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COUNCIL OF THE CITY OF PHILADELPHIA

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COMMITTEE ON APPROPRIATIONS

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Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, December 3, 2009
9:30 a.m.

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PRESENT:

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COUNCILWOMAN JOAN L. KRAJEWSKI, CHAIR

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COUNCILMAN DARRELL L. CLARKE

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COUNCILMAN FRANK DiCICCO

13

COUNCILMAN W. WILSON GOODE, JR.

14

COUNCILMAN BRIAN J. O'NEILL

15

COUNCILWOMAN MARIA QUINONES-SANCHEZ

16

COUNCILWOMAN DONNA REED MILLER

17

COUNCILMAN FRANK RIZZO

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BILL 090831 - An ordinance authorizing
transfers in appropriations for Fiscal Year
2010 from the Grants Revenue Fund...

20

21

BILL 090736 - An ordinance authorizing
transfers in appropriations for Fiscal Year
2010 within the Grants Revenue Fund...

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BILL 090738 - An ordinance authorizing
transfers in appropriations for Fiscal Year
2009 within the Water Fund...

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V A R A L L O Incorporated
Litigation Support Services
Eleven Penn Center

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1835 Market Street, Suite 600
Philadelphia, Pennsylvania 19103
215.561.2220 215.567.2670

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COUNCILWOMAN KRAJEWSKI: Good

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morning. The Committee on Appropriations

4

is about to begin.

5

Will the Clerk please read the

6

title of the bill.

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THE CLERK: Bill No. 090736, an

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ordinance authorizing transfers in

9

appropriations for Fiscal Year 2010

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within the Grants Revenue Fund from the

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Director of Finance - Federal Stimulus

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Funding to certain or all City offices,

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departments, boards and commissions; and

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Bill No. 090738, an ordinance

15

authorizing transfers in appropriations

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for Fiscal Year 2009 within the Water

17

Fund from certain or all City offices,

18

departments, boards and commissions to

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certain or all City offices, departments,

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boards and commissions; and

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Bill No. 090831, an ordinance

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authorizing transfers in appropriations

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for Fiscal Year 2010 from the Grants

24

Revenue Fund, the Director of Finance -

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Provision for other grants to the General

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 Fund, the Department of Revenue and the
3 Grants Revenue Fund, the Department of
4 Revenue.

5 COUNCILWOMAN KRAJEWSKI: Is
6 there anyone from the Administration?

7 (Witness approached witness
8 table.)

9 COUNCILWOMAN KRAJEWSKI: Good
10 morning.

11 MR. AGOSTINI: Good morning,
12 Councilmember. Steve Agostini, Budget
13 Director for the City of Philadelphia,
14 also serving as the Recovery Officer for
15 the City.

16 COUNCILWOMAN KRAJEWSKI: Could
17 you give us the testimony on Bill No.
18 090831 first.

19 MR. AGOSTINI: I am happy to do
20 that. It will be the same testimony that
21 I read on the 19th. So would you like me
22 to read that into the record?

23 COUNCILWOMAN KRAJEWSKI: Tax
24 amnesty.

25 MR. AGOSTINI: Oh, tax amnesty.

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2 That would be the esteemed Revenue

3 Commissioner.

4 COUNCILWOMAN KRAJEWSKI: Yes.

5 (Witness approached witness
6 table.)

7 COUNCILWOMAN KRAJEWSKI: Good
8 morning.

9 COMMISSIONER RICHARDSON: Good
10 morning, Councilwoman Krajewski. Keith
11 J. Richardson, the Revenue Commissioner.

12 Good morning, Councilwoman
13 Krajewski and members of the
14 Appropriations Committee. Keith J.
15 Richardson is my name. I'm here today to
16 present testimony in support of Bill No.
17 090831, which is proposed to authorize
18 the General Fund and the Grants Revenue
19 Fund appropriations for the Revenue
20 Department for Fiscal Year 2010. The
21 proposed ordinance will transfer from the
22 Grants Revenue Fund to the General Fund
23 250,000 in Class 100 to support personal
24 services, 2.2 million in Class 200 to
25 support the purchase of services, and

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2 150,000 in Class 300 and 400 to support
3 materials, supplies and equipment. I am
4 also asking to transfer to the Grants
5 Revenue Fund \$10 million in Class 200 to
6 support the purchase of services. The
7 total amount requested is \$12.6 million.

8 The additional funding is
9 needed to support the Administration of a
10 proposed tax amnesty program which, if
11 approved, will commence on May 3, 2010.
12 The City needs \$10 million to obtain a
13 consultant firm to perform various tax
14 amnesty functions. These functions will
15 include analysis of delinquent accounts,
16 administering the outgoing communications
17 by mail and by telephone, establishing a
18 customer service call center to handle
19 large call volume, collecting of all
20 payments and providing the City with
21 detailed reporting of amnesty activity.
22 It is necessary to also reimburse the
23 consultant for collection services
24 provided on behalf of the City of
25 Philadelphia.

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2 I am asking for 2.2 million to
3 be used to pay for programming that may
4 be necessary to implement the amnesty
5 program requirements and for the securing
6 of a consultant to provide advertising
7 services. During the amnesty period,
8 existing information technology
9 infrastructure will need to be retooled
10 to allow for penalty and interest changes
11 and waivers, as well as other payment
12 processing changes. A successful tax
13 amnesty program must be well publicized.
14 As a result, the City will have to secure
15 an advertising firm to develop and
16 execute a coordinated advertising and
17 public relations service campaign
18 targeted to all eligible tax delinquents
19 as defined by the City's tax amnesty
20 program. The campaign is expected to
21 educate taxpayers on the existence of the
22 tax amnesty program and motivate
23 delinquent taxpayers to participate and
24 take advantage of the program.
25 Advertising will occur through print

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2 media, radio and Internet and also on
3 television.

4 In addition, the \$250,000
5 increase in Class 100 will be used to
6 hire additional part-time staff to assist
7 with the increased workload. The
8 requested 150,000 increase in Class
9 300/400 will be used to purchase paper,
10 supplies and equipment needed to support
11 operations during the amnesty program.

12 I'm requesting suspension of
13 the rules at the next session of Council
14 so the bill will be read. Thank you for
15 the opportunity to testify today. I'm
16 happy to answer any questions.

17 COUNCILWOMAN KRAJEWSKI: Thank
18 you, Commissioner.

19 Could you provide the Committee
20 with a conservative estimate of how much
21 this revenue will generate for the City.

22 COMMISSIONER RICHARDSON: Right
23 now we can conservatively say we're
24 thinking \$25 to \$30 million could be
25 collected through the amnesty program.

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2 COUNCILWOMAN KRAJEWSKI: The
3 additional part-time staff to be hired,
4 would they be assigned to Revenue or
5 would they be responsible for hiring the
6 part-time staff?

7 COMMISSIONER RICHARDSON: No.
8 These folks will work for Revenue. The
9 consultant firm would hire their own
10 staff.

11 COUNCILWOMAN KRAJEWSKI:
12 Councilman O'Neill.

13 COUNCILMAN O'NEILL: So,
14 Commissioner, you're basically saying
15 that if half of the 25 to 30 million
16 would have come in anyway eventually,
17 we're spending 12,600,000 to break even?

18 COMMISSIONER RICHARDSON:
19 Potentially you could be spending that
20 money. Again, the \$10 million is on a
21 contingency basis fee that you pay the
22 consultant firm. So, again, we set it at
23 that target amount because I'm hoping
24 that we will exceed what we anticipate
25 collecting by leaps and bounds, as you've

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2 seen other states do in the last year or

3 so.

4 MR. AGOSTINI: Councilmember --

5 COUNCILMAN O'NEILL: What does

6 "contingency" mean in that?

7 COMMISSIONER RICHARDSON: What

8 it means, the collection agency will get

9 paid on what they collect for us. So

10 they may be getting a certain percentage

11 fee and we may set target amounts. If

12 they bring in 20 million, we may pay them

13 X amount in fee. If they collect over 30

14 million, you may pay them X amount in a

15 fee.

16 COUNCILMAN O'NEILL: So the 10

17 million is not 10 million out the door?

18 COMMISSIONER RICHARDSON: No,

19 it's not. It's Grants Revenue. It's not

20 out the door.

21 COUNCILMAN O'NEILL: Okay.

22 Thank you.

23 COUNCILWOMAN KRAJEWSKI:

24 Councilman Clarke.

25 COUNCILMAN CLARKE: Thank you,

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 Madam Chair.

3 Good morning, Mr. Richardson.

4 COMMISSIONER RICHARDSON: Good
5 morning, sir.

6 COUNCILMAN CLARKE:

7 Mr. Richardson, with respect to the
8 consulting company that will provide the
9 services as it relates to collection of
10 taxes, don't we currently have an
11 external company doing the tax
12 collections for us?

13 COMMISSIONER RICHARDSON: Yes.
14 We currently do use a couple different
15 firms for real estate and looking out at
16 business taxes. However, again, we
17 believe that we should have this out for
18 bid for other firms who have had
19 experience on doing the amnesty over the
20 last couple of years as well besides the
21 firms we have, and they can bid
22 competitively as well.

23 COUNCILMAN CLARKE: So from a
24 dollars and cents perspective, because we
25 are experiencing some fiscal restraint at

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2 the time, wouldn't it make more sense to
3 just amend the existing contracts for the
4 collection agencies that we have to
5 provide this additional service as
6 opposed to going out through this process
7 again?

8 COMMISSIONER RICHARDSON: Right
9 now we'll say probably not. Again --

10 COUNCILMAN CLARKE: Why not?
11 You said "probably not." Why not?

12 COMMISSIONER RICHARDSON: We're
13 looking to have firms to potentially come
14 in who have experience running amnesty
15 programs. The agencies we have right now
16 have not run amnesty programs. Again,
17 they will have the opportunity to bid on
18 this when it goes out.

19 COUNCILMAN CLARKE: But you
20 don't think that in all probability that
21 the companies that currently have
22 contracts on tax collections will
23 probably not get these contracts --

24 COMMISSIONER RICHARDSON: I
25 don't know.

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2 COUNCILMAN CLARKE: -- based on
3 their inexperience, as you've just said?

4 COMMISSIONER RICHARDSON:
5 Inexperience on amnesty, but, again,
6 they're very good at collections.

7 COUNCILMAN CLARKE: I
8 understand. I understand. I mean, tax
9 collections are tax collections, and at
10 the end of the day, these people won the
11 bids. And I'm not a proponent of any of
12 the companies, but if they won the tax
13 collection bids from earlier NOFAs or
14 RFPs, I would think that they will
15 probably more likely win the tax amnesty.

16 COMMISSIONER RICHARDSON: It's
17 very possible, but you got to
18 understand --

19 COUNCILMAN CLARKE: So it's
20 just simply a policy matter. It's not
21 that the likelihood that these people
22 can't do the work. I mean, you're saying
23 that they don't have experience doing
24 this, and, frankly speaking, I don't know
25 who does, because we've never done it.

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2 COMMISSIONER RICHARDSON: There
3 are numerous companies that have
4 experience with doing amnesty programs.
5 Again, the agencies that we use are more
6 than willing to submit their proposal.
7 They may win. I don't know. I'm not
8 here to choose anybody particularly. I
9 want the best candidate to help us raise
10 additional revenues for the City of
11 Philadelphia.

12 COUNCILMAN CLARKE: Okay.
13 Actually, my other question was similar
14 to Councilman O'Neill's, but you've
15 clarified that with respect to the \$12
16 million. Okay. I'm fine.

17 Thank you, Madam Chair.

18 COUNCILWOMAN KRAJEWSKI: Thank
19 you.

20 Commissioner, according to the
21 City Controller's report, Alan Butkovitz,
22 he calculated that 100 million could be
23 collected during the tax amnesty program.
24 He gave that report, I believe, to all
25 Council. Why is there a \$70 million

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2 difference between his numbers and yours?

3 COMMISSIONER RICHARDSON: Well,
4 one, we looked at the numbers and did an
5 analysis. Two, I think he's basing it
6 off of the -- June 30th, 2009 the whole
7 receivables was 999 million. So he's
8 basing it off of 10 percent potentially
9 that we could collect. Again, you have
10 to realize that if we do an amnesty
11 program, you're going to waive off the
12 records all the penalty that is owed to
13 the City and you're going to take off 50
14 percent of the interest that is owed. So
15 now you're bringing it down to about \$660
16 million of outstanding delinquency.

17 Also, you have to realize all
18 the businesses and individuals that are
19 on the books with the City of
20 Philadelphia, a lot of the businesses
21 could be defunct, no longer around, so we
22 may not be able to collect after them.
23 So that's why we're looking at that
24 number 25 to 30.

25 Again, we looked at other major

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2 cities; for example, like Phoenix. They
3 did an amnesty program and collected only
4 \$4 million. The City of Los Angeles did
5 17.9, and New York City back in 2004 only
6 did \$40 million. There's a city that has
7 probably five or six times the
8 receivables that the City of Philadelphia
9 has.

10 Again, I think a lot of folks
11 are looking at what New Jersey did at
12 \$700 million or more. I think in
13 Philadelphia it's going to benefit the
14 same thing. Again, the state, for
15 example, like New Jersey has a lot of
16 international businesses that have their
17 operations there, and, again, a state
18 like New Jersey has about 40 taxes. We
19 are not that big. We are not a state,
20 and to be realistic, that is not a
21 realistic number. Hopefully we can get a
22 hundred million. That would be great,
23 but I wouldn't say we would.

24 COUNCILWOMAN KRAJEWSKI: Thank
25 you.

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2 Councilwoman Sanchez.

3 COUNCILWOMAN SANCHEZ: Thank
4 you, Commissioner. I want to thank you
5 for all the work you've done around
6 collections. I know that we have been
7 working over the last two years around
8 some of these collection issues and
9 increasing our collection activities.

10 What is your expected drop-off?
11 Because one of the issues as we discussed
12 this in the budget in 2008 and 2009 with
13 the Finance Director, there was concern
14 around amnesty and the drop-off
15 afterwards. So what is your projected
16 drop-off post the collection?

17 COMMISSIONER RICHARDSON: I
18 can't really tell you what our projected
19 drop-off is. We don't know yet. I can
20 say right now unfortunately because the
21 word "amnesty" is out there in the
22 community, practitioners are telling
23 their businesses that they work with not
24 to pay the City now. So we will lose
25 some revenue. I can't tell the

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2 projection of what it would be today, nor
3 can I tell you what it would be after
4 amnesty is in place.

5 COUNCILWOMAN SANCHEZ: Where
6 are we in terms of our current
7 collections? Because I know that part of
8 the work in the beginning of this year
9 was ramping up some of our discovery work
10 and some other stuff. Where are we in
11 line now and what does this money
12 represent in terms of percentage of our
13 projected that was authorized in our
14 budget?

15 COMMISSIONER RICHARDSON: Right
16 now our numbers are not at projections as
17 we've anticipated. Again, with the
18 additional revenue, I think it would help
19 out with some of the issues that are
20 helping to help cover the budget, again,
21 with projections of a net of \$25 to \$30
22 million.

23 Again, we will continue to work
24 on the collections of individuals that
25 are not delinquent on various programs

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2 that we have. For example, discovery,
3 last year we brought in 1,848 new
4 businesses or registered --

5 COUNCILWOMAN SANCHEZ: Eighteen
6 hundred and forty-eight?

7 COMMISSIONER RICHARDSON: New
8 taxpayers to the City of Philadelphia.

9 COUNCILWOMAN SANCHEZ: One of
10 the things that Councilman Clarke was
11 talking about is how are we going to
12 operationalize this as it relates to the
13 contracts. So explain to me, if I'm a
14 current collection agency on an account,
15 you bring a new provider in, what does
16 that do? Are they going to be allowed to
17 move that account from the current agency
18 to this new agency, assuming there's a
19 new agency that --

20 COMMISSIONER RICHARDSON: Yes.
21 All cases can be moved to the agency.

22 COUNCILWOMAN SANCHEZ: So it
23 would all be portable?

24 COMMISSIONER RICHARDSON: Yes.

25 COUNCILWOMAN SANCHEZ: How does

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2 that impact our current agreements, legal
3 agreements, with the current operators?

4 COMMISSIONER RICHARDSON: With
5 the contracts that the Law Department has
6 with agencies, they do have the right to
7 pull the cases at any time.

8 COUNCILWOMAN SANCHEZ: At any
9 time. So our contracts allow us to pull
10 those?

11 COMMISSIONER RICHARDSON: Yes,
12 ma'am.

13 COUNCILWOMAN SANCHEZ: What's
14 the timeline on this? Assuming we
15 authorize this by the end of the year,
16 what's your timeline?

17 COMMISSIONER RICHARDSON: My
18 timeline would be to anticipate this
19 starting for May 3rd of 2010 running
20 until about June 18th. Again, we want to
21 run our program as parallel with the
22 Commonwealth of Pennsylvania that will be
23 starting about April 26th and running
24 into the middle of June as well. So for
25 one, practitioners, the accounting and

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2 the legal community, would advise their
3 clients, Look, take care of the state and
4 the city at the same time.

5 COUNCILWOMAN SANCHEZ: And you
6 feel these allocations that you have now
7 will be suffice for you to do the
8 marketing campaign and all of that to
9 make this successful?

10 COMMISSIONER RICHARDSON: Yes.

11 COUNCILWOMAN SANCHEZ: Okay.

12 Thank you very much.

13 COMMISSIONER RICHARDSON:

14 You're welcome.

15 COUNCILWOMAN KRAJEWSKI: Any
16 other questions?

17 (No response.)

18 COUNCILWOMAN KRAJEWSKI: Thank
19 you, Commissioner.

20 COMMISSIONER RICHARDSON: Thank
21 you, Chairman Krajewski. You have a good
22 day.

23 COUNCILWOMAN KRAJEWSKI:

24 Someone from the Administration on Bills
25 090736 and 090738.

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2 (Witness approached witness
3 table.)

4 COUNCILWOMAN KRAJEWSKI: Good
5 morning again.

6 MR. AGOSTINI: Good morning.
7 Steve Agostini, Budget Director and
8 Recovery Officer.

9 On the bills before you that
10 you heard some testimony on on the 19th,
11 I would ask that you move these bills.
12 The bill with respect to the Recovery
13 would allow us to actually have
14 appropriations for the purposes of
15 spending dollars that have been provided
16 to us by the federal government in the
17 American Recovery and Reinvestment Act.
18 The number before you is approximately
19 \$52 million and would allow us to begin
20 getting dollars out the door. So I would
21 respectfully ask that you pass that out
22 and also suspend the rules so that first
23 reading could happen today.

24 On the second bill with respect
25 to our end-of-year transfer ordinances,

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2 that would allow us to clean up our
3 accounts for the end of year for Fiscal
4 Year '09, which ended June 30th, and
5 reconcile a number of accounts so that we
6 could close our financial books for the
7 year and finish our reporting and
8 financial audit for the year. And,
9 again, on those items, I would ask you to
10 respectfully suspend the rules so that
11 first reading could happen this afternoon
12 as well.

13 COUNCILWOMAN KRAJEWSKI: Thank
14 you.

15 Councilman Clarke.

16 COUNCILMAN CLARKE: Thank you,
17 Madam Chair.

18 Good morning, Mr. Agostini.

19 MR. AGOSTINI: Good morning.

20 COUNCILMAN CLARKE: I'd like to
21 ask you a couple of questions about the
22 stimulus-related portion of this
23 testimony. First, again, I want to
24 commend you for doing a good job on the
25 Recovery Act process.

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2 MR. AGOSTINI: Thank you.

3 COUNCILMAN CLARKE: I
4 understand that our designee, Councilman
5 Jones, has been working very diligently
6 along with your team, and we hope to move
7 this as quickly as possible.

8 MR. AGOSTINI: He's been
9 extremely helpful. So thank you for
10 suggesting that.

11 COUNCILMAN CLARKE: I told you
12 so.

13 I just want to ask a question
14 about this Merchants Fund. This came up
15 earlier actually in a conversation
16 outside of the Council Chambers, and I
17 see the response, but it's not very
18 detailed, and, interestingly enough, a
19 couple of days after our hearing on the
20 Merchants Fund, I went to a community
21 meeting in Brewerytown and the Merchants
22 Fund came up in the meeting, and the tone
23 of the discussion about it was not very
24 pleasurable. There were some concerns by
25 that particular organization they were

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2 denied or they actually weren't allowed,
3 from their perspective, to apply for a
4 grant that was being administered by the
5 Merchants Fund, and they asked me about
6 it, and I didn't know a whole lot,
7 because we had just learned about it in
8 the earlier testimony.

9 I'd like to get a sense of,
10 first of all -- and it kind of lays out
11 to some degree why we use the Merchants
12 Fund, but this is an external
13 organization that, from our perspective,
14 is not really accountable obviously to
15 Council, and we're talking about tax
16 dollars. So the decision on using the
17 Merchants Fund, the level of use of the
18 Merchants Fund, who makes the decisions.
19 Is it PIDC? Is it Commerce and the
20 Merchants Fund just administers the fund?
21 Can you kind of walk me through all of
22 that.

23 (Witness approached witness
24 table.)

25 MR. AGOSTINI: Councilmember,

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2 I'm going to defer to Mr. Frishkoff to my
3 left here to answer that.

4 MR. FRISHKOFF: Good morning.

5 My name is Andrew Frishkoff, Director of
6 Neighborhood Economic Development for the
7 Commerce Department.

8 In administering the proceeds
9 from the Cultural and Commercial Corridor
10 Bond funds, one of the line items in the
11 enabling legislation was for business
12 support grants, and one of the intended
13 uses was to provide grants to businesses
14 for fitting out space for either new
15 businesses or businesses expanding in
16 existing spaces to grow their business.
17 These were capital-eligible grants, and
18 at the time of the legislation in 2006
19 and moving forward, it was Commerce's
20 intent that we would administer the
21 program. As you're aware, the trustee,
22 Pennsylvania Authority for Industrial
23 Development, would be involved and PIDC
24 in terms of disbursing funds, but it
25 would be administered by the Commerce

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2 Department.

3 As we had indicated I believe
4 in the memo recently, we had concerns
5 about being able to meet the full
6 deadline, which is this month, the end of
7 this month, 2009, for spending the
8 tax-exempt portion --

9 COUNCILMAN CLARKE: Excuse me,
10 Mr. Frishkoff. Hold on a second.

11 Folks, we're having difficulty
12 hearing.

13 COUNCILWOMAN KRAJEWSKI: Could
14 you please keep the noise down.

15 COUNCILMAN CLARKE: Thank you.
16 Thank you. I'm sorry about that.

17 MR. FRISHKOFF: Quite all
18 right.

19 We had concerns about making
20 sure that we would be able to spend the
21 full 85 percent required by the Internal
22 Revenue Service for those tax-exempt
23 portions of the bond proceeds, and these
24 fit-out grants were intended to be part
25 of the tax-exempt portion. And this

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2 occurred particularly then when we
3 started to enter into budget concerns and
4 weren't sure that we had the staff
5 capacity anymore to be able to administer
6 that ourselves in a timely fashion. So
7 we identified the Merchants Fund, which
8 is, as you've suggested, a completely
9 independent organization. It has been in
10 existence for more than 150 years,
11 providing relief to merchants in the City
12 of Philadelphia and was the only entity
13 that we had identified that had
14 experience and capacity to provide
15 grants, not loans but grants, to
16 neighborhood businesses, existing staff
17 capacity, existing expertise, existing
18 programs in place to be able to do that.

19 We made the determination to
20 grant funds to the Merchants Fund in
21 order to ensure that those funds would be
22 considered spent by the Internal Revenue
23 Service, and in return, their grant
24 agreement spells out the terms and
25 conditions for them making grants to

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2 businesses in our neighborhood commercial
3 corridors.

4 The ultimate decision in that
5 grant agreement is the Merchants Fund.

6 That is because it is a grant rather than
7 a contract for services between us and
8 the Merchants Fund. But we at Commerce
9 have the ability to provide commentary.
10 We took responsibility in equal parts in
11 trying to make sure that we got word out
12 to neighborhood businesses, and we put a
13 requirement into the grant agreement that
14 a neighborhood business would at least
15 have to have a community sponsor to be
16 able to apply. We did not want nuisance
17 businesses or businesses that would be
18 working against the community's interest
19 to be able to apply. So that was built
20 in to the grant agreement.

21 We did a round in the spring --

22 COUNCILMAN CLARKE: Before you
23 go, sorry to cut you off. When PCDC was
24 in its full form, didn't PCDC provide
25 assistance to businesses?

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2 MR. FRISHKOFF: Our bond
3 counsel made the determination that due
4 to the IRS regulations, we could not
5 grant the money either to PIDC or to PCDC
6 and have the funds considered spent,
7 because they are or were in part
8 controlled by the City. So that had been
9 our first hope, again, going back to 2006
10 when we were first working on the
11 legislation, but it was determined that
12 was not possible for us to do it that
13 way.

14 COUNCILMAN CLARKE: The
15 Merchants Fund, in terms of the history
16 of the Merchants Fund, you said they were
17 around for 150 years. Frankly, I never
18 heard of them, but that doesn't mean
19 anything. Who are they?

20 MR. FRISHKOFF: They are a
21 non-profit organization with a Board of
22 Directors. There is no City
23 representation on their Board. They are
24 a completely independent non-profit
25 organization. We were looking --

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2 COUNCILMAN CLARKE: Let me ask
3 you this, because I don't want to belabor
4 this, because I know we have a lot of
5 business today. Can you get, through the
6 Chair, information on the Merchants Fund,
7 membership, where they're located, a
8 summary of the history of the Merchants
9 Fund, some of the grants or loans, as you
10 said earlier, that have been disbursed
11 throughout their history and the most
12 recent history, because we just -- the
13 issue is, we just don't know. Maybe they
14 do great work and we just don't know, and
15 then, as I say, I'm in a community
16 meeting and somebody says, Well, they
17 wouldn't even let us apply. I'm like,
18 Well, who are they not to let a community
19 organization -- it's the Brewerytown CDC,
20 which you're very familiar with -- apply
21 for money from a fund that comes out of
22 tax dollars. So if you could just,
23 through the Chair, get us all the
24 information.

25 MR. FRISHKOFF: Absolutely. We

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2 will also share the terms of the grant
3 agreement with the Merchants Fund as
4 well.

5 COUNCILMAN CLARKE: Before the
6 bill passes finally.

7 MR. FRISHKOFF: And --

8 COUNCILWOMAN KRAJEWSKI: Like
9 12 o'clock this afternoon.

10 COUNCILMAN CLARKE: You heard
11 that.

12 MR. FRISHKOFF: We'll get right
13 on it.

14 COUNCILWOMAN KRAJEWSKI: Thank
15 you.

16 Councilman Goode.

17 COUNCILMAN GOODE: Thank you,
18 Madam Chair.

19 Mr. Dow, could you approach the
20 witness table?

21 (Witness approached witness
22 table.)

23 COUNCILMAN GOODE: Good
24 morning, Mr. Dow. Please identify
25 yourself for the record.

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2 MR. DOW: Good morning. My
3 name is Kevin Dow. I'm the Chief
4 Operating Officer for the Commerce
5 Department.

6 COUNCILMAN GOODE: Thank you.

7 At the November 19th hearing,
8 there were two primary informational
9 requests from me, which you have
10 addressed in responses in writing. I
11 would like you to put them on the record,
12 and I may have a few questions about
13 those responses.

14 The first was regarding the
15 dollar threshold requiring Economic
16 Opportunity Plans for stimulus projects
17 related to Councilman Clarke's
18 legislation and the issue of a broader
19 pool of certified firms relating to OEO's
20 strategic plan and how that might be
21 implemented in a way that would open up
22 opportunities for stimulus projects.

23 MR. DOW: And I appreciate the
24 Council's flexibility, particularly the
25 sponsors of the bill, in regards to

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2 threshold for City contracts. We've had

3 conversations and legislation being

4 amended to include a \$250,000 threshold.

5 So what that means is that only contracts

6 that are stimulus related through the

7 City of \$250,000 or greater will have an

8 Economic Opportunity Plan attached to

9 them.

10 We've also discussed that we

11 would do, in Commerce through our

12 partners and community stakeholders, that

13 we would market to all of the minority

14 firms in the City of Philadelphia to

15 ensure that they knew and were aware of

16 all of the opportunities that are

17 available through the stimulus contracts

18 and possible opportunities for contracts

19 in that regard, as well as not only for

20 the 250 and above but for 250,000 below.

21 COUNCILMAN GOODE: Simply put,

22 for the record, every stimulus project

23 that goes through the City that is

24 \$250,000 or more will require an Economic

25 Opportunity Plan?

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 MR. DOW: That's correct.

3 COUNCILMAN GOODE: Thank you.

4 With regard to the pool of
5 certified firms that will be eligible for
6 stimulus projects?

7 MR. DOW: We discussed that
8 once we finalize some agreements -- and
9 what we're doing is working with
10 additional entities for certifying of
11 minority firms. So what we anticipate
12 doing is broadening the pool of
13 certifying entities that we work with.
14 As you well are aware, right now we
15 accept as a reciprocal nature
16 governmental entities as well as a number
17 of private entities, like the Minority
18 Supplier Diversity Council. We are going
19 to adjust and revise the regulations
20 around the certification process to allow
21 firms who have those certifications to
22 come in and present them to us as our
23 certification process. We anticipate
24 doing and implementing that in the
25 beginning of January 2010 and using that

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2 as a way in which we could broaden the
3 scope -- excuse me; broaden the field of
4 certified firms within the City's
5 registered list so that we can then
6 increase the participation rates going
7 forward.

8 COUNCILMAN GOODE: So the
9 effective date for the new certification
10 process is January 2010?

11 MR. DOW: Yes.

12 COUNCILMAN GOODE: And that
13 information will go out to those firms
14 that might be eligible under other
15 certifications.

16 The only other question I have
17 is with regard to prime contractors or
18 those people who may be looking to
19 contract with subcontractors that are
20 disadvantaged businesses, how will they
21 access the broader pool?

22 MR. DOW: How would they get
23 themselves -- any contractor, if they
24 have a certification from -- let's say it
25 could be Minority Supplier Diversity

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2 Council, and we're still working those
3 details out, but let's just say for the
4 moment, or it could be, let's just say
5 for the moment, the State of Delaware.
6 If they have those two or any one of
7 those certifications, either one, as
8 examples, they would be able to come in
9 to us, present that certification to us,
10 their documentation that they are
11 certified from those entities, and we
12 would accept that for our own
13 certification as for the length of time
14 for which they are also certified there.

15 COUNCILMAN GOODE: My question
16 is not related to the disadvantaged firms
17 but related to those firms that might
18 want to utilize the products and services
19 of disadvantaged firms, and how do they
20 become informed if there is a broader
21 pool beyond those 1,200 that are already
22 certified by OEO.

23 MR. DOW: There were a number
24 of different ways, and this will -- the
25 pool -- our success rate will get better

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2 and increase over time. So we will do
3 outreach sessions, as we have continually
4 done. When we have significant projects,
5 we'll do outreach sessions with both
6 primes and subs to bring them together.
7 We also will do more marketing as we go
8 into the 2010 year, calendar year 2010.
9 We'll begin to market the additional
10 opportunities for certification to large
11 and smaller firms. We will also reach
12 out to larger firms. Some of the
13 construction companies have their own
14 qualified construction firms. We will
15 reach out to them, as we're doing now,
16 but be a little bit more aggressive with
17 that, to say to them, Let us have that
18 list or share our information with the
19 list so that they understand that if they
20 have these other certifications, that
21 their certification process is much
22 easier now. And then simply put, through
23 the contracting process that we are now
24 more intimately involved, when a contract
25 goes out, we will be putting ranges

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2 there. The prime who is looking to
3 fulfill that contract, as they are now
4 required, will be looking to get firms,
5 and that list will be gradually getting
6 larger.

7 COUNCILMAN GOODE: And I guess
8 simply put, you will make those prime
9 contractors aware that they're not
10 limited to just those 1,200 firms that
11 are certified, but that there is a
12 broader pool that is potentially
13 available?

14 MR. DOW: Yes.

15 COUNCILMAN GOODE: Thank you.

16 Thank you, Madam Chair.

17 COUNCILWOMAN KRAJEWSKI:

18 Councilwoman Sanchez.

19 COUNCILWOMAN SANCHEZ: I wanted
20 to ask for the record around the
21 Merchants Fund. Was that a no-bid
22 contract?

23 MR. DOW: Was that an open
24 contract?

25 COUNCILWOMAN SANCHEZ: Or a

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 no-bid contract?

3 MR. DOW: I'm going to ask my
4 technical expert, Andy Frishkoff, to come
5 back up here to answer that question.

6 (Witness approached witness
7 table.)

8 MR. FRISHKOFF: Thanks. It was
9 a grant agreement between PAID and the
10 Merchants Fund, at our direction. It was
11 no bid. We did due diligence to
12 determine that it was a -- that they were
13 the only eligible applicant to provide
14 that set of services and have that
15 capacity. We did not put that out to
16 bid.

17 COUNCILWOMAN SANCHEZ: How much
18 is it for?

19 MR. FRISHKOFF: The first round
20 was for 500,000, of which 25,000 was for
21 administrative costs, 475,000 was for
22 grants to businesses. And those are also
23 the terms for the second round that is
24 currently underway. So the Merchants
25 Fund total benefit would have been

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.
2 50,000.

3 COUNCILWOMAN SANCHEZ: Okay. I
4 wanted you just to put that on the
5 record, that it was a no-bid contract,
6 and I'm sure we'll review it.

7 I wanted -- that's all for you
8 guys.

9 I wanted to kind of go on the
10 record with Steve. Obviously this is a
11 time-sensitive matter on the
12 appropriations of this bill as it relates
13 to stimulus funding, but I wanted to make
14 sure that this, by no means, means that
15 we are approving the projects since we
16 have not seen all of the projects related
17 to the stimulus and how they will be
18 spent by district or even throughout the
19 City, other than the report that was
20 submitted during our stimulus hearings,
21 which had some indications around what
22 are some of the overarching program
23 objectives.

24 So I wanted to ask you, how do
25 you intend to get back to us around the

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.
2 specific projects that will be originated
3 from the stimulus money?

4 MR. AGOSTINI: Well,
5 Councilmember, Councilmembers, please
6 keep in mind that I also have a reporting
7 requirement to the federal government and
8 that on January 10th, I will have to
9 report to the federal government the
10 expenditure of the dollars that we have
11 received and have expended by project,
12 explaining what the dollars were for, who
13 either sub-recipients were, where the
14 vendors were to those sub-recipients as
15 those projects come online.

16 If it's Council's desire, I'm
17 happy to come back with a list of those
18 projects that we are planning to spend
19 dollars on. What I would ask is that if
20 we're going to do that, that we do that
21 either on a regular sort of basis, on a
22 monthly basis when we come back with what
23 are likely to be monthly requests for
24 appropriations, so that we can keep the
25 dollars flowing out the door in order to

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 meet the requirements of the grants as
3 well as the desire of Council.

4 COUNCILWOMAN SANCHEZ: I
5 understand that, and we don't want to
6 hold it up, and that's why I'm asking
7 that you figure out and obviously
8 Councilman Jones as our representative,
9 as you look at this, figure out a
10 mechanism by which you're going to
11 report. What I don't want to have is an
12 appropriations hearing where that's the
13 first time we're hearing around some of
14 these expenditures.

15 MR. AGOSTINI: That's fair.

16 COUNCILWOMAN SANCHEZ: So you
17 figure it out, but for the record, I
18 wanted --

19 MR. AGOSTINI: That's fair. I
20 will do that.

21 COUNCILWOMAN SANCHEZ: Thank
22 you.

23 COUNCILWOMAN KRAJEWSKI:
24 Councilman Clarke.

25 COUNCILMAN CLARKE: Thank you,

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 Madam Chair.

3 One quick follow-up question.

4 On the information on the Merchants Fund,
5 can you also include the IRS regulation
6 that prohibits a quasi-government agency
7 from dispensing those funds?

8 MR. AGOSTINI: We will.

9 COUNCILMAN CLARKE: Thank you.

10 COUNCILWOMAN KRAJEWSKI: Thank
11 you.

12 Are there any other questions?

13 (No response.)

14 COUNCILWOMAN KRAJEWSKI: Thank
15 you.

16 That concludes our public
17 hearing. Now we will go into our public
18 meeting.

19 Councilman Clarke, Bill 090831.

20 COUNCILMAN CLARKE: Thank you,
21 Madam Chair. I move that Bill 090831 be
22 reported out of Committee with a
23 favorable recommendation and a request
24 for rules suspension as to allow reading
25 at the next session of Council.

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 (Duly seconded.)

3 COUNCILWOMAN KRAJEWSKI: All

4 those in favor?

5 (Aye.)

6 COUNCILWOMAN KRAJEWSKI:

7 Opposed?

8 (No response.)

9 COUNCILWOMAN KRAJEWSKI:

10 Therefore, Bill 090831 will be reported
11 out of this committee with a favorable
12 recommendation with a suspension of rules
13 so as to permit first reading at the next
14 session of Council.

15 Councilman Clarke for the
16 purpose of Bill 090736.

17 COUNCILMAN CLARKE: Thank you,
18 Madam Chair. I move that Bill 090736 be
19 reported out of committee with a
20 favorable recommendation and a request
21 for rules suspension to allow the reading
22 at the next session of Council.

23 (Duly seconded.)

24 COUNCILWOMAN KRAJEWSKI: All

25 those in favor?

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 (Aye.)

3 COUNCILWOMAN KRAJEWSKI:

4 Opposed?

5 (No response.)

6 COUNCILWOMAN KRAJEWSKI:

7 Therefore, 090736 will be reported out of
8 this committee with a favorable
9 recommendation and the rules of Council
10 be suspended so as to permit first
11 reading at the next session of Council.

12 Councilman Clarke, 090738.

13 COUNCILMAN CLARKE: Madam

14 Chair, I move that Bill 090738 be
15 reported out of committee with a
16 favorable recommendation and a request
17 for rules suspension as to allow reading
18 at the next session of Council.

19 (Duly seconded.)

20 COUNCILWOMAN KRAJEWSKI: All

21 those in favor?

22 (Aye.)

23 COUNCILWOMAN KRAJEWSKI:

24 Opposed?

25 (No response.)

1 12/3/09 - APPROPRIATIONS - BILL 090831, etc.

2 COUNCILWOMAN KRAJEWSKI:

3 Therefore, Bill 090738 will be reported
4 out of this committee with a favorable
5 recommendation and the rules of Council
6 be suspended so as to permit first
7 reading at the next session of Council.

8 Thank you all very much. That
9 ends our Committee on Appropriations.

10 (Committee on Appropriations
11 concluded at 10:10 a.m.)

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