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

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

This is the public hearing of Committee on Fiscal Responsibility and Intergovernmental Cooperation. The purpose of this public hearing is to hear testimony on Resolution 200406. I'm introducing this resolution with co-sponsors Councilmembers Parker, Councilmember Green, Councilmember Quinones-Sanchez, Councilmember Squilla, Councilmember Gilmore Richardson, Councilmember Bass and Councilmember Thomas.

I understand that state law

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

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

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

THE CLERK: Authorizing the Committee on Fiscal Stability and Intergovernmental Cooperation to hold quarterly hearings that include monthly reporting requirements to discuss the fiscal position and overarching social impact goals of the City, including and as related to the Five-Year Plan, and reporting requirements set forth in the Quarterly City Manager's Report, as submitted to the Pennsylvania Intergovernmental Cooperation Authority.

COUNCILMAN DOMB: Thank you, Ms. Grbach.

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

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

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

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

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

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

I am joined by Marisa Waxman, Budget Director, for the first part of the testimony and then on the second panel, I will be joined by Sarah de Wolf, our Recovery Officer. And for each section, I'll just give an overview and hand it over to Marisa and later Sarah for details.

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

On the next slide shows fund balance comparisons. So you can see here what our fund balance has been over the last three years. It's gone from just under $439 million in FY19 down to about $291 million last year, and then a projected roughly $23 million this year. If we were at our internal goal, we would be somewhere between 292 and 390. And if we were where the Government Finance Officers Association says we should be, which is two months' worth of obligations, we would be more like $828 million. So instead of being at two months' worth of obligations, we're at about two days. So obviously we're in a tight situation.

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

MS. GOREN WAXMAN: Thank you, Rob. So I wanted to talk to you a little bit more about how things went in the first quarter. We had $750 million worth of revenue, which slight bit of good news, slightly higher than we had had anticipating the adopted budget by about $49 million. And that was mainly however due to the timing and anticipated revenues and some delayed things coming in that should have come in last year. So don't get excited by that additional $49 million because over overall for the year, the only adjustment at this point we are making to our revenues is about $680,000 increase. And so, there's a lot of things up. A lot of things down, but we did get some things earlier.

We do have to do some downward revisions of receipts later in the year as a result that just came in. So our first-quarter actuals versus projections aren't indicative of our full year. What really we're not yet showing but gives us the greatest pause and concern is that our budget was built on having a rotten, terrible first quarter and then things getting better.

And we hit it on the nose, the rotten, terrible first quarter is basically exactly what we got. But unfortunately, we are not seeing conditions of improvement the way that we thought they would and the way that our projections anticipated. And so, if the current levels of year-over-year receipts month to month stay the same for the rest of the fiscal year, we would expect to see $70 to $100 million less in revenues than we were currently projecting. So that is a real risk for us. We haven't yet made those downward revisions. We need to watch and see, but there's a real risk there.

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

We did see some improvements this quarter over our initial expectations from revenue from other governments as well as the PICA City Account. We classify that as other governments, but really that's just the resident portion of the wage tax looking a little bit stronger than we thought it would. But again, we think this is timing and that that first quarter performance is not indicative of what we're going to see in the balance of the fiscal year.

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

I will say that dip, keep in mind some things are just timing, we could then got a $30 million payment on November 1st, so looking at an individual month can be a bit misleading, but that shows you big picture. But then you can see there's really variation from sector to sector. So you can see that construction has gotten back to where they were after sort of a V-shaped dip there, coming down lowest in May. And May is when you'll see sort of the lowest. While April was sort of the shutdown, shutdown because there's a slight lag, you'll see May really reflecting that.

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

We wanted to go actually even

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

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

And I want to give you beyond the wage tax some of the variation in the other taxes we collect. And what you're seeing here is the ones that you would expect to see at the bottom most impacted by the closures, hotel, liquor-by-the-drink, which is liquor sold in bars and restaurants, the amusement tax which primarily is derived from professional sporting events, at least 85 percent of that are the ones that are showing the greatest year-over-year declines on a monthly basis, whereas the beverage tax is still seeing a decline but much closer to the prior year. And we are obviously going to be looking at this as we look at current conditions and shutdowns and what does that mean.

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

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

I want to share with you how the money is going out. So the General Fund obligations in the first quarter of the fiscal year were 1.22 billion, about $11 million more than the adopted budget, primarily due to some large expenses around the Presidential election and then additional support we wanted to put into rental assistance, eviction diversion and the public health needs as well as those higher than anticipated waste disposal obligations. And so, in the FY21 Operating Budget Mid-Year Transfer, you'll see those were the things we were looking to add funding for because those were the expenses higher than initially planned.

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

This is just a summary of the items that had a net impact on the City's fund balance. Some of the items that are in there also were just moving money within a department or are ones that were offset by revenue. But I guess I just want to make sure you had this summary sheet of the items in the Mid-Year Transfer Ordinance. We also just wanted in addition to just talk about the money coming in, the money going out, talk a bit about performance and staffing and what is going on.

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

But overtime alone can't be looked at in a vacuum. One of the things we think about is leave usage, who is available to work, because often times overtime is what you use to compensate when folks are not there, particularly in our areas that have sort of mandated staffing levels that you need a certain ratio of staff to kids in the Juvenile Justice Center, you need a certain number of people to put on a fire truck.

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

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

So really the point of this is performance, what services are we able to provide. And so, in the Quarterly City Manager's Report we include over 100 performance measures across a number of departments tracking service delivery and activity. And at end of this quarter, close to two-thirds of those were on track to meet or exceed their targets for the year. Given the pandemic, that's pretty impressive but obviously not as great as a normal year. Some things, clearly if you look in the public safety area, there are clear challenges. Those are borne out. In others, it's just the nature of the shutdown. Some of the measures from the Free Library have to do with a number of visitors. Given where we are, obviously they're not going to hit their visitor numbers that they had initially projected.

I wanted to then drill down a little bit more beyond the Quarterly City Manager's Report to talk about spending through October, so it takes us through the first third of the year. One of the things we've added this year are monthly spending reports to track where we are month to month and then on a year-to-date basis, just to make sure that we are staying within our budget.

And so, what we have here is a breakdown for you showing that we have spent in the first third of the year slightly more than a third of the dollars. But when I say spent, that is actually literally cash out the door and then funds that are already encumbered. Some departments encumber their funds for certain contracts early in the year so it looks like they spent all of them. For example, City Council encumbers all of its dollars for court reporters in the first month of the fiscal year even though that money is then spent out over the course of the year.

So an easier way to then sort of look at that is look and see who spent that third or not or obligated at the encumbrance on the expenditure. And so, a couple of the ones that you will see that far exceed that are ones that encumber early in the year. For example, Commerce makes a $15 million payment for the Convention Center subsidy. That is a huge chunk of their budget. That happens earlier in the year.

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

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

Ordinance.

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

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

COUNCILMAN DOMB: Thank you, Marisa. Let's hold the questions. And we'll ask Harvey Rice -- great presentation by the way. Thank you.

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

MR. RICE: (Muted).

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

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

I have prepared a short PowerPoint presentation with highlights of all these reports and the synopsis of our revenue budget, obligations and overtime. Let me share it with you. Since Marisa and Rob did a pretty good job, an excellent job of the numbers, I'm not going to dwell on the numbers already presented. I will point out some of our observations and concerns.

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

And this quarterly report was -- the end of the quarter was September 30th. This is prior to the surge and the possible resurge of the pandemic and some of the measures that the City has just recently put into place, which could affect revenues in the coming months. So as a result instead of just issuing a report, at the time we sent the City a letter stating that this was a concern of PICA.

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

So the City responded. And in their response, they mentioned that it looks like that 75 million of personnel costs that have already been applied to the General Fund can be reimbursed through the CARES Act, so that would bring the fund balance up to about 90. And then the Finance Director had also responded stating that they're now looking at the contingency plan that they put together and working with the departments to see if they could start implementing some of those contingencies as we speak. So the other numbers on this were discussed.

As Marisa stated, the revenues are only 700,000 more than projected. However, it is a timing issue of different taxes and when they're collected. So we're concerned that they project between 70 million and 100 million less revenues than projected in the Five-Year Plan, which is a concern of ours. That's why PICA, we looked at the revenue collections every month, not just a quarter. And so, we'll keep a close eye on that and we can run it against all the different tax types to see where concerns may lie as early on as possible, but I think we need a couple more months of revenue collections and whether the surge and the resurge will have a drastic impact in the projections already submitted.

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

And overtime, as you know PICA is very concerned about overtime costs. And as we saw in the first quarter, we see a drop of 12.8 million less in overtime than the first quarter of Fiscal Year 2020, which is about a decrease of 24 percent. However, it's because of the nature that we're in and the pandemic and more people working at home, there's a loss comparability here to last year because it's not apples to apples basically. So while we see that a decrease is evident, we're taking it with caution. And if you match it against their allocations for the first quarter, they're still above slightly, spending their overtime allocation.

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

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

The City is developing overtime action plans. And we should have all of them by the end of December. And PICA will be working with them going through them as well as we have offered other suggestions on this overtime, that there should be someone in each department responsible for the overtime as well as one person within City government responsible for the overtime, and one of the Board members suggested that there be some sort of a penalty put into the departments who aren't controlling overtime, who aren't budgeting it correctly so that each department in the future takes this seriously and reduces overtime going forward, which will help reduce Class 100, which would then have more money that we could raise a fund balance or we could put more money in the Budget Restabilization Fund, other opportunities for that money.

And our revenues through October, as you can see we collected 208 million compared to 253 million last year, a decline of about 45 million or almost 18 percent. The only tax category increases in October and the year-to-date are real estate and BIRT taxes. And as you know BIRT is very hard to project, especially when yesterday's announcement on City business taxes. We need to re-adjust BIRT going forward to see what that impact will be and then what that impact will be on the total revenues.

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

And this is City departments overtime through October, 2020 versus 2021. As you can see, there's three departments that stand out. Even though they are small amounts, they've exceeded their allocation. And we were concerned, Fire's allocation is high and some others, Police and Streets. And we can understand Streets being high because of the pandemic and because of the increased amount of trash that they have to collect as well as the nature of their job and people calling out sick. You can understand that. But in some other departments where people are working at home and either overtime cost increased from last year or they're more than what they should be at this period of time in the quarter, I guess their allocation, these were questions that we have presented to the City.

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

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

Let me start with Marisa. On the presentation you gave us, I had a question on the $49.4 million of additional revenue they were showing, do you have any kind of breakdown of how much of that was delayed and how much of that was from 4601, so we can get a clearer picture?

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

COUNCILMAN DOMB: That's fine. I had a question for you on the full-time employee chart. I think I saw 2,528 employee positions we haven't filled. I'm assuming those positions are accounted for in our budget?

MS. GOREN WAXMAN: Yeah. There's a couple of things that we do. One that was 2500 across all funds, slightly less and in General Fund. So what we do is -- in some departments basically that's just, oh, well, shouldn't that then just mean we're underspending. So that's why in some of those in the departments, you will see underspends under a third of the year. But in other areas, that's sometimes why we're offsetting with overtime, that if the work still needs to be done, overtime's a tool.

It's a way we do work. Sometimes we do it full-time staff. Sometimes we do it on overtime. Sometimes we contract it out. Other times we decide we're not going to do that work. So there's an innerplay there that if there's high vacancies, sometimes you'll see that higher overtime. But the last thing we do also budget in, particularly with departments that have trouble either filling positions just because it's sort of structural issues overtime where they have high turn, we will build into the budget what we call a vacancy allowance which is basically we reduce their Class 100 to account for that.

So we know you will need $1 million if you were 100 percent filled positions, but we don't fund you $1 million. We might fund you 950. We take out a vacancy allowance, because we know based on history and that's usually with larger departments that have high turnover, that you're never going to have 100 percent on or departments that do their hiring in classes so there's always going to be time gaps that, you know, the day a corrections officer retires, we can't step in brand new folks who got to wait for a class to go through. So we do account for it in the budget. Sometimes you'll see an underspend if there's vacant positions, but other times we've already planned for that through that vacancy allowance or need that money on the overtime side to get the work done that's not being done by somebody in that position.

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

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

Marisa, I think you wanted to --

COUNCILMAN DOMB: Yes. Take that into account, you don't have to give us the answer now, but if we don't fill those 2500 even it's for portions of the year or whatever, what type of savings could we possibly realize on the budget? Are there other dollars that we could save that we don't -- for the next 12 months we just say, you know what, we're still on a hiring freeze, by the way most businesses are laying people off, we're on a hiring freeze and what savings can we achieve from that 2500? You don't have to give the answer today, but I think we should look at that.

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

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

And here is my next question: I know we had the Appropriations hearing this morning, and thank you to Chairwoman Maria Quinones-Sanchez. It was a good meeting. And we heard that the reserves are about 22.9 million right now, but we also heard that Harvey said that there's another 73 or 75 million that could be added to reserves, and so that's one question, if that's going to actually happen that way?

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

MR. DUBOW: I can take the recovery dollars one, probably what we were going to talk about in the second part of the hearing anyway. So even though our allocation of recovery dollars, part of what we've done is allocated roughly $75 million of public health and public safety costs to the CRF funding, which in the guidance from Treasury Office is explicitly allowed. If all those dollars do get charged to CRF, that would increase our fund balance.

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

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

MS. GOREN WAXMAN: As Harvey mentioned, we're looking department by department for the significant spenders to figure out what the action plan should be. And so, in some cases what we're going to find is that it's actually just sort of like a budgeting thing that we have a number of departments who their overall Class 100 budget, they've always underspent but it was just the overtime line. So for some of those, we're just going to make sure that the budgeting is matching up to reality. In others what we're doing is really then -- and that's just budgeting and we'll work that out.

The others what we're asking is, is your current overtime budget realistic, yes or no. And in most cases, we're finding yes where we're at now is realistic for this year, granted this year is very strange and you never know what else is going to be thrown at us. So there's a lot of caveats unless there's giant snowstorms, unless there's something. And so, from there we're talking to departments saying, okay, we said it's realistic but do we want to change that at all, do we want to spend less.

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

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

Other departments when we talk to them they say, actually hiring doesn't make sense, that this is sort of an amount that the overtime costs less than it would to hire a whole brand new body with benefits and there are times where that cost-benefit analysis shows overtime is better. And in some cases, they're saying this is a service of business we're going to get out of, we're not going to do this anymore.

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

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

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

I want to go back to my next

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

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

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

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

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

Just to give you an example, one of the things in the contingency plan was we could delay the hiring of the new traffic safety enforcement officers and that would have savings. We haven't brought those folks on yet, so that's still sort of counting towards the good. So there's a number of things in that contingency plan that we're still able to should we need to in this year do even though we're halfway in.

Some of them obviously aren't as valuable as they would have been if we eliminated them July 1st. But we continue to work through this process of identifying if we need to pull back at any point this year timing-wise what can we do, and we try and do this very thoughtfully as well to make sure that we're not pulling back things that would be really hard to reinstate if, say, there's a federal stimulus or those revenues come there. We don't want to totally demolish something and then six weeks later find out that we can put it back together after we let people go. So we're trying to be really thoughtful about the types of things and the ways that we can pull back literally on almost a month-by-month basis what are still good options in each month of the fiscal year. And of course, the most important is being very careful about adding any new expenses.

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

And I would say this, as far as traffic, I don't see any traffic. There's no traffic. That's not an issue right now. You probably can put that off for a year. There's no traffic right now. And I look at this money of 75 million and I go back to yesterday's long Committee of the Whole meeting where we needed 22 million or 24 million to fund the $400 million bond that I think you consulted a report that could have a $1.2 or $3 billion effect on our economy. That's such a great better way of taking this money of 75 and allocating 22 or 23 million a year to is better use of our resources probably at this time. So I hope we put that plan in place and save that 75 million.

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

MS. GOREN WAXMAN: So we continue to work with IHS Markit, who'se the City's outside economic consultants, and they actually update with us on a monthly basis what they're thinking the outlook is for the City finances. And the issue of those commuters not coming back remains a big variable for us. But from the start, we saw this on the horizon and we not only baked into our budget a short-term reduction, but we actually anticipated some permanent long-term shifts across the Five-Year Plan even as the economy gets back to normal, so we have built that in.

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

Folks are at home now. We think there might be some permanent shifts, but what does that mean. Our laws basically say that working from home if your employer tells you you have to, well, then the wage tax is not due. But if you choose to for your convenience and it's an option but you could work in the City, then the tax is due even if you choose to work at home.

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

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

MR. DUBOW: So the District is projecting deficits beginning this year and increasing to about 200 million by next year and then increasing over the course of their five-year plan, so that is a challenge that we're going to have to focus on as we go into the FY22 budget.

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

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

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

Also want to recognize first, Councilmember Helen Gym.

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

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

MR. DUBOW: Yes.

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

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

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

So we're whittling down to, you know, those are primarily School District-funded efforts, so we're left with property taxes and then whatever we can give over from the City and the state; is that correct? Do you see other tax revenues? I guess there's a school income tax that's brought in --

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

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

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

COUNCILWOMAN GYM: Well, we very well know that the state is -- yes, we definitely know the state. And I think that will be an important aspect I think for sure in the spring. But does the City have any -- I think you talked about this with Councilmember Domb. There's no additional flexibility in the cigarette tax, right?

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

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

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

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

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

MR. DUBOW: That is the state law.

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

MS. GOREN WAXMAN: So there is

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

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

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

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

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

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

And as you know at the end of

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

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

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

MR. DUBOW: So that overtime

will show as overtime in FY20.

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

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

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

MS. GOREN WAXMAN: I'm not sure. I'm guessing maybe around the time of the last -- but that's information we have and we can easily provide it. It's possible that I'm misremembering and instead we -- we definitely provided it to somebody. If it wasn't Council, it was PICA. But either way, we can forward it now.

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

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

And what we have right now is we have 10 sites that we have known issues. We only have an actual bid in at Samuels Playground so far and that's $1 million. We don't anticipate that all 10 sites will need that level of remediation. So basically the balance there from PPR are about the ones where we don't yet have bids from those 10 sites. I don't know the 10 sites off the top of my head, but Samuels is the one we have the bid from.

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

MR. DUBOW: We can provide that.

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

MR. DUBOW: Sure. So One Philly went live about a year and a half ago. And if you kind of look at where it was even six months ago from where it is now, it's been consistently improving. The number of complaints we hear has gone down dramatically. The number of reports of checks that are inaccurate has gone down. So it's really been improving. It's been a joint effort of One Philly group, Finance, OIT, CAO, so we've actually done a lot to improve that and it's gotten a lot better. And I do understand from the Chair that he's been hearing some complaints still, so I do want to kind of understand what those are and make sure we're addressing them.

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

COUNCILMAN DOMB: Thank you, Councilmember Gym.

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

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

I just wanted to go back to

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

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

COUNCILWOMAN GILMORE RICHARDSON: Okay. So would you be able to provide us with a breakdown of what costs will be eligible for reimbursement and what costs would not be eligible for reimbursement, specifically around essential workers primarily in the Police Department and in the Fire Department based on some of the information that was provided even earlier today at the Appropriations hearing? And I'm not on the Appropriations Committee, but I was listening to the hearing on and off earlier today. So if you could provide us with that breakdown, I think that will be very helpful.

MR. DUBOW: Okay.

COUNCILWOMAN GILMORE RICHARDSON: Okay. Thank you so much.

Thank you, Mr. Chair, for your indulgence.

COUNCILMAN DOMB: Thank you, Councilmember.

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

COUNCILWOMAN GAUTHIER: Thank you, Mr. Chair.

Good afternoon, everyone. Thank you so much for all of your hard work (inaudible) the City's finances during this difficult time. I realize that you must be pretty head-down, you know, focused on Philadelphia's financial issues during this time and I realize that the situation is pretty dire, but I'm also wondering do you know how we're comparing in the management of our finances to other cities in the (inaudible).

MS. GOREN WAXMAN: So one of the things that we're not scared to do is ask for help. And so, right now the City is actually taking part in two different sort of cohort-based programs where it pulls together cities as well as subject matter experts. And so, through the Knight Foundation in a cohort around budget resiliency, and that's us and five other cities, Detroit, Miami, Macon, Georgia which is a city-county just like us, so that's interesting, as well as Bloomberg's What Works Cities cohort, which is 30 cities around budgeting for equity and for recovery, and both of them are pulling in racial equity as well as just navigating the budget of whatever. So we thankfully get this chance to talk on a fairly regular basis with other cities, and I would say it runs the gamut.

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

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

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

So we do spend a lot of time learning and talking. A lot of cities have had -- talking to colleagues in Chicago, they're doing a lot more layoffs than us and challenges there. Some other folks because they have those more stable revenue streams and don't have as many local frontline responsibilities as us, doing a bit better. But we do make a point of touching base with all of our peers so that we can try and steal any good ideas that we come across.

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

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

MR. DUBOW: Yup.

COUNCILWOMAN GAUTHIER: How does that relate to how cities are faring right now? And if we're doing similarly to how other cities are doing in this moment, does that provide a greater case for joint advocacy for assistance and for help?

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

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

And I'm wondering how much of that overspending relates to maybe us having been too aggressive with some of the cuts that we made? So, for example, I was very concerned about the amount of cuts that we made to Commerce. And I see that they overspent. Might that overspending mean that we took away too much from the department and if so, does that help us to better peg where we want to land with this upcoming budget?

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

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

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

COUNCILWOMAN GAUTHIER: Yes.

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

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

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

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

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

COUNCILWOMAN GAUTHIER: Thank you. And then my last question is around the chart that you showed, Marisa, with a wage tax and how it was sort of functioning and progressing throughout the year by industry. I thought that was pretty interesting that we can break it down like that.

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

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

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

We also then have to be mindful because while you look and you'll see the hospitality industry and that retail trade being the hardest hit, those are actually for our wage tax fairly small sectors, while it impacts a lot of Philadelphians. Because those are particularly lower-wage jobs, on the wage tax which is a percent of income, that winds up being less impactful than if we were seeing that happen in some of our higher wage industries. And so, as a share of our wage tax collections, that's actually not that much. It's more that we see that on the human individual side for the employees as opposed to the real impacts at that scale on our total wage tax collections.

COUNCILWOMAN GAUTHIER: Thank you so much.

Thank you, Mr. Chair.

COUNCILMAN DOMB: (Muted).

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

COUNCILMAN DOMB: Thank you, Councilmember Gauthier.

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

COUNCILMAN GREEN: Thank you, Mr. Chair.

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

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

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

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

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

Council President and Councilmember Squilla, our Commerce Chair, but I think having that group and we've been working with Econsult and giving us some information on things as well as both our Budget Director Ms. Waxman and our Finance Director Mr. Dubow and Mr. Rice from PICA, and then also I know you've been working with IHS Markit in reference to some of the projections and modeling that you're doing, but I think as you are now meeting with various departments and preparing for the budget, and the Mayor will have the budget address in the first quarter of next calendar year, having the opportunity for these various groups to come together just to kind of talk through some of these issues, I know this is not something that we traditionally have done in the past, but I think considering some of the real challenges with our current fund balance as well as just trying to get through this pandemic, which has both been a health challenge but also economic crisis, I think it will be something that will make sense for these various parties to try to establish some type of regular meeting perspective just to look at these issues as we are going through our budget process.

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

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

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

MR. DUBOW: Thank you.

COUNCILMAN GREEN: Thank you.

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

Let's go to Councilmember Gilmore Richardson.

COUNCILWOMAN GILMORE RICHARDSON: Thank you so much, Mr. Chair.

And I apologize if I missed this, but I wanted to go back to a question that I had. How are we looking at or working on our restructuring of our tax structure in our overreliance on the wage tax, particularly now in this new work-from-home environment? And I know that may be a loaded question and I know there's some folks who don't work around this, but I wanted to talk about how we are looking at our tax structure in this new environment in a different way, and how are we working with our state and federal partners around our specific unique challenges and any potentially relief packages that may come from D.C. and then subsequently whatever may happen in Harrisburg?

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

MR. DUBOW: Sure. So let me start with the debt and Marisa can talk about taxes, which we have been working on. So we consistently look at our debt, look at where the interest rates are to see whether there are opportunities for refundings or restructurings. We get lots of suggestions from underwriters and financial advisors about opportunities, and we're fairly regularly in the market with refundings as ways to reduce our debt service costs.

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

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

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

And I mentioned one of the things that is personally to me something that I think we really need to look at the state, which is the Internet sales tax and making sure that that gets updated so that if somebody is ordering online and delivered it to Philadelphia, they're paying the 6 percent Pennsylvania, but they're not paying the 2 percent Philadelphia. They probably assume that they are. And if they're doing that instead of going to the kitchen supply store in the Italian Market, we're losing out on that 2 percent.

So I think that there are some small things that this has just highlighted that have been sort of thorns in our side, and we'll need to be really thoughtful in trying to monitor what does the economy look like and then how do we wrap a tax structure around that, that is sort of effective enough to generate the money we want, sort of efficient that we can actually administer it and we're in the process of putting in a new tax system. And so, how do we time that to be more seamless with that and something also that works with businesses and then equitable.

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

And that had sort of -- all options are bad when you're trying to raise revenue, but the reason that was elevated for us was, one, we thought it would be effective, would generate much of the expected money. Because in the past, that's been really an inelastic tax that as the rate change, we see the money come in. And, two, when we thought about equity, we were looking at a lot of information about part of ownership broken down by race and who was likely to bear that burden and who wasn't. So that's what we're trying to be really intentional as we think these things through as we move towards FY22.

COUNCILWOMAN GILMORE RICHARDSON: So as a follow-up to your response, as you mentioned around the Internet sales tax, how are we identifying some of the recommendations in getting them to our state team, particularly with this new term and new leader, Representative McClinton and we have Representative Harris, so how are we working closely with our state partners around identifying potential avenues for additional revenue for the City in this moment?

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

MR. DUBOW: So there's a combination of things. Our Legislative Affairs Office has really good relationships with our Delegation so they spend a lot of time talking to members at Delegation, sharing ideas with them. We have lobbyists in Harrisburg. They also work closely with Delegation and other members, and we do send things in writing to say here are our priorities.

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

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

COUNCILMAN DOMB: Thank you, Councilmember Gilmore Richardson.

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

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

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

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

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

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

And then what could lead to downward action is exactly the opposite, fund balance disappearing, pension fund getting worse, fixed cost going higher. So those are the things that they -- they want to understand what flexibility a jurisdiction has to deal with its problems. And the more flexibility, the happier they feel. So while wage tax presents many problems, the fact that we have flexibility is something they look at and think, okay, that's a positive for a jurisdiction to have a tax that they have freedom to move.

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

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

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

MR. RICE: Yes.

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

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

MS. GOREN WAXMAN: Yeah. So the Wayfair's Supreme Court decision was huge in this area. It was, like, among the tax nerds, like, the biggest thing to happen in decades, like the tax attorneys were camped outside the Supreme Court. It was wild. And what that did say is that, yes, a state could tax for basically sales into that sate even if there's a physical location. It doesn't say that it must. And so, right now the Pennsylvania state law doesn't require -- basically, we're still point of origin, where does the sale start when it comes to Philadelphia's 2 percent as opposed to where does the package land on a doorstep. And so, that's what we would be asking the state to change. So that's a state law that would need to change in order for us to capture that 2 percent from Internet sales where there isn't a local Philadelphia retail location. So there is real complexity in there because some of your largest Internet retailers are structured so that they have multiple corporate entities. And so, there is real complexity. But that change, which at least, say, if they had a Pennsylvania location could we collect when it lands on a Philadelphia doorstep, would I think be a significant revenue generator for us.

COUNCILMAN DOMB: Are we working on making that happen?

MS. GOREN WAXMAN: Yeah.

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

COUNCILMAN DOMB: All right. I have a question for Harvey. I don't want to leave you out there, Harvey, so I have some questions for you. Yesterday City Council is considering making -- we voted yesterday out of Committee, I guess, changes to Philadelphia's tax policies to support new borrowing intended to fund affordable housing. From a fiscal stability perspective, how would you evaluate that potential impact of the tax changes in the new borrowing and what should Council be thinking about to ensure the City's fiscal health while weighing these options in front of us?

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

COUNCILMAN DOMB: Okay. And another question for you I wanted to ask is that, is PICA's position on the progress the City's making on establishing goals and performance measures that reflect the spending priorities, is PICA satisfied with that?

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

So we've been going through every department and every performance measure, and we're actually almost at the completion of our data analysis and we're ready to meet with the City to go over that with them to show our concerns, that we can meet with them and make sure what we see is actually what we're seeing. And if there's any other measures or any other information that we're not seeing in that, that they could explain to us and then we're going to go forward to the City and say, these are the measures that we think we've discussed them with you, that going forward that each department should be measuring their performance and their budget against these goals.

COUNCILMAN DOMB: So --

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

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

MR. RICE: Well, first of all, overtime to get those -- one concern of ours was that by the time we get these overtime reduction plans, we're halfway into the year. And then by the time you have those plans and start implementing them, you're into the latter part of the year, so it could delay the whole effect of reducing overtime for FY21. That would be one of them.

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

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

COUNCILMAN DOMB: Thank you. I want to thank the first panel and thank you all for being here. And, Harvey, I thank you for all your input and information and thank PICA.

MR. RICE: You're welcome.

COUNCILMAN DOMB: Marisa, Rob, thank you.

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

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

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

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

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

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

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

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

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

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

Next, I'll provide an overview of how the City is spending its recovery funds, focusing primarily on the most flexible funding that we've received to date, which is the Coronavirus Relief Fund in which Rob just alluded to you. And then finally, I'll highlight some recent commitments that we've made to support relief efforts with our recovery funds and close with what's on the horizon for the Recovery Office.

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

This funding was authorized through the CARES Act and it went to states and counties with populations greater than 500,000. The City received $276.4 million from the Coronavirus Relief Fund or CRF. The second largest category in funding that the City has received is the FAA airport grant, also authorized by the CARES Act. These funds total $121 million and can be used to support continuing operations and replacement of lost revenue due to COVID-19.

The third largest category of funding comes from CDC grants, and that totals $102.3 million. And in addition to the categories already mentioned, the City also received $37.6 million in Community Development Block Grants, $35.3 million in Emergency Solutions Grants and 9.3 million from the Commonwealth, which includes additional funding for homeless services, food programs and election assistance, and $29.5 million in other funding categories, including health and human services preparedness and response grants, election support, a supplemental COVID-19 FEMA assistance to firefighters grants, additional HRSA funding and Housing Opportunities for Persons With AIDS or HOPWA.

One other note I wanted to make

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

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

So this slide shows a broader picture of the $3.5 billion in recovery funding that has come to the City of Philadelphia as a whole and how that funding can be used. I won't spend too much time on this slide, but as you can see, the majority of the funding with the City and other Philadelphia organizations has received is for medical and public health-related work associated with the pandemic, and transportation funding represents the next biggest category.

One other note I'll make on this slide is that the disaster recovery funding shown here at 0 percent is shown that way because the City is eligible to receive funding from FEMA public assistance for costs incurred as a result of emergency protective measures implemented in response to COVID-19. But that grant is administered on a reimbursement basis and it's uncapped. So how much we draw down will depend on what we can justify and what we can get reimbursed through FEMA.

And this last slide just shows that same $3.5 billion that's coming to the City as a whole broken down by recipient organization. And here you'll also see Philadelphia hospitals and healthcare providers are the largest recipients of recovery funding followed by the Delaware Valley Regional Planning Commission, the City of Philadelphia and the School District. And other recipient organizations shown here include things like Educational Institutions of Higher Ed., the Philadelphia Housing Authority, the Delaware River Port Authority and Early Learning Center Providers.

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

As of November 30th, Philadelphia has tragically experienced 67,283 confirmed cases and 1,976 deaths resulting from COVID-19. As a result of this resurgence, as Rob mentioned earlier, the City's experiencing increased costs associated with its response to the pandemic and the need for economic and housing relief has also increased with the implementation of public health measures to control spread of the virus.

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

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

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

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

So on this slide, I'll give you a short overview of how we're spending recovery funding, with the focus on our most flexible funding source, the CRF. So as Rob mentioned, the City has fully allocated the $276.4 million received for the CARES Act, and its on pace to incur these funds by December 30th deadline. The largest category of expense is payroll costs for public health and safety employees substantially dedicated to the public health response.

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

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

The third largest category of expense for CRF is costs to enable economic relief for small businesses, nonprofits and renters. With recognition of the sizable need for economic relief, the City has allocated over a quarter of the CRF fundings implementing relief programs, where possible pairing CRF funding with funding from other sources such as funding from the state and philanthropic dollars to maximize the benefits for Philadelphia businesses and renters.

This slide shows how the City's CRF funds have been allocated in greater detail. Other costs not previously mentioned include funding for hotspots to enable distance learning and address the digital divide, costs associated with the City's Recovery Office, disaster relief consultant who is helping the City maximize its federal funding while minimizing audit risks, and costs of providing telework capabilities for public employees so that City operations may continue during the pandemic. Interest costs associated with the City's short-term borrowing or TRAN are also eligible for reimbursement through CRF.

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

So in this next section, I'm going to give you a quick update on programmatic activity, but I'm just going to focus on new funding allocations not covered in the presentation we gave in September. So in November, the City announced that it was committing an additional $20 million of CRF funding to support a third phase of rental assistance for Philadelphians. Recipients will include eligible applicants who apply to Phase 2 of our rental assistance program but who did not have responsive landlords. Assistance of up to $1500 a month will be provided for up to six months and will serve approximately 4800 households.

This additional funding for rental assistance follows the commitment of $10 million of CDBG COVID funds to provide a first round of rental assistance as well as a commitment of $9.44 million of CRF funds to supplement the state-run program administered by PHFA by increasing the maximum amount of monthly assistance available from the $750 allowed by PHFA's program to $1500, and by providing funding for administration of the program.

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

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

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

This funding of $30 million in total, including the commitment the City made in September, is expected to provide relief to an additional 1500 businesses in the City. When combined with the City's other contributions to small business and nonprofit assistance, the City will have contributed $39.4 million of local funding for business relief associated with the pandemic. This funding would combine with the $64.5 million that's been made available from other funding sources, including the Commonwealth and philanthropy will total more than $100 million in support to Philadelphia's small businesses and nonprofits and is on top of direct federal aid relief programs, such as the Paycheck Protection Program.

And finally, the City has committed additional CDBG and CRF funds to support two eviction diversion programs. The first is a program ran by the Department of Planning and Development, which is focused on targeting resolution between landlords and tenants to avoid going to court. $1.68 million has been contributed from the City's CRF funding to provide targeted rental assistance.

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

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

Additionally, we'll continue to work to maximize grant dollars through strong compliance and documentation for federal reporting. The next CRF report will be submitted in January, detailing FY21 Q2 spending activity by projects. Treasury requires detailed reporting on CRF expenditures and we will be dedicating time to prepare the next report.

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

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

Basically, we're not going to be in any position of returning any of these monies. We're going to make sure that we spend all the monies that we are given so that there will be no return back to the federal government, so I just want to confirm that.

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

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

MS. DE WOLF: Yes.

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

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

MS. DE WOLF: So I think the answer is complicated. There are some grants where we spend out of the General Fund and seek reimbursement. There are other grants that do get booked in the Grants Revenue Fund and we spend against those grants directly. I think probably what would be best is if we give you kind of a written answer to that that lays out this more in detail, just because I do think it's a complicated answer to your question.

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

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

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

COUNCILMAN GREEN: Yes. Thank

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

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

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

MS. DE WOLF: Yeah.

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

The question I have is that considering that all CRF and actually all CARES dollars from my understanding have to be spent by December 30th of this year, have those dollars been allocated and are out the door and how are we monitoring how those dollars are being spent?

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

MS. DE WOLF: So I'll answer that question in two parts. So the first I think was your question about this latest $30 million and is that getting out the door quickly, because obviously it's December 2nd and all funds have to be incurred by December 30th. So the answer to that is, yes, we received an invoice from the CDFI Network. They should receive the funds this week. And we're in very close communication with them about making sure we can move quickly to disburse these funds.

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

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

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

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

MS. DE WOLF: After December 30th.

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

MS. DE WOLF: We don't know.

MR. DUBOW: Somebody forgot to --

MS. DE WOLF: Somebody made a typo.

COUNCILMAN GREEN: After December 30th. The reason I asked a question, it seems from my observation and also from -- I know we've had some calls with people in the NLC and others that use kind of the CDBG rubric on a lot of these dollars and I know from Community Development Block Grant dollars, people allocate and reallocate dollars all the time. And I was curious in reference to if you designate who the dollars are going to go to, is that considered being spent by that time, if for whatever reason, the entity -- and this happens with CDBG all the time, we're Comp Plan Year 46, that they allocate these dollars either in our program statement or our Comp Plan that gets approved by HUD by the new fiscal year at the federal level by October 1, but then sometimes those entities for whatever reason couldn't use those dollars and those dollars get reallocated.

So that's why I was curious when I kept hearing about this December 30th date. Does that actually mean that similar to at the state level with DCED, those dollars have to actually be spent and then there's a reporting back from the City or the entity that received those dollars, having spent those dollars, back to the state or we just allocate those dollars to the entity we intended them to use it because they said they were going to, but for whatever reason they weren't able to use it because things change and the business unfortunately went out of business before they could receive the dollars and actually use the dollars, and then we still could use those dollars. So what I'm hearing is that we still can get the dollars out the door for another 90 days. We just can't charge any admin expenses for use of those dollars.

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

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

So one of the things that we're thinking about and that we're doing with our consultants is really reviewing the documentation behind each of the costs that we're planning to charge to CRF and making sure that we effectively load up that $276.4 million with the most kind of secure audit worthy expense as possible, so we do have some flexibility there.

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

COUNCILMAN GREEN: Just one more follow-up question about that. Considering that we can expend federal CRF dollars after December 30th and if we are using CDBG, for example, funded employees to do that, has there been any review on whether we're using, I guess this will be going prospective, CDBG-funded staff to do activities that are not CDBG-eligible activities using the CRF funds?

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

So I wasn't sure there had been any changes in that regard because we want to continue to get those dollars out for using the CRF funds, but the question whether those expenditures will be considered CDBG-eligible if we are using City employees whose salaries are funded by Community Block Grant Dollars?

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

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

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

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

MS. DE WOLF: Yes.

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

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

I have two more quick questions for you, Sarah, before we're complete. I don't have any other questions from my colleagues yet. In the background, we've learned that usually there's a lot of strict restrictions on how funding from other governments can be spent. And I recently heard the COVID assistance dollars can't be used, cannot be used, to assist with utility payments if the utility is municipally owned, even has separate governance like our Water Department and PGW; is that true?

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

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

COUNCILMAN DOMB: I just want to make sure we can help those who need that help and not have a barrier. Are there any other barriers, by the way, that we're dealing with to get these relief dollars out the door?

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

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

COUNCILMAN DOMB: Okay. The only other actual comment or question really is that -- and I want to piggyback on Councilmember Green's questions on the small business funding -- when you look at the funding that we're doing for rental assistance which is great and for eviction prevention which is great, it's all great, a lot of it's coming, not all, but a lot of it's coming because people have lost jobs and they don't have an income, and if we deal with the source of why you don't have an income which is small businesses in many cases and help those small businesses, we might be able to avoid a higher requirement in the rental assistance and other programs. So that's more the root of the cause dealing with helping the businesses and keeping people employed versus having to just add more money to that rental assistance program down the road, so just something to keep in mind.

Last question, last question

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

MS. DE WOLF: So to be clear, the same rules apply to the state as the City of Philadelphia around use of these funds. What the state took advantage of is actually part of what has been evolving guidance around the definition of substantially dedicated employees who are substantially dedicated to the pandemic response. So early on when CRF was issued, it was very clear we couldn't use it for budgeted expenses.

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

So I think this is just kind of a difference in philosophy. We are planning to charge some of our personnel costs to our CRF. And as Rob mentioned, being able to do that does allow us to free up some General Fund dollars for the second half of the year to help with our pandemic response, but we've also put money towards relief programs and also used quite frankly a large portion of our CRF just to fund core costs related to our public health response, things like public health and medical costs. So I think it's just sort of each entity has taken a different approach to how they distribute those funds.

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

COUNCILMAN GREEN: Mr. Chair?

COUNCILMAN DOMB: Yes.

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

COUNCILMAN DOMB: Oh, sure. Councilman Green.

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

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

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

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

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

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

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

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

MS. DE WOLF: Thank you.

COUNCILMAN DOMB: Thank you, Councilmember Green.

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

MS. DE WOLF: Thank you.

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

COUNCIL TECH SUPPORT: Yes,

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

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

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

And if anyone else has anything to --

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

COUNCILMAN DOMB: Yes.

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

COUNCILMAN DOMB: Yes, absolutely. Thank you very much. Thank you.

COUNCILMAN GREEN: Okay. Thank you.

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

COUNCILMAN GREEN: Thank you. Take care.

(Committee on Fiscal Stability and Intergovernmental Cooperation 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.

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TANEHA C. CARROLL
Court Reporter - Notary Public

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