COUNCIL OF THE CITY OF PHILADELPHIA

PUBLIC HEARING - COMMITTEE OF THE WHOLE

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Room 400, City Hall

Philadelphia, Pennsylvania

Wednesday, March 2, 2005, 10:40 a.m.

BILL 050003 - An Ordinance adopting the Operating Budget for Fiscal Year 2006.

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DAVID COHEN
COUNCILMAN JACK KELLY
COUNCILMAN JAMES F. KENNEY
COUNCILMAN JUAN F. RAMOS
COUNCILMAN FRANK RIZZO
COUNCILMAN FRANK DI CICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN DARRELL L. CLARKE
COUNCILWOMAN DONNA REED MILLER
COUNCILWOMAN MARIAN B. TASCO
COUNCILMAN BRIAN J. O'NEILL

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V A R A L L O Incorporated
Litigation Support Services
1835 Market Street, Suite 600
Philadelphia, PA 19103
215.561.2220   215.567.2670

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P R O C E E D I N G S

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COUNCIL PRESIDENT VERNA: Good morning. This is the public hearing of the Committee of the Whole regarding the operating budget for fiscal year 2006.

I would ask Mr. McPherson to please read the title of Bill No. 050003.

MR. McPHERSON: Bill No. 050003, an Ordinance adopting the Operating Budget for Fiscal Year 2006.

COUNCIL PRESIDENT VERNA: Ms. Wilkerson.

Good morning. Please identify yourself for the record and proceed with your testimony.

MS. WILKERSON: I'm Joyce Wilkerson, Chief of Staff to Mayor John Street.

Thank you for the opportunity to provide testimony regarding the fiscal year 2006 operating budget for the Office of the Mayor.

The total amount requested for the

Mayor's office from the General Fund for FY06 is $4,376,236, an increase of $230,463 over fiscal year 2005 estimated obligations.

Of this total, 4.1 million is for employee compensation and purchases of services, material, supplies and equipment. The largest portion of the request, the Class 100 appropriation, includes 3.4 million for 47 positions and represents an increase of $70,000 over FY2005 estimated obligations.

The 47 positions constitute an increase of one position over the authorized level for 2005, and the requested Class 100 appropriation reflects a two percent increase. Both increases reflect the addition of 172,000 for three staff members for the revitalized Board of Ethics, partially offset by reductions elsewhere in Class 100. There are also increases of 135,000 in Class 200 appropriation and $25,000 in the Class 300/400 appropriation, which are entirely in support of the work of the Board of Ethics.

I am pleased to report that the City's investment in our federal and state lobbying teams continue to pay healthy dividends in an environment that places critical sources of revenue in continuing jeopardy. Our team helped the City secure more than $10 million in '05 appropriations earmarked in support of such initiatives as the new CORE scholarship program, West Philadelphia Streetscape, North Delaware Riverfront Development and Operation Safe Streets.

The team also fought hard to protect the City's interests in transportation reauthorization legislation, homeland security, work force investment, Empowerment Zone and other matters. Meanwhile, our team in Harrisburg was critical in advancing the City's position with respect to gaming legislation and strengthening of PGW.

The state team also helped win the enactment of three key pieces of legislation that authorize the City to charge up to $25 for police accident reports, authorize City Council to impose a penalty of up to $5,000 for short-dumping and authorize Council to

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increase fines and penalties for violating City ordinances, rules and regulations in stages from the current maximum of $300 up to the new maximum of $2,000.

The principal remaining portion of the General Fund total, $200,000 in Class 500, is for the City scholarships. This amount will continue the Mayor's office scholarship program for Philadelphia students who attend classes at area colleges and universities. The program is distinct from the CORE program inaugurated with the graduating high school class of 2004, through which system-wide scholarship assistance has been made available to every eligible graduating senior. Funding for that program in the amount of 4 million is included in the Finance Department's FY06 Class 200 budget.

The Grants Revenue request for FY2006 is 1.2 million, representing an increase of $323,000 from FY2005 estimated obligations and an increase of $14,000 from the FY2005 original appropriation. The grants are principally from the federal government to

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support the Mayor's Commission on Aging. The grants will enable funding to assist older adults with job counseling, training and placement, and health insurance counseling.

As you will recall, beginning in FY05, grant funding for the Mayor's Commission on Literacy was transferred to the Free Library. The Mayor's Commission on Literacy was moved physically and organizationally to the Free Library in the fall of '04, and the Library is moving forward with the process of integrating the Mayor's Commission on Literacy with its Reader Development Program to support a more seamless delivery of services and literacy providers.

You will be hearing from the Mayor's office of Community Services, Housing and Community Development, Labor Relations and MOIS on their fiscal 2006 operating budget request later in these hearings.

Thank you for your support, and I'll be happy to answer any questions.

COUNCIL PRESIDENT VERNA: Thank you.

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The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

Good morning.

MS. WILKERSON: Good morning.

COUNCILWOMAN TASCO: On Page 16 of the budget detail, 135,000 is allocated for vendors for the Ethics Panel. What is the purpose for these funds?

MS. WILKERSON: They've been identified by the Ethics Commission. I don't have the detail on what it is that they propose. I think it's when they want to do investigations, they have equipment that they'll be needing, but I can get a more detailed breakdown of exactly how those dollars are intended.

COUNCILWOMAN TASCO: Who will staff the Ethics Panel?

MS. WILKERSON: The Ethics Panel is selecting its own staff. I believe they are conducting interviews for an Executive Director. That's in process now. The Administration is not directly involved in that.

COUNCILWOMAN TASCO: And they have budgeted for that staff position?

MS. WILKERSON: Yes.

COUNCILWOMAN TASCO: Thank you. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

I believe you're requesting $332,000 for the creation of the Ethics Panel. Can you tell us -- I know that that is an executive order -- exactly what will their responsibility be?

MS. WILKERSON: The Ethics Board is responsible for monitoring the implementation of the ethics executive order. It receives in response to requests for guidance from members of the Administration on ethical issues that come up.

The Ethics Commission is involved in reviewing proposed legislation that the Administration has proposed for ethics issues. I believe they also will be investigating certain complaints made.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes -- well, Councilman Nutter is on the phone.

I, along with, I'm sure, every member of Council has been receiving tons of mail, and I guess only you will be able to answer the question. Will the Administration be extending the $750 bonus to DC 33 and 47 to non-represented employees?

MS. WILKERSON: Yes. The Administration directed yesterday, and I believe it's reported today, that exempt and non-represented employees will be getting the 750 bonus and the two percent FY06 increase.

We are also in the process of restructuring a lot of positions, changing responsibilities, and in connection with that, there may be future adjustments made, but at this point, we've directed that there be the bonus paid. We expect that that will be paid out sometime in March, and then the two percent I believe is a July 1 increase.

COUNCIL PRESIDENT VERNA: Thank

you.

Councilman Nutter, your light was on. Do you have any questions?

COUNCILMAN NUTTER: Yes. Thank you.

Good morning, Ms. Wilkerson.

MS. WILKERSON: Good morning.

COUNCILMAN NUTTER: Back in the area where Councilman Tasco was, could you share a little bit more information about the budget for the Ethics Board? How did you determine that particular amount?

MS. WILKERSON: That's what was requested by the Ethics Board. Therese Lily, the Chairman, requested that, and I can send up to you this morning the detail of that. We didn't try to argue it down. They are a new organization. They made a best-guess estimate on what the needs would be of the organization and we have submitted that in connection with our budget.

COUNCILMAN NUTTER: And you made mention that they're in the process of a search or interview process for Executive

Director?

MS. WILKERSON: Yes.

COUNCILMAN NUTTER: Do you know when that started?

MS. WILKERSON: Within the last month or two. I don't know exactly. I can get you that information.

COUNCILMAN NUTTER: And do you know if there was any type of advertisement? Are they doing it on their own? Was there a firm hired to help them with the search?

MS. WILKERSON: I don't know. I'll get you that information.

COUNCILMAN NUTTER: And I guess lastly on that, do they have a timetable for when they're looking to bring someone on?

MS. WILKERSON: I'll get you that information. I don't have the timetable for that.

COUNCILMAN NUTTER: Lastly, on Page 17 of Section 2 in the operating budget book, is it fair to say, I guess, in conjunction with now having an Ethics Board, we are about to become members of the Ethics

Officer Association? Do you know which one that is?

MS. WILKERSON: I think you're looking at an FY04 item?

COUNCILMAN NUTTER: Yes.

MS. WILKERSON: And you're asking -- and your question is? I'm sorry.

COUNCILMAN NUTTER: Well, does that mean that we were members of it and we've dropped our membership?

MS. WILKERSON: I think that's what it means, yes.

COUNCILMAN NUTTER: Is that the name of the organization or is that just kind of a placeholder?

MS. WILKERSON: I'll get you the information on that. I don't know if that's the exact name of the organization.

COUNCILMAN NUTTER: I know there are a couple around. I have not heard of that one.

So far, the decision is that we will not maintain membership in that organization?

MS. WILKERSON: There's been no

request to fund membership in that organization. The whole question of dues is one of the things that becomes a challenge as we reduce the City's resources. Out of the Mayor's office alone, we spend in excess of close to $70,000 on dues throughout the entire City. There's probably in excess of a few million dollars spent on dues, and we're continuously reviewing, asking questions about membership. And without a request, a specific request, I wouldn't fund something like that.

COUNCILMAN NUTTER: So if the Ethics Board decided at a subsequent point that they might want to participate in something like that, it would either come from that item or possibly from their own resources?

MS. WILKERSON: That's correct. They have discretion, you know, dollars that aren't connected to either payroll or computers, and they could make that funding decision to fund something like that.

COUNCILMAN NUTTER: Okay. Thank you.

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Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam President.

Chief of Staff, on numerous occasions, I think two -- not numerous; on two occasions, I've communicated in writing to the Mayor's office about what you just discussed, the bonus to non-represented employees. As of today, I have not gotten an answer. So I would assume that I'll get that in writing?

MS. WILKERSON: All right.

COUNCILMAN RIZZO: It's very difficult. I don't know why. But we send thing things down there. It would have been nice to know about that prior to hearing it here today, especially since it goes back almost a month now or more. I'll provide you with copies of the communications.

MS. WILKERSON: All right.

COUNCILMAN RIZZO: Thank you,

Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam President.

Good morning, Ms. Wilkerson. I have two questions, one regarding the CORE scholarships. Did we figure out what went wrong and why it took so long to get the payments out to the various colleges, and will that happen in the future?

COUNCIL PRESIDENT VERNA: Good morning.

MS. REED: Dianne Reed, Budget Director.

It took a little bit of time to transfer the money from Council to the Finance Department so that we could pay from City accounts, but those did get out before Christmas.

COUNCILWOMAN MILLER: Right. Well, will it happen again when you give those out?

MS. REED: If the funding is kept in the Finance Department, we can do that more expeditiously.

COUNCILWOMAN MILLER: Because I think I read some place it is going to be in the Finance Department, correct?

MS. WILKERSON: Yes.

COUNCILWOMAN MILLER: Okay. Because we were getting calls. I think it's a good program, but we were getting calls.

And I have another question about this revitalized Board of Ethics. What did the Board of Ethics do? I wasn't here. I mean, I'd like to know what this Board actually does.

MS. WILKERSON: I'm going to ask Joe Grace, who is liaison from the Mayor's office to the Board, to address that more specifically.

COUNCIL PRESIDENT VERNA: Good morning.

MR. GRACE: Good morning, Madam President. Good morning, Council members.

Joe Grace, Deputy Secretary for External Affairs.

The Board of Ethics that currently is in existence was appointed and reinvigorated by Major Street by executive order in August, in August of 2004. Prior to that, there was a Board of Ethics in existence in the City for some time, for many years. It had fallen somewhat into disuse, and the intention of the Mayor in promulgating the executive orders 001 and 002 of 2004 was to reinvigorate the Board of Ethics. He named five new members and appointed a Chair, and that Board has been at work since then, as our Chief of Staff testified earlier.

COUNCILWOMAN MILLER: But what does it do? I mean, it just creates laws or policy or what? How do they interact with Council members? I'm missing that.

MR. GRACE: As our Chief of Staff testified, one of the things the Board of Ethics has done has been to look at ethics legislation before it has been transmitted to this Council. Another thing that the Board has done has been to issue several opinions already concerning how the executive order on gifts and meals should be followed and adhered to in the City.

In addition to that, the Board of Ethics is looking at streamlining the financial disclosure form, the statement of financial disclosures that City officials are required to file to make the form less confusing.

In addition to that, the Board is looking at ways to facilitate campaign finance reports to be placed on the City's website to foster more disclosure and transparency.

In addition to that, the Board reviews, as our Chief of Staff testified, complaints or questions that come in, Councilwoman, about the existing ethics rules and the Mayor's executive orders from Administration employees on how they can follow correctly those ethics rules and ethics executive orders.

MS. WILKERSON: The executive order only governs the administrative part, the executive part of government, and so it doesn't have a real role.

COUNCILWOMAN MILLER: With City Council?

MS. WILKERSON: That's correct.

COUNCILWOMAN MILLER: All right. Thank you.

Thank you, Madam President.

COUNCILWOMAN TASCO: Madam President, can I follow up on that?

COUNCIL PRESIDENT VERNA: Certainly. The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: How long has the Ethics Board been in existence?

MR. GRACE: The current constitution of the Ethics Board has been in existence since mid August 2004, Councilwoman, following the Mayor's executive order.

COUNCILWOMAN TASCO: August 2004. What existed prior to that?

MR. GRACE: There was a Board of Ethics that had fallen largely into disuse, Councilwoman. There were not really regular meetings and there really was not any regular activity that we could discern being conducted.

COUNCILWOMAN TASCO: When was that established?

MR. GRACE: That Board actually dates to the 1960s. The original --

COUNCILWOMAN TASCO: Have they established any guidelines for behavior?

MR. GRACE: Well, there is existing language in the Philadelphia Code that regulates ethics in the City. The intention of legislation that was introduced by members of City Council, as well as transmitted up by the Major in September was to create a more specific and definite code of ethics.

COUNCILWOMAN TASCO: You said there is a code of ethics in the Code now?

MR. GRACE: There's existing language in the Philadelphia Code that regulates ethics and ethical issues, yes.

MS. WILKERSON: One of the things that was recommended by the 21st

Century Forum was that we pull together all the pieces of ethics legislation so that people can find it in one place, create an omnibus code, and based upon that recommendation, the work of the Ethics Committee, we formulated legislation that would pull together a lot of what already exists, and that's what the Administration transmitted.

There's also been one other source of guidance. The Law Department has lawyers who take responsibility for rendering guidance on ethical issues, and so even when there was not a very active Ethics Board, the Law Department has staff to whom people within government, across government, can direct questions. It wasn't a board, but there always been that repository of guidance.

COUNCILWOMAN TASCO: What exposure do the employees of the City get regarding the current existing code of ethics?

MR. GRACE: Well, employees regularly inquire, both before the Mayor's executive order and since the Mayor's executive order and the new Board of Ethics was put into place, of the counsel and the Law Department with questions about what they can and cannot do, Councilwoman, with regard to the existing language in the Philadelphia Code concerning ethical conduct.

COUNCILWOMAN TASCO: So the language tells them that there's an ethics code and they should be mindful of them and where they could find them?

MR. GRACE: The counsel in the Law Department will attempt to answer those questions when employees from the Administration come to the Law Department and ask, can we do this or can we not do this.

COUNCILWOMAN TASCO: But they have to ask; there's no training or education or information when someone is hired by the City, whether they be civil service or non-civil service appointees, there is no process to provide them with information about a code of conduct?

MR. GRACE: Well, two things, if I may, concerning that. The Inspector

General, who is under the Office of the Mayor, I know regularly does accountability training with employees in each City department who are designated as, I think it's, Accountability Officers, as Integrity Officers. So that one employee, one designated employee, in each City department is aware of what the existing rules are and can then be a resource within each City department to be able to, to the best of their ability, answer those questions as employees have them, in addition to the counsel that the Law Department would provide if asked.

MS. WILKERSON: After the Mayor issued the executive order, there were -- I know the Managing Director called meetings. We had cabinet meetings where we reviewed the executive orders with cabinet members, the executive order and also other guidance. And I don't know exactly how it was moved through departments, but I can get you that information, because we did have meetings discussing it with people.

COUNCILWOMAN TASCO: Well, what

role does the -- what is it called?

MR. GRACE: Ethics Board?

COUNCILWOMAN TASCO: Not the attorney --

MR. GRACE: Inspector General.

COUNCILWOMAN TASCO: Inspector General. What role will he play with the Ethics Committee, Ethics Board, the new revitalized Ethics Board? What is the relationship between he and she and that agency?

MR. GRACE: Councilwoman, it's a close working relationship. Inspector General Gill has been a part of the revived ethics process from the very beginning from when the Ethics Committee of the Review Forum under Judge Chen began its work, as our Chief of Staff has testified. The Inspector General has been a part of every step of the way, had significant input into any recommendations, including a proposed code of ethics that went to the Mayor and became legislation transmitted up here in September.

The Inspector General has

participated in meetings of the new Board of Ethics, the revived Board of Ethics, since August. I don't know if he's been at every meeting, but I think he's had a designee at several meetings.

In short, there's already a close working relationship between the Board of Ethics and the Inspector General.

COUNCILWOMAN TASCO: Who might file a complaint with the Board of Ethics, and do you know if any complaints have been filed recently?

MR. GRACE: When it comes to complaints, I think we probably should check with the Law Department. I paused because people ask questions of what they can and cannot do. In terms of complaints, I think we should really check with the Law Department and get back to you.

MS. WILKERSON: I'd rather have the Ethics Board talk about what its workload is, the nature of the inquiries.

COUNCILWOMAN TASCO: Are they going to testify?

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MS. WILKERSON: I can have them come and testify. I didn't call --

COUNCIL PRESIDENT VERNA: I think that would be a good idea.

MS. WILKERSON: All right.

COUNCILWOMAN TASCO: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Ms. Wilkerson, can you tell us who our federal and state lobbyists are and how much they get paid?

MS. WILKERSON: I'll have Mr. Burrell, who is Secretary of External Affairs, come up and talk about it in more detail. The information is on Page 16 of Section 2.

COUNCIL PRESIDENT VERNA: Good morning.

MR. BURRELL: Good morning, Madam President and members of City Council.

We retain several law firms who do our federal lobbying in Washington. Among them are Patton and Bogs --

COUNCIL PRESIDENT VERNA: I'm

sorry?

MR. BURRELL: Patton and Bogs, Whitten and Diamond, the Linkage Group. What's the other one? I can never remember all of the names. The American Continental Group.

COUNCIL PRESIDENT VERNA: Are they all listed here?

MR. BURRELL: I think they are. American Continental Group and Congressman Bob Borsky, former Congressman Bob Borsky.

Each of them are paid on a monthly retainer basis. Both Patton and Bogs and Whitten and Diamond were reduced this year from roughly $15,000 a month to Patton and Bogs down to $11,000 per month, Whitten and Diamond down to $8,500 per month. American was reduced from $7,500 a month down to $5,000 per month. Congressman Borsky remains at $5,000 per month, and the Linkage Group, which is a minority firm, was increased from $3,500 per month to $5,000 per month. And they do our Washington lobbying. We probably reduce like -- I don't have the numbers right on the top of my head, but reduced this year's, the upcoming budget year, the current budget year in fact, by over $100,000, and those numbers will remain constant going into next year.

In Harrisburg, if you want me to give you in Harrisburg --

COUNCIL PRESIDENT VERNA: Are they in the --

MR. BURRELL: It's not right before me, but I'm sure they're listed. But I can give them to you quickly.

COUNCIL PRESIDENT VERNA: Okay.

MR. BURRELL: Wojack firm. Wojack and Associates represents us. Former Senator Joe Loper represents us, and Ernie Bearfield represents us in Harrisburg.

The Wojack firm was reduced from roughly $19,000 a month to $10,000 a month in the current year, and that would carry forward. Ernie Bearfield, who was a minority firm, was increased from $4,000 per month to $5,000 per month, and Senator Loper was reduced from $7,500 a month to $5,000 per month. And they represent us in Harrisburg.

COUNCIL PRESIDENT VERNA: Okay. I see that they are outlined on Page 16. Is there anywhere else or any other department that we would find that there were lobbyists?

MR. BURRELL: I don't have them. We can get you the breakdown, but those lobbyists, those are our principal lobbyists. The funding for their contracts does not all come out of the Mayor's office. Some of it comes out of other departments, and we could identify that for you.

MS. WILKERSON: I believe that -- I'll do a sweep of all the departments. I think that the Water Department may have lobbyists dealing directly with water-specific issues. The gas company also has some lobbyists. But I can get you a call from the other departments any additional lobbying resources.

COUNCIL PRESIDENT VERNA: Thank you. That would be appreciated.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank

you, Madam President.

I, too, were requesting additional information about the ethics. Not that the money listed is not a lot of money, but given our budget constraints, we're concerned about their role as well and how, given all the ethics hearings we are having, how they would relate or interact with other ethics boards being discussed.

Can you tell us that?

MS. WILKERSON: This is something the Administration put in place last August. I think that if there is an alternative ethics mechanism put in place with an alternative board, we would certainly reconsider what it is that we've proposed, established and are currently funding.

COUNCILWOMAN BLACKWELL: Your testimony lists three staff persons at $172,000. What about if a new department is created; what is the total cost? Will they be placed some place where there are not additional costs, or what are we talking about here?

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MS. WILKERSON: That was the staff cost. There are additional dollars for -- I think it's 135,000 in Class 200 and 25 in Class 300 dollars that also support the Board of Ethics.

The Administration considered various alternatives. We said, Well, we could have the Law Department staff the Ethics Board, but we thought it was important that there be sufficient distance from the Administration. We have not sought to control the Board. It has its own staff and operates with independence.

COUNCILWOMAN BLACKWELL: I would only say that certainly, I don't know, I think we're kind of ethics'd out, but that's my personal position. And given all the needs we have and all the cuts, I certainly would be one who would be interested in so many other cuts that we're facing in terms of the City. But certainly I respect the Mayor and the Administrations's issue on this, but I certainly would certainly hope that you will consider all of the other needs that we're

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dealing with and our feeling in that regard, especially we talked earlier about, for example, increase in license fees for mom and pop businesses and that sort of thing. I think that a lot of us have other concerns that we are more serious about than creating another board to monitor the cuts we already have.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you, Madam President. Good morning.

Ms. Wilkerson, you testified that the largest portion of this request, Class 100 appropriation, includes $3.406 million for 47 positions. Are the three Ethics Board positions, they make up part of that 47?

MS. WILKERSON: Yes.

COUNCILMAN DiCICCO: How does the 44, taking those three out, how does the 44 positions compare to previous years? Has there been any increase in the Mayor's budget in terms of positions?

MS. WILKERSON: Actually, our numbers have gone down from the year before. Last year there was an increase -- because based on a need and also the recommendation of the Transition Forum, we increased the size of the office of the Inspector General.

When we looked at how the office of the IG was staffed here, looked at it in comparison to other jurisdictions, took a look at what our needs are, we increased that level. But I think if you look over time, you'll see a decrease.

We've also transferred positions. Literacy was transferred over to the Library and so we lost those positions, but I don't -- those are probably not reflected in the 47, though.

COUNCILMAN DiCICCO: I was just curious the 44 -- I'm using that as the base number currently -- how that compared to previous years. You said it actually may reflect a decrease from last year. I was just wondering, is there an increase or a decrease from the year 2000?

MS. WILKERSON: I can get you a chart that shows the numbers from 2000 to the present.

COUNCILMAN DiCICCO: Does this reflect any overtime? Is this anticipated overtime or is this just straight out salary?

MS. WILKERSON: There's no --

COUNCILMAN DiCICCO: There are no positions that are eligible for overtime in this?

MS. WILKERSON: Nobody is paid overtime in the Mayor's office.

COUNCILMAN DiCICCO: I just wanted to check. Thank you.

I have no further questions at this time.

COUNCIL PRESIDENT VERNA: Okay. Ms. Wilkerson, I'd like to get back to my issue about the lobbyists.

You mention in your testimony that the City's lobbying team in Harrisburg was critical in advancing the City's position with respect to gaming legislation and the strengthening of PGW.

How has the City's position with regard to the gaming been advanced? Isn't it true that under the existing gaming legislation the City has no say regarding the citing of the slot collars, certainly has no say about the zoning? I mean, how were we advanced in that particular --

MR. BURRELL: Two important things to take a look at, and, that is, where we started with respect to the legislation and now where we are with respect to implementation.

When this legislation started, there was no commitment to the City of Philadelphia to have the gaming facility in Philadelphia whatsoever. Philadelphia was competing in the effort to potentially win one of the race track licenses that were going to be -- the new race track licenses that were going to be authorized around the Commonwealth. So that we started out with the potential of having only a race track in the City of Philadelphia, if we could successfully compete for that.

Through the process, we were able to

come out at the end of the process by having no race track but two gaming facilities that are going to be slotted in the City of Philadelphia, working out the understanding that a certain amount of revenues would be directed to the City to be able to reduce the wage taxes here in the City. We were able to be a part of the lobbying effort that increased the local share, both local in terms of the home of the gaming site, plus the county from two percent to four percent.

So that we believe that the ultimate outcome of the decision to locate two freestanding gaming facilities in the City of Philadelphia which have the potential to produce roughly $120 million, if they're as successful as projected, to write down wage taxes and have us getting four percent off the top of the gaming revenues that will come into the City.

We were successful as a part of those discussions in getting the state to agree to take over ultimate responsibility for the expansion of the Pennsylvania Convention

Center and to assume responsibility for the operating expenses of the Convention Center, which are currently ours.

We were unsuccessful in the legislation of being able to have the right to determine the local zoning laws to apply, but those rules are applied to us in the same way which they are applied across the Commonwealth. There is no jurisdiction that has the right to implement their own local zoning laws as relates to it.

We were successful in the end of getting the 60-day provision in the legislation that allows the City to be able, once applications are received, to have 60 days to give to the Gaming Control Board our interpretation and our views with respect to the impact of potential sites on the zoning issues and site control issues as relates to the City.

So although we would have preferred to be able to use local zoning laws with respect to site decisions, we are pleased with the outcome of the legislation in Harrisburg.

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COUNCIL PRESIDENT VERNA: Thank you so much for that explanation.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Either Chief of Staff Wilkerson or Secretary Burrell, one or both of you were responding to questions earlier with regard to the professional services on the lobbying side on Page 16 of Section 2. I know some information was requested earlier. Could you additionally provide to the Chair brief information with regard to who the principals are for the various firms that are listed on Page 16, as well as a brief description of the services that they provide?

MS. WILKERSON: Yes.

COUNCILMAN NUTTER: Obviously the to-be-determined 135 for the Ethics Panel, we don't need that.

MS. WILKERSON: Yes.

COUNCILMAN NUTTER: Secondly, a couple weeks ago at the five-year plan

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hearing, there was discussion when the Chief of Staff and Mr. Ginnetti were at the table and there was a listing made of upcoming bond deals for the City. NTI I think had just closed the week before. The Airport is still to come, Water, Juvenile Justice Center, the Library and, of course, come the annual summer trans.

At the end of the series of questions, Mr. Ginnetti and Chief of Staff Wilkerson indicated that from, I guess, either the Finance office ultimately information is sent over to the Mayor's office with regard to who will be on the various teams. And, lastly, it was mentioned that yourself, Secretary Burrell, was involved in that process.

Could you give us a little bit of information to explain how the decision-making is made with regard to who is on what team or on what deal and some of the details of how that process works?

MR. BURRELL: I think that in fact the City Treasurer and the Finance

Director are best able to describe in great detail how decisions are made to do transactions. Other than the GO transaction and the tran, which are regular and recurring deals that are done every year by the City, often times the refunding deals are a result of proposals that are brought to the City by specific underwriting firms, whether that's Goldman Sachs or Morgan Stanley or whoever it might be. They come with opportunities in which the City may be able to reduce its overall debt service outlay, and those transactions are evaluated by the Finance Department.

The responsibility for that has been moved now from the Treasurer's office into the Finance office, but all of the determinations about whether to do a transaction or to do a deal by the City of Philadelphia are made in the Finance Director's office. Once they have put together what those transactions would be, they then propose a team.

They will evaluate the talents and the capabilities of underwriting firms, of lawyers, of financial advisors, and they will put together a team usually that consists of a senior book runner and two co-senior managers.

We try, in almost every instance, to make sure that either the senior book runner or one of the co-senior managers is a minority-owned and controlled firm or a woman-owned and controlled firm.

They will put together a selling group, which may have anywhere from four to eight members in it, depending upon the size and the complexity of the deal. They will propose law firms and the bond counsel for the City and underwriters counsel. Virtually in all of those transactions we will have a majority firm and a minority firm that would be co-counsel in those deals.

Those proposals, once determined by the Finance Department, are then sent to the Mayor's office, particularly into my office, and I will evaluate those deals usually from the perspective of making sure that the opportunity to participate with the City has been reasonably and responsibly spread around among for those folks capable of doing this business with the City. And I would add that I think that the process by which we go through is no different than the process that goes through at the School District, at the Parking Authority, at the Pennsylvania Convention Center Authority and SEPTA and other places that do financing transactions in the City.

COUNCILMAN NUTTER: When the information comes over to, as you characterize, the Mayor's office and your office in particular, do you have information with regard to the cost of the transaction or the fees that will be charged for the work that the members of the team are providing?

MR. BURRELL: Very often some of the costs of these transactions don't get resolved, particularly the legal fees, don't get resolved until the transaction is completed, because you don't know what the complexity of the deal is going to be on the front end. Law firms collect their time. They come, they work with the Finance Director and with the Financial Advisor to determine whether those fees are responsible. Near the end of the deal, those fees will be agreed upon. The bond counsel fees obviously get paid by the City. Underwriters fees get paid by the underwriter.

The transaction itself does not come to me. We rely upon the Finance -- in the past it's been the Treasurer and the Finance Director. We rely upon the Finance Director to make determinations about the cost of the deal. They will negotiate with the underwriting firm what they will sell the bonds at, whether it's $2 a bond, $3 a bond.

Those financing transactions, underwriters fees get paid out of the proceeds from the sale of the bond. They get a fee per bond. The fee for the underwriters will be negotiated. The senior underwriter usually gets a consulting fee, which would be negotiated, and the City has a Financial Advisor that works with us on each of the transactions that will establish what we think is a responsible bond fee to pay for the sale of the bonds, the responsible fees for the transactions, and the Financial Advisor, along with the Finance Director, will negotiate those fees in what we think are competitive and fair in the marketplace.

COUNCILMAN NUTTER: These bond transactions, are any of the various principles of competitive bidding utilized in putting these deals together?

MR. BURRELL: They are competitive in the nature, Councilman, that particularly outside of the trans and the GO in a sense that we are often -- the Finance Director and the Treasurer in the past are often, along with our Financial Advisor, entertaining pitches by competing underwriting firms, often times competing pitches on similar transactions, whether it's in the Water Department, whether it's at the Airport, wherever it might be. So that they are always evaluating proposals that are given to them.

Almost never are they simply putting together a team and saying, We're going to go do this transaction. Almost always they are receiving competing proposals from the underwriting firms how they would go about doing this business.

In the first year of the Administration, as has been in the case, I think, in the Wilson Goode Administration and in the Ed Rendell Administration, we sent out requests for qualifications to all of the underwriters who have traditionally done business with the City of Philadelphia. They responded to those requests for qualifications. They were evaluated. That information is available in the Finance Director's office.

I cannot tell you how the Finance Director uses that information. I can tell you that we did go out and get that information in the first year of this Administration.

COUNCILMAN NUTTER: And I do understand that. I guess from the other side of it, for instance, with the upcoming Airport transaction, just as the list was given to us a couple weeks ago, that seems to be the next to come. What I would ask or suggest by way of competitive bidding, was that transaction put out or advertised in such a way to say the City of Philadelphia is expecting to come to market for various airport needs -- I think the amount was $150 million. There may be another one of $180 million -- and then receive responses back from whoever wants to respond to that and then compete for that work.

Is that a process that we utilize?

MR. BURRELL: That is not a process that is utilized, Councilman, but I would say that there were at least three proposals that were given to the Airport and to the Finance Department to do that transaction. It was not simply the selection of one. It was from among three or four proposals that were given to them to do the transaction. Decisions were made as to how best to do that transaction.

COUNCILMAN NUTTER: Is there any reason not to do it in the way that we just discussed?

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MR. BURRELL: I think there is no reason not to do it in the way in which we do it, sir.

COUNCILMAN NUTTER: I'm sorry. Say that again.

MR. BURRELL: I am comfortable with the way in which we go about the business of selecting financial advisors and underwriters to do transactions for the City of Philadelphia. Are there other ways that you can do it? Yes.

COUNCILMAN NUTTER: Okay. Is there any particular disadvantage to the City to put out a transaction and ask people to respond to it and then compete for that business?

MR. BURRELL: I think there are a number of things that have the potential to be negatives in that process. I think we are better served by having competing underwriting firms bringing us their best deals and us choosing from among those deals.

I think that you will often find that the competitive process sometimes results in a higher price per bond when you simply open it up to competition than if you are negotiating with a series of people and evaluating those proposals on a real-time basis. I think that, in my judgment, it is a competitive process the way it works today.

COUNCILMAN NUTTER: But it sounds like it's a process that is somewhat driven by -- and I'm very clear, you're not doing transactions just for the sake of doing transactions, but it seems, to some extent, to be driven more by the pitches and the creative ideas that are put forward on somewhat of an episodic or from-time-to-time basis as opposed to, I guess, a more affirmative and direct process that says we want to do this transaction, we are pleased to receive pitches, ideas, proposals about this transaction from as many people as possible. But I am slightly, I guess, maybe not understanding why we would end up in a less competitive situation if you end up utilizing the same negotiating strategy or tactics with any number of firms that might respond.

MR. BURRELL: In my judgment, Councilman, we are better served to have people who are in the marketplace day in and day out all over the country looking at transactions and looking at the market and determining the timing of when it is most effective to be in that marketplace to do financings coming to us with competing proposals.

In my judgment, the important issue is, is the City of Philadelphia in a way entertaining competitive proposals and not simply choosing one because they have a preferred position over another, but choosing from among competitive proposals. In every transaction that we do, the only -- I don't want to limit it. The Finance Department can speak about this better, but there are a limited number of transactions that we do that are simply driven by our decision on an annual basis that that's what we're going to do. Many of our other refinancings and opportunities are driven by market opportunities.

I think we're well served by having underwriters regularly and on a recurring basis talking with our financial advisors, talking with the Finance Department. And then once they've made a determination as to what deals they want to do, they have an understanding of what's available to us in getting it done.

COUNCILMAN NUTTER: Just a couple last questions. I think your position is very clear. I think you would disagree, it sounds like, with the suggestions or recommendations of, as Chief of Staff mentioned in a previous question, the recommendations of -- the 21st Century Review Forum seem to be more in the direction of competitive bidding process for any number of transactions for the City, but I think there was specific mention in some of their work made with regard to bond financing deals.

You disagree with their view on this particular topic?

MR. BURRELL: As I testified, Councilman, I believe that you can do this really different competitive process than the one that currently exists. I believe the current process is in fact competitive, and I would be open, and I'm sure the Administration would be open, to discussions about ways to do it more effectively and better than we currently do. But it is not as simple as people make it out to be.

COUNCILMAN NUTTER: I understand.

Is there a list of firms on -- I think you referred to a request for qualifications have been done in the earliest days in the first term. Is there a list of, I guess, qualified firms to work on transactions?

MR. BURRELL: I would have to have the Finance Department provide that.

COUNCILMAN NUTTER: But, I mean, is there a list? I mean, are you aware that a list has been developed? Is there such a list?

MR. BURRELL: I'm aware that in the first year of this Administration, we sent out a request for qualifications, and those requests for qualifications were received and reviewed. I cannot tell you what the Finance Department did with them, but I will find out for you what they did with them.

I do not have available on my desk a list of firms that I think that we consider to be the qualified list of firms to do business.

COUNCILMAN NUTTER: Do or do not?

MR. BURRELL: I do not. But I've been practicing law for 30 years, and probably two-thirds of those years I either have been working in this industry either as a lawyer or as an executive, so I have a sense of who the players are in the industry and what some of their capabilities are.

COUNCILMAN NUTTER: Okay. Could you provide to the Chair, if such a list exists for the various entities that perform services in this area, if you could make arrangements for such a list to be forwarded to the Chair, as well as a list of all of the bond deals that have been done by the City

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since 2000 to present, with the names of the firms that participated in each of the deals, what their role or title was, as well as the fees generated by those firms for their work in those transactions. Can you get that information?

MR. BURRELL: Yes.

COUNCILMAN NUTTER: Thank you. Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you. Thank you, Madam President.

I wanted to follow up on information that we received from the Chief of Staff. Do you offhand know about this Historic Property Repair Program and the Vacant Property Management Information System, the status of those or if we're doing anything or not? Or you can get back to me on it.

MS. WILKERSON: I'll get back to you with updates. I know that VPMIS is moving. They've done -- I can't talk through all the IT projects, but I'll get you a report with an update on that and also on the other Historic Properties Program.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, thank you.

MR. BURRELL: Thank you.

COUNCIL PRESIDENT VERNA: Our next witness?

MR. McPHERSON: Mayor's office of Labor Relations.

COUNCIL PRESIDENT VERNA: Good morning. Please identity yourself for the record.

MR. GRAB: My name is Bill Grab. I'm the Director of Labor Relations.

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I'm here with Delia Gorman and Joseph Tolan, the Deputy Directors of Labor Relations, to present the Office's request for fiscal year 2006 operating budget.

The Office of Labor Relations coordinates labor relations programs affecting the City's unionized Civil Service work force. This includes Lodge 5, the FOP, International Association of Fire Fighters, Local 22, AFSCME District Council 33 and District Council 47. The Office of Labor Relations works with the City managers, union representatives and their members in collective bargaining, labor relations administration, dispute resolution and labor management cooperation.

We are requesting $490,025 in the fiscal year 2006 General Fund Budget. This represents a decrease of about $7,000 from our fiscal 2005 estimated obligations.

Our fiscal year 2006 operating budget request breaks down as follows: $451,945 to support seven filled positions; $19,204 for the purchase of services, which is about $9,000 less than our 2005 estimated obligations; and $18,876 for materials, supplies and equipment.

Our fiscal year 2006 performance goals are attached for your information.

The collective bargaining agreements with District Council 33, District Council 47 and the FOP expired on June 30, 2004. The City conducted collective bargaining with the three unions in accordance with the requirements of Act 111 and Act 195. As a result of an Act 111 interest arbitration panel, the FOP was awarded a four-year contract, which expires on June 30, 2008. After numerous contract extensions, the City and District Council 47 settled in October of 2004, and settlement was reached with District Council 33 in December.

Currently the agreement with the Fire Fighters expires on June 30, 2005. We have commenced collective bargaining for a successor agreement. As of last Friday, the Fire Fighters declared impasse in those negotiations and the Act 111 interest arbitration process has begun.

Additionally, we're involved in the contract award for the FOP, which has a re-opener with health insurance issues, and the parties have begun this process.

The Office of labor Relations is responsible for handling District Council 33 and District Council 47 grievances that are not resolved in the operating departments. Combined, the AFSCME District Council submitted 124 grievances to our office in fiscal year 2004. Grievance issues range from reprimands, one-day suspensions, to interpretation of contract language. For the same period of time, the hard-working and dedicated staff of the office disposed of 139 grievances.

Another Office of Labor Relations service measure is conducting labor relations training for City employees. Our training emphasis is to help managers and supervisors function effectively in a unionized environment by providing them with strategies for administering the labor contracts in their work places.

During last year, we set a goal of 140 employees to train in 2006. We plan to increase that total to 200.

The new collective bargaining agreements with both AFSCME District Councils continue the Redesigning Government Initiative Program, or RGI. This is a labor and management cooperation program designed to improve services to citizens and reduce the cost of City government.

RGI committees have worked successfully in Recreation, Revenue, L&I, Health, Police and Department of Human Services. Currently the committee is working in the Board of Revision of Taxes. The Board is in the process of upgrading its technological systems to take advantage of improvements in hardware and software. Part of this process involves redesigning how work gets done.

BRT has partnered with both District Council 33 and District Council 47 through the RGI process to involve employees in this redesign of their work.

Thank you for this opportunity to present our budget request for fiscal year 2006, and we are available to answer questions.

COUNCIL PRESIDENT VERNA: Thank you, Mr. Grab.

You mentioned in your testimony the contract awarded for the FOP included a re-opener on health insurance issues effective July 1, '05. Can you explain how this process will work?

MR. GRAB: The award continued the authority of the panel, the 2004 interest arbitration panel. They continued to have authority over this issue. And we will go back to the panel with both sides presenting ways of cost containment and describing trends in health insurance during that period.

COUNCIL PRESIDENT VERNA: Can you tell us what is included in the five-year plan healthcare increases, if anything?

MR. GRAB: I believe there are increases. I know for District Council 33 and District Council 47 it would be ten percent

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for the first year. I believe it's around nine percent.

COUNCIL PRESIDENT VERNA: You say that is included in the five-year plan?

MR. GRAB: Yes.

COUNCIL PRESIDENT VERNA: Very well. Thank you.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Good morning, Mr. Grab.

MR. GRAB: Good morning, Councilman.

COUNCILMAN NUTTER: Is that Ms. Gorman and Mr. Tolan?

COUNCILMAN NUTTER: Gorman.

MR. GRAB: G-O-R-M-A-N.

COUNCILMAN NUTTER: Right; Gorman.

You made mention of collective bargaining issues, and what I'd like to better understand is, what is the Office's role in the negotiation process and who else is involved in negotiating the various contracts with our four labor unions?

MR. GRAB: Well, we'll go back to the negotiations this past year. Let me get my years right here. In 2003, in the summer, end of the summer, beginning of fall of 2003, the Office goes and around talks to all the departments, boards and commissions or major departments, boards and commissions to see what their issues are when collective bargaining to find out what the managers of the City need.

We then take this information and we work with the Law Department and with the Mayor's Chief of Staff in developing the City's proposals. Excuse me; and the Finance Department and the Managing Director's office to develop the City's proposals for negotiations.

We will present that to the District Councils as our proposals. They'll present their proposals and then we'll present ours.

COUNCILMAN NUTTER: Now, this is August of 2003 anticipating a contract expiring June 30, 2004?

MR. GRAB: Yes. That's when we gather it.

COUNCILMAN NUTTER: I understand.

MR. GRAB: The formal presentation to the union probably isn't until around January or February of 2004.

COUNCILMAN NUTTER: That's what I thought. Okay.

Take me from that point through the end of the contract. What happens and what's the role of the Office?

MR. GRAB: We coordinate and participate in the negotiations with the unions. We basically work with a team of people from Finance, Personnel, Managing Director's office, Law Department and some outside attorneys to --

COUNCILMAN NUTTER: Outside what?

MR. GRAB: Attorneys to negotiate the contract.

COUNCILMAN NUTTER: Now, when

it gets down to the point where it always gets down to, which is pretty much right at the end --

MR. GRAB: There's a lot of work before the end.

COUNCILMAN NUTTER: Well, I know that. So what I'd like to understand is, are you the individual that negotiates the contract with whoever your counterpart or lead negotiator is on behalf of the unions?

MR. GRAB: I do most of the talking at the table, if that's what you want. The outside attorney will also discuss. That's with District Council 33. Joe Tolan will do most of the talking with District Council 47.

COUNCILMAN NUTTER: Well, let's talk a little bit about the non-City players in this. How many non-City employees are involved in contract negotiations?

MR. GRAB: During negotiations this year, I think we had two. Yeah; two attorneys.

COUNCILMAN NUTTER: Two

attorneys? Okay. And do they negotiate the contract or are they solely providing legal services? I mean, what is their role in this process?

MR. GRAB: They work with us and they provide expertise in areas where we need expertise, like health funding or this time we had the drug and alcohol testing, those type of issues.

COUNCILMAN NUTTER: Okay. So let me understand this. I think we were talking about the District Council 33, most recent contract negotiations?

MR. GRAB: Yes.

COUNCILMAN NUTTER: What was the cost associated with that negotiation? What was the cost to the City for outside services?

MR. GRAB: The outside attorneys are not paid through my office. They are paid through the Law Department. I do not know that.

COUNCILMAN NUTTER: You're not sure?

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MR. GRAB: No. I do not know.

COUNCILMAN NUTTER: Do you have any sense of how much time is involved?

MR. GRAB: I do not know the time that they spent.

COUNCILMAN NUTTER: And are there two attorneys generally for each of the four contract negotiations?

MR. GRAB: No. District Council 33, District Council 47 we had the two outside. For the Police interest arbitration, there were more.

COUNCILMAN NUTTER: How many were there?

MR. GRAB: Three.

COUNCILMAN NUTTER: And what about the Fire union?

MR. GRAB: I don't remember the last time for the Fire. I can tell you our plans right now are to use two outside attorneys.

COUNCILMAN NUTTER: But I'd like if you could put together -- I know it may not be within your direct purview, but if you could find out for each of the most recent contract negotiations or interest arbitration, as the case may be, if you could tell me what the actual cost of outside non-government services were to each of those negotiations.

MR. GRAB: Yes. We will try and put that together.

COUNCILMAN NUTTER: Thank you.

Lastly, attached to your testimony, you talk about the training that you provide, as well as these are service-level indicators. Now, you mention the number of grievances cleared. What I don't know is how many grievances there were.

MR. GRAB: In my testimony, I believe we received less than we cleared, was the number. 124 had been received during fiscal year 2004 and 139 were cleared. I can tell you we run --

COUNCILMAN NUTTER: How could you clear more than you receive?

MR. GRAB: Well, we run a case load of around 70 that are actually --

COUNCILMAN NUTTER: So you

always have others in the --

MR. GRAB: In the pipeline.

COUNCILMAN NUTTER: Okay. Got you. So what was that number again?

MR. GRAB: 124 grievances.

COUNCILMAN NUTTER: You had 124 grievances in '04 and you cleared?

MR. GRAB: 139. The workload, by the way, is down tremendously. We were well over 200 at one time. We're down.

COUNCILMAN NUTTER: You're trying to keep people happy.

MR. GRAB: Trying to respond more quickly.

COUNCILMAN NUTTER: I understand.

This No. 2 item, number of days of training provided. What is this?

MR. GRAB: I'll let Ms. Gorman, who does our training, talk about that.

MS. GORMAN: Yes. Councilman Nutter, my name is Delia Gorman, Deputy Director of Labor Relations.

We conduct a one-day-long

comprehensive labor management, labor relations training for managers and supervisors in the City, mostly in the City Civil Service and --

COUNCILMAN NUTTER: Let me stop you right there. How many Civil Service managers do we have?

MS. GORMAN: I don't know specifically, but I would hazard a guess somewhere around 1,500, maybe more.

COUNCILMAN NUTTER: 1,500?

MS. GORMAN: Maybe more. This is counting for Civil supervisors and up. So it would be everyone who has supervisory responsibility for an employee.

COUNCILMAN NUTTER: Is what?

MS. GORMAN: For anyone who has supervisory responsibility for any employees, this is a required course for them.

COUNCILMAN NUTTER: Okay. And the figures would seem to indicate that you -- are you saying that out of the 1,500 this current fiscal year, you're anticipating providing training for 140?

MS. GORMAN: I have to get you the exact number of how many people would be required to take this class, and I will do that, Councilman. We are anticipating this current year that we will do 140. We are planning to do 200 next year, and we have done more in the past. We average around 200. One year we did 300.

COUNCILMAN NUTTER: But I thought you said the training was required?

MS. GORMAN: It is required. We do one day of training every month and we've also gone out to departments and done training for specific departments on their facilities.

COUNCILMAN NUTTER: But if there are 1,500 managers and the training is required, I guess what I'm not understanding is why aren't all 1,500 being trained?

MS. GORMAN: Well, I'm not saying that they're not being trained. I mean, we do -- what's supposed to happen is that within six months of being appointed to a supervisory position, then you go through this training. Now, it doesn't always happen within the first six months. Hopefully it happens within the first year.

Departments are responsible for scheduling their supervisors and managers for this class, and we do as much recruiting as we can. We can handle 20 to 25 people per class and so the number -- I would also say our number is down this year, because negotiations were also -- in addition to giving the training, we're at the table, and we ended up having to cancel a lot of the classes because the negotiations went on extremely long. So we were not --

COUNCILMAN NUTTER: Yes, I know. Okay.

Last question: Does the Office of Labor Relations have any involvement in labor issues that are external to the four municipal labor unions?

MR. GRAB: Yes. The City is the economic employer for the courts, which we deal with a --

COUNCILMAN NUTTER: Well, let

me be more specific. Outside of government?

MR. GRAB: No. As I used to tell Councilman Ramos, we're Mr. Inside and he was Mr. Outside.

COUNCILMAN NUTTER: You're what?

MR. GRAB: We're Mr. Inside and he's Mr. Outside when he was over at the labor standards.

COUNCILMAN NUTTER: I'm sure we'll see them at some point in time.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Tasco.

COUNCILMAN NUTTER: She is not at her desk.

COUNCIL PRESIDENT VERNA: She's not around at the moment.

In the interim, the Chair recognizes Councilman Ramos.

COUNCILMAN RAMOS: Thank you, Madam President.

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Good to see you again, Mr. Grab.

MR. GRAB: Good seeing you, sir.

COUNCILMAN RAMOS: And the Deputy.

In the past, in last year, as the Administration prepared for negotiations with our two municipal unions this issue that has been so well protected by the labor movement and our labor unions here in Philadelphia; and, that is, to defend defined benefits versus defined contributions, and in the negotiations, as far as what I recall, there was again this issue of whether this City should move its work force from a defined benefit plan to a defined contribution plan. And I don't know how far you got, but I know you probably didn't get too far.

I know that, and correct me if I'm wrong, that one of your proposals or one of the proposals of the Administration was to have new employees of the City have the choice between defined contribution or defined benefits.

How far along are you with that and what is your insistence? Why is your insistence on moving towards a defined contribution versus defined benefit?

MR. GRAB: One of the City's proposals in negotiations was to go to do a defined contribution plan. It just dropped during negotiations. The City's interest here is the cost. The cost of the pension plan is very large on the budget. I mean, I think you've seen how our minimum requirements have increased over the years and continue to increase, and we're looking at a way to contain that cost, control that cost.

COUNCILMAN RAMOS: I mean, realistically, how far along are you in trying to reach this goal? Do you have anything to go by in other cities that would indicate that our strong unions would move away from this very well-protected plan that they insist on?

I have been, as you all know, in the labor movement and in unions all my life, all my adult life, and I know that this is something that unions do not want, that it protects workers' defined pension at the end of their careers and the argument is is that defined contributions will become something of an uncertainty for workers.

So I understand the cost. I know that that's the argument, but are you making any headway? Are there any formulas that you can look at in other cities where unions and administration and management have been able to work and progress and be able to cut the expense on our share of obligation on providing healthcare and providing pension benefits?

MR. GRAB: In collective bargaining in the private sector, the defined contribution plans are a majority now. They're new to the public sector. I mean, there are some, but they are new to the public sector.

I can say that I can get you more detail of the comparables.

COUNCILMAN RAMOS: Would you say, then, that this is going to be, for those of us that, God willing, will be around the

City Council for a little bit -- this is going to be an issue that's not going to go away. I mean, I'm just wondering if we're tackling this issue in the proper way at this time or we're investing time and energy to look ahead and see how do we approach this. Because what we continue to hear from the Administration and from the financial analysts and those of you that are involved in the direct negotiations is that this is becoming a bigger, bigger and bigger cost every year and this could very well keep the City in deficit and in financial problems over the years to come.

MR. GRAB: With District Council 33 and District Council 47, we entered into four-year agreements, which have about three and a half years left to go on them. Will this be an issue when we come back to the negotiating table in 2008? I believe that it will be an issue.

As to current employees, historically when we put in revised pension plans, it has been for new employees and not for current employees.

COUNCILMAN RAMOS: And that has been accepted by the unions?

MR. GRAB: Yes. In 1980 when we put in Plan 87. I don't know if it's been accepted. It's always been one of their proposals to put all the employees back into Plan 67. So we have been able to negotiate that.

COUNCILMAN RAMOS: So this issue will then become an issue again probably for our next Mayor and we're still probably at square one with this issue, right?

MR. GRAB: It will always be an issue of contention. Pensions is one of the issues of contentions.

COUNCILMAN RAMOS: Have you looked into other cities and see how far are they along with this debate?

MR. GRAB: We have some statistics, some comparables on that, and I will get them for you.

COUNCILMAN RAMOS: Do you have that?

MR. GRAB: I don't have them here.

COUNCILMAN RAMOS: I have not -- maybe I should, and I probably will -- go and see what else is happening, because this is an issue that needs to be negotiated with our unions, because our unions are here, they've provided us with a very good work force, with its problems, but overall a very good work force, good people, dedicated to public service.

I think we owe it to their members and future members of our two municipal unions to work this out where it is that we reach an agreement with our unions on how we're going to lower this pension increase that continues to skyrocket. At times, it looks like it's becoming more and more uncontrollable, but yet, we still have to protect our work force and provide them with a good pension plan. I think they've earned it.

MR. GRAB: Believe me, we have all the respect that you can have for our work force.

COUNCILMAN RAMOS: If you have any models in other cities that you have on hand, will you pass them on to me, please?

MR. GRAB: Yes, I will.

COUNCILMAN RAMOS: Thank you so much.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam President.

The discussion that you just had with Councilman Ramos pertained largely to the health needs of the workers, as well as the pension needs.

MR. GRAB: Well, we were talking about the pension plan there.

COUNCILMAN COHEN: Were you?

MR. GRAB: Yes.

COUNCILMAN COHEN: Could you summarize just very briefly what you see in the Administration's proposal?

MR. GRAB: For a pension plan?

COUNCILMAN COHEN: Yes.

MR. GRAB: The City's proposal was to go to a defined contribution plan as opposed to a defined benefit plan. That would be contributions made by the employee, and the City would determine the employee's pension when he or she retires as opposed to the plan which we now have, which defines specific levels of benefits.

COUNCILMAN COHEN: And the reason for that, of course, would be, in the words of this Administration, which appreciates the work force, would be to look for a way to increase the amount of benefits?

MR. GRAB: The benefits would be -- I don't know if it would be increased. They would be different. They would be more mobile in these days when people turn over, things like that. It would be a different benefit, yes.

COUNCILMAN COHEN: It would be a different benefit, but from the viewpoint of the worker, what would be your assessment as a worker's reaction to the proposals? Is it likely that the unions are going to celebrate the change in pension plan proposal by awarding the Mayor a medal of commendation at their next convention or would they be up in arms about it?

MR. GRAB: I think it is an area where there will be a lot of discussion, and if there will be -- if there are going to be any changes, the unions will have a lot of input in whatever program the parties develop.

COUNCILMAN COHEN: But what would be the purpose of doing that? Why would the Administration raise that issue now? Is it to improve the pension benefits or is it to cut the cost and thereby to decrease the pension benefits?

MR. GRAB: The City's interest there would be to provide benefits and maintain the work force. I mean, as the cost of the work force increases, the numbers of the work force decrease. One of the things we want to do is try to maintain the level of the work force, and one way of doing that is looking at new ways of providing different benefits.

COUNCILMAN COHEN: New ways more costly to the City or less costly, or is that not a consideration at all?

MR. GRAB: Less costly to the City in many ways, yes, but they would be different benefits.

COUNCILMAN COHEN: But doesn't the phrase "different benefits" mask the fact that this is part of an Administration plan to cut benefits by cutting the costs?

You know, you don't really ever get more with less. That's just a euphemism that's been created to hide the real purpose of plans. Nobody can do more with less or they would do everything for nothing. Isn't that the ultimate of do more for less?

MR. GRAB: No. I think the theory of doing more with less is doing things more efficiently and with --

COUNCILMAN COHEN: And without any impact, then, is the Mayor's office ready to guarantee that there will be no reduction

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in pension benefits?

MR. GRAB: I don't know about reduction. There would be a redirection of them.

COUNCILMAN COHEN: Well, what does that mean? You know, when you come to Council, please try to be clear and honest. Don't toy with us, as so often Administrations toy with those that they think are inexperienced in labor and negotiations.

Isn't the sole purpose of this, really the sole purpose of this is to cut cost; is it not?

MR. GRAB: It would reduce cost, yes.

COUNCILMAN COHEN: And isn't it generally the situation when you cut costs, you're going to cut the benefits, and that the Administration recognizes they like to cover it by talking will it be a redirection of benefits and maybe here or there, there might be somebody through some mathematical quirk that might actually get more. But overwhelmingly the idea is to make it less costly, isn't it? And I know no way in the pension thing, except by maybe cleaning up some practices that maybe need to be cleaned up. And in any event, irregardless of the cost, to cut pension costs without cutting the pensions.

I mean, if there's some wrongdoing being done by a pension board, as I suspect in cases where companies are not willing to reveal pension facts, but except in those cases, it seems to me wherever you're going to cut pensions, to achieve a cut in cost, you've got to achieve a cost in pensions. And isn't it the fact that it's well thought to be the case that a defined benefit plan is cheaper to operate than the plan we have now?

MR. GRAB: A defined contribution plan is usually less expensive, yes.

COUNCILMAN COHEN: You know, I don't know why we go through the motions of calling ourselves a government that's run by the democratic party when we adopt republican party principles. And I don't mean to be name-calling against republicans, but they have certain policies and democrats have certain policies, but it seems to me, to be honest, if we're going to adopt republican policies like cutting labor costs to the bone, cutting pensions to the bone, we're adopting policies favored by republicans.

And they have a right to favor them and fight for acceptance of their views, but we ought not to import them into democratic administrations, because, otherwise, we're not being truthful with workers.

We say the democratic party stands for rights of workers, yet we adopt the same programs that the republican party seeks to adopt to cut costs, and to me, that's a terrible offense to people, to campaign one way and to do something else differently.

So I will be sharply opposed to any change in pension plans unless it can be shown that the pension actually received by the worker will at least be the same as he would get under the current plan but, if possible, might even be improved, but at least it's got to be guaranteed that no one will get less than he's currently getting. That gives people some confidences in the future, retirement years.

When I get old enough to retire, I want to be sure that I'll get at least what I get now. I don't want to look into an indefinite future and say by that time the Administration will have found wonderful ways to redirect the pension money, so I'll be getting a half to a third of what I'm getting now.

And I think that message has got to be made loud and clear, because a democratic party can't exist as a republican light party, darting in and out, adopting a republican policy here or there, because if you really believe in these republican policies, I think you ought to campaign honestly and try to win support. And it's not too difficult. If President Bush could get reelected president, I think it's pretty easy for a lot of folks to get their views accepted. So they ought to campaign honestly.

But as long as this is a democratic administration, relying on labor for many of its votes, I think it's got to be honest with labor. It's got to guarantee that it's not going to be leading the way to lower labor standards.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome, sir.

Thank you. Are there any other questions of members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, the Committee will stand in recess until 1 o'clock.

(Short recess.)

COUNCIL PRESIDENT VERNA: The Committee of the Whole is now back in session.

I would ask Mr. McPherson to please call our next witness.

MR. McPHERSON: Mayor's Office of Information Services.

COUNCIL PRESIDENT VERNA: Good afternoon. Thank you for your patience.

Please identify yourself for the record and proceed with your testimony.

MS. NEFF: Good afternoon. Dianah Neff, Chief Information Officer, Mayor's Office of Information Services, and with me is Michael Dean, First Deputy CIO.

Council President Verna and members of the City Council, I am pleased to provide the testimony for our proposed fiscal 2006 operating budget.

The Mayor's Office of Information Services works in partnership with City agencies to implement and manage information systems that support and enhance City government operations. MOIS coordinates the City's information technology activities by providing centralized planning, enterprise IT standards, IT project management, computer training and desktop support. MOIS also operates the City's central data center and the metropolitan wide-area network called CityNet and the operations support center.

MOIS is requesting a total of $11,363,778 from the General Fund for fiscal

2006. This General Fund represents a total decrease of $249,976 from the fiscal 2005 estimated obligations. I think it's worthy to note that this budget includes 103 budgeted positions, which is a decrease of six full-time positions from the number of filled positions in December 2004.

It also represents a 35 percent decrease since my joining the City in May of 2001. We have gone from 139 General Fund positions down to 103.

I'm going to skip some of the details, or would you like me to read all of this into testimony?

COUNCIL PRESIDENT VERNA: I believe everyone has a copy of your testimony, so you could abbreviate it, if you will.

MS. NEFF: Great.

On Page 2, I think it's important to go over some of the fiscal '05 activities and recognize some of the work that has been done by the department and the agency to achieve the Mayor's goal of using information technology to better deliver services to citizens and businesses.

In September of 2004, the Mayor appointed a 17-member Wireless Philadelphia Executive Committee. The Mayor's Wireless Philadelphia Initiative will provide wireless Internet access throughout the City. This will strengthen the City's economy and transform Philadelphia's neighborhoods.

Wireless Philadelphia will work to create a digital infrastructure for open-air Internet access to help citizens, businesses, schools and community organizations make effective use of this technology to achieve their goals, while providing a greater experience for visitors to the City.

This project has generated considerable world-wide interest and when implemented will place Philadelphia at the forefront of cities using technology to create an environment for innovation for the long-term benefit of its residents.

Last year, another exciting program that we implemented was an on-line bill paying capability that for the first time provided individuals with the ability to transact business over the Internet with the City. MOIS has been working with the City departments to deploy this new capability. Today visitors to the City's website can pay water bills, real estate, school, net profit and wage taxes. Users can get a business privilege license, search for information about deeds, property records, historical photographs, access and obtain copies of police department accident reports, pay parking and traffic violations and file for and pay for some types of building permits.

Since January or in January, we had over 3,300 transactions that occurred on-line, representing a value of 375,000. For the month of February that was just closed, we had almost $45,000 being transacted over the Internet.

The City is also deploying a Vacant Property Management Information System to efficiently track the acquisition, assembly and disposition of property. This new system is taking advantage of the new parcel map recently developed by the Records Department, the address matching capabilities of the Unified Land Record System and the City's extensive Geographic Information System.

The Vacant Property Management Information System will streamline land acquisition and disposition processes by providing for on-line methods for users to research, assemble and request parcels for projects and automating the Development Authority's acquisition and disposition processes.

It will facilitate marketing of City-owned property by creating an electronic property inventory and improving communication by allowing property requesters to view project status and receive notifications about milestones and deadlines.

It will create an electronic document repository for each project, enabling City staff to electronically track project progresses. Policymakers, administrators and managers will be empowered with enhanced decision-making tools.

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I think while we have had some very exciting projects, it is also worth noting that MOIS is working to implement a number of enterprise capabilities and standards in support of common business needs across departments. The City has a significant investment in enterprise and departmental applications and systems that support the day-to-day work of City employees. Many of these applications represent older technologies that are reaching the end of their life cycle and for which programming and technical support expertise is fast becoming unavailable. The legacy systems, as they're called, must be replaced soon.

Recognizing the need to plan for and implement a solution for the migration of these aging legacy systems, the City has selected the Oracle Enterprise Business Suite as a City standard and began its implementation. Replacement of the Water Revenue billing system and adding a collections application is the first use of this standard.

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In FY06, the City will begin the development of a Human Resources Information System using this standard. Still to be addressed, however, is the replacement of the City's aging financial, payroll and related applications. Over the next year, the IT Governing Board will assess these critical technology needs in greater detail and will be working to develop an application migration strategy to guide investment over the next three to seven years.

Also listed below are a number of enabling capabilities that are being used across multiple departments. There is the enhancement of the City's e-mail capability through consolidation and replacement, enhancing and extending the provision of the help desk and desktop support for City workers, the electronic bill presentment that we discussed. We continue to keep the City's GIS data updated and are creating web services that can be used across the departments without having to be reprogrammed every time.

We created an Oracle grid and

storage area network that provides a shared environment for the deployment of departmental applications that has saved significant dollars across the City licensing.

We've also deployed an imaging and document management solution. Revenue and Fleet are the first to use this, and we have several additional departments that will soon begin this as well.

MOIS is continuing to develop a disaster recovery plan to ensure that the City and its departments are able to maintain critical IT applications in the event of a catastrophe. This year MOIS is conducting a risk analysis to determine what is needed to maintain critical applications. Based on this initial planning, MOIS will begin implementation of the disaster recovery measures to ensure continuity of the critical business functions. Additional funding to support this effort is being requested in the FY06 capital budget.

Madam President, that concludes my remarks, and I'll be happy to answer any questions.

COUNCIL PRESIDENT VERNA: Thank you very much. Ms. Neff, you mentioned on the bottom of Page 1, top of Page 2 of your testimony the need to develop interface programs to support the sharing of property information among departments and the City's NTI business partners.

Who are the City's NTI business partners, and would you elaborate on what information is shared?

MS. NEFF: Certainly. I have with me the program manager that is working on the VPMIS. I'd like to call David Baldinger up, if I may.

COUNCIL PRESIDENT VERNA: That would be fine.

Good afternoon. Please identify yourself for the record.

MR. BALDINGER: My name is David Baldinger.

COUNCIL PRESIDENT VERNA: David, you're going to have to push the button and pull the microphone closer to you, please.

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MR. BALDINGER: My name is David Baldinger. Good afternoon.

COUNCIL PRESIDENT VERNA: Good afternoon.

MR. BALDINGER: You had asked about the NTI business partners. I think we're using that term to kind of reflect -- to represent the community organizations, community development groups that are being supported through the City's housing and neighborhood redevelopment activities, the development community individuals, community organizations. I mean, all of those people are involved in one form or fashion in many of the City's housing and redevelopment activities. So those are the business partners themselves.

The information that we're sharing -- that we hope to share through the creation of the Vacant Property Management Information System is really the property information that the City has on properties within the City, who owns what property, what are the tax status of those properties, L&I

status of those properties, which properties are in the process of being acquired, what is the status of that.

The process, as you know, takes a very long time, and even once a property has been slated for acquisition, it may be months or even years before that is available, and right now it's very difficult to kind of get accurate, quick information as to what the status of that acquisition is. And through the Vacant Property Management Information System, we hope to have a single place where that information is stored and provide a way for all of the interested parties to quickly get that information in a form that is usable to them.

COUNCIL PRESIDENT VERNA: When do you think all of that will be available?

MR. BALDINGER: We believe it will take about another year to complete that effort. We hope to do it in phases, so that it's not a full year before there are any benefits, that we can kind of roll out benefits as we move along.

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We've done a conceptual design. We are in the process of putting together the development team to kind of undertake the creation of this. We're building on a lot of the work that has already been done, the Records Department parcel base, the Unified Land Record System, the GIS work that --

COUNCIL PRESIDENT VERNA: I think it's sorely needed and I think it would be wonderful if we're able to access all of that information.

MR. BALDINGER: Yes. This has been something that we've all been waiting for for a very long time.

COUNCIL PRESIDENT VERNA: It's wonderful.

MR. BALDINGER: It's very complicated, but I think we're making real progress and within the next year, we should be see the fruits of that.

COUNCIL PRESIDENT VERNA: Fine. Thank you very much.

MR. BALDINGER: Thank you.

COUNCIL PRESIDENT VERNA:

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Ms. Neff, you mention in your testimony the Wireless Philadelphia Initiative. Can you explain what this initiative is, what it will cost and who will pay for it?

MS. NEFF: Certainly. The initiative is to create a wireless infrastructure that will cover all 135 square miles of the City of Philadelphia. We have worked with a group of stakeholders from the community that have identified needs with our K through 12 education, our universities, our non-profits, our chambers, our minority groups, and have put together a business plan.

It is estimated that it will take $10 million to construct the network, and this will be funded through non-City dollars via taxable bonds or bank loans and will be paid back through a revenue-generation model, so that people will pay a subscription fee to use the network and that will go back to the payment of the loan.

COUNCIL PRESIDENT VERNA: Who would be doing the bonds? Would the City be doing the bonds?

MS. NEFF: The recommendation has been submitted to the Mayor and I don't have the final answer to that. We have recommended a government structure to be created, and whether that's the final model or not, we're waiting to hear from the Mayor.

COUNCIL PRESIDENT VERNA: Also, what is the $32,018 in your FY06 budget for Love Park wireless hot spot, why that's mentioned on Page 8?

MS. NEFF: Well, I can talk to that.

In April of 2004, the Mayor asked to create a pilot area or a test to see if wireless would be readily accepted by the community. To do that, we contracted with an outside company to come in, deploy the equipment and then to maintain the website and the support for anybody that wished to come into Love Park, register to use and have access to the Internet for free.

Within the first two months, over 1,200 people had signed up to use access from Love Park. So the $32,000 was for the actual deployment of the equipment and then the annual maintenance to have the connection to the Internet and to support the website and customer service calls.

COUNCIL PRESIDENT VERNA: Ms. Neff, can you just tell me what Project OSAN is?

MS. NEFF: Sure. Project OSAN, although I can't spell out the acronym, is the Water Revenue Bureau application for billing and collection that we talked about with the Oracle Suite of applications.

So we have a system that is over 20 years old and we are replacing that. It is a multi-department project. We're working with Revenue, Water Revenue Bureau, the Water Department and MOIS using the standards that were selected to replace that aging system. And the acronym they call it is OSAN.

COUNCIL PRESIDENT VERNA: Thank you.

Also on Page 8 of the detail, you're requesting $968,000 for software spectrum. This is an increase of more than $337,000 over your FY05 estimated obligations. What are these funds for and why the increase?

MR. DEAN: Good afternoon. I'm Michael Dean, the Deputy Chief Information Officer.

One of the things that we've tried to do over the last year is really approach software procurement in a bit of a smarter fashion. So one of the things we've done is, where we used to procure software centrally at MOIS as well as at the department level, we've tried to shift all of the procurement back to MOIS so that we can leverage some of our economies and get a better price.

So what we often do is, we make a centralized purchase and then have the monies transferred over from the departments.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam Chair.

Good afternoon. You have to forgive

me for being skeptical, but I've been around this business for a long time and it always frightens me when I hear the word "free" or it's not going cost the taxpayers of the City any money.

You know I have an interest in the wireless network proposal, but lots of concerns on why we're even going there with the availability and I'm curious why we didn't have more of maybe a partnership or relationship with the providers that are already out there to keep a system first class. In this area of technology, it has to be well maintained and be first class.

What consideration has been given to the possibility that government funding of an Internet system will result in government censorship or cause for government censorship? How are you going to deal with that issue?

MS. NEFF: Well, I think it's important to note that the proposal that has been made is not to have it be government run. It's a public-private partnership. Through a request for proposal, we'll contract with the

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private sector to build, manage and deploy the network.

There is a proposed entity to be created that is waiting the Mayor's approval that will oversee this. So it will be outside of the government.

COUNCILMAN RIZZO: Well, I hear outside the government all the time, but we always have a way because of the way we account for things when we involve ourselves with something, your involvement is government involvement, your colleague's involvement, the taxpayers. Every minute you spend on this, it's taxpayers' money. I mean, that's a bit much at the moment just comparing your involvement in this, but let me give you an example.

If someone's viewing scourt.com on the Wi-Fi network, are government funds being used to facilitate what happens next? What if a family values coalition find out about it and asks that access to scourt be blocked out? I mean, how are we, government sponsorship -- you can say that it's going to be private. It will never be private.

And, again, I've heard that our police radio system was going to cost $30 million when we first built it and now we're up close to $65 million. Again, I'm very skeptical about that, but I just can't imagine how we could, as a government, involve ourself in a project like this and not be involved in it.

MS. NEFF: The examples you gave really are Internet providers that create those websites. This is the creation of an infrastructure that allows people to have access to the Internet.

We are not providing services. We are not providing those applications. What we're providing is the low-cost access, affordable access ubiquitously across the City to the Internet. And the same things that are out there today will be out there, but they won't necessarily -- the infrastructure that we're creating is that, an infrastructure to allow people to connect out to the Internet and not -- we are not in the service delivery mode as far as applications and websites.

COUNCILMAN RIZZO: Let me go back to my first question. What you're describing is already out there.

MS. NEFF: Actually, it is not. I'll be happy to explain the process that we went through.

We met with the major stakeholders throughout the City. Only 58 percent of our households today have connection to the Internet. Of that, it's very much skewed along a socioeconomic line. In our more fluent neighborhoods, we have access as high as 91 percent. In our minority and disadvantaged neighborhoods, it's as low as 25 percent.

What we're looking to do is to create an organization that will help with the digital divide, making sure we get computers into the home, that we have the training and the education through our non-profits to reach out and help people effectively use this medium, to work with our small and minority business chambers, to show and do training and education as a component of this on how businesses can effectively use the Internet to expand their businesses.

We heard from the focus groups. For example, the School District has been working very diligently to wire or unwire their campuses. They will have 200 of the 270 schools that will have wireless access, but they are missing what they call the last mile, the ability to reach into the homes of the parents. And they were one of the groups that participated on the survey and had reached out to over 5,000 homes that have children, and the single biggest issue was cost.

So there is not an affordable high-speed broadband network and there is none that have the roaming capabilities, which are important for government to be able to use that.

What you have today in the market for broadband wireless is fixed wireless. You can't take your DSL connection outside. You can't take your cable connection outside. So that's why their hot spot capability was looked at.

One, if you look at the cost for infrastructure to deploy a wireless network, it's $20 to $100 per household past. If you're looking at cable or DSL, it's up towards of $700 to $1,500 per household past, and for fiber, it's $2,000 to $3,000 for household past.

When you look at those infrastructure costs, it is difficult to have a low-cost high-speed network that's accessible to everyone, and our percentages bear that out. 76 percent of the survey respondents noted that the number one reason they didn't have Internet access was cost.

COUNCILMAN RIZZO: Cost of possibly the hardware, not necessarily the service, because you know as well as I do that there are some services that are very low in cost.

Did we look at all at the possibility of -- you're talking about penetration, you're talking about the cost of, again, the laptops that would be needed for people to go on. Did we work with the existing providers to try to increase the penetration with them; in other words, to have a government program that gets the equipment out there that people may need? I mean, our schools, our rec centers.

Was there any conversation with any of the providers to work hand in hand to do what you said, to go into some of the poorer communities?

But I can tell you, you can put a wireless signal out into poor communities and I don't know anybody that's going to be able to log on, because they don't have -- and I understand you have a plan to make loans. I mean, that's all nice, but it just to me -- again, being around this stuff for a while, seeing when government tries to get involved in things that are different. We have a tough time doing some of the basic stuff around here, let alone getting involved in high technology when, again, you say it's not out there.

My question of you is, what have we

done, the statistics that you just gave, have we sat down with Verizon, have we sat down with Comcast and tried to fix that?

MS. NEFF: I did meet with both of those organizations and I will say on the Verizon side, I met with their network side of the house, as their wireless side would not meet with me.

So, yes, we did reach out to them. They cancelled the meetings. I can't tell -- so, no, I did not meet with the wireless side of the house. I did meet with their network side of the house. They see this as a business opportunity. They're excited about being able to bid on the actual deployment and support of --

COUNCILMAN RIZZO: Verizon and Comcast are excited about this?

MS. NEFF: The Verizon network side of the house is partnering with equipment manufacturers and are waiting for the release of the request for proposal to build the network. So, yes, they see that as a new business opportunity.

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COUNCILMAN RIZZO: But doesn't it seem appropriate that before you move to a government-built system that you talk to the people that you really need to talk to? The network people are all well and fine, but without talking to the wireless side, I think the answer to my question is that, no, you did not.

MS. NEFF: Well, I outreached to them. I can't force them to come and sit in a room and meet with me. I can document dates, and when three different times I had scheduled to meet with the group and they did not meet with me.

COUNCIL PRESIDENT VERNA: Councilman Rizzo, I don't mean to cut you short.

COUNCILMAN RIZZO: No, you haven't. You've given me a lot of time. The next go-around.

COUNCIL PRESIDENT VERNA: Okay. Please.

COUNCILMAN RIZZO: Please.

COUNCIL PRESIDENT VERNA: At

this time, the Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good afternoon.

MS. NEFF: Good afternoon.

COUNCILWOMAN BROWN: Please forgive me if I missed the answer to this question. I was struck, too, by the text, which spoke to the fact that there's a guarantee that no taxpayers' dollars will find their way to the system.

Restate for me where the dollars will come from then to do this, what I believe to be a very progressive, forward-thinking way to go.

MS. NEFF: We, being the Wireless Executive Committee, put together a business return on investment model that puts together a plan to take this and market the construction of the network via taxable bonds or bank loans. And there has been considerable interest around this, and we believe that it is financable without using

City General Fund or capital dollars. And the plan is built on that. The revenue-generation model comes from charging a fee to have the Internet access.

COUNCILWOMAN BROWN: And, therefore, the rollout of what you just walked through is contingent on the bond activity, correct?

MS. NEFF: The bond or loan, bank loan financing.

COUNCILWOMAN BROWN: Then, finally, speak again to the relationship, the interaction, the work that's been done with the Philadelphia public school system, since the overwhelming majority of the children who attend our public schools do not have this kind of high-tech advantage in their homes.

MS. NEFF: Correct. And this has been an important goal for the School District, is to reach out to the homes to improve the relationship between administrators and teachers and the family unit, whether it's a simple thing as being able to know what your child's homework assignment is.

The School District has created tutorial applications to work on behavioral problems. They have a whole dedication group that are working on that. And so they were very excited and were a part of the executive committee in looking at what our needs were in the community and then looking to see how we could meet them.

And we believe that having this low-cost ubiquitous network, but also marrying that again, they have a training program where they work with families and they place computers in the homes. In the last two years, they placed 3,000 computers.

We are working to create this low-cost ability, whether it's recycled computers and then adding a wireless card, which can be done for under $50, to make them accessible, but we also agreed as a committee that it was very important that people have some skin in the game and that there be a low-cost rate for low income and disadvantaged and that that would then help them use the equipment and the training that you get to do the connection.

And so if we have this very low-cost rate, that it would be used, and that's what the results of the survey have shown also.

COUNCILWOMAN BROWN: We know that the challenges in the costs facing the School District are massive and huge when it comes to meeting the needs of those 219,000 plus children. Is there any sense that they are prepared to make a financial commitment of sorts towards this initiative particularly for its students beyond the 3,000 computers that they've already made happen?

MS. NEFF: Well, they continue -- their commitment is more like in kind. They're working on the applications, the report card applications, the tutorials, the homework applications.

So their commitment is to do the outreach and to also assist in the training of the families, because it's not just putting a computer and it's not just having Internet access. You have to know those basic computer skills.

COUNCILWOMAN BROWN: Absolutely.

MS. NEFF: So they're working on programs within the school for basic computer skills of the children, and they're extending that to the family. So as they select the families to get the computers, along with that comes a commitment to do six to eight hours, I believe, of training so that they can then effectively use that tool to participate in the programs that are being established.

COUNCILWOMAN BROWN: Thank you for your testimony.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Ms. Neff, I'd like to go back for a moment to the Wireless Philadelphia Initiative. I commend you for your foresight and your interest in this particular area. For the amount of information that's available, it certainly sounds interesting, if not exciting.

I just have a couple of detail questions. I'm trying to better understand this proposal. The first of which is, notwithstanding the more than laudable goal of trying to whether it's bridge, what's often referred to as the digital divide and who has access and who doesn't and reaching into the homes and the like, what I've wondered about from time to time is, why is this a business for the City of Philadelphia to get into, given all of our other challenges?

MS. NEFF: Well, again, the charge was to look at what the interest in the community was. We brought together these different 17 different people from all different groups in the City, whether it's tourism, it was our health community, the universities, the School District, the non-profits, the business chambers, to hear what their needs were and put together a program and a plan.

It will also --

COUNCILMAN NUTTER: And what they said was we needed wireless access throughout the City? That was the main issue?

MS. NEFF: Well, was how can that stimulate economic development. Obviously it's in support of the neighborhood transformation. One of the things that we heard from our focus groups with our small businesses in our minority chambers was that telecommunications costs are a much higher percentage of their operating expenses. The Small Business Administration did a study in March of 2004 that collaborated what we also heard from the focus groups.

And so as we were looking at how this technology -- it has a low-cost entry point, it meets the needs of -- it met the goals of the Administration in neighborhood transformation, it met the goals with the School District. It was looked at --

COUNCILMAN NUTTER: I'm sorry. I don't mean to cut across you, but you mentioned it any number of times. Now, I understand when you lay out a game plan, that people need to basically stick to the message. And so I know that throughout the course of the hearings, we will hear a great amount about neighborhood transformation initiatives and all of the various aspects of the government in which it entails. It has, in a short period of time, virtually no operating department in the government, is not functioning under the overall umbrella of the neighborhood transformation initiative. I think I understand that now.

What does wireless Philadelphia have to do with the NTI program, which is primarily for the demolition of dangerous properties, redevelopment in some areas, of cleaning up lots and building some new homes in different places? And I know there's market-rate houses being built in different areas and they also are now somehow the beneficiary of NTI.

I mean, in many of our neighborhoods, what does wireless access have to do with changing what's going on in our communities?

MS. NEFF: I think it's a good question, and what we looked at was not only how this thing rates but also at economic development at the neighborhood level and how do you enhance that opportunity for small businesses, the neighborhood businesses to be able to compete, and that's where the tie-in with wireless Philadelphia is.

COUNCILMAN NUTTER: So the crying need for small businesses in our communities and what's going to level the playing field for them is wireless access in neighborhoods?

MS. NEFF: It is reduction of telecommunication -- it was not the only thing, but it is one of those things that they have identified that will help them be successful and be able to compete.

We have done a number of one-square-mile pilot areas. We've involved a non-profit, a community business district and a school in that area to take the input that we received from our stakeholder and focus groups and to see what impact that that has.

Probably West Philadelphia is the group or area that has been in existence the longest and has some examples where they work with the people's emergency center in transitional housing, and that by giving them training and education and skills in using the Internet, they've been able to create new businesses, websites, you know, as simple as selling candles, but that brought an income into this household.

It's working with the small business chambers to identify a need and see how that could be met through the use of wireless.

COUNCILMAN NUTTER: Okay. But I kind of go back to my original question, that I want to better understand who the private partners are. I mean, if any of the information from today's newspaper story is correct, it seems to indicate -- this is from the interview with yourself -- the City and private companies will partner to design and build the network, mostly installing transmitters throughout the City. Once the

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network is built, the City's private partners would be responsible for billing, technical support, maintenance and marketing.

MS. NEFF: Right.

COUNCILMAN NUTTER: Again, I'm trying to understand, why is this a business for us? If there are private people out there that want to do these things, why is this now a core business for us as opposed to -- we kind of pick up trash, make sure water comes out of your faucet and some of those kinds of things.

MS. NEFF: One of the answers is that there's limited resources. The way this technology works is that the devices are mounted on street lamps. It's one of the most cost-effective ways of the disbursement of the devices to allow the signal to take place. You have a limited resource. You can't put nine antennas on a street light. You can put one.

So if you have an infrastructure that allows businesses to use that to deliver services, then rather than having every street light in the City of Philadelphia covered with antennas, you make the system available for people through a set of criteria to be able to use and deliver services over that network.

So the reason that it's a public-private partnership is, we're using City assets, our street lights, to be able to deploy the equipment to allow the infrastructure or the wireless network.

COUNCILMAN NUTTER: I know the boundary. I mean, we've got wires running from house to house and probably connected over telephone poles when we gave out cable franchises and people are using -- I mean, companies are using our rights-of-way to do that, but we're not in the cable business.

I mean, other than the loftier goals -- which I agree Internet access is critically important, it will spur economic development. I have no dispute with you about those issues. I am still trying to understand why are we in this business when we're getting out of -- we're severely restricting our involvement in some other businesses, like libraries and those kinds of services and recreation centers? And if there are private people who want to do this, then what they will do is contract with us to use our light poles and they will pay us a fee.

So what does the City get out of this? How much money will this generate for the City of Philadelphia and how much will it cost us, if anything? Because now you're talking about doing either a borrowing or a bond issue. You assume that the subscriber fees will be the debt service for the bond issue. If the subscriber fees do not meet the debt service payments, who is responsible for the shortfall?

MS. NEFF: We are vetting through that at this time.

COUNCILMAN NUTTER: You're doing what?

MS. NEFF: The Administration is looking at those issues right now and we are looking at that. We have presented the -- the "the" being the. The Wireless Executive Committee presented a plan to the

Administration. The Administration is working through those issues at this time.

But there are a couple of things -- it will actually reduce the cost of service delivery for government as well. Today we have field inspectors that do not have wireless access. We pay a high fee for cellular wireless that doesn't have the speed or performance. We aren't able to send engineering diagrams to our field workers. Our inspectors, we have shown that we can save two hours per day per inspector by having wireless access in the field. But they need a performance better than what is available at the slow speed cellular wireless.

So we have looked at, by the third year in our business model, of saving the City approximately $2 million a year in reduction in our telecommunications.

COUNCILMAN NUTTER: So you're saying we're going to have a service that is not available in the private market at all? Do they not have wireless access because we don't have a carrier?

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MS. NEFF: There is no nomadic outdoor roaming capability at broadband speeds in the market today.

COUNCILMAN DiCICCO: Point of information.

COUNCIL PRESIDENT VERNA: The chair recognizes Councilman DiCicco for a point of information.

COUNCILMAN DiCICCO: Thank you, Madam President.

Who has or who supplies the wireless service at Head House Square at 2nd and Lombard and who does provide the service at Love Park? Aren't they private companies that provided that service basically free?

MS. NEFF: That's correct. In the hot spots0.

COUNCILMAN NUTTER: Who provided it at Borders?

MS. NEFF: Excuse me?

COUNCILMAN NUTTER: Right. It's the same issue. Who provides it at Borders?

MS. NEFF: The City pays for

the Love Park. We contract with the circuit to the Internet through Verizon for Love Park. There is a different -- I'm not sure on the Head House. At one time it was --

COUNCILMAN DiCICCO: Was it Sprint? I should remember. I did a cable cutting as opposed to a ribbon cutting.

MS. NEFF: They were going to convert theirs to a fee based. They were going to have it free for a period of time. I don't know if that has occurred. That was done with the South Street business district.

COUNCILMAN DiCICCO: South Street Head House District, right.

MS. NEFF: Right. So I'm not familiar with who all of their vendors were that were involved in that. I can tell you about Love Park, because the City did do that as a proof of concept that there was an interest in wireless and there was a huge interest in wireless.

It today is free from Love Park to Boat House Row. That corridor is using an equipment manufacturer called TroPost that provides the antennas that provides the wireless capability.

COUNCILMAN DiCICCO: Do we have any way of knowing the number of people who have subscribed to that or the number of hits? I'm terrible when it comes to computer technology. But do we have any way of knowing that --

MS. NEFF: We do.

COUNCILMAN DiCICCO: -- and what the prognosis going forward would be on the numbers of people?

For me, the problem with this is, technology moves at such a rapid pace. What is new today is old news tomorrow. And I'm wondering, and I don't know if anybody has had the answer, a year, five years down the road, will all this stuff that we're talking about today be so antiquated that it's not going to be needed anyway?

And the up-front costs that are involved concerns me, notwithstanding the other questions that have been asked about, if we don't meet that level of participation, who will pay for the difference between whatever the costs are and what we have subscribers to.

I mean, I have a Blackberry. I think most people do. I was in Florida for three days doing e-mails in my office. Not my office; we were closed on the weekend. But I don't know if it's worth that risk. That's my concern, because of the speed in which technology is changing literally daily.

MS. NEFF: Yes. We agree. One of the things that we heard in our focus group was the concern about obsolescence. We worked with technical experts from our universities. We worked with Intel in understanding the industry and where it was going. They make the chips that are used on the wireless technology, and where they thought the various different technology would be over.

We've built into the business plan the ability to upgrade. One of the things when you select your business partner will be to ensure that you look at what's their R&D, how can they migrate, how do you keep this system up and running.

So that there is -- and we also used a very conservative business model for penetration rates based on what has occurred in other communities of smaller sizes across the United States.

We're confident that we can make the penetration rates that are set in the business plan to address some of the concerns and issues and that there would be enough cash flow generated to build working capital to keep the system operated, and that will be a requirement as well in our fee when we select a technology partner.

COUNCILMAN DiCICCO: All right. I just have that concern. I mean, I heard libraries being mentioned earlier. I don't know if it was you or Councilman Nutter. We took pride in ourselves being able to have all the libraries in the City of Philadelphia equipped with computers and now we've reduced the hours of operation, which means that all those computers are sitting there for most of the day unused.

People who had this experience in

the technology to train and instruct people who went to the library in how to use this equipment, now we're moving a step beyond that. And something that was literally free -- not free, because the taxpayers paid for -- we're looking to get into another area where the taxpayers will be paying for technology to provide a service, which we don't know from a business standpoint whether it's going to even break even.

I mean, it may break even now, but two, three years down the road, the likelihood is that we may be confronted with paying the bills. If we do the bonds, as Councilman Nutter was saying, somebody is going to pay it and it's going to be the taxpayers.

I don't know. No one has ever come up to me -- and I don't mean this to be sarcastic -- in my district, and I represent a very broad diverse district, including Society Hill, Queen Village, Kensington, South Philadelphia, no one has ever come up to me and said, Could you get us wireless? I mean, there's something we really need.

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I've never seen that. I've never heard that. Again, I don't mean that to be sarcastic, but people want their libraries open again full time, they want fire stations to stay open. They're not asking me about wireless communication systems. I just don't know.

But thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

COUNCILMAN NUTTER: Madam Chair, I know my time is done. I just need to ask Ms. Neff, does your business plan show the City generating positive revenue from this?

MS. NEFF: Again, our business plan does not have the City as the controlling entity.

COUNCILMAN NUTTER: Well, who is the controlling entity?

MS. NEFF: The Mayor is reviewing the business proposal right now and the creation of an entity that would manage and run the enterprise.

COUNCILMAN NUTTER: A

non-profit or a for-profit?

MS. NEFF: A non-profit.

COUNCILMAN NUTTER: We're going to create a non-profit to run this?

MS. NEFF: That is one of the suggestions, yes, that has been made.

COUNCILMAN NUTTER: So are you showing a positive cash flow in your projections?

MS. NEFF: Yes, and break even is year four.

COUNCILMAN NUTTER: And what are you showing in year five?

MS. NEFF: Positive cash flow that would --

COUNCILMAN NUTTER: How much?

MS. NEFF: -- be used to -- in year five? Approximately $5 million, maybe $4 million. And those are to do the digital divide programs.

COUNCILMAN NUTTER: I mean, if this is the City's idea, you work for the government, how much time do you spend working on this?

MS. NEFF: Of late, a fair portion of my time.

COUNCILMAN NUTTER: So for all of us within the rail, you're on the government payroll?

MS. NEFF: Correct.

COUNCILMAN NUTTER: You're spending your time working on this idea. You're trying to bridge the divide and go into people's houses and out in the parks and all of that. I got that. And you're obviously diligent in your work, but after all of that and the fees generated and the bond deal or the borrowing from the bank and the like, the City would not be the financial beneficiary?

MS. NEFF: The City is the financial beneficiary in the reduction of the cost of telecommunications by being a user of this network. We would reduce the cost for field inspectors --

COUNCILMAN NUTTER: Got that. Love that. I like revenue.

MS. NEFF: Excuse me?

COUNCILMAN NUTTER: I

appreciate the cost reductions of us participating in it. I don't understand why we're not getting the money. I like money, and we don't have that. I mean, I don't know anyone that goes into a business and doesn't get the money.

MS. NEFF: Right. The Wireless Executive Committee took a look at everything from free access to totally private access and multiple business models, different structures that could be set up. You could have a public utility. You could have a non-profit. You could have a cooperative wholesale. There's probably a dozen different models that are out there.

We, working with Drexel University and Temple University, did an analysis across the United States and in a couple of cases, what Taipei was doing, because of the world interest in doing wireless access. And we then created a set of criteria by which we said, Okay, how do each of these models work. What are the best fit for Philadelphia based on looking at economic development in our neighborhoods, looking at reducing the cost of service delivery to the government, overcoming the digital divide and the impact of tourism and Philadelphia being recognized as a 21st century City committed to innovation. That was an important group.

Looking at the healthcare industry, we had cardiac doctors that were one of our focus group, that they wanted to be a part of this because telemedicine is a critical component for them and they didn't have that outreach that they felt would be available through having a City-wide affordable access that their low-income patients could have access to as well.

So we had a number of different focus groups that looked at all of those issues, made a recommendation, looked at the different business models and submitted a proposal to the Administration.

COUNCILMAN NUTTER: Got you. Okay.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA:

You're welcome.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

Following up on this discussion, I read in the paper today that once the network is built, the City's private partners will be responsible for billing and blah, blah, blah. And these private partners would be a non-profit organization?

MS. NEFF: No. They would be private sector. It could be service providers that are using the network to provide a service over the infrastructure, but they would be overseen by an entity that we've recommended, but we haven't had the final approval on yet.

COUNCILWOMAN TASCO: Would this be current providers, maybe Comcast or Verizon or some other?

MS. NEFF: Absolutely. I mean, if you think about it, Comcast and Verizon today don't have the nomadic capability outdoor wireless. They could bundle that with their offerings and use this infrastructure as a part of it. So that, yes, they could be a provider over this network.

COUNCILWOMAN TASCO: So the $10 million is for building the infrastructure?

MS. NEFF: Correct.

COUNCILWOMAN TASCO: So, therefore, this may be a nice way for the City to provide the infrastructure for a company that already exists but doesn't want to provide the infrastructure, right?

MS. NEFF: Correct.

COUNCILWOMAN TASCO: So we will provide the infrastructure, right.

So, again, who pays?

MS. NEFF: There has been a recommendation as a part of the plan. If that is accepted, then the entity that is created, the non-profit, would actually float that. The City would be a subscriber, what they call an anchor tenant, on there as a user.

For example, Drexel is interested in being a service provider. They provide wireless to 14,000 student and faculty on their campus, but they want to have their students have access to wireless anywhere in the City. They would then be a subscriber on that network and they would manage the billing, the service, the care of the subscriptions for their group of people. And multiple universities could do that. They could be a service provider over the network.

A non-profit may have a defined group of people which they want to provide a service to. They could be a subscriber on the network and be that service provider.

COUNCILWOMAN TASCO: I don't know too much about this myself. I'm asking this question. It may not apply. What about security issues with so many people having access?

MS. NEFF: Right. Well, that is an area that we looked at, and as we create the request for proposal to go out to select a vendor with the technology, part of the requirements will be security. And we're working with the federal government guidelines on secured access, and that will be a requirement that we will have of the vendor that builds the network, to build that security.

COUNCILWOMAN TASCO: So how does the City make money to pay the bond covenants?

MS. NEFF: Again --

COUNCILWOMAN TASCO: We would be the guarantor of the bonds if they --

MS. NEFF: Not necessarily. There are ways that could be done to structure it. We would be a user of that, and in that essence, by agreeing to use the infrastructure, you become a guarantor, but the liability would be with the entity that is created.

COUNCILWOMAN TASCO: Tell me about the entity that's going to be created.

MS. NEFF: Well, at this point in time, it's a recommendation. I don't have the final --

COUNCILWOMAN TASCO: So where is this proposal now?

MS. NEFF: In the Mayor's

office.

COUNCILWOMAN TASCO: When did you give it to the Mayor?

MS. NEFF: Late December.

COUNCILWOMAN TASCO: So do you have any idea when we will know what all of this means? What is the role of Council in all of this?

MS. NEFF: This was a Mayor-directed task force. We were asked to create a business plan, which we have done, and submit it to the Mayor's office.

COUNCIL PRESIDENT VERNA: Councilwoman, can I interject for just a minute, please?

COUNCILWOMAN TASCO: Sure.

COUNCIL PRESIDENT VERNA: With this non-profit group that would be the partner, so to speak, if they do not generate profits and there are only losses, would the City be liable for the losses?

MS. NEFF: That is one of the issues that the Administration is looking into at this time. We believe it can be structured such that, no, the City would not be, but it depends on how financable the project is.

COUNCIL PRESIDENT VERNA: I'm sorry, Councilwoman. Thank you.

COUNCILWOMAN TASCO: I have questions on other parts of her testimony. If someone else has a question about this wireless, I will yield and come back.

COUNCIL PRESIDENT VERNA: Councilman O'Neill, I believe you're next. Do you have questions on this wireless?

COUNCILMAN O'NEILL: No, not on wireless.

COUNCIL PRESIDENT VERNA: Not on wireless.

COUNCILWOMAN TASCO: Well, could I continue?

COUNCIL PRESIDENT VERNA: Please do.

COUNCILWOMAN TASCO: In your testimony, which I think is really very encouraging, the fact that you are working on trying to identify and coordinate a list of all the vacant properties in the City, it's the most frustrating thing to try and identify who owns a property. Sometimes you can't get an address for a property. But for an old reverse directory in my office and because I have some history of the name of a former business, could identify the address.

I think the idea of having this master list -- because we got a call the other day about a list of vacant properties in the City, but someone raised the issue about -- one of the answers given about why they haven't had a list is because somebody took a list a long time ago and sold it and people were out buying properties. So I'm sure there's probably some security issues around this list. But I'm very pleased with that.

When do you think this will take place? Oh, I know what I want to ask you. How can you help the City with -- you don't have to answer this, but we do need addresses on these properties. Okay? So I don't know how you work with L&I, the Streets Department, whatever. These properties have to be given addresses and somehow the property owners are required to list their addresses on the property. Because there's no address listed. So if you go by, you don't know. You just see a building on a corner and there's no address.

So until we can have an address, you're not going to know where it is either. And so there's some vacant lots with no addresses.

MS. NEFF: Right, but they do have unique identifiers, and that's what's been created in the system, is to be able -- whether it's a parcel or an address, and there are multiple systems that have different addresses and how do you bring that and addresses change. That's part of the program that we've been working on in the creation of this system. So it is being looked at.

COUNCILWOMAN TASCO: Thank you. I'll come back.

COUNCIL PRESIDENT VERNA: You're welcome.

If Councilman O'Neill is in the room, he would be next.

(Councilman O'Neill not in the

room.)

Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you.

I have a follow-up question to the Vacant Property Management Information System. Will our Council staff be able to access that?

MS. NEFF: David?

I'm going to have the program manager -- I believe the answer is yes, but let me just validate that. He's going to be coming up right now to answer your question.

MR. BALDINGER: Yes.

David Baldinger.

The answer to that is yes. We want to develop a system that is essentially going to make this information available to the broadest number of people, you know, the public developers, City staff. The more we let people understand what property is available, the better off the whole marketing and redevelopment effort is going to be.

So understanding who owns a property and what the status of that property is in the redevelopment process, making that whole process much more transparent is one of the real goals of this effort.

COUNCILWOMAN MILLER: That will be really good, because it's been very frustrating dealing with that whole issue of the status of properties, particularly working under NTI with the demolitions, acquisitions and et cetera. Many times people come in and you just can't really answer their question. So I look forward to this system being implemented.

I have one other question. Is there some way that when someone applies for a building permit -- I don't know whether there's anything on their form or on the application that identifies the Council district?

One thing that would be very helpful to Council offices is that we get information on those individuals applying for building permits. Many times things are going on. We've asked L&I this before and they said there was -- I don't think they asked the question. I'm not really sure. But we'd like to get information on who is applying for building permits.

MR. BALDINGER: I really think that's an issue that you have to deal with in terms of L&I.

MS. NEFF: Mike?

MR. DEAN: One of the things that we do at MOIS is really just provide the capability for the technology. The actual business process, business decisions and business content is really left up to the departments. So we provide the capability for them to have a website and we provide the capability for them to collect credit cards. However, how that site acts or what their rules are, business process, that's really a question for L&I.

COUNCILWOMAN MILLER: So who does the design? Because isn't that some type of software design? I'm not super computer literate, but I think someone has to design something.

MS. NEFF: L&I is working with

an application called Hanson, which is a licensing and permitting system, and, again, they would be the ones to talk to you about the design of that application.

COUNCILWOMAN MILLER: Okay. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DiCICCO: I'm sorry. I didn't mean to press it.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam Chair.

I just have a question about our e-mail. For quite some time now, at least in my office, I don't know whether it's widespread within the government, I've been getting a lot of these e-mails that are intercepted by the anti-virus applications and they come up with all kinds of crazy names on the e-mail address and when you click on them, this little box comes up and said "delete." So I'm assuming that anything dangerous that may have infected the system has already been deleted.

Have we been able to determine the sources of these crazy e-mails? Because it really does screw up my e-mail system. I'm constantly deleting -- either I get so much of it that I delete it automatically, with the chance of missing something I should have read, or I have to individually click in to every e-mail to see it's that intercepted message and then delete it.

Sometimes you don't even feel like opening up the e-mail. And now with the smoke-free stuff, with people who are advocating for the smoking ban, what they're doing is that they're -- and this happened with the tax people, too. They would click on a message and then hit their "send" thing 25 times. It's just overwhelming.

Is there any way to keep it from getting to our machine in the first place?

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MR. DEAN: Technically, yes. I think what we run into is a policy decision. And I'll back up for a moment and say Spam is an ever-growing problem. It's a problem that frustrates me as a user and many of the other thousands of e-mail users out there.

Fundamentally the problem that we run into is, if we don't deliver that e-mail with the deleted.TXT, people really question our ability to deliver e-mail. They say, Oh, we didn't get particular e-mails or I was expecting an e-mail from someone. And whether it had a virus attached maliciously or not, they assume that it should have got there.

COUNCILMAN KENNEY: But deleted.TXT indicates a virus?

MR. DEAN: Yes. That means that that was a virus-infected e-mail.

COUNCILMAN KENNEY: So why would anybody complain about that not being delivered?

MR. DEAN: Because if a certain individual gets an e-mail that has an attachment that's virus-infected, if we were to not deliver it, they would question the integrity of our entire e-mail system.

COUNCILMAN KENNEY: Who is "they"?

MR. DEAN: Users. This is actually a policy decision. That was our first policy decision, that when we had virus-infected e-mails, we didn't deliver them, and then people started complaining that they weren't getting e-mails and questioned whether we really knew how to deliver e-mails to the City.

COUNCILMAN KENNEY: I don't mean to be rude. Who are they that questioned that? Individual people or people in general? I would have never questioned it. I mean, I would be happy not to get it.

MR. DEAN: We get the feedback primarily through IT managers and directors that really get the feedback from the users within the departments.

COUNCILWOMAN MILLER: I get an e-mail that might say mtasco and I get some sometimes with everybody's name, actually.

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That e-mail wasn't sent by her. It's some fictitious person that's using her name. I have some in my Blackberry and my computer now. We get them all the time.

I agree with Councilman Kenney. We get these all the time. But they're coming from a fictitious source.

COUNCILMAN KENNEY: Is it a person or is it a computer that's been programmed to continually send this stuff out? I can't believe that every one of those delete.TXT's I get comes from a separate individual. It seems that someone has either hacked in or is outside manipulating. There must be a way to track that manipulation to the source or sources of it.

MR. DEAN: Spam and what we're also talking about is a technical term called fishing. Like I said, it's an ever-growing problem, to the point where there's legislation coming at a national level to address this. I mean, you're right. This is not an individual sitting there hitting send $25,000 times.

COUNCILMAN KENNEY: The anti-smoking people are sitting there doing that.

MR. DEAN: Maybe in unique cases in Philadelphia they're hitting the button 25 times, but in the larger sense, what happens is, people are hacking into computers at corporations and at universities. They're taking control of them and then having those machines send thousands of Spam messages out to folks like yourself.

COUNCILMAN KENNEY: It was interesting, and I guess it's part of the programming, that some of them that I get are intriguing enough to open because they have either a name or a person or something associated that I'm familiar with personally that may not go to Councilwoman Miller or Councilman Ramos's office but comes to mine.

I mean, I don't know what it is that -- I guess what the program does is select words that would lead you to want to open it. I just find it very, very frustrating and I find it cumbersome in trying to deal with my normal e-mail, because, again, either I have to make a decision to delete the entire 74 items or sit there and go through each one, trying to figure out what I didn't miss. So it really is very inefficient for me.

Anything you guys can do to help eliminate that would be -- and I, for one, would not care if you selected e-mail and not delivered it to me.

The other thing I've seen in the private sector is the Postini e-mail program that you can click into and check your intercepted e-mails when you wanted to check them. They never get to your main computer. You have to go into a service, click on a password and user name and then check and see what it is that didn't get delivered to you that got segregated because potentially it was a virus, and you went in yourself and choose what you want to open or not. Is that a possibility?

MR. DEAN: It is. I don't know the specifics of the service you're referring to, but I'd be happy to get the detail --

COUNCILMAN KENNEY: It's P-O-S-T-I-N-I. I'm sure there's probably more than just one of these. There's a Postini icon on my computer and I can go on there and check what was segregated before it even gets to my main computer.

MS. NEFF: We have looked at softwares that are out there. None of them are infallible, but for an organization the size of Philadelphia with the 17,000 e-mail users we have, it is quite expensive. It is several hundred thousand dollars. That has also been a gating issue. We have submitted for funding on those, but it wasn't a top priority.

COUNCILMAN KENNEY: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I have two questions. Could you

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talk a little bit about the project OSAN and how this affects or benefits Water Fund?

MS. NEFF: Again, we're providing the infrastructure and working and helping on project management, but that is a Water Revenue application, but it was designed to replace a 20-plus-year-old system that didn't have an automated collections process.

It is a billing system that works with our water clients. But it would probably be best to ask the Water Revenue Department about the specific -- if they're specific application questions.

We're creating the environment. We'll house the equipment. We'll provide the capability for the multiple departments to use the system, but the application is owned by the department, which in this case it was Revenue, Water Revenue Bureau and Water.

COUNCILWOMAN BLACKWELL: You indicated a $388,000 Class 2 reduction from last year because of one-time recurring contracts. What kinds of contracts were they?

MS. NEFF: I don't have the

detail. I will need to get back to you on the detail on the non-reoccurring contracts.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam President.

Ms. Neff, you indicated that the two major providers, maybe more, I don't know -- there's something making me think back about something I sat through here where this Council authorized a vendor to attach devices to all of our street lights, and I'm forgetting now what the technology was. Do you have a recollection, where they attached these little white boxes on certain street lights throughout the City? What was that project?

MS. NEFF: It was prior to my coming, but I believe the product was called

Ricochet, but it was Metrocall, I think was the name of the company, and it was multiple years ago.

COUNCILMAN RIZZO: What kind of technology was it?

MS. NEFF: It was a slow-speed wireless proprietary network. You had to have a $300 to $400 card in your device to make it work.

COUNCILMAN RIZZO: There is a precedent where the private sector did make arrangements with government to utilize space on City-owned facilities?

MS. NEFF: Correct.

COUNCILMAN RIZZO: Okay. All right.

I'd like to ask you again. I don't want to give up on this concept, but I really think there's a better place for it to be than in a non-profit, or even the amount of time that we're spending. And I can imagine how much time would be spent by your people. The hundreds and hundreds of thousands of dollars would probably never be recovered as a result of all the work that would take place to get this thing launched.

I would like to make an offer that -- I just can't imagine that Comcast or Verizon or others, wireless, would not get back to you with an opportunity to partner with their government in a concept that would bring wireless access to all of Philadelphia and maybe beyond Philadelphia. So I'd like to facilitate, since I have knowledge of some of the people there, to make that meeting happen.

MS. NEFF: The Wireless Committee set out a number of objectives that would have to be addressed rather than just the private sector. I mean, it was one of the models we looked at, just selling the rights to the poles.

COUNCILMAN RIZZO: Well, no. I'm talking about -- forget that. I was just trying to remember what that was. No. What I'm saying is that you indicated that you made an effort to communicate with Comcast and Verizon and they did not respond or show up at meetings that you had scheduled.

MS. NEFF: Verizon Wireless. I have met with Comcast.

COUNCILMAN RIZZO: You said the network people were interested because they'd have to help build an infrastructure, but let's go now to the wireless arm of both of those companies.

MS. NEFF: I have met with the president of the on-line wireless with Comcast. So, again --

COUNCILMAN RIZZO: Are they interested?

MS. NEFF: They were interested in hearing about our project. They have not come forth with any proposal.

COUNCILMAN RIZZO: I'm going to check with both of those companies to see why a company like Verizon Wireless or -- especially when we do so much with those. Our data in our police cars are Verizon Wireless.

My point is that I don't think the private sector has been drug into this because I don't think we want them in here, to tell you the truth. I think that this is somebody's idea for the government to -- it would be great -- we should really have our own City cell phone system. I think that that would probably be a good idea, too, but let me -- I did some research. This is interesting about Asia. And I found it on the Internet.

Listen to this: I have an article from a website about telecommunications in Asia. It tells me that Mobile One, a leading wireless company in the nation of Singapore -- which is one of the most technologically knowledgeable, advanced in the world. As you know, the highest quality technology that you can find in the world.

Mobile One has rejected Wi-Fi as too costly to deploy and is deeply skeptical about other wireless broadband technologies and whether they are competitive with wire line.

You want Philadelphia to be the first major City in America to do this. One of the smartest countries in the world has said no to this. Why aren't we learning by other people's mistakes, Dianah Neff?

MS. NEFF: Well, I will say to you that there are as equally as many countries in the world, Taipei, that has less land mass but a million more people that we do have committed to putting a high-density wireless infrastructure in their country. So for every one that you can identify, I can identify on the other side of this. It really is cost-point interest.

For example, Verizon is asking out until year 2015 to put a fiber network throughout the state. So if you want to stay wired, you're talking about 2015. I'm saying within a year, we can have a network that is supported by the industry that says that they will be supporting Wi-Fi, Wi-Max, the wireless technologies for the next 15 years, up and running at a tenth of the cost that it takes to put in and at a cost that is affordable for every single user in the City of Philadelphia versus only those that can afford to pay $80 to $100 a month.

COUNCILMAN RIZZO: I think it's unfair to spin this as free when it's not free. All you see --

MS. NEFF: I didn't spin it.

COUNCILMAN RIZZO: Well, a lot of people have spun this as being free access. You never heard free?

MS. NEFF: Yes, I have heard free. I have not. One of our goals was it to be cost neutral. Therefore, it wasn't free.

The Mayor has said he wants free access in certain places, public spaces, like our parks, major parks and squares.

So the system has been designed to allow for free access to be covered by the costs of the fees.

COUNCILMAN RIZZO: Well, I have a feeling you'll be getting a call from Verizon and from Comcast and I would appreciate --

MS. NEFF: I'm more than happy. I have never turned down --

COUNCILMAN RIZZO: Or anybody. I'm not locked into any particular company, but I don't think government does as well as they could do.

MS. NEFF: Again, neither of those companies provides broadband nomadic, the roaming capability, the ability for our inspectors, our assessors, our health workers to have access, to not have to log off as you move from one cell to another or from indoors to outdoors.

COUNCILMAN RIZZO: Didn't Verizon just launch -- I understand they just launched a new very high speed data terminals in our police cars, I believe.

MS. NEFF: It's EBDO. It's $80 a month and they've only launched it in the higher fluent neighborhoods to date in Philadelphia.

COUNCILMAN RIZZO: Well, again, good luck, but I think that you have a long road to go here. Thanks.

COUNCIL PRESIDENT VERNA: The Chair at this time recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

Ms. Neff, in last year's budget, a proposal was approved to send the Mayor's

Commission on Technology, transfer it from the Managing Director's office to MOIS. Why didn't this transfer occur?

MS. NEFF: I'm sorry. Again --

COUNCILWOMAN TASCO: The Mayor's Commission on Technology last year was proposed to be sent -- to be transferred and placed under your department?

MS. NEFF: Yes.

COUNCILWOMAN TASCO: Did it happen, and if it didn't, do you know why?

MS. NEFF: No. It was a ball that was dropped. It was cut out of the Managing Director's budget. It was never put in mine.

We have looked to find funding, and I believe it was covered in MOCS's budget for FY05. I have asked for FY06 to find out where the funding is. It was not transferred into MOIS's budget for FY06.

COUNCILWOMAN TASCO: It has not been?

MS. NEFF: It has not been. It doesn't mean that it isn't in FY06. It may still be in MOCS. The Finance Department as checking on that.

COUNCILWOMAN TASCO: So there's no proposal to transfer it to your office for 2006?

MS. NEFF: No, although -- I mean, I do the coordination with MCOT, the Mayor's Commission on Technology, and work with Carol Smith, who is the Executive Director, on the different projects, but at this time, it is not in my budget.

COUNCILWOMAN TASCO: Is there any discussion about how that's going to be funded?

MS. NEFF: Excuse me. Do we have a comment?

COUNCILWOMAN TASCO: For '06. We know '05 was taken care of.

MS. NEFF: Right.

COUNCILWOMAN TASCO: What's going to happen for '06?

MS. NEFF: I have asked the same question. I'm waiting for a response on '06.

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COUNCILWOMAN TASCO: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

I'd simply like to go on record underscoring Councilman Jim Kenney's request with regards to a smarter way of us being able to handle the junk e-mail and the volumes of e-mails we get around issues facing City Council. It takes an enormous amount of time just to delete them one by one. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam President.

Are there any City-owned buildings in Philadelphia that are either partially or fully wireless capable? Any City office, any

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City offices or Municipal Services Building, City Hall or any portions thereof of those buildings?

MR. DEAN: For City buildings or City-occupied buildings that leverage our internal network, CityNet, there are a couple of pilots running. One of them is at 1234 Market Street. We're running a pilot internally for wireless connections.

COUNCILMAN KENNEY: What department?

MR. DEAN: MOIS. That's our department. So with some of our folks, some of our technicians. And as well as we have a pilot running with the Streets Department at one of their large vehicle shops so that some of their vehicles can come in, download data wirelessly and then sort of pull out of the shop.

We know that there is an ongoing demand or an increasing demand for this wireless connectivity internal to CityNet. So we're just working out a standard, a secure standard, so that we can roll it out to all departments.

COUNCILMAN KENNEY: Would that include City Hall and the MSB and other offices outside of the Center City area, like police stations or fire stations?

MR. DEAN: It could, if there was a request from any one of those entities for a wireless connection, sure.

MS. NEFF: And funding.

COUNCILMAN KENNEY: Is there a rolling budget of what the cost would be considering how far you would go out from either City Hall, MSB and then other buildings that the City occupies and then out into neighborhood City-owned facilities? Have we been able to determine just a ballpark?

MR. DEAN: We don't have a plan to roll out in sort of continuous fashion internal wireless connectivity across the buildings. We respond where we get individual requests. So if a particular police station wanted to have wireless connectivity, we'd respond to that request and be able to put wireless connectivity there.

COUNCILMAN KENNEY: What is your opinion as to the increase or whether it affects it all on efficiency and workability and work product? I mean, do you think that something -- in the best of worlds, is it a good thing to have across the City government or would it be negligible as far as impact on productivity?

MR. DEAN: I think it's a wonderful thing. I think more devices that we -- as we progress along, the maturity of devices and wireless devices and PDAs and even cell phones, they're all becoming wirelessly enabled or Wi-Fi enabled.

COUNCILMAN KENNEY: Would it be as important from a productivity standpoint? I understand that the outdoor Wi-Fi issue is something that you want to be able to market to a potential resident or business, but from a productivity standpoint, would the outdoor Wi-Fi equal or be more important than the indoor productivity issue?

MS. NEFF: More important.

COUNCILMAN KENNEY: Which, the

indoor or the outdoor?

MS. NEFF: The outdoor.

COUNCILMAN KENNEY: Is more important than the indoor?

MS. NEFF: Right. Today at least you have your wired environment in our buildings and facilities. The core buildings downtown are connected by fiber, but it's our field operations where we get the best connectivity. If we have a high-speed wireless outdoor network, we can also reduce some of our least cost lines that we have to pay for that.

So by far, the payback first comes in demonstrable productivity savings with the outdoor. Then the other, the indoor, makes it easier to do business and has a benefit, and that's where the industry is going, but, in fact, the real first payback comes with your outdoor wireless.

COUNCILMAN KENNEY: Would the outdoor use by private citizens, say, in Rittenhouse Square or Jefferson Square or wherever else you're going to do these, is there a charge for the individual user to be using the Internet? Because I know if you have AOL, for example, you pay a monthly charge, whatever it is. If you have any other service provider, you pay monthly.

How would charges be assessed? Since it's going to be free for the public, who would pay for it? Nothing is really free.

MS. NEFF: Again, the free are in limited locations, and that is by the nature of the technology in the cell that you're in. You can specify in there that when you log on, if you're in the cell, there's no fee. But if you want to use it anywhere you go in the City, you would then pay a fee and then be authenticated as a user on that network.

COUNCILMAN KENNEY: Through your own provider?

MS. NEFF: Through your own provider.

COUNCILMAN KENNEY: But in the proposed free areas, who would pay the charges? Is there a charge by someone? I mean, it would be free to the public, but is it free to the City? Does the City have to pay for an individual's logging on to a certain site?

MS. NEFF: Currently in the Love Park and the Ben Franklin Parkway, which are free accesses, the City pays for that. That was the fee that we discussed earlier.

COUNCILMAN KENNEY: I'm sorry. I wasn't here. How much was it?

MS. NEFF: It was $32,000.

COUNCILMAN KENNEY: Per?

MS. NEFF: For the entire area on an annual basis.

COUNCILMAN KENNEY: And who is that paid to?

MS. NEFF: We have a contract with a company that maintains it separate from the City's network and provides the Internet connection, and then they contract and I believe Verizon has the circuit connection to the Internet for that.

We are also working in other square-mile areas as pilots with vendors that are supporting the cost at no cost to the City.

COUNCILMAN KENNEY: Is there any restriction when it comes to what sites are able to be accessed either by individual people or by children? I know there's an major issue within appropriate sites that are accessed by people. Is there any issue -- or even not inappropriate sites, but any types of sites that could be construed as being dangerous. Is there any filtering at all?

MS. NEFF: You're required to register. There's no fee in the free spaces today in the hot spots. And we do that so that if there is reported illegal activities or misuse, we can investigate it, but we do not filter.

COUNCILMAN KENNEY: So you can track, but you can't filter? You don't filter, but you can track in the event that there's a child molestation issue or some type of chat room problem that arises?

MS. NEFF: Correct.

COUNCILMAN KENNEY: Okay.

Thank you.

COUNCILMAN RIZZO: Point of information.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: I'm curious. You have an annual contract. I look out the window occasionally in October, nice time of the year. October, November, December, January, February, I can't imagine too much activity in Love Park during that period of time. Did some member ask you to provide some data on what we're getting for the $30,000? I'd like to see some information on what kind of activity we were getting this month in Love Park.

MS. NEFF: Sure. Well, it will vary, obviously, by weather, but on the average we get about 30 users a day.

COUNCILMAN RIZZO: Couldn't that be a seasonal thing?

MS. NEFF: Again, it's an average. If you want to see it by month, we can provide that.

COUNCILMAN RIZZO: That's what I'd like to see, because $30,000 just to spend that and maybe 30 users in -- I can't imagine 30 users. Is that a day in January, February?

MS. NEFF: Remember, we went live in June 15th of 2004. The average is approximately 30 users per day. Now, I can do on a monthly basis. I can't tell you on a daily basis.

COUNCILMAN RIZZO: It would be nice to see on a monthly basis, but I can tell you this, there are some people that work in surrounding sites here that use Love Park from their offices. Is that what that was intended for?

MS. NEFF: No. There is a way to secure it, but this was not the -- was to put it up as a pilot to see if there was interest by the community depending on where you're located near the cell.

Now, when you build out a City-wide network, you put in the security and the parameters around that and you don't get the bleedover. There will always be, if you're near the cell, you're going to be able to pick up a signal.

COUNCILMAN RIZZO: But it was not intended for someone working in Liberty Place to jump on Love Park's --

MS. NEFF: Well, it was free access, so if they can do that from there -- it was never restricted to just people sitting in the park.

COUNCILMAN RIZZO: I thought the concept was to come have lunch, bring your laptop and do some work in the park. Not that that's a big deal, but you are aware that that's occurring?

MS. NEFF: Yes. Yes.

COUNCILMAN RIZZO: But I'd like to see --

MS. NEFF: Certainly.

COUNCILMAN RIZZO: -- maybe the real consideration should be if it's meant for people that go and eat their lunch in the park, that it be a seasonal contract rather than an annual contract.

MS. NEFF: You have to sign an

annual agreement for the circuit. Otherwise, there is a connect and disconnect fee and it becomes very pricy.

COUNCILMAN RIZZO: I'll be curious to see. Thanks.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other questions from members of the Committee of these witnesses?

(No response.)

COUNCIL PRESIDENT VERNA: Thank you very much.

Our next witness?

MR. McPHERSON: Mayor's Office of Community Services.

COUNCIL PRESIDENT VERNA: Mr. Blakney, please identify yourself for the record and proceed with your testimony.

MR. BLAKNEY: Good afternoon. I am Ralph Preston Blakney, Executive Director of the Mayor's Office of Community Services. I'm here to provide a brief description of the work of the agency and present its proposed operating budget for fiscal year 2006.

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The Mayor's Office of Community Services, hereafter referred it as MOCS, requests an FY06 appropriation of $24,641,388; $23,948,782 from the Grants Revenue Fund and $692,606 from the General Fund.

The proposed budget for MOCS include appropriations for the Empowerment Zone, as well as other MOCS programs as follows: MOCS Programs, General Fund, zero dollars; Grants Fund, $8,898,782, for a total of $8,898,782; Empowerment Zone, $692,606 General Fund, Grants Fund $15,050,000, for a total of $15,742,606. The grand total for General Fund is $692,606; the Grants Fund $23,948,782, for a grand total of MOCS programs and Empowerment Zone for FY06 $24,641,388.

A discussion of the Empowerment Zone will follow the testimony on other MOCS programs.

The budget of $8,898,782 for MOCS Programs includes an increase of $703,120 from FY05 estimated obligations. The increase in appropriations will cover projected increases in various grant awards.

The largest funding source is the Community Services Block Grant, a triennial grant award by the Commonwealth. The proposed CSBG operating budget for FY06 is $5,704,320. The amount of the grant is formula-generated, based on the percentage of the population identified as being at or below 125 percent of the federal poverty guidelines. Subject to a plan that must be approved by the Commonwealth, the block grant allows flexibility in addressing the needs of low-income communities.

MOCS is the locally designated community action agency. Its mission is to coordinate resources, leverage funding and provide services to move low-income people towards self-sufficiency and out of poverty.

There are 336,177 Philadelphia residents below the poverty level, according to the U.S. Census Bureau. There are also 414,312 Philadelphia residents below 125 percent of the poverty level and eligible for services through MOCS via the Community Service Block Grant.

Since FY03, MOCS has been strategically adjusting its resources to assist in the City's priority areas serving low-income individuals. By eliminating several programs and restructuring others, we have been able to target $1.25 million of the Community Service Block Grant to services operated by other City departments that provide some level of services to low-income people.

This year's CSBG budget includes 500,000 for the Office of Adult Services to provide case management services to 1,418 individuals; 500,000 for recreation to enhance the services provided to approximately 1,700 low-income seniors at five senior centers; and 250,000 for prisons to expand employment training and placement services to 180 male and female ex-offenders who are returning to their communities.

MOCS continues to provide a variety of direct services to low-income individuals. The following is a list of some of the programs provided directly by MOCS this fiscal year:

Community Engagement Program - provides outreach, information and referrals and supports the NTI;

Fatherhood Initiative Program - parenting workshops and case management to strengthen families;

Long Distance Dad Program - group work with incarcerated fathers;

The Foster Grandparent Program - volunteer opportunities for senior citizens to impact children with special needs, such as those who are mentally challenged, abused and neglected, hearing and visually impaired;

Latino Rights of Passage Program, which is a youth cultural awareness -- includes youth cultural awareness activities;

Safe Schools/Safer Communities Program - conflict resolution training for youth;

Helping Ex-Offenders Live Productive Lives, also known as HELP - information, referral and case management for ex-offenders;

Supported Work Program - case

management, job readiness activities and employment placement for TANF recipients;

The West Oak Lane Senior Center - recreation, socialization, transformation, entitlement program assistance and counseling and meals for older adults;

Special events such as holiday parties for children with special needs and town meetings to discuss gang violence.

Programs directly operated by the MOCS continue to receive local, state and national recognition. The agency receives referrals for services directly from the Department of Health and Human Services in Washington, DC, churches, elected officials, community-based organizations and community action agencies of neighboring counties. We are a great resource and advocate for hundreds of thousands of low-income people in Philadelphia.

At this time, I would like to introduce Beverly Woods, who will be speaking on behalf of the Empowerment Zone and Eva Gladstein. At the conclusion of her remarks, I'd be happy to answer any questions you may have. Thank you.

MS. WOODS: Good afternoon. President Verna, members of City Council, I am Beverly Woods. I'm the Director of Program Administration Evaluation for the Philadelphia Empowerment Zone and I am here on behalf of Eva Gladstein, who is sick today.

Eva has asked me to pass on that she desires to be available at any future date to respond to any questions that Council may have.

The budget for the Empowerment Zone is $15,742,606, over 692 in the General Fund and 15,050,000 in the Grants Fund. This represents a decrease of $19,147 from estimated obligations in General Funds and an increase of 8.8 million over estimated obligations in the Grants Funds for fiscal year '05.

The General Fund request covers personnel and associated costs of administering the Empowerment Zone and Renewal Community programs. The Grant Funds appropriation request will be used to fund four staff positions and makes adequate funding available for all the programs that are planned by the Empowerment Zone for fiscal year 2006.

The Empowerment Zone is a federal grant program that began December of '94. In the year 2000, Congress created a new program, the Renewal Community. Philadelphia was honored to win a Renewal Community designation in 2002, which enabled the City to provide tax incentives to promote economic growth in parts of North Philadelphia, South and West Philadelphia.

Although the Empowerment Zone was originally scheduled to be a ten-year program, Congress extended the availability of the EZ tax credits for another five years, through December 31, 2009. In October 2004, the federal government extended the EZ grant period to coincide with the 2009 deadline for the tax incentives.

While not providing additional resources beyond the original 79 million grant originally awarded in 1994, this extension allows the City additional time needed to implement several very complex programs. We anticipate that these will be completed by fiscal year 2007.

Ten years into the Empowerment Zone program, its American Street, North Central and West Philadelphia communities are now more attractive places in which to live and to work. They have increased commercial activity also. Through the testimony, I will give you a flavor of the Empowerment Zone by illustrating five of our significant achievements to date.

No. 1, we've created a national model, which we call the Neighborhood Funding Stream, which will sustain the impact of the Philadelphia Empowerment Zone.

We have lent over 36 million and leveraged another 83.5 million through over 200 loans that have attracted new business into the Empowerment Zone and supported the growth of existing businesses. Through these loans, the Empowerment Zone has helped maintain and create 1,210 jobs for Empowerment Zone residents.

No. 3, cleaning, greening and maintaining more than 18 acres of formerly trash-strewn vacant lots in three EZ neighborhoods have eliminated significant blight.

Spurring revitalization by uniting into a new organization, 50 organizations located along Girard Avenue, a key commercial corridor connecting the American Street and North Central Empowerment Zone and Renewal Community neighborhood. This organization basically stretches from the I-95 to the river.

And creating strong collaborations among businesses, community-based organizations and the public sector to develop and implement economic development plans.

Over the past two years, the Empowerment Zone has focused on developing new models to sustain the impact of its work. The creation of long-term community endowments in the American Street and North Central

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neighborhoods is a particularly innovative component of the EZ's sustainability strategy. The Empowerment Zone is using loan repayments from its CLIs to create what we call Neighborhood Funding Streams. The Funding Streams will make grants to projects that meet Empowerment Zone principles and ensure that the resources continue to be available to those Empowerment Zone neighborhoods well beyond the end of the federal designation.

The EZ's Community Trust Boards have set funding strategies and priorities, thus continuing their planning role and building the community's capacity.

The Empowerment Zone has chosen the United Way and the Vanguard Group as their partners in this innovative program. Since January of 2004, almost 8 million in loan repayments have been invested to help build the funding streams.

In January, the United Way issued the first neighborhood funding stream request for proposal for the North Central Empowerment Zone neighborhood. This reflected the priorities of children, youth and families. In fiscal year '06, the Empowerment Zone anticipates that the second round of RFPs will be issued.

Another component of the EZ's sustainability strategy is the creation of three community lending institutions that manage revolving loan pools to attract new businesses to the Empowerment Zone and help existing businesses expand.

In the year ending December 31st of 2004, the EZ's three community lending institutions settled 21 loans totalling $3 million and leveraging over $1 million.

Over the last three years, the Empowerment Zone has sought sustainability in a third way, by using its resources to conduct planning, provide early resources and seed activities to support Mayor Street's Neighborhood Transformation Initiative.

For example, the EZ's Vacant Land Stabilization project has served as a model for the NTI's City-wide efforts in this area of work. This work has had a dramatic impact, creating a more inviting climate for residents, employer, employees and prospective businesses.

In the last year, work focused on the development of a long-term strategy to ensure the maintenance of the stabilized lots.

In fiscal year 2005 and 2006, additional lots will be greened at key gateways and along commercial corridors in the North Central and West Philadelphia Empowerment Zone neighborhoods.

Another component of our strategy is to create independent organizations that can bring to fruition the earlier action planning efforts of the EZ. The Girard Coalition is one example. Spurred by SEPTA's reintroduction of the Route 15 trolley, in the spring of 2001, the EZ convened the Girard Avenue Coalition to foster economic growth and enhance the commercial environment and quality of life along Girard Avenue and in the surrounding residential neighborhoods.

The EZ established a partnership with the Local Initiative Support Corporation, generally known as LISC, to provide technical and financial assistance to this effort. With boundaries stretching from I-95 to 33rd Street, this work extends through the American Street and the North Central EZ, as well as through our Renewal Community.

The Coalition has completed a comprehensive planning process for Girard Avenue and secured an initial allocation of $1 million in City capital funds and matching state resources for infrastructure improvements between Front and 8th Streets.

Girard Crossing, a public art/gateway project to be located at 33rd and Girard Avenue, has received approval from the Fairmount Park Commission and the Art Commission and should begin construction over the summer. During the next year, bicycle racks and banners will be placed on the Avenue.

In 2003, the Coalition transformed itself into an independent non-profit organization. At the beginning of 2005, the Coalition hired an Interim Executive Director.

Goals for 2006 include securing additional funding to implement the land use and streetscape recommendations contained in the plan.

All three Empowerment Zone neighborhoods have established commercial corridor revitalization strategies and strong collaborative relationships that bring together residents, the public and private sector, to encourage economic development.

In American Street, significant progress has been made in improving the cleanliness and safety of the industrial and commercial corridors, developing ways to calm traffic and facilitate truck access to American Street, planning streetscape improvements, facilitating land assembly to attract new businesses and jobs, and laying the ground work to obtain private sector support for all of these programs.

This year the EZ launched a shared security program to improve nighttime security for area businesses. Site assembly for three large parcels on American Street is nearing completion.

There have been potential developers identified for two of these three sites. The EZ's goals for fiscal year '06 include securing federal and state resources for reconfiguring the gateway to American Street at Girard Avenue and implementing recommended streetscape improvements.

In West Philadelphia, the Empowerment Zone has allocated almost 1.5 million towards the enhancement of its commercial corridors. A Business Organizer and Business Outreach Coordinator have been providing support to neighborhood businesses for the last six months.

Programs to clean the curbs and sidewalks and stabilize the vacant lots along the commercial corridors are underway. A facade improvement program will launch this spring.

The EZ's West Philadelphia Community Lending Institution has identified a proposed anchor tenant for a retail center at 52nd and Jefferson Streets that it is co-developing with the Goldenberg Group.

In fiscal year 2005, the North Central Empowerment Zone funded a collaborative of community-based organizations to support quality of life and economic development improvements. Goals include improving community safety by coordinating available resources and increasing community involvement in police community partnerships, providing incentives to businesses to improve security, lighting and building conditions on the commercial corridors, and beginning to examine the feasibility of creating a neighborhood improvement district along its commercial corridors. Four partners have been identified to support improvements on Girard, Cecil B. Moore, Ridge and Germantown Avenue corridors.

Since January 2002, the Empowerment Zone office has also been responsible for administering the Renewal Community program. Philadelphia is one of only 40 localities selected through a competitive national process. This initiative provides a set of

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attractive tax incentives to encourage revitalization throughout parts of North, West and South Philadelphia.

To build awareness of the RC program during the last two years, the EZ staff has trained over 300 public and private sector economic development professionals, accountants, attorneys and mailed information on the benefits of the RC program to more than 8,000 interested individuals and businesses in the Philadelphia region.

The Renewal Community designation carries with it five federal tax incentives. One of them, the Community Revitalization Deduction, or CRD, is capped at 12 million per year per city. It is awarded on a competitive basis by the City and the state.

During the last three years, 36 million in commercial revitalization deductions has been awarded to 27 enterprises, including 11 in 2004, ranging from a construction company to a child care center, a dental laboratory and two large retail centers.

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These developments leveraged over 163 million in private funds, including 18 million in 2004, and project the creation of 209,000 new and full and part-time positions, including 236 in 2004. They project the retention of 435 jobs in Philadelphia, 210 in 2004.

These projects enhanced the commercial and industrial environment in neighborhood stretching from South Philadelphia to North Central Philadelphia and from West Philadelphia to Allegheny West and Kensington.

In calendar year 2005, the Renewal Community plans to allocate another 12 million. The City will also take advantage of new federal legislation to expand the footprint of the Renewal Community so that additional areas can benefit from its tax incentives.

Over the last four years, we have showcased the Empowerment Zone and Renewal Community neighborhoods to over 350 members of the regional development community who attended our annual Developers Breakfast and Tour. Last year, over 200 brokers, developers, businesses and lenders attended the breakfast and toured potential development sites in North and West Philadelphia and along the Delaware River Waterfront. The fifth annual Developers Breakfast and Tour is being planned to take place in May of 2005.

With your ongoing support, the EZ and Renewal Community will build upon these successes in fiscal year 2006.

President Verna and members of City Council, this concludes my testimony. Eva, again, sends her desire to answer any questions at any future time.

COUNCIL PRESIDENT VERNA: Thank you. I do hope she's feeling better.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

I'd like to give some discussion to the Fatherhood Initiative program. First tell us, how is that funded? Is it through the grants -- let me get it right here -- the Grants Revenue Fund or the General Fund?

MR. BLAKNEY: It is funded by the Community Service Block Grant and with funds from the Department of Human Services.

COUNCILWOMAN BROWN: I see. An update from last year.

State again what the goal of the program is.

MR. BLAKNEY: The goal of the program is to reunite families. It focuses on bringing non-custodial fathers together with their children.

COUNCILWOMAN BROWN: And who handles the conflict between the non-custodial parent and the custodial parent? Who serves as the bridge or the counselor or the peacemaker in instances like that? Whose role is it?

MR. BLAKNEY: Well, there are case managers in the program who actually facilitate communication between the parents.

COUNCILWOMAN BROWN: Do you have any record of how many fathers have actually made payments on their child support orders? Is that an outcome, desired outcome, of the Fatherhood Initiative program?

MR. BLAKNEY: It is an outcome. I don't have statistics for you now, but I can get back to you with that.

COUNCILWOMAN BROWN: Who is principally charged with tracking that kind of information?

MR. BLAKNEY: It would be the courts.

COUNCILWOMAN BROWN: The courts would be, okay. And so please, if you could, send to the Chair what the goal is, particularly with regard to child support orders or payments to child support orders, and then what the actual numbers are, to give us a handle on where you are with regards to your goal.

MR. BLAKNEY: Certainly.

COUNCILWOMAN BROWN: And then, finally, in this area, is job placement done, any kind of job training, job placement for the fathers who are involved with the program?

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MR. BLAKNEY: We do have a component of that program which is moving to develop jobs. We actually have a job developer in the program.

COUNCILWOMAN BROWN: How new is that professional?

MR. BLAKNEY: That position has been there for the last two years, I believe.

COUNCILWOMAN BROWN: Has it been filled for the last two years?

MR. BLAKNEY: It has been.

COUNCILWOMAN BROWN: So job placement is done?

MR. BLAKNEY: Job placement is done, to the extent that we're able to do it. The capacity is not as much as we would like for it to be, but, yes, we are working with fathers. We have referred fathers for jobs, and many of them have received those positions.

COUNCILWOMAN BROWN: Is that funded by separate funding streams, such as Work Force Development Corp or is that a function of the existing program?

MR. BLAKNEY: That's a function of the existing program.

COUNCILWOMAN BROWN: So could you also forward to the Chair, I guess, just an update or status on job placement and, more importantly, job retention?

MR. BLAKNEY: Certainly.

COUNCILWOMAN BROWN: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Sorry, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

Reverend Blakney, can you tell us a little bit about the HELP program dealing with ex-offenders and how that's working?

MR. BLAKNEY: The HELP program right now, there's three staff people in that

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program, and they have worked with a number of ex-offenders from a number of different organizations. And I can give you a -- 154 clients, but I'm looking for the list of the different prisons that they have gone into to work with people.

They're primarily working with ex-offenders from a number of facilities, which include the State Correctional Institution at Cambridge Springs, State Correctional Institution at Albion, State Correctional Institution at Muncy, CFCF, SRCF Mercer, House of Corrections, Philadelphia Industrial CC, that's PICC, State Correctional Institution at Fayette, State Correctional Institution at Greene, State Correctional Institution at Greenberg, State Correctional Institution at Somerset. And we actually have Philadelphians returning from all of these institutions across the state.

To date, I should say this fiscal year, there have been 154 clients that have been serviced by that particular program.

COUNCILWOMAN BLACKWELL: Thank

you. Thank you both. Very, very important.

How do you determine your town meetings to discuss gang violence? Is it at our request, at anyone's request or do you deal with it in terms of a crime that you learn from the law enforcement agencies? How do you determine what town meetings you hold for gang violence?

MR. BLAKNEY: The Mayor's Office of Community Services has been working with the DA's office, the police department, the School District and a number of other agencies to actually reach children and to gain their attention in order to try and to help them to learn that there are alternatives to crime, alternatives to getting in trouble.

And so the most recent town meeting, which was held Friday, December 10th, was a collaborative effort. We basically partner with these other agencies to determine when the town meeting is needed.

That particular town meeting was held at the Grover Washington Junior Middle School and it was very successful, in that there were a lot of parents and parent groups that attended and supported that particular event.

So there is no formula. The town meetings actually are the result of a community's needs.

COUNCILWOMAN BLACKWELL: Thank you.

One final question. Ms. Woods, do you know by chance -- I realize Eva Gladstein is out -- about the neighborhood funding streams and how Empowerment Zone neighborhoods get involved? I don't know if we have any or not or if they're chosen by proposals.

Do you know any information about that area, the neighborhood funding streams?

MS. WOODS: Yes, I do. In 1999, each of the three Empowerment Zone neighborhoods in West, North and American Street were asked to determine how they wanted to sustain their work, and specifically in North Central and in American Street, they decided that they wanted to make sure there was essentially an endowment available in

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perpetuity for their communities. West actually decided that the strategy it would employ was to build the retail center at 52nd and Jefferson and do some commercial corridor work.

So the three neighborhoods each -- essentially two of the three neighborhoods decided on a similar strategy and one neighborhood made a decision that it was going to invest what was left over of its money in neighborhood economic development and some specific development projects.

Do you want to know how the funding stream actually works and gets built?

COUNCILWOMAN BLACKWELL: That would be great. As you know, I don't go up to Jefferson, so I wouldn't necessarily know what my colleague had, although we're happy to support that. But we would like to know how we can be involved.

MS. WOODS: Okay. Well, with respect to the retail center at 52nd and Jefferson, that was the location, but the West Philadelphia Empowerment Zone is both census tracks 105 and 111, so there was a community that included both the third and the fourth councilmanic districts through the West Philadelphia Empowerment Zone Community Trust Board that developed this project. So there was actually input out of the original West Philadelphia Empowerment Zone Community Trust Board.

But the way the funding stream works is, overall, probably about $15 million was designated between the North Central Empowerment Zone neighborhood and the American Street Empowerment Zone neighborhood, and what HUD required us to do is essentially use the money one time. In other words, we couldn't take the $15 million that was allocated to each of those neighborhoods and directly from HUD draw it down and create this endowment. What we were required to do is actually recycle it.

So through the community lending institutions in these two neighborhoods, short-term, low-risk loans were made, and as they were repaid, it's actually those proceeds that are invested to create the neighborhood funding streams.

The particular funds manager is Vanguard and we have a contract with United Way, which continues to work with the Community Trust Boards in North Central and American Street to create their neighborhood plans. So the way it works, you have the funds at Vanguard that hopefully make a lot of interest over time, but you have United Way working with the North Central community to identify what these priorities are going to be so that they can use some of the interest from the proceeds to fund small projects.

What was described in Eva's testimony was our first kind of full-circle project, and, that is, the money was invested, it went to Vanguard at consistently -- at the same time, we have the planning process going on with North Central, and there's a small amount of interest proceeds that the North Central community is going to be using to fund a children and youth project that evolves out of the RFP that was described in the testimony.

COUNCILWOMAN BLACKWELL: Thank you, Ms. Woods.

MS. WOODS: Is that more confusing or clearer?

COUNCILWOMAN BLACKWELL: No. That's just fine.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Ramos.

COUNCILMAN RAMOS: Thank you, Madam Chair.

I'd like to follow up on a discussion I started with Mr. Blakney last year at hearings and thereafter, either through my directly or through my staff, and I appreciate the engagement of MOCS.

In your statement today, it looks as though your budget has been cut by $2 million compared to last year, and if so, can you explain the cause of this significant decrease and what the impact will be on the programs and services you provide?

MR. BLAKNEY: I would like to refer that, if I may, to the fiscal person from the MDO. The consultant who oversees MOCS's fiscal department is out ill as well.

COUNCILMAN RAMOS: Do you know you're $2 million less than last year, right?

MR. BLAKNEY: That's right.

COUNCILMAN RAMOS: How does that significant decrease impact on the programs and services that you provide?

MR. BLAKNEY: I'm going to bring up the Fiscal Director.

MS. DANZY: I'm not the fiscal Director. I'm Julia Danzy, the Director of Vision of Social Services.

And to speak to the reduction, as you said, of the budget, it relates to really a leveraging of the funds. What you might see -- I don't know if it was reflected in the testimony or the full testimony. There are grants that we are giving to the Office of Emergency Shelter Services, to the Recreation Department, to the prisons and to the Health

Department. And what those monies are doing is being leveraged attached to other programs to further enhance the mission of MOCS.

As you would know -- well, in most cities, the grant is not handled in kind of a distinct program-type thing. Usually that money is used to leverage with other programs to expand and enhance the particular services that are being provided.

So, for instance, with the Office of Emergency Shelter Services, the case managers that some of that money is funding was done to create the ability for persons that we're moving towards housing to begin to get job-ready, to have GED training, to have kind of the readiness for doing resumes, for really knowing how to function on a job, to get mentally transitioned into that process. And so that's where some of that money is going.

In the Health Department, it is being done to, one, enhance our lead program in which -- while one might say, Well, how does that help poverty and how does that help job transition, as you well know, if our children are infected with lead, if they're poisoned with lead and we don't do something to correct that, then that child is one that we can pretty much say is going to grow up to be dependent on the system, because they cannot work, they cannot function in a certain way. And so we are doing that to leverage those pieces.

In the other projects of the Health Department, it is --

COUNCILMAN RAMOS: I really appreciate you explaining where the money is being used, but what I see in front of me in the testimony of the Executive Director is that under Grant Funds, it says you have $8,898,782 for a total of the same. Last year you had 10,537,342. So that's a $2 million difference.

I know what you're saying, that you're doing this here and there. Nevertheless, you're $2 million short. Are you or -- that's what I see in today's testimony as it compares to last year's testimony. Even though I know what you're

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saying, that you're using -- are you $2 million short or less? You have $2 million less to work with than you did last year, according to your testimony today and as I compared it to last year's testimony.

MR. BLAKNEY: We do not have less money in terms of the grants that the agency receives.

COUNCILMAN RAMOS: It says here in Grant Fund that you received $8,898,782 and last year you came here and you said you had n $10,537,342. So that's a $2 million difference. So there's either something wrong with this, with the tallying of your funding numbers, or there's something I don't understand. I'm just trying to see whether in fact you're $2 million short or less money to operate with from grants than you were last year. What you have given us today as I compared it to last year, that's what it indicates.

MR. BLAKNEY: Right. The actual appropriation that we are requesting this year is much more true to what we expect in this climate. Last year we did increase the requested appropriation, I believe it was, by ten percent, because the climate was different.

I don't know if Tom has anything to add, but that's basically where the difference is.

COUNCILMAN RAMOS: I understand your explanation. My point here is that according to your testimony today, you're $2 million less in grant funds than you were last year. So if you were to pass this out to anyone, a funding source, and give them your report of last year and the report of this year, it would read what I'm reading, that you're $2 million less in grant funds. And what I'm hearing is that you're not sure whether that's true or not.

MR. BLAKNEY: The actual amount of money that MOCS has to work with has not changed. The appropriation, the amount requested, is what has changed.

COUNCILMAN RAMOS: Okay. All right. That is not clear then in your

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testimony, in your written testimony, but I understand what you're saying. I'm not sure if I'm convinced, and I'm not saying for the sake of convincing me. I just want to know whether you're operating with less money this year than last year, and your answer to that is no?

MR. BLAKNEY: That's correct.

COUNCILMAN RAMOS: All right. So you're operating at the same level as you did last year, at least with grant fund dollars, right?

MR. BLAKNEY: That's correct.

COUNCILMAN RAMOS: On your website, you refer to the increasing need for staff services and programs to accommodate Philadelphia's newest residents.

Referring to your organization chart, which of these programs is assigned to address the needs of immigrants? You go in a very nice website that you have, very informative, and I appreciate it.

You go on to say that with a 45 percent increase in the City's Latino population, there is an increased need for staff services and programs to accommodate its newest residents. Of the individuals living in Philadelphia five years of age or older, nearly 20 percent speak a language other than English at home.

What kind of services are you providing to this community that you have very well identified in your website?

MR. BLAKNEY: Well, we've made an effort to hire people of diverse backgrounds whenever --

COUNCILMAN RAMOS: You have actually hired or you're still making the effort?

MR. BLAKNEY: No. We have hired some people.

COUNCILMAN RAMOS: I just want some clarity. So you have hired people?

MR. BLAKNEY: Yeah, we have hired people over the last few years who speak languages other than English.

I do know that the City had moved to, in some manner, make all of the intake points, the access points for City services such that people could access those services regardless of what languages they spoke, and this has always been MOCS's desire to collaborate with other city agencies around the intake of clients into city services.

COUNCILMAN RAMOS: And how is that working?

MR. BLAKNEY: From MOCS's point of view, it's working very slowly right now.

COUNCILMAN RAMOS: Okay. Is the office at 6th and Lehigh the only place where you have bilingual -- there I know you have, I believe, a full-time person, it's the only person that works there, and then you have a person that works in a couple offices and is stretched out that speaks Spanish.

Is there anywhere elsewhere you have bilingual personnel? It doesn't necessarily have to be English-Spanish, but it could be English-Vietnamese or one of the many Asian languages or many of the other languages from other continents.

MR. BLAKNEY: We also have

bilingual staff working in the supported work program, which is the 1200 block of Broad Street, the IOC building, as well as bilingual staff in our community engagement unit.

COUNCILMAN RAMOS: Ralph, where's that located, the latter, your community --

MR. BLAKNEY: The community engagement unit is a --

COUNCILMAN RAMOS: Where is it at?

MR. BLAKNEY: Well, they work out of 990 Spring Garden out of MOCS's central office, but they actually work throughout the City. They work at a number of different locations. And I can't give you those locations right now, but I can get that to you.

COUNCIL PRESIDENT VERNA: May I have the address, please, for the 1200 block of South Broad?

COUNCILMAN RAMOS: North Broad.

(UNIDENTIFIED PERSON): 1231 North Broad Street.

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COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN RAMOS: In these three offices, you have bilingual personnel. Is the bilingual personnel just Spanish and English?

MR. BLAKNEY: At this time, yes.

COUNCILMAN RAMOS: I know that last year you talked about having to close offices in recent years because of the budget decreases. What other offices do you still maintain open? You had one on South Broad Street somewhere, I believe.

MR. BLAKNEY: That office is closed.

COUNCILMAN RAMOS: Where else do you have offices? Are those the only three?

MR. BLAKNEY: I have an office at 22nd and Lippincott. That's where the Fatherhood Initiative program is headquartered. There's also the West Oak Lane Senior Center, which is on Ogontz Avenue in

West Oak Lane. The exact address is 7210 Ogontz.

COUNCILMAN RAMOS: I'm familiar with that office.

MR. BLAKNEY: The Mayor's Action Center, of course, which is City Hall, ground floor.

COUNCILMAN RAMOS: I think we had an office in West Philadelphia, councilwoman Blackwell, at one time.

MR. BLAKNEY: That's closed.

COUNCILMAN RAMOS: That's closed as well, okay. And over at 22nd and Allegheny, that's the Mayor's information center?

MR. BLAKNEY: No. 22nd and Lippincott is --

COUNCILMAN RAMOS: I'm sorry; 22nd and Lehigh.

MR. BLAKNEY: Lehigh, that's --

COUNCILMAN RAMOS: No, not 22nd and Lehigh. That's Dobbins, my alma mater. A little further down on Edgley and --

MR. BLAKNEY: We're talking

22nd and Lippincott, which is actually the first street south of Allegheny.

COUNCILMAN RAMOS: No. I know where Lippincott is at, but are you in that Mayor's Action Center?

MR. BLAKNEY: That's 22nd and Somerset.

COUNCILMAN RAMOS: All right. No, you're not there?

MR. BLAKNEY: Right.

(UNIDENTIFIED PERSON): The actual address is 3129 North 22nd Street.

COUNCILMAN RAMOS: Am I done with my time? I'll come around for another round.

COUNCIL PRESIDENT VERNA: I think that Councilwoman Miller has been waiting for some time to be recognized.

COUNCILMAN RAMOS: I defer to her.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILWOMAN MILLER: Thank you. Thank you, Madam President.

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That was the same question I was going to ask, one of the questions anyway, is where you presently have offices. So you just have Broad Street, 990 Spring Garden, 22nd and Lippincott and --

MR. BLAKNEY: And Ogontz Avenue.

COUNCILWOMAN MILLER: And Ogontz. So where are the services provided? Where are you providing services?

MR. BLAKNEY: There has been a major shift in MOCS's resources, as Ms. Danzy explained earlier. We have moved to providing less direct services. With the one and a quarter million dollars that she cited, which is going to other agencies, we've also picked up some other general fund expenses over the last two years, significant space costs, and there are some other programs that we are funding. We have a significant contract with North Philadelphia Human Services Development Corporation.

COUNCILWOMAN MILLER: So basically you're not doing direct services.

You're contracting those or providing funding for other agencies to provide those same services, correct, or similar services?

MR. BLAKNEY: No. We're doing both. We're actually providing direct services and we're also -- we have shifted money to other City departments who include in their clientele low-income people.

COUNCILWOMAN MILLER: But it doesn't necessarily mean -- I believe that your Germantown office that you had on Chelten Avenue you were working with immigrants. It was a literacy program, correct?

MR. BLAKNEY: That's correct.

COUNCILWOMAN MILLER: So who would be doing that now, or does that service even exist not so much by MOCS but by anyone?

MR. BLAKNEY: Some of the services, the actual GED services that were provided there, the adult basic education in particular are being provided by other agencies in that area. There are over 300 sites with adult literacy in Philadelphia.

The English as a second language

component is one that you may be referring to, because that's the component that involves immigrants more than the other two. I share a concern about whether or not those particular people are receiving services at this time. But for those who were there for the ABE and GED, we can all pretty much rest assured that there are enough adult literacy programs offering those components.

COUNCILWOMAN MILLER: Okay. I was just trying to get a sense of what was actually happening with those constituents that were actually receiving certain services through MOCS. I know that GED and ABE programs have been around forever, but when I went to one of the graduations, it appeared that everyone there was an immigrant, was foreign. So I was just more or less wondering are they -- there are no services around to help them or those services have just been incorporated in some other agency within the City or some agency at the community level?

MR. BLAKNEY: I share your concern. We have not identified another

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English as a second language program in that area that provides the services to the particular immigrant population that we were servicing. Hopefully there will be some discussion around providing services to that needed population, because there aren't enough ESL services throughout the City, especially for immigrants that are coming from the continent of Africa, as well as the third world Caribbean countries.

COUNCILWOMAN MILLER: Okay. I have some questions regarding the Empowerment Zone. I just want you to explain the federal tax incentives as it relates to the renewal communities. What exactly are those incentives? I know that one of the Renewal Community projects was in my district, but I don't think I've ever quite understood what the rewards are being in a renewal community and what federal tax incentives does one receive.

MS. WOODS: Perhaps the largest and the one that we discuss most is the CRD, or the Community Revitalization Deduction, and

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what it does is, it allows a tax deduction for substantial rehab in the particular property for the business.

I would really prefer to defer a lot of the questions around the Renewal Community to Eva, primarily because I work for the most part with the Empowerment Zone, but what I can do is make sure we respond to the President with the answer more specifically.

COUNCILWOMAN MILLER: Because I know that there's some incentives as it relates to hiring neighborhood people and I would like to get that information.

MS. WOODS: Okay. For the RC or the RC and the EZ?

COUNCILWOMAN MILLER: Well, probably for both. I mean, we had a $10 million new development on North Broad Street and I know that that was a part of one of the first projects that fell under the Renewal Community.

MS. WOODS: The one across from Temple Hospital?

COUNCILWOMAN MILLER: Yes. So

I don't quite understand that.

MS. WOODS: Okay.

COUNCILWOMAN MILLER: Okay. And what are the boundaries are your Germantown Avenue corridors? That's Germantown Avenue up to what?

MS. WOODS: I should also get that information back to you also.

COUNCILWOMAN MILLER: Okay. I think that's it.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Blakney, your office was once located in the 1300 block of South Broad Street. That's been closed.

MR. BLAKNEY: That's correct.

COUNCIL PRESIDENT VERNA: Have you relocated in South Philadelphia or Southwest Philadelphia in my district?

MR. BLAKNEY: No, we haven't relocated. The thinking behind that particular closing is that the Family Development Center was one of four that was being funded in part by the Department of Human Services. A decision was made by DHS and the MDO primarily to close that office down because it was seen as being a duplication of services.

COUNCIL PRESIDENT VERNA: What foundation did you say?

MR. BLAKNEY: Excuse me?

COUNCIL PRESIDENT VERNA: I didn't quite hear the beginning of your sentence.

MR. BLAKNEY: It was seen as being a duplication of services.

COUNCIL PRESIDENT VERNA: I heard that, but who is now providing the services?

MR. BLAKNEY: There are three other family centers in South Philadelphia. South Philadelphia actually has, I believe, more family centers than any other area of the City.

COUNCIL PRESIDENT VERNA: How about Southwest?

MR. BLAKNEY: I'm not sure. I

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don't have a list of the family centers with me, but I can get that to you.

COUNCIL PRESIDENT VERNA: And what are the three family centers in South Philadelphia?

MR. BLAKNEY: I don't know that offhand. I would have to provide a list. I don't believe there's anyone here from DHS who can speak to that, but there are three other family centers in South Philadelphia.

COUNCIL PRESIDENT VERNA: I'd like to know where they are and what, if anything, we have in Southwest Philadelphia that would provide the type of services that you're talking about to the constituents out there for the community.

MR. BLAKNEY: We will provide you with a list of the family centers and their boundaries.

COUNCIL PRESIDENT VERNA: I'd be curious to know that.

Councilman Ramos.

COUNCILMAN RAMOS: Thank you, Madam Chair.

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Just a couple more questions for Mr. Blakney and I just have one question for Ms. Woods from the Empowerment Zone.

Mr. Blakney, I am glad that you believe that the City does have a role in providing services to new people coming to Philadelphia as immigrants, and I coincide with your opinion.

Are there state or federal grants that you know of that the City can access to fund services for immigrants? I know one time MOCS used to do a lot of ESL, English as a second language, programs in your offices. I know not too long ago people from the island nation of Haiti and from other parts of Africa were taking good advantage of these programs on the east side of Broad Street, and I know that the people from Spanish-speaking countries of the Caribbean and Latin America were also taking advantage of it. Then you lost funding.

I don't know if this was during your time or right before you became Director, but I know you personally raised concern with me that you knew that this was a very good program and that there are other programs out there doing ESL.

But are you pursuing any of this grant money? Have you been able to identify any of the grant monies that can help you provide services to new immigrants in Philadelphia?

MR. BLAKNEY: At this time, and this has been the case for the last two years, we have not had a grants writer on staff, and that particular function within the agency has not been filled. The City, once again, had moved -- and I was a part of meetings in which there was an effort to centralize the grant writing function. That has not happened, not in a way that MOCS has been able to benefit by anything that has been done.

Regarding whether or not there are funds available to provide services to immigrants, there are funds available.

COUNCILMAN RAMOS: Are you pursuing that?

MR. BLAKNEY: We're not

currently pursuing those funds.

COUNCILMAN RAMOS: Because you don't have the grant writer?

MR. BLAKNEY: That's correct.

COUNCILMAN RAMOS: Why don't we get you a grant writer?

MR. BLAKNEY: I would love that very much.

COUNCILMAN RAMOS: We should be able to talk about this. You're looking for funding to help to get people out of poverty, as you well state in your mission statement. So those grant writers don't want $200,000 a year. They don't cost us as much as high-powered grant writers for other purposes.

I find it kind of a little perplexing that you're not getting funded for a grant writer. The grant writer brings in more money so the programs can continue to expand or find new programs, financial programs, that will help us fund needed programs.

MR. BLAKNEY: I agree with you --

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COUNCILMAN RAMOS: Why don't we team up? Because this business of a grant writer is something that should have been addressed and resolved so that your job can become more expansive and less constrained.

I believe that MOCS is an organization that needs to be funded and needs to be supported. I surely support it, and I will do everything that I can as a Councilman here -- I'm not quite sure my colleagues feel the same way -- that you continue the work that you do at MOCS. I would think that South Broad Street office should never have closed, because we have such a diverse growing immigrant population up in that area.

I'm having community meetings on the east side of Broad Street in South Philly and on the west side of Latin American immigrants, and they're all -- and then the Vietnamese and the other -- there are other nationalities out there in South Philadelphia that are on both sides of Broad Street.

But anyway, thank you so much for also working with myself and my staff, since we last engaged in this process last year, the first time for me, and you can count on my support. Thank you.

MR. BLAKNEY: Thank you.

COUNCILMAN RAMOS: Ms. Woods, I have a hard time with the statements today. I see that in the statement that was read by Mr. Blakney that you're $2 million short at the Empowerment Zone, but then in your statement, you say that you have an increase of almost $9 million.

MS. WOODS: The Empowerment Zone grant is 79 million. If you're referring specifically to our Grants Funds?

COUNCILMAN RAMOS: Yes. That's what I'm referring to, yes.

MS. WOODS: It was originally 79 million from the federal government. On an annual basis we have to determine how much we expect to spend. In other words, how many --

COUNCILMAN RAMOS: I know what you're talking about, but here in the statement of the testimony of Ralph Blakney, it states that under the line of Empowerment

Zone that the grant fund is $15 million plus, right, for a total of 15 million point 7?

MS. WOODS: Right.

COUNCILMAN RAMOS: And last year your numbers were $17.7 million. So there's a $2 million difference. But in your testimony you said you had 8 million additional dollars, which is fine with you and I know with all of us and the people in the community. I just wanted to know why here it indicates that you're $2 million less in your budget with grant fund and in your statement it says you have $8 million more.

MS. WOODS: We're not actually $2 million. Our original allocation from the feds was 79 million, and on an annual basis what we're required to do is project how much of that 79 million we're going to use based on the programs we anticipate will operate in a particular year.

So it doesn't mean that we lost 2 million. It just means that this fiscal year we expect to operate programs totalling $15 million. So, again, it's an appropriation based on the work we expect to do this year.

COUNCILMAN RAMOS: So you actually have $8 million more to work with?

MS. WOODS: No.

COUNCILMAN RAMOS: Talk to me. It says here this represents a decrease of $19,147 from estimated obligations in General Funds and an increase of almost $9 million over estimated obligations of Grant Funds.

MS. WOODS: Just point out the paragraph.

COUNCILMAN RAMOS: It's in your second paragraph, second sentence.

MS. WOODS: Eva's testimony or Ralph's?

COUNCILMAN RAMOS: Eva's testimony. I'm sorry; in Eva's testimony.

MS. WOODS: Okay. In the General Fund category, we have $19,000 less to spend. So in those expenses that are -- I don't want to get -- in basically our Class 100, 200 and 300, are administrative expenses come out of General Fund, and we have a decrease of 19,000, and that is real. That means we have $19,000 less to spend.

In our Grants Revenue, we are always adjusting against the Empowerment Zone grant. So what this would mean is that -- and what are you saying we projected last fiscal year?

COUNCILMAN RAMOS: You projected last year 17.7 million.

MS. WOODS: And how much did we spend? We may have --

COUNCILMAN RAMOS: That's not here. It's just that this year in the statement by Mr. Blakney, it says that you are at $15.7 million in the Grant Fund.

MS. WOODS: Actually, I really can't answer because the --

COUNCILMAN RAMOS: I think there's something -- just take another look at it. You're much better at this than I am, believe me, but I think these numbers here today are not -- there's something wrong with these numbers.

MS. WOODS: I'm actually wondering if you're looking at a projection from last year. And what we actually have at

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this point is an actual for last year and a projection for next year.

COUNCILMAN RAMOS: I don't know. I'm going to drop it, but I'd like you to get back through the Chair an explanation of these numbers that at least I'm not understanding and on the surface, they don't seem to line up well.

MR. BLAKNEY: I'd like to bring up Tom Schaeffer. Tom Schaeffer is the person who --

COUNCILMAN RAMOS: If he's going to take half an hour to explain this, I'd prefer that you send it to the Chair, because I know we got other people waiting and I can --

COUNCIL PRESIDENT VERNA: OHC has been waiting for quite some time. So if you would respond in writing, we'd appreciate it.

MR. BLAKNEY: All right.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any further questions from

members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, I thank you, and I would ask that OHCD now approach the witness table, and I certainly want to thank them for their patience.

Good afternoon. Please identify yourself for the record and proceed with your testimony.

MR. HANNA: Good afternoon. My name is Kevin Hanna. I serve as Secretary of the Office of Housing and Neighborhood Preservation for the City of Philadelphia. With me is Deborah McColloch, Director of Housing.

I'm here today to present testimony on the Office --

COUNCIL PRESIDENT VERNA: Mr. Hanna, I think you deserve a little more respect than you're getting.

People having conversations, please do so in the corridor.

Please proceed.

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MR. HANNA: Thank you, Madam President.

I'm here today to present testimony on the Office of Housing and Community Development's proposed operating budget for fiscal year 2006.

The proposed operating budget under the Community Development Fund, Grants Revenue Fund and General Fund also will be presented in the spring to the Finance Committee in its hearing on a Council Bill on the consolidated plan authorizing the Community Development Block Grant and other housing programs for fiscal year 2006. That's CDBG Year 31.

Ideally, the consolidated plan hearing should occur prior to the consideration of the operating budget by City Council. However, as in the past 12 years, the budget calendar has been accelerated and the hearings have been reversed. Should the results of the consolidated plan hearing require adjustments to OHCD's operating budget as adopted by Council, there will still be ample time subsequent to the adoption of the

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consolidated plan to amend the operating budget. The complete fiscal year 2006 proposed budget will be presented as part of the consolidated plan hearing.

Recall that in the current fiscal year, the City of Philadelphia incurred a $695,000 cut in its CDBG award. For the upcoming fiscal year, the award will be cut by another; that is, an additional, $3.3 million. It is against this backdrop that we present this proposed operating budget.

The proposed operating budget for OHCD is $215.8 million in fiscal year 2006, of which 144 million will be in Grants Revenue Fund, 71 million in the Community Development Fund and only $400,000 out of the General Fund.

This operating budget represents costs for all housing programs, as well as salaries for OHCD, the Philadelphia Housing Development Corporation; that is, PHDC, and the Redevelopment Authority staffs, rents, materials and supplies.

Our Class 100, which only represents

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OHCD salaries, our Class 100 request of $3.7 million reflects a decrease of $531,693 compared to our fiscal year 2005 original appropriations. This net decrease is due to the reduction of ten, count them, ten budgeted positions and does not include an allowance for any negotiated wage increase and will support the funding of 67 requested positions.

In Class 200, our fiscal year 2006 request is $211.7 million. This includes a CDBG decrease of $11.8 million resulting from a decrease of 2 million for programs, a decrease of 9.8 million to allow for the carryover of prior years entitlement, a Grants decrease of 2 million resulting from a decrease of $1 million in programs and a decrease of $1 million dollars in allowing for the carryover of prior years entitlement, and a General Fund decrease of $7,698 resulting in a net decrease of $14.7 million as compared to our fiscal year 2005 original appropriations level.

Notwithstanding this, our Class 200 request does include the following awards changes: A decrease in federal CDBG funding of $3.3 million, a decrease in federal housing opportunities for persons with AIDS; that is, HOPWA, funding of $296,000, a decrease in federal HOME Investment Partnership funding of $702,000 and a decrease in federal American Dream Downpayment initiative funding of $902,000. The result is a total fiscal year 2006 major federal programs funding decrease of $5.2 million when compared to fiscal year 2005.

In class 300, our fiscal year 2006 estimated obligations decreased by only $30,000 as compared to 2005.

In Class 400, our fiscal year 2006 estimated obligations decreased by only $25,000, again, as compared to fiscal year 2005 appropriations.

Included in the Grants Revenue Fund is authorization for up to $16.2 million from the federal HOME program, $7.3 million from the federal HOPWA grant and 6.4 million from the state.

Appropriations are also being

requested to provide funding for Section 108 loans in the amount of $10 million and $15 million for Interim Construction Assistance and Bridge Loan programs respectively, should funding become available in amounts similar to prior years. Although the latter two sources may not become available, OHCD is requesting authority so that we will be able or be in a position to administer the funds if they are in fact received in 2006.

Our General Fund programs, funding and service goals are as follows: Provide operating support for rental assistance for the homeless. Last year's funding level from the General Fund was $117,000. That's our projected funding level from the General Fund for '06 as well.

A combined total of 131 units of rental assistance is provided in 2005, with the same level anticipated in 2006.

No. 2, the additional $263,148 for fiscal year '06 -- again, this is just General Fund dollars. The additional 263,000 for '06 includes $10,000 for Elderly Vacancy

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Prevention related services, $16,231 for OHCD arbitration services and $236,917 for five employees in program services.

The proposed fiscal year 2006 operating budget will allow OHCD to continue to provide housing programs such as the Basic Systems Repair Program, subsidy for rehabilitation and new construction, housing counseling and other core programs.

The City's proposed plan for spending the CDBG, as well as other monies, is to be detailed at length in the Finance Committee's hearings on the consolidated plan. However, I'll be more than happy to answer whatever questions Council might have today as well.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you very much.

I know that this is not the time to be asking about the Basic Systems Repair Program, but can you tell me if we're increasing funding for that program or decreasing? Because they have such a waiting list for that and it's a fairly wonderful program.

MR. HANNA: Yes, they do, and we were fortunate enough over the past couple of years to have NTI bond proceeds, which added to or augmented what we had been funding for BSRP. Unfortunately, those NTI dollars are gone. So the expectation --

COUNCIL PRESIDENT VERNA: Have they gone or they're going?

MR. HANNA: They're going. They're going. The $275 million in bond proceeds have been allocated. They haven't all been spent, but they've been allocated. So unless we can come up with additional funds to replace the NTI dollars, we'll be forced to go back to previous NTI funding levels.

COUNCIL PRESIDENT VERNA: Understood.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

Good afternoon. I have a couple of questions.

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MR. HANNA: Good afternoon.

COUNCILWOMAN TASCO: According to Section 21-1111 of the Code, the Ordinance that establishes the City's community development and federal consolidated plan process expires in fiscal year 2006. What is the Administration's plan for new legislation?

MR. HANNA: You've got us on that one, Councilwoman. We were, at least I was, unaware of the fact that that Ordinance expires at the end of 2006. Obviously we'll take a very close look at it now.

COUNCILWOMAN TASCO: 3/18/06. So you'll check it out?

MR. HANNA: Yes, we will.

COUNCILWOMAN TASCO: Considering the President's, President Bush, proposal to shift the Community Development Block Grant Program from HUD to the Commerce Department, what steps have you taken to prepare for this proposal and what is the possible impact of this proposal on the City?

MR. HANNA: Let me address the second question first.

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The possible impact is nothing short of devastating. As most of you know, the Bush Administration has, along with the idea of moving monies from HUD over to Commerce, has with that also recommended huge, very substantial cuts in what would be left of the block grant, CDBG block grant as opposed to SSBG.

If all of the recommendations are in fact implemented, it could result in about an 80 percent cut in what the City of Philadelphia sees as its annual block grant appropriation. I can't imagine what this department or what this City would do from a housing development and housing preservation standpoint. I mean, that would -- not just virtually; that would almost entirely wipe out whatever programmatic monies we have available, not to mention wiping out most of the entire staff.

So the effect would be devastating. I mean, I don't know that we could recover from something like that if the proposed cuts all happen.

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Relative to what we're doing to try to avoid that happening, the Mayor is a very active member of the U.S. Congress of Mayors. In fact, in January, we attended a meeting in DC where -- a meeting that turned out to be something of a strategy session. In that meeting it was discussed that we would -- "we," the City of Philadelphia in connection with, I think, Columbus, Sacramento, San Francisco and a number of other cities -- would ban together for a letter-writing campaign from the Mayors, as well as from the federal legislators from those and other states.

I've been told recently that Senator Santorum has actually written a letter to the Bush Administration decrying the proposed cuts and asking that the cuts be avoided if not this year, then in perpetuity.

So there's been a huge outcry not just from the City of Philadelphia but from other large cities. A parenthetical point there is the fact that not just large cities are going to be hurt by that, but all of those

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the smaller municipalities will as well, because for the most part, those block grant monies because they're so flexible, as opposed to HOPWA or HOME monies, because block grant dollars are flexible, smaller municipalities use that money for everything from street light to roads to sewers to developing houses. And so if a small municipality were to lose that $231,850, that would be even more devastating for them.

So there's been a ground swell of support, depending on how you look at it, for the block grant, both from large cities as well as from rural communities.

COUNCILWOMAN TASCO: Yes. I would just like to put on the record that I am strongly opposed to the legislation and will be meeting in DC with the Congress of Cities and will be visiting their congressional delegations on Tuesday, I think the 16th, and our lobbyists are opposing this legislation.

And it does impact -- we do represent small towns and cities all over the country, and it has been a topic of discussion for the league.

What is the current status of the proposed reorganization of the OHCD, PHDC and RDA?

MR. HANNA: We are literally in the thick of it. We have hired a team of consultants who are helping us to pull that together. It is going to be -- it is a three-phase project. We are in the middle of the second phase.

The second phase involves pulling together information from other cities, as well as formulating teams both within -- well, the teams consist of individuals both from the Office of Housing as well as related areas, like NTI, L&I, Planning. Those teams will take a microcosmic look at a number of different work areas in the Office of Housing.

Once they complete their work, their work will be compiled. That compiled work will go towards -- well, will inform and help to structure what the new Office of Housing needs to look like. I mean, from the standpoint of a bunch of different areas, not

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the least of which is, say, work rules, the way people have -- their job descriptions themselves, the level of training for everybody from typists to supervisors.

We expect that in the next six months, we should be in a position to announce a new reorganized Office of Housing. But we're in the thick of it right now.

COUNCILWOMAN TASCO: Okay. I have one other question. I want to go back to your budget.

On Page 21 of the budget detail, who are the vendors that will receive the 195,000 for advertising and promotional activities for housing and opportunities, and generally what kind of things would they be doing?

MR. HANNA: This is part of the preliminary plan?

COUNCILWOMAN TASCO: Of the budget.

COUNCIL PRESIDENT VERNA: Page 4-21 of the detail.

COUNCILWOMAN TASCO: Page 21.

MS. McCOLLOCH: I see it.

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I'm Deborah McColloch, Director of Housing.

I'm sorry, Councilman, I don't know off the top of my head, but I can provide that information.

COUNCILWOMAN TASCO: Would you provide it to the President?

MS. McCOLLOCH: Yes.

COUNCIL PRESIDENT VERNA: Excuse me. On that item, I think 200,000 was for FY05 and 195,000 in FY06. We don't know what that was for?

MS. McCOLLOCH: I'm sorry. It's to pay for the advertisements that we need to place in the newspaper when we amend the plan, when we advertise our hearings, when we have advertised bids. Whatever sorts of advertising we need to do as part of the program, this is the line item that pays for it.

COUNCILWOMAN TASCO: What is the impact of the budget cuts and a reduction of ten budgeted positions? What impact has that had on your department?

MS. McCOLLOCH: The impact has been doing more with less. We have one fewer member of the contract administration staff. So that the other staff members in that department need to pick up the contracts that that person had. We had several positions that were budgeted and unfilled, which we dropped from the roster in this way to save money.

So we're continuing to provide the services that we've always provided, but everyone has to work harder. Everyone has to take on a little more level of responsibility.

COUNCILWOMAN TASCO: How many vacancies did you have that you didn't fill as opposed to how many actual people were laid off?

MS. McCOLLOCH: A couple of these -- we had a couple of retirements that were not layoffs but were retirements, and those slots were not filled. We had five vacancies that were not filled and then we had two retirements and three layoffs from last year.

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COUNCILWOMAN TASCO: Okay. Thank you very much.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Ramos.

COUNCILMAN RAMOS: My principal question was asked by my colleague, Marian Tasco.

You used the word "decrease" 12 times in your statement. You used the word "cut" at least twice. My eyesight is not the best. I think David's eyesight might be better than mine.

So there's a lot of the word "decrease" here in your statement and "cuts," and I have the same concern, that this is not even taking under account the question of Councilwoman Tasco, that it's probably going to get worse. Are we doing any planning ahead in the event that things continue to get more and more negative for the urban cities in this country?

I mean, we're kind of planning

and -- let me stop here and thank you on behalf of the hundreds of thousands of people in this City for the Housing Trust Fund, the collaborative effort and the partnership with the community and elected officials and interested parties and different housing organizations.

Coming from being a housing activist for a lot of years, like some of my other colleagues around here, Jannie and the Mayor and so many of us and the Council President, that this was something that we needed to do, and it brought a lot of happiness to those of us that have allocated for this for so many years and the new advocates out there that sometimes are louder than the way I was.

But anyway, do you have any planning going on? How are we going to handle this? Because we're going to have a serious housing crisis in this country and it's going to affect this City in a very, very big way.

MR. HANNA: Well, for the most part, you answered your question for me. The Housing Trust Fund is one step, a huge step, but one step in that direction, that of trying to develop alternative-to-federal sources of funding.

In addition to that, we are also looking at not so much with OHCD but more with the Redevelopment Authority and PHDC. We're also looking to become more entrepreneurial, within, obviously, the parameters of the law. But we're looking to be more entrepreneurial so we can generate internally more funding to help replace or supplant the monies that we anticipate losing over the next couple of years.

Your point, though, is very, very well taken. Since I came on board back in 2002, we've gone from roughly $72 million in our annual block grant allocation to now just under 60, right at $59.X million.

That's pretty steep. That's a pretty steep hit to take over a relatively short period of time. The bad news is, that's the good news, that over the next couple of years, the decrease may be even more steep.

We should be okay for this upcoming

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fiscal year, but after this upcoming fiscal year, I mean, for the most part, all bets are off. We are encouraged by the fact that we have what appears to be bipartisan and bicameral support for the block grant in Washington, but, again, with the -- let me back up a little bit.

This is not the first time that the President has sought to cut the block grant in this way. He's not sought to move it over to Commerce before, but he has proposed deeper cuts that have been actually implemented in the past.

Our hope, our expectation is to continue to kind of stave off the level of cuts he's been proposing at least to the point where we can kind of replace the money he's taken out through other means, like the Housing Trust Fund.

COUNCILMAN RAMOS: Thank you, Mr. Secretary.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

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The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

We're all very concerned about the loss of CDBG funds. You referenced in your remarks the American Dreams Initiative. Can you tell me a little bit about that, what funds we got and where they were spent, a little bit about the American Dreams Downpayment Initiative?

MS. McCOLLOCH: The American Dream Downpayment Initiative was a new initiative last year. It is HOME funding that was segregated out to provide down payment assistance to families that are first-time home buyers.

We have crafted a program that's just now -- just in the last month we've issued our first few grants in which people are eligible for up to $10,000 in down payment assistance or six percent of the sales price, whichever is less.

It is available to people who are

purchasing properties through programs that we support. So it's not available to just anyone in the City. It's for people who are buying properties that we're rehabbing or supporting the new construction. And it's tied to housing counseling. The people that participate must receive housing counseling from one of our funded counseling agencies, and then they can receive the assistance for the down payment.

It's also geared toward helping folks in those neighborhoods that are at the high end of our assistance, so that people who might not otherwise be able to afford one of the houses, modern income people but wouldn't quite be able to afford one of the houses, this can provide that kind of assistance. So that we're not targeting a neighborhood that we haven't been able to help as much before.

COUNCILWOMAN BLACKWELL: Given this rumor about President Bush and money going through Commerce, will this money be affected that way or will there be a push for money to go through our Finance or Commerce

Department?

MS. McCOLLOCH: Well, this is HOME money, and under the Bush proposal, HOME money remains with HUD, and so this pot of money would not go to the Commerce if the proposal that President Bush has put forth moves on.

COUNCILWOMAN BLACKWELL: Is there other money that we traditionally get, given all the rumors that these dollars, even CDBG dollars, could be transferred? Will we have to do business differently in addition to the cut? Do you suspect that we'll have to do business differently?

MS. McCOLLOCH: Well, there have been proposed cuts to -- well, the short answer is, yes, we would have to do business differently, in that the money is coming through a different part of the federal government and we don't really know exactly how that would work, I mean, what those requirements would be, how we would get those funds and so forth, would we end up having what would now be two different plans, one to go to Commerce, one to go to HUD. I don't know.

There have been a lot of -- there's been a lot of discussion about making revisions to the consolidated plan, but none of those have gone forward, so I don't know whether that would happen or not. And we would be having to just work through, with whatever federal agency is providing the funding, the set of requirements that that agency was putting on the funds.

COUNCILWOMAN BLACKWELL: Given the fact that the time line could be about the time we finish our budget, how do you suspect that this will affect our general CDBG hearings on the -- because we generally would have them at least by early June. Do you expect that we'll have enough information to have a hearing by then?

MS. McCOLLOCH: Well, these proposed cuts of the President's would affect our budget a year from now. The money that we'll be bringing back to this body when the hearing is scheduled in May or June, or

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whenever that gets scheduled, is the money from last federal fiscal year.

So we have all of that money and we're moving forward. We've just issued the preliminary con plan. You all received a copy of it today, and we'll be moving forward.

It's this time a year from now when we get our entitlement for what will be our FY07 budget that will have the impact, that the Bush cuts would have the impact on our budget a year from now.

COUNCILWOMAN BLACKWELL: Okay.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: That picture doesn't sound very pretty, because by that time, the NTI monies will long be gone and will we have any housing programs at all?

Councilman Cohen, your light was on earlier. Do you want to be recognized, sir?

COUNCILMAN COHEN: Yes. I want to know what will be the impact for the year that we're dealing with now?

MS. McCOLLOCH: There is no impact on the new Bush proposal for the current year. The Bush proposal for cuts will affect us a year from now, our fiscal year '07.

COUNCILMAN COHEN: Were there cuts this year?

MS. McCOLLOCH: Yes. There were cuts this year of $3.3 million in Community Development Block Grant, almost another million dollars in HOME funding, smaller cuts in the ADDI funding that we were just discussing, the American Dream Downpayment Assistance, and about 300,000 cut in HOPWA.

COUNCILMAN COHEN: What were the stated reasons for the cuts?

MS. McCOLLOCH: The budget that Congress passed had less money, and so by the funding formula that the City gets, we got less money.

COUNCILMAN COHEN: And did both parties agree on this?

MR. HANNA: What do you mean by "both parties"?

COUNCILMAN COHEN: Democratic

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and republican parties.

MR. HANNA: In Washington or here locally?

COUNCILMAN COHEN: In Washington. That's where the vote was made and the cuts were made, right?

MS. McCOLLOCH: Well, Congress passed the budget.

COUNCILMAN COHEN: Well, what was the vote?

MS. McCOLLOCH: What was the vote on the budget? I'm sorry, sir. I don't know.

COUNCILMAN COHEN: I just think it's important that the budget hearings at the local levels we learn who are the forces that are moving the cuts and why they're moving, because it seems to me that the country is threatened with a reversion back to the old days when federal governments applied practically no support for any form of housing or any other personal needs, where life was regarded as not being worth community effort and that everybody had to juggle on their own and God help those that couldn't make it. And if that is the case, then I think those of us at local government levels have to know about it so we can inform our people.

I am a little distressed at our treating this as just a natural event, it's going to occur and sort of there's nothing that can be done about it. Though I was heartened by a party report about cities getting together to do something.

I think it's the duty of this Council in considering this budget not only to consider the budget but to send out the alarms of the people that elect us as to what's happening in the country, and they realize that if both parties are to blame, let's blame them both openly. Let's not hide behind the fact that the democrats often are what are called light republicans. Sometimes they're heavier than the republicans in bad policies, and let's name the republicans that are not doing the job.

What did you say about Senator Santorum before? He's the third-ranking U.S.

Senator. He's from Pennsylvania. I haven't heard of a decent thing he's done yet. Were you indicating that he had done something decently so we can celebrate his finally doing something for rather than against the people?

MR. HANNA: You can decide on whether it's decent or not, but the Senator has come out publicly against the proposed Bush cuts to the block grant.

COUNCILMAN COHEN: Well, that's a good sign.

MR. HANNA: That's a good thing.

Let me clarify one other thing relative to efforts being made to fight this. I mean, we are not -- I repeat, absolutely are not just kind of sitting on our hands taking this as a fait accompli. We are fighting like nobody's business against these cuts.

In fact, there is a thought that the Bush Administration is throwing out 80 percent as kind of a paper tyrant, that they're really shooting for something like 40 or 50 percent, figuring that 50 sounds better than 80.

Our position is the cut ought to be closer to zero, that these programs ought to be left intact in their entirety. Because in the past we've been looking at anywhere from five to ten percent cuts, and we've screamed and balled over those. A 40 percent cut will be just as devastating. And, again, we are not sitting back. We are doing everything that we can.

COUNCILMAN COHEN: That raises a question, because I am a little bit active politically in the City and my ward votes very heavily, but I have not received any information from democratic sources or from City government sources that enable me to go out and alert the people that I have a responsible to alert to events going on indicating any real crisis.

Like I take sharp issue -- I understand your motivation is of the best, but to say that we have to do more with less is really nonsense, because if you could have done more with less, you should have done it last year and you had seven too many workers last year. If this year with seven less workers you can do as much as you had as you did before with seven more workers, that's just showing you you weren't efficient.

So I think it's time to come clear and be honest, because I think you're just being brave in the face of oncoming disaster, and we've got to be ready to meet that disaster. And I see that the current national administration seems to want to reverse everything to the prior -- to Franklin Delano Roosevelt days when government acted in a way that told people they had to fend for themselves, and we know how tragic those days were. And finally we thought government began to accept its true responsibility, but now we're moving backward again.

Now, if I'm wrong, we ought to put out the right information so I can be corrected, but if I'm right, we've got to ring all kinds of alarm bells. And apparently you agree, maybe not with the detail, but you agree that it's more likely that alarm bells are needed than commendations for the

President's program.

MR. HANNA: Oh, absolutely. We do agree that alarm bells ought to be rang locally --

COUNCILMAN COHEN: Well, I'm suggesting that government agencies, instead of putting on a staunch proud face and saying, By God, they're making us do more with less, begin to tell the truth, and the truth is that services are being cut drastically. And if you lose seven people out of how many people you had before -- you said there was seven reductions. I think there were five vacancies that were not being filled and two retirements that are not being filled?

MS. McCOLLOCH: There were ten more employees at OHCD last year than now, five vacancies that weren't filled, two retirements and three layoffs.

COUNCILMAN COHEN: Well, either you were overstaffed last year, and I don't believe that at all, because I know of the wave of budget cuts that have occurred previous years, or else they're just cutting the agency down to prevent it from performing its services as well as it used to.

I think you ought to sound that kind of alarm or phrase it the way you see it, to let people know that their real interest in what government can do for them are being shattered, and that unless there's a change of policy -- let the Evangelicals that are supposed to have been so strongly in support of President Bush figure out for themselves, but you've got to give them the information needed as to why they have to have a change in Bush policies. They apparently helped elect him. They can perhaps persuade him to change his policies.

But in any event, the American people need the truth, and I suggest that instead of just giving us these figures and being brave and stoic in the face of adversity, you stop being brave and tell us the real facts. Tell us how badly we are being hurt by these cuts.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA:

You're welcome, sir.

Are there any other questions or comments from members of the Committee?

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, thank you very much.

This Committee will stand in recess until Tuesday -- oh, I'm sorry. I'm sorry. I didn't see you.

The Chair recognizes Councilman Clarke. I didn't see you coming in.

COUNCILMAN CLARKE: We'll get an opportunity to ask you fine folks questions later on.

COUNCIL PRESIDENT VERNA: Okay. Fine.

So this Committee will stand in recess until Tuesday, March the 8th at 10:00 a.m. Thank you very much.

(Committee adjourned at 5:00 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on March 2, 2005, and that this is a true and correct transcript of same.

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MICHELE L. MURPHY
RPR-Notary Public

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