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

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, October 26, 2010
1:30 p.m.

PRESENT:

COUNCILMAN DARRELL CLARKE, CHAIR
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN BILL GREEN
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN JAMES KENNEY
COUNCILWOMAN JOAN L. KRAJEWSKI

RESOLUTION 100524 - Resolution authorizing the Committee on Fiscal Stability and Intergovernmental Cooperation to hold hearings regarding the City's Operating Budget for Fiscal 2011.

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COUNCILMAN CLARKE: Good afternoon. This is the hearing of the Committee of Fiscal Stability and Intergovernmental Cooperation based on a resolution introduced on the last day of Council this particular year.

Mr. Carter, please read the title of the resolution.

THE CLERK: Resolution No. 100524, a resolution authorizing the Committee on Fiscal Stability and Intergovernmental Cooperation to hold hearings regarding the City's Operating Budget for Fiscal 2011.

COUNCILMAN CLARKE: Thank you.

Mr. Dubow, would you please come forward.

(Witness approached witness table.)

COUNCILMAN CLARKE: Good afternoon, sir. I just wanted to say a couple of words, and I'll be very brief.

First, I want to -- as the Committee Chair, I would like to apologize to the Committee members. When we did our rules for this particular term of Council, part of the responsibility of the Committee on Fiscal Stability was to have quarterly budget briefings to give us an opportunity to have a snapshot of where we stood fiscally. There were a number of reasons why we weren't in the position to do that. One, because of the financial challenges that caused us to have a number of rebalancing throughout the course of the fiscal year, and it seems like we were always responding to the challenges associated with the current recession. But I will make sure that we continue to have these in a reasonable timeframe, because I think it's important given what has actually happened over the last couple of years, the uncertainty and some of the changes that we in Council were asked to do both during the budget and throughout -- and during the interim timeframe as it related to fees, both increases and additional fees.

I want to say, not necessarily speaking for my colleagues but at this point speaking for myself, and I assume some will concur, that this has been a very difficult time for members of Council, understanding the challenges associated with the City and our dwindling revenues, but unfortunately, what's happening to the City is also happening to individuals. There are dwindling revenues within their own budgets at home. So any fee increase or any new fee imposed or any tax, be it sales or real estate, has been a significant burden as it relates to those individuals who they were imposed on and has been extremely challenging and very difficult votes for us.

I say all that to say to the Administration -- and I believe that you are equally challenged in terms of some of the decisions that you all have had to make -- that at this particular time, it's important for us to ensure as a result of this hearing that we get a clear sense prior to the budget, the FY11 budget -- I'm sorry, the FY12, that we have a clear sense of where we are fiscally so we don't fall in a pattern of having to replicate what we did last year at the last minute, imposing a significant either fee increase or a tax increase. Because I can speak for this particular Councilperson, I am personally not in the mood to vote for any additional increases on the residents of the City of Philadelphia, be it business, on a personal note. I'm just -- I think we are taxed out and fee'd out. So I think it's important for us to make sure at this point we try as best possible to live within our means.

And I do want to say -- and I'm going to be as nice as possible -- I am a little concerned that given what we did last year -- and, believe me, there were some very difficult votes, particularly the real estate tax vote, where we in our minds delivered what we believed to be a balanced budget with a fund balance, and I believe during the course of the discussions leading up to that final vote, we worked in the true spirit of cooperation based on the information that was provided to this Council, and when we passed the final budget, it was done with the sincerity that we had actually given the City the ability to move forward in FY11. But I'm a little concerned, as I've spoke to you earlier, about some of the references that Council didn't raise enough revenue, that Council put the City in a position where they had to make dramatic cuts. And you may disagree, and I'm sure you will, in terms of what the final two days were during the course of the discussion, but I just don't concur.

I think that we passed a budget that was responsible. And I'm not trying to relive the past, but I just want to for the record, because we were out of session and we didn't have an opportunity to respond to some of the comments that were made with respect to, quote/unquote, our unwillingness to give the City enough money to operate. And I think that we did what we can do, and even that was very difficult on our behalf.

So, sir, with that, you are on.

MR. DUBOW: I have some testimony. I'll read through that, and then I wanted to address what you just said, which I'll do at the end of the testimony.

Good morning. Actually, good afternoon. Sorry. And thank you for this opportunity to update you on the status of the City's finances.

The hearing is actually well timed, because it comes during the same week as our annual financial report for FY10. That will be released later this week. The report will show that the City ended FY10 with a negative fund balance of about $115 million. That's an

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improvement over FY09's $137 million negative balance, but far worse than the $51.6 million deficit projected in the FY11 to FY15 Plan.

While, as I'll discuss a little later, that change from what was projected in the Five-Year Plan and the actual deficit is caused entirely by delays in state payments, the negative fund balances show that some fundamental weakness in our budget remain. Perhaps the best way to explain how that weakness developed is to look at what's happened to our tax revenues since the beginning of the recession. As you know, the recession led to job losses, weaknesses in the real estate market and reduced business activity. All of those translated into reduced tax collections.

Before the recession began, the BPT was generating about $435 million annually. Last year it generated under 365 million. That's a drop-off of 70 million.

Before the recession, the transfer tax generated over $215 million. Last year, it generated about 120 million, a falloff of 97 million.

And before the recession began, the wage tax generated $1.167 billion, while last year it was generating $53 million less a year.

So in total, those three taxes generated $220 million less in revenue in FY10 than they generated just three years earlier. To put that in context, $220 million could fund the salaries and benefits of over 2,700 police officers.

Those rapid declines in tax revenues and increases in our pension costs -- our FY11 pension costs will be the highest in our history even though we're deferring a substantial amount of our payments until 2015 -- help explain why Council and the Administration have spent the last two years looking at the painful decisions that you were talking about, Councilman, and those included

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almost a billion dollars in cuts and a billion dollars in new revenues.

Unfortunately, as we look at the budget and where it is now, there's really no prospect of a return to revenues to their pre-recession levels. So we will need to continue to live with the fewer resources that we now have.

And as we discussed, FY10 will end with an approximately $115 million deficit. The entire variance between that and the roughly 51 million that we had in the Five-Year Plan is caused by delays in reimbursement received from the Commonwealth. In fact, if the impact of those late reimbursements were eliminated, the fund balance would have been slightly better than the amount included in the Plan. The reason that negative fund balance would have been smaller than anticipated if the state payments had actually been received on time is the tax amnesty program. That program generated about 12 million more than the amount included in the '11 to '15 Plan.

Assuming that the late reimbursements that drove down our FY10 fund balance are received in FY11, the City will be entering FY11 in roughly the same budgetary position as anticipated in the Plan.

And during the first quarter, our revenues remain fairly consistent with the projections we included in the Plan, but they also show that the economy is still showing signs of weakness. The City's nearly 12 percent unemployment rate will continue to inhibit any strong growth in the wage tax, and the transfer tax collections continue to be much weaker than they were before the recession.

The first quarter's fairly stable tax revenues make it less likely that we will have to impose a new round of severe budget cuts during this year, but the lack of real strength in those revenues will mean that we will continue to tightly control all costs to ensure that we can end this fiscal year with a positive fund balance. We are not in a position to allow us to assume new costs without making corresponding cuts elsewhere.

If revenues continue on their current trajectory and we carefully contain our costs to ensure they remain within the FY11 budget, we should be able to avoid having a third straight year end with a negative fund balance. There are, however, some substantial risks that threaten both FY11 and the '11 to '15 Plan.

The first major risk facing the City is the economy will weaken again. If the economy weakens, that could translate into lower-than-anticipated tax revenues, which in turn could force a new round of painful budget balancing actions.

A second major risk is the

potential that the fiscal crisis facing the Commonwealth could lead the new Governor to propose cuts that could have very significant impacts on the City's budget.

The Commonwealth is projecting a multi-billion-dollar deficit in 2012. If the new administration in Harrisburg attempts to eliminate that deficit through expenditure reductions, there's a strong possibility those cuts would severely damage the City.

With labor costs comprising about 60 percent of the City's budget, any increase in those costs beyond the amounts included in the Five-Year Plan could present significant challenges to the City's budget. So as you can see, while we're not suffering the same kind of downward budgetary spiral that we had been enduring this time last year and the year before, we're not close to the strength we showed just three years ago, and some very real threats could make our situation much worse very quickly.

That concludes my testimony. I'd be happy to answer any questions you might have.

COUNCILMAN CLARKE: Thank you. Thank you, Mr. Dubow.

Mr. Dubow, a couple of quick questions, and I know my colleagues have a number of questions. I want to talk about the recession and its impact on the City of Philadelphia, because I just want to get an accurate picture of why our revenue production was dramatically decreased over the last three years given the type of economy that we have, and is that reflected in the increase in the unemployment rate in the City of Philadelphia, which normally in the City of Philadelphia we are the last to experience the uptick in the national economy because of the type of industry, and it's said that we are the last to experience the downturn in the economy because we have an economy that's significantly dependent on institutional healthcare, the type of industry that is not affected by a lot of the factors that affect the national economy.

And when you're looking at the reduction in revenue, what exactly do you think caused that on a local level in such dramatic fashion? I mean, was it just the national economy or was it anything else that was going on?

MR. DUBOW: I think it really was the national economy. You could see the impact pretty directly. Our unemployment rate, I believe, was under six percent when the recession began. Now it's close to 12 percent. Sales of real estate really just dove. You could see the transfer tax going down by a third, and obviously businesses suffered too, both on their amount of sales and on their profits. So you could see our major taxes taking substantial hits.

I mean, I think we did get a little protection in healthcare and education. I don't think they went down as much as other places in the economy. So it may have been worse for us if we didn't have that strength, but I think we --

COUNCILMAN CLARKE: So you think that if we had industry that was more directly impacted as in another locales, we would have been much worse off?

MR. DUBOW: Well, I think if we were -- for example, Phoenix is really dependent on the sales tax. So when sales went down, they got hit really dramatically. There are other jurisdictions that are really dependent on property tax and their property values went down really quickly, so they got hit a little faster than we did.

It also hits us differently because we have a Five-Year Plan. So a lot of governments tried to do one-time things to get through a year or two. We can't do that with our Five-Year Plan.

So we kind of have a difficult set of circumstances.

But I think the other thing that this recession shows in the way it hit us is that our economy has evolved over time. We're more service oriented than we were 20, 30 years ago. So I think that it hit us differently than a recession would have the 1982 recession, for example.

COUNCILMAN CLARKE: Okay. A couple of things with respect to my earlier statements, and I notice you haven't responded yet.

MR. DUBOW: I will.

COUNCILMAN CLARKE: In your testimony, you reference the fact that there were delayed reimbursements. And correct me if I'm wrong, the budget that we passed, did it have those numbers factored into our final version?

MR. DUBOW: Yeah. There were some changes. One of the big changes and difference between the budget passed in

May and what we presented to PICA a couple of months later was some of the timing of state payment. We spent a lot of time working with them. So if you compare the two cash flows, you'll see that the later cash flow assumes that we get more of the state payments that are due in '11 by June. That was based on some conversations we had with the state.

So I think that's one of the big differences between the two documents, is the timing of payments from the state.

COUNCILMAN CLARKE: So that sounds to me that if we had anticipated those reimbursements and you simply add those reimbursements to the budget that we adopted, we would have been where you ultimately were as it relates to the PICA-approved budget.

MR. DUBOW: Well, you have to remember, one big difference between where we were in May and where we were when we submitted the final budget to

PICA is we had a state budget.

COUNCILMAN CLARKE: I understand.

MR. DUBOW: So without a state budget, it's hard to make good assumptions about when you're getting state payments.

COUNCILMAN CLARKE: I understand that.

MR. DUBOW: It makes a substantial difference.

COUNCILMAN CLARKE: But given what happened, my question is -- and I hate to keep belaboring this issue, but I kind of took offense to the fact that we were criticized about the budget we passed.

Had we anticipated those reimbursements, worst case/best case, simply added those numbers to the budget that we adopted, we would have been pretty much where you were, not to mention the fact that we had during the course of those negotiations, we had talked about making certain reductions in the budget, the expenditures in certain departments, which we were told during the course of those conversations that they were untouchable, we couldn't do that, and subsequently that in fact is what you did in your budget, in your PICA-approved budget.

MR. DUBOW: Let me go back to where the discussions were then.

During the discussions that led towards the adoption of the budget, we said we needed a specific level of revenue. We said that -- your consultants, Econsult, said basically the same thing. We said if we didn't get those level of revenues, we'd have to do additional cuts because we were worried about cash flow.

We didn't get the level of revenues we wanted. I understand and agree with what you said before, that Council made a series of really hard decisions, including raising the property tax. And I know it wasn't easy for anybody. But we still didn't get the level of revenue that we had been requesting, and so we needed to make additional cuts.

COUNCILMAN CLARKE: Correct, but the question I asked you was this whole issue about delayed reimbursements, and where I'm trying to understand is, how do those reimbursements factor into the PICA-approved budget versus the budget that we approved?

MR. DUBOW: By the time -- as I said, by the time we had a PICA-approved budget, we had an approved state budget --

COUNCILMAN CLARKE: Right.

MR. DUBOW: -- that gave us additional information about when we could expect revenue. And we worked with DPW quite a bit around that budget that was approved. And, yes, if we had had that information in May, things would have looked different, but we didn't have it and that's not where the state was.

COUNCILMAN CLARKE: Well, have we ever not gotten reimbursements from the state?

MR. DUBOW: We've gotten them at different pays. Remember, we were talking about where we'd be at the end of June, not whether we'd get them ever, but just whether we'd get them at the end of June. And there have been lots of years that we don't get them by the end of June, including the year that just ended.

COUNCILMAN CLARKE: So I see you're not going to answer it the way I want you to answer it.

MR. DUBOW: I mean, I think --

COUNCILMAN CLARKE: I'm just trying to recall, because --

COUNCILMAN KENNEY: It's not his first time at the table.

COUNCILMAN CLARKE: You're a true veteran --

COUNCILMAN KENNEY: On both sides.

COUNCILMAN CLARKE: -- of many Administrations.

Okay. I think those of us who are here get the point, that the reality is is that our assumption -- because just like you've been here for a while, we've been here for a while, and we anticipated that there would in fact at some point be reimbursements coming forth. We didn't know what the number was, we didn't know what the timing was, but based on what we did, we believed that, no, we would not be in the best shape imaginable, but we would be in a position to reasonably move forward as it relates to the fiscal year.

MR. DUBOW: I think we're just --

COUNCILMAN CLARKE: I think that's the point I'm trying to make.

MR. DUBOW: Right. I think we're just not going to agree on that.

COUNCILMAN CLARKE: Okay.

COUNCILMAN KENNEY: Bill was first.

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COUNCILMAN CLARKE: I see my colleague over here is sitting up in the chair. Councilman Green.

I'm going to defer to Councilman Green right now. I'll come back to you, Mr. Dubow.

Sir.

COUNCILMAN GREEN: Thank you, Mr. Chairman.

Good afternoon, Rob.

MR. DUBOW: Good afternoon.

COUNCILMAN GREEN: Just to pick up on -- I have some questions here, but to pick up on Councilman Clarke's point, why didn't the City know what its reimbursement from DPW would be?

MR. DUBOW: Because there wasn't a state budget.

COUNCILMAN GREEN: Well, isn't it also because we submitted forms in a very different way than we had in the past and that cost us tens of millions of dollars in DPW reimbursement?

MR. DUBOW: No. There was a

change in the statewide billing system. So it wasn't an issue that was specific to Philadelphia. It was a statewide issue, and there were problems with counties throughout the state as they went to this new billing system. It wasn't that we came up with new forms that we decided to submit.

COUNCILMAN GREEN: Well, our level of reimbursement dropped from like in the 80's to we were potentially being told it was going to be in the 60's.

MR. DUBOW: There were also -- one of the things -- I think you're talking about Title IV-E, which is a federal reimbursement. The reimbursement is tied to poverty rates, but the poverty rate -- they're using an index that's maybe like 20 years old. So each year the reimbursement rate is going down. That, again, is not specific to Philadelphia. That's a federal issue.

So there are a lot of issues around billing. Some of them are statewide, some of them are federal. We also did have a change in who -- we had a change at DHS, because the old person who was kind of in charge of our billing died, so we had someone new. So there was a transition there, too. So that was a little piece of it, but there were a few things going on with billing.

COUNCILMAN GREEN: And it's my understanding that a large part of the delay and a large part of the loss in funds was due to the fact that we had not trained somebody to do things -- there was no redundancy in the ability to submit those bills the way they've been done in the past, and so --

MR. DUBOW: I want to correct one thing. You're saying that there's not a loss of revenue. It's a timing issue.

COUNCILMAN GREEN: Okay. Which relates to what?

MR. DUBOW: Which relates to --

COUNCILMAN GREEN: Which

relates to the discussion you were just having with Councilman Clarke.

MR. DUBOW: Well, no, because that was timing of bills coming in in '9 and '10, and we're talking about '11.

COUNCILMAN GREEN: Okay. So I understand that the Administration doesn't make mistakes.

MR. DUBOW: We make a lot of mistakes, and I think we've acknowledged that. I just think there are legitimate differences here.

COUNCILMAN GREEN: Okay. So on Page 14 of the PICA report --

MR. DUBOW: When you say "the PICA report," which report are you talking about?

COUNCILMAN GREEN: The PICA staff report on the Five-Year Plan.

MR. DUBOW: Okay.

COUNCILMAN GREEN: PICA -- and this is once again, I guess, a timing issue or an execution issue. PICA said that it is problematic, that basically in each of the past two years, the City has not been able to identify a comprehensive solution to closing the budget gap prior to the year's end when the gap has been identified in mid year or later. In other words, if you identify a gap early in the year, as you did, in your own minds, right after we passed the budget, you take corrective action. If a gap comes in October, November, December, later in the year, according to PICA, you have been unable to take corrective actions, thus sort of compounding the size of the fund balance deficit at the end of the year, and I'm just wondering if you've changed any processes to make sure that that doesn't happen again this year.

MR. DUBOW: Well, we took a number of actions during the course of last year, including stopping purchases of materials and supplies, tightening or hiring freeze, but clearly they weren't enough, because we still had a deficit.

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So we have changed our processes. We're starting actually next week, we're sitting down with each department, going through where they are compared to budget. If they're over budget, seeing why and seeing what we can do to correct it.

So, yes, we are taking actions next week, as early as next week.

COUNCILMAN GREEN: That are different than actions you took in the past or that are the same?

MR. DUBOW: Different. I mean, we're meeting with departments a little earlier.

COUNCILMAN GREEN: So next week you'll have the projected spend -- you'll have the actual spend of each department compared to budget and projected spend for each department through the end of the year?

MR. DUBOW: We are meeting with them to go through that. I wouldn't say they will have them finalized by next week. We'll have them finalized by the time we do the quarterly report in November, but that's part of the process of getting --

COUNCILMAN GREEN: Okay. Would you please provide the results of that analysis to the Chair.

MR. DUBOW: Right. We will. That will be the quarterly report. You'll see it in that quarterly report that comes out on the 15th of November.

COUNCILMAN GREEN: On the 15th of November? Okay.

And in that quarterly report, you'll be identifying the very things you discussed which --

MR. DUBOW: Yeah. It shows each department, what their budget was, what their projected spend is, what the difference is.

COUNCILMAN GREEN: Okay. The quarterly report has often overstated the number of employees that you intend to hire or created confusion at least between my office and your office.

MR. DUBOW: Right.

COUNCILMAN GREEN: Are you going to be addressing those issue?

MR. DUBOW: Yeah. And if you noticed, we tried to get to that in the budget document this year by showing what we anticipated to actually fill during the year and showing what that would look like on that percent. So, yeah, that's something we're addressing.

COUNCILMAN GREEN: The, I guess, 125 million Five-Year Plan IT investment, 25 million was allocated for this year. What's been spent and what is on the table to be spent?

MR. DUBOW: Well, we don't have authorization yet. I think that's on the ballot November 4th, I guess, whenever the Election Day is. So we can't start spending until after we get that authorization. So nothing has actually been spent yet.

One of the kind of key steps in

that, as you know, is the ERP process, and we have posted for a position for someone to be in charge of that and to help us implement that. So that's kind of the next big step. The next two big steps are getting someone on board and getting authorization to start spending. And there's other spending other than that, but we haven't been able to start yet.

COUNCILMAN GREEN: So do you have a list of how we're going to spend the 25 million this year?

MR. DUBOW: I think there's a prioritization list that DOT has put together. We can get something to you.

COUNCILMAN GREEN: If you'd please provide that to the Chair.

With respect to the person that you're hiring, is this going to be what happens when the Administration makes a transition, and, that is, the person will come in, want to put together their own plan, it will be six months more before we actually have any action taken, or are we going to build on what we've created?

MR. DUBOW: We're going to build on what we've created. As you know, we've been trying to work with the Private Sector Outreach Board on this process to make sure that it goes smoothly, and we'll continue to do that.

COUNCILMAN GREEN: Well, on Page 52 of the PICA report, what PICA suggests is that a major shortcoming of the Plan is that it makes no assumptions about likely personnel reductions that will occur over the Plan period. It also does not set goals with respect to cost services and taxes. The Plan falls short somewhat in this regard, because it does not recognize the potential for savings that exist as a result of the various initiatives of the City. Future Plans should incorporate reasonable estimates of the impact of management initiatives on personnel levels and costs. Such a change would allow the Plan to be a clearer statement of policy priorities, an instrument for clarifying financial and management goals, and a mechanism for holding City agencies and the City as a whole accountable for progress towards these goals.

Has the City done any planning in terms of what the savings will be from our $25 million technology spend, and do you plan to incorporate savings in the Five-Year Plan next time, as requested by PICA?

MR. DUBOW: Right. We've had a number of conversations with PICA about that issue, and where we have kind of come down is that we'll include savings so long as we can show them that the savings are reasonable. So we hope to be able to do that in the Plan.

COUNCILMAN GREEN: So I have a simple question for you. What is the City's return on investment for the first $25 million in technology spend, which should take place this year? In other words, how much --

MR. DUBOW: I don't -- given the fact that we're not going to start spending until December or whenever the results are certified, I don't think we'll be spending 25 million this year, and because we want to get someone in place to actually run the ERP.

COUNCILMAN GREEN: Fair enough. When you spend it, what's the ROI?

MR. DUBOW: I don't have that with me. As we kind of get you the details of the Plan, we can --

COUNCILMAN GREEN: When you spend the $125 million over the next five years, what is the return on investment to the City of that capital expense?

MR. DUBOW: And we don't have the 125 million laid out. We don't know what that all is yet, so we can't give you an ROI.

COUNCILMAN GREEN: So you plan to spend $125 million and it may or may not have a positive return on investment for taxpayers?

MR. DUBOW: We won't spend it until we've developed a plan, and as we develop that plan, we'll know what the return is.

COUNCILMAN GREEN: But the plan will specify the term over five years?

MR. DUBOW: Will specify what our return is, our investment. I don't think we'd limit it to five years, because it will take longer than that.

COUNCILMAN GREEN: Sure. Right. Of the five-year spend.

So you will be able to give us essentially an internal rate of return for what you're going to spend in technology over the next five years?

MR. DUBOW: Right, but it may not all be that it translates into dollar savings. So, for example, if we're improving our HR system, one of the benefits might be that we have more predictability on when people come on board or we might be able to develop our workforce so that it's more effective. That's all not just straight dollars.

COUNCILMAN GREEN: Absolutely correct. If we eliminate --

MR. DUBOW: So -- can I finish?

COUNCILMAN GREEN: Yeah.

MR. DUBOW: So that just looking at an ROI really won't tell you the whole story of what we're getting from our $125 million.

COUNCILMAN GREEN: I couldn't agree more. Really what we're talking about is what will we achieve through that spending and whether it's freeing up people who now push paper to serve citizens in a different way as employees of the City. That's something that you'll be prepared to lay out?

MR. DUBOW: Yeah. Yeah. That's right. We have to -- when we develop that plan.

COUNCILMAN GREEN: So I have two bills that I understood the Administration was opposed to that call

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for just this sort of thing. One is a five-year IT plan where we're asking the Administration to specifically lay out exactly what you described you're going to deliver to us, and the other is a bill to require program-based budgeting, which is something the Administration said they would do since 2008 and which I called for in my election in 2007.

Do we now have agreement on those bills?

MR. DUBOW: We don't have agreement on the bills. We have an agreement that it makes sense for us to put together a plan and show you what we're getting for it. I don't think that needs to be in legislation. I think it's something we should give you.

On program budgeting, as you know, I mean, we want to kind of sit down with you and go through what we think we can do and when we can do it.

COUNCILMAN GREEN: But we'll get something that looks like that for this year's budget?

MR. DUBOW: We'll get something that moves us in that direction.

COUNCILMAN GREEN: So today we learned that there's a continued reduction in the prison population because of policies implemented by the courts, the DA, the Administration and with, I would argue, a lot of push and help from Council, and the population is basically 7,975, consistent with 2003 levels in the prison system, and it appears to me that this will result over the course of the year in savings in excess of those the Administration expected in the prison system, especially if we continue on this trend through the rest of the year.

Do you currently have an estimate of how much additional savings we're going to have from the prison system and how that will affect the fund balance at the end of the year, and if not, can we expect to see that kind of

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answer in the November 15th quarterly manager's report?

MR. DUBOW: Yes, it will be in the November 15th report.

COUNCILMAN GREEN: Okay. So the Five-Year Plan continues to project in each year -- and I know we had this debate during last year's budget cycle. In each year the Five-Year Plan shows a growth in the cost of the prison system rather than a reduction in the cost of the prison system.

In this year's Five-Year Plan, can we now expect to see a reduction in the cost of the prison system, as many of us on Council tried to have put in the budget last year, which would have prevented some of the tax increases that we had to undertake?

MR. DUBOW: Well, in the end, we did -- the costs came way down in the Plan. So a substantial amount of the savings we took were from prisons.

COUNCILMAN GREEN: But then

each year it goes up instead of each year going down.

MR. DUBOW: But obviously we will work with the people in the prison system and the criminal justice system to get their best estimate of where the census is going to figure out what we'll put in the Plan.

COUNCILMAN GREEN: Do you have any estimate of what mothballing the Cannery will save the City of Philadelphia?

MR. DUBOW: I don't have that.

COUNCILMAN GREEN: It appears we're now in a position to do so.

MR. DUBOW: I don't have that.

COUNCILMAN GREEN: Okay. I guess, finally, when I look at your testimony, it clearly says if the economy gets worse in the City or if we get less funding from the state government, that we have two choices. We can cut revenue -- I mean, we can raise additional revenue or we can cut services to citizens or face severe reductions. That's basically the gist of what you're saying.

MR. DUBOW: I think actually what it said is a new round of painful budget balancing actions.

COUNCILMAN GREEN: Which are what?

MR. DUBOW: Well --

COUNCILMAN GREEN: What is a painful budget balancing action?

MR. DUBOW: It will be most likely based on what the Councilman was saying before, most likely it would be more cuts in expenditures.

COUNCILMAN GREEN: Cuts in expenditures? So we've learned through three years that the Administration knows how to do one of two things, raise revenue or cut services. Is there --

MR. DUBOW: Well, we've also done a number of other things in terms of finding efficiencies, improving delinquent collections, but if there's a substantial falloff in what we get from the state or what we get in terms of tax revenues, I mean, we're going to have to make some additional decisions. It's not going to be pain free.

COUNCILMAN GREEN: But it's one or the other things, right? It's either cuts or raising revenue?

MR. DUBOW: Yeah. You either cut your expenditures or increase your revenues. Those are the two choices.

COUNCILMAN GREEN: And those are your two solutions for how to deal with this?

MR. DUBOW: Yeah. It's going to be one or the other. You have to cut your expenditures or increase your revenues.

COUNCILMAN GREEN: Well, can we make government more efficient?

MR. DUBOW: That would be cutting expenditures, wouldn't it?

COUNCILMAN GREEN: Well, in part, potentially, but that's part of

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what the technology investment is all about.

MR. DUBOW: Right, but that won't --

COUNCILMAN GREEN: And planning for it.

MR. DUBOW: That won't be something that happens in two months or three months. That's going to take a little time.

COUNCILMAN GREEN: Is there anything else you can think of that we could do to avoid painful -- I don't remember your exact quote.

MR. DUBOW: Well, like I said, there are always ways you can find efficiencies. We can improve our collections, but if there is a substantial falloff, it's going to -- there's going to be pain involved.

COUNCILMAN GREEN: In May, I sent the Mayor a letter asking him to appoint a commission to look at the strategic utilization of the assets owned by the City of Philadelphia. And basically we take our assets, such as our parking garages, our airport, et cetera, that are essentially not core municipal functions and we would potentially investigate what they would be worth to the City of Philadelphia.

Now, I would not ever propose to use sale of those funds or asset sale money for operating expenses. So one of the simplest ways to put hundreds of millions of dollars into the General Fund every year is to fix our pension problem, and we can fix our pension problem, Mr. Dubow, very simply. We can raise a billion dollars from selling parking garages. We can raise several billion from getting Congress to change the law to allow another hub airport to be part of the pilot program. And for each billion dollars we add into the pension system, we get a hundred million dollars less from the General Fund that we have to contribute, and it's good for everybody, because the employees then know they have a secure pension system and we're not doing this through service cuts or on the backs of our employees and we're not doing this through raising taxes on the backs of our citizens.

Why can't we get creative thinking like that out of the Administration, moving assets that are doing us no good into assets that are going to shore up our pension system and create hundreds of millions of dollars in free cash flow for the City of Philadelphia every year?

MR. DUBOW: We look at asset sales on an ongoing basis. I mean, there are particular challenges with the two that you mentioned. One is, we don't own our -- the Parking Authority actually owns the parking. And it's really the parking meters that would generate the most money for us. We don't own them.

COUNCILMAN GREEN: The garages at the airport would generate a billion dollars in and of themselves.

MR. DUBOW: But the airport, as you said, that requires a change in federal legislation.

COUNCILMAN GREEN: Not for the garages, because our ten-year agreement with the FCC expires in a few years where we agreed for a period to allow that to be airport revenue. It's my position and should be the position of the City of Philadelphia that when that agreement expires, we will not renew it, and that if they want to take us to court, they can.

We built those garages. And we would have to pay off some airport revenue bonds, I'm sure, in connection with the sale, but we can take that money, shore up our pension fund and put a hundred million dollars in the General Fund.

That's the way we have to be thinking, creatively, not just cut or raise taxes. I guess that's not really a question, but I just wanted it on the record, that there are many other options available to us than cutting or raising taxes.

MR. DUBOW: And I just say --

COUNCILMAN GREEN: Thank you.

MR. DUBOW: -- those are things that are not real simple to get done and may be impossible and --

COUNCILMAN GREEN: A journey of a thousand miles begins with a single step. Let's do, not talk.

COUNCILMAN CLARKE: Thank you, Councilman.

Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. Chairman.

Just one question. We are sitting here mystified. Councilman Green, what is the Cannery?

COUNCILMAN GREEN: I believe it's a holding facility that is near Hunting Park in Councilwoman Quinones-Sanchez's district.

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COUNCILMAN KENNEY: That's what it's called, the Cannery?

COUNCILMAN GREEN: It's a prison facility. It's a nickname.

COUNCILMAN KENNEY: Oh, it's a nickname. All right. Thank you.

Mr. Dubow, just let me real quickly, every time I get a chance to have this discussion with either you or L&I or Revenue, somewhat on a different scope than Councilman Green's line of questioning relative to airport garages and the like, we seem to be always reacting to what we're getting from the state or not getting from the state, what the state budget foretells for us and what our revenue projections are, sales tax, real estate tax. We seem to be oftentimes necessarily reactionary, because it's just kind of part and parcel of being in municipal government.

I keep on bringing up this ongoing and extensive underground economy in the City that is here now. It's not some projection. It's not some possible budget deal with the state or the feds. I mean, I have continually raised the issue of unlicensed contractors, nail salons, cash businesses, valet parking operations, parking garages, unlicensed parking lots. I mean, just a plethora of unregulated and untaxed businesses. And while every time I raise the issue I get a nod of the head of agreement, there seems to be no strike force, flying squad, group of consultants with City employees who get together and try to figure out a strategy to identify the revenues that these businesses are bringing in, tax them, bring them into compliance and have an ongoing, solid group of taxpayers that the City will then have a reputation as to not being a place to go to to do underground business.

I mean -- and this is not this Administration's creation. This is something that's gone on for years, but it seems to me that if we were as diligent as the IRS in going after what's owed -- and I don't mean what's been owed on real estate taxes 35 years ago. I'm talking about the stuff that's going on on a regular basis, where unlicensed panel trucks are coming in and doing construction business, where people are doing cash businesses, where parking lots are operating and not paying the parking tax. All these things not only reduce our ability to maximize revenues, but gives the City a reputation as a place where it's a little loose and maybe we can go over and hang out there a little bit and make some money and then bring it back to our suburban and New Jersey communities.

I need to know what conversations or do we need to have a meeting about putting together a serious group of folks who will go after the commerce that's going on now, not projected commerce, not asset sales, not budgetary deals, but what goes on day to day in the streets of the City?

One of the things I raised with L&I a while ago is this issue of unlicensed contractors throughout our City and using entities like the Parking Authority to help us enforce these things.

I mean, isn't it beyond the time that we need to squeeze every corner of revenue that's due to us, and what are we doing to get there?

MR. DUBOW: I know that in the Revenue Department they're going out to parking lots and going out to construction sites and checking, but you're right, we need a more coordinated approach to it. So I think we're getting people on kind of a spot basis now, but we need a better, more comprehensive --

COUNCILMAN KENNEY: For example, not only on the unlicensed small contractor business, I'm talking about in the larger scale contracting business where they are paying people as individual contractors and giving them their 1099's, or whatever the tax form is, and they just pay them as a kind of an individual -- not as an employee on their books, but as an employee just for the day or for -- I mean, all that stuff is rampant, and I'm sad that we're having discussions about tax increases or service cuts and asset sales, and this might -- this is not hundreds of millions of dollars, as Councilman Green alluded to relative to potential parking lot sales, but this could be tens of millions of dollars that has just gone out there uncollected, and I don't sense -- not on your part, but on the Revenue Department's part, on L&I's part -- any sense of urgency in trying to find these folks and figure out a way to hold their feet to the fire.

MR. DUBOW: I mean, I think they understand how important it is. I think it's the coordination that we haven't done a good enough job of that we need to do.

COUNCILMAN KENNEY: I mean, is it regulatory changes in the way we utilize our employees? Is there civil service changes we need? Is there consultants that we need to bring on? I mean, can we hire a slew of ex-IRS agents and pay them as consultants? I mean, these are the folks who know how people hide money. And I just think that we kind of allow this free flow of underground commerce without really going after it in a real sense, and I think not only do we not collect the money, but we perpetuate the image that the City is kind of lax on its collections.

This is another opportunity to say something to someone in the government about it.

MR. DUBOW: Okay. Thanks.

COUNCILMAN KENNEY: Thanks.

COUNCILMAN CLARKE: Thank you, Councilman.

Real quick, I actually want to piggyback a little bit on Councilman Kenney's reference to the underground economy. I actually think in addition to finding a way to ensure that people do meet their obligations as it relates to taxes, I actually think we should, in a very aggressive way, work with people to help formalize their operations, because there are large portions throughout the City where people, frankly speaking, but for that opportunity, they would have no wherewithal to live, and, frankly speaking, I thought with a little assistance, that they wouldn't mind actually having a formal barber shop. I mean, I know a bunch of guys, they cut in the basement. If they had the ability to formalize it and build their business -- and I don't think -- and this is not just saying this Administration, but I don't think any of the Administrations -- and we have to take responsibility as a Council -- have aggressively gone after that, formalizing this underground economy that would have a twofold approach: One, make sure that the City gets the necessary revenues, but, two, put people in business so they can be a productive part of their community and actually employ people. So I --

COUNCILMAN KENNEY: And I agree. I agree with Councilman Clarke about bringing people from the basement up into the above-ground economy. I'm not even talking about those folks. I'm talking about the guy who's got the panel truck up on street level who we don't even ask.

I mean, there's two sides to this. One is bringing people into the mainstream economy, and that's a good thing, because they'll pay taxes and they can work above board, but another thing is, I got the guy sitting right in the middle of the street, I don't even bother asking him whether he's got a contractor's license. And it's just -- I know I sound -- this is like a one-night song for me in this particular subject matter, but it doesn't seem to ever get to the point where we're going to formalize this, again, flying team or strike force or something to go after our money. Because it sends a message -- and I get these letters or e-mails from people who are actually in the above-ground economy and paying their taxes and paying all their employees' benefits who think they're fools, because the guy doing the same work next door to him is laughing at him because he's taking his cash and going back across the bridge.

All right? Thanks.

COUNCILMAN CLARKE: Thanks, Councilman.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

To continue this discussion but taking a slightly different direction, the Chairman said -- and I think we all concurred -- that we're not looking forward to and don't expect to raise taxes and fees on Philadelphia businesses and residents. We may want to look at legalizing some businesses to capture that revenue that we should be capturing. But in June as we were ending budget discussions -- or actually in May when we were ending budget discussions, I floated an idea about actually raising the fee, the business privilege license fee, for out-of-town businesses that do business inside of Philadelphia. Where are we on that idea?

MR. DUBOW: I have to check. I don't know. I have to check.

COUNCILMAN GOODE: What do you think of the idea in general?

MR. DUBOW: If I remember correctly, when we looked at it --

COUNCILMAN GOODE: We did come up with a number -- I forget what the number was.

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MR. DUBOW: Wasn't that -- it was a modest number, if I remember correctly, right?

COUNCILMAN GOODE: It was hundreds of businesses. It may have been up to a few thousand businesses. I forget the specific number.

MR. DUBOW: Right. I think we were talking about --

COUNCILMAN GOODE: But that's not particularly relevant. It may have been 3,000, but that's not particularly relevant when you can decide whatever fee you want it to be to begin with. In other words, we could do a thousand-dollar fee. There are a number of different -- or higher. There's a number of different things we could do.

Is that an idea that the Administration could support, and, if not, why not?

MR. DUBOW: I think it's something that's worth pursuing.

COUNCILMAN GOODE: So are we

going to be ready by the time budget time comes around to discuss the idea in reality?

MR. DUBOW: Yes.

COUNCILMAN GOODE: Second question --

MR. DUBOW: I knew that was the answer.

COUNCILMAN GOODE: That was the easy question. The second question is, in your testimony you say with labor costs comprising about 60 percent of the City's budget, any increase in those costs beyond the amount included in the Five-Year Plan could present significant challenges to the City budget.

I'm sort of confused by that statement. I understand what it means. I understand that it probably means that you're not necessarily anticipating or don't want new costs within this budget year, but when you use the term "Five-Year Plan," we know there's going to be a new Five-Year Plan.

MR. DUBOW: Right.

COUNCILMAN GOODE: And so you're referring to this Five-Year Plan?

MR. DUBOW: We're referring, yes, to the '11 to '15 Five-Year Plan.

COUNCILMAN GOODE: And you're actually, to some extent, just referring to this fiscal year?

MR. DUBOW: No. It's really the whole Five-Year Plan.

COUNCILMAN GOODE: The Five-Year Plan will change, though.

MR. DUBOW: That's right. The Five-Year Plan will change, but until then, we're still living with this Plan.

COUNCILMAN GOODE: So as we approach a new budget season and a new Five-Year Plan, what does that statement mean in that context?

MR. DUBOW: It means that we still need to live within the costs that are in our Plan and will be in our new Plan, that what we've assumed is that there will be labor savings, that there will be change in the pension plan that will control benefit costs, and we need to achieve that to hit the numbers in our Plan.

COUNCILMAN GOODE: And the additional revenue that was requested by the Administration last spring, that would have covered additional labor costs?

MR. DUBOW: No. That would have -- this is going to get Councilman Clarke. That would have meant that that last round of cuts didn't happen.

COUNCILMAN GOODE: So as we approach next year's budget and Five-Year Plan, that statement will hold true?

MR. DUBOW: Yes.

COUNCILMAN GOODE: In terms of the Administration's position?

MR. DUBOW: Yes.

COUNCILMAN GOODE: Thank you.

Thank you, Mr. Chairman.

COUNCILMAN CLARKE: Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. Chairman.

And good afternoon, Mr. Dubow. First of all, let me give kudos to the Chairman for being consistent with his pledge to have a quarterly fiscal evaluation, which gives us some time, some runway before we have to land a budget, and even in discourse, we can at least come up with some general directions where we want to be in the discussions. So I applaud you for that.

At some point, Bill, myself and Maria, God willing and the creek don't rise, won't have to be called freshmen again and that at some point we'll have to figure out some other moniker, but while we still have it --

COUNCILMAN CLARKE: Sophomore.

COUNCILMAN JONES: Sophomore? Okay.

While we still have it, I'd be interested in looking at and what I heard consistently among the testimony, which

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is a result of the budget process, that each of us, freshmen and senior members alike, have asked about, alluded to, recommended changes that might increase our efficiency. Some of them were scoffed at, like the Freshman 15, as amateuristic attempts to do those things, and that's okay.

MR. DUBOW: I actually don't think that's what happened. I think there were some of those things that we actually did.

COUNCILMAN JONES: That's where I'm going. I'd be interested in --

MR. DUBOW: And it was the Freshman 30 when you were done.

COUNCILMAN JONES: Yeah. By the time we got done, it was 30.

I'd be interested as we approach the budget cycle again looking at how many of them were vetted, how many of them were actually implemented, how many of them were discarded and for what reason. And I think that's true for each member of Council as we struggle with this thing.

No one likes to raise taxes. No one likes to cut services, but all of us can agree at a place called efficiency and if indeed we are in earnest trying to do them. I can remember a couple of them. One of them was the bail collection and that with the transition from the Clerk of Quarter Sessions into the mainframe of the court system, how that aggressive collection effort is doing.

So at the point that we come back and reconvene, progress reports on what those savings actually mean would be at least helpful to me and possibly the rest of the members of Council. Specifically, what I want to know about this year is that but for the slowdown at the state level of our reimbursements, pretty much are our revenues on track?

MR. DUBOW: Yeah. The first quarter of '11 tax revenues have been pretty much where we projected they would be.

COUNCILMAN JONES: And once the ferreting loose of our payments from the state actually hit our coffers, we will be ahead of, slightly ahead of?

MR. DUBOW: Just a little because of amnesty, and it's one-time money, but, yeah, just a little bit.

COUNCILMAN JONES: And are we considering -- and I want to commend Councilwoman Krajewski for her initiative to do that, which resulted in $12 million more that we had --

MR. DUBOW: Than we had budgeted.

COUNCILMAN JONES: And so if that trend continues, we won't be at crisis mode, if indeed the state did not do anything drastic by cutting us. And I understand they have their budget woes, but we will probably be right on par where we said we would be.

MR. DUBOW: Yes. That's right.

If there's nothing -- if we don't get hit by the state, if there's no other downturn in the economy, we should be for this year around where we thought we were going to be, which is much better than, you know, seeing revenues fall off the cliff like they had two years ago.

COUNCILMAN JONES: That's light at the end of the tunnel that may not be a train coming to hit us.

MR. DUBOW: Right.

COUNCILMAN JONES: Now, with that, we've taken a posture where we've slowed down in a cautious manner on some of the hirings that we could have done, and I'm not going to try to guess the motivations of that, whether it is in anticipation of some uptick of expense or some reduction in revenue. I don't know what those are, but at some point, we're going to have a reconciliation of those dollars and it will come in the form of transfer ordinances that will be put before us.

MR. DUBOW: Right.

COUNCILMAN JONES: In that regard -- and I'll piggyback off what Member Goode said -- that we aren't anticipating any settlement of the union contracts? I mean, does this --

MR. DUBOW: We're anticipating that if they're settled, they'll be within the framework laid out in the Five-Year Plan.

COUNCILMAN JONES: All right. And specifically, that has nothing to do with the slowdown of hirings?

MR. DUBOW: No.

COUNCILMAN JONES: Okay. But in --

MR. DUBOW: The slowdown in hirings is to ensure that we actually stay within our budget.

COUNCILMAN JONES: Okay. For example, in the EMS -- well, no; in the black-out situation --

MR. DUBOW: Brown-out.

COUNCILMAN JONES: Brown-out.

Black-out, brown-out, they're not in business. We could -- if my memory serves me correctly, would 25 new hires there solve that whole $3 million problem?

MR. DUBOW: I wasn't at the hearing, but if that's what came out at the hearing, then I'll --

COUNCILMAN JONES: So, I mean, as we start to approach this -- and I'm going to anticipate at our next meeting, I'm going to ask that question a little harder. I don't need an answer right now, but as we start to realize these savings, as our plane is coming to at least stable airspace, anticipated revenues are there and some favorable surprises like amnesty, I know there's going to be something that kicks us in the shins, but pretty much I would be looking for us to solve some of the service problems, which the brown-outs are a problem, that we can anticipate that we've realized certain amount of savings due to late hirings, that we can hire out of -- what was the number of unfilled positions that we had, Charlie? What was that?

MR. McPHERSON: 675.

COUNCILMAN JONES: Out of 675 unfilled positions, that we can manage to breathe easy and hire 25 more to solve a problem that has gotten so much attention from the public and one that concerns me deeply when we start talking about first responders and the safety of the public.

So as we move from this quarter to the next quarter and we have this good news, I want to be also looking for us to do good things to pass that good news on, like maybe hire 25 firefighters to solve a major problem like that.

MR. DUBOW: I wouldn't actually call this good news. I would say it's the first time in a while we haven't had bad news, which is a significant difference. I don't think we're in a place where we can start adding expenditures, because we're kind of where we thought we would be. It's not like we have more money than we thought we were going to have when we --

COUNCILMAN JONES: No. I wouldn't classify it as adding expenditures. It would just be doing what we said we were going to do in the Five-Year Plan and hiring the people that we have budgeted for. So, I mean --

MR. DUBOW: The Five-Year Plan assumes we don't incur those costs. So what we're doing now is consistent with the Plan.

COUNCILMAN JONES: All right. I'll give you until the next quarter for us to come to common ground on that, but if the trend continues -- and I pray and knock on wood that it does -- we're going to look to see public relief in some areas as well, so that that good news gets translated into good services. All right?

Thank you, Mr. Chairman.

COUNCILMAN CLARKE: Thank you, Councilman.

Mr. Dubow, let me understand this, in your most recent questioning. The PICA-approved budget and the positions not filled, 675, and let me understand, where is that money as it relates to our fiscal year?

MR. DUBOW: There is always in every budget, there's an assumption that positions won't be filled for the entire year. So if you have a General Fund that's 22,500 people, there's always going to be some turnover. So if you didn't have any vacancies, you would wind up going over budget. I mean, just because the way our process works, we always are going to have vacancies. So it's not surprising that you would find a large number of --

COUNCILMAN CLARKE: Is this number consistent with the prior years, 675?

MR. DUBOW: I'd have to kind of

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go back and look, but it's probably consistent with the last few years. I think we probably have a large number of vacancies each year.

COUNCILMAN CLARKE: Okay. Following on the theme of getting creative -- and you're probably not the person to talk to this about, but you're sitting here. I personally had some issues with respect to the pace of an issue that I think affects two of these problem areas -- one is wage tax; the other is the transfer tax -- is the pace of development in the City, be it supported by the government, be it RDA, OHCD, PHDC, or simply allowing individuals who are willing to build in the City of Philadelphia, and it's unfortunately not as many that we are used to in the past. But I have a real concern because I think that, one, from a fiscal perspective, that our inability to generate activity has been diminished, because there seems to be this process-driven policy within the government that it sometimes bogs down the private sector's willingness to continue with a development project.

I'm all for transparency, you know, support it, in some cases probably in retrospect regret, every imaginable ordinance that relates to creating transparency, but my concern is when it then turns into paralysis, because I've seen too often where people submit projects or they come in and requesting publicly owned land, be it RDA, Public Property or some other agency, and they are "formed" to death. By that I mean, you get to a stack of forms and you can't even be guaranteed that you will end up with the property. And you're asking people to go out and hire a lawyer, go out and hire an architect, submit a proposal for a parcel of land that you have to pay fair market value for, and you may not even get the property.

I think there needs to be some

serious consideration -- we've referenced that in an earlier conference that we had, that if we're serious about creating construction activity, because I think that is -- and I think you will concur that that is a very important part and component as it relates to our budget, because construction breeds purchases of service, it breeds employment, and then those people will spend money during the workday in their local communities. That's on the private side.

On the public side, we have been sitting on $50 million of NTI bonds for the last year. And I'm only saying the last year because that's the time that the audit was completed, where essentially all of the issues with respect to whatever concerns were had by either the RDA or the Administration as it relates to the type of bonds, the amount of bonds, any issues with respect to some potential criminality, because I believe that it was -- actually, at one

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point there was an attempt to hire a forensic criminal auditor to determine if there was some criminal activity. But given what's happening in the City and the ability for us to have leverage -- and I think that window of opportunity has passed -- the significant stimulus dollars that came to the City, because contrary to what most people believe, that the Obama Administration has probably put more federal money into municipalities across the country than any administration in the last 50, 60 years, and I don't think that we have adequately taken an opportunity to leverage our resources and put that money in play in a very aggressive way.

The most recent round of funding from the state, I think we got the lowest amount of developments funded in most recent history, and the reality is is that a city in the western county -- and I don't know if that reflected on the fact of who might ultimately be the governor -- got more funding for a town of approximately a quarter of the size of the City of Philadelphia for development projects, simply because, in my interpretation, we weren't aggressive enough and we didn't put our resources on the table.

So if we want to talk about creative ways, other than cutting services and raising more taxes, which I said earlier, I don't think there's any appetite for that, we got to get, frankly speaking, a little more aggressive in these opportunities. And I'm just putting that on the table to add to some of the other things creative and ideas that my colleagues have put on the table.

We in Council are always prepared to work with the Administration, because at the end of the day, as the Mayor actually likes to say, there are 18 people who drive this particular train, and we want to be a part of that train in a very meaningful way. And while we're prepared, if need be, to make those very difficult decisions -- trust me, that 9.9 percent real estate tax was a very difficult vote -- we also want to be as aggressive and in the position to participate in a meaningful way in creating some of these ideas and some of these mechanisms that are going to drive revenue, other than simply putting our hands in people's pockets. And I mean that. And I understand that you're not the person from that end of it, but, like I said, you're the person sitting here and we're talking about revenue.

MR. DUBOW: Right.

COUNCILMAN CLARKE: And at the end of the day, our ability to create and generate revenue on a local level is very important, and not simply being subject to the national recession. Okay? So that's pretty much that on that one.

Any other questions by members of the Committee for this witness?

(No response.)

COUNCILMAN CLARKE: Mr. Dubow, thank you very much. That was pretty painless, wasn't it, sir?

MR. DUBOW: Yes. Thanks.

COUNCILMAN CLARKE: Anyone else to testify on this resolution?

(No response.)

COUNCILMAN CLARKE: There being none, thank you very much.

This concludes the hearing on the Committee of Fiscal Stability and Intergovernmental Cooperation. Thank you all very much.

(Committee on Fiscal Stability and Intergovernmental Cooperation concluded at 2:40 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 October 26, 2010, and that this is a true and correct transcript of same.

MICHELE L. MURPHY

RPR-Notary Public

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