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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

COMMITTEE ON LAW AND GOVERNMENT

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Room 401, City Hall
Philadelphia, Pennsylvania
June 7, 2001
2:00 p.m.

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10 RESOLUTION NO. 000476 - Authorizing the Committee on
11 Law and Government to investigate whether the
12 City-administered health plan currently and in the
13 past has provided the most comprehensive and
14 cost-efficient coverage to City employees for the
premiums paid, and whether the City could provide
more comprehensive and less costly coverage to the
approximately 8000 employees and retirees currently
covered by this plan, if other options were pursued.

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17 PRESENT:

18 COUNCILMAN DAVID COHEN, Chairman
19 COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN ANGEL ORTIZ
COUNCILMAN FRANK RIZZO

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1 P R O C E E D I N G S

2 COUNCILMAN COHEN: The Committee on Law
3 and Government is calling to order a continued
4 hearing on Resolution No. 000476, which was
5 introduced by me on June 15th of a year ago. That
6 shows how long we've been working hard. The
7 resolution, just for everybody's information, was
8 sponsored by 16 of the 17 members of City Council.
9 We believe the 17th member, Councilman Longstreth,
10 was not present that day or we're sure he probably
11 would have also signed the resolution.

12 The resolution aims to find out
13 information and documents with respect to the City's
14 health policy, with respect to the provision of
15 health benefits for both city employees and retirees
16 of city departments.

17 Over the course of the hearings, we've
18 held a number of hearings and there are a number of
19 interested parties. There are representatives of
20 various labor organizations that represent city
21 employees. There are groups of exempt employees who
22 are not represented by organizations. There are
23 groups of retirees who are -- some are still
24 represented by labor organizations, some received a
25 letter at the end of last year telling them that in

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2 effect that it's too expensive to insure them and
3 therefore the burden is going to be on them to
4 furnish their insurance because apparently they are
5 supposed to be richer than the City because the City
6 claimed poverty and said it could not afford to
7 continue to provide health benefits.

8 We've been trying to get to the bottom
9 because there are also allegations that, for
10 example, with respect to exempt employees that the
11 plans sponsored and put forth by labor organizations
12 seem to provide better benefits at less cost than
13 the City furnishes to those who are not members of
14 labor organizations. It also seems as if the
15 Administration desires to unify all of the health
16 plans so that there will be one single unit that can
17 be bargained for. And if we did it currently on the
18 basis of what we know the facts to be so far, the
19 argument of it being an economy of scale would seem
20 to work just in reverse because it seems as if the
21 City pays more, offers much less to its exempt
22 employees than received by employees who are
23 represented by labor organizations. So the economy
24 of scale would seem to suggest that maybe those that
25 are not represented yet ought to find a way of

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2 getting represented that they'll do better.

3 But over the year, we've had several
4 hearings and there's been an effort by us to
5 establish claims. If the City, for example, has
6 documentation to establish the fact that there will
7 be increased benefits to employees and economies of
8 scale will produce savings to the City, we'd like to
9 see evidence of that in the documentation. So far,
10 we have found none. We've found, whatever we've
11 been able to find, has indicated just the reverse.

12 Today's hearing exists because we want
13 to know where we stand. City Council has been
14 studying health benefits with respect to City
15 Council members and City Council employees on its
16 own. We're concerned about our responsibility as a
17 legislative body for the well-being of our own
18 membership and our employees. And in addition,
19 we're concerned about the responsibilities we have
20 in the Council for all of the employees, whether or
21 not they're in labor organizations.

22 The labor organizations serve a very
23 useful purpose to us in the legislative body. We
24 have found that the labor organizations seem to be
25 doing an outstanding job in their representation on

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2 health benefits, and we've been trying to bring up
3 the level of benefits of the exempt employees up to
4 the level of the organized employees. And as a
5 result, we've been trying to find out, for example,
6 who speaks on behalf of an employee who is not
7 represented by a labor organization if there's a
8 dispute between that person and the insurance
9 company. Our effort to find out that has produced
10 no information at all. There seems to be no one who
11 speaks up on behalf of the exempt employees.

12 The City Administration sometimes tells
13 us the facts are to the contrary. We're waiting
14 proof that such facts of the contrary appear.

15 There are so many questions in people's
16 minds. We want to know why aren't long-term
17 employees and maybe elected officials long-term, why
18 don't they receive the same level of benefits as the
19 state employees receive? Because we understand that
20 in a number of cases there are lifetime benefits for
21 state employees who meet a certain time level of
22 employment, but we don't know of any such policy by
23 the City.

24 The City recently increased its level of
25 performance on retirement benefits, I think, to

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2 include to raise the years from four to five, but
3 that after the fifth year of retirement, the City
4 says it basically doesn't have any responsibility.
5 Well, there are questions raised as to whether
6 that's a fair approach. But in all of these things
7 that have any basis for really discussing the
8 issues, we need to have documentation.

9 Unions tell us -- and frankly, I had
10 some difficulty in believing it to be true
11 originally -- that all of their records are audited
12 each year by certified public accountants and they
13 have to account for every penny they have receive
14 from the City for the provision of health benefits
15 in accordance with the contracts that are
16 negotiated. They made a simple request, I
17 understand, when they were confronted with the
18 City's demand that all plans be unified into a
19 single plan. They said, "We want proof what it cost
20 the City. How do we know there's going to be
21 economy achieved that way?" They have discovered --
22 and I did not believe at first, but apparently it is
23 clearly true -- that there is no audit of any City
24 records. The City, as a matter of fact, takes the
25 position that they pay no money at all for advocacy

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2 on behalf of employees because apparently that
3 doesn't exist and they pay no money for anybody to
4 really negotiate a contract with the health
5 providers. As a matter of fact, we haven't been
6 able yet to discover whether the City has anybody
7 negotiating on its behalf or whether they merely
8 accept proposals from insurance companies on
9 insurance company's own terms.

10 Now, these are the kinds of questions we
11 have, and so this hearing is shortly before the
12 summer recess of City Council to find out where we
13 stand.

14 The Committee has issued very specific
15 request for documentation. And I'm going to ask
16 the Chief of Staff for the Mayor, Ms. Wilkerson, to
17 come to the table together with any support staff
18 she may have with her to bring us up-to-date on
19 where we stand on that issue.

20 Ms. Wilkerson, would you come forward?
21 You may have anybody with you that you wish to have.

22 Is that Ms. Berkowitz coming forward?

23 MS. WILKERSON: This is Ms. Berkowitz
24 joining me.

25 COUNCILMAN COHEN: Welcome.

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2 MS. BERKOWITZ: Thank you.

3 COUNCILMAN COHEN: I hope this isn't the
4 last moment you feel welcome here, but that could be
5 the case.

6 MS. BERKOWITZ: I always feel welcome
7 here.

8 MS. WILKERSON: Councilman, I have a
9 package of materials and a cover letter I want to
10 deliver. I am Joyce Wilkerson, the Mayor's Chief of
11 Staff. I'd like to read my letter into the record,
12 if that's okay.

13 COUNCILMAN COHEN: May I just suggest
14 you read it slowly enough so that everybody here can
15 follow it.

16 MS. WILKERSON: It's dated June 7. It's
17 addressed to you, Councilman Cohen.

18 "Over the past year the Committee on Law
19 and Government" --

20 COUNCILMAN COHEN: Could you slow down a
21 little bit?

22 MS. WILKERSON: Sorry.

23 "Over the past year the Committee on Law
24 and Government has raised a number of issues with
25 regard to the City's Administration of the plan for

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2 those employees who do not participate in a
3 union-administered plan. Those issues and the
4 committee's repeated request for specific
5 documentation on the City's health plan are of
6 serious concern to Mayor Street. As a result, the
7 Administration has initiated its own assessment of
8 the state of the plan. That review, which is being
9 conducted by Linda Berkowitz, deputy secretary of
10 financial oversight and the director of the Office
11 of Management and Productivity will cover at a
12 minimum the following:

13 "The process for provider recruitment,
14 selection, contract negotiation and renewal;

15 "The use of, compensation for, and
16 benefits derived from an outside consultant to
17 assist in provider selection and monitoring;

18 "The availability and pricing of
19 medical, dental, optical, and prescription coverage
20 for active as well as retired employees; and

21 "The comparison of the City's plan with
22 AFSCME District Council 47 health plan.

23 "One of the Mayor's goals is to provide
24 the best health coverage for employees that the City
25 can afford, and we believe that we have achieved

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2 that level of excellence in coverage. We are,
3 however, disappointed in the quality of
4 documentation. The following responses to your
5 requests are enclosed now, and additional material
6 will be forwarded to you once we are confident that
7 it is complete and accurate."

8 At this point, I want to stop and just
9 make a few comments. On the heels of this hearing
10 and the kinds of questions that have been raised,
11 the Administration has really has undertaken its own
12 review. And while we think that we have quality
13 benefits for our employees, we've discovered a
14 number of areas where either the City's procurement
15 or the documentation that we have fall short of what
16 it is that we as an Administration expected. It is
17 at the instigation, I think in large part by this
18 committee, that we've undertaken this extra level of
19 scrutiny and is why the Administration has directed
20 Ms. Berkowitz to take a hard look at what it is that
21 we're doing so that we can come forward with honest
22 assessment of what we're doing and provide the
23 documentation.

24 The second page of the letter responds
25 specifically to the various requests for

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2 documentation. Each document that is provided is
3 identified, as you'll see when you match this
4 against the requests that were made of the
5 Administration. There are a number of documents
6 that were not provided. I, working with Ms.
7 Berkowitz, have directed that we make a thorough
8 look so that we can provide Council with a
9 comprehensive understanding of what's going on. The
10 Mayor has directed that when we don't have
11 something, we simply don't have it. We've provided
12 documents that perhaps don't shine the best light on
13 what it is that's going on right now, but in taking
14 a hard look at what we do it's our goal to be candid
15 in what it is that we do. And so over the course of
16 the next few weeks, we'll be going through,
17 developing the record, and we'll respond to City
18 Council's inquiries.

19 "As you know, the Administration has
20 broached the concept of health plan consolidation
21 with District Council 47 and other municipal unions
22 as a way of continuing a high level of quality and
23 coverage while containing costs in an increasing
24 health care environment. We recognize that pursuing
25 consolidation discussions with the union is

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2 contingent on our ability to administer the City's
3 plan in a professional and thorough manner. Again,
4 we believe that employees enrolled in that plan
5 currently receive excellent benefits, and we will
6 take every opportunity to improve plan
7 administration.

8 "I hope that this information has been
9 helpful. I looked forward to appearing before the
10 Law and Government Committee today and forwarding
11 additional documents to you as soon as it has been
12 compiled."

13 COUNCILMAN COHEN: Just one general
14 question. On what do you base the notion that the
15 City's plan is the best plan for employees in face
16 of evidence that we have that the cost of the
17 union-sponsored plans are lower and the benefits
18 their membership receives are greater, including the
19 addition of advocacy on support of their union
20 members? Is there any documentation that you
21 presented that would tend to support that statement?

22 MS. WILKERSON: What I'll say is that
23 it's the Mayor's goal to provide the best health
24 coverage. What we want to do -- I mean, it's
25 something that we've said that we've got a quality

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2 plan and on and on. What we're attempting to do is
3 to deal with that head on. We're pulling out all
4 the documentation, any assessments that we have,
5 we'll be making that available. We think that we
6 have a plan that provides flexibility to employees.
7 It funds a base rate of coverage at no cost to
8 employees, but -- you know, and then goes on to
9 enable employees to purchase additional benefits.
10 We will, when completed, give you what we hope will
11 be a very thorough assessment of comparison between
12 not just this and the District Council 47, but
13 hopefully other benchmarks as well.

14 COUNCILMAN COHEN: When would we expect
15 to get that material? Because we've been asking for
16 it for many, many months.

17 MS. BERKOWITZ: Councilman, I'm Linda
18 Berkowitz, Deputy Secretary of Financial Oversight.
19 I can only answer you by saying as quickly as we
20 can. There is a preliminary comparison with DC 47's
21 plan that I just received. I have not had the
22 opportunity to go through it and we need to do more
23 than just District Council 47's. We need to compare
24 the City-administered against all the union plans,
25 and that's going to take some time to compile. I

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2 would certainly hope that we would have something
3 for you when Council comes back into session this
4 fall.

5 COUNCILMAN COHEN: Councilman Rizzo.

6 COUNCILMAN RIZZO: I hope I heard right.
7 We've had these health plans and you're just trying
8 to now figure out if they're good or they're bad?

9 MS. BERKOWITZ: I don't think that's
10 what I said. Councilman, I believe that the
11 Chairman asked when you all would have benefit of
12 seeing a comparison, and what I'm saying is we
13 believe that our plan is a good plan. We do not
14 have a full comparison compiled.

15 COUNCILMAN RIZZO: How do you know if
16 you have a good plan if you don't have a comparison
17 chart?

18 (Applause.)

19 COUNCILMAN RIZZO: Honestly, with no
20 disrespect, if any private sector business said
21 that, they'd be in Chapter 11.

22 MS. BERKOWITZ: I don't think so. Based
23 on the preliminary information that I have looked
24 at, I believe that the City's plan is a quality
25 plan. It's preliminary --

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2 COUNCILMAN RIZZO: Excuse me. Where are
3 the documents to support that statement? If you
4 don't have the documents, then that's not how I do
5 business. If you don't have the documents to
6 support your statement, I don't even accept those
7 statements as being credible.

8 (Applause.)

9 MS. WILKERSON: Councilman, the
10 Administration hopes to have something comprehensive
11 by the end of the summer. Over the course of the
12 next coming period as we identify additional
13 documents, we will make those available to you. We
14 wanted to provide you with information we had
15 identified thus far as opposed to holding it until
16 we had everything available. We will be working
17 throughout the course of the summer to try to
18 complete the record, and we'll produce documents on
19 an ongoing basis with the goal of having everything
20 completed.

21 COUNCILMAN COHEN: Councilman Ortiz.

22 COUNCILMAN ORTIZ: If I may, we've been
23 holding these hearings now for -- since last June.
24 We've asked for this information since last June.
25 And you're telling me that you are now going to be

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2 able to begin getting the information together.
3 We've asked for an audit from the Controller's
4 Office. The Controller informs us that they have
5 been unable to secure any documentation, any of the
6 materials that they have requested. Are we going to
7 be here next June holding the same questions and
8 holding the same hearings? I don't doubt the
9 sincerity of what you're saying. I'm just saying
10 that we've heard this before from Administration
11 officials and it's been a year now and when are we
12 finally going to see what Councilman Rizzo said is
13 documentation that goes to the point of these
14 hearings? That's all. It's very simple.

15 COUNCILMAN COHEN: Councilman Ortiz, I'm
16 concerned even more than that. I understand that
17 during the last labor negotiations, and Council
18 tried to stay as far away from labor negotiations as
19 possible except for our concern that they be fair
20 and that labor be treated with respect and we expect
21 labor to treat management with respect, but we don't
22 try to get involved in issues. But you can tell me
23 to deal with one, I understand that a basic issue
24 was that the desire by the Administration to unite
25 all these health plans into one, saying that the

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2 Administration was convinced that there would be an
3 economy achieved as well as improvements of service.
4 And yet you're telling me that there's no evidence.
5 And I wonder on what City negotiations based on?

6 (Applause.)

7 MS. WILKERSON: Councilman, we have
8 not --

9 COUNCILMAN COHEN: Is it good faith to
10 raise an issue when there is no demonstrated ability
11 to support the contention?

12 MS. WILKERSON: Councilman, we have not
13 completed the review of documentation. I don't have
14 that answer right now.

15 COUNCILMAN COHEN: Tell me, has the City
16 Controller sought to make the audit that Councilman
17 Ortiz referred to?

18 MS. WILKERSON: I have not seen a letter
19 from the Controller's Office indicating that they
20 intend to audit the health and welfare. The letter
21 would not necessarily come to me. It would probably
22 be with finance would be my guess. I can follow-up
23 on that, but I have not seen a request from the
24 Controller.

25 COUNCILMAN COHEN: Are there

6 Would you identify yourself?

12 My name is Bob Oliveti, Audit Manager
13 with the City Controller's Office. And accompanying
14 me is Stacey Albert who's a staff auditor with the
15 Controller's Office.

19 MR. OLIVETI: The City Controller had
20 accepted a request to audit the health and welfare
21 benefits. We had contacted the Personnel
22 Department, and to date we have not received any
23 information that we requested from the Personnel
24 Department.

25 COUNCILMAN ORTIZ: When was the request

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2 made?

3 MR. OLIVETI: There was a number of
4 attempts to set up what we call an entrance
5 conference where we would sit down and meet with
6 them and discuss what we would be doing. That
7 process went on for three to four weeks, I believe.

8 COUNCILMAN ORTIZ: Could you give me
9 dates when you began the process of trying to get
10 the entrance conference?

11 MR. OLIVETI: Referring to some papers I
12 happen to have with me, I believe it was March 5
13 that we began the process of trying to set up an
14 entrance meeting. On March 26th, we sent a letter
15 to Linda Seyda. If you want me to read from the
16 letter --

17 COUNCILMAN ORTIZ: No, but your efforts
18 to set up the entrance conference were not
19 successful?

20 MR. OLIVETI: From March 5th to March
21 26th we were not able to set up an entrance
22 conference. On the 26th of March, we sent a letter
23 expressing our concern at our inability to set up an
24 entrance conference. As part of that letter in
25 order to speed up the process, we in addition to

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2 saying that we need to set up this meeting, we
3 included in the letter some of the items that we
4 wanted with the hope that possibly when we did sit
5 down and meet we may be able to get some of those
6 items right away and then we would be willing to
7 wait for whatever we needed to wait for. The
8 entrance conference was held -- I don't have the
9 date in front of me, but I believe it was about
10 mid-April and we sat down with representatives from
11 the Personnel Department. They didn't present any
12 of the information we requested at that time.

13 COUNCILMAN ORTIZ: They had no
14 documents?

15 MR. OLIVETI: Well, they didn't say they
16 had no documents, but they didn't have anything with
17 them.

18 COUNCILMAN ORTIZ: They didn't bring
19 them to the conference?

20 MR. OLIVETI: They didn't bring anything
21 to the conference. They indicated to us that by
22 that Friday -- I believe the meeting was on
23 Monday -- that they would provide whatever they
24 could provide and also give us a list of when they
25 would provide the additional information.

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2 COUNCILMAN ORTIZ: What happened on
3 Friday?

4 MR. OLIVETI: Nothing happened on
5 Friday.

6 COUNCILMAN ORTIZ: What happened Monday?

7 MR. OLIVETI: I don't believe we heard
8 from them for a number of days after Friday. Then
9 we attempted to contact them by phone.

10 COUNCILMAN ORTIZ: The phones were
11 working?

12 MR. OLIVETI: The phones were working,
13 yes. At a certain point, I spoke with a
14 representative of the Personnel Department who said
15 that he would speak with the Personnel Director that
16 afternoon and get back to us. We didn't get a
17 response after that.

18 I'm trying to recall all this now. At
19 that point we -- I was informed not to continue my
20 contact and that it would be handled at a higher
21 level. My understanding is --

22 COUNCILMAN ORTIZ: God?

23 MR. OLIVETI: At a higher level within
24 our office. My understanding is that there were a
25 number of contacts made by the Deputy Controller to

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2 contact Linda Seyda to obtain the information and
3 that they were unsuccessful. I believe at a certain
4 point, our office was in contact with, I believe,
5 Councilman Cohen's office who informed them of the
6 problems that we were having.

7 COUNCILMAN ORTIZ: So from March to now
8 you've had one conference, nonresponsive to
9 telephone, no information whatsoever?

10 MR. OLIVETI: Correct.

11 COUNCILMAN ORTIZ: Thank you.

12 COUNCILMAN COHEN: Ms. Wilkerson, you
13 were not aware of --

14 MS. WILKERSON: No. I will be
15 contacting the Controller's Office directly and
16 following up on this.

17 COUNCILMAN COHEN: You said -- I'm
18 sorry, I didn't hear you.

19 MS. WILKERSON: I will be contacting the
20 Controller's Office today in response to the
21 information I have.

22 COUNCILMAN COHEN: Because we have a
23 high regard of the Controller's Office and they have
24 a duty with respect to auditing the City funds, and
25 I think we do have to establish a basis of

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2 confidence between the labor groups and the City
3 Administration so that when a demand is made by the
4 City during labor negotiations, it ought to be in a
5 fashion so the unions can treat it as a good faith
6 suggestion. I just find that hard here, unless
7 there's some evidence to support the union's
8 contention, the Administration's contention that
9 there will be an economy of scale. So I just think
10 it urgent that what appears to be stone-walling stop
11 and that records be made available and information
12 be provided in a very responsible and prompt
13 fashion. And I'm hoping that today's meeting will
14 produce those results.

15 Do I understand you, Ms. Wilkerson, to
16 say that your office together with Ms. Berkowitz is
17 going to be handling this matter from this point on?

18 MS. WILKERSON: That's correct. I think
19 that the Administration has a responsibility to
20 operate its programs in a reasonable way. We have a
21 responsibility to respond to the City Controller.
22 It's his obligation to monitor how it is that City
23 funds are spent. My office, under the direction of
24 the Mayor, is committed to doing what needs to be
25 done to develop the information. If it doesn't

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2 exist, it simply doesn't exist and we'll have to
3 deal with that. It's our commitment to provide
4 quality health benefits to employees and to put into
5 place a system for administering of those benefits
6 and that's the end to which we're working. Like I
7 said before, I think that sometimes it's not easy to
8 get information this way or sometimes, you know, you
9 have to get kicked in the butt in order to react
10 appropriately, and I think in some ways that's what
11 happened on this. But we intend to move aggressive
12 to provide documentation that has been requested and
13 to work on improving where there turn out to be
14 shortfalls in how the City administers the health
15 and welfare program.

16 COUNCILMAN COHEN: Thank you for that,
17 and we're taking that in good faith.

18 Let me at this point note the presence
19 of committee members who are here. The quorum was
20 established at previous hearings, but nonetheless I
21 want to note Councilman Frank Rizzo is to my left
22 and Councilman Ortiz. I don't think that's an
23 accurate description politically, but that's the
24 physical position.

25 MS. WILKERSON: Councilman you can take

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2 comfort in knowing from my perspective, he's on your
3 right.

4 (Laughter.)

5 COUNCILMAN COHEN: And Councilwoman
6 Blackwell who is also a Majority Leader of the City
7 Council, our second ranking official in City Council
8 is here with us today. Two staff members Stanley
9 Shapiro and Shoshana Bricklin who have been working
10 with Council representing technically the President
11 and the whole body of City Council. And the
12 gentleman moving around is Tim Kearney who is my
13 direct legislative representative and has been
14 working on the health matter.

15 At this point, I would like to ask Mr.
16 Costello and Mr. Cronin and if there's any other if
17 any other unions -- I don't see the fire fighter's
18 representative, but if there is one here, I would
19 like to ask him to come forward and if there's
20 anyone from District Council 33. President Matthews
21 said a vice-president would be here if he were
22 unable to attend. I would like them to come forward
23 because I want to just raise a few questions with
24 them as to whether or not my description of what
25 occurred during the union negotiations with respect

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2 to the Administration's proposal for consolidation
3 and unification of all the health plans, whether I
4 described that accurately.

5 Mr. Costello, Mr. Cronin, and any others
6 representing any of the other -- may I excuse, with
7 thanks, the two representatives of the City
8 Controller's Office. We're very grateful to you for
9 bringing us up-to-date. We wish you well in getting
10 the facts from everybody.

11 Would the representatives of the labor
12 groups come to the table?

13 COUNCILMAN COHEN: Mr. Cronin, I see
14 you're the closest immediately to a microphone. Was
15 I accurate in stating that there was a demand made
16 upon the labor organizations, specifically District
17 Council 47 in your case, with respect to the
18 unification of all of the health plans into one?

19 MR. CRONIN: That is correct. Let me
20 just -- if I can add something to that.

21 COUNCILMAN COHEN: Yes.

22 MR. CRONIN: It was made clear -- and
23 I'm just speaking for 47 now. It's really three
24 affiliated locals, Local 2186, Local 2187 and Local
25 810, all of which are under the umbrella of District

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2 Council 47 and all of which are impacted by the
3 negotiations, the last round of negotiations. It
4 was not only put out to us information that was
5 needed and was given willingly by us, but as a
6 propaganda tool -- and I think this needs to be said
7 because, to me, and I have to say it to the two
8 representatives here because they represent the
9 Administration, that what we've had is a fraud. And
10 I'm not using that word lightly. And why do I say
11 fraud? Because it was put publicly into the print
12 media and to the electronic media, meaning all of
13 the TV stations and newspapers, that the
14 Administration had a plan, had a plan already that
15 would show that it could save X number of millions
16 of dollars if everything was unified. They had
17 that. They put it out to the public as a piece of
18 propaganda saying to the public, look how greedy the
19 unions are and look how wise our judgment is in what
20 we want to do to the taxpayers.

21 Now, during the course of the
22 negotiations with this plan, because there is a very
23 serious issue, we said to them, "We hear you. You
24 have this plan. May we see it? We've given you
25 everything you've asked for. Can we see your plan,

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2 what you've put out to the general public now?"

3 Well, we never got the answer. And what

4 I would like to ask the representatives now of the

5 Administration is they had their plan then, where is

6 it now? Why can't we see it now?

7 (Applause.)

8 COUNCILMAN COHEN: Ms. Wilkerson, that

9 seems like a fair question.

10 MS. WILKERSON: I have, working with

11 Berkowitz, not completed going through the

12 documentation. I will provide whatever it is that

13 we have in response to the questions that have been

14 raised. I can't respond because I have not

15 completed the review of the documentation.

16 COUNCILMAN COHEN: Mr. Costello, did you

17 want to -- the same demand that I referred to to Mr.

18 Cronin, was that is involved in your negotiations

19 with the City? Did the question of unification of

20 the health plans come up?

21 MR. COSTELLO: Yes, it did. And as a

22 matter fact, Councilman, first of all, I want to

23 thank yourself and your colleagues for being here

24 today. I understand that other members of Council

25 maybe down somewhere in South Philly where they're

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2 having a ground-breaking for one of the ball fields
3 we're building and they're giving out shovels and
4 little caps and some other trinket. But I wanted to
5 point out that you may not have missed that event as
6 would be perceived because I sat here with everybody
7 else and saw several shovel loads dumped on the
8 transcript of the hearing today.

9 (Applause.)

10 MR. COSTELLO: All the shovels are not
11 in South Philly at the present time.

12 I have to point out that we've had some
13 fun here today, but it's very serious. And to
14 illustrate the gravity, not only is Mr. Cronin
15 correct, but there were consequences of what
16 happened. We suffered them directly at the FOP as a
17 result of the City campaign last year, which now
18 appears to be based on nonexistent information, we
19 suffered a cap on your health care dollars that took
20 effect last July. We just sustained a 28 percent
21 premium increase from Blue Cross that we're going to
22 meet out of reserves. We may or may not be able to
23 last until the next contract to be able to provide
24 health care to our employees. And now to sit here
25 and find out that the whole thing was a charade and

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2 a joke is certainly not very encouraging to the
3 members of my bargaining unit.

4 The Administration recently had a lot
5 fanfare and a lot of hoopla over appointing a task
6 force to review the discipline of the Philadelphia
7 Police Department. I would submit to you that we
8 need a task force to review the discipline of this
9 Administration.

10 (Applause.)

11 MR. COSTELLO: If on the next 911 call,
12 my members said, "Well, we're going to study it,
13 we're going to think about it, we're going to look
14 at it and in 7 to 12 months we'll get back to you,"
15 I don't think the citizens of Philadelphia would
16 tolerate that. And I don't think it's fair that we
17 should have to tolerate it. And I do say that that
18 would be conditioned on a difference if this
19 committee or the city unions had demanded this
20 information and unfairly put the Administration in
21 this position, I could understand the reluctance and
22 reticence and the delay.

23 And in fairness to Mrs. Wilkerson, she
24 was not the Chief of Staff last January, and I mean
25 January of 2000, when the Mayor expressed to me

10 And as Tom said, if that's not a fraud,
11 well, the old term, if it waddles and quacks, it
12 might be a duck. And the fact remains is that the
13 deception on the taxpayers of this City -- and
14 reiterate the fact that we were accused of hoarding
15 the money, we were accused of all kinds of
16 misconduct during the hearings. We regularly open
17 our books to audits by the City. And to find out
18 that the City of Philadelphia has never submitted to
19 an audit raises a lot of questions as to where that
20 money is going, who they're accountable for, and
21 most importantly of all, based on their record and
22 their practice, who are they to control anybody
23 else's health care dollars?

25 MR. COSTELLO: We said before, and we'll

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2 repeat here today, that the four unions are prepared
3 to offer medical care to every employee and the
4 citizens of Philadelphia and we will save the
5 taxpayers money and offer better benefits than the
6 City of Philadelphia has done. We can prove it;
7 they can't. The record stands clear. We don't need
8 another six months for that answer.

9 (Applause.)

10 COUNCILMAN COHEN: Mr. Cronin, would you
11 like to add something?

12 MR. CRONIN: Councilman, I'd like to add
13 one other thing because much has been made here that
14 Ms. Wilkerson wasn't the Chief of Staff at the time
15 of those negotiations, and that is true. But we're
16 talking about the negotiations which received an
17 awful lot of publicity and we're talking about the
18 union and the City's position in those negotiations
19 that was clearly enunciated. It wasn't kept secret
20 from anybody that can read, write, or listen or
21 watch TV. But what we're saying to you is in terms
22 of the City's position is absolutely clear what they
23 said that they have. Now, one member of that City
24 negotiating team is sitting here, is sitting here,
25 okay? And that is Linda Berkowitz. She sat in on

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2 those negotiations and heard those statements made
3 and those allegations made in terms of what can be
4 done. Now somebody is here, somebody is here from
5 the union, somebody is here from the Administration.
6 If you put Ms. Wilkerson aside, let the questions be
7 answered. Where is the proof if what was alleged
8 here? Is what really what we have here is a velvet
9 glove hiding iron fist, which is what I believe it
10 is.

11 (Applause.)

12 MS. WILKERSON: As I stated, we will
13 provide the documentation. We are going to be
14 thorough about it. We're going to be working with
15 the Controller's Office to comply with his request.
16 And at the end of the day, you'll have whatever it
17 was that supported the position that the
18 Administration took.

19 COUNCILMAN COHEN: Ordinarily, if this
20 were being raised for the first time, I could
21 understand that you would take summertime and in the
22 fall you would have the answers. It seems to me you
23 owe all of the workers for the City, all the
24 organizations that represent them, more than that.
25 Seems to me we ought to be able to get the date, say

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2 within the next week when we can get a full
3 accounting of what you have and what you don't have.
4 You can be honest. You can tell us in effect that
5 there never was a plan if there wasn't a plan
6 because I don't think either of you would want to
7 engage in deception. Or if there is a plan, you can
8 produce it. You can say it was just a rough outline
9 of a plan. Or you can have a full-blown plan. We
10 don't know what it is, but I think we are entitled
11 to know what exists as of now. And I don't see why
12 it would take the whole summer to put that together.
13 There may be some things, you know, you might need
14 time for to develop further proposals on, but what
15 we'd like to have quickly is what you now have
16 because what I'd like to see happen is that
17 Councilmembers have a packet of material on the
18 health plans that they can take with them when they
19 leave here on summer recess on June 14th a week from
20 today. So that my thought is that we ought to ask
21 you, and I'm going to request that from the members
22 of the committee to consider this, we ought to ask
23 for a response from you, say, by next Tuesday
24 morning or say next Tuesday afternoon there's going
25 to be a or Committee of the Whole meeting at 2

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2 o'clock. Say we set a meeting at next Tuesday at
3 2:30 immediately after the Committee of the Whole
4 meeting for the receipt of all the documentation you
5 have available, together with your statement as to
6 what you propose to introduce at a later time and
7 give us the schedule of what you intend to produce
8 at a later time and when. Now, that will give us a
9 very workable approach to this problem so that when
10 we come back in the fall and if there's an
11 emergency, I say to the representatives of labor,
12 Council will be able to come back at any time during
13 the summer to deal with any emergency situation if
14 one exists. We would like to have that available.

15 Now, is there anything unreasonable
16 about that request?

17 MS. WILKERSON: No. That's fair.

18 COUNCILMAN COHEN: All right then.

19 First, let me ask, are there any other
20 representatives who wish to be heard on what came up
21 at their negotiations? We're not dealing with the
22 terms that were being bargained for, but with the
23 representations made by the City Administration.
24 Were they the same as those that Mr. Cronin and
25 Costello have reported? And if any of you wanted to

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2 add any further statement, you're free to.

3 I don't recognize the hand in the back.

4 Is that from a representative of a group.

5 MS. SIMPSON: No. I am Louise Simpson

6 and I'm a representative of retirees.

7 COUNCILMAN COHEN: Why don't you come

8 forward for a moment.

9 Thank you. Is there any further, Mr.

10 Cronin, Mr. Costello. I think you were clear.

11 MR. CRONIN: I'm delighted that we're

12 going to hear at least a definitive date. And I'm

13 very anxious and I'm sure the members retirees and

14 the members of the various locals that 47 is the

15 umbrella to, we will be here to hear those answers.

16 COUNCILMAN COHEN: Tuesday at 2:30.

17 MR. CRONIN: The other thing is I just

18 hope, I hope since this was reported in the press

19 again now over the year ago --

20 COUNCILMAN COHEN: You want to speak

21 into the microphone. I want to make sure the

22 reporter gets this.

23 MR. CRONIN: I just hope that the same

24 media that reported what it reported in terms of the

25 Administration's position is here to hear the

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2 Administration response this time. I'd be thrilled.

3 COUNCILMAN COHEN: You must be an
4 eternal optimist.

5 (Laughter.)

6 COUNCILMAN COHEN: Thank you.

7 Ms. Simpson.

8 MS. SIMPSON: My name is Louise Simpson.
9 I'm a retiree. I once belonged to District Council
10 47 and promoted out of it into the non-represented
11 organization, and I have been fighting for what the
12 retirees for the non-representative group have
13 gotten, or rather not gotten.

14 As of December the 18, I received a blue
15 piece of paper. Here it is with all that the plans
16 with open -- during the open enrollment. Every one
17 of them has underneath it, "These do not include
18 prescriptions."

19 Now, because of this Council, this
20 particular section of City Council and what
21 Councilman Cohen has done, we have gotten a lot. We
22 have also not gotten a lot.

23 On May the 1st, I received the new plan
24 that I was going to receive. It was a very
25 interesting plan. The last plan that I had, which

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2 was Personal Choice which I had deducted from my
3 retirement, was for a year. The new plan is for
4 month-to-month.

5 Now, Blue Cross said in their cover
6 letter that they have a company called QCC that
7 takes care of this medical plan. Now, the way I
8 feel about it, that sure can cut both ways. They
9 can cut us off any month that they want to or raise
10 prices or we can get it changed back to what it was
11 before. One of the very interesting things is, is
12 that the plan that came out May the 1st was
13 retroactive for deductibles to January the 1st, with
14 the exception of prescriptions, which means that all
15 of the prescriptions that were paid for by retirees
16 in the non-represented group were paid out for
17 nothing and go for nothing.

18 This committee will be out on retirement
19 after next week. And I'll tell you what everybody
20 is doing. Linda Seyda is dragging her feet. She
21 has been dragging her feet for as long as I can
22 remember. And I would like to commend Ms. Wilkerson
23 for her unbelievable sense of humor. Anyone who
24 believes that the City of Philadelphia can provide a
25 health plan that is going to be cheaper than any of

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2 the union has to have a great sense of humor.

3 (Applause.)

4 MS. SIMPSON: Now, there are many, many
5 other things that are going on. Now, because this
6 committee is going on vacation on the 14th, that
7 means that those of us who are covered by that plan
8 that came out May the 1st could be hurt during the
9 summer and we will have no recourse.

10 COUNCILMAN COHEN: Ms. Simpson, let me
11 explain what summer recess means. It means that
12 there are no formal scheduled hearings. Every other
13 part of City Council, including the presence of many
14 of the Councilmembers and representation of
15 employees and representation of City, continues on.
16 We'll all be mostly available during the time. So
17 we're saying to you and to those similarly situated
18 as you that if there are problems, we want to hear
19 them. Our offices will be open. Each of us will be
20 reachable. Several of us may be out of town or out
21 of the country for short periods of time, but most
22 of the time we will be available. And if there's a
23 need for a formal hearing, as I stated earlier, the
24 City Council will be ready to be convened. So I
25 don't want you to feel that you're going to be

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2 without any form of protection.

3 MS. SIMPSON: The other thing that I
4 want to address is Ms. Wilkerson has only addressed
5 herself to those people who are still City employees
6 who are covered by a labor union. She has not
7 mentioned the retirees at all. And there are
8 retirees who are buying little blue plastic things
9 that cut their pills in half because they can't
10 afford them.

11 Now, I have a particular condition where
12 I need to take six prescriptions a day. There's
13 somebody who needs to take nine prescriptions a day.
14 And every year the cost of our medical benefits goes
15 up. Now, we are going to have to provide a
16 deductible, but no one has said whether or not any
17 of the monies that we put out from January will be
18 applicable to the prescription deductible. And as
19 far as we have gotten as far as our information is,
20 it's not, which means that the retirees, once again,
21 are going to be hurt.

22 Now, we're not non-reps, but this is
23 going to hit those people who are exempt at all. So
24 take a look around.

25 COUNCILMAN COHEN: Let's have a reply

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2 from Ms. Wilkerson on that.

3 MS. WILKERSON: I don't know the answer
4 to that.

5 COUNCILMAN COHEN: But you're going to
6 put it on your agenda to get the answer.

7 MS. WILKERSON: I will have that back to
8 you by Tuesday.

9 COUNCILMAN COHEN: Because the complaint
10 seems to be a very legitimate one, as stated, and we
11 ought to know whether it's sound. And if it is
12 found to be sound, we'd like you to include by
13 Tuesday your recommendations with respect to how it
14 will be dealt with.

15 MS. SIMPSON: There is something else.

16 COUNCILMAN COHEN: All right. I'm going
17 to ask you to conclude your presentation.

18 MS. SIMPSON: This is the last thing
19 that I'm going to say. And that is, Personal Choice
20 has been made a non-group choice which means that we
21 are no longer covered as former employees, and that
22 has to be changed. We're paying for it. This has
23 to be changed. We are City of Philadelphia
24 employees who are retired. We should not be in a
25 non-group plan, period.

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2 COUNCILMAN COHEN: Would you include
3 that, Ms. Wilkerson, in your reply to us on Tuesday,
4 your response to that?

5 MS. SIMPSON: And I thank you very much
6 for the opportunity to giving you this information.

7 COUNCILMAN COHEN: Thank you for giving
8 us that information. We're going to have a staff
9 member just ask some questions to make clear what
10 we've been furnished and what it is yet to be
11 furnished. Is that right?

12 MS. BRICKLIN: Yes, a few questions.

13 COUNCILMAN COHEN: After that, we're
14 going to ask if there's anyone here who wishes to be
15 heard on any phase of this hearing. So anybody who
16 has anything they feel will contribute to a solution
17 to the problems we've been talking about, we'll be
18 very happy to hear you. Or if you have an issue
19 that needs to be addressed, we'll be happy to have
20 that, too.

21 At this point, I'm going to recognize
22 Ms. Bricklin from the central staff of the Council.

23 MS. BRICKLIN: Thank you, Councilman.
24 This question is for either member of the
25 Administration. You handed us a letter today that

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2 referenced a list of documents that we have
3 requested based on testimony in two hearings, June
4 21st of 2000 and March 8th of 2001. One of the
5 major questions and issues for this hearing has been
6 the use of brokers or consultants in terms of
7 procuring our health products. The answer to
8 several of the questions that we pose was that
9 currently the City contracts with Manuel N.
10 Stamatakis to provide us with provider selection
11 negotiations. I'm reading from your letter. And
12 monitoring relative to dental, optical, and
13 prescription coverage and that he has been
14 performing such services since 1992 under an
15 agreement that contained annual provisions for
16 renewals. Now, one thing that you did indicate
17 which we did not know before is that Mr. Stamatakis
18 -- that the RFPs state that the benefit provider is
19 required to compensate Mr. Stamatakis for his
20 services at the rate of 1 percent of all amounts
21 billed to the City. My question is, based on this
22 response, and could you provide this, how much in
23 dollars has Mr. Stamatakis received and if you could
24 break that down by fiscal years so we know what kind
25 of dollars we're talking about?

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2 MS. WILKERSON: We can do that.

3 MS. BRICKLIN: The other thing is the
4 next one you talk about -- we asked for some RFPs
5 for medical and prescription coverage, prior RFPs.
6 I want to clarify that you said that you will be
7 giving us a new RFP that you're letting, but we
8 would like to know about the old RFPs. This
9 investigation really needs to look at the history as
10 well as what you're currently doing to ameliorate
11 the situation.

12 MS. WILKERSON: That's fine.

13 MS. BRICKLIN: That goes the same for
14 the vision and dental coverage. We have asked for
15 prior coverages. So for any of these things, we
16 really need to see a historical pattern so if there
17 is an improvement, we can at least verify that there
18 is an improvement.

19 We've already asked for prior. In the
20 list of documents here, there is a request for prior
21 as well as current RFPs for particular periods of
22 time, and I would ask that you pay attention to that
23 and provide us with that material.

24 MS. WILKERSON: What we will do is
25 identify the time period that we searched so that

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2 you'll know if there's nothing for that time period,
3 it means there was no RFP issued. But we'll search
4 back.

5 MS. BRICKLIN: I guess on the last
6 question here which was a question requesting
7 information about non-personnel and -- just one
8 moment. About non-personnel and non-finance
9 employees who were involved in the provision of
10 benefits or in any way, you've indicated that you
11 did not -- the City does not calculate how much
12 these employees spend doing these kind of
13 activities. And it would be useful perhaps to know
14 why because I think that the unions do actually
15 calculate what their employees spend in terms of
16 doing these tasks. So in terms of comparison, we
17 need to either know how much these employees spend
18 or we need to then -- you need to then take that out
19 of what the unions provide, spend on administrative
20 costs, which is what these are usually called. You
21 said you can't do that, the City does not do that.

22 MS. BERKOWITZ: That's correct. We
23 don't allocate costs in that manner because they're
24 not extraordinary costs and because the individuals
25 who have some responsibility in the department for

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2 distributing the health plan forms and collecting
3 them back when they're completed, they do that as
4 the part of the normal course of their work. And we
5 believe that the time spent is minimal.

6 Now, I personally have not seen a
7 breakdown of the union's -- any administrative cost
8 from the unions. And perhaps they can provide the
9 methodology that they can share with us.

10 MS. BRICKLIN: Isn't it true, though,
11 that the Administration has a trustee on each of the
12 health and welfare boards for each union. So
13 wouldn't you know already about these costs for --
14 all the costs for the union, including their
15 administrative costs? I mean, I find it hard -- I
16 think we've been looking at this and we know that
17 the Administration has access through your own
18 representatives on these boards.

19 MS. BERKOWITZ: I believe that the point
20 that Ms. Wilkerson has been trying to make during
21 this hearing is that the records that we have been
22 able to review in terms of what the City has
23 internally are inadequate.

24 MS. WILKERSON: What we will do is we
25 can identify or give you a sense of how the

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2 personnel department is organized to handle health
3 and welfare issues. What you'll see is that there
4 are a number of people who work from the
5 departments, part of their job responsibility is to
6 provide health and welfare information to employees.
7 What we probably will not be able to do is reduce
8 that to a dollar amount or number of hours per week
9 spent. But to the extent that we can provide you
10 with information that helps clarify how those
11 services are performed, we'll do that. But I don't
12 know that I'll be able to say "And it translate
13 into, you know, .5 hours a week."

14 MS. BRICKLIN: And one final question,
15 when we do receive these documents, if like today,
16 some of the responses prompt us to have additional
17 questions, you will be available in a timely manner
18 to address those concerns so we can just clarify, in
19 a clarifying sort of --

20 MS. WILKERSON: I'll make sure that you
21 have Linda's number.

22 COUNCILMAN COHEN: Councilman Rizzo.

23 COUNCILMAN RIZZO: I hate to do this to
24 you again but, Ms. Berkowitz, I hope you're not just
25 setting the stage for bad news. You're telling me

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2 that you don't have a feel for what the
3 administrative costs for administering this plan is.

4 MS. BERKOWITZ: That's not what I said.
5 I think the question was -- I was responding to the
6 question posed about costs that are incurred outside
7 of the finance and personnel departments. And it is
8 my understanding that they are primarily clerical
9 responsibilities that are minimal in nature. And
10 because of the nature of that work, clerical support
11 folks in the departments hand out lots of stuff and
12 they collect lots of stuff back. It is really not,
13 in my opinion, a legitimate methodology to try and
14 allocate the passing out of material to the
15 administration of the health plan because those
16 individuals would have their jobs if they did not
17 pass out a single piece of paper relative to the
18 health plans. It's just part of their overall
19 responsibilities.

20 COUNCILMAN RIZZO: Well, I came from the
21 private sector before, a major corporation, and I
22 know personally because I was responsible for an
23 area that was responsible for most of the time that
24 our clerical spent was dealing with health-related
25 insurance forms. As matter of fact, it got to the

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2 point where it dominated the day's work just dealing
3 with "What form do I use, this bill isn't straight,
4 I'm getting a duplicate bill here."

5 It's hard for me to believe that we
6 would consider that facet of the cost outside the
7 personnel department is minimal.

8 MS. WILKERSON: Councilman, for example,
9 I know best probably what goes on in City Council.
10 City Council has an administrative person who in
11 connection with her responsibilities of handling
12 payroll, getting computers for people, also is the
13 link point between the employee and the personnel
14 department for health and welfare benefits. What
15 you're asking us to do is try to figure out how much
16 of her time she spends on the personnel health and
17 welfare issues and then to cost that out. And what
18 we're saying is we could perhaps guess. We do not
19 keep records on that basis.

20 COUNCILMAN RIZZO: And I know best,
21 since you have experience, I have experience when I
22 don't get my computer, I don't get the light bulb
23 fixed in the office, I don't get the pager battery
24 because they're doing health and welfare benefits
25 and insurance work.

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2 (Applause.)

3 MS. WILKERSON: What we can do is
4 describe to you how those services are performed and
5 we can do the best we can. We do not keep
6 accounting based on that.

7 COUNCILMAN RIZZO: You're an attorney.
8 Attorneys keep a very detailed list of every minute
9 they spend on the phone, they have the egg timer on
10 the desk. And I believe a business also keeps track
11 of what amount of time in fleet management. If a
12 mechanic's working two hours on a particular
13 vehicle, they're able to determine how much time
14 they spent on a particular vehicle because they keep
15 track of how much money that particular vehicle's
16 repair -- I think sometimes lack of detail and lack
17 of knowledge of that issue is by design.

18 MS. WILKERSON: We will do the best we
19 can to develop that information.

20 COUNCILMAN RIZZO: I don't mean to beat
21 it to death. But, again, it's hard for me to
22 believe that we're going to point to an efficient
23 operation and we don't know how much we're spending
24 to administer it.

25 (Applause.)

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2 COUNCILMAN COHEN: And I think it's
3 important to indicate the services that are
4 performed, for example, it's unfair to compare total
5 costs and expenses if the labor organizations have
6 people who really service their membership on their
7 problems and the City doesn't service anybody. I
8 think that's got to be pointed out that the reason
9 the City's costs in one area is lower is because
10 they don't do anything on behalf of the employee.
11 But we want to know that. We want to know to what
12 extent do employees get helped who are exempt from
13 labor membership as compared to those who are in
14 labor membership.

15 We understand that in the labor
16 organizations if an employee feels that the carrier
17 or provider is not doing what they ought to be
18 doing, there is someone whom they can go to who will
19 speak on behalf of the employee. What we're told
20 among the exempt employees is we're told basically
21 go to the insurance company which turned us down in
22 the first plays and the exempt employees don't seem
23 to have any representative. I would urge you to
24 address that question. If you think I'm wrong,
25 please state your view and why, because that's

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2 important. If you're going to compare, you've got
3 to compare equal services. You can't say the City
4 has no administrative costs; it makes no sense
5 because there's got to be administrative costs in
6 administering any plan.

7 Now, is there anyone who has not been
8 heard who wishes to be heard on any aspect? Would
9 you come forward?

10 And your question may or may not require
11 answers. You came first. Why don't you go ahead?
12 Identify yourself. I'm going to ask each person to
13 identify themselves, who they are and what
14 organization, if any, they represent.

15 MS. SAMANS-DUNN: I'm Judith
16 Samans-Dunn. I'm with the Association of City
17 Management and Professional Employees. I just
18 wanted to add, a little while ago you were asking
19 the union representatives how they dealt with the
20 City when the City said "Here, we want a unified
21 health and benefits plan."

22 We're the non-reps. We're prohibited
23 from being represented, but we are civil servant
24 employees of the City. As a matter of fact, we have
25 a number of people nearing retirement age right now,

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2 a number of people in the drop program, and our
3 association is particularly concerned with how the
4 retiree got two-weeks notice, you just heard,
5 two-weeks notice that they no longer are going to
6 have prescription coverage. That's where we're
7 going, that's where we're concerned. That's where
8 your staffs are going, that's where we're concerned.

9 Guess what? We got also got two-weeks
10 notice as to what our health care plan could look
11 like, what our choices were because we also got them
12 in mid-December, starting January. We got some
13 shocks, we got some increases in our deductibles.
14 We got some increases in what we would have to pay
15 out of our paychecks. And, no, that plan does not
16 look horrendous. But there was a major city news
17 blitz when they talked with the unions about health
18 benefits and who gets what. We don't get any press
19 that we got cut this time and that there's nothing
20 in place to stop further cuts that might be
21 additional nibbles every year or it might be
22 whacking the heck out of us.

23 We have a major concern here with the
24 process. We've offered repeatedly to be a part of
25 the conversation in this with the City

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2 Administration. We don't want to be forever at odds
3 with our own Administration. And we're not
4 representative, but we can certainly share
5 information around our members and give feedback.
6 We can do that. So we just want to make sure we're
7 here in the dialog and we want to make sure some
8 system is in place where we all get a fair shake.

9 COUNCILMAN COHEN: Thank you.

10 (Applause.)

11 MS. PONGRACZ: Good afternoon. My name
12 is Louise Pongracz. I'm with the law firm of
13 Willig, Williams, & Davidson which has the privilege
14 of representing, not only District Council 47, but
15 also the Philadelphia Fire Fighters Local 22. I'm
16 really here to mostly to point out a sort of a
17 technical point which is that
18 there are very standard allocation procedures that
19 are used in order to determine the actual
20 administrative costs, and it is not an unusual
21 situation where either an employer shares costs with
22 a fund or that a union also shares, for example,
23 building space or facilities with a fund.

24 Just to follow-up on Councilman Rizzo's
25 comments, and I also might note highlighted in Mr.

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2 Cronin's comments earlier. These procedures, for
3 example, entail doing interviews. One of the funds
4 which we represent recently did a time study. You
5 give out time sheets to people who perform mixed
6 services and you run it for a test period of two
7 weeks and after that you collect it, you quantify
8 how much they spend. It's not a difficult process.
9 However, I would also like to note that that
10 allocation does not end with the personnel costs as
11 appeared to be implied the earlier information
12 provided by Ms. Seyda. It also has to include
13 computer costs, telephone costs, all these other
14 costs that go into the actual cost of providing
15 health benefits. It's all part of the picture and
16 it is possible to get the information.

17 As you all know, our health and welfare
18 funds are exempt from taxation under specific
19 portions of the Internal Revenue Code. One of the
20 conditions of that is that the money is spent
21 exclusively for the purpose of providing benefits
22 and defraying reasonable administrative costs.
23 That's why the unions not only can, but must do it.
24 There are established procedures for doing it. I am
25 confident that the City can discover what they are

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2 and that they should do it.

3 (Applause.)

4 COUNCILMAN COHEN: Thank you very much.

5 MR. MC ALLISTER: My name is Bob
6 McAllister. I'm the benefits administrator for
7 AFSCME District Council 47. And everything that
8 Wendy just said, all of those administrative costs
9 that we have in the District Council 47 Health and
10 Welfare Fund each and every year are audited by
11 Price Waterhouse Coopers. And the City of
12 Philadelphia by way of their trustee on the fund has
13 all of that information. So every dime, every dime
14 that is spent in District Council 47's health and
15 welfare plan, the City has access to that and knows
16 where it's going. And we would really like to see
17 the opposite, we want to see all of their
18 administrative costs.

19 (Applause.)

20 COUNCILMAN COHEN: Thank you.

21 Is there anything further to come before
22 this committee today?

23 If not, the committee will stand in
24 recess until Tuesday, June 12 at 2:30 in the
25 afternoon at which time we will await both Ms.

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2 Berkowitz and Ms. Wilkerson and the production of
3 the documents and the other information requested.
4 Thank you very much.

5 (Council adjourned at 3:15 p.m.)

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of June 7, 2001, were reported fully
and accurately by me, and that this is a correct
transcript of the same.

RE: COMMITTEE ON LAW AND GOVERNMENT

Lisa C. Bradley, RPR
and Notary Public