COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE SELECT COMMITTEE ON
FISCAL STABILITY AND INTERGOVERNMENTAL COOPERATION

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, February 7, 2000
9:15 a.m.

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RESOLUTION NO. 000002 - Providing for the approval by the Council of the City of Philadelphia of a Five-Year Financial Plan City for the City of Philadelphia covering fiscal years 2001 through 2005, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority, pursuant to the Intergovernmental Cooperation Agreement authorized by an ordinance of this Council, approved by the Mayor on January 3, 1992, Bill No. 1563-A, by and between the City and the Authority.

PRESENT: COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN DAVID COHEN
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COUNCILMAN MICHAEL A. NUTTER
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COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

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P R O C E E D I N G S

COUNCIL PRESIDENT VERNA: Good morning, everyone. This is the public hearing on the Committee of -- the Select Committee on Fiscal Stability and Intergovernmental Cooperation.

Miss Suber, I understand you're testifying.

I would ask Mr. McPherson to please read the tile of the resolution.

MR. MCPHERSON: A resolution providing for the approval by the Council of the City of Philadelphia of a Five-Year Financial Plan City for the City of Philadelphia covering fiscal years 2001 through 2005, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority, pursuant to the Intergovernmental Cooperation Agreement authorized by an ordinance of this Council, approved by the Mayor on January 3, 1992, Bill No. 1563-A, by and between the City and the Authority.

COUNCIL PRESIDENT VERNA: This is not a revised Five-Year Plan.

MR. MCPHERSON: No, this is not a revised.

COUNCIL PRESIDENT VERNA: So I think the word "revised" should be deleted from the title of the resolution.

MR. MCPHERSON: Yes. And also, it says "incorporating proposed changes," which are (inaudible).

COUNCIL PRESIDENT VERNA: Yes. Also, in the first paragraph, we should also delete "and incorporating proposed changes." There are no changes that we're aware of.

MR. MCPHERSON: At this point in time.

COUNCIL PRESIDENT VERNA: All right. Miss Suber. Good morning.

MS. FRANKLIN-SUBER: Good morning, President Verna, members of City Council. My name is Stephanie Franklin-Suber. I'm the Chief of Staff for the City of Philadelphia.

With me today are Linda Orfanelli, our acting Director of Finance, and Rob Dubow, our acting Budget Director. Also joining me today will be two members of Mayor Street's cabinet -- Joyce Wilkerson, our Secretary of Strategic Planning and Initiatives; and Debra Kahn (ph.), our Secretary of Education -- in the event members of Council have questions for them.

We appreciate this opportunity to present testimony in support of the Street Administration's proposed Fiscal Year 2001 through Fiscal Year 2005 Five-Year Financial Plan. I know that you have received copies of the Plan and copies of my testimony, so I will summarize, with your permission, only the most important points that are covered in the Plan.

This is the ninth Five-Year Financial Plan for the City of Philadelphia. It is the first to be presented by Mayor John F. Street.

First, the Plan recognizes the remarkable progress achieved by the City in partnership with City Council in recent years, both in terms of financial management and service improvements;

Second, the Plan outlines the risks to the City's continued financial stability;

And, finally, the Plan sets forth the Street Administration's objectives for certain key new initiatives in the upcoming years.

For the seventh consecutive year, the City ended Fiscal Year 1999 with a balanced budget and a positive year-end fund balance, totaling a record $205.7 million. This is the Seventh straight year in which the City's General Fund has recorded improvement over the prior budget year.

This performance could provide a very tempting excuse for complacency and unrealistic demands that the City achieve more only by spending more. But the City's fiscal position is vulnerable to a number of factors beyond our control, and this makes such a course inadvisable. In fact, the Plan projects that the City will end Fiscal Year 2000 with an operating deficit of $54.8 million. By the end of Fiscal Year 2005, the fund balance will actually drop to 4.9 million. And this is not even taking into account any new wage increases beyond Fiscal Year 2000.

So in light of this fiscal outlook, the Street Administration's strategic plan is to work in close collaboration with City Council to ensure that City government continues to run efficiently and effectively and to adhere to four basic strategic principles of fiscal discipline. These have been the hallmark of City government since 1992.

First and foremost, the City must live within its means, maintaining balanced budgets that are a prerequisite to the stability and credibility of municipal government;

Second, the City must continue to reduce the tax burden for citizens and businesses alike, sending a message each year that Philadelphia is becoming more competitive as a place to live and to work;

Third, the City must continue to invest in its economy to help generate the sustained growth that is essential to reversing long-term decline;

And, finally, the City must continue to enhance Philadelphia's quality of life by strengthening neighborhood services, crime-fighting, and the quality of public education to make the City an even more desirable place for employers and families.

Through a unique and close partnership between the Administration and City Council, the City has balanced its budget, stabilized the debilitating erosion of jobs and tax revenues, and steadily improved the delivery of services while cutting their costs to taxpayers. But there is still much work to be done.

The ambitious agenda that was outlined by Mayor Street for the first 100 days of his administration indicates the challenges that we face in the upcoming years. We have to negotiate fair and reasonable labor contracts, we have to pursue aggressive crime-fighting measures, we have to spearhead efforts for educational reform, we have to explore reasonable strategies to build world-class facilities for our professional sports franchises.

At the heart of the Street Administration's agenda are two major new initiatives that are designed to reclaim many of the City's neighborhoods and support many of the City's children. I will touch on these very briefly.

The first of these is the Saving Neighborhoods Campaign. This campaign will be an all-out assault on neighborhood blight and destabilization. This campaign is essential if Philadelphia is to retain its vitality and its viability as a destination of choice.

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It is estimated that the cost to rid the City of its current inventory of vacant and dilapidated properties would exceed $200 million. And to date, fiscal constraints have forced the City into a crisis-driven mode, limiting publicly-funded demolitions to those building whose poor structural condition poses the most imminent danger to public safety. Through the Saving Neighborhoods Campaign, the Street Administration will partner with community residents and City Council to implement stabilization plans that are tailored to the special needs of specific neighborhoods. Financial support for the campaign will come from a $250 million fund, which will be capitalized through one of the City's development authorities.

The second major initiative is KIDS, Kids Involved in Developing Skills. This initiative focuses on keeping children off the street by providing them with constructive activities after school. Numerous studies have indicated that the majority of juvenile crime, including those that victimize children, occur between 3 p.m. and 6 p.m.

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The City will increase funding for after-school programs to more than 4.3 million, beginning in Fiscal Year 2001. The Recreation Department will extend its after-school programs uninterrupted through the summer months, while the Free Library will expand its LEAP capacity to all of its branches. Moreover, the KIDS Initiative will forge partnerships with schools, churches, synagogues, philanthropic organizations, and community groups in order to promote the program's as longevity through the generation of permanent funding support and after-school funding sites.

These initiatives and others discussed throughout the Plan are all contingent on the City's ability to improve services, increase productivity, reduce the cost of government, continue its tax reduction program, stimulate economic investment, and balance the budget. Any retreat from this strategy could easily erode the progress we have made so far.

Over the past eight years, City departments have responded to the challenge of finding innovative ways to maintain and expand the level of City services delivered at ever-

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decreasing costs. The Street Administration is continuing these efforts primarily through a partnership with local Chambers of Commerce, which will take the lead in identifying new cost-saving and revenue-enhancing initiatives to pursue.

However, it is important to understand that although last year's cumulative $205.7 million was a milestone achievement for the City, Fiscal Year 1999 revenues benefitted dramatically from the underlying strength of the national economy. Wage tax collections in Fiscal Year 1999 were $38.8 million above budgeted levels.

While these tax revenue gains were encouraging and are, in part, due to the City's economic development successes, wage tax collections are extremely vulnerable to changes in the broader regional and national economies. In the years ahead, it would be far from prudent to expect to see a repeat of this extraordinary revenue performance.

Also, for the third year in a row, the City experienced an extraordinarily warm winter during Fiscal Year 1999. Because the City budgets for a moderate season, the City's utility spending was lower than expected, and savings were also achieved on the City's budget for snow removal, pothole repair, and other winter-related costs. Clearly after the January we've just experienced, this trend has already begun to reverse itself in Fiscal Year 2000.

In addition, elsewhere on the City balance sheet, there are new costs that must be absorbed, and some of our revenue sources have been curtailed. For example, as a result of electric deregulation and state legislation, the City will see substantial reductions in its Public Utility Realty Tax Act (PURTA) revenues. Before the changes, the City received approximately $25 million annually in PURTA revenues. The deregulation and changes in state law, however, reduced the City's revenues to $20 million in Fiscal Year 2000, and are likely to reduce them either further in future years. Over the life of the Plan, while the exact amount of the reduction is not yet known, PURTA revenues are projected to be $66.4 million lower than they would have been had there been no changes to the allocation. As a result of these and other factors, the Five-Year

Plan projects that the fund balance will decline in each of the next five years, dropping to below 5 million at the end of Fiscal Year 2005.

The projected erosion of the fund balance is not entirely surprising. The fund balance was intentionally accumulated to provide resources needed to deal with major and growing projected expenses and costs. There are several factors beyond our control, which include a number of projected increased costs and expenses, and we expect that these will reduce the fund balance in future years.

First, increased costs of new collective bargaining agreements covering Philadelphia's municipal workforce for Fiscal Year 2001 and beyond. These agreements have yet to be negotiated, and no funds are included in the Plan to cover wage increases or any potential spikes in health-benefits costs for any bargaining unit beyond expiration of the current agreements.

Second, the continuing erosion of state funding for the Philadelphia School District. Despite the School District of Philadelphia's aggressive cost-cutting and increases made to the

City's already considerable local funding for the District over the past five years, the continuing erosion of state funding will leave the District facing an untenable budget gap in its next budget year.

Third, the potential for increased demand for City service as a result of welfare cuts. Since 1996, both the federal and state governments have implemented legislation that has dramatically changed the face of welfare, and to date, the City has been spared the full potential impact of these changes because the State has not fully enforced its regulations. However, once more families begin to be sanctioned, many of these families losing benefits will seek services funded and provided by the City, and the City cannot accommodate that extraordinary demand without endangering our hard-won fiscal stability.

Fourth, we are vulnerable to any downturn in the state or national economy. There's no question that the City's economy still lags behind the national economic recovery and remains vulnerable to any downturn. For example, looming changes in health services sector, which affect the University of Pennsylvania Health System and Tenet Health Care Corporation, have resulted in the loss of jobs already this fiscal year, and further changes undoubtedly lie ahead.

The Five-Year Plan assumes that revenue growth will continue to be moderate in the years ahead, staying in the range of 1 percent to 2.5 percent over the planned period, while inflation is projected to be 2.5 percent. These projections are consistent with the recent performance of the City's economy, and most significantly, they do not presume any significant downturn in the regional, national, or international economies during the Plan period.

Fifth, continued delay in the transition of the responsibility for court funding to the Commonwealth. Breaking from recent practice in response to concerns expressed by PICA, the Plan includes full City funding for the First Judicial District of Pennsylvania for Fiscal Year 2001 through Fiscal Year 2005. Continued delay in the courts transition will further adversely impact planned and vital increased City investment in tax reduction, economic development, and school reforms.

Finally, the Plan is balanced in part by assuming that the City will be able to achieve $60 million in as yet unspecified target budget reductions over the next five years. While the City's record of consistently achieving management and productivity savings since 1992 has demonstrated that this goal is attainable, the need for continued fiscal discipline has not abated; it remains essential to the balance of the Plan.

In conclusion, the Plan before you describes much of the City's fiscal recovery and enormous service improvements since 1992. Basic City facilities, from pools and fire stations to playgrounds and branch libraries, have been reconditioned, modernized, and reopened for business. Over 1,000 more police officers have been deployed to street duty. Yet, while taxes are going up in the surrounding suburbs, Philadelphia in 2000 is enjoying its fifth consecutive year of incremental wage and business tax reductions.

Coupled with an unprecedented

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$7 billion Economic Stimulus Program, these actions have been instrumental in achieving what preliminary statistics indicate will have been Philadelphia's third consecutive year of overall job growth, building on the 6,800 jobs gained in 1998. The choice of Philadelphia as the host city for the 2000 Republican National Convention is just one example of Philadelphia's emergence as a hospitality and retail destination.

These tremendous strides are only the starting point. While taxes are finally coming down, Philadelphia's tax structure remains the least competitive in the region and one of the most costly in the nation. While jobs and investment are returning to the City, too many of Philadelphia's neighborhoods still struggle to overcome the corrosive forces of crime, drugs, poverty, and blight.

While the country's economy is strong, Philadelphia's economic strength is threatened. And with the looming cost of collective bargaining agreements and interest arbitration awards, coupled with the ongoing delays in the Commonwealth's acceptance of its responsibility to fund the court system, it is far from assured that Philadelphia's record string of balanced budgets and surpluses will continue.

While the City's long-term fiscal stability may be tenuous, the Street Administration rejects major service cuts as a way to balance the budget. Service cuts would ultimately be counterproductive, because they drive out the City's tax base and they erode the City's neighborhoods. Instead, the City will continue to work to make the most of its available resources in order to sustain an enhance basic municipal services. Through the Plan, the Street Administration puts forth its vision for a better Philadelphia with strong neighborhoods, safe, sound, and educated children, and safe, clean streets that are free from crime, drugs, and violence. The realization of this vision is possible only if the City remains true to its commitment to maintaining its fiscal discipline.

Thank you for the opportunity to present this testimony in support of the Plan. We would be happy to answer any questions, and representatives of all City departments and agencies included in the Plan are here to answer specific questions regarding their sections.

COUNCIL PRESIDENT VERNA: Thank you very much.

Each member will be given five minutes for questioning anyone in the Administration, and then we will have a second go-around if needed.

I would like to start out with the questioning, if I may. Miss Suber, would you critique the uncertainties that are facing the City that would adversely affect the City's budget and Five-Year Plan, and what is the potential magnitude of their impact?

MS. FRANKLIN-SUBER: Answering the second part of your question first, Council President Verna, there are several risks and contingencies which affect the City's financial stability over the course of the Plan. Their potential impact is difficult to gage, although there may be some estimates on particular items that we can give to you.

But in terms of the general risks and contingencies, to summarize, any downturn, any downturn in national local economies we are extremely vulnerable. And as I pointed out in my prepared remarks, wage tax collections, for example, are extremely vulnerable to that element.

As I also stated, any increased demand for City service as a result of the impact of welfare cuts, any changes in state or federal reimbursement formulas separate and apart from the changes in the PURTA allocation.

As I touched on very briefly, any spikes in health-benefit costs for City employees. We made certain assumptions in the Plan that those costs may be 9 percent. In the event it's higher than that, that is another risk or contingency.

One of the other risks is the possible waiver of the $18 million payment to PGW by the City of Philadelphia.

MR. DUBOW: Rob Dubow, the City's Budget Director. I wanted to give you a couple examples of the magnitude of some of the risks.

On welfare cuts, we estimate that for each additional thousand people who seek City services, it could costs us $10.8 million. For health-care benefits, for each percent above the

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9 percent, we estimate in annual growth, it would probably be about a couple of million dollars in costs. And PGW, obviously it's about $18 million a year, which would be 90 million over the life of the Plan.

COUNCILWOMAN VERNA: How about wage increases?

MR. DUBOW: Each 1 percent wage increase is equal to about $10 million in costs.

COUNCIL PRESIDENT VERNA: Okay. When do you plan on presenting your blight program for City Council review? And can you tell us, will Council's technical staff participate in your planning process so that City Council will be informed of the issues that will be contained in the legislative package to be presented to City Council?

MS. FRANKLIN-SUBER: Council President Verna, I have been joined by our Secretary for Strategic Planning and Initiatives, Joyce Wilkerson. We are still going through the conceptual planning for the blight elimination program. We do not have a date as of yet by which we plan on submitting it to City Council, but we do expect and plan to have City Council involvement during the planning process.

COUNCIL PRESIDENT VERNA: I think that's extremely important.

Will you be presenting the Administration's comprehensive plan to address the fiscal crisis in the Philadelphia School District to City Council? And if so, when?

MS. FRANKLIN-SUBER: I'm being joined at the witness table by our new secretary of education, Debra Kahn.

As you may be aware, the Mayor will be meeting with Governor Ridge this Friday, at 9 o'clock. One of the items on the agenda for discussion will be education.

The Mayor will certainly review with Council his education reform plan as well as his plans to stabilize the School District of Philadelphia. I do not know at this point when we would expect to submit that information to City Council.

COUNCIL PRESIDENT VERNA: Can we assume that the Administration's position would be to hold the local tax burden of the School District at its current level?

MS. FRANKLIN-SUBER: Yes.

COUNCIL PRESIDENT VERNA: Thank you.

Will you explain what the KIDS Program is? You indicate that the funding for this program will increase to $4 million beginning in FY 2001. What is the projected growth of this program in the out-years of the Five-Year Plan?

MS. FRANKLIN-SUBER: Generally speaking, the KIDS Initiative is part of a number of initiatives the Street Administration has already announced in connection with the executive order declaring the year 2000 as "The Year of the Child."

Among the initiatives was the creation of an Office of Child Care, which will be the central point for policy development on issues relating to children but particularly the expansion of after-school programs, summer programs, and so forth. There is also the establishment of the Philadelphia Commission on Children.

The major initiative that's going to be undertaken is a comprehensive review and analysis of the budgets of all City departments that receive funding related to children and developing a children's agenda and a children's budget.

There will be the creation of a nonprofit corporation, which will work in conjunction with the Commission and the Office of Child Care. The purpose of that corporation will be to raise monies through grants and through other fund-raising activities as a nonprofit corporation to support work of the Commission and to support the work of the office.

The office will be under the supervision of our new Director of Social Service, Estelle Richman. And Estelle can comment more extensively on the initiatives to the extent I have not answered your questions.

COUNCIL PRESIDENT VERNA: Fine.

(Estelle Richman comes forward.)

COUNCIL PRESIDENT VERNA: Good morning, Commissioner.

COMMISSIONER RICHMAN: Good morning.

COUNCILWOMAN VERNA: I think we would like to know more about the program. What are the hours of operation after school? Will the program

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exist during the summer? Tell us abut the ages of the children to be served and where the service will take place.

COMMISSIONER RICHMAN: I am Estelle Richman, Director of Social Services for the Street Administration.

As you know, this is a new position that looks at integrating the services between many of the operating departments that have worked within social services and for children's issues.

We're in the process of naming members to the Commission on Children. And at this point in time, one of our goals, once that commission is named, is to review both goals and standards for after-school programs. As we begin that process, however, we are committed to make sure there's programs during the summer so there's a continual activity for children that picks up as close as possible to when school ends and to expand the number of after-school programs that are currently available for children.

These programs will be available basically to all children who are in school, so if the children are in 1st grade or 2nd grade, we will have some programs. If the children are in senior -- are in high school at the 11th or 12th grade, we will also have after-school programs appropriate to their needs. We're looking at programs that are geared to interest children so we're looking at a wide variety of types of programs. But our primary goal in this has to be make sure there are standards and goals and we're getting those at outcomes so we're getting full participating of children and we're getting things that children want to be in.

One of the things we are aware of is that while we have implemented some after-school programs now that we believe have been successful, we don't have a mechanism to determining the successful nature of those programs; hence, the need standards and goals. We also know that still, even with the generous budget that we have put forth to expand these programs, which is close to three times the amount of dollars we have in them now, we still will not cover all of the children who are in need of after-school programs.

But do believe that the expansion of

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the programs that we have proposed and the ability to plan for standards and goals will enhance our ability to make these programs effective and cover more children and more neighborhoods throughout Philadelphia.

I actually hope to have the Plan available for Council and Administration review sometime in the month of March because to be able to be up and running when school ends means that we have to more pretty swiftly on a plan for this year. And we do hope to have the program ready for implementation towards the last third or fourth week in June that will continue through probably the second or third week in August.

COUNCIL PRESIDENT VERNA: I'm assuming we would have programs in, say, the YMCA and the PAL centers?

COMMISSIONER RICHMAN: We plan to use every available facility -- libraries, recreation centers, PAL centers. Whereever there is space available, we will be doing it. We'll also, during the summer, be outside a lot -- in parks. I know there's an extensive plan to expand our Mural Arts Program, and I'm not sure if Council's aware of how much of that work of mural art is actually done and planned by children also in the neighborhoods.

So there's a fairly ambitious agenda here, which we believe we can accomplish -- not only during the summer, though, but continuing throughout the rest of the year.

COUNCIL PRESIDENT VERNA: Who will be supervising these programs?

COMMISSIONER RICHMAN: Some of the activities will be in the operating departments, although the planning, policy, and budget development will be out of my office, as the Director of Social Service.

But the operating departments, such as the Recreation Department, the Department of Human Services, and the department that's not under me, the libraries, will all participate in both supervising and being in charge of the operating parts of these activities.

COUNCIL PRESIDENT VERNA: Thank you. I think I've used my five minutes.

COUNCILMAN NUTTER: You always have --

COUNCIL PRESIDENT VERNA: The Chair

recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

I just want to follow up on one question because someone else might have been before me. And that is, in working with the neighborhood sites, will we have the opportunity to suggest some that you might not be aware of?

COMMISSIONER RICHMAN: I would be happy for any suggestions that you might have.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I don't have any questions of the Commissioner.

COUNCIL PRESIDENT VERNA: Okay, thank you, Commissioner.

Does anyone have any questions of the Commissioner while she's up at the table?

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN REYNOLDS BROWN: Good morning.

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COMMISSIONER RICHMAN: Good morning.

COUNCILWOMAN REYNOLDS BROWN: I am hopeful that as we move to create the standards for after-school programs that there's some dialogue, conversation, coordination with the Philadelphia School District to the extent that that's possible, particularly during the school year, when our buildings close down at 3 o'clock. And where appropriate, to look to members of the faith community who care like we do about what our children are not doing between 3 and 6 p.m., and just make them a part of that list of entities we look to in shaping the after-school programs.

COMMISSIONER RICHMAN: Yes. Secretary Kahn and I have already talked that we'll be coordinating with the School District and the programs so that they can be back to back and there's not a gap there. And certainly we will include the members of faith within this planning, goal-setting, and standards-setting.

COUNCILWOMAN REYNOLDS BROWN: And let me just state for the record that I'll be particularly interested in the conversations around setting standards and criteria to ensure that we put our money to good use.

COMMISSIONER RICHMAN: That is our primary goal in looking at this and being able to actually -- with having a director of social services, one of my primary goals is better use of the dollars we have now and to be able to combine our dollars in a way. And while this is a major change, I think, for many of the operating departments, it's critically important that we begin to look at these budgets as supporting each other as opposed to the silos and working independently.

So certainly, your suggestion is one that we will understand very clearly and we'll work with.

COUNCILWOMAN REYNOLDS BROWN: And then in the end, hopefully, this won't be "The Year of the Child," but "The Administration of the Child."

COMMISSIONER RICHMAN: I certainly hope so.

COUNCILWOMAN REYNOLDS BROWN: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you very much.

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Are there any other questions of the Commissioner?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you so much.

At this time, The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you, Madam President.

Mrs. Suber, of the $200-plus million of surplus, how did we accumulate that surplus? Also -- I guess that's the first question. I know it's from some areas like the economy and things of that nature but, um. . .

MS. FRANKLIN-SUBER: There were a number of factors which led to the accumulation of the surplus, which were actually -- which were intentional. And the reason that we advised that the surplus -- the accumulation of the surplus is vulnerable is because we look at these as one-time circumstances or situations.

The surplus was built on several factors, one of which was the growth in the national economy, which we've discussed. But the other was certain savings from productivity initiatives, which were one-time savings. There were also savings that were achieved through the implementation of certain cost-effective risk management programs, which probably have been stabilized at this point. We also achieved rental savings when we consolidated all of the City offices.

And so we see these as isolated situations and circumstances but also savings that we achieved through the collective bargaining agreements that were negotiated over the past several years.

COUNCILWOMAN TASCO: Well, how much of that would be a recurring savings? If you plan to have after-school programs, which is not in the present budget but you want to add, how do you account for those dollars?

Also, how do you account and will you generate fund to negotiate your contracts for the four unions?

MS. FRANKLIN-SUBER: The short answer to the first part of your question is that we really do not envision that many of the factors

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I've identified will be recurring. That's why this is an accumulated surplus -- it is not an operating surplus, and that's another reason why we are projecting a deficit. This will be the first year where we actually start to spend the surplus.

And it was accumulated in recognition of the fact that we are going to have to deal with certain increased costs that we anticipate in the future, and among those costs is the increased costs of potential increased costs of any collective bargaining agreements that we negotiate. They've not yet been negotiated, there are no specific numbers included in the Plan, but certainly, that's one of the increased costs that we would anticipate would impact the surplus.

COUNCILWOMAN TASCO: On Page 1 of your -- in the Plan, under Appendix 3, I see Line 20, "Future Target Reductions in Fiscal Year 2004 and 2005," I see an $18 million reduction.

Does that in any way relate to PGW?

MS. FRANKLIN-SUBER: No.

COUNCILWOMAN TASCO: Let me ask you about the --

MS. FRANKLIN-SUBER: It's just a coincidence.

COUNCILWOMAN TASCO: I thought so, but I thought I'd ask you that.

On the lien sale, has there been any tracking of the sale of the properties in terms of who may purchase and what efforts have been made to put some of those properties back on the market to generate revenue, the tax lien sale?

(Nancy Kammerdeiner comes forward.)

COMMISSIONER KAMMERDEINER: Good morning. I'm Nancy Kammerdeiner, the Revenue Commissioner.

COUNCILWOMAN TASCO: Good morning.

COMMISSIONER KAMMERDEINER: The first properties from the tax lien sale that went to foreclosure with the City of Philadelphia were just last month, so it was mid-January of 2000 before we saw the first actions for foreclosure on the tax claims that we sold, so we don't yet have many statistics along the lines that you're suggesting in terms of tracking what has happened to get those properties back on the tax rolls.

The first efforts of the servicers,

after we sold those tax claims, were directed toward getting settlement on those claims without actually taking any properties to foreclosure at all, and they've spent the last nearly two years working very diligently at collecting on those claims without disrupting the owners of the properties.

COUNCILWOMAN TASCO: How successful were we in negotiating some of the settlements?

COMMISSIONER KAMMERDEINER: I'm --

COUNCILWOMAN TASCO: I mean the collectors. Do you have -- is there any conversation between the City and the collectors on what their success rate is in collecting the money?

COMMISSIONER KAMMERDEINER: Well, the bonds that were sold in order to finance the sale of those claims do have regular periods for payment, and all of those payments on the interest have been met on time, and that continues to be the case with the lien sale. And that's the primary measure we've been looking at to date in terms of their ability to deal with the collections.

COUNCILWOMAN TASCO: One other question.

COUNCIL PRESIDENT VERNA: Councilman, we'll have a second go-around.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Good morning Madam Chief of Staff, Mr. Dubow, Ms. Orfanelli, how are you today?

(No response.)

COUNCILMAN NUTTER: Good.

This might be for Mr. Dubow. In the Five-Year Plan, on Page ii-2, in the introduction, during the last third of the page is a sentence that reads: "In the aftermath of nearly a half century of decline brought about by its own mismanagement and by federal and state policies that too often have served to pit cities against their suburban neighbors, Philadelphia is finally beginning to reemerge."

Can you tell me a little bit about some of these mismanagement issues and highlight some examples.

COUNCILWOMAN TASCO: You didn't write

that, did you?

(Laughter.)

MR. DUBOW: I think we were referring to things like overly generous labor contracts that put a strain on our budget, tax increases that we probably thought were unwise. I think those would probably be our two major areas.

COUNCILMAN NUTTER: When were some of these labor contracts and these tax increases?

MR. DUBOW: Excuse me?

COUNCILMAN NUTTER: When did these events take place?

MR. DUBOW: Probably beginning in the '60s, '70s.

COUNCILMAN NUTTER: Okay. As Councilwoman Tasco said back here, I mean, did you write that into the Five-Year Plan, or is that just standard language that goes into the Five-Year Plan or --

MR. DUBOW: I think it's pretty much standard language.

COUNCILMAN NUTTER: Standard language, okay.

MR. DUBOW: Yes.

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COUNCILMAN NUTTER: You just desecrate the past and talk about the future.

MR. DUBOW: Actually, Stephanie just turned to me and said, "I thought we took that out," and I said, "I thought we did, too."

COUNCILMAN NUTTER: Okay. It must be stuck on the disk somewhere or something.

MR. DUBOW: That's right.

COUNCILMAN NUTTER: Madam Chief of Staff, on your testimony on Page 1, under the bullet that starts with "The City must continue to reduce the tax burden for citizens and businesses alike," we've talked just a little bit about the legal situation that has the resident wage tax at one rate and the nonresident wage tax at another rate, and they seem to continue to mirror each other in the percentage decrease, but there seems to be somewhat of a little bit of a gap between the two.

Why does that continue, and are we legally bound to keep the rates at different levels?

MR. DUBOW: I think the state cap -- the suburban -- the nonresident rate, I imagine we could actually bring them down to be the same. I think what we couldn't have done is raise the nonresident.

COUNCILMAN NUTTER: Is that the end of the answer?

MR. DUBOW: Yes.

COUNCILMAN NUTTER: So we could lower it but we don't?

MR. DUBOW: We could lower -- we could make them equal, you mean? Is that --

COUNCILMAN NUTTER: We could make them equal, you could make it less of a gap between the resident and the nonresident. Is there something stopping us from doing that, other than the additional loss in revenue?

MR. DUBOW: Other than the additional loss in revenue and, I guess, the fear of the suburban reaction if we did that.

COUNCILMAN NUTTER: The fear of the suburban reaction to what?

MR. DUBOW: To closing the gap between what suburbanites pay in their wage tax and what City residents do.

COUNCILMAN NUTTER: Okay, so -- okay.

So we're worried what the suburban residents might feel or be concerned about as to what Philadelphia residents pay in the wage tax.

MR. DUBOW: Yes.

COUNCILMAN NUTTER: Okay, all right.

Can you get us a chart, through the Chair, to show us over the past, is it now five years of wage tax reduction that we have through the Rendell Administration and now into the Street Administration will continue to embark on and show us for the average person making either $25,000, $40,000, and $60,000, what that person has saved over the course of time through those cuts, and then give a cumulative amount if that person --

MR. DUBOW: Yes.

COUNCILMAN NUTTER: -- had been in Philadelphia when the cuts started, they're still in Philadelphia, and show what the savings have been to that person. And then, if you have any ability to calculate what those same taxpayers pay by way of taxes, for instance in a next-door county like Montgomery County or something.

MR. DUBOW: Yes.

COUNCILMAN NUTTER: Thank you.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam President.

And to that last question, if you could add a comparison of the real-estate taxes for similarly valued homes.

MR. DUBOW: Yes.

COUNCILMAN COHEN: The tax base for that.

We file this report because we have to, this Five-Year Plan?

MR. DUBOW: Well, there are a couple of reasons. One is, it's required under the PICA Act, and the other is that it's a planning tool for us.

COUNCILMAN COHEN: Have we filed similar plans before we had to under PICA?

MR. DUBOW: No.

COUNCILMAN COHEN: You mean, we've taken the burden and made a good use out of it?

MR. DUBOW: Yes.

COUNCILMAN COHEN: And what happens

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after, say, it goes through the process and the committee recommends it and Council passes it and the Mayor signs it? Does that have to be done within a specific time period?

MR. DUBOW: Yes. It has to be done by the end of May is the actual requirement for the budget to be passed. It also has to go to PICA, and PICA has to approve it. That's the other important step in the process.

COUNCILMAN COHEN: Well, when does it have to go to PICA? Is there a deadline date on that?

MR. DUBOW: Yeah. It has to be submitted to PICA -- I think it's 120 days before -- I think it's by the end of February that it has to get to PICA.

COUNCILMAN COHEN: Approved by the Mayor by that date?

MR. DUBOW: It's submitted by the Mayor, that's right.

Now, we've been able in the past to work with PICA, and they can extend that date if they get a qualified majority of their board to agree, and that's happened in the past. So usually, we've been able to delay submitting it officially to PICA until after it's gone through the Council process.

COUNCILMAN COHEN: And the --

COUNCIL PRESIDENT VERNA: I'm sorry, I'm not too clear on that answer. Are you, Councilman?

COUNCILMAN COHEN: Well, I was still going to pursue it, but go ahead.

COUNCIL PRESIDENT VERNA: Oh, go ahead, please, no. I don't mean to interrupt you, but I'm not to too clear on that answer.

COUNCILMAN COHEN: Could you repeat that answer.

MR. DUBOW: Yeah. PICA can, with the qualified majority of its board, which is four out of the five -- actually, it only has four members now. If four members of the PICA Board agree --

COUNCILMAN COHEN: Could you slow down a little, please.

MR. DUBOW: Sure.

COUNCILMAN COHEN: This is not a race track.

MR. DUBOW: If four members of PICA's

Board agree, they can switch -- they can postpone the date by which we have to officially submit the Plan to PICA. And that's happened for the last several years.

COUNCILMAN COHEN: It has happened for the last several years?

MR. DUBOW: It has.

COUNCILMAN COHEN: Did you say it has happened or hasn't?

MR. DUBOW: Yes, it has.

COUNCILMAN COHEN: During a number of years?

MR. DUBOW: Yes.

COUNCIL PRESIDENT VERNA: Council has been passing its budget much earlier than the May date.

MR. DUBOW: That's right. Council has been passing by the end of March, and the Plan has usually been going to PICA in April.

COUNCILMAN COHEN: Even though it's supposed to go by the end of February?

MR. DUBOW: Right. Because the board -- we've worked with the board to allow us to submit it later. They get it unofficially. I mean, they get it - PICA already has copies of the Plan, so they knows what's in there, but it's just that --

COUNCILMAN COHEN: And what --

MR. DUBOW: I'm sorry, go ahead.

COUNCILMAN COHEN: If the board chose not to extend, what could the board do?

MR. DUBOW: They would have to act on it earlier; they would have to approve it or disapprove it earlier than they've been doing.

COUNCILMAN COHEN: What happens if they disapprove?

MR. DUBOW: A number of things can happen. We'd have to revise the Plan to get it to the point where they would accept it. They also have a number of options, including withholding from us their portion of the wage tax, which is about -- I think it's about $100 million. We would have to go to monthly reporting instead of quarterly reporting to them.

There are also a number of grants that they can withhold from us, so they have a number of --

COUNCILMAN COHEN: How many more years

does PICA have to go?

MR. DUBOW: PICA is in existence as long as bonds they have issued our outstanding, and they have bonds outstanding for another twenty years.

COUNCILMAN COHEN: And so their existence is guaranteed for that period of time?

MR. DUBOW: Yeah, unless their bonds are refinanced in some way, you know, their bonds are repaid, they're around.

COUNCILMAN COHEN: What happens if there's an ultimate conflict? Suppose the PICA Board wants us to do something and we very much don't want to do it because we think it's in the City's best interests not to do it?

MR. DUBOW: Their discretion is really whether the Plan is balanced, they're not policy-makers. So, for example, they can't say, "We don't like your KIDS Program, we think that's a bad idea." They can say, "We don't think your plan is balanced to show us a reasonable plan that is balanced."

COUNCILMAN COHEN: And that's basically the limit of their authority?

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MR. DUBOW: Yes.

COUNCILMAN COHEN: To demand that we have balanced books?

MR. DUBOW: Balanced books, and they also have some discretion if they think what we're doing threatens, I guess, it's the life and safety. Like if we said we were eliminating the police department to balance our plan, they have some discretion to say that they think that's not reasonable.

COUNCILMAN COHEN: Is there any basic distinction between the work of the PICA Board and the work of the City Controller?

MR. DUBOW: Yeah. The Controller's work is much more extensive. I mean, the Controller looks at, you know, the day-to-days disbursements, the Controller audits individual agencies; whereas PICA really is in a much broader oversight, a much more limited role in terms of what this look at in day-to-day activities.

COUNCILMAN COHEN: So would it be fair to say that it's basically easier to satisfy PICA Board than it is to satisfy the City Controller?

MR. DUBOW: I would say it's not easy

to satisfy either one.

COUNCILMAN COHEN: Well, I noticed in this morning's Daily News an interesting reference to something that the City Controller was raising, the question of the purchase of property for far more than -- by the City in the closing days of the Rendell Administration for a price much higher than what the City Controller believes the price should have been and its potential tie-in with a campaign contribution of large size.

Now, is that the kind of thing that PICA would not get into? Or would PICA, if it found something like that an unwarranted or a potentially unwarranted use of City money, would PICA raise that kind of issue? Or is that soley the function of the City Controller?

MR. DUBOW: PICA has never raised issues like that.

COUNCILMAN COHEN: It's never raised this specific issue.

And so long as we satisfy PICA that the books are balanced finally, then what happens when PICA reaches that conclusion? What do they do?

MR. DUBOW: They approve the Plan, they

approve the Five-Year Plan.

COUNCILMAN COHEN: And you have dinner out that night?

MR. DUBOW: I go home and take a nap, I think.

(Laughter.)

COUNCIL PRESIDENT VERNA: Councilman?

COUNCILMAN COHEN: Yes?

COUNCIL PRESIDENT VERNA: If you don't mind, your five minutes are up.

COUNCILMAN COHEN: Yes. Thank you.

COUNCIL PRESIDENT VERNA: We'll come back to you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

My question is about PGW. As you may know, we have some serious concerns about PGW, and the mere mention of their not paying the $18 million that we expect, in view of the fact that they have no real system of operation, is one that we're concerned with. We're also working on some suggestions that we'll submit to Council and

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certainly to the Administration in that regard.

But it upsets us if PGW talks about not giving the City its due when they're not even collecting money. If they would collect money owed them or, in fact, develop a system, which to date they have not, we think that some of these problems would go away, but we are definitely concerned about that issue because we do not feel that if they do not collect the money that we should be the ones to pay for that. So we certainly are interested in a response and we want you to know that we're really, really concerned about that whole issue.

I mean, there were even rumors about a gas increase, which we would find absolutely unconscionable in view of the fact that they don't even have a system for collecting money owed.

MS. FRANKLIN-SUBER: Councilwoman Blackwell, there has not been a formal request made of the Administration to waive the $18 million.

COUNCILWOMAN BLACKWELL: Right.

MS. FRANKLIN-SUBER: We raise it as a risk in contingency in light of reports of cash flow difficulties at PGW and our understanding that the recommendation has been made by the Public Advocate to the Gas Commission.

So we simply acknowledge and recognize that this is a risk, a potential risk. The Administration has not made any decision, there has been no formal request.

COUNCILWOMAN BLACKWELL: That is great. I would submit to the President and to the Chair of the Gas Commission and to the Administration some information that I've received about specific problems and where they are even with the whole system of collecting complaints. I understand that they have -- they are administration-heavy but they don't have people who can absolutely answer the phones, that anybody answering the phone could have waiting generally at all times 400 people.

So there's obviously no way in an 8-hour day you are going to answer 400 calls, but that's the way it goes. If we were to walk in certainly and to look over the system, they would adjust the computer so that would not appear. But the real fact is, there's no possible way that the

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calls can be answered and that those that are answered can be dealt with given the kind of situation that's presently existing.

But I'll submit it in writing to the President, then to the head of the Gas Commission and the Administration so that you at least have some direction in this arena as to where we can focus.

MS. FRANKLIN-SUBER: Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman O'Neill?

COUNCILMAN O'NEILL: Thank you, Madam Chair. Good morning.

The Plan mentions on the School District two initiatives: one, to continue the $15 million payment, the extra payment that we've been doing for the last several years; and, two, to challenge the State, which I thought was a nice way of putting it 'cause I have heard it put in some stronger language than that, to increase funding.

Is there any attempt being made at this

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point to do a -- at least an eight-year historical on changes in the way the City has learned to do business differently over the last eight years, both within our own departments, with our employees, and different things, and challenging ourselves to see if the School District is at least playing on that field with us?

'Cause if I'm the governor and I'm sitting down with our mayor, that's going to be my first question. Before you ask us for more money or make a case, now that you've got a hold of the School District, now that you're interested in the School District, which I think hasn't been the case at least in the sense of really getting into their operations, what are you doing, Mayor Street? And I can picture that almost, once they get to know each other better, being the first volley from the State's side.

Could you give me some feel for that Stephanie?

MS. FRANKLIN-SUBER: I certainly know that Mayor Street is considering a close examination of the School District's overall management productivity in order to make sure that

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we are, in fact, operating the School District in the most effective and efficient manner. I don't know the extent to which we've gotten into the details as to whether or not it's going to be, you know, an eight-year historical, but certainly that is one of his concerns.

COUNCILMAN O'NEILL: Well, I would like to see somebody, where it's -- I hope it would be us doing it and not them at the State level, just looking at, if for the last eight years we have been operating as economically as efficiently -- and I'm not saying we're there yet but we're certainly light years ahead of where we were in 1990 -- what would our numbers look like?

I mean, you can do a real quick hypothetical. If their health-care costs are still high and not where ours are, if their, you know, lack of a productivity bank, if you will, can be projected out to what could have been saved over eight years, you know, where we're going from here?

And I think they're the hard questions we should be asking within the Administration within the City government of the School District,

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because if we're going to take them over, you know, it shouldn't matter that much. It should be fairly transparent that if you're a School District employee, many of them don't live in the City, and a City employee, all of whom do, in terms of your benefits, what's expected of you, what changes can and should be made. And I think we really have to get our hands on that.

It all drops down to the bottom line of more money for the kids. And it also makes, I think, a better argument to ask the State for money.

So I would hope at some point -- sooner than later -- that we can get that kind of a feel for the differential, if there is one, and I'm certain there is one.

MS. FRANKLIN-SUBER: There are a couple of ongoing initiatives in place with regard to the School District.

One, there is an existing private-sector task force on management and productivity, which is discussed specifically in the Plan on Page 89.

But in addition to that, Mayor Street

has mentioned on numerous occasions the work of the Transition Team, and one of the areas the Transition Team's been focussing on is the School District and education reform. And one aspect of their work also includes management and productivity.

And so we would expect the work of the Transition Teams to be completed shortly with recommendations and reports coming out of that process, which the Mayor has committed to share with Council.

COUNCILMAN O'NEILL: Okay. I'll be looking for that.

Secondly, the Mayor's mentioned that we're beginning to spend down the surplus now, and has projected that out over this administration. How have we actually been spending the down the surplus for the last couple of years? He's never mentioned that we're continuing to spend it down, and I'd just like some clarification on that.

It's my understanding that this came in in a flourish, and we've actually, in the last couple years of the Rendell Administration, have been spending -- including the one we were halfway

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in this, year fiscally speaking, have been spending down the surplus, so -- and running deficits.

So could you clarify that?

MR. DUBOW: Yeah. Actually, the surplus has gotten larger each year.

COUNCILMAN O'NEILL: Okay. So we haven't had any deficits under -- these would be the first deficit years we've had?

MR. DUBOW: FY 2000 would be.

COUNCILMAN O'NEILL: Okay.

MR. DUBOW: The year we're in now.

COUNCILMAN O'NEILL: Okay, so we've been running true surpluses.

MR. DUBOW: Yeah.

COUNCILMAN O'NEILL: Okay, thank you.

Stephanie, I'm going to ask you something that I haven't been able to get any administration. I think it's a fairly several request that could help us in Harrisburg, and it may even be more important if we get involved with whether we're still a first-class county or not under census results.

But aside from any of those issues,

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just in terms of good, solid arguments for more state funding, we are the only city-county in the country -- I believe we're the only seamless city-county -- I'm sorry in the state I meant first. In the country where there are a few, I think, we're not only the largest -- New York is another with their boroughs and everything and their own presidents. We are the seamless, transparent city-county.

Since at least 1980, our county side, I believe, has been bleeding our city side. What we traditionally do as a city, and would do if we weren't a county, have been, you know, the police, the fire, the L&I, the things that cities do. And I don't believe our costs have been mind-bogglingly (sic) escalating over the last twenty years in those areas.

But on the county side, the social services, the prisons, the courts, things that you only do as a county, as an agent of the state, have been just off the table. I mean, between drug epidemic and all other kind of social things going on, particularly in urban areas, but they're true everywhere for counties, our numbers have just gone through the roof.

And so without a recognition first by ourselves of this great imbalance, you're not going to get much attention from the State on it, and we've never really broken this down ourselves. This is what we spend as a city, this is what we spend as a county. The -- it makes it difficult to argue with the State when you don't even have your own house in order in terms of the numbers involved in both of these.

And I believe for at least twenty years, in a sense we've been robbing the municipal side of our revenue stream and borrowing from there to pay our county side. And I think the numbers reflect that clearly if a study is done over that period on county functions.

So I think aside from any School District arguments we may have, I think there are clear arguments that could be made to the State that you're hurting us as a city by not helping us more as a county. 'Cause it's in both of those areas where high concentrations of poverty kill you, just kill you, both in education and in social service areas that counties function in.

And I asked the Goode Administration, I asked to Rendell Administration, and I got tired of asking. Just break it down. And if we can't break it down, we ought to go out of business. And on the one hand, it makes for real nice comparisons. Allegheny County is almost exactly our side -- different economic groupings making up that county. But at least we can go to Harrisburg with some real comparisons and some apples and apples.

I mean, that's what I'd like. I don't want to hear the differences but where we can find similarities to make persuasive arguments. I mean, I think many of us would like to help make those arguments.

If you could find someone in the Administration that could break that down for us, I would appreciate it.

MS. FRANKLIN-SUBER: We can do that.

COUNCILMAN O'NEILL: Okay, thank you.

MS. FRANKLIN-SUBER: We can do that.

And I think, just to add to your point, the delay in transition of court funding, that responsibility we continue to bear, when it

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belongs to the Commonwealth. So I do think you've got a good argument.

COUNCILMAN O'NEILL: Thank you.

COUNCIL PRESIDENT VERNA: Councilman O'Neill, are you finished with your questioning?

COUNCILMAN O'NEILL: Yes.

COUNCIL PRESIDENT VERNA: Thank you.

Does the proposed Five-Year Plan provide for the expansion of the Convention Center?

MR. DUBOW: No. It doesn't have any funding for that.

COUNCIL PRESIDENT VERNA: Well, will the hospitality and tourism segment of our economy be able to sustain itself without the center's expansion?

MR. DUBOW: I think that the Convention Center is actually working on analyses of that, and they have not come to us with any kind of formal proposal. So the answer then is that I don't know until we've had further discussions with them.

COUNCIL PRESIDENT VERNA: Can you tell us what the strategies are for the City, that the

City will use in order to stimulate the growth of small and emerging businesses?

(Mjenzi Traylor comes forward.)

COUNCIL PRESIDENT VERNA: Good morning.

MR. TRAYLOR: Good morning, Council President. My name is Mjenzi Traylor, I'm acting Commerce Director.

We're going to be focussing primarily in the strengthening of the services that have been given through the Mayor's Business Action Team. And in addition to that, we now have another tool for strengthening businesses -- the Keystone Opportunity Zone. And so we're experiencing considerable growth in those zone areas and new businesses coming in.

I'm not prepared this morning to affix figures to that; I will take your question back and try to do a further analysis that will give you a better answer to that.

In addition, we also have an activity that we have done in cooperation with the Small Business Administration -- the Small Business Support Center that we operate over at 1315 Walnut, which has been strongly supportive of

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business activity.

MS. FRANKLIN-SUBER: In addition, Council President Verna, one of the -- one of the Transition Team's subcommittees has been focussing specifically on emerging industry and business. And, again, these are reports and recommendations which we expect to come out of that process within at the next month or so.

So there's been a parallel effort in addition to the initiatives that the Commerce Department is directly involved in where we would expect to be in a position to develop strategies for buttressing, you know, existing businesses, strengthening our small businesses, but also developing some of the emerging areas.

So we would expect to be in a position to talk in more detail after the Transition Team makes its report.

COUNCIL PRESIDENT VERNA: Thank you. Thank you very much.

What is the total cost to the City's General Fund for the Republican National Convention? There are many different figures. I'd like the record to reflect exactly what the figure is.

MS. FRANKLIN-SUBER: We don't have a total number. We have $5 million in the budget, specifically in the Operating Budget, specifically for the Police Department in terms of additional officers and more extensive security and to enhance our ability to deal with any situations involving civil unrest or demonstrations and so forth.

The bulk of what the City will be contributing to the convention will be in the nature of in-kind services and programs and activities. These are ongoing, and we are in the process of identifying what those costs are.

But we don't have that information for you as of this moment. We'd be happy to provide it, though.

COUNCIL PRESIDENT VERNA: With the police, I assume that is for overtime?

MS. FRANKLIN-SUBER: (Nods.)

MR. DUBOW: Yes, that's the bulk of it.

COUNCIL PRESIDENT VERNA: Could somebody say that, please?

MR. DUBOW: Yes.

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MS. FRANKLIN-SUBER: Yes.

COUNCIL PRESIDENT VERNA: How would you characterize the Administration's overall revenue-growth assumptions contained in the Five-Year Plan?

MR. DUBOW: I guess we would characterize them as cautious. I mean, there is -- conservative. We assume a relatively flat economy throughout the life of the Plan, and so the tax revenues aren't consist with that.

COUNCIL PRESIDENT VERNA: You indicate that you are projecting General Fund revenues to grow by an average rate of 2.2 percent from FY 2000 through FY 2005. Is this the growth rate before or after the adjustments of the proposed tax decreases?

MR. DUBOW: It's after, after the decreases.

COUNCIL PRESIDENT VERNA: On Page 7, regarding the real property tax, what are the assessment growth assumptions contained in the Five-Year Plan for both commercial and residential properties?

MR. DUBOW: I'm checking through the

Plan now to find that.

COUNCIL PRESIDENT VERNA: Okay.

MR. DUBOW: We forecast that the combined residential and commercial assessments will grow about 1.3 percent through the life of the Plan.

COUNCIL PRESIDENT VERNA: I'm sorry, I didn't hear you.

MR. DUBOW: About 1.3 percent through the life of the Plan.

COUNCIL PRESIDENT VERNA: What is the Administration's strategy for improving the collection of delinquent taxes? I know we talked about the Revenue Department having new systems. Are these systems -- these systems are currently online, are they not?

COMMISSIONER KAMMERDEINER: Good morning again. This is Nancy Kammerdeiner.

Most of the systems improvements that have been referenced over time are online, but we are still in the process of moving two of the larger land-based taxes into our consolidated system. By June of this year, we expect to be moving the business use and occupancy tax into our consolidated base, and then approximately one year later, the real-estate tax would be moved to the consolidated base.

That doesn't mean that we --

COUNCIL PRESIDENT VERNA: How are -- excuse me, I don't mean to interrupt you, but how long have the new systems been in place?

COMMISSIONER KAMMERDEINER: The initial consolidation of the integrated tax system that has all of the self-assessed business taxes went online in February two years ago. We have added, I believe, school income tax to that base since then. And we have seen some great improvements in our ability to manage the process as a result of having the integration on one platform instead of having multiple taxes systems.

The main thrust we have been working on with that integrated system has been improving the kinds of messages that we give to taxpayers when there's a problem. When we process their tax return, we are now sending out notices to tell someone that there's been a calculation error, that there's a missing schedule -- all of those things that have in the past resulted in bills that the taxpayers couldn't understand.

We're trying to do a better job of communicating with the taxpayer and helping them to understand what it is they owe so that they can and will pay the balance that's due or be able to provide additional information to us in order to correct their record.

COUNCIL PRESIDENT VERNA: With all of that being said, how successful have we been in collecting many of the delinquent taxes?

COMMISSIONER KAMMERDEINER: I think that success rate is shown in terms of the collection amounts that we're seeing with the last two fiscal years, where, in spite of rate decreases, we're showing higher collection amounts. And we are up in our collection of delinquent taxes as well as the current year taxes.

One particular area where we've had a great deal of success is with the school income tax. We've been matching our records to the IRS records. And this fiscal year -- and we're only now seven months into that fiscal year -- we have far exceeded the budget expectations of the School

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District on the collection of delinquent school income taxes as a result of that special project. We spent the budgeted amount by October of '99, and we continue to work with that compliance project to bring in additional funds for the School District as a result of our use of the system that the computer system and the matching capabilities we now have with IRS data.

And that's just one small example, but it's typical of the kinds of things we're now able to do and are doing on an increased basis.

COUNCILMAN COHEN: Can I follow up with one question to yours?

COUNCIL PRESIDENT VERNA: You certainly can. The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Is it possible that in the City's own administration that there could be as many as, say, 35,000 uncollected accounts 'cause the City records don't know of them, just as we're hearing rumors in the Gas Works? Would that be possible?

COMMISSIONER KAMMERDEINER: With the business taxes, they are self-assessed taxes, we don't always know if someone has a liability.

We're using as many resources as we can to identify those who may have a liability who are not currently registered with us if.

But if they're registered with us, we are billing them. We, to my knowledge, have no unbilled accounts for taxes where we have a known liability.

COUNCILMAN COHEN: In connection with that, would you be checking with the Gas Works to see how they discovered if they have discovered the existence of these other kind of accounts to see whether a similar situation might exist in the City?

COMMISSIONER KAMMERDEINER: We've had some discussions with them. I think their situation is with new meters, new accounts that were installed and not put on their system and some accounts that were left behind when they went from their old system to their new one, and they're in the process of identifying them and bringing them over. I don't think we have a comparable situation that we're looking at, but we certainly will be reviewing our water accounts as we verify that we are billing everyone there.

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To my knowledge, we have no similar problems in our water and sewer accounts to the Gas Works, and that would be the most comparable area that we would have.

COUNCILMAN COHEN: I am told that there's a property, for example, that's long been in existence at the corner of 16th Street and Champlost that goes under the name of -- at least the sign outside says "National Transmissions." It's been there for many, many years, and I'm told there are no City records on that property.

COMMISSIONER KAMMERDEINER: No City records for --

COUNCILMAN COHEN: On that property at all.

COMMISSIONER KAMMERDEINER: For real estate or what?

COUNCILMAN COHEN: Nothing exists.

COMMISSIONER KAMMERDEINER: Nothing exists.

COUNCILMAN COHEN: That no taxes have been paid for many, many years. It's a corner property.

COMMISSIONER KAMMERDEINER: We

certainly will look into that.

COUNCILMAN COHEN: Could you check into that?

COMMISSIONER KAMMERDEINER: We certainly will.

COUNCILMAN COHEN: And see if that leads to similar kinds of situations?

COMMISSIONER KAMMERDEINER: We certainly will. And anytime anyone identifies a situation -- there could be isolated instances like that where -- particularly in corner properties, you find that we are more in jeopardy of having two records for it: one, in this example, on 16th Street, and one on Champlost. I will be surprised if we don't have a record for it in one way or the other there, but I certainly will check into that.

COUNCILMAN COHEN: And if you'd be good enough to notify me.

COMMISSIONER KAMMERDEINER: Yes, we will.

COUNCILMAN COHEN: Thank you, ma'am.

COMMISSIONER KAMMERDEINER: Yes, mm-hmm.

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COUNCIL PRESIDENT VERNA: Thank you.

At this time, the Chair recognizes Councilwoman Brown.

COUNCILWOMAN REYNOLDS BROWN: I have a follow-up question to Councilman O'Neill's discussion about our dual status as city/county and draw your attention to the last paragraph on Page 5 of your testimony, Stephanie, where you acknowledge that the Commonwealth is not living up to its responsibility, and that that has not taken place since '96.

So does the City have a plan, or a revised plan of action, for addressing that? And/or are there any negotiations underway with the Commonwealth for the Commonwealth to honor its obligation?

MS. FRANKLIN-SUBER: It will be one of the agenda items in the upcoming meeting with the Governor on the 11th.

COUNCILWOMAN REYNOLDS BROWN: Okay, very well.

MS. FRANKLIN-SUBER: This week.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

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COUNCILMAN NUTTER: Thank you, Madam Chair.

On a different part of Councilman O'Neill's question, if I can make an additional request. Madam Chief of Staff, does the Mayor intend to pursue the level of involvement and oversight and coordination between the City and the School District here in any comparable fashion to what Mayor Daily did in Chicago as it related to that city and the involvement and oversight of the school district there, and specifically in the area of finances that Councilman O'Neill was talking about?

I think the City Charter calls for, if not requires, some level of coordination between the City and the School District, but I think that Councilman O'Neill's question went more to efficiencies and operations, the finances and the accounting function.

The Mayor, as a result of some action by the City Council, has received powers much greater than any other mayor has on January 1st of this year and by way of his appointment to the School Board. Just how far does the Mayor plan to go in terms of his involvement with the School District and specifically with its operations?

MS. FRANKLIN-SUBER: Well, you've raised one issue, which is the School Board, and as you know, the Administration is in the process of accepting applications and looking at potential changes to the School Board.

COUNCILMAN NUTTER: Right.

MS. FRANKLIN-SUBER: But I think the most significant change in the Administration was the creation of a cabinet-level position, the Secretary of Education, whose sole focus is on speaking for the Administration on education issues and making sure that there is ongoing monitoring and coordination with the School District, and that's the focus of that position.

And in addition to meeting with the Governor, there are ongoing meetings that the Mayor holds with the leadership of the School Board, the Secretary of Education, and the U.S. Secretary of Education recently --

COUNCILMAN NUTTER: I understand that.

MS. FRANKLIN-SUBER: -- came to visit the Mayor. And so there are --

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COUNCILMAN NUTTER: Not to cut across you, Madam Chief of Staff. What I'm actually talking about again is within the realm of what Councilman O'Neill was talking about. When the City, upon the inauguration of Mayor Rendell, and recognizing what our financial system was like and the systems and programs and efficiencies and savings that were accomplished over a series of years, which have now obviously led to the much discussed and touted $205 million surplus, and I know Miss Kahn and respect her a great deal. I don't necessarily know that she's going to spend each and every day either down in the Finance Office or working with the unions or anyone at that level to get those kinds of efficiencies and changes and savings made.

So my question goes back to, does the Mayor intend to try to do some of things that Mayor Rendell did as mayor and the current mayor supported as the council president in terms of the fiscal operations and efficiencies of this city government and look to do many of the same things at the School District because he is the Mayor and will have appointed his own school board in a very short period of time? That's really the question.

MS. FRANKLIN-SUBER: When I responded earlier, I pointed out that there is an ongoing transition committee that has been looking at not only educational reform but also management and productivity initiatives.

COUNCILMAN NUTTER: Right.

MS. FRANKLIN-SUBER: Once there are recommendations made -- I mean, I certainly think that the Mayor intends on looking at management and productivity and savings in the School District.

I cannot tell you whether the strategies he will adopt will be the same as those used by Mayor Rendell or Mayor Daily in Chicago. But I do know that that is significant and I do know that we are actually looking at new and different and more innovative strategies, which is why we have gotten involved in the process all of the local Chambers of Commerce.

So, yes, the Mayor will adopt a strategy for management, productivity enhancement, and savings at the School District.

COUNCILMAN NUTTER: Right.

MS. FRANKLIN-SUBER: I can't say if they will be exactly the same as the Rendell Administration or the Daily Administration.

COUNCILMAN NUTTER: I understand, and I'm not saying that the Rendell Administration stuff was good, bad or indifferent, or the greatest thing since sliced bread. All I'm saying is, when the transition committees' and all the various committees' work are done, they don't work with the School District. And similar to any transition committee recommendations that Mayor Rendell may have received from whoever he talked to, they didn't implement them at the City level. People who work here implement them and the people who work at the School District will have to implement them.

Lastly, in this same area, we talk about the -- your testimony makes reference to the $15 million for the School District, which has been supported as, I guess, kind of a one-time payment for, I think, the last at least three, maybe four years, and it's proposed that we continue that.

Can anyone tell us at this point where

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that figure came from, why does it stay the same? And, I mean, is there any discussion about that particular number? I mean, I certainly support the School District. Why is that the number?

MR. DUBOW: I don't know.

COUNCILMAN NUTTER: Mr. Dubow, you get the award for the most honest answer anybody has given.

(Laughter.)

COUNCILMAN NUTTER: And we're only in our first day.

MS. FRANKLIN-SUBER: We can try to find out, and if we're able to do that, we can give you the information.

COUNCILMAN NUTTER: All right. Lastly, and I'm sure the agenda's full between the Mayor and the Governor. But, again, does the Mayor, given what we've talked about earlier, there were other components of kind of an educational reform agenda, the first component of which had to do with the School Board, and that's one of things that we could do at the local level.

Does the Mayor intend to talk to the Governor and/or the state legislature about

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changing state law as it relates to the City Council's ability to review and adopt the budgets for the School District? Presently, we're not legally able to do that.

MS. FRANKLIN-SUBER: I'm not aware that he intends on discussing that with the Governor.

COUNCILMAN NUTTER: Is it fair to say that you're also not aware that he may, in fact, intend to talk to the Governor about it? Or you're not saying that he's not going to talk to the Governor about it?

Could we make that a -- can we put that on the agenda?

MS. FRANKLIN-SUBER: As part of the education reform strategy, that has not been one of the issues that we have discussed. And so, therefore, it is not on the agenda for discussion with the Governor.

COUNCILMAN NUTTER: Okay. Well, as a member that's been here for a little while, and the President's certainly been here much longer than myself, I mean, the current -- the reality is that the School District comes over. Our only legal authority and responsibility is to reauthorize the taxes, which, you know, we could do, I guess, in the next couple weeks and not have them over here.

I mean, to have no oversight, legitimate oversight over their budget or any ability to pass on it, at some level, it becomes somewhat of a sham process. I mean, it's all the same people. And so we pass the budgets to decide whether someone's trash is going to get picked up, but we don't approve budget that decides whether someone's kid's going to get an education. That doesn't seem to make a lot of sense to me. But we need state authorization to make that change, and I would more formally request that there be some discussion about that.

When the Mayor was then-candidate back in, I believe, April, he did come here to testify with regard to the ballot question, but there were other items on that particular agenda that basically said, If we do this, we should next seek authorization from the state to look at approval of budgets, the Mayor's more direct involvement in the appointment or nomination of the school superintendent, as well as the Mayor's direct involvement and responsibility for signing the contracts between the School District employees and the School District of Philadelphia.

Those three items all require support from the state legislature and approval of the governor because of the appropriate state statutes.

MS. FRANKLIN-SUBER: (Nods.)

COUNCILMAN NUTTER: Thank you.

Thank you, Madam Chair. I know my time is up.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President. Good morning to Mrs. Franklin-Suber and members of the Administration.

MS. FRANKLIN-SUBER: Good morning.

COUNCILMAN GOODE: Along the lines of carryover language from previous five-year plans, can you clarify the unprecedented 6-year $7 billion Economic Stimulus Program, that phrase? Does that refer to six years of unprecedented economic investment, six years of unprecedented job growth? Or what does it refer to?

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MR. DUBOW: What page are you on?

COUNCILMAN GOODE: It's throughout the document.

The question really is, if you compare the same six years within the last decade, 1984 to 1989, what has changed in terms of economic investment and job growth?

It's on Page 6 of Miss Suber's remarks.

MR. TRAYLOR: Councilman Goode, let me take that question for now and look at it, and then we'll come back before the end of the session.

COUNCILMAN GOODE: Okay. I have a couple other questions. How has economic development strategy changed over the last two decades? And as you look at that comparison between the same 6-year period, 1984 to 1989, and 1994 to 1999, how do you account for the greatest success in terms of job creating during the '80s? And what is the projected job growth for the first six years of the Street Administration?

COUNCIL PRESIDENT VERNA: Excuse me, Mr. Mjenzi, before you respond, would you please identify yourself for the record.

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MR. TRAYLOR: Mjenzi Traylor, Acting Director of Commerce.

COUNCILWOMAN BLACKWELL: Spell it for the stenographer.

MR. TRAYLOR: M-J-E-N-Z-I. Last name, T-R-A-Y-L-O-R.

Council, we think that this -- the answer to your questions can best be dealt with through in conferring with Mr. Hankowsky from PIDC, who is not here this morning, and we would like to ask to be able to get back to you with the response.

COUNCILMAN GOODE: There is a representative from PIDC here.

(Paul Deegan comes forward.)

MR. DEEGAN: Good morning. My name is Paul Deegan, D-E-E-G-A-N, and I represent PIDC. Philadelphia Industrial Development Corporation.

COUNCILMAN GOODE: Just pick up, please.

MR. DEEGAN: Yea, I think I would have to echo the Commerce Director's answers. We can go back and get numbers and submit them to Council. I think we can answer the question; I don't think we have the numbers right here, though.

COUNCILMAN GOODE: The purpose is not just comparison of numbers; it seems to suggest in the Five-Year Plan that we should continue the course according to the Economic Stimulus Program because it is a, quote/unquote, unprecedented 6-year $7 billion Economic Stimulus Program. If is not six years of unprecedented economic investment, if it's not six years of unprecedented job growth, if there is a period to compare it to within the last -- the previous decade, 1984 to 1989, the question is, is economic development strategy changing, is it intended to change? And what is the job growth projections for the Street Administration?

MS. FRANKLIN-SUBER: In terms of the job growth, we will have to get back to you with those numbers.

But in terms of the strategy, the strategy, in terms of economic development, has been outlined at length by Mayor Street in his inaugural address, in his budget address, in his 100-Day Plan.

And basically, we're going to continue to focus on the development of Philadelphia as a hospitality and tourism destination, but also, we're going to focus on revitalization of the neighborhoods, strengthening small businesses buttressing existing businesses, identifying emerging industries, and trying to expand in new and innovative ways the local economy. Part of that is the Economic Stimulus Program, which is why we have a specific $5 million line item in the upcoming budget.

And so we're going to continue to provide as much support as possible to existing businesses through the combination of programs that are currently in existence, with the Commerce Department also working still in conjunction with PIDC and PAID, as we have in the past, but also probably implementing some new and different strategies which will come out of the transition process I've referred to previously.

COUNCILMAN GOODE: So is the Economic Stimulus Program a program or is it actually economic development strategy? I heard you differentiate between the two.

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MS. FRANKLIN-SUBER: The Stimulus Program is a program and is one aspect of the overall economic development strategy.

COUNCILMAN GOODE: So the program --

MS. FRANKLIN-SUBER: And it is a program that is actually funded by the City through a contractual relationship with PIDC and PAID. And so it's an ongoing program.

COUNCILMAN GOODE: But the $7 billion for the Economic Stimulus Program does not refer to the contractual relationship, does it?

MS. FRANKLIN-SUBER: It's more than just the funding that we have provided over the past several years of the Rendell Administration. We can get --

COUNCILMAN GOODE: My question is that there not a $7 billion contractual relationship between the City and PIDC regarding the Economic Stimulus Program, is there?

MS. FRANKLIN-SUBER: The $7 billion does not refer to $7 billion in funding for the Economic Stimulus Funding Program, that is correct.

MR. TRAYLOR: Councilman, you're asking

if there is a contract with PIDC for that amount of money? The answer ---

COUNCILMAN GOODE: No, that's not the question. I know the answer to that questions. Seven billion dollars refers to both public and private funds.

MR. DUBOW: That's right. If you look at Page 64 on the Plan, it lays out the $7 billion and where they come from.

COUNCILMAN GOODE: So in answer to my question, it would continue the same strategy from the previous six years?

MS. FRANKLIN-SUBER: For the Economic Stimulus Program, yes.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much, Councilman.

The Chair recognizes Councilman Kenney of.

COUNCILMAN KENNEY: Thank you, Madam Chair.

I want to go back a minute to the School District and the issue surrounding the $15 million appropriation that we have been doing

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for the last number of years. Is there any idea or any accounting for what that $15 million is spent on? Part of problem that I've had annually in dealing with this issue and in dealing with School District funding generally has been my belief, and I think echoed by Councilman Nutter, kind of the lack of accountability to this particular legislative body that the School District has or has not as it relates to the monies that they expend.

Has there ever been a consideration of in some way maybe setting up a $15 million productivity fund or loan bank or something that we could at least, from our perspective, understand what it is that particular money's being used for? Whether it's books, technology whatever it it's -- whatever it is. I mean, I don't want to have to direct them how to spend it, but I would like to see what projects and programs they're initiating with the $15 million.

And I'll tell you why. From time to time, the School District makes, or the Board makes, decisions at the request of the Superintendent that somehow fly in the face of the fact that we are in fact in this fiscal crisis that we keep on hearing about, and primarily it's issues of raises that are given to administrators occasionally. I understand that there may be a new round of raises that is being discussed or considered as we sit here today for sometime in the near future within a week or so.

I think part of the problem is twofold. Number one, we don't mind giving the $15 million up -- maybe we should be giving more money, as Councilman Nutter alluded to. But at the same time, there are actions often taken or sometimes taken by the Board and by the Superintendent that fly in the face of this overall concern about fiscal crises and deficit.

Is there some consideration to perhaps being more accountable with this 15 million?

MS. FRANKLIN-SUBER: I certainly think that -- I certainly think that consideration can be given to the expenditure of the $15 million. It's my understanding that we simply give the $15 million, it's unrestricted. Whether or not it can be earmarked, whether or not it can be used in the way of a productivity fund or something along those lines, I think, are all issues that can be seriously considered and explored by the Administration.

COUNCILMAN KENNEY: By the Administration in conjunction with the Superintendent or the Board or with us? 'Cause it's -- I mean, even though it's a pittance, a comparative pittance, it's still our 15 million.

MS. FRANKLIN-SUBER: I think in reaching a decision, the Administration would include in the decision-making process members of City Council as well as the Board.

COUNCILMAN KENNEY: I would appreciate that.

But let me ask you a question about the School District's and the Administration's overall strategy as it relates to trying to coerce, cajole, beg, plead more money from the Commonwealth of Pennsylvania. There has been an ongoing philosophy or strategy or approach that basically says that the Commonwealth of Pennsylvania has been unfair to the School District of Philadelphia and its children because there exists a $2,000 or $1900 gap per pupil in

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spending for the School District of Philadelphia as compared to the surrounding counties of Philadelphia, who spend $1900, $2,000 more per pupil.

The people who live in the suburbs -- state legislators, other county commissioners township people -- would contend that that gap is created by the fact that the real-estate taxes in their communities are substantially higher than they are in Philadelphia, and also counter with the fact that 60 percent of the School District's budget is provided by the Commonwealth of Pennsylvania, which is an unprecedented number when you compare it to other counties throughout Pennsylvania.

Now, while I recognize that the City of Philadelphia and its students have peculiar and unique problems of poverty and disjointed families and other kinds of issues that create an additional need, how do we expect to be successful in arguing that the Commonwealth of Pennsylvania has been unfair to us, taking into consideration those issues?

MS. FRANKLIN-SUBER: That was a

strategy pursued by the Rendell Administration. The Street Administration starts from the proposition that all children are entitled to an opportunity for a quality education. And if you start to focus on the quality of the education, the programs and the activities, and if you look at the issue from a statewide perspective, putting the money aside, it becomes a question of what the Commonwealth's commitment is to that proposition. Once you start to focus on programs, the quality of programs, the quality of education, then it seems to me if -- and it seems to the Street Administration that it's easier to reach common ground because you're starting from a different perspective.

And so, the position is simply, the children in Philadelphia and the children across the Commonwealth are entitled to an opportunity to receive a quality public school education. That's what they are entitled to receive.

COUNCILMAN KENNEY: How does the Administration intend to take that admirable, which I agree with, philosophy and move it to the point of reality wherein the State acknowledges

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the need for additional funds for the City and provides it, without the continuing rancor that is, I guess, been one of the Superintendent's hallmarks in kind of being a confrontational speaker when it comes to his remarks vis-a-vis state legislators and senators and even the Governor.

I mean, certainly our Mayor Street has shown public support for Superintendent Hornbeck, but at the same time, he goes off and makes a speech or two which puts us what I believe may be four five paces back in our attempts to meet or match that common ground. And I mean, a lot of it is philosophy, and it's also practical politics and practical approach to politicians and people who can make these decisions for us.

I mean, why are we continuing in a position where we say we need to find common ground, and on the other hand, are calling people unfair and racist and other things?

MS. FRANKLIN-SUBER: Well, I am not aware that you're referring to any speeches that the Superintendent may have made after Mayor Street came into office.

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Mayor Street is setting the strategy for education reform for the City of Philadelphia. And the Superintendent and all of the members of the School Board and the Secretary of Education and other members of the Administration will follow his lead. And the starting point is the meeting with the Governor on the 11th so that they have an opportunity to get to know each other and to assess the extent to which we can resolve the issues amicably and reach common ground.

It is our understanding that the Governor is committed to quality education. And Mayor Street is committed to quality education.

COUNCILMAN KENNEY: If that resolution includes the potential of the establishment of a pilot voucher program in the Commonwealth of Pennsylvania, would that be something that this administration would be supportive of, if in fact it means additional dollars for the public schools of Philadelphia?

MS. FRANKLIN-SUBER: I can't answer that question.

COUNCILMAN KENNEY: Has the Administration or yourself or anyone met with any legislative leaders -- Majority Leader Perzel, Senator Salvatore, or other members of the Pennsylvania delegation to the State House -- as it relates to the strategies that need to be employed to bring more money to Philadelphia?

MS. FRANKLIN-SUBER: The Mayor has been in the process of meeting with various members of the General Assembly.

COUNCILMAN KENNEY: Has he met with Majority Leader Perzel or with anyone in leadership? Speaker Ryan, anyone?

MS. FRANKLIN-SUBER: I do not know the extent to which he may have had informal conversations with them. I know he intends to meet with them if he hasn't met with them already.

COUNCILMAN KENNEY: Is my time up? What I would like to do is come back around.

Madam President, as I said, my light is broken here, so just put me on the next go-around. Thank you very much.

COUNCIL PRESIDENT VERNA: Okay, we'll come back to you, then.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam

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President.

To stay in the education area, first, Miss Suber, in your testimony on Page 2, down at the bottom, the paragraph starts with the ambitious agenda outlined by Mayor Street and then goes on to continue "spearheading efforts for educational reform and exploring reasonable strategies to build world-class facilities for professional sports."

I think I've privately and publicly articulated a general interest in these world-class facilities for professional sports, and I'm sure we'll have a little bit of discussion about that over the next few months. But certainly, it would also be good in that discussion to have a plan and I'd like to know what the plan is for world-class facilities for public education.

Is there a plan for the immediate improvement of the condition of our public schools from a capital standpoint? Miss Kahn, are you satisfied with the condition of our public schools?

MS. KAHN: Debra Kahn, Secretary of Education.

The School District, as you know, has its capital budget process.

COUNCILMAN NUTTER: Right.

MS. KAHN: And always on a regular basis, it allocates dollars for renovations of schools as well as new construction where needed and supplemental facilities.

I think that there has been tremendous improvement in the condition of the schools. But, no, I don't think that we could say that we would be satisfied with the condition of all of our schools.

COUNCILMAN NUTTER: So you wouldn't today classify them as world-class educational facilities?

MS. KAHN: I think there might be a few that might meet that standard and in some of our newer schools and some of -- you know, other schools.

And I also don't think that you can always judge, and I think that you know that the quality of what goes on inside a school necessarily by either the age of the building or what its facilities always look like, but clearly many of our schools need improvements.

COUNCILMAN NUTTER: Okay. And is there anything beyond the regular plan to have an accelerated improvement in the infusion of capital dollars to bring schools up to standard as quickly as possible?

MS. KAHN: Well, as part of this comprehensive plan that the Mayor has promised, I think we certainly have to include a look at the capital facility.

COUNCILMAN NUTTER: Okay, thank you. Later on -- well, why don't I ask you while you're sitting there. Further in the testimony, on Page 5, there's discussion about your recent appointment, recent charter reforms, Administration Secretary for External Affairs, to promote the City's education agenda at the federal and state levels.

I mean, is there, I guess, an outline of a particular plan to get additional funding for public schools?

MS. KAHN: There is nothing in writing yet at this time.

COUNCILMAN NUTTER: Okay, thank you.

On Page 6, Madam Chief, your testimony talks about how Philadelphia's tax structure remains the least competitive in the region and one of the most costly in the nation. Other than the previously discussed continued decreases in taxes, does the Administration have any particular plan to look at the overall tax structure of Philadelphia? And do you plan to participate in the upcoming hearings, as approved by the City Council last week, to look at our overall tax structure and see where we might make ourselves more competitive, notwithstanding the incremental decreases in our current taxes?

MS. FRANKLIN-SUBER: The answer to both questions is yes.

COUNCILMAN NUTTER: Thank you.

MS. FRANKLIN-SUBER: As part of the transitional process, there is a Committee on Tax Reform, and we are expecting recommendations shortly.

COUNCILMAN NUTTER: Very good.

Let me move to a couple items in the Five-Year Plan. First, in the L&I section, it's my understanding that L&I, for its licenses and inspections, for some time, has been trying to get a productivity loan to improve and update their record-keeping system, the computerization of their operations. Can you tell me what the status of that loan is and what, if any, difficulty there's been in getting that improved?

Councilman Kenney was Chair and I was Vice Chair of L&I for eight years, and many of us, I know, worked with that department on a regular basis. And if anyone needs record-keeping update capacity, it is certainly that department and it's well deserved. What's going on with their productivity loan?

MR. DUBOW: I think we all agree that they need some information-system enhancements, and we've been working with them to make sure that we understand that they're doing it the best way possible.

So we have spent a lot of time with them on that. And I think that their application is actually now in pretty good shape at this point and --

COUNCILMAN NUTTER: When will it be approved, Mr. Dubow?

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MR. DUBOW: Well, we have to bring it to the Loan Committee, and we don't have a meeting scheduled, but we'll have to look at that shortly, right.

COUNCILMAN NUTTER: How long does it take for the Loan Committee to decide to have a meeting?

MR. DUBOW: Well, part of the problem is that a lot of Loan Committee members are also involved in this process, so the two are overlapping. So it's likely that we'll get to it as soon as the budget process is over.

COUNCILMAN NUTTER: Do many of the Loan Committee members ever call L&I for service?

MR. DUBOW: Um --

COUNCILMAN NUTTER: I do, every day.

MR. DUBOW: Yeah.

COUNCILMAN NUTTER: Maybe upon your return, you could tell us when the Loan Committee is going to meet. I'm pretty serious about this matter.

MR. DUBOW: Okay.

COUNCILMAN NUTTER: Okay, thank you.

In the Fairmount Park area, I was

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trying to understand -- maybe I wasn't reading the numbers correctly. On Page 112, for Fairmount Park, the Five-Year Plan talks about the $1 million for street-tree maintenance, which I'd be glad to go into further when Fairmount Park comes up. But it says that prunes from only -- "Increase the number of street trees it prunes from only about 1,000 trees annually before FY '98 to 8,233 trees in FY '99, with approximately 8,000 trees projected in FY 2000 and 2001." That's on Page 112.

On Page 115, selected service level performance measurement, there's a box in very small print that says "Street and Park Trees Pruned." Trees: FY 2000 target projection - 10,455. FY 2000 current projection - 10,455. FY 2001 projection - 10,405.

There seems to be a couple thousand trees we've lost track of.

MR. DUBOW: I think the difference might be, in reading this, number on Page 112 refers to street trees, and the one on Page 115 refers to street and park trees. But I'll check that for you.

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COUNCILMAN NUTTER: All right. So are you saying, Mr. Dubow, that the 2,000 tree difference is including the park trees, which are not mentioned on Page 112 of the testimony.

MR. DUBOW: I think that's what it means, but I'll check to make sure.

COUNCILMAN NUTTER: Okay. On Page 183 and 184, this is the Recreation Department, the programmatic initiatives area. You make mention of the Philadelphia 76ers. I believe this is actually Athletic Shoe Company and one neighborhood basketball league. You also talk about the Philadelphia Kicks, you talk about the Philadelphia Flyers, and I didn't see any mention of the Philadelphia Phillies or the Philadelphia Eagles in terms of their relationship with the Department of Recreation.

Now, I'm, one, under the impression that they do actually have a relationship -- maybe this is either an oversight or the relationship is not particularly active. You can get back to me on that issue and desperately scour the room, looking for some to help you at the table.

Can you also get back to the Chair with

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information on how many children -- this is now on Page 184, expanding after-school programs to provide continuous year-round service. Can you tell us later on how many kids are participating in our current after-school programs? How many do you estimate will be participating with the tripling of the dollar amount? And if you could also tell us how you arrived at the tripling figure. What that was based on? Was it just what you thought you could afford at the time or that it was a significant -- a tremendously significant increase in the number of children being served?

MR. DUBOW: Certainly.

COUNCILMAN NUTTER: Thank you. There's one question for the water area. Has my time expired? It expired a long time ago.

Appendix 3, on Page 1, let me go there and then I'll come back to the Water Department.

Can you explain in the FY 2001 estimate column, Line Item No. 26, funding for contingencies? It seems to be a deficit figure of -- it appears to be $80,843,000. What is the meaning of that figure?

MR. DUBOW: In essence, it allows us to

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fund deficits in the years after that. If you look at the 2002, 2003, 2004, that $80 million gets eaten up over those three years. Those four lines add up to zero.

COUNCILMAN NUTTER: Do you want to take me back through that, Mr. Dubow? You had 80,843,000 in FY '01.

MR. DUBOW: In 01. And then we have 50,843,000 plus 20, plus 10 in the next three years.

COUNCILMAN NUTTER: Mm-hmm.

MR. DUBOW: The 50,843,000 plus the 20 plus the 10 equal the 80,843,000.

COUNCILMAN NUTTER: Where did that 80,843,000 number come from?

MR. DUBOW: It's really a calculation based on what that gap was going to look like in the next three years.

COUNCILMAN NUTTER: What the what?

MR. DUBOW: What the gap was going to be in the next three years.

COUNCILMAN NUTTER: Is that technically considered surplus dollars?

MR. DUBOW: Yes.

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COUNCILMAN NUTTER: I'm sorry, I didn't hear you.

MR. DUBOW: Yes.

COUNCILMAN NUTTER: Okay, all right. The Water Department, in Appendix 1, on Page 115, there's reference made to revenue strength and that the Water Department is going to continue to work with the Water Revenue Bureau, and the Mayor's Office of Information Services expects to bring on a customer data information system to deal with billing and collections and a whole host of other issues.

My simple question is, is the same vendor going to do this work that did the work over at PGW?

(Laughter.)

MS. FRANKLIN-SUBER: No.

COUNCILMAN NUTTER: Thank you very much. Commissioner, you're safe.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you. I just have a question or two.

On Page 40, you state that the City's Pension Fund remains severely underfunded. What is the unfunded liability of the Pension Fund in dollars and as a percentage of the total fund? Tell us how this liability all came about. Is it as a result of the employees not paying their required share or the City not paying their required share?

MS. ORFANELLI: Well, there's an unfunded liability that --

COUNCIL PRESIDENT VERNA: I'm sorry, you're going to have to identify yourself for the record and speak closer into the microphone, please.

MS. ORFANELLI: I'm Linda Orfanelli, Acting Finance Director.

There's a historical unfunded liability that goes back many years. In fact, former finance employees sued the City because it wasn't making the proper payment to the fund. This goes back many years.

The fund, until recently, was only funded at about 50 percent so that the liability was quite large. Recently, the City got involved and funded a pension obligation bond, which has brought the funding of the fund to over

70 percent. The actuary report with the actual numbers will be coming up very shortly to give you more specifics, and we can present that to you as soon as it is available.

COUNCIL PRESIDENT VERNA: I think we would all like to see that, please.

MS. ORFANELLI: I'm sure you would.

COUNCIL PRESIDENT VERNA: On Page 42, you state in the Five-Year Plan that the City liberalized pension benefits to its employees by allowing new exempt employees to vest after five years instead of ten years.

I am not clear as to what is the point of this statement? We know that that happened, and I believe we agreed that the vesting period was for exempt employees. Wasn't that a recruitment issue?

MS. ORFANELLI: It was definitely a recruitment issue.

Prior to this change, the vesting was ten years for everyone except Councilmembers, which had been changed a few years. A problem existed because when we tried to hire employees, they could anticipate a four- or eight-year term, which means that they would be contributing to the Pension Fund but they would walk away with nothing.

The Administration looked at that and decided that it would help us recruit people knowing that within five years they were vested, and they, after the service time that they provide the City, they would have a pension. And as a result, the Administration came to Council and asked for this change to be made, and it was a part of the overall change to the Pension Ordinance.

We believe that now and for the future, it will help us to attract good people in high-level jobs.

COUNCIL PRESIDENT VERNA: Are we still having trouble recruiting people?

MS. ORFANELLI: Well, now we're up against an economic problem. The economy is so tremendous that the salaries we are offering -- although, as you know, we came to you a few years ago and increased salaries to levels we believed would help us recruit, it is still a problem, or is a new problem, because the economy is so wonderful.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam President.

Just to continue on one question that you were on. Could you tell me under what circumstances the question of the current Pension Fund's assets would become questionable? You know, can you give me some example of when we might expect to have a problem resulting from this unfunded liability?

MS. ORFANELLI: I'm not sure that I'm clear on your question, but I'll take a crack at what I think you mean, Councilman.

The Pension Fund depends tremendously on performance of its assets. The City makes a contribution, the employees make a contribution, but the investments are a very big part of where we are. The economy has been, tremendous, equities have done well, we have a balanced portfolio. But in the event that the economy took a nose-dive and equities did poorly, then the Pension Fund would not do well, and we would have less money coming in to fund our pensions.

Is that what you're driving at?

COUNCILMAN COHEN: Well, what is the balance of the Pension Fund?

MS. ORFANELLI: Right now, it's over 5 billion.

COUNCILMAN COHEN: I recollect when I came into City Council a goodly number of years ago, the Pension Fund was a half a billion dollars, which means this is about 10 times that amount of money.

I'm just baffled always by the discussion of an unbalanced Pension Fund as being anything like a problem, 'cause the government is not a business. We're never going to go out of business. I can't foresee any time when Philadelphia would go out of business, except when kind of the whole world no longer existed.

A fully funded Pension Fund means -- could I state my meaning and they you can correct me if I'm wrong? I think being fully funded means that if the government closed tomorrow, every pension obligation now on the books could be immediately paid in full. And I can never understand anything like that kind of a scenario ever existing.

And so my eyes glaze over and I usually find the auditors, whom I question, their eyes glaze over, when I say, "Forecast for me a circumstance under which there could be a problem." And the present state of funding, actually when it was 50 per or 40 percent, and I've never yet had anybody come forth with a scenario which suggested that in a the lifetime of any yet-to-be-born grandchildren, there could be a problem.

Do you know of any scenario like that? I mean, other than repeating to ourselves the words that we have an unfunded liability that must be dealt with and kind of shaking our heads warningly, is there ever a scenario that anybody's ever projected that would indicate that any employee of the City of Philadelphia would ever fail to have pension funds available?

MS. ORFANELLI: I can answer that.

COUNCILMAN COHEN: Hmm?

MS. ORFANELLI: I can answer that question.

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COUNCILMAN COHEN: You can?

MS. ORFANELLI: Yes, I can.

COUNCILMAN COHEN: Yeah, go ahead.

MS. ORFANELLI: You're talking about theory, the 100 percent funding, etc. But the reality is that if the burden on the residents of this city became too great because of the funding of the Pension Fund, the General Fund obligations to the General Fund could become burdensome, and that would cause us to have to raise taxes.

No, we're not going out of business, but what burden do we want to place on the citizens of this city to fund our pension?

COUNCILMAN COHEN: Well, that's the kind of answer I always get, and it never answers the question.

All right, we'll go on to other areas. I'm wondering, does Mayor Street have any anticipation -- I hope not, so I give you the answer first that I want to hear. But I wonder, are we going to one day awaken and find that Mayor Street, like Mayor Rendell, has asked the Governor to take people off of welfare and have them have no income?

That's what Mayor Rendell did in the last month or two. He complained to the Governor that people were still remaining on welfare that shouldn't have been, according to the Mayor, by the Mayor's own standard.

I'm hoping this mayor will have a different definition. Because on the one hand, I hear the terrible consequences that will accrue to Philadelphia if people come off of welfare. We shudder at the thought of all the burdens we'll have to assume. And yet the Mayor, Mayor Rendell, was asking the Governor to take people off of welfare.

MS. FRANKLIN-SUBER: Mayor Street does not have any plans as ask the Governor to take people off of welfare.

COUNCILMAN COHEN: All right, thank you. Thank you for that.

Now tell me the answer to another very simple question. We have a $207 million surplus, give or take a million or two of that?

MS. FRANKLIN-SUBER: It's 205.7 million.

COUNCILMAN COHEN: 205.7 million. Now,

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is that a surplus I can touch? Is the money somewhere in the bank and I can go there or open a safe deposit box or do something like that?

(Laughter.)

COUNCILMAN NUTTER: Councilman --

COUNCILMAN COHEN: Tell me, what is the form of that surplus?

COUNCILMAN NUTTER: Mr. Dubow actually keeps it in a very safe place.

(Laughter.)

COUNCILMAN COHEN: And it's under a mattress?

COUNCILMAN NUTTER: Absolutely, yes.

COUNCILMAN COHEN: Under his mattress?

COUNCILMAN NUTTER: Absolutely, absolutely. You're going to have a lot of visitors tonight.

COUNCILMAN COHEN: Yeah, where is it? I mean, is it in a bank somewhere?

MR. DUBOW: It's on the books. It's not actually sitting in a bank account anywhere. It's on our books.

COUNCILMAN COHEN: Well, a surplus means -- in common vernacular, it's extra money.

It's leftover money, it's untouched money at the moment, unused money. Is it in any of those forms? What is the form of the surplus?

MR. DUBOW: Actually, we call it "unused money." Over the course of this plan, if you read through, we actually project that the surplus year by year will go down to 5 million at the end of 2005.

COUNCILMAN COHEN: But right now, does it exist? Are we being told the facts when we're told there's a surplus of 207 million?

MR. DUBOW: Yes, there's a surplus.

COUNCILMAN COHEN: It exists. Now, in what form does it exists? Are they certificates of deposit? Is it bank books that the City carries around with it?

MR. DUBOW: It's really --

COUNCILMAN COHEN: Maybe the Chief of Staff has access to it?

(Laughter.)

MR. DUBOW: No, no one has access to it.

COUNCILMAN COHEN: Well, what's the form of it? How do we see it. How do we know that it exists?

MR. DUBOW: It's really -- if you look at the accounting -- our financial statements, it's an accounting of our revenues and expenditures over the years and where they wind up. Our revenues have been higher than our expenditures.

So some of it is in the bank, some of it might be accrued revenues. So it's dollars that we've gotten in but that know we will get in, for example, from the State as reimbursements for things, for services that DHS provided.

So it's not all actually hard cash sitting in a bank since what we use is called "a modified accrual basis of accounting."

COUNCILMAN COHEN: Say that again?

MR. DUBOW: We use what's called "a modified accrual basis of accounting," which means some of our revenues are based on cash, what we actually get in, some are based on obligations people have to us as of the end of the fiscal year.

So it's not just sitting in a bank account. It's shown in a couple of different ways

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and it's not a simple answer to that. I don't think there really is a simple answer to that.

COUNCILMAN COHEN: You don't believe what?

MR. DUBOW: That there's a simple answer to that question. There's accounting treatment for -- accounting for different types of revenues in different ways. It's 205.7 million.

COUNCILMAN COHEN: Well, the money not obligated 'cause that's usually what a specialist indicates, that this is yet-to-be-allocated money 'cause if it's already allocated and used --

MR. DUBOW: That's accurate, although in the course of this place, it really isn't allocated. All but five million of the surplus is gone in 2005.

COUNCILMAN COHEN: How much is it going to go down this year?

MR. DUBOW: We project it to go down to about 55 million.

COUNCILMAN COHEN: And this year alone, will there be a deficit of 55 million.

MR. DUBOW: Yes.

COUNCILMAN COHEN: Why?

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MR. DUBOW: There's a few reasons. Some of it is not surprising to us. Part of what's happening now is that we're assuming the cost of the existing contracts, we are now funding more of the costs of the Federal Crime Bill costs, our prison costs have gone up faster than inflation.

COUNCILMAN NUTTER: Councilman Cohen?

COUNCILMAN COHEN: Yeah?

COUNCILMAN NUTTER: Can I inject one thing based on his answer?

COUNCILMAN COHEN: Yes, go ahead.

COUNCILMAN NUTTER: I just want to make sure the record's clear.

COUNCILMAN COHEN: I'll yield.

COUNCILMAN NUTTER: Thank you, Councilman.

Mr. Dubow, let's go back to your response to Councilman Cohen's question.

MR. DUBOW: Yes.

COUNCILMAN NUTTER: I thought the Councilman asked you, how much would it be reduced this year, and will this year end in a surplus or a deficit? And I believe your initial answer was

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that we would have a deficit this year.

MR. DUBOW: I'm talking about just for the year.

COUNCILMAN NUTTER: Now, maybe you're speaking about simply an operating deficit.

MR. DUBOW: That's right.

COUNCILMAN NUTTER: Right, but let's make sure the record is completely year clear.

MR. DUBOW: Yes.

COUNCILMAN NUTTER: On Page 1 of Appendix 3, in FY 2000, we do show at the bottom, bottom, bottom figure, Line Item 31, you are showing $150 million surplus; is that correct?

MR. DUBOW: Yeah. Thank you for that clarification. What we're saying is --

COUNCILMAN COHEN: That's the cumulative?

COUNCILMAN NUTTER: Right.

MR. DUBOW: That's right.

COUNCILMAN NUTTER: 'Cause they're only spending 54.7 of the 205.7 in this current fiscal year.

COUNCILMAN COHEN: Yes, but if there's surplus in one year, say the cumulative surplus --

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take a round number, were $200 million, and by the end of this current fiscal year, it will be 150, it means we spent this year 50 million --

COUNCILMAN NUTTER: 50 million, exactly.

COUNCILMAN COHEN: -- more than we took in.

COUNCILMAN NUTTER: Right.

COUNCILMAN COHEN: I mean, that's my full extent of knowledge of accounting. I know nothing beyond that.

MR. DUBOW: I think that's all you really need to know.

COUNCILMAN NUTTER: I'm glad we know that for the record, Councilman.

(Laughter.)

COUNCILMAN COHEN: And I -- it used to, you know, maybe this no longer adds up that way. It used to add up that way.

COUNCILMAN NUTTER: Yeah, but the reason they're able to do that is because they know they have this $205.7 million in surplus --

COUNCILMAN COHEN: Yes.

COUNCILMAN NUTTER: -- to back up any

overspending as from revenues to expenses. I mean, they know they can do it because they have a cumulative surplus.

COUNCILMAN COHEN: Well, that's the question, as to the use of the surplus.

COUNCILMAN NUTTER: Right. Well, that's a whole 'nother story.

COUNCILMAN COHEN: Whether -- as I would see it, I'd kind of be worried to death if we're operating the City this year at $50 million in the deficit when I only had backup of $200 million in the bank.

MR. DUBOW: Yeah. Well, obviously, we're very concerned, and that's one of the things that we say throughout the Plan, that we're concerned that the General Fund balance is going down over the life of the Plan and that there are a series of other threats, such as a downturn in the economy, that could threaten even that balance. So we are very concerned.

COUNCILMAN COHEN: Somewhere I learned, maybe it was in 3rd grade -- I'm not sure where -- that you don't use surplus for current expenses, because surpluses won't last if your daily expenditures are beyond what your daily intake is.

MR. DUBOW: And that's exactly unfortunately what the Plan shows, that our surplus will go away by the end of the Plan period.

COUNCILMAN COHEN: Well, I'm very troubled by that concept and very troubled by why we're having a deficit in this current fiscal year. If there are no unusual -- we haven't had a major flood in the city, we've had no major catastrophes that I know of that are going to cost unduly large sums of money.

MR. DUBOW: But part of what's happening is, there were obligations that we've incurred in prior years that we knew were hidden, so we knew that the 205.7 would eventually start to work its way down, so --

COUNCILMAN COHEN: Well, I would like to ask the Chief of Staff if a document could be prepared explaining that situation. Why is it going to cost us $57 million more to go through this year, to survive this year, than our income will be?

MS. FRANKLIN-SUBER: Yes.

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COUNCILMAN COHEN: Now, is it that we received a lot of unusual income this year? For example, what did we get from the lien tax sale? How much money did we actually receive in the last fiscal year from the lien tax sale?

COMMISSIONER KAMMERDEINER: Nancy Kammerdeiner again. I think I can answer that one.

This fiscal year, Fiscal 2000, is the first of the distributions from the senior note from the tax lien sale. You may recall that at the time of the sale, we got money in that fiscal year, but we also set aside money that would be similar to what we would have expected to collect for real estate -- delinquent real-estate taxes had we done nothing, had we not sold the tax claims.

And the first of those payments, under the senior note, was this fiscal year. The money came in approximately two, three weeks ago, and that was an $8 million payment. We have additional payment in future fiscal years from that senior note, but that's part of the revenue that's part of the Mayor's forecast of revenues

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for each of the fiscal years that's taken into account as part of the determination of the revenue that you then appropriate.

COUNCILMAN COHEN: Oh, I was confused. I thought you said first that there was some money that came in in the year when we made the agreement?

COMMISSIONER KAMMERDEINER: Yes. That was Fiscal '97. We sold those liens on June 30, 1997, the last day of the fiscal year, Fiscal '97. And that money came in. There was some money that was over and above what we would have normally collected, and the City --

COUNCILMAN COHEN: Could you identify the amount?

COMMISSIONER KAMMERDEINER: Off the top of my head, I cannot, but we do have information on that and I can certainly supply it.

There was money that came in to the City and the School District. The City chose to set aside a portion of that money to be paid out over time, as I indicated. The School District, because of their budgeting requirements and some of the accounting rules that they are under, had to account for all of it at the same time when they received the funds, but they are, as I understand it, using some of those funds for things that are paid for over time, some accrued costs that would then be held over for some future years. They basically paid some things in advance.

I don't have the details on that side. You'd have to get that from the School District.

COUNCILMAN COHEN: Were any collections included in the surplus for 1997?

COMMISSIONER KAMMERDEINER: That would have -- that money that came in in Fiscal '97 would certainly have contributed to the surplus in that particular year so that the revenues in Fiscal '97 exceeded the operating expenses for that year. And, of course, that would have contributed to the fund balance that we have now, yes.

COUNCILMAN COHEN: Could we get those figures and could you send them to the President?

COMMISSIONER KAMMERDEINER: Yes.

COUNCILMAN COHEN: One last question, or group of questions -- concerning recycling.

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The recycling coordinator has left the City as of last Friday. There was a pilot program. Do we have any news on the appointment of a recycling coordinator and on the continuation of the pilot plan?

I don't see anything in the Plan with respect to recycling, and I know it has many community groups upset throughout the City.

MR. MARTZ: Councilman I'm Joe Martz, the Managing Director.

COUNCILMAN COHEN: Good to see you.

MR. MARTZ: Nice to see you, too. Joan just gave us her notification two weeks ago and we have submitted her name to the Transition Team that's doing searches right now, so we are going to do a national search for a new recycling coordinator.

COUNCILMAN COHEN: And are the plans -- the pilot program is in shape to continue?

MR. MARTZ: Well, we're continuing to monitoring the program, so that is continuing, yes, and we are gathering information about the success of the pilot as well as some of the other things that we're doing in recycling.

That's not going to discontinue. That plan is underway, that project is underway, but we do need to get a new recycling coordinator on board.

COUNCILMAN COHEN: In certain parts of City, the collection schedule changed from twice a week to once a week?

MR. MARTZ: That's correct.

COUNCILMAN COHEN: Has there been any results --

MR. MARTZ: There have been some results.

COUNCILMAN COHEN: -- that you have been able to determine?

MR. MARTZ: Yes, there have been, as a matter of fact. We have seen some improvement in the weekly collection area. But interestingly enough, and we don't seem to understand this just yet, at least preliminarily, overall, our growth in total tonnage has not increased. And that's a little bothersome to me, and I really haven't had a chance to get that deeply into the numbers yet, but we're going to spend some time with the other folks in the recycling area to try and find out what's going on there.

COUNCILMAN COHEN: Well, we'd like to because in the '80s, the City of Philadelphia was one of the nation's leaders. And from what I see recently, the program has kind of gone backward. We're no longer listed among the nation's leaders in the collections process, and I think we ought to pay a lot of attention to that and --

MR. MARTZ: We are -- we are focussing on that.

COUNCILMAN COHEN: And to get up again in the lead.

MR. MARTZ: And I hope to have this discussion as the Streets Commissioner comes before you during his testimony to talk a little bit more about this, and by then, maybe we'll have a better sense of why these numbers are the way they are. It's a little baffling to me why, in the areas where we're doing weekly, we are seeing some increase.

But overall, the numbers are still staying flat, which is -- it tells me maybe we need to do a little bit better in education. I'm not sure. I mean, I'm just speculating at this

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point, but there is somewhat of a problem here that we need to address.

COUNCILMAN COHEN: All right. 'Cause I know the recycling community is very concerned about the state of the recycling.

MR. MARTZ: Agreed, and I know that they were excited when we brought Joan on, and it's really a loss for us to lose -- for her to have moved on, and we understand that there are always different opportunities out there for people, but we look to find somebody, you know, equally good, and we'll -- we're going to do a national search to try to find that person.

COUNCILMAN COHEN: All right, thank you very much.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

While there seems not to be any serious critical analysis of the Economic Stimulus Program and its success or lack thereof, and it seems to be a carryover from the previous administration, I would like to refer you to some analysis that is contained within this Plan, on Page 58.

Of the 75,000 jobs that were created under the Economic Stimulus Program, which has not represented a net figure, since 30,000 jobs were created under the category of "Neighborhood Economic Development," another 34,000 in the category of "Business Retention and Attraction," and roughly only about 10,000 jobs created under the categories of "Defense Conversion" and "Hospitality and Tourism," does that suggest that the level of funding from the Economic Stimulus Program is consistent with that job growth? Per category?

(William Hankowsky comes forward.)

MR. HANKOWSKY: Good morning. I'm Bill Hankowsky, President of the Philadelphia Industrial Development Corporation.

Councilman Goode, I apologize. I didn't get that question in its entirety as I was working my way up here.

COUNCILMAN GOODE: The question is -- the question is, under the analysis you do present in the Five-Year Plan on Page 58, while there

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seems not to be a general analysis of whether the program has or has not been effective compared to other time periods -- namely 1984 to 1989 -- this analysis does suggest that of the 75,000 jobs impacted by the Economic Stimulus Program, a majority of those jobs did not come from defense conversion, hospitality and tourism.

So was the level of funding from the Economic Stimulus Program in terms of private funding, in terms of public funding, in terms of the General Fund contribution, is that consistent per category? In other words, if 50 percent of the jobs are created under Neighborhood Economic Development, was 40 percent of the funds from the Economic Stimulus Program allocated to Neighborhood Economic Development?

MR. HANKOWSKY: Okay, let me give you a preliminary response right now and then -- just because it would take a little bit of looking at the numbers to give you a full response to that question.

This chapter deals with the Stimulus Program in its entirety, and so it's looking at all revenue streams. So for example, if the

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Commonwealth of Pennsylvania provides us, as they are, with nearly $60 million in a grant for their Regional Performing Arts Center, that's hospitality, we put it in hospitality. On the other hand, that's what it's budgeted for and that's what we can use it for, so not all dollars that are reported here are discretionary.

And so -- defense conversion is another good example. There are certain dollars in Washington you can apply for, you can get them, you can spend them there. And then the results are obviously shown by the category.

If you take a look at the actual stimulus dollars -- that some of us call the "stimulus money" -- as provided in the General Fund over the last several years, it would not have a breakdown. We didn't put that much of it into hospitality and tourism, is the simplest way I could put it. Out of those dollars. If you look at all revenue sources, there was probably a lot of money in hospitality dollars because we had hotels built, we had state grants for various facilities, etc. So.

I could easily provide with you a

breakdown of the City General Fund -- you know, what we controlled and what we appropriated and where it went that would be reflective of this breakdown of categories. I can't just do it immediately off the top of my head, but I think it will be more reflective of these job breakdowns than you might assume, given that there were all these other pots that came from discrete sources that were targeted. That's a --

COUNCILMAN GOODE: Can you just provide any of that information related to the job counts and how the money actually was invested in the Economic Stimulus Program? Does this six-year picture tell you anything about where jobs can be created? If 40 of the jobs were created percent under the "Neighborhood and Economic Development" category, can we expect, over the next six years, eight years of Street Administration that essentially 40 percent of the Economic Stimulus activity will be targeted there?

MR. HANKOWSKY: If you don't mind, I think you actually asked me two questions. One is, where do you think the jobs would come? And, two, where would you target them?

And I think, in terms of where the jobs might come -- and I'll be happy to -- and I will give you a response to that in some more detail. I think part of that is clearly a function of not just where we allocate our resources but sort of what is happening in the economy. So, you know, where are industries and areas where there are prospects for job creation?

Clearly one of the theories behind the hospitality investments, where the discretionary targeted, was that this was a sector where we could grow net new jobs and from the standpoint that the City was under-represented in this industry historically, it started, of course, with the development of the Convention Center itself during Mayor Goode's Administration, which was sort of basically the Keystone for us getting into this industry, and then building around that industry from the standpoint of hotels and restaurants, the support funds, etc.

COUNCILMAN GOODE: Not to cut you off, but --

MR. HANKOWSKY: So it was a industry that looked like it could create jobs.

COUNCILMAN GOODE: And it represents maybe 10 percent of the jobs created under the 6 years of the Economic Stimulus Program.

My question really is about neighborhood economic development. And if 40 percent of the jobs were created there over the last six years, did you anticipate that? And what did you do to stimulate neighborhood economic development, and what things were actually put in place to create 40 percent of those jobs?

MR. HANKOWSKY: Well, again, I think it would take longer than me looking at some data that I just don't have it with me to answer that.

In terms of what resources we allocated there --

COUNCILMAN GOODE: Well, the first question is, did you anticipate that 40 percent of the jobs being created in the Economic Stimulus Program would come from neighborhood economic development?

MR. HANKOWSKY: Let me -- I'm still one question behind you in answering.

So one question was the question of, what did we anticipate going into it? and then what would you anticipate prospectively? And I was trying to answer the prospective question of needing to basically look at industry segments and areas of activity in terms of being realistic about what you could anticipate.

I think probably if I tried to think about where we were six years ago and where we are today, I would tend to say I think that we were probably pleasantly surprised at the capacity to grow jobs in the neighborhoods. As you know, it's a very tough environment in some instances to do that. But there has clearly been not only activity that the City has generated, activity that CDCs have generated, and also, which worked to our advantage, which wasn't the case six years, that from a national level, the number of businesses began to look, quote/unquote, back into neighborhoods.

So the interest of retailers to come back into inner city neighborhoods is basically a relatively new phenomenon. And you see now their interested in looking for retail opportunities in our neighborhoods, which we should clearly capitalize on. So that to the degree that you can get all the stars aligned, that's the time to take your discretionary dollars and strike.

COUNCILMAN GOODE: So while we did not anticipate that 40 percent of the jobs would have come in the neighborhood economic development over the last six years, we should look toward that as a trend, and we should anticipate that Economic Stimulus funding in the future should probably be at least at the level of 40 percent.

MR. HANKOWSKY: I wasn't making a budgetary commitment, which I would never do, on behalf of the Administration, but what I was saying is that --

COUNCILMAN GOODE: But there is going to be some budgetary commitment made in terms of where you're targeting dollars.

MR. HANKOWSKY: Well, if I could again answer the first question, then I'll answer the second one.

What I'm saying is that I do think, and is reflected, for example, in Mayor Street's various transition committees, one is focused on neighborhood development, one is focused on small-business development, one is focused on emerging businesses, which often are called "the new economy." And I think it is important to be reflective of where are those trends lines.

And hopefully, with the helpful suggestions of those groups and all of us working together, we can make hopefully wise decisions about those budget allocations to be reflective of where that job potential and growth would be.

And so I think it's consistent with the spirit of your comment; I just don't want to say 40 percent is 40 percent.

COUNCILMAN GOODE: For the record, since you're more familiar with the hospitality and tourism data, how much was invested in hospitality and tourism under the Stimulus Program?

MR. HANKOWSKY: I couldn't tell you that off the top of my head. I would just have to look at all of our numbers and just add them up.

COUNCILMAN GOODE: Would it be hundreds of millions of dollars?

MR. HANKOWSKY: Not of City Economic Stimulus Funds.

COUNCILMAN GOODE: Not in terms of City

Economic Stimulus dollars, but in terms of the $7 billion Economic Stimulus Program.

MR. HANKOWSKY: I think somewhere --

COUNCILMAN GOODE: Different level of government.

MR. HANKOWSKY: -- there's a chart that looked at dollars in the hospitality industry. It's in here somewhere.

COUNCILMAN GOODE: You don't have any rough figures in terms of what was invested in terms of hospitality and tourism?

MR. HANKOWSKY: If I had a minute, I might be able to get a rough figure. There was a breakdown, I believe, by sector of the dollars.

I'll get that back to you. I just don't have it right at my. . .

COUNCILMAN GOODE: Thank you.

COUNCIL PRESIDENT VERNA: Councilman, do you have any other questions?

COUNCILMAN GOODE: I'm finished right now.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam

President.

I want to go back a minute to an issue concerning the relations with Commonwealth of Pennsylvania and with the legislature, the legislature specifically.

I think there's 26 members of the House in Philadelphia, and 102 votes are needed to really pass kind of anything in Harrisburg in the State House, which means that we need, from time to time, 76 legislators from outside of Philadelphia to really get things done for the City. They've been very cooperative in the past in many, many areas, but some areas, according to the Administration, and some others that have not done as well in schools and other types of areas of funding.

I want to state for the outset before I ask this question that I am not a member of the NRA. I think that what is happening in our city in the way of gun violence is unconscionable, and I think that the gun manufacturers in this country and in the world owe -- bear a great responsibility for what is going on in our city streets in the deaths of our young people throughout every area of the City.

The legislature, on the other hand, as this state has been described, is an -- and I won't give you the actual description, but Pennsylvania -- I mean, Philadelphia, Pittsburgh and a very conservative area in the middle -- and I don't want to pick on any particular state, but I think it was a southern state known for it is conservatism. In this state, they close public schools and private schools for the opening of dear season, which is something that maybe as a Philadelphian we're not real used to or understand. But then, again, I guess people in the center of the state wouldn't understand the Mummers Parade, either. So there's different cultures.

The legislature even went as far as to pass a bill which prohibits or attempts to prohibit the City of Philadelphia from suing gun manufacturers. Whether or not that bill is in fact legal will remain to be seen.

My question is, considering the legislature's statement about this issue, do you not think that having this as a major agenda item,

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the suing of the gun manufacturers, which we all agree bear responsibility for what's going on in our city streets, do you not think that having this as a major agenda item potentially causes problems with some of these people we need in areas of school funding and other types of support for the City? And is something that we need to pursue in such a visible way?

MS. FRANKLIN-SUBER: Mayor Street has pledged to initiate a lawsuit against the gun manufacturers. Simply because there are issues that the executive branch legislators disagree on, it does not mean that they can't forge effective and cooperative partnerships on other issues. And the Administration is committed to creating constructive partnerships with members of the General Assembly, members of City Council, and also at the federal level.

But the Mayor plans on suing the gun manufacturers.

COUNCILMAN KENNEY: Do you believe, however, that that may or may not have an adverse effect on the attitude of certain legislators as it relates to problems besides gun violence that relate to Philadelphia? Or have that potential?

MS. FRANKLIN-SUBER: Well, I would think that there are always going to be times where when there's a disagreement on any issue, and that disagreement could potentially affect discussions of other issues.

But I think if you create an environment where there's communication and dialogue with all of the different parties involved and you reach a point of respect and recognition that there are going to be areas where there's disagreement, it doesn't mean that you can't be effective and accomplish, you know, other things simply because you disagree on one issue.

And I think that's the way the Administration is approaching it. Not everyone is going to agree with everything that is on the Administration's agenda, but it doesn't mean that the agenda can't be implemented and it can't be successful.

COUNCILMAN KENNEY: Do you believe that considering the timing of the passage of that legislation trying to prohibit Philadelphia from doing this was a major message being sent by a majority of the Pennsylvania House and Senate?

MS. FRANKLIN-SUBER: I certainly think that some people could interpret it that way

COUNCILMAN KENNEY: Okay, just -- let me move on to another subject. One of the major initiatives of the Street Administration intends to be a $250 million blight removal plan and program, which, in many neighborhoods, if not in all neighborhoods, of the City is really needed.

Number one, how did the number of $250 million arise? And, number two, what plans are there to coordinate and have responsibility for the expenditure of those dollars? Is there an agency, agencies, or not-yet-created agency that's going to be responsible for taking those dollars and maximizing the positive effects of it, and who will be responsible?

MS. FRANKLIN-SUBER: First of all, in response to your first question, in reaching the $250 million figure, I believe there was some review of the amount of money that the City has spent over the past decade and would need to spend in order to make a demonstrable impact on blight.

And it's projected -- and I believe I touched on it in my testimony -- that that could approach $200 million.

The idea is to have an all-out assault immediately and to fund the blight removal program through a separate development agency, whether it's the RDA or whether it's PAID or one of the City's other development agencies. The plan itself is still in conceptual development, but the responsibility and oversight is going to be our Secretary of Strategic Planning and Initiatives.

COUNCILMAN KENNEY: And before she comes to the microphone and answers, I'm wondering whether or not prior to your request that we pass this particular agenda item, will we have in fact a comprehensive plan in place as to how that money will be spent? So that was just an addendum to the question.

MS. WILKERSON: Joyce Wilkerson.

We are still putting the plan together conceptually. And even as we go through this process, we'll be seeking to involve Councilmembers and their staff in thinking through some of the issues. They are issues that everybody's been wrestling with for the last ten, fifteen years, you know, so they're not new. There's been a lot of wonderful work that's been done and we're, you know, hoping to draw on all of that.

We have not made final decisions by any means about where it will be housed. There are proposals that have come out of the Philadelphia Horticultural Society, for example, that recommend that the City create an Office of Vacant Land Management, and that it be the repository of the authority in order to require property, maintain vacant property, and that if have the responsibility for marketing that property.

We're taking a look at that proposal as well as a lot of others that are floating around, and we'll be discussing this with Council staff and community, and also, you know, other departments in the Administration as we put the plan together.

We're just not to the point yet that you can even move anything around.

COUNCILMAN KENNEY: Thank you. And just one final question on an issue that Council

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President Verna, I think, raised with Miss Orfanelli about the recruitment of employees to City government.

We had lengthy discussion in the last term about issues relating to the Police Department and, as a matter of fact, gotten approval from the Civil Service Commission, at the request of the Administration, to allow for the waiver of the one-year residency requirement prior to application for those active military people who would like to be considered as Philadelphia police officers. And one of the things I raised with that discussion was the potential of the utilization of our employment opportunities as an economic development tool to bring non-Philadelphians and their families to Philadelphia, with the attraction of being employed by the City.

Would the Administration consider, or are they considering, the potential of the waiver of the one-year pre-employment residency requirement for all employees of the City of Philadelphia or all openings, considering the difficult time, according to Ms. Orfanelli, we've had in attracting people to the City?

It was my belief then, although some Councilmembers disagree with me, that the potential of not only going out nationwide and having a larger pool of competent qualified applicants, but also using City employment as an opportunity to bring families from outside of Philadelphia, outside of Pennsylvania -- from Florida, North Carolina, California -- to re-populate our city with the lure of a good job here in the City of Philadelphia? Is there any consideration of that at all?

MS. ORFANELLI: Councilman Kenney, I believe that what you're suggesting is something that the Administration should look at. The School District is also using that. And potentially, that is an opportunity for us to bring in new people to the City, and I believe that we would have to deal with the personnel requirements of the Home Rule Charter. But nonetheless, I think that is something we should consider.

COUNCILMAN KENNEY: Yeah. And for the record, one of the things -- the thing that I was -- and Councilman DiCicco has an interest in this

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too is that there was no suggestion that people not be required to live in the City, but simply to waive the one-year not only pre-employment but pre-application requirement. 'Cause what you're asking a person to do really is basically pull up stakes and move into the City with -- to wait a year, with the potential of being employed by the City of Philadelphia in any capacity.

MS. ORFANELLI: This strategy has been used before for emergency-type positions etc., and there's no reason why we couldn't consider using it in the future. And I agree with you completely on your analysis of the benefit.

COUNCILMAN KENNEY: Thank you very much.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions from members of the committee?

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: This is probably addressed to the Chief of Staff. I'm fascinated by this notion of developing a big fund of money where there is nothing at the given moment. And that's the $250 million neighborhood blight program.

The program conceptually is a great idea, but I wonder, how does one develop that, how does one decide that one can afford that kind of bond issue? Do we have assurances, have there been private negotiations? How will such a bond issue sold? Would it be sold on Wall Street or in some other area where those bonds are floated? How do we get to the point where we say we want to spend $250 million more than we can do through a capital program, you know, of the City's because of a debt limit?

And how do we, in general, come to that? Why not 500, for example, on the question itself, comparing what the Chief of Staff said that over a decade, we spent $200 million? A lot of people might wonder whether if what has been achieved with $200 million is really worth going after. Because after ten years, many people feel that very much has not been done in the neighborhoods.

So I'm asking for all of those concerns. What were the considerations that led to it, including the fiscal viability of such a bond issue? I mean -- or is it just pie in the sky and a dream?

MS. WILKERSON: I can tell you a little bit how we arrived at the number and what the thinking was behind the program.

What we've seen in Philadelphia is the City spending between 17 and up, a million dollars annually, in order to essentially preserve the status quo. We looked and saw that we had about, you know, we had about 1700, 1500 properties that we tore down every year, and about the same number of properties came into the City inventory every year. And, you know, we looked around and saw neighborhoods that continued to decline.

And the way the Mayor evaluated the challenge was how do you do something sufficiently aggressive that you begin to get ahead of the problem so that you're not just tearing down problems while the neighborhoods -- tearing down properties while the neighborhoods continue to decline?

And what we said is if you spend the -- is there a smarter way of spending the $17 million that we currently spend? We spend at least $17 million every year tearing down properties, cleaning and sealing properties, and trying to deal with the problems of graffiti. If you pledge that same amount of money to repay the bondholders, you end up being able to generate a pool of approximately $250 million that you can then use to go into neighborhoods with solutions, as opposed to strategies that basically maintain the status quo, which is, at this point, a declining status quo.

Is that -- you know, so that's where the dollar figure came from. It was tied loosely to the number of properties that were abandoned and needed to be demolished and also tied to the amount of money that we currently spend on demolition activities. It happened that, you know, that you end up at the same point, regardless of how you -- which figure you use.

COUNCILMAN COHEN: Well, was there any thought given to the number of years the bond issue would last and who among the bond companies would be interested? Has that idea been sampled at all anywhere in the bond-selling community?

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MS. FRANKLIN-SUBER: Councilman Cohen, all of this is still in conceptual development, as we said previously. And so all of the details about the way in which it will be structured and who will be involved and the term of the bonds, these are all decisions to be made. And as we indicated before, these are -- the details of the plan are going to be developed with input from Members of Council and the communities that are going to be affected.

And so there's opportunity to give you the information that you're looking for. We're just not in a position to do that now because it has not progressed sufficiently to enable us to answer your questions.

COUNCILMAN COHEN: All right. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair. I'll be very brief.

With regard to the bright removal plan, it has been presented so far as a public-sector initiative and there's been talk about involving

Members of Council and the communities that are affected by it. But has there not been any talk yet about involving the private sector -- the banking community or the financial corporations -- about what they would be willing to in those neighborhoods invest after the removal of cars and demolition of buildings.

Is there some plan to engage the private sector to talk about what capital is going to flow into those neighborhoods afterwards?

MS. WILKERSON: We haven't developed a plan yet, but we do understand that there is a need to talk with the different sectors of the community. I've had some preliminary discussions with some of the state representatives, for example, and they're beginning to identify resources that the State can make available.

We understand that the blight is just a first part of the plan, that there has to be plan for renewal, and that will entail discussions with the corporate sector, with the banking community in Philadelphia, and the other, you know, segments of the financial community. We have not just gotten to that point yet.

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COUNCILMAN GOODE: My point in question is more so, are we anticipating the development that will take place after blight removal? Will it be financed primarily by the private sector or by the public sector?

MS. WILKERSON: I think it depends. What it won't be is the $250 million -- we see the $250 million being spent to prepare communities for development. And then my guess is that a lot of the development will happen as it currently does: it will be a mixture of private and public money, depending on the type of project.

COUNCILMAN GOODE: But removal of an economic disinvestment does not create a reason to invest. I mean, is there any discussion on the front end about what will cause banks and financial corporations to invest in those neighborhoods? Dollars are not currently flowing there, and not just because of blight, but for other economic reasons.

MS. WILKERSON: I don't have a plan to present at this point. We're taking a look at those issues, and we'll come up with something.

COUNCIL PRESIDENT VERNA: Do you have

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any other questions, Councilman?

COUNCILMAN GOODE: No, I don't. Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN REYNOLDS BROWN: I have a couple final questions, again, in the area of education. One is a question and the second is a request as we look down the road to the school budget hearings.

Stephanie, you mentioned under "Service Enhancements," $2.5 million for the District Attorney's Office. And I will be closely at the amount of dollars we put on the preventive side for young people versus the dollars we put on the punitive end.

To that end, of this 2.5 million, are any of those dollars targeted towards the Truancy Center, like Truancy Court, is it? The Satellite Truancy Court? That's the question.

And then the request is for the School District Secretary of Education. If you could please be prepared to provide figures on the amount of dollars we're spending with metal detectors in the school system versus preventive -- even if that includes truancy activities, how we're handling truancy activities for young people on the other side.

The question. There's 2.5 million devoted to the District Attorney's Office.

MS. FRANKLIN-SUBER: Correct. It's not -- the 2.5 million does not go specifically to Truancy Court, but what it does go to from a preventive standpoint is the School Outreach Program.

COUNCILWOMAN REYNOLDS BROWN: Okay.

MS. FRANKLIN-SUBER: Which, to the Street Administration, is an exciting new program that the District Attorney's Office is putting into place in conjunction with the School District, where they will coordinate on juvenile cases. And the focus is to try to deal with issues of delinquency as well as crime and truancy.

So it is intended to be preventative outreach in working with -- in trying to reduce juvenile crime.

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COUNCILWOMAN REYNOLDS BROWN: So it's a start-up new program as such?

MS. FRANKLIN-SUBER: Yes, yes. It's a new initiative.

COUNCILWOMAN REYNOLDS BROWN: Secretary Kahn, did you understand the request?

MS. KAHN: Yes.

COUNCILWOMAN REYNOLDS BROWN: Okay.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Are there any other questions from members of the committee?

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: It sounds like you're weary of saying that.

The last question I have is, is there anything in this plan -- I did not find it, and I may well have missed it -- that relates at all to the car rental tax?

And I'll tell you why I raise that. Is there anything in here alerting PICA that next year, for example, we might have a liability with respect to a bond issue on the car rental tax?

MR. DUBOW: The budget in brief contains a car rental tax fund that shows revenues coming in from the car rental tax and going out to pay debt services.

COUNCILMAN COHEN: And that shows in the quality revenue?

MR. DUBOW: Yes.

COUNCILMAN COHEN: I understand that the provision of the ordinance that the Mayor is considering sending to us carries a guarantee by the City of Philadelphia from our General Fund Budget to pay in the event the car rental tax does not yield the amount of money that the City is presently indicating they think it will yield.

Am I right as to that, Chief of Staff?

MS. FRANKLIN-SUBER: The ordinances have not been introduced, and I'm not sure that I would characterize it the same way. I'm not prepared to get into details of that legislation right now.

I think that's something, though, that we might be able to get into later this afternoon in connection with the briefing.

COUNCILMAN COHEN: Well, I think if there is a potential liability on the General Fund, then I think it -- and it's intended to be

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enacted this fiscal year, I think perhaps it belongs in the Five-Year Plan.

MS. FRANKLIN-SUBER: This relates to -- what I believe you are referring to, Councilman Cohen, is the conceptual agreement that was reached with the Philadelphia Eagles relating to the practice facility.

In the event that we do not enact legislation relating to new stadiums and there was a buy-back of the practice facility, the buy-back of the facility would be financed with the revenues from -- the projected revenues from the car rental tax. The projections, we anticipate, will cover the cost of the amount of the buy-back of the facility.

What the ordinances may provide, and I have to look at the language, I don't have them in front of me, they may provide that in the event that there's a shortfall, the City would make up the difference. But I'm just -- I'm speculating at this point in terms of what they may or may not say.

But the idea is that that revenue stream, if we do not proceed with new stadiums, will be used to repurchase the practice -- to purchase the practice facility. If not, that revenue stream could then be available for potential public contribution to new-stadium legislation.

COUNCILMAN COHEN: It could be used for any purpose, could it not, under the terms of the state law that authorized the car rental tax?

MS. FRANKLIN-SUBER: I believe that's correct.

COUNCILMAN COHEN: That is correct. And that also remains --

MS. FRANKLIN-SUBER: I think the restriction is capital purposes.

COUNCIL PRESIDENT VERNA: Mm-hmm, capital. It is capital.

COUNCILMAN COHEN: It is capital? For capital purposes?

MS. FRANKLIN-SUBER: Yes.

COUNCILMAN COHEN: But the City -- we're running very low on the amount of balance we have in the Capital Fund under state law.

MS. FRANKLIN-SUBER: Capacity, yes.

COUNCILMAN COHEN: In the amount of

money we may legally appropriate.

MS. FRANKLIN-SUBER: That's correct.

COUNCILMAN COHEN: So that this car rental tax, if not used for any specific purpose by the City, could be used for any purpose, right? It's available for any purpose, according to the --

MS. FRANKLIN-SUBER: For any other capital purpose, yes.

COUNCILMAN COHEN: For any other capital purpose.

But to pay a capital obligation involves money from the General Fund for any purpose. And I'm indicating that I believe that you ought to be considering whether there ought to be some reference to that.

All right, thank you. I --

COUNCIL PRESIDENT VERNA: Wasn't the car rental tax specifically for stadiums?

COUNCILMAN COHEN: No, no. It's not so enacted, it's not limited to that use. It could be for any capital purpose.

COUNCILMAN KENNEY: Madam President, one suggestion.

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We ought to get a definitive answer to that question because it was my understanding that it had to be for the construction of sports facilities. Now, if there is some latitude or leeway in there, I would anticipate the potential of the legislature repealing it if, for some reason, we didn't go forward and build anything.

But I think I remember reading specifically in the legislation specifically the mention of sports facility, so maybe the Law Department or whatever could get us a --

MS. FRANKLIN-SUBER: We will be in a position to respond to that more specifically at the briefing this afternoon on the practice facility. That's the context, and we can go into all the details about the legislation.

COUNCILMAN COHEN: All right. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Any other questions from members of the committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, this committee stand in recess until Tuesday, March the 14th, at 9 a.m.

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Thank you all very much for your patience.

(Adjourned at 12:30 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Monday, February 7, 2000, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COUNCIL COMMITTEE ON FISCAL STABILITY
AND INTERGOVERNMENTAL COOPERATION
BILL NO. 000002

__________________________________,

JOSEPHINE CARDILLO,
Registered Professional Reporter