMAN: As Harvey
25 mentioned, we're looking department by

1 department for the significant spenders
2 to figure out what the action plan
3 should be. And so, in some cases what
4 we're going to find is that it's
5 actually just sort of like a budgeting
6 thing that we have a number of
7 departments who their overall Class 100
8 budget, they've always underspent but it
9 was just the overtime line. So for some
10 of those, we're just going to make sure
11 that the budgeting is matching up to
12 reality. In others what we're doing is
13 really then -- and that's just budgeting
14 and we'll work that out.

15 The others what we're asking
16 is, is your current overtime budget
17 realistic, yes or no. And in most
18 cases, we're finding yes where we're at
19 now is realistic for this year, granted
20 this year is very strange and you never
21 know what else is going to be thrown at
22 us. So there's a lot of caveats unless
23 there's giant snowstorms, unless there's
24 something. And so, from there we're
25 talking to departments saying, okay, we

1 said it's realistic but do we want to
2 change that at all, do we want to spend
3 less.

4 And there's two ways you can do
5 that. One, where you can just decide
6 we're going to provide a lower level of
7 service, we're going to just not do a
8 thing, or in the alternative how would
9 we provide that service but do it
10 differently not using overtime. And so,
11 we're seeing depending on the
12 department, depending on the program, a
13 range of answers.

14 We've got some departments
15 where for them hiring up makes sense,
16 filling their vacant positions is going
17 to give them that relief and is what
18 they want to do and that will lower
19 their overtime, but obviously, there's
20 still cost impacts.

21 Other departments when we talk
22 to them they say, actually hiring
23 doesn't make sense, that this is sort of
24 an amount that the overtime costs less
25 than it would to hire a whole brand new

1 body with benefits and there are times
2 where that cost-benefit analysis shows
3 overtime is better. And in some cases,
4 they're saying this is a service of
5 business we're going to get out of,
6 we're not going to do this anymore.

7 And then there's others where
8 we're looking and seeing where are there
9 technology enhancements or other things.
10 Now granted, those often will have
11 upfront costs, but a great example, we
12 heard from L&I this week was looking at
13 their eCLIPSE system. They put in
14 eCLIPSE, and eCLIPSE allows building
15 inspections to be scheduled using either
16 the interactive voice system or online
17 as opposed to the building inspectors
18 themselves spending the time doing the
19 scheduling. Well, if you're not doing
20 the scheduling, you've got more time to
21 do the inspections. And so, that's ways
22 where we've seen technology is helping
23 us. So there's a whole range of things.

24 And also, overtime is a fairly
25 small percentage of our overall budget,

1 so we look at it as a component of an
2 overall system. As I was mentioning,
3 looking at our leave usage, making sure
4 that folks not only are on the payroll
5 but available for work is also part of
6 this, so we're looking at sick leave and
7 different things and how we make sure
8 that folks are here. So there's a whole
9 range of things. But sometimes overtime
10 is the most efficient way to provide the
11 service we want. Sometimes it's not.
12 So that's why we're doing these deeper
13 dives department by department within
14 programs and departments so that we can
15 have really nuanced responses.

16 COUNCILMAN DOMB: Thank you. I
17 just want to make sure we're really
18 focused on this because we're in the
19 second quarter right now and we need to
20 implement this very quickly, because
21 otherwise these costs are going to run
22 out of control. We're not going to have
23 the revenues to cover it. So I just
24 want to make sure we're on top of it.

25 I want to go back to my next

1 question. I remember back in July I
2 think, Harvey and Rob, you alluded to
3 this in your testimony today. There
4 were two different sets of projections.
5 PICA had one projection for the City.
6 And the City had another projection.
7 The difference was I think \$75 million
8 for the projected Fiscal Year '21
9 revenues. I know that PICA asked the
10 City for a contingency plan back then.
11 And I think one of you testified that
12 we're looking at that contingency plan
13 now.

14 I guess my question is of the
15 \$75 million, are we looking at the
16 contingency plan for all 75 million and
17 could you just give us a brief overview
18 of what that means and what are the
19 programs that you would be implementing?

20 MS. GOREN WAXMAN: So to start
21 with, I want to say there was those
22 differences in projections. And they
23 really started in differences in how was
24 FY20 going even to turn out, because
25 that would have caused a change in fund

1 balance going into FY21. As we
2 monitored that, the actual outcomes
3 exceeded the City's estimate which were
4 above PICA's for FY20, so we actually
5 started out better than we wanted. So
6 that was good. The City's projections
7 held up. And so, we didn't need to
8 immediately dig into that contingency
9 plan.

10 As of right now, we remain on
11 track with the City's projections for
12 revenues. But obviously have some
13 concerns, so we continue to revisit that
14 contingency plan, see what's still
15 available in terms of things that if it
16 does start to go south, what we can
17 still do so we're looking at that
18 contingency plan. We're also looking at
19 what other options we have. So that's
20 something we're doing on a regular
21 basis.

22 Just to give you an example,
23 one of the things in the contingency
24 plan was we could delay the hiring of
25 the new traffic safety enforcement

1 officers and that would have savings.
2 We haven't brought those folks on yet,
3 so that's still sort of counting towards
4 the good. So there's a number of things
5 in that contingency plan that we're
6 still able to should we need to in this
7 year do even though we're halfway in.

8 Some of them obviously aren't
9 as valuable as they would have been if
10 we eliminated them July 1st. But we
11 continue to work through this process of
12 identifying if we need to pull back at
13 any point this year timing-wise what can
14 we do, and we try and do this very
15 thoughtfully as well to make sure that
16 we're not pulling back things that would
17 be really hard to reinstate if, say,
18 there's a federal stimulus or those
19 revenues come there. We don't want to
20 totally demolish something and then six
21 weeks later find out that we can put it
22 back together after we let people go.
23 So we're trying to be really thoughtful
24 about the types of things and the ways
25 that we can pull back literally on

1 almost a month-by-month basis what are
2 still good options in each month of the
3 fiscal year. And of course, the most
4 important is being very careful about
5 adding any new expenses.

6 COUNCILMAN DOMB: I would say
7 this, I think we're at a point now where
8 you need to pull the trigger on that and
9 you need to implement that contingency
10 plan so we are -- I'd rather be
11 conservative about this and be prepared
12 for what could happen and just be ready
13 for it.

14 And I would say this, as far as
15 traffic, I don't see any traffic.
16 There's no traffic. That's not an issue
17 right now. You probably can put that
18 off for a year. There's no traffic
19 right now. And I look at this money of
20 75 million and I go back to yesterday's
21 long Committee of the Whole meeting
22 where we needed 22 million or 24 million
23 to fund the \$400 million bond that I
24 think you consulted a report that could
25 have a \$1.2 or \$3 billion effect on our

1 economy. That's such a great better way
2 of taking this money of 75 and
3 allocating 22 or 23 million a year to is
4 better use of our resources probably at
5 this time. So I hope we put that plan
6 in place and save that 75 million.

7 Two last quick questions, and
8 then I'll open it up to my colleagues.
9 The wage tax, I'm very concerned about
10 the wage tax. I'm very concerned that,
11 what is it, 40 or 41 percent of our City
12 workers live outside the City, and I'm
13 concerned what that's going to look like
14 as far as refunds or whatever. I'm
15 wondering if we have any tools to give
16 us any kind of idea what that might look
17 like?

18 MS. GOREN WAXMAN: So we
19 continue to work with IHS Markit, who'se
20 the City's outside economic consultants,
21 and they actually update with us on a
22 monthly basis what they're thinking the
23 outlook is for the City finances. And
24 the issue of those commuters not coming
25 back remains a big variable for us. But

1 from the start, we saw this on the
2 horizon and we not only baked into our
3 budget a short-term reduction, but we
4 actually anticipated some permanent
5 long-term shifts across the Five-Year
6 Plan even as the economy gets back to
7 normal, so we have built that in.

8 Whether or not we did that at
9 the right level, it's too soon. We're
10 not really going to have a good handle
11 on that data until the calendar year
12 ends. And then after that, folks are
13 filing their taxes and asking for
14 refunds, we'll see some of that a bit
15 early if businesses are changing their
16 withholding, but we also know that
17 there's a lot of folks that probably
18 won't change their withholding now, and
19 later just ask us for a refund. And so,
20 it's one of those we won't really know
21 until we know, particularly since it's
22 still really fluid.

23 Folks are at home now. We
24 think there might be some permanent
25 shifts, but what does that mean. Our

1 laws basically say that working from
2 home if your employer tells you you have
3 to, well, then the wage tax is not due.
4 But if you choose to for your
5 convenience and it's an option but you
6 could work in the City, then the tax is
7 due even if you choose to work at home.

8 So given how large the wage tax
9 is in terms of the share of our revenue
10 stream and the importance of those
11 commuters, that is something we're
12 watching carefully. But I think there's
13 still a lot of uncertainty about the
14 scale, but we've already built in a good
15 chunk of pain from that.

16 COUNCILMAN DOMB: And last
17 question, and I'm going to go to my
18 colleagues and I'll come back. All this
19 conversation, where does this leave
20 funding for our school system and are
21 there other concerns over the next few
22 years for funding for schools?

23 MR. DUBOW: So the District is
24 projecting deficits beginning this year
25 and increasing to about 200 million by

1 next year and then increasing over the
2 course of their five-year plan, so that
3 is a challenge that we're going to have
4 to focus on as we go into the FY22
5 budget.

6 COUNCILMAN DOMB: But what's
7 the plan? That 200 million is a big
8 number. What's our plan to cover that?

9 MR. DUBOW: I think that's
10 something we're going to have to really
11 talk through as we develop our budget,
12 and we don't have that plan yet.

13 COUNCILMAN DOMB: Okay. Thank
14 you. I'll come back. I know my
15 colleagues have some questions.

16 Also want to recognize first,
17 Councilmember Helen Gym.

18 COUNCILWOMAN GYM: Thank you
19 very much, Mr. Chairman.

20 Just to follow up on what
21 Councilmember Domb was saying, at this
22 stage is the City able to make its
23 payments to the School District that's
24 set forth in the Five-Year Plan?

25 MR. DUBOW: Yes.

1 COUNCILWOMAN GYM: Okay. So
2 you'll be able to maintain it. It's
3 just that it won't be able to sustain
4 the gap in the School District funding;
5 is that right?

6 MR. DUBOW: Correct. We don't
7 have a plan as of yet to help close the
8 deficit that the District is projecting.

9 COUNCILWOMAN GYM: And some of
10 the areas that I think we've raised
11 concerns about is the Administration
12 decided to support the delay in the tax
13 abatement. I was trying to get clarity.
14 It sounds like there's a \$10 million
15 U&O, which is a School District tax.
16 Liquor-by-the-drink tax has plummeted as
17 we can see already from the Revenue
18 reports. And I think we talked about
19 how the PPA has given zero money over to
20 the District.

21 So we're whittling down to, you
22 know, those are primarily School
23 District-funded efforts, so we're left
24 with property taxes and then whatever
25 we can give over from the City and the

1 state; is that correct? Do you see
2 other tax revenues? I guess there's a
3 school income tax that's brought in --

4 MR. DUBOW: There's a school
5 income tax. There still is a
6 substantial amount of U&O. They still
7 get U&O. There's still the cigarette
8 tax. There's still a number of taxes
9 that go to the District. Did you say
10 the school income tax?

11 COUNCILWOMAN GYM: Yes. And
12 that's about what, 40, is it?

13 MR. DUBOW: Yes, I think that's
14 right. And the other thing to remember
15 is there's still the state. And that's
16 where they get a substantial amount of
17 their funding. So any solution to --

18 COUNCILWOMAN GYM: Well, we
19 very well know that the state is -- yes,
20 we definitely know the state. And I
21 think that will be an important aspect I
22 think for sure in the spring. But does
23 the City have any -- I think you talked
24 about this with Councilmember Domb.
25 There's no additional flexibility in the

1 cigarette tax, right?

2 I know the first 100 million
3 goes toward -- oh, it's the, yes,
4 cigarette tax. Sorry, I'm thinking
5 sales tax.

6 MR. DUBOW: Yeah, you're
7 thinking sales tax.

8 COUNCILWOMAN GYM: Okay.
9 That's right. Does the first 100
10 million of the sales tax go to the --

11 MR. DUBOW: I think it's 120.
12 120 goes to the School District.
13 Anything above that goes to pensions.

14 COUNCILWOMAN GYM: And is that
15 written into the law, so there's no
16 flexibility with that?

17 MR. DUBOW: That is the state
18 law.

19 COUNCILWOMAN GYM: Okay. The
20 second question that I had is a little
21 bit about where the Police Department is
22 on the overtime chart. I know it's not
23 included. Is that in the Mid-Year
24 Transfer? How is that?

25 MS. GOREN WAXMAN: So there is

1 nothing in the FY21 Mid-Year Transfer to
2 add to Police's budget. They have some
3 zero impact changes moving money from
4 300 to 200 for body-worn cameras. But
5 if you're looking for the overtime
6 spending for the Police Department, the
7 best place to look for that is in the
8 QCMR. And what I am simultaneously
9 doing is trying to look at that
10 document.

11 So what that breaks down
12 department by department is the total
13 Class 100 as well as the overtime share
14 of that for both the fiscal year to be
15 and our projections for the full year.
16 And so, in the first quarter of FY21,
17 the total Class 100 budget or spending,
18 actual spending, for the Police
19 Department was 153.679 million. And so,
20 13.6 of that was overtime spending.
21 That was about \$900,000 under their
22 budget -- or I'm sorry, over 900,000.
23 So it's a bit under 10 percent is their
24 overtime. Now, there is just one more
25 thing to think about --

1 MR. RICE: Also, the Police
2 overtime has decreased from the first
3 quarter of the prior year.

4 MS. WAXMAN: Yeah. The other
5 thing to be really thoughtful about or
6 just to remember is that a good chunk of
7 the Police overtime is reimbursed later.
8 There are times when a bank, a retail
9 store, an event will basically ask for
10 service, but they will then later pay
11 it, so there are offsets and things as
12 the year goes through.

13 COUNCILWOMAN GYM: Could you
14 maybe explain the FY20 Police overtime?
15 Is that what we're looking at?

16 MS. GOREN WAXMAN: Yeah.
17 Well -- so maybe referencing is in the
18 FY20 Year-End Transfer Ordinance. The
19 FY20 Class 100, the total was 736
20 million and the overtime was 78.7
21 million, and that was higher than
22 initially budgeted. And that's why
23 there needed to be additional money to
24 true up the books for the end of FY20.

25 And as you know at the end of

1 the fiscal year, we had a couple of
2 things going on that led to unplanned
3 overtime within the Police Department
4 and that late in the fiscal year, there
5 isn't really the ability to do something
6 else to offset.

7 COUNCILWOMAN GYM: You don't
8 count Police overtime even though it was
9 overtime because it occurred in FY20, but
10 it is overtime. You just don't count it
11 as that in the Mid-Year Transfer?

12 MS. GOREN WAXMAN: So the
13 overtime that was incurred in FY20 is
14 the -- there were four different bills
15 today. Two were Capital. Two were
16 Operating Budget. One was the FY21
17 Mid-Year Transfer, adjusting for the
18 fiscal year we're currently in. And
19 then there was also the FY20 Year-End,
20 and what that does is do basically the
21 cleaning up of the books for those
22 essential government operations to make
23 sure that they match the annual
24 financial report.

25 MR. DUBOW: So that overtime

1 will show as overtime in FY20.

2 COUNCILWOMAN GYM: Okay. I'll
3 have more questions about that,
4 including was there a breakdown provided
5 about that money for the Police
6 Department in terms of where the
7 overtime was incurred, in what divisions
8 and how and can that be shared with
9 Councilmembers?

10 MS. GOREN WAXMAN: I believe we
11 may have shared that early in the year,
12 but we certainly by -- they have
13 different codes for different types of
14 overtime and that's something we can
15 certainly forward.

16 COUNCILWOMAN GYM: Okay. Do
17 you know when early in the year you
18 would have shared that?

19 MS. GOREN WAXMAN: I'm not
20 sure. I'm guessing maybe around the
21 time of the last -- but that's
22 information we have and we can easily
23 provide it. It's possible that I'm
24 misremembering and instead we -- we
25 definitely provided it to somebody. If

1 it wasn't Council, it was PICA. But
2 either way, we can forward it now.

3 COUNCILWOMAN GYM: Okay. Thank
4 you. I had one other question. For
5 Parks & Rec, the lead remediation, what
6 portion of the proposed funds is going
7 to the lead remediation and can you
8 share information about what sites are
9 being remediated?

10 MS. GOREN WAXMAN: So this is
11 referring to some of the capital funding
12 that we discussed with the transfer
13 ordinance. And so, that included
14 funding for PPR, some of which was for
15 fire safety systems and that was about
16 close to 5 million, and the total we had
17 in there was 13 million.

18 And what we have right now is
19 we have 10 sites that we have known
20 issues. We only have an actual bid in
21 at Samuels Playground so far and that's
22 \$1 million. We don't anticipate that
23 all 10 sites will need that level of
24 remediation. So basically the balance
25 there from PPR are about the ones where

1 we don't yet have bids from those 10
2 sites. I don't know the 10 sites off
3 the top of my head, but Samuels is the
4 one we have the bid from.

5 COUNCILWOMAN GYM: Can we ask
6 that from you or should we just go to
7 Parks & Rec? Rob, do you have a
8 recommendation?

9 MR. DUBOW: We can provide
10 that.

11 COUNCILWOMAN GYM: Thank you.
12 And then my last question is, how is OIT
13 working to fix the One Philly paycheck
14 system and some of the issues that are
15 going on there? I know OIT has some
16 money there, but we obviously hear a lot
17 of concerns about One Philly. And so,
18 has there been any means now to take a
19 look at what's being done to address
20 those issues?

21 MR. DUBOW: Sure. So One
22 Philly went live about a year and a half
23 ago. And if you kind of look at where
24 it was even six months ago from where it
25 is now, it's been consistently

1 improving. The number of complaints we
2 hear has gone down dramatically. The
3 number of reports of checks that are
4 inaccurate has gone down. So it's
5 really been improving. It's been a
6 joint effort of One Philly group,
7 Finance, OIT, CAO, so we've actually
8 done a lot to improve that and it's
9 gotten a lot better. And I do
10 understand from the Chair that he's been
11 hearing some complaints still, so I do
12 want to kind of understand what those
13 are and make sure we're addressing them.

14 COUNCILWOMAN GYM: All right.
15 Thank you, Mr. Chair. And I'll just
16 hold my questions until later.

17 COUNCILMAN DOMB: Thank you,
18 Councilmember Gym.

19 And I think a point of
20 clarification from Councilmember Kathy
21 Gilmore Richardson.

22 COUNCILWOMAN GILMORE
23 RICHARDSON: Yes. Thank you so much,
24 Mr. Chair.

25 I just wanted to go back to

1 Councilmember Gym's question relative to
2 the Police budget in overtime in FY20.
3 And I just wanted to ask for
4 clarification. Will some of that be
5 reimburseable relative to the CARES Act
6 funding for essential workers?

7 MR. DUBOW: So there is -- the
8 guidance from Treasury on reimbursements
9 for costs, that you make the presumption
10 that public safety costs are related so
11 there's definitely some costs we could
12 apply. There are questions we have
13 about what appropriate timing of what we
14 apply, so it may or may not be, but it
15 would be eligible.

16 COUNCILWOMAN GILMORE
17 RICHARDSON: Okay. So would you be able
18 to provide us with a breakdown of what
19 costs will be eligible for reimbursement
20 and what costs would not be eligible for
21 reimbursement, specifically around
22 essential workers primarily in the
23 Police Department and in the Fire
24 Department based on some of the
25 information that was provided even

1 earlier today at the Appropriations
2 hearing? And I'm not on the
3 Appropriations Committee, but I was
4 listening to the hearing on and off
5 earlier today. So if you could provide
6 us with that breakdown, I think that
7 will be very helpful.

8 MR. DUBOW: Okay.

9 COUNCILWOMAN GILMORE

10 RICHARDSON: Okay. Thank you so much.

11 Thank you, Mr. Chair, for your
12 indulgence.

13 COUNCILMAN DOMB: Thank you,
14 Councilmember.

15 And I'd like to call on
16 Councilmember Jamie Gauthier.

17 COUNCILWOMAN GAUTHIER: Thank
18 you, Mr. Chair.

19 Good afternoon, everyone.
20 Thank you so much for all of your hard
21 work (inaudible) the City's finances
22 during this difficult time. I realize
23 that you must be pretty head-down, you
24 know, focused on Philadelphia's
25 financial issues during this time and I

1 realize that the situation is pretty
2 dire, but I'm also wondering do you know
3 how we're comparing in the management of
4 our finances to other cities in the
5 (inaudible).

6 MS. GOREN WAXMAN: So one of
7 the things that we're not scared to do
8 is ask for help. And so, right now the
9 City is actually taking part in two
10 different sort of cohort-based programs
11 where it pulls together cities as well
12 as subject matter experts. And so,
13 through the Knight Foundation in a
14 cohort around budget resiliency, and
15 that's us and five other cities,
16 Detroit, Miami, Macon, Georgia which is
17 a city-county just like us, so that's
18 interesting, as well as Bloomberg's What
19 Works Cities cohort, which is 30 cities
20 around budgeting for equity and for
21 recovery, and both of them are pulling
22 in racial equity as well as just
23 navigating the budget of whatever. So
24 we thankfully get this chance to talk on
25 a fairly regular basis with other

1 cities, and I would say it runs the
2 gamut.

3 One of the things they look at
4 is how much do people's fund balances
5 change, what do they have, what do they
6 do, and there's a real range. I think
7 we're doing a lot that is sort of
8 similar to other cities, looking at how
9 do we maximize our CARES Act dollars.
10 But there's a couple of different things
11 going on that sort of make our condition
12 unique. One, we're a city and county,
13 so all the services we have to provide
14 need to also do all the sort of public
15 health that some places is not a city
16 service, so that really operationally
17 makes us different.

18 And then as we're looking at
19 revenues, we've already talked a bit
20 about our vulnerability around the wage
21 tax. A lot of other cities don't rely
22 on the same mix of taxes that we have or
23 they may rely more heavily on a real
24 estate tax, which is a challenge for us
25 because we can't have two different

1 rates for residential, commercial, so
2 that is a bit more stable.

3 Also, there are a lot of cities
4 that are seeing some weaknesses and some
5 taxes offset or at least not seeing
6 weaknesses in their sales tax because
7 they're able to capture more of the
8 Internet sales, but there are challenges
9 in the state law that means that the 2
10 percent for Philadelphia on an online
11 transaction may not necessarily be
12 collected. And so, as we're seeing less
13 sales in our brick-and-mortar stores and
14 more online even when the total amount's
15 the same, that hurts us in our sales tax
16 revenues.

17 So we do spend a lot of time
18 learning and talking. A lot of cities
19 have had -- talking to colleagues in
20 Chicago, they're doing a lot more
21 layoffs than us and challenges there.
22 Some other folks because they have those
23 more stable revenue streams and don't
24 have as many local frontline
25 responsibilities as us, doing a bit

1 better. But we do make a point of
2 touching base with all of our peers so
3 that we can try and steal any good ideas
4 that we come across.

5 MR. DUBOW: And another thing
6 that differentiates us is that we do a
7 five-year plan, so that means that we
8 have to look at whatever we're doing and
9 how it will impact over multiple years,
10 which we've seen this time and we saw in
11 the Great Recession too, where other
12 jurisdictions could do one-time things.
13 We really can't do that because we have
14 to see what the impact is over multiple
15 years.

16 COUNCILWOMAN GAUTHIER: I guess
17 what I'm asking, and this may be too
18 simplistic of a question to ask, but
19 it's scary to look at our fund balance
20 and see it's, you know --

21 MR. DUBOW: Yup.

22 COUNCILWOMAN GAUTHIER: How
23 does that relate to how cities are
24 faring right now? And if we're doing
25 similarly to how other cities are doing

1 in this moment, does that provide a
2 greater case for joint advocacy for
3 assistance and for help?

4 MR. DUBOW: And there has been
5 a great deal of joint advocacy among
6 major cities, particularly pushing for
7 more CARES Act, because I think there
8 are a lot of cities also facing the same
9 kind of issues we have, cities and
10 states. And if there isn't another
11 relief package, I think you'll see lots
12 of cities and states having really
13 substantial problems.

14 COUNCILWOMAN GAUTHIER: Thank
15 you. I'm thinking back to the chart
16 that I believe Harvey showed this chart.
17 It was a chart looking at all of the
18 City agencies and their spending up to
19 this point and most folks were
20 underneath the dotted lined, but the
21 folks who had gone over were over that
22 dotted line.

23 And I'm wondering how much of
24 that overspending relates to maybe us
25 having been too aggressive with some of

1 the cuts that we made? So, for example,
2 I was very concerned about the amount of
3 cuts that we made to Commerce. And I
4 see that they overspent. Might that
5 overspending mean that we took away too
6 much from the department and if so, does
7 that help us to better peg where we want
8 to land with this upcoming budget?

9 MS. GOREN WAXMAN: That's a
10 great question. In the instance of
11 Commerce, they actually said basically
12 no dollars on overtime, so the amount
13 that they are over or ahead is actually
14 some strategic decisions they made, and
15 what they came in the transfer ordinance
16 were -- what they asked to do was shift
17 some money out of their Class 200 so
18 that they could do more Class 100. So
19 they're doing some corrections to the
20 adopted budget but within their same
21 footprint of a budget, but they've just
22 decided that what they wanted to do is
23 they have a couple more positions or for
24 folks they are asking to step up and
25 take more responsibility, compensate

1 them for that or look at equity. But
2 that's not in the case of Commerce
3 driving any sort of overtime or
4 unanticipated spending.

5 If you want, I did just find my
6 slide that shows our fund balance as a
7 percent compared to 30 other peer
8 cities. Would you like to see that?

9 COUNCILWOMAN GAUTHIER: Yes.

10 MS. GOREN WAXMAN: Let me pop
11 that open because I think that that
12 might be really interesting for folks to
13 see. Give me one second to try and get
14 the right screen. All right. I am
15 doing a terrible job of being able to
16 share, so instead I'm just going to
17 narrate.

18 So what it says of the 30
19 cities that are in the cohort we're in
20 for What Works Cities in Bloomberg,
21 there are a handful of cities whose fund
22 balance is 0, and that's got to be
23 weird, but that was like Savannah,
24 Madison. Ours being -- and this is
25 actually older data, so this is from

1 FY19. At 6 percent, we were at the same
2 level as Oakland.

3 Slightly below us at 5 percent
4 was like Denver, New Orleans, Rochester,
5 Columbus, Ohio. Above us, Seattle has
6 10 percent. Syracuse has 11 percent.
7 Birmingham has 20 percent. But what
8 they also found across this group of 30
9 cities, 83 percent of them were already
10 having to implement budget cuts, so
11 we're not alone. This is fairly
12 widespread.

13 And so, what I'd say also is we
14 talked about how even before this we
15 were doing better in terms of fund
16 balance than we had in the past, but we
17 still weren't where we wanted to be, so
18 that makes it harder.

19 COUNCILWOMAN GAUTHIER: Thank
20 you. And then my last question is
21 around the chart that you showed,
22 Marisa, with a wage tax and how it was
23 sort of functioning and progressing
24 throughout the year by industry. I
25 thought that was pretty interesting that

1 we can break it down like that.

2 How do we use that data? And
3 does it help us to develop strategies
4 for how we might assist different
5 industries that are struggling right
6 now?

7 MS. GOREN WAXMAN: So I think
8 that it's data that we use for a couple
9 different things. One to just
10 understand and get insight. One of the
11 things our Revenue Department does is
12 work a lot with PIDC, with Commerce to
13 understand what's going on. There's
14 also often outside researchers who are
15 stationed within the Department of
16 Revenue, trying to look at a bunch of
17 that data and make assessments. So
18 there's a real balance between tax
19 privacy and what we're allowed to share.
20 But once we can aggregate it up to
21 certain sector levels, we do use that to
22 internally and also with external
23 partners inform a lot of our thinking
24 around economic development, around our
25 tax structure, so we are using it.

1 We also have to use that to
2 predict some of our other taxes. The
3 wage tax data we get really frequently,
4 so it's like an early indicator of
5 what's going on. And so, that begins to
6 then inform our thinking as we're
7 thinking about, well, what's our BIRT
8 tax collection going to look like next
9 year, so we use it for those revenue
10 projections.

11 We also then have to be mindful
12 because while you look and you'll see
13 the hospitality industry and that retail
14 trade being the hardest hit, those are
15 actually for our wage tax fairly small
16 sectors, while it impacts a lot of
17 Philadelphians. Because those are
18 particularly lower-wage jobs, on the
19 wage tax which is a percent of income,
20 that winds up being less impactful than
21 if we were seeing that happen in some of
22 our higher wage industries. And so, as
23 a share of our wage tax collections,
24 that's actually not that much. It's
25 more that we see that on the human

1 individual side for the employees as
2 opposed to the real impacts at that
3 scale on our total wage tax collections.

4 COUNCILWOMAN GAUTHIER: Thank
5 you so much.

6 Thank you, Mr. Chair.

7 COUNCILMAN DOMB: (Muted).

8 COUNCILMAN GREEN: Allan, I
9 think you're on mute.

10 COUNCILMAN DOMB: Thank you,
11 Councilmember Gauthier.

12 Let's go to Councilmember Derek
13 Green. By the way, that is the word for
14 2020, you're on mute.

15 COUNCILMAN GREEN: Thank you,
16 Mr. Chair.

17 I want to thank both Rob and
18 Marisa and Harvey for your presentations
19 this afternoon. I know, Harvey, you
20 provided your presentation earlier.

21 Marisa, are you able to share
22 with the Chair your PowerPoint, because
23 I did not see that as an attachment that
24 was sent out by Laurel in preparation
25 for this meeting?

1 MR. DUBOW: Yes, we can share
2 it. Yes.

3 COUNCILMAN GREEN: Okay. The
4 other thing is I just wanted to -- as I
5 was listening and I'm going to digest
6 this information in a little deeper way.
7 But one of my concerns and a lot of
8 questions have been raised, especially
9 from Councilmember Chair Domb, in
10 reference to as we prepare for this
11 upcoming fiscal year as we go through
12 the remainder of the current fiscal
13 year, just have some real concerns in
14 reference to a number of issues.

15 I think having this type of
16 conversation is very effective, but I
17 think also coming together in a much
18 more regular way, I think, multiple
19 entities, I know from the City Council
20 perspective we have the Budget Working
21 Group, which includes myself as Finance
22 Chair, Councilmember Domb, Majority
23 Leader Parker and Councilmember Maria
24 Quinones-Sanchez who's Chair of
25 Appropriations Committee, as well as

1 Council President and Councilmember
2 Squilla, our Commerce Chair, but I think
3 having that group and we've been working
4 with Econsult and giving us some
5 information on things as well as both
6 our Budget Director Ms. Waxman and our
7 Finance Director Mr. Dubow and Mr. Rice
8 from PICA, and then also I know you've
9 been working with IHS Markit in
10 reference to some of the projections and
11 modeling that you're doing, but I think
12 as you are now meeting with various
13 departments and preparing for the
14 budget, and the Mayor will have the
15 budget address in the first quarter of
16 next calendar year, having the
17 opportunity for these various groups to
18 come together just to kind of talk
19 through some of these issues, I know
20 this is not something that we
21 traditionally have done in the past, but
22 I think considering some of the real
23 challenges with our current fund balance
24 as well as just trying to get through
25 this pandemic, which has both been a

1 health challenge but also economic
2 crisis, I think it will be something
3 that will make sense for these various
4 parties to try to establish some type of
5 regular meeting perspective just to look
6 at these issues as we are going through
7 our budget process.

8 I think it's going to be
9 important because each of us have a
10 specific role to play throughout the
11 finances of the City, both from a budget
12 perspective, finance, appropriations,
13 PICA and the consultants that we work
14 with. So, one, hopefully you'll be
15 able -- which you did say you would be
16 able to provide that information but,
17 two, having us come together I think
18 will be helpful because we're really
19 going to have to have a full perspective
20 of all the financial challenges that we
21 have as a City because it's a lot of
22 moving parts, in addition to some of the
23 labor issues we have on the horizon and
24 the School District and some of the
25 other challenges going forward.

1 MR. DUBOW: That's a really
2 good idea. We should definitely do
3 that.

4 COUNCILMAN GREEN: Okay. Well,
5 I'm glad you agree so readily to that.
6 So that's something that I'll make
7 reference to the Council President as
8 well as I'm sure Councilman Domb and
9 others of the Budget Group will be
10 supportive of that.

11 MR. DUBOW: Thank you.

12 COUNCILMAN GREEN: Thank you.

13 COUNCILMAN DOMB: Thank you,
14 Councilmember Green. That's a great
15 idea by the way. I think that's great.
16 Great idea.

17 Let's go to Councilmember
18 Gilmore Richardson.

19 COUNCILWOMAN GILMORE

20 RICHARDSON: Thank you so much,
21 Mr. Chair.

22 And I apologize if I missed
23 this, but I wanted to go back to a
24 question that I had. How are we looking
25 at or working on our restructuring of

1 our tax structure in our overreliance
2 on the wage tax, particularly now in
3 this new work-from-home environment?
4 And I know that may be a loaded question
5 and I know there's some folks who don't
6 work around this, but I wanted to talk
7 about how we are looking at our tax
8 structure in this new environment in a
9 different way, and how are we working
10 with our state and federal partners
11 around our specific unique challenges
12 and any potentially relief packages that
13 may come from D.C. and then subsequently
14 whatever may happen in Harrisburg?

15 And lastly -- I just want to
16 get this in because I'm trying to do
17 multiple meetings -- how are we working
18 to restructure some of our debt in this
19 current environment? Thank you so much
20 for your indulgence.

21 MR. DUBOW: Sure. So let me
22 start with the debt and Marisa can talk
23 about taxes, which we have been working
24 on. So we consistently look at our
25 debt, look at where the interest rates

1 are to see whether there are
2 opportunities for refundings or
3 restructurings. We get lots of
4 suggestions from underwriters and
5 financial advisors about opportunities,
6 and we're fairly regularly in the market
7 with refundings as ways to reduce our
8 debt service costs.

9 And as the Chair reminds us
10 often, we are in a particularly low
11 interest environment so it's a really
12 opportune time to keep looking for those
13 opportunities and making sure we take
14 advantage of them.

15 MS. GOREN WAXMAN: And so, on
16 the tax side there's something we're
17 absolutely looking at and exploring as
18 we move towards FY22. And I think
19 there's a real tension here right now
20 because there's so much uncertainty. We
21 have long struggled with, we have a tax
22 structure that was built for a
23 manufacturing economy and we didn't
24 quite adjust for the service economy
25 quickly enough, but we've been making

1 those incremental improvements.

2 The question is now what
3 exactly will the structure of the
4 economy be, the nature of work, the
5 location of work and what does that look
6 like on the other side of this. So I
7 think we've got this on the one hand, is
8 this the moment where it makes sense to
9 shake everything up or do we need to
10 understand what the underlying economic
11 activity is and what the tax bases might
12 be before we make decisions, because
13 we're still in a really precarious
14 position and we want to make sure that
15 anything that we are putting into place
16 generates sufficient revenue, like the
17 number one thing you need your tax
18 structure to do is bring in enough
19 money. So we're continuing to look at
20 things. Obviously, there are things
21 that are state changes that's been sort
22 of long sought after, and we're looking
23 at those.

24 And I mentioned one of the
25 things that is personally to me

1 something that I think we really need to
2 look at the state, which is the Internet
3 sales tax and making sure that that gets
4 updated so that if somebody is ordering
5 online and delivered it to Philadelphia,
6 they're paying the 6 percent
7 Pennsylvania, but they're not paying the
8 2 percent Philadelphia. They probably
9 assume that they are. And if they're
10 doing that instead of going to the
11 kitchen supply store in the Italian
12 Market, we're losing out on that 2
13 percent.

14 So I think that there are some
15 small things that this has just
16 highlighted that have been sort of
17 thorns in our side, and we'll need to be
18 really thoughtful in trying to monitor
19 what does the economy look like and then
20 how do we wrap a tax structure around
21 that, that is sort of effective enough
22 to generate the money we want, sort of
23 efficient that we can actually
24 administer it and we're in the process
25 of putting in a new tax system. And so,

1 how do we time that to be more seamless
2 with that and something also that works
3 with businesses and then equitable.

4 Another thing that we've been
5 trying to be really intentional about is
6 when we're thinking about changes in our
7 tax structure, who's bearing the burden
8 and what does that mean. And so, when
9 we're, for example, looking for
10 additional revenue in the spring, one of
11 the things we thought about was the
12 parking tax.

13 And that had sort of -- all
14 options are bad when you're trying to
15 raise revenue, but the reason that was
16 elevated for us was, one, we thought it
17 would be effective, would generate much
18 of the expected money. Because in the
19 past, that's been really an inelastic
20 tax that as the rate change, we see the
21 money come in. And, two, when we
22 thought about equity, we were looking at
23 a lot of information about part of
24 ownership broken down by race and who
25 was likely to bear that burden and who

1 wasn't. So that's what we're trying to
2 be really intentional as we think these
3 things through as we move towards FY22.

4 COUNCILWOMAN GILMORE

5 RICHARDSON: So as a follow-up to your
6 response, as you mentioned around the
7 Internet sales tax, how are we
8 identifying some of the recommendations
9 in getting them to our state team,
10 particularly with this new term and new
11 leader, Representative McClinton and we
12 have Representative Harris, so how are
13 we working closely with our state
14 partners around identifying potential
15 avenues for additional revenue for the
16 City in this moment?

17 Do you all send them a list of
18 recommendations? How do you transmit
19 that information to our state partners
20 and work very closely with them to see
21 what we can potentially accomplish
22 around bringing in additional revenue?

23 MR. DUBOW: So there's a
24 combination of things. Our Legislative
25 Affairs Office has really good

1 relationships with our Delegation so
2 they spend a lot of time talking to
3 members at Delegation, sharing ideas
4 with them. We have lobbyists in
5 Harrisburg. They also work closely with
6 Delegation and other members, and we do
7 send things in writing to say here are
8 our priorities.

9 COUNCILWOMAN GILMORE

10 RICHARDSON: Okay. That's very, very
11 helpful. I appreciate that feedback and
12 look forward to continuing to work with
13 you all. I'll come back on the next
14 round around the QCMR and looking at the
15 performance measures and how you use
16 that within your analysis around what
17 we're thinking with a variety of
18 industries if we're looking at doing any
19 type of restructuring around our tax
20 structure.

21 So thank you very much,
22 Mr. Chair. And thank you, Rob and
23 Marisa.

24 COUNCILMAN DOMB: Thank you,
25 Councilmember Gilmore Richardson.

1 I have a question. I guess
2 maybe this is for Rob. All this
3 activity, what do you think the impact
4 is going to be on our bond rating for
5 the City?

6 MR. DUBOW: When you say all
7 this activity, which activity do you
8 mean?

9 COUNCILMAN DOMB: The drop in
10 the Reserve Fund, the revenues, our
11 financial situation.

12 MR. DUBOW: Yeah. So I think
13 from a rating perspective what they'll
14 want to see is kind of where we come out
15 at the other end, you know, when we get
16 into the spring what things look like
17 and what our plans are to recover from
18 whichever's hitting us. And I think, as
19 Marisa said, cities around the country
20 are getting this and obviously, some
21 rating agencies are playing close
22 attention to. But I think what they
23 really want to know is that we recognize
24 what the challenges are and that we have
25 plans to deal with them.

1 COUNCILMAN DOMB: I guess my
2 point in asking the question is I don't
3 want our rating to drop, which would
4 increase our borrowing cost. And I
5 guess what would be helpful is if you
6 can share with us maybe what we need to
7 do to make sure that doesn't happen,
8 what are the requirements that we need
9 to understand as Councilmembers to
10 prevent that rating from dropping, which
11 kind of leads to Councilmember
12 Green's --

13 MR. DUBOW: Yeah. What we can
14 if it's helpful is share with you some
15 of the rating agency reports because
16 they have really clearly what they're
17 looking at. So they will say, for
18 example, what could lead to, you know,
19 a positive move in our rating is if fund
20 balances increase if we continue to show
21 progress towards reducing our unfunded
22 pension liability, if we handle our
23 fixed costs.

24 And then what could lead to
25 downward action is exactly the opposite,

1 fund balance disappearing, pension fund
2 getting worse, fixed cost going higher.
3 So those are the things that they --
4 they want to understand what flexibility
5 a jurisdiction has to deal with its
6 problems. And the more flexibility, the
7 happier they feel. So while wage tax
8 presents many problems, the fact that we
9 have flexibility is something they look
10 at and think, okay, that's a positive
11 for a jurisdiction to have a tax that
12 they have freedom to move.

13 So there was -- I won't the
14 name the city, but there was another
15 city that the state basically took away
16 its flexibility on its tax structure and
17 they were downgraded immediately, so
18 that's a really key thing for rating
19 agencies.

20 COUNCILMAN DOMB: That's good
21 information. Thank you.

22 Marisa, I want to follow up on
23 your comment about the sales tax. And I
24 think there was a full economist
25 conference PICA put on actually, Harvey.

1 MR. RICE: Yes.

2 COUNCILMAN DOMB: And it was
3 mentioned that Philadelphia could only
4 collect its local 2 percent sales tax,
5 which Marisa was referring to, for
6 online sales, that the online seller
7 actually had a physical presence, I
8 think, within the City.

9 I guess I was under the
10 impression that there was a Supreme
11 Court ruling, I believe South Dakota v.
12 Wayfair case, that eliminated that
13 requirement of having a physical
14 location. And are there any state laws
15 in Pennsylvania that says otherwise?
16 And if so, isn't now the absolute time?
17 Hopefully, we can be contradicted by the
18 Supreme Court's decision. And how does
19 this impact our ability, Marisa, to
20 collect the online sales, as you pointed
21 out we're probably losing on a lot of
22 that 2 percent?

23 MS. GOREN WAXMAN: Yeah. So
24 the Wayfair's Supreme Court decision was
25 huge in this area. It was, like, among

1 the tax nerds, like, the biggest thing
2 to happen in decades, like the tax
3 attorneys were camped outside the
4 Supreme Court. It was wild. And what
5 that did say is that, yes, a state could
6 tax for basically sales into that state
7 even if there's a physical location. It
8 doesn't say that it must. And so, right
9 now the Pennsylvania state law doesn't
10 require -- basically, we're still point
11 of origin, where does the sale start
12 when it comes to Philadelphia's 2
13 percent as opposed to where does the
14 package land on a doorstep. And so,
15 that's what we would be asking the state
16 to change. So that's a state law that
17 would need to change in order for us to
18 capture that 2 percent from Internet
19 sales where there isn't a local
20 Philadelphia retail location. So there
21 is real complexity in there because some
22 of your largest Internet retailers are
23 structured so that they have multiple
24 corporate entities. And so, there is
25 real complexity. But that change, which

1 at least, say, if they had a
2 Pennsylvania location could we collect
3 when it lands on a Philadelphia
4 doorstep, would I think be a significant
5 revenue generator for us.

6 COUNCILMAN DOMB: Are we
7 working on making that happen?

8 MS. GOREN WAXMAN: Yeah.

9 MR. DUBOW: Yeah. We've listed
10 that as one of our key legislative
11 priorities. And to Councilwoman
12 Richardson's point, that's something
13 where we can communicate to our
14 Delegation in Harrisburg to make sure
15 they know it's very important to us.

16 COUNCILMAN DOMB: All right. I
17 have a question for Harvey. I don't
18 want to leave you out there, Harvey, so
19 I have some questions for you.
20 Yesterday City Council is considering
21 making -- we voted yesterday out of
22 Committee, I guess, changes to
23 Philadelphia's tax policies to support
24 new borrowing intended to fund
25 affordable housing. From a fiscal

1 stability perspective, how would you
2 evaluate that potential impact of the
3 tax changes in the new borrowing and
4 what should Council be thinking about to
5 ensure the City's fiscal health while
6 weighing these options in front of us?

7 MR. RICE: Well, I first would
8 say that every little bit counts and
9 that whatever measures are put into
10 place, that the cost of the borrowing
11 does not override the implementation of
12 the tax revenue shifts or decreases in
13 certain taxes, so that's a part of what
14 we will look at as to make sure that
15 those measures that are put into place
16 not only achieve their objective but
17 keep the City financially whole. And if
18 not, then as we review these revenues
19 and the finances, then we will point
20 that out to the City in either our staff
21 report for the Five-Year Plan or our
22 Revenue reports going forward.

23 COUNCILMAN DOMB: Okay. And
24 another question for you I wanted to ask
25 is that, is PICA's position on the

1 progress the City's making on
2 establishing goals and performance
3 measures that reflect the spending
4 priorities, is PICA satisfied with that?

5 MR. RICE: Well, right now we
6 are going through all the performance
7 measures of the City. And as you know,
8 we have criticized the City because they
9 shift priorities from year to year. On
10 certain measures, they shift them or
11 they delete them and add another one, so
12 it's hard for anyone, especially PICA,
13 to give a report out to the citizens of
14 how these measures are working.

15 So we've been going through
16 every department and every performance
17 measure, and we're actually almost at
18 the completion of our data analysis and
19 we're ready to meet with the City to go
20 over that with them to show our
21 concerns, that we can meet with them and
22 make sure what we see is actually what
23 we're seeing. And if there's any other
24 measures or any other information that
25 we're not seeing in that, that they

1 could explain to us and then we're going
2 to go forward to the City and say, these
3 are the measures that we think we've
4 discussed them with you, that going
5 forward that each department should be
6 measuring their performance and their
7 budget against these goals.

8 COUNCILMAN DOMB: So --

9 MR. RICE: So it is a concern
10 of ours.

11 COUNCILMAN DOMB: I hear you.
12 So if you can give the Administration
13 and our colleagues on Council three
14 recommendations from PICA that we should
15 focus on during this financial situation
16 we're in, what would those three
17 suggestions be?

18 MR. RICE: Well, first of all,
19 overtime to get those -- one concern of
20 ours was that by the time we get these
21 overtime reduction plans, we're halfway
22 into the year. And then by the time you
23 have those plans and start implementing
24 them, you're into the latter part of the
25 year, so it could delay the whole effect

1 of reducing overtime for FY21. That
2 would be one of them.

3 And then there's certain
4 departments that -- I'll give you
5 Recreation for instance. We were
6 getting measures of how much acreage of
7 grass was cut. I would rather see how
8 many kids were served by afterschool
9 programs at recreation centers. I think
10 that says more to the community of what
11 their needs are than acres of grass cut.
12 That's another one, but there's so many
13 in the department.

14 And that's why we want to sit
15 with the City. Because we might not
16 understand something as we're looking at
17 it and they may come back and say, well,
18 this is why we measure it. And then
19 after that, we will come forward with
20 our report of where we think measures
21 should be for every department and that
22 report would be given to City Council as
23 well as the citizens of Philadelphia.

24 COUNCILMAN DOMB: Thank you. I
25 want to thank the first panel and thank

1 you all for being here. And, Harvey, I
2 thank you for all your input and
3 information and thank PICA.

4 MR. RICE: You're welcome.

5 COUNCILMAN DOMB: Marisa, Rob,
6 thank you.

7 And I guess I would like to go
8 to the second panel. And I'll ask
9 Ms. Grbach to call up the second panel.

10 THE CLERK: Hi. Our second
11 panel is going to be Rob Dubow and
12 Sarah de Wolf.

13 COUNCILMAN DOMB: Okay. I
14 guess we can get started. I guess
15 maybe, Sarah, you want to get started
16 or, Rob, you want to start?

17 MR. DUBOW: Yeah, I'll start
18 real briefly, give an overview. And I'm
19 not going to reread my testimony which
20 introduced all of it. I'm just going to
21 quickly go through what we're going to
22 do which is to update you since the last
23 time we were here. And I'm going to
24 talk a little bit about how we've
25 allocated our \$276 million in

1 Coronavirus Relief Fund money. Then
2 Sarah's going to, since you've been here
3 a while, quickly walk you through the
4 presentation.

5 So well over half of our
6 funding is going to public health and
7 public safety. That includes payroll
8 costs, other expenses. And after that,
9 the next two biggest areas are small
10 business assistance and housing support.
11 Between those two with the change we
12 agreed to make today, we're looking at
13 close to \$80 million in funding in just
14 those two areas. Most everything else
15 is relatively small.

16 But with that, I think I'm
17 going to turn it over to Sarah so she
18 can update you on what's happened since
19 the last time we were here.

20 MS. DE WOLF: Thanks Rob.
21 Good afternoon, Councilmember Domb and
22 members of the Committee. And thank you
23 for the opportunity to provide you with
24 an update on the City's recovery efforts
25 in response to COVID-19.

1 In September as Rob mentioned,
2 we gave Council a briefing that provided
3 an overview of the work that was under
4 way, the impacts that COVID-19 has had
5 on Philadelphia, some of the challenges
6 that we faced, our strategy for
7 deploying recovery funding and how the
8 City's focus on equity has influenced
9 the City's response. My presentation
10 today will focus on updates since that
11 briefing in September, with a focus on
12 the information highlighted in our first
13 public Quarterly Recovery Report, which
14 was published in early November.

15 So first, I'm going to give an
16 overview of the recovery grants secured
17 by the City and by other organizations
18 within Philadelphia. Then I'll describe
19 some of the recent challenges that we're
20 facing and how those challenges are
21 impacting our recovery work.

22 Next, I'll provide an overview
23 of how the City is spending its recovery
24 funds, focusing primarily on the most
25 flexible funding that we've received to

1 date, which is the Coronavirus Relief
2 Fund in which Rob just alluded to you.
3 And then finally, I'll highlight some
4 recent commitments that we've made to
5 support relief efforts with our recovery
6 funds and close with what's on the
7 horizon for the Recovery Office.

8 So this slide provides an
9 overview of the recovery grants secured
10 by the City of Philadelphia. As of
11 early November, the City had received
12 \$616 million in grants to support the
13 response to a recovery from COVID-19.
14 As you can see on the pie chart, the
15 largest funding source that the City has
16 received is the Coronavirus Relief Fund
17 allocation from U.S. Treasury.

18 This funding was authorized
19 through the CARES Act and it went to
20 states and counties with populations
21 greater than 500,000. The City received
22 \$276.4 million from the Coronavirus
23 Relief Fund or CRF. The second largest
24 category in funding that the City has
25 received is the FAA airport grant, also

1 authorized by the CARES Act. These
2 funds total \$121 million and can be used
3 to support continuing operations and
4 replacement of lost revenue due to
5 COVID-19.

6 The third largest category of
7 funding comes from CDC grants, and that
8 totals \$102.3 million. And in addition
9 to the categories already mentioned, the
10 City also received \$37.6 million in
11 Community Development Block Grants,
12 \$35.3 million in Emergency Solutions
13 Grants and 9.3 million from the
14 Commonwealth, which includes additional
15 funding for homeless services, food
16 programs and election assistance, and
17 \$29.5 million in other funding
18 categories, including health and human
19 services preparedness and response
20 grants, election support, a supplemental
21 COVID-19 FEMA assistance to firefighters
22 grants, additional HRSA funding and
23 Housing Opportunities for Persons With
24 AIDS or HOPWA.

25 One other note I wanted to make

1 on this slide is that almost all of
2 these grants come with fairly strict
3 requirements governing how the funding
4 can be used. Our Quarterly Recovery
5 Report includes a section at the end
6 that lays out all of the requirements
7 for these grants in detail, along with
8 the time frames in which the grants must
9 be used.

10 In addition to being our
11 largest funding source, the Coronavirus
12 Relief Fund is also our most flexible
13 funding source, but it also has
14 restrictions. It must be used on
15 necessary costs related to the pandemic
16 that were previously unbudgeted and
17 occurring between March 1st and December
18 30th.

19 So this slide shows a broader
20 picture of the \$3.5 billion in recovery
21 funding that has come to the City of
22 Philadelphia as a whole and how that
23 funding can be used. I won't spend too
24 much time on this slide, but as you can
25 see, the majority of the funding with

1 the City and other Philadelphia
2 organizations has received is for
3 medical and public health-related work
4 associated with the pandemic, and
5 transportation funding represents the
6 next biggest category.

7 One other note I'll make on
8 this slide is that the disaster recovery
9 funding shown here at 0 percent is shown
10 that way because the City is eligible to
11 receive funding from FEMA public
12 assistance for costs incurred as a
13 result of emergency protective measures
14 implemented in response to COVID-19.

15 But that grant is administered on a
16 reimbursement basis and it's uncapped.
17 So how much we draw down will depend on
18 what we can justify and what we can get
19 reimbursed through FEMA.

20 And this last slide just shows
21 that same \$3.5 billion that's coming to
22 the City as a whole broken down by
23 recipient organization. And here you'll
24 also see Philadelphia hospitals and
25 healthcare providers are the largest

1 recipients of recovery funding followed
2 by the Delaware Valley Regional Planning
3 Commission, the City of Philadelphia and
4 the School District. And other
5 recipient organizations shown here
6 include things like Educational
7 Institutions of Higher Ed., the
8 Philadelphia Housing Authority, the
9 Delaware River Port Authority and Early
10 Learning Center Providers.

11 So I just want to give a brief
12 overview of some of our more recent
13 challenges that we're encountering. And
14 as the City plans for use of its
15 recovery funding, one of the biggest
16 challenges that we're encountering is
17 the resurgence of the virus over the
18 last several months.

19 As of November 30th,
20 Philadelphia has tragically experienced
21 67,283 confirmed cases and 1,976 deaths
22 resulting from COVID-19. As a result of
23 this resurgence, as Rob mentioned
24 earlier, the City's experiencing
25 increased costs associated with its

1 response to the pandemic and the need
2 for economic and housing relief has also
3 increased with the implementation of
4 public health measures to control spread
5 of the virus.

6 While the City's \$276.4 million
7 of CRF funding has enabled the City to
8 cover many of its response costs and to
9 administer relief programs, the funding
10 can only be used to cover costs through
11 December 30, 2020. This means that the
12 City is facing new unbudgeted expenses
13 for the second half of Fiscal Year 2021.
14 That includes costs for PPE, vaccine
15 storage and distribution, isolation
16 quarantine and prevention spaces,
17 targeted cleaning of City facilities,
18 access centers and more.

19 While the City's costs are
20 increasing, additional relief does not
21 seem likely in the near term. In
22 November, the Administration and City
23 Council advocated for the state to
24 distribute a portion of its remaining
25 \$1.3 billion of CRF funding to

1 Philadelphia, using population as the
2 basis for distributing U.S. funds.
3 However, in late November the state
4 legislature reached agreement on
5 legislation to use this funding to
6 balance the state budget.

7 In addition, efforts to date to
8 reach consensus regarding a federal
9 relief package have been unsuccessful.
10 We're continuing to lobby for additional
11 federal relief in the form of the
12 revenue replacement and flexible funding
13 that extends beyond December 30th. But
14 so far Congress has failed to coalesce
15 around another relief package for state,
16 local and tribal governments.

17 So on this slide, I'll give you
18 a short overview of how we're spending
19 recovery funding, with the focus on our
20 most flexible funding source, the CRF.
21 So as Rob mentioned, the City has fully
22 allocated the \$276.4 million received
23 for the CARES Act, and its on pace to
24 incur these funds by December 30th
25 deadline. The largest category of

1 expense is payroll costs for public
2 health and safety employees
3 substantially dedicated to the public
4 health response.

5 Since March, many of the City's
6 public and health and safety staff have
7 been fully dedicated to the City's
8 response, conducting disease
9 surveillance, distributing meals,
10 providing treatment and testing,
11 operating the City's emergency operation
12 center, transporting the sick and
13 limiting the spread of COVID-19 within
14 congregate settings.

15 In addition to these costs, the
16 state has incurring sizable expenses
17 associated with public health and
18 medical costs. These costs include
19 expenses to purchase and distribute PPE
20 to City workers, hospitals and first
21 responders, costs to clean and modify
22 City facilities to allow continuity of
23 operations while limiting the spread of
24 the virus, expanding more capacity,
25 public health awareness campaigns and

1 more.

2 The third largest category of
3 expense for CRF is costs to enable
4 economic relief for small businesses,
5 nonprofits and renters. With
6 recognition of the sizable need for
7 economic relief, the City has allocated
8 over a quarter of the CRF fundings
9 implementing relief programs, where
10 possible pairing CRF funding with
11 funding from other sources such as
12 funding from the state and philanthropic
13 dollars to maximize the benefits for
14 Philadelphia businesses and renters.

15 This slide shows how the City's
16 CRF funds have been allocated in greater
17 detail. Other costs not previously
18 mentioned include funding for hotspots
19 to enable distance learning and address
20 the digital divide, costs associated
21 with the City's Recovery Office,
22 disaster relief consultant who is
23 helping the City maximize its federal
24 funding while minimizing audit risks,
25 and costs of providing telework

1 capabilities for public employees so
2 that City operations may continue during
3 the pandemic. Interest costs associated
4 with the City's short-term borrowing or
5 TRAN are also eligible for reimbursement
6 through CRF.

7 And this slide provides more
8 detail on how CDBG and ESG supplemental
9 funding is being deployed. The majority
10 of CDBG funds are being deployed to help
11 renters who have been economically
12 impacted by COVID-19 and to provide
13 other forms of housing support. Much of
14 the City's ESG funding is going to
15 support the City's shelter system and to
16 provide rapid re-housing for those that
17 need it.

18 So in this next section, I'm
19 going to give you a quick update on
20 programmatic activity, but I'm just
21 going to focus on new funding
22 allocations not covered in the
23 presentation we gave in September. So
24 in November, the City announced that it
25 was committing an additional \$20 million

1 of CRF funding to support a third phase
2 of rental assistance for Philadelphians.
3 Recipients will include eligible
4 applicants who apply to Phase 2 of our
5 rental assistance program but who did
6 not have responsive landlords.
7 Assistance of up to \$1500 a month will
8 be provided for up to six months and
9 will serve approximately 4800
10 households.

11 This additional funding for
12 rental assistance follows the commitment
13 of \$10 million of CDBG COVID funds to
14 provide a first round of rental
15 assistance as well as a commitment of
16 \$9.44 million of CRF funds to supplement
17 the state-run program administered by
18 PHFA by increasing the maximum amount of
19 monthly assistance available from the
20 \$750 allowed by PHFA's program to \$1500,
21 and by providing funding for
22 administration of the program.

23 With the City and state's
24 contributions combined, over 67 million
25 will have been invested to assist

1 Philadelphians who have been
2 economically impacted by COVID-19 and
3 are unable to pay their rent through
4 these three phases. Also in November,
5 the City announced that it was
6 committing an additional \$10 million of
7 CRF funding through the Commonwealth
8 COVID-19 Relief Pennsylvania Statewide
9 Small Business Assistance program.

10 This new funding will be used
11 to provide grants for some of the
12 Philadelphia-based applicants who remain
13 unfunded after the second round of
14 grants announced by the Commonwealth.
15 This 10 million is in addition to the 20
16 million that was committed to the
17 Commonwealth's business relief program
18 in September, which will also fund some
19 Philadelphia businesses who are unfunded
20 after the second round of grants from
21 the program.

22 This funding of \$30 million in
23 total, including the commitment the City
24 made in September, is expected to
25 provide relief to an additional 1500

1 businesses in the City. When combined
2 with the City's other contributions to
3 small business and nonprofit assistance,
4 the City will have contributed \$39.4
5 million of local funding for business
6 relief associated with the pandemic.
7 This funding would combine with the
8 \$64.5 million that's been made available
9 from other funding sources, including
10 the Commonwealth and philanthropy will
11 total more than \$100 million in support
12 to Philadelphia's small businesses and
13 nonprofits and is on top of direct
14 federal aid relief programs, such as the
15 Paycheck Protection Program.

16 And finally, the City has
17 committed additional CDBG and CRF funds
18 to support two eviction diversion
19 programs. The first is a program ran by
20 the Department of Planning and
21 Development, which is focused on
22 targeting resolution between landlords
23 and tenants to avoid going to court.
24 \$1.68 million has been contributed from
25 the City's CRF funding to provide

1 targeted rental assistance.

2 The second contribution of
3 418,000 provides support for new
4 COVID-19 related functions, associated
5 with the Philadelphia Eviction
6 Prevention Project and will support
7 individuals facing eviction. Funding
8 will go to support financial counseling,
9 a tenant-assisted hotline, updates to
10 the phillytenant.org website, legal
11 representation and advocacy and
12 research.

13 And finally, I'll just walk you
14 through a snapshot of our upcoming
15 activities. So over the next few
16 months, the Recovery Office will
17 continue to advocate for additional
18 federal relief to assist with new
19 response and recovery costs and funding
20 for 2021. We'll also begin to submit
21 requests to FEMA for reimbursement of
22 eligible costs associated with emergency
23 protective measures taken by the City.

24 Additionally, we'll continue to
25 work to maximize grant dollars through

1 strong compliance and documentation for
2 federal reporting. The next CRF report
3 will be submitted in January, detailing
4 FY21 Q2 spending activity by projects.
5 Treasury requires detailed reporting on
6 CRF expenditures and we will be
7 dedicating time to prepare the next
8 report.

9 So thank you for the
10 opportunity to present on this work and
11 my contact information and website is
12 listed at the end of this presentation.
13 And I'm happy to answer any questions
14 that you have.

15 COUNCILMAN DOMB: Thank you
16 very much, Sarah. It was a very
17 excellent presentation. Thank you. I
18 do have a couple questions for you, and
19 then I know Councilmember Green has a
20 question too.

21 Basically, we're not going to
22 be in any position of returning any of
23 these monies. We're going to make sure
24 that we spend all the monies that we are
25 given so that there will be no return

1 back to the federal government, so I
2 just want to confirm that.

3 MS. DE WOLF: Yes, that's
4 correct.

5 COUNCILMAN DOMB: Okay. And
6 then on your November 5th report, it
7 says that the City of Philadelphia had
8 received I think it was about \$616
9 million in COVID-related grants?

10 MS. DE WOLF: Yes.

11 COUNCILMAN DOMB: Local
12 institutions, I think, received about an
13 additional \$2.9 billion in recovery
14 grants. So the total was 3.5 billion
15 coming into Philadelphia. I know the
16 City's 616 and this represented about 18
17 percent of that total. So I know we put
18 \$1 billion of appropriation authority
19 into the Grants Revenue Fund to allow
20 us to distribute the grants to
21 departments. Your report does a very
22 good job in laying out what the recovery
23 dollars have been spent on. But I
24 wasn't as clear on how these recovery
25 dollars fit in with our budget process.

1 So my first question is about
2 the City's portion of the recovery
3 funding. Where in the budget has that
4 616 million gone and where did it get
5 spent from? And are these funds passing
6 into the Grants Revenue Fund and being
7 spent by departments from there? And
8 then the question is -- multiple
9 questions here. If so, how much of the
10 that 1 billion in appropriation
11 authority remains available at this
12 point? And are the funds like some of
13 the housing dollars being added as
14 supplements to existing funding streams?
15 And I guess the question is how can we
16 look at quarterly reports and see where
17 that 616 million is?

18 MS. DE WOLF: So I think the
19 answer is complicated. There are some
20 grants where we spend out of the General
21 Fund and seek reimbursement. There are
22 other grants that do get booked in the
23 Grants Revenue Fund and we spend against
24 those grants directly. I think probably
25 what would be best is if we give you

1 kind of a written answer to that that
2 lays out this more in detail, just
3 because I do think it's a complicated
4 answer to your question.

5 COUNCILMAN DOMB: That's
6 totally fine. Here is my next question:
7 How much of our Fiscal '20 overtime was
8 reimbursed by CARES money? And how much
9 of Fiscal Year '21 so far was
10 reimbursed? And can you give us kind of
11 a breakdown of how much overtime is
12 recovered by different recovery-related
13 reimbursements?

14 MR. DUBOW: Councilwoman
15 Gilmore Richardson asked us for that
16 detail and we said we'd get back to you
17 with that and lay that all out. So that
18 will be another thing we'll follow up
19 with.

20 COUNCILMAN DOMB: Okay. I
21 think Councilmember Green had a
22 question. I'll go to Councilmember
23 Green. I can always come back.
24 Councilmember Green.

25 COUNCILMAN GREEN: Yes. Thank

1 you, Rob and Sarah. I just wanted to
2 follow up on some of the information
3 that you provided as well as information
4 you provided via email that came out of
5 our Finance Committee hearing on Monday.

6 So minus any of the CRF or the
7 Coronavirus Relief Fund, the City has
8 received 276 million of that. Of that
9 276, about 38 million was allocated for
10 small business relief --

11 MR. DUBOW: Actually, Sarah,
12 can you go to that page. I think it's
13 Page 12 in your version.

14 MS. DE WOLF: Yeah.

15 COUNCILMAN GREEN: Of that 38
16 million -- I know the numbers. Of the
17 38 million, about 30 million was direct
18 assistance. Some to augment the state
19 program and then others for that first
20 round of economic stimulus dollars which
21 was Phase 1.

22 The question I have is that
23 considering that all CRF and actually
24 all CARES dollars from my understanding
25 have to be spent by December 30th of

1 this year, have those dollars been
2 allocated and are out the door and how
3 are we monitoring how those dollars are
4 being spent?

5 I guess my question is from a
6 regulatory perspective oversight. When
7 the federal government is saying spent,
8 does that mean that we have allocated or
9 disbursed those dollars to those various
10 entities and that's considered being
11 spent or do those entities actually use
12 those dollars and in some type of a
13 reporting back to the City where then
14 you have to report it back to the
15 federal government?

16 MS. DE WOLF: So I'll answer
17 that question in two parts. So the
18 first I think was your question about
19 this latest \$30 million and is that
20 getting out the door quickly, because
21 obviously it's December 2nd and all
22 funds have to be incurred by December
23 30th. So the answer to that is, yes, we
24 received an invoice from the CDFI
25 Network. They should receive the funds

1 this week. And we're in very close
2 communication with them about making
3 sure we can move quickly to disburse
4 these funds.

5 I think one of the advantages
6 of the program designed is that we
7 already have an applicant pool, so even
8 though they haven't been able to
9 necessarily move on putting money out,
10 they are sitting on the applicant pool
11 and can kind of begin the process of
12 reviewing who might actually receive
13 those dollars.

14 To answer your question about
15 whether the dollars must be spent by
16 December 30th, the answer is a little
17 bit complicated. But in this particular
18 context of relief programs, there is a
19 little bit of flexibility. What's most
20 important is that any relief that we
21 provide to small businesses is for cost
22 incurred through December 30th, but we
23 have a small window of about 90 days
24 that we can continue to administer those
25 relief payments.

1 The challenge is that we can't
2 incur any administrative costs after
3 December 30th. So we want to try to get
4 that money out the door as quickly as
5 possible because it's kind of the most
6 sufficient way for us to use those
7 funds, and obviously the need is urgent.
8 But if we for whatever reason ran into
9 any sort of obstacle and we couldn't get
10 all the money out the door by December
11 30th for this particular Small Business
12 Assistance Phase 2 program, we could
13 continue to administer some of those
14 relief programs in the new year, for
15 some of those relief payments in the new
16 year.

17 COUNCILMAN GREEN: Okay. So my
18 understanding is that we couldn't incur
19 administrative expenses to get the
20 dollars out after January, well after --

21 MS. DE WOLF: After December
22 30th.

23 COUNCILMAN GREEN: After
24 December 30th. Why the 30th and not the
25 31st, that's a --

1 MS. DE WOLF: We don't know.

2 MR. DUBOW: Somebody forgot
3 to --

4 MS. DE WOLF: Somebody made a
5 typo.

6 COUNCILMAN GREEN: After
7 December 30th. The reason I asked a
8 question, it seems from my observation
9 and also from -- I know we've had some
10 calls with people in the NLC and others
11 that use kind of the CDBG rubric on a
12 lot of these dollars and I know from
13 Community Development Block Grant
14 dollars, people allocate and reallocate
15 dollars all the time. And I was curious
16 in reference to if you designate who the
17 dollars are going to go to, is that
18 considered being spent by that time, if
19 for whatever reason, the entity -- and
20 this happens with CDBG all the time,
21 we're Comp Plan Year 46, that they
22 allocate these dollars either in our
23 program statement or our Comp Plan that
24 gets approved by HUD by the new fiscal
25 year at the federal level by October 1,

1 but then sometimes those entities for
2 whatever reason couldn't use those
3 dollars and those dollars get
4 reallocated.

5 So that's why I was curious
6 when I kept hearing about this December
7 30th date. Does that actually mean that
8 similar to at the state level with DCED,
9 those dollars have to actually be spent
10 and then there's a reporting back from
11 the City or the entity that received
12 those dollars, having spent those
13 dollars, back to the state or we just
14 allocate those dollars to the entity we
15 intended them to use it because they
16 said they were going to, but for
17 whatever reason they weren't able to use
18 it because things change and the
19 business unfortunately went out of
20 business before they could receive the
21 dollars and actually use the dollars,
22 and then we still could use those
23 dollars. So what I'm hearing is that we
24 still can get the dollars out the door
25 for another 90 days. We just can't

1 charge any admin expenses for use of
2 those dollars.

3 And so, if that's the case, we
4 will just I guess incur them through our
5 traditional expenditures of General Fund
6 dollars or could we use CDBG dollars as
7 we normally would for some of these
8 programs, because I know CDBG also has
9 restrictions on how dollars can be used,
10 even though we're spending CARES dollars
11 after December 30th?

12 MS. DE WOLF: Yeah. I mean, I
13 would refer to Planning and Development
14 on the details of CDBG administration.
15 I will say we can effectively reallocate
16 or kind of use up the CRF dollars after
17 December 30th again for costs that we've
18 already incurred or for costs that small
19 businesses have already incurred.

20 So one of the things that we're
21 thinking about and that we're doing with
22 our consultants is really reviewing the
23 documentation behind each of the costs
24 that we're planning to charge to CRF and
25 making sure that we effectively load up

1 that \$276.4 million with the most kind
2 of secure audit worthy expense as
3 possible, so we do have some flexibility
4 there.

5 Treasury has made it a little
6 bit more difficult for us in that they
7 do require a very detailed quarterly
8 report, and it gets complicated if we
9 try to start de-obligating and
10 re-obligating funds. So I think our
11 strategy is to try to avoid that as much
12 as possible but to know that it does
13 provide us a little bit of flexibility
14 if we were to have underspend in a
15 particular budgeted area and we kind of
16 get those actuals after December 30th,
17 we could then take those funds and apply
18 them elsewhere.

19 COUNCILMAN GREEN: Just one
20 more follow-up question about that.
21 Considering that we can expend federal
22 CRF dollars after December 30th and if
23 we are using CDBG, for example, funded
24 employees to do that, has there been any
25 review on whether we're using, I guess

1 this will be going prospective, CDBG-
2 funded staff to do activities that are
3 not CDBG-eligible activities using the
4 CRF funds?

5 The reason I'm asking that
6 question is that the Code of Federal
7 Regulations and regulations of CDBG,
8 they take a very detailed perspective in
9 the sense they almost use kind of the
10 one-drop rule. So if one drop of CDBG
11 dollars are being spent, then anything
12 that's connected to that expenditure,
13 even if it's just merely a CDBG-funded
14 employee administering dollars that are,
15 say, CRF dollars, but if those CRF
16 dollars are not being used on a
17 CDBG-eligible activity, then there could
18 be some challenges from HUD on the
19 allocation or the use of CDBG funds to
20 pay for that staff person's salary or
21 the administrative costs of that
22 Administration.

23 So I wasn't sure there had been
24 any changes in that regard because we
25 want to continue to get those dollars

1 out for using the CRF funds, but the
2 question whether those expenditures will
3 be considered CDBG-eligible if we are
4 using City employees whose salaries are
5 funded by Community Block Grant Dollars?

6 MS. DE WOLF: Yeah. To be
7 completely honest, I don't know the
8 answer to that question outright. It
9 would be something we would have to look
10 into. I do know generally that CRF is
11 kind of an unusual funding source and
12 that it can sort of be the last dollar
13 in, in a lot of different ways and there
14 are often more tighter constraints
15 around other funding sources and
16 preferences about when and where they
17 can be applied, how they can be mixed
18 with other funding. So it's definitely
19 something we want to look into and get
20 back to you on.

21 COUNCILMAN GREEN: And finally,
22 if it's somebody you're working with,
23 will you still be working with them
24 beyond December 30th going into the new
25 calendar year?

1 MS. DE WOLF: I think the
2 answer is yes, but in a more limited
3 capacity, and we intend to kind of phase
4 out our work with them.

5 COUNCILMAN GREEN: But issues
6 like this that if they happen to come
7 up, you could use them to kind of find
8 out some of these details so you
9 wouldn't have those issues?

10 MS. DE WOLF: Yes.

11 COUNCILMAN GREEN: All right.
12 Thank you very much, Mr. Chair.

13 COUNCILMAN DOMB: Thank you,
14 Councilmember Green. Great questions.

15 I have two more quick questions
16 for you, Sarah, before we're complete.
17 I don't have any other questions from my
18 colleagues yet. In the background,
19 we've learned that usually there's a lot
20 of strict restrictions on how funding
21 from other governments can be spent.
22 And I recently heard the COVID
23 assistance dollars can't be used, cannot
24 be used, to assist with utility payments
25 if the utility is municipally owned,

1 even has separate governance like our
2 Water Department and PGW; is that true?

3 MS. DE WOLF: I think there's
4 nuance to it. I'm familiar with what
5 you're referring to and I think the
6 concern there is that the CARES Act was
7 very clear that Coronavirus Relief Fund
8 money cannot be used for revenue
9 reimbursement. And so, some people view
10 assistance to provide utility payments
11 as effectively government paying itself
12 back.

13 I do think there's some nuance
14 in some of the more recent guidance
15 that's been issued. I don't have it at
16 hand, but I can certainly follow up with
17 you and kind of give you that
18 clarification. I think some of it may
19 be allowable, but not back paid.
20 There's some nuance to it.

21 COUNCILMAN DOMB: I just want
22 to make sure we can help those who need
23 that help and not have a barrier. Are
24 there any other barriers, by the way,
25 that we're dealing with to get these

1 relief dollars out the door?

2 MS. DE WOLF: I think the short
3 answer is no, we have plenty of need,
4 and it's really just making sure that we
5 do our due diligence on reviewing
6 documentation. I guess one of the
7 challenges with CRF has been just the
8 constantly changing guidance. So
9 they've updated their guidance last
10 week. Again, this was update No. 14 or
11 15, so they've done it a couple of times
12 a month since they sent us the money.
13 And the guidance has evolved over time.
14 In some ways it makes sense. In other
15 places, it's not kind of a clear change
16 in direction.

17 I think we're fortunate that we
18 have been somewhat slow and deliberate
19 to allocate our dollars because we have
20 benefited from waiting. But other
21 cities and counties who moved quickly to
22 allocate their dollars are now dealing
23 with some challenges now where the
24 guidance looks different than it did in
25 April or in May.

1 COUNCILMAN DOMB: Okay. The
2 only other actual comment or question
3 really is that -- and I want to
4 piggyback on Councilmember Green's
5 questions on the small business
6 funding -- when you look at the funding
7 that we're doing for rental assistance
8 which is great and for eviction
9 prevention which is great, it's all
10 great, a lot of it's coming, not all,
11 but a lot of it's coming because people
12 have lost jobs and they don't have an
13 income, and if we deal with the source
14 of why you don't have an income which is
15 small businesses in many cases and help
16 those small businesses, we might be able
17 to avoid a higher requirement in the
18 rental assistance and other programs.
19 So that's more the root of the cause
20 dealing with helping the businesses and
21 keeping people employed versus having to
22 just add more money to that rental
23 assistance program down the road, so
24 just something to keep in mind.
25 Last question, last question

1 today for you: Back in November, the
2 state used I think 1.3 billion in CARES
3 dollars to fill holes in the state
4 budget. What's the difference in the
5 CARES regulations that allowed the state
6 to supplement their budget with relief
7 dollars while limiting municipal CARES
8 spending to unanticipated costs and what
9 do we lose out in terms of potential
10 relief funding when the state
11 Republicans I guess partnered with the
12 Governor and chose to keep 1.3 billion
13 for itself instead of making tough
14 decisions and providing relief to
15 impacted businesses, organizations and
16 individuals?

17 MS. DE WOLF: So to be clear,
18 the same rules apply to the state as the
19 City of Philadelphia around use of these
20 funds. What the state took advantage of
21 is actually part of what has been
22 evolving guidance around the definition
23 of substantially dedicated employees who
24 are substantially dedicated to the
25 pandemic response. So early on when CRF

1 was issued, it was very clear we
2 couldn't use it for budgeted expenses.

3 The guidance has evolved to say
4 that we can presume that certain classes
5 of employees such as EMS workers or
6 people who work in our health centers
7 may be presumed to be substantially
8 dedicated to the pandemic response and,
9 therefore, performing a substantially
10 different job than what was budgeted for
11 and, therefore, not a budgeted expense,
12 and that we could then charge their
13 entire payroll cost, including benefits
14 to CRF.

15 So I think this is just kind of
16 a difference in philosophy. We are
17 planning to charge some of our personnel
18 costs to our CRF. And as Rob mentioned,
19 being able to do that does allow us to
20 free up some General Fund dollars for
21 the second half of the year to help with
22 our pandemic response, but we've also
23 put money towards relief programs and
24 also used quite frankly a large portion
25 of our CRF just to fund core costs

1 related to our public health response,
2 things like public health and medical
3 costs. So I think it's just sort of
4 each entity has taken a different
5 approach to how they distribute those
6 funds.

7 COUNCILMAN DOMB: Okay. Thank
8 you, Sarah. And listen, we appreciate
9 your testimony today in answering all of
10 our questions and you're doing a great
11 job. Keep up the good work --

12 COUNCILMAN GREEN: Mr. Chair?

13 COUNCILMAN DOMB: Yes.

14 COUNCILMAN GREEN: I have one
15 follow-up question --

16 COUNCILMAN DOMB: Oh, sure.
17 Councilman Green.

18 COUNCILMAN GREEN: -- if you
19 can give me the thumbs-up in my inbox.

20 I just wanted to follow up on
21 the question that Councilmember Domb
22 raised. I may be incorrect, but that
23 use of CARES dollars for that budget
24 shortfall -- and I think you did state
25 that they are under the same regulatory

1 restrictions that we are -- is there
2 some concerns there may be some
3 repercussions for using those dollars
4 that way?

5 MS. DE WOLF: I mean, I think
6 this is also just -- it comes down to
7 how everybody's interpreting the
8 guidance. As this is a new funding
9 source, there is no way to know what
10 Treasury OIG will ultimately decide.
11 And --

12 MR. DUBOW: Maybe it can be for
13 public safety-related personnel costs.
14 I think it was prisons where they
15 allocated it.

16 MS. DE WOLF: That's right.
17 They're the Department of Corrections,
18 yeah. I think it's our opinion that the
19 guidance is fairly clear that this is a
20 legitimate path for certain types of
21 employees and the guidance specifically
22 lists out examples. I don't know the
23 specifics of what the state is doing. I
24 don't know exactly which positions
25 they're reimbursing and if it is, you

1 know, taking us outside of that
2 description. But I think if you kind of
3 stick to those very, very specific
4 examples, it's my opinion that it's
5 fairly safe. But again, I think
6 everybody has a different perspective on
7 this given that it's such a new funding
8 source.

9 COUNCILMAN GREEN: Okay. Thank
10 you. Thank you very much. Thank you
11 for your testimony.

12 MS. DE WOLF: Thank you.

13 COUNCILMAN DOMB: Thank you,
14 Councilmember Green.

15 Again, Sarah, I just wanted to
16 thank you for your testimony today.
17 Look forward to working with you. Keep
18 up the great work. I'll hopefully see
19 you again and hear soon with more good
20 news hopefully. So thank you very much.
21 Thank you.

22 MS. DE WOLF: Thank you.

23 COUNCILMAN DOMB: Modesto, do
24 we have a witness today from the public?

25 COUNCIL TECH SUPPORT: Yes,

1 Mr. Chair, we do. We tried to contact
2 the witness, but unfortunately no
3 answer.

4 COUNCILMAN DOMB: Okay. All
5 right. So I guess if there's no
6 additional comments from my colleagues
7 or witnesses, I just want to thank
8 everyone again today for their ongoing
9 analysis of our City's finances. Rob,
10 Marisa, Harvey, Sarah, thank you so much
11 for everything, and also appreciate all
12 my colleagues who are here today and the
13 massive amount of engagement and
14 activity everyone's doing to try to help
15 Philadelphia, which is pretty amazing.

16 This pandemic clearly has taken
17 a toll on all of us, but we'll get to
18 the other side. I'm very positive
19 because I see light at the end of the
20 tunnel here with the vaccines and I
21 think that's great, so we just need to
22 stay focused on what matters most to our
23 people and our businesses in the near
24 term and in the future, so we can come
25 back stronger than we were before.

1 And if anyone else has anything
2 to --

3 COUNCILMAN GREEN: Mr. Chair, I
4 have a point of information.

5 COUNCILMAN DOMB: Yes.

6 COUNCILMAN GREEN: I understand
7 this hearing will be recessed to the
8 call of the Chair. But do you
9 anticipate scheduling additional
10 hearings in 2021?

11 COUNCILMAN DOMB: Yes,
12 absolutely. Thank you very much. Thank
13 you.

14 COUNCILMAN GREEN: Okay. Thank
15 you.

16 COUNCILMAN DOMB: So this
17 concludes the hearing on Resolution
18 200406 and the hearing is adjourned.
19 Thank you, everyone. Have a good
20 evening. Thank you very much.

21 COUNCILMAN GREEN: Thank you.
22 Take care.

23 (Committee on Fiscal Stability
24 and Intergovernmental Cooperation
25 concluded at 5:05 p.m.)

C E R T I F I C A T I O N

I, hereby certify that the
proceedings and evidence noted are contained
fully and accurately in the stenographic
notes taken by me in the foregoing matter,
and this is a correct transcript of the
same.

TANEHA C. CARROLL
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