COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FISCAL STABILITY AND INTERGOVERNMENTAL COOPERATION

Remote location using Microsoft® Teams
Wednesday, September 23, 2020
9:30 a.m.

PRESENT:

COUNCILMAN ALLAN DOMB, CHAIR
COUNCILMAN BRIAN O'NEILL, VICE-CHAIR
COUNCILWOMAN CINDY BASS
COUNCILWOMAN KENDRA BROOKS
COUNCILWOMAN JAMIE GAUTHIER
COUNCILWOMAN KATHERINE GILMORE RICHARDSON
COUNCILMAN DEREK S. GREEN
COUNCILWOMAN HELEN GYM
COUNCILMAN BOBBY HENON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DAVID OH
COUNCILWOMAN CHERELLE L. PARKER
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN MARK SQUILLA
COUNCILMAN ISAIAH THOMAS

RESOLUTION: 200406

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COUNCILMAN DOMB: Good morning. This hearing is called to order. I recognize the presence of a quorum of Committee members. Members of the Committee in attendance are Vice-Chairman Brian O'Neill, Majority Leader Cherelle Parker, Councilmembers Bobby Henon, Isaiah Thomas, Kathy Gilmore Richardson, Kendra Brooks, Maria Quinones-Sanchez, Mark Squilla, Curtis Jones, Jr. and Cindy Bass.

This is the public hearing of the Committee on Fiscal Stability and Intergovernmental Cooperation. The purpose of this public hearing is to hear testimony on Resolution 200406. This resolution was introduced with co-sponsors Councilmembers Parker, Green, Quinones-Sanchez, Squilla, Gilmore Richardson, Bass and Thomas.

I understand that state law currently requires that the following announcement be made at the beginning of every remote public hearing as follows: Due to the current public health emergency, City Council Committees are currently meeting remotely. We're using Microsoft Teams to make these remote hearings possible. Instructions for how the public may view and offer public testimony at public hearings of Council Committees are included in the public hearing notices that are published in the Daily News, Inquirer and Legal Intelligencer prior to the hearings and can also be found on phlcouncil.com.

The Clerk will now please read the title of the resolution before this Committee today.

THE CLERK: Authorizing the Committee on Fiscal Stability and Intergovernmental Cooperation to hold quarterly hearings that include monthly reporting requirements, to discuss the fiscal position and overarching social impact goals of the City, including and as related to the Five Year Plan and the reporting requirements set forth in the Quarterly City Manager's Report, and as submitted to the Pennsylvania Intergovernmental Cooperation Authority.

COUNCILMAN DOMB: Thank you to all my colleagues who are attending today and thank you to those who have agreed to testify. We all look forward to what you have to say, but I would ask that we try and be as concise as possible to honor people's time and allow for us to ask as many questions and to get answers as concisely as possible.

So let's get started. Ms. Grbach, please call the first panel of witnesses.

THE CLERK: The first panel is Harvey Rice, Rob Dubow, Marissa Waxman, Christian Dunbar, Sarah de Wolf and Chris Rupe.

COUNCILMAN DOMB: Let's start with Harvey Rice, PICA Executive Director. Good morning, Harvey, and please state your name for the record.

MR. RICE: Good morning, Councilman Domb and members of the City Council Fiscal Stability and Intergovernmental Cooperation Committee. My name is Harvey Rice. I'm the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority, PICA, the state oversight agency for the City of Philadelphia.

Thank you for allowing me to testify today to speak about PICA's report on the Quarterly City Manager's Report or the QCMR for the fourth quarter of the Fiscal Year 2020, which ended June 30th. That report includes the months of April, May and June and PICA's reports on the City revenues and obligations for July and August of Fiscal Year 2021.

I have prepared a short PowerPoint presentation with the highlights of a report in the QCMR as well as a synopsis of our revenue and budget obligations reports. Can anyone -- can everyone see the PowerPoint presentation?

COUNCILMAN DOMB: I don't think we're seeing it yet.

MR. RICE: Is it up on the screen now?

COUNCILMAN DOMB: Yes, it is.

MR. RICE: Okay. Great. Thank you. The fourth quarter -- the fiscal year ended with a fund balance of $254.9 million. And as you can see, it was significantly lower than the actual fund balance at the end of Fiscal Year '19. However, it was about 45 million over the Five Year Plan projection. But what we got to keep in mind is if you look at the end of the second quarter, the projected fund balance was around 362 million.

So what it tells us is that for the first nine months of Fiscal Year '20, the City was experiencing the results of the economic recovery and we're seeing projections higher for a fund balance than they projected in their Five Year Plan, and then March hit and then we saw the impact of COVID on the fund balance.

And then as you can see also on the revenues, the revenue actuals were 4.86 billion. The projected for the Five Year Plan was 4.9 million, but that target was readjusted to include almost $5.1 billion. So there was a loss of about 300 million as a result of the last three months of Fiscal Year '20. We also saw obligations grow from FY19, but did not reach the projections that were in the Five Year Plan.

So this next slide is the revenue and obligations. It gives you a picture of the actual projection and the FY20 Q4 projection and then same with obligations. The current net revenue projection for the Fiscal Year 2020 is 4.86 billion, 57.6 million below the Plan projection. And the obligations were projected at 5.87 billion, an increase of 61.9 million from the Plan.

The quarterly revenue projections decreased by 78.6 million, while obligations decreased by 65.5 million from the third quarter target projections during the year of FY20. So here's a General Fund summary, which I already spoke about, the projections for the decrease in revenues and the increase in obligations and the fund balance.

The fund balance of 254.9 million represents 5 percent of total obligations which neither meets the goal -- City's internal goal of 6.8 percent or the GFA's recommendation of 17 percent. However, the prior year FY19, the City was getting closer to their goal of 8 percent and as a result of COVID, it impacted the fund balance and their internal goal.

And this next slide shows you revenues by type. And that means taxes, locally generated non-tax revenue, revenue from other governments and revenue from funds. As you can see, it shows you the decreases or the effects of the Five Year Plan and the projections over the course of 2020.

And here's projected obligations by class: The wages increased, employee benefits decreased, purchase of services slightly increased and then as you can go down. So the total, there was a $62 million increase in obligations. Staffing has been increasing since FY14, the fourth quarter going forward. But then as you can see in FY 2020 the second quarter, which is the end of December, you can see the drop. And that probably is most likely due to the hiring freeze during the COVID pandemic that impacted us in March.

Overtime, as you know PICA has been very concerned with the increase in overtime. In fact, in FY20 I think it's been the largest overtime cost reported. And as a result of that when the PICA Board approved the Five Year Plan in July, they requested the

City Overtime Reduction Plan, which was submitted last week. We are reviewing it. We've also asked for action plans by department and target numbers, which have not yet come in, in the initial draft of the Plan that was submitted last week.

Leave usage, we track leave usage because one of the reasons shows if you have a higher leave usage, the department might have a higher overtime cost so we look at leave usage of all the departments. The civilian employees of the Police Department recorded the highest leave usage, and that's been pretty consistent as you can see along that red line. In a lot of the quarters, they tend to be the highest. And our last quarter, the Register of Wills had the lowest leave usage.

And then we looked at in our quarterly report performance targets by the City for these departments: Police, Fire, Prisons, Licenses &

Inspections, Human Services, Public Health, Homeless Services, Free Library, Housing, Community Development, Parks & Recreation and Streets Department. So out of all of those departments, there were targets of 39 performance metrics to meet. The City met 17 of them and missed 22.

And then I want to talk about the City tax revenues through August for Fiscal Year 2021. We've released this report. The City collected approximately 333 million in August compared to 214 million in 2020, which was an increase of 18 million. However, you have to keep in mind that the BIRT collections came in July 15th which are reflected in these numbers, so it is skewing the tax revenue collections for this year. And we won't know the breakout of the BIRT from FY20 payments and the following fiscal year until some time in October as the City is breaking them out.

So when you see the City has

collected 711 million through August compared to 468 million last year, an increase of 51.9 percent, you have to keep in mind that those BIRT and real estate taxes are included in that, and both of them had extensions to pay.

And then the City's obligations through August, we also issued -- we're following a monthly. We issued our first report and included both months of July and August, as we were working with the City to get as much information as we could get so we can review and analyze. So the City spent a little higher than -- the City does not keep monthly budgets.

So what we did is we took the overall targeted projected obligations, divide it by 12, which gives you an annualized monthly spend of 16.6 percent. And they spent so far 18.6 percent, which is higher than if you separate them out by month. However, in the initial -- there's more incumbrances that are paid in the beginning of the year, so we have to keep in mind as we follow this monthly obligations cost going forward. However, it was lower than the two months' spending of last year.

So that ends my presentation. Thank you for allowing me to testify and I'm available for any questions that you may have.

COUNCILMAN DOMB: Thank you, Harvey Rice. Thank you very much. Great presentation.

I also would like to acknowledge at this time Councilmembers Jamie Gauthier and Councilmember Helen Gym. Welcome. Good morning.

And I have some questions for you, Harvey, I wanted to ask you on this report. In general, how much would you say since the pandemic started we've lost in revenue in total and how much in extra expense have we incurred? We know when Council had to approve a budget, there was a $750 million hold. Where are we right now in relationship to that $750 million?

MR. RICE: I think we're around the same. It might be a little lower right now. We won't know until all the revenues come in and process and the accruals are accounted for. So right now it looks like we're on the projection of having those revenue losses.

COUNCILMAN DOMB: And just to confirm, you're getting monthly revenue, monthly expenses from the Administration so if you can give us a heads-up to --

MR. RICE: Right. We will be issuing those monthly reports every month. So you'll get a monthly revenue report and a monthly obligation report.

COUNCILMAN DOMB: Okay. Let me go to a question I have. The overtime will be a series of questions that I'm not going to address right now, but I want to go to the Leave Usage Report. I find that to be a very interesting report. But I want to make sure that we understand the chart that you provided us.

When it says, for example, I'm looking at Records Department and Police-Civilian because they seem to be the highest, it says Records leave usage between 42 percent. Explain what that actually means. Does that mean that 42 percent of the days out of 100 they're not there?

MR. RICE: It just means it's a percentage of vacation and sick time taken by the employees, so it's not the number of days. It could be, but if we look at the vacation and sick days taken by each department and the City provides --

COUNCILMAN DOMB: So it seems to me like --

MR. RICE: The City provides that data to us.

COUNCILMAN DOMB: But when those numbers -- I mean, I don't know what the norm is, but it seems like we have a lot above 10 percent. And I'm looking at it in a basic way and saying, if out of 100 days I'm working, if I'm at 10 percent, 10 days I'm not there roughly.

So Police-Civilian I see is 40 percent. Does that mean that 4 out of 10 days they're not working?

MR. RICE: It does.

COUNCILMAN DOMB: And that's an interesting chart because it probably has some overtime --

MR. RICE: And I think OnePhilly is supposed to capture all of that and it's capturing more than before. That's one of the benefits of OnePhilly.

COUNCILMAN DOMB: Okay. It just seems like some of these numbers seem really high.

MR. RICE: They are. And that's why we report on them because we believe there could be a correlation between that leave usage and overtime.

COUNCILMAN DOMB: Yes --

MR. RICE: Because if they

aren't coming in doing their job and that job needs to be done and there's timelines, getting permits processed or police on the streets or anything that that's -- then they go to employees that are there to work overtime to complete those tasks.

COUNCILMAN DOMB: Right. Have you sat down with the City and the Administration and shared this and gone over this, because I think this is a very valuable report and tool for us to use for management on this?

MR. RICE: We're meeting with the City on the Overtime Reduction Plan. As we're going through their plan that they submitted last week, we're going through and we have some things that aren't included in the plan that we would like and this would be part of it of how we can -- because what we believe it's, as I said, a direct correlation between that and overtime. So obviously, it's going to be in our discussion with the City when they do these target plans for overtime, they got to look at the leave usage of those departments. They have to take that into consideration.

COUNCILMAN DOMB: Right. Next question I have is the City departments -- by the way, your charts are phenomenal. You did a great job with the charts and the information.

MR. RICE: Thank you.

COUNCILMAN DOMB: It's really good. The department performance targets Fiscal Year 2020, that chart that shows 39 targets or goals and it looks like we've achieved 17 of them and we missed on 22 of them. It looks like we achieved, just simple math, around 44 percent of our goals. So my question is, are we not being efficient or are the goals that are being set not realistic?

MR. RICE: I think a couple things. In certain goals, yes, we're not being efficient. Two, COVID I think threw everything for the last three months where those goals are being hard to meet, people weren't processing permits, Parks & Recreation programs weren't for after school, so things like that, so that had an impact. But also we believe that -- and we've been working with the City over the course of the year to better give us -- to better present targets and metrics that actually reflect the mission of each department and the services that the citizens we believe deserve that are of priority.

COUNCILMAN DOMB: Have you looked at these performance measures and made any recommendations to the Administration on how we can improve the performance measures?

MR. RICE: Yes. It's actually a constant back and forth with the City as we review their quarterly reports.

COUNCILMAN DOMB: Okay. I --

MR. RICE: But they've adjusted some. Through our recommendations, they've adjusted some and included metrics that we thought were important, such as the recreation afterschool programs instead of just how many acres of grass were cut. That's just one example. We're still working with Fire to have them better look at their metrics. They're doing that in a comprehensive way.

COUNCILMAN DOMB: Is that list something you can share with Council, this Committee, and I can share with everybody?

MR. RICE: Sure.

COUNCILMAN DOMB: And the recommendations?

MR. RICE: Sure. By those departments, we have the metrics and I can share them with you.

COUNCILMAN DOMB: Okay. I want to recognize by the way Councilmember Derek Green. Good morning, Councilmember.

I would now like to open it up for questions. I think

Councilmember Curtin Jones, Jr. is up first. Councilmember Jones, you have the floor.

COUNCILMAN JONES: Yes. Thank you, Mr. Chairman, and thank you for putting together this quarterly Stability hearing. It's going to become increasingly important as we approach budget season.

Mr. Rice, thank you for doing the work, the hard work of counting and holding us accountable as a municipality for prioritizing our expenditures. My questions revolve around a couple of things: Number one, when you talk about time usage, are you taking into account that departments like the Police Department, the Prisons and Sanitation were hit very hard with COVID infections and their workforce was reduced to a point where we had Police working during the civil unrest 20-hour workdays and we had a week's backup from Sanitation for track pickups. And so, therefore the use of overtime was an essential part of keeping the City operating?

The same can be said for Prisons. They were also hit hard by COVID-19 and were then asked to maintain a safe population to guard ratio, which they attempted to do in a healthy socially distanced environment. Are you taking those things into consideration?

MR. RICE: Yes. If you look, the three departments that you spoke about, take out the Police-Civilian, the actual Police force, they were in the median, so was L&I, so was Prisons and so was Streets, so they weren't an outlier even during that time for leave usage. Yes, we do take into consideration. We're taking for COVID for overtime in certain departments such as Streets, the Police Department and Prisons so we are taking that into effect. However, some of those departments had high overtime prior to COVID, so we questioned those overtime numbers before March.

COUNCILMAN JONES: Are you also considering in other departments when the issue of Class 100 staff furloughs came up, that there might have been in certain departments a panic and/or a rush to take unused leave time in anticipation of people being furloughed? Was that considered?

MR. RICE: No, we didn't consider that.

COUNCILMAN JONES: Then my final point is slightly different: Were there any surprises in projected revenues that were positive? It's my understanding, and I don't know if it's true and need your verification, that we came in slightly ahead on wage taxes and if so --

MR. RICE: Yes.

COUNCILMAN JONES: We did?

MR. RICE: We did for 2020 and also for --

COUNCILMAN JONES: Can you explain that to me considering people often were working from home outside of the City, and how did that anomaly actually happen in your mind?

MR. RICE: One, there's a timing issue. But you're right, Councilman, because when I saw that I said maybe the impact of COVID for people working isn't what we expected, so maybe that's a silver lining or a ray of sunshine a little bit. But as I've said in my testimony, it's only two months. I don't really want to set the stage for the year with two months' revenues. We have to follow this going forward. But you're correct, I was surprised and pleasantly surprised that our wages came in higher than last year.

COUNCILMAN JONES: Were there any other tax revenue categories that were not as dramatic, but a surprise as well?

MR. RICE: Well, real estate taxes came in and really the transfer taxes are coming in very well these last two months, it dipped a little bit. Up until the August numbers, we thought that that was doing really well. But other than that, the rest of the tax revenues we see a decrease.

COUNCILMAN JONES: Thank you, Mr. Chairman.

COUNCILMAN DOMB: Thank you, Councilmember Jones.

And I would like to ask Councilmember Helen Gym, I know she has questions.

COUNCILWOMAN GYM: Yes. Thank you very much. And good morning, Harvey.

MR. RICE: Good morning, Councilwoman.

COUNCILWOMAN GYM: Thank you for your presentation. So a couple of questions that I had are in terms of when you look at decline in tax and wage revenue, do you at all take a look at how they are declining by the number of people, like the amount of money that the wage tax has maybe transferred out to the counties because people are now working at home instead of in the City, but that they are continuing to work?

MR. RICE: We can't look at that now. I think what we need to look -- one, we need to look at when they file their reimbursements to see what that impact would be and that is some time in the spring. So we don't know what that number will be, and I think we're projecting around a 20 million loss in wage tax revenue. So that's why I say that when we give out the two-month snapshot, we don't want to either alarm or be overly optimistic because it is only two months.

COUNCILWOMAN GYM: Okay. And then, I guess, one of the reasons why -- and then whether you can tell whether the loss of, say, some of our larger companies or corporate folks who are now working out of county but still working, how much of that comprises a percentage of the wages lost overall from the City? Are you able to do anything like that in terms of an analysis?

MR. RICE: We could do that. What I can do is we'll see if we can get the data city-wide and regionally to see if we can put that together.

COUNCILWOMAN GYM: I guess what I'm wondering is part of your role is to give advice and perspectives. And if the COVID, you know, there's a number of companies looking internally at return-to-work policies. Some of them are looking into the spring of 2021. It's hard to tell whether it extends beyond that, but I guess one of the questions is what percentage of the wage tax feels more permanent and what could be more influx and are there recommendations that you're providing around some of that in terms of planning and understanding like return-to-work policies and that kind of thing?

MR. RICE: I believe it's

still unfolding as of now, because as you're right, Councilwoman, that date keeps on moving. I was ready to have my staff come back and then it was put on hold again. And now with what we're hearing that the fall and the early winter could see a resurge, so it's an unfolding unprecedented time.

COUNCILWOMAN GYM: So I don't want to get caught up in whether or when companies will do a return-to-work policy. I'm trying to understand what percentage of our wage tax could be reliant on seeing an increase should companies start to do return to work, so it's kind of more like an understanding about that. And I don't know if you can do that, whether you can --

MR. RICE: I can't do that right now because those returns need to be filed. So when those returns are filed as I mentioned earlier, then we'll have a better picture of how many were out, how much did we lose and when those people come back, then how much will we reclaim back into the wage tax.

COUNCILWOMAN GYM: Right.

MR. RICE: As our economists and I think the City's economist team, we sort of met together at the same around 20 million, but it's a difficult projection because there is a process to file for those refunds. And so, it's an active process that every employee that is working outside the City must do. So that might be to the City's benefit depending on how many people file for that refund.

COUNCILWOMAN GYM: Right. And I guess what I'm trying to understand is part of PICA's role is to help us understand revenue expenditure issues so that we can have a sense of sustainability and predictability about the time ahead. And so, to have some kind of an analysis of the workforce, out-of-county workforce is helpful because it gives us a sense of what kind of pot of money are we talking about that's shifting back and forth depending on these in-workplace policies. So I'd love to be able to follow up with you on that.

MR. RICE: Okay.

COUNCILWOMAN GYM: The other thing that I wanted to ask is whether PICA had done -- this is the second year that the Administration has proposed no property tax assessments to occur. Do you have some -- is that factored into any of your revenue projections or anything like that as opposed to if we were to do -- now, it may be that you don't really weigh in on whether we don't do any property tax assessments or whether we do revenue neutral types of property tax assessments.

MR. RICE: We don't do revenue projections. We take the City's revenue projections and we review and analyze them, put them through our economic model to see whether those projections are reasonable and appropriate. So if the City says they're not going to do property assessments for the coming year and their projection should be along the same as last year and they come with a projection that's way lower or way higher, then we would have to say, well, if you're not doing re-assessments, why are your numbers either higher or lower than last year's projections. And there might be reasons for that. We put it through our model, sales of houses or whatever.

COUNCILWOMAN GYM: Understood.

MR. RICE: So we don't do revenue projections. We review and analyze and put them through our economic models to make sure that the projections the City is putting forward are reasonable and appropriate.

COUNCILWOMAN GYM: Got it. And then I know that I've raised this before. But how does the School District's finances factor into your

Five Year Plan on the City's end?

MR. RICE: The School District's finances factor in our Five Year Plan in two ways. One is the amount that the City directly gives to the School District. We take that and we make sure that the City has enough money to make that payment. And then two, the property tax. We review and analyze the property tax because you know the School District gets 55 percent of the property tax, so we have to make sure that the projections for the property tax again are reasonable and appropriate.

COUNCILWOMAN GYM: Thank you very much.

MR. RICE: You're welcome.

COUNCILWOMAN GYM: Thank you, Mr. Chairman.

COUNCILMAN DOMB: Thank you, Councilmember Gym.

And I would now like to call upon Councilmember Maria Quinones-Sanchez.

COUNCILWOMAN QUINONES-SANCHEZ: Thank you, and thank you for addressing some of the School District's issues by my Councilmember Gym because that was in line with what I was going to ask you.

At any time, does the City ask you to give an opinion around these decisions around assessments and especially because it means they have to modify their plan, doesn't it? But how does the reconciliation happen between them making a policy decision, it has a revenue impact and then do you give an opinion to that?

MR. RICE: We don't give an opinion. What happens is if the City Administration or the City does something during the course of the year over the plan that we're in, and that affects revenues not coming, what was projected or they start another department and allocate additional monies to a department, then that's a variance of the plan.

So what then occurs is we go to the City and say, you have a variance in the plan, that's why we followed every month and then the quarterly reports, these revenue projections you're not meeting them either because they're not coming in or you shifted the way of collecting them and then you do need to revise your plan, which then we review and analyze again. It goes to the Board and then you have to vote on it. If the Board decides not to accept that plan, then it starts a whole procedure where we go back to the City, we tell them why we didn't accept the plan, and then the City has to give us another revised plan to meet those concerns. If not, then it would probably be rejected again and then state funding could stop flowing to the City.

COUNCILWOMAN QUINONES-SANCHEZ: So I appreciate that. So let's go to where we are now, and I know the discrepancies with the numbers because we moved the deadline for BIRT and some other things and we have to wait for those reconciliations. What is PICA's role in reviewing particularly some of the areas of concern that you've had historically and how they're manifesting themselves during COVID?

So let me explain, the CARES Act, you know, you mentioned to the Chairman's point, I appreciate you correlating overtime, historical overtime mismanagement to some of the leave folks. But how are you seeing this play out with the CARES Act money and are we really in line to spend, use and leverage that and how does that correlate or do you think there's a correlation with some of the numbers that you demonstrated on leave and overtime?

MR. RICE: Well, on the first matter, we have requested from the City a breakdown of the CARES Act money and they're in the process of compiling that for us so that we can see where it went, did it go for salaries, did it go for contracts, did it go into overtime, and by department, that's what we requested and they're compiling that for us. So we'll have a better sense of what is reimbursable on those overtime numbers.

COUNCILWOMAN QUINONES-SANCHEZ: I know that one --

MR. RICE: And -- go ahead.

COUNCILWOMAN QUINONES-SANCHEZ: No, I know one of -- again, in our Budget Work Group we've been asking this question of the Administration. What, if anything, of the federal guidelines around CARES Act expenditures has PICA reviewed and have you issued an opinion about some of the expenditures to date?

MR. RICE: No, we have not looked at that. We understand that the City has hired a consultant who's going to assist them in making sure that they spend every appropriation under the

CARES Act according to the federal guidelines under the CARES Act and they will be supplying us with that information as that -- I know the consultant was picked. I don't know if they started yet, but that will be something that we'll be following with the City to make sure that they meet the guidelines and they spend as much, if not all, the 750 million that the federal government had given the City so far for the CARES Act.

COUNCILWOMAN QUINONES-SANCHEZ: So given our ability in the past to kind of manage the cash flow related to the expenditures, do you see us ready and prepared in having the systems in place to be able to actually spend that money by the end of the year? We're having a debate around how you prioritize some of that money with the Administration. But I also want to make sure that we have the mechanism to actually spend down given the cash flow and the reconciliation that needs to happen.

MR. RICE: I think the City will be spending and that's why they hired a consultant, to make sure they spend it by the end of December and they spend it appropriately so that when it goes through the process and the federal government, they don't get hit with the bill that, you know, this amount of dollars was not spent according to CARES Act and then we have to return it at some point.

COUNCILWOMAN QUINONES-SANCHEZ: So when are they supposed to respond to you around some of this CARES Act delineation and reconciliation, by when?

And, Mr. Chair, I'd like to ask you as Chair of this Committee, I'd like for us to have a public conversation about how that CARES Act is being allocated, prioritized, leveraged and spent. And I know we had a little bit of that conversation in some of the hearings. We've heard from different sectors, whether it's the rental assistance sector, whether it's the business sector that we need to make bigger investments in some of those markets.

How long is it before you're going to get that information and when can we have a public discussion about it?

MR. RICE: We're hoping to get it very shortly. We have conversations with the City ongoing almost if not daily, at least a couple of times a week so we keep them abreast of our concerns and our requests. And what I understand is once this consultant gets underway we will have that. I don't have an actual date, though.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. Thank you, Mr. Chairman. And we'll follow up and make sure we can have that public discussion. I want to make sure that we're not leaving any money on the table and that we're making investments based on priority. I'm very concerned that the correlation between the leave spending and the overtime as opposed to us putting it on the ground, so I just want to make sure that this money is for us to activate and restart our economy. I just want to make sure that this doesn't (inaudible) towards our goal. Thank you very much, Mr. Chairman.

COUNCILMAN DOMB: Thank you, Councilmember, and I have a very accurate point about that, so thank you.

I would like to acknowledge Councilmember David Oh who has joined, and also recognize David Oh. I know you have a question.

COUNCILMAN OH: Thank you very much, Mr. Chairman.

I was wondering if in your analysis did you come across any information about cost savings being that the City has not been operating?

Have you come across information about how much money has been saved by the City?

MR. RICE: Not really. We just looked at the numbers and what the numbers report from year to year and for projection of the plan to the final. Overtime for the first two months of FY21 went down from the prior year. I'll give you -- a little over 30 percent it went down. But again, I just want to caution everyone it's only two months. So while we're glad to see that it went from almost 40 million to 25 million, we hope that that continues and that could be a result of COVID, that once the City got into after the first three months a stable environment, working environment, that those costs decrease.

COUNCILMAN OH: Okay. Thank you very much.

Thank you very much, Chairman.

COUNCILMAN DOMB: Thank you,

Councilmember.

Next, I would like to call upon Councilmember Derek Green.

COUNCILMAN GREEN: (Inaudible).

COUNCILMAN DOMB: You might have your mute button on. Councilmember Green, we're not hearing you very well.

COUNCILMAN GREEN: Okay. Can you hear me now?

COUNCILMAN DOMB: Perfect.

COUNCILMAN GREEN: Thank you. I had a little technical difficulties.

Thank you, Mr. Rice. Thank you, Councilmember Domb, for holding these hearings quarterly.

I just want to echo some of the comments that have been raised but I want to focus a little bit more on some of the conversation, especially in reference to the Administration's ability to spend the recovery dollars. Councilmember Sanchez asked a question in reference to when you would get that information in reference to CARES dollars being spent. We are on the verge of almost October and those dollars have to be spent by December.

From your experience in reference to looking at how the City has spent dollars, is there any concern from your perspective on our ability to spend those dollars in a time period quickly?

MR. RICE: Not really, because if we go back on some of the grants that we followed, they've spent. So we're not concerned right now. If come November 1st and they still need to spend a significant portion of the federal grant, then we would be concerned. However, preliminary -- well, they didn't give us reports. The preliminary numbers that we discussed, it looks like they're spending them and I think the hiring of the consultant and I think the City's on today, you can ask them questions about the consultant and how much work that

they've done so far on this, that will
also be a factor on whether we have a
concern or not.

COUNCILMAN GREEN: And the
reason I raise this, I think this goes
to some of the questions and concerns
that Members have raised. We are in a
policy debate regarding how those
dollars should be spent. I know
through various sources we know there's
been additional flexibility on those
federal CARES dollars. But a concern
that I have, especially when you look
at our small businesses that have been
decimated by this global pandemic and
the desire for additional dollars to be
spent, we can end up being in a debate
between the Executive branch and the
Legislative branch in how dollars
should be spent and then we get up to a
timeline and then the Administration
will say, well, we've got to spend
these dollars now so let's spend it in
this direction, which does raise a
concern.

MR. RICE: I understand.

COUNCILMAN GREEN: I also want to get some perspective as we go into this budget season and prepare -- well, getting ready for the budget season, various departments are now looking at their projections and information as they prepare for the upcoming budget. What are your perspectives in reference to revenues as we go into a budget season and new fiscal year of us being able to continue to meet our goals, especially in reference to revenue obligations?

I do have some concern because of going into colder weather, months. Some of our restaurants and retail establishments will continue to be impacted. We're starting to see an uptick in a number of cases around the country in various states, which can also have an impact here in Pennsylvania. And then we have our contracts that are coming up that need to be addressed with our municipal unions as well as Philadelphia Federation of Teachers and the School District are working on contracts. So give me some perspective on your concerns on how that will impact the Five Year Plan, especially as we go into next year's budget season.

MR. RICE: As I stated earlier, I think it was Councilwoman Gym's question, what we're seeing is there could be an advent, like a resurgence again of the pandemic in the fall and winter. Right now Philadelphia is doing very well in the number of cases dropping significantly and leveling off. So it is a concern. That's why we're following it monthly. And we look at what we -- as the monthly revenues come in, we have a sense of what they should be. And if they're significantly not, then when we get the quarterly report for the first quarter, which we'll get it November 15th, then if there's a variance, then we'll say to the City, the revenues are not coming in, you have to revise your plan to have your expenses meet your revenues, and then they have to submit it to PICA. So it's a constant monitoring effort that we do almost daily basically.

And then when we see that variance or we see that variance coming, we say to the City, you got to revise your plan because you're not meeting your projections or you will not meet your projections for revenue. And then that's going to affect the Five Year Plan that gets submitted for FY22, the proposed one in March and then that process begins through the budget process and then the actual plan that's submitted some time in June.

COUNCILMAN GREEN: One final question, the state also had significant impact by COVID in reference to their budget and there's already been some conversations that there will have to be significant reductions in health and behavioral health dollars that come to counties around the Commonwealth. Philadelphia being both a city and a county received a significant amount of dollars by way of block grants that come to the City, which we provide for behavioral health and health services across the board.

If those tests do come to fruition because of the challenges the state have and we've had a significant reduction in our resources to deal with COVID this year, what would be the City's ability to make up those differences, if at all, as we go into the next fiscal year?

MR. RICE: Well, the only way the City's ability to make up them is they would have to cut costs somewhere else to make up for those costs that they're going to incur because they're not getting funded by the state or the passthrough through the federal government.

COUNCILMAN GREEN: Right, which could lead to a more significant reduction in resources during this COVID pandemic.

MR. RICE: Right.

COUNCILMAN GREEN: Especially for those who need behavioral health services or other health services, especially if the City does not receive any revenue reimbursement at the federal level, which probably will not incur at the earliest first quarter of 2021 or second quarter depending on what happens in November as well as some of the concerns you raised.

Thank you, Mr. Chairman.

MR. RICE: You're welcome.

COUNCILMAN DOMB: Thank you, Councilmember Green.

Executive Director Rice, I just want to give you a heads-up and get your thoughts on this. You mentioned the transfer tax being down. Is that probably because we're still seeing residential transactions at a pretty good clip, but the commercial world, it's probably very little sales going on in the commercial world which are the bigger numbers?

MR. RICE: I think you're right, Councilman. I think it's the impact of commercial sales, because everything that I have seen and read on that is that residential sales are still going stronger than people projected during the COVID.

COUNCILMAN DOMB: Right. And then the other question, I guess, that we have to look at is what's going to happen to the commercial real estate taxes when people are going to be filing a whole bunch of re-assessments, you know, filings to lower their taxes, because the values of a lot the commercial properties with rents going down, they're all measured on cap rates. They will drop in value, which will be less revenue for us.

MR. RICE: You're correct. And that's why I think it's the first Monday in October when the filings are due for them, so that will tell us early October what the potential impact may be on the refunds to real estate tax.

COUNCILMAN DOMB: Okay. Thank you. And thank you, PICA. Thank you, Executive Director Rice. It was a great presentation and thank you for all of the information you provided us.

MR. RICE: Thank you.

COUNCILMAN DOMB: Now, I'd like to call on Rob Dubow, our Finance Director. State your name for the record and begin your testimony. In the interest of time, can I ask that you please hold presenting your information on overtime spending until this afternoon's session, during which time that issue will be addressed in detail. And when you cover the recovery slides, maybe we can just skim through the background information and focus on the issues in play, the funding priorities and the oversight of the spending. So thank you, Rob, and please proceed and good morning.

MR. DUBOW: Good morning, Chair Domb and members of Council Committee on Fiscal Stability. I'm Rob Dubow, the Finance Director. And I'm joined by Budget Director Marissa Waxman, City Treasurer Christian Dunbar as well as Sarah de Wolf and Chris Rupe, co-leaders of the City's recovery effort, and they'll be giving a separate presentation on what we're doing with recovery.

For this hearing, we'll focus on FY20 results as reported in the fourth quarter FY20 Quarterly City Manager's Report, which was submitted late August. You asked us to hold overtime management. There's text in here about what we're doing there and the report we gave to PICA, and the officials testifying this afternoon will give more details on what's happening in those specific departments, and we'll talk about FY21 year-to-date results.

So let's start with FY20. As

I said and as Harvey mentioned, since our last hearing we released the quarterly reports for the fourth quarter of FY20. I won't go into a lot of details on the numbers because Harvey went through that. But I will point out that as is the case each year, we haven't yet finalized our books for FY20. We won't be doing that until late October.

So while the quarterly report shows that we're projecting the City will end FY20 with a fund balance of about 5 percent of obligations of $255 million. Those numbers will likely move by the time we finalize our books in August. So the 5 percent, it's higher than the fund balance included in the FY20 to '24 Five Year Plan, but below our goal of having a fund balance equal to 6 to 8 percent of expenditures and is unchanged from the level estimated in the plan that PICA approved this July.

I'm going to skip ahead to

talk a little bit about the performance measures. Harvey talked about that a little, but I want to point out that even in the midst of the pandemic when you look at all of our measures, over half of them met or exceeded their target. Below the two-thirds of measures that met or exceeded targets in FY19, but that's not surprising given the decline in the City's shutdown of nonessential services in the last quarter.

And I'll give some examples. Library is closed to the public so inperson visits drop to 0. DHS saw a 22 percent decline for the year in the number of dependents placed into care. And preferred option, that's as a result of the courts being closed for most matters. And so, in some instances FY20 targets were revised to reflect the changed circumstances but not in all.

To re-emphasize, we will continue working with Budget and

Accounting, Revenue and City Treasurer's Office to finalize our year-end balance. That highly, healthy fund balance is essential to ensure that we can adequately respond to the unexpected, including the kind of things that Councilman Green was bringing up.

I won't go into detail of overtime because you asked us to skip that, but I just want to point out that we did provide a report to PICA last week and that that report's available publicly. So FY21 to date, so as Harvey pointed out, since the last hearing we've completed the first two months in the fiscal year. And for those first two months, spending has been below projections and revenues are meeting estimates. And while that's heartening, it will be much more meaningful to review spending and revenue once the first quarter ends and more data can be analyzed.

A single month's results can

be distorted by the timing of when a contract is encumbered or how many pickers included in a month. And as in past years, we'll continue to provide monthly reports on revenue collections to Council, PICA and the Controller's Office as well as posting those online. And at the request of PICA and given our precarious financial situation, we've added monthly obligation reports with comparisons to prior years and those are available on the City's website. That's all in addition to the Quarterly City Manager's Report mandated by state law that the City produces to track spending, revenue performance and staffing data.

To increase accessibility in the quarterly report, we've added a one-page summary document for those who don't want to take the deeper dive into the report and we're incrementally upgrading the presentation of the larger document. It complements efforts to make budget documents more accessible to include a summary of the Five Year Plan in four pages and seven languages for the first version of the Five Year Plan.

Once we have a full quarter's worth of data and performance and complete the target budget process where we work with each department to update revenue spending and performance information, we'll be refining estimates for FY21. The target budget process which is to start, should be finished by mid-October. Any deviations that require an adjustment in appropriations by class or department will be captured in a proposed midyear transfer ordinance and through the Committee on Appropriations. Council will receive briefings on any proposed changes.

With continued management, monitoring and collaboration with Council, we'll adjust the budget to respond to the changing needs of Philadelphians. As we maneuver through this public health emergency and economic crisis, we'll seek to maintain Philadelphia's fiscal stability to ensure we can support our residents and provide the services they're relying on.

The year-to-date information has not given us any reason to change our FY21 forecasts. And as a reminder, we're projecting an FY21 fund balance of 53 million, which is only about 1.1 percent of spending, far below our goal and the Government Finance Officers Association recommendation for what fund balances should be.

We have set aside reserves for specific costs or scenarios in the future, although less than previously planned. In FY21, 25 million is budgeted for cost associated with continuing to respond to the pandemic and reopening the economy that are not anticipated to be reimbursed with federal funds. This will be incurred after the December 30th deadline for reimbursement under the CARES Act.

While those reserves are below our Administration's goal, the only other alternatives were to make deeper cuts that could have endangered our ability to recover from the pandemic. On recovery, our success in responding to the pandemic and having an inclusive recovery depends upon adequate resources from local, state and federal resources and the careful deployment of those funds. As I said, Chris and Sarah will give a more detailed presentation.

I just want to give some highlights. We face new expenses in responding to the public health crisis and increased costs to provide the services Philadelphians have always relied on. The needs are compounded by the dramatic reductions in local revenues the City is experiencing due to the economic slow-down. We received significant grants from state and federal governments, but the amounts fall far short of our needs and the restrictions on the use of those dollars makes aligning, spending of federal funds with our local priorities a challenge.

To navigate those challenges, we've convened a recovery committee, which has our presentation from Council. Additionally, Council has legislative reporting of new grants related to the recovery to ensure the body remains well-informed of the resources received that they're rewarded. We've received over 20 COVID-19 related grants totaling around $600 million. And each of those have their own constraints and time frames governing how the funding could be used. And notably, none of those grants can be used to reimburse the General Fund for a loss revenue resulting from the impacts of COVID-19 and the City's needs continue to outweigh the funding that's available.

As Harvey discussed and as

you'll hear more detail from Chris and Sarah, the most flexible of the funding sources the City has received is the Coronavirus Relief Fund. We've received $276 million through this funding source. The funding can be used to cover necessary expenses resulting from the pandemic and public health emergency that were not accounted for in our budget at the time of passage and that were incurred between March 1st and December 30th.

An interim report that we submitted to the Treasury mid-July reported we had incurred eligible expenses totally about 116 million or 41 percent of the City's total CRF funds between March 1st and June 30th. That puts us on pace to spend the CRF dollars by the end of the year. And when we compared that pace to what we're seeing in other cities, we were kind of in the middle of the pack.

The largest area of expenditures to date include payroll costs for public safety and public health personnel, which is actually dedicated to our COVID-19 response along with sizable expenses associated to medical and public health activities such as standing up the medical surge facility and purchasing large quantities of personnel protective equipment.

Our strategy for the use of the funds is guided by three themes: Protecting public health and safety of Philadelphians, protecting vulnerable residents and ensuring economic recovery from COVID-19. The use of those funds is also being guided by focus on equity. The pandemic has disproportionately impacted low-income residents and communities of color and the City's response to most targeted systems to those who have been most impacted. Initiatives such as food distribution, access centers, small business relief, rental assistance and the public health response were designed with equity in mind. Again, Sarah and Chris will give more detail.

I want to touch on some of the challenges we face in using those funds. Most notable has been the lack of clarity from Washington about whether additional federal funding will be made available any time soon or whether rules will change to provide more flexibility on how funds can be used. For the time being, we must continue to plan for CRF funds to be spent by December 30th, meaning we're much more constrained in what we can spend in response in the new year.

In addition, the formula Congress uses to determine how much CRF funding Philadelphia receives is population-based. And most of the CRF funds went to the states rather than directly to counties, to the disadvantage of Philadelphia. Philadelphia did receive direct money like large cities. If you were a smaller city like let's Santa Fe, we

would have to get money through our
state.
We are home to approximately
21 percent of the state's COVID-19
cases and 12 percent of population, but
we received less than 6 percent of the
state's total CRF funding. Harrisburg
has deployed most of the CRF dollars
but not all of the CRF dollars to
worthy programs, including investing
hundreds of millions of dollars in
small business relief and rental
assistance which has benefited
Philadelphians. However, the impact of
these programs and the extent in nature
of their unmet needs is not yet clear.
Harrisburg has still not decided how to
spend more than $1 billion of the
state's CRF dollars.
We hope for more clarity on
these issues in the weeks ahead to help
inform future deployment of our scarce
CRF dollars. And it's also worth
noting that one of the challenges has
been the continuing changing of the

guidance from the federal government. We have received revised guidance a dozen times, including as recently as earlier this week. These additional constraints surrounding the funding in the City must invest significant time and energy into ensuring necessary costs incurred during the pandemic are matched to the best possible funding source and they limit the flexibility we have in responding to the new needs resulting from the pandemic.

Philadelphia is responding to new unanticipated long-term challenges within the context of taking all opportunities to increase equity and opportunity for all Philadelphians. As we near the end of the first quarter of FY21, we remain on track with the spending and revenues, and we'll share updates as the books are closed for FY20 and we have FY21 first quarter figures.

Thank you again for the opportunity to testify. We're happy to take any questions. Chris and Sarah are here to provide more detail and they have their own presentation.

COUNCILMAN DOMB: Thank you, Finance Director Dubow, very comprehensive. I have a couple of questions and then I'll turn it over to my colleagues.

Just in general, I know that you came to Council and we talked about a $750 million deficit back in the spring. Is that still accurate or is it higher or lower in your opinion?

MR. DUBOW: So to answer it this way, we haven't seen anything in the first two months of this year that would make us change that estimate. We're continuing to monitor it. I think to the point Harvey made, we'll have a much better sense when we have a full quarter of obligations and revenues, because timing differences tend to smooth out better over a quarter than over a month or two. So I think it hasn't changed yet, but we have to continue to monitor it carefully.

COUNCILMAN DOMB: And then you brought up a very interesting point. Why is it that we receive 6 percent of the money when we have 12 percent of the population?

MR. DUBOW: That's a really good question. That's probably better addressed to Harrisburg, but I think Chris and Sarah will go into more of that in their presentation.

COUNCILMAN DOMB: Okay. Right now as of today or the last few weeks, do you have an idea of our total spending of the pandemic so far?

MR. DUBOW: Total spending for the pandemic, we are actually putting those numbers together. They're not quite finalized. I think that's something that we'll probably have within the next week or two.

COUNCILMAN DOMB: Okay. That's fine. And so, a few other questions. Originally back in the

March budget, we were projected to end Fiscal Year '20 with about 3.7 billion in tax revenue and I think a $358 million fund balance. The revised budget based on third-quarter projections estimate that we would end Fiscal Year '20 with about 3.6 billion in revenue and a $268 million fund balance. So it sounds like we were able to take advantage of about 100 million in federal funding to keep us from completing wiping out our fund balance which is good news.

Do we have any final numbers on exactly how the revenues expenditures and our fund balances ended up for Fiscal Year '20?

MR. DUBOW: No. Each year we finalize the books in October. And so, until those books are finalized, we don't know the final revenue numbers. And I'll give you one example. So for the business tax, every year there are credits taken, for example, and those are things that we have to analyze as we look through the returns and that process takes until early October so we don't have final revenue numbers yet.

COUNCILMAN DOMB: Okay. Another question I have is, this fiscal year you've been pulling out reports on obligations of revenues for each month so far. And the reports mention that our obligations are higher than July than other months because that's when a lot of our contracts are renewed and debt service gets paid. So it sounds like July might be one of our bigger spending months.

Are there months where we can expect to spend notably less than other months and what kind of peaks and expenditures should we expect in these reports throughout the course of the fiscal year? And is it generally the contracts which determine the higher and lower obligations or is there something else driving that?

MR. DUBOW: So there are multiple things that will drive fluctuations in our spending. So one you touched upon which is that we tend in terms of obligations to try to obligate our contractor early in the year, so that will show those numbers coming really early. Some of our debt service payments are due in July so that will be a high month because of that. We make the bulk of our pension payments in March. There's one large payment in the first half of the year, so you'll see a spike up in cost in March.

The other thing that will drive differences between months is the number of pay periods. So if a month has more paydays than another month, then you'll see an increase so it kind of fluctuates. But other than July, debt service payment month and the big pension payment months, I think the biggest driver is going to be the number of pay periods in a month.

COUNCILMAN DOMB: Okay. And you're our Finance Director and we have a lot of respect for you and what you do. In your opinion, this seems to be okay with the track we're on right now regarding that issue?

MR. DUBOW: Yeah, that's nothing that we've seen so far that makes us think, okay, these numbers are different from what we were projecting, but we will know much better after the quarter's over.

COUNCILMAN DOMB: Okay. And then on the revenue side, how are revenues looking so far compared to the adopted budget? Which revenues are coming in lower than expected and are there any coming in higher than expected and are there any concerns you might have here?

MR. DUBOW: Sure. In general, no concerns. I'm actually going to let Marissa give you a more detailed answer on how our tax revenues look.

MS. WAXMAN: Sure. Hi. Marissa Waxman, Budget Director. And similar to the obligations side, the revenues are looking good compared to our projections. There is nothing we're seeing yet that would cause us to make any adjustments in our forecasts. But again, once we see the results for the first quarter, then it'll be more meaningful and we'll look again.

In terms of impact on the overall budget, really watching the wage tax is the only thing that is really meaningful to do this early in the year. It is our largest revenue stream and it comes in frequently. And so, through August we've collected around 366 million in wage tax compared to 360 million in the first two months of FY20, so nothing particularly to worry about yet. But our next two largest tax streams, the BIRT and the real estate, we don't see those until the spring.

And so, as Rob mentioned we're still sorting out what credits there are from the BIRT, the late payment, how much it's going to accrue back to FY20. So right now the numbers actually look deceptively good year over year because of that BIRT deadline extension but really those are going to accrue back to FY20. And so, when you back that out, things are generally looking good but it's still very early. We'll feel more comfortable once we've got a quarter's worth. Then obviously just continue to monitor closely through the rest of the year. But waiting for the first quarter to close, I think, will be the first real milestone where we feel we can know what we're really looking at and working with.

MR. DUBOW: And one of the big unknowns that goes back to something Councilwoman Gym asked of Harvey is people who don't live in the City are working from home, will they be taking credits later. And if that happens, that can be a hit to our wage tax numbers and we just won't know that for a little while.

COUNCILMAN DOMB: So at this point in time, do you have any idea the BIRT number that seemed so high that was reported, how much of that was for '20 versus '21?

MR. DUBOW: It's really all '20. The deadline was extended to July 15th, so that BIRT number is an FY20 number. For FY20 it came in a little better than we thought. But we won't see the FY21 number, I think Marissa mentioned this, until the spring.

COUNCILMAN DOMB: Okay. Can you just talk about for a second another question I wanted to ask about the wage tax revenue. It was holding pretty steady. It looked like it was down 2 percent or so from last year. But over 40 percent, I believe, of our wage tax revenue comes from people who live outside the City. And so, do we have any sense of what portion of that Fiscal Year '21 nonresident wage tax revenue might be subject to refunding because people are working from home and how we factor that potential for refunds into our revenue estimates?

MS. WAXMAN: So what we did when we were crafting our revenue estimates for FY21 and beyond is that we looked at, one, the chunk that is nonresident. We tried to understand what different sectors there were, how much of that -- which ones were more susceptible for teleworking, which ones weren't. We worked with our outside economist IHS Markit to identify how much we thought would shift and that's how we then got that into our blended overall reduction that we're expecting for the wage tax. And one of the things we did in the Five Year Plan was also build some of that in as permanent, so we are concerned that even if the public health crisis abates, even if the economy returns, some of that shift is people just gotten accustomed to new ways of working will be permanent.

And so as Rob said, fall, pumpkin spice latte season isn't really when we'll know. We'll have to wait until working the spring and we're looking at how folks are requesting those refunds. So unfortunately, it's one of those we're not really going to know until we know, but we think we've been appropriately conservative in our revenue estimates, that we've built in some buffer for that even though we won't have any real data until much later in the fiscal year.

COUNCILMAN DOMB: Okay. Thank you. One last question. It's a little technical. What's the relationship between the cash flow projections in the Five Year Plan and the monthly obligation and revenue reporting we've been receiving and how can we on Council and the public generally use public information to compare the monthly revenue reports with monthly revenue expectations?

MR. DUBOW: So it is a

technical question. Obligations reports that you see in the Five Year Plan projection numbers are based on a modified accrual basis of accounting. So the BIRT is a perfect example. So that -- or for taxes that were due in FY20. So they were actually paid in July which is the start of FY21, but will be accounted as FY20 revenues. So from an accrual basis they show in FY20. On a cash basis, they show in FY21, so there's going to be a big chunk right there.

So I think what we need to do to your point is kind of explain what those big differences are between accrual and cash. And it's complicated early in the year when -- so the discussion we were having before, if departments are entering their contracts so you see those big obligation numbers, that's not cash going out. That's just an obligation because they've entered into the contract. So on the accrual basis, you're going to see that that money has been obligated. On a cash basis, it wouldn't have gone out. So they are really kind of apples and oranges in a way. They're --

COUNCILMAN DOMB: It's hard to decipher and understand that information especially for the public, but I hear you. Well, thank you for your presentation. Thank you very much.

I know we have questions from our colleagues, and I'd like to call upon Councilmember Bobby Henon. Good morning, Councilman Henon. I know you have a question.

COUNCILMAN HENON: Good morning, Mr. Chairman, and thank you for convening this meeting today and in the past. We do appreciate that and rely on your expertise.

Good morning, Mr. Dubow. First --

MR. DUBOW: Good morning.

COUNCILMAN HENON: -- when

you talk about obligations, I do feel obligated to thank you and your team and the entire recovery office for guiding us, advising us and shepherding us through these difficult times and hopefully explaining it a little to the general public and to myself and a little bit in layman's terms how we're going to get through and how the City is going to survive. You're doing yeoman's work so I appreciate that.

MR. DUBOW: Thank you. I appreciate that.

COUNCILMAN HENON: Well, I'm going to start off recognizing the lead question that our Chairman had asked regarding any real change since we did the budget with the $750 million deficit and then fast-forward to having our responsible hearing on Fiscal Oversight July 28th. Since that meeting, have we had any significant changes to now, to present, and knowing that our final numbers won't be in until October? So that's one question on that.

And, two, when we get those final numbers, how are you going to report to Council and the general public the findings that we have?

MR. DUBOW: Sure. So we haven't seen anything yet that made us think we need to change the numbers where they were in July. So the first couple of months with all the caveats we've talked about, haven't sent any warning signals. We will report the numbers out in a couple of ways. One is we do our annual finance report that comes out at the end of October, so that will be the first time when we show what the finalized FY20 number is.

And then in mid-November we have our next quarterly report, and that will be the first report that shows kind of our updated projections for what's happening in FY21. So at that point, we would have had a full quarter of revenues and expenditures and performance data and we'll have had a little time after the end of the quarter to work through the numbers, and then we'll put out that report in November. So that will be the two big reports over the next couple of months.

COUNCILMAN HENON: I think we all look forward to that.

And, Mr. Chairman, I think it's another good opportunity for us to digest some of those findings in both those reports.

I have another question. PICA, Mr. Rice had reported in his presentation that the FY2020 fourth quarter report, the obligations increased by $61.9 million. So my question is, is that due to COVID contracts possibly contracted with your contracts extensions? And if it is COVID, is it covered through mid-term transfers or a budget and/or are we going to get reimbursed?

MR. DUBOW: Okay. So most of that increase is COVID-related. And the spending was either under the appropriations in the transfer ordinance that Council asked early on in the pandemic or departments were able to manage some of it by redirecting appropriations in their budget for the substantially new uses. And most of those costs should be reimbursable.

I don't know if Marissa or Sarah or Chris, if there's anything you want to add to that.

MS. WAXMAN: I don't think that --

COUNCILMAN HENON: I take it what you're saying is absolutely -- is true. So I appreciate your answer, unless Marissa has anything to add. At the end on that question, the midterm transfer that we had and I know you're on course on spending for our end-of-year, the COVID relief. That midterm transfer, has that been fully spent and accounted for? Have you reported that?

MR. DUBOW: So Marissa can

talk more about it. So we gave Council reports, I think it was -- was it every other week, Marissa, we gave reports on how that money was being spent? We did that through the end of last fiscal year.

MS. WAXMAN: Yeah, we provided biweekly reports to Council and then posted them online because we had -- the transfer ordinance was for 85 million. Just to make sure we had enough room to do what we needed to do, we had budgeted a certain amount of the CARES Act because it fell across two fiscal years. The first 100 million was budgeted for FY20. And the second 176 million is in the grants fund for FY21. And what we did was just try and show how those were being utilized over the course of time. They did sort of happen in chunks as particularly as departments were -- they would be getting costs and then we transferred them to the MDO where we had parked all of that money, because it was very hard that early on to figure out how much was, you know, DHS going to need to spend on extra cleaning versus how much in some of the public safety departments and things like that. So through that process, we reported on that FY20 transfer ordinance of 85 million, what had been spent against it over that period of time.

And then I think Chris and Sarah will be talking about beyond just that limited transfer ordinance what things they're looking at, like Rob mentioned the over 20 grants and over $600 million we have received, so that will be a different sort of configuration of information.

COUNCILMAN HENON: Incredibly contemplated, so thank you for that.

And, Mr. Chairman, I have no further questions at this time. Thank you.

COUNCILMAN DOMB: Thank you, Councilmember Henon.

I'd like to call upon

Councilmember Derek Green.

COUNCILMAN GREEN: Thank you, Mr. Chair, as we are multi-tasking this COVID world.

My question to Mr. Dubow is in reference to, the COVID situation is both a global pandemic from a healthcare perspective and also an economic crisis that has really crippled businesses, especially small businesses in our City. To date, can you state for the record the amount of money that the Administration has spent on assistance to small businesses to help them with their economic recovery during COVID?

MR. DUBOW: Yeah. Give me a second to find that.

MS. WAXMAN: Rob, I got it.

MR. DUBOW: You have it?

MS. WAXMAN: Yeah. So what I can share to date, the City, the state, PIDC and philanthropy together --

COUNCILMAN GREEN: If you can focus on the City, not so much the state or philanthropy. Just what the City has spent.

MS. WAXMAN: That will take me another minute to get. I know it's 50 million for --

MR. DUBOW: I have it. The City amount so far has been 7.5 million.

COUNCILMAN GREEN: Right, that's what I thought I saw in your presentation. And I guess my question and concern is, you know, there's been other works, I know that the Commerce Department as well as under current leadership of Interim Commerce Director Sylvie Gallier Howard and Anne Bovaird Nevins from PIDC has also been trying to raise dollars from the private sector to help in this regard. But we have the ability to provide some additional dollars to help small businesses and that kind -- this is a follow-up to my question that I asked earlier regarding some of the policy concerns. You have to spend CARES dollars by the end of this year and, Mr. Dubow, in your testimony you talked about our ability to do that.

My concern is our (inaudible) have been doing that recently and actually in presentation how the state has provided about $20 million to $25 million for assistance for small businesses around the Commonwealth, the City has received about $20 million. When you look at other counties like, for example, Montgomery County, they've used CARES dollars to allocate $10 million to businesses in their county. We've only spent $7 million. That did not come from our CARES dollars.

My question is as we go into the fall and as we see how businesses are still struggling, what's going to be efforts of the Administration to use CARES dollars for economic recovery for our small businesses?

MR. DUBOW: Yeah, and one of our priorities for the use of the CARES money is to use it for small businesses. I kind of understand all the constraints that you're talking about and we know we have to act quickly. So that is something that we're focusing on and it's one of our high priorities and we will be doing something with that soon.

COUNCILMAN GREEN: Again, my question is considering that when we first did the $85 million transfer ordinance and the Commerce Department and PIDC rolled out the loan and grant program, we saw the oversubscription of that program and it was a significant amount of people that applied for that. And that was even before the Payroll Protection Program came out, before the first round of state dollars came out, before Senator Hughes took his effort to identify these additional grant dollars. So we know just based on people who applied for assistance from the City in the beginning of COVID, and we're now into September and it's curious that we have not started to roll out those dollars when Montgomery County has spent $10 million of the CARES dollars and we haven't spent any for small businesses.

MR. DUBOW: So we know there's a great demand for the program in the hundreds of millions of dollars and that there are thousands of small businesses that have applied and are still waiting to see when they can be funded. And we know we won't be able to meet all that need alone. But we are looking at ways to see what we can do and we're going to really act on this quickly.

COUNCILMAN GREEN: How are we going to really act on this quickly when other counties have already allocated and got the money out and we haven't done anything with our CARES --

MR. DUBOW: Going forward, we will be acting on it quickly.

COUNCILMAN GREEN: Going forward, but we know a number of businesses who demanded for this needed money at the very beginning of this pandemic and provided what we did with General Fund dollars based on the money that City Council allocated and some of the dollars that the Commerce Department was able to allocate. But why has there not been an urgency when we know this has been a crippling impact on our small businesses, many who couldn't go after the Payroll Protection Program dollars because they are commercial corridors like barber shops or beauty salons or small restaurants?

MR. DUBOW: So I agree with you that the scenario needs to be more and I'm telling you we're going to move on it quickly. One of the processes we had to go through was to kind of look at the spending for things like when we set up the service hospital. We had to kind of ensure that there would be additional funding when we got through all of that to allocate to things like rental assistance and more for small business assistance. But we will be doing that and we will be doing it very quickly.

COUNCILMAN GREEN: Okay. Well, I'm going to close because I know other colleagues have other questions. This is going to be an issue in next week's hearing as we talk about these issues on September 30th.

Thank you, Mr. Chair.

COUNCILMAN DOMB: Thank you, Councilmember Green.

And I just want to chime in for a minute. I totally agree with Councilmember Green on this issue and maybe we need to revisit this and look at it in a different light. It's not spending. We're really investing in small businesses and we're investing in our corridors and not just in their businesses, but all the people they employ and all the tax revenue that they provide for us. So we're almost there.

We're their partners. Their

success is ours, so we need to maybe ramp it up and view it as an investment. Even if we have to -- I would be in favor if we have to even borrow money to help these businesses, we should look at the payback. I'm sure it's worth it, especially with the interest rates of today. But you can't let these businesses not survive. We need the businesses to survive and the jobs that they generate. So I just want to share that.

And I would like to call upon Councilmember Kathy Gilmore Richardson. Good morning.

COUNCILWOMAN GILMORE RICHARDSON: Thank you. Good morning, Mr. Chair. Thank you so much. And I also echo the sentiments of my colleagues Councilmembers Domb and Green relative to our need to continue to invest in small businesses from a City perspective so I just wanted to mention that first and foremost.

I have a quick question

around our preparation for the new budget season. Mr. Chairman, in February we had a hearing in this Committee on our own preparedness in an economic recession. And in that hearing, I had asked about any cost savings we have realized based on the City moving towards a program-based budgeting model because typically you see savings in the third year.

Knowing that we had a significant deficit in the FY20 budget due to COVID, has there been any consideration around moving towards a zero-based budgeting model where we can really analyze every function in City government for its needs and costs?

Thank you Mr. Chairman.

MR. DUBOW: I'm going to ask Marissa to answer that question.

MS. WAXMAN: Sure. And thank you, Councilwoman, because I think how we budget is so important to what outcomes we actually achieve and I thank you for raising that question.

And there's a lot of different models out there. Are you just looking at last year and adding some, which honestly is the simplest most streamlined which takes the least amount of work so that you can redivert to other things. We've got program-based budgeting where we really try and link the outcomes or metrics related to various programs to the spending.

Zero-based budgeting is really saying, okay, let's start from scratch every year, let's totally rethink everything that we do, figure out how much it's going to cost. There is no city or state that does the theoretical zero-based budgeting where they just every year start from scratch, as in if it's in our household budget, you're like, all right, my mortgage was this, but maybe we should move and do this and start with --

COUNCILWOMAN GILMORE RICHARDSON: Marissa, really quickly though, isn't this something that was successfully implemented in Montgomery County some time ago? And I just ask because we know that we are going to face significant budgetary challenges moving forward, although we may know not what it will be exactly. So this is something that has been implemented in a jurisdiction that is close to Philadelphia. So I want to be very clear about that. So again, going back to my point, this is something though that is a possibility that we should consider this year.

MS. WAXMAN: And I think there's a difference I think between what you see in textbooks and what's on the ground and what has happened in Montgomery County. And actually in part what we started to do last year is that even though when we started the FY21 budget process, things were going great. But we still asked departments to come up with cut scenarios, what would they reduce if they had to. And not because at that time we thought that that was really necessary, but it is that important interrogation of let's sort of put everything on the table and think about it.

And that served us well in a couple of different ways: Number one, it meant that we were ahead of the curve when actually the unthinkable and the unexpected happened and that we already had a well prevetted and thought-out idea. Unfortunately, we still weren't at the scale of what we faced as a result of COVID. But going through that process of asking for what we call cut scenarios which we begin to build in not just when things are already bad, but always gives us the opportunity to then ask questions as we go through the budget process for individual departments that both will have requests for new funding as well as these cut scenarios.

And really the question we asked which is sort of zero-based budgeting-esque is, well, you've said you want to invest money over here to achieve X and you've also said that the first thing that you would reduce spending on is Y. If there's zero additional money, would you trade X for Y, would you do that. And so, I think that there are ways that we bring the principles of zero-based budgeting into what we're doing as we evolve and ask more questions throughout our budget.

And unfortunately, as we went through COVID we also had to really ask the questions, not just -- we didn't start with the assumption that we would just do 5, 10, 15, 20 percent less of everything we currently do. We really asked the questions of are there some lines of services, are there some activities that the City simply cannot do and are there other areas important for us to preserve more fully. So we had to make some very painful conversations where we thought about whole services that wouldn't continue to happen in part, and we tried to match up which were ones where the state or federal dollars would be able to step in, where philanthropy would fit in. And it was really important for us to vet those conversations through a couple of different lenses.

By standing up a budget equity committee and using a racial equity lens, we were trying to be thoughtful about who was impacted by those situations. We also wanted to be really thoughtful about what things might be able to be stood back up more quickly if federal dollars came through, if there was flexibility to use federal funds to replace our revenues. So we wanted to make sure that we were thinking on a couple of different trajectories. But certainly the intent of zero-based budgeting where you look out and say should we really be doing this, is this a service that we should be providing, should we be providing it in this way and as a result with this set of cost structures, is something that we're increasingly building into our budget process.

I think that to go to a full like what you see in the textbooks of zero-based budgeting where you start from scratch each year, unfortunately takes so much capacity that we have to divert resources from away service delivery. But what we can do is sort of do that in more targeted ways each year and more on a rolling basis, which I think is more helpful.

There are certain things that don't need year-end, year-out looking at, you know, are we going to do this the same way. But there are other areas that I think are certainly ripe for that. But you also want to make sure that you're giving programs enough time to mature, that if everything is sort of swept off the table each year, we know that a lot of our programs take a couple of years to ramp up, to show impact.

And so, that's one of the things that we also are increasingly trying to build into our decisions about investing in new areas, is the evaluation piece, what we are getting. So there's a lot of different pieces. I think the ethos of zero-based budgeting is really in there to do that interrogation of what are we doing, how are we doing it, really important.

COUNCILWOMAN GILMORE RICHARDSON: And thank you, Mr. Chairman. I just quickly wanted to respond to Marissa.

So my concern though is that I think we were in a great financial position obviously before COVID. My concern though is that we are at a point where we should be able to realize and/or see what the actual savings are based on us moving to the program-based budgeting model, but also figuring out how we look at our budget moving forward in a different way. And I apologize. We're on virtual school.

Okay. So how do we look at our budget in a different way so that we can really achieve and realize those savings?

MS. WAXMAN: So I think a lot of what the questions are is, what are we getting, the bang for our buck. And by now having these measures attached to mayoral agencies and most of the independent-elected offices have also moved into program-based budgeting, most of them. And it really lets you ask those questions. And unfortunately, for Philadelphia it's not just a question about savings. We were still in the process of restoring funding for services we lost in the last recession, but it's about being able to make those connections about what service level in terms of quality, in terms of quantity do we want to be providing and then what is the cost of that.

And so, in some areas we might look and say, you know what, we're actually providing more in terms of quality or quantity that we think that Philadelphians want, we might be able to dial that back. In other areas, you look at these measures and the Budget Office collects over 500 of those. They are in the Five Year Plan, a subset that makes sense to look at quarterlies are in those Quarterly City Manager's Reports. So the information there is that you can begin to say, well, here's where we've generally been falling, is that an area that we actually want to invest more in or do things differently, and it lets us ask those questions. I don't think it's simply a matter of we have program-based budgeting and you get savings as a result, because unfortunately we're still a city with tremendous need and unmet needs in terms of individuals, in terms of the services they want from Philadelphians, but it gives us the tools to really evaluate that connection between what are the results and what are the impacts on a community level and what are we spending to get it and it let's you say occasionally things like, oh, we are spending a lot of money to get something that people don't actually care about. That's when you can say, oh, there's savings. But there's also going to be a lot of areas where you say, we are not delivering what Philadelphians deserve, we're spending this much, could we spend it differently, do we need to spend more in order to get Philadelphians what they need. So I think these are tools that let us have conversations, but they don't necessarily automatically yield savings or automatically require additional funding, but they let us have these kinds of conversations and we'll do this next budget season around what do we want for the money we're spending. Everybody said budgets are sort of a reflection of the values and priorities of a community. So are we seeing that or do we need to relook at that and look at those measures, look at the decisions we've made about what is funded and what's not and change it. And that's really what this budget process is for and why we want to make it a more inclusive conversation that reflects more points of view, particularly Black and Brown Philadelphians that maybe haven't had the chance to influence this process before so that we can think about are we doing the right things. And I think we're excited to continue to broaden that conversation as we go into our planning for FY22.

COUNCILWOMAN GILMORE RICHARDSON: Okay. Thank you. I'll definitely follow up with you on that because budgets are moral documents and they should reflect the priorities that we intend to focus on, particularly in the next fiscal year.

And really quickly, one last question I had was around has COVID-19 affected our ability to make any of our debt and/or pension payments or just any information there we can share?

MR. DUBOW: It has not. We've made all our debt service payments and all of our pension payments.

COUNCILWOMAN GILMORE RICHARDSON: Okay. Thank so much. Thank you, Mr. Chairman.

COUNCILMAN DOMB: Thank you, Councilmember Gilmore Richardson. And I just want to echo your thoughts here and, that is, I know in the business world today, more and more businesses are utilizing technology and more dramatically coming out of this pandemic just overhead and saved costs and I guess that goes in line with the zero-based budgeting. And how do we take advantage of that as a City government to really ramp up our technology to save, efficiency, make more efficient and also save dollars? That's not for today, but that's something I just wanted to put out there.

Our next question will come from our Majority Leader, Councilmember Cherelle Parker.

COUNCILWOMAN PARKER: Thank you so much. And, Chairman Domb, I appreciate your leadership in helping to pull this very important hearing together.

Rob Dubow, I want you to know if you would have answered and gave an answer any other than what you gave to Councilwoman Katherine Gilmore Richardson relative to those pension payments and that debt service, you know I would have reached through this screen and touched you on your shoulder. And --

MR. DUBOW: You would have hunted me down. I know that.

COUNCILWOMAN PARKER: So thank you so much. Let me just start by saying, one, Councilman Derek Green, Councilman Domb, Councilwoman Katherine Gilmore Richardson, Johnny-on-the-spot, I agree with them wholeheartedly.

And obviously, you know I've spoken to you directly and other members of the Administration regarding the supports for small businesses, particularly those neighborhood businesses. But I do want to say this for the record, when we think about our regional economy, Council President Darrell Clarke's thinking is in my mind. All of us, although we're one regional economy, we are not monolithic. We've done everything as it relates to responding to COVID in varying degrees.

So who and when was decided that each of those respective counties could move from red to yellow to green, they differed no matter where you are. So we all didn't move, lock, stop and step in the same direction at the same time because we were dealing with some issues that they didn't have as strongly as we did in Philadelphia, particularly as it related to the civil unrest and the disproportionate number of Black and Brown people who have been impacted by COVID.

Now, Rob, I'm speaking specifically relative to those dollars when we talk about those CARES dollars and the dollars that have been invested in small businesses. So I want to start where I heard you leave off with Councilmember Green. I want to be very intentional about what we talk about moving forward. We know that there is a deadline. We have to get these dollars spent. We watched our Commerce Department stand up every program that we have in existence now to support them, and they did a yeoman's job in making it happen.

But as we move forward because there are such grand time constraints, I want to be very specific in making an ask that the Commerce Department partners with CDFIs. They have the capacity. They are working with small businesses right now. We are under the gun from a time perspective. And so, I wanted to very specifically ask that we employ the use of their services to drive some of these dollars to the small businesses.

Did demand outweigh what we had in a pot, of course. Even before we got started, that was in fact the case. And we all want to maximize the efficient use of scarce resources during this time. I just want to say I want the City to be strategic in making sure that the partners we select -- or some folks I know are against, I will say for the record, us using partners. They think we should be able to just drive the dollars out ourselves, but I think we will do ourselves a disservice by not engaging the support of our area CDFIs.

So comment to me, if you will, whether or not you think that will be an option since you readily admitted, and I appreciated hearing you say we're talking about moving forward

instead of rehashing what we've done
but what we're going to do to support
this community moving forward and how
we're going to get there. Are you or
the Administration adverse to using
external partners to help us drive
these dollars out?
            MR. DUBOW: I am not. I will
also talk to the Commerce Director, but
I don't think we're adverse to that.
            COUNCILWOMAN PARKER: Okay.
So I'll be really looking forward to
hearing what that dollar amount will
be. I heard about the $10 million from
Mont. Co. But I don't -- in all of our
five county area, I would argue that
the businesses in the City of
Philadelphia have been uniquely
situated.
            All of the businesses needed
support. But our small businesses,
they are more than just essential.
They are the lifebloods of our
neighborhood, and I'm confident that
our City will meet the moment to

support what was referenced earlier and I've been talking about since we've been dealing with COVID and, that is, the yeoman's job that State Senator Vincent Hughes did with securing that historic $225 million. We've never seen anything like that before in the Commonwealth of Pennsylvania, but it is definitely not enough. So I'm going to be looking forward to seeing what the City's response is going to be to support them.

In addition to that, I wanted to just state this for the record because it is easy for folk to sort of come on the back-end to talk about what needs to be done, and we need to do it. Councilmen Domb, Derek Green, Council President, Gilmore Richardson, all of my colleagues, Squilla, everybody who is on this, we've all been trying to come up with the most innovative, the most strategic, the most economically efficient proposals or recommendations that we can make to just move

Philadelphia in the right direction since the Feds, every time we turn around, they've been moving the goalpost, we can't do this. But then they change the regs, we can do this and then they change the regs. And somebody said, they spent it this way over here, so it's just a matter of interpretation about how Philadelphia can spend this money.

Without the direct and concise leadership that we needed coming from the Executive branch in Washington, D.C., I think that this Council working in conjunction with this Administration, I think we've done what we could and I think we continue to try to get even better and to do so much more. So if Sarah -- I don't know if Sarah de Wolf is listening and Chris, I want to say to our Matt Stitt and all members of our technical team, I want to thank you all so very much for the work you've done, particularly relative to this Recovery Office. I know your work hasn't been easy. Again, the Feds keep moving the goalpost and the decisions have been tough, but we just got to keep moving in the right direction.

And the first direction for me, Rob and Marissa, I'm going to be watching very carefully because whatever we're going to send the small businesses, we better make sure it's grand and we should be able to scale it and we should make sure we have partners that can help get this out effectively and efficiently.

Thank you, Mr. Chairman. I appreciate your patience.

COUNCILMAN DOMB: Thank you, Majority Leader Parker. Thank you very much.

I don't see any other questions, but I have one or two questions for who, I guess, could be the City Treasurer Christian Dunbar. So here's the question: First, Mr. Dunbar, I would like to thank you and your office for the great work you do and how responsive you've been to our office to questions and requests since you came on board. You're doing a great job. Thank you.

And the latest report we received on the reconciliation of the City's bank accounts shows that we still need to reconcile, I guess, March through June of our FY20 payroll account. And I'm guessing that payroll reconciliation is a little more complicated than usual because of the pandemic. Any idea what you're anticipating how long it will take to reconcile the City accounts for Fiscal Year '20 and will it have any effect on our eligibility for recovery funding?

MR. DUNBAR: We don't anticipate that it will have any effect on our recovery. We are working with our accountant. And just to give you a quick snapshot as we're dealing with the pandemic, as you know we all went out of the office around March 18th and working with OIT, our accounting staff was only about 50 percent in terms of being able to work remotely until about July. So what we had to do was prioritize the type of accounts that we wanted to ensure was reconciled and looked at on a daily and/or weekly basis. And we did that based on really the potential of fraud or risk to the City.

Some of the other accounts that took a bit longer would have been employee payroll and the levy because those accounts from a fraud perspective are relatively lower. Now that our accounting staff is up and fully running, we are going through the process right now that we can catch up the employee payroll account.

And just to again reiterate, we don't expect that will have any effect on our ability for any of the recovery dollars. And I'm waiting on an update from our accounting team who should have that for me within the next week or two. We're expected to be completely up and running to be quite honest by the end of next month in terms of all of our accounts.

COUNCILMAN DOMB: Thank you. That's great. And keep up that great work. I have a second question for you, and it goes around what I call, I guess, refinancing. And for the public benefit, the interest rates are so low. Anyone who owns a rowhome in the City should be probably looking at refinancing. They could be as low as 2.5 percent right now for a 30-year mortgage.

So I know the Federal Reserve has been a leader in providing the recovery funding through Capital Markets. And back during the budget process, we decided on a municipal financing vehicle they offered didn't make financial sense I believe for us to take advantage of. Have there been any opportunities in the first quarter of this fiscal year with rates so low

to find some supports through Capital
Markets and can we realize some savings
here on interest costs for future bond
refundings that might be available
because rates are so low at this point
in time?

MR. DUNBAR: Absolutely. Our
most recent transaction just to give
you a sense of -- give you a point of
how low rates are, the municipal
liquidity facility and the rates that
they offered would have been roughly
about 2.1 percent, but we were able to
borrow a TRAN, and that's a short-term
borrowing for 26 basis points, just to
give you a sense of really how low
rates are. We are as you know,
Councilman, constantly reviewing our
entire debt portfolio and that's across
all of our agencies, which is roughly
just under 9 billion for refunding
opportunities.

We just did a significant
refinancing with our Water Department
and we saw tens of millions of dollars

worth of savings there. We're in the process of refinancing our Gas Works, and there aren't many general obligation bonds that are at the stage where we can refinance them now. There's some technical reasons around why we can't do that.

We can only do it taxably if we want to do an advance refunding. An advance refunding is just essentially refunding, something before the call date. Every time we issue bonds, we typically can't call those bonds or refund those bonds for 10 years. And so, that gives us a limitation.

In 2017, what happened is that tax exempt advance refinancing which would allow us to refinance a bond prior to that 10-year call date was removed in a 2017 tax proposal that passed Congress. And so, we can do that taxably, but obviously taxable rates are higher than tax exempt rates. So we're also evaluating -- there's opportunity cost when you refinance too quickly, where if you waited a year or two, you may be able to refinance at a much better savings to the City. And so, what we call that is optionality.

As we review our portfolio, we're always looking at a number of different things. Obviously, how much money we're going to save. There's negative arb, and I won't go through those technicals. But also optionality, where we may be able to wait a bit longer before we do our recent (inaudible) and there will be no long-term debt interest of the City, because many of these bonds are out 20 and 30 years, and in some cases out even 35 years. So we're always re-evaluating our portfolio on a pretty monthly basis to try to take advantage of refinance and opportunities.

COUNCILMAN DOMB: Thank you. Is the hold-up basically that you just can't refinance some of these bonds or that penalties are so great that the economics don't work?

MR. DUNBAR: So some of it is
the economics, you know, negative arb
and that's just what we may call
opportunity cost. And refinance --
because any time you refinance, what
you really end up doing unlike a
mortgage refinancing where you're
taking out that completely, what we're
doing is we're refinancing and we're
taking money and we're putting it in an
investment fund and that investment
fund will then pay back the bonds for
us. So it's not a true refinancing as
we would think about from a mortgage
perspective, because those bonds stay
out to the investors because there are
limitations on the call date, which is
typically about 10 years.

And we are looking at
different financing structures, maybe
shorter call date or other financing
structures that might make sense for
the City long-term. But as it relates
to our portfolio, over the last four
years we have done a significant number

of refinancing, so that's why many of our call dates are out past 10 years. So we don't have many current callable bonds. And so, because again tax exempt refinancing has gone away, we can only look at taxable and we want to be very careful how we go about refinancing taxably because those rates are typically higher than tax exempt rates.

COUNCILMAN DOMB: All right. Sounds great. I just want to stress that this is such a big area right now where we can save money. Whatever we can do to help you, give you the tools you need, just let us know because this is an area with low interest rates. What other businesses around the world are doing, they're refinancing almost all of their debt to lower their cost of doing business and we should -- and it sounds like we are, we should do the same thing as the City of Philadelphia. So I appreciate everything you're doing and keep up the great work. Thank you.

MR. DUNBAR: Thank you. I appreciate it and I appreciate your leadership on some of these issues.

COUNCILMAN DOMB: Thank you. So now I would like to call upon Sarah de Wolf and Chris Rupe to give us their Recovery Office Report.

MS. DE WOLF: Thank you, Councilman.

Chris, are you there?

MR. RUPE: I am, but my camera does not want to work right now.

MS. DE WOLF: Okay.

COUNCILMAN DOMB: Just say your names for the record there.

MS. DE WOLF: Sure. I'm Sarah de Wolf, Deputy Finance Director, Co-recovery Lead for the City of Philadelphia.

MR. RUPE: And I'm Chris Rupe, Deputy Managing Director for Policy and Legislation and Co-recovery Lead. Thank you for having us today.

COUNCILMAN DOMB: Good morning. Thank you.

MR. RUPE: In the interest of everybody's time, we would like to give an abbreviated slide deck if you don't mind. I think the copy was distributed to all members. But if that works for you, Mr. Chair?

COUNCILMAN DOMB: Perfect.

MR. RUPE: Great. And we'll also make this available on our website at some point too. We're happy to answer any questions that we may not cover in any of the specific slides.

So, Sarah, maybe if we can skip ahead to the second slide.

MS. DE WOLF: Okay.

MR. RUPE: In this presentation, we'll give a high level and brief overview of the work that's underway, the impact of COVID-19 that's had on the City and some of the challenges we've faced when responding to the pandemic. We'll also provide some clear examples of how the federal dollars the City has received have been deployed to help Philadelphians who are suffering the most from the effects of COVID-19.

We'll go over a high level, the overall strategy that has guided our deployment of resources and how the City's focus on equity has influenced the City's response. We'll also preview what we'll be working on in the months ahead. The City will be releasing a public report on these topics in the very near future. So today we wanted to preview some other content that will be included in that report.

I'd also like to mention that just a few days ago the Census Bureau released data on poverty, and it indicated that Philadelphia's poverty rate has declined from 28.4 percent in 2011 down to 23.3 percent in 2019. Again, that's a decline from 28.4 in 2011 to 23.3 in 2019. Philadelphia was moving on the right track until COVID hit. We need to make sure we continue that progress as we recover from this pandemic, and that goal has driven a lot of the City's response activities in mitigating economic insecurity and hardship and has also shaped our continued advocacy for additional federal relief.

Sarah, can we skip down to Slide 8?

MR. DE WOLF: Yes. Here you go.

MR. RUPE: All right. So just some high-level talking points about the impact COVID-19's had on the City. We all know that COVID has had a very significant impact. As of Monday, our City has recorded 35,825 confirmed cases and 1,785 deaths. We were one of the earliest places in the U.S. to be impacted by COVID-19 and the City responded quickly and aggressively to mitigate it.

Public health guidelines require certain restrictions on economic activity to slow the spread of the disease and flatten that curve, and from a public health perspective we've been largely successful. However, these restrictions also caused dramatic and racially inequitable economic harm. In July, Philadelphia's unemployment rate exceeded 19 percent.

Furthermore, the City's tax structure makes it particularly vulnerable to sudden economic volatility. Unlike many other counties and cities, including the counties in our surrounding area, we rely heavily on taxes that are particularly sensitive to economic fluctuations. As a result of this, the City is projected to have $749 million revenue shortfall this fiscal year, which for some context is an impact roughly seven times greater than the revenue gap during the Great Recession.

I'm going to fly through a couple quick slides here and not spend a lot of time on either one, but I wanted to make sure you had a chance to see them because they did a nice job kind of demonstrating the impact in a visual way that the pandemic has had on our City. Here we can see that the number of positive tests has decreased after that initial spike in the spring.

This occurred despite the significant increase in the number of tests being performed. In other words, we've tested more people and both the number and percentage of positive test results have steadily declined. Some officials may claim that higher positive test results are due to more testing activity. And here in Philadelphia, the data simply does not support that argument.

This graph shows the number of new and continued unemployment claims filed by Philadelphians. The two dark lines add up to the orange line on top. You can see that we saw a spike in new unemployment claims filed in April. And since May, the total number of Philadelphians claiming UC benefits has started to trend downward.

However, claims remain about five times higher than they were before the pandemic, which you can see by comparing the far right side of the chart to the far left side.

This data indicates that unemployment has disproportionately hurt younger, less-educated workers as well as racial minorities. According to Philadelphia Works, approximately 210,000 total UC claims were filed by Philadelphians between March 15th and August 1st. Almost 70 percent of those UC claimants reported an educational attainment level below a high school diploma or GED. These two tables break out the UC claimant characteristics further.

On the left, you could see that UC claimants are disproportionately minority compared to the characteristics of the labor force overall. On the right, you can see that the age cohort with the most UC claims is those between 25 and 34. And those with the lowest level of education represent the majority of claimants in every age group.

So in summary, Philadelphia is facing significant fiscal challenges due to the pandemic, but we're not alone. Most large cities and states are facing similar challenges due to the sudden and severe loss of tax revenue. At the same time, cities and states are facing increased cost associated with responding to the pandemic. We're also facing some very significant impacts related to unemployment and the impacts have hit the hardest on those who are least educated, racial minorities and younger workers.

We're very thankful that Congress has provided significant funding to help us respond to the pandemic, but these funding streams have all various restrictions and typically can't be used to make up for lost tax revenue. We have joined many of our peer cities and membership organizations to advocate for additional, direct and flexible funding to help us respond to the pandemic and manage through the related fiscal challenges, but Congress has not yet come to an agreement on this and a future agreement does not seem imminent.

Congress also thankfully provided some increased short-term financial support for families and individuals who have lost jobs or income due to COVID-19 in the form of enhanced unemployment benefits, but then has not provided long-term financial support for these people and we really need more long-term financial support coming out of Washington in order to ensure a robust and successful recovery. And now I'll turn it over to Sarah who will walk you through the next section.

MS. DE WOLF: Thanks, Chris. In the interest of time, I'm going to skip over this overview of federal legislation and just move into our next section. So as we talk about the recovery funding that we've received to date, we wanted to share some of the challenges and constraints that we're facing with our recovery work. The next few slides will provide an overview of those challenges.

So while every grant comes with its own set of constraints, the biggest and the most flexible funding source that we've received so far is the Coronavirus Relief Fund payment from the U.S. Treasury that was created as part of the CARES Act. When the CARES Act was passed, Congress created a formula of distribution of the $150 billion Coronavirus Relief Fund to states and local governments with populations of 500,000 or more. Through this formula, most of the funding went to state governments and not to cities or counties.

Philadelphia as a local

government with a population of at least 500,000 received a share of Pennsylvania's total funding through the formula set by Congress, and that share was $276.4 million. That amount equates to slightly less than 6 percent of the total funding received by Pennsylvania. Unfortunately, as Rob talked about earlier, this allocation is not proportionate to either Philadelphia's population or to the number of COVID-19 cases that Philadelphia has experienced.

Philadelphia is home to roughly 12 percent of Pennsylvania's population and over 20 percent of Pennsylvania's COVID cases as we show in these charts. While we continue to advocate for additional, flexible federal funding, discussions about another federal relief package have stalled. With no acceptable compromise in sight for democrats and republicans, it's looking unlikely that additional federal funding will be made available any time soon or that rules will change to allow more flexible use of our CRF funding.

What this means is that for now we will continue to face the two major constraints with respect to our CRF dollars, mainly we cannot use them to replace lost revenue which is the area where our finances have been hardest hit by the pandemic and we must spend the entire allocation by December 30, 2020. This deadline means that we'll face steep drop-offs in funding at the end of the calendar year, and we don't know what will happen with the pandemic between then and now or beyond.

In addition to these constraints, the rules guiding how we may use our CRF funds have continued to evolve, making it harder to ensure compliance with the federal guidelines. As of this Monday, Treasury has issued and revised its guidance and FAQs governing eligible costs and necessary documentation 12 times. In addition, Treasury has implemented extremely cumbersome reporting requirements for the CRF, requirements that are only made available in full in early September.

With limited funding available to Philadelphia, we want to make sure that programs enacted at the local level were informed by the state's decisions about how to spend its CRF dollars. However, lack of clarity has also existed at the state level. To date, Harrisburg has only allocated 2.6 billion of its 3.9 billion in CARES CRF funds, and it remains unclear how the Commonwealth will use its remaining funds.

While we're grateful for the relief program that the Commonwealth has implemented, we're still waiting to see what impact these programs have had and what the extent of unmet needs looks like. In addition, many strings are attached to these funds that limit their effectiveness, such as having rent relief at a value that's far below market rent in a city like Philadelphia.

This slide shows the timeline for CRF guidance changes. As you can see, the rules governing how these dollars can be spent have been updated over and over again, making it difficult for governments to move money out the door quickly. Funding was distributed in late April, but funding recipients were only notified of reporting requirements early July, two weeks before the first report was due, and guidance and Q&A documents have been revised as recently as this past Monday.

We also wanted to share our reporting timelines with you. As you can see in this report, our first interim report on spending from March 1 through June 30th was submitted to the U.S. Treasury in mid-July. Another more detailed report on the same time frame is being prepared and will be submitted by October 5th. We're planning to issue a public update on recovery work around the time of this first fall quarterly report.

Our next quarterly report is due to Treasury not long after the first one on October 13th. As you can see in the chart, we're also planning to time another quarterly update to be issued shortly after the submission of that report. In recognition of the need for more regular updates, we will also begin providing monthly updates on grant activity and spending to City Council beginning in October.

Chris, I want to turn it back over to you to talk through the next session.

MR. RUPE: Thanks, Sarah. So as we noted earlier, the City is facing increased costs and decreased revenues. So when you have minimal capacity for a financial risk, we therefore need to try to do all we can to recover our costs to responding to the pandemic. But at the same time, there are a lot of urgent needs in the community that we need to address to ensure a successful recovery. These needs far exceed the City's resources, so we need to try to balance the need to meet the longstanding needs of our residents by providing the services they've always relied on while also trying to meet the new and exacerbated needs due to COVID-19, and we must try to be able to do both in FY21 and beyond, because the overall economic recovery will be a longer term effort than the federal dollars will ask for.

To try to accomplish this, we've intentionally tried to make sure we've identified areas where the state and federal government are providing support to avoid duplication of efforts for wasteful spending and it's also helpful for us to understand where the gaps and unmet needs are as well as the impact of various investments to ensure we're being efficient with our dollars.

We are also focusing a lot of time and effort on ensuring that documentation is thorough and decisions are sound, so we minimize our risk at audit and keep as much as the federal funding as possible. This slide shows an update on our overall grant activity. At this point, the City has received a total of 24 grants totaling $623 million.

The largest portion of the funding is the CRF, which represents 44 percent of the total funds. Though the CRF has the most flexibility, each of those grants have restrictions of their own. Through the CRF, those funds can only be used to cover expenses that are necessary due to the pandemic and public health emergency, were not accounted for in the most recent pre-pandemic budget and the expenses must be incurred between March 1st and December 30th. The public report that the City will issue in the near future will break these grants out into more detail with respect to amounts, eligible uses and time periods.

This slide provides a high-level overview on how CRF funds have been spent as of June 30th. As Sarah mentioned, Treasury required the City to file an interim report on spending activity through June 30th over the summer and required expenses to be categorized into specific themes and reported as lump sum totals. This slide summarizes what we reported at that time as preliminary numbers.

From March 1st through June 30th, we reported eligible expenses totaling just under $116 million or 41 percent of the total CRF funds. At this rate, we are on pace to spend down our CRF dollars by the December 30th deadline. The largest area of expense is payroll cost or public health and safety staff who are on the front lines of pandemic response. We also incurred sizable expenses due to medical and public health response activities. And some examples include the medical examiner surge capacity, PPE and the Liacouras Center medical surge site.

We also dedicated $7.5 million for economic relief to small businesses and nonprofits through the first phase of the City's small business relief fund and the PHL COVID-19 fund. Once this interim report was completed, Treasury substantially changed its reporting requirements going forward. We are currently in the midst of recategorizing this expense data by specific project and will have those numbers available by early October. Data for the first quarter of FY21 will then be available a little bit later in October in advance of that next Treasury reporting deadline, and this data will also be on a project-specific basis, so it will give you a little bit more insight, transparency and clarity around the costs and attributing those to a specific activity, rather than just looking at a lump sum total or a list of purchase orders and incumbrance and actual data.

And now I'll turn it back over to Sarah to walk you through the elements of the City's strategy.

MS. DE WOLF: Thanks, Chris. So the next few slides will focus on the reimbursement strategy. So with limited funding available for our response and recovery efforts, we prioritized three key areas of spending, protecting public health and safety, protecting vulnerable residents and recovering economically from the impact of the pandemic.

Within these themes, we're working equitably to distribute funds to cover new costs incurred by the City in its response to the pandemic and to support new programs that provide direct and meaningful relief for those residents and businesses who have been hit hardest by this crisis. Since early March, City agencies have been the front lines of the response to the public health crisis.

As Council was well aware, these response efforts have required previously unbudgeted and unanticipated spending in a number of areas that are eligible for reimbursement through the CRF. From March 1st to June 30th, the City's General Fund incurred more than $100 million of payroll, medical and public health expenses resulting from our response to the pandemic.

Specific line items have included personal protective equipment for essential City workers and the public, healthcare services and testing at the prisons to prevent the rapid spread of the disease within an enclosed area, other disease containment strategies, standing up emergency operation centers to coordinate amongst departments and partner agencies, establishing and overseeing a medical surge facility, communicating with the public and promoting healthy practices, cleaning and installing protective plexiglass barriers in public buildings and establishing protocols to ensure the sustained provision of essential public services.

In addition to the cost incurred related to protecting public health, several key investments have also been made to protect vulnerable populations from the impact of the pandemic. These include investing up to $46 million of local and state CARES Act funding and two phases of rental assistance. The first phase will serve up to 4,000 households. And the second phase will serve up to 6,300 households with stacked benefit designed to encourage more participation from landlords and to maximize drawdown of state funds.

In addition, in recognizing that many households in Philadelphia are impacted by the digital divide and that having reliable Internet access is essential to remote learning, we are also investing up to $3 million to provide Wi-Fi hotspots to K through 12 households through the PHLConnectED program and are supporting access centers with Wi-Fi hotspots as well.

We've also repurposed three hotels to provide isolation quarantine and prevention services to vulnerable residents who cannot safely shelter at-home or in a congregate setting. To date, nearly 500 individuals have participated in the isolation quarantine program and over 200 in the COVID-prevention spaces. And we have invested in food distribution to help those who may not be able to access more traditional service delivery methods due to health restrictions as well as those who are encountering economic hardship due to COVID. To date, we have invested 6.2 million with 679,000 food boxes distributed and nearly 6 million meals served.

In March recognizing that many of Philadelphia's small businesses were impacted by the public health restrictions imposed by the spread of the virus, the City acted quickly and committed $7 million to the Small Business Relief Fund which help to leverage additional non-City funding. Through this fund, a total of 13.3 million was distributed to over 2,000 business through a mix of grants and zero-interest loans; 50 percent of the awardees were located in low-to-moderate income census tracts.

In early June, the Governor announced a $225 million small business grant program through the CDFI Fund funded with state CRF dollars. During the first phase of this grant program, over 1100 Philadelphia businesses received a total of $20.4 million with 70 percent of funds going to historically disadvantaged business. The City is awaiting full details on the impact and distribution of the remaining phases.

The City also made an early contribution of $500,000 to the PHL COVID-19 fund. These funds help to leverage philanthropic contributions which together have provided $17.5 million in grants to more than 500 nonprofits. Together these various programs have allocated over $50 million to help small businesses and nonprofits impacted by the pandemic.

This slide shows some additional statistics about the first Small Business Relief program, including the make-up of businesses receiving grants, the type of industries receiving funding and the applications by zip code. And with that, I'm going to pass it back to Chris to talk about the importance of an equity-centered approach during our recovery.

MR. RUPE: Thanks, Sarah. As we noted previously, the pandemic disproportionately harmed low-income residents and communities of color. For us to have a successful recovery, we must ensure that assistance is targeted to those who have been harmed the most. In order to accomplish this, the City launched a series of initiatives that were designed to specifically those who are in greatest need.

I'll provide a high-level overview of a few of these response strategies, which are being funded in whole or in part through CRF dollars. We would be happy to follow up with the subject matter experts who are closest to the actual operations of these activities to respond to any specific questions you may have.

So we know from the unemployment data that racial minority groups are disproportionately shouldering the economic impacts of the pandemic. But testing data also shows they are bearing a disproportionate share of the health impacts as well.

The data on the right side of these charts, which is from the Health Department, illustrates that the number of COVID-19 cases has disproportionately impacted African-American and Hispanic residents the most as well as older residents of all racial groups.

So given how inequitable these impacts are, the Health Department has intentionally structured its response with an equity focus. The Department hired a diverse staff of contact tracers in an effort to ensure that the staff had the cultural and linguistic competencies to successfully reach those who need to be reached the most. Testing efforts have also focused on trying to reach racial minorities. Here are some graphics illustrating the demographic breakouts and linguistic capabilities of this staff.

Given how inequitable these impacts are, the Health Department intentionally structured -- I'm sorry. The Health Department is also working with organizations who can expand community-based testing with a focus on underserved populations because we know that there are barriers and biases in traditional healthcare delivery systems, so we need to make sure we are reaching people where they are using more trusted avenues.

To date, 14 organizations have been funded and the department continues to accept responses to its RFI for community-based testing. The first and largest grant was made to the Black Doctors COVID-19 Consortium, whose founder is also working with the Health Department to help shape its equity work and planning for flu and COVID vaccine deployment. Through the efforts of these community-based organizations and Health Department staff, testing has increased among minority populations and African-American Philadelphians now have the highest testing rate per capita.

The City's equitable response to the impacts of the pandemic extended beyond targeted testing activity and also included ensuring that the basic foundational needs of our vulnerable residents could be addressed effectively. Here are a few more key examples of that: Many City departments and agencies came together to ensure that our residents who are at risk of food insecurity could be fed. In addition to the economic harm caused by the pandemic, the pandemic also impacted food supply chains and distribution systems. Traditional indoor feeding operations could not operate and schools that typically provide free meals were closed. To respond, the City set up a network of food distribution sites as depicted on this map.

These sites were clustered in the parts of the City with the highest need to try to ensure that those who need help can access it. Through this enormous effort, over 679,000 boxes of shelf-stable foods were distributed to families. More than 5.6 million meals were distributed to school-aged students and more than a quarter million meals were served to unsheltered or economically insecure residents who could not access traditional meal sites due to health restrictions. More than 85,000 meals were also distributed to seniors who are often particularly at risk of COVID-19.

Another major issue we tried to address was the longstanding digital inequities in our City. This digital divide became exacerbated by the shift of virtual learning for our public school students. Many of whom are from low-income households whose Internet service is an unaffordable luxury. To ensure that kids can have reliable Internet access and safe environments to learn in, the PHLConnectED and Access Centers initiatives were launched.

As of this week, there are now 77 access centers city-wide where students can receive their instruction in a safe and supportive environment. The distribution of these sites is shown on this map. This work was an excellent collaboration with the School District and philanthropy, and the City invested approximately $3 million from the CRF to provide Wi-Fi hotspot devices to households that had public school children but no Internet access, and operationalize the access centers.

Deploying resources with an equity focus is vitally important because we need to make sure those who need help the most are receiving the most help. However, equity and response must also extend beyond the deployment of services and into procurement practices. Departments have also worked to ensure that procurement activities related to the pandemic are equitable and inclusive.

Due to the nature of the pandemic, many of the City's significant purchases were related to healthcare services, medical equipment, food, technology and human services. A lot of very specialized things had to be acquired on an expedited basis and often with supply chain challenges. Federal guidelines also require us to follow a competitive process in most cases, often forcing departments to use or amend existing contracts that already went through a competitive process. However, despite these unusual circumstances, the Administration has stressed the importance of inclusive procurement.

CAO has established an emergent contracting committee in partnership with Law, Procurement and OEO to promote equity and diversity while also complying with the federal grant requirements. The group reviews

COVID-related procurements and tries to identify areas to maximize participation. Premilimanary spending data is shown on this slide through September 1st on all COVID-related contracts.

You can see that for the total universe of for-profits procurements during this period, the City has achieved a 30 percent total M/W/DBE participation rate; 23 percent MDE participation; 5 percent WBE participation rate; and another percentage went to firms with multiple M/W/DBE categories. These numbers represent a snapshot in time and will be refined and updated as the books close on FY20 and spending obligation data continues to be updated as invoices are paid and goods and services are acquired, but we will continue to stress the importance of inclusive procurement throughout the pandemic response and recovery process. And we will continue to report out on this important metric. And now, I'll turn it back over to Sarah.

MS. DE WOLF: Thank you, Chris. So before finishing up, Chris and I wanted to give a quick overview of upcoming recovery activities. As you know, the pandemic is far from over and the City is preparing for a potential increase in COVID cases this fall and winter. There will be additional costs associated with some of these preparations to ensure the City is positioned to withstand another surge in cases.

In addition, we will continue to embed a racial equity approach into our programs and processes. We will continue to emphasize the City's M/W/DSBE goals and the importance of those goals for all spending, including federal and state dollars. We will also continue to evaluate our existing relief programs for renters of small businesses to ensure maximum impact and minimal gaps. This includes using our own dollars to leverage funding from state and philanthropic communities.

We will continue to work closely with the School District to ensure that children and their families have what they need to learn safely and where necessary remotely. And we'll continue to advocate for additional flexible funding to offset our revenue losses while maximizing our drawdown of grant dollars and ensuring compliance with federal guidelines.

So Chris and I want to thank you for this opportunity to present on this work. Our contact information and website is listed at the end of this presentation and we're happy to answer questions that you have.

COUNCILMAN DOMB: Thank you. Thank you, Sarah and Chris, for the presentation. Excellent work. It seems like you're doing a really good job. I do have a few questions and then I'll open it up to my colleagues.

I guess one of the concerns I

have is I feel like we're not being treated fairly by the state. We have the population of -- we represent 12 percent. And all of the different categories, in one category we're getting 6 percent of the money; in another category we're getting not even 8 or 9 percent of the money. It just doesn't seem fair. I assume we have lobbyists that are working on this, but what are we doing to make sure we get at least our fair share? I'm not asking for more even though we have way more COVID cases than any other places in the state of Pennsylvania. What are we doing to lobby the Governor and the Legislative body to make sure we get just our fair share?

MR. RUPE: Sure. So I can take that. We are in regular communication through the Mayor's Office with our lobbying firms that deal with both state and federal issues as well as with our collected Legislative Delegation members. We have sent numerous letters outlining our priorities. We do have a very good working relationship with the Administration in Harrisburg.

I think some of these issues are very challenging because whenever -- every jurisdiction we found is facing a very different set of circumstances. And when lawmakers in Washington are trying to strike a deal on how to allocate resources, often times population is one of the only data points they have to go on. I think the unfortunate reality is that the way they crafted the formula distribution in the CARES Act, most of the money went to states. No state regardless of its size got less than $1.25 billion. And all of the large counties were then given a much smaller allocation based on their proportionate share of the population based on a tweak to the formula.

So our population share, that 12 percent, was only applied to 45 percent of the state's money so we ended up with a much, much smaller share than 12 percent. We are also facing challenges by the fact that we are both a city and a county. Many other counties do not have the level of front line response activity dealing with public health and safety that we do.

For example, we're the only county in Pennsylvania to my knowledge that runs an EMS system that serves the entire City. Many other counties are in a position where they are not bearing as many of the direct costs for responding and can sort of dole out grants and distribute funding to others to carry out the work. So that's my long-winded way of saying that we engage on a very regular basis with our lobbyists and our elected officials. We submit written testimony. We have submitted advocacy letters. It just seems like unfortunately, particularly in Washington, there's not a whole lot of urgency for people to come to the table and really make some tough choices.

COUNCILMAN DOMB: Have we engaged the business community in Philadelphia to help us in this situation, because we do generate a lot of taxes for the state of Pennsylvania from Philadelphia? And I wonder if we can call out 20 or 25 business leaders and say, hey, we need your help here, we need you to lobby for us to at least get our fair share.

MR. RUPE: That's a really good idea. And that work may be happening underway through the Chamber and the Commerce Department. Commerce may be better equipped to speak to the details. And one other thing I wanted to mention and I also wanted to call out Councilmember Green for his involvement with the National League of Cities. We are members of the NLC and U.S. Conference of Mayors, and National Association of Counties and we are actively engaged with all of those organizations.

It has become very clear to us very early on that regardless of what the specific impacts of the pandemic have been, many of us are all sharing the same concerns. And we've really been in lockstep with our advocacy priorities across the country. Unfortunately, we haven't seen a lot of movement on the legislative slide or progress on solving some of these really challenging issues to this point.

COUNCILMAN DOMB: Okay. Thank you. I have a few questions I'm going to ask regarding this. One is are you both overseeing the consultant we hired to ensure we spend our money down by December 31st?

MR. RUPE: Yes.

MS. DE WOLF: Yes.

COUNCILMAN DOMB: And I hear from my colleagues and I think Council needs and deserves maybe some assurances that we understand priorities as things progress and that this money will be spent effectively and we can ask you to come back in a month to report out to this body and to the public. Can you give us an understanding of how the revenues and obligations will be reported? And also, it sounds to me like, I could be wrong about this, it's about $640 million or $650 million in total funds.

I guess one of my questions of very simple math is how much of that have we spent so far, how much have we not spent so far? And in the rental assistance program, for those people who are affected by the virus, we need to help them as much as possible. And the small businesses, because those are the investments that we'll pay off in the long-term and we need to make sure they stay alive and don't go out because of this virus. Those are so valuable to us, so I'll let you answer those questions for me. Thank you.

MS. DE WOLF: I'm happy to take that one, Chris. We're happy to come back and give an update. We will be in a good position in about a month to provide kind of a broader overview. One of the things we're working on is actually something from our earlier days, which a drawdown report just showing how we're spending down grant funds so we're standing that up now. Obviously, there's a lot of kind of numbers crunching that has to happen behind the scenes with this data. But I think we'll be ready and we're definitely working on extracting all of that information from our systems.

MR. RUPE: And the only thing I'd add to what Sarah said is as we're going through the process of reporting to Treasury on the last quarter or last four months of FY20 and the first quarter of FY21, we're going to have much more precise expenditure data categorized sort of on a project-by-project basis to share with you very soon.

COUNCILMAN DOMB: Is it possible to get a detailed expense account for each fund we've received that makes up the total 640, 650? And the second part of this is if I had to guess at a number of how much we've spent, have we spent of the 640, 300 million, 200 million? Just give me some ballpark so we know where we are.

MR. RUPE: We can try to pull something like that together. I think every grant's going to be a little bit different because some of them we have not -- we've received a notice of award and gotten a budget approved, but we haven't actually had the money hit our account yet because it's on a reimbursement basis and some of them other ones have a bit longer of a time horizon, but that's the kind of information we want to make sure we can get a good, robust grant drawdown report that we can share with you.

COUNCILMAN DOMB: I just want

to ask you and I'm not being difficult on this. I'm just trying to get an idea. As of today, if we received $640 million to $650 million, have we spent 250, 300, 200, do we have any idea?

MR. RUPE: We can pull that together for you. The biggest question mark in my mind right now is I don't have the latest numbers from Airport right at my fingertips and they were the largest recipient other than the CRF of our City dollars and their grants work on a different way than our CRF money does.

COUNCILMAN DOMB: Okay. And that's an important number to share with Council. So you understand where we are, I think that's a very important number.

MS. DE WOLF: Can I just add one more thing to that. When we provide that number, I think something we need to do to contextualize it is not all grants have the same sort of spending deadline so we have several

multi-year grants. I just want to make
sure that kind of also gets captured in
what we're talking about.
COUNCILMAN DOMB: That's
fine. We heard a lot of comments about
rental housing assistance for COVID
issues and we've also heard about the
small business. I think you are
hearing from my colleagues and myself
whatever we can do to ramp those two
areas up, we want to do, especially
these small businesses that are going
out of business. We're losing jobs.
We're losing -- it's an investment by
us and it is a smart investment for us
to keep them alive. Here's my next
question --
MR. RUPE: We agree.
MS. DE WOLF: We agree.
COUNCILMAN DOMB: Great. How
much of our Fiscal Year '20 overtime
was reimbursed by CARES money? And can
you give us a breakdown of how much
overtime was covered by different
recovery-related reimbursements?

MS. DE WOLF: I'll be honest. I don't have that number right at my fingertips, but we can follow up and get that number for you.

COUNCILMAN DOMB: And last question I have and then I'll open it up to my colleagues. Do you anticipate needing to come to Council with an appropriations bill to move recovery set aside in the grants revenue fund into specific departments?

MR. RUPE: Not at this time.

MS. DE WOLF: Yeah, I think not at this time. The way we set up our funding we're trying to -- Marissa alluded to this earlier. We're trying to maintain centralized cost-tracking, so we're doing less for moving the money out and more moving expenditures into a central location, but we'll definitely let you know if we need do that.

COUNCILMAN DOMB: Okay. Thank you. Are there any questions from my colleagues? I don't see any in the chat room. Does anyone have any questions for our Recovery team? You guys are doing a good job by the way. Thank you.

MR. RUPE: Thank you.

MS. DE WOLF: Thank you.

COUNCILMAN DOMB: Seeing no further questions, I want to thank you for your testimony and for the information you provided and I look forward to receiving a lot of information from you. And I want to thank every witness today for being here and for your ongoing oversight of our City's finances and we hope to have you back real soon.

And in accordance with today's agenda, I call for this Committee to adjourn until 2:30 today. Thank you very much. And I appreciate everybody's help. Thanks very much.

(Afternoon recess.)

COUNCILMAN DOMB: Good afternoon, everyone. This hearing is called to order and I'd like to recognize Councilmembers Isaiah Thomas and Councilmember Derek Green. And I understand that state law currently requires that the following announcement be made at the beginning of every remote public hearing as follows: Due to the current public health emergency, City Council Committees are currently meeting remotely. We're using Microsoft Teams to make these remote hearings possible. Instructions for how the public may view and offer public testimony at public hearings of Council Committees are included in the public hearing notices that are published in the Daily News, Inquirer and Legal Intelligencer prior to the hearings and can also be found on phlcouncil.com.

I'd like to ask Ms. Grbach to call our first panel of this session. Thank you.

THE CLERK: Tumar Alexander, Cynthia Figueroa, Anne Fadullon and Silvie Gallier Howard.

MR. ALEXANDER: Good afternoon. I'm actually under the impression that it should be myself --

THE CLERK: Sorry. Sorry. That was my mistake. So we're going to hear from Harvey Rice, Rob Dubow, Marissa Waxman, Commissioner Danielle Outlaw, Commissioner Thiel, Commissioner Blanche Garney and Commissioner Carlton Williams.

COUNCILMAN DOMB: Good afternoon, Executive Director Rice. The floor is yours. Thank you.

MR. RICE: Good afternoon, Councilman Domb and the members of the City Council Fiscal Stability and Intergovernmental Cooperation Committee. My name is Harvey Rice. I'm the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority, PICA, the state oversight agency for the City of Philadelphia.

Thank you for allowing me to testify today to speak about the City's

Fiscal Year 2021 overtime spending which encompasses the months of July and in August of 2021. I have a slide outlining what we have seen so far in the overtime spending for FY2021. So far this year as you can see if you look at the total, and this is only departments with overtime costs that are shown, so some departments that didn't incur any overtime cost in either of the two years are not on this list.

And as I mentioned earlier this morning, these are only preliminary numbers and it's only two months out of the year. But as you can see, there is a $14 million decrease in overtime cost for 2021 as compared to 2020. And that number, the 25 million, might even be lower as the reimbursables come in for some overtime costs through certain departments.

And usually, we compare year over year and we also compare costs to the allocation by department, but PICA has not received those allocation numbers yet. So we were unable to do that for these two months. So if anyone has any questions, I'm available to answer them in regards to the overtime costs for Fiscal 2021.

COUNCILMAN DOMB: So, Executive Director Rice, I have some questions I would like to ask you. If I'm reading this correctly, the Police overtime from the 2020 period compared to the 2021 period has dropped dramatically?

MR. RICE: Yes.

COUNCILMAN DOMB: Which is impressive, very impressive. A more than 50 percent drop.

MR. RICE: And that could be a further drop depending on how much reimbursables are included in that 8 million figure.

COUNCILMAN DOMB: That's very impressive. We went from the period of 2020, 17 million down to 8.2, which is a savings of 8.9. That's impressive.

And the largest right now is the Fire Department, which also reduced percentage-wise maybe 5 percent or so.

MR. RICE: Yes.

COUNCILMAN DOMB: That's the Police and Fire -- I would say Police, Fire, Streets and Prisons probably make up would you say maybe 90 percent of the total overtime in the City?

MR. RICE: Yes, almost 90 percent.

COUNCILMAN DOMB: Would it make sense for us to mostly focus our energy and time of that 90 percent which it seems like it's already reducing a bit? That seems like it's productive.

MR. RICE: We generally concentrate on, as you can see in our report, the top four and then we add the other six departments. They're the ones we're really concerned about. They're the ones we want to meet for the City for the allocation plans and the targets instead of smaller numbers, smaller departments who might not have overtime costs, but had them because of the COVID such as -- what was that department? There was one department that needed to -- it wasn't Commerce. It was a department that had no overtime but needed -- I forget what it was. But due to COVID, they needed to do some work for the City which required a minimum amount of overtime. So those departments like that we don't concentrate on.

We concentrate on, one, the big departments with the most amount of overtime costs, plus those departments that continually year after year after year, their overtime costs either grow or don't decrease.

COUNCILMAN DOMB: Okay. I would like to recognize by the way Councilmember Marie Quinones-Sanchez who's joined us. Thank you. Good afternoon.

I guess I have a question for the top four departments. I guess I could start with the Police Commissioner, Commissioner Outlaw. And I have to give you a lot of kudos because you cut your overtime so dramatically and I'm just curious how you accomplished that goal because it's very impressive?

COMMISSIONER OUTLAW: Thank you. So there's a few factors I think that we're looking at as it relates to the end of last year and actually even the beginning of this fiscal year. We know for a fact that the courts being closed for a significant amount of time had a huge impact on our overtime costs. We're going to see those start to creep up slowly again since the courts reopened in September. But we also know that we should take this very seriously. We've been taking it very seriously.

We require, depending on the amount of overtime worked, signatures from a supervisor; and again, if it's four hours and above, it requires signing off by a captain or above. But then we also recognize that there's salary savings there. And so, we're able to identify other areas that we can utilize to bring those numbers down in addition to any outstanding grant funding that we can use also.

COUNCILMAN DOMB: That's great. Good job. That's very good. I understand with the courts being closed that's a piece of it, but still managing and controlling it with the way you're doing is important.

COMMISSIONER OUTLAW: Thank you.

COUNCILMAN DOMB: You're welcome. So let me go down the list, the Streets Department. And I would have expected by the way, Commissioner, that the Streets would have had an increase in overtime but actually had a decrease. I'm just curious if you want to comment on that.

COMMISSIONER WILLIAMS: Sure. Thank you, Councilmember Domb. So the early projections are showing lower numbers which is a good sign. However, that is due to the lack of special events that we normally attend every year. We staff numerous events on the Parkway, July 4th celebration being one of them that didn't take place this year. And so, we were able to achieve a significant number of savings without having to staff those events.

Nonetheless, we are still concerned about the future projections because the pandemic continues and as we talked about on our Monday discussion, the numbers for trash collection is still higher than we were last year, so we are constantly monitoring that. We did put a team together to ultimately monitor how we can reduce overtime. In fact, we put it in as one of our cuts to meet this year's budget and fiscal obligations. So we are monitoring it carefully. And while that's a good sign, we're deeply concerned about what the future holds with the pandemic as it continues to linger on.

COUNCILMAN DOMB: Well, I'm glad you're focused on it because that's an important area.

Let me go to Commissioner Thiel from the Fire Department. I noticed you have a 5 percent or so decrease in the overtime and I'm just wondering if there's any other tools that we can utilize in the Fire Department to reduce that any further?

COMMISSIONER THIEL: Councilmember, I guess like the others I think these are early projections. Only 79 percent of our budget positions are filled and operational. We've been hit pretty hard by COVID in terms of staff availability, also additional missions that we've picked up in addition to the thousands of fires, hundreds of thousands of EMS incidents, et cetera, et cetera.

We also have not had any special events. That's our second biggest driver of overtime after minimum staffing requirements, special events. So I think we're also benefiting a little bit from that. I think we're also benefiting compared to FY20. As we know, COVID has been less of an issue over the past couple of months than it was towards the end of really for the entire second half of FY20. Keep in mind that firefighters and medics in addition to doing their regular missions about 1,000 a day on average are also supporting a host of COVID-related missions, everything from logistical support for healthcare institutions, day cares, feeding operations, running isolation and quarantine missions, so we still have a lot of work that's happening so I'm pleased to see this number.

Again, everything is driven for us by minimal staffing and that is both according to National standards and contractual obligations, so we don't have a lot of flexibility. You frankly cannot send a fire engine out the door with one person on board if the other three people are off for whatever reason, so we have to fill those spots to provide safe and effective service.

With that said, I'm hoping that COVID stays the way it's been. Everybody wearing their masks and hopefully, we will see this number consistently over the rest of the year.

COUNCILMAN DOMB: Okay. Great. By the way, these numbers that I'm seeing in this report, are they actuals or are they projections? It could be the Director --

MR. DUBOW: They're actuals through August.

COUNCILMAN DOMB: Okay. They're actuals. Let's go to Prisons. I noticed a 38 to 40 percent drop in the Prison overtime. I was wondering if --

MR. RICE: Councilman, these are actual numbers. However, they're preliminary as we've said because these numbers could drop as reimbursables are collected by the City.

COUNCILMAN DOMB: Okay. So let's go to the Prison Department and maybe a few comments from the Commissioner on how you managed to lower the Prison overtime 38 percent or so.

COMMISSIONER CARNEY: Good afternoon, Councilman Domb and others on this Teams meeting. We've managed to decrease the overtime cost because of the COVID-19 pandemic, we went into a shelter in place. We continued with essential services only being physical health care, medical and food. We suspended a number of our programs and services and civilian visitation to mitigate COVID-19.

During this period we also, as the population decreased, transferred male population from detention center to the Riverside Correctional Facility to fully utilize and maximize bed space and that also allowed us to redeploy staff to fill vacancies across the remaining facilities. Again, the major reduction is because of the activities that have been suspended. We anticipate there will be some increase as the courts will slowly reopen and build to capacity and as we transition to Phase Green, re-acclimating ourselves to introducing a new way of doing programming for the inmate population. But those are the major drivers that allowed us to reach the 38 percent reduction.

COUNCILMAN DOMB: Keep up the good work. That's great. Thank you.

COMMISSIONER CARNEY: Thank you.

COUNCILMAN DOMB: I'd like to go back to I guess Commissioner Outlaw and just to ask you about the court overtime. Do we have any plan in place of using even technology if that's possible in order to cut down on the overtime? We've all had meetings, remote meetings. Is there any way we can increase the remoteness of once we hear from officers in the courtroom?

COMMISSIONER OUTLAW: Yes. I actually think that's a larger question because we're just kind of adapting as the courts adapt. So as the courts utilize technology, we make sure that we have the technology on the opposite end to be able to do that. But I know that there's larger discussions around that, but it's more on the court side than on our side.

COUNCILMAN DOMB: That's definitely something that we should explore to cut down on the overtime. Thank you.

Let me go back to Director Rice. What departments would you like to see the City focus on with regard to overtime spending? And when you do the math, I understand that these four departments that we just spoke to are about 23 million of the 25.2 million of overtime, so they are the bulk, over 90 percent of the overtime. What would you like to see us focus on as a City?

MR. RICE: In addition with those four, absolutely. And then in addition, to look at Licenses and Inspections, Streets, Fleet Management and then an independent office, the Sheriff.

COUNCILMAN DOMB: Okay. Another question for you: Given the overtime plan you and the PICA Board have seen thus far, do you have any concerns about where we are at this point in the year on mitigating overtime spending issues?

MR. RICE: We have concerns because we haven't received any finite targets or amounts that they project to reduce overtime by either totally throughout the City or by department. That's why we want to continue our discussions with them to get that information sooner than later so that it's easier to monitor as we go forward each month, so that's one of our concerns. While they laid the ground work for an overtime reduction plan, we haven't seen concrete targets and concrete numbers of what they want to get the savings down in overtime.

COUNCILMAN DOMB: Okay. I guess this is a question for the Administration: First and foremost, I think it's important that we set monthly targets in the spending of overtime. And every year there are events that will lead us to higher overtime spending, we understand that, so the trend is consistent and we always go over budget on overtime .

I'm wondering if the Administration, maybe Rob or Marissa, will commit to providing us multi-budgets for each of the top four or five highest spending departments, probably four, for the remainder of Fiscal Year '21. Then report back to Council on the actuals on a monthly basis on the overtime. Is that a possibility?

MS. WAXMAN: Marissa Waxman, Budget Director. So we can definitely make information available about the actuals spent. That's something we've already provided on a monthly basis to PICA and can certainly make that available. We're in the process right now of working with departments to refine the OT estimates and if you want to actually have a short presentation, I can do one on what the game plan is on the Overtime Action Plan.

And so, we'll be looking at what is the right frequency for reporting, also whether or not we want to put in other reserves in place because a good of chunk of overtime, particularly this past year between COVID, between a refinery explosion are things that aren't planned so we don't quite know if a refinery is going to explode in June or in March. So monthly, it's a little hard for that sort of thing but we're going to be aggregating between different types of overtime and what drives them, so some things are going to be projectable. We'll know more about that, but obviously there's a lot that's unpredictable.

So we can share a bit more as we go through this, what we're doing. But that data is definitely available as it comes to actuals and we can track against overall Class 100 spending because there are trade-offs within the entire personnel budget.

COUNCILMAN DOMB: Okay. I understand. So is it possible for us to get that information on a monthly basis?

MS. WAXMAN: The actuals, yes.

COUNCILWOMAN QUINONES-SANCHEZ: Councilman Domb, this is Councilwoman Sanchez. Can I add to that --

COUNCILMAN DOMB: Sure.

COUNCILWOMAN QUINONES-

SANCHEZ: -- because you're asking for a report. Thank you so much.

I think it's really important and I'm glad that the Commissioners brought up the issue of special events. So I think that any kind -- first of all, in setting goals it's real important for the Administration to break away what is special events related as it relates to their reduction, and I keep hearing people say what's reimbursable.

Whether something is going to be CARES Act reimbursable or not, the issue of managing overtime should be separate from what gets reimbursed in General Fund and not because it speaks to what other management issues we have. So to the extent that Marissa can break that down, I think then you'll be able to see who's managing the budget versus the budget managing them.

I understand there's some unforeseen situations, but I think that in order for us to determine what are the legitimate uncontrollables, then deciphering some of this data will help tell the story. As it relates to goals, I think all those things should be taken into consideration. What I don't want is the department telling us, well, we're going to reduce by 20 percent and that's a special event where no special events are happening. That's not sufficient. That doesn't mean we're managing it better. So I just want that clarified. So whatever the Administration decides it's going to report back to the Committee, that we're being transparent around some of those issues. Thank you.

COUNCILMAN DOMB: Thank you very much, Councilmember Sanchez. Thank you.

Is that possible by the way, Marissa, to incorporate?

MS. WAXMAN: Yeah, we can certainly talk about that. And I believe also part of what Harvey was talking about in terms of reimbursable overtime, we do have some departments like L&I that offers expedited service that customers who want expedited service pay for and then we use overtime in order to speed things along. And so, those are some of the reimbursements we get, so they're managed -- similarly, the Police Department provides services for a whole range of things. Some are special events, but some might be providing extra public safety services around a bank or retail stores and those banks or retail stores that pay us or a movie production. And so, there are certain things that the overtime is expended, but we're also actually collecting for that from the folks who have asked for those services.

COUNCILWOMAN QUINONES-SANCHEZ: Marissa, I just want to clarify. I think that what we're trying to get to, especially in a conversation about what tasks police do, so to the extent that you can break those down to tasks and specific things, you know, I know that we postponed the traffic police, the traffic officers and some other things. That might be a reason for us to rack those up as opposed to delay them, because even though they're going to get reimbursed, it doesn't make sense to have the Police Department doing some of those things, right.

And so, I think in this context what we're talking about, we've dumped everything on the Police and we want to move away and be more targeted, I think that's exactly the kind of things we want to see so that we can help make those kind of policy shifts. Thank you.

MS. WAXMAN: Yeah. The Police in particular has a number of different codes so that we can easily break that out.

COUNCILMAN DOMB: Thank you.

So just to clarify, are there any actual written overtime plans currently? I think you mentioned something, Marissa. Maybe you want to discuss that.

MS. WAXMAN: Sure. So what PICA asked us to do this year as a condition of approving the Five Year Plan was to do an analysis and origins and then move into action plans for the City's use of overtime. And a little bit of background, and if you want I can throw up slides.

But basically, overtime is the way we get work done. It's typically one and a half or two times regular pay per additional hours. And as you noted, it's really concentrated. It's more than 80 percent in Police, Fire and Prisons. You get to over 90 percent if you add in Streets. And so, last year we spent a little over 200 million. That's about 4 percent of the General Fund. And in general, about 63 percent of the General Fund budget is

on our people costs, and that's
benefits, salaries, overtime, all of
that together.
And so, we really look at
overtime as a tool. It's what we get
work done and there are alternatives.
You could hire more people. You could
do technology and productivity
enhancements. You could use vendors.
You could also choose to produce
services or reduce the quality of
services we provide. So there's a lot
going on.
So what we did for this sort
of Phase 1 of what we provided to PICA,
and you can also find it on our website
and it was also I believe provided to
Council's technical staff was, one, we
did a historical look at overtime
spending by department over the past
five years. And what we did was we
broke -- when we did that dive into the
historical analysis, we broke that down
into three categories.
We had departments that were

consistently meeting or under budget on both their overtime and on their entire Class 100. We have had a group of departments that were consistently over on their overtime budget, but not their overall Class 100, and then there was a group of departments that consistently, and when I say consistently I mean at least three out of the past five years, had exceeded both their Class 100 and their overtime budgets. So that group of departments are the ones that we'll be developing action plans for.

And then at the request of PICA even though the Prisons has not consistently exceeded their Class 100 and overtime, because they are such a large department, we'll also be doing one for Prisons. So those are our priority departments where we'll be going in and doing real assessments of what are the drivers in those departments, because there's a lot of different reasons. It might be vacancy rates. It might be leave usage like we talked about this morning. It might be those unplanned circumstances. It might be sort of structural deficiencies that they've never been funded or staffed to do the work that they're given.

Then there's departments that have seasonal and variable needs. I have a background in the Revenue Department and we would never staff year-round the way that we need to provide coverage during tax season. And then in other areas that might be due to service enhancements or things that come up during the course of the year, so there's a lot of different drivers and the situation is going to be different, not only department by department but within each program.

And so, we're going to be doing these assessments with departments our target budget process. Actually would have started today but for these hearings starts tomorrow, where we go through department by department to see how their budget is lining up and actually begin to do those projections payroll by payroll for the rest of the year. And so, what we do is we look at that. We see if it's realistic.

We'll see, you know, particularly since so many of or the concentration of this is in our public safety agencies and they don't hire the same way other departments do. If Bob retired on Friday, Jim doesn't start on Monday. They do classes, so it's not like you have this smooth one-for-one sort of backfilling in a typical year, so there is that unevenness. So that's what we look at.

So we know we had a lot of unique drivers for FY20. Looking at FY20 numbers is just sort of mind-boggling between COVID, refinery, civil unrest and social activism. Councilmember Quinones-Sanchez was just asking for the breakout of the different types of overtime. The line item that the Police used to track their overtime for things that include civil unrest increased 1100 percent in FY20. And so, that's not really the sort of thing that we would have planned for. So we've got those unique drivers in addition to those standard things.

And so, as we develop for that group of departments that either exceeded Class 100 and their overtime budget, we're going to be taking a holistic approach. Not just to look at the costs, but also the hours because costs can change just as we have changes in our wages and labor rates. We're going to be comparing to the target budget. We'll be looking at productivity, the share of all spending, but also what it means for performance.

And so, basically where we go from here is that we're going to continue all of our current reporting, so we do monthly overtime reports to

PICA, and you've asked today if that information could be made available to Council as well and we will continue to do that. We always do a quarterly memo that has much more narrative attached to it, which is why there's different overtime or why things may be looking different than anticipated.

And then in our Quarterly City Manager's Report we report the overtime in each quarter, so we're going to keep doing that. We'll be by the end of the calendar year really teeing up also to make sure that we're budgeting correctly for FY22, evaluating the OT allocations within Class 100. We have departments that they always stay within their overall Class 100, but maybe their overtime isn't where we expect. And that might just be more of a budgeting issue as opposed to a management issue, so we want to look at that.

We also know that PICA's raised concerns that we had a couple of departments that didn't expect any overtime and had some. But it was usually minimal, so we were thinking about maybe do we just get everybody a departmental OT reserve, just so that if it's $1,000, $3500, not anything material to the City's -- (inaudible) overall departments aren't going from 0 to something and that causes alarm bells to go off.

But then there's really the meat, I think what folks are interested in, which is operational action plans. And that will be for those administrative departments that are consistently exceeding Class 100 and OT. They're going to be jointly developed by the department, the Mayor's Office, Budget and Finance, the CAO and the impacted cabinet member, most often the Managing Director's Office, will then be quarterly reviews to monitor adherence and progress with that. So that work is underway. We sort of disseminated out to the

Commissioners the information about what we got from the historical analysis. We're teeing up what the assessments to look at those drivers are.

One of the reasons we're including CAO in that process is that we want to understand if there are human resource barriers or challenges or IT barriers or challenges that are causing OT to grow, we want to make sure that we're working holistically to sort through that. So that's where we're going. And so, those action plans will include a diagnosis of overtime drivers, alternative means of service delivery.

We'll also look at the impacts on performance of OT -- impacts on performance if we reduce overtime. And so, we plan to have recommendations by the end of December and those will be made public. We'll share them with PICA and then as I mentioned, do quarterly reviews. So the departments included in that are Police, Fire, Free Library, Office of Property Assessment, Public Property, Managing Director's Office, Public Health and Prisons. And we've also made an offer because when we did that analysis, we did it for all City departments. And so, we've made the information available as well to the independent offices, if they would like to work on that with us. The ones that have been going over OT and Class 100, we'll make those resources available if they would like as well. That was a lot. I'm sorry. I get fired up.

COUNCILMAN DOMB: I have a couple of questions for you. The general public will look at this and say, hey, in the last few years you hired 1,000 new people and your overtime in general goes up higher every year, and what that looks like to the public, like what is going on there, what is the issue? So that's one question.

And then the second question is, I don't know if you know the numbers on this but I remember Rob telling me the numbers a few years ago, overtime costs as you said could be one and a half to two times, I guess, the basic rate but hiring a new person also has a cost associated with it, the fringe benefits and all the overhead. And I don't know if you have a number that also includes pension benefits. But would you have that number just to compare it versus the overtime?

MS. WAXMAN: Not off the top of my head, and it will vary on who you hired and who was earning the overtime. But that's exactly why we want to dive deep into this. We really don't think overtime is inherently good or bad. It's a tool. And when it's the most efficient and most effective tool, it's the one we're going to want to use. But we think it's important to really dive deeper to figure out if there's times where it's not the most efficient and effective, then we will.

So looking at those trade-offs of would hiring an extra person deliver the same level of service at less cost or more cost, we want to know that. So I go back to my tax season thing. It doesn't make sense for us to be staffed up 365 days a year like it's April 15th and certainly, you're not going to -- other things you might do, other alternatives to overtime like outsourcing that to an outside call center or bringing in temps, well, they're not going to have the subject matter expertise. They're not going to know how to work our system. So really the most efficient thing to do is if we want to be open nights and weekends to provide service to taxpayers, we do that primarily with our own staff who already are the experts and they work more that time of year. Those are examples of when clearly overtime makes the most sense, but we know that that's not every situation. And so, that's why we want to be really deliberate.

We want to not just sort of come out with, oh, we're going to cut overtime 5 percent or 10 percent because that wouldn't be meaningful if we also wanted to understand, well, what other costs might have to rise if we wanted to provide the same level of service or how might services decline if we made that decision. So we want to make sure we've got the full picture of what any change like that would mean.

COUNCILMAN DOMB: In general, I think people would be maybe more accepting of the overtime if they didn't see the employee count go up so much over the last four years, because usually it's one or the other. And in this situation it's been both, and I think that's where it's a lot of concern over the overtime because we're increasing the employees and increasing the overtime.

MS. WAXMAN: I think we can

also do a better job for the City overall explaining where we've added entire new services, things that we didn't use to do or provide because that kind of gets lost in that shuffle if you're thinking we're doing the same old thing but more people and more overtime.

COUNCILMAN DOMB: And so, in the administration who is in charge of tracking and managing the overtime spending from all the departments?

MS. WAXMAN: So that's information in terms of having the data, sharing that out, departments individually have that. They work with their Cabinet members. But also as I mentioned, the Budget Office makes that information available monthly to PICA, quarterly publicly through the QCMR, and so that's always in all of our budget documents, that information.

COUNCILMAN DOMB: Who in the Administration is overseeing it? Is it one person overseeing it or not really?

MS. WAXMAN: I think that the -- I mean, there's the budgetary and the operations management. And so, budgetary we do through Budget and Finance. And as I said, we break that out between looking more holistically at Class 100 is sometimes more meaningful than looking at just OT in isolation. So these are conversations we have with departments on an ongoing basis throughout the year on the budget side. On the management side, that's Commissioners working with Cabinet members who obviously report to the Mayor.

COUNCILMAN DOMB: Would it make sense to have one person overseeing this expense with the goal to make sure it's efficient in whether it's the hiring of new people or lowering the overtime or vice versa, where one person's total responsibility is that number is too high, we need to get it down, how are we going to go about doing it, do we do it through new hires or do we do it through overtime, what is the goal and that person is totally focused on it because this is a lot of money we're dealing with?

MS. WAXMAN: Yes. It's about 4 percent of the budget. I think part of what we're hoping to do through this process of doing the assessments in the departments and bringing in actually the different areas of subject matter expertise who will be able to try and understand can we address it through technology or HR management by having CAO, the Cabinet members, Mayor's Office, Budget, is that because there is a lot of nuance and difference between what drives it department by department, what's most important for us is to really understand the unique drivers for agencies and not have sort of a single approach or strategy because I think that that will produce weird outcomes in some areas and work for others.

So I think that by going

through this process and really
understanding what is driving overtime
and then being able to make the
assessment when does it make sense
versus when is it something we change
from that, we might learn with how do
we want to -- if we want to manage it
differently, but we've got to do that
work up front to really understand the
sources and when does it make sense
versus when might alternatives be more
efficient and effective.

COUNCILMAN DOMB: How is
actually overtime assigned in the
departments, if it's not spread out
among all members and there's risk for
more senior and expensive personnel to
drive up the cost, how is that all
determined?

MS. WAXMAN: So I think there
are a number of civil service rules and
things within our labor agreements. I
think it might be easier if maybe some
of the Commissioners explained because
I don't believe it's the same

department by department. So I don't have one blanket answer to give for city-wide.

COUNCILMAN DOMB: Does any of the department heads, maybe Commissioner Outlaw, do you want to maybe answer that question?

COMMISSIONER OUTLAW: Yes. I mean for us, especially recently it's all been driven by a lot of the rallies and social activism and civil unrest. But in addition to that, our crime plan numbers which is before overtime, a lot of that is driven also by our crime stats as well. So if there's a specific need, if we need to increase visibility in certain areas as it relates to violent crime or recently as a lot of you are aware with ATV details, depending on what the need is, that will determine the size in overtime operation and then also the frequency and duration.

So a great example would be for today, right, determination comes out of Louisville, we extend shifts. And we have to notify folks contractually by a certain time to know that their shifts are going to be extended. Now, I leave it to my management to scale it back in a timely manner if we determine we don't need all of the bodies that were called for. For example, we have three protests that just popped up today for this evening. If we start to see the number is smaller than the number of officers that we have scheduled to be there, we'll slowly begin to peel back as need be. But lately, it's been on a case-by-case basis as it relates to civil unrest. But then as it relates to crime, it's where the data takes us.

COUNCILMAN DOMB: Okay. Thank you. I just want to thank by the way Executive Director Harvey Rice. I know he has to leave. Thank you for your testimony this morning and this afternoon. Thank you, Executive Director Rice, for participating.

Thanks for participating.

Let's go to Commissioner Thiel. Maybe you want to take a crack at that question also.

COMMISSIONER THIEL: Councilmember, we fill about 200 positions a day on overtime. They all are for different roles. And as a result, it's a very complicated set-up. You've heard all of the dimensions there already. It's a very complicated set of things that are in the contract, various qualifications.

For instance, our fire marshals, we have a very limited number of fire marshals and we have a lot of fires. So we have to bring fire marshals back to do fire investigations pretty much every day because we don't have enough fire marshals in our base to cover the demand.

And then obviously, we're having firefighter EMTs working on overtime every day because we're about 50 positions short of single role EMS providers to staff ambulances, including the busiest ambulance in the nation. When we have particular COVID missions or actually preparing for Hurricane Isaias, we don't want to leave anything out. So we also had a hurricane this year and some of those positions that we staffed up to be able to make those 200 some-odd rescues in Eastwick and Manayunk were specialized positions with folks with technical rescue qualifications, et cetera. So where we can, we try to balance out overtime distribution.

Local 22 is a great partner in that. They have a vested interest as well in balancing that out as much as possible within a host of parameters. It's a very complicated role and it's something that takes a lot of time each day for our command staff.

COUNCILMAN DOMB: Okay. Thank you. I think Councilmember Sanchez maybe had a question. Maybe not. Maybe that was the question before.

So I have another question I was going to ask. Maybe Rob or Marissa can answer this. This report mentioned that improving productivity through technology investment, maybe even legislative changes and business process re-engineering could help us to reduce overtime usage. Who in the Administration is responsible to finding these opportunities to improve that productivity and who should we expect to hear from for suggestions on any legislative changes we can make to be a partner in this to help improve our efficiency and save money?

MR. DUBOW: It's really the responsibility throughout the departments, really the ones who can best figure out whether there are opportunities for improvements in their processes. The central agency that has the most direct responsibility for that is the Chief Administrative Officer and they work with departments on projects to improve efficiency, could be through IT, so IT has a big stake in that. But it's really departmental-driven working essentially with CAO.

COUNCILMAN DOMB: Okay. And another question I have and you might want to answer this, Rob. Does the overtime get factored into the pension allocations for the employees outside of the FOP and IAFF bargaining units, and what's the relationship between overtime spending and our pension obligations?

MR. DUBOW: So it depends on the union that someone's in and actually how long they have been working for the City. So you mentioned police officers and firefighters and overtime is not calculated into their pensions. For anybody hired in the last 30 years, in Plan 87, their overtime -- their pension is based on an average of the three highest years of compensation and pension is part of that calculation, so it's factored into it as part of an analysis of their three highest years of compensation. For people who are in the system before that, it's based on one-year highest compensation.

COUNCILMAN DOMB: So according to this report that we saw today on the overtime spending differences, it seems to me that the Police and Fire are not calculated in, their three highest years. It looks like they represent 77, 78 percent, just those two entities of overtime. So that the impact that we've always served in the past, it's great because it's not the end of the world. It's 20 or 22 percent that is impacted by the overtime spending on pension calculation.

MR. DUBOW: That's right. And because it's averaged over a few years, it can also be lessened as a result.

COUNCILMAN DOMB: Okay. Are

there any other questions from any of
my colleagues?
(No response.)
COUNCILMAN DOMB: Seeing
none, I want to thank everybody for
their participation on this panel. And
I'd like to go to the second panel.
Thank you all for participating. I
really appreciate it and keep up the
good work. Thank you.
It's impressive to see the
overtime down even though I know
there's certain reasons, but we have a
good goal here to try to achieve more
savings here, so thank you very much.
Thank you.
Ms. Grbach, let's call Panel
2. I promised them I would be on time
at 3:30 and we're pretty close.
THE CLERK: Great. The last
panel is Tumar Alexander, Cynthia
Figueroa, Anne Fadullon and Sylvie
Gallier Howard.
COUNCILMAN DOMB: So I'd like
to welcome Tumar Alexander who now

serves as the Interim Managing Director. Welcome, Tumar. I believe this is your first hearing in your new role, I think it is. I thank you for being here and we look forward to working with you.

MR. ALEXANDER: Thank you, sir. I look forward to working with you all as well.

COUNCILMAN DOMB: I don't know if you have any comments you want to make on anything that we've talked about or I have some questions. But give us the first -- how many days has it been, Tumar?

MR. ALEXANDER: I've not counted. I've not counted, Councilmember. It just seems the days seem to mesh together like I'm sure they are for most folks dealing with all the issues we're dealing with, whether that's the pandemic or other issues. So I haven't been one to sort of count how many days, how many hours, how many minutes it's been because it's all sort of been just meshing in.

COUNCILMAN DOMB: Well, thank you for being our Interim Managing Director. So I guess I have a few questions I could ask you. It revolves around -- and you're new in this so you may have an answer, you may not, but just something to think about. Accountability and management of performance of course is paramount to all of us and we want to make sure our City runs smarter, faster and better even in the worst of times if we can.

And City Council is responsible for approving an annual budget as you know, but in the past we have lacked information regarding the impact of our decisions. And it's in part because we haven't received a clear sense from the Administration as to what the City is getting for the 5 billion roughly it spends each year. So having a public conversation that we're holding people accountable is what this body is supposed to do. So we would like to get as much information as possible basically to make educated decisions from Council and legislation.

So I'll give you an example. In January, the Administration put out a report on the Mayor's priorities for his second term. Then in March, he set out his budget priorities for Fiscal Year '21. Then the pandemic arrived and the Mayor put out a revised budget with revised priorities. Then there were historic protests in the wake of the killing of George Floyd and civil unrest, so the Mayor issued another revision to the budget.

Given everything that's happened, can we get some answers to the following questions: One, what are the overall goals today for the Administration? Two, what are your goals, Tumar, for your group or departments, offices this fiscal year and how do you manage accountability for those departments against those

goals? And how do the budget dollars
align or prioritize within those goals?
MR. ALEXANDER: Thank you,
Councilmember. I think as it relates
to the Mayoral goals, they're the same.
It's the quality education for all, a
safer and more just Philadelphia,
health equity for all and an inclusive
economy thriving neighborhood. And I
would say my goals don't differ from
that. Clearly, we all work for the
Mayor and for the Administration so my
job is sort of making sure departments
are supporting those goals and we're
delivering those operations in an
efficient way, in a way that we're
transparent and reflective to citizens
about their needs and making sure we're
communicating with folks.
And the way we sort of hold
each other accountable is that we work
directly with department heads and
their executive teams and with the
Mayor's Office. You heard from Rob and
Marissa from Finance and from other

Cabinet-level officials to make sure that we set objectives for ourselves, we set targets for ourselves, that we're monitoring those targets, that we're helping departments manage through that, checking with departments to see if there's resources they need to sort of manage through, are there adjustments we should be making. And a lot of these conversations are sort of daily and ongoing with departments.

It's probably not a day that's passed that I haven't spoken to one of the Commissioners that joined us in the last panel about all of their activities and efforts. It's been days where Commissioners are called and say, you know, if you want to take an example, look at the issues Streets was having as it related to sanitation pickup and that was an issue that a bunch of different departments and Cabinet members jumped on and put some resources to and some brain power to, to figure out how can we help, how can

we help fix the situation, how can we
help satisfy the sort of concerns and
also it led to an improvement on
services for the citizens.
COUNCILMAN DOMB: I realize
that we're in a pandemic now so I know
that things are extremely challenging
and you've been in that job just a few
weeks, I believe. But going forward
down the road, how do you specifically
hold department heads accountable for
their goals and targets throughout the
year?
MR. ALEXANDER: I think we
work to -- first of all, I think
myself, so I work for the Mayor and the
Mayor's Chief of Staff, so the Mayor
and the Mayor's Chief of Staff will
hold myself accountable, and I hold the
departments accountable and we work
together, right. And this may take the
form of reporting out whether that's
public documents, whether that's
regular meetings and reports, just
ongoing communications, but we sit down

and we get together.

And you see some of this reflected in the QCMR reports, and we look at those targets. We look at are you meeting those targets. If we're not meeting those targets, what can we do better, why is that we're not doing it, what changes can we make. A lot of times, especially in this environment, we don't have more resources so it's about how can we be more creative.

You talked a little bit on the last panel about how can you use technology differently to sort of help support some of these goals, so I think it's entirety of all of that.

COUNCILMAN DOMB: By the way I think, Tumar, the more we can look at technology to make ourselves more efficient in this world, because we're going to see in the next 10 years a totally different world than what we are seeing today, it's going to be technology-driven. So the more we can advance our own systems of technology, the better we will be.

So I guess the overall question is will each department have formal requirements monthly as to what their goals are and how it's tracked? How does that exactly work?

MR. ALEXANDER: Well, we track it -- we set the goals yearly. Then we track it quarterly, Allan. So in between that time, we typically meet with our department heads and go over those goals and just making sure we're either on track or where we are off track and how to course-correct. But a lot of that is reflected in Quarterly Manager's Report like I said. It's in conversations that we're having certainly with Budget and Finance and also just in daily meetings or weekly meets actually, apologies, that we're having with the Mayor's Office and other Cabinet members.

COUNCILMAN DOMB: Okay. Thank you. Thank you, Tumar.

And as I see Sylvie here, I

want to ask you a question on Commerce. We've talked about the small businesses and what's needed in small businesses and dollars. Any kind of budget number that you think would satisfy -- it could be a huge number maybe -- but would generally help all those small businesses in the corridors that are so important to us to make sure that they survive and keep those jobs in place?

MS. GALLIER HOWARD: I know it's a huge number, yeah. So I think what we heard from the state program for the first round of funding is that there was, I believe, an $80 million gap in terms of funding just for Philadelphia businesses alone and my understanding is that the second round that they did is a bigger number, and I think that's going to be -- we'll hear about that in any number of days now I'm hearing. So it's much bigger than anything that the City alone can tackle.

We really need assistance

from the federal government. We were really hoping we would get another infusion, on a number of fronts, I know we all hope for that. And then also, the state did a lot with the $225 million program statewide and I understand that there's efforts to try to put more there, but it's a really big number.

COUNCILMAN DOMB: Has the state money been fully allocated?

MS. GALLIER HOWARD: The COVID dollars or -- the 225 million?

COUNCILMAN DOMB: 225.

MS. GALLIER HOWARD: It will have been once they make this announcement, I'm sure.

COUNCILMAN DOMB: So I'd like to ask all the panels just a simple question and, that is, how do the goals relate to the budget and how can you connect those two for us? And I'd like each of you to take a crack at answering that question. How do the goals that you have relate to your budget? Who wants to go first?

MS. FIGUEROA: I'm happy to. I'll raise my hand.

COUNCILMAN DOMB: Okay.

MS. FIGUEROA: Good afternoon, Councilmember. Thanks for having us. So ours are very much driven to the total number -- the largest department in the Office of Children and Families is the Department of Human Services. And so, looking at the number of youth in care as well as looking at what is the most expensive level of care which is residential, so our targets to reduce total population is on track as well as the target to reduce the number of kids that are in residential care on track.

I was listening to the questions you asked Tumar, which is we're looking both at daily, weekly and monthly reports. So we have a sense from a week-to-week basis if there's a consistency or a shift in trend. So I would say ours is tracked, both the

quality but the level of care and how
it impacts the costs of our own budget.
COUNCILMAN DOMB: Okay.
Thank you. I see Anne Fadullon's on.
So, Anne, you want to take a crack at
it?
MS. FADULLON: Good
afternoon, Councilman. For our
performance measures, most of them have
to do with our housing services, so we
tracked how many home repair cases
we're able to handle. We also -- how
many affordable units we're providing.
This year we'll probably add in rental
assistance because we've took that on
in a big way during the pandemic. And
then our other performance measures
really deal with our performance, how
quickly are we processing payments, how
quickly are we getting projects through
the development process, are we
complying with all the requirements as
far as Zoning Board of Adjustment
notices, how quickly can we get people
their hearings, those kinds of things,

so that's how we measure our performance on top of that.

We also have on our website a dashboard that shows how we're doing with our Housing Action Plan that tracks a number of metrics and we're actually in the process of looking at that and seeing if we have gaps from some of our other efforts so that we can incorporate more of our measures off into one space as easily as possible.

Per the Land Bank and the Strategic Plan, we have to report on or annual goals there and that's also in our performance measures. But since we have these kind of in three or four different places in kind of a little bit different language each time, one thing we're very much working on is trying to encapture everything in one place easily accessible, easily understood, and that's something that we're working on right now.

COUNCILMAN DOMB: Thank you.

Sylvie, do you want to take a crack at that?

MS. GALLIER HOWARD: Sure. For performance-based budgeting, we have a number of metrics that we track every quarter, so those are the number of businesses we support. So for example, during the COVID period we supported over 6,000 businesses with responses around all sorts of questions, but a lot of it related to reopening or closures.

We look at our leads in terms of business attraction and our wins and the number of jobs. So we look at the number of jobs when it comes to business attraction and retention as well. We also attract jobs in terms of the businesses that we support on the commercial corridors and through our business technical assistance providers, so we have contracts with a lot of different CDCs or Business Technical Assistance Providers and they have to report to us on all of their metrics.

We also track participation on a quarterly basis in how we're doing as a city, our quasi-city agencies and how we're doing in terms of minority women-owned participation, workforce and contracts. We look at vacancy levels. We have our performance metrics for the budget and then we track a whole bunch of other things quarterly as well, like all our corridor cleaning, the number of trash bags picked up, litter index is sort of done on an annual basis. And now that we have workforce, there's a number of metrics around that as well.

We also track macroeconomics statistics, so unemployment, poverty, all of those things. We like to really know what are the things we directly impact in addition to kind of what are the things we're contributing to which is the more macro level statistics.

COUNCILMAN DOMB: Very good. Is there a representative here from the

Chief Administration Office?

(No response.)

COUNCILMAN DOMB: No. Okay. No problem.

I think there's a question from one of my colleagues, Councilmember Quinones-Sanchez.

COUNCILWOMAN QUINONES-SANCHEZ: Thank you, Councilman Domb.

And this is for Tumar and then obviously to the rest of the members. We didn't do zero-based budgeting. We really hadn't done performance-based budgeting and it still seems to me that there is a lot of measuring, but I don't see the connection and the alignment to some of the issues that we've all been talking about.

One is poverty. If I ask each one of your departments what are you doing around poverty, if I ask each one of your departments what are we doing to tackle some of the gun violence, what are we doing -- in our gun violence discussion, we had a whole discussion about many of the children who have been victims, have been in our system somehow or housing.

So the question to Tumar, how is he going to better manage the alignment? You can measure a whole lot of things, but working towards common goals is a little bit more than just measuring things. So what is going to be different now in aligning some of those to meet some of these really, really difficult needs that COVID has just highlighted around equity, around reaching some of these folks in deep poverty? What's going to be different?

MR. ALEXANDER: Thank you, Councilwoman. I think mostly what's going to be different is just our attention to this and how we are -- you called out a couple, right. You called out poverty, you called out gun violence reduction and on both of those instances, you have multiple departments and multiple cabinet members working on that issue.

For instance, with gun violence there's a weekly meeting with not only -- you would think it would be just Police or just Office of Violence Prevention, but it's also departments like CLIP, departments like L&I, departments like Health and Human Services, whether that's DBH, whether that's the Department of Health, it's also Commerce and Sylvie has a piece of that, right, but that's all of us coming together collectively to look at what part do we play in the solutions to these issues. I think poverty is sort of the same way.

As you see us move forward and as you see the Mayor start to re-align some re-alignment that's going to come to MDO, but some re-alignment that's also going to take place with other cabinets, that will get defined out in a better way. So you'll see some initiatives lifted up and you'll see they won't be under -- for instance, let me speak towards Managing Director's Office. You'll see some initiatives that won't be under certain Deputy Managing Director, but those initiatives will sort of be on the dotted line directly to the Managing Director and purposefully so, is that I want to make sure that all of our departments are paying a lot of attention and we're putting resources to this.

A lot of this isn't about what new resources we can put. It's about how do we redesign the resources we have, how do we get other partners to the table. I will say that all of the folks that's on this call, Cynthia, Sylvie and certainly Anne herself have played and tried to put forth efforts to how do I help as it relates to violence prevention.

Anne in Housing where you may think does not have a piece to play in that, but she has and she's offered up some of those resources for this, so I think it's a way we're re-aligning those resources to tackle those issues, and certainly poverty is the same. I just did a bunch of thought process with the Council President regarding a program that he's going to announce pretty soon. It's one of the poverty reduction initiatives. So I think it's that sort of collaboration that will help us get through this.

COUNCILWOMAN QUINONES-SANCHEZ: I'm pleased to hear you say re-alignment because I do think that this notion that every time we start something new there's not enough money. I think there's a lot of things in a post-COVID world where 40 percent of our work was community engagement and that has changed. For departments to not combat drastically their modus operandi and re-aligning means that we're not holding them accountable to that, right.

And so, I'd like to see departments, you know, and I've said this publicly, you guys have all heard me and I know you all think it's harsh, we can't have personality portfolios. We have one Mayor, one mission. We have to have some common goals. And the mission is to serve people and to be good stewards of their tax dollars and then we have some common goals around protecting the most vulnerable, lifting people out of poverty, keeping people out of poverty and all of those things.

And where is the accountability piece, because in the past it's been really, really frustrating to get people to move in a different direction. And again, I've repeated this over and over, we have departments that are still doing the same thing and the world has changed and evolved, how are you going to hold those accountable for the re-alignment that is necessary if we're all -- because people don't separate government. I tell you that all the time. I get cursed out in Kensington. I wish the Mayor would come out and join me and get cursed out every once in a while, but it's one government. So how do we make sure that people feel like we are trying to be more synergetic and responsive?

MS. FIGUEROA: I guess, Councilwoman, I just want to echo Tumar's sentiments and highlight a few things. I think what we've been able to accomplish in the wake of COVID, I think, has really elevated some of the issues that you brought up using existing infrastructures to support really big huge problems, so that was true of the food access work. That's been true of even the access center, so there wasn't new money, but using the existing resources and City assets to tackle a really bigger problem.

And so, I think that we've been looking in the Office of Children and Family, you know, we are actually doing perform-based contracting for our largest contracts with the CUAs and that we have a very clear understanding that there's a case ratio, so once they fall behind that, there's a reduction so it is very budget-specific. So it's a small example, but definitely moving in that area and working with Tumar and the MDO, because none of this can be done with specific one department tackling these issues, but how do we continue to support and reinvent ourselves through this.

I think we did that with the summer WorkReady to make sure that the kids and older kids still had job opportunities even though it was going to be a very different kind of summer, so just trying to be as, I think, creative and innovative as possible given the challenges that we've seen, but agree that we have to continue the synergies and we have to continue the request for accountability on the resources the government brings to the table.

COUNCILWOMAN QUINONES-SANCHEZ: How do we change from just a money-driven kind of, you know, and the outcomes piece? That's the piece I want to see, right. And to me, I'd like to see government do less of feeling like we got to prop up the programs and more of how do we put money on the ground to help others who can probably do it more effectively and more efficiently, and then we don't have to commit long-term. Sometimes when we prop up programs, they're costly.

I'll give you some examples around this. Food and security, I really think that the amount of work that went into it, very much necessary. I watched the food distribution. The volunteers, it's just an amazing feat. But it's sort of like, okay, moving forward how do we create a sustainable model where we're giving people maybe money to spend money in the neighborhoods, so then you're doing two things. You're giving them food access, but at the same time you're helping the local economy. That's the kind of innovation I want to see us thinking about long-term, not feeling this need that we have to do all of the stuff, but how do we help others, how do we help leverage the money that we're going to put out in the street.

And again, I'm still looking for the accountability of when you can't get the multi-departmental support, how do we hold folks accountable so that we are moving along. I think everybody -- and this goes to the last Administration. It was sort of like people did work around people as opposed to holding departments accountable.

MS. GALLIER HOWARD: Councilwoman, I think one way -- and you and I have had conversations when we were doing the Small Business Relief Program, which I think we saw firsthand how much work it takes to just stand up a program like that. And I definitely agree wherever we can sort of, I will use the word, outsource but get our partners to really play a role in this, I think we want to do that.

So for example, the CDFI that has been doing the state grant program as a coalition together and they kind of work together to find an intermediary so there's one platform, I think is a really great model. Today we just put out a call for ideas to the $1 million that you all helped support, putting $1 million in Commerce's budget for workforce. We just put out a call for ideas, and that calls for organizations in the space to scale up models that are effective so that we can support them in doing their job better and not try to create anything of our own. So to the extent that we can do things like that, I think we definitely want to do that.

MS. FADULLON: I would just say on the housing front there's a big shift to put a lot more resources towards renters. We could not have done that without our partners. We utilize our housing counseling agencies, our NACs, other CDCs to not only get the word out but also to take in applications, to assist tenants in filling out those applications, to do outreach. The only way we're able to get that out and get as much money on the street as quickly as possible is because we utilized our partners and we can't say enough about them.

We've also stood up the Eviction Diversion. Again, that is with our partners, with our housing counseling agencies and with EIP and Community Legal Services. Then we stood up a couple of programs to provide direct landlord assistance. That was through our partner in tech services. And so, we're definitely utilizing our partners because particularly now when we were all very resource-constrained, the best tool we have is leverage. And I think a perfect example of that as well, not a program that started during the pandemic, was Philly First Home. The City put in $8600, $8700 in that, over $23 million invested. That leveraged over $340 million of private dollars, so that was us working with Council to come up with that program, but figuring out how do we take what we have and leverage it.

As far as doing business a different way, we jumped on this remote learning piece. We now have -- every program that we have, every system, every process, all of our meetings, everything we are online. We are completely remote. We have gotten every single one of our employees a laptop. We are in the process of deploying those because we too believe that this is the future, this is the way work is going to go. And not that we plan on being out and remote for the rest of our tenure, but we want to be able to work as well remotely as we do in the office, and that all of our processes and all of our programs will be seamless, whether we are in the office or whether we're working remotely.

COUNCILWOMAN QUINONES-SANCHEZ: I appreciate that. And again, I look forward to kind of working with you through this. I think there's a high level of frustration, and again I don't think people are not working hard. I think we just got to work smarter and more effectively. We still have neighborhoods that really don't see and don't feel like there's equity around resources. And I just think that -- again, I don't want to beat a dead horse, but I want folks to know that they're going to measure by how we take care of the most vulnerable and there's some neighborhoods that you go and we got to figure out how to do a better job of how we're servicing them and how we're leveraging that.

I'm looking for the accountability piece. I'm looking for the synergy on the mission, on the goals and they have to be people-centered. I think one of the things is the re-alignment has to be people-centered. And I don't want to define how you guys should be carrying it out. But I do think that to your point, Anne, in the poverty plan, and I know Council President's working on one of those, but in the poverty plan and in the poverty discussion and in the Call to Action, there were some very specific new ideas around bringing things up to scale. And in post-COVID world, my belief is that we have to double-down on some of those. And that means that in order for us to do that we're going to be in people's spaces, and I hope that people really are open to looking at some of the innovative ideas in saying how do we do some of these things to help more people and that we're not whetted to again some of systems that we're just not going to be able to do, because in a post-COVID world you just can't do it. We can't do community affairs like we used to. We can't do all of the other stuff we used to. So we have to be more targeted and more intentional about the work that we're doing.

Thank you, Mr. Chair.

Thank you, Tumar. 19 days, go boy.

(Laughter.)

COUNCILMAN DOMB: Thank you, Councilmember Sanchez. Thank you.

Tumar, just the last question. You don't even have to answer it. Just something that you maybe focus on. And, that is, it sounds to me like what we're trying to get to is a point where the budget dollars matched the goals that work across departments. I think that's generally what we're talking about. So if we can get there, that would really be a positive for all of us.

I don't think there's any other questions from my colleagues. I want to thank everyone. I appreciate your time today. I look forward to working with you as things progress. I understand there's no other public witnesses for today so we'll move to closing remarks.

And I just want to again thank everybody. It's been a long day in discussing the City's current and future financial position along with the management practices of the City. And despite where we are at this moment in time, we do still spend close to $5 billion in City government dollars. That's a lot of money. So City Council and the public deserve to know what we're achieving for this kind of spending and in this climate.

And if something isn't working, now is the time for us to learn about it, shut it down. And if something is showing promise, now is the time for us to double-down on that.

So I hope the Administration will continue to work with Council to find solutions and achieve our collective goals. We are in it together. We're a team. And the definition of team, together everyone achieves more. And it's our goal to work with all to make the City the best it could be and the public deserves that.

So this concludes the hearing on Resolution 200406. The hearing is adjourned and thank you everybody for being here. Thank you very much and have a great rest of the day. Thank you.

MS. FADULLON: Thank you, Councilman. We will.

MS. GALLIER HOWARD: Thank you, Councilman.

MS. FIGUEROA: Thank you, Councilman.

(Committee on Fiscal Stability and Intergovernmental Cooperation concluded at 3:25 p.m.)

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

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and this is a correct transcript of the same.

____
TANEHA C. CARROLL
Court Reporter - Notary Public

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