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COUNCIL OF THE CITY OF PHILADELPHIA  
PUBLIC HEARING BEFORE THE COMMITTEE OF THE WHOLE  
(FY '03 BUDGET HEARING)

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- - -  
Monday, February 25, 2002  
9:55 a.m.  
Room 400, City Hall  
Philadelphia, PA  
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11 BILL 020001 Proposed FY '03 Operating Budget

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PRESENT: COUNCIL PRESIDENT ANNA C. VERNA, Chair  
COUNCILWOMAN JANNIE L. BLACKWELL  
COUNCILWOMAN BLONDELL REYNOLDS BROWN  
COUNCILMAN DARRELL L. CLARKE  
COUNCILMAN FRANK J. DICICCO  
COUNCILMAN W. WILSON GOODE, JR.  
COUNCILMAN JAMES F. KENNEY  
COUNCILMAN RICHARD T. MARIANO  
COUNCILWOMAN DONNA REED MILLER  
COUNCILMAN MICHAEL A. NUTTER  
COUNCILMAN BRIAN J. O'NEILL  
COUNCILMAN ANGEL L. ORTIZ  
COUNCILMAN FRANK RIZZO  
COUNCILWOMAN MARIAN B. TASCO

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COUNCIL PRESIDENT Verna: Good morning,  
everybody. This is our continued public meeting of  
the Committee of the Whole regarding Bill No.  
020001.

The first department to testify this  
morning will be the Finance Department.

(Witnesses come forward.)

COUNCIL PRESIDENT Verna: Good morning.

MS. DAVIS: Good morning, Council  
President Verna and other members of the City  
Council. I'm Janice Davis, the Secretary of  
Financial Oversight and the Director of Finance.  
On behalf of the employees in the Office of the  
Director of Finance, I am pleased to provide  
testimony on the proposed FY '03 Operating budget.  
With me are finance representatives who are  
available to answer any questions.

As has been the custom, I will focus on  
the requested finance budget for FY '03. I will  
also provide the status of those initiatives begun  
by the finance group over the past year, as well as  
the initiatives to be undertaken during FY '03.

The Office of the Director of Finance's  
FY '03 budget proposal for all funds totals

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2 \$865,476,158. The General Fund Budget request is  
3 \$664,023,977. The single-largest component of the  
4 budget is employee fringe benefits budgeted at  
5 \$598,160,532. The General Fund funds \$528,100,000  
6 of the employee fringe benefits. This represents a  
7 \$27 million, or 5.4 percent, increase over the  
8 Current FY '02 projection. This increase is due to  
9 increases in our health benefits and pension costs.  
10 Other large elements of the finance  
11 budget include: Legal services and witness fees,  
12 contributions to educational organizations, and  
13 refunds and indemnities.  
14 The Administration is proposing to  
15 provide the Community College with \$272,067,924 in  
16 FY '03, an increase of \$300,000 over the FY '02  
17 funding level.  
18 The Administration has also increased  
19 the level of funding for the Defenders Association  
20 contract. This additional contract will bring the  
21 Association's attorneys' salaries in parity with  
22 those of the attorneys in the District Attorney's  
23 Office and the Law Department. The Office of the  
24 Director of Finance is comprised of seven  
25 divisions: Executive Direction, Office of budget

00231

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2 and Program Evaluation, Office of Management and  
3 Productivity, Minority Business Enterprise Council,  
4 Accounting Bureau, the Office of Administrative  
5 Review, and Risk Management.

6 The proposed direct appropriation FY  
7 '03 General Fund Budget for the office is  
8 \$16,938,724, a decrease of \$1,680,619 from the  
9 current projection for FY '02. This decrease is  
10 the result of reductions in appropriations across  
11 the division. This budget anticipates 171  
12 full-time General Fund positions, a decrease of 11  
13 positions from the FY '02 budgeted positions.

14 In FY '03, the Risk Management  
15 Department will partner directly with medical  
16 providers in their ongoing effort to contain costs  
17 in the Worker's Compensation program. While the  
18 cost of medical services related to Worker's  
19 Compensation have risen statewide by 20 percent  
20 over the last five years, our case-management  
21 efforts have limited the City's average plan cost  
22 increases to only 7 percent.

23 In order to create more opportunities  
24 for small and disadvantaged contractors to compete  
25 for City and private-sector construction work, Risk

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2 Management, working with Procurement, Minority  
3 Business Enterprise Council, and the Commerce  
4 Department is working to promote the use of a  
5 federal Small-Business Administration binding  
6 program.

7

8 The SBA program assists small  
9 contractors who are unable to obtain the required  
10 performance bond on their own by assuming 90  
11 percent of the associated risk. Bonds of up to  
12 \$2 million will be guaranteed. The program will  
13 fund the training of contractors in business-plan  
14 development and financial record-keeping, and will  
15 hire a surety agent to assist them in completing  
16 bind applications. This initiative is scheduled  
17 for implementation in FY '03 and will be funded by  
18 Economic Stimulus Funds from the Commerce  
19 Department.

20 The Office of Administrative Review  
21 continues its successful efforts with the First  
22 Judicial District to increase traffic-fine  
23 collections. Major accomplishments include  
24 cleaning out the outstanding backlog of delinquent  
25 fines, some of which date back to the early '80s.  
OAR's final notice mailed to violators whose fines

00233

1  
2 have been delinquent from 1992 to present generated  
3 more than \$1 million in additional revenue. At the  
4 same time, changes in methodology of reporting  
5 defaults delinquencies to the State Bureau of  
6 Traffic Safety have had a major impact in advancing  
7 the collection rate from historical rates of  
8 17 percent to 23.9 percent in FY '01, approximately  
9 25 percent in FY '02, and over 30 percent estimated  
10 for FY '03.

11 In January of this year, OAR  
12 transferred responsibility for administrative  
13 hearings on code violations from its Bureau of  
14 Administrative Adjudication to its Master's Unit at  
15 the Tax Review Board. This change will allow the  
16 BAA hearing examiners to concentrate solely on  
17 parking tickets and reduce the long waits for  
18 hearings due to the increased issuance of parking  
19 tickets by the Parking Authority.

20 Others departments, boards, and  
21 commissions, under the direction of the Office of  
22 the Director of Finance, Procurement, Revenue, City  
23 Treasurer, Sinking Fund Commission, Board of  
24 Revision of Taxes, and the Board of Pensions and  
25 Retirements will provide separate testimony on

00234

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2 their budgets and initiatives.

3 I am happy to answer any questions you  
4 may have at this time.

5 COUNCIL PRESIDENT Verna: Thank you  
6 very much, Miss Davis.

7 The Five-Year Plan states that the  
8 Administration will continue to use target budget  
9 reductions which will require departments to spend  
10 below appropriation levels. What are the planned  
11 target reductions?

12 MS. Davis: I'll let Mr. Dubow answer  
13 that one.

14 MR. DUBOW: I'm Rob Dubow, Budget  
15 Director.

16 COUNCIL PRESIDENT Verna: Good morning.

17 MR. DUBOW: Good morning.

18 We developed the targets towards June,  
19 so we actually don't know what they'll be yet. We  
20 go through a process later with departments later  
21 in the year to determine those targets.

22 COUNCIL PRESIDENT Verna: When the  
23 departments come before us for their budget  
24 hearings, how do we know that they will be able to  
25 provide the service levels as delineated in their

00235

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2 budgets and testimony?

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4 MR. DUBOW: One of the things we do  
5 with departments when we go through their target  
6 process is to make sure that they find ways of  
7 reducing their costs without impacting service, so  
8 we look at the service-level and performance-level  
9 reports that they give us and make sure that they  
10 are showing that they can maintain those services.

11

12 COUNCIL PRESIDENT VERNA: Miss Davis,  
13 what are the actions the Administration has  
14 undertaken to cut costs in reducing the City's  
15 pension payment? Explain what the minimum  
16 municipal obligation is.

17

18 MS. DAVIS: It's the minimum amount  
19 required to fund our current costs, the current  
20 costs of pensions provided for employees.

21

22 COUNCIL PRESIDENT VERNA: Well, what is  
23 the impact of this action to the Pension Fund and  
24 to the financial soundness of the fund?

25

26 MS. DAVIS: What we're doing -- the  
27 cuts that we've made are not to the MMO, or minimum  
28 municipal obligation. We fund at a much higher  
29 level. What we have done is to reduce our payment  
30 somewhere between the minimum municipal obligation

00236

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2 and the amount that we would have done under the  
3 original plan.

4

5 We will reap the benefit of \$60 million  
6 over the Five-Year Plan, but then we'll begin to  
7 amortize that over 10, with 9 percent interest,  
8 which is the assumed interest rate that the  
9 earnings in the plan now identify. The plan will  
10 remain physically sound and above the 70 percent  
11 funding level.

12 COUNCIL PRESIDENT VERNA: Okay. Can  
13 you tell us how much the City -- how much does the  
14 City pay for financial advisory services? I see  
15 that we have two that are mentioned on Pages 8-19  
16 and 8-20.

17 MS. DAVIS: This year, in FY '02, the  
18 City identified contracts of \$300,000, which is the  
19 level that we've been funding. Instead of doing it  
20 all with one provider, however, we've identified  
21 three providers.

22 COUNCIL PRESIDENT VERNA: How many?

23 MS. DAVIS: Three providers.

24 COUNCIL PRESIDENT VERNA: Can you tell  
25 us who they are?

MS. DAVIS: They are PFM, Fairmount

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1  
2 Capital, and PG Corbin. We have not incurred any  
3 expenditures under the Fairmount Capital contract  
4 yet.

5 COUNCIL PRESIDENT VERNA: Thank you.  
6 Can you break that down? Can you tell us --

7 MS. DAVIS: 200,000 for PFM, 50 each  
8 for PG Corbin and Fairmount Capital.

9 COUNCIL PRESIDENT VERNA: But as we  
10 calculate, it would show 600,000.

11 On Page 19, line 250, it's 200,000.  
12 And then on Page 20, line 250, it's 400,000. And I  
13 don't know that there's been any determination as  
14 to who the financial adviser would be.

15 MS. DAVIS: That budgeted piece is for  
16 any incidental financial advisory work that may be  
17 used during the coming year. No provider has been  
18 identified.

19 COUNCIL PRESIDENT VERNA: So what is  
20 the figure; is it 400, is it 300? I mean,  
21 according to what our calculation is, it would come  
22 to 600,000.

23 MS. DAVIS: It would be the 600.

24 COUNCIL PRESIDENT VERNA: On Page 20,  
25 would you please explain what the 350,000 for the

00238

1  
2 management information consultants will be used for  
3 as well as the 200,000 for legal services.

4 MS. DAVIS: Those are just to be  
5 provided -- those amounts are there if there is a  
6 need for consulting services in the management  
7 information systems area. Should the CIO have a  
8 need for additional funding, that would be  
9 available.

10 COUNCIL PRESIDENT VERNA: How much  
11 money has been appropriated in past years for this  
12 the management information consultants?

13 MS. DAVIS: We'll have to get a  
14 definite number for you. There have been a number  
15 of contracts under different providers, so we'll  
16 get a number back to you.

17 COUNCIL PRESIDENT VERNA: I would  
18 appreciate that.

19 And for legal services, why wouldn't  
20 that be handled by the Law Department?

21 MS. DAVIS: There are some times when  
22 there is a need to hire legal services and there is  
23 insufficient funds in the Legal Department to cover  
24 it, and we'll pick it up.

25 We will get information on the number

00239

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2 of times we've done that.

3 COUNCIL PRESIDENT Verna: Would you  
4 please explain the program that you are putting in  
5 place to help small contractors in getting  
6 performance bonds. You state that this initiative  
7 will be funded out of the Economic Stimulus Funds.  
8 What is the amount of the Stimulus Funds to be  
9 used, and how will they be spent? Also, will they  
10 be recurring expenses?

11 MS. Davis: The amount is \$300,000, and  
12 I will get someone from Risk Management who has  
13 worked on this to come up and testify to the  
14 specifics of the program.

15 (Witness comes forward.)

16 MS. Lawton: Good morning.

17 COUNCIL PRESIDENT Verna: Good morning.

18 MS. Lawton: I'm Debra Lawton from the  
19 Risk Finance Division, and I've been working with  
20 MBEC and the Small-Business Administration.

21 COUNCIL PRESIDENT Verna: Excuse me,  
22 would you pull the microphone closer to you,  
23 please. Thank you.

24 MS. Lawton: I've been working with the  
25 Small-Business Administration and with MBEC to

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1  
2 promote the use of an existing program that the  
3 federal government has to provide bonding to small  
4 contractors.

5 Do you have any specific questions  
6 about it? I mean historically, small contractors  
7 have been unable to get public workshops because  
8 they weren't able to secure bonding. So we were  
9 looking for ways to help them without recreating  
10 the wheel. So we found out about the SBA Program  
11 through MBEC and so we've been working to promote  
12 that program.

13 COUNCIL PRESIDENT VERNA: And \$300,000  
14 is appropriated for this --

15 MS. LAWTON: Oh, the monies will be  
16 used for the marketing and advertising actually for  
17 assisting the contractors on completing bond  
18 applications, education, business-development  
19 information, accounting services, credit services.

20 COUNCIL PRESIDENT VERNA: And this  
21 money will come out of Economic Stimulus Funds?

22 MS. LAWTON: Yes.

23 COUNCIL PRESIDENT VERNA: Okay, thank  
24 you.

25 The Chair recognizes Councilman Goode.

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COUNCILMAN GOODE: Thank you, Madam  
President.

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Good morning, Miss Davis.

MS. DAVIS: Good morning.

COUNCILMAN GOODE: I think you can  
anticipate a couple of my questions.

I want to talk about the implementation  
of a few of my bills that are close to my heart,  
starting with Bill 165 that was signed by the Mayor  
on May 16, 2000, authorizing the City to invest in  
promissory notes issued by the U.S. Treasury  
certified community-development financial  
institutions. I want to know the status of CDFI  
investments since that bill was signed in May of  
2000.

MS. DAVIS: To date, \$1,500,000 has  
been invested in the CDFI.

COUNCILMAN GOODE: That's --

MS. DAVIS: Capital (indiscernible)  
people, yes.

COUNCILMAN GOODE: Thank you.

When was that investment made?

MS. DAVIS: I don't know the exact  
date, but I believe it was in the second quarter of

00242

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2 FY '02.

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COUNCILMAN GOODE: Thank you.

4

5 The second bill, Bill 546, was signed  
6 by the Mayor on December 7, 2000, and that was  
7 creating the Philadelphia Community Investment  
8 Commission and charged that commission with  
9 creating a Philadelphia community-development  
10 financial fund, the first municipal fund of its  
11 kind. Can you tell me, what is the progress of the  
12 Reinvestment Commission and the what's the status  
13 of the CDFI Fund?

13

14 MS. DAVIS: The Reinvestment Committee  
15 has met a number of times. We had a slight problem  
16 when there was a change at OHCD and Mr. Kromer  
17 left -- he had been the chair of the Reinvestment  
18 Committee. The Commission hasn't met since, but we  
19 should be meeting in the near future.

19

20 We had a problem with the department  
21 that it was cited with, and since it was more of  
22 economic development instead of finance, we felt it  
23 would be of greater service to that community if it  
24 were housed in Commerce, so we've had some  
25 difficulties in getting everybody in their proper  
place, but we should be meeting again in the very

00243

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2 near future.

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4 COUNCILMAN GOODE: For the record, I  
5 think that Mr. Kromer did a great job, although I  
6 never thought that he was the person because of his  
7 position. I thought he definitely should not have  
8 been a Housing Director, maybe he should or should  
9 not be a Commerce Director, but the executive order  
10 called for the chair being elected from the  
11 Commission, but the bill that I wrote called for it  
12 being co-chaired by the Finance Director and by a  
13 member of the banking community.

14 In rethinking the executive order based  
15 upon what the bill originally called for. Aside  
16 from who in the Administration should serve in that  
17 capacity or not serve in that capacity, do you  
18 think it should be a private-sector member that  
19 actually co-chairs that commission?

20 MS. DAVIS: I think that's an  
21 appropriate co-chair.

22 COUNCILMAN GOODE: Okay, thank you.

23 The third bill, Bill 010541, created a  
24 tax-credit program for investments made in  
25 community development corporations over a ten-year  
period. Can you tell me the status of the

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1  
2 tax-credit program in the development of  
3 regulations?

4 MS. DAVIS: Nancy Kammerdeiner has been  
5 working on it, so I'll ask Nancy to come up.  
6 (Witness comes forward.).

7 MS. KAMMERDEINER: Good morning. Nancy  
8 Kammerdeiner, Revenue Commissioner.

9 We've been working on those  
10 regulations. Have conferred with the Department of  
11 Commerce and also the Law Department. We have a  
12 draft of the regulations that's going back to Law,  
13 I hope and expect, this week in order to get their  
14 concurrence that they're in proper form to be filed  
15 with Records, and we'll be happy to share that with  
16 you as soon as we get a little bit more input from  
17 the Law Department to make sure we are legally  
18 based on the what we've written to implement the  
19 legislation.

20 COUNCILMAN GOODE: Okay. In terms of  
21 turnaround time, at what point will applications be  
22 available?

23 MS. KAMMERDEINER: The regulations have  
24 to sit in Records for 30 days. If there are no  
25 protests to those regulations, they become

00245

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2 effective as soon as that 30-day period elapses.  
3 Should there be any issues filed during that  
4 waiting period, we'll have to hold a hearing and  
5 hear from the public about their concerns on that,  
6 resubmit regulations, and I believe the resubmitted  
7 regulations need to reside in Records for ten days  
8 before they're implementable.

9 COUNCILMAN GOODE: Is a tax credit  
10 usually based on a fiscal year calendar year?

11 MS. KAMMERDEINER: The  
12 business-privilege tax is a calendar-year tax and  
13 so it would be calendar year.

14 COUNCILMAN GOODE: So this tax-credit  
15 program will be available for this year or will it  
16 have to wait until next year?

17 MS. KAMMERDEINER: I expect it should  
18 be available for this year. The 2002 returns are  
19 filed on April 15th of this year, but we could deal  
20 with a credit for any business that would apply  
21 during that time period in terms of a credit on  
22 this year's return or a credit that would roll into  
23 next.

24 COUNCILMAN GOODE: Thank you. No  
25 further questions

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2 Thank you, Madam President.  
3 COUNCIL PRESIDENT Verna: Thank you.  
4 The Chair recognizes Councilman Nutter.  
5 COUNCILMAN NUTTER: Thank you, Madam  
6 Chair.  
7 Good morning, Miss Davis.  
8 MS. DAVIS: Good morning.  
9 COUNCILMAN NUTTER: And Mr. Dubow.  
10 MR. DUBOW: Good morning.  
11 COUNCILMAN NUTTER: I made a note to  
12 myself. I wanted to get some information that I  
13 didn't see clearly in the testimony.  
14 what was what was the percentage of  
15 participation through all of the various  
16 contracting levels? I think there's professional  
17 services as a category; there's, I think, service,  
18 supplies and equipment or something like that as  
19 another category; and there might be a third one  
20 that is measured for participation by a variety of  
21 firms, whether they're disadvantaged businesses or  
22 minority businesses, female businesses.  
23 Do you know what the rate was in the  
24 last fiscal year?  
25 MS. DAVIS: No, I don't, but

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2 Mr. Roundtree will be available when the  
3 Procurement Commissioner testifies, and he will  
4 have those numbers or we can get them for you  
5 later.

6 COUNCILMAN NUTTER: Okay. On Page 1  
7 and going into Page 2 of the testimony, there's  
8 mention made of the Office of Administrative  
9 Review. I think that used to be the Bureau of  
10 Administrative Adjudication?

11 MS. DAVIS: It's the same.

12 COUNCILMAN NUTTER: It's the same  
13 thing, okay. And it looks like we're talking,  
14 apparently about, generally, I guess, delinquent  
15 funds. Does that also include tickets and  
16 everything, traffic tickets?

17 MS. DAVIS: Yes, it does.

18 COUNCILMAN NUTTER: Okay. What's the  
19 amount outstanding at the moment?

20 MS. DAVIS: I have to ask Mr. Cermele  
21 to come up and address that.

22 MR. CERMELE: I'm Dominic Cermele,  
23 Executive Director of the Office of Administrative  
24 Review.

25 The number that you wanted, Councilman,

00248

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2 was that parking finance or moving fines or  
3 code-violations fines or all of them?  
4 COUNCILMAN NUTTER: All three.  
5 MR. CERMELE: We'll have to get that to  
6 you.  
7 COUNCILMAN NUTTER: Okay, all right.  
8 If I just asked for one, would you --  
9 (Laughter.)  
10 MR. CERMELE: I could give you a round  
11 number. What you want is outstanding numbers?  
12 COUNCILMAN NUTTER: Yes.  
13 MR. CERMELE: No, that would be  
14 difficult.  
15 COUNCILMAN NUTTER: Okay.  
16 MR. CERMELE: It depends on how you  
17 calculate what's outstanding.  
18 COUNCILMAN DICICCO: Point of order,  
19 Madam Chair?  
20 COUNCILMAN NUTTER: Yes.  
21 COUNCIL PRESIDENT VERNA: The Chair  
22 recognizes Councilman DiCicco.  
23 COUNCILMAN DICICCO: Thank you, Madam  
24 Chair.  
25 You would have the number on Traffic

00249

1  
2 Court, though, wouldn't you?  
3 MR. CERMELE: I have the numbers on  
4 Traffic Court too, yes.  
5 COUNCILMAN DICICCO: On moving  
6 violations.  
7 MR. CERMELE: Yes, I have those too.  
8 COUNCILMAN DICICCO: Could you tell us  
9 what that is? I mean generally what --  
10 MR. CERMELE: I can get that for you.  
11 COUNCILMAN DICICCO: Oh, okay. Thank  
12 you.  
13 COUNCILMAN NUTTER: Judge Cermele, in  
14 terms of your qualifier that it depends on what we  
15 consider to be outstanding, are you talking about a  
16 timeframe or up to a certain date or --  
17 MR. CERMELE: Yes. We in the past have  
18 terminated, you know, with the assistance of the  
19 Traffic Court, terminated some rather old records  
20 that were counted as accounts receivable, even  
21 though these were non-adjudicated records that go  
22 back to the early '80s and are no longer count as  
23 part of the -- see, at some point, we say this is  
24 what's active.  
25 COUNCILMAN NUTTER: Right, you have to

00250

1  
2 write it off.  
3           Why don't we just deal with whatever is  
4 outstanding ten years or less.  
5           MR. CERMELE: Yes, we can do that.  
6           COUNCILMAN NUTTER: I mean, that's, I  
7 guess, still a fairly reasonable number. Okay,  
8 thank you.  
9           Miss Davis or Mr. Dubow, I think I  
10 heard this question either asked in part or in full  
11 earlier, but I did want to go back to it maybe in a  
12 slightly different fashion.  
13           Who has responsibility either to seek  
14 revenue enhancements or cost-savings in the  
15 government?  
16           MS. DAVIS: That's the responsibility  
17 of everyone in the government.  
18           (Laughter.)  
19           COUNCILMAN NUTTER: All right, but is  
20 it one particular person's responsibility?  
21           MS. DAVIS: We encourage, and I would  
22 say Mr. Dubow is the head encourager of those in  
23 search of revenue and expenditure reductions.  
24           COUNCILMAN NUTTER: Okay. And what was  
25 your answer earlier to the -- I think it's on

00251

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2 Appendix 3, Page 1, line 20, "Future Target  
3 Reductions," do I read that for Fiscal Year 2004,  
4 the number is \$12 million; is that correct?

5 MR. DUBOW: It was a slightly different  
6 question before. The question was about target  
7 reductions in the '03 budget.

8 COUNCILMAN NUTTER: Mm-hmm.

9 MR. DUBOW: And the question was, do we  
10 have a number for that yet? and we don't, we  
11 develop that later in the year.

12 And then the second question was, how  
13 do we ensure that the level of services that  
14 departments are promising as they come before you  
15 now, the global services they actually develop  
16 after taken target cut, and what we do when we go  
17 through their targets with them is have them submit  
18 to us performance-measurement reports that tell us  
19 what level of service they're going to provide so  
20 we can check to make sure that they'll be able to  
21 provide that level of service at the lower-budget  
22 level.

23 COUNCILMAN NUTTER: Well, what are you  
24 anticipating for FY '03 in terms of reductions in  
25 the cost of government?

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2 MR. DUBOW: We haven't developed  
3 targets yet, but it's typically 1.5 percent below  
4 the budget level.  
5 COUNCILMAN NUTTER: All right, but some  
6 of the departments didn't take the 1.5, right?  
7 MR. DUBOW: That's right.  
8 COUNCILMAN NUTTER: Or claimed that  
9 they could not operate with the 1.5.  
10 MR. DUBOW: That's right.  
11 COUNCILMAN NUTTER: Which ones were  
12 those?  
13 MR. DUBOW: Well, I think we're talking  
14 about different 1.5 percents, but you meant the  
15 1.5 percent Class 100 reduction? I was talking  
16 about the target reduction (indiscernible) later in  
17 the year.  
18 But I think what your question was  
19 about was the 1.5 personnel reduction that we asked  
20 departments to take as part of the budget process?  
21 COUNCILMAN NUTTER: Right.  
22 MR. DUBOW: Recreation did not take the  
23 cut, the Free Library did not take the cut, Fire  
24 did not, Police did not, and the Park and L&I had  
25 portions of the 1.5 percent restored.

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2 COUNCILMAN NUTTER: All right. Well,  
3 maybe the easier way to ask it is, who did take it?  
4 since so many people are affected by this.

5 MR. DUBOW: Well there are -- I mean,  
6 there are probably over 50 agencies, and I've just  
7 named 5 or 6 that didn't take the cut.

8 COUNCILMAN NUTTER: Okay, let's go back  
9 to the original question.

10 Whose individual job or responsibility  
11 is it to seek revenue enhancements and cost  
12 reductions throughout the government?

13 MR. DUBOW: It's not one individual's  
14 responsibility.

15 COUNCILMAN NUTTER: How do you ever  
16 know you're going to do it? I mean, we all have a  
17 responsibility to try to make sure that the City is  
18 safe.

19 MR. DUBOW: Right.

20 COUNCILMAN NUTTER: But we do have a  
21 Police Commissioner; that is that person's job.

22 MS. DAVIS: We have an Office of  
23 Management and Productivity that looks at specific  
24 items that we may come up with, and there are --

25 COUNCILMAN NUTTER: Do they produce a

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2 report?

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MS. DAVIS: No, they don't.

4

COUNCILMAN NUTTER: Then how do they do

5 it?

6

MR. DUBOW: I mean, we also put

7 specific things in our budget and then we monitor

8 whether make their budgets. I mean, that's really

9 the global way in which we see whether people hit

10 their targets.

11

COUNCILMAN NUTTER: Okay. In response

12 to this question from a couple weeks ago at --

13 during the Capital Budget, I asked about a schedule

14 of projected savings through efficiencies. The

15 answer that came back was an example of the Free

16 Library reduced costs by \$210,000 by reorganizing

17 some personnel.

18

The biggest component of this response

19 is anticipated savings through people participating

20 in the DROP Program.

21

I mean, is your testimony today and

22 going forward that in addition, you're going to

23 spend \$300,000 to contract with Parente Randolph.

24 Is that a firm or a person?

25

MR. DUBOW: It's a firm.

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2 COUNCILMAN NUTTER: It's a firm. To do  
3 a thorough review of departments impacted by the  
4 DROP and to determine how to best redesign their  
5 business processes to allow the City to provide the  
6 same or improved services with fewer employees.

7 I'm left with the impression that, at  
8 least for the short-term, the largest anticipation  
9 in terms of saving any money in the government is  
10 going to be from people leaving, not through  
11 management efficiencies or use of technology or  
12 figuring out different ways for us to do business,  
13 and then you're going to come back in a more medium  
14 term, but apparently during the course of this  
15 fiscal year, you're going to have a consultant give  
16 us some ideas as what we should do through the  
17 departments.

18 MR. DUBOW: Well, the only way we can  
19 take advantage of people leaving is if use all of  
20 the things that you were talking about: If we use  
21 technology, if we use business process  
22 re-engineering, because we've committed that we'll  
23 make those reductions without impacting service.

24 COUNCILMAN NUTTER: Have we asked the  
25 departments for an individual plan of what they

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2 would do or how they would do it or not decide  
3 whether you have the bodies or not, just ask them,  
4 are there better ways for the government to  
5 function and operate?

6 MR. DUBOW: We did that back in August.

7 We met with all of our largest departments and had  
8 those discussions. That's where some of the stuff  
9 we listed in their, like the Library doing it  
10 through organization, Fleet Management saving  
11 positions; it came out of that.

12 But we are also asking the consultant  
13 to work with our large departments to do the same  
14 kind of thing: To go through their processes to  
15 see where they can be done better. So the  
16 departments will all be engaged in that process.

17 COUNCILMAN NUTTER: Okay. So as we  
18 close out this particular piece, your expectation  
19 is that throughout the course of the year, you will  
20 figure out both some ways to reduce the costs of  
21 government or become more efficient, and we're  
22 going to experience the DROP Program and employees  
23 are going to leave, we're going to have a  
24 consultant work with the departments to figure out  
25 do what they do.

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3 how much we might be able to save dollar-wise in  
4 reducing the cost of the government

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6 already in the plan, that's right, but we have

7 specific amounts that are in the plan. I mean

8 first question was, What are you going to do in the

9 target this year? The answer is, we don't have

10 that set yet.

11

12

13 there are things like the DROP that are included in

14 the plan, like reducing the size of the fleet. So

15 there are things in the plan, but the things that

16 aren't in the plan, we don't know yet.

17

18 don't we do this: Maybe the answer to the question

19 from a couple weeks ago was an attempt to kind of

20 generally answer it and be more immediately

21 responsive.

22

23 are in the plan that maybe are not in this answer,

24 why don't you provide, through the Chair, the more

25 extensive answer, and if you can tell me in the

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2 plan where those savings are and what the  
3 implementation of those proposals will result in,  
4 that would be helpful.  
5 MR. DUBOW: Okay.  
6 COUNCILMAN NUTTER: Miss Davis, let's  
7 go to -- I heard the tail-end of a response, I  
8 believe, to the question by the Chair. On Page  
9 8-16 of the budget book, line items 250, 251, 252,  
10 and 253, am I reading correctly that in the budget  
11 here is \$3,055,336 for professional services; is  
12 that correct?  
13 MS. DAVIS: Yes.  
14 COUNCILMAN NUTTER: Okay. And what's  
15 the breakout of that? Is that over on 8-19?  
16 MS. DAVIS: 8-19 and 8-20.  
17 COUNCILMAN NUTTER: And 8-20?  
18 MS. DAVIS: Mm-hmm  
19 COUNCILMAN NUTTER: Okay. Although the  
20 number on 8-20, the total seems to be 4,828,000.  
21 Does that include some of the other --  
22 MS. DAVIS: That includes some 257.  
23 MR. DUBOW: 253, 251  
24 MS. DAVIS: 253s, 257s, 251s.  
25 COUNCILMAN NUTTER: Some of the other

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2 numbers from 8-16?

3 MS. DAVIS: Yes.

4 COUNCILMAN NUTTER: Okay. And on Page  
5 8-20, "Regional Economic Models," is that the name  
6 of a firm?

7 MS. DAVIS: It's the REMI models that  
8 we use to predict how certain activities will  
9 affect our revenue base.

10 COUNCILMAN NUTTER: Mm-hmm. And on  
11 that same page, the 250, the 250, and the 253,  
12 those 3 in a row, 400, 350 and 200, who -- I can  
13 read that it says "to be selected." Is that  
14 because we don't know at the moment who those  
15 people are going to be?

16 MS. DAVIS: Yes.

17 COUNCILMAN NUTTER: And how do you know  
18 that you'll need those?

19 MS. DAVIS: Those are there as  
20 contingencies.

21 COUNCILMAN NUTTER: Does Finance  
22 usually need outside legal service? You don't use  
23 the Law Department?

24 MS. DAVIS: Those tend to service  
25 contingencies for across the government, not

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2 necessarily for Finance.  
3 COUNCILMAN NUTTER: Why wouldn't it be  
4 in the Law Department budget?  
5 MS. DAVIS: This is the way it's been  
6 budgeted in the past.  
7 COUNCILMAN NUTTER: And the 350,000,  
8 that wouldn't normally be in MOIS?  
9 MS. DAVIS: No. We have on occasions  
10 required management information systems consultants  
11 outside of MOIS.  
12 COUNCILMAN NUTTER: Who have you used  
13 in the past?  
14 MS. DAVIS: We're going to provide that  
15 information later because there have been a number  
16 of different vendors.  
17 COUNCILMAN NUTTER: Now, Miss Davis,  
18 you wouldn't be following subject to a tendency by  
19 Mr. Dubow to try to hide money in various places in  
20 your budget, would you?  
21 MR. DUBOW: It's pretty much right out  
22 there for you to see.  
23 (Laughter.)  
24 COUNCILMAN NUTTER: Are you being  
25 influenced by Mr. Dubow in that regard?

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2 MS. DAVIS: Not at all.  
3 COUNCILMAN NUTTER: Not at all.  
4 MS. DAVIS: No, that's all right. We  
5 have that. I'll --  
6 COUNCILMAN NUTTER: Right there in the  
7 book to be selected.  
8 MS. DAVIS: Right.  
9 COUNCILMAN NUTTER: Right? Okay, okay.  
10 MS. DAVIS: Especially since it usually  
11 ends up being somebody else's needs that are  
12 satisfied through that line item.  
13 COUNCILMAN NUTTER: Mm-hmm, okay.  
14 Somebody else's needs.  
15 MS. DAVIS: Yeah.  
16 COUNCILMAN NUTTER: Okay.  
17 MS. DAVIS: My budget is not my own.  
18 COUNCIL PRESIDENT VERA: Councilman,  
19 do you mind if we have a second go-around? We have  
20 other Councilmembers that would like to be  
21 recognized.  
22 COUNCILMAN NUTTER: Sure, absolutely.  
23 I'm sorry, Madam Chair.  
24 COUNCIL PRESIDENT VERA: Thank you.  
25 The Chair recognizes Councilman Rizzo.

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COUNCILMAN RIZZO: Thank you, Madam

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Chair.

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I'd like to go back to the process that we use when we actually decide on what we're going to spend our money on in various departments.

7

I recall a few years ago in a budget that there was a number of thousands of dollars for global positioning for the sanitation for the Streets Department so we could keep track of the trucks. I use that as an analogy to ask a question:

13

Since we don't have a particular person that's responsible for -- well, let me rephrase that. I'll ask the question. When you sit down with a department like the Streets Department, Fleet Management, Police, Fire, you see these lists of things that we're spending our money on. How -- who makes the decision, since we don't have an overall person, one person we can identify that's responsible for -- for the -- and again, I'm having -- struggling with the word that Councilman Nutter was referring to.

24

But when you sit down with those various departments, how do you decide what's in,

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2 what's out? Obviously, if you're going to give a  
3 pot of money to a particular department if they  
4 want to buy global positioning systems or other  
5 things that they claim they need, who sits down  
6 with a pen or questions each item that's in the  
7 budget with a commissioner of a various department?  
8 MR. DUBOW: During the budget process,  
9 we meet with departments, and when I say "we," it's  
10 a group of people from Finance, from the Managing  
11 Director's Office, from the Mayor's Office, from  
12 the office of Labor Relations, from Personnel, and  
13 we go through their budgets, you know, line item by  
14 line item, asking them why they think they need  
15 each contract.  
16 And based on those discussions, we  
17 decide what should be in and what should be out.  
18 COUNCILMAN RIZZO: I'm not necessarily  
19 talking about contracts or legal --  
20 MR. DUBOW: No, it's -- we do it  
21 through Personnel, we do it through contracts, we  
22 do it through material supplies and equipment  
23 COUNCILMAN RIZZO: In that whole group  
24 that you just mentioned, who has the expertise to  
25 request whether or not we need a global positioning

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2 system for sanitation vehicles?

3 My point being is, how do we know that  
4 if we spend a half a million a million dollars a  
5 year with Verizon -- the Finance Director just said  
6 something that is a problem in our government --  
7 That's the way we've done it, that's the way we do  
8 it.

9 Well, again, if we're just going to  
10 spend money when there's a better way to do it, my  
11 question is, where's the expertise when a budget's  
12 presented to you? Who on that panel knows what a  
13 global positioning is and whether we need it or  
14 not?

15 MR. DUBOW: The most likely expertise  
16 in that case would be people in the Managing  
17 Director's Office. I mean, that's why we try to  
18 have people at those meetings with a wide variety  
19 of expertise.

20 But, I mean, our real excerpts in those  
21 items are the departments. You know, I mean, to  
22 some extent, we have to rely on them. You know,  
23 the Mayor hires people that he thinks can do the  
24 job, and we have to have some trust in them.

25 But we also question them; we ask

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2 questions about each item. But we're not going to  
3 know more than the departments do about a number of  
4 things.

5 COUNCILMAN RIZZO: I'm familiar with  
6 corporate budgets and I think they're scrutinized a  
7 little more carefully. When the vice president or  
8 the overall executive sat down with the people and  
9 actually said, you know, what do you need this for?  
10 or why are you spending a half a million dollars  
11 for data transmissions when we have the  
12 capabilities for doing that within our own company?

13 I just don't see --

14 MR. DUBOW: Well, that's what we do.

15 COUNCILMAN RIZZO: I just don't  
16 understand how --

17 MR. DUBOW: That's the process we go  
18 through.

19 COUNCILMAN RIZZO: I've talked to  
20 people that have gone through the process, that  
21 there were no questions, in many cases, asked.

22 MR. DUBOW: Well, that's just not true.

23 COUNCILMAN RIZZO: I'm talking about --  
24 well, I'll make sure that you --

25 MR. DUBOW: You tell me someone who

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2 says that they went through our budget process and  
3 we didn't ask one question.  
4 COUNCILMAN RIZZO: A question -- when  
5 you say "question," it's, "Do you need this, yes or  
6 no?" and the question is answered "yes," and then  
7 we move on to the next item.  
8 That may be questioning it, but that is  
9 not really getting in there to decide.  
10 DUBOW: I --  
11 COUNCILMAN RIZZO: Well, it's already  
12 been stated, "That's the way we do it" and --  
13 MR. DUBOW: That is not the way our  
14 process works.  
15 MS. DAVIS: Excuse me.  
16 (Council President Verna taps  
17 gavel.)  
18 COUNCIL PRESIDENT VERNA: We're not  
19 going to have a debate. I think the Councilman  
20 will ask a question and the witnesses will simply  
21 answer.  
22 Thank you.  
23 COUNCILMAN RIZZO: Thank you, Madam  
24 Chair.  
25 Again, the question is, and you've

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2 answered basically the question that you do  
3 scrutinize, and then I will be prepared to ask you  
4 to give me a written report on what scrutiny and  
5 what evaluation and what research was conducted on  
6 each item in many of the budgets, rather than just,  
7 "Okay, you need it? You got it. As long as you  
8 can stay within these numbers," and you just  
9 mentioned that it's up to the operating  
10 departments, that we have to have the confidence  
11 and trust in them, and I'd like to hope that we  
12 have the confidence and trust.

13 But if a project -- a pet project is  
14 more important than something else, that's going to  
15 stay in, and something more important to the  
16 benefit of the City might be kicked out of the  
17 budget because it can't fit into the numbers that  
18 you've come up with.

19 So, again, I think I know a little bit  
20 how things get in and how things get out, so I'm  
21 going to send to you a list of items, and I would  
22 be appreciative -- I'll send it through the  
23 Chair -- of you explaining how certain things got  
24 in the budget.

25 Thank you.

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MS. DAVIS: Thank you.

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COUNCIL PRESIDENT VERNA: Thank you.

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The Chair recognizes Councilwoman

5 Tasco.

6

COUNCILWOMAN TASCO: I just have a couple of questions.

8

9 In looking at the impact of the DROP Program on the various departments, have you calculated the impact of overtime, particularly in those departments where you don't have staff to probably take up the slack from the loss of personnel?

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14 In years past, we have had a hard time in the City managing overtime. Has that been taken into consideration?

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17 MR. DUBOW: We didn't explicitly build in an overtime number, but when we looked at savings, we didn't include full-year savings, so we built in a little slack.

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21 So, for instance, if people were leaving -- if a department had five people who they were going to lose during the year, we didn't count any savings from those five people until the following year. So there would be some savings

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2 during that year; we didn't count those savings.

3 So that should cover things like if

4 there's a little spike in overtime.

5 COUNCILWOMAN TASC0: In looking at the

6 number of people leaving through the DROP Program,

7 is there a consideration given to fill those

8 much-needed spots right away, or are you going to

9 leave them there to see what the impact will be?

10 MR. DUBOW: Our goal on the positions

11 is to try to fill them immediately.

12 COUNCILWOMAN TASC0: Is there

13 succession planning going on now?

14 MS. DAVIS: Yes, there is. In fact, in

15 my department in the payroll area, we already have

16 a person on board who is preparing and being

17 trained at this time so that there will be a smooth

18 transition, and other departments are doing similar

19 things.

20 COUNCILWOMAN TASC0: I have one last

21 question. On Page 8-21, you list a number of

22 programs that we fund. Could you tell me what --

23 why you gave the It's Your Turn Program \$150,000,

24 when I understand that it's a part of the NTI

25 program?

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3 MS. DAVIS: This was actually done in  
4 FY '01; it is now part of the NTI program. This is  
5 the actual from FY '01, 2001.

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7 COUNCILWOMAN TASC0: So it was an  
8 advance?

9

10 MS. DAVIS: It was funding during that  
11 year for that program. Subsequently, it's been  
12 moved into NTI.

13

14 COUNCILWOMAN TASC0: Thank you very  
15 much, Madam President.

16

17 MS. DAVIS: Thank you.

18

19 COUNCIL PRESIDENT VERA: Thank you.

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21 The Chair recognizes Councilman Ortiz.

22

23 COUNCILMAN ORTIZ: Thank you, Madam

24

25 Chair.

26

27 Director, in Paragraph 5, you have, "In  
28 order to create more opportunity for small and  
29 disadvantaged contractors to compete for City and  
30 private-sector construction work, working with  
31 Procurement and the Minority Business Council and  
32 the Commerce Department," can you tell me what is  
33 going on with that? and how many contractors we  
34 have in the pipeline? and what is going on? and how  
35 much money in contracts have been allotted, if any?

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MS. DAVIS: This program is to be implemented in FY '03, so it's not begun yet. We've done all of the groundwork, we've identified a partner to work with us in providing the training, but it has not begun yet.

COUNCILMAN ORTIZ: And when you say, "providing the training," what does that training consist of?

MS. DAVIS: The training will be on filling out binding applications, on financial bookkeeping, on credit worthiness, on a number of things. And I can get someone from the Risk Management Department up to give you the particulars.

But it's on generally running a business and estimating and all of the things that small businesses and small contractors usually have difficulty with and those things that make it difficult for them to be successful.

COUNCILMAN ORTIZ: You know what concerns me about that? and it sounds very good: That for the last -- ever since MBEC was created, we have had that sort of thing going on, training minority contractors. A lot of them are already

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2 trained, a lot of them have gone through the  
3 process and have those skills that you are  
4 speaking about.

5         So I think we have a pool of  
6 contractors there. And what has happened is that  
7 that pool has not been getting a consistent amount  
8 of the work that is put forward by this Council, by  
9 this city, and that we promote good government and  
10 people's taxes.

11         So do you have a listing of minority  
12 contractors that are already doing the work in  
13 these areas and that we are MBEC providing them  
14 with these contracts? Because they are there; I  
15 can tell you that they are there because I meet  
16 with them.

17         MS. DAVIS: We will get you a list of  
18 those contracts.

19         What this program aims to do is to  
20 provide also binding 90 percent guarantee of the  
21 bonds, because where some of our contractors have  
22 difficulty in is in the bonds.

23         COUNCILMAN ORTIZ: In the bonds,  
24 exactly. That's one of the excuses that is  
25 constantly put forward.

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3 MS. DAVIS: So we're trying to  
4 eliminate one of the excuses by actually providing  
5 and guaranteeing 90 percent of the bond.

6 COUNCILMAN ORTIZ: Thank you, Madam  
7 Chair.

8 MS. DAVIS: Thank you.

9 COUNCIL PRESIDENT VERNA: You're  
10 welcome.

11 I believe Councilman Nutter has a few  
12 more questions.

13 The Chair recognizes Councilman Nutter

14 COUNCILMAN NUTTER: Miss Davis or  
15 Mr. Dubow, how do you make the determination as to  
16 what the revenue estimates are? and who all is  
17 involved in that process?

18 MR. DUBOW: We do a few things in  
19 putting together our revenue estimates: We consult  
20 with economists; we look at trends over the prior  
21 two years; we use our REMI model; we work with  
22 people from the Revenue Department and people from  
23 our office; and, as I said, we usually talk to  
24 economists.

25 COUNCILMAN NUTTER: Who are some of the  
economists that you work with?

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2 MR. DUBOW: We work with the people on  
3 the Mayor's Office Council of Economic Advisers.  
4 COUNCILMAN NUTTER: Okay. And who are  
5 they again?  
6 MR. DUBOW: There is Anthony Santomero,  
7 who's the President of the Local Fed. There's Bob  
8 Inman and William Stull who are --  
9 COUNCILMAN NUTTER: Stull?  
10 MR. DUBOW: Stull, S-T-U-L-L, who are  
11 professors. And there's David L. Cohen  
12 COUNCILMAN NUTTER: Where is Professor  
13 Stull?  
14 MS. DAVIS: Temple  
15 COUNCILMAN NUTTER: He's at Temple,  
16 okay. Inman's at Penn  
17 MR. DUBOW: Yes.  
18 And there's David Cohen and Steven  
19 Saunders, who's a businessman.  
20 COUNCILMAN NUTTER: Okay. And do  
21 they -- in the work they do or provide or the  
22 advice they provide, do they gather information on  
23 their own or do you present them with a wide  
24 variety of documents and information and ask them  
25 to work on it and look it over and put it together

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2 in some way, shape, or form? Or do you present  
3 options or scenarios based on your own research and  
4 information and ask them to --  
5 MR. DUBOW: Whether they're reasonable.  
6 COUNCILMAN NUTTER: Yes. Does this  
7 make sense, is this something we should do, and  
8 that kind of thing?  
9 MR. DUBOW: Yeah, it's the latter.  
10 COUNCILMAN NUTTER: The latter, okay.  
11 So when we say that that group of  
12 people have either recommended something or advised  
13 something, it's not necessarily from their own work  
14 product; it's a product to some extent or some  
15 research or some documentation that has been given  
16 to them with, I'm assuming -- I don't mean to use  
17 the same word twice in a sentence -- but with some  
18 assumptions built into it, and you're then asking  
19 for a review or a look-see, a "does this make  
20 sense?"  
21 MR. DUBOW: Right. We're asking them  
22 to look it over and see whether they think the  
23 assumptions are reasonable and whether they think  
24 the projections are reasonable.  
25 COUNCILMAN NUTTER: Now, how would they

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2 know that? How would they know what was  
3 reasonable?

4 MS. DAVIS: If I might interject. In  
5 some instances, they make their determination of  
6 whether our assumptions are reasonable based on  
7 work that they've done and on their analysis on  
8 where the economy is going to be in, and in the  
9 case of Dr. Inman on some of his work.

10 So they are not taking our assumptions  
11 and just sort of pulling something from the top of  
12 their head. In their areas of expertise, they have  
13 reason to do studies, and their assessment of our  
14 assumptions would be based on that body of  
15 knowledge

16 COUNCILMAN NUTTER: And this is for the  
17 professors in the group: Is this based on recent  
18 and current work, or is this based on slightly -- I  
19 don't want to say "older" -- but less recent work?  
20 I mean, do they take what you give them and then  
21 put it in there kind of magic machine and figure it  
22 all out? Or do they take a look at it, they know  
23 what they've written or said in the past, and see  
24 whether it matches up with the previous writeups?

25 MR. DUBOW: I think it's actually --

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2 it's kind of combination. I think they look at  
3 what we've given them, they probably do some  
4 testing by throwing it in, you know, whatever  
5 models they've developed. So I think it's a  
6 combination of those.

7 And then they, you know, ask us  
8 questions about it, they make us prove that what we  
9 have in there makes sense.

10 COUNCILMAN NUTTER: Okay. What's the  
11 current position of either Finance or the Budget  
12 Bureau as to where we are currently regarding the  
13 recession?

14 MR. DUBOW: I guess most of the reports  
15 that we've seen are that the recessionary --  
16 actually, it's been a wide variety -- ranging from  
17 that the recession's over or to that it will end  
18 sometime in the second quarter of '02. More of  
19 what we've seen and what the plan is really based  
20 on is that it's the second quarter of '02.

21 And I should add, in terms of looking  
22 at the wage tax, that employment gains have lagged  
23 in the recession, I think, by up to a year in most  
24 prior recessions.

25 COUNCILMAN NUTTER: I'm sorry, say that

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2 again?

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4 MR. DUBOW: In other words, a return to  
5 growth in employment lags the end of the recession.  
6 So if the recession ended today, you wouldn't start  
7 to see job growth; it would take maybe a year.

8

9 COUNCILMAN NUTTER: Mm-hmm. So, I  
10 mean, do you agree or disagree with the Conference  
11 Board's determination that the recession has ended?

12

13 MS. DAVIS: I don't think we've seen  
14 the recessions of growth that they usually build  
15 theirs on. We're seeing just moderate improvement.

16

17 So we think that, you know, it will  
18 end -- we're hoping that it will end, and our plan  
19 is predicated on it ending by the second quarter of  
20 the calendar. And our numbers just don't say that  
21 it's over yet.

22

23 MR. DUBOW: And what we've seen in  
24 particular is that the job loss has actually gotten  
25 a little worst in the last couple of months that  
26 we've seen.

27

28 COUNCILMAN NUTTER: What's gotten

29

30 worse?

31

32 MS. DAVIS: Job loss.

33

34 MR. DUBOW: Job loss in Philadelphia

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2 has gotten a little worse, so even if the recession  
3 is over, for us, the job loss is continuing.

4 COUNCILMAN NUTTER: Why is that?

5 MR. DUBOW: Sometimes there's a lag  
6 between when a recession ends and when jobs start  
7 coming back.

8 COUNCILMAN NUTTER: No, I'm sorry, that  
9 wasn't my question. Why do we continue to lose  
10 jobs? Seemingly no matter what happens in the  
11 economy nationally?

12 MR. DUBOW: We actually had a stretch  
13 of -- I'm sorry, you didn't finish your question.

14 COUNCILMAN NUTTER: That's all right.

15 MR. DUBOW: We had a stretch of, I  
16 guess, three years where we were gaining jobs every  
17 quarter from, I think, October '97 until December  
18 2000, when we actually were gaining jobs month  
19 after month.

20 It wasn't until the impact of this  
21 recession started being felt that we started to  
22 lose jobs again.

23 COUNCILMAN NUTTER: Okay. And is it  
24 still your position today that we should maintain  
25 the projected ending in the wage tax cuts and the

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2 acceleration of the gross-receipts tax as outlined  
3 in the plan?  
4 MR. DUBOW: I guess the complete answer  
5 to that question is, we're studying the ordinance  
6 that was introduced last week.  
7 COUNCILMAN NUTTER: I didn't ask about  
8 the ordinance.  
9 MR. DUBOW: Well, until we've studied  
10 it, I mean, that has some interesting ideas.  
11 COUNCILMAN NUTTER: Forget about the  
12 ordinance.  
13 MR. DUBOW: Okay.  
14 COUNCILMAN NUTTER: Act like it wasn't  
15 there.  
16 MR. DUBOW: Absent that ordinance, yes.  
17 MS. DAVIS: If that's in another source  
18 for \$50 million in the plan, then we would have to  
19 say yes.  
20 COUNCILMAN NUTTER: You would have to  
21 say?  
22 MS. DAVIS: That we're for continuing  
23 what we proposed.  
24 COUNCILMAN NUTTER: Okay.  
25 MS. DAVIS: There's a \$50 million gap

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2 in the plan.

3 COUNCILMAN NUTTER: Notwithstanding  
4 your own expectation and, as you testified earlier,  
5 that the recession has either ended or going to end  
6 in the second quarter based on all of the  
7 information you have now.

8 MR. DUBOW: Right.

9 MS. DAVIS: That's what our plan  
10 anticipates.

11 MR. DUBOW: Yeah.

12 COUNCILMAN NUTTER: All right. Let me  
13 lastly go to an issue that was raised a couple  
14 weeks ago with regard to the proposed shift in  
15 real-estate tax millage. We had some conversation,  
16 I think, in Fiscal Stability about the proposal to,  
17 in essence, lower the City rate, increase the  
18 School District rate in the anticipation of  
19 shifting over, I think, what amounts to  
20 \$25 million, and we had some back-and-forth about  
21 the timing of that, the impact of when certain  
22 things happen, you get relief from the State, if  
23 you don't get relief from the State, we were kind  
24 of left at a standstill at that moment and we were  
25 going to seek legal advice about that.

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2           That has come in, or came in, as a part  
3 of last week's answer package. I think the answer  
4 from the Solicitor is, Yes, it's illegal to do it,  
5 but we don't anticipate that scenario happening  
6 because of this June 28, 2002 certification  
7 scenario, which, I guess, we didn't know a couple  
8 weeks ago at the time of the question.

9           Let me ask this question: If we pass  
10 the tax bills as outlined, including the back-stop  
11 provision about June 28th, we have certain revenue  
12 estimates associated with that particular decision  
13 on the shift in revenues; is that correct?

14           MR. DUBOW: Yes, that's correct.

15           COUNCILMAN NUTTER: And let's say the  
16 bill passes.

17           MR. DUBOW: Shifting the millage.

18           COUNCILMAN NUTTER: Shifting the  
19 millage. And let's say that the Solicitor does not  
20 make the certification because relief does not  
21 happen from Harrisburg. On July 1, 2002, is the  
22 budget then in balance or out of balance?

23           MR. DUBOW: At that point -- the  
24 Councilman's answering (referring to another  
25 Councilmember speaking off-mic.)

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2 COUNCILMAN NUTTER: I didn't get it.  
3 MR. DUBOW: We would be projecting  
4 revenues that were in excess of the revenues that  
5 were included in the plan.  
6 COUNCILMAN NUTTER: I understand that.  
7 Would you like to translate that answer into  
8 English?  
9 MR. DUBOW: Well --  
10 COUNCILMAN NUTTER: Would the budget be  
11 in balance or out of balance?  
12 MR. DUBOW: If everything else were  
13 equal, there would be a \$25 million surplus.  
14 COUNCILMAN NUTTER: And if I had a  
15 million dollars, I'd be a millionaire. So what?  
16 MR. DUBOW: Well, I have to say yes  
17 because by July 1st, a number of things, I'm sure,  
18 will have changed. I mean, the budget is what our  
19 projections are at the time that it was passed, but  
20 by the time the fiscal year starts, you know,  
21 things change.  
22 COUNCILMAN NUTTER: I understand that.  
23 Let me go back to the original question: Is the  
24 budget in balance out of balance based on --  
25 MS. DAVIS: You would have passed a

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2 balanced budget, but it would be out of balance at  
3 that point, with a surplus of \$25 million.  
4 MR. DUBOW: Unless the expenditures  
5 change.  
6 MS. DAVIS: Unless the expenditures  
7 change.  
8 COUNCILMAN NUTTER: Then what?  
9 COUNCILMAN ORTIZ: Point of  
10 clarification.  
11 COUNCILMAN NUTTER: Yes.  
12 COUNCIL PRESIDENT VERNA: Councilman  
13 Ortiz?  
14 COUNCILMAN ORTIZ: Would that be legal?  
15 MS. DAVIS: You would have passed a  
16 balanced budget, and that's what's required.  
17 COUNCILMAN ORTIZ: But would we have  
18 passed a balanced budget?  
19 MS. DAVIS: It would have been balanced  
20 at that point because it would have been based on  
21 the estimates that --  
22 COUNCILMAN NUTTER: No, I think  
23 actually on June 29th, the budget is out of  
24 balance, isn't it?  
25 MS. DAVIS: The requirement is that the

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2 balance budget be balanced when it's passed.

3 MR. DUBOW: Right.

4 COUNCILMAN ORTIZ: I'm just concerned

5 about our actions here, whether we'd be doing a  
6 legal or an illegal action in passing an unbalanced  
7 budget.

8 MS. DAVIS: At the point you vote on  
9 it, it would be balanced. Again, we'd have to ask  
10 the Law Department

11 COUNCILMAN NUTTER: And at a subsequent  
12 point in the same fiscal year, it would go out of  
13 balance, and it would definitely be out of balance  
14 on July 1. So then my next question is: Then what  
15 happens?

16 MS. DAVIS: We'll have to ask for  
17 assistance from (indiscernible) --

18 COUNCILMAN NUTTER: Oh, Miss Davis  
19 don't start that with me.

20 MS. DAVIS: I'm an accountant, a pearl  
21 of an accountant.

22 COUNCILMAN NUTTER: Don't underestimate  
23 your own skills; I know you better than that.

24 COUNCILMAN ORTIZ: Councilman?

25 COUNCILMAN NUTTER: Yes.

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2 COUNCILMAN ORTIZ: Wouldn't we then be  
3 required to legislate on a tax afterwards, after we  
4 have passed the budget?  
5 COUNCILMAN NUTTER: No. I think the  
6 first part of that question has now been answered.  
7 There's a provision in the bill that says if we  
8 don't get the relief that we're seeking based on  
9 maintenance of effort caused by Act 46 --  
10 COUNCILMAN ORTIZ: It shifts back.  
11 COUNCILMAN NUTTER: -- the original  
12 rates would go back into place. The problem is  
13 that --  
14 COUNCILMAN ORTIZ: Would that be a tax  
15 increase on our part?  
16 COUNCILMAN NUTTER: No, because on June  
17 29th, they would shift back to what they were, and  
18 those rates would not go into effect on July 1. So  
19 you actually would not have experienced the shift.  
20 The problem is, the budget is based on  
21 certain revenue assumptions, including the shift in  
22 the millage. If that does not happen, on June  
23 29th, the budget is then out of balance.  
24 The question is, can you have a budget  
25 that we already passed on one date and then assume

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2       sometime in the March-April time period, the  
3       Finance Director says, Yes, you passed a balanced  
4       budget. By a subsequent act, the budget goes out  
5       of balance and we go into the next fiscal year.  
6       My question was: Then what happens?  
7       Do we have to come back in an emergency session and  
8       rebalance?  
9       MS. DAVIS: We'll --  
10       COUNCILMAN NUTTER: Or what other  
11       implications does this bring about?  
12       MS. DAVIS: We'll seek some further  
13       assistance on that question.  
14       COUNCILMAN NUTTER: Okay. Thank you  
15       very much.  
16       Thank you, Madam President.  
17       COUNCIL PRESIDENT Verna: Thank you.  
18       The Chair recognizes Councilman  
19       DiCicco.  
20       COUNCILMAN DICICCO: Thank you, Madam  
21       President.  
22       I just had a question. I was sitting  
23       here thinking about attack on 9/11 and the impact  
24       it has had on airports throughout the country, and  
25       obviously in Philadelphia International, and one of

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2 the revenue sources that we were looking to fund  
3 stadiums with was the automobile rental tax.

4 What, if any, effect has that had on us  
5 to date?

6 MR. DUBOW: The car-rental tax revenues  
7 were lower a couple of months after the attack.  
8 They had actually been higher -- they had been up  
9 earlier in the year and then they were down after  
10 those two months, and we'll probably have to wait  
11 and see what that does in the long term and see  
12 whether it straightens itself out.

13 COUNCILMAN DICICCO: But if it's down  
14 below whatever our projections were, I don't  
15 recall -- I mean, did we have a specific number we  
16 were looking at when we spoke about stadium  
17 financing and that portion of it?

18 MR. DUBOW: We did. There was a  
19 successful of projections for what we get out of  
20 the car-rental tax.

21 COUNCILMAN DICICCO: And if for some  
22 reason -- and I'm hoping it doesn't happen -- that  
23 just don't make those revenues, at least as it  
24 relates to the -- pertains to the automobile  
25 rental, do we have to make that up out of the

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2 General Fund?

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MR. DUBOW: Yes.

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5 any -- I supported stadiums, I think, from day one,  
6 but I know there was a concern that some of the  
7 rental companies might consider moving out of  
8 Philadelphia because they would save money. I  
9 never believed that to happen, but also, I was not  
10 anticipating 9/11.

11

12 Because of the close proximity of some  
13 of these rental agencies as they relate to airport  
14 facilities, has there been any discussion about  
15 relocating them, at least for security purposes?

16

MS. DAVIS: Not any that I'm aware of.

17

18 COUNCILMAN DICICCO: All right, thank  
19 you. I don't have any further questions right now.  
20 Thank you, Madam Chair.

21

22 COUNCIL PRESIDENT Verna: Thank you.  
23 Councilman Ortiz, did you want to be  
24 recognized?

25

COUNCILMAN ORTIZ: Yes. Thank you,

Madam Chair.

In your testimony when you list the

seven divisions that are under the command and the

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2 direction of the Finance Director, and you have the  
3 Office of Management and Productivity, I asked a  
4 question the other day of Mr. Dubow in terms of  
5 City staffing over the last ten years and the  
6 aberrant impression that it has not gone down but  
7 it has actually gone up.

8 And I'd like for you to perhaps give us  
9 in terms of the Office of Management and  
10 Productivity how we're doing by departments, what  
11 is the level of staffing, why -- again, the reasons  
12 why the level of staffing has not gone down, and an  
13 explanation sustaining why that has happened, and  
14 clarification along why is that with 500,000 less  
15 individuals residing in the City of Philadelphia,  
16 we have increased the staffing of City employees.

17 MR. DUBOW: And we will give you that.  
18 As has been promised, we will give you that  
19 detailed response.

20 I mean, in general, where we're seeing  
21 the increases are in social-service areas, in  
22 county areas, and it has to do with the population  
23 that's still here and the needs of that population.  
24 And to a large extent, those employment levels are,  
25 you know, dictated by things like mandated case

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2 ratios in the Department of Human Services or, you  
3 know, in the posting at the prisons.

4           So we'll get you that detail, but  
5 that's where the bulk of the increases are.

6           And if you look at the other  
7 departments in the City government, their  
8 employment levels have actually gone down over  
9 time.

10           COUNCILMAN ORTIZ: I would like to see  
11 that in terms and how the personnel has been  
12 distributed across the board.

13           You also state in terms of Worker's  
14 Compensation -- how much money have we spent in  
15 terms of Worker's Compensation during the last  
16 fiscal year, and what is the projected increase in  
17 that and why?

18           MS. DAVIS: Risk Management will be  
19 coming up.

20           (Witness comes forward.)

21           MR. PERRELLO: Good morning. My name  
22 is Joseph R. Perrello, Deputy Finance Director for  
23 Risk Management.

24           At Fiscal 2001, the amount spent for  
25 Worker's Compensation was a total of approximately

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2 \$29 million for both indemnity payments to  
3 employees with total disability and medical  
4 payments for their care, as well as expenses to  
5 handle the cases.

6 COUNCILMAN ORTIZ: How many of those  
7 were challenged and litigated?

8 MR. PERRELLO: We'll have to get you  
9 that information.

10 COUNCILMAN ORTIZ: Okay. So what is  
11 going to be the increased -- projected increase  
12 this year in terms of millions of dollars?

13 MR. PERRELLO: We hope to hold the  
14 costs at a level basis. We're not looking for much  
15 of an increase in the cost of Worker's  
16 Compensation.

17 COUNCILMAN ORTIZ: Is that realistic?

18 MR. PERRELLO: We believe it is. We  
19 believe that we have proactive medical case  
20 management, and that if we do the RFP to do a  
21 direct relationship for medical care, that we can  
22 actually have a positive impact on the quality of  
23 medical care, which will actually reduce the cost  
24 of Worker's Compensation.

25 COUNCILMAN ORTIZ: Historically, have

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2 you been able to hold the costs from year to year?

3 MR. PERRELLO: Yes, we have. Yes, we  
4 have.

5 I mean, as Miss Davis stated earlier,  
6 where the statewide costs have been going up an  
7 average of 24 percent, we've been able to keep ours  
8 down to only about a 7 percent increase.

9 COUNCILMAN ORTIZ: Thank you.

10 MR. PERRELLO: You're welcome.

11 COUNCILMAN ORTIZ: Mr. Dubow, you  
12 stated that we have experienced job loss since the  
13 year 2000. How many jobs have we lost during those  
14 two years?

15 MR. DUBOW: I think we've lost around  
16 2,000 jobs.

17 COUNCILMAN ORTIZ: In what areas?

18 MR. DUBOW: I can get you detail, I  
19 mean, exactly on what industries have seen the  
20 loss.

21 COUNCILMAN ORTIZ: And you said we  
22 gained from '97 to 2000, we gained some.

23 MR. DUBOW: Mm-hmm.

24 COUNCILMAN ORTIZ: How many jobs did we  
25 gain, and what were the areas of jobs that we have

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2 gained? Were they all in the hospital industry?

3 MR. DUBOW: I'll have to get you

4 details, but I think we've also had strength in the

5 health-care industry, but I'll get you the details.

6 I don't want to give you bad information here.

7 COUNCILMAN ORTIZ: No, we don't want

8 bad information.

9 I was reading Andrew Cassel, I think,

10 this weekend, who stated that most of the leases of

11 office buildings, in Center City specifically, were

12 coming up for renewal. This is -- these are the

13 businesses that we would hate to lose to the

14 suburban counties in terms of -- and that in

15 essence, what is our policy in terms of addressing

16 this, because if we don't have a policy, a lot of

17 those offices and corporations will be moving to

18 Montgomery County. And what is our intelligence,

19 what is it -- what are we hearing?

20 MS. DAVIS: Our Commerce Director is,

21 in fact, actively engaged in meeting with all of

22 those whose leases are coming up for renewal within

23 the next year, two years, three years, and has a

24 program designed to hold these people in

25 Philadelphia.

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2 COUNCILMAN ORTIZ: What is that

3 program? Do we have --

4 MS. DAVIS: I don't have it. We'll get  
5 the information for you. The Commerce Department  
6 is handling that.

7 COUNCILMAN ORTIZ: Do we have a list of  
8 those individuals, corporations, and the total  
9 number of jobs that are involved?

10 MS. DAVIS: We'll get that.

11 COUNCILMAN ORTIZ: You will get that?

12 MS. DAVIS: Yes, we will.

13 COUNCILMAN ORTIZ: And with the wage  
14 tax and the freezing of the wage tax and impact on  
15 whether a corporation decides to stay or not stay,  
16 I mean, how do we gauge that? Mr. Dubow?

17 In conversations that I've had with  
18 corporate sectors, they say that that is one of the  
19 big reasons why they would consider moving outside  
20 of Center City.

21 MR. DUBOW: I think probably the  
22 overall tax burden is part of what they're looking  
23 at, and our plan to address that was going after  
24 the gross-receipts tax, which also is a tax that  
25 businesses have said drags them out of the City.

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2 COUNCILMAN ORTIZ: Okay, Madam Chair.

3 I have no further questions.

4 COUNCIL PRESIDENT VERNA: Okay, thank

5 you.

6 The Chair recognizes Councilman Clarke.

7 COUNCILMAN CLARKE: Thank you, Madam

8 Chair. I just have a brief question.

9 It's my understanding that in the last  
10 several years as a result of the substantial  
11 construction that's been taking place in the City  
12 of Philadelphia, that we've been able to sustain a  
13 high rate of revenue associated with wage taxes,  
14 stadiums, the hotel industry, the Visitors Center.  
15 At some point, they obviously will come to an end.

16 Do you anticipate us being able to  
17 sustain that level of construction, or do you see  
18 that on the horizon? Because it's clear that if  
19 that stops, based on the information I've got,  
20 we're going to have a serious dip in our revenue  
21 and wage taxes as it relates to relatively  
22 high-paying jobs.

23 Have we done analysis on, one, if in  
24 fact that's going to continue; and, B, if that  
25 doesn't continue, what impact will that have on the

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2 City?

3 MR. DUBOW: No, we haven't done that  
4 analysis, but it's a good point. I mean, there are  
5 a number of big projects going on, including the  
6 stadiums, and the construction industry's been  
7 really strong, so we can look at that and get back  
8 to you.

9 COUNCILMAN CLARKE: Can we -- when you  
10 say you haven't look at, meaning that you haven't  
11 done the analysis on the impact if that stops?

12 MR. DUBOW: That's correct.

13 COUNCILMAN CLARKE: Have you had  
14 discussions about making sure that it continues,  
15 wherever it be -- under NTI or be it on the  
16 waterfront development? Or is it just, Well, this  
17 it happens if it happens? I mean, is that an  
18 argument for a Convention Center expansion and --

19 MR. DUBOW: Yes.

20 MS. DAVIS: There are a number of  
21 public-work projects that would contribute  
22 significantly to ensuring that the wage tax stays  
23 at the level that we are seeing now.

24 Those that you mentioned -- the  
25 Convention Center expansion, the Penn's Landing

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2 project, NTI -- just to name the three primary.  
3 COUNCILMAN CLARKE: And that will allow  
4 us to sustain our level to some degree?  
5 MS. DAVIS: Our wage tax, yes.  
6 COUNCILMAN CLARKE: Okay. See, I had  
7 to ask that question and the answer is, That's not  
8 right.  
9 MR. DUBOW: That's not right.  
10 MS. DAVIS: Thanks for your help.  
11 COUNCILMAN CLARKE: All right, thank  
12 you.  
13 Thank you, Madam Chair.  
14 COUNCIL PRESIDENT VERNA: The Chair  
15 recognizes Councilman Rizzo.  
16 COUNCILMAN RIZZO: Thank you, Madam  
17 Chair.  
18 I have a question for Risk  
19 Management -- maybe you can answer the question or  
20 they can come up and speak for themselves.  
21 Where can we get the information on the  
22 annual budget for Risk Management, what they spend  
23 on hotels and relocation expenses? Where can we  
24 get a detail of in the calendar year 2001 of all of  
25 the money that was spent by Risk Management in the

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2 area of dealing with claims, payoff for suits  
3 against the City of Philadelphia?  
4 Is there one document available to the  
5 Council detailing how much money we spent?  
6 MS. DAVIS: We'll have to provide that  
7 to you. It's not in one place.  
8 COUNCILMAN RIZZO: Say that again?  
9 MS. DAVIS: We'll provide that to you.  
10 It's not in one report.  
11 COUNCILMAN RIZZO: But short from  
12 asking, wouldn't normally you think that an  
13 organization like Risk Management, we would have a  
14 document we could point to? Is there a document  
15 already prepared showing how much we spent here and  
16 how much we spent there?  
17 MR. PERRELLO: Councilman Rizzo, Joe  
18 Perrello again from Risk Management.  
19 We do have documents like that, and we  
20 can forward them to you, yes.  
21 COUNCILMAN RIZZO: But isn't that a  
22 public document? Shouldn't that be something that  
23 would be relatively available without needing to  
24 pull something like that together? Or are you  
25 telling me, It's just there and it's not here?

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2 MR. PERRELLO: It's part of our  
3 indemnities budget, which we share with the Law  
4 Department.  
5 COUNCILMAN RIZZO: Just the Law  
6 Department  
7 MR. PERRELLO: Yes, and we can make  
8 that available to you, yes.  
9 COUNCILMAN RIZZO: Don't you think that  
10 would be an interesting document to give to the  
11 Council for the budget process each year?  
12 MR. PERRELLO: Yes. If you want to  
13 have it, we could --  
14 COUNCILMAN RIZZO: Well, I'm not  
15 speaking for the Council, but I'm just saying that  
16 I think I'd be interested to see it.  
17 Could you just tell me how much money  
18 you spent last year in Risk Management excluding  
19 salaries?  
20 MR. PERRELLO: We --  
21 COUNCILMAN RIZZO: On settlements,  
22 relocation expenses, you name it, all of the things  
23 that you do.  
24 And by the way, I think your crew does  
25 a good job. The few things that I've been involved

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2 with, the problems with the sinking homes and --  
3 what's the name of that street?  
4 MR. PERRELLO: Daggett Street.  
5 COUNCILMAN RIZZO: Daggett Street, that  
6 things work well.  
7 But I'd just be curious to see how much  
8 money we spend, and are we getting good deals when  
9 we relocate people? are we using this money as  
10 effectively as possible?  
11 MR. PERRELLO: Well --  
12 COUNCILMAN RIZZO: So I'd like to see  
13 exactly how we're spending some of that money.  
14 MR. PERRELLO: Well, thank you very  
15 much, first of all, for your positive comments, and  
16 we will break down by area of the City where we  
17 spent the money on relocation and on --  
18 COUNCILMAN RIZZO: That leads me to --  
19 I would like to make a recommendation to the  
20 Finance Director that Risk Management and Fleet  
21 Management start working a bit closer in the area  
22 of driver management to making sure that people  
23 don't have suspended licenses, making sure that  
24 people know how to drive a City vehicle.  
25 I mean, again, hearing about -- hearing

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2 stories where people come to the employ of the  
3 City, that they've never had a driver's license,  
4 have never driven a driven a vehicle, but the  
5 prerequisite for getting a job here is to get a  
6 quick course, get up to the testing center, get a  
7 driver's license.  
8           Again, coming from the corporate world,  
9 and I think that's given me good experience -- I've  
10 not been involved in government my entire life, but  
11 most major corporations have a driver testing  
12 program, they have a computer-aided -- they have  
13 computer support, where if a person loses their  
14 driver's license or gets points associated, that  
15 their employer can detect that information; that  
16 after a vehicle accident, that they sit down as a  
17 group and review the vehicle accident: Was it  
18 responsible, was it not responsible; recognition  
19 programs where people that drive vehicles for 10,  
20 15, 20 years without a responsible accident are  
21 recognized for that; that if a person has had 20  
22 fender-benders in five years, that they also be  
23 dealt with, retrained, see if there's special  
24 equipment.  
25           I see very little interaction -- I know

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2 the Streets Department for some of the big  
3 equipment have their own in-house training, but I  
4 would like to see Risk Management and Fleet  
5 Management become more involved and more  
6 responsible for who drives, how they're driven  
7 City-owned vehicles. As you know, it's a big  
8 exposure, and we probably spend a lot of money -- I  
9 think I'm going to be surprised on the dollar  
10 amount on settlements that we make, and that will  
11 be included in there, the settlements we make for  
12 being self-insured.

13 We have a tendency, because we're  
14 self-insured that even a minor fender-bender -- I  
15 get reports from the National Transportation  
16 Association where they point towards certain  
17 vehicles that if involved in a vehicle accidents,  
18 are very, very expensive to repair.

19 We're self-insured; every time we have  
20 a minor accident, we have to pay for the repair of  
21 that vehicle. Fleet Management and Risk Management  
22 should be working to make sure if we have a vehicle  
23 that you hit going 5 miles an hour, that it  
24 requires \$5,000 worth of damages, we shouldn't be  
25 buying that vehicle; we should be looking at

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2 something else.  
3         So, again, I'd like to make a  
4 recommendation that Risk Management, Fleet  
5 Management -- and if it's a matter of money to make  
6 that work, that this is the time that we should be  
7 talking about that to make sure that the people  
8 that drive City vehicles -- we just had a situation  
9 where a person was involved in an accident that  
10 didn't have a driver's license. As the employer,  
11 we should know who has driver's licenses and who  
12 doesn't have driver's licenses.  
13         MR. PERRELLO: Councilman, thank you  
14 for your support on this. One of our initiatives  
15 for FY '03 is to work with the Fleet Department; in  
16 fact, we're working with them now on a safe-driver  
17 program, and we're working on a manual right now  
18 for that.  
19         COUNCILMAN RIZZO: Streets or Fleet?  
20         MR. PERRELLO: Fleet.  
21         COUNCILMAN RIZZO: Fleet Management?  
22         MR. PERRELLO: Fleet Management, yes,  
23 sir.  
24         COUNCILMAN RIZZO: Okay.  
25         MR. PERRELLO: And we also do have a

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2 driver license recognition program, and we're  
3 working to enhance that as well.  
4 COUNCILMAN NUTTER: I know I've talked  
5 to -- since this one accident that just recently  
6 occurred, people tell me that operate large fleets  
7 that they have a service that if any of your  
8 employees get points, that information is forwarded  
9 to them, and the employee signs off and says, you  
10 know, that's appropriate for you to have. If an  
11 employee off-hours is arrested for DUI, that  
12 information eventually gets to the employer so  
13 that an employee can't continue to drive a vehicle  
14 that isn't licensed to do so.  
15 MR. PERRELLO: That's correct.  
16 COUNCILMAN RIZZO: Thank you, Madam  
17 Chair.  
18 COUNCIL PRESIDENT Verna: Thank you.  
19 Are there any other questions from  
20 members of the committee?  
21 (No further questions.)  
22 COUNCIL PRESIDENT Verna: Thank you  
23 very much.  
24 MS. DAVIS: Thank you.  
25 COUNCIL PRESIDENT Verna: The next

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2 department to testify is the Revenue Department.

3 (Witnesses come forward.)

4 COUNCIL PRESIDENT Verna: Good morning.

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

7 MS. KAMMERDEINER: Good morning,

8 President Verna and members of City Council. I'm  
9 Nancy Kammerdeiner, Revenue Commissioner. With me  
10 this morning is Denise Garrett, Chief of the Water  
11 Revenue Bureau.

12 We are pleased to be with you today to  
13 discuss the proposed FY '03 budgets for the  
14 Department of Revenue and the Water Revenue Bureau.

15 I will first highlight some of the key  
16 features of the Operating Budget request for the  
17 tax side of the operation and some of the recent  
18 accomplishments of the Department. Denise Garrett  
19 will follow with testimony about the Water Revenue  
20 Bureau.

21 I believe you have our written  
22 testimony, so we'll keep our remarks brief and then  
23 be available for questions. The Department of  
24 Revenue requests appropriations from both the  
25 General Fund and the Water Fund.

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3           The FY '03 General Fund appropriation  
4 request totals \$17,471,986, with \$13,039,112 of  
5 this in Class 100. This is an increase of \$249,872  
6 from FY '02 estimated obligations, and this  
7 increase will cover negotiated wage increases.  
8 These funds will support 316 full-time and 5  
9 part-time positions.

10           In addition, the Department's  
11 requesting \$4,056,387 in Class 200 and \$846,487 in  
12 Classes 3 and 400. These amounts are unchanged  
13 from FY '02 estimated obligations.

14           In the Water Fund, the FY '03  
15 appropriation request totals \$1,773,503. Of this  
16 amount, \$1,547,848 is in Class 100 to support 44  
17 full-time positions in Payment Processing and in  
18 the outgoing-mail center. This is an increase of  
19 \$49,757 from FY '02 estimated obligations. And, as  
20 in the General Fund, these increases go to support  
21 negotiated wage increases.

22           We're also requesting \$177,255 for  
23 Class 200 and \$48,400 for Classes 3 and 400 for the  
24 Water Fund.

25           The Department of Revenue is committed  
to supporting the Mayor Street's objective to

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2 maintain the City's fiscal health during difficult  
3 economic times. We continue to seek ways to  
4 increase collections while reducing the internal  
5 costs of collection.

6         Computer matching remains an important  
7 tool to identify those who should be filing and  
8 paying City taxes but are not.

9         Several discovery projects have been  
10 underway during FY '02, including the use of  
11 Internal Revenue Service data in order to identify  
12 those who should be paying school income tax and/or  
13 should be paying business-privilege and net-profits  
14 taxes. We've also been attempting to identify  
15 Philadelphia residents whose non-Pennsylvania  
16 employers do not withhold wage tax.

17         These discovery projects have resulted  
18 in assessments totaling approximately \$2.5 million  
19 so far this fiscal year.

20         We also continue to enhance our  
21 consolidated Taxpayer Information Processing System  
22 (TIPS). This year, a new settlement module  
23 replaced the old process, and a new refund module  
24 will be implemented this spring. This new refund  
25 module will support the implementation of an

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2 interactive voice response, or IVR, application  
3 that's planned for FY '03 that will taxpayers to  
4 obtain information on the status of their refund  
5 applications by phone, without having to talk to a  
6 representative.

7         The upcoming merger of the real-estate  
8 tax into TIPS will complete the integration of the  
9 major taxes into this one system.

10         We've also focused our attention on  
11 increasing the use of the Internet and electronic  
12 funds transfers. All the forms that are now mailed  
13 out can be downloaded from the Web. We also have  
14 the business-privilege tax regulations, and we're  
15 about to add some other regulations to the Web.

16         Our Plain Talk Tax Guide, which many of  
17 you have seen -- we distributed some copies to  
18 members of Council a week or so ago -- is also  
19 available on the Web.

20         We look forward to the day, which,  
21 hopefully, will be in the very near future, of  
22 being able to have people file on line. We're  
23 working with the Mayor's Office of Information  
24 Services to make this happen as soon as possible.

25         In addition to improving services

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2 through technological changes, we've been working  
3 in other ways to reduce telephone and walk-in  
4 waiting times, to increase telephone-answer rates,  
5 and reduce the time it takes to answer  
6 correspondence.

7         We also endeavor to improve the  
8 maintenance of correct addresses for taxpayers and  
9 to update and improve the information that's  
10 available on the system about our taxpayers.

11         Among other things, we've been updating  
12 business location information and replacing the  
13 standard industry classification codes with the new  
14 more comprehensive North American industry  
15 classification system codes that have been  
16 referenced in some pieces of legislation from this  
17 body in recent years.

18         These improvements to the tax base will  
19 enhance our ability to analyze and forecast tax  
20 revenues by location and by industry, and will help  
21 us to improve enforcement capabilities.

22         Our department's technical staff is  
23 regularly engaged in outreach efforts that are  
24 designed to increase the knowledge of City taxes  
25 and to provide direct assistance to taxpayers.

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This is just a highlight of a few of the activities that are going on in the Department of Revenue, and we hope that this will give you some idea of the activities we're engaged in.

Denise Garrett will now review some of the activities of the Water Revenue Bureau and the remainder of the Water Fund budget. And then, of course, we'll both be available for questions.

COUNCIL PRESIDENT Verna: Thank you.

Miss Garrett?

MS. GARRETT: Thank you. Good morning, Council President Verna and members of City Council. I am Denise Garrett, Chief of the Water Revenue Bureau, and I thank you for the opportunity to present testimony on the Water Revenue Bureau's Operating Budget request for Fiscal Year '03.

The Bureau's request for a Water Fund allocation \$16,791,651 in its Fiscal Year Operating Budget request, with \$9,402,619 for Class 100; \$6,574,858 for Class 200; an \$804,674 for Classes 300 and 400. This request is a decrease of \$347,526 below our Fiscal Year '02 estimated obligations.

The Water Revenue Bureau's responsible

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1  
2 for providing accurate billing and timely  
3 collections of water and sewer charges to customers  
4 of the Philadelphia Water Department. The Bureau  
5 has undertaken many initiatives over the years  
6 aimed toward enhancing services and increasing  
7 revenues.

8         To highlight some of those initiatives,  
9 the successful automatic meter-reading project,  
10 completed in 1999, has facilitated a reduction in  
11 theft services and improvements in collections.  
12 The incidence of theft of service after termination  
13 for non-payment has been drastically reduced.

14         In Fiscal Year '97, 55 percent of  
15 customers restored their own service, compared to  
16 18 percent in Fiscal Year '01. The current trend  
17 indicates a continuous reduction of 14 percent.

18         Prior to AMR, approximately 13.25  
19 percent of monthly bills were based on actual  
20 readings. In Fiscal Year '01, more than 80 percent  
21 of our bills were based on actual readings with  
22 AMR. The accuracy of bills inspires public  
23 confidence in charges for service and increases the  
24 likelihood of timely payment.

25         The current collections rate is the

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2 measure that determines the extent of customers who  
3 pay within 30 to 120 days. In Fiscal Year '01,  
4 87.6 percent of customers paid within that time  
5 period. The Fiscal Year '02 projection is steady  
6 at 87.5 percent.

7         After many years of growth, in Fiscal  
8 Year '98, the receivables balance in the Water Fund  
9 began to decline. By Fiscal Year '02, balances  
10 were down from \$150,480,413 to \$121,579,138, a  
11 reduction of approximately 20 percent by Fiscal  
12 Year '00.

13         Fiscal Year '02 accounts receivable are  
14 projected to be \$124 million approximately, and  
15 \$126 million is projected for Fiscal Year '02.  
16 This is a slight increase of 1.9 percent and  
17 1.5 percent.

18         The Water Revenue Bureau has introduced  
19 several bill payment programs over the years to  
20 facilitate easy payment and reduce delinquencies.  
21 Our plan in Fiscal Year '02 is to introduce bill  
22 payment via the web as well as Internet and  
23 telephone access to customer billing information.

24         In Fiscal Year '02, we anticipate  
25 declines in overall collections due primarily to

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2 declining consumption, as well as a decrease in the  
3 number of all but the hard-core delinquent  
4 accounts. As a result, our projections for Fiscal  
5 Year '02 are \$312.9 million.  
6       Fiscal Year '03 revenue collections,  
7 with a full year of a rate increase effective July  
8 1, 2002, are projected to be \$337.3 million.  
9       Since the inception of our collection  
10 agency programs in Fiscal Year '92, we have  
11 expanded to include many types of delinquent  
12 accounts in our general collection programs. In  
13 Fiscal Year '95, we instituted a collection  
14 enforcement program targeting owners of  
15 multiple-unit apart buildings, single-unit  
16 tenant-occupied properties, and subsequently  
17 combined commercial/residential tenant-occupied  
18 properties. The programs have been very  
19 successful, but after so many years of working the  
20 accounts, we are now down to the most recalcitrant  
21 delinquent customers that require more stringent  
22 measures to generate revenue.  
23       We project collections from this group  
24 to decline in Fiscal Year '03 to 9.9 million. In  
25 Fiscal Year '02, our year-to-date collections from

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2 this group is 8.7 million, which is slightly higher  
3 than our Fiscal Year '02 collections of 8.5 million  
4 for the same period. However, because the  
5 remaining accounts are so hard to collect, we do  
6 not expect to maintain this level of collection  
7 beyond Fiscal Year '02.

8

9 Our strategy to match the FY '03  
10 projected shortfall is to increase referrals to the  
11 Law Department and outside counsel for prosecution,  
12 since indications are that collections continue to  
13 be strong in this area.

13

14 In the last four years. The Water  
15 Revenue Bureau has put tremendous effort into  
16 cleansing customer information in our database and  
17 enhancing the billing application platform to  
18 prepare for more advanced software and hardware  
19 products available in the industry.

19

20 We recently became part of a citywide  
21 effort to automate and create online municipal  
22 public services applications, called the "Customer  
23 Information Work Management System." The  
24 multi-year project will give customers the expanded  
25 self-help services via the Web and telephone  
26 systems while providing extensive online access to

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2 information and data tools for employees.

3         In Fiscal Year '00, the Water Revenue  
4 and Water Department consolidated its call-center  
5 operations to create a seamless and efficient  
6 interface with customers. The project is geared to  
7 cross-training employees to handle call volume  
8 overflows, but it still does not fully meet the  
9 customers' needs.

10         Cross-training has allowed for overflow  
11 during busy periods, but work-flow management tools  
12 are needed to direct calls to personnel with  
13 appropriate skill levels to assist customers  
14 effectively. In addition, self-help systems are  
15 needed to offload activity that does not require  
16 representative contact.

17         Finally, tracking information and  
18 consolidating duplicate requests is critical to  
19 effectively manager citizen customer interaction  
20 and control cost of operations. The Customer  
21 Information Work Management System will provide  
22 tools necessary to achieve these objectives.

23         Water Revenue continues to support  
24 low-income and senior citizen assistance programs.  
25 The Water Department Grant Credit Program provides

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2 up to \$200 in direct credit to assist customers  
3 with water bills. Seniors who qualify financially  
4 can receive credit of 25 percent of their total  
5 water and sewer bill.

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7 Last year, we piloted a program to  
8 extend the assistance to customers who are at or  
9 above 175 percent of the poverty level in order to  
10 accommodate welfare-to-work recipients who may be  
11 just over the line of eligibility.

12

13 During Fiscal Year '00, we provided  
14 assistance of \$496,042 to 6,959 low-income  
15 households and 41,198 senior citizens. We will  
16 provide grant credits totaling 1.8 million to  
17 10,000 low-income customers and 37,000 senior  
18 citizens by the end of Fiscal Year '02. Our  
19 projection for Fiscal Year '03 is to provide  
20 2 million in grant credits to approximately 10,000  
21 low-income customers and 35,000 senior citizens.

22

23 As in prior years, our goal is to be a  
24 customer-focussed organization that is efficient  
25 and effective in providing accurate billing,  
customer services, and collections for water and  
sewer customers of the Philadelphia Water  
Department.

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I thank you for this opportunity to provide testimony on the Water Revenue Bureau Fiscal '03 Operating Budget, and would be very pleased to answer your questions.

COUNCIL PRESIDENT VERNA: Thank you very much.

I want to publicly thank both of you for responding to the many inquiries that my office receives. I want you to know I'm really appreciative.

MS. KAMMERDEINER: Thank you.

MS. GARRETT: Thank you.

COUNCIL PRESIDENT VERNA: Councilwoman Tasco had to leave for a meeting in her office; however, she did ask that I inquire, when you want to contact a property owner and it is a property that is not owner-occupied, how do you contact the owner?

MS. GARRETT: I'll respond to that first for water and sewer. We have a program called "Utility Services Tenants Rights Act," and if the property is delinquent, we contact the owner through certified mail to make an attempt to have him contact us to negotiate some sort of settlement

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2 on the property prior to any sort of enforcement  
3 action.

4 MS. KAMMERDEINER: If I'm understanding  
5 correctly, though, the part of the question here is  
6 in terms of our sharing information with someone  
7 other than those who are collecting for water and  
8 sewer or collecting for taxes, and that gets us  
9 into a very gray area, and we've asked for advice  
10 from the Law Department in terms of whether any  
11 off-site mailing addresses that we may have can be  
12 shared in a forum other than the collection of  
13 taxes. We've gotten conflicting information from  
14 them in the past, and I'll renew our request to get  
15 some clarification there.

16 I will hasten to add, however, that  
17 quite often, we do not have a mailing address other  
18 than the address of the property, and so we don't  
19 always have the information that someone might be  
20 seeking. The tax bills may actually go to the  
21 property, and the resident of the property, for  
22 example, may have the obligation under the lease  
23 agreement with the owner, to pay those bills.

24 COUNCIL PRESIDENT VERNA: What is your  
25 department doing in the area of collecting

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2 delinquent taxes? How many employees are engaged  
3 in this activity?

4 MS. KAMMERDEINER: I would have to get  
5 the employee-number count for you, but in addition  
6 to sending out bills for the delinquent amounts,  
7 that's something that we engage in regularly. We  
8 have a case-management process that is a part of,  
9 at this point, all but the real-estate tax. And in  
10 our case-management system, we stage delinquencies  
11 to collection agencies for outside collection  
12 support and/or to the Law Department.

13 I use "and/or" there because we have  
14 set up parameters on dollar amounts with the Law  
15 Department. Some things go to collection agencies  
16 first and then to the Law Department --

17 COUNCIL PRESIDENT VERNA: How many  
18 collection agencies do we have?

19 MS. KAMMERDEINER: We have three under  
20 contract right now.

21 COUNCIL PRESIDENT VERNA: Who are they?

22 MS. KAMMERDEINER: Penn Credit, St.  
23 Hill & Associates, and NCO Financial.

24 COUNCIL PRESIDENT VERNA: If you had  
25 additional employees, would your collection

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2 increase?

3 MS. KAMMERDEINER: That's a good  
4 question because sometimes we could benefit from  
5 having additional employees who would deal with the  
6 public on discoveries and do some other discovery  
7 projects. As I indicated in my basic testimony,  
8 discovery work can be beneficial in identifying new  
9 taxpayers.

10 But in terms of delinquencies, we  
11 probably are doing the things internally that we  
12 can do in terms of collecting --

13 COUNCIL PRESIDENT VERNA: I want to  
14 know, though, how many employees you presently  
15 have, and how does that compare to maybe five or  
16 six years ago?

17 MS. KAMMERDEINER: We'll put together a  
18 comparison for you.

19 COUNCIL PRESIDENT VERNA: What is the  
20 amount of the delinquency that we presently have?

21 MS. KAMMERDEINER: I will have to give  
22 you an updated amount on that; I don't have the  
23 papers with me with the total dollars, but I can  
24 give you an update on the accounts receivables.

25 COUNCIL PRESIDENT VERNA: How long does

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2 it take before we can put a property up for  
3 sheriff's sale?

4 MS. KAMMERDEINER: The Law Department  
5 actually manages the sheriff's sale process, but  
6 Revenue does identify properties that have  
7 high-dollar delinquencies. We usually, in Revenue,  
8 are looking at those that have the highest  
9 opportunity for sale for satisfaction of the full  
10 amount of the delinquency, and so we review the  
11 highest dollar delinquency amounts in real estate  
12 and certify those to the Law Department.

13 The Law Department, in turn, goes  
14 through a process at their end that they could  
15 elaborate on, but basically, they determine whether  
16 there are any other legal actions that are  
17 currently underway through bankruptcies or some  
18 cloud on the title that may impede the process for  
19 sheriff's sale. Then they identify the ones that  
20 can, and should, go on through the process for  
21 title search. And notification procedures take  
22 place after that.

23 There are set things within the law in  
24 terms of the number of notices. That, again, can  
25 be detailed for you. I know, as part of the NTI

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2 process, we've just gone through a detailed review  
3 of all of the steps in the acquisition process  
4 through sheriff's sale and put timelines on them.  
5 And I'm sure we can supply that.

6           On average, it's now taking about 10 to  
7 12 months to get them to sheriff's sale from the  
8 time that the title search process starts.

9           COUNCIL PRESIDENT Verna: You know, I  
10 feel very strongly that the City in some way  
11 contributes to the blight. We -- I know of -- I go  
12 through the computer many times, and I notice that  
13 we have one owner that may have 6, 10, 12  
14 properties, and they're all delinquent in taxes;  
15 they owe taxes, they owe water bills.

16           I don't know why we can't expedite  
17 those properties for sheriff's sale.

18           MS. Kammerdeiner: We do attempt to do  
19 that. Unfortunately, a lot of the individual  
20 properties have liabilities that exceed the market  
21 value of the property, and that makes them unlikely  
22 candidates for sale at a sheriff's sale where all  
23 of those obligations need to be satisfied for  
24 completion of the sale. And so they --

25           COUNCIL PRESIDENT Verna: So we just

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2 let them sit there, they're abandoned to a degree,  
3 they become unsafe, and then it's our  
4 responsibility to have them demolished, and we  
5 still don't get a dime from it.

6 MS. KAMMERDEINER: Those are some of  
7 the issues that I think we are addressing now  
8 through NTI.

9 COUNCIL PRESIDENT VERNA: Well, I would  
10 be very anxious to see how that works out. I'm  
11 very, very curious.

12 What is the status of the tax lien  
13 sale, and can you tell me, when do you project that  
14 the bonds will be retired?

15 MS. KAMMERDEINER: The ending date on  
16 the bonds is June 15, 2004. The bond payments so  
17 far have been made on time, and basically the  
18 payments that are made each quarter are for the  
19 interest due to the bondholders and for the  
20 expenses incurred by the servicers and the trustee.

21 That process is being managed by First  
22 Union as the trustee, and at this point, there's  
23 one servicer. There had, as you know, initially  
24 been three servicers, and two of them have ended  
25 their relationship with the bond issue and Herb

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2 Goggin {ph} is the remaining servicer.

3 COUNCIL PRESIDENT VERNA: Aren't we  
4 paying any principal? You said we're only paying  
5 interest --

6 MS. KAMMERDEINER: Those are the  
7 required expenses each quarter. Payments are being  
8 made against principal each quarter as well,  
9 depending upon the funds available at the time of  
10 the payments. Those payments are made once a  
11 quarter, and the amounts on principal will vary,  
12 depending upon the funds available.

13 COUNCIL PRESIDENT VERNA: Okay,  
14 Commissioner, do you know why the General Fund  
15 budget, with the exception of the payroll, is the  
16 same for FY '03 as it is for FY '02? In your  
17 opinion, does this budget allow your department to  
18 optimize the City's collection effort?

19 MS. KAMMERDEINER: Yes, it does. We  
20 have some things that we've been doing things in  
21 terms of saving, in terms of our cost, doing things  
22 more efficiently. And those savings go toward  
23 covering things that are not part of the past, but  
24 we're doing as new initiatives going forward.

25 So, yes, I think that those costs

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2 are --

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COUNCIL PRESIDENT VERNA: What kind of initiatives?

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MS. KAMMERDEINER: Well, the opportunities that we have with our consolidated system of sending notices to taxpayers earlier increase the number of notices that are mailed. These are not bills, but notices of non-filers, information about returns that have been incomplete or have errors in them.

12

We're doing more in terms of contact at an earlier point with taxpayers instead of going into collection activities. We're trying to avoid lawsuits and/or more stringent enforcement actions and get the collections in early.

17

COUNCIL PRESIDENT VERNA: What is the collection fee that these collectors get?

19

MS. KAMMERDEINER: I was just checking to see if we have that off the top. There are three different rates, one for each of the collection agencies, and let me see the if my staff has it here or we'll have to supply it.

24

(Ms. Kammerdeiner confers off the record with colleagues.)

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(Witness comes forward.)

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MR. HALEY: Deputy Revenue Commissioner

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Jim Haley.

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The rate average rate of three

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collections agencies is 18 percent.

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COUNCILMAN DICICCO: Point of order,

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Madam President.

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COUNCIL PRESIDENT Verna: The Chair

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recognizes Councilman DiCicco.

11

COUNCILMAN DICICCO: Thank you, Madam

12

President.

13

You said "the average." Could you give

14

us a breakout as to what each -- I think that's

15

what the Chair was asking.

16

MR. HALEY: By company, I could not. I

17

could get that information for you.

18

COUNCIL PRESIDENT Verna: I'm sorry, I

19

didn't hear your response.

20

MR. HALEY: I couldn't tell you that by

21

company right now, but I can get you that

22

information.

23

COUNCIL PRESIDENT Verna: Would you

24

provide that information to us, please.

25

COUNCILMAN DICICCO: Just a follow-up.

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2 Is one company performing a different service than  
3 the other? Is that why the rates may be different?

4 MS. KAMMERDEINER: We selected the  
5 three through an RFP process and got them to their  
6 lowest available amounts. These firms also provide  
7 collection services for water and sewer collections  
8 as well as taxes, and the rates that we are paying  
9 on these contracts are lower than the rates that we  
10 paid with the last contracts that were in place.

11 COUNCILMAN DICICCO: I guess my  
12 question still is that if you have three  
13 contractors, are they all performing the same  
14 service? And if they are, why would the rates be  
15 different for one servicer as opposed to the other,  
16 assuming they're all performing the same service?  
17 Wouldn't we have gone with the lowest or the lowest  
18 two or the lowest one if the services are exact?

19 MS. KAMMERDEINER: The differential  
20 between them, as I recall, is not great, first off,  
21 but we did not force them to go to the lowest  
22 amount, and we wanted to retain some competition  
23 between agencies and ensure that we had coverage in  
24 all areas of the City in terms of people being able  
25 to do some walk-in if that's something that they

00329

1  
2 wanted to do.  
3                   There are also --  
4           COUNCILMAN DICICCO: These companies  
5 have walk-in sites?  
6           MS. KAMMERDEINER: Some of them do  
7 onsite counseling and work with people when they've  
8 been trying to get the payments from them. It's  
9 not a formal onsite --  
10          COUNCILMAN DICICCO: It's a dunning  
11 service basically, is that correct?  
12          MS. KAMMERDEINER: Yes. Most of it is  
13 by telephone, some of it's by mail, but there are  
14 people, who, when they get those notices, want to  
15 meet with someone, and they look for a place to go  
16 in order to do that.  
17          COUNCILMAN DICICCO: I think you said  
18 there were three companies?  
19          MS. KAMMERDEINER: That's correct.  
20          COUNCILMAN DICICCO: Penn Crest?  
21          MS. KAMMERDEINER: Penn Credit.  
22          COUNCILMAN DICICCO: Penn Credit?  
23          MS. KAMMERDEINER: Yes.  
24          COUNCILMAN DICICCO: And St. Hill?  
25          MS. KAMMERDEINER: St. Hill &

00330

1

2 Associates and NCO Financial.

3 COUNCILMAN DICICCO: But you don't know  
4 off the top of your head if any of these companies  
5 are doing a different service than, say, is Penn  
6 Credit doing something different than St. Hill  
7 or --

8 MS. KAMMERDEINER: We divide the  
9 portfolio among them, and so basically, they can  
10 get -- or will be getting the same types of cases  
11 to collect on.

12 COUNCILMAN DICICCO: I don't want to  
13 take up all of the Chair's time, but I just want to  
14 ask one more question.

15 COUNCIL PRESIDENT VERNA: Please  
16 proceed.

17 COUNCILMAN DICICCO: Do you divide the  
18 cases up evenly among the three? Or there is there  
19 a formula that you use for dividing the cases?

20 MR. HALEY: We try to divide it evenly  
21 by three so that --

22 COUNCILMAN DICICCO: Say if there's 900  
23 cases, then they each get 300?

24 MR. HALEY: Yes. We usually do it --  
25 random digits, the account number.

00331

1  
2 COUNCILMAN DICICCO: Not by specific  
3 geographical or demographical area?  
4 MR. HALEY: No.  
5 COUNCILMAN DICICCO: I have other  
6 questions for later.  
7 Thank you, Madam Chair.  
8 COUNCIL PRESIDENT VERNA: Thank you.  
9 The Chair recognizes Councilman Rizzo.  
10 COUNCILMAN RIZZO: Thank you, Madam  
11 Chair.  
12 I'd also like to, Commissioner  
13 Kammerdeiner, thank Denise Garrett for the services  
14 that she personally involves herself in.  
15 MS. GARRETT: Thank you.  
16 COUNCILMAN RIZZO: For the cases that  
17 we send over, like in the President's office, are  
18 normally very complicated and are very involved,  
19 and it's greatly appreciated when some of these  
20 complicated cases do get resolved, and I'm sure it  
21 makes you happy to get a problem cleared up that's  
22 on your desk and also that our constituents come to  
23 closure on their dealings with the Water Revenue  
24 Department.  
25 I'd just like to follow up on the

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1  
2 recent conversation. It seems strange that you'd  
3 have three vendors providing the same service and  
4 one being compensated at a higher level than the  
5 other, and I think that our Procurement Department  
6 could eventually come up with a scenario, a  
7 formula, that would get that to the best benefit of  
8 the City down.

9 I mean, I've never heard of -- this is  
10 an all new one for me today -- competitive bidding  
11 that are three different numbers.

12 MS. KAMMERDEINER: These are done by an  
13 RFP; it's not a competitive bid and --

14 COUNCILMAN RIZZO: Well, then maybe  
15 that's the problem.

16 And I've heard honestly that it is not  
17 just in the Revenue Department, but I hear it is  
18 very difficult. I have had companies very, very  
19 frustrated that they can't even get an appointment  
20 with some of the departments to come in and talk  
21 about the services that they can provide.

22 Now, I'm not suggesting that that's the  
23 problem in Revenue, but I know that it is very  
24 difficult to come in and suppress your interests  
25 and want to do business with the City of

00333

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2 Philadelphia, so I don't know what -- how you get  
3 on that list, how you become a vendor, get an RFP  
4 to provide that service, but I think that there's  
5 probably a better way to do that because it just  
6 doesn't sound sensible to me to have three  
7 different RFPs.

8

9 A question that I'd like you to -- some  
10 information that I'd like you to provide to the  
11 Chair, and I'll direct this question now for verbal  
12 response, if possible, to the Chief of Water  
13 Revenue. How many accounts do we have presently  
14 for water service that are unmetered, that we  
15 estimate bills?

16 I also have a concern about something  
17 that I'm finding out is becoming even more so a  
18 problem, that we issue permits that we allow  
19 contractors to go to a fire hydrant, fill up a  
20 water truck, take the water, and use it for what I  
21 thought was supposed to be the appropriate use for  
22 mixing and cleaning up and things like that at  
23 construction sites. Now I find that we have lawn  
24 services that pull up to a hydrant, fill up the  
25 truck, because they have a permit and they're able  
to go spray for crab grass and to fertilize lawns

00334

1

2 and things like that.

3

4 And I also find that there are  
5 companies that don't even reside in the City of  
6 Philadelphia, but it's a pretty good deal to come  
7 from Montgomery County to the first fire hydrant in  
8 the City of Philadelphia and fill up a 2,000-gallon  
9 tank truck and take it back and wash their  
10 equipment.

10

11 I don't know how well that permit  
12 system is managed, whether even Water Revenue is  
13 involved; if not, you should be, whether that  
14 permit is issued from the Water Department, but I  
15 think that this is something that we should really  
16 be looking at. Especially with the water shortage  
17 that's coming up, it might get fashionable to get a  
18 permit and come to Philadelphia to fill up your  
19 truck and go wherever and use our valuable water.

19

20 Do you know about this permit system  
21 that contractors use to tap a hydrant to supposedly  
22 use water for construction sites?

22

23 MS. GARRETT: I am aware of the permit  
24 system; however, I am not involved in that process  
25 in the front end, which is the authorization in  
26 issuance. That is the Water Department and

00335

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2 Licenses and Inspections.

3

4 From time to time, we will get those  
5 bills to collect, and that's after the fact. But  
6 because it is a revenue-impacting process, we do  
7 try to insinuate ourselves into it when we discover  
8 situations that you described.

8

9 COUNCILMAN RIZZO: I think that that  
10 whole system -- and I'm speaking to the Finance  
11 Director also, who's not at the table -- should --  
12 for a few hundred dollars to be able to get a  
13 permit where a resident or a businessperson would  
14 pay thousands of dollars for a similar number of  
15 gallons of water consumed, and no management, no  
16 oversight, from what I understand. I think that  
17 that whole process, because I think it could lead  
18 to abuse, where the contractors that have those  
19 permits are not necessarily using that water at the  
20 site of the construction, but in many cases, since  
21 it's cheaper to pull a permit, fill up the truck  
22 every day, every other day, and basically fill out  
23 a form saying how many gallons they used -- it  
24 could be 200, it could be 2000 -- to go back and  
25 use that water to construct -- to clean their  
equipment.

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I think -- not to belabor this, but I think that that is something that really needs to be looked at -- how we do it, is it an annual permit, who gets it, who doesn't get it. There should be, in my opinion, more than just filling out a form to be able to pull up to a hydrant.

8

And if the lawn treatment company wants to use City water for a profit, then we should be receiving the correct amount of revenue, not just an estimated revenue that they give us.

12

MS. GARRETT: Well, I agree with you, Councilman, and there is an initiative underway to consolidate information across multiple departments that affect situations such as that. We're working with Licenses and Inspections and the Water Department and the Mayor's Office of Information Systems to put data into a centralized database that we can use to intelligently make decisions about how we plan going forward.

21

Right now, the way the process is, it's very manual and very intensive to monitor, but when we sell water, we don't charge an overhead for what you do with it; we just sell it for the rate that we have.

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But we certainly can look at that system itself to determine if, in fact, it is being abused beyond what we're actually anticipating it's used for.

6

COUNCILMAN RIZZO: Beyond the permit system, do we have any unmetered accounts that are strictly contractual? I know we sell water to Bucks County. Many of my friends left

10

Philadelphia, and I went and visited one, and he started to tell me how nice it is in Bucks County, how great the water is, and when I reminded him that it was Philadelphia water, he, uh --

14

So how many unmetered scenarios do you know of that we have that may strictly pay a fixed amount for -- and, again, not these big bulk deals, but how many unmetered accounts would you say we have, if any?

19

MS. GARRETT: I'm not aware of the number at this point. I can find that information out for you. But generally most of our base is metered.

23

If there is a situation where we have unmetered conditions like you say, it's by contract, such as the Bucks County situation, or

25

00338

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2 it's unmetered and then we measure or monitor it on  
3 a regular basis.  
4         So I can find out exactly how many  
5 unmetered conditions we have on a non-compliant  
6 basis and how many unmetered conditions we have as  
7 a result of some sort of contractual agreement.  
8         COUNCILMAN RIZZO: Who negotiates the  
9 Bucks County deal, and do we have any other deals  
10 like Bucks County?  
11         MS. GARRETT: The Water Department.  
12         COUNCILMAN RIZZO: The Water  
13 Department?  
14         MS. GARRETT: Yes.  
15         COUNCILMAN RIZZO: You're not part of  
16 that?  
17         MS. GARRETT: No.  
18         COUNCILMAN RIZZO: Should you be?  
19         MS. GARRETT: No. They set the rate.  
20         COUNCILMAN RIZZO: You just collect it.  
21         MS. GARRETT: We collect it, yes.  
22         COUNCILMAN RIZZO: Do you collect that?  
23         MS. GARRETT: We collect Bucks County;  
24 we don't collect all of the contracts, the major  
25 contracts, just the Bucks County.

00339

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2 COUNCILMAN RIZZO: How many contract do  
3 we have?  
4 MS. GARRETT: I'm not aware of the  
5 exact number. Think it's somewhere in the area of  
6 around 12.  
7 COUNCILMAN RIZZO: Contracts for water?  
8 MS. GARRETT: Yes.  
9 COUNCILMAN RIZZO: Other municipalities  
10 or --  
11 MS. GARRETT: Yes, I believe so.  
12 COUNCILMAN RIZZO: Could you give me a  
13 -- do you have a feel for who they may be?  
14 MS. GARRETT: I know we just recently  
15 contracted with Philadelphia Suburban Water. And  
16 I'm not absolutely certain -- I don't think we have  
17 a New Jersey contract.  
18 COUNCILMAN RIZZO: Could you provide  
19 that list?  
20 MS. GARRETT: I could provide that  
21 through the Water Department, yes.  
22 COUNCILMAN RIZZO: Thank you. That's  
23 interesting.  
24 Did you say New Jersey?  
25 MS. GARRETT: I'm not certain. I know

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2 we were negotiating with New Jersey, but I'm not  
3 sure if we actually closed that transaction.  
4 COUNCILMAN RIZZO: Are they  
5 interruptible? If we have a problem, crisis here  
6 in the City, especially with the water shortage --  
7 MS. GARRETT: You would need to ask the  
8 Water Department that question. I would not know  
9 that.  
10 COUNCILMAN RIZZO: Okay, all right. I  
11 think it's an interesting area we need to go and  
12 look at.  
13 Thank you very much, Madam Chair.  
14 COUNCIL PRESIDENT VERNA: You're  
15 welcome.  
16 The Chair recognizes Councilman  
17 DiCicco.  
18 COUNCILMAN DICICCO: Thank you, Madam  
19 Chair. I think this is my last question.  
20 When the fees are implemented or  
21 collected by the agencies, do they collect only --  
22 do we give them a fee only if there's a collection  
23 made, or is there a servicing fee as well?  
24 MS. KAMMERDEINER: Only if the  
25 collection is made.

00341

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2 COUNCILMAN DICICCO: So they don't get  
3 reimbursed for any costs until that collection has  
4 been made.  
5 MS. KAMMERDEINER: They the collect  
6 funds, turn them over to us, and then they get paid  
7 a percentage of that.  
8 COUNCILMAN DICICCO: And then that's  
9 the number you'll get back to us with what  
10 percentage the particular companies make?  
11 MS. KAMMERDEINER: That's correct.  
12 COUNCILMAN DICICCO: I think that's all  
13 I have for the moment.  
14 Thank you, Madam Chair.  
15 COUNCIL PRESIDENT VERNA: Thank you.  
16 The Chair recognizes Councilman Ortiz.  
17 COUNCILMAN ORTIZ: Thank you, Madam  
18 Chair.  
19 Madam Commissioner, over the last 15,  
20 20 years, we've given tax breaks, tax abatements to  
21 a lot of corporations and businesses across the  
22 City, and in particular Center City, a lot of that.  
23 Many of those should be coming into  
24 line during the next year or so. Can we have a  
25 list of abatements that are terminating?

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2 MS. KAMMERDEINER: Are you referring to  
3 real-estate tax abatements?

4 COUNCILMAN ORTIZ: Real estate, yes.

5 MS. KAMMERDEINER: That information is  
6 maintained by the Board of Revision of Taxes, and  
7 they certify to us the assessed values and then  
8 identify whether those are taxable or they're  
9 tax-exempt. So we get that information from them  
10 on an annual basis.

11 COUNCILMAN ORTIZ: But who sends the  
12 notices to these individuals, you know, for  
13 collection of taxes?

14 MS. KAMMERDEINER: We actually send the  
15 tax bills to them and collect what's due, but we  
16 get the assessment information and the indication  
17 of whether it's taxable or not taxable from the  
18 Board of Revision of Taxes. They certify to us  
19 annually and --

20 COUNCILMAN ORTIZ: You do not have a  
21 list of buildings and properties that are coming  
22 into line in the current year?

23 MS. KAMMERDEINER: They maintain that  
24 at the Board of Revision of Taxes. We could  
25 request it for you.

00343

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2 COUNCILMAN ORTIZ: Could you request  
3 it, please?  
4 MS. KAMMERDEINER: Sure.  
5 COUNCILMAN ORTIZ: All right. I'd like  
6 to find out what is the amount that we currently  
7 have in terms of properties that are being abated  
8 or have began tax relief through TIFs and so on.  
9 MS. KAMMERDEINER: TIFs is a different  
10 subject; that's why I asked you what you were  
11 referring to.  
12 COUNCILMAN ORTIZ: But it's the same  
13 concept; they're not paying property taxes.  
14 MS. KAMMERDEINER: So you also want the  
15 TIF information.  
16 COUNCILMAN ORTIZ: Yes.  
17 MS. KAMMERDEINER: In the TIF, they pay  
18 us, and then we process a payment to the TIF, so  
19 the taxes are actually paid on that, that's on the  
20 an abatement.  
21 COUNCILMAN ORTIZ: Okay, but those  
22 taxes, though, there's some way in which we devolve  
23 those taxes back.  
24 MS. KAMMERDEINER: That's correct.  
25 COUNCILMAN ORTIZ: And so we're the

00344

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2 collection agencies, plus we devolve it back.

3 MS. KAMMERDEINER: So you also want

4 that.

5 COUNCILMAN ORTIZ: And that's an extra

6 cost to us. I'd rather they get abated than us do

7 the collecting from them and then have to give it

8 back to them.

9 MS. KAMMERDEINER: With the TIF, we

10 collect the whole amount, but a portion of that tax

11 is ours to keep. It's part of the base that was

12 considered a tax at the time the TIF was in place,

13 so --

14 COUNCILMAN ORTIZ: I would rather that

15 we give it to them instead of collecting that

16 portion and then have to return it back them, but

17 I'd like to see what is the information in terms of  
18 numbers, dollars, and so on in both areas.

19 MS. KAMMERDEINER: We can put that

20 together for you.

21 COUNCILMAN ORTIZ: Okay. And how many

22 of the abated properties are coming into line

23 during the next two years or so? And how much

24 money will that mean to the General Fund?

25 MS. KAMMERDEINER: Okay.

00345

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2 COUNCILMAN DICICCO: Could I ask a  
3 question?  
4 COUNCILMAN ORTIZ: Yes, go ahead.  
5 COUNCILMAN DICICCO: Of you, actually.  
6 COUNCILMAN ORTIZ: Go ahead.  
7 COUNCILMAN DICICCO: When you're  
8 speaking about what properties are coming due --  
9 COUNCILMAN ORTIZ: I mean the ones that  
10 we gave abatements over 15 years ago and so on.  
11 MS. KAMMERDEINER: The abatements for  
12 three- or ten-year, depending upon --  
13 COUNCILMAN DICICCO: But we also did a  
14 ten-year exemption on the improvements back in  
15 1997.  
16 MS. KAMMERDEINER: That's correct.  
17 COUNCILMAN DICICCO: And if I'm not  
18 mistaken, I think that legislation is coming due.  
19 I think we did it for a five-year period, and that  
20 we may have to, assuming this Council will approve  
21 to reenact that.  
22 COUNCILMAN ORTIZ: Well, we may have to  
23 reenact and that's for a ten-year period, so those  
24 properties will become due in 2007.  
25 COUNCILMAN DICICCO: But the exemption

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2 was on a sliding scale, so the first year, we  
3 didn't collect any tax on the improvement, but the  
4 second year, we're collecting 10 percent of the  
5 value.

6 So am I correct that that's ongoing?

7 MS. KAMMERDEINER: That's really  
8 something that the Board of Revision of Taxes  
9 manages and so it would have to be a report from  
10 them.

11 COUNCILMAN ORTIZ: I'd just like to get  
12 a clear picture of what our collection basis is in  
13 terms of -- now that we're under discussion of the  
14 land-tax question in the City, I think this is  
15 somewhat relevant to that discussion.

16 MS. KAMMERDEINER: I'll ask David  
17 Glancy to put a together as much of a report as he  
18 can for you on how many properties are at what  
19 point in the abatement process.

20 In terms of the assessment, I suspect  
21 that he will have a problem telling you what it  
22 will look like two to three years out, because the  
23 assessed values may be very different at that point  
24 in time, depending upon the nature of the  
25 improvements and what they're doing with the

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2 property.

3 COUNCILMAN ORTIZ: Because we need to  
4 project in terms of a lot of stuff that we may be  
5 entering into discussion.

6 MS. KAMMERDEINER: And on the TIFs, as  
7 you know or will remember, the TIF agreements have  
8 a 20-year life, so we have a longer period of time  
9 until any of those would be --

10 COUNCILMAN ORTIZ: But I'd just like to  
11 find out how much money we've taken off of the tax  
12 rolls and so on.

13 MS. KAMMERDEINER: Some of those TIFs  
14 are not active yet, but that's what we'll have to  
15 put together for you.

16 COUNCILMAN ORTIZ: Just so we can get a  
17 clear picture if we're going to discuss land tax  
18 versus property taxes and so on down the line.

19 Thank you, Madam Chair.

20 COUNCILWOMAN BLACKWELL: Councilwoman  
21 Brown, you're next.

22 COUNCILWOMAN REYNOLDS BROWN: Thank  
23 you. I had one quick follow-up.

24 I was struck by the mention that  
25 several departments are now trying to work smarter

00348

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2 with regards to the use of technology and the  
3 initiative that is underway. When did it start and  
4 when did you see whatever is on paper actually  
5 becoming real?

6 MS. GARRETT: Well, I got involved in  
7 the initiative -- I guess it had to be about two or  
8 three months ago. And it's an initiative out of  
9 the Mayor's Office of Information System, and I  
10 believe the CIO, Diana Neff, testified somewhat on  
11 that effort.

12 COUNCILWOMAN REYNOLDS BROWN: She did.

13 MS. GARRETT: Right now, we're in the  
14 process -- the process involved defining  
15 departmental requirements and looking at those  
16 across the departments to determine where we had  
17 similarities and where we had differences and being  
18 able to come up with what was called general  
19 requirements that we would use to then construct  
20 the request for proposals, which is on the street  
21 at this moment.

22 And the objective is to consolidate  
23 information in a centralized database so that we  
24 can begin planning initiatives such as the one that  
25 Councilman Rizzo described where if a permit is

00349

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2 issued for a particular department, that  
3 information can be tracked through the various  
4 departments, and not only by the employees, but  
5 also by the citizens, and also tied to our  
6 cost-accounting system to ensure that people aren't  
7 getting paid for services where they owe us  
8 delinquencies and that they aren't -- that we can  
9 consolidate their accounts, for example, that the,  
10 president gave where she said five or six people  
11 may be delinquent. Well, we can pursue them as a  
12 group in different situations like that.

13 COUNCILWOMAN REYNOLDS BROWN: Sure,  
14 sure. So following that through, the RFP is  
15 currently on the street and the deadline for that  
16 is about when?

17 MS. GARRETT: The deadline for  
18 submission is March 18th.

19 COUNCILWOMAN REYNOLDS BROWN: And then  
20 there's the review process?

21 MS. GARRETT: Yes. The departments are  
22 all participating in the selection of a vendor, as  
23 well as something called a "conference room pilot,"  
24 which is the successful vendor's thorough analysis  
25 of the software that we are being provided.

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2 COUNCILWOMAN REYNOLDS BROWN: Thank you  
3 very much.  
4 MS. GARRETT: You're welcome.  
5 COUNCILWOMAN BLACKWELL: Councilwoman,  
6 that completes your questions?  
7 COUNCILWOMAN REYNOLDS BROWN: Yes, it  
8 does, Madam Chair.  
9 COUNCILWOMAN BLACKWELL: Thank you.  
10 Councilman Nutter, do you have  
11 questions?  
12 COUNCILMAN NUTTER: Yes, Madam Chair.  
13 Good morning, Miss Kammerdeiner and  
14 Miss Garrett.  
15 MS. GARRETT: Good morning.  
16 MS. KAMMERDEINER: Good afternoon.  
17 COUNCILMAN NUTTER: And I didn't get  
18 the young fellow's name up at the --  
19 MS. KAMMERDEINER: It's Jim Haley  
20 COUNCILMAN NUTTER: Yes, I know him  
21 from the phone. Yes, pleasure to meet you  
22 Let me ask you a question about Page 2  
23 of your testimony. It talks about notwithstanding  
24 gradual decreases in the rates for the wage tax and  
25 the gross-receipts portion of the

00351

1  
2 business-privilege tax, the City has realized net  
3 annual increases in tax collections in recent years  
4 as it has benefitted from the longest economic  
5 expansion in U.S. history.

6 I think I heard President Clinton say  
7 that at the Democratic National Convention.

8 How does that happen? The rate goes  
9 down but the revenues go up; how does that work?

10 MS. KAMMERDEINER: In part, it works  
11 because people have higher salaries, there are  
12 maybe more people who are employed who are working  
13 in Philadelphia.

14 It's a combination of things. People  
15 may be working longer hours, getting more overtime  
16 pay. All of the things that go into earning an  
17 income within Philadelphia would be affected by  
18 that.

19 And in the earlier testimony from  
20 Finance, there was reference to an increase in jobs  
21 in Philadelphia over the last three years.  
22 Certainly that plays into an increase in the amount  
23 of wage tax that we collect as well.

24 COUNCILMAN NUTTER: Do you believe  
25 generally that some of these taxes, given the

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2 nature of them, that to the extent that they  
3 decrease, you can still get increased collections?

4 MS. KAMMERDEINER: I think you can see  
5 that happening in some places if there's more  
6 activity, but there are other factors that affect  
7 the activity than just the taxes. The economic  
8 conditions in general probably have a higher impact  
9 on the amount that we collect than the reduction in  
10 the tax rate.

11 As you know, the tax-rate reduction on  
12 wage tax was a very small one in each year, and so  
13 other factors had to be at play there than just  
14 that in order to see the increases in collection we  
15 had.

16 COUNCILMAN NUTTER: What factors do you  
17 think were at play during the time prior to the  
18 longest economic expansion when we were not cutting  
19 the taxes? And, I guess, some years ago, we  
20 actually started increasing them, and then the City  
21 lost more jobs and population than any other county  
22 in the United States of America. What do you think  
23 was contributing to that?

24 MS. KAMMERDEINER: A combination of  
25 factors: The tax rates themselves that made people

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2 make a decision to go somewhere else. The level of  
3 economic activity in general would have that  
4 impact.

5           During that same time period, we had  
6 some very large increases in costs of goods and  
7 some reductions in -- or holding the line on  
8 salaries that were evident.

9           COUNCILMAN NUTTER: Given where we are  
10 today -- and you heard some of the discussion with  
11 myself and Mr. Dubow -- we are either coming out of  
12 the recession, the recession is over, or it's soon  
13 to be over.

14           Do you think there's any other factor  
15 greater than taxes that will affect the immediate  
16 and longer-term future of the City?

17           MS. KAMMERDEINER: That's a very broad  
18 question. There are lots of factors that affect  
19 the City's future: The economy in general,  
20 nationally and state. There are other things in  
21 the environment that -- all of the things that we  
22 talk about in here in terms of schools, safety,  
23 blight. All of those things play together in terms  
24 of the decisions people make about where they live  
25 and where they work.

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2                   And so I think it's an interplay of all  
3 of those things together; it's not one of them in  
4 isolation

5                   COUNCILMAN NUTTER: But if you had to  
6 pick one, which would you pick?

7                   MS. KAMMERDEINER: I think the economy  
8 in general has the bigger impact in terms of what's  
9 going to happen.

10                  COUNCILMAN NUTTER: And do you  
11 generally agree that we are either about to come  
12 out of the recession, we've come out of the  
13 recession, or it's soon to happen in the second  
14 quarter of this year?

15                  MS. KAMMERDEINER: Every report I've  
16 heard has had a different conclusion on that, and I  
17 haven't studied them closely enough to have my own  
18 conclusion on that.

19                  I would stay with what Mr. Dubow  
20 testified on earlier, because he spent some time  
21 with the economists looking at that.

22                  COUNCILMAN NUTTER: Okay. Well, I  
23 think his testimony was the expectation is sometime  
24 in the second quarter

25                  MS. KAMMERDEINER: Second quarter.

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2 COUNCILMAN NUTTER: Okay. So as the  
3 economy gets better, what do you think we should be  
4 doing with our tax rates; leaving them the same or  
5 decreasing them?

6 MS. KAMMERDEINER: I guess really at  
7 this point, I would say that we need to study the  
8 issues more closely, and I will be prepared, and my  
9 department will be prepared, to collect whatever is  
10 determined as being the appropriate way to go. I  
11 would not want to try to influence that at this  
12 point in time.

13 COUNCILMAN NUTTER: Okay. Let me ask  
14 you about a couple other things.

15 Where are we on the issue of -- I don't  
16 know what you guys call it, but it's generally  
17 referred for the businesspeople as this issue of  
18 the double filing in the second year of the  
19 business --

20 MS. KAMMERDEINER: Yeah, you're  
21 referring to the new-start situation as created  
22 by --

23 COUNCILMAN NUTTER: That was called  
24 "new start"?

25 MS. KAMMERDEINER: New start. As a

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2 result of the business-privilege tax --

3 COUNCILMAN NUTTER: It could be "new  
4 start," it could be "new end."

5 MS. KAMMERDEINER: As a result of the  
6 business-privilege tax being a prospective tax, and  
7 to highlight that, the tax that will be paid on  
8 April 15th of this year is for 2002. And so a new  
9 business coming into business in 2002 doesn't have  
10 a business record on which to base the computation  
11 of the tax.

12 COUNCILMAN NUTTER: Right.

13 MS. KAMMERDEINER: And so in that first  
14 year in business, they don't pay, and then by the  
15 second year in business, they can pay for that year  
16 based on their activity in the prior year. It's a  
17 very complicated process made even more complicated  
18 by the timing on this for business.

19 We have suggested that we go back to  
20 the State and the State enabling legislation be  
21 changed to let this be a retrospective tax like  
22 virtually every other tax is, and --

23 COUNCILMAN NUTTER: Are you saying the  
24 State causes us to do this?

25 MS. KAMMERDEINER: The State has to

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2 identify those areas that we can tax. We are  
3 restricted in what we as a city can tax.  
4 COUNCILMAN NUTTER: No, I understand  
5 that.  
6 MS. KAMMERDEINER: And go to the State  
7 for enabling legislation in order to levy taxes.  
8 COUNCILMAN NUTTER: Right.  
9 MS. KAMMERDEINER: The  
10 business-privilege tax enabling legislation  
11 specifies that it is a prospective tax.  
12 COUNCILMAN NUTTER: Mm-hmm  
13 MS. KAMMERDEINER: And, therefore, in  
14 order to change that, we would have to go back to  
15 the State and have the State legislature approve a  
16 change in the language that would let us then  
17 consider this to be a retrospective tax.  
18 COUNCILMAN NUTTER: I'm sorry --  
19 MS. KAMMERDEINER: Only with that  
20 happening can we change the provisions for someone  
21 who's in a new business.  
22 COUNCILMAN NUTTER: Right, right, I  
23 understand that part.  
24 Take me back through the beginning  
25 part. You're saying that when you pay your tax on,

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2 what, April 15th as a business person?

3 MS. KAMMERDEINER: If you're paying  
4 your business-privilege tax on April 15th of this  
5 year, you'll be paying for the year 2002. Should  
6 you go out of business during 2002, you may in fact  
7 be eligible for --

8 COUNCILMAN NUTTER: At that point in  
9 2002, it's only three and a half months old.

10 MS. KAMMERDEINER: That's correct.  
11 You're paying tax --

12 COUNCILMAN NUTTER: How do I know what  
13 I'm paying?

14 MS. KAMMERDEINER: You're paying tax  
15 for the privilege of doing business in 2002. So if  
16 you go out of business during 2002, you may in fact  
17 be owed a refund for a portion of the year.

18 COUNCILMAN NUTTER: Although I guess,  
19 as you said, most other taxes are for the year that  
20 you actually did business, I mean --

21 MS. KAMMERDEINER: Your taxes to the  
22 State or the federal government on April 15th,  
23 you're paying for the activity that took place in  
24 2001.

25 COUNCILMAN NUTTER: Right.

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MS. KAMMERDEINER: And paying your taxes for 2001. That's not the case with the business-privilege tax. It's one reason that that tax is so confusing and has been so misunderstood by taxpayers and by tax practitioners who assist in the preparation of those returns.

COUNCILMAN NUTTER: Okay. So where are we in the process of changing it?

MS. KAMMERDEINER: That is one of the proposals for tax reform that is being considered.

COUNCILMAN NUTTER: By whom?

MS. KAMMERDEINER: By the Administration.

COUNCILMAN NUTTER: Which administration, the Street Administration or the --

MS. KAMMERDEINER: That's correct, the Street Administration or the Schweiker Administration?

COUNCILMAN NUTTER: Okay. Hasn't this been under consideration for a long time? I mean, we've known about this problem for a long time, right?

MS. KAMMERDEINER: It has been proposed before, yes.

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2 COUNCILMAN NUTTER: Okay. Is there a  
3 bill in Harrisburg to change this?  
4 MS. KAMMERDEINER: Not at this time.  
5 COUNCILMAN NUTTER: Do you know when  
6 there will be?  
7 MS. KAMMERDEINER: No, I do not.  
8 COUNCILMAN NUTTER: Is this an  
9 initiative that you're directly working on, or are  
10 there other parties involved in this?  
11 MS. KAMMERDEINER: I've worked on it in  
12 the past in the sense of being able to put together  
13 some information about the impact of it.  
14 COUNCILMAN NUTTER: No, I understand  
15 that.  
16 MS. KAMMERDEINER: It's being  
17 considered by the legislative process. And when I  
18 say "the legislative process," that's incorrectly  
19 stated. It's being considered by the Mayor's  
20 Office and others who make determinations about the  
21 legislation that the Administration might put  
22 forth.  
23 COUNCILMAN NUTTER: Well, let me ask  
24 this question: How long have you been working on  
25 this issue?

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2 MS. KAMMERDEINER: It's one that's been  
3 around for several years, and there are many people  
4 who are interested in seeing --

5 COUNCILMAN NUTTER: Give me a  
6 quantification of "several." Is it more than  
7 three, less than five, more than ten?

8 MS. KAMMERDEINER: I believe there are  
9 some people who felt that it should have been  
10 changed at the outset, but in terms of seriously  
11 looking at it, I would say it's been three or four  
12 years.

13 COUNCILMAN NUTTER: Okay. And to your  
14 knowledge, has there ever been a bill proposed in  
15 Harrisburg from either the last administration or  
16 the current administration to make this change?

17 MS. KAMMERDEINER: I'm not aware of  
18 one.

19 COUNCILMAN NUTTER: Okay. Do you know  
20 who in the legislative unit is working on this?

21 MS. DAVIS: Janice Davis, Finance  
22 Director.

23 It's been forwarded to the group that  
24 looks at what legislation we will propose in  
25 Harrisburg for the spring legislative session.

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2 It's going forward to the Mayor's Office.  
3 COUNCILMAN NUTTER: Is there a bill  
4 written?  
5 MS. DAVIS: The bill hasn't been  
6 written.  
7 MS. KAMMERDEINER: We do know what  
8 would need to go into that bill, but it hasn't been  
9 officially drafted.  
10 COUNCILMAN NUTTER: What would need to  
11 go into it?  
12 MS. KAMMERDEINER: It's a very minor  
13 wording change, and the Law Department has looked  
14 at it in terms of identifying what would have to go  
15 into it, but it hasn't been put into final form.  
16 COUNCILMAN NUTTER: Is there something  
17 that we're waiting for?  
18 MS. KAMMERDEINER: Concurrence that we  
19 want it to go forward as an administration.  
20 COUNCILMAN NUTTER: Why wouldn't you  
21 want it to go forward?  
22 MS. KAMMERDEINER: There are potential  
23 cost implications in terms of the timing, and  
24 that's one of the things that we have looked and  
25 have shared in terms of the way this works. We're

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2 trying to keep it as a revenue-neutral situation in  
3 any budget year.

4         It could be neutral in a tax year, but  
5 not necessarily in a budget year because the tax  
6 year's calendar and the budget year's fiscal. And  
7 so one of the issues that we have looked at over  
8 this several-year period is how we can stage the  
9 implementation of this so that we don't adversely  
10 affect any budget year.

11         COUNCILMAN NUTTER: Okay, and how do we  
12 deal with the fairness issue? Isn't there a  
13 fairness issue, especially for the startup  
14 businesses and the general impact on public policy  
15 as well as your own testimony is that the tax is  
16 tremendously confusing? I mean, it seems like the  
17 right thing to do, right?

18         MS. KAMMERDEINER: There are a lot of  
19 pluses to doing it, yes.

20         COUNCILMAN NUTTER: Okay. And I'm  
21 sorry, take me -- just the short version. Tell me  
22 again what happens to the new business.

23         Let's say I started a business today,  
24 got my business-privilege license, and I'm doing  
25 whatever I'm doing -- not that anybody would buy

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2 anything from me, but I'm in business. Tell me  
3 what happens.

4 MS. KAMMERDEINER: Okay. You would not  
5 yet have any data in this year in order to pay a  
6 2002 business-privilege tax, and so your first time  
7 to pay would be in April of 2003 based on your  
8 activity in 2002.

9 COUNCILMAN NUTTER: Okay.

10 MS. KAMMERDEINER: We could at that  
11 point in time basically ask you to do catchup and  
12 ask you to pay for 2002 as well as 2003, but when  
13 the regulations were developed back in the '80s to  
14 implement this, everyone thought that that would be  
15 extremely onerous on a business that was just  
16 getting underway.

17 COUNCILMAN NUTTER: Right.

18 MS. KAMMERDEINER: And, therefore,  
19 instead of requiring the catchup to take place in  
20 that year --

21 COUNCILMAN NUTTER: "That year" being  
22 2003.

23 MS. KAMMERDEINER: The second year in  
24 business is the first year you're actually paying.

25 COUNCILMAN NUTTER: Right.

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3 MS. KAMMERDEINER: The decision was  
4 made that you would file a new-start return in that  
5 year.

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8 COUNCILMAN NUTTER: Which year?  
9 MS. KAMMERDEINER: In that second year,  
10 in our hypothetical in 2003.

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13 COUNCILMAN NUTTER: Right.  
14 MS. KAMMERDEINER: Then in 2004, you  
15 would file a new-start return that would, in  
16 essence, cover your activity in 2003, but you would  
17 also be responsible for paying your 2004  
18 business-privilege tax.

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21 So in 2004, in that hypothetical, you  
22 would be paying for 2003 and 2004.  
23 COUNCILMAN NUTTER: Well, what happens  
24 when I file on April 15, 2003; what am I paying  
25 then?

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28 MS. KAMMERDEINER: You're filing a  
29 new-start return for 2003, but it really is as  
30 though you were paying your 2002. That's why it  
31 gets very confusing, and I -- in trying to do it in  
32 a summary way, am probably overstating something  
33 here.

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36 COUNCILMAN NUTTER: And you understand

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2 why that might --  
3 MS. KAMMERDEINER: It's very confusing,  
4 and it's particularly confusing in recent years  
5 when we've been reducing the rate at which you pay,  
6 because you find yourself in that third year in  
7 which you're paying making two payments --  
8 actually, it's the second year you're paying and  
9 the third year you're in business -- you're making  
10 two payments against the same base revenue and  
11 expense information, but with two different rates.  
12 That only heightens the confusion  
13 that's there.  
14 COUNCILMAN NUTTER: Well, I'll come  
15 back to that issue.  
16 Madam Chair, do you need me to  
17 relinquish?  
18 COUNCIL PRESIDENT VERA: I think  
19 Councilman Rizzo may have a question.  
20 COUNCILMAN NUTTER: Okay. I can come  
21 back.  
22 COUNCIL PRESIDENT VERA: Thank you.  
23 Councilman Rizzo.  
24 COUNCILMAN RIZZO: Thank you, Madam  
25 Chair.

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Commissioner Kammerdeiner, can you please bring us current on the personal-property tax, and could you tell us about some taxpayers that paid their personal-property tax in protest. They paid it and sent a letter saying that they were paying it under protest.

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Bring us current on that and how we're

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MS. KAMMERDEINER: As you probably know, there was a second lawsuit in Montgomery County filed by Walter Annenberg after the Montgomery County solution, which was somewhat different from Philadelphia's solution on how to handle the tax was implemented.

That case went to, or was going to, the Pennsylvania Supreme Court, and so we put on hold what we were doing with our solution to see what the court's decision was.

As you may know, Walter Annenberg reached a settlement with Montgomery County in December, and the Supreme Court case, I believe, has been withdrawn, or at least is not going forward.

And so our Law Department, since then,

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2 has been looking at the Montgomery County solution  
3 and how that could affect the way we proposed to  
4 handle the solution in Philadelphia. And we're  
5 waiting for some legal advice on how to move  
6 forward.

7           So we're basically, at this point in  
8 time, on hold.

9           COUNCILMAN RIZZO: So the normal, I  
10 believe -- correct me if I'm wrong. The normal  
11 February 28th deadline to file personal-property  
12 tax is not required this year?

13           MS. KAMMERDEINER: Personal-property  
14 tax is not active in Philadelphia and hasn't been  
15 since 1996. In 1997, we did collect the tax, and  
16 then as a result of a decision of this Council, the  
17 tax for that year was refunded.

18           So 1996 is the last year that we  
19 actually collected. And all of the things that  
20 we've been doing with regard to the  
21 personal-property tax are in terms of a  
22 reassessment for 1996 and possibly earlier years as  
23 a result of the Supreme Court decision in June of  
24 2000.

25           COUNCILMAN RIZZO: There were no tax

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2 bills for personal property sent out since 1996?

3 MS. KAMMERDEINER: In 1997, taxpayers  
4 filed a return, and many of them paid, but  
5 everything that was paid in 1997 was refunded to  
6 them in early 1998.

7 What we did in -- I have to get my  
8 years straight -- in November of 2000 and during  
9 the course of 2001 was ask people to refile for  
10 1996, and we sent out bills based on those  
11 reassessments for 1996. And we had a number of  
12 payments that came in during the course of 2001,  
13 but those were payments for 1996 tax.

14 COUNCILMAN RIZZO: Well, are those  
15 folks going to be reimbursed that payment?

16 MS. KAMMERDEINER: No final  
17 determination has been made. As of now, we have  
18 reassessed and asked people to pay for 1996 based  
19 on their entire holding, without any tax exemption  
20 for any portion of those holdings.

21 You may recall that the  
22 personal-property tax originally had exemptions for  
23 the holdings of companies that did business in  
24 Pennsylvania, were registered as paying certain  
25 taxes in Pennsylvania. As a result, the Supreme

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2 Court case that I referenced earlier concluded that  
3 that tax itself was not unconstitutional, but the  
4 provision for those exemptions was, and they  
5 remanded it back to the counties to determine  
6 whether they would tax in full without any  
7 exemptions or refunds anything that had been paid.

8 Philadelphia determined that we would  
9 tax for '96 but would refund for the earlier years  
10 that may have been protected with refund petitions;  
11 in other words, '93, '94, and '95.

12 We're on hold for the implementation of  
13 that until we see whether the solution that was  
14 crafted in Montgomery County and was upheld by the  
15 lower court in Montgomery County should, instead,  
16 be implemented here. We're studying that, it's not  
17 been finally determined.

18 Under that solution, we would tax for  
19 all four years -- '93, 4, 5, and 6. But then if  
20 you said you wouldn't pursue a refund for any of  
21 those years, we would basically consider it a wash,  
22 and we wouldn't collect and they wouldn't get a  
23 refund.

24 COUNCILMAN RIZZO: Well, let's talk  
25 about fairness now. Many people, because of the

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2 pending Montgomery County decision, didn't file the  
3 tax, many people.

4       What have you done with the people that  
5 haven't versus the citizens that paid but paid  
6 under protest and may have even sent a letter  
7 along? I think that people that ignored shouldn't,  
8 you know, they're off the hook and --

9       MS. KAMMERDEINER: When we went back  
10 out and reassessed for 1996, we contacted, or  
11 attempted to contact, everyone who was on the Board  
12 of Revision of Taxes' mailing list, whether they  
13 filed in 1996 or not. And we did get filings from  
14 a number of people who had not filed originally in  
15 1996 and --

16       COUNCILMAN RIZZO: What's the  
17 ramification of the people -- again, some paid and  
18 some didn't. What happens to the ones that did  
19 not; are they being pursued, are liens going to be  
20 placed against them?

21       Because, again, you have people that  
22 were cooperative, that wrote their check to pay a  
23 tax that they weren't sure that they should pay,  
24 but in their decision, they did, and they indicated  
25 that they were paying a tax but paying it under

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2 protest rather than just ignoring the request.

3 What are we doing to the folks that

4 ignored it?

5 MS. KAMMERDEINER: We attempted in 2001

6 to get filings from them and to assess them. We've

7 not taken active enforcement measures at this

8 juncture. For one thing, we don't know what they

9 might have held or what they might have owed; this

10 is a self-assessed tax from the standpoint of being

11 able to identify what their holdings were. We

12 don't know what their holdings were.

13 COUNCILMAN RIZZO: So there is no

14 reward for paying your tax and there's no problem

15 in not paying it. So all of these folks that paid

16 it, they're just out money, and the people that

17 didn't pay it are just off the hook totally.

18 MS. KAMMERDEINER: I wouldn't want to

19 characterize it that way, at least not until we see

20 what the final resolution is going to be on how

21 that tax is going to be handled.

22 There may still be some enforcement

23 action that will take place; I can't tell you that

24 right now.

25 COUNCILMAN RIZZO: All right, here's

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2 what I'd like: Based on history, just how many  
3 people filed in previous years, could you provide  
4 to the Chair how many people filed and paid the tax  
5 versus the people that ignored that -- just based  
6 on history, not -- you know, no crystal ball here.  
7 You don't know if they're dead or alive or they  
8 sold their portfolio, but I'd be curious to see how  
9 many people just ignored based on the pending  
10 Annenberg decision.

11 MS. KAMMERDEINER: We'll go back and  
12 look at how many people paid over several years and  
13 give you that.

14 COUNCILMAN RIZZO: Great. Thank you  
15 very much.

16 Thanks, Madam Chair.

17 COUNCIL PRESIDENT VERNA: You're  
18 welcome.

19 Councilman Nutter, do you still want to  
20 be recognized?

21 COUNCILMAN NUTTER: Yes, Madam Chair.  
22 Thank you.

23 Miss Kammerdeiner, the other two items  
24 have to do with the single-factor apportionment  
25 formula and generally business tax forms and

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2 licensing and the like, and I'll explain more about  
3 that.

4           We've had some conversations and some  
5 correspondence back and forth, and also some of the  
6 folks from the Pennsylvania Public Accountants  
7 Association. I know the Pennsylvania Institute of  
8 Public Accountants has had interest in this  
9 particular issue for sometime, which has to do with  
10 the single-factor apportionment.

11           Can you tell us also what's going on  
12 with that? And can we anticipate any change in  
13 that formula or calculation?

14           MS. KAMMERDEINER: Are you referring to  
15 the business-privilege tax in this case or the net  
16 profits? The business privilege?

17           COUNCILMAN NUTTER: Yes.

18           MS. KAMMERDEINER: That is one of the  
19 recommendations that I know was also included in  
20 the City Controller's report, and I believe they  
21 acknowledged in there, and this is part of what  
22 you're referring to with earlier correspondence,  
23 that we estimated -- I believe it was \$11 million  
24 that it would cost if the single-factor formula had  
25 been in effect in, I believe it was, fiscal year --

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2 or Tax Year 2000. I don't have that in front of me  
3 to remember which year we used at the time to  
4 determine that if a single-factor formula had been  
5 in place instead of our three-factor formula, with  
6 double waiting for sales, that our tax collections  
7 would have been lower by about 11 million.

8 So that's part of what has been --

9 COUNCILMAN NUTTER: Well, is there a  
10 benefit to the business community to calculate it  
11 that way? I mean, who ultimately benefits and who  
12 doesn't benefit?

13 MS. KAMMERDEINER: I'm trying to  
14 remember on that particular one.

15 I'm not sure -- I don't recall off the  
16 top, and I'll have to get for you which business  
17 sectors we thought would be affected most directly  
18 by a change from three-factor to single-factor.

19 COUNCILMAN NUTTER: Well, why don't I  
20 then make this request: If you can get the  
21 information to us through the Chair, why don't you  
22 do a comparative analysis between single-factor and  
23 three-factor impact on business community by the  
24 change either way or maintenance of the same versus  
25 switching to single-factor, the impact on the City

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2 both by maintaining the same as well as the switch,  
3 and why don't we just get a full detailed analysis  
4 of that.

5 MS. KAMMERDEINER: Sure.

6 COUNCILMAN NUTTER: Let me ask this  
7 question: Is it within the realm of your  
8 department to seek to the greatest extent possible  
9 both tax-form simplicity as well as the education  
10 of the various taxpayers as to which taxes they  
11 owe? And does Revenue get involved with the --  
12 kind of the 8 million different licenses that you  
13 may need to run a business in Philadelphia and  
14 which ones certain businesses need?

15 MS. KAMMERDEINER: We do get involved  
16 very definitely in terms of the design of the forms  
17 and education of the public. We don't get involved  
18 in the licensing side of things -- with one  
19 exception, and that's the business-privilege  
20 license.

21 With that one, we do have a combined  
22 form that's used by both Revenue and L&I for the  
23 issuance the business-privilege license and the  
24 initiation of a business-tax account. So we work  
25 cooperatively with L&I on that one.

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We're not involved in any of the other  
licensing or permit requirements for a business.

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COUNCILMAN NUTTER: With regard to the  
forms and the various taxes that people pay, is  
there any effort presently being conducted to  
simplify to the greatest extent possible either the  
forms themselves or the various explanations of  
what different people owe and how they owe it and  
how they file their taxes?

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What are we doing to make it easier for  
people to operate a business? Some may not buy  
into the notion that it's a privilege; if anything,  
the privilege is ours that they're here, so you  
might want to think about changing the name of  
that.

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But for the moment, I mean, whose  
responsibility is it to try to make doing business  
in Philadelphia as easy as possible?

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MS. KAMMERDEINER: With regard to the  
tax forms, that's our responsibility and the  
Department of Revenue. On an annual basis, we  
review all of the forms, we take information that  
we've gotten from individual taxpayers and from tax  
practitioners who prepare forms and identify areas

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2 where there has been confusion or where there are  
3 problems in an effort to update and change those  
4 forms, to change the explanations that go with  
5 those forms.

6

7 I think with the exception of the  
8 business-privilege tax, which is so complicated in  
9 the way the tax itself is crafted, and that comes  
10 back in large measure to the enabling legislation  
11 and the exceptions and issues that are established  
12 under the law.

13 We have streamlined those forms as much  
14 as we can. I have put them into formats that allow  
15 us to scan those forms so that -- and we take  
16 images of those forms so that we can provide and  
17 prove taxpayer service.

18 Our feedback from the practitioners who  
19 we work with -- and they are both lawyers and  
20 accountants representing large and small firms as  
21 well as those who attend sessions that we hold on  
22 an annual basis to provide education on the  
23 taxes -- is that we've come a long way.

24 There is still a way we can go and we  
25 can always improve on the forms, but we've done an  
awful lot in the last years to streamline and make

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2 them more efficient.

3 COUNCILMAN NUTTER: Can you file your  
4 taxes on-line over the Internet?

5 MS. KAMMERDEINER: Not yet.

6 COUNCILMAN NUTTER: Why not?

7 MS. KAMMERDEINER: You can get copies  
8 of those returns on line.

9 One of the things that we're working  
10 with the Mayor's Office of Information Services on  
11 right now is to improve the e-government  
12 capabilities, and one of the earlier places that  
13 they want to work is on the filing on line.

14 COUNCILMAN NUTTER: Can you file your  
15 federal taxes on the Internet?

16 MS. KAMMERDEINER: Yes.

17 COUNCILMAN NUTTER: But you can't file  
18 City taxes on the Internet.

19 MS. KAMMERDEINER: That's correct. But  
20 the federal taxes that you can file on line are the  
21 personal income taxes. I don't believe you can  
22 file your corporate taxes online yet, and most of  
23 our taxes are corporate taxes that have those  
24 levels of complication for taking the information  
25 from the form and putting it into the system, the

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2 legacy system that you use.

3 So I don't think we're that far behind  
4 them in that regard.

5 COUNCILMAN NUTTER: When do you think  
6 we'll have that capability?

7 MS. KAMMERDEINER: I don't have an  
8 exact time on it yet. The very first thing that  
9 we'll be getting people to file online will be  
10 their business-tax accountant application and that  
11 business-privilege license form. That one should  
12 be available sometime within the next several  
13 months.

14 The others, I don't have a timeline  
15 yet, but we do have some people who are looking at  
16 that to see exactly how long it will take. We hope  
17 to have a timeline in terms of the order that they  
18 would be produced sometime in the next few months.

19 COUNCILMAN NUTTER: With regard to the  
20 business-privilege tax, you've made reference on a  
21 number of occasions to the enabling legislation.  
22 What happens in the other counties or cities or  
23 townships in the Commonwealth of Pennsylvania? Do  
24 they have a similar prospective payment of taxes?

25 MS. KAMMERDEINER: I don't believe they

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2 have anything that's prospective. For one thing,  
3 we're a city and county of the first class, so what  
4 we're entitled to tax is different from what  
5 they're allowed to tax, and so they're bound by a  
6 whole series of rules and regulations.

7 COUNCILMAN NUTTER: Well, I understand  
8 the who-can-tax-what issue, but if you're in  
9 business in Montgomery County, do you pay on the  
10 activity that you actually did last year, or do you  
11 pay for activity that you have not done in the  
12 current year?

13 MS. KAMMERDEINER: I don't know. We  
14 can check and see, I don't know. My staff might  
15 know but I don't.

16 COUNCILMAN NUTTER: Okay. Thank you.  
17 I have one question for -- unless there  
18 are other questions for Miss Kammerdeiner -- I'm  
19 not going to try to figure out between the two of  
20 them who the ranking officials are from the  
21 Administration, so if I could have Miss Davis and  
22 Mr. Dubow back for a second, I'd appreciate it.

23 (Ms.Davis and Mr. Dubow return  
24 to the witness table.)

25 COUNCILMAN NUTTER: Miss Davis, is

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2 Secretary of --  
3 MS. DAVIS: Financial Oversight.  
4 COUNCILMAN NUTTER: And all things  
5 universal?  
6 Can you get us a complete detailed  
7 answer with regard to the legislative effort to  
8 change how the business-privilege tax is collected  
9 from the prospective current to the past either  
10 calendar year or tax year, however Miss  
11 Kammerdeiner figures it out; and can you tell us in  
12 that response who is working on what legislation,  
13 when do we expect that legislation to go to the  
14 legislature, and what is our goal in terms of  
15 getting such legislation passed so we can end this  
16 particular issue that's been around for a long  
17 time?  
18 MS. DAVIS: I will.  
19 COUNCILMAN NUTTER: Thank you.  
20 MS. DAVIS: Thank you.  
21 COUNCILMAN NUTTER: Thank you, Madam  
22 Chair.  
23 COUNCIL PRESIDENT VERNA: Are there any  
24 other questions from members of the committee?  
25 (No further questions.)

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COUNCIL PRESIDENT Verna: Thank you  
very much.

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COUNCIL PRESIDENT Verna: The Sinking  
Fund Commission is next.

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(Witnesses come forward.)  
COUNCIL PRESIDENT Verna: Good

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9

afternoon.

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MR. JANNETTI: Good afternoon, Madam  
President and members of Council. I'm Vince  
Jannetti, Executive Director of the Sinking Fund  
Commission, and I'm here to testify on behalf of  
the Commission on the Fiscal Year 2003 Operating  
Budget request.

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The Sinking Fund Commission's 2003  
budget request, also funds total \$464.5 million.  
The General Fund portion of this request is  
\$202.7 million, and it includes \$91.2 million for  
capital lease payments and \$111.5 million for debt  
service and other debt-related expenditures.

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The Sinking Fund Commission's request  
for the Water Fund for Fiscal Year 2003 totals  
\$163.6 million, and a request in the Aviation Fund  
totals \$93.1 million, all of Class 700 for debt  
service on Revenue and General Obligation Bonds.

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2 In both the Water and Aviation Funds, the requests  
3 for Fiscal 2003 do not provide for any new  
4 borrowings.

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6 The Commission's 2003 request of  
7 \$6.4 million in the (unintelligible) Tax Fund is  
8 provided for payments on leases for new stadiums.

9

10 I'd be happy to answer any questions  
11 Council may have relative to the 2003 Operating  
12 Budget of the Sinking Fund Commission.

13

14 COUNCIL PRESIDENT VERNA: Thank you.

15

16 Mr. Jannetti, on Page 10 of the detail,  
17 could you give us the detailed breakdown of Class  
18 281 and 285 expenditures?

19

20 MR. JANNETTI: I could provide that for  
21 you.

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23 COUNCIL PRESIDENT VERNA: Would you,  
24 please?

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MR. JANNETTI: Yes.

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27 COUNCIL PRESIDENT VERNA: Also, does  
28 your budget include any for Parking Authority bond  
29 payment guarantees? How much is included for these  
30 guarantees, and can you tell us the status of these  
31 properties?

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MR. JANNETTI: I can tell that you that

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2 the 2003 budget provides for \$4.7 million for the  
3 Parking Authority bonds. The status of those  
4 projects I do not know.  
5 COUNCIL PRESIDENT VERNA: Who would  
6 know?  
7 MR. JANNETTI: Our --  
8 COUNCIL PRESIDENT VERNA: Is there  
9 anybody from the Administration here that would  
10 know the status of these projects?  
11 (Miss Davis returns to witness  
12 table.)  
13 MS. DAVIS: Currently neither project  
14 is active. We'll be happy to get the exact status  
15 of the --  
16 COUNCIL PRESIDENT VERNA: I'm sorry, I  
17 didn't hear a word you said.  
18 MS. DAVIS: Currently neither project  
19 is active. We'll be happy to get the information  
20 from the Parking Authority and forwarded to you.  
21 COUNCIL PRESIDENT VERNA: Are there two  
22 projects in question?  
23 MS. DAVIS: Yes, eighth and Market and  
24 19th and Walnut.  
25 COUNCIL PRESIDENT VERNA: Mr. Jannetti,

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2 besides the trends, what other borrowings or  
3 refundings are included in your General Fund  
4 budget?

5 MR. JANNETTI: There's also a provision  
6 for a new borrowing a new General Obligation  
7 borrowing in 2003.

8 COUNCIL PRESIDENT VERNA: I'm sorry,  
9 would you mind repeating that? I'm sorry.

10 MR. JANNETTI: There's a provision in  
11 the budget for a new -- a \$94 million General  
12 Obligation borrowing to be issued early in 2003.

13 COUNCIL PRESIDENT VERNA: Okay, thank  
14 you.

15 Are there any questions from members of  
16 the committee?

17 (No questions.)

18 COUNCIL PRESIDENT VERNA: Thank you  
19 very much. That was easy.

20 MR. JANNETTI: Thank you.

21 COUNCIL PRESIDENT VERNA: The City  
22 Treasurer is next.

23 (Witnesses come forward.)

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

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MR. FARALDO: Good afternoon, Madam President and members of City Council. I am Joseph Faraldo, Acting City Treasurer, and with me today is Corey Kemp, Deputy City Treasurer.

6

I appreciate this opportunity to testify before you about the Fiscal Year 2003 budget request for the City Treasurer's office in the total amount \$969,096. This is an increase of \$11,981 from estimated Fiscal Year 2002 obligations in order to fund negotiated salary increases.

12

The Treasurer's Office proposed Fiscal 2003 budget include 17 employees, which is the same as the Fiscal Year 2002 staffing level. Eighty-five percent of the Treasurer's Office proposed budgets is appropriated towards Class 100 personnel expenditures.

18

The Class 200 component of the Treasurer's Office's proposed budget totals, \$118,125, the same as the Fiscal Year 2002 estimated obligation. The purchase of professional services, postage, the maintenance and support of computers and office equipment dominates this class of expenditure.

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The Class 3 and 400 components of the

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2 Treasurer's Office proposed budget totals \$28,223,  
3 the same as the Fiscal Year 2002 estimated  
4 obligations. Office supplies, the cost of  
5 purchasing and printing the envelopes used to mail  
6 City checks as well as the purchase of computer  
7 equipment are included in these classes of  
8 expenditures.

9 This concludes my verbal testimony of  
10 today. We've provided written testimony before  
11 today's hearing, and I'd be glad to answer any  
12 questions you may have at this time.

13 COUNCIL PRESIDENT VERNA: Thank you.

14 Tell us what the City's position is  
15 regarding -- with regard to as to when we should  
16 refinance outstanding debt.

17 MR. FARALDO: I'll let Corey Kemp,  
18 Deputy City Treasurer for Public Financing, answer  
19 that question.

20 MR. KEMP: How you doing? My name is  
21 Corey Kemp, Deputy City Treasurer.

22 In regards to refinancing debt, we  
23 take, I want to say, an aggressive approach of  
24 looking at the market conditions, seeing what the  
25 interest rates are as compared to what our current

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2 debt is. We also depend on information from our  
3 contracted financial advisors, and if we find the  
4 opportunity that meets our savings threshold, which  
5 is internally approximately 3 percent, we take the  
6 necessary steps to look further into that. And if,  
7 like I said, if we reach that savings threshold, we  
8 make a determination whether we should go forward  
9 with doing refinances.

10 COUNCIL PRESIDENT VERNA: Miss Davis?

11 I noticed you walked up to the witness table, and I  
12 wondered whether you wanted to --

13 MS. DAVIS: I just wanted to be  
14 available if Mr. Kemp needed some assistance. He's  
15 filling in since we lost our treasurer, and I  
16 wanted just to be available if he wanted help, but  
17 he handled it perfectly.

18 COUNCIL PRESIDENT VERNA: Thank you.

19 Mr. Faraldo, on Page 3 of your  
20 testimony, you indicate that the Redevelopment  
21 Authority, on behalf of the City will issue roughly  
22 \$62 million in TIF bonds as the City's contribution  
23 to the new entertainment complex at Penn's Landing.  
24 How will this transaction work? How do the bonds  
25 get paid? Is the City guaranteeing the bonds, and

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2 will this bond issue require any additional  
3 approvals from City Council?

4 MR. FARALDO: Again, the \$62 million  
5 bond issue referenced in the testimony is the  
6 City's -- that's the City's portion. It's a bigger  
7 deal, it's approximately 170, 180 million total  
8 bond deal.

9 I'll let Mr. Kemp answer that question.

10 COUNCIL PRESIDENT VERNA: All right,  
11 just tell us how the bonds will get paid. Is the  
12 City guaranteeing these bonds?

13 MR. KEMP: I don't know the answer to  
14 that at this point. The ordinance was passed, I  
15 think, in the calendar year 2000, and we have yet  
16 to go further in terms of putting a working group  
17 team together.

18 It's just my understanding in talking  
19 to members of the RDA that there was some financial  
20 concerns in regards to the -- excuse me, for a  
21 second. In regards to the Simon Group, the  
22 project leader -- and that's just been ratified or  
23 taken care of.

24 So to make a long story short, I'm  
25 going to have to get back to you with the answer to

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2 that question. I apologize.

3 COUNCIL PRESIDENT VERNA: I would like  
4 to know, will this bond issue require any  
5 additional approvals from City Council? So maybe  
6 you could answer all of those questions when you  
7 respond to us.

8 MR. KEMP: Yes, I will.

9 COUNCIL PRESIDENT VERNA: And I know  
10 that this is Councilman DiCicco's baby, so to  
11 speak, and I notice your light went on. Is there  
12 something that you wanted to piggyback on?

13 COUNCILMAN DICICCO: Thank you.

14 I think the one thing that will be  
15 required is -- because the TIF date will be  
16 changing again, it would have to come back to  
17 Council for approval.

18 But I'm a little concerned. Initially  
19 when we did the \$62 million TIF, did I hear someone  
20 say when I was having a little bite to eat, that  
21 it's 170 million?

22 MS. DAVIS: The total is project is 172  
23 million, the TIF portion is the 62 million.

24 COUNCILMAN DICICCO: All right, so I  
25 think the total project has exceeded that; now year

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2 we're in the 200-and-something million dollar range  
3 now.

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5 The Redevelopment Authority's  
6 involvement in this TIF, is that typical or is that  
7 something unique? I mean, we've done other TIFs  
8 and I'm not sure if the Redevelopment Authority --

9 MS. DAVIS: They're being used as the  
10 issuing entity in this instance. And that's right,  
11 they're involved. It's not because of the TIF but  
12 because of the debt related to it. And there is no  
13 anticipated additional contribution by the City.  
14 The tax increment is expected to pay the debt  
15 service on the bonds.

16 COUNCILMAN DICICCO: Yeah, I think that  
17 was made clear at some of many hearings we had,  
18 that it would be no more than the 62 million,  
19 although the Simon Group has been successful in  
20 convincing other non-governmental entities and  
21 authorities to put money into the deal.

22 Do you have any idea when that  
23 legislation will be coming over on the date change?  
24 Do we have any --

25 MS. DAVIS: No, I don't, but I can get  
that for you.

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2 COUNCILMAN DICICCO: Thank you.

3 COUNCIL PRESIDENT VERNA: What happens  
4 if the tax revenues fall short?

5 MS. DAVIS: I have to see how that bond  
6 deal is structured. A lot will be dependent on the  
7 structure and how successful -- in other deals that  
8 I've done in other cities where tax-increment  
9 financing was used, that was the sole pledge for  
10 the bonds, and if the bonds were unable to be paid,  
11 they weren't paid.

12 A lot is dependent on how we structure  
13 the bond and whether there is the ability of the  
14 City to stand behind that debt service.

15 So as anticipated currently, it would  
16 be from the tax increment solely.

17 COUNCIL PRESIDENT VERNA: But it's  
18 really not our debt

19 MS. DAVIS: And that's why I said it  
20 depends on how it's structured, but my  
21 understanding is that it would be only the tax  
22 increment which would pay for the debt service.  
23 And in every one that I've been involved with, that  
24 was the sole-stream pledge to the repayment of the  
25 bonds.

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3 And so if it's insufficient, then the  
4 bonds are in default, but there are usually several  
5 reserve funds and sinking funds set aside in the  
6 structure of the bonds so that they hit several  
7 bogeys before they actually have to draw an  
8 increment.

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9 COUNCIL PRESIDENT VERNA: So Council  
10 should be anticipating a TIF coming before us  
11 again?

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MS. DAVIS: Some legislation on the  
TIF, yes, extending the date.

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COUNCIL PRESIDENT VERNA: Okay.

Mr. Faraldo, based upon your testimony,  
your office is only contemplating two financings in  
FY '03; is that correct?

MR. FARALDO: Yes, two that we're aware  
of at this point.

MR. KEMP: We have two that we listed,  
which is the yearly tran. Also, the Airport is  
contemplating doing a \$100 million financing.

There's also -- we normally have at  
least two other deals that even come from the  
hospital authorities, like a hospital deal or a  
Community College deal, that we haven't listed, but

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2 we expect to have the same level of deals from that  
3 this year also.

4 COUNCIL PRESIDENT VERNA: I think you  
5 heard the Sinking Fund testify. Were you here when  
6 they testified?

7 MR. KEMP: Yes, I was.

8 COUNCIL PRESIDENT VERNA: \$94 seems to  
9 stick in my head.

10 MR. KEMP: Yeah, he has money in the  
11 budget to do a \$94 million GO deal. At the time we  
12 wrote that testimony, we was not aware of that.

13 COUNCIL PRESIDENT VERNA: Who was not  
14 aware?

15 MR. KEMP: My office was not aware.

16 COUNCIL PRESIDENT VERNA: Okay,  
17 Councilman Nutter. The Chair recognizes Councilman  
18 Nutter.

19 COUNCILMAN NUTTER: Thank you, Madam  
20 Chair.

21 With regards to Page 3 of the testimony  
22 under the debt financings, either Mr. Faraldo or  
23 Mr. Kemp, what do you anticipate to be the size of  
24 the offering with regard to the NTI program?

25 MR. KEMP: We're going to do the --

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2 this was in two tranches. The first tranche will  
3 be roughly 140 million.  
4 COUNCILMAN NUTTER: How much is the  
5 second one?  
6 MR. KEMP: The second one will be about  
7 155.  
8 COUNCILMAN NUTTER: This is going to be  
9 the balance?  
10 MR. KEMP: Correct.  
11 COUNCILMAN NUTTER: So we're only doing  
12 two offerings?  
13 MR. KEMP: Correct.  
14 COUNCILMAN NUTTER: Okay. The  
15 testimony some time ago seemed to indicate that  
16 there might be as many as three or four; do you  
17 recall that?  
18 MR. KEMP: Yeah, I recall that, but the  
19 current numbers shows that we can do it in two.  
20 COUNCILMAN NUTTER: Okay. And When do  
21 you think you'll do the second one?  
22 MR. KEMP: IT should be about two to  
23 three years out.  
24 COUNCILMAN NUTTER: So we're talking  
25 about spring of '04, spring of '05?

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2 MR. KEMP: Well, spring of '05  
3 COUNCILMAN NUTTER: I'm sorry?  
4 MR. KEMP: Somewhere between spring of  
5 '04 and spring of '05, you're correct.  
6 COUNCILMAN NUTTER: You're leaving  
7 yourself a pretty decent window there.  
8 MR. KEMP: I mean, you still have to  
9 take a look at the market conditions. You know, if  
10 conditions aren't right, we can go earlier and  
11 still have enough to finish the project, 'cause as  
12 you're aware, we have a three-year spend-down on  
13 the non-taxable piece.  
14 COUNCILMAN NUTTER: Right.  
15 MR. KEMP: So at that point, if the  
16 market rates are favorable, we'll go out earlier  
17 than later.  
18 COUNCILMAN NUTTER: Okay. And do you  
19 have a schedule or kind of a -- on \$140 million,  
20 what's the breakout between -- I think there are  
21 three elements usually to these. You've got some  
22 General Obligation debt, you've got some taxable,  
23 and I think you've got some private activity; is  
24 that right?  
25 MR. KEMP: Correct. The breakdown of

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2 the 140 that I stated, the 120 will be the  
3 non-taxable piece, and then 20 million will be the  
4 taxable piece. I do not have the breakdown of the  
5 private-active bonds; that would be a separate  
6 issue.  
7 COUNCILMAN NUTTER: So that's not going  
8 to be until you do the 155.  
9 MR. KEMP: I'm saying that it's  
10 separate -- it's not included in the 295 is what  
11 I'm saying.  
12 COUNCILMAN NUTTER: Uh, you just -- you  
13 were doing pretty well. I think your private  
14 activity --  
15 MS. DAVIS: It is a part of the 295  
16 million.  
17 COUNCILMAN NUTTER: Right.  
18 MS. DAVIS: He says it doesn't have a  
19 scheduled date in what he's been provided. It's  
20 likely that that will be either a separate issuance  
21 or a part of the second tranche of --  
22 COUNCILMAN NUTTER: Part of the 155.  
23 MS. DAVIS: Yeah, the 155.  
24 COUNCILMAN NUTTER: Okay, so let me  
25 understand this.

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2 MR. KEMP: I apologize for that.  
3 COUNCILMAN NUTTER: That's all right, I  
4 won't hold it against you.  
5 The 120 million, that's going to be  
6 general obligation?  
7 MR. KEMP: When you say "general  
8 obligation," you're saying GO?  
9 COUNCILMAN NUTTER: Yeah.  
10 MR. KEMP: It's non-taxable; I don't  
11 want to say "general obligation."  
12 COUNCILMAN NUTTER: It's non-taxable.  
13 MR. KEMP: Correct.  
14 COUNCILMAN NUTTER: And you're making  
15 that distinction because...?  
16 MS. DAVIS: He's going to have to get  
17 that breakdown. The information that he's been  
18 provided does not provide it in that format, not  
19 for the first tranche.  
20 COUNCILMAN NUTTER: All right, let me  
21 ask this question: For that 120, what are you  
22 allowed to do with that or what are not allowed to  
23 do with that that you would be able to do with the  
24 other 20 or vice versa?  
25 MR. KEMP: With the information that I

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2 have, I can make sure I get you a copy of what I  
3 have, but that question is probably more geared  
4 towards Pat Smith from NTI in terms of the use of  
5 the funds.  
6 COUNCILMAN NUTTER: I understand that,  
7 but you're going to have to sell this, right?  
8 MR. KEMP: Correct.  
9 COUNCILMAN NUTTER: All right, so you  
10 might want to know, right?  
11 MR. KEMP: Yeah, but mine would be on a  
12 more general basis.  
13 COUNCILMAN NUTTER: I understand that.  
14 MR. KEMP: And I have that here. When  
15 I say I want to --  
16 COUNCILMAN NUTTER: One of the  
17 investors might want to know what you're doing with  
18 the money, right? Or a rating agency?  
19 MS. DAVIS: We'll get that information  
20 to you.  
21 COUNCILMAN NUTTER: All right, let me  
22 ask this question: The 20 that's on the taxable  
23 side, and I thought that there was some special  
24 provisions with regard to the private activity that  
25 allowed for certain activities to take place.

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2 You're saying that, first, there's no private  
3 activity anticipated in the spring's offering;  
4 second, private activity is either going to be a  
5 separate offering on its own, or it's going to be a  
6 part of the 155, which, you're saying, is not going  
7 to happen until either somewhere between spring of  
8 '04, spring of '05; is that correct?

9 MR. KEMP: Correct.

10 COUNCILMAN NUTTER: Miss Davis, what's  
11 your recollection about the use of the  
12 private-activity bonds? I think that was a total  
13 of 50; is that correct?

14 MS. DAVIS: Yes. And it's certain  
15 activities that aren't suitable for use with the  
16 tax-exempt General Obligation Bonds, certain  
17 redevelopment-type activities.

18 We'll have to get you a breakdown of  
19 how these funds are going to be issued and how the  
20 charges are divided. Based on what Mr. Kemp has  
21 before him, it's not clear when the taxables are  
22 going to be issued, and those would be your private  
23 activities.

24 COUNCILMAN NUTTER: All right, okay.  
25 My concern actually is, depending on what type of

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2 bonds are in the offering obviously dictates the  
3 activities that come out of the offering and the  
4 timing of when you'd be able to conduct certain  
5 activities.

6           So, I mean, at the moment, I am a  
7 little concerned that there's no private-activity  
8 bond offering anticipated this spring, and I think  
9 my recollection is that the bulk of the dollars  
10 that you're talking about for the spring seem to  
11 be -- I think their anticipated use is primarily  
12 demolition. The housing and preservation activity,  
13 I think, is anticipated to come out of the  
14 private-activity bonds.

15           MS. DAVIS: Of the total that's listed  
16 here, you have demolition-related activities,  
17 blight-elimination activities, certain preservation  
18 activities, MIS and IT activities are the  
19 121 million.

20           Then additionally, you have certain  
21 redevelopment activities and certain preservation  
22 activities that would not be suitable for  
23 government-purpose financing coming out of the  
24 20 million of taxables.

25           And this 141 million is scheduled to be

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2 spent -- of the tax-exempt, 121 million in the '03  
3 to '05 period, and roughly 12 million of the  
4 taxables in '03 to '05.  
5 COUNCILMAN NUTTER: Okay, but you'll  
6 lay all that out in a larger schedule?  
7 MS. DAVIS: A format that will be much  
8 easier for you to understand.  
9 COUNCILMAN ORTIZ: Councilman, did you  
10 ask a question whether all of these will be a  
11 competitive-bidding process?  
12 COUNCILMAN NUTTER: I didn't get to  
13 that question yet, Councilman. But it's a  
14 question.  
15 MS. DAVIS: What's the question?  
16 COUNCILMAN NUTTER: A competitive bid  
17 or a negotiated bid?  
18 MS. DAVIS: These are negotiated deals.  
19 COUNCILMAN ORTIZ: Excuse me?  
20 MS. DAVIS: These are negotiated  
21 transactions.  
22 COUNCILMAN ORTIZ: Define that.  
23 MS. DAVIS: You select your  
24 underwriters, and then they go out and market the  
25 bonds for you as compared to receiving bids for the

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2 bonds, which would be a competitive. The City  
3 traditionally uses negotiated deals.  
4 COUNCILMAN NUTTER: Okay.  
5 COUNCILMAN ORTIZ: I just want a  
6 definition for the record.  
7 COUNCILMAN NUTTER: I understand.  
8 Who's on these deals?  
9 MR. KEMP: I can give you a list of  
10 that also, I'll provide that to you.  
11 COUNCILMAN NUTTER: All right. And  
12 that actually was -- even though we were talking  
13 about NTI, actually for -- you have four financings  
14 that you're anticipating, at least four, and I  
15 think I heard you talk about another two that have  
16 not been listed because -- I think the Hospital  
17 Authority was one and --  
18 MR. KEMP: I said we normally get --  
19 COUNCILMAN NUTTER: -- something from  
20 the Airport I think you were anticipating.  
21 At least for the four that you have  
22 listed, if you could, as a part of this larger  
23 response, lay out who all of the various team  
24 members are for these offerings, I would appreciate  
25 it.

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2 MR. KEMP: Not a problem.  
3 COUNCILMAN NUTTER: Okay, thank you.  
4 Where does -- where does MIG 1 stand in  
5 the general ranking orders of bond layers?  
6 MR. KEMP: That's the highest  
7 short-term- rated you can get.  
8 COUNCILMAN NUTTER: Okay, and SP 1+?  
9 MR. KEMP: Right, it's the highest you  
10 can get from Standard & Poor's; the MIG 1 is from  
11 Moody's.  
12 COUNCILMAN NUTTER: Okay, and this was  
13 all on our short term?  
14 MR. KEMP: Correct.  
15 COUNCILMAN NUTTER: What is our  
16 overall -- or maybe that's in the previous  
17 paragraph. We've recently been upgraded from BAA 2  
18 to BAA 1?  
19 MR. KEMP: Correct.  
20 COUNCILMAN NUTTER: Okay. And BBB+ to  
21 A-, that's on our long term?  
22 MR. KEMP: Yes.  
23 COUNCILMAN NUTTER: Okay, we're going  
24 in the right direction. Okay, thank you.  
25 When can we anticipate the response to

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1  
2 all of the team stuff, the NTI bond offering --  
3 MR. KEMP: As soon as possible.  
4 COUNCILMAN NUTTER: Okay. Thank you.  
5 Thank you, Madam Chair.  
6 COUNCIL PRESIDENT Verna: Thank you.  
7 The Chair recognizes Councilman Rizzo.  
8 COUNCILMAN RIZZO: Madam President, I  
9 apologize. My light was on but I don't have a  
10 question.  
11 COUNCIL PRESIDENT Verna: Are there any  
12 other questions from members of the committee?  
13 (No further questions.)  
14 COUNCIL PRESIDENT Verna: The  
15 Procurement Department is next.  
16 (Witnesses come forward.)  
17 COUNCIL PRESIDENT Verna: Good  
18 afternoon.  
19 MR. GAMBLE: Good afternoon, Council  
20 President Verna and members of City Council. I am  
21 William Gamble, Commissioner of the Procurement  
22 Department. With me today are Deputy Commissioners  
23 Harry Hillock and Janet Hagan. And I'm presenting  
24 for your consideration the Procurement's Fiscal  
25 Year 2003 budget request.

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3 Before I start my testimony, I would  
4 like to briefly give you some background on my  
5 experience which has brought me to the position of  
6 Procurement Commissioner.

7

8 I have over 20 years of experience in  
9 government procurement, finance, and management.

10 Most recently, in Los Angeles, California, I served  
11 as the Director of Supplies for nine years, and

12 prior to that, the Director of Purchasing for the  
13 Cleveland City School District for eight years.

14 I'm a graduate of Florida A&M

15 University with a bachelor of science in history,

16 and I have earned a master's degree in public

17 administration from the State University in New

18 York in Albany.

19 As Procurement Commissioner, I'm

20 looking forward to leading the Procurement

21 Department in advancing the use of e-procurement.

22 My staff and I will work hard to continue to

23 improve the procurement process and to effect

24 changes where changes are necessary. We will work

25 in partnership and in cooperation with all

departments and offices to move the Procurement

Office into the 21st century. It is my goal to

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2 continue to develop the Procurement Department to a  
3 top-notch, modern, professionally efficient and  
4 effect government organization.

5 The Procurement Department is

6 requesting a total appropriation for all funds of  
7 \$5.3 million, of which \$5.16 million is in the  
8 General Fund. The budget for Fiscal Year '03  
9 provides for 77 General Fund employees and 2 Water  
10 Fund employees. This budget represents an increase  
11 to \$194,000 from the Fiscal Year '02 projected  
12 obligation of \$4.4 million. This increase is due  
13 to the negotiated 3 percent wage increase  
14 effective December 15, 2001 and December 15, 2002.

15 In partnership with the Minority  
16 Business Enterprise Council, Procurement will  
17 continue to work diligently and proactively to  
18 increase the amount of awards going to minority  
19 vendors. At pre-bid meetings, vendors are  
20 encouraged to seek minority participation and are  
21 introduced to minority businesses.

22 Procurement will continue to partner  
23 with MBEC in training programs designed to educate  
24 minority vendors about the vending process and  
25 business opportunities with the City.

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Procurement has a number of major accomplishments in the area of e-procurement. Since March 2001, Procurement does not send bid packages through the mail. Bid information on line became available to all vendors, both nationally and internationally, on the Internet on July 14, 2000.

9

This Website enables vendors to see a list of all current bids and can view, print, or download the bid documents. By eliminating the reproduction of the bid documents, Procurement's annual printing expense has been reduced by \$75,000. This reduction is reflected in the Fiscal Year '02 estimated obligation and the Fiscal Year '03 Class 300 budget.

Procurement coordinated with Staples, the City's office supplies vendor, to implement online ordering against a citywide contract. Via citynet, departments now place orders directly through the Staples Website. By placing orders on line, users now know the cost of the purchase at that time they place the order. Furthermore, the City receives an additional 2 percent discount on orders placed online.

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During this next year, Procurement will be involved in many purchasing initiatives and projects. As part of the Mayor's Neighborhood Transformation Initiative, Procurement will have the major responsibility to conduct competitive bidding for the demolition and the Vacant Lot Program.

Procurement will work with the Finance Department and the Controller's Office in exploring the possibility of implementing a procurement card program that will be used to purchase certain goods and services that are required immediately. Procurement continues to explore e-procurement opportunities and the use of the Internet to improve the efficiency of the bidding process and increase vendor competition in a number of areas.

We are working with the Capital Program Office and other operating departments to make Public Works bid documents available for downloading from the Internet. In addition to Public Works bids results, we will place on the Internet any information we have available to the public on the Procurement Department's Website.

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2 The first step is to publish Public Works bid  
3 results, but it is our future goal to also publish  
4 services, supplies and equipment bid results.

5 A pilot project is being planned to  
6 conduct electronic bidding of the small-order  
7 purchases, which are less than \$13,000. This  
8 project will be the first of future electronic and  
9 bidding initiatives.

10 Madam President, this concludes my  
11 testimony. I will be glad to answer any questions  
12 you or other members of the City Council may have  
13 regarding my testimony.

14 COUNCIL PRESIDENT VERNA: Thank you.  
15 I'd like to welcome you to the City of Brotherly  
16 Love and Sisterly Affection. It would nice if at  
17 the conclusion, you would simply go around and  
18 introduce yourself to the Councilmembers, because I  
19 know I haven't had the opportunity to meet with  
20 you, and I doubt that any of my colleagues have.

21 MR. GAMBLE: That's correct.

22 COUNCIL PRESIDENT VERNA: So I think it  
23 would be nice if you did go around and introduce  
24 yourself.

25 Mr. Gamble, you mentioned that

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2 Procurement will have a major responsibility for  
3 the NTI Program in the areas of competitive bidding  
4 for the demolition and the Vacant Lot Program.  
5 Explain exactly what it is Procurement will be  
6 doing in those two areas.  
7 MS. HAGAN: This is Janet Hagan, Deputy  
8 Procurement Commission for Services, Supplies and  
9 Equipment.  
10 We have met with the Capital Programs  
11 and NTI Office and L&I, and we'll be responsible  
12 for issuing the demolition bids for the NTI Program  
13 when they get started.  
14 COUNCIL PRESIDENT VERNA: I assume that  
15 this will increase Procurement's workload; is that  
16 correct?  
17 MS. HAGAN: Yes, it will.  
18 COUNCIL PRESIDENT VERNA: And can you  
19 tell us how you will be able to absorb this in your  
20 FY '02 budget?  
21 MS. HAGAN: The Commissioner will  
22 respond to that.  
23 COUNCIL PRESIDENT VERNA: Thank you.  
24 MR. GAMBLE: Yes, Madam President.  
25 What we're currently doing is making

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2 sure that the work has been distributed in one  
3 location. And as far as bidding is concerned, it  
4 will be -- basically, we will be prequalifying  
5 vendors to try to minimize the increase in  
6 production of workloads, I should say.  
7 COUNCIL PRESIDENT VERNA: Are we going  
8 to put out bids for the Vacant Lot Program?  
9 MR. GAMBLE: The bids will --  
10 MS. HAGAN: We anticipate that we will  
11 be included in that process.  
12 COUNCIL PRESIDENT VERNA: Well, I just  
13 read your testimony --  
14 Yes, Councilman Nutter?  
15 COUNCILMAN NUTTER: Thank you, Madam  
16 President.  
17 I didn't really understand. I thought  
18 I understood the question; I definitely didn't  
19 understand the answer. What do you mean "a bid  
20 process for vacant lots"?  
21 MS. HAGAN: That if the Neighborhood  
22 Transformation Initiative puts out a bid for the  
23 periodic cleaning, that it will come through the  
24 Procurement Department. That's anticipating if  
25 they do.

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2 COUNCILMAN NUTTER: Okay, well,  
3 anticipated that they may, who would be responding  
4 to such -- I mean, who's going to be cleaning these  
5 lots? Are you talking about somebody would have a  
6 contract to clean the lots?

7 MS. HAGAN: If the Neighborhood  
8 Transformation Initiative goes through with a  
9 bidding process for the periodic cleaning, once  
10 they've initially cleaned them, then we would be  
11 responsible for putting out a competitive bid.

12 COUNCILMAN NUTTER: Okay. Have they  
13 indicated that that's something that they might  
14 want to pursue?

15 MS. HAGAN: Presently, I believe that  
16 it may be on hold, I'm not sure.

17 COUNCIL PRESIDENT VERNA: I thought the  
18 vacant-lot cleaning was to be done with City funds,  
19 not bond funds.

20 MS. HAGAN: Initially they are doing  
21 that, and I don't know for sure whether they're  
22 going through with the periodic cleaning after  
23 that. It is currently on hold.

24 COUNCILMAN ORTIZ: Point of order.

25 COUNCIL PRESIDENT VERNA: Councilman

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2 Ortiz?

3 COUNCILMAN ORTIZ: Clarification,  
4 actually.

5 This issue just came up of  
6 lot-cleaning, but I thought, through testimony,  
7 once we clean up the lots that that was not going  
8 to be a responsibility either of the City or that  
9 we were going to hire a grouping to clean them up.  
10 I thought community-based organizations were going  
11 to be brought in to do that and that the community  
12 would then become responsible, which I would  
13 believe that that would be the way to go so that we  
14 do not -- I don't know where the money's going to  
15 come from for all of this.

16 MR. GAMBLE: Excuse me, Councilman. It  
17 is my understanding that a decision has really has  
18 not been made. This was something that we were  
19 anticipating that may come up that was discussed.

20 COUNCILMAN ORTIZ: Well, but obviously,  
21 somebody put it on the table; she just said it's  
22 been put on hold all. All I was asking is for  
23 clarification of it, that's all.

24 MR. GAMBLE: Well, a decision really  
25 has not been made. We were -- it has been

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2 discussed and a decision hasn't been of it  
3 happening, but we were preparing ourselves in case  
4 something --

5 COUNCILMAN ORTIZ: Well, my thought  
6 would be that community-based organizations be  
7 given the authority to maintain and clean those  
8 lots.

9 MR. GAMBLE: That is true maybe, but we  
10 would not be in that process.

11 COUNCILMAN ORTIZ: Sorry, Councilman.  
12 Sorry, Madam President.

13 COUNCIL PRESIDENT VERNA: Councilman  
14 Clarke?

15 COUNCILMAN CLARKE: My understanding  
16 from some of the discussions is that the discussion  
17 about hiring entities -- be it community  
18 organizations or for-profit entities -- centered  
19 around the land-banking decision. Part of the  
20 discussions, it was possibilities of the City going  
21 out and acquiring and land-banking large parcels of  
22 land for either development for either retail,  
23 commercial or residential, and in those instances,  
24 there would not be a community group or individuals  
25 who would not be caretakers for smaller parcels of

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2 land.

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4 And that was a discussion that had to  
5 do with the possibility of hiring some entity to  
6 maintain the land that would be in the land bank.  
7 That's my understanding.

8

9 And there could be some potential for  
10 some procurement process that would put out  
11 solicitations for that type of work, but not for  
12 the smaller lots that is currently being done by  
13 the vacant lot crew that we have in the Managing  
14 Director's Office.

15

16 MR. GAMBLE: That's right, Councilman.

17

18 COUNCIL PRESIDENT VERNA: Councilman

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20 Nutter, I don't believe you were finished.

21

22 COUNCILMAN NUTTER: That was based just  
23 on a point of information.

24

25 COUNCIL PRESIDENT VERNA: Thanks.

26

27 Mr. Gamble, explain how the Procurement  
28 Cards Program will work and what type of products  
29 could be pumped through this program.

30

31 MR. GAMBLE: The e-procurement right  
32 now -- actually, we're in the in talking stages at  
33 this point.

34

35 But the e-procurement card can be used

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2 in situations such as -- well, first of all, it  
3 will not be a card that's used for any type of  
4 entertainment or any type of -- anything that does  
5 not relate to goods and services that a person  
6 needs immediately.

7 For instance, let's say that a worker  
8 may be out in the community and they're working,  
9 say, for the Water Department and they're in need  
10 of --

11 COUNCIL PRESIDENT VERNA: A City  
12 employee?

13 MR. GAMBLE: Yes. A City employee is  
14 in need of a part, let's say, and the part is not  
15 on the contract, so that individual will use the  
16 procurement card to get the required goods, and  
17 then at the end of the month, he will receive a  
18 statement from the bank making sure that this  
19 person is aware of the purchase, and then the City  
20 would then pay it at the end of the 30 days.

21 (Councilmembers have  
22 discussion among themselves off the  
23 record.)

24 MS. DAVIS: A procurement card is  
25 intended to serve in those emergency situations

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2 where an employee of the City is in the field,  
3 providing a service, they do not have a part on  
4 their truck, they have the card, they can use the  
5 card in that instance.

6

7 It is also useful in situations where a  
8 department may be making a small purchase --  
9 supplies that are needed immediately and not  
10 available in stock or anywhere. They would pick up  
11 the phone, order it, using their card.

12

13 It saves time and effort in processing,  
14 and it would be used as a part of our working  
15 smarter, working harder with fewer employees in  
16 that it allows us to process one invoice to a bank,  
17 as compared to multiple invoices to, say, a  
18 Staples. Our employees could use the card at a  
19 Staples.

20

21 It need not be only in an emergency  
22 situation. When I used the card in Dallas, we used  
23 it with regular vendors to allow, again, for the  
24 ease of processing, in that we had one bill to a  
25 bank, as compared to maybe 15 or 20 invoices from  
26 Staples or any other vendor that we'd use on a  
27 regular basis.

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COUNCIL PRESIDENT Verna: How many

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2 employees would be entitled to have this?

3 MS. DAVIS: We would have to do a study  
4 and look the need across the government.

5 Normally -- and, again, going back to  
6 my experience in Dallas, we allotted one or two  
7 cards to each site, and in this case, it would be a  
8 department; the department head would then  
9 determine who would get that card. The card is not  
10 to be used for entertainment, it's not a travel  
11 card; it is strictly for small purchases.

12 Under our capitalization limit, that  
13 would, for the most part, aid in ease of  
14 processing.

15 COUNCIL PRESIDENT VERNA: So you say  
16 it's for small purchases. How small?

17 MS. DAVIS: I would say \$500 or less.

18 In Dallas, we went up eventually to  
19 \$3,000 because we were trying to stay under the  
20 capitalization policy. But it's purely something  
21 that we have to work into detail to determine how  
22 it will be used and most useful in the City of  
23 Philadelphia.

24 COUNCIL PRESIDENT VERNA: The Chair  
25 recognizes Councilman Kenney.

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COUNCILMAN KENNEY: Is this a credit card?

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MS. DAVIS: It would be a credit card.

COUNCILMAN KENNEY: Well, why don't we just say it's a credit card. You know, a procurement card sounds like somehow, the City's going to issue a card that some retail outlet is going to accept, like Home Depot or Staples.

I mean, if we're going to issue a credit from a bank, it's a credit card.

MS. DAVIS: The reason that it's called a "procurement card," is that we very closely structure what can be purchased, and it's through a different process with a bank that we'd set the card up. It is not a general-purpose credit card.

COUNCILMAN KENNEY: I mean, it works like a credit card.

MS. DAVIS: It works like a credit card, but with very limited scope.

COUNCILMAN KENNEY: If I've got to buy roofing tar at Home Depot, I can go in and get a couple containers and --

MS. DAVIS: If that was one of the things that was permitted for use.

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2 COUNCILMAN KENNEY: Okay. All right,  
3 thank you.

4 MS. DAVIS: Thank you.

5 COUNCIL PRESIDENT VERA: I'm sorry. I  
6 can't see some of the Councilmembers, so you're  
7 going to have to elevate your voice when you want  
8 to be recognized.

9 The Chair recognizes Councilman Rizzo  
10 for a point of information.

11 COUNCILMAN RIZZO: I've had an  
12 experience with a card, and it can be correctly --  
13 it can be structured where if you're an auto  
14 mechanic, you can -- it's limited to the purchase  
15 of automotive supplies. If you want to go buy a  
16 beach umbrella, it's going to deny you.

17 MS. DAVIS: It would deny you.

18 COUNCILMAN RIZZO: Unless you can get  
19 it to look like a spark plug.

20 MR. GAMBLE: Right.

21 MS. DAVIS: In fact, what we found in  
22 Dallas when we used it was that it was much more  
23 efficient in controlling those non-permitted  
24 purchases than your regular purchasing methods.

25 COUNCILMAN RIZZO: My point is, and you

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2 hear me constantly talking about trying to move  
3 into the corporate world and do things the way the  
4 rest of the world does business.

5 But my concern is that when I was a  
6 supervisor, I had absolute knowledge of what was  
7 being purchased. If it's not well-managed, there  
8 are going to be indictments.

9 MS. DAVIS: I agree and, again, going  
10 back to my experience in Dallas, the way we  
11 controlled it was that it was centrally controlled.  
12 All of the procurement cards went in, their  
13 invoices went into one location with a person who  
14 was tasked just with ensuring that there were no  
15 violations.

16 COUNCILMAN RIZZO: Just out of  
17 curiosity, I'd appreciate being able to review some  
18 of the Staples online ordering. Who has the  
19 ability in your Finance Department to order office  
20 supplies from Staples? And is there an approval  
21 process where if a person wants an elaborate --  
22 boy, I'd love to be able just to go shopping,  
23 looking through that Staples catalog.

24 Who in Procurement, who in Finance has  
25 the ability to open up the Staples catalog and have

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2 a shopping spree?

3 MR. GAMBLE: Well, Councilman, first of  
4 all, a person cannot do that. What we have done is  
5 that we limit the items that you can purchase on  
6 the catalog, and those items that's not on the  
7 catalog have been blacked out or been red-flagged.  
8 Andso they would not be selling us anything that's  
9 not on the contract.

10 COUNCILMAN RIZZO: But my point is, who  
11 does a department like Water Revenue have a Staples  
12 person -- you know, you have a --

13 MS. DAVIS: It would be a designation.  
14 Each department would designate -- the Director  
15 designates someone within the department.

16 COUNCILMAN RIZZO: When I travel  
17 through the government, I see some really fancy  
18 things, the highly-colored notepads and the clips  
19 and distinctive coloring of paper clips and, you  
20 know, the good old-fashioned paper clip that  
21 costs -- you know, you get a zillion of these for,  
22 what, 99 cents? But Staples gives you red, white  
23 and blue, which are okay, but it seems to me that  
24 that very limited catalog isn't very limited.

25 And I'd love to go through some of the

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2 orders, which I hope the -- is it the Procurement  
3 Department that manages -- who manages the Staples  
4 process so you can see what's going on in the Water  
5 Department, the Recreation Department and about how  
6 the money's being spent and what we're buying  
7 there?  
8                   This is -- I see Janice Davis, like,  
9 upset with this question, but you're here --  
10                  MS. DAVIS: We're --  
11                  COUNCILMAN RIZZO: Just remember, this  
12 is the budget hearing.  
13                  MS. DAVIS: I know.  
14                  COUNCILMAN RIZZO: If they're going to  
15 squander on red, white and blue and pink and yellow  
16 paper clips and stick-ons that the average business  
17 doesn't use, then the taxpayers' money isn't being  
18 (indiscernible).  
19                  Before there's more indictments, I  
20 think you'd better --  
21                  MS. DAVIS: No, I agree, I --  
22                  COUNCILMAN NUTTER: -- make sure that  
23 it is as tight a system as can be. And if you're  
24 annoyed by the fact, with your expression, and I'm  
25 just reading your expression, remember why you're

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2 here. This isn't a day that we're just coming in  
3 to say hello to each other.

4 MS. DAVIS: No, I agree wholeheartedly  
5 with you. And, in fact, the expression was because  
6 I, too, have seen those different-colored paper  
7 clips. I'm from the old school that recycles  
8 everything, so I have a drawer of the old ones that  
9 are used over.

10 But I recognize what you're saying.  
11 I'm just giving Procurement an opportunity to  
12 answer.

13 COUNCILMAN RIZZO: And, again, to  
14 finish, I would like to -- I haven't met the  
15 Procurement Commissioner yet, but I would like to  
16 sit down -- and just out of curiosity, just get a  
17 sampling of what we're buying through this Staples  
18 catalog.

19 Again, many times, it's good for the  
20 corporate world, because in the corporate world in  
21 many cases, it's well-managed. But, unfortunately,  
22 we try to adopt systems that the rest of the world  
23 uses, and guess what, we don't properly manage them  
24 and we have indictments.

25 MR. GAMBLE: Well, Councilman, let me

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2 say that I will -- I'm looking forward to sitting  
3 down and meeting with each and every Councilmember,  
4 and I will bring with you items that we have put on  
5 the contract that says that these items are the  
6 only ones that can be purchased.

7           Now, if the item is not on the  
8 contract, they cannot buy them, and we do not  
9 monitor, per se; each department does their own  
10 monitoring as far as making sure that the person  
11 who orders them has the authorization to do so.

12           But we will bring to the meeting any  
13 information we have regarding that.

14           COUNCILMAN RIZZO: Again, I'm not  
15 concerned about items that are blacked out; I'm  
16 just curious as to who sat down and decided whether  
17 you can buy a 14-karat gold staple machine. In  
18 other words, I would just like to see a sampling of  
19 what is being purchased.

20           I have no problems with people having  
21 good tools to work with, but when you develop a  
22 system that could get people into trouble, I have a  
23 problem with that.

24           MR. GAMBLE: Well, what we have is a  
25 specification writer who is responsible for putting

00428

1  
2 together the specifications, and the specifications  
3 are very, very tight as far as making sure that  
4 it's not extravagant.  
5 COUNCILMAN RIZZO: Just out of  
6 curiosity, since I'm on the Public Property  
7 Committee, I'd like to see a sample of maybe a  
8 couple dozen orders that I get to pick to look at,  
9 or just a big stack of them, just to see, as an  
10 example throughout this government -- how much  
11 money are we spending with Staples a year? You're  
12 a new guy, so I'm not going to --  
13 MR. GAMBLE: We'll get that information  
14 to you.  
15 COUNCILMAN RIZZO: Do you have a figure  
16 of how much we spent on this contract?  
17 (Mr. Gamble confers with  
18 colleagues off the record.)  
19 MR. GAMBLE: Approximately a million  
20 and a half a year.  
21 COUNCILMAN RIZZO: That's a lot of  
22 paper clips. Just kidding.  
23 COUNCILMAN NUTTER: What color?  
24 (Laughter.)  
25 COUNCILMAN RIZZO: Yeah, what color?

00429

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2 And the management of that. Who pays  
3 if Recreation orders two zillion yellow legal pads  
4 and staplers and Rolodexes and Palm Pilots and  
5 things like that? Where does the money come from;  
6 their budget, or does it come from the Procurement  
7 Department? Who pays the bill?  
8 MS. DAVIS: It comes from their budget.  
9 COUNCILMAN RIZZO: Okay, I'm going to  
10 really be interested in taking a good look at that.  
11 Thanks.  
12 MR. GAMBLE: You're welcome.  
13 COUNCIL PRESIDENT VERNA: Councilman  
14 Rizzo, I'm assuming if that if this were to be  
15 implemented --  
16 COUNCILMAN RIZZO: It is implemented,  
17 it's in place.  
18 COUNCIL PRESIDENT VERNA: It is in  
19 place?  
20 MR. GAMBLE: He's talking about the  
21 online for Staples contract, not e-procurement.  
22 COUNCIL PRESIDENT VERNA: No, we're  
23 talking about the cards.  
24 MR. GAMBLE: Right, the card is not --  
25 no, no --

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2 COUNCIL PRESIDENT VERNA: The cards are  
3 not out yet?

4 COUNCILMAN RIZZO: The Staples deal  
5 that I just described is in place.

6 MR. GAMBLE: Right.

7 COUNCILMAN RIZZO: And, again, in all  
8 fairness, it's implemented all over the world where  
9 Janice Davis came from and corporations throughout  
10 Philadelphia, but, but if it's not managed, I  
11 really need to know more about how an -- if an  
12 employee wants to supply the Boy Scouts and Girl  
13 Scouts pens, papers and other gadgets, can they  
14 just go to the computer and order all of that? And  
15 that's in place right now, that process that I just  
16 described.

17 MR. GAMBLE: No, as far as the  
18 e-procurement card is concerned, we are actually at  
19 the beginning of the talking stage. We're not at a  
20 point now where we have a program in place. So  
21 that does not exist as of now.

22 But before that is implemented, we will  
23 have a system that is very tight to make sure that  
24 we do not have people buying things that they're  
25 not authorized to buy.

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COUNCIL PRESIDENT Verna: I am assuming, Councilman, that if in fact this program were ever implemented, for instance, in City Council, either Bob Johnson or Martha Angell would have a card only to be able to purchase something from Staples so that we wouldn't have to wait for another company to deliver it like six months hence.

10

COUNCILMAN Rizzo: Madam President, we're confusing two issues. The Staple ordering is already available to City employees.

13

There's two -- if you look at Page 3, you'll see Staple online ordering; that has nothing to do with the other card that is mentioned.

16

MR. GAMBLE: Well, Staples is not a

17

procurement card; it's an online--

18

COUNCILMAN Rizzo: It's online, which even makes it more --

19

MR. GAMBLE: They have a contract for office supplies, is basically what they have a contract for.

20

COUNCILMAN Rizzo: For a million and a

21

half --

22

COUNCIL PRESIDENT Verna: Well, who can

23

24

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2 use the Staples online?

3 COUNCILMAN RIZZO: That's my question.

4 COUNCIL PRESIDENT VERNA: Miss Davis,

5 can you tell us who --

6 MS. DAVIS: The same person you

7 identified as being the person you would entrust

8 the procurement card to, whoever is in charge of

9 ordering supplies within your office is the person

10 who would have access to Staples.

11 And they are purchasing, in fact,

12 against a purchaser order; it's not just sort of a

13 random go-ahead and purchase. There are purchase

14 orders that have been bid and are out there for

15 certain items.

16 So it is whoever the director or head

17 of the department or office identifies as the

18 person responsible for purchasing; that is the one

19 who can place an order against the Staples online

20 system.

21 COUNCILMAN RIZZO: And, again, it

22 works, it works well, but I'm questioning the

23 oversight, the audit of that.

24 Who -- if you got a person in a

25 particular department that's entrusted with this

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2 online ordering through Staples and they start to  
3 abuse that, where's the checks and balance? Who  
4 gets the report; does the commissioner of that  
5 department get a report to see that in that  
6 particular month that 900 widgets were ordered and  
7 ask the question why?

8 MS. DAVIS: It depends on how that  
9 department handles the processing of their  
10 invoices.

11 COUNCILMAN RIZZO: Then there should be  
12 -- there should obviously be --

13 MS. DAVIS: Every department should  
14 have someone other than the person who is placing  
15 the order looking at those invoices as they are  
16 coming in.

17 COUNCILMAN RIZZO: It should be  
18 mandated. This is the kind of a -- this is the  
19 kind of a process that should have a specific  
20 directive on how it's handled. Not, again,  
21 Recreation does it one way, the Police Department  
22 another, the Fire Department another.

23 There should be an administrative  
24 procedure that requires that these orders on a  
25 monthly basis, or however they're billed, that the

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2 commissioner of that department should be  
3 responsible to say, Yes, everything that was  
4 purchased during this particular month was  
5 appropriate. And they're the ones that are going  
6 have their feet held to the fire if there's abuse.  
7         Again, this works and it works well,  
8 but I don't want to see a blank check with an  
9 employee of the Water Department having a card that  
10 gives them the ability to go to Home Depot or to  
11 one of the other convenience stores to buy, like  
12 Councilman Kenney said, a bucket of tar or a valve  
13 when they're out on a job and it breaks and they  
14 need a 2-inch water valve and it's better to go 5  
15 blocks than 20. I understand the concept.  
16         But let me tell you, if we don't have  
17 checks and audit of these various privileges -- and  
18 I say "privilege" -- that we're going to wind up  
19 two years from now reading about it in the  
20 newspaper or hearing about it on KYW.  
21         MS. DAVIS: If we do implement the  
22 procurement card, we will have very stringent  
23 guidelines for their use and a process not only for  
24 ensuring that they're used, but penalties if  
25 they're abused.

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COUNCILMAN RIZZO: It's called "jail."

3

(Laughter.)

4

COUNCILMAN RIZZO: Thank you.

5

Thank you, Madam Chair.

6

COUNCIL PRESIDENT VERNA: You're

7

welcome.

8

Mr. Gamble, please elaborate on what the Strategic Marketing Plan Initiative is. One of the items you mentioned is naming rights.

10

11

MR. HILLOCK: Harry Hillock.

12

We have a request for proposal that we're trying to hire a consult and --

13

14

COUNCIL PRESIDENT VERNA: I'm sorry,

15

sir.

16

MR. HILLOCK: They're exploring the possibility of hiring a consultant to see if there's any opportunities to, how should I say, sell the City's name -- (indiscernible) rights, vending, that type of situation.

20

21

COUNCIL PRESIDENT VERNA: I'm sorry.

22

You're going to have to repeat that because I did not understand a word you said. There's noise in the background and your voice was not coming over very clearly.

23

24

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2 MR. GAMBLE: There's a request for  
3 proposal that's out basically for the City to sell  
4 its name for items that has City logos or City  
5 emblems that the City can use to receive resources  
6 of revenue from. That right now is in the process  
7 of -- the proposals came in already.  
8 COUNCILMAN ORTIZ: Point of  
9 clarification, please.  
10 COUNCIL PRESIDENT VERNA: Can we see a  
11 copy of that proposal, Mr. Gamble, please/  
12 MR. GAMBLE: Yes, yes, we can.  
13 COUNCILMAN ORTIZ: What does it mean?  
14 Really, I'd like a fuller explanation of this.  
15 What are we selling and to whom are we directing  
16 this marketing plan?  
17 MR. GAMBLE: We'll get you the  
18 information.  
19 COUNCILMAN ORTIZ: But I'd like some  
20 idea what they mean by this.  
21 MR. GAMBLE: Well, let me explain what  
22 other cities do because I'm really coming in on the  
23 tail-end of what -- in a lot of cities, what they  
24 do is that, for instance, they sell items like the  
25 city's emblem or if a (indiscernible) has a city

00437

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2 emblem on it, for instance, maybe a person's  
3 interested in having a sign that says "The City of  
4 Philadelphia," and they're willing to buy it, and  
5 the City sells it and uses that revenue to make  
6 money.

7 COUNCILMAN DICICCO: Madam Chair?

8 COUNCIL PRESIDENT VERNA: Excuse me,  
9 629.

10 (Laughter.)

11 COUNCILMAN DICICCO: I know a little  
12 bit about this because of my role as a member of  
13 the Visitors and Tourism Bureau.

14 I think what we're talking about is,  
15 there has been some discussion that items that  
16 identify Philadelphia -- be it -- whether they're  
17 pins, pendants, cups, souvenirs that you would buy,  
18 that the City believes that we can, and should,  
19 have a trademark or a patent, if you will, for lack  
20 of a better explanation, to receive some of the  
21 revenues from marketing the name "Philadelphia" on  
22 various items. As would, I guess, the NBA would  
23 receive certain royalties -- Jim Kenny's laughing,  
24 "Philadelphia sneakers." But the MBA and sports  
25 affiliations and leagues get certain revenues for

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2 items that have their name attached to it or their  
3 logo. I think that's what's being considered.  
4 And the consultant piece I'm not  
5 absolutely sure of, but I think they're looking for  
6 a company that does marketing.

7 COUNCILMAN KENNEY: Philadelphia Cream  
8 Cheese?

9 COUNCILMAN DICICCO: Yes. Even though  
10 it's not made here, but that's okay.

11 But I think that's what they're talking  
12 about. Is that a fair assumption?

13 MR. GAMBLE: Yes, that's right.

14 COUNCIL PRESIDENT VERNA: Thank you,  
15 Councilman.

16 Okay, Mr. Gamble, you state that the  
17 City is interested in exploring potential marketing  
18 opportunities for City assets as a vehicle to  
19 increase revenues, invest in its infrastructure,  
20 and create community-based programs to improve the  
21 quality of life in the City neighborhoods.

22 Does the Administration believe that  
23 they can market City assets without the approval of  
24 City Council?

25 MS. DAVIS: No, we would not be -- in

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2 the marketing of the City assets, as anticipated in  
3 this, would be the use of City structures, City  
4 benches, City vehicles, and identify a particular  
5 vendor with that field, someone who would be  
6 willing to pay the City a licensing fee for having  
7 their name displayed.

8

9 We recognize fully that if we are to  
10 sell any piece of City equipment or infrastructure  
11 or real estate or any other assets, that it has to  
12 be approved by City Council.

13 In essence, it's marketing the use of  
14 the asset as part of a plan to identify that with  
15 particular vendor. It's naming rights. The way  
16 naming rights for a stadium are sold, this RFP  
17 anticipates naming rights for other City assets.

18 COUNCIL PRESIDENT VERNA: I think we  
19 all need a copy of that.

20 You mentioned about vehicles. Did you  
21 mention something about vehicles? What does that  
22 mean, that if the City emblem were put on a  
23 vehicle?

24 MS. DAVIS: No, you would not put a  
25 City emblem on a vehicle; instead, you put a  
26 vendor's emblem on a City vehicle, such as SEPTA

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2 does when it shrink-wraps some of its buses.  
3 That's what's contemplated by this RFP.  
4 It's not so much selling our emblem to  
5 put on something else, but allowing our assets to  
6 be used as vehicles for identification with certain  
7 vendors.

8 COUNCILMAN KENNEY: Madam President?

9 COUNCIL PRESIDENT Verna: The Chair  
10 recognizes Councilman Kenney.

11 COUNCILMAN KENNEY: This is the same  
12 administration that vetoed a bill that would have  
13 allowed wall wraps but now want to put logos of  
14 companies on City property. I mean, it seems to  
15 be, like, totally unbelievable. I mean, what  
16 property; buildings, benches?

17 MS. DAVIS: We're not involved in this  
18 RFP, but we'll get more detailed information on  
19 this RFP to you.

20 COUNCILMAN ORTIZ: (Inaudible,  
21 off-mic.)

22 COUNCILMAN KENNEY: This is exactly the  
23 reason why -- I mean, this bill was vetoed for that  
24 reason, and now we're going back and we're pursuing  
25 it?

00441

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3 COUNCILMAN ORTIZ: We could have a big  
4 neon sign on top of Billy Penn's hat that says

5 "Drink Coke" or "Drink Pepsi"?

6

7 COUNCIL PRESIDENT Verna: Miss Davis,  
8 would you mind forwarding to our attention a copy  
9 of the proposal.

10

11 MS. DAVIS: We'll provide that.

12

13 COUNCIL PRESIDENT Verna: Thank you.

14

15 Mr. Gamble, your department seems to be  
16 working on quite a number of projects. How are you  
17 able to cover the cost of the studies and  
18 consultants with the same budget you had in FY '02?  
19 And it's quite apparent that you're certainly going  
20 to have, as far as I can see, an increase in your  
21 workload.

22

23 MR. GAMBLE: Madam President --

24

25 COUNCIL PRESIDENT Verna: And then you  
26 have the cost of studies and consultants. How are  
27 we going to be able to do that with the same  
28 budget?

29

30 MR. GAMBLE: Well, first of all, we  
31 have -- the items that we have identified we have  
32 within our budget allocations for that.

33

34 As far as consultants are concerned, we

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2 really are not using any outside consultants; we're  
3 using our MIS Director, who will be responsible for  
4 putting together initiatives and working with MOIS  
5 and also with the Mayor's Office to make sure that  
6 everything is coordinated through them.  
7       So we won't be using outside  
8 consultants on these small projects, but now we are  
9 working with MOIS and the CIO to make sure that we  
10 become a part of the RFP that's out there now for  
11 this, and this will not -- actually, we're looking  
12 at how much it's going to cost us if we're going to  
13 implement it, but we're not a point now of  
14 implementing any major changes that's going to  
15 result in our large amounts of money.  
16       COUNCIL PRESIDENT VERNA: Thank you.  
17 And again, I welcome you.  
18       MR. GAMBLE: Thank you.  
19       COUNCIL PRESIDENT VERNA: I know that  
20 Councilman Clarke was next, but he apparently had  
21 to leave.  
22       Councilman Nutter.  
23       COUNCILMAN NUTTER: Thank you, Madam  
24 President.  
25       First, good afternoon.

00443

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2 MR. GAMBLE: Good afternoon,  
3 Councilman.  
4 COUNCILMAN NUTTER: Welcome to  
5 Philadelphia. We had an occasion to speak before I  
6 had actually met you; I only knew you over the  
7 phone, but I have figured out fairly early on that  
8 you must be you --  
9 MR. GAMBLE: That's correct.  
10 COUNCILMAN NUTTER: -- up at the table.  
11 And so I do want to welcome you and I look forward  
12 to working with you. And your predecessor, we  
13 never liked him anyway -- I don't remember his  
14 name.  
15 (Laughter.)  
16 COUNCILMAN NUTTER: I'm only playing.  
17 MR. GAMBLE: Thank you.  
18 MR. NUTTER: And some smart aleck will  
19 say that right after you leave.  
20 MR. GAMBLE: I am sure.  
21 COUNCILMAN NUTTER: No, we enjoyed  
22 Mr. Applebaum. Lou is a very good guy  
23 Let me say in the area, I've heard all  
24 of the points of order, information and  
25 clarification going back and forth. In the

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2 strategic-marketing plan, now, first this RFP has  
3 been issued; is that correct?  
4 MR. GAMBLE: That's correct.  
5 COUNCILMAN NUTTER: Okay. And I think  
6 I heard the Chair request a copy of it?  
7 MR. GAMBLE: That's correct.  
8 COUNCILMAN NUTTER: Is that also  
9 available possible online or through e-government.  
10 MR. GAMBLE: No, it's not.  
11 COUNCILMAN NUTTER: It is not, okay.  
12 COUNCIL PRESIDENT VERNA: Excuse me,  
13 Councilman. Please forward to my attention 17  
14 copies, if you will, so that we don't have to copy  
15 and everybody could get one in a timely fashion.  
16 MS. DAVIS: I made of that, Madam  
17 President.  
18 COUNCILMAN NUTTER: Yeah, I was going  
19 to say you'll probably have Staples do it?  
20 (Laughter.)  
21 MR. GAMBLE: Yes, I will.  
22 COUNCILMAN NUTTER: Now, where did this  
23 idea come from?  
24 MR. HILLOCK: It originated in the  
25 Managing Director's Office.

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2 COUNCILMAN NUTTER: Okay. How long

3 ago?

4 MR. HILLOCK: About six to eight months  
5 ago, I can't quite remember.

6 COUNCILMAN NUTTER: And who  
7 specifically?

8 MR. HILLOCK: The Managing Director was  
9 the push behind us, Joe Martz.

10 COUNCILMAN NUTTER: So at the time, it  
11 was Joe Martz, okay. And so it's just kind of  
12 continued on its merry way of --

13 MR. HILLOCK: It's probably on hold  
14 point. I don't think there's been much activity on  
15 it.

16 COUNCILMAN NUTTER: Okay. Tell me a  
17 little bit -- I mean, has this taken place in other  
18 cities? Are any of you familiar with similar  
19 proposals in other cities?

20 MR. GAMBLE: There are other cities,  
21 Councilman, that have done something like this.  
22 I'm not sure exactly the names of them, to be  
23 honest with you, but I've heard where the City of  
24 San Diego, I think, was doing something similar to  
25 this but not maybe along the same line, but they

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2 had utilized -- or they're utilizing basically a  
3 store that the city operates, that it passes out or  
4 it sells items to the public.  
5 COUNCILMAN NUTTER: Mm-hmm.  
6 MR. GAMBLE: But now, as far as  
7 advertising for anyone, I don't know about that.  
8 COUNCILMAN NUTTER: All right, okay.  
9 MS. DAVIS: If I might add, it's most  
10 often used in school districts where they will be  
11 particularly --  
12 COUNCILMAN NUTTER: Pouring rights --  
13 MS. DAVIS: Yeah, the pouring rights.  
14 COUNCILMAN NUTTER: Yeah, I know I saw,  
15 I think, one of these -- Mr. Gamble talks about  
16 these stores. I think I saw one of these stores in  
17 San Antonio near the Riverwalk.  
18 MS. DAVIS: San Antonio has one, Dallas  
19 has one.  
20 COUNCILMAN NUTTER: You can buy parking  
21 meters, street-name signs with your name on it or  
22 other names on it; I mean, just about anything that  
23 the government might have.  
24 MR. GAMBLE: Exactly.  
25 COUNCILMAN NUTTER: You know, fire

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2 plugs, all that stuff, which -- I don't know why  
3 you would want one of those, but --

4 COUNCILMAN DICICCO: Mannequins,  
5 Councilmember?

6 COUNCILMAN NUTTER: Mannequins. Yes, I  
7 saw a couple burned in effigy while I was out  
8 there. It was probably over some redistricting  
9 issue or something.

10 (Laughter.)

11 COUNCILMAN NUTTER: Now, I mean, on a  
12 city facility or if you talk about vehicles, I  
13 mean, would this be like "Philadelphia Water  
14 Department brought to you by Poland Springs" or  
15 something? I mean, this becomes -- in essence, it  
16 is a moving advertisement of a variety of City  
17 vehicles with someone's name on it; I mean, is that  
18 what it comes down to?

19 MS. DAVIS: We'd have to determine how  
20 it would be used.

21 I don't think they are yet in a process  
22 of developing when and where it would be used.  
23 This is the very early stage of the review of these  
24 RFPs, and so I wouldn't want to make a statement  
25 about when and how they will be used; I think

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2 that's yet to be determined, as is whether or not  
3 we will actually go forward with something. It was  
4 just something that was being explored. It is  
5 being considered, and no determination has been  
6 made.

7 COUNCILMAN NUTTER: Okay. Last  
8 question in this area. Just for the record, I  
9 mean, would this be considered in the realm of a  
10 concession?

11 MR. GAMBLE: Yes, it could be, yes.

12 MS. DAVIS: It could be of a concession  
13 nature but, again, we've not done enough work on  
14 this to make any determinations at all.

15 COUNCILMAN NUTTER: Okay, gotcha, all  
16 right.

17 Mr. Gamble, let's go back to the item  
18 that we actually met over the phone regarding,  
19 which was voting machines

20 MR. GAMBLE: Yes.

21 COUNCILMAN NUTTER: Can you give us an  
22 update on what's going with the voting machine  
23 transportation contract?

24 MR. GAMBLE: Well, we're in the process  
25 of awarding the contract to the lowest bidder. We

00449

1  
2 have sent them a letter of award, and there's some  
3 things that they have to do in order for to us  
4 finalize the contract.  
5 COUNCILMAN NUTTER: Okay. Do you  
6 believe that you have found and -- I mean, these  
7 words generally go together, "lowest responsible  
8 bidder?" Because I think those two components  
9 ultimately serve as the deciding factor as to  
10 whether someone wins the bid. You need both  
11 elements; is that correct?  
12 MR. GAMBLE: That's correct,  
13 Councilman.  
14 COUNCILMAN NUTTER: Okay. And do you  
15 believe, based on the information that you have  
16 today, that you have found the lowest responsible  
17 bidder that can actually do this job?  
18 MR. GAMBLE: I feel I do, yes.  
19 COUNCILMAN NUTTER: Okay, thank you.  
20 I asked this question earlier, but it  
21 was somewhat out of turn or with the wrong  
22 department. What are the numbers in the last  
23 fiscal year, or for any year recently, that have  
24 you might have numbers on with regard to  
25 participation by either minority, female, or

00450

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2 disadvantaged businesses for, I think, the three  
3 levels of City work, which I -- or maybe there are  
4 two. I know there's services, supplies and  
5 equipment, professional services, and maybe there  
6 is Public Works.  
7           And I'd like to understand that. First  
8 I'd like to know what the answer is, and then I'd  
9 like to understand it specifically on the Public  
10 Works side in the context of two major projects  
11 that are going on right now in the City generally  
12 referred to as "The Eagles Stadium" and "The  
13 Phillies ballpark."

14           Give me the first answer first.

15                           - - -

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00451

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 - - - - -

3 (Council proceedings now being  
4 stenographically recorded by Meghan  
5 Martella.)

6 - - - - -

7 MR. ROUNDTREE: Good afternoon, my  
8 name is James Roundtree. I'm the Director of  
9 the Minority Business Enterprise Council.

10 For last Fiscal Year the  
11 disadvantage business contracts for bid were 33

12 --

13 COUNCILMAN NUTTER: Mr. Roundtree?

14 MR. ROUNDTREE: Yes.

15 COUNCILMAN NUTTER: Please, slow  
16 down a little bit.

17 MR. ROUNDTREE: Okay.

18 COUNCILMAN NUTTER: You've been here  
19 a million times. I know you're not nervous.

20 MR. ROUNDTREE: No, I'm not nervous.

21 COUNCILMAN NUTTER: Okay, go ahead?

22 MR. ROUNDTREE: 33 million -- \$33.5  
23 million for all bid. And those are the three  
24 categories. The Public Works, service, supply  
25 and equipment. If you would like a further

00452

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 breakdown, for minority --  
3 COUNCILMAN NUTTER: Public Works  
4 service, supply and equipment and professional  
5 services?  
6 MR. ROUNDTREE: No, Public Works.  
7 COUNCILMAN NUTTER: Public Works?  
8 MR. ROUNDTREE: Yes, these are all  
9 the bid contracts.  
10 COUNCILMAN NUTTER: \$33.5, what does  
11 that represent?  
12 MR. ROUNDTREE: Minority, women and  
13 disabled business participation in those four  
14 categories.  
15 COUNCILMAN NUTTER: What four  
16 categories?  
17 MR. ROUNDTREE: Public Works,  
18 service, supply and equipment.  
19 COUNCILMAN NUTTER: Okay, I'm sorry.  
20 I'm putting service supply and equipment  
21 generally together. And \$33.5 million out of  
22 how much?  
23 MR. ROUNDTREE: \$278.3 million.  
24 COUNCILMAN NUTTER: And that sounds  
25 like about 15 percent?

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 MR. ROUNDTREE: 12.1.  
3 COUNCILMAN NUTTER: What was the  
4 actual number on the public work side?  
5 MR. ROUNDTREE: For minority  
6 business, it was \$18,798,974; for women business  
7 it was \$7,906,079; and for disabled businesses  
8 it was \$98,466. Do you want supplies too?  
9 COUNCILMAN NUTTER: Yes.  
10 MR. ROUNDTREE: That was Public  
11 Works. For supplies it was \$2,079,570; for  
12 women business --  
13 COUNCILMAN NUTTER: \$2 million --  
14 MR. ROUNDTREE: \$79,570. And then  
15 that was 3.9 percent of the total amount for  
16 supplies of \$53.9 million.  
17 COUNCILMAN NUTTER: I'm sorry, what  
18 was that last number?  
19 MR. ROUNDTREE: The total number of  
20 supplies was \$53,360,083.  
21 COUNCILMAN NUTTER: And you are  
22 saying that the number for service, supply and  
23 equipment for minority firms was \$2 million?  
24 MR. ROUNDTREE: The number for  
25 minority on supply, not service supply. I'm

00454

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 just giving you one category -- each category at  
3 a time. If you would like, I can provide this  
4 information for you in written versus reading it  
5 into the public record.

6 COUNCILMAN NUTTER: That would be  
7 very helpful, but what I was trying to  
8 understand was, I thought you said that the  
9 total for Public Works and service, supply and  
10 equipment was \$33.5 million?

11 MR. ROUNDTREE: Yes.

12 COUNCILMAN NUTTER: Out of a total  
13 of \$278.3 that was actually bid?

14 MR. ROUNDTREE: Yes.

15 COUNCILMAN NUTTER: Is that correct?

16 MR. ROUNDTREE: Yes.

17 COUNCILMAN NUTTER: Giving a 12.1  
18 percent?

19 MR. ROUNDTREE: Yes.

20 COUNCILMAN NUTTER: What I want to  
21 know is out of the four categories what was the  
22 total just for Public Works?

23 MR. ROUNDTREE: \$18 million --

24 COUNCILMAN NUTTER: Seven hundred?

25 MR. ROUNDTREE: Yes.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN NUTTER: And what was the  
3 \$7.9 million figure?

4 MR. ROUNDTREE: For women business  
5 participation.

6 COUNCILMAN NUTTER: And then \$98  
7 thousand for --

8 MR. ROUNDTREE: Disabled.

9 COUNCILMAN NUTTER: So out of the  
10 \$33.5 million, it looks like about \$26, \$27  
11 million is on the public work's side?

12 MR. ROUNDTREE: Yes.

13 COUNCILMAN NUTTER: And out of the  
14 \$278.3 million, how much of that is Public  
15 Works?

16 MR. ROUNDTREE: \$186,474,360.

17 COUNCILMAN NUTTER: I guess maybe,  
18 therein, lies part of the problem.

19 You are saying that we had \$186  
20 million worth of Public Works projects last  
21 year?

22 MR. ROUNDTREE: Yes.

23 COUNCILMAN NUTTER: And \$27 million  
24 of that went to minority, female or disadvantage  
25 businesses?

00456

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 MR. ROUNDTREE: Disabled, yes.  
3 COUNCILMAN NUTTER: And that's about  
4 15 percent? Twenty-seven out of 186?  
5 MR. ROUNDTREE: Close, about 15.  
6 COUNCILMAN NUTTER: Now, what are  
7 the numbers on the Stadium?  
8 MR. ROUNDTREE: I don't have that  
9 for you today, but I will get that for you and  
10 forward it to you through our channels.  
11 COUNCILMAN NUTTER: Okay. Have you  
12 been getting some of the reports that we've been  
13 getting?  
14 MR. ROUNDTREE: Yes.  
15 COUNCILMAN NUTTER: The monthlies?  
16 MR. ROUNDTREE: Yes.  
17 COUNCILMAN NUTTER: Is it your sense  
18 that those numbers are good?  
19 MR. ROUNDTREE: Yes.  
20 COUNCILMAN NUTTER: Is it your sense  
21 that these numbers are good?  
22 MR. ROUNDTREE: Yes.  
23 COUNCILMAN NUTTER: Isn't there a  
24 fair amount of difference between them?  
25 MR. ROUNDTREE: They're basically

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 different kinds of projects. Where the public  
3 work's activity for the City we bought a  
4 category of things. We've only had a certain  
5 number of items on the stadiums.

6 COUNCILMAN NUTTER: Well, let me ask  
7 the question a different way; are you saying  
8 that you think that the 15 percent number on the  
9 Public Works for City work is a good number?

10 MR. ROUNDTREE: Explain for me, in  
11 what context? Can I verify the numbers?

12 COUNCILMAN NUTTER: No, I believe  
13 your accounting. I guess, could the number be  
14 higher?

15 MR. ROUNDTREE: Yes.

16 COUNCILMAN NUTTER: And why is the  
17 number at 15, and what could it be? I mean, are  
18 we maximizing the potential of what's out and  
19 available in the community?

20 MR. ROUNDTREE: Well, a lot of it  
21 has to do with who's bidding City projects. The  
22 bulk of -- well, all of the 15 percent on City  
23 works is subcontracts. The work that's been  
24 done on the stadiums you will see have some  
25 prime contract opportunities. We are not

00458

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 getting a number or satisfactory number of  
3 bidders as prime on City work.

4 COUNCILMAN NUTTER: Why is that?

5 MR. ROUNDTREE: Well, when you talk  
6 to the market it's due to a number of factors.  
7 And the most prominent one is the bonding  
8 process that we have. We require bonds on all  
9 of our large projects on anything over, I think,  
10 \$25,000.

11 COUNCILMAN NUTTER: Are bonds being  
12 required on the Stadium project?

13 MR. ROUNDTREE: Yes, but it's on a  
14 larger degree. It's not 25, it's usually  
15 several million and a number of the projects  
16 just on the Stadium, a number of the contracts  
17 that are on the Stadium are joint of interest.

18 COUNCILMAN NUTTER: Is that a route  
19 that might be pursued on the City work side?

20 MR. ROUNDTREE: Yes, we've tried to  
21 encourage that on many cases.

22 COUNCILMAN NUTTER: But the market  
23 place hasn't been responsive?

24 MR. ROUNDTREE: No.

25 COUNCILMAN NUTTER: I'm sure we'll

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 have some continued discussion about this and  
3 you're going to get a full chart --  
4 MR. ROUNDTREE: Yes.  
5 COUNCILMAN NUTTER: -- and all the  
6 information to the Chair?  
7 MR. ROUNDTREE: Yes.  
8 COUNCILMAN NUTTER: Okay. Thank  
9 you.  
10 Thank you, Madam Chair.  
11 COUNCILMAN VERNA: Thank you.  
12 The Chair recognizes Councilman  
13 Ortiz.  
14 COUNCILMAN ORTIZ: Thank you, Madam  
15 Chair.  
16 COUNCILWOMAN REYNOLDS-BROWN: Can I  
17 just ask one question?  
18 COUNCILMAN ORTIZ: Go ahead.  
19 COUNCILWOMAN REYNOLDS-BROWN: Madam  
20 President, I've asked Councilman Ortiz if I can  
21 do a follow-up?  
22 COUNCIL PRESIDENT VERNA: Certainly.  
23 COUNCILWOMAN REYNOLDS-BROWN:  
24 Mr. Roundtree, you mentioned in your testimony  
25 that one hurdle that is apparent is the bonding,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the issue of bonding with regards to primes?

3 MR. ROUNDTREE: Yes.

4 COUNCILWOMAN REYNOLDS-BROWN: How  
5 long has that been a problem? How long has that  
6 been determined or acknowledged to be a problem?

7 MR. ROUNDTREE: I think since  
8 Pennsylvania was a farm or Philadelphia was a  
9 farm. Every opportunity that we've had we try  
10 to identify areas where we could be of  
11 assistance. And the bulk of the problems that  
12 the minority women and disabled disadvantage  
13 business community has been in the bonding in  
14 the capital areas and they pretty much go  
15 hand-in-hand. There's three areas really. The  
16 three areas really, that most of the small  
17 businesses and more specifically, minority  
18 businesses point out are the bonding areas and  
19 insurance.

20 As you heard earlier, the City is  
21 embarking upon the bonding program that will  
22 assist many of our small and disadvantage  
23 businesses if it comes to fruition in  
24 identifying bonding opportunities for them.

25 COUNCILWOMAN REYNOLDS-BROWN: What

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 will be the hurdle for that not becoming real if  
3 we know for sure that that is a major hurdle for  
4 African-American and women on businesses?

5 MR. ROUNDTREE: Just the peer  
6 financing of it and finding some credit, or the  
7 contractors that will be interested in  
8 participating in the process.

9 COUNCILWOMAN REYNOLDS-BROWN:  
10 Councilman Nutter, my concern was what has the  
11 City done to alleviate the problem? If we know  
12 that's a problem, then what are we doing in a  
13 pro-active way to eliminate this hurdle? So now  
14 I hear that the City is at tempting to put  
15 something tangible in place so that we do not  
16 have to discuss -- have this discussion on this  
17 particular issue next year.

18 COUNCILMAN NUTTER: Well,  
19 Councilwoman, remember too that the bulk of our  
20 participation in the past has been in the  
21 subcontracting market. Where this will be a  
22 great assistance to is those individuals who are  
23 interested in pursuing -- contracted the City as  
24 primes.

25 COUNCILWOMAN REYNOLDS-BROWN: Okay,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 thank you, very much.

3 Thank you, Councilman Nutter.  
4 Councilman Ortiz?

5 COUNCILMAN NUTTER: Thank you,  
6 Councilman Ortiz.

7 I caught you while you were reading  
8 a document, but what is this program? Don't  
9 give me the long version of it. If it was  
10 mentioned earlier, and I missed it, I apologize.  
11 If you can just send us the details about this,  
12 and then my question is: who has to do what to  
13 make a program happen?

14 MR. ROUNDTREE: The administration.

15 MS. DAVIS: The program is being put  
16 together between Procurement, MBEC, Risk  
17 Management and the Commerce Department. We're  
18 using \$300,000 of Economic Stimulus money to  
19 provide the seed for this program. It will  
20 guarantee 90 percent of bonds up to \$2 million.

21 There is nothing in the way. We are  
22 going full speed ahead and at this point there  
23 are no obstacles to getting it done. This is a  
24 program which will be in place by the beginning  
25 of FY03, if not, sooner. Our anticipation is

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 that it will be done sometime this year, in  
3 fact, FY02.

4 COUNCILMAN NUTTER: Thank you.

5 COUNCIL PRESIDENT VERNA: The Chair  
6 recognizes Councilman Goode.

7 COUNCILMAN GOOD: I'm usually very  
8 brief.

9 Just for the record, I don't know  
10 who's here, if the type of institutional memory  
11 is necessary, but PCDC has had two contract's  
12 assistance programs over the years that date  
13 back, maybe a couple of decades. Housing  
14 Contractor's Program, The Philadelphia Contract  
15 Assistance Program, both of which provide a  
16 contract to financing for housing-related  
17 activities. Those programs could have been  
18 replicated over the last decade or two,  
19 particularly with the tens and millions of  
20 dollars we spend in Economic Stimulus funds.

21 So this is not a matter of designing  
22 programs, it's not a matter of having an entity  
23 place that can run the program, it is actually a  
24 matter of deciding whether we're going to  
25 somehow, put up the money to bond these

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 contractors, is that not correct?

3 MR. ROUNDTREE: Well, we won't be  
4 putting up any money to bond them. We think we  
5 have a fairly aggressive approach around it, but  
6 we're inviting surety companies as well as the  
7 SBA Bond and Guarantee Program as far as  
8 participants. And that will be outlined in the  
9 literature that we will provide to you.

10 COUNCILMAN GOODE: It was my  
11 understanding that we were going to bond  
12 contractors in the NTI Program?

13 MR. ROUNDTREE: It's my  
14 understanding that the City won't be bonding  
15 them, but they will have a surety company. We  
16 will probably get a wraparound bond program  
17 similar to the type of wraparound insurance  
18 programs that we've had in the past, but the  
19 City itself, to my knowledge, in the discussions  
20 I've been participating in will not be bonding  
21 --

22 COUNCILMAN GOODE: The program  
23 you're talking about right now that was  
24 referenced first, I heard about today, and I'll  
25 be very brief, Councilman Ortiz. It's \$350,000,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 I think you said, I forget how much money you  
3 said in Economics Stimulus funds. We actually  
4 -- actually, I wasn't here so I won't take  
5 credit or blame for it -- sold tax liens on  
6 people's homes, poor people's homes, to raise  
7 money to give away to big businesses as a matter  
8 of economic development strategy.

9           There were already, programs within  
10 the City quasi-governmental structure  
11 contractor's assistance programs, that could  
12 have been replicated for small business purposes  
13 or for other purposes. It is a matter of  
14 whether we decide we want to do it or not with  
15 Economic Stimulus funds, or with community  
16 government block grant funds, or with any other  
17 source of money.

18           So what I'm asking is what really  
19 needs to be done? If we were to find a  
20 political will within council to say we want to  
21 move on this bonding issue? I'm talking about  
22 minority business development issues.

23           Jim, what needs to be done?

24           MR. ROUNDTREE: Other than formalize  
25 the process, then identify some firms that could

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 participate, as well as some actual City  
3 contracts that they could bid on those would be  
4 three issues.

5 COUNCILMAN GOODE: And where would  
6 that program be housed, who would oversee the  
7 process of the program?

8 MR. ROUNDTREE: Right now it's a  
9 collage of groups between Procurement --

10 COUNCILMAN GOODE: And risk.

11 MR. ROUNDTREE: I'm sorry, and risk  
12 management.

13 COUNCILMAN ORTIZ: Commissioner,  
14 since they brought Mr. Roundtree up here and  
15 they began this line of questioning, I had a lot  
16 of questions for you, but obviously, let's  
17 finish with this.

18 Mr. Roundtree, what is the  
19 Philadelphia Consortium?

20 MR. ROUNDTREE: I'm not --

21 COUNCILMAN GOODE: They did produce  
22 something called the disparity study.

23 MR. ROUNDTREE: Oh, right, right.  
24 The Philadelphia consortium -- the City of  
25 Philadelphia Parking Authority, School District,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the Redevelopment Authority, the Managing  
3 Director's Office, the Law Department. SEPTA  
4 was an ex facie member, they weren't really a  
5 member. They didn't pay into the fund.

6 I'm just naming people that actually  
7 paid into the fund. It was ten altogether.

8 COUNCILMAN ORTIZ: But I think, was  
9 it through your office or through this  
10 consortium that a study was commenced?

11 MR. ROUNDTREE: It was really  
12 through the managing director's office. The  
13 managing director was the chairperson of the  
14 committee.

15 COUNCILMAN ORTIZ: The managing  
16 director was a chairperson of the committee.  
17 Because this was dealing with the questions  
18 Mr. Nutter asked, the follow-up of Blondell  
19 Reynolds, and this study dealt with that, did  
20 it?

21 MR. ROUNDTREE: No, it didn't.

22 COUNCILMAN ORTIZ: It did not deal  
23 with how contracts were awarded in the City of  
24 Philadelphia?

25 MR. ROUNDTREE: Yes.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN ORTIZ: Well, I think

3 that's the question we were asking.

4 MR. ROUNDTREE: I thought her

5 question was --

6 COUNCILMAN ORTIZ: And it was

7 participation of minorities or non-participation

8 of minorities?

9 MR. ROUNDTREE: No, I thought her

10 question was specifically around bonding and who

11 would they benefit.

12 COUNCILMAN ORTIZ: Well, yes, but it

13 has to do with the problems minority has in

14 acquiring contracts. Bonding is one of the

15 problems that comes up?

16 MR. ROUNDTREE: Yes.

17 COUNCILMAN ORTIZ: But didn't the

18 disparity study really go -- and this is not --

19 this is a study that was finished, I think, in

20 '98 or '99?

21 MR. ROUNDTREE: Closer to '99, 2000.

22 COUNCILMAN ORTIZ: '99, 2000. So

23 it's really quite relevant?

24 MR. ROUNDTREE: Yes.

25 COUNCILMAN ORTIZ: And it goes

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 towards the aspect of how minorities, women are  
3 excluded from the process of contracting either  
4 through the Procurement process, through the  
5 contracting, through the building of edifices  
6 that we have in the City of Philadelphia?

7 MR. ROUNDTREE: Yes.

8 COUNCILMAN ORTIZ: Can you get us a  
9 copy for every Councilperson of that disparity  
10 study?

11 MR. ROUNDTREE: Well --

12 COUNCILMAN ORTIZ: I have a copy, I  
13 don't want to make copies of this. I have a  
14 copy.

15 MR. ROUNDTREE: Then I'm not sure  
16 what you have because if you have a copy, you  
17 couldn't be sitting at your desk because a copy  
18 of it --

19 COUNCILMAN ORTIZ: No, I have a  
20 summary. There's two volumes.

21 MR. ROUNDTREE: Right.

22 COUNCILMAN ORTIZ: I would love to  
23 have the two volumes that are available.

24 MR. ROUNDTREE: That's something  
25 that we need to work out with the new finance

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 director and the administration because we --  
3 COUNCILMAN GOODE: Let me read you  
4 some of the summary.  
5 COUNCIL PRESIDENT VERNA: We've been  
6 asking for a copy of that stuff and never  
7 received it.  
8 MR. ROUNDTREE: Council President --  
9 COUNCILMAN ORTIZ: Can I read you --  
10 MR. ROUNDTREE: -- in all due  
11 respect, when I gave that document to your staff  
12 to review it, for them to come back and to give  
13 us -- from Council version --  
14 COUNCILMAN ORTIZ: This I did not  
15 get from staff.  
16 COUNCIL PRESIDENT VERNA: Excuse  
17 me, Councilman. It's a shame that Mr. McPherson  
18 just left here, but I know that he indicated to  
19 me --  
20 COUNCILMAN ORTIZ: I did not get it  
21 from staff, but however, all of this discussion  
22 --  
23 COUNCIL PRESIDENT VERNA: -- that  
24 they had been asking -- Councilman, can I just  
25 finish, please.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN ORTIZ: Sorry, Madam

3 Chairwoman.

4 COUNCIL PRESIDENT VERA: That we

5 have been asking for a copy of it, but one was

6 never made available. Now, I don't know who you

7 gave that copy to, but if you let me know, I

8 will certainly track it down.

9 MR. ROUNDTREE: Well, John Macklin

10 had it to review to come back with some comments

11 on behalf of City Council so that we could

12 forward that information to a consultant to

13 finalize it. Since --

14 COUNCILMAN ORTIZ: We've been asking

15 -- I've been asking for a long time, for the

16 last few years for this data. I think the

17 President has been asking for this data. It has

18 never been forthcoming and it seems that there

19 -- it says is available since 1999. Because all

20 of the discussions that we've had this study

21 goes to the heart of it.

22 And we would like to see it because

23 I think if we see it unvarnished -- that's a

24 word that George Bush uses, "unvarnished" as

25 such I think we will begin to finally get some

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 of the reasons why every time we put MWE,  
3 minority participation, why it does not happen.  
4 We would begin to find the reasons.

5 And it goes beyond the bonding  
6 issue. I asked that of Ms. Janice Davis.  
7 It goes beyond, because I've been  
8 asking about the bonding and they've been  
9 telling me about bonding issues since 1984. And  
10 many companies since then have gotten bonding  
11 and have not been able to participate. So in  
12 essence, I didn't get this from the staff of  
13 City Council. But however, I would like to get  
14 the two volume report unvarnished as it is  
15 without our participation because we would like  
16 to read what these consultants found.

17 And you just said that this is very  
18 relevant today. And since it is relevant today,  
19 it was finished by 1999, I believe this Council  
20 is due the respect of at least looking at that,  
21 and let us make up our minds, because then we  
22 would have some real questions to ask as to why  
23 discrimination and exclusion takes place.

24 COUNCIL PRESIDENT VERA: I think  
25 that study cost somewhere in the vicinity of

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 \$2 million.

3 COUNCILMAN ORTIZ: Right.

4 COUNCIL PRESIDENT VERNA: So I think  
5 we're entitled to see it.

6 COUNCILMAN ORTIZ: I mean, I'd like  
7 to find out because one of the title's  
8 "Historical Conditions Affecting MWBE  
9 Utilization". I'd like to find out why Latinos  
10 don't participate, why black contractors in the  
11 City don't participate. I think we should begin  
12 the discussion the next time you come. I would  
13 like to have those two reports, Volume I and  
14 Volume II.

15 I'm not going to ask you any other  
16 questions, because until we get those reports, I  
17 will -- because talking about bonding issues and  
18 all of that that's all -- that is not  
19 substantial. That's really questions that we  
20 need to ask. And that does not go to the route  
21 of the problem. That's one of the excuses used.

22 Thank you, Madam Chair.

23 I would like to ask questions of the  
24 Procurement Commissioner.

25 Fine, I'll come back in the second

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 run, go ahead.

3 COUNCIL PRESIDENT VERNA: All right,  
4 Councilman Kenney?

5 COUNCILMAN KENNEY: Thank you.

6 Councilman Ortiz, I would submit to  
7 you that all you have to do in this city is  
8 attend enough political fund-raisers and buy a  
9 luxury suite at the new Stadium, maybe you'll  
10 get business. Seems to be the way it works.

11 Commissioner Gamble, welcome. Thank  
12 you very much for, in your testimony, your  
13 discussion of your government experience and  
14 your education. I think we've gotten a very  
15 good catch with you and we wish you well, and  
16 hopefully, you will have a successful term here.

17 COMMISSIONER GAMBLE: Thank you.

18 COUNCILMAN KENNEY: Where did you  
19 come from before you were here, where were you?

20 COMMISSIONER GAMBLE: (Laughing),  
21 that would be my normal response.

22 COUNCILMAN KENNEY: What community  
23 were you living in prior to coming here?

24 COMMISSIONER GAMBLE: I came from  
25 Los Angeles, California.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN KENNEY: Directly from

3 Los Angeles?

4 COMMISSIONER GAMBLE: That's

5 correct.

6 COUNCILMAN KENNEY: How were you

7 recruited by the City, how did you learn about

8 this position, who approached you and asked you

9 to come and interview?

10 COMMISSIONER GAMBLE: Well, there

11 was an article -- well, an announcement that was

12 placed in the National Institute of Governmental

13 Purchasing, which is the National Governmental

14 Organization, and it listed that this position

15 was open, and they were inquiring or asking

16 individuals who were interested to submit

17 resumes.

18 COUNCILMAN KENNEY: Did you live in

19 the City prior to your --

20 COMMISSIONER GAMBLE: No, I have

21 not.

22 COUNCILMAN KENNEY: So you didn't

23 establish residency for a year in Philadelphia

24 and wait for a job offer?

25 COMMISSIONER GAMBLE: No, I did not.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN KENNEY: Tongue in cheek,  
3 would you have established residency here in  
4 Philadelphia for a year prior to being offered a  
5 job?

6 COMMISSIONER GAMBLE: Yes, I would.

7 COUNCILMAN KENNEY: You would have?  
8 You would have moved here and waited?

9 COMMISSIONER GAMBLE: Yes, I would  
10 have come here and waited, but that was not the  
11 case.

12 COUNCILMAN KENNEY: But you would  
13 have done that prior to knowing you were going  
14 to be hired?

15 COMMISSIONER GAMBLE: Prior to  
16 knowing?

17 COUNCILMAN KENNEY: Yes.

18 COMMISSIONER GAMBLE: Well, I'm not  
19 going to leave a job without having a job.

20 COUNCILMAN KENNEY: Okay, but the  
21 obvious answer is that without the job offer,  
22 you wouldn't have come.

23 COMMISSIONER GAMBLE: Well --

24 COUNCILMAN KENNEY: And you wouldn't  
25 have moved yourself and your family into the

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 City for a year while waiting to be offered a  
3 job.

4 COMMISSIONER GAMBLE: Well, I'm not  
5 going to wait for a job. No, I wouldn't have  
6 done it without a job offer in hand, yes.

7 COUNCILMAN KENNEY: Because you're a  
8 highly qualified person that I'm sure is sought  
9 after by other municipalities.

10 COMMISSIONER GAMBLE: That's  
11 correct, yes, I am.

12 COUNCILMAN KENNEY: When you worked  
13 in Cleveland, was there a similar requirement  
14 that you had to --

15 COMMISSIONER GAMBLE: No, Cleveland  
16 was a little different.

17 COUNCILMAN KENNEY: What happened in  
18 Cleveland?

19 COMMISSIONER GAMBLE: What happened  
20 in Cleveland is that I was working for the  
21 state. We were overseeing the Cleveland City  
22 School District where they were in -- in state  
23 receivership, and I was part of a management  
24 team that was responsible for the day-to-day  
25 operations of the school district because they,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 for the past two years, two consecutive years,  
3 had requested funding from the state so that  
4 they could balance the budget, so we were a  
5 group of individuals who --

6 COUNCILMAN KENNEY: Sounds familiar,  
7 doesn't it?

8 COMMISSIONER GAMBLE: Yes. So the  
9 group of individuals was actually recruited to  
10 come in and work with the City School District,  
11 and I was one of them.

12 COUNCILMAN KENNEY: Well, we had had  
13 a recent discussion, policy discussion, about an  
14 existing rule in Philadelphia where anyone who  
15 works for the City government needs to be --  
16 other than someone at your level, needs to  
17 establish residency in Philadelphia for a year  
18 prior to even being able to submit an  
19 application for a job.

20 But we're glad that, for example,  
21 the tenth time in this administration's history  
22 in two years, they've gone outside the City and  
23 brought a competent, qualified person in to run  
24 this department and we wish you well.

25 COMMISSIONER GAMBLE: Thank you,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 very much.

3 COUNCILMAN KENNEY: But it's ironic  
4 that on one hand there's two different opinions.  
5 On one hand, what's good for the administration,  
6 is not good for the gander, but that's not your  
7 issue.

8 Could you explain a little bit about  
9 what you see as a competitive bidding process?  
10 What do you think is a fair competitive bidding  
11 process and how do you think it should be  
12 undertaken?

13 And I would like to get some  
14 information from you because you're from outside  
15 the City and I would like to get an idea what  
16 you think, how this process should work.

17 COMMISSIONER GAMBLE: Well,  
18 Councilman, one of the things that we all face  
19 in government is the way the City Charter is  
20 written in that we have to award to the lowest  
21 responses, person or company meeting's  
22 specifications. Usually when you start -- when  
23 you have that kind of requirement it's very  
24 difficult to have companies, especially the  
25 small companies and minority companies that

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 would be able to compete with larger companies.  
3 They don't have the expertise, they don't have  
4 the resources, they don't have --

5 COUNCILMAN KENNEY: Not to interrupt  
6 you, I want to talk a little bit about majority  
7 bidding as opposed to minority participation,  
8 which I do support. And I want to get --

9 COMMISSIONER GAMBLE: No, I'm  
10 talking about competitive bidding process,  
11 right.

12 COUNCILMAN KENNEY: I'm sorry to  
13 interrupt you.

14 COMMISSIONER GAMBLE: So with the  
15 competitive bidding process, which you are  
16 asking, you're looking for the lowest price for  
17 the product that you need. And it's basically  
18 -- it's straight forward.

19 COUNCILMAN KENNEY: In your capacity  
20 as a professional in this area, what place do  
21 you think the politics play in it or should play  
22 in it?

23 COMMISSIONER GAMBLE: Let me say  
24 this: in all candor, this is the first city  
25 where I worked where politics is a major

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 role-player. Normally, in the bidding process  
3 it doesn't happen. You give out the  
4 specifications, the bids come in, you evaluate  
5 the bids based on what's there, and it's over.

6 COUNCILMAN KENNEY: And that's your  
7 experience in municipal bidding also?

8 COMMISSIONER GAMBLE: Yes, all my  
9 work has been in municipal government.

10 COUNCILMAN KENNEY: With all due  
11 respect, and just as a word of caution, I'll  
12 paraphrase a famous movie: "You're not in Kansas  
13 anymore".

14 COMMISSIONER GAMBLE: That's  
15 correct. But also, when I started, I said --  
16 you asked me about my professional experience.

17 COUNCILMAN KENNEY: One of the  
18 things that happens in Philadelphia, which is  
19 very, very disconcerting for many of us here, is  
20 that often the lowest bidder, most responsible  
21 bidder is awarded the job. And for some reason  
22 or another, it seems to be a very, very low bid.  
23 And then as the process goes on, and the  
24 contract is undertaken, and the services are  
25 being rendered, we have these things called

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 change orders. And change orders, in some cases  
3 in this city, have resulted in a payment that  
4 exceeded the highest responsible bidder in the  
5 original process.

6 And it seems to be something --  
7 we've had situations like this at the airport,  
8 for example, where the City sometimes is  
9 directly involved in the bidding process and  
10 sometimes not.

11 But we've had an ongoing situation  
12 in Philadelphia where the lowest responsible  
13 bidder seemingly gets the work and if that  
14 lowest responsible bidder has some political  
15 connections either through being on a  
16 contributor's list or having some political  
17 juice, as the contract goes on, there seems to  
18 be this need to change the scope of the contract  
19 either by reducing the level of services,  
20 increasing the amount of the payment.

21 And what happens in the end is the  
22 taxpayer winds up paying more than they ever  
23 should have for some form of featherbedding  
24 which happens in these politically connected  
25 contracts.

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2 And I offer this to you as a word of  
3 warning, but I also would expect that someone  
4 from outside the City who has not experienced  
5 this kind of situation before would be at least,  
6 hopefully standing up to try to stop, but I  
7 understand the tidal wave may be too strong at  
8 times.

9 But I would hope that you would be  
10 able to stand up to some of those practices that  
11 has cost the taxpayer money in the City and that  
12 has given other contractors, other potential  
13 bidders, a very sour taste about doing business  
14 with the City.

15 COMMISSIONER GAMBLE: Well,  
16 Councilman, let me just say that first of all, I  
17 am a taxpayer of the City myself.

18 COUNCILMAN KENNEY: Thank you.

19 COMMISSIONER GAMBLE: So when I look  
20 at the process, it is my money that we're  
21 spending so I am very aware of that.

22 And as far as change orders are  
23 concerned, normally you find change orders in  
24 construction aspects. Very seldom you find them  
25 in the goods and services area. And that's

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2 something really, as far as in the construction  
3 area, that's normally up to the department who  
4 is handling it to approve those types of change  
5 orders.

6 But I agree, that is very difficult.  
7 A lot of times they are legitimate, but I do not  
8 believe in awarding a bid and then not holding  
9 the person accountable for what they bidded on.

10 COUNCILMAN KENNEY: Fine. We also  
11 have a process in Philadelphia here, where -- I  
12 don't know if it directly affects your  
13 department, but we're required to approve any  
14 contracts which are longer than one year. And  
15 in the last administration, they created an art  
16 form which has continued in this administration  
17 of giving a one-year contract with three to five  
18 one year options, which is really very -- we  
19 really appreciate that in-active way at looking  
20 at the law, but that may be subject for a  
21 different time.

22 Is someone here dealing with NTI on  
23 the demolition bidding that someone would have  
24 information on? The minority participation  
25 goals for the bidding -- I'm sorry, for the

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2 demolition work in the NTI project as it is  
3 codified now prior to final passage, is there a  
4 percentage associated with what we're trying to  
5 attain the way of minority participation solely  
6 in demolition?

7 MR. ROUNDTREE: Yes.

8 COUNCILMAN KENNEY: Thank you.

9 MR. ROUNDTREE: Currently, the way  
10 the NTI information is drafted, there are some  
11 ranges for participation being somewhere between  
12 35 to 38 percent minority participation, 12 to  
13 15 percent female participation and 2 to 5  
14 percent disabled.

15 COUNCILMAN KENNEY: In Bill 020036,  
16 Part II, Section "A", demolition "A" employment  
17 opportunities, it says "the City of  
18 Philadelphia, through representatives of its  
19 departments and agencies, works with the  
20 contractors involved in the demolition phase so  
21 that all the contractors make a good-faith  
22 effort to employ a work force equal to goals of  
23 75 percent minority and 10 percent female, of  
24 all work hours for each skilled and semi-skilled  
25 trade".

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 Is that just the employment

3 complement or is that the contracts?

4 MR. ROUNDTREE: No, that's the  
5 employment complement. They're the actual  
6 people who are working on it.

7 COUNCILMAN KENNEY: So you could  
8 have a majority firm that meets this goal of 75  
9 and 10?

10 MR. ROUNDTREE: Yes.

11 COUNCILMAN KENNEY: What has been  
12 the normal range for your experience when it  
13 comes to, there isn't really any similar  
14 projects like this, but projects that where  
15 there's a majority contractor, and in attempt to  
16 expand minority participation within the ranks,  
17 what's been the normal number?

18 MR. ROUNDTREE: Now, understand that  
19 demolition is only basically two trays. They  
20 are the laborers and the operating engineers.  
21 And right now the laborers are somewhere between  
22 80 to 90 percent minority and female and  
23 operating engineers have a high level, not quite  
24 as high, but that participation range is  
25 achievable.

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2 COUNCILMAN KENNEY: I'm sorry, I'm  
3 confused. Are you saying that every person who  
4 is a laborer, 90 percent of them are  
5 African-American?

6 MR. ROUNDTREE: No, minority. They  
7 can be African-American, Hispanic or Latino, but  
8 they have a high concentration of minorities in  
9 the laborer tray.

10 COUNCILMAN KENNEY: I'm sorry, I'm  
11 not finished yet.

12 Just a question: I'm confused as to  
13 who you're describing. Are you describing a  
14 laborer as a person or are you describing a  
15 particular organization?

16 MR. ROUNDTREE: I'm describing a  
17 laborer as a person, but an organization -- the  
18 laborer is a union. 332 --

19 COUNCILMAN KENNEY: Oh, you're  
20 talking about 90 percent union laborers?

21 MR. ROUNDTREE: Yes.

22 COUNCILMAN KENNEY: But it doesn't  
23 mean that 90 percent of the people in  
24 Philadelphia or in the region who are actually  
25 laborers --

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2 MR. ROUNDTREE: No.

3 COUNCILMAN KENNEY: Oh, so this is

4 -- and you're talking, when you say "operating  
5 engineers" you mean operating engineers union?

6 MR. ROUNDTREE: Yes.

7 COUNCILMAN KENNEY: So this is

8 solely going to be bid as you have to be a union  
9 member to get a job?

10 MR. ROUNDTREE: No --

11 COUNCILMAN KENNEY: How does that  
12 work?

13 MR. ROUNDTREE: -- that's not how  
14 it's situated, but in reviewing how you set the  
15 target in range you have to take in available  
16 market.

17 COUNCIL PRESIDENT VERNA: Point of  
18 order, the Chair recognizes Councilman Goode.

19 COUNCILMAN GOODE: Councilman Kenney  
20 asked Mr. Roundtree for a comparable project,  
21 why a comparable project does not exist. I  
22 think Mr. Roundtree probably can provide that  
23 information to Councilman Kenney with regard to  
24 the Eagles Stadium project where I believe that  
25 90 percent of the work force hours as regards to

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2 laborers probably was 90 percent minority.

3 So I think the type of number he was  
4 looking for in terms of whether the NTI numbers  
5 are actually realistic in terms of what you can  
6 reach in terms of laborers.

7 COUNCILMAN KENNEY: The supposition  
8 of my question is incorrect. I'm exploring all  
9 the areas of information that's available to me.  
10 I'd like to understand the definitions, I'd like  
11 to understand the numbers.

12 I haven't even gotten to my premise  
13 yet, so any presupposition of where I'm going is  
14 almost impossible to tell unless you're Kreskin.

15 COUNCILMAN GOODE: Madam Chair, he  
16 was speaking about the Economic Opportunity Plan  
17 that was attached to the Neighborhood  
18 Transformation which was drafted by the same  
19 person who did the Economic Opportunity Plan for  
20 the Stadium. So maybe he'll get there, but I  
21 was trying to help him along.

22 COUNCILMAN KENNEY: Well, I've been  
23 here going on for over ten years. I'll get  
24 myself there.

25 COUNCILMAN GOODE: But you haven't

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 done that much on minority business development.

3 COUNCILMAN KENNEY: Well, Madam  
4 President, I don't really think that this  
5 particular member has a right to judge anybody's  
6 record. I think that I voted in all  
7 circumstances to support minority enterprise,  
8 minority participation and not once have ever  
9 voted no.

10 So I think that -- I don't mind the  
11 point of information activity here, but it gets  
12 to the point where it becomes speech-making, and  
13 I would appreciate the Chair's indulgence.

14 COUNCIL PRESIDENT VERNA: Thank you.  
15 Please continue, Councilman.

16 COUNCILMAN KENNEY: Mr. Roundtree,  
17 I'm just trying to get an idea if you are fewer  
18 minority or female in the City of Philadelphia  
19 and you have lower-end skills, you're not a  
20 particular trades person, but you have a strong  
21 back and a willing heart and you want to be  
22 involved. And the City of Philadelphia is a  
23 city resident in this process, in this project.  
24 You see an opportunity for three, five, six  
25 years worth of work.

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2 How does that particular young  
3 African-American, young Latino, young  
4 Asian-American involve themselves in this  
5 process without being the member, an existing  
6 card-holding member of a building trades union?

7 MR. ROUNDTREE: They would first  
8 find out what the name of the company is who won  
9 the contract and then submit an application to  
10 them for work.

11 COUNCILMAN KENNEY: And if all of  
12 the contractors that are hired are union  
13 contractors, how does that person who's not a  
14 union member access the work opportunity?

15 MR. ROUNDTREE: Basically, it's the  
16 same no matter which way you go because it's  
17 going to be a community initiative. They also  
18 have a percentage in there for Philadelphia  
19 residents.

20 It's a strong community base, so  
21 they are going to be looking for people who live  
22 in the community where these activities are  
23 taking place.

24 COUNCILMAN KENNEY: What if there  
25 is, for example, a demolition contractor in the

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 City of Philadelphia who is an African-American  
3 family owned business who doesn't happen to be  
4 affiliated with either the operating engineers  
5 or the laborers union, how does that individual  
6 contractor or subcontractor access available  
7 work that is coming from City tax dollars?

8 MR. ROUNDTREE: Well, that part, the  
9 only thing he has to do is get on the  
10 Procurement business list and he will be sent  
11 dissertation, he can actually bid. Any  
12 contractor that's interested in pursuing the  
13 work could actually bid it, and if they're the  
14 lowest responsible bidder, they stand a good  
15 chance to get the work.

16 COUNCILMAN KENNEY: Regardless of  
17 union or non-union affiliation?

18 MR. ROUNDTREE: It doesn't say  
19 anything in the specifications that the firm has  
20 to be union or non-union.

21 COUNCILMAN KENNEY: Okay, I just  
22 want to make sure because I was a little  
23 confused as to your description. And maybe it  
24 was just the issue of terms that we're using  
25 that 90 percent of the laborers in Philadelphia

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 are African-American, are minority or other  
3 minorities. You were speaking specifically of  
4 Local 332?

5 MR. ROUNDTREE: The laborers locals.

6 COUNCILMAN KENNEY: The laborers  
7 locals in general?

8 MR. ROUNDTREE: Yes.

9 COUNCILMAN KENNEY: Okay, fine.  
10 That will be all for now, Madam President.  
11 Thank you.

12 COUNCIL PRESIDENT VERNA: Thank you.  
13 The Chair recognizes Councilman  
14 DiCicco.

15 COUNCILMAN DiCICCO: Thank you,  
16 Madam President.

17 Good afternoon and good afternoon,  
18 Commissioner Gamble, welcome to the City of  
19 Brotherly Love.

20 COMMISSIONER GAMBLE: Thank you very  
21 much.

22 COUNCILMAN DiCICCO: Your  
23 experiences in Los Angeles and in Cleveland came  
24 to procuring services, supplies, how does that  
25 compare to Philadelphia? Are there any

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2 similarities outside of the City charter --  
3 which I guess ours is probably unique as you  
4 testified to earlier. When an RFP goes out, as  
5 an example, are there similarities?

6 COMMISSIONER GAMBLE: Yes, they are  
7 similar in that usually LRPs is another vehicle  
8 for securing a bid. And RFPs usually are used  
9 for personnel service contracts, it's usually  
10 when it's done, or for an area where you're not  
11 sure what you really -- what's out there in the  
12 community.

13 For instance, you'll use it for  
14 computerization or looking for software,  
15 hardware, a computerized system of some sort  
16 then you use an RFP, but it's just another form  
17 of using -- getting a bid.

18 COUNCILMAN DiCICCO: Are there caps  
19 placed on timlets of what we have where I think  
20 up to 13 thousand we can not bid, do you have  
21 anything? That's what I'm getting at, from your  
22 experiences in those two municipalities, are  
23 there things that we can learn here that may  
24 make the process more simple?

25 COMMISSIONER GAMBLE: Well, first of

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 all, in Los Angeles when we started talking  
3 about formal bids advertising, we started at  
4 \$100,000.

5 COUNCILMAN DiCICCO: \$100,000?

6 COMMISSIONER GAMBLE: Yes. And  
7 below \$100,000 we don't have the formula to  
8 advertising. And the formula of advertising  
9 simply means putting it in a newspaper. We can  
10 send it out to the bidders on our bid list  
11 without going through the newspapers.

12 COUNCILMAN DiCICCO: It seems to be  
13 -- it's probably more efficient that way, I  
14 would assume.

15 What are the safeguards? Because I  
16 think that's one of the reasons that some of  
17 these things had been in place in Philadelphia  
18 for a long time, that people were concerned that  
19 contracts would be awarded to friends and  
20 political supporters and things like that. I  
21 assume you have some safeguards out there?

22 COMMISSIONER GAMBLE: Right. Well,  
23 one of the things is that the City charter in  
24 Los Angeles was similar to the City charter here  
25 in Philadelphia, but it was changed with the

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 times, where the constituents and council  
3 realized that at the time the City charter was  
4 written, it was put out to make sure that  
5 corruption does not take place and nepotism does  
6 not take place in that process.

7 So the people of Los Angeles, they  
8 didn't realize that they needed to increase  
9 that, and the limits were increased.

10 The guarantees, again, is simply  
11 that you award to the lowest responsible bidder  
12 and that's basically -- meaning specifications  
13 is what it is about and it's not a political  
14 process --

15 COUNCILMAN KENNEY: Right, it's the  
16 lowest.

17 COMMISSIONER GAMBLE: It's the  
18 lowest bidder.

19 COUNCILMAN KENNEY: It's the lowest  
20 and that's where it is.

21 COMMISSIONER GAMBLE: That's where  
22 it is.

23 COUNCILMAN KENNEY: I've been here  
24 about six and a half years, not in Philadelphia,  
25 but in City Council, and every year when the

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 former Procurement Commissioner would come  
3 before us, we would always get into this  
4 discussion about purchasing goods and services,  
5 but more so, goods, and trying to see if there  
6 are ways in which we could make Philadelphia  
7 businesses more -- give them an advantage, if  
8 you would, for lack of a better way of saying  
9 it.

10 I've even drafted some legislation  
11 which I've not been able to introduce because  
12 the Law Department continues to tell me that  
13 there may be some constitutional issues to  
14 changing the way we do business. Whereas, I  
15 wanted to create a point system as an example.

16 Could we create a point system that  
17 says if you're purchasing vehicles for the  
18 Police Department, Sanitation or whatever, and  
19 the lowest bid is -- in some cases, I'm told  
20 it's actually \$10 less if we bought the car in  
21 New Jersey than if we bought it in Philadelphia.  
22 So since we have to go with the lowest bidder,  
23 New Jersey -- a dealership in New Jersey gets  
24 the contract.

25 And I wonder that if we did that

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2 business in Philadelphia, given the sales taxes  
3 and other taxes that would be -- we would see  
4 the results of the benefit of shouldn't that  
5 somehow play into balance? Would that not make  
6 it equal to, if not even more advantageous, to  
7 do it here?

8 Is there anything like that that  
9 occurs in Los Angeles or even where the county  
10 businesses would get a preferential treatment?

11 COMMISSIONER GAMBLE: Well, let me  
12 say, that has been discussed, but no, for the  
13 simple reason is that when you start putting  
14 preferences like that, then you risk the  
15 possibility of retaliation, a reciprocal for  
16 another jurisdiction.

17 For instance, City Council in Los  
18 Angeles were thinking about having a local  
19 preference or a state preference actually. And  
20 it says that only those businesses located in  
21 the State of California could be considered.  
22 And then they were told by our City attorney  
23 that what we would do is open up Pandora's Box  
24 because then other states would then start  
25 retaliating against them, which would not make

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 us feasible.

3 But one of the things that the City  
4 of Los Angeles is looking at is not necessarily a  
5 local preference, but a preference for small  
6 businesses. And if you're within 10 percent of  
7 the low bid, then you could make that award.

8 Now, that's something that we're  
9 just starting so how successful, how costly it  
10 is, because when you start adding you have to  
11 add that onto the cost. So you no longer are  
12 dealing with the lowest bidder, but you're  
13 paying a 10 percent higher rate.

14 COUNCILMAN KENNEY: But my point is,  
15 and I'm not going to be argumentative with you  
16 obviously, because you're new here and you  
17 understand, I think, exactly where I'm going.

18 If you sold 100 vehicles, 100  
19 vehicles were purchased from South Jersey, from  
20 a dealership in South Jersey at \$10 less than  
21 what we would have paid if we bought it at the  
22 auto mall in Philadelphia, what about the sales  
23 taxes that we would have generated as a result  
24 of those sales, would that not had made up the  
25 difference of the \$10, plus?

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2 And actually, what I'm asking is  
3 that if you would consider this, drawing from  
4 some of those experiences in L.A., I'd like to  
5 see if we can do something about that.

6 COMMISSIONER GAMBLE: I'll look into  
7 it, Councilman.

8 COUNCILMAN KENNEY: Without doing  
9 everything in a vacuum --

10 COMMISSIONER GAMBLE: Right.

11 COUNCILMAN KENNEY: -- and getting  
12 into this battle between the states, but I'm  
13 talking about when you're that close. I'm not  
14 talking 50 percent away, I'm talking when you're  
15 within a reasonable amount, 5 percent, 10  
16 percent. And that number's debatable; we can  
17 always come up with a number.

18 I think it behooves us to do that  
19 because we keep more people employed here. We  
20 get the wage taxes, we get the sales taxes and a  
21 lot of other things that go with it. And we've  
22 been talking about this probably, I have, at  
23 least for six years. And I would welcome the  
24 opportunity to work with you and see if we can  
25 come up with some sort of a formula that is

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 legal, as they say.

3 COMMISSIONER GAMBLE: Okay.

4 COUNCILMAN KENNEY: Thank you, Madam  
5 Chair.

6 COUNCIL PRESIDENT VERNA: You're  
7 welcome.

8 The Chair recognizes Councilman  
9 Goode.

10 COUNCILMAN GOODE: Thank you, Madam  
11 Chair.

12 I want to clarify my point of  
13 information earlier. Not even getting back into  
14 the issue again, but say simply, that when  
15 people discuss minority business and employment  
16 participation in this council, quite often it is  
17 subjected to a discussion of union politics.

18 The issue of minority business and  
19 employment participation is a technical issue,  
20 it's an economic issue. And if people are not  
21 prepared to discuss that -- they are free to  
22 give their opinions politically, but they  
23 politically interject their opinions into what  
24 needs to be a technical discussion that's an  
25 economic reality.

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2 I really rather us get down to the  
3 technical aspects of why a population which is  
4 now a majority of the City, a minority  
5 population, is shut out of the process, and I  
6 think that Councilman Ortiz has raised that  
7 issue consistently has asked for a technical  
8 response from Minority Business Enterprise  
9 Council in terms of what does the actual study  
10 say from the experts.

11 At some point, we have to move  
12 beyond purely discussion of union politics. We  
13 should discuss the union politics of it, but  
14 points have to be made at times when an issue is  
15 subjected to a political issue of union politics  
16 rather than a technical discussion of economics.  
17 Thank you.

18 COUNCILMAN KENNEY: Madam President?

19 COUNCIL PRESIDENT VERA: Yes,  
20 Councilman Kenney?

21 COUNCILMAN KENNEY: I know I haven't  
22 been here as long as some other people, but in  
23 all the ten budgets or eleven budgets that we're  
24 doing now, I never remembered us passing a rule  
25 on Council that any subject that we would like

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 to discuss with people sitting at that table  
3 should be subject to any particular restrictions  
4 or any particular editorial comment.

5       If people want to use this  
6 point-of-information process to interject  
7 themselves in people's line of questioning,  
8 that's certainly fine. And the Chair will rule  
9 on whether or not that's appropriate, but I  
10 think that each individual member of Council  
11 here has the right to ask specific questions  
12 without being, at least their motives being  
13 questioned or their politics being questioned.

14       I've asked very forthright questions  
15 of Mr. Roundtree, the new commissioner here, and  
16 I would appreciate the same respect that I give  
17 other Council members when they're asking their  
18 questions. If someone doesn't like the  
19 questions I'm asking, just like the radio you  
20 can turn it off or leave the room.

21       But I really do also take great  
22 offense at a comment made by the colleague who  
23 has just finished speaking relative to my lack  
24 of support for minority participation goals in  
25 this City. There has not been a case, a piece

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 of legislation, or an issue, where I've ever  
3 raised in the last, more than ten years any  
4 questioning that we should or should not be  
5 involved in this kind of effort. I think that  
6 not enough people in this City participate in  
7 the Public Work's projects and other economic  
8 development opportunities in the City,  
9 especially the minority communities, and the  
10 female community.

11 I've always supported affirmative  
12 action or goals. I want the record to be clear  
13 that that is the case and it will always be the  
14 case. I believe that people, if they are given  
15 the opportunity to participate, will energize  
16 their own neighborhoods where they've grown up  
17 and where they live, will buy houses, will get  
18 married, will raise their kids and have the  
19 money to do so.

20 So any intimation that somehow, I've  
21 not been involved in that in my ten years here  
22 in Council, I think, is really misleading. And  
23 I just wanted to make sure that that was set for  
24 the record.

25 Thank you.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCIL PRESIDENT Verna: Thank you.

3 The Chair recognizes Councilman

4 Ortiz.

5 COUNCILMAN ORTIZ: I yield for

6 Councilman Goode.

7 COUNCIL PRESIDENT Verna: The Chair

8 then recognizes Councilman Goode.

9 COUNCILMAN GOODE: Very briefly.

10 That's the issue I was actually raising. This

11 is not a matter of political support for

12 minority business and employment participation.

13 This is actually a matter of how we move a group

14 of people or peoples from one level of

15 opportunity to another level of opportunity.

16 And sometimes a technical discussion needs to

17 take place in terms of how we get there that it

18 is not driven.

19 In terms of people being here for 10

20 years or 20 years, however long they've been,

21 there are a number of years, and I don't mind

22 saying this for the record, where people

23 rubber-stamped budgets and what they questioned

24 on the record was irrelevant. People

25 rubber-stamped projects and they will vote for

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 minority participation knowing that it wasn't  
3 going to happen. So what people did during  
4 prior budget processes and what people did in  
5 terms of prior approval projects in regard to  
6 minority participation, I could care less.  
7 This is a legislative process. This  
8 is a political process. I will use procedure or  
9 whatever else to challenge whether people are  
10 being serious about creating new opportunity for  
11 people or not.  
12 Thank you.  
13 COUNCIL PRESIDENT VERNA: You're  
14 welcome.  
15 The Chair now recognizes Councilman  
16 Ortiz.  
17 COUNCILMAN ORTIZ: Thank you.  
18 There have been structural problems  
19 that have prevented minorities from  
20 participating in the process and those  
21 structural problems have still not been  
22 eliminated. And it's part of, one, the  
23 political and economic culture of Philadelphia.  
24 And I think that's what the disparity study goes  
25 towards.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 And that's why we need to be able to  
3 look at it, because if we are able to look at  
4 this, we'll finally move the discussion from the  
5 simplistic to the real core of what it is that  
6 is preventing people from fully participating  
7 and why we have spent huge billions of dollars  
8 since 1980 in this City and before that in terms  
9 of construction, in terms of hotel building,  
10 convention centers and minorities. Although, we  
11 continuously become the majority in terms of  
12 populations.

13 In terms of blacks and Latinos and  
14 women, they have not fully participated in that  
15 economic boom that has taken place. And that  
16 the dollars seem to be transferring outside and  
17 business have not been created. And what we see  
18 in that period of time, instead of having  
19 economic corridors and business corridors being  
20 renovated and new businesses, the Ridge Avenue,  
21 the 5th Street, the South Street, we have seen  
22 them deteriorate as the big boxes have come in.  
23 The retail small stores and businesses have been  
24 put out of business.

25 A lot of those things have taken

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 place because of the decisions that we have made  
3 in this Council without taking into  
4 consideration the full impact that it has. And  
5 I believe that it's about time, if we're going  
6 to talk about how much money is being spent, we  
7 have to be able to see who gets it and who makes  
8 the decisions as to how that money is spent and  
9 who it goes to. That goes for businesses, that  
10 goes for jobs, that goes for in terms of the  
11 union and the role the union plays in the  
12 overall process.

13 I think if we get that picture, I  
14 think it's going to be a picture that is going  
15 to take courage, real political courage for  
16 political representatives to move forward and  
17 try to put into legislation the solutions that  
18 are needed.

19 Mr. Gamble, welcome to Philadelphia.  
20 COMMISSIONER GAMBLE: Thank you very  
21 much.

22 COUNCILMAN ORTIZ: A colleague of  
23 mine is not here, Mr. Cohen, and he would have  
24 had a field day today. He would have had  
25 incredible fun. He asked me to ask these

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 questions and I'm going to ask them of you  
3 because he has a special interest.

4 And we brought this up -- prior to  
5 this year we brought it up with universities  
6 like Temple and University of Pennsylvania. How  
7 much does the City spend on apparel such as  
8 uniforms and so on?

9 COMMISSIONER GAMBLE: We'll have to  
10 get back with that information, Councilman.

11 COUNCILMAN ORTIZ: Could you also  
12 provide us with a list of the bidders for the  
13 apparel products, including the type of apparel  
14 to be supplied in the amount of the overall  
15 contract?

16 COMMISSIONER GAMBLE: Yes, we can.

17 COUNCILMAN ORTIZ: And if you have  
18 any knowledge or anybody in your shop, I don't  
19 expect you recently here, but you come from a  
20 city that is well-known as one of the largest  
21 ones with sweat shops, specifically apparel  
22 sweat shops, and L.A. is famous for them.

23 We would like to find out if that  
24 apparel is done in the United States or in  
25 China, in Taiwan, Ecuador or Guatemala or who's

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 this lady on TV, Kathy whatever, she had them  
3 done in Hondorus, right?

4 COMMISSIONER GAMBLE: Yes.

5 COUNCILMAN ORTIZ: What percentage  
6 of that are union shops? And if you have set up  
7 any guidelines to determine the working  
8 conditions that the company has that we're  
9 buying from so that they're not exploiting  
10 workers, they're not going ahead and  
11 subcontracting out to sweat shops and so on,  
12 along the line.

13 Could you give us answers to these  
14 questions?

15 COMMISSIONER GAMBLE: Yes, I can. I  
16 will. I will try to.

17 COUNCILMAN ORTIZ: By the way, how  
18 much are we paying the consultant that we're  
19 hiring for that thing about naming and rights  
20 and so on?

21 COMMISSIONER GAMBLE: That hasn't  
22 really been determined as far as that, but we  
23 will give you the RFPs.

24 COUNCILMAN ORTIZ: Well, you have a  
25 figure of how much we're going to spend on this?

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COMMISSIONER GAMBLE: Councilman,  
3 it's under evaluation. And we may not be moving  
4 forward with it at all. It's really just a  
5 planning process. Proposal doesn't mean it's  
6 going to take place.

7 COUNCILMAN ORTIZ: The purchase of  
8 services in the 200 and 300 that you have, if  
9 you can give us the last two years of that, who  
10 we have purchased service from, and how much,  
11 and the quantity of money, and the ones that we  
12 have currently, and the expenditures along those  
13 lines?

14 COMMISSIONER GAMBLE: Yes.

15 COUNCILMAN ORTIZ: And could you put  
16 down in terms of that who are the majority  
17 companies, who are the subcontractors, minority  
18 input, and so on, down the line?

19 COMMISSIONER GAMBLE: Yes.

20 COUNCILMAN ORTIZ: Thank you.

21 COMMISSIONER GAMBLE: Excuse me,  
22 Councilman, are you referring to just the goods?

23 COUNCILMAN ORTIZ: Well, yes. You  
24 have here for purchase in terms of a certain  
25 amount in the 200 -- Class 200 and Class 300,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 and I just wanted to find out in both.

3 COMMISSIONER GAMBLE: Are you  
4 talking about what we purchase?

5 COUNCILMAN ORTIZ: Yes.

6 COMMISSIONER GAMBLE: Okay.

7 COUNCILMAN ORTIZ: I'll get to the  
8 other departments when they come in.

9 COMMISSIONER GAMBLE: Okay.

10 COUNCIL PRESIDENT VERNA: Thank you.

11 The Chair recognizes Councilwoman  
12 Brown.

13 COUNCILWOMAN BROWN: Thank you,  
14 Madam President. Welcome to Philadelphia,  
15 Commissioner.

16 This is my third year sitting here  
17 and I've always been struck by both the gender  
18 and ethnic make-up of department heads. How  
19 many deputy commissioners do you have?

20 COMMISSIONER GAMBLE: I have two  
21 deputy commissioners.

22 COUNCILWOMAN BROWN: And their  
23 gender?

24 COMMISSIONER GAMBLE: One female and  
25 one male.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 COUNCILWOMAN BROWN: Ethnicity?  
3 COMMISSIONER GAMBLE: Both white.  
4 COUNCILWOMAN BROWN: Middle  
5 managers?  
6 COMMISSIONER GAMBLE: I have to get  
7 back with you on that.  
8 COUNCILWOMAN BROWN: Could you,  
9 please?  
10 COMMISSIONER GAMBLE: Yes. Yes, I  
11 will.  
12 COUNCILWOMAN BROWN: Thank you very,  
13 very much.  
14 COMMISSIONER GAMBLE: You're  
15 welcome.  
16 COUNCIL PRESIDENT Verna: Are you  
17 finished, Councilwoman?  
18 COUNCILWOMAN BROWN: Yes, I am.  
19 Thank you.  
20 COUNCIL PRESIDENT Verna: Thank you.  
21 Are there any other questions for  
22 members of the committee?  
23 (No further questions.)  
24 COUNCIL PRESIDENT Verna: Thank you  
25 very much. And good luck to you.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Board of Pensions and Retirement is  
3 next.

4 (Witness comes forward.)

5 MR. KIDWELL: I am James Kidwell,  
6 Acting Executive Director of the Board of  
7 Pensions and Retirement. I am pleased to  
8 present testimony on behalf of the Board's  
9 trustees and its chairperson, Janice Davis.  
10 With me today is Anthony Johnson, Chief  
11 Investment Officer of the Board.

12 The Fiscal '03 budget request is  
13 \$6,756,000 compared to our FY02 request of  
14 \$6.271 million. In Fiscal '03, we will have 72  
15 budgeted positions. This represents an increase  
16 of four positions. The increase in staff  
17 positions is a direct result of DROP, bonus  
18 payments made to the retirees, survivors and  
19 beneficiaries, and changes to the Deferred  
20 Compensation Program.

21 The Board of Pension manages the  
22 City's employee Retirement Fund currently with  
23 assets of approximately \$4.3 million.

24 In Fiscal '03, the City's general  
25 fund contributions to the fund will be more than

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the minium municipal obligation required under  
3 Act 205 of the Commonwealth of Pennsylvania.

4 The City may take this funding  
5 approach because the Pension Fund remains over  
6 70 percent funded. This funding level is very  
7 significant because it enables the fund to meet  
8 its pension obligations to current and future  
9 retirees.

10 In addition, the City will pay \$55.6  
11 million in debt service on Pension Obligation  
12 Bonds issued in February '99. The unfunded  
13 liability is projected to be \$1.4 billion by the  
14 end of Fiscal Year '06.

15 The fund recorded a significant  
16 growth between the late '80's and the later half  
17 of the '90's. Although the Pension Fund lost  
18 approximately 1.6 percent during the first half  
19 of FY02, the current capital market indicators  
20 show signs of an economic recovery. If the  
21 market returns continue to trend upward through  
22 the first half of FY03, investment earnings will  
23 help offset the benefit payments.

24 In addition, the Pension Plan only  
25 lost an estimated \$6 million or .02 percent of

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the fund's market value because of the Enron  
3 collapse. Having a well-diversified portfolio  
4 has helped cushion the Pension Board against  
5 negative events.

6 In January 02, the Board began to  
7 implement the asset reallocation of its  
8 portfolio that it adopted at its meeting in  
9 December '01. The Board approved the following  
10 allocation: 42.5 percent in domestic stocks, 15  
11 percent in international stocks, 30 percent in  
12 global fixed income, 7.5 percent in private  
13 equity, and 5 percent in tactical asset  
14 allocation.

15 Currently, the Pension Plan assets  
16 are invested with 26 investment managers, 30  
17 alternative investment limited partnerships, 4  
18 real estate investments and eight direct  
19 investments. Included in the 26 investment  
20 managers are the 10 managers in the Opportunity  
21 Fund which the Board funded in August '01 with  
22 \$100 million. The Opportunity Fund which  
23 focuses on emerging and minority investment  
24 managers has been successful.

25 The Board will allocate an

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 additional \$40 million to the program within  
3 FY03.

4           Demographically, the Pension Plan  
5 invests in six minority investment managers,  
6 which represent 4.5 percent of the Pension Plan,  
7 and four limited partnerships focused on  
8 minority and female operated businesses, which  
9 represent 11.8 percent of the capital committed  
10 to the investment.

11           In March 28, '02 the Pension Board  
12 will be providing a \$14 million bonus payment to  
13 eligible retirees, survivors and beneficiaries.  
14 The bonus is being paid from the Pension  
15 Adjustment Fund established by active City  
16 Council on March 8th, '99. With this bonus, the  
17 Board has paid cost-of-living increases in four  
18 consecutive years totalling \$126 million.

19           In FY03 the Pension Fund is expected  
20 to make over \$432 million in benefit payments to  
21 its retirees, survivors and beneficiaries. In  
22 Fiscal '03 the Board will significantly improve  
23 response time for requests for information from  
24 employees by developing an active employee  
25 database with the ultimate goal of providing

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 employees with an immediate accurate pension  
3 estimate as well as with a more current pension  
4 estimate in their annual benefits statement.

5 The Board continues its endeavor to  
6 expand its Website to make available such things  
7 as the Pension Code, benefit formulas and  
8 important information about upcoming finance and  
9 retirement seminars.

10 The Board continues to promote the  
11 Deferred Retirement Option Plan which is 29  
12 months into the four-year test periods the Board  
13 anticipates an increase on a number of employees  
14 retiring from DROP. The Board is establishing  
15 procedures to expedite payment of the  
16 accumulated lump sum retirement DROP benefit  
17 within 40 days of retirement.

18 There are currently 2,582 uniform  
19 and non-uniformed employees enrolled in DROP.  
20 The staff has determined that over 2500  
21 employees will become eligible for DROP  
22 enrollment during the remainder of the four-year  
23 test. The Board has established financial  
24 education seminars to assist employees in  
25 deciding to participate in DROP or continue to

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 earn credited pension service.

3 On June 1, '02 the Board will be  
4 making available group long-term health care  
5 insurance to retirees, survivors, beneficiaries  
6 and their parents. The Board's cost is  
7 administrative only. The participants will be  
8 required to pay 100 percent of the premium.

9 The group plan offers affordable  
10 monthly premiums to protect against the  
11 devastating cost of long-term care. Individuals  
12 who are unable to perform normal activities of  
13 daily living such as eating, dressing or bathing  
14 due to illness, injury or aging will be eligible  
15 for a daily benefit allowance based on the level  
16 of coverage selected.

17 I thank you for listening to this  
18 testimony. Anthony Johnson and I will be happy  
19 to address any questions that you may have.

20 COUNCIL PRESIDENT VERA:

21 Mr. Kidwell, has the actuary reviewed the impact  
22 of the DROP Program, and if so, what are the  
23 preliminary findings?

24 MR. KIDWELL: The actuary made a  
25 presentation last week at the February Board

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 meeting on a very early look at DROP as of June  
3 30, 2000, which was only nine months into the  
4 four year test period.

5 One concept they struggle with is  
6 how do you measure the cost of DROP versus if  
7 you did not have a DROP. And I guess what they  
8 came up with is that a very early look would  
9 indicate that they came up with \$11 million cost  
10 for the DROP versus if there was not a DROP.

11 COUNCIL PRESIDENT VERNA: I heard, I  
12 think last week, that there are 2,400 employees  
13 whom have opted for the DROP Program?

14 MR. KIDWELL: That's correct. Our  
15 records would indicate -- our latest records  
16 that are official would be about 2,582.

17 COUNCIL PRESIDENT VERNA: So the  
18 first eligible group would be when, October of  
19 03?

20 MR. KIDWELL: The earliest date of  
21 enrollment was 10/01 of '99, four years out  
22 would be if they stayed the entire four years  
23 they would have to be retired by September 30,  
24 '03, that is correct.

25 COUNCIL PRESIDENT VERNA: What is

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the projected unfunded liability of the Pension  
3 Fund for FY03, '04 and '05?

4 MR. KIDWELL: I don't have that  
5 information with me right now, but I will be  
6 glad to provide it to you.

7 COUNCIL PRESIDENT VERNA: And would  
8 you let us know will this represent the unfunded  
9 liability in excess of 23 percent in any year;  
10 and if so, what years?

11 MR. KIDWELL: Yes.

12 COUNCIL PRESIDENT VERNA: Do you  
13 expect funds to be paid into the Pension  
14 Adjustment Fund in FY02 and FY03?

15 MR. KIDWELL: There will be no  
16 payments made to the Pension Adjustment Fund in  
17 FY02 or FY03.

18 COUNCIL PRESIDENT VERNA:  
19 Mr. Kidwell, can you tell us what type of  
20 investments are included in your tactical  
21 assessment allocation?

22 MR. JOHNSON: Good afternoon, I'm  
23 Anthony Johnson, the Chief Investment Officer.

24 COUNCIL PRESIDENT VERNA: Good  
25 afternoon.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 MR. JOHNSON: We invest in outside  
3 managers in diversified portfolios both of  
4 stocks and of bonds.

5 COUNCIL PRESIDENT VERNA: Well, how  
6 many money managers does the fund have?

7 MR. JOHNSON: We have 26 money  
8 managers.

9 COUNCIL PRESIDENT VERNA: How often  
10 do you review their performance and what is the  
11 performance criteria that is used?

12 MR. JOHNSON: We look at the  
13 performance monthly through a flash report, look  
14 at their monthly returns, and formally, on a  
15 quarterly basis for the Board, we look at both  
16 the historical performance quarter, one year,  
17 three years. We also look at the structure of  
18 the companies to make sure that things are  
19 sound.

20 COUNCIL PRESIDENT VERNA: For those  
21 managers who are under-performing, what happens  
22 to them and at what point do you replace a  
23 manager?

24 MR. JOHNSON: We have an eight-stage  
25 performance rating for each manager starting

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 with satisfactory being the top, down seven  
3 levels determination, based on historical  
4 performance. We also factor in their  
5 performance given the market environment.  
6       There are times when a manager's  
7 style is out of factor. There are times when  
8 the market is acting in what term is called  
9 "irrationally" but their process is still sound.  
10 We have to factor those things into evaluating  
11 our managers.  
12       But we do mark them against a market  
13 benchmark and against a universe median of other  
14 comparable managers.  
15       COUNCIL PRESIDENT VERNA: Thank you.  
16       The Chair recognizes Councilman  
17 Kenney.  
18       COUNCILMAN KENNEY: Thank you, Madam  
19 President.  
20       In light of the discussion relative  
21 to money managers and the rating system, how are  
22 money managers selected in the first place?  
23       MR. JOHNSON: We use an outside  
24 consultant to help us screen a database of 1,500  
25 managers and call it down to a list relevant to

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the style in which we're searching.

3 For instance, large cap value, we'll  
4 identify large-cap value managers that fit the  
5 criteria of the Board; criteria being  
6 performance, stability of the organization,  
7 fees.

8 COUNCILMAN KENNEY: Who's the  
9 consultant?

10 MR. JOHNSON: William M. Mercer,  
11 Investment Consulting.

12 COUNCILMAN KENNEY: And how are they  
13 selected?

14 MR. JOHNSON: I'm sorry --

15 COUNCILMAN KENNEY: How are they  
16 selected?

17 MR. JOHNSON: They're selected, I  
18 believe, back in 1996 by a previous CIO.

19 COUNCILMAN KENNEY: Recently --  
20 well, relatively recently, in the news there was  
21 some bit of a controversy relative to an  
22 investment company called Sturdivant. I don't  
23 know if you were there then or if you were  
24 familiar with that company. Could you explain  
25 to me what process was engaged in, seven step

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 process, examination of that company, what  
3 happened and why did it seem to take a story in  
4 the paper to have them removed as a money  
5 manager?

6 MR. JOHNSON: I wasn't there when  
7 Sturdivant was hired and I also was appointed  
8 CIO right around the time Sturdivant was  
9 terminated, but I will give you my comments on  
10 that.

11 COUNCILMAN KENNEY: Thank you.

12 MR. JOHNSON: Staff had reached a  
13 recommendation of termination, that is true.  
14 However, at that time in the market -- and I'll  
15 step back a little bit -- there was a phenomena  
16 going on with gross stocks. And by that I mean,  
17 there's a lot of money coming into the country  
18 from foreign investors, and many domestic  
19 investors were pushing the value of technology  
20 stocks higher and higher.

21 The benchmarks that we used to mark  
22 our managers, the Russell 1,000 value, are  
23 looked at by Russell, Frank Russell, once a  
24 year. There are stocks in the value benchmark  
25 that were once considered to be value and a

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 comparable universe to our managers, but over a  
3 short period of time with the escalation of the  
4 technology market, many of those stocks became  
5 growth stocks. So you were looking at a  
6 benchmark that wasn't quite right for our  
7 managers.

8 True, staff had put on a  
9 recommendation of termination, but we had to  
10 sort of see the market through that market cycle  
11 to make sure that it wasn't just a matter of  
12 their style, it was out of favor relative to the  
13 benchmark which had changed its stripes, or if  
14 it was truly a fundamental problem with  
15 Sturdivant.

16 In the end it was determined by the  
17 Board that it was more appropriate to terminate  
18 our relationship with them than to continue on  
19 with them.

20 COUNCILMAN KENNEY: Was there any  
21 influence or any information that was being  
22 provided by the administration relative to the  
23 continuation of Sturdivant prior to its ultimate  
24 termination that they should stay on?

25 MR. JOHNSON: I believe it was a

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Board decision to continue to look at Sturdivant  
3 relevant to the market conditions.

4 COUNCILMAN KENNEY: And who on the  
5 Board supported the maintenance of Sturdivant  
6 until its ultimate termination?

7 MR. JOHNSON: I don't have the exact  
8 person on mind.

9 COUNCILMAN KENNEY: Could we get the  
10 minutes to that or the appropriate parts of the  
11 minutes of that meeting to determine who it was  
12 that was actually suggesting that we retain  
13 them?

14 It seems -- I mean, this is not  
15 something you need to comment on, but it seems  
16 that after the story broke is when the real  
17 consideration on whether to keep them or get rid  
18 of them was really made. And had the story not  
19 broke, we may be still sitting here with an  
20 under performing company.

21 I mean, I will give credit to and  
22 admire the recommendations of the staff who are  
23 professionals in this and deal with this. I  
24 assume everyday that they saw some serious  
25 concerns that recommended that -- pushed them to

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 recommend termination. So I think from a staff  
3 perspective, things were handled correctly and  
4 you were all looking out for the welfare of our  
5 retirees who depend on their City municipal  
6 pensions for their ability to live day-to-day.

7 MS. DAVIS: Councilmember --

8 COUNCILMAN KENNEY: Let me finish.  
9 So I want to thank the staff for their due  
10 diligence.

11 My concern is what the Board did  
12 with that recommendation and what the  
13 motivations for that Board decision was in  
14 keeping them as long as they kept them.

15 MS. DAVIS: Councilmember, as staff  
16 was reevaluating we continued to reduce our  
17 exposure to Sterdivant so that while they were  
18 making certain that it was in fact a problem  
19 with the firm and not just style drift, we had  
20 limited the exposure. We were in the process on  
21 a monthly basis reducing our exposure.

22 COUNCILMAN KENNEY: I guess, though,  
23 in some ways you have to question how they got  
24 there in the first place. And I know they got  
25 there prior to you, but we'll go back to the

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 similar theme of political connections and the  
3 selection of professionals and other contractors  
4 and vendors with this City.

5       Whenever there's a prior  
6 relationship with a City official that happens  
7 to be able to be linked in some way, whether  
8 it's just perception, to a company that's  
9 under-performing, and as a result of that  
10 under-performance, that hard working, long-time  
11 City employees, police officers, fire fighters,  
12 sanitation workers, recreation workers are  
13 somehow shortchanged because of political  
14 considerations in the appointment of the firm in  
15 the first place and any extended retention of  
16 them when staff was recommending that they go.

17       So I will commend again, commend  
18 staff for their continued due diligence and  
19 thank them as a potential pensioner myself for  
20 your hard work in trying to protect us.

21       It's the Board that I'm concerned  
22 about in their decision-making process and in  
23 the politicalization of the selection of these  
24 money managers.

25       Of the 26 -- by the way, what are 30

00530

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 alternative investment limited partnerships,  
3 what do they do?

4 MR. JOHNSON: That's another -- a  
5 more common term you would hear would be  
6 "private equity", where we invest in companies  
7 that are typically not traded on the market,  
8 they are privately held. We invest in them at  
9 the early stage or later stage or pre-IPO stage.

10 COUNCILMAN KENNEY: But the 26 are  
11 the main --

12 MR. JOHNSON: Are the main managers  
13 as a public, yes.

14 COUNCILMAN KENNEY: Of those 26, is  
15 there anybody who has a problem with performing?

16 MR. JOHNSON: No, that's a very good  
17 question. Since I've been with the Board of  
18 Pensions, which has been two years and a couple  
19 of months, we have terminated 13 different  
20 managers and we've hired three with the -- we  
21 have a search going on now to hire an additional  
22 five.

23 So we've done a lot of work in the  
24 two years that I've been here to improve the  
25 performance of the Pension Plan, but to-date,

00531

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 none of the managers hired by the Board of  
3 Pensions are at terminate status.

4 COUNCILMAN KENNEY: And who's  
5 conducting the search, is the staff doing it?

6 MR. JOHNSON: Currently, this  
7 particular search; is being conducted by William  
8 M. Mercer.

9 COUNCILMAN KENNEY: I want to thank  
10 you, and I want to thank you for your very  
11 forthright and intelligent testimony. I'm very  
12 comfortable with the way in which you present  
13 yourself in this particular board, and I am very  
14 confident that you guys are doing the right  
15 thing.

16 I want to thank you personally for  
17 the way in which you have testified here today.

18 MR. JOHNSON: Thank you.

19 COUNCILMAN KENNEY: Thank you.

20 COUNCIL PRESIDENT VERNA: Thank you.

21 The Chair recognizes Councilman

22 Nutter.

23 COUNCILMAN NUTTER: Thank you, Madam

24 Chair.

25 Mr. Kidwell, did I understand your

00532

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 response to an earlier question that with regard  
3 to the Pension Adjustment Fund, you were not  
4 expected to make any payments in FY02 and FY03?

5 MR. KIDWELL: I believe the question  
6 was: will there be any credits made into the  
7 Pension Adjustment Fund? And I believe my  
8 answer was no, there will be no funds placed in  
9 the Pension Adjustment Fund. The Board did  
10 approve a bonus payment that will be made at the  
11 end of March.

12 COUNCILMAN NUTTER: Right, I have  
13 that.

14 Now, what is your testimony based  
15 upon that you already have reason to believe  
16 that there would not be any credits placed in  
17 the Pension Adjustment Fund in FY03?

18 MR. KIDWELL: Under the formula to  
19 place money into the Pension Adjustment Fund,  
20 the fund had to have earnings in excess of 10  
21 percent. And the fund did not earn an excess of  
22 10 percent.

23 COUNCILMAN NUTTER: For last year?

24 MR. KIDWELL: For FY02, yes.

25 COUNCILMAN NUTTER: Well, we're

00533

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 still in FY02, aren't we? I think you're  
3 talking about FY01, for which you probably just  
4 did the certification in September?

5 MR. JOHNSON: The gains and losses  
6 are eradicated over a five-year period.

7 And the way it's calculated, the  
8 losses that we suffered in Fiscal Year '01 were  
9 significant compared to some of the losses  
10 relative to the 10 percent that we experienced  
11 the year before that.

12 So if you look out in the year '02,  
13 '03, the projection is that we will not have  
14 enough money to fund the PAF.

15 COUNCILMAN NUTTER: And what do you  
16 expect the -- the distribution in March, is this  
17 the \$35 times the number of years?

18 MR. KIDWELL: Yes, it is.

19 COUNCILMAN NUTTER: Are you saying  
20 that the \$14 million payment will then exhaust  
21 the money in the Pension Adjustment Fund?

22 MR. KIDWELL: Yes, the Board voted  
23 at its December meeting to use all remaining  
24 dollars in the Pension Adjustment Fund and that  
25 calculated to \$35 for each full year.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN NUTTER: Now, I seem to  
3 remember that there was a provision somewhere in  
4 the bill that talked about if there was not  
5 going to be a distribution in a particular year,  
6 and I understand that you're looking at March  
7 28th for this year's distribution, but it all  
8 stands to reason that if you're not making a  
9 credit to the fund in '02 and '03, then there's  
10 probably not going to be a distribution next  
11 year; does that all flow logically?

12 MR. KIDWELL: Yes, it does.

13 COUNCILMAN NUTTER: So my  
14 recollection is if that situation were to  
15 happen, then the Board, I believe, was supposed  
16 to make some kind of report to the Council about  
17 that to see what if anything we might do to help  
18 insure that there was a distribution; do you  
19 remember that?

20 MR. KIDWELL: I believe -- I don't  
21 have the -- I can't quote verbatim the code, but  
22 I believe it says if there is no distribution  
23 made within three years that there will be a  
24 report back to City Council that there has not  
25 been a distribution within three years. And

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 then City Council may be able to take, or  
3 adjust, or make an appropriate amendment to the  
4 code to provide for our distribution.

5 COUNCILMAN NUTTER: I think my  
6 recollection is a little more. One, I think  
7 there is an annual report of requirement about  
8 what's going on, which, I would at least say for  
9 the record, I don't really remember getting much  
10 information about what's been going on with the  
11 Pension Adjustment Fund. I know that  
12 distributions have been made. I did not  
13 necessarily find them out from the Board or  
14 through any report.

15 And I believe that there are a  
16 number of different reporting requirements in  
17 Bill 990001, that's my recollection. We spent a  
18 lot of time working on that. I mean, we can go  
19 back and certainly take a look at it, but I  
20 think that there were a number of different  
21 reporting requirements based on a variety of  
22 scenarios: if there is a distribution, if  
23 there's not a distribution, if there's not a  
24 distribution over a certain amount of time.

25 I think what you mentioned about two

00536

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 years may actually be -- I'm sorry, what you  
3 mentioned as three years may actually be two  
4 years. And that the Council wanted to know at a  
5 fairly early stage if there are problems with  
6 the Pension Adjustment Fund. We want to know  
7 about them, we want to know about them early so  
8 that we can make any adjustments.

9 I think that there is a provision in  
10 the bill that allows for a situation if there  
11 was not an adjustment that Council may be able  
12 to appropriate dollars specifically for a  
13 distribution. This is obviously now going back  
14 a couple of years and many bills ago, but I  
15 understand that you can't control what happens  
16 in the market place, but if we're now down to  
17 the last \$14 million, I think we certainly need  
18 to know in as soon a time period as possible  
19 what our prospects are.

20 We have now created a certain  
21 environment with our retirees and since there is  
22 no other mechanism, no automatic cost-of-living  
23 adjustment other than this mechanism that we put  
24 into place, I think if one of the reasons we're  
25 experiencing this is because of a downturn in

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 the economy, then certainly retirees on fixed  
3 income are hit by that in a fairly significant  
4 fashion. I mean, their bills don't go down, but  
5 they also have no ability to grow in terms of if  
6 the pension is their primary source of income.

7 MR. KIDWELL: Councilman, if there's  
8 a report that the Board failed to file to  
9 Council, I certainly will see that that report  
10 is made to Council concerning the distribution  
11 to be made this Fiscal Year. And I believe I'll  
12 go back and review the bill in full to see what  
13 other reports or notices we need to provide to  
14 Council.

15 COUNCILMAN NUTTER: Thank you.  
16 What has been the return over the  
17 past couple of years?

18 MR. JOHNSON: I don't have the exact  
19 numbers. I can get that for you though. But  
20 Fiscal Year '01, I know, was a negative 5.5.

21 COUNCILMAN NUTTER: A negative 5.5?

22 MR. JOHNSON: For Fiscal Year it's  
23 01 ending, correct. June 30th.

24 COUNCILMAN NUTTER: How does that  
25 compare with other municipal pension systems?

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 MR. JOHNSON: They are about medium  
3 compared to other pension plans. 50 percentile,  
4 which is significantly higher than we were a few  
5 years ago. We are increasing the returns of the  
6 fund, but our return at that time was about  
7 median.

8 COUNCILMAN NUTTER: I'm going to  
9 recommend, or at least request, that there be  
10 some opportunity for direct conversation not  
11 only about the various reporting requirements  
12 which we discussed some of them today.

13 And without having the bill in front  
14 of either of us -- we don't necessarily have to  
15 resolve that issue, but I think beyond whatever  
16 the ordinance required by way of reporting  
17 requirements, I think that given the amount of  
18 time and effort and interest the Councilmembers  
19 expressed back in 1999 about this particular  
20 issue, there needs to be some kind of meeting  
21 with the appropriate information so that we can  
22 anticipate what we might do in calender year '03  
23 to help insure that there will be some  
24 distribution to our retirees, to make sure that  
25 we are able to maintain a certain level of

00539

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 support as it relates to this particular program  
3 and the benefits that people have received so  
4 far.

5 Let me go back now and ask what our  
6 stated goal is in terms of a rate of return; is  
7 that still 9 percent or is it 9 and a half?

8 MR. JOHNSON: The actual rate of  
9 return is still 9 percent.

10 COUNCILMAN NUTTER: There was also  
11 discussion at that time as to whether or not  
12 that was an appropriate rate.

13 Is it your belief now that that is  
14 still an appropriate expected rate of return, or  
15 was that rate of return being driven by the size  
16 of our unfunded liability?

17 MR. KIDWELL: The actuary at the  
18 February Board meeting last week gave an  
19 indication that the 9 percent actual rate of  
20 return is a supportable rate.

21 COUNCILMAN NUTTER: Well, what's the  
22 rate year-to-date, Fiscal year-to-date?

23 MR. JOHNSON: Our rate of return?  
24 Fiscal year-to-date, December 31st was a  
25 negative 1.1. Just for the six months for this

00540

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 year.

3 COUNCILMAN NUTTER: You're going to  
4 have to have a pretty banged up six months of  
5 the Fiscal Year --

6 MR. JOHNSON: The actual rate of  
7 return really is a long-term goal. You're  
8 looking at a three-to five-year return. If you  
9 look at our plan over that long a period of  
10 time, we are currently not quite there, but if  
11 you look at the market benchmark we are above  
12 it, but still not close to 9 percent. Our  
13 estimated return going forward, we believe,  
14 will, over the next three to five years, reach  
15 that goal.

16 COUNCILMAN NUTTER: Let's talk  
17 about on Page 2 of the testimony, you made  
18 mention of the number of managers you have and  
19 then broke down by categories. You talked about  
20 the Opportunity Fund, you talked about some  
21 limited partnerships. I could not completely  
22 clearly figure out from this testimony who is  
23 doing what.

24 Now, it reads, "Demographically, the  
25 Pension Plan invests in six minority investment

00541

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 managers, which represent 4.5 percent of the  
3 Pension Plan, and four limited partnerships  
4 focused on minority and female operated  
5 businesses, which represent 11.8 percent of the  
6 capital committed to the investment".

7 What does that all mean?

8 MR. JOHNSON: Sure. In actual  
9 invested dollars, about 4.5 percent of the plan  
10 is invested in those four managers that invest  
11 in public stocks. For the limited --

12 COUNCILMAN NUTTER: What is the size  
13 of the plan today?

14 MR. JOHNSON: It's about \$4.3  
15 billion.

16 COUNCILMAN NUTTER: 4.3?

17 MR. JOHNSON: Correct.

18 For the limited partnerships, those  
19 are investments in which we commit capital over  
20 time. Typically, a three-to five-year period is  
21 the investment period for our limited  
22 partnership, but we've already committed those  
23 dollars.

24 And that percent, 11.8 percent,  
25 represents the amount of money we've committed

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 up front to those investments, but it will take  
3 some time.

4 COUNCILMAN NUTTER: Is that separate  
5 and apart from the six investment managers?

6 MR. JOHNSON: Correct, they are  
7 separate and apart from --

8 COUNCILMAN NUTTER: Now, 4 and a  
9 half percent of the Pension Plan is -- it that  
10 \$120-some-odd million, 130? It's 4 and a half  
11 percent of 4.3 billion?

12 MR. JOHNSON: Yes, close to 200.

13 COUNCILMAN NUTTER: Give or take?

14 MR. JOHNSON: Yes, a little south of  
15 that.

16 COUNCILMAN NUTTER: 10, 20 million  
17 dollars? \$200 million?

18 MR. JOHNSON: A little south of  
19 that.

20 COUNCILMAN NUTTER: Do you have an  
21 actual number?

22 MR. JOHNSON: I can get that for  
23 you.

24 COUNCILMAN NUTTER: And how does  
25 that compare with other major cities across the

00543

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 country and -- I mean, that 4 and a half percent  
3 average, is it low, is it high?

4 MR. JOHNSON: I don't have that  
5 information.

6 COUNCILMAN NUTTER: Tell me a  
7 little bit about these limited partnerships,  
8 what exactly does that mean?

9 MR. JOHNSON: Those are the private  
10 equity investments in which the Board has  
11 invested. They purchase companies, or they buy  
12 into companies that are hoping to go public, or  
13 they buy into ideas in which they can parlay  
14 those ideas into a financial gain in which they  
15 can sell off their interest to somebody else.  
16 And those are typically ten-year investments.

17 COUNCILMAN NUTTER: Who are these  
18 firms?

19 MR. JOHNSON: The ones that  
20 represent the 4.5 or the limited partnerships?

21 COUNCILMAN NUTTER: Both.

22 MR. JOHNSON: For the six firms,  
23 Smith Graham & Company is one; the others are  
24 included in the Opportunity Fund.

25 Off the top of my head, I couldn't

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 tell you exact names. I can get that list for  
3 you though.

4 COUNCILMAN NUTTER: Okay. If you  
5 can get us a list to the Chair, I would greatly  
6 appreciate it.

7 Now, lets talk a little bit about,  
8 on the first page, the minimum municipal  
9 obligation required under Act 205. I'd like you  
10 to speak in detail about what the proposal is.  
11 This is obviously a budgetary matter.

12 Why are you not making the normal  
13 Pension Fund payment and what would it be?

14 BUDGET DIRECTOR DUBOW: Rob Dubow,  
15 the City's budget director.

16 When we got our initial letter from  
17 the actuary that laid out what our required  
18 contributions would be for this year under our  
19 current funding policy, they were substantially  
20 higher than the amounts that we had in last  
21 year's plan. I think about 169, but I don't  
22 have it in front of me. We asked the actuary  
23 whether there was a different payment stream  
24 that we could make that would cut into that  
25 payment.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2           The first set of numbers they showed  
3 us was the MMO, which actually would have been  
4 about \$40 million a year lower, but if we had  
5 only paid the MMO by the time we got out to 20,  
6 25, our annual contribution would have actually  
7 been \$220 million higher than the amount it  
8 would have been under our current funding  
9 policy. So we didn't think that was a real  
10 responsible way to go.

11           We asked the actuary whether there  
12 was a middle ground and they said there was.  
13 And what they told us we could do is pay an  
14 amount that was halfway in between the MMO and  
15 the current policy and treat the difference so  
16 it was a \$40 million gap. Paying that amount  
17 halfway in between would be about \$20 million,  
18 and then they said you could pay that \$20  
19 million back over 10 years at the Pension Fund's  
20 assumed earning's rate of 9 percent.

21           So in essence, the Pension Fund  
22 would be earning the same amount as if it had  
23 that money. And that was the best we could do  
24 in terms of holding the fund harmless.

25           COUNCILMAN NUTTER: At its most

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 basic level, does this represent, in essence, a  
3 borrowing from the Pension Fund to reduce the  
4 City's overall debt obligations?

5 BUDGET DIRECTOR DUBOW: Yes, you  
6 could call it a borrowing from the Pension Fund.  
7 I guess that's one way you can look at it.

8 COUNCILMAN NUTTER: If we made our  
9 regular payments and did not proceed down this  
10 particular path, what would our unfunded  
11 liability be in -- you seem to talk about these  
12 in either 10, 20 or 25 year time periods; is it  
13 72 percent funded or is at 70 even?

14 BUDGET DIRECTOR DUBOW: I think it's  
15 -- 76.

16 COUNCILMAN NUTTER: If we made  
17 payments the way we were to make them --

18 BUDGET DIRECTOR DUBOW: Yes, we  
19 would incrementally go up. I think eventually  
20 we would get into the mid 80s in the out-years.  
21 That's the way the actuary described it to me.

22 COUNCILMAN NUTTER: And the  
23 out-years being how far out?

24 BUDGET DIRECTOR DUBOW: I --

25 COUNCILMAN NUTTER: Is that more of

00547

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 a 25-year thing or --

3 BUDGET DIRECTOR DUBOW: No, more  
4 like 10 to 15 years.

5 COUNCILMAN NUTTER: What if any  
6 risks is there to the Pension Fund by pursuing  
7 this particular strategy?

8 BUDGET DIRECTOR DUBOW: There's not  
9 a risk to the Pension Fund. The risk to the  
10 General Fund is that if earnings stay low, we'll  
11 have to make added contributions next year, but  
12 the Pension Fund is held harmless because we're  
13 committing to make these payments to the fund.

14 COUNCILMAN NUTTER: You also make  
15 mention of the need to pay \$55 million in debt  
16 service on the Pension Obligation Bonds we  
17 issued in February of 1999?

18 Now, how long were those bonds; were  
19 they 30 year?

20 MR. KIDWELL: Pension Obligation  
21 Bond is a 30-year bond. I believe \$2,029 is the  
22 last payment.

23 COUNCILMAN NUTTER: And are the  
24 payments pretty much consistently up in the  
25 \$55 million range on those?

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 MR. KIDWELL: I don't have that

3 answer for you.

4 COUNCILMAN NUTTER: Am I reading the

5 testimony correctly, that it's \$55 million this  
6 year?

7 MR. KIDWELL: Yes.

8 COUNCILMAN NUTTER: Don't the debt

9 service payments usually stay fairly even

10 overtime unless you back-loaded them?

11 BUDGET DIRECTOR DUBOW: Actually,

12 the payments for the next five years are on the

13 back of the plan, but I don't have my plan with

14 me.

15 COUNCILMAN NUTTER: What page?

16 MR. JOHNSON: I think it's in

17 Appendix 3, maybe Page 4. I can come over and

18 show you.

19 COUNCILMAN NUTTER: So 52.9 -- I'm

20 sorry, that's back in '01. 55.6, 58, 67, 72,

21 76, so it actually seems to be slightly

22 back-loaded. It seems to be increasing as we go

23 out, is that accurate?

24 BUDGET DIRECTOR DUBOW: I think the

25 problem is none of us were actually involved

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 with that, but we will get you a whole debt  
3 service schedule.

4 COUNCILMAN NUTTER: So let me make  
5 sure I understand what we have here. Because of  
6 the fund's performance, the City needs to make  
7 increased payments to the Pension Fund, correct?

8 BUDGET DIRECTOR DUBOW: That's  
9 correct.

10 COUNCILMAN NUTTER: And because we  
11 did the Pension Obligation Bond in '99, we also  
12 have a separate stream of debt -- the primary  
13 purpose of the Pension Obligation Bond was to  
14 more immediately get our unfunded liability  
15 number down or our funded number up, but we took  
16 on an additional debt by doing that. And that  
17 debt has an increasing debt service over at  
18 least the next five years and possibly longer.

19 At the same time that we're facing  
20 the pressure, unless the fund turns around and  
21 starts performing in the superior fashion, we're  
22 also faced by pressure on the fund's side that  
23 we have to increase support for that.

24 So we have an increased operating  
25 support for the fund itself and increased debt

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 service for the Pension Obligation Bond which we  
3 floated in the first place to help the fund to  
4 increase its funded liability level?

5 BUDGET DIRECTOR DUBOW: That's  
6 right.

7 And, actually, by the end of the  
8 plan, I think our pension payment is \$100  
9 million higher than it is at the beginning of  
10 the plan. So that combination of the factors  
11 you're pointing to significantly increases our  
12 contribution over the next five years.

13 COUNCIL PRESIDENT VERNA: Excuse  
14 me, Councilman, can I ask a question, if I may?

15 COUNCILMAN NUTTER: Sure.

16 COUNCIL PRESIDENT VERNA: What  
17 happens if the Pension Fund doesn't earn 9  
18 percent this year?

19 BUDGET DIRECTOR DUBOW: Well, I  
20 guess you'd look at the smoothing fact, but  
21 that's one of the major risks in the plan. If  
22 we continue not to earn at 9 percent, then our  
23 contributions will have to be even higher than  
24 the amounts that are in the plan.

25 COUNCIL PRESIDENT VERNA: Thank you,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Councilman.

3 COUNCILMAN NUTTER: Sure, thank you.  
4 Do you have any short or medium-term  
5 plans for how to try to work ourselves out of  
6 this situation? I mean, I thought part --  
7 again, that was also a couple of years ago. I  
8 mean, I thought part of the sale's pitch on  
9 doing the Pension Obligation Bond was to get our  
10 unfunded liability number down, which ultimately  
11 was going to assist us in lowering the amount we  
12 had to pay into the pension system. It now  
13 appears that both numbers are going in the wrong  
14 direction.

15 MS. DAVIS: One of the risks that  
16 any government undertook when it issued Pension  
17 Obligation Bonds was that it would be able --  
18 because they were taxable bonds, that they would  
19 be able to earn a level of -- they'd have a  
20 level of earnings on the proceeds that would  
21 exceed the earnings -- the cost of the interest  
22 rate.

23 COUNCILMAN NUTTER: Have we achieved  
24 that here?

25 MS. DAVIS: We've not achieved that,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 that's been difficult. And that was the risk  
3 that was taken.

4 COUNCILMAN NUTTER: Well, let me ask  
5 this question, and I understand all of this is  
6 in the short-term, relatively short-term  
7 evaluation. We took these actions a couple of  
8 years ago. I mean, what so far has been the  
9 benefit of having done that?

10 MS. DAVIS: At this point, we are  
11 funded above the 70 percent level and that would  
12 be the primary benefit.

13 BUDGET DIRECTOR DUBOW: I think one  
14 of the other benefits, and this also will depend  
15 on how earnings go overtime, is that in the  
16 out-years under the Pre-Pension Obligation Bond  
17 world, our payments kept going up and up and up  
18 so that the further you got out, the larger  
19 percent of your General Fund payments were going  
20 to -- your pension payments.

21 It won't work that way under the  
22 schedule because if you look -- when you get out  
23 to 20, 25, for example, you're paying only about  
24 \$94 million. So it actually would be a far  
25 smaller percent of your General Fund than it is

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 now.

3 COUNCILMAN NUTTER: Well, I  
4 understand that, but we have to get through --  
5 BUDGET DIRECTOR DUBOW: Oh, I  
6 understand that. I mean, you're asking whether  
7 there were any other benefits. I wasn't saying  
8 anything beyond that.

9 COUNCILMAN NUTTER: We have to  
10 survive to 2013 --

11 BUDGET DIRECTOR DUBOW: Yes.

12 COUNCILMAN NUTTER: -- to ever get  
13 to the decreasing level.

14 BUDGET DIRECTOR DUBOW: That's  
15 absolutely right.

16 COUNCILMAN NUTTER: I mean, you have  
17 to basically live long enough to see the  
18 benefit. The question is, can you live that  
19 long?

20 BUDGET DIRECTOR DUBOW: Right.

21 COUNCILMAN NUTTER: Just for the  
22 record, because I know that 70 percent funded  
23 was an important number, so Ms. Davis, I'd like  
24 to give you the opportunity -- I mean, you said  
25 one of the benefits was getting the 70 percent.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 Why don't you at least put on the  
3 record the significance of 70 percent and what  
4 that means to retirees?

5 MS. DAVIS: Because at that point,  
6 the plan is said to be funded for those who are  
7 retired, those who are retired and current  
8 employees.

9 COUNCILMAN NUTTER: Because of what  
10 you do, I'm sure that you're going to continue  
11 to be mindful of this situation. I think,  
12 though, that given some of the decisions that  
13 have been made -- you didn't participate in the  
14 early ones -- you now have been kind of dealt a  
15 series of cards that you have to make the best  
16 out of the hand that you have.

17 To the extent that you can keep us  
18 informed on a fairly regular basis as to how we  
19 are either moving out of the current situation,  
20 if we are moving to a better one, or if we are  
21 moving to an even more negative environment, it  
22 would be very helpful to stay on top of this one  
23 and not let it get too far before we are having  
24 even more problems similar to the Pension  
25 Adjustment Fund situation.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 MS. DAVIS: Yes, sir.

3 COUNCILMAN NUTTER: Will someone

4 say yes?

5 MR. JOHNSON: Yes.

6 MR. KIDWELL: Yes.

7 COUNCILMAN NUTTER: I'm usually

8 pretty easy to get along with. Yes or no.

9 Okay, thank you, very much.

10 COUNCIL PRESIDENT VERA: The Chair

11 recognizes Councilman Rizzo.

12 COUNCILMAN RIZZO: Thank you, Madam

13 Chair.

14 I look at the testimony and it

15 indicates that we are going to be increasing the

16 number to 72 of the retirement counselors.

17 MR. KIDWELL: Yes.

18 COUNCILMAN RIZZO: Could you tell

19 me, state governments, municipal governments,

20 private sector, do they have to in some cases

21 out source the retirement counseling? Can you

22 tell me how other municipalities, other

23 governments, how this private sector approaches

24 retirement counseling?

25 MR. KIDWELL: I have no knowledge

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 of what other municipality pension plans do as  
3 far as how they conduct their pension  
4 counseling, pension calculations.

5 COUNCILMAN RIZZO: Just the people,  
6 the bodies, whether it's done by City employees,  
7 are these all civil service people?

8 MR. KIDWELL: The Pension Board is  
9 all civil service employees, yes.

10 COUNCILMAN RIZZO: Benefits,  
11 everything?

12 MR. JOHNSON: Yes.

13 COUNCILMAN RIZZO: Could you  
14 possibly conduct some research and find out how  
15 large Philadelphia corporations, how the State  
16 of Pennsylvania, Federal government do this  
17 business?

18 MR. KIDWELL: I will make that  
19 attempt, certainly.

20 COUNCILMAN RIZZO: I would like to  
21 get at least a feel for that because we are  
22 going to re-call you to the budget process to  
23 ask about how we do that in other areas?

24 MR. KIDWELL: I will try to have  
25 that for you by the end of --

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN RIZZO: Right, nothing

3 elaborate, just a feel for it.

4 MR. KIDWELL: I understand.

5 COUNCILMAN RIZZO: If it needs to be

6 more elaborate, we will ask you for that?

7 MR. KIDWELL: Okay.

8 COUNCILMAN RIZZO: To plug a

9 possible loophole, I've learned that the DROP

10 Program may have a loophole in it, that the

11 employing officer, for lack of a better word,

12 can hire a person back the day after they take

13 advantage of the DROP.

14 MR. KIDWELL: The hiring of

15 personnel is not really a Pension Code issue,

16 it's really one of personnel under Civil Service

17 regulations. Any employee who was previously

18 employed has the ability to become reemployed.

19 COUNCILMAN RIZZO: But I understand

20 the DROP Program was designed to limit the

21 number of employees. Now, I'm running into

22 people already that are telling me that they are

23 being considered already for reemployment. If

24 the Fire Department chooses to keep a person,

25 the Fire Commissioner can make a request and

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 that person can stay, the Police Department and  
3 so on and so on and so on.

4 Do you call that a loophole?

5 MR. KIDWELL: Well, personnel  
6 matters are really outside my realm of  
7 expertise. Is it a loophole that an employee  
8 can retire and then immediately become  
9 reemployed --

10 COUNCILMAN RIZZO: This is beyond  
11 the normal realm of retirement, I would think,  
12 the DROP Program. Do all people that leave the  
13 employ of the City leave with the same financial  
14 condition that the DROP Program provides?

15 MR. KIDWELL: Well, the DROP Program  
16 certainly provides a benefit that's well above  
17 an employee who elected to retire and not  
18 participate in DROP, but at the end of the day,  
19 what is being credited to their DROP account is  
20 their monthly benefit.

21 So it's a monthly benefit that if  
22 they opted not to participate in DROP, they  
23 would be receiving directly, as opposed to have  
24 it credited to a DROP account, and made  
25 available to them in a lump sum.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 COUNCILMAN RIZZO: Are you  
3 answering the question that a person in DROP  
4 today can legally be rehired by the City of  
5 Philadelphia?

6 MR. KIDWELL: I believe what I  
7 answered to is that that's not my area of  
8 expertise, personnel matters.

9 COUNCILMAN RIZZO: But you did say  
10 --

11 MR. KIDWELL: I did say that I am  
12 aware that employees are permitted to be  
13 reinstated or reemployed or rehired.

14 COUNCILMAN RIZZO: Who from the  
15 administration is here that can answer that  
16 question?

17 That's sad in itself.

18 MS. DAVIS: The person can be  
19 rehired, that's part of their Civil Service --  
20 the Civil Service Code that a person can be  
21 rehired once they retired. Whether it was  
22 anticipated when DROP was put in place or not, I  
23 don't know.

24 And I guess one could consider it a  
25 loophole, but again, it would have to be what

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 was anticipated when DROP had some knowledge of  
3 the recommendations that were made at that time.

4 COUNCILMAN RIZZO: We -- and I think  
5 I can even see -- I'm not speaking for the Chair  
6 -- that she's even responding that that was not  
7 the case. The person entered the DROP Program,  
8 that they had to retire, and there was no coming  
9 back to the same job or any other job?

10 MS. DAVIS: I don't know what was  
11 represented at that time I wasn't here. I'd  
12 have to ask someone who has some knowledge of  
13 the representations that were made at that time.

14 COUNCILMAN RIZZO: Then what was  
15 the purpose of the DROP Program -- well,  
16 obviously, we don't have the ability to --

17 MS. DAVIS: I can only tell you the  
18 way it was implemented and the reasons it was  
19 implemented in Houston when I was there.

20 COUNCILMAN RIZZO: I'm talking about  
21 what's here.

22 MS. DAVIS: Yes, I don't know.

23 COUNCILMAN RIZZO: I guess we're  
24 going to have to wait until we get, Madam Chair,  
25 someone from the administration that can speak

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 on this because I believe most of this -- we're  
3 lead to believe that --  
4 COUNCIL PRESIDENT VERNA: Once you  
5 file --  
6 COUNCILMAN RIZZO: -- once you file  
7 that, it was basically history. And I'm already  
8 talking to employees that are going to be taking  
9 advantage of the DROP Program, telling me that  
10 they're already working to get reinstated the  
11 day after they leave, after taking advantage of  
12 this very, very lucrative program.  
13 Thank you, Madam Chair.  
14 COUNCIL PRESIDENT VERNA: You're  
15 welcome.  
16 The Chair recognizes Councilman  
17 Ortiz.  
18 COUNCILMAN ORTIZ: Thank you.  
19 Wow, my head is swimming with the  
20 numbers that Michael just put forward.  
21 Let me ask one question of the DROP  
22 Program. You said 2,600 people were taking  
23 advantage of the DROP Program?  
24 MR. KIDWELL: Yes.  
25 COUNCILMAN ORTIZ: And out of that

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 how many are uniformed people: firemen and fire  
3 persons and police persons?  
4 MR. KIDWELL: Of the 2,582, I  
5 believe 641 represent uniformed police --  
6 COUNCILMAN ORTIZ: 641?  
7 MR. KIDWELL: Yes.  
8 COUNCILMAN ORTIZ: Are police?  
9 MR. KIDWELL: Yes.  
10 COUNCILMAN ORTIZ: All right, how  
11 many are fire fighters?  
12 MR. KIDWELL: 430.  
13 COUNCILMAN ORTIZ: Do you have a  
14 breakdown of the other departments?  
15 MR. KIDWELL: I have a breakdown of  
16 some of the major departments.  
17 COUNCILMAN ORTIZ: Can you give that  
18 to the Chair at one point, please?  
19 MR. KIDWELL: Yes, I can.  
20 COUNCILMAN ORTIZ: You said we have  
21 26 money managers and 6 of them are minorities?  
22 MR. KIDWELL: Yes, that's correct.  
23 COUNCILMAN ORTIZ: Are there any  
24 Latinos among those minorities?  
25 MR. KIDWELL: No.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 COUNCILMAN ORTIZ: Did any Latinos  
3 make the final cut of anything in terms of money  
4 managers? You said you had a process, you cut  
5 them down from a couple of thousand or 1,500  
6 down to 76 or down to 26?

7 MR. JOHNSON: My correction, one of  
8 the new investment managers that we hired,  
9 Aronson & Partners, one of the partners is  
10 Martha Ortiz. She's a partner of that firm.

11 COUNCILMAN ORTIZ: Who?

12 MR. JOHNSON: Aronson & Partners.  
13 It's a local firm here in Philadelphia and she  
14 is a partner of that firm. It's a large-cap  
15 value manager.

16 COUNCILMAN ORTIZ: She's a partner  
17 of that firm?

18 MR. JOHNSON: She's a partner. It's  
19 not a majority-owned Latino firm, but she is a  
20 partner in that firm.

21 COUNCILMAN ORTIZ: But it's not a  
22 majority owned. It's like Ballard getting a  
23 contract and somebody putting --

24 MR. JOHNSON: It's a rather small  
25 firm. People-wise, there are five partners

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 there. She's one of the five.

3 COUNCILMAN ORTIZ: But you don't  
4 have a minority Lation firm?

5 MR. JOHNSON: No.

6 COUNCILMAN ORTIZ: You have somebody  
7 who works for a firm that's Latino or is a  
8 partner?

9 MR. JOHNSON: Correct.

10 COUNCILMAN ORTIZ: Do you know of  
11 any that you inquire, that you solicit, that you  
12 make an outreach on that?

13 MR. JOHNSON: There are two that I'm  
14 in conversation with. Both of them qualify for  
15 the Opportunity Fund.

16 COUNCILMAN ORTIZ: Who are --

17 MR. JOHNSON: One is Fortuzelo (ph)  
18 and the other one is Persitio (ph).

19 COUNCILMAN ORTIZ: What is the  
20 Opportunity Fund?

21 MR. JOHNSON: The Opportunity Fund

22 --

23 COUNCILMAN ORTIZ: And what do you  
24 need to -- you said they qualify, that means  
25 they don't qualify for the other --

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 MR. JOHNSON: We have a restriction  
3 in a large fund that we cannot invest more than  
4 -- we can't represent more than 10 percent of  
5 the investment or 20 percent of the total firm's  
6 assets.

7 A lot of the minority funds are  
8 rather small and the allocations that we  
9 typically award would exceed both their fund  
10 size and their total firm size. So we have  
11 established the Opportunity Fund, which was  
12 started up in August of 2000, to award smaller  
13 allocations to minority and local firms.

14 COUNCILMAN ORTIZ: Were we invested  
15 in Enron?

16 MR. JOHNSON: We were.

17 COUNCILMAN ORTIZ: What's the extent  
18 of our loss in terms of Apple or when did we get  
19 out? And how much money did the Pension Fund  
20 lose because of Enron? And when did we get out?  
21 I mean, when did we get notice that they were a  
22 free fall?

23 MR. JOHNSON: As I mentioned  
24 earlier, just to repeat it, we are invested in  
25 outside funds managed by outside professional

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 investment management firms. The estimate that  
3 we have to-date, and I think it's a pretty good  
4 estimate, we lost about \$6 million.

5 Now, that compared to a \$4.3 billion  
6 fund is less than a half percent for loss. We  
7 are out of Enron and almost every single  
8 portfolio.

9 There is one portfolio -- there are  
10 two portfolios in which we still own Enron. For  
11 one of them, it was in the Opportunity Fund and  
12 that manager's being addressed. The other one  
13 is through our private-equity investments. They  
14 bought interest in Enron as it was going down,  
15 in hopes of capitalizing on a slight upgrade.

16 COUNCILMAN ORTIZ: They bought when  
17 they were going down?

18 MR. JOHNSON: They bought them on  
19 the way down.

20 COUNCILMAN ORTIZ: Thank you, Madam  
21 Chair. No further questions.

22 COUNCIL PRESIDENT VERNA: Any other  
23 questions for members of the committee?

24 (No further questions.)

25 COUINCIL PRESIDENT VERNA: Thank you

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 very much.

3 The last to be called is the City  
4 Planning Commission.

5 (Witness comes forward.)

6 COUNCIL PRESIDENT VERA: Good  
7 afternoon.

8 COMMISSIONER GRIFFITH: Good

9 afternoon, Council President Verna and Members  
10 of the City Council. I am Maxine Griffith,  
11 Executive Director of the Planning Commission  
12 and Secretary of Strategic Planning. I also  
13 have at the table, Carol Reber, who is our  
14 Director of Administrative Services.

15 I want to thank you for the  
16 opportunity to discuss the Commission's proposed  
17 operating budget for Fiscal Year 2003, of  
18 \$3,679,615. This budget has three components: a  
19 General Fund request for \$3,308,712; a Community  
20 Development Block Grant request of \$242,403; and  
21 \$128,500 in Federal transportation grant funds.

22 You will notice that this year's  
23 General Fund request is \$242,902 more than our  
24 Fiscal Year 2002, estimated obligation level of  
25 \$3,065,810. This budget reflects funding for 68

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 positions, an increase of 4 positions over FY02.  
3 The new positions are a landscape architect, an  
4 information officer, a clerk stenographer III  
5 and a clerk typist II.

6 The Commission has received three  
7 Federal Transportation Administration grants.  
8 The \$73,900 Short Range Planning grant will  
9 support staff who carry out basic capital  
10 programming and public transportation analysis.  
11 We will receive a \$54,600 grant for the North  
12 Delaware Riverfront Public Transportation Study.

13 The staff will continue to examine  
14 opportunities to make the City more -- I'm  
15 sorry, the staff will continue to examine  
16 opportunities to make the City more competitive  
17 with suburban communities in retaining and  
18 attracting residents. The work focuses on  
19 strategies for improving the quality of life in  
20 neighborhoods through a variety of public and  
21 private actions to improve the physical  
22 environment.

23 The North Delaware area of the City  
24 contains a challenging mix of under-utilized  
25 industrial and port facilities, public

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 utilities, as well as institutional,  
3 recreational and residential uses. Under the  
4 direction of the Planning Commission staff, a  
5 concept plan for the redevelopment of the North  
6 Delaware Riverfront has been completed by  
7 consultants, and the Commission has begun the  
8 process of evaluating and responding to the  
9 recommendations in the plan. This response  
10 includes reviewing recommendations for  
11 re-zonings where appropriate, working with  
12 others to refine the public space and  
13 environmentally-oriented elements of the plan,  
14 and working with our sister agencies to promote  
15 other plan components and the development of  
16 publications and other marketing tools.  
17         Housing redevelopment support  
18 activities, including blight certification and  
19 redevelopment planning, continue to require a  
20 high level of Commission staff involvement.  
21 These activities are undertaken in conjunction  
22 with the Office of Housing and Community  
23 Development and the Redevelopment Authority.  
24         In addition, Commission staff is  
25 responsible for developing the community

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 planning component of the Mayor's Neighborhood  
3 Transformation Initiative and will coordinate  
4 planning and community participation during  
5 implementation through our chairmanship of an  
6 Interagency Task Force.  
7       We will continue to provide ongoing  
8 planning and technical support for  
9 community-initiated zoning changes such as those  
10 in South, West and Northeast Philadelphia. But  
11 in addition, the Commission has begun the  
12 process of drafting proposals for the  
13 modernization of Philadelphia's entire  
14 40-year-old Zoning Code. We have eliminated  
15 redundant passages and unmapped districts,  
16 purged the text of arcane and overly complex  
17 language, and made the code easier to understand  
18 and use.  
19       Because the code does not  
20 acknowledge the technological innovations and  
21 new uses that have emerged over the years, it  
22 can be a difficult tool to use when rehabbing  
23 old buildings, reinventing neighborhoods, or  
24 responding to the needs of the 21st century  
25 business. We will, therefore, work with our

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 private-and public-sector colleagues to  
3 promulgate additional needed changes in the  
4 coming year.

5       The Commission's Urban Design  
6 Division will continue to work on a long-range  
7 plan such as Avenue of the Arts North and  
8 Parkway enhancement. They are also developing a  
9 graphic guide to Center City development  
10 regulations and will maintain an active role in  
11 planning for the Schuylkill Riverfront.

12       The division has also begun  
13 developing prototypical urban design guides for  
14 new NTI neighborhoods.

15       And the Commission's vacant land use  
16 study continues to be the basis of the work we  
17 undertake with others to develop a menu of  
18 options for the aesthetic treatment of vacant  
19 lots and other vacant land in preparation for  
20 redevelopment and reuse.

21       We have already issued our first  
22 analytical documents using 2000 census data. As  
23 census data continues to be released over the  
24 coming year, the Commission will continue to  
25 compile and publish population, housing, and

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 socioeconomic data in both print and electronic  
3 formats. These will include maps, various data  
4 bulletins, and neighborhood profiles. These  
5 documents will be made available to the public  
6 and will provide the basis for in-house analysis  
7 and policy development.

8 In addition to the specific projects  
9 and initiatives that I have highlighted, the  
10 Commission staff will continue its traditional  
11 responsibilities in neighborhood and development  
12 planning, environmental review, zoning and  
13 capital program preparation.

14 And in conjunction with members of  
15 the City Council and our colleagues in other  
16 agencies, we also hope to host a broad  
17 conversation in a variety of formats to discuss  
18 the future of the physical City and to design a  
19 broad framework for future growth and  
20 development.

21 I will be happy to take questions.

22 Thank you.

23 COUNCIL PRESIDENT VERA: Thank you,  
24 Commissioner.

25 Could you elaborate on the work your

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 office is doing in making the City more  
3 competitive with suburban communities?

4 COMMISSIONER GRIFFITH: Well, one of  
5 the things that the development community and  
6 the real estate marketing community has told us  
7 is that we really don't have the products that  
8 people want to buy in terms of housing; that is,  
9 market rate housing.

10 For instance, the North Delaware  
11 area and in other areas, we are trying to  
12 produce that product so that the person who has  
13 done fairly well, and maybe would still like to  
14 live near his church or near his mom, doesn't  
15 have to go across the river to New Jersey to  
16 find that product.

17 COUNCIL PRESIDENT Verna: Do you  
18 think the City schools and the City tax  
19 structure are two of the City's largest  
20 impediments?

21 COMMISSIONER GRIFFITH: Well, to be  
22 honest, taxation is not my strong suite.

23 But certainly, in terms of the  
24 school situation, we are very interested and  
25 very concerned about bringing schools into sort

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 of the neighborhood planning loop so that we are  
3 not just planning sort of denuded neighborhoods.  
4 We are looking at commercial facilities, we're  
5 looking at schools, we're looking at parks and  
6 playgrounds, et cetera.

7 COUNCIL PRESIDENT Verna: What  
8 activities will your office be undertaking for  
9 the NTI program?

10 COMMISSIONER GRIFFITH: We have  
11 fairly focused on an important area in NTI. We  
12 are coordinating the community planning aspect  
13 and also trying to promulgate Citywide criteria  
14 so that NTI can be judged against what we want  
15 to happen in Philadelphia and also can be judged  
16 against national standards.

17 COUNCIL PRESIDENT Verna: Would you  
18 explain what the planning criteria is and what  
19 areas have been assessed and what areas you are  
20 planning on assessing?

21 COMMISSIONER GRIFFITH: Planning  
22 criteria you may remember, we may have called it  
23 something a little different, but some months  
24 ago we handed out to Council, first I think, at  
25 an NTI briefing session and then in a packet a

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 list of criteria. For instance, how close  
3 should any resident be to a public library or to  
4 a health clinic, that kind of Citywide criteria.  
5 We would then map those facilities  
6 and make judgments about -- to the extent that  
7 we can, given resources, capital budget  
8 planning, et cetera, based on those criteria.  
9 They came not only from our own studies over the  
10 years, but also from the American Planning  
11 Association, the American Library Association,  
12 et cetera.

13 And we looked at what others were  
14 doing and what we thought was appropriate to  
15 Philadelphia. And then we circulated that  
16 criteria not only to Council and staff, but also  
17 to the agencies that, frankly, might know more  
18 about those areas of expertise than we do.

19 COUNCIL PRESIDENT VERA: Thank you.  
20 In your testimony, you mention an Interagency  
21 Planning Task Force. What is the charge of the  
22 task force and what is its makeup?

23 COMMISSIONER GRIFFITH: During the  
24 NTI planning, during the planning for the  
25 planning, the NTI Steering Committee, under Pat

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Smith's purview, formed a number of task forces  
3 to focus on various areas. We shared the  
4 Internet Agency Task Force on planning. That  
5 worked so well, the determination was if that  
6 was a good working model to continue as we  
7 implemented NTI.

8         The call went out to all the  
9 secretaries and all agency heads that were  
10 involved in NTI in any way. We held the first  
11 meeting actually last week, in anticipation that  
12 we might actually be starting implementation  
13 very soon.

14         And the idea is -- you mentioned  
15 schools, for instance. The idea is that all  
16 knowledge does not reside in the Planning  
17 Commission. We want to make sure that as we  
18 plan for these communities, agencies that have  
19 responsibility for various components of a  
20 community all can step up to the plate, speak  
21 about their issues, critique and comment on the  
22 plans, and are also there to respond to Council  
23 and community when necessary so that you won't  
24 have to -- one, won't have to shop or plan  
25 around to various agencies to get a response.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCIL PRESIDENT VERNA: Thank you.

3 My last question. If I recall

4 correctly, in last year's testimony and again

5 today, you mention that the Commission is

6 working on modernizing the Zoning Code. When do

7 you anticipate or expect that this will be

8 completed? Are we going to be talking about

9 this next year also?

10 COMMISSIONER GRIFFITH: I'm pleased

11 to say, Council President, that we have

12 completed a draft of this code. And as you

13 know, we have been working with Council staff on

14 this. It is now being reviewed by the Law

15 Department for whatever magic they do,

16 compliance. And frankly, we would hope to be

17 able to bring that to Council in the spring or

18 shortly thereafter.

19 COUNCIL PRESIDENT VERNA: Did you

20 say Council staff?

21 COMMISSIONER GRIFFITH: Yes.

22 COUNCIL PRESIDENT VERNA: May I ask

23 who on Council staff?

24 COMMISSIONER GRIFFITH: We can get

25 back to you on that, but I'm told that both Rich

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Lombardo and Tom Chapman have been in  
3 conversation. It may have been a while ago,  
4 because frankly, we had finished our work about  
5 three or four months ago.

6 COUNCIL PRESIDENT VERNA: And I  
7 really don't know of anybody on staff. And I  
8 think that Mr. McPherson, who is sitting next to  
9 me, and I would ask, do you know anything about  
10 it?

11 MR. MCPERSON: No.

12 COMMISSIONER GRIFFITH: I will have  
13 to get back to you, Council President, with  
14 names.

15 COUNCIL PRESIDENT VERNA: Have any  
16 Councilmembers been shared the information  
17 that's on this draft?

18 COMMISSIONER GRIFFITH:  
19 Antidotically, there's been sharing, but I've  
20 been -- it's been suggested to me that until  
21 it's been thoroughly reviewed by legal, it's not  
22 in a form that should be formally shared with  
23 Council. I did, however, to reiterate --

24 COUNCIL PRESIDENT VERNA: You said  
25 it shouldn't be shared with Council and you are

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 also saying that it has been shared with Council  
3 staff; which is it?

4 COMMISSIONER GRIFFITH: Well, I'm  
5 really saying two separate things and I  
6 apologize if I'm being unclear.

7 I was told by my staff that the  
8 drafting of the -- and let me be clear. This  
9 first phase is not so much a change in  
10 substance, it is a change in format and the  
11 clarification that there were discussions  
12 stretching back almost a year ago. And again, I  
13 will get that information to you.

14 In terms of the formal communication  
15 with Council, that is this is the bill that we  
16 would like to have submitted that would await  
17 legal review because they may have concerns  
18 about format. If I am incorrect about  
19 conversations with Council staff --

20 COUNCIL PRESIDENT VERNA: Well, I  
21 would like to know who in Council staff has any  
22 knowledge of this and I'd appreciate your  
23 getting back to me on that.

24 COMMISSIONER GRIFFITH: I certainly  
25 will, Council President.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCIL PRESIDENT VERNA: Thank you.

3 The Chair recognizes Councilman

4 Kenney.

5 COUNCILMAN KENNEY: Thank you, Madam

6 President.

7 Just as a facade to that last

8 conversation, just imagine what would have

9 happened prior to the year 2000 had Council

10 staff or Councilmembers had information shared

11 with them by the Rendell Administration prior to

12 running it through the President's office.

13 Could you imagine the outcry?

14 COUNCIL PRESIDENT VERNA: I believe

15 you're Chair of the LNI Committee, are you not?

16 COUNCILMAN KENNEY: No, not any

17 longer.

18 Ms. Griffith, the North Delaware

19 Riverfront project, I just would recommend to

20 you a very thorough review that we did 50 pages

21 two years ago relative to that exact issue. I

22 sent copies to the administration, I think, more

23 than once, so I would refer that to you for

24 review. There's some pretty good ideas in there

25 and not all of them mine, and maybe you won't

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 have to reinvent the wheel.

3 COMMISSIONER GRIFFITH: Thank you.

4 COUNCILMAN KENNEY: Just one

5 question relative to some information I had  
6 received and I would like to clarify it, clear  
7 it up, debunk it once and for all.

8 During the course of the discussions  
9 over redistricting, the Council redistricting  
10 plan, was any City Planning Commission staff  
11 formally or informally assigned to assist with  
12 information-gathering, research, strategic  
13 planning, anything relative to the discussions  
14 on the redistricting of the Seventh District or  
15 the First District or the Fifth District? Was  
16 any Planning Commission staff either assigned to  
17 or worked with members of Council on  
18 redistricting?

19 COMMISSIONER GRIFFITH: We were  
20 asked only to provide maps. Our GIS Division  
21 was asked to provide any maps that we would have  
22 in our database that would reflect the district  
23 boundaries as they existed, and also -- and I'm  
24 forgetting because I come from a place that  
25 calls it different things, the sub --

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2 COUNCILMAN KENNEY: Divisions?

3 COMMISSIONER GRIFFITH: --

4 divisions. Actually, we did not have that  
5 information, but we were able to provide maps  
6 related to the existing district boundaries.

7 COUNCILMAN KENNEY: As plans changed  
8 and as plans were submitted and things  
9 discussed, did the Planning Commission ever run  
10 or crunch any numbers relative to demographics  
11 or to division alignment, border alignment,  
12 nothing like that?

13 COMMISSIONER GRIFFITH: No, sir.

14 COUNCILMAN KENNEY: Thank you, very  
15 much.

16 COUNCIL PRESIDENT VERNA: Thank you.

17 The Chair recognizes Councilman

18 Rizzo.

19 COUNCILMAN RIZZO: Thank you, Madam  
20 Chair.

21 In reference to your testimony here  
22 where you're going to hire a landscape  
23 architect, how many consultants does the  
24 Planning Commission have?

25 COMMISSIONER GRIFFITH: At this

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 point, the Planning Commission has no  
3 consultants on staff.

4 COUNCILMAN RIZZO: Did you consider  
5 rather than bringing on a full-time employee  
6 with benefits, a landscape architect of --  
7 utilizing maybe one or two landscape architects,  
8 which we have many of in the area, rather than  
9 bringing on an additional person?

10 COMMISSIONER GRIFFITH: Yes.

11 COUNCILMAN RIZZO: How much are you  
12 planning to pay that landscape architect?

13 COMMISSIONER GRIFFITH: Well, let me  
14 answer that question in two parts. We had from  
15 time-to-time brought in consultants. As a  
16 matter of fact, the North Delaware Riverfront  
17 study was led by a prominent landscape architect  
18 out of the University of Pennsylvania and we may  
19 have occasion to do that in the future.

20 However, because of the amount of  
21 vacant property that we will be asked to plan  
22 for within the NTI project, which is a three-to  
23 five-year program stretching over a period of  
24 time, it was determined that we really needed  
25 someone on staff and that the cost of benefits

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 of actually having a staff person there and able  
3 to interact freely with the other staff would be  
4 beneficial.

5 I should point out that we have no  
6 landscape architect or landscape designer at all  
7 in our staff. So when we look at the census of  
8 vacant lots and when we look at accumulation of  
9 property and how to deal with that in an interim  
10 basis prior to development, we had our urban  
11 designers and architects calling up their  
12 friends who are landscape architects, trying to  
13 get the terminology correct, et cetera.

14 So we did think that one landscape  
15 architect -- and frankly, we are now talking to  
16 Personnel. It will probably be someone at a  
17 lower level than landscape architect. It will  
18 probably be a landscape designer, someone  
19 comparable to a planner to which has been the  
20 \$30,000 range because that's the kind of -- the  
21 only word I can think of is "grunt work" that we  
22 need done. We really don't need a supervisorial  
23 person because we'll only have one person.

24 COUNCILMAN RIZZO: Have you  
25 considered at least seeing if Fairmount Park

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Commission, which I believe they have landscape  
3 architects already employed, seeing if they  
4 could provide some assistance to you?

5 COMMISSIONER GRIFFITH: They will be  
6 providing assistance to NTI, and indeed, there  
7 are a number of very fine landscape architects  
8 on their staff. However, as you know, they have  
9 vast plans that they have to plan for and  
10 maintain, and their landscape architects are  
11 extraordinarily busy simply doing that and doing  
12 the kind of upgrade planning for the park that  
13 we foresee as part of the Neighborhood  
14 Transformation Initiative.

15 I mean, I think your point is well  
16 taken. We were very careful about asking for  
17 additional positions, and believe me, this  
18 administration made us do reams and reams of  
19 justification and look at a number of options  
20 which the Budget Office also reviewed.

21 And we did feel that one junior  
22 landscape architect was important not only to do  
23 the work, but so there would be someone on our  
24 staff that could judge the work of outside  
25 consultants and other assistance as we move

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2 forward, but we are not thinking of enlarging  
3 that staff.

4 COUNCILMAN RIZZO: What does an  
5 information officer do?

6 COMMISSIONER GRIFFITH: Again, this  
7 relates to both our NTI charge and our community  
8 planning charge. As you will remember in my  
9 testimony in NTI and in the plans we have for  
10 that, we're talking about a lot of interaction  
11 with the community, a lot of communication.  
12 We're now trying to develop an actual document  
13 that would go out every couple of months to keep  
14 people apprised of what the Commission's doing,  
15 we're trying to upgrade our website, et cetera.

16 What's happening now is, technical  
17 planners have undertaken that role, which means  
18 when they're doing that, they can't do the  
19 planning work that they were trained to do.

20 So, again, this is what we believe  
21 is an opportunity to allow the planning staff to  
22 do the work that they got their graduate degrees  
23 to do, and to get a non-planner, though someone  
24 hopefully who is interested and involved in  
25 planning to focus on this very important

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 community interaction component, Council  
3 interaction component.

4 We are now, or hopefully soon will  
5 be, partners in this enterprise. There needs to  
6 be someone developing documents in ways to get  
7 the information out to the Council. And it's  
8 also a way to decentralize a little bit, I  
9 think, information that perhaps has  
10 traditionally come out of City Hall.

11 COUNCILMAN RIZZO: How many years --  
12 the official NTI Program, what happens after NTI  
13 -- obviously a landscape architect comes with  
14 the Planning Commission. I don't think I would  
15 run off too quickly. I think you're going to  
16 inherit two positions that you're going to be  
17 funding for the next 20 years.

18 What happens after NTI and all the  
19 vacant lots have their pretty greenery and  
20 things like that? You really believe that you  
21 have a need, long-term, for a landscape  
22 architect and an information officer?

23 COMMISSIONER GRIFFITH: With all due  
24 respect, we are only talking about two people,  
25 and yes.

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2 As you know, what happened with the  
3 Planning Commission over the years is the  
4 Commission staff has shrunk from a high, some  
5 staff tell me, of over 80 to 50 to 60 when I  
6 came on board. So a lot of activities that had  
7 been traditionally part of the planning  
8 commission were sort of truncated and reined  
9 back.

10 I know you are also probably tired  
11 of hearing this, but we also see the Neighbor  
12 Transformation Initiative not simply as a  
13 program with a beginning and end, but a  
14 different way of planning and developing through  
15 the City. So this new way of looking at things  
16 is permanent.

17 The fact that we're going to be  
18 communicating more with communities and with a  
19 development community and with Council, we see  
20 is permanent. The fact that there' be some  
21 property that will need to be maintained in  
22 green and up-kept for many, many years to come.  
23 And the fact, and it's been pointed out, and I  
24 think correctly, so that a lot of the  
25 community-based organizations and others that

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 are eagerly accepting responsibility are going  
3 to need help and assistance. So we're going to  
4 try to develop a menu of options and brochures  
5 and web based help lines.

6 And we think this is pretty  
7 permanent. Cities grow and they contract and  
8 they change and new areas get developed and  
9 concerns happen. And, indeed, we think that one  
10 information officer and one landscape architect  
11 is not overly ambitious.

12 COUNCILMAN RIZZO: What motivated my  
13 question. And maybe the Chair can -- I thought  
14 we had a hiring freeze.

15 COMMISSIONER GRIFFITH: We do, and  
16 we haven't been unfrozen. We still have to --  
17 even though these lines are here on paper, I  
18 mention the reams of paper I had to submit to  
19 the Mayor's Office and to Rob to get these  
20 positions authorized. There will be other reams  
21 of paper that I have to submit on a case-by-case  
22 basis to show why in times of scarce resources  
23 each and every position is needed.

24 So the same hard questions that you  
25 ask, Councilman, will be asked of me yet, again,

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 by me and Mr. Dubow and others here at City  
3 Hall. And frankly, we have a number of  
4 positions, not just these new ones, that have  
5 not been filled, and we will hopefully be making  
6 a reasonable argument to unfreeze each one, but  
7 I doubt it.

8 COUNCILMAN RIZZO: And these are  
9 civil service positions so they will be civil  
10 service employees?

11 COMMISSIONER GRIFFITH: These are  
12 all civil service positions, yes. By Charter we  
13 are unable to, at the Planning Commission, take  
14 on exempt employees. We can only take on civil  
15 service employees.

16 COUNCILMAN RIZZO: Thank you, Madam  
17 Chair.

18 COUNCIL PRESIDENT VERNA: The Chair  
19 recognizes Councilman DiCicco.

20 COUNCILMAN DiCICCO: Thank you,  
21 Madam Chair.

22 Good afternoon. Are you familiar  
23 with the RPROD Bill, Bill number 010424,  
24 residential, preservation, revitalization,  
25 overlay district?

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2 COMMISSIONER GRIFFITH: Yes.

3 COUNCILMAN DiCICCO: Because I

4 think the Planning Commission played some role  
5 in formulating that legislation.

6 COMMISSIONER GRIFFITH: Yes, as a --  
7 the only word I can think of is, as a service to  
8 Council, we did --

9 COUNCILMAN DiCICCO: It would  
10 basically be something we drafted through some  
11 legal people in and outside of government.

12 There are a number of different  
13 roles that government plays in the City of  
14 Philadelphia when it comes to neighborhoods, and  
15 the historical districts, obviously, have a  
16 certain amount of revenues and concentration pay  
17 that has paid attention to them. And then you  
18 also have in the lower-income neighborhoods with  
19 the Mayor's Blight Program, but we'll address  
20 some of those needs.

21 There is kind of a layer in between  
22 the lower, middle income neighborhoods that  
23 really don't have any protections. That's one  
24 of the reasons that we thought RPROD might be  
25 beneficial.

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2 Do you think that there's any role  
3 that the Planning Commission should be playing  
4 or may want to play going forward when it comes  
5 to RPROD, and how would you like to see the  
6 Planning Commission's role play out?

7 COMMISSIONER GRIFFITH: I think the  
8 Planning Commission -- I can't necessarily speak  
9 for each and every Commissioner, but I think the  
10 objectives of legislation are ones that we have  
11 a great deal of sympathy with, and in general,  
12 concur with. I think we do have some concerns  
13 taking off our service-to-the-Council hat and  
14 putting on our support for development. I think  
15 we do have some concerns about having another,  
16 what seems to be fairly complicated, layer of  
17 interaction before someone might be able to  
18 build or renovate something in the community.

19 Not to say that there isn't some  
20 kind of mid point or to say that my view would  
21 necessarily prevail, but without having the  
22 legislation be forming and reviewing it in  
23 detail, I would say that that's sort of our  
24 general concern.

25 I know that the Historical

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2 Commission also had some concerns, which were a  
3 little more legal in focus and I have a request  
4 from Mr. Tyler to discuss it.

5 COUNCILMAN DiCICCO: Yes, and we'll  
6 continue to discuss this as it moves forward.

7 I mean, my intention was certainly  
8 not to place another layer in the bureaucracy,  
9 but it's kind of one of those things, I think,  
10 that was necessary.

11 What it says in a nutshell is that  
12 it would give community groups who choose to  
13 create an APROD, a district, the ability to  
14 basically make decisions on or make  
15 recommendations for either existing buildings or  
16 future development as to the types of materials  
17 that would be used on facades of buildings. I  
18 know there's a zoning process for a number of  
19 units and certain other things that are required  
20 on new construction and even some rehab.

21 What really brought this to my  
22 attention is that in a lot of neighborhoods  
23 throughout the City of Philadelphia, from the  
24 Strawberry Mansion section through West  
25 Philadelphia, every neighborhood has its

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2 uniqueness, and even some of the uniqueness is  
3 to the character of the facade of the buildings  
4 or the properties that are within that  
5 neighborhood.

6 South Broad Street, the area that  
7 both the Council President and I represent --  
8 she's on the west side -- I'm on the east side,  
9 has probably some of the most beautiful  
10 brownstone buildings in the City of  
11 Philadelphia, as do other neighborhoods. And  
12 what is sad is when you drive down South Broad  
13 Street, many of those neighborhoods, because  
14 there were no real controls -- and no one is at  
15 fault for this, I'm not suggesting that someone  
16 is to blame -- but there weren't any controls to  
17 protect the integrity of the facades of those  
18 brownstones, where now you have eight or ten  
19 brownstones in a row, and then someone decides  
20 to put yellow, or green, or whatever color,  
21 aluminum siding on the front of the property,  
22 and then you have additional brownstones.

23 Or you have the properties that have  
24 some mixed use where they have some  
25 retail/commercial office space. And the signage

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2 becomes so offensive that it really distracts  
3 from the -- I mean, the beauty of what South  
4 Broad Street, and again, other neighborhoods  
5 leant itself towards the City of Philadelphia  
6 and that uniqueness.  
7 I mean that was really my intention.  
8 And I think what it does in the process, if you  
9 can maintain some level of continuity in the  
10 aesthetical value of the neighborhood, I think  
11 it does a lot for resale by values of  
12 properties. And it just gives somebody a place  
13 to say, I live on Broad Street or I live in such  
14 a neighborhood, and people can almost  
15 immediately identify.  
16 I mean Girard Estates, when you  
17 think of Girard Estates you think of twins with  
18 stone fronts and porch fronts. When you think  
19 of Strawberry Mansion, you think of these  
20 beautiful brownstones with these, I guess,  
21 English type of roof fixtures and the porch  
22 fronts and all.  
23 And someone comes along and decides  
24 to go -- I call it "on the cheap" to rehab it  
25 for investment purposes only, not even for their

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2 own use and just slap something on it without  
3 paying attention to the materials or even window  
4 sizes. You have a 30-inch window and someone  
5 goes to one of the home improvement centers and  
6 buys a 20-inch window because they think they're  
7 saving money and they plop it in. It doesn't  
8 meet with the facade of the building, and then  
9 you're bricking it up or cinder-blocking up the  
10 base, and it just -- it actually, in my opinion,  
11 turns something beautiful into blight.

12 And I'm sure people may disagree on  
13 what I -- art is in the eyes of the beholder,  
14 but I think we all understand what I'm talking  
15 about.

16 So I just was curious if you had any  
17 opinions on it.

18 COMMISSIONER GRIFFITH: Well, it's  
19 something that we would like to continue to work  
20 with you on. As I said, I think we have  
21 enormous sympathy for the objectives and I could  
22 cite blocks where a wonderful block was ruined  
23 with aluminum siding. Of course, there are the  
24 protections of an Historic District, but you're  
25 talking about --

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2 COUNCILMAN DiCICCO: Yet, there's no  
3 protection for that --

4 COMMISSIONER GRIFFITH: -- that  
5 in-between --

6 COUNCILMAN DiCICCO: In between.  
7 That's really what it was all about.

8 COMMISSIONER GRIFFITH: -- area, and  
9 I know that there are those of us who are very  
10 interested in, as we move forward with the  
11 development of the City, looking at ways we can  
12 preserve the aesthetic value of the City. When  
13 friends of mine come here they always say this  
14 is such a pretty city.

15 So we would be very interested in  
16 working with you on it without, frankly,  
17 committing to every line of the bill that you  
18 discussed.

19 COUNCILMAN DiCICCO: Thank you. No  
20 further questions.

21 COUNCIL PRESIDENT Verna: Thank you.  
22 Councilwoman Blackwell, your lights  
23 on did you want to be recognized?

24 COUNCILWOMAN BLACKWELL: Thank you,  
25 Madam President.

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2 I only wanted to thank the head of  
3 the Planning Commission. I'm surprised they  
4 didn't have some of those staff positions  
5 filled, but certainly we think they do an  
6 excellent job for us. In fact, we couldn't do  
7 what we do without them, and certainly, I look  
8 forward to supporting their budget request.

9 COMMISSIONER GRIFFITH: Thank you,  
10 Councilwoman.

11 COUNCIL PRESIDENT VERNA: Thank you.

12 Are there any other questions for  
13 members of the committee?

14 The Chair recognizes Councilman  
15 Nutter.

16 COUNCILMAN NUTTER: Thank you, Madam  
17 Chair.

18 Good afternoon, Ms. Griffith.

19 COMMISSIONER GRIFFITH: Good  
20 afternoon.

21 COUNCILMAN NUTTER: I may have  
22 missed this; if I did, I'll read it in the notes  
23 of testimony. I seem to remember either from  
24 this testimony or some other day's testimony  
25 discussion about the neighborhood plans. Have

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 you talked about those already?

3 COMMISSIONER GRIFFITH: Briefly, but  
4 in sort of global terms. If you have a specific  
5 question, I'd be happy to answer it.

6 COUNCILMAN NUTTER: Yes, when will  
7 that process start? And did you get -- was it  
8 in the last budget six or eight or nine --

9 COMMISSIONER GRIFFITH: Right --

10 COUNCILMAN NUTTER: -- additional  
11 people?

12 When will the Neighborhood Planning  
13 Process start? And could you maybe bring us up  
14 to date on -- I'm left with the impression from  
15 other hearings and other testimony that some of  
16 that has actually started. Do you have plans  
17 for other neighborhoods that you've done  
18 already?

19 COMMISSIONER GRIFFITH: What we've  
20 done -- and we haven't initiated any planning  
21 under NTI. What we've done is we've done a call  
22 for existing plans. As you know, it's not that  
23 there hasn't been community-based planning going  
24 on in Philadelphia; there's been a lot of very  
25 strong community-based organizations and block

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2 associations and others that have in some cases,  
3 worked with the Planning Commission, and in  
4 other cases, just gone ahead by themselves and  
5 develop plans.

6 What we wanted to do in this interim  
7 period while there was still dialogue between  
8 the Administration and Council over the details  
9 of the NTI Program and sort of gather those  
10 plans in and be ready to go by letting them  
11 based on the NTI language and criteria.

12 For instance, we did a chart, which  
13 we'd be happy to share with you, that takes all  
14 of those existing plans and takes the TRF  
15 neighborhood nomenclature and categorizes that.  
16 We look at the funds that the group say would be  
17 necessary to move the project forward, we look  
18 at the Council District.

19 So what we've done, I believe, at  
20 last count there were 39 plans. We did both an  
21 E-mail call, a call through the Consortium of  
22 CDCs, the name escapes me right now, and we also  
23 looked at simply the plans that we, over the  
24 years, with my staff over the years, have  
25 promulgated with community organizations, and we

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 have them charted and sort of ready to go.  
3 We have not started an engaged  
4 community planning process. We had our first  
5 Planning Task Force meeting, and I did respond  
6 to the Council President's question in this  
7 regard, last week, which was the sort of kickoff  
8 meeting, again, hoping that we would be given  
9 the go-ahead to start sometime this week, where  
10 we gathered all the agencies together that would  
11 be involved in the planning process. We sort of  
12 walked through the process that you got as part  
13 of my testimony and had each agency sort of  
14 report back to where they saw themselves placed  
15 in this spectrum.  
16 We also are trying to get the  
17 planning process hooked in somehow to the  
18 Helaganet Flemming Project (ph) tracking  
19 process. So just as Council tracks individual  
20 projects, you would be able to see how a plan  
21 moves through the process. A plan is just about  
22 ready to come to the Planning Commission, for  
23 instance, or a plan has been held up for legal  
24 review for some reason. And you would be able  
25 to hopefully, input comments, critiques or other

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2 issues.

3 I'm sorry, that was kind of a long  
4 answer, but I'm frankly excited that it looks  
5 like we finally will be getting started, but  
6 right now we are poised to start. We are  
7 looking at the plans that have come to us as  
8 possible candidates to start first since we  
9 can't start everywhere at once.

10 And also, perhaps equally important,  
11 looking at those areas, those neighborhoods in  
12 Philadelphia where there are no plans, where  
13 there has been no community-based capability,  
14 and that's where the new planners will come into  
15 play.

16 Let me answer --

17 COUNCIL PRESIDENT VERNA: Can I just  
18 ask a question, please?

19 COUNCILMAN NUTTER: Absolutely.

20 COUNCIL PRESIDENT VERNA: Kenney  
21 Gamble was doing work on Federal Street, and he  
22 was supposed to proceed on, and there is a plan,  
23 but we were told that there was no acquisition  
24 money available at this point in time.

25 You are aware of that plan, are you

00603

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 not?

3 COMMISSIONER GRIFFITH: Yes.

4 COUNCIL PRESIDENT Verna: So when  
5 would he be able to move forward, when would the  
6 acquisition monies become available?

7 COMMISSIONER GRIFFITH: I'm assuming  
8 that if the acquisition monies are acquisition  
9 monies coming out of the NTI bond funds that  
10 those two things are linked --

11 COUNCIL PRESIDENT Verna: Then I  
12 hear rumors that because we didn't go out for  
13 the bonds this year, that the monies that would  
14 have been used for the bond issue are now going  
15 to be available.

16 I don't know if Mr. Dubow could  
17 answer that. Are those monies going to be used  
18 for acquisition now?

19 BUDGET DIRECTOR DUBOW: I think that  
20 the transfer ordinance that was just considered  
21 by the Appropriations Committee included almost  
22 4.1 million for acquisitions.

23 COUNCIL PRESIDENT Verna: How much?

24 BUDGET DIRECTOR DUBOW: 4.1 million.

25 COUNCIL PRESIDENT Verna: Is that

00604

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 any specific area or aren't you aware?

3 BUDGET DIRECTOR DUBOW: I'm not  
4 aware, but I know that we're actually --

5 COUNCIL PRESIDENT VERNA: Who would  
6 be aware of where that acquisition money would  
7 be?

8 BUDGET DIRECTOR DUBOW: I'm sorry,  
9 we're actually putting together an answer to --  
10 that came up during the Appropriations Committee  
11 hearing and we're putting together an answer to  
12 that question, and it should be over, I guess,  
13 within the week.

14 COMMISSIONER GRIFFITH: Yes,  
15 perhaps I should say at this point, that  
16 although NTI planning hasn't been moving  
17 forward, at least an NTI engaged planning  
18 process with the community, it does not mean  
19 that plans that have been going through the  
20 process in some way and that are far forward in  
21 the process are not continuing.

22 COUNCILMAN NUTTER: I'm sorry,  
23 Ms. Griffith. When you use that terminology  
24 "plans going through the process" what process?

25 COMMISSIONER GRIFFITH: Whatever

00605

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 processes were in place prior to the NTI  
3 discussion.

4 For instance, there are -- and it's  
5 also a schematics issue. There are projects  
6 that OHCD would call plans that are in what they  
7 consider to be the pipeline. Those plans are  
8 being reviewed and considered by OHCD in a  
9 parallel process, but as I understand it, those  
10 plans are not being held up. If there are  
11 acquisition monies that have been identified, et  
12 cetera.

13 So I want to be careful not to say  
14 that everything has stopped awaiting the NTI  
15 process. There are projects moving forward, but  
16 those plans that would rely totally on the  
17 leveraging of NTI monies or that were submitted,  
18 and many of them were, although they weren't  
19 solicited. We probably got at least a plan a  
20 month labeled "NTI".

21 This has been a project that has  
22 been discussed for at least two years. The  
23 Planning Commission has not engaged in an  
24 involved planning process. The process that's  
25 outlined is part of my testimony, my NTI

00606

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 testimony.

3 COUNCILMAN NUTTER: Your NTI  
4 testimony from back --

5 COMMISSIONER GRIFFITH: Back when.

6 COUNCILMAN NUTTER: What is going to  
7 happen -- I mean what is the -- I understand you  
8 have to do plans for areas where you certainly  
9 anticipate significant demolition and you either  
10 want to work on public infrastructure, you  
11 obviously want to put -- if there were houses  
12 there, you want to put houses back, if it was a  
13 large commercial building, you'll try to figure  
14 out whether it should be commerce or housing use  
15 or retail use or something like that.

16 Tell me about the planning that will  
17 go on in neighborhoods that are relatively  
18 stable, showing some signs of deterioration,  
19 never really had a plan primarily, because in  
20 most neighborhoods, plans are being done by CDCs  
21 more than your kind of average regular garden  
22 variety civic association.

23 I mean, I guess in a more blunt  
24 fashion, what's in it for those neighborhoods  
25 where people have decided to stay? They have

00607

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 options, they could go, and there seems to be a  
3 tremendous amount of activity and thought and  
4 concern targeted at places, where in many  
5 instances, personally no one lives. What  
6 happens everywhere else?

7 COMMISSIONER GRIFFITH: I'm  
8 reminded, Councilman, of someone who called me  
9 shortly after the Neighborhood Transformation  
10 Initiative had been announced and he was very  
11 polite. And he said, "I'm terribly sorry to  
12 bother you", and he gave me his address, and he  
13 said, "I just want to let you know that I don't  
14 want to be transformed, we're fine".

15 And there are lots of communities  
16 out there who may want intervention so that when  
17 the lady down the street breaks her hip and  
18 can't keep up with the upkeep of her house and  
19 there's no one to help her out, there's a way to  
20 intervene. Or there's a way to intervene to  
21 prune street trees in a better fashion. Or a  
22 bus might need to be rerouted so that folks from  
23 the elderly center or the 202 housing can get  
24 the bus more conveniently.

25 Not every planning effort has to be

00608

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 comprehensive in its impact, although it needs  
3 to be comprehensive in its review.

4       The two components of a planning  
5 effort are: one, a needs assessment, what are  
6 the needs; and two, an existing condition study,  
7 what's the condition. If the needs and the  
8 conditions mesh, we don't have to do anything.  
9 And to the extent that they don't mesh, we have  
10 to intervene.

11       And those communities that are in  
12 extremely distressed condition, obviously the  
13 intervention will be high. In those communities  
14 that are not as distressed, the intervention may  
15 be minimal, but it could be very important and  
16 it could be the thing that helps stabilize a  
17 community and stop it from declining.

18       I remember when I was buying a house  
19 in Brooklyn, New York, I passed by a couple of  
20 blocks because I saw a house with a boarded up  
21 window or a house that didn't seem to be kept up  
22 well because I had other options. That may be a  
23 minimal intervention, but a very important one  
24 and one that doesn't necessarily need a lot of  
25 massaging. It's just kind of common sense.

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1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 COUNCILMAN NUTTER: My last

3 question, Madam Chair.

4 Where will activities start?

5 COMMISSIONER GRIFFITH: Well, that's  
6 not a question that we can answer unilaterally.

7 It's going to be a question that's being

8 discussed probably even as we speak.

9 You've heard press accounts and I  
10 have heard as well that there are two

11 communities that are being discussed now as

12 really as demolition pilots to vet through the

13 process of putting together big packages and

14 seeing exactly how that would work. Hill

15 International has requested that. Those will

16 probably not be the only communities.

17 I think from our vantage point, for  
18 the City Planning Commission's vantage point, we

19 would like to begin in a number of communities

20 and in a number of communities where there are

21 different conditions so that we can -- I don't

22 want to use the word "test", because this isn't

23 an experiment, but so that we can put together

24 the linkages that are necessary for the high

25 impact, high-intervention communities, for those

00610

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 communities where there is development  
3 interests, for those communities where there is  
4 not development interest, and also, for those  
5 communities that require some kind of  
6 stabilization effort and where the Planning  
7 Commission's input may be minimal.

8 We may be handing -- we may do a  
9 quick survey and hand it off to the Police  
10 Department, or the Fire Department, or the  
11 Health Commissioner, or Fairmont Park, or  
12 Recreation to follow through on primarily.

13 COUNCILMAN NUTTER: I'm sorry, and  
14 I may have missed those accounts. Where are the  
15 two neighborhoods?

16 COMMISSIONER GRIFFITH: Well, the  
17 press accounts that I have heard talk about  
18 Frankford and another community in North  
19 Philadelphia, which is not coming to me right  
20 now. But at least initially, that work -- and I  
21 don't even know whether it's been decided -- has  
22 been done by the L&I demolition, Managing  
23 Director's Office sort of side of the equation  
24 because they have been again, looking at the  
25 technical aspects.

00611

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 If indeed those neighborhoods are  
3 chosen, we would be engaged to move forward with  
4 the community-planning aspects.

5 COUNCILMAN NUTTER: Who made the  
6 decision?

7 COMMISSIONER GRIFFITH: Again, I  
8 don't know whether the decision has been made,  
9 but I would assume that Pat Smith and others  
10 were involved in that decision, and I would  
11 assume that the Councilmembers were involved in  
12 that decision.

13 COUNCILMAN NUTTER: Well, I'm  
14 usually pretty much here everyday; I don't think  
15 I was a part of that decision.

16 COMMISSIONER GRIFFITH: Well, again,  
17 I'm recounting sort of what I heard secondarily  
18 through press accounts. We haven't been, I keep  
19 using the word "engaged" directly.

20 However, as I said earlier, our  
21 recommendation would be -- I think we have a  
22 capability of going into a number of  
23 neighborhoods at once, and our recommendation  
24 would be to do that and would be to work with  
25 Council to come up with a list of what we would

00612

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 call "candidate neighborhoods" that would test  
3 all of the models and that would vet through, as  
4 I said earlier, both those communities where  
5 there was going to be a great need for  
6 intervention and where there was demolition --  
7 going to be demolition as well as those  
8 communities that weren't.

9 Let me also respond to a -- I'm  
10 sorry.

11 COUNCIL PRESIDENT VERNA: When you  
12 say you're going into various areas at the same  
13 time, is that merely to address the eminently  
14 dangerous properties?

15 COMMISSIONER GRIFFITH: No. From  
16 our standpoint, that would be to actually do the  
17 community planning. So that from our  
18 standpoint, we would engage in the  
19 community-planning aspect both where the  
20 decision had been made to go in and take down  
21 eminently dangerous buildings as well as the  
22 kind of community that the Councilmen mentioned,  
23 where that kind of extreme intervention would  
24 not be considered.

25 I want to be clear: the Planning

00613

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Commission at this point has purview only over,  
3 as I said earlier, a fairly narrowly focused  
4 area. We are not determining which buildings  
5 are eminently dangerous or what the protocol is  
6 for that.

7 COUNCIL PRESIDENT VERNA: I  
8 understand.

9 COMMISSIONER GRIFFITH: So for that,  
10 we sort of have to follow on for those who are  
11 making those determinations.

12 COUNCILMAN NUTTER: Well, I  
13 understand that. Let me say this, I mean, with  
14 every respect possible: certainly, a decision  
15 about which building needs to be taken down, I  
16 think most days, unless there are extenuating  
17 circumstances, most of us are willing to rely on  
18 the more expert and engineering-based judgment  
19 of the folks over at L&I on a day-to-day basis.

20 On the other hand, in terms of where  
21 do you start or what are you going to do or who  
22 has what plans, I mean, I think in somewhat,  
23 unprecedented fashion at least from a title  
24 standpoint, and I'll assume with the title comes  
25 additional responsibility and authority, I mean

00614

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 you're the Secretary of Strategic Planning and  
3 the Director of the Planning Commission?

4 COMMISSIONER GRIFFITH: Indeed.

5 COUNCILMAN NUTTER: So based on  
6 that, I don't understand how anybody could be  
7 doing any kind of planning about anything  
8 without your -- certainly your knowledge if not  
9 your sign-off and approval. I mean, you mention  
10 that for some of the stuff you may have been  
11 informed through press accounts. I mean, this  
12 is an incredible enterprise here.

13 COMMISSIONER GRIFFITH: Let me be  
14 clear about what I said and hope that I didn't  
15 misspeak.

16 It's my understanding that Hill  
17 International, L&I and the Managing Director's  
18 Office, et cetera, is interested in  
19 understanding technically the connections  
20 between demolitions and encapsulations, putting  
21 together bid packages, understanding who the  
22 range of bidders might be, making sure the  
23 connections amongst and between agencies that  
24 have to be responsive are in place, making sure  
25 that the people who have to remove the rubble

00615

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 and the people who have to come and seed are in  
3 place, and they are looking at what areas would  
4 give them the experience that they need to do  
5 that.

6 That, indeed, is a separate  
7 consideration, and I would expect that those  
8 areas will be part of the initial Year 1  
9 candidate area determinations.

10 COUNCILMAN NUTTER: I understand  
11 somebody has to make a decision about kind of  
12 where to try to test things out.

13 COMMISSIONER GRIFFITH: So in  
14 addition to those communities, as I said  
15 earlier, our recommendation is going to be that  
16 we move forward in a number of areas including  
17 those, but not exclusive of other areas that  
18 would vet through both high impact, very  
19 distressed communities and how we plan for  
20 those. That would look at communities where  
21 there might be targeted concerns that we could  
22 respond to, as well as communities where infill  
23 development might be the model, and also work  
24 with banks and developers about how these  
25 dollars are going to be leveraged. So we will

00616

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 be making recommendations.

3         However, as you said, we are not  
4 going to say to L&I, No, don't go to that area,  
5 we don't really want to plan for that area right  
6 now, even though it meets your needs, to test  
7 the protocols that you need, to test to make  
8 sure this is a good program. Simply from the  
9 determination of how do you take down a building  
10 most effectively and cost effectively.

11         So we will be inclusive of those  
12 communities. Those will not be the only  
13 communities.

14         And I'm also very flattered by your  
15 discussion of my qualifications and the City  
16 Planning Commission's involvement and we will be  
17 very involved and are very involved.

18         I also wanted to respond to a  
19 question that you raised earlier about where we  
20 were in the process of hiring staff because of  
21 the freeze and because we're in a sort of  
22 unusual situation.

23         In most agencies if you want to hire  
24 someone, you go to a list that's been  
25 established and you go to the next two people on

00617

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 that list, let's say, for a manger or management  
3 trainee. You go to the next two people on that  
4 list, you interview those people and you choose  
5 one of them.

6 Because the Planning Commission is  
7 the only agency that has the planner title, and  
8 because up until this administration, the  
9 Planning Commission was getting smaller, not  
10 larger, there was no list established. This has  
11 been especially problematic for some of our more  
12 complicated titles and for our bilingual titles,  
13 et cetera.

14 So by the time we had finished that  
15 process, we're sort of caught up in the freeze.

16 And as I responded to earlier,  
17 although we think we can make a good rationale  
18 for moving forward with some of these lines, it  
19 does mean that we haven't completed the hiring  
20 process.

21 COUNCILMAN NUTTER: Let me make two  
22 last comments, and I appreciate your responses.  
23 I mean, this has been a longstanding issue, and  
24 I'm sure it's not just here in Philadelphia, but  
25 for this unique program that we're talking

00618

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 about.

3 I mean, I would at least ask as a  
4 part of the planning process and the  
5 decision-making process, when it comes to the  
6 expenditure of significant dollars in a unique  
7 way, that not only do you look at your  
8 high-impact areas, because I think that there  
9 are two types of high impacts in this process.  
10 The one that you mentioned is areas that  
11 obviously have serious distress and you're going  
12 to go in and do certain things.

13 But it seems to me by definition,  
14 areas of serious distress have experienced a  
15 level of deterioration. I don't know whether  
16 based on TRF its reclamation, or I think that's  
17 the end of the line. And, fine, you'll go in  
18 and at least initially, it seems that the  
19 measure of success is the complete demolition,  
20 if not, evaporation of everything in that  
21 particular area to get it down to ground level,  
22 to then make it available for somebody in the  
23 future that we hope will come along and do  
24 something.

25 You have the rest of the City kind

00619

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 of sitting around waiting to see what's  
3 happening. Some people are not sitting around  
4 waiting to see what happens; they moved, and  
5 they can move.

6 And so there are other high-impact  
7 neighborhoods where for not much money, you can  
8 have a high impact. It's not as grand and  
9 wondrous as taking a whole lot of buildings  
10 down, but it is also to some extent,  
11 transforming, if not revitalizing, those  
12 neighborhoods at much less cost with a great  
13 amount of impact that is visible that people can  
14 actually see.

15 I don't look at the demolition of a  
16 building or a series of buildings or a whole lot  
17 of demolition, at least initially, as any  
18 measure of success. It is the completion of the  
19 failure of things that have happened over a long  
20 period of time where people, for whatever  
21 reason, were allowed not to take care of their  
22 buildings and we now have to come along and  
23 basically clean up their mess.

24 What I want to better understand,  
25 though, is: what are we doing with the folks who

00620

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 decided to stay?

3 COMMISSIONER GRIFFITH: I hope I  
4 haven't miscommunicated because I agree with you  
5 totally and I thought that's what I was trying  
6 to say.

7 COUNCILMAN NUTTER: I hear you agree  
8 with me totally; what I'm not hearing is that  
9 the decision-making process and the directive  
10 and the -- whether it's the planning process or  
11 the ultimate decisions especially coming out of  
12 the Planning Commission will also have a sense  
13 of influence in them that says not only do we  
14 need to make --

15 COMMISSIONER GRIFFITH: Absolutely.

16 COUNCILMAN NUTTER: -- multiple  
17 things going on at the same time, but as much as  
18 we're focused on the places that have begun or  
19 have already fallen apart, we're going to give  
20 the same time and attention to the places where  
21 there are actually people living, paying taxes,  
22 working, whether they're coming downtown or  
23 living in the neighborhood, decided to stay, but  
24 have options to leave.

25 COMMISSIONER GRIFFITH: Well,

00621

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 absolutely. I would just say we're going to  
3 give the appropriate time and attention,  
4 whatever that is, but when I mentioned that my  
5 recommendation -- and there's nothing that I've  
6 heard in discussions with other members of NTI  
7 leadership that would say anything else. We  
8 would hope to move forward in a number of areas  
9 in various stages and conditions to test various  
10 ways of intervening. That's exactly what I  
11 meant: that we would not simply start in areas  
12 where one would have to demolish every building.  
13 I would, however, beg to differ a  
14 little bit, if I may. Even in those areas where  
15 we might have to do large numbers of  
16 demolitions, in some of those areas, there's  
17 already been developer interest, some of them  
18 have come through members of Council.  
19 So it isn't necessarily that in each  
20 one of those areas, we'll then be sort of  
21 keeping our fingers crossed. Even in those  
22 areas, there are sub-types. There are going to  
23 be areas where we are going to have to wait and  
24 make a market and try to do something on an  
25 interim basis that's really wonderful.

00622

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001

2 I had recently a number of artists,  
3 for instance, come to me and talk about the New  
4 York model, this art on the beach model that was  
5 a precursor to development. There will be those  
6 areas, but there will also be areas that when  
7 we're able to clear land and we're able to move  
8 hopefully, relatively a few people that will  
9 provide an immediate response that will be  
10 developer.

11 But I don't want to obscure your  
12 more important point, which I concur with  
13 totally, that this is a Citywide program that  
14 should be responsive to each level of need that  
15 Council President earlier talked about, how do  
16 we keep people in the City, how do you we  
17 provide a base. And I mentioned product, but  
18 product isn't the only element.

19 We have to make the City as great as  
20 we can to make sure that the middle class, the  
21 upper middle class, and everybody wants to live  
22 here. And if that means pruning a tree, or  
23 cleaning up a yard, or beatifying a vacant lot,  
24 or some other strategy, we're all for that.

25 COUNCILMAN NUTTER: All right, last

00623

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 question. When you were here, I think, during  
3 Capital Budget time, I asked you about funding  
4 for an area that already has a plan, which is  
5 Lancaster Avenue. You and the Streets  
6 Commissioner were at the table, you were trying  
7 to figure out, I think, where some design money  
8 might come from.

9 Has that been resolved?

10 COMMISSIONER GRIFFITH: Yes, and I  
11 think if not already, that response is on its  
12 way to the Council President's Office.

13 But it's my understanding that  
14 \$500,000 was appropriated for design that the  
15 Streets Department is just beginning the design  
16 process for the project. Its design is expected  
17 to take about 12 months. And also that the  
18 product design is included in the regional tip  
19 so that Federal funds will be available and that  
20 the expectation is that construction funds would  
21 follow on in the next -- so it's --

22 COUNCILMAN NUTTER: Is the \$500,000  
23 being put in the FY03?

24 COMMISSIONER GRIFFITH: Funds  
25 totalling \$500,000 -- a \$100,000 City, \$400,000

00624

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 Federal -- were appropriated for this project  
3 rolled over to \$2,300, and the Streets  
4 Department is expected to begin the design  
5 process, though I bet you, after your question  
6 they have actually started the design process.  
7 And that process should take about 12 months.

8 So hopefully the next Fiscal Year we  
9 can allocate, if the resources are available,  
10 construction dollars.

11 COUNCILMAN NUTTER: Okay, I'll  
12 await the response. I am, though, left with the  
13 impression that based on the rollover language  
14 that you used that this money was actually  
15 available in '02.

16 COMMISSIONER GRIFFITH: Apparently  
17 the original appropriation was, if I'm reading  
18 this correctly, was in '02, rolled over to 03.

19 COUNCILMAN NUTTER: Okay, because I  
20 think it was not showing in the '03 Capital  
21 Budget, which is --

22 COMMISSIONER GRIFFITH: Which is why  
23 you --

24 COUNCILMAN NUTTER: Which is why the  
25 question was asked in the first place.

00625

1 2/25/02, COMMITTEE OF THE WHOLE, BILL 02001  
2 COMMISSIONER GRIFFITH: And I'm  
3 reading really the Streets Department response.  
4 COUNCILMAN NUTTER: If you can get a  
5 little more backup on that, I'd appreciate it.  
6 COMMISSIONER GRIFFITH: Okay.  
7 COUNCILMAN NUTTER: Thank you, Madam  
8 Chair.  
9 COUNCIL PRESIDENT VERNA: You're  
10 welcome.  
11 Are there any other questions for  
12 members of the committee?  
13 (No further questions.)  
14 COUNCIL PRESIDENT VERNA: Thank you  
15 very much.  
16 COMMISSIONER GRIFFITH: Thank you,  
17 Council President.  
18 COUNCIL PRESIDENT VERNA: This  
19 committee will stand in recess until tomorrow,  
20 Tuesday, February 26th at 9:30.  
21 (Proceedings end at 5:20 p.m.)  
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23  
24  
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CERTIFICATE

3

We HEREBY CERTIFY that the foregoing

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proceedings of the Council of the City of

5

Philadelphia's meeting of the Committee of the Whole

6

of Monday, February 25, 2002, are contained fully

7

and accurately in the stenographic notes taken by

8

us, and that this is a true and correct transcript

9

of same.

10 RE: Ordinance No. 020001

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Josephine Cardillo

15

Registered Professional Reporter  
and Notary Public

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Meghan Martella,  
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