COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, March 10, 2010
11:00 a.m.

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PRESENT:
COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
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COUNCILMAN FRANK RIZZO
COUNCILWOMAN MARIAN B. TASCO

RESOLUTION 100141 - Resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2011 through 2015...

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COUNCIL PRESIDENT VERNA: Good morning, everyone. Sorry for the delay. This is a public hearing of the Committee of the Whole.

I would ask Mr. McPherson to please read the title of Resolution No. 100141.

MR. McPHERSON: Resolution 100141, providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2011 through 2015, and incorporating proposed changes with respect to Fiscal Year 2010, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority pursuant to the Intergovernmental Cooperation Agreement.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Dubow, are you going to be testifying? Oh, Mr. Armbrister. And I guess Steve wants to join the party.

(Witnesses approached witness table.)

MR. ARMBRISTER: Good morning.

COUNCILWOMAN TASCO: Would you please state your name for the record.

MR. ARMBRISTER: My name is Clarence Armbrister, Chief of Staff to Mayor Michael Nutter.

COUNCILWOMAN TASCO: Thank you.

MR. ARMBRISTER: Good morning, Councilwoman Tasco -- I notice that Councilwoman Verna has left -- and other Councilmembers. I'm Clarence Armbrister, Chief of Staff in the Office of Mayor Michael Nutter. On behalf of the Mayor, I am pleased to provide testimony on the FY11 Proposed Operating Budget and the Proposed FY11 through FY15 Five Year Financial Plan.

As is clear to most Americans by now, the nation remains in the grips of a severe economic recession, marked by housing foreclosures, credit tightening and severe job losses. Here in

Philadelphia, our unemployment rate stands at 10.9 percent, higher than both the national average and the level in our surrounding suburbs, and unfortunately many residents have simply given up looking for work.

But I am not here today to talk about how and why the global economy got to its current state. That could take hours and wouldn't change anything. What I would like to do today is explain how the Great Recession has impacted the City of Philadelphia's budget, what the Nutter Administration has already done to address the significant deficits we have faced since September 2008 and what we propose to do now to correct the current projected gaps. My testimony will also describe why we have chosen these specific remedies described in the Five Year Plan and in the Mayor's address to you last Thursday.

The Great Recession has impacted our local budget in two major ways. It has caused tax and other revenues to decrease and it has caused the pension fund's unfunded liability to exceed 50 percent. The City's Office of Budget and Performance and Evaluation estimates that last year the region's economy contracted by 3.1 percent in nominal terms, with even greater downturns experienced in the local construction and manufacturing industries. This had a ripple effect on the local taxes we collect. Wage tax collections, which make up approximately 32 percent of total revenues generated by the City, increased by less than two-tenths of a percent last year, well below the rate of inflation. In contrast, from FY98 to FY08, the average annual increase in wage tax collections was 2.8 percent even with scheduled tax rate reductions. Revenues from the business privilege tax are expected to decrease by nearly $10 million this year versus last year, with an additional decrease expected in the coming fiscal year. Since Fiscal Year '07, the total decrease in BPT revenue receipts has been nearly $60 million, or 14 percent. The realty transfer tax has also suffered, decreasing $116 million below its historic high of $236 million in Fiscal Year '06, and sales tax revenues did not perform as projected last summer when Council approved our request to the State Legislature to increase the local tax rate by one percent. Part of this is due to the fact that the General Assembly did not approve the rate increase until more than three months into our current fiscal year and part is a result of the continued weakness in the economy.

Given the decreases in revenues, this Administration has done what many local families have done, it has tightened its budget. Since Fiscal Year '08, excluding pension and debt service costs, the Administration has decreased its discretionary costs by roughly $160 million per year, or nine percent of the total discretionary budget outlays.

Let me say, it's not easy to shrink government and I give a lot of credit to my colleagues in the Administration, including our Deputy Mayors and Commissioners, who stepped up and managed their departments with less money, finding efficiencies and rethinking processes so that service delivery would not be adversely affected in a significant way. In fact, a recent poll of Philadelphians commissioned by The Pew Charitable Trusts found that an overwhelming majority of residents had not even noticed a decrease in service levels, and more than a few even thought City services had improved.

A significant portion of our reductions over the past two years has come from personnel costs. Since December 2008, the City's General Fund workforce has shrunk by about 800

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full-time employees. When part-time and temporary positions are included, there are 1,250 fewer employees now than there were at the end of 2008. And, since I know you'll ask, the Mayor's Office has been part of these cuts. We have decreased our personnel budget by nearly $2 million, or 38 percent, since FY09 and we propose to decrease it even further in the coming fiscal year.

At the same time that the City has been shedding workers, it has also been slashing overtime. For the first half of this fiscal year, overtime costs were down by a third from where it was last year.

Specifically, spending will be down in nearly every City department next year versus last year. The Free Library budget will be down 18 percent; Parks and Recreation down by 11 percent; Sanitation, 14 percent; City Planning, 23 percent; the Finance Department, 38 percent; Managing Director's Office, 18 percent; Procurement Department, 11 percent; Records down 50 percent; and Public Health down by approximately seven percent.

In addition, Police overtime was cut by 33 percent in the first half of this fiscal year versus the same time last year. Overtime in the Fire Department decreased by 27 percent during this same time period.

And let me say again, services have not decreased. In fact, one might argue we are doing even better than ever. Violent crime rates are down by double digits. The number of deaths caused by fires is the lowest number in history. Wait times in the concourse for L&I service is now counted in minutes and not hours. And last year our health clinics served 15,000 more people. We are delivering better services for less money.

So if the Administration has been doing its part to make significant cuts in amounts in excess of the revenue decreases we've experienced, what's the problem? Why did we face a gap that exceeded $120 million as we put the FY11 budget together?

I have already touched upon one major reason, the fall-off in our revenues. There have, however, been causes on the expenditure side. There have been two large and recurring reasons - pension obligations and debt service. A third reason, historic snowfall, we hope will never reoccur in the amounts we've endured this winter. Therefore, I'll address only those first two in my statement today since a lot has already been said about the Herculean effort our staff did regarding snow removal this winter.

When the stock market crashed in the fall of 2008, the City's pension fund took a severe hit, as did nearly every other institutional endowment and individual retirement account in the country. While the pension fund has begun to earn back some of those losses and we expect it to earn back more, we are obligated by law to make additional payments into the fund now in order to support the pensions of current and future City workers. Although we were able to defer some of those payments over the next two years, thanks to Act 44, which was passed by the State Legislature in October, we find ourselves still having to pay $130 million more into the pension fund in FY11 than we did in FY10. Even with a partial deferral of our payment, next year's pension costs will be higher than they have been in any previous year. They will, however and unfortunately, also be substantially lower than in any of the years covered in the FY11 through FY15 Five Year Plan.

In addition, required debt service payments will increase by $13 and a half million in the coming year.

Simply put, $150 million of the

deficit we face in FY11 was for two costs over which the Administration has limited control.

And I'm sorry to say it's not going to get any better in the out years. Pension obligations are projected to increase to $562 million in FY12 and will be even higher in the following years. To say that these payments are strangling the City budget would be an understatement. We were, therefore, encouraged by the Police Union's new contract that gave new employees the choice between increasing their pension contribution rate to six percent of their salaries or entering into a hybrid defined-benefit/defined-contribution plan. These are steps in the right direction and will ultimately save the City a significant amount of money. The Administration is now hoping the other three unions will agree to similar money-saving retirement benefit preservation measures.

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As an aside, the other employee benefit costs such as health insurance also contribute to the deficit. Our anticipated obligation will be $485 million in Fiscal Year '11, increasing to $508 million by Fiscal Year '15. The good news is that the Administration has taken action to reduce these costs by moving its non-union employees to a self-insurance plan. A similar arrangement for the Police Union will be implemented this coming fiscal year. As with pensions, we hope the remaining three unions will follow suit.

But as I indicated above, those savings will come in the future. And we are here now facing a budget gap of over $120 million. Before I turn to what we propose to do, let me first describe what we decided we wouldn't do.

First, we were committed to holding our wage, business privilege, sales, realty transfer and property taxes at their current rates.

Second, although departments presented scenarios for decreasing their budgets by seven and a half percent and laying off even more workers, the effects would have been severe. In the Police Department, for example, a seven and a half percent reduction would lead to almost 900 positions being lost, 850 of which would be uniformed officer jobs.

In the Department of Parks and Recreation, a seven and a half percent cut would close outdoor pools and eliminate more than 500 seasonal worker positions.

In the Fire Department, a seven and a half percent cut would deactivate four engine companies, two ladder companies and five advanced life support medical units.

In the Free Library, all Sunday service and Book Mobile service would end.

Given the significant amount of money that we have already cut out of the budget, we were not willing to cut more deeply and start slashing services to the residents of this city. We have already cut the meat and now we'd be chopping into the bone.

Ultimately, we have proposed over $30 million in budget cuts in this budget. Those cuts will be incurred in a number of departments, including the Prisons, which worked with the Criminal Justice Advisory Board headed by Deputy Mayor Everett Gillison and President Judge Pamela Dembe this past year to reduce the speed in which the system processes criminals and lower the head count at local jails. These savings of nearly $15 million will continue into Fiscal Year '11.

The remaining budget gap will be plugged with two proposed fees.

The Healthy Philly tax will place a two cent fee on every ounce of soda or other sugary drink sold in the City of Philadelphia. Businesses will remit the fee through their business privilege tax payment based on their annual sugary drinks sales volume.

I realize that there are many people in Philadelphia unhappy about this proposed tax, saying that it will hurt our most vulnerable citizens. But obesity and the diseases it causes, like diabetes, heart attacks and strokes, disproportionately affect our most vulnerable citizens, the poor of Philadelphia. Sixty-four percent of people in Philadelphia and a shocking 56 percent of our children are currently obese. This percentage rises to nearly 70 percent of the children living in the City's predominantly African American and Hispanic upper North Philadelphia neighborhoods. We hope that this new tax will induce people to switch to diet soft drinks, juice and water, alternatives that are all bottled right here in Philadelphia. And if someone who drinks a bottle of soda a day gives up just two sodas per week, they could lose nearly seven pounds over the course of the year.

The second revenue source that would enable us to save our essential services is the Keep Philly Clean fee, which would assess every property with City-provided trash collection approximately $6 per week. Low-income homeowners would pay only $4 per week. The Administration estimates that these fees will raise approximately $107 million per year, a significant portion of the City's total $140 million sanitation budget, and will enable the City to preserve once-a-week trash and recycling collection. It will also allow the Streets Department to restore services such as leaf collection and street cleaning, as well as maintain and expand the CLIP program, which cleans the City's many vacant lots. And let me be frank, without this fee to support our General Fund, not only would trash services need to be cut, possibly scaling back to twice-a-month pick-up, for example, we would have to look to slash services managed by other departments.

I am proud of the accomplishments made by my fellow City employees over the past year. They worked hard through a difficult time given the uncertainty of last year's budget. To give but a few examples, the Mayor's Homeless Initiative increased the number of permanent affordable housing and helped drive a 26 percent decrease in the number of people living on the street. Greenworks Philadelphia, our plan to make Philadelphia the greenest city in the country, was launched to great success. Single-stream recycling has increased our recycling rates to more than 18 percent, saving us millions of dollars per year. The Commerce Department has launched the Business Services Center, a one-stop shop for all business-related information and assistance. PhillyGoes2College is helping to connect more local students to college education and convince older adults to return for their degrees.

While the list could go on and on, I'll end by highlighting the work done by the Office of Economic Opportunity, which released its strategy to build up the capacity of local minority, women and disadvantaged-owned businesses in Philadelphia and connect more such firms to City contract opportunities. OEO staff met with each City department over the past few months to determine the goals they would set for themselves going forward. The results of those conversations and collaboration will be included in the departmental testimony you will hear over the next few weeks.

We based our decisions this year on the questions we will continue to ask going forward - can we perform this service with fewer resources, and, if so, how? What investments should we make now to produce savings in the future?

With regard to that second question, this year's Capital Budget proposes significant investments that will yield essential operational improvements in a few years to come. We will make a $25 million investment in our IT infrastructure so that processes like HR time sheets will no longer need to be done by hand and data collected by one department can be seamlessly shared with another and help the government run more effectively and efficiently. We propose spending $17 and a half million to pave our streets, two times the amount in past years. And we will free up operating funds by moving tree planting activities to the Capital Budget. This reallocation will enable us to more than double the amount of the tree planting budget next year. Finally, we will make $14 million in much-needed improvements to our rec centers, investing City capital dollars that will be leveraged by the money that

City Council members have graciously agreed to contribute to that effort. And for that, we say thank you, City Council.

Let me close with this: The Administration's proposed budget seeks to preserve strides that Philadelphia continues to make and to maintain the positive momentum we see occurring all over the City. Make no mistake, these are trying times for many of us. The City budget reflects the damage the Great Recession has caused to our revenues and our pension costs. We have already eliminated $160 million a year in spending. For us, cutting an additional $30 million and introducing two new fees were the best alternatives to plug this year's gap. We are also open to suggestions. If a member of City Council or the public has a better idea to bring our Budget and Five Year Plan into balance, we are more than prepared to listen.

Thank you for this opportunity

to speak with you. I'm happy to answer any questions you might have.

COUNCIL PRESIDENT VERNA: Thank you very much.

I note that a number of Councilmembers would like to be recognized. So, again, we'll have the first go-around. Each Councilperson will be given five minutes, then we'll have as many go-arounds as required.

Can you tell us what are the alternatives that the Administration will be proposing if the trash fee and sugar tax are not approved?

MR. ARMBRISTER: Council President Verna, as you are I'm sure aware, we're all hopeful that we don't come to that, but as I mentioned in my testimony, some of the things that we would have to consider are some of the cuts that were proposed by the departments when we asked them last fall to consider what would happen in the event of a two and a half, five and a seven and a half percent cut. We would have to consider -- I'm not sure we would want to propose these, but we'd have to consider the things that I mentioned, including layoff of uniformed personnel, the closing of fire stations, limitation on hours for library and facilities.

As you know and as the Council knows, much of our costs is rooted in personnel, and we would have to probably significantly reduce the workforce in order to meet that big budget hole.

COUNCIL PRESIDENT VERNA: Thank you.

The revenue estimates show a line, quote, "state-proposed expanded base for the sales tax." The revenue estimated to be collected is $20 million a year starting in Fiscal 2012 and every year thereafter. How was this amount calculated? The City sales tax rate is reduced from two percent to one percent by state law in 2015. Shouldn't that amount be reduced to $10 million for that year?

MR. DUBOW: To answer the last part first because it's simpler, yes, it should be. In 2015, that should be 10 million, not 20 million.

The second point, to figure out what the impact would be for Philadelphia, we looked at the calculations that the state did for the impact on their revenue and assumed it would have the same percentage increase at the local level.

COUNCIL PRESIDENT VERNA: On Page 23 of the Plan, you mention that you will save $4 million in 2011 and another $5 million over the following four years by leasing certain vehicles. Can you explain how this program will work? Will the City be issuing bonds or leasing from a third party? I would like to know how these savings were calculated.

MR. AGOSTINI: Madam President, Steve Agostini, Budget Director.

The $4 million estimate for

Fleet was arrived at with discussions with Fleet, along with some consultants that Fleet has used over the years. It's our view that if we are to lease-purchase a number of vehicles; most notably, fire apparatuses like trucks and ladders, as well as compactors, as an example, in Sanitation that is more closely tied to the useful lives, that we would be able to save cash and smooth out the expenditures for these vehicles over time.

We have not made a decision as to whether we are going to use an external party to provide the financing. That may be the most advantageous thing for us to do. We may also try to do this with other lease arrangements like we have entered into with Motorola with respect to our 800 megahertz replacement. Those are still things that we're discussing, and we would love to have discussions with Council about that.

COUNCIL PRESIDENT VERNA: Thank

you.

Can you tell us what are the Plan assumptions with regard to the Board of Revision of Taxes' budget?

MR. DUBOW: The Plan leaves the budget for the Board of Revision of Taxes the way it is now. If the voters approve the legislation, obviously there would be two bodies instead of one and then we'd want to be able to come back and move that money around to create the two new departments.

COUNCIL PRESIDENT VERNA: The Plan assumes that their budget will be reduced by $1.1 million in Fiscal 2011. What are these reductions and how will they be achieved?

MR. DUBOW: The reduction is part of the IT consolidation. You'll actually see in a number of departments that there are reductions in their expenditures, and then if you look at the line for the Division of Technology, you'll see a substantial increase. So

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that's just taking their IT money and moving it over to DOT.

COUNCIL PRESIDENT VERNA: Based on the revenue estimates and the number of employees reflected in the Five Year Plan, you have not included the School District employees; am I correct?

MR. DUBOW: No. They're -- that's correct.

COUNCIL PRESIDENT VERNA: Why haven't we done that? Why haven't we included?

MR. DUBOW: I think it's part of what we would want to straighten out once the vote took place.

COUNCIL PRESIDENT VERNA: It seems that we're giving consideration to things after we pass the budget.

MR. DUBOW: Well, the problem with the BRT issue in particular is that it depends on a vote that will happen after we consider it. I mean, I guess we could give you kind of a pro forma of what we think those two offices would look like and supply that to you during this process before the BRT comes so that you can see what that would look like.

COUNCIL PRESIDENT VERNA: Thank you.

Appendix 4, Page 9 of the Plan shows that Finance will be getting $4 million in 2011 and every year thereafter as a reserve for unanticipated expenditures. What are these funds for and why are they needed? I'm assuming that we're not putting in anything for snow removal and perhaps this money would then be used for snow removal?

MR. AGOSTINI: That's exactly right, Madam President. It's for miscellaneous expenditures. Snow may be one of those. As you know, in prior years we didn't spend very much for snow removal, in the hundreds of thousands as opposed to the millions that we have spent in this past winter. So we thought it was prudent to have a reserve, but not only for snow, in the event that there are other miscellaneous expenditures that come forward.

COUNCIL PRESIDENT VERNA: Such as?

MR. AGOSTINI: For an example, in this year we had two and a half million budgeted for our unemployment compensation. That number spiked to seven million. If we had such a reserve, it would at least allow us -- we could have some assistance because we had a reserve to go to. I'm not saying it would cover all of those unexpected expenditures, but at least it would give us something.

COUNCIL PRESIDENT VERNA: Thank you. I have several other questions, but I'll give the other Councilmembers an opportunity to ask their questions.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning.

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(Good morning.)

COUNCILMAN GOODE: Many of our financial problems have been attributed to the Great Recession, as noted in your testimony, and we are hopeful that we will recover from that recession by the Fiscal Year '15, the end of the Plan, and we know that there is no such thing as recovery. It's actually a jobless recovery.

So my first question is, by the year Fiscal Year '15, will there be a net job gain in terms of more private-sector jobs created than lost?

MR. AGOSTINI: Councilmember --

COUNCILMAN GOODE: Is that projected in your Plan?

MR. AGOSTINI: Councilmember Goode, yes, there is a projection. If you were to look at the economic projections that are in the beginning of the book, we do anticipate some job growth, but as you pointed out, to date it's been a relatively jobless recovery.

We're hoping that we start to see job growth towards the tail end of '10; if not, in '11, but if that gets delayed --

COUNCILMAN GOODE: There are several different projections in terms of economic growth. My specific question is about net job creation and whether there will be more jobs created in the private sector than jobs lost by the year Fiscal Year '15.

MR. AGOSTINI: Yes. Our estimate is that that will indeed be the case.

COUNCILMAN GOODE: And how many more jobs will be created than lost by the year Fiscal Year '15?

MR. AGOSTINI: In the estimate that I have -- and, again, this is very preliminary -- we are assuming someplace between two and a half and three percent more jobs will be added to the economy in '14 and '15.

COUNCILMAN GOODE: And how will that be achieved and is that part of your five-year strategy or is that just as a result of changes in the national economy?

MR. AGOSTINI: As part of the changes in the national economy.

COUNCILMAN GOODE: According to the Plan, the City's annual share of real estate tax revenue will be increased by less than a million dollars from Fiscal Year '10 to Fiscal Year '15. It goes from $407 million -- $413.4 million to $414.1 million. Why is that?

MR. AGOSTINI: In the Plan, we assumed that the moratorium on assessments would, in essence, create a flat growth plane for property taxes. What we did show and as you've noted, in FY14 and FY15, those are years we actually show growth. I believe the growth is approximately three percent in those years.

COUNCILMAN GOODE: But the growth overall between now and then is really only $700,000 more in real estate tax revenue in terms of our local share?

MR. DUBOW: The other thing to add on the moratorium is that based on where the market is even without the moratorium, we probably would not have been projecting growth.

COUNCILMAN GOODE: Well, I guess the question is, we're talking over a five-year period. I don't know how long the moratorium is supposed to last, but does this figure take into consideration full valuation? Will full valuation happen within the Five Year Plan?

MR. DUBOW: It assumes that we will have full valuation and that once full valuation is in place, you'd see normal growth tied to what was going on in the market.

COUNCILMAN GOODE: And so with full valuation, we're still projecting only to have $414 million in our share of the real estate tax revenue?

MR. DUBOW: Correct.

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COUNCILMAN GOODE: If and when full valuation takes effect, is it the Administration's plan to promote the Keep Philadelphia Clean fee?

MR. DUBOW: No. No.

COUNCILMAN GOODE: Why not?

MR. DUBOW: Because just having full value in place won't necessarily result in an increase in revenue. That will depend on what happens in the marketplace, and I don't think you'll see a substantial enough growth in the real estate market to see $107.7 million in new revenues.

COUNCILMAN GOODE: Well, if we're going to embark upon full valuation, why not then roll that fee into full valuation and make it tax deductible?

MR. DUBOW: I'm sorry. I didn't hear you.

COUNCILMAN GOODE: I said if we're going to embark upon full valuation, why not roll that fee into full valuation and then make it tax deductible?

MR. DUBOW: You're asking why not do -- I mean, you're asking why not do the increase as an increase in the real estate tax as opposed to doing it as a separate fee? Is that the question?

COUNCILMAN GOODE: That's not the question I asked, but that will be an appropriate question also. My question is, if we're going to embark upon full valuation within the Five Year Plan, the point at which we embark upon full valuation, why not then roll that fee into full valuation and make it tax deductible?

MR. DUBOW: You could. I really think it's a separate question from full valuation, because full valuation is about getting the assessments right. So if the issue is should it be done in a way that's tax deductible, you could do that independent of moving to full valuation.

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COUNCILMAN GOODE: I agree, and I believe that if we did it that way now as opposed to a fee, not only would it be tax deductible, but it would be far less regressive.

Okay. There's a $25 million increase in wages in Fiscal Year '12 that stays flat for Fiscal Year '15. What is that?

MR. AGOSTINI: Are you asking about the '12 to '13 estimate that shows in '12 1.16 billion and then 1.2 billion in '14 -- I mean, in '13?

COUNCILMAN GOODE: In Fiscal Year '11, it's 1.376 billion, Fiscal Year '12, it's 1.4 billion and continues at 1.4 billion through Fiscal Year '15.

MR. DUBOW: You're talking about wages as opposed to the wage tax?

COUNCILMAN GOODE: I'm talking about wages.

MR. DUBOW: Wages, okay. So the increases that are shown in there are for --

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COUNCILMAN GOODE: Let me restate my question, then.

MR. DUBOW: -- the FOP arbitration award.

COUNCILMAN GOODE: The question is, what is the $25 million increase that stays flat from '12 to '15?

MR. DUBOW: Yes. What the wages show are an increase to reflect the FOP arbitration award that had wage increases.

COUNCILMAN GOODE: So that wage --

MR. DUBOW: So it had increases in '11 and '12. So those are both shown in the budget. It doesn't reflect any other wage increase.

COUNCILMAN GOODE: So that wage increase is strictly FOP?

MR. DUBOW: Yes.

COUNCILMAN GOODE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President. This year I added my own timer just to get accuracy.

I guess in reading your testimony and hearing it, two things -- three things I'm encouraged about. One, that you looked at efficiencies; that you considered, number two, cuts second; and that you are considering revenue enhancements as a last option, having exhausted some of the others. So that is good.

But I guess when I read some of the letters I've gotten and the comments I've gotten and the walk-ups in the grocery store, it begs the question, last year at this time we were talking about a one percent sales tax that would save us from ever having to be in this kind of desperate straits again and here we are talking about taxes again. So the simple ask is, why are we here?

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MR. ARMBRISTER: Good question, and the reason is -- I attempted to lay it out at the beginning of my testimony -- is that when we talked about a one percent increase in the sales tax, you assume a certain state with respect to the rest of your revenues and economy. Unfortunately, it was not a steady state. What we discovered was that the wage taxes, which were a big culprit, continued to go down significantly, which had not been anticipated at the time, and our --

COUNCILMAN JONES: But in your scenarios, best case/worst case, did we not --

MR. ARMBRISTER: We assumed a certain level of wage tax revenues that didn't materialize. Similarly, with the sales tax, in large part because of its implementation, because it was three months later than we had anticipated being implemented and passed by the General Assembly, but also as a result of

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the economy, we have not, even in our estimates taking into account the delayed start, hit our projection with respect to the sales tax revenue, which is further evidence of the weakened economy. So I think those are the primary reasons.

COUNCILMAN JONES: I just needed that on the record, because a lot of people come up and just ask the simple question. They aren't as complex as we understand and all the intricate details, but they just want to know.

MR. DUBOW: It's always -- the simple answer is, we expected the economy to be weak, and it was weaker.

COUNCILMAN JONES: Okay. Second thing, as we look at options and all things are being considered, I've heard counter-proposals being floated around, have we done a matrix on two things: One, a matrix of surrounding counties on who charges fees on trash collection and what they are, because a lot of people, the first counter-argument is, I'm going to move to a surrounding county where they don't have it. And is that in fact true and have we done that comparison?

And then on the soda tax, what other municipalities, states have implemented this and what has it done for obesity and what has it done for revenues? And you make a certain assumption that people based on increased costs are going to change their behavior for the healthy, and if that is true, what does that do to our projections on how much money we're going to get?

MR. ARMBRISTER: We're going to let -- we have the surrounding counties information, and I'll ask Dr. Schwarz to come to the table to talk about the sugary drink tax.

In terms of surrounding counties and municipalities that charge for trash or fee collections, Bucks County have rates ranging from $250 to $350 per year, plus extra fees for bulk

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collection at $50 to $75 per collection. Cheltenham Township has a $233 tax-based payment. Upper Darby, $130 per year billed annually, plus a $10 fee for bulk collection. Marple Township, $160 per year billed annually. Lower Merion Township, annual fees based on volume from $192 a year to $322 a year. Abington Township, annual fees based on volume, $200 to $250 a year. Lower Moreland Township, $295 tax-based payment. And Chester County, 90 percent direct billed to all of their customers. Rates range from $250 to $350 a year.

COUNCILMAN JONES: Do you also have where they make exceptions, exemptions for particular classes?

MR. ARMBRISTER: It's not included in this information, but we certainly can try to get that information for you, Councilman. And I'll let Dr. Schwarz answer your second question.

DR. SCHWARZ: Good morning. Don Schwarz, Deputy Mayor for Health and

Opportunity.

I believe there were two questions, just so that I'm clear and answer them. One was where else in the country do people have a tax on sugary-sweetened beverages and where is it being considered. And the second was do we know the connection between an increase in the cost for sugary beverages and obesity.

For the first one, let me say that there is one other city in the country that has had a longstanding excise tax actually on sugar-sweetened beverages, and that's Chicago. And there are seven states currently that have taxation in place around sugar-sweetened beverages. A number of other states in particular and municipalities are considering sugar-sweetened beverage taxes at the moment.

The interest in these taxes is twofold: One, as in Philadelphia, to raise revenue; and, two, to do something about the epidemic of obesity, as was mentioned. We know that about 56 percent of children in the City are either overweight or obese, and in parts of North Philadelphia, for children the rate is almost 70 percent.

In terms of the impact on obesity, as you may have seen in the Inquirer yesterday, there was a study that came out from the Archives of Internal Medicine yesterday that looked at a 20-year set of data on the impact in differences in price of sugar-sweetened beverages, both on consumption and on obesity, and it is probably the most compelling data we've had to date to show the direct relation of price to obesity and the potential impact for us on obesity in Philadelphia should we increase the cost of sugar-sweetened beverages.

COUNCILMAN JONES: And I'll end on this. Some of the counter-arguments were -- and I won't name my source, Councilman Clarke, until you tell me I can. But some of the counter-arguments were that if they go away from soda, that they go to juice, which has higher sugar content, or milk that has higher calorie content, and are we -- unless they choose water, the options actually spiral upward, and what would be your response to that criticism?

DR. SCHWARZ: One, I hope people choose water. I'm a pediatrician and have worked with children now for a quarter of a century and always reminded parents that children should be drinking four to eight servings of water a day. So my advice to everyone is drink more water. Philadelphia tap water is good and clean and works very well.

In terms of juice and milk, juice and milk per calorie have other nutrients. It's not just hollow calories. So the calcium content in milk in particular is very valuable, not just for children but for older

Philadelphians. There is an argument that the sugar in milk, lactose, isn't digested well by some members of our population because of genetic reasons. We now have milk alternatives either that are lactose-digested or lactose-free, and you also have soy milk, which is calcium fortified. So I believe we have to think not only about caloric content, but also the other benefits of drinking milk.

COUNCILMAN JONES: Thank you, Madam Chair. I'll wait for the next round for other questions. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Armbrister, by the time we have our public hearing on this last bill that was being talked about, I would appreciate it if we could have a City Solicitor's opinion.

MR. ARMBRISTER: On which, Councilwoman?

COUNCIL PRESIDENT VERNA: The tax bill.

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MR. DUBOW: On the sugar-sweetened tax, that we're able to levy that as a gross receipts tax?

COUNCIL PRESIDENT VERNA: Yes.

MR. ARMBRISTER: Okay.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Good morning.

(Good morning.)

COUNCILMAN GREEN: During, I guess, your testimony, you mentioned that there's a -- you've taken a look at the various departments and discussed what a seven and a half percent cut in those departments would mean. I think the departments were required to submit to you a two and a half, five percent and seven and a half percent bunch of scenarios as to what they would recommend cutting at each of those levels. Did they do that in writing?

MR. AGOSTINI: Councilmember Green, for the most part, we were either given tables as we had asked them to be presented on particular forms or narratives. We have summarized that all in a table that runs about 10 or 12 pages as well. If your question is would you like to see that and see the summary documents, we would be happy to provide that to you.

COUNCILMAN GREEN: I'd like to see the summary documents and the documents that back them up that were the original submissions by the department.

MR. AGOSTINI: In paper form? I'm kidding.

COUNCILMAN GREEN: You can e-mail them to me. And I'd really like to get those prior to the departmental hearings so that we can discuss the different savings with the departments.

COUNCIL PRESIDENT VERNA: If that information could be provided to the

Chair.

MR. ARMBRISTER: We absolutely will, Council President.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN GREEN: At this point, we're all relying on the Administration's determination that even a two and a half percent cut in each department would be, quote/unquote, Draconian, and the decision was made not to take those cuts, and I'd like to be able to evaluate that myself.

MR. AGOSTINI: Councilmember, if I might just to elaborate. What we received from departments totaled about $124 million, and that's what we have there. Just keep in mind that the level of gap that we had to close would have still required us to contemplate other measures even if we had accepted all of that.

COUNCILMAN GREEN: No. I understand that, but it's fair to say that based on your review of the responses from every department, the Administration determined that cuts that you have not proposed to this point would not be appropriate?

MR. AGOSTINI: They would have been very difficult, but, again, let us give you the list and you can do the review as you desire.

COUNCILMAN GREEN: Okay. I think what you've proposed is a 0.85 percent reduction in costs, and just it kind of doesn't square with other parts of your testimony where you refer to the Pew poll where you basically said people hadn't noticed a decrease in service and some people even thought that the service had gotten better, and that suggests to me that there may be more of a public appetite for some cuts as opposed to some of the taxes and fees that have been proposed.

I talked to Mr. Agostini prior to Council, and I understand that you are about to hire some consultants or potentially going to hire some consultants to look at revenue estimates which you haven't had an opportunity to do. Would that mean that you would be revising your revenue estimates during the budget process, or what's your plan with respect to that?

MR. AGOSTINI: Councilmember, we hadn't planned to revise the estimates during the process. It was our intent always to have them in hand to assist us with sort of economic projections. For a variety of reasons, that hasn't occurred. We hope to have them on staff within the next three to -- two to three weeks.

COUNCILMAN GREEN: But presumably, we won't put our head in the sand if they have significantly different revenue projections?

MR. AGOSTINI: No, Councilmember, definitely not. This morning I received the new Blue Chip Economic Indicators, and I pored over that on my way over here. So I'm constantly looking at the information.

COUNCILMAN GREEN: Okay. Well, once we get those people on board, I look forward to talking about that more.

With respect to Councilman Goode's question about property taxes, how much has the decision -- how much did the moratorium on taxes decision cost us on an annual basis through the Five Year Plan?

MR. DUBOW: I'm going to let Steve give you the details, but I want to say first that that makes an assumption that there would have been growth in assessments even -- in the value assessments even if we didn't do the moratorium, and I don't know that that's a valid assumption given where the market is, but I think what we can tell you is what the change in our projection is from what the growth rates what we assumed last year was.

COUNCILMAN GREEN: Okay.

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MR. AGOSTINI: And I don't have the detail here and it's easy to provide to you. I will tell you that for '11, the loss of revenue was approximately 21, 22 million in property taxes. I can show you the details. I can give you the details. Actually, I have the details here. Sorry. It's 13.7 million in '11. It was 37 million in '12, sorry, and then for '13, it was about 50 million, and then we've made some growth projections in the subsequent years. But this was an early draft. I have all the details. I'd like to bring that over to you.

COUNCILMAN GREEN: Okay. Great. If you could submit them to the Chair.

Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you very much.

In your discussion of the pension contribution, what is the annual required contribution?

MR. DUBOW: Our pension contribution, it's kind of -- it varies a lot through the course of the Five Year Plan because we have that deferral that was part of the budget balancing actions we took last year. So for 2011, the pension payment itself is $381 million. Plus the pension obligation bonds are about another 97 million. Then it goes in '12, the pension portion, to 459, with the pension obligations being 102 million. In both '13 and '14 when we repay the deferrals, it's between 570 and 580 on the pension obligation bonds and close to -- I mean on the contribution and close to 110 on the pension obligation bonds. Then after the deferrals go away, 2015 is the first year with no impact to the deferrals. The pension contribution is about 490 million. The pension obligation bonds are about 112 million. So together our pension costs that year will be $600 million. It's about 14 and a half percent of our budget.

COUNCILWOMAN TASCO: How much of the cost -- well, this is before you got here -- is attributed to low contributions through the years?

MR. DUBOW: There are a number of things that contributed to the funding percent, which is in the low 40's, and that, in turn, relates to how much we have to pay to make up for that unfunded liability. There were years when there was underfunding. That was kind of decades ago. There were investment losses. Most recently last year there were significant losses. There was also a change in 2003, 2004. We went from a funding policy that would have amortized our unfunded liability more quickly to paying the minimum amount allowed under state law. So we pay the amount we're required to pay, but it doesn't amortize the unfunded liability as quickly.

All those things together add

to the amount that we have to pay and to the funding percent. I don't have a breakout of what each thing did.

COUNCILWOMAN TASCO: You talked about the insurance costs. We are hearing during this debate, the health insurance debate from the federal government, that individuals' insurance costs are going up annually. How about the City? When we contract for health insurance, do we have a set amount that we pay, and what impact would -- I guess I'm asking, would our employees be subjected to increases or are they caught into the contract that the City has with the insurance company that we contract with?

MR. DUBOW: They're covered by our plans, and I don't know what the latest version of healthcare, what passes, will do with "Cadillac" plans. I think there were some versions that may have caught people that are in our plans into "Cadillac" plans, which may have meant that they would have had to pay taxes on their healthcare, but I don't know where that sits now. But I think they'd still be covered under our plans.

COUNCILWOMAN TASCO: So employees who are personally employed by the City can't be billed an increase for their health insurance because you come under the City plan?

MR. DUBOW: Based on what's going on in the national healthcare debate, I don't think so. I can double-back and make sure that's right, but my understanding is it would not affect their coverage.

COUNCILWOMAN TASCO: So at the rate that I pay or we pay for an individual, that individual doesn't get an increase during the course of the year in their insurance costs because they pay a flat rate to the City? They contribute something.

MR. DUBOW: Right. Yeah. I mean, for what each individual pays is really determined by collective bargaining. So I think that would be separate from the national healthcare.

COUNCILWOMAN TASCO: So if the City's rate is up, is that because the rates are rising as you negotiate with the various insurance companies to provide the coverage?

MR. DUBOW: Yes. Rates have gone up not just for us but for businesses and governments across the country as healthcare costs have increased. So our costs have gone up.

For a lot of the employees, it hasn't had an impact, for the union employees, but not all of them. Some of them, they're separate from that, because we make a set contribution each month for them.

COUNCILWOMAN TASCO: In your testimony, Mr. Armbrister, you talked about the trash fee would be $6 a week and low income 4. In the Mayor's speech, it was $5 a week, if I understand it correctly, for households. Now you're saying it's $6 a week.

MR. ARMBRISTER: Well, I think it was $5.77, I believe is what he said. I think I rounded it off to about $6, but it came out to about $300 per year for the maximum fee and $200 a year for the minimum fee. I think it was $5.77, if I'm not mistaken, what the Mayor might have indicated.

COUNCILWOMAN TASCO: Okay. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I met with these recycling people this morning, program, and I will say that some people approached me who had heard the -- and this sounds like a great program, but some people who contacted me thought that this program would mean there would be a direct credit or cut in this $300 fee. Was that considered?

MR. ARMBRISTER: I think it's under consideration as we speak. As initially proposed, the RecycleBank coupons were not a direct credit to the fee, but I take it that that may be under consideration now, Councilwoman.

COUNCILWOMAN BLACKWELL: Great.

MR. ARMBRISTER: I don't know if that's possible, but I think they are looking at that.

COUNCILWOMAN BLACKWELL: All right. Will you keep the President informed?

MR. ARMBRISTER: We will certainly keep you apprised of those discussions.

COUNCILWOMAN BLACKWELL: Thank you.

Also, we understand that the funds that run the Clerk of Quarter Sessions court have already been transferred to the courts. I did speak with Judge Dembe after the Clerk's announcement of her leaving office at the end of this month, and we want to be assured that those workers will not lose their positions.

MR. DUBOW: We don't -- I mean, those funds haven't been transferred. If we transfer, we'd have to come here.

COUNCILWOMAN BLACKWELL: And there's no plan for that, right? We really just want to protect those people that work there, that work for Vivian Miller. We know that she's leaving, but we want to make sure that the -- because obviously the job still has to be done, and we just want to make sure that the workers are protected.

(Witness approached witness table.)

DEPUTY MAYOR GILLISON: Good morning, Councilwoman. Everett Gillison, Deputy Mayor for Public Safety.

Councilwoman, both issues are

basically correct. One, we would have to come to Council obviously before we transfer any monies. We would not do that. That is quite clear. And we've been working to make sure that everyone is given the information that they need in order to make an appropriate decision. And, two, the Mayor has made it clear that those jobs are going to be protected no matter what happens, and that's also something that we're going to work together on as well.

COUNCILWOMAN BLACKWELL: Thank you. I mean, Judge Dembe did say to me that she needed the jobs, so it has to be done, so she would need the workers, but I just wanted that on the record.

Let me try to get in one more question during this first round. Is the tax on sweetened beverages triple taxation of such beverages, once under gross receipts, again under net profits and yet again at two cents an ounce?

MR. AGOSTINI: Councilmember,

I'd like to go back to the Law Department, but I think the way we were structuring this is that there would be some form of either a credit or some other acknowledgment of the tax, the two cent tax being paid in the remission of the business privilege tax, but I'd like to go back to the Law Department and review how that legislation was written.

COUNCILWOMAN BLACKWELL: All right. Will you get back to us?

Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

COUNCILWOMAN BLACKWELL: I'll wait until the next round.

COUNCIL PRESIDENT VERNA: Very well.

COUNCILWOMAN TASCO: Could I have a point of information?

COUNCIL PRESIDENT VERNA: Yes. Councilwoman Tasco.

COUNCILWOMAN TASCO: On Mr. Gillison. Would you come back, please.

Could you tell me how many of the positions in the Clerk of Quarter Sessions are civil service and how many are exempt?

DEPUTY MAYOR GILLISON: The last count that I had, although I was at a meeting this morning, but I believe it's 114 are civil service and somewhere between four and five as exempt.

COUNCILWOMAN TASCO: So the notion of the duties of this office will continue?

DEPUTY MAYOR GILLISON: Yes.

COUNCILWOMAN TASCO: But it will be under the jurisdiction of the courts?

DEPUTY MAYOR GILLISON: That's one of the alliterations, yes.

COUNCILWOMAN TASCO: So you really have to determine what happens to the exempt as you move forward?

DEPUTY MAYOR GILLISON: We're moving forward on all these --

COUNCILWOMAN TASCO: Oh, you're doing it with the entire staffing of the department?

DEPUTY MAYOR GILLISON: The entire staffing of the department is the idea, but we have a lot of things we have to work out in the next coming days, weeks and maybe even up to a month. But we're planning on the entire functions being absorbed pursuant to the Chief Justice --

COUNCILWOMAN TASCO: What does "absorbed" mean? Does it mean that you will find other people in the courts to do those jobs?

DEPUTY MAYOR GILLISON: No.

COUNCILWOMAN TASCO: Or that those people who are currently in the employ of the Clerk of Quarter Sessions, do they go away?

DEPUTY MAYOR GILLISON: No. No. The current people who are in those jobs will be doing those jobs.

COUNCILWOMAN TASCO: They will

be doing it?

DEPUTY MAYOR GILLISON: That's correct.

COUNCILWOMAN TASCO: So none of that changes. The only thing that changed was the elected official resigned?

DEPUTY MAYOR GILLISON: That's correct.

COUNCILWOMAN TASCO: So everything remains the same?

DEPUTY MAYOR GILLISON: That's correct.

COUNCILWOMAN TASCO: Thank you very much.

COUNCIL PRESIDENT VERNA: Mr. Gillison, while you're there, will the 114 employees maintain their civil service status?

DEPUTY MAYOR GILLISON: That is something that we're getting and we're researching now. There is a split decision at this point, but I'm going to -- I'll reserve my comment until I get further information.

COUNCIL PRESIDENT VERNA: Very well. Thank you.

Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good morning, gentlemen.

(Good morning.)

COUNCILWOMAN BROWN: In your testimony you stated that Parks and Recreation will be decreased by 11 percent. They will be spending down by 11 percent.

MR. DUBOW: Have been already. They have been reduced. This budget does not reduce them. There's one cut, which is removal of tree planting money from the Operating Fund, but it's replaced with money in the Capital Fund, actually by more than was taken out.

COUNCILWOMAN BROWN: Oh, okay. You also mentioned again with regards to Recreation that $14 million will be used for needed improvements to City rec centers. I would presume those improvements are stipulated by District Councilmembers?

MR. ARMBRISTER: Right. Parks and Recreation Commissioner DiBerardinis has met, I think, with every District Councilperson and utilizing money that we included in the budget has at least made some arrangements with each Councilmember to invest in parks in their particular districts. He's here and available to address that.

COUNCILWOMAN BROWN: Please.

(Witness approached witness table.)

COUNCILWOMAN BROWN: Good morning.

COMMISSIONER DiBERARDINIS: Good morning. Michael DiBerardinis, Commissioner of Parks and Recreation.

COUNCILWOMAN BROWN: And so according to your colleague here, you've met with District Councilmembers to determine what those improvements will be

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that equal to the amount of $14 million?

COMMISSIONER DiBERARDINIS:

Right. There's been -- over the last three weeks, I met with all of District Councilmembers in an attempt, at a very successful attempt, to leverage our dollars that the Administration has with the capital authorizations that District Council folks have, in addition to outside donations, outside monies that are coming in. So roughly that whole process, we started out with 5 million from the City's side, from the Administration's side. Matching that with City Council allocations and with corporate and other foundation dollars, we've come up to approximately $14 million of programs that we think are important for the rec centers and the Department, that are important to the Councilpeople and I think really overall significantly increase the operational capabilities of the Department - lighting, safety manning, spray pools, swimming pools, security cameras. I mean, a whole range of very important projects that both the District Councilperson and the Department agree serve the interest of the operations of the center and all the user groups.

COUNCILWOMAN BROWN: Brief update on the Dell, and brief only because the clock is running.

COMMISSIONER DiBERARDINIS: I'll be quick. We fully expect to have an exciting season at the Dell this year. We're beginning to move our contracts forward. The capital restoration and renovations are on schedule to be completed this spring, and we're very excited about reopening the facility this summer.

COUNCILWOMAN BROWN: Thank you very much.

Dr. Schwarz, if you can come back to the witness table. The question is around the sugar tax.

(Witness approached witness

table.)

COUNCILWOMAN BROWN: Thank you. You state in your testimony that currently there's seven states and the City of Chicago currently considering the sugar tax.

DR. SCHWARZ: No. They actually have the tax.

COUNCILWOMAN BROWN: So have they been in place long enough for us to have evidence that the imposition of the tax actually led to behavioral change?

DR. SCHWARZ: In Chicago, the answer is, it's been around for a long time. No one collected data before.

COUNCILWOMAN BROWN: "A long time" meaning two years, five years?

DR. SCHWARZ: More than a decade.

For the other seven states, the answer is, I don't know whether anyone has recent data. I have not seen anything published as yet, but I'm happy to look again. We are in touch with a number of groups around the country who monitor pretty closely obesity outcomes and there's been, as you might imagine, a lot of interest in the impact, but I haven't seen anything out yet. The article that came out yesterday was the first that nicely tied obesity, consumption of sugar-sweetened beverages and price.

COUNCILWOMAN BROWN: Okay, then. Thank you.

It looks like I have one more question. What linkages has the Administration made with the 2010 Census operation to put a dent in this huge unemployment number we have here in the City? What tangible linkages has the Administration made with the 2010 Census employment pool operation to address the huge unemployment?

MR. ARMBRISTER: Well, we've created the Census 2010 team, which is working actually down in City Hall on the first floor, and we are working very closely with the regional Census Office. I forget how many people that we've employed downstairs. It may be five to seven folks that are working pretty much full time on the census downstairs. And I think we're making linkages in terms of trying to get counters and things like that working with the regional office, because that's really their responsibility, is my understanding.

COUNCILWOMAN BROWN: So when City employees are -- when you're taking the various actions you are in government to trim the fat, as is stated, are you creating opportunities for those former City employees to link up with?

MR. ARMBRISTER: Well, we certainly have made the regional office of the Census, which is responsible for hiring the counters, yes, we are trying to make sure -- we have a very close working relationship with them. We do.

COUNCILWOMAN BROWN: All right. Close relationship?

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MR. ARMBRISTER: But I mean to say that --

COUNCILWOMAN BROWN: Is this your pipeline so that those former City employees continue to work?

MR. AGOSTINI: Having worked in the oversight agency for Census for a period of time before I came here, I can tell you that the enumerator process, the hiring of enumerators, is centrally controlled. They are all civil service designations at the federal level. There was a series of hiring announcements that were done over the past 12 months for enumerators, as well as for the follow-up process.

We have made a point working in our office principally with Tricia Enright and working with Fernando Armstrong, who is the Regional Director for Census, to provide him with the names of community groups that have potential individuals, to be sure that it covers the range of ethnic groups and geographic groups in the City, because the enumerators are where the success is going to be in getting everybody counted. So we've done that, but it really is a process controlled by Census. We can make suggestions. We can provide them with names, but at the end of the day, Census has entire control over that.

COUNCILWOMAN BROWN: Got it. Okay.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam President.

I had raised this issue in two separate public hearings and I want to raise it one more time, because it seems to be a major obstacle in an intelligent discussion of tax increases, fee increases, service cuts and the like.

There is this belief within the

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community widespread that there's a $400 million outstanding uncollected tax liability that we simply aren't efficient enough or willing enough to go after. I know that number is not accurate. Some of these debts are 25 and 30 years old. We keep on piling on interest and penalties on top of the 25- or 30-year-old debts.

No business or bank would carry a receivable or a bad debt for 25 or 30 years, and I recognize the issues relative to Sheriff's sale and other things why we have to carry this so long, but when can we get a real number on what we can collect and what we can't? Because every e-mail, every piece of mail I get, everybody that stops me on the street says, Go collect the 400 million first before you tax soda or before you tax trash. What are we doing to fix this myth?

MR. DUBOW: One of the things that we have already done is looked back

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to kind of track where this requirement that we keep receivables on our books for 30 years comes from, and it looks like there's no legal requirement, no particular policy requirement, so we are going to -- we're not going to be doing that anymore. So we'll be looking at our numbers and figuring out what to drop off, probably more than six years. That will bring down the number significantly.

The other thing that we should focus on is that -- and I think this is part of what you said -- that there is a principal amount, which is only a portion of that 400 million, and then there's the interest and penalty that we stack on top of that. I mean, at the very least, we should at least acknowledge that the principal amount is much lower, somewhere in the two's, and then we have to see of that principal amount, what is really in the last five or six years as opposed to seven or 30.

COUNCILMAN KENNEY: In this

difficult economic time, all these things are on the table as far as cuts or increases in revenue, and it is an absolute obstacle to any realistic discussion about those things because people believe we just haven't collected this money from deadbeats. So could you please get that number to --

MR. DUBOW: Yes. We will make it a priority.

COUNCILMAN KENNEY: -- a rational number, please? Thank you.

Secondly, as it comes to development and tax ratables and jobs, do we have any idea what City property we own, the Public Property Department, PHDC, RDA? Do we have an inventory of City-owned property that is either not used or vacant land?

MR. AGOSTINI: Well, there are two sets to this, and then I'll turn, I think, to the Managing Director's Office. With respect to the inventory of publicly-owned, City-owned properties, I

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believe it's --

COUNCILMAN KENNEY: We hold title to. Not that we need to go to Sheriff's sale. Stuff that we have.

MR. AGOSTINI: I believe that that database is in process. I know there's a portion of it in the RDA. There's a portion at Public Property. I understand and I believe that RDA and Public Property have been putting an inventory of it together. I don't know what the status of that is. I know that Terry Gillen is here and you might want to ask her.

With respect to just a general inventory of properties across that are not ours, just sort of all the properties, we're still working through trying to get that.

COUNCILMAN KENNEY: Just starting with the stuff we have, the stuff that we own, we hold title to, that's not being used or that's vacant.

MR. AGOSTINI: I will ask and

see if there's something we can get to
you in the course of the next week or so.

COUNCILMAN KENNEY: It's clear
to us that we're in an environment of
very high taxes here in the City, a
school district that's always struggling,
state taxes are high, utilities are high
comparatively. It seems that one of the
only assets we have is land and property.
Why don't we -- and I'm looking at
legislation or the possibility of
legislating this as we speak. Why don't
we take that and put it out there at, if
we have to, zero appraisal, not fair
market value, we'll give it to you. And
if you have a plan of development that
passes muster with the community, that
passes muster with the District
Councilperson, that's zoned appropriately
and if we agree not to give you a tax
abatement on it, so that if this
arrangement could be made, the property
that's transferred to a developer would
not be tax abated, so whatever is

developed on it would be a tax ratable immediately, whatever is built on it would be built by people working and whatever improvements are made to the property that's not being used or vacant is a betterment to the community. Why aren't we going to the table with the asset that we have, which is land, putting it out there over the next year or two and say, Come get it, give us a proposal, we'll give it to you?

MR. ARMBRISTER: Is Terry still here, Terry Gillen?

She left, okay.

We have actually started, Councilman Kenney, on some pilot programs in various sections of the City where we solicited brokers to broker property that we own and to try to get it back on the tax ratables and things like that. So it is something that we've started to look at and something that we really need to increase.

COUNCILMAN KENNEY: I mean,

again, we need a jump-start for development, we have construction workers out of work, we have people looking for jobs outside the construction industry, and we have land that we own and control, and we're going to kind of dither around about what the value of it is. Right now the value of it is zero because it's not being utilized. So if we bring to the table an asset, put it out there, I don't think we need a pilot program, get an inventory of all the properties we own, put it on a website and say, Come to us with an idea, and we'll sit down with the District Councilperson, with the community, plan of development is approved, bingo, let's go. I see no reason why we should be waiting any longer.

MR. ARMBRISTER: Understood.

COUNCILMAN KENNEY: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Clarke is not in the

room?

(No response.)

COUNCIL PRESIDENT VERNA: Councilman Jones.

(No response.)

COUNCIL PRESIDENT VERNA: Councilwoman Miller.

COUNCILWOMAN MILLER: I just want to ditto what Councilman Kenney just said.

Councilman Kenney, I absolutely agree with you on the City-owned land and properties, because right now it's doing nothing but being eyesores and public nuisances, most of them, in neighborhoods.

I have a couple questions, but I also have one request, and the request is actually regarding the healthcare program that we now have, the self-insurance.

And, Council President, I think we need another briefing on the healthcare that we now have. We had the briefing. I did attend in December. I believe it was in December, and there were many people there from Council offices. However, now that people have started to use it and realizing the changes, I think we need to have another briefing so we can have more questions answered.

Okay?

MR. ARMBRISTER: We'd be happy to do that.

COUNCILWOMAN MILLER: Okay. I just have a couple questions for now. In your testimony, Clay, you talk about on Page -- well, there's no page number, but when you're talking about specific spending will be down in nearly every City department next year.

MR. ARMBRISTER: Yes.

COUNCILWOMAN MILLER: I just want to know what types of spending are you talking about. It says the Free Library budget will be down 18 percent, Parks and Recreation down by 11 percent,

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and it goes on. Can you tell me what some of those --

MR. DUBOW: A lot of that are the cuts that we made last year as we rebalanced the Plan in '09 and cuts that we made in '10. So, for example, the Library budget is down because of the cut we made during the year in '09, and you've see that reflected in hours. Parks and Recreation were also cut during that process. You saw some of that in pools, although with private money we were able to bring that back.

So it's a whole range of service and expenditure cuts and efficiencies that you've seen over the last year or so. There's nothing really new in there in '11 other than the kind of four or five items that we laid out in the testimony.

COUNCILWOMAN MILLER: Okay. But it's good that I know that in the Rec Department that all the pools will be open, except -- all the pools that can open will be opened, except for a couple that are in disrepair.

MR. DUBOW: Right.

MR. ARMBRISTER: That is our plan.

COUNCILWOMAN MILLER: So the seasonal workers will still be there and all those activities that people participate, particularly in the summer, will still go on, correct?

MR. ARMBRISTER: Assuming we have the revenue, that's correct.

COUNCILWOMAN MILLER: All right. Great.

I have another question regarding prisons, and you can probably answer it.

MR. ARMBRISTER: What's the question?

COUNCILWOMAN MILLER: Well, the question is actually -- wait a minute.

MR. ARMBRISTER: Commissioner Giorla is here.

(Witness approached witness

table.)

COUNCILWOMAN MILLER: Last year we had --

COMMISSIONER GIORLA: Good morning.

COUNCILWOMAN MILLER: Good morning, Commissioner. Last year we had a couple of hearings taking a look at ways that we can decrease the prison population with electronic or day monitoring as a method to reduce the prison population, and my question is, what's being done around this? And I know in the Five Year Plan you talk about the speed in which the system is now processing inmates that has impacted, I believe, a decrease by ten percent through CJAB. What else is being done? Because I do think that that's an area where we actually can hopefully get more to reduce the costs.

COUNCIL PRESIDENT VERNA: Commissioner, I suggest you identify yourself, please.

COMMISSIONER GIORLA: Good morning, Council President. Lou Giorla, Commissioner of Prisons.

We're engaging in a number of efforts, not only to reduce the population overall, but to reduce the length of the stay by inmates in the prisons. One of the initiatives is day reporting.

Now, we're in the process of evaluating -- we published an RFP about two months ago and we're in the process of evaluating proposals for that program. That may take a number of different forms as it develops. At first we began looking at violators of probation and parole in our population that may require -- may be good candidates for community supervision as opposed to full-time confinement.

Electronic monitoring is another initiative we're in the process of developing for our work release program. We think that it will minimize the number of walkaways or inmates who leave that program. It may also provide an additional control and a way to enhance public safety. We have awarded a contract, but we haven't executed it as yet for that program.

Along with the CJAB, we're looking at everything from video court hearings, and we've just begun our program at the prisons. All prison sites are equipped with video stations that are connected to the CJC. We're looking at reports that we file with the courts for defendants prior to sentencing, so they can be accelerated and census can be leveled and executed more quickly.

COUNCILWOMAN SANCHEZ: Point of information, since we have the Commissioner.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Good morning, Commissioner. Along those lines, can you tell me -- and I know

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we've made tremendous progress on this -- how many state-sentenced prisoners we still have in our system and --

COMMISSIONER GIORLA: I don't have that exact number today. I can tell you it's far less. It's approximately 300 less than we had this time last year.

COUNCILWOMAN SANCHEZ: So we had about 500 last year, so you're saying we potentially still have about 200?

COMMISSIONER GIORLA: I would hesitate to say at this point without a good count, and I can supply those numbers to the Chair.

COUNCILWOMAN SANCHEZ: And do we have a plan for how quickly we're going to move those out?

COMMISSIONER GIORLA: Well, as part of the prison population subcommittee of the Criminal Justice Advisory Board, the District Attorney's Office, along with the Deputy Mayor's Office, brokered a deal to make 250 beds available to us at the state. We've since filled those beds. We are looking at anyone within our population who has a state sentence, either straight state sentence or an aggregated state sentence, to change the place of confinement, and the courts have agreed with us to do that and there have been some petitions done to do that as well.

Statutorily, I believe in about another 11 months, local judges will no longer be able to sentence inmates to county custody who have state sentences, and that should eliminate the need for us to do this.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCIL PRESIDENT VERNA: Councilwoman Miller.

COUNCILWOMAN MILLER: When the bell rings, Council President, does that mean you can't like wrap it up or --

COUNCIL PRESIDENT VERNA: Councilwoman Sanchez took some of your time.

COUNCILWOMAN MILLER: I know.

COUNCILWOMAN SANCHEZ: It was only a point of information, so go ahead.

COUNCILWOMAN MILLER: I just want to wrap it up, that's all.

Thank you, Commissioner, and I didn't really want -- I know that you'll probably talk about more of the alternatives when you come for your department testimony, but I still believe that that is where we can probably find lots of money that might offset some of these other new taxes.

COMMISSIONER GIORLA: I believe so, too.

COUNCILWOMAN MILLER: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

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Good afternoon, gentlemen.

(Good afternoon.)

COUNCILMAN CLARKE: A couple of quick ones for this round. There were some issues with respect to the City's ability to impose a sugar tax, legal issues, during the course of the discussion, is my understanding. Was there a legal document or something done to reflect the legality of this particular version of --

MR. DUBOW: The Council President earlier asked us to provide that, and --

COUNCILMAN CLARKE: She did?

MR. DUBOW: Yes. And so we will.

COUNCILMAN CLARKE: I wasn't here?

MR. DUBOW: Yes.

COUNCILMAN CLARKE: I'm sorry. Disregard that. I'm sorry.

During the course of the discussions in various forms, leadership meetings here and other meetings, there's this notion where there continues to be this comparison of the trash tax and other municipalities and counties. Has there been an analysis on those other municipalities and counties that are referenced in various discussions as it relates to the other taxes that people have to pay?

Bottom-line question, in some of the counties that are referenced, my assumption is that they probably don't have a wage tax that's as high as the City of Philadelphia, the wage tax that pays a significant portion of the City's ability to do basic services. So my question is, when you make these announcements -- you actually referenced this, one of you, earlier in your speech -- what are the other tax burdens that residents of those counties and municipalities have when you make those comparisons?

MR. DUBOW: It's clearly true

that for all but maybe a couple of dozen, at most, jurisdictions in the surrounding counties, we have a higher overall tax burden. We also provide a higher or a larger array of services.

COUNCILMAN CLARKE: We have a --

MR. DUBOW: We have a higher tax burden, but we also provide more and different services from those jurisdictions, because we're a city and a county. So, for example, they don't have the same kind of prison costs we have. They don't have the same kind of costs like we have for the Department of Human Services. So it's hard to compare in terms of what tax dollars go to, because we provide such a --

COUNCILMAN CLARKE: That's kind of what you all do. I'm just saying, I continue to hear this notion that it's okay to impose a trash fee because this county does it or that city does it, but you don't talk about the other things associated with those various taxes. The reality is, as I said in the earlier meeting, a lot of those counties started as little small towns -- or not the counties, but --

MR. ARMBRISTER: Municipalities, right.

COUNCILMAN CLARKE: They started as little small towns. People started to move out there. At the time, there was no need for the level of both infrastructure and government services. And then as time moved on, the population grew. Then they said, you know what, we actually need trash collection, and the ability to get it was based on the township or the city contracted with a private server that probably did it for less than what we do. So that's not really a fair comparison, from my perspective, when I'm trying to make the argument that we should start paying for trash.

MR. ARMBRISTER: Councilman, at

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least in today, we were asked the question if there are others, and I think what we were simply providing is information related to the fact that there are other municipalities that impose a charge on sanitation. It wasn't done primarily for comparative purposes. It was done just to show that it exists.

COUNCILMAN CLARKE: It was in the earlier conversation.

MR. ARMBRISTER: It may have been in an earlier conversation, but at least in today's conversation, I just wanted to make that clear, in response to Councilman Goode's question.

MR. DUBOW: I don't think it's a completely unfair comparison, because it's one of the ways that they balance their budgets. And I know they have lower tax burdens, but it's the way they balance their budgets with the lower level -- lower level of services. So I mean, it is fair to say that there are other people who do the same thing regardless of how they got there.

COUNCILMAN CLARKE: All right. Well, I hate to put an additional burden on your workload, but is it very difficult for you to get an analysis of some of the outlying counties in terms of, one, whether or not their collections are done by the municipality or done by a private salver who is contracted by the municipality, the comparison with their other, quote/unquote, significant taxes versus the City of Philadelphia? So as we go through this process of determining as to whether or not we support something like this, we'll be doing it based on broad-based information, not just simply, Well, they pay it, we should pay it. And I'm not suggesting that that's what you're saying, but it kind of sounds like that to some outsider. I mean, I'm saying it because I know you guys wouldn't do that.

MR. AGOSTINI: Councilmember --

COUNCILMAN CLARKE: Is that

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very difficult?

MR. AGOSTINI: -- it's a little challenging because many of the municipalities are within counties and so the apples-to-apples comparison gets a little tricky. We'll take a look at it to see what's there. We'll work with the Deputy Mayor for Transportation and Utilities, because she's got an information base of what's out there. We will try to do the comparisons.

One thing, although it's not clear apples to apples, again, it might make sense for us to look at some other city/counties in the United States, like San Francisco and I think Denver, that have that kind of fee in place and try to do an apples to apples. So we'll take a look at both.

COUNCILMAN CLARKE: All right. I mean, the only reason I would like to see an analysis in the general area is because, I mean, the likelihood of -- our economy is relatively similar. You know what I mean?

Man, that was quick. President, I don't get extra time for deferring when I missed --

COUNCIL PRESIDENT VERNA: No.

COUNCILMAN CLARKE: No? All right. I'll come back. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

I think we're scheduled for a lunch break. So we will stand in recess until 1:30. Thank you.

(Luncheon recess.)

COUNCIL PRESIDENT VERNA: Council is ready to resume the public hearing of the Committee of the Whole. I would ask Councilmembers to please come down to the Chamber. Thank you.

(Pause.)

COUNCIL PRESIDENT VERNA: We are now resuming the public hearing of the Committee of the Whole regarding Resolution No. 100141.

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Gentlemen, on Page 38 of the Plan, it states that between the Commerce Department and PICA (sic), 4,000 jobs were created. Can you tell us where these jobs are, what type of jobs they are and during what period of time were they created? Page 38.

(Trouble with the microphone.)

COUNCIL PRESIDENT VERNA: On Page 38 of the Plan states that between the Commerce Department and PICA -- PIDC, I'm sorry.

MR. ARMBRISTER: It's actually PIDC, I think.

COUNCIL PRESIDENT VERNA: -- PIDC, 4,000 jobs were created. Can you tell us where these jobs are, what type of jobs are they and during what period of time were they created?

MR. ARMBRISTER: We can get that information from PIDC, Council President.

COUNCIL PRESIDENT VERNA: Thank you.

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On Page 27 of the Plan, it states, quote, "Without a series of tax changes proposed by the Governor, the state Budget Office projects that the Commonwealth is facing deficits that could reach 2.4 billion," B, billion --

MR. DUBOW: As in big.

COUNCIL PRESIDENT VERNA: Yeah; "by 2012 and 12.7 billion in 2015." What assumptions with regards to the state revenues are in the Plan and can you tell us what are the risks?

MR. DUBOW: Yes. The Plan is consistent with the Governor's budget. So it assumes -- most of the revenue items, the tax revenue items that the Governor's budget included -- well, a lot of them don't take effect until 2012, but for '11, they assume -- their largest assumption is that something called FMAP is extended, which is an extension of Medicaid benefits. They assume about $800 million for that. If they don't get that, they will have to make some severe cuts to their budget. Kind of a guidance for what type of cuts they might make probably comes from some of the states that have not included that FMAP extension in their budget. About half of the states have assumed it will happen and half have not. The ones that have not have assumed things like cutting hundreds of thousands of people off the Medicaid roll, getting rid of CHIP.

So states are doing really dramatic things when they don't assume that FMAP will be extended. So that's a really substantial risk that's included in our budget, but we are consistent with the Governor's budget, which is what we're required to be under the PICA Act.

COUNCIL PRESIDENT VERNA: When do you think we would know what we're doing?

MR. DUBOW: Unfortunately, the vehicle for extending FMAP is the federal budget. So we won't know what happens with FMAP until that process is done.

Since their budget year doesn't start until October 1st, they may go right up until that date, and I guess they've been years when they even went beyond that. So the state won't know what's happening or may not know what's happening with FMAP until partway through its fiscal year, and if FMAP is not extended, they may have to make adjustment in the middle of the year, which then could have an impact on us.

COUNCIL PRESIDENT VERNA: The American Recovery and Reinvestment Act is discussed on Page 29 of the Plan. It states that the City has been awarded $135.8 million, spent $4.3 million and created or retained 114 jobs. Can you tell us where the jobs are and which are new and which are retained? Also, when does this funding run out and what happens to these jobs when it does? And I'd also like to know what is the rest of the $135.8 million used for?

MR. AGOSTINI: Let me see if I

can remember all of those, and if I forget, please remind me.

COUNCIL PRESIDENT VERNA: You can take one at a time, if you'd like.

MR. AGOSTINI: Okay. The numbers that you have in the document are as of December 31st, which was the reporting period where the City was required to report to the federal government, both the OMB directly and the President's Office, as well as to each of the individual agencies as to where we were.

The spending to date; that is, as of this past week, is closer to 7.2 million, and I can provide that to the Council if you're interested.

COUNCIL PRESIDENT VERNA: Yes, please.

MR. AGOSTINI: The 114 jobs, we do have a list, and I can provide that. I don't have the list with me. Fifty-two of those jobs or the bulk of those jobs are in the First Judicial District. They are supported by a Byrne Justice Assistant Grant. The grant is for $3 million for the balance of our fiscal year, FY10, as well as FY11. Those funds will then run out sometime in, I believe, our FY12 period.

Your question as to what we will do at that point I think is a very relevant one, because we in the case of the courts are going to be faced with do we supplant or replace those funds with General Fund dollars of approximately $3 million annually or do we ask the courts to come back with a proposal for either other revenue sources or to eliminate that spending. But that's a decision that will have to be made.

With respect to the General Fund and support of General Fund-supported departments, that's really the largest place where there are both dollars that are being taken in from the Recovery Act monies as well as positions being supported. We'll provide you with a list of where the other jobs are by department and by grant, if that's what you're interested in. We can give you what's outstanding currently in terms of what we have received in actual dollars, what we have been awarded and what dollars we're still waiting for. We have all of that, and I can provide that to you probably the beginning of next week, end of this week. All of that is very detailed.

I hope that answered most of your questions.

COUNCIL PRESIDENT VERNA: Yes. Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

When we left off, I was asking some real estate questions, and so my question would be related to Councilman Goode's earlier questions. I think he mentioned that over the five years, the increased real estate collection was only going to be $700,000 or something similar to that amount, because we're not going to get the full value for a couple years the way the Administration is currently contemplating it.

If we were to go to full value right now on a revenue-neutral basis, would not the increase in real estate prices that is going to occur over the next few years create additional revenue? Assuming we come out of this recession and it has an impact on real estate, couldn't we gain $20, $30, $50 million in the Five Year Plan by going to full value now on a revenue-neutral basis and then in future years, any increase in real estate prices would help out the City budget?

MR. DUBOW: It's going to maybe sound like I'm avoiding answering, but I'm really going to try to answer.

I think the issue is not only what will happen over the next couple years with values, but what's already happened that we haven't captured. So if we've missed the downturn in values over the last couple of years and that hasn't been captured in the assessments, then it's not necessarily true that even increases over the next couple years will mean --

COUNCILMAN GREEN: You're making my point.

MR. DUBOW: Well, no, actually I'm not. What I'm trying to say is, I don't think there's any guarantee that going to full value necessarily means an increase in revenue.

COUNCILMAN GREEN: It doesn't the year you do it.

MR. DUBOW: What?

COUNCILMAN GREEN: It doesn't the year you do it.

MR. DUBOW: Right. It doesn't even mean it for the year after that compared to the assumptions we have in the Plan.

COUNCILMAN GREEN: Of course it does, because you're going on a revenue-neutral basis, which means to the extent that real estate is under-valued, going revenue neutral to fair market value over the basis will capture that difference in the form of increased revenues compared to what would otherwise happen. Leaving millage the same, wouldn't we increase --

MR. DUBOW: You can't leave millage the same.

COUNCILMAN GREEN: I'm sorry. On a revenue-neutral basis, the concern you have doesn't exist, because essentially some people are going to get less of a tax decrease than they otherwise would.

MR. DUBOW: Well, if you're capturing -- yeah. If you move the millage, right, if you move the millage in a way that means essentially that people would be paying more in the future relative to what they would have paid in the --

COUNCILMAN GREEN: No, no.

MR. DUBOW: Let me finish, please. More than what they would have paid in the past if their house had been valued accurately, then I think that's right. If you're saying that the revenue that we would have lost because values are going down, we won't lose because we'll calibrate the millage --

COUNCILMAN GREEN: Right.

MR. DUBOW: -- I think that's probably right.

COUNCILMAN GREEN: So how much does that cost us over the next five years? If we go to full value now on a revenue-neutral basis based on the revenue we received on properties last year, aren't we essentially just giving some people a little less of a discount than they'd get if they were at full value now?

MR. DUBOW: I mean, the other thing you're assuming is that we could actually get to full value now, which we can't because we don't have the data.

COUNCILMAN GREEN: Well, that's a topic for another day. I don't accept that premise. The material the BRT already has is within IATA standards -- I'm sorry; ILAO standards.

MR. DUBOW: Mr. Agostini can walk you through some of the problems with that data, but we don't --

COUNCILMAN GREEN: I don't want to spend time on that now.

MR. DUBOW: Okay. But we don't have faith in that data, which kind of makes the hypothetical not real.

COUNCILMAN GREEN: Well, then maybe we should put the BRT back in charge, because they were going to do full value. I mean, that doesn't make any sense to me.

MR. DUBOW: But we don't think it would have been right.

COUNCILMAN GOODE: Point of information.

COUNCILMAN GREEN: I yield.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: I actually totally agree with Councilman Green. I think what he's saying is, if you went to full value at current assessments in a revenue-neutral manner, then you would at least break even this year, and then moving forward, you would absolutely increase revenue. And the argument for not going to full value, which would necessitate a change in the millage rate, can't be that the assessments aren't right, because you're still charging people based upon the current assessments. So I don't get that argument. I mean, if I'm paying --

MR. DUBOW: Well, if we're saying we're going to change everyone's assessment and we're going to do it --

COUNCILMAN GOODE: We're not talking about changing assessments.

MR. DUBOW: Well, if you went

to full value, you're changing everyone's assessments. Otherwise you're staying on the same assessments.

COUNCILMAN GOODE: You're going with the same property value you're using now, but what you're using -- this is what Councilman Green is saying, I believe, and he can speak for himself -- you're using the same property value, you're just not going through the other calculation of multiplying it by 32 percent. What you're doing in the pre-determined ratio, what you're doing at that point is just using the full value. People are paying the same value of their home they're paying on now. You're not changing the value of their home. And then we would adjust the rate from 0.826 percent to roughly 1 percent, whatever it is, to break even or to get to a revenue-neutral place, and then you would build upon that. He's just saying, I believe, under that scenario, would we have more property tax revenue in the

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Five Year Plan.

MR. DUBOW: Under the scenario you're laying out, yes, we would, but that's not moving to actual value, because part of the problem we have now is that the relationship between --

COUNCILMAN GOODE: We agree that that's not --

MR. DUBOW: -- values is not accurate. So, for example, on average, low-valued houses are a higher percent of their value than high-valued houses. So if you just went to full value and left it there, you're building in the inaccuracies and inequities in the system and saying that you're going to move forward with that.

COUNCILMAN GREEN: I'm sorry.

COUNCILMAN GOODE: You're not building any new inequities. You're keeping the same inequities that you're going to keep anyway.

MR. DUBOW: You're not solving them, right.

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COUNCILMAN GOODE: You're not solving it now anyway.

MR. DUBOW: Right, then you haven't gone to actual value.

COUNCILMAN GOODE: One last thing. We're not talking about necessarily going to the actual value initiative. We're using the term "full value" to say if you use the full value of people's homes that they are now on the rolls, then you lower the tax rate to make it revenue neutral, would you capture more money in real estate revenue over the Five Year Plan? The answer to that has to be yes, and I think Councilman Green's question is, how much more revenue would we have in the Five Year Plan?

MR. DUBOW: Only if you are actually changing their assessments, because the only way you capture more is if assessments go up, unless you're saying you just go to full value --

COUNCILMAN GOODE: The

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assessment is 100 percent of the price they have right now, and if you move to the actual value initiative a year from now, two years from now, three years from now, then it can become more fair and you might capture even more. But under any scenario, if you move to full value now in a revenue-neutral way, you would still be getting more money now and over the five-year period.

MR. DUBOW: Let me try to answer it -- I think get to the answer, is if you started to do -- if you didn't freeze assessments and you did new assessments and those assessments resulted in increased values, you would generate more funds. So the earlier you start doing assessments, again, if values are going up --

COUNCILMAN GOODE: That's true, too.

MR. DUBOW: -- you'll get more revenue.

Also if -- and I think this was

the Councilman's question. If you decided that you could really go to actual value now and that meant that everyone's assessed value was going up, because you're going to full value, and you calibrated the millage in such a way that it was revenue neutral and then you started assessing again and values started to go up when you assessed, you would also have more revenue.

Does that answer all the --

COUNCILMAN GREEN: It does. So why don't we choose one of those options?

MR. DUBOW: Because we don't think we have reliable data to go to the new values on.

COUNCILMAN GREEN: But, Rob, what you're doing is leaving in place a system that is not reliable today. In other words, what you're saying is, we're going to keep our current broken system and forego future revenue increases rather than create a new system one way or another that is maybe more or less accurate or exactly as accurate, which would allow us to grow off that base.

MR. DUBOW: I mean, I understand your point. Our concern is that we have really one chance to make this change, and if we make the change and we get it wrong, then we've lost the opportunity to have an understandable, fair system.

COUNCILMAN GREEN: The system is currently unfair; isn't that correct?

MR. DUBOW: It is, and we want to make it fair. If we jump to a new system that's also unfair, we've lost the opportunity to make it fair.

COUNCILMAN GREEN: But what about all the people it's unfair for now?

MR. DUBOW: Well, if we go to a new system that doesn't work, it's still going to be unfair for them. We're not making it fairer by going to a new system that doesn't work. We're institutionalizing a change that keeps things unfair.

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COUNCILMAN GREEN: It's very simple. You hire a bunch of property assessment appeal people to do hearings. You require everyone who wants to challenge their new assessment to allow you into their home. It will cost us several million, maybe $5, $7 million, to have that done within a year, but if we go ahead and get that done while the market is down, even though it's before an election year, maybe it's in the City's long-term interest.

MR. DUBOW: The other thing I should say is, we will -- our goal is to get this done as quickly as possible. And I understand what you're saying about putting more resources to it, which we should look at to try to get this done as quickly as possible. We do want to make sure that whoever is doing the assessments is trained and knows what they're doing and that there's consistency among the different assessors.

COUNCILMAN GREEN: Sure. Okay. Well, I think I've made my point. We can agree to disagree on whether or not we should move forward, and I guess Council could always by ordinance just sort of do it and then you can decide whether or not you want to go to full value or actual value initiative, or whatever.

MR. DUBOW: I'm not sure what you mean "just do it," but we can talk later about that.

COUNCILMAN GREEN: Yeah. So the Five Year Plan indicates the Administration is continuing its assumed $25 million per year in anticipated workforce savings. It also indicates that you're assuming zero dollar increases for firefighters, DC 33 and 47 over the life of the Plan.

Given our recent experience with the FOP award, I'm puzzled by these assumptions. Also, as noted by the text of the Plan, the 80 million net cost of the FOP award, plus 43.5 million foregone anticipated workforce saving related to Police yields a total cost of 123 and a half million, and this projection doesn't take into account potential raises that might be awarded when the contract is reopened with respect to wages in '13 and '14.

Starting with the FOP and using your assumptions about economic growth, how much would inflation-only raises for the Police be in FY13 and '14, and with respect to firefighter arbitration results, if the award is similar to the Police, what would the cost be and then how much would it be if every other union-represented person got a one percent raise each year over the Five Year Plan? And then turning from wages to benefits, what would the saving be in each year of the Five Year Plan if the Administration achieved similar agreements on pensions and healthcare with the three remaining unions as it did with the FOP?

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MR. DUBOW: You want us to get back to you with that information, I assume?

COUNCILMAN GREEN: Sure.

MR. DUBOW: Okay.

COUNCILMAN GREEN: The FOP arbitration award allows officers with more than five years of service to move out of the City starting in January 2012. Do you have projections about how many officers will move out and what the economic impact of that is, and have you made any adjustment to your tax revenue projections, especially with respect to wage and real estate, to take account of this out-migration?

MR. ARMBRISTER: The answer is we don't know and haven't projected how many officers might take advantage of that.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: That's

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okay. You can keep going.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: No.

COUNCIL PRESIDENT VERNA: No?

Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I have a few questions. One, there is an issue with regard to -- and it's in our Plan -- that we plan no wage increases for the municipal labor over the next five years, but then even with 38 million in new revenue from the beverage tax and 107 from the trash fee. Is this the Administration's position?

MR. ARMBRISTER: Councilwoman, yes. As you know, we're currently in arbitration process with the firefighters and are currently in negotiations, and for the benefit of those proceedings, that is currently our position.

COUNCILWOMAN BLACKWELL: But yet we have -- maybe you could respond.

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We know we need an obesity program and we saw that 76 percent of our youngsters are overweight, but how can we spend 20 million for this obesity program and yet say that for the next five years we can't consider labor increases? We know we're in arbitration, but throughout the Plan, we say no to labor increases, but yet we could come up with other plans with regard to obesity and such.

MR. ARMBRISTER: I'll kind of repeat my previous answer, which is that we are currently in these proceedings, and for the benefit of those proceedings, that's still the Administration's current position.

COUNCILWOMAN BLACKWELL: I believe those are serious issues that we have to deal with.

And my final question is about why we should go back to wage and business tax cuts, Plan for Fiscal Year '14, when nearly a billion in tax cuts given between 2008 are a substantial reason for budget gaps we suffered to present. So if we're saying one thing about tax cuts and yet we are still continuing to try to move forward and try to get more money from individuals and our residents, businesses and small businesses, and yet we say we're gaining more money, but yet we're going to still do tax cuts, how are we going to do that?

MR. ARMBRISTER: As you know, the tax cuts are projected to take place in Fiscal Years '14 and '15 of the Plan, and that is a condition upon us hitting our projected fund balance targets. So we have not committed to them unless and until we can hit those fund balance targets, because ultimately the Administration believes very strongly that in order to produce jobs and economic growth, we need to be in an environment in which we're continuing to reduce taxes for businesses and hopefully for wage-earners as well.

COUNCILWOMAN BLACKWELL: So

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we'll see.

All right. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Consistent with my first line of questioning, which was prioritizing efficiencies, then going to cuts and then going to revenue enhancement, I have a couple of questions in that regard. And for the record, I applaud the Administration on some of the recommendations that were made in the Freshmen 15 suggestions and actually incorporating them, and we appreciate those levels of efficiency. But last year I asked a couple of questions, and I'm perplexed in particular to one, that it is true that we are losing population in our prison system, but it seems as though we're increasing costs.

What has been the impact of the thousand or so reduction in inmates? If I read that wrong, please correct me.

MR. AGOSTINI: Councilman, if you give me a moment, I'll turn to the Prisons budget.

So in the FY09 actual, the Prisons spent 241.3 million. The FY10 adopted budget anticipated about 248.8 million. The current target for FY10 is 239.8 million, and we're going to carry those savings into FY11 at 239.6. So there is a small decrease in the Prisons' budget over that period of time. So we're starting to realize --

COUNCILMAN JONES: I guess my point being, conventional wisdom would suggest even -- and if I recall, the answer might be that even though we lose population, we still have to carry an infrastructure that fits the 8,600 inmates that it was designed for and so we won't see a dollar-for-dollar inmate reduction in cost for a time.

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MR. AGOSTINI: That's correct.

COUNCILMAN GOODE: Point of information.

Mr. Agostini, what years did you cover in your response?

MR. AGOSTINI: FY09 actual, 241.3 million. The FY10 adopted budget was 248.8 million, and the current target for FY10 is 239.8 million, and that's, in essence, the number for FY11 as well.

COUNCILMAN GOODE: So what happens after that?

MR. AGOSTINI: Then we're showing some growth, 245.1 in '12 and 250.9 --

COUNCILMAN GOODE: So it continues to go up, which was Councilman Jones' question. Why is it going up if we're going to continue to decrease population in the prison system? That was actually one of the questions I was going to ask earlier.

MR. AGOSTINI: So the estimate that we have in the budget for FY11 assumes that the population is not at the 8,600 or 8,700 we have currently. It's actually at 9,200, with the expectation that we may be at risk for it going higher, and then we have inflationary costs associated with a range of contractual services that we provide. But I'll let the Prisons Commissioner respond to that.

COMMISSIONER GIORLA: Good afternoon.

COUNCIL PRESIDENT VERNA: Good afternoon.

COMMISSIONER GIORLA: Lou Giorla, Prisons Commissioner.

Councilman, over the last probably ten years, we've seen an average 4.5 percent increase in population. Some of the efficiencies that I described earlier, working to return inmates to the state, video hearings, accelerating court appearances, have helped reduce our population. There's also an unknown -- there's a couple of unknown components, crime for one thing. Crime has decreased. Our admissions decrease, our population decreases. Looking at the historical data, we can't guarantee or we don't know whether this will be sustained over the next couple of years.

COUNCILMAN JONES: I guess we assume the worst at times of things that we want to and then we assume the best. I mean, either our assumptions are always pessimistic or -- when we do a thing to reduce costs, we'd like to at least see some middle ground by way of optimism about things continuing along that trend, because we do the exact opposite when it suits us. And I know budgeting is a guesstimate, but sometimes can we guess a little more towards a savings as well when we achieve them?

MR. DUBOW: One of the things to look at is, if you look at the FY10 adopted budget, we were assuming that based on the patterns and growth we've had over the years, that we'd get to 249 million, and now we've taken that down to 239. So against budget, we're showing a $10 million savings this year, and it's even greater in '11, because we would have assumed, as the Commissioner said, continued growth. So against what we had budgeted and what we assumed was going to happen, we are showing substantial savings.

COUNCILMAN GOODE: Point of information.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: I guess the simple question is, over the Five Year Plan, is there more money budgeted because you believe there's going to be an increase in prison population? That's the first question, the simple question.

The other question is, if we have saved money from a decrease in the prison population, are there investments we can make over the five-year period that will continue to decrease costs? I understand how you budgeted it, but the issue is what direction are we moving and is there direction which we can move and investments we can make that will decrease prison population and, therefore, decrease costs?

COUNCILMAN JONES: Such as day centers, community courts, things that will keep us in that trend of keeping the population down.

COMMISSIONER GIORLA: I'll answer your first question. Yes, we've seen a reduction, and we've realized those savings. Depending on the demand, how many admissions we see. Now, we know that there are -- court case load and admissions determine our population. We're working, for instance, the video initiative to reduce both the time it takes to try someone and the court case loads. That's one investment that we've made. Other investments we're looking at --

COUNCILMAN GOODE:

Commissioner, I appreciate the answer. I don't want to interrupt you. I want you to answer the first question first, which is, does this Five Year Plan assume that there are increased costs to the Prison System because of increased population? That was the first question.

COMMISSIONER GIORLA: It assumes slight costs to the Prison System based on an increased population. It also assumes inflation for services like medical service, food service.

COUNCILMAN GOODE: But it does assume increased population?

COMMISSIONER GIORLA: Yes.

COUNCILMAN GOODE: Are there investments that can be made over the five-year period that would decrease population as opposed to increase population?

COMMISSIONER GIORLA: Yes, there are investments that can be made.

COUNCILMAN GOODE: This is a five-year financial plan. I mean, shouldn't those investments be part of that plan that actually drive down prison population and save costs in the Prison System?

COMMISSIONER GIORLA: Two of those initiatives are already part of the Plan, and we've made small budget allotments in FY11 for day reporting and for electronic monitoring. The video system that I mentioned was part of an expenditure in our FY10 budget and it doesn't require any more investment on our part at the Prisons at this moment.

COUNCILMAN JONES: So we should see a spike in costs and then a gradual decrease in costs based on initial investment.

COMMISSIONER GIORLA: I think what you're seeing now is an initial decrease in costs. You're starting to see the tide turn, probably for the first time in ten years. There is a -- The Pew Research Initiative is conducting a study which we expect to be released later this year on prison costs over the last ten years, and they found some of the primary drivers are length of stay. And they haven't yet looked at our services and our service costs, but we're going to use that as part of our planning to address medical costs, housing costs and any other services we have to provide in the Prisons.

COUNCILMAN JONES: I'm happy. I don't want to give the indication that we aren't moving in the right direction, but accurate projections and accounting are an important part of what we need to do by way of figuring this budget out. So to the degree that we're optimistic when we want to be, pessimistic when we shouldn't be, we're going to look at that as well. If we can get a savings, we want it.

COUNCILMAN GREEN: Point of information.

COUNCILMAN JONES: We want to accurately record it.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Green for a point of information.

COUNCILMAN GREEN: Thank you, Madam Chair.

Just while you're there, Commissioner, there are many initiatives, including community courts, as Councilman Jones has mentioned, and other things that are going on in the criminal justice system. As you know, I sit on the Criminal Justice Advisory Board with you. At that Board, the DA has made clear and also made clear in the public that he intends to totally redo the way people are brought to trial, trying to bring many fewer people to trial if he thinks the case is weaker, et cetera, which would mean they wouldn't be pretrial detainees while they're waiting for trial, et cetera.

Has the change in the policy, which is going to last at least four years in the District Attorney's Office, informed these projections?

COMMISSIONER GIORLA: Those reforms were announced following our budget development, so --

COUNCILMAN GREEN: It's okay to say no.

COMMISSIONER GIORLA: We haven't seen any marked decrease in prison admissions as a result of any changes as yet. We don't know the eventual impact of that. Based on our history, which has only shown marked decrease over the last -- a portion of the last year, not the entire last year, we believe it's trending down, but we don't know whether the changes in the preliminary hearing process or other initiatives early on in an offender's entry into the criminal justice system will have any impact.

COUNCILMAN GREEN: Well, if you look at last year's Five Year Plan and this year's Five Year Plan and the rate

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of growth of the budget of the Prison System, you basically get roughly the same rate of growth in both sets of Five Year Plans, which at least suggests that the progress that we've made this year with respect to being way below what was budgeted for the Prisons and the anticipated progress we expect to make through new policies at the DA's Office and on CJAB and the exciting work that's happening there, et cetera, are not reflected in the Five Year Plan. And so what I'd like to ask you to do before you come back for your departmental hearings is to take another look and reconsider these projections in light of the policies that are now being put in place by CJAB, by the new District Attorney, et cetera, because I basically would have it trend down, not up based on everything I know that's going on in the criminal justice system.

I know we can't control the crime rate. We also shouldn't be taking

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credit for the lower crime rate. A lot of -- in terms of -- you know what I mean. It's just whatever the crime rate is.

So I don't really need you to respond right now, unless you want to. When you come back for departmental hearings, I will be asking very specific questions about that, like we did last year.

COMMISSIONER GIORLA: I'll be glad to have that information, Councilman.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: No, no. I'm sorry.

COUNCIL PRESIDENT VERNA: No?

Councilwoman Miller.

COUNCILWOMAN MILLER: Most of my questions are actually for the department, for the hearings when the departments come, but I would like to know with the $25 million budgeted for IT, what is that going to do and when will we see a difference and how much of a difference, dollar amount, will we see?

MR. ARMBRISTER: I'll have our Chief Technology Officer, Allan Frank, answer that question.

(Witness approached witness table.)

MR. FRANK: I'm Allan Frank, the Chief Technology Officer. And in reference to the question from the Councilwoman on the use of the 25 million in 2011, roughly we're breaking out spending in three categories, first of all. Of the 25 million, again, roughly about nine million is associated with what we call our infrastructure, replacing outdated hardware, things that are breaking. We all know the issues we've had with reliability and speed of our network and replacing the equipment around that to ensure that we have a stable operating environment. So in many cases, we're kind of fixing the potholes, if you will, on the highway. And, again, this is part of obviously a multi-year program, so this is year one.

Roughly 13 million of the 25 is focused on what we're calling citywide applications. So that would be replacing some of the core Legacy systems that are driving, frankly, a lot of our administrative activities, and given the strong desire to increase efficiency, it really lays the groundwork for us to be able to not only eliminate paper, but to significantly drive the speed and efficiency with what we're doing. And in those areas, what we're really talking about is over a period of time -- so this is kind of the first down payment -- and replacing everything from our time capture systems, which are right now paper based, so that everything from time capture, human resources and employee self-service, our pension system, which is outdated and no longer supportable, and also our payroll system. So collectively that's one big chunk, and, again, there's a tremendous number of activities across the government focused on there. So this is really laying the groundwork then to be able to make process change and efficiencies across the City.

The other areas in this year, we're spending what we're calling departmental applications, and, again, a lot of our initial spending is in fixing the highways, if you will, in this first year. So we're also chipping away in 2011 at some of what I would call the remedial technology needs of just the departments. And in particular, for instance, everybody knows how important it is for us to continue to increase the efficiency of, let's just say, Licenses and Inspections and how painful it is just to go to the basement of Municipal Services Building to do your business. Again, putting in place the foundation for more -- the ability for our citizens to actually do their business with the City electronically.

So a lot of this is really in the first year, we're laying that foundation, first around all the computers and things like that, but most importantly then, those business applications that will take -- they don't get implemented overnight, so it's a multi-year program. But it's generally what we're doing is, in those three buckets over a period of the use of that capital, we're chipping away at the City's remedial issues.

COUNCILWOMAN MILLER: So the 25 million, when you say this is a down payment, you're not speaking that --

MR. FRANK: Well, I believe as the Mayor presented it in his original budget address, that we were intending on allocating a total of 120 million over a six-year period. So what I'm saying is 2011 is 25 million of that -- that's what

I meant by a down payment.

COUNCILWOMAN MILLER: Okay. You made that real clear. Wow.

MR. FRANK: Again, though you didn't ask the question, as an example, the further things we will do in later years include how do we make much more efficient our procurement systems, how do we speed that up, how do we deal with the elimination of paper, moving on to all of our financial systems. And also I forgot to add that starting in 2011, we really are taking a very strong look at effectively rebuilding our phila.gov website and the internal, what we call, intranet with how the City government communicates with itself. And what we're really doing is putting in place the platform to become a very efficient government over a period of time.

COUNCILWOMAN MILLER: Right. So this is more about efficiency than cost savings. I mean, eliminating of paper evidently is a savings, but how much of a savings? That's not a large dollar amount, would it be? So this is -- so this whole IT project is more of efficiency and better ways for our citizens to take care of business with City government rather than cost savings?

MR. FRANK: Actually, yeah. I mean, in the end, it really is about making it more efficient and effective for our citizens to do business with us. On the other side of how -- and that means in order to make it easier to do business with us, we ourselves have to make it easier to do business with them. So I think that there's both a very -- particularly when we're talking about, for instance, rebuilding phila.gov and some of the ways we reach citizens, is that's a direct impact that they're going to feel right away. Then on the inside of government, how do we effectively change our own processes and systems so that we effectively can service our citizens quicker and more effectively.

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COUNCILWOMAN MILLER: One more short question. So are you in charge of what used to be MOIS?

MR. FRANK: Yes, I am.

COUNCILWOMAN MILLER: Okay. So you guys are the ones that also put together staff training?

MR. FRANK: Yes, we would for information technology staff training.

COUNCILWOMAN MILLER: Right. Computer training.

MR. FRANK: Yes.

COUNCILWOMAN MILLER: You don't have that anymore?

MR. FRANK: We do have training and we have -- we use an outside vendor that is made available to the departments for specific computer training needs.

COUNCILWOMAN MILLER: Okay.

MR. FRANK: And we have a whole curriculum that we actually provide through a third party.

COUNCILWOMAN MILLER: Okay. Only because -- I don't really know a whole bunch about the training. I just know that I've been here a long time and I've always signed up for training and I don't receive it. I mean, it's just not accessible. And at one time, they actually came and did training at our desks, which sort of worked and didn't work. But at some point, I'd like to talk to someone about training. I know that the staff signs up for training, but I think at certain levels -- I had to sign up, I believe, for elected official and some other -- I can't remember the exact title, and I stopped signing up because it never happened.

MR. FRANK: I'm actually glad you brought that up, because I haven't had the opportunity to meet with you one on one, but I've talked to a number of members of Council really on how can we serve you better, and in fact training came up, and it's one of the things that I think is frankly very easy to do and it's something that I'd love to work with

Council on. There's no question that we could help provide much more direct and schedule training. I would like personally to understand specifically your needs and the broader needs of other members of Council. We also need to do the same thing with our own staff obviously.

COUNCILWOMAN MILLER: Okay. All right. Thank you.

Thank you, Madam President.

COUNCILMAN RIZZO: Madam President, point of information.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam President.

I think the most important point is that -- I think you all have to be commended -- is the fact that our system is in bad shape, our technology in this government. It works, but it doesn't work well, and this budget, I'm sure 25 million would have been -- you could have found a use for that, but I think your commitment to make sure that we don't pass this on to another generation is impressive to me. So I just wanted to make sure that everybody understood that this is a commitment that you didn't have to make and you did.

MR. FRANK: Councilman Rizzo, thank you very much. And I do have to tell you, in 38 years doing this, this is probably the most, let me call it, interesting situation and it does take a very strong commitment and it doesn't get fixed overnight, but I'm extremely pleased, frankly, again coming into government that both the Administration and I believe my conversations with members of Council, which are continuing, I think we all see that this is going to pay some real long-term dividends. And it really has created a lot of pain in me when I saw, just coming into government as a part of a budget crisis, just how important it is that we make this investment. And it's very interesting, because as I look historically, we've had these conversations before, and the time is now, and it's a tremendous opportunity also for us to leapfrog.

COUNCILMAN RIZZO: And it's also appreciated that the people that you report to understand your needs and the concerns that you have to allow you to move forward. So, again, I think it's so important.

MR. FRANK: Thank you, sir.

COUNCILMAN RIZZO: Right.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Armbrister, I guess I can direct this to you. Can you explain why prior year wage tax collections are estimated to be $24 million in Fiscal 2010 and only 12 million for every year thereafter?

MR. ARMBRISTER: I know you directed it to me, but Mr. Dubow is probably going to answer it.

MR. DUBOW: The delinquent collection numbers in 2010 include amnesty numbers. So they are higher than they would be in other years because of the amnesty numbers.

COUNCIL PRESIDENT VERNA: That's a 50 percent drop-off and it's flat. It just doesn't sound right, Rob.

MR. DUBOW: Well, no. It's really -- if you look at 2009, it was 11.1 million. 2010 is the year that is thrown off by the amnesty, so that goes up a lot, and then 2011 it goes back to a little bit more than where it was in '09.

COUNCIL PRESIDENT VERNA: But aren't we making every effort to collect delinquent taxes and why wouldn't that show up?

MR. DUBOW: We are, and that actually started in '09. So '09 was the year when we started all of the initiatives we talked about. So you actually see -- even if you look at property tax, for example, there's still an increase from '09. It goes from 34 up to 42 in the year of the amnesty and then it stays at 40. So there's an increase over '09 there. Property and business kind of go to where they were in '09 when we had some of this initiative, and '10 is much higher in all of them because of the amnesty.

COUNCIL PRESIDENT VERNA: The FOP award -- I'm going to jump on something that Councilman Green was mentioning earlier. The FOP award has an opener for wages for 2013 and 2014. What are the Plan assumptions for these reopeners? Can we assume it's zero?

MR. ARMBRISTER: The current Plan assumptions are in fact zero.

COUNCIL PRESIDENT VERNA: Do you really expect zero considering the fund balances you are projecting in the Plan?

MR. ARMBRISTER: Because that has to be negotiated, it's something that we wouldn't want to put --

COUNCIL PRESIDENT VERNA: On the record. Very well.

As part of the FOP award, they will move to self-insurance for medical coverage. If for whatever reason during the term of the current agreement their cost exceeds the City's payment, will the employees have to bear the total cost increase?

MR. ARMBRISTER: If I understood your question, I don't think that that could occur. Under a self-insurance plan, we are obligated to pay all claims.

COUNCIL PRESIDENT VERNA: The City is?

MR. ARMBRISTER: Yes. But we should note that what the City has done to minimize some of that risk is that obviously we're going to maintain a reserve, number one. Number two, we have gone out and secured stop-loss insurance for catastrophic -- if there's some

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significant catastrophic claims that would cover. So we have tried to mitigate, to the extent that we can, that particular risk.

COUNCIL PRESIDENT VERNA: Also as part of the FOP award, the City was granted the right to furlough police officers for up to 30 days a year. Under what circumstances would the Administration furlough police officers?

MR. ARMBRISTER: I'm not prepared to answer that at this time, Council President. We would leave that to the command staff at the Police Department to make recommendations about any potential furloughs of police officers.

COUNCIL PRESIDENT VERNA: Are there any furloughs projected in the Five Year Plan?

MR. ARMBRISTER: Not that -- no.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

On Page -- I don't see a page number. I'm sorry. In your testimony, Mr. Armbrister, you say, Before I turn to what we propose to do, let me first describe what we decided we wouldn't do. We are committed to holding our wage, business privilege, sales, realty transfer and property taxes at their current rates.

Do you mean that?

MR. ARMBRISTER: Yes. Literally, yes. The tax rates we're not changing.

COUNCILMAN GREEN: You're not changing, okay. So --

MR. ARMBRISTER: The rates.

COUNCILMAN GREEN: -- when you go to the last page of your testimony, you say --

MR. DUBOW: Point of clarification there. I guess you guys do the point of clarification. But we're talking about broad-based rate increases.

COUNCILMAN GREEN: Can you expand on that, please.

MR. DUBOW: Yeah. We mean we're not looking at rates for everyone who pays the tax. I mean, obviously one of our proposals has a tax increase for a specific area, which is different from increasing the rate for everyone. I think that was the point we were trying to make.

COUNCILMAN GREEN: Actually, I wanted to point to the second-to-last -- some of the last few sentences in Mr. Armbrister's testimony, But we are also open to suggestions. If a member of City Council or the public has a better idea to bring our Budget and Five Year Plan into balance, we are more than prepared to listen.

So I just wanted to clarify that you're prepared to listen as long as it's not a revenue measure that increases property taxes, sales taxes, real estate transfer taxes or business privilege taxes?

MR. ARMBRISTER: No. I don't think that that's what that means. I mean, the first statement that we made is what we decided to do as an Administration. I mean, we are prepared to listen to anything that may come forward.

COUNCILMAN GREEN: So you would be prepared to consider a mix of different taxes and potentially more cuts that met your overall revenue or expense-cutting objectives?

MR. ARMBRISTER: We're prepared to listen.

COUNCILMAN GREEN: Okay. Well, that's good.

With respect to the taxes, we are committed to holding our wage, business privilege.

Mr. Dubow, what tax is the sugary drink tax?

MR. DUBOW: We are imposing the sugary drink tax as a business privilege tax.

COUNCILMAN GREEN: So it is an increase in business privilege taxes of how much?

MR. DUBOW: In the first year for the sugary drinks tax, it's about 38.6 million and then it's 77 million in the following year.

COUNCILMAN GREEN: Okay. So we're increasing business privilege taxes by $77 million over most of the Five Year Plan for one single industry essentially?

MR. DUBOW: Correct. As I said before, what we're talking about is we were not increasing these rates on a broad basis. So we're not doing it across everyone who pays, but that doesn't preclude, as I said before, doing it in this one area.

COUNCILMAN GREEN: I have heard from several major retailers that they don't have a present intention to apply the sugary drink tax to the specific products for which it is intended by the City, and I'd just sort of like your thoughts about the impact of that on the effectiveness or efficacy of the impact that the Administration was hoping to have on health and obesity in Philadelphia.

(Witness approached witness table.)

DR. SCHWARZ: Thank you for the question. You are correct that we are unable to tax specifically in a way that would assure that the increase is passed on. We are hopeful and will campaign with retailers to ask that they partner with us on obesity reduction in Philadelphia and pass the cost increase on specifically to sugary-sweetened beverages and syrup-related products.

COUNCILMAN GREEN: And within the Five Year Plan, what was the impact of lower wage tax collection as a result of retailers close to the county line losing their sort of weekend Coke binge and hot dog and hamburger purchase market? And I just want to know if the impact of that on that industry has been taken into account with respect to our general business tax collections.

MR. ARMBRISTER: I think for purposes of the Five Year Plan, we've not assumed any direct correlation in that with lost wages. I think -- and Dr. Schwarz could talk about this. I think what we're hoping to see is a change in behavior where people will change the types of beverages that they intake, be it soda, and many of those products are in fact produced by the same bottlers and other folks who would be affected by the sugary drink tax. But Dr. Schwarz could further...

COUNCILMAN GREEN: Well, okay. So how much is the assumed falloff in total sugary drinks purchases in the out years of the Plan?

DR. SCHWARZ: If we -- let me

try to give you numbers that will help.

COUNCILMAN GREEN: In other words, today is the hundred percent amount of sugary drinks sold. Next year what percentage of sugary drinks will be sold and the year after.

DR. SCHWARZ: So if we calculate just what is the -- if we look at current consumption rates two cents an ounce, how much would the City expect to collect.

COUNCILMAN GREEN: That's not the question.

DR. SCHWARZ: But I'm going to get there. So we start with what would it be today and then we look at how much we have in the tax. I think that gets where you want to go; is that right?

COUNCILMAN GREEN: Sort of.

DR. SCHWARZ: Okay. So we have discounted from that initial number a little more than 50 percent. If we look at the --

COUNCILMAN GREEN: 50 percent?

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DR. SCHWARZ: 50 percent.

COUNCILMAN GREEN: You expect to impact the sales of sugary drinks in the City of Philadelphia by 50 percent?

DR. SCHWARZ: We expect that the amount collected, based on current consumption, could go down as much as in order to be conservative.

COUNCILMAN GREEN: Okay. But what was the experience in Chicago?

DR. SCHWARZ: Well, based on national estimates from the Rudd Center at New Haven, which talk about what are the numbers that we should expect potentially in Philadelphia -- so we're being conservative, as you know, from the Five Year Plan taking all of the reduction in the first year essentially. So it's flat thereafter.

COUNCILMAN GREEN: I understand.

DR. SCHWARZ: The Rudd Center would suggest a number that's about 20 percent more than we've included.

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COUNCILMAN GREEN: So the impact has been 30 percent nationally?

DR. SCHWARZ: There is no national number.

COUNCILMAN GREEN: Well, the Rudd Center estimates that you will sell 30 percent fewer sugary drinks?

DR. SCHWARZ: The Rudd Center expects that based on their estimates from what they can ascertain in terms of other states' excise and other taxes, that about a little under $100 million would be collected. We have discounted that by about 20 percent, 20 to 25 percent.

COUNCILMAN GREEN: So the Rudd Center estimated that based on the sales of sugary drinks being an excise tax?

DR. SCHWARZ: They actually looked at a series of different kinds of taxes. So specific sales tax, excise taxes. In studies that are out there looking at the elasticity, the best of which was published actually just yesterday, the expectation of what we should expect to collect in the tax was just under 100 million. We have discounted that further to be conservative.

COUNCILMAN GREEN: Except there is no elasticity if retailers don't pass on the full extent of the tax.

DR. SCHWARZ: That is correct. So that we could have more than we've estimated.

COUNCILMAN GREEN: Well, but that's not the goal, is it? I mean, it sounds like we keep coming back to the revenue when I thought this was all about a healthy Philadelphia.

DR. SCHWARZ: So if that's what was portrayed, I just want to be clear, when Mr. Armbrister presented his remarks, it's the way that we've thought about this, which is the City needs revenue. This is a measure which we can feasibly accomplish to improve revenue. As the Health Commissioner and the Deputy

Mayor for Health and Opportunity, one, I'm delighted.

COUNCILMAN GREEN: You love it.

DR. SCHWARZ: And, two, I believe that it will have a long-term impact on obesity in Philadelphia.

COUNCILMAN GREEN: Okay. And why did the Health Department reject options such as a junk food tax?

DR. SCHWARZ: There are a number of reasons, and I will actually say the Inquirer yesterday had a very good summary of this, so let me go through the rationale.

We know that solid foods sit in the stomach and expand the size of the stomach and give people a sense of fullness. Beverages, particularly sugary beverages, don't do that. They do, though, as they pass by the pancreas cause a burst of insulin, which makes people hungrier. So that from a biological point of view, there is rationale if we wish to make a difference

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to obesity specifically trying to reduce the amount of sugar-sweetened beverage as opposed to other sugary products.

COUNCILMAN GREEN: Okay. All of that, I just want to be clear for the record, is dependent upon retailers actually cooperating with the City and essentially demonstrating at the point of sale a two-cent-per-ounce higher price for those products?

DR. SCHWARZ: That is correct.

COUNCILMAN GREEN: Okay. That's a pretty big assumption, don't you think?

DR. SCHWARZ: I believe it's an important assumption and I believe we all in the retail community have a responsibility to try to pass that on to consumers, to join us in an obesity program.

COUNCILMAN GREEN: Okay. I just mean in terms of what we're projecting in terms of the numbers in the budget, that's a huge assumption.

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DR. SCHWARZ: If it's not passed on, then the good news for the City is, the revenue projection should be higher.

COUNCILMAN GREEN: That's right.

DR. SCHWARZ: I understand that.

COUNCILMAN GREEN: Okay. So I'd like to know from the City what the revenue assumptions would be. And not today, but if you could provide it based on -- first of all, I understand you went 20 percent or 25 percent down from Rudd?

DR. SCHWARZ: Yes.

COUNCILMAN GREEN: But I still didn't get a clear answer as to whether that's -- we're down 50 percent from total consumption. What Rudd proposed, is that 70 percent of total consumption, 75 percent of total consumption, 80 percent of total consumption?

DR. SCHWARZ: It might be easier if we can provide a table that lays it out for you.

COUNCILMAN GREEN: That's great.

DR. SCHWARZ: Sure.

COUNCILMAN GREEN: I appreciate that.

Are you familiar with the book City -- not you, Dr. Schwarz.

Are you guys familiar with the book called City Limits? I know Mr. Agostini is.

MR. AGOSTINI: A little bit, yes.

COUNCILMAN GREEN: So what is the theory of that book?

MR. AGOSTINI: The theory of the book is that in certain East Coast cities, circa 1970, principally New York City, Paul Peterson, who was currently teaching at Harvard, argued that there had to be care placed on the tending of the economy and on the development of revenue so as not to disadvantage the city with respect to retaining businesses and people.

COUNCILMAN GREEN: Right. And --

MR. AGOSTINI: It's the subject of my undergraduate thesis.

COUNCILMAN GREEN: Yes. So a tax on a specific industry, sugary drinks industry, bottling, whatever you want to call it, retailer, given that there are City limits, what impact would we expect on overall economic activity in that industry in the City of Philadelphia as a consequence of this tax? And I want to be clear, I'm not arguing for or against it. I'm just trying to get the facts out there.

MR. AGOSTINI: And as you were getting at earlier, Councilmember, and I think in a very important line of inquiry, it is really important how the industry reacts. If the industry reacts in a manner where it passes it on and there is indeed a replacement of existing sugar-sweetened beverages by water or other beverages that they bottle, produce and sell, then there is an argument to be made that the loss should be minimal, to the extent it exists at all.

If indeed the industry does not behave in that fashion and simply passes it along, then we would have to go back and rethink or at least reestimate what happens.

COUNCILMAN GREEN: Actually, my question more relates to the industry cooperates, pass it along. How would the theories within City Limits suggest the -- what would the suggestion be of the impact on what I'll just call for ease of use the sugary drinks industry in Philadelphia? Shouldn't we expect to see a decline in the sugary drinks industry, with an intendant loss of jobs, loss of all kinds of taxes, wage taxes, business privilege taxes, et cetera?

MR. AGOSTINI: Again, I think if the impact is one where there is no replacement of those beverages by other beverages, then the possibility of lost businesses, lost jobs, lost wages and lost economic activity exists.

COUNCILMAN GREEN: Well, there probably will be a replacement of those beverages, but they very well may be beverages in Montgomery County or Bucks County or Chester County. That's the point I was trying to make. In other words, people may still buy Coke. They'll just buy it in bulk at Costco in Bucks.

MR. AGOSTINI: They may. I thought you were talking about the bottlers themselves, and with respect to at least one of the bottling entities that we have met with, there are alternatives that they bottle where they are a significant provider, producer, manufacturer of those items that suggests that if they move into these alternative because there's demand, then the losses in jobs and activity should be diminished.

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COUNCILMAN GREEN: So based on our discussion, I guess it's just fair to say that we haven't looked at the potential impact in terms of overall economic activity or tax revenue, other than with respect to the projections on additional income as a result of this tax?

MR. AGOSTINI: In looking at the proposal, one of the things that I did was to look at the prospect of lost wages or lost jobs. And, again, the fulcrum, if you will, in this is what happens to people's preferences who are actually the consumer who makes a purchase. Do they make the kind of decisions that you're suggesting is possible, which is quite accurate. Do they go elsewhere. Do they not buy that particular product, or do they move to a similar product that simply doesn't have the sugar-sweetened. And because this is a relatively new field for most of us, it's going to be a little difficult for us to understand that. I think the study that the Health Commissioner referenced that was published yesterday and was referenced in many newspaper articles probably is the first best indication of what the activity or what the change in economic behavior will be.

COUNCILMAN GREEN: I understand, relying on the assumption that is passed on.

MR. AGOSTINI: Yes.

COUNCILMAN GREEN: I think that's my time for now. Thanks.

COUNCIL PRESIDENT VERNA: Thank you.

Councilwoman Miller, do you have any questions?

COUNCILWOMAN MILLER: No, nothing further. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

This will conclude our public hearing for today.

MR. DUBOW: He's not done.

He's just warming up.

COUNCIL PRESIDENT VERNA:
That's a long five minutes, isn't it?

COUNCILMAN GREEN: Madam Chair,
if you'd like a break, I'd be happy to --

COUNCIL PRESIDENT VERNA: No.

COUNCILMAN GREEN: -- sit in
for you.

During last year's budget hearings, I asked for detailed information about position levels in City government, specifically a chart showing every position by department, job title, job duties and salary that had been eliminated by layoff, retirement, not filling a vacancy or otherwise since July 1st, 2008. I also asked for a chart showing every position within City government by department, job title, duty, salary, source of salary; in other words, what department pays it, that has been added since July 1st, 2008. The information I received back was incomplete and did not include job duties

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or salary, and I'm making the same request again and I'd like it before the departmental hearings.

Also last year I asked individual departments about their Class 100 salary spending and staffing levels for the balance of the 2009 fiscal year through FY10, specifically breakdowns of what the department actually expected as Class 100 salary-only spending to be through the end of the fiscal year, a description of any currently vacant positions in the department, the number of positions the department planned to fill by the end of the fiscal year and the projected Class 100 salary-only spend for the fiscal year if the department stayed at its current staffing level. I did not receive answers to any of these questions last year.

MR. AGOSTINI: This is outside of what's already provided in the QCMR, which does much of what you've just described?

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COUNCILMAN GREEN: Yes.

MR. AGOSTINI: Well, perhaps I can sit with you and your staff, because much of what you've just asked for is either in the budget detail, in the QCMR --

COUNCILMAN GREEN: Is that the Quarterly City Manager's Report?

MR. AGOSTINI: Mm-hmm.

COUNCILMAN GREEN: I really -- I mean, we have had many discussions about the QCMR, and the numbers it projects for positions at the end of the fiscal year are different than the numbers you're saying are current City employees, and we have not been able to in our discussions tick and tie one to the other in a way that I can understand it. The Five Year Plan has --

MR. AGOSTINI: I think I've explained that to Sophie, but I'm happy to sit with you again to do that.

COUNCILMAN GREEN: In the Five Year Plan, it has the number of City positions increasing every single year and I want to try to understand why would we be contemplating that when we're making significant investment in technology that, in theory, will increase productivity over time and lower the number of employees that we need in the City of Philadelphia, which would make the costs in the Five Year Plan come down significantly. I mean, et cetera, et cetera.

So the reason I'm looking for this is so I have a base to start with that I can then tie into the rest of the budget.

MR. AGOSTINI: Well, perhaps we can sit down, because a lot of what you've just asked for is in the detail and in the QCMR, so there are clearly some things that you're not finding, so let's sit down so I can understand what that is.

COUNCILMAN GREEN: Well, I don't want to get into a debate about what's there and what's not, but I'm happy to do that. I'm looking for it by department, by position specifically. Not 54 positions, salary range. I'm looking department position, every position. We can talk about -- I don't need that for the Police Department --

MR. AGOSTINI: Because we don't budget on that basis, I would have to go through an exercise with every department to create that for you.

COUNCILMAN GREEN: Well, I mean, I've asked for it every year. I don't know why -- I now see why you don't have it, but, I mean, all that implies is that we're not doing any kind of zero-based budgeting at all, that if you're budgeting based sort of generic there's 54 positions at this salary range, you're really just plugging numbers, going up and down by a percentage every year, and we're never going to get to the goals that I think you and I agree on as to how we need to move the City budget ahead.

MR. AGOSTINI: I'm not aware of many, if any, governmental entities that are currently using zero-based budgeting.

COUNCILMAN GREEN: Budgeting for outcomes.

MR. AGOSTINI: Or certainly in the U.S. budgeting for outcomes, something that you know I'm a very significant advocate for.

COUNCILMAN GREEN: Yes.

MR. AGOSTINI: But it is the case that this city, unlike other cities I've worked in, simply does not construct its budget in the manner that you are suggesting, which is not to say we can't do it. It's just going to be -- going to take me a little time to do.

COUNCILMAN GREEN: So if we had invested in PeopleSoft and had all that data about every single employee in a program like that, it would be very easy to produce this kind of data, wouldn't it?

MR. AGOSTINI: Actually, in my experience, the PeopleSoft financial module doesn't do that.

COUNCILMAN GREEN: A program that -- a new technology program.

MR. AGOSTINI: Yes.

COUNCILMAN GREEN: Is that part of --

MR. AGOSTINI: Four years ago, I spent seven months investigating a new financial and budgeting suite for Milwaukee County, population of a million one, slightly over a billion one budget. The cost of that, just the financial and the budgeting module that would provide the kind of information detail that you're suggesting, which I would also like, at that time was a $12 to $13 million item, and what that would cost today, I don't know.

COUNCILMAN GREEN: Can you name a major public corporation with a $4 billion market cap that -- or actually name one with $4 billion in revenue or market cap that would not be able to answer that question?

MR. AGOSTINI: Unfortunately, there are a lot of American municipal governments that fall under that category.

COUNCILMAN GREEN: No, no. Corporation.

MR. AGOSTINI: I can't speak to that, because I'm not familiar. I'm familiar with American municipal governments, both at the city, county and federal level, and unfortunately, there are a lot of them that fall into that category.

COUNCILMAN GREEN: I understand. So if City Council were to pass an ordinance requiring this level of detail for next year's budget, is it possible for you to deliver on it?

MR. AGOSTINI: Yes, it's certainly possible. It would take me a significant amount of time and I'd have to do things a little differently than

I've done currently. It's not to say it can't be done, and I think I can provide that to you in the coming weeks, but it's just a significant thing.

COUNCILMAN GREEN: It sounds like a lot of manpower.

MR. AGOSTINI: It is indeed.

COUNCILMAN GREEN: What I'd rather do is focus energy on making it easy to produce without a lot of manpower next year, and maybe we can work on that.

MR. AGOSTINI: That would be great.

COUNCILMAN GREEN: During last year's hearings I asked various departments for lists of all contracts they plan to enter into for FY10, descriptions of the specific services provided to the citizens under the contracts and an explanation of how they monitor the contract to assure that citizens receive value from it. Again, this question was not answered.

MR. AGOSTINI: That's also in

the detail. There is a Class 200 breakdown in the detail which lists every anticipated contract and the rationale for it.

COUNCILMAN GREEN: Excuse me for a second.

(Pause.)

COUNCILMAN GREEN: What is provided in the budget detail, I am informed, is a very generic level of detail.

MR. AGOSTINI: You can blame these two guys.

COUNCILMAN GREEN: Like HVAC.

MR. AGOSTINI: I understand --

COUNCILMAN GREEN: It doesn't say what buildings it's going into. There is no detail as to the expenditure. It doesn't say the descriptions of the services provided to citizens under the contracts.

MR. AGOSTINI: If you want access to the actual system so that you can see that in detail --

COUNCILMAN GREEN: Well, see, but we're talking about budgeting. I'm not talking about stuff that's been let. I'm talking about you're asking for appropriations in Class 200 for things that you want us to approve.

MR. AGOSTINI: Again --

COUNCILMAN GREEN: But you're not telling us, other than in a generic way -- outside consulting for personnel services, that doesn't tell me anything about what the purpose of that expenditure is. I'd like to know in Class 200 what the money is going to be spent on, so that when I appropriate it, I'm informed. That's all. I mean, I don't want to get into a debate with you guys. I'm just -- and we can sit down and talk about what you can realistically provide, but I really do think that that's the kind of detail that we should expect and that should be provided to us on an annual basis.

The Administration did analysis

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last year in its Five Year Plan that basically took a Washington study and looked at the impact of the proposed property tax increases on families with different wage groups and what percentage of the income they'd pay --

MR. AGOSTINI: By neighborhood.

COUNCILMAN GREEN: -- by neighborhood, et cetera. Have you done any sort of analysis like that for the trash fee?

MR. AGOSTINI: No, we have not.

COUNCILMAN GREEN: Are you contemplating it?

MR. AGOSTINI: We hadn't, and part of it was just the sort of press of time. I think if that's something you'd like to see, I'll take a stab at it.

COUNCILMAN GREEN: What would you suggest the outcome would be? Would that be more regressive than a property tax increase or less regressive than a property tax increase?

MR. AGOSTINI: I think it would

be really hard for me to say without spending some time with the numbers.

COUNCILMAN GREEN: Our preliminary analysis based on the numbers that were provided last year in the Five Year Plan would suggest that it's extremely regressive compared to a property tax increase that's across the board.

MR. AGOSTINI: Can you share your analysis with us?

COUNCILMAN GREEN: Sure.

The five-year proposal notes that in mid-February, the Administration hired a company to organize focus groups of Philadelphia's residents to weigh in on the City's budget. What funding source was used for the focus groups?

MR. AGOSTINI: General Fund out of my office.

COUNCILMAN GREEN: Was there written reports done?

MR. AGOSTINI: You are more than welcome to see the written report.

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I'll provide that to the Chair so that everyone can see it.

COUNCILMAN GREEN: Thank you.

The Plan notes that in 2009, investigations by the Inspector General resulted in 34 job terminations and 24 arrests. To put those numbers in context, prior to the hearing on the IG's budget, I'd like detail about what work the office performed in each of the referenced cases and all cases so far in 2010. In other words, there are 19 people in the Inspector General's Office, and it looks like it's almost a 1.5 to 1 ratio in terms of what we're doing, and I guess it's --

MR. DUBOW: You're just looking for terminations? You want to see what else -- because not everything resulted in a termination. There are lots of other results in there.

COUNCILMAN GREEN: Great. We'd like to understand that.

MR. ARMBRISTER: And the

Inspector General, she's going to be issuing a report this week.

MR. AGOSTINI: She did already.

COUNCILMAN GREEN: Oh, okay. Great. And that will have this kind of information?

MR. ARMBRISTER: I think it will address a lot of the concerns you just expressed.

COUNCILMAN GREEN: I was pleased to see the Five Year Plan refer to efficiency savings generated through the use of technology, and I have questions about three of the measures that were highlighted. First, the Plan noted the Revenue Department automated the previously manual process of performing a tax clearance for the Controller's Office for the release of vendor payments. This automation has been streamlined -- this automation has streamlined the process, requiring minimal manual intervention and saving both time and money.

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How much time and money was saved?

MR. DUBOW: We will get you that. We don't have that with us today, but we'll get that.

COUNCILMAN GREEN: Presumably this meant positions were no longer needed now that the function was automated, and I'd like to know --

MR. DUBOW: Right. And in some cases, particularly in the Revenue Department, what we've done where we found savings is not taken the money out of their budget, but let them reallocate that to other areas that would help generate revenue. So we can describe what we've done there.

COUNCILMAN GREEN: Okay. Great.

Also with respect to Revenue, the Plan notes the department implemented direct entry of tax returns and the creation of an online no tax filing option. Both measures, quote, "reduce processing times by eliminating the processing of a paper return."

How much were processing times cut? Were any positions no longer needed now that the function was automated, salary costs saved, work hours saved, et cetera? I assume the same answer?

MR. DUBOW: We'll get that. Yeah.

COUNCILMAN GREEN: What other paper-based functions or filings is the Revenue Department planning to automate? You don't have to answer that now. I'll save that for -- that will be a question I'll ask the Revenue Department.

Does the Plan --

MR. DUBOW: The Commissioner will be ready.

COUNCILMAN GREEN: Okay. Does the Plan project savings from additional automation?

MR. AGOSTINI: The Plan does not, and the reason that we did not -- and I'm sure we'll get into this in

Alan's both capital hearing as well as his operating -- is that much of what he is doing is sort of basic infrastructure. One of the systems he's looking on a citywide basis to implement would be a replacement of a human resources information system, where savings were already taken. And so because there were many instances like that, we just thought it was prudent not to project savings.

Now, that doesn't mean we won't see them and in future years we shouldn't be looking to allocate them, but in the Plan you have before you, no, there is no estimate of that.

COUNCILMAN GREEN: Okay. On the topic of paper, one of my favorites, on August 13th, 2008, I sent a request to the Administration for a list and copy of all paper forms used by City departments. I sent it a couple other times. I reiterated this request during the Managing Director's budget hearing last April 7th. The response I received back on May 8th was that the issue would be discussed at the April 15th, 2009 PhillyStat session. Although Allan Frank discussed paper forms generally at that PhillyStat session, no list or copies of paper forms have been provided to me to date. We wanted that information, along with how many times the paper forms were actually used, what employees were -- how many employees were involved in each paper form, et cetera. And I'm going to request of every department this year that they have that information when they come testify.

MR. AGOSTINI: On the paper forms?

COUNCILMAN GREEN: Or provide it in advance.

That's all I have, Madam Chair.

MR. AGOSTINI: That's it?

COUNCIL PRESIDENT VERNA: Are you certain?

(No response.)

COUNCIL PRESIDENT VERNA: You

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didn't hear me. I said are you sure that's all?

COUNCILMAN GREEN: Don't give me a second chance.

MR. DUBOW: He's got many more hearings to go.

COUNCIL PRESIDENT VERNA: This Committee will stand in recess until Tuesday, March the 16th at 10:00 a.m.

Thank you all very much.

(Committee of the whole adjourned at 3:15 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 10, 2010, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY
RPR-Notary Public

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