COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING AND PUBLIC MEETING
BEFORE THE COMMITTEE OF THE WHOLE

- - -

Wednesday, 4/10/02
2:15 p.m.
Room 696, City Hall
Philadelphia, PA

- - -

BILL 020031 - To decrease the rate of tax on real estate within the City of Philadelphia, under certain terms and conditions.

BILL 020033 - To further authorize the Board of Education of the School District of Philadelphia to impose a tax on real estate within the City of Philadelphia and to change the tax rate, under certain terms and conditions.

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

- - -

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COUNCIL PRESIDENT VERNA: Would all Councilmembers please come to their seats. This is the continued public hearing of the Committee of the Whole regarding Bill No.'s 020031 and 020033.

Is there anyone that would like to add to the testimony? This is still a public hearing.

(No response.)

COUNCIL PRESIDENT VERNA: Seeing none, we will go into our public meeting.

I would simply like the witness, Mr. Doosey, if he will, to please approach the witness table.

(Witness comes forward.)

COUNCIL PRESIDENT VERNA: Good afternoon, sir.

MR. DOOSEY: Good afternoon.

COUNCIL PRESIDENT VERNA: Thank you for coming in.

Mr. Doosey, I would like you to put on the record the fact that I believe it was two weeks ago that we met with Mr. Nevels, and we certainly wanted to assure him of Council's ongoing desire to work toward a solution for the children of Philadelphia.

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At that time, I do believe that a deal was crafted to reduce the borrowing to 20 years and save the School District a potential of $350 million.

Would you please elaborate on that, if you will, for the record.

MR. DOOSEY: Yes. My name is James Doosey, and I'm the Chief Financial Officer for the School District of Philadelphia.

In response to numerous concerns raised by Council during the budget testimony, the School Reform Commission discussed the issue, and consistent with your comments, Mr. Nevels has now instructed staff, on the approval of the School Reform Commission, that the School District is currently in a position to borrow over a 20- rather than a 30-year period. This would reduce borrowing costs to approximately $486 million over that 20-year period.

COUNCILMAN ORTIZ: (Inaudible, off mic.)

MR. DOOSEY: Yes, the School District's current plan is to borrow $300 million for an average life of 20 years, not 30 years, and it is anticipated that the total cost of the borrowing

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over that 20-year period for the $300 million would total $486 million total.

COUNCILMAN COHEN: (Inaudible, off mic.)

MR. DOOSEY: $486 million would be the cost over 20 years of borrowing $300 million today.

COUNCILMAN COHEN: As compared to what?

MR. DOOSEY: As compared to what over a 30-year period?

COUNCILMAN COHEN: Yes.

MR. DOOSEY: Okay, the cost over a 30-year period would have been $608 million.

COUNCILMAN COHEN: And the difference, for the record, is --

MR. DOOSEY: A difference -- I'm sorry, that's a savings for the record of $122 million.

COUNCIL PRESIDENT VERNA: Oh, so it wouldn't have been 750. Originally, we were told $25 million a year for 30 years.

MR. DOOSEY: The $25 million a year for a 30-year period -- this, I guess, is in response to a question that Councilman Nutter raised during the budget testimony. It was the School District's intent to borrow $300 million over a 30-year period? or was the School District's business

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intent to utilize a $25-million-a-year debt service over 30 years?

If we had taken the second tack and had borrowed for 30 years, the maximum amount that would be covered by a $25 million annual payment, the maximum amount the District could have borrowed would have been in the neighborhood of $780 million -- I'm sorry, $380 million.

I believe the $750 million figure is just an extrapolation of $25 million a year times 30 years.

Obviously, it would seem -- I need to clarify my answer, or there's a follow-up question.

COUNCIL PRESIDENT VERNA: Okay. Councilman Cohen?

COUNCILMAN COHEN: Yes?

COUNCIL PRESIDENT VERNA: Was your question answered?

COUNCILMAN COHEN: The question was -- I don't want to interrupt his testimony; I just wanted to get clarification of the facts as he was giving them.

COUNCIL PRESIDENT VERNA: Okay.

MR. DOOSEY: Again, in response to

numerous concerns of Council that were expressed during testimony, Mr. Nevels, on behalf of the School Reform Commission, heard those concerns, discussed those concerns with the Commission, and is responsive to those concerns, which is the reason that the School Reform Commission is in a position to commit to a 20-year financing and a $300 million maximum only.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Mr. Doosey, first of all, I want to thank you and the SRC for being one of the few bodies involved in this issue that's actually listened to our concerns, went away, and came back and tried to address those concerns in a legitimate and reasonable way.

So your efforts to move that, both the length of the term of the borrowing-down and the saving that are resultant of it is very much appreciated by myself, and you will be having my support as a result of that.

MR. DOOSEY: Thank you.

COUNCILMAN KENNEY: My question, however, is there were some other issues that were

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raised as potential savings opportunities outside the term of the borrowing. Could you put for the record some of those potentials that may bring this number down even further?

MR. DOOSEY: With respect to the business plan or with respect to the financing?

COUNCILMAN KENNEY: The financing.

MR. DOOSEY: Like all School District bonds, this issue is anticipated to be a callable issue. What that means is that over periodic increments, where estimating every five years, the School District would have the ability, should additional revenues be available, to call the bond issue; that would be to basically pay off the bonds early and to save interest costs for whatever the remaining term is between the date of the call and the 20-year period.

We feel that that flexibility is necessary for all bond issues, especially so with the deficit financing, in the hope that we will be able to have financing relief in conjunction with action in Harrisburg.

COUNCILMAN KENNEY: And that you would expect, as a result of that, additional savings

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above and beyond --

MR. DOOSEY: There would be additional savings above and beyond, and it would be on a pro rata basis.

So for argument's sake, if the cost over 20 years' total is $486 million, of which $300 million is principal and you would call the bonds at Year 10 rather than go to maturity, you would save approximately half of the $186 million, or approximately $93 million.

COUNCILMAN KENNEY: So there are potential additional savings.

MR. DOOSEY: There are potential additional savings, and it is the intent of the School Reform Commission to, frankly, retire this debt as quickly as possible so minimize the cost to the taxpayer.

COUNCILMAN KENNEY: Thank you, and thank you for getting back to us and making those adjustments.

COUNCIL PRESIDENT VERNA: Thank you very much.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Thank you, Madam

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President.

With it being clear that I intend no personal reflection on the witness or on any of the individual members of the School Reform Commission, I must tell you, it is my opinion that you are not a legal body, that you have no business purporting to run the school system in Philadelphia, and that I am very hopeful that before the legal proceedings will be over, that that will be demonstrated by the courts, the federal courts, of the United States government.

With respect to your current proposal -- trying to put aside whatever feeling I have as to your body's illegitimacy -- I, nonetheless, am troubled by the finances that you give to us. You first start with a horrendous 30-year proposal to put a heavy burden on the taxpayers of Philadelphia over that time ostensibly to help the schools, but actually to pay financial costs.

The $25 million a year for 30 years, for 20 years, for 10 years, for whatever period of time, would be much better spent dedicated and devoted not to consultants, not to these other groups that have no particular expertise, but to

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return the schools to the control of Philadelphia and to permit the Philadelphians again to have the destiny of the school kids in their hands.

Now, you start with a horrendous number, and then you have a lot of room to wiggle with. First, the estimate of the deficit was hugely more than what I understand it to be now, which enables, in your words, the School District of Philadelphia to get by with less. The problem in Philadelphia, you know, has just been the exact reverse: It's been how do we take tax dollars and make them useful for the education of our kids.

I speak personally and warmly about the public school system. I am a graduate of the public school system, my wife was in a different city, our four children were -- all of them have been through the public school system, three of them have turned out to be very successful lawyers and politicians -- rather, two of the three: One is an attorney in Miami, Florida, and the other is an aspiring young journalist. We think the public school system knows what to do given the chance to do it.

It seems to me that the whole proposal

of the School Reform Commission is, how do we operate Philadelphia schools cheaper, not better, but cheaper. Everybody knows what's need; we can all recite the stories of needing smaller classes, more reading, more technology, more up-to-date facilities.

We, as a democratic city and a democratic state and country, also have the right to decide that in addition to having money for stadiums, in addition to having money for the Convention Center and its expansion, there's also got to be enough money for the kids.

Therefore, I have to tell you that my vote today is going to be against the loan because --

(Applause.)

COUNCILMAN COHEN: -- I think it moves directly in the wrong direction. Instead of providing more resources, what you're doing is using more resources, but not for the kids. And you're compelling Philadelphia taxpayers to waste money.

Let me give you one example. I do not know how to understand the need for this bond issue

at all. My best estimates, best studies, indicate that there is probably a surplus of about $300 million today in the City of Philadelphia's treasury. And yet, the deficit is somewhere between 100 and $150 million, the accumulated deficit of the School District, largely accumulated over the last couple of years.

It seems to me to make absolutely no sense except to financiers, who are going to profit by it, to talk in terms of bonds. If we want education, let's find a way within the budget of Philadelphia or the budget of the Commonwealth to provide the money for schools. Let's show the school kids we're really interested in their future, and let's show all Philadelphians we're interested in the future of Philadelphia.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

COUNCILMAN COHEN: And the witness is free, as far as I'm concerned, to offer any response he wishes to.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Ortiz.

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COUNCILMAN ORTIZ: Thank you, Madam Chair.

Sir, this money is really to tide us over for a, year a year and a half; is that correct?

MR. DOOSEY: No, sir, it's actually a bit longer than that. It's projected to be, through the end of the '04, perhaps middle of '05, fiscal year.

But your point is well taken. Regardless of what action is taken on the deficit financing, it is not a permanent solution, and the SRC is on record as saying that one of the main problems that the School District faces is a structural revenue problem.

COUNCILMAN ORTIZ: I understand that, but it is not a solution

MR. DOOSEY: Correct, it is a short-term tie-over.

COUNCILMAN ORTIZ: A short-term solution.

MR. DOOSEY: Correct.

COUNCILMAN ORTIZ: And we have no assurances that next year, or maybe in 2004, you'll

be back here seeking other short-term solutions.

MR. DOOSEY: I can provide an outline of the business plan; I cannot provide a guarantee that, whether it's 2004 or 2005, that the situation will be resolved.

COUNCILMAN ORTIZ: And you include 200 or 300 extra million of the school system.

MR. DOOSEY: I'm sorry, I don't understand.

COUNCILMAN ORTIZ: Well, nobody disputes the fact that you're not going to fix this problem with a whole lot more money, not $75 million that the State promised.

So let's begin an infusion of money from somewhere instead of just talking about it. The $300 million deficit that we have, unless you channel $150 million of the surplus that we have, unless you channel $150 million of that and you get 100 million more from the State, I don't care what business plan you have. If it does not include that within that business plan, then you're talking what Councilman Cohen's talking about: You're trying to do education by the cheap.

(Applause.)

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COUNCILMAN ORTIZ: Because if you include that, that you need a whole lot more money and that you are going to do this, I'm really not inclined, as some of my colleagues, that you've really told me -- and we've been talking back and forth about this, let's show a sign to Harrisburg, I'm willing to give a sign to Harrisburg, but I want a sign from Harrisburg back.

And if you say to me that the only thing you have is a business plan, that really doesn't show how much more money we are going to need to really make public education what it should be. Not on the cheap, as Councilman Cohen said.

But public education that we're lacking, right? We lack teachers, Spanish teachers, with music and art, with new schools, with computers, gyms, swimming pool here and there. I mean, unless you show that -- does showing your business plan -- does your business plan -- can we have a copy of it? Does your business plan show what really are the financial needs of the City? Because Judge Doris Smith did that; she showed what the financial needs of the City were in order to put together a good public education system.

And if you're telling me that you're just going to borrow this, maybe you better come back and say to me in 2004, you know, we need another $300 million to tie us over two more years while we go back to Harrisburg and get another business plan. Give me some thought on that.

MR. DOOSEY: I guess a few points of information. First, as per Chairman Nevels' testimony in the testimony hearings, the business plan is a work in progress, and that is what the SRC in currently in the process of formulating.

COUNCILMAN ORTIZ: And that's between the Mayor and you guys, right?

MR. DOOSEY: With all due respect, it's between the Governor and the City; it's not something that is a part of the Finance Office.

The second point of information is that the School District lost $65 million last year and is projected to lose $60 million this year.

COUNCILMAN ORTIZ: I just want it clear. The school system is not a business, it can't lose money. It may not have money to spend, but it really doesn't produce stuff, only kids who are smart. I mean, "lose" is just that they have

enough money to pay for the services that they're suppose to provide kids. That characterization of "lose money" means that there's a profit and a loss you're making, and I don't think that's the right discussion.

MR. DOOSEY: I'm not trying to characterize it as profit or loss; I'm just trying to present a point of information.

COUNCILMAN ORTIZ: Well, I don't like the word "lose."

MR. DOOSEY: Fine.

COUNCILMAN ORTIZ: It's to get the money to put the programs in place that they need to.

MR. DOOSEY: Let me clarify or correct my statement. The School District ended last year with an operating budget deficit of $65 million.

COUNCILMAN ORTIZ: That's better.

MR. DOOSEY: And this year, with an operating deficit of $60 million.

COUNCILMAN ORTIZ: Okay.

MR. DOOSEY: So with the proposed $300 million borrowing, $125 million of that will be used to clear deficits that preceded the SRC's arrival.

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COUNCILMAN ORTIZ: Deficits that were created by underfunding.

MR. DOOSEY: And again to my comment, the SRC is on record that the borrowing will not address what they believe is a need for financing reform in Harrisburg, a position that the City takes as well.

COUNCILMAN ORTIZ: How much money does the SRC believe that we need to have in order to provide a good public education to the 214,000 kids that we have in the public school system? How much money do you think needs to be added to the current budget current operating budget in order to, one, operate within the constraints of that budget, not at a deficit, and provide the education that these kids deserve, mine included, because they are in the public schools?

MR. DOOSEY: Since the -- I'd rather rephrase the question. I cannot --

COUNCILMAN ORTIZ: Don't rephrase my question.

MR. DOOSEY: Well, I can't answer it, sir, because the definition of "good" is relative. I can tell you what deficits are projected to be

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going forwarded on as-is basis.

COUNCILMAN ORTIZ: What do you consider a good education? I mean, I'm saying 22 kids per class, computers, books, art, Latin, music.

COUNCIL PRESIDENT VERNA: Point of order? Is that a point of order? I'm sorry, I can't hear up here.

COUNCILMAN GOODE: Thank you, Madam President. I need to be excused, and I'd like to be recorded as voting yes on both bills.

COUNCIL PRESIDENT VERNA: Fine, thank you. The record will so indicate that.

COUNCILMAN ORTIZ: I want a statement from the Reform Commission that says that you understand how much money is needed in order to run the school system that we have and provide a good public education. If you don't know what a good public education is, then you shouldn't be in that chair.

(Applause.)

MR. DOOSEY: Again, sir, at Council's request, we have provided in the documentation packet projections of what the financing shortfalls will bear -- I should say, the operating shortfalls

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will be as per the current five-year business plan.

As far as the definition what does or does not constitute a good education --

COUNCILMAN ORTIZ: Did you hear me?

MR. DOOSEY: Yes, sir, I have.

COUNCILMAN ORTIZ: I said, how much money do you think you need to have in order not to operate not at a deficit and educate 214,000 kids?

Doris Smith said it. Doris Smith, in her opinion and plan, detailed a funding plan for the school system.

Don't tell me that you're sitting there as the Reform Commission and you still haven't developed a plan that says, In the year of 2005, we need so much money in order to educate these kids.

MR. DOOSEY: My role --

COUNCILMAN ORTIZ: Except coming back here and saying, We need $300 million more to borrow.

COUNCIL PRESIDENT VERNA: Councilman, in all fairness, the gentleman at the table is not a member of the Commission.

COUNCILMAN ORTIZ: Yes, but he is the financial officer and he should know the numbers.

I'm not asking him about academics; I'm asking him about how much money we need. And if he is the financial officer, he's the one that is supposed to be advising that Reform Commission as to how much money we need to educate 214,000 kids.

MR. DOOSEY: Councilman Cohen [sic], the issue was raised previously in the budget testimony. We have presented to the Council President our five-year projections, and I respectfully direct your attention to those projections that --

COUNCILMAN ORTIZ: Put it on the record, say it.

MR. DOOSEY: These are the same numbers that were a matter of record in my discussion to Councilman Nutter.

COUNCILMAN ORTIZ: Say it.

MR. DOOSEY: Under the current as-is plan, the School District anticipates, prior to any structural changes that the School Reform Commission may implement, an operating deficit of $56 million in Fiscal Year '03, an operating deficit of $105 million in '04, $123 million in '05, $144 million in '06, and $172 million in

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Fiscal Year '07.

This includes the additional $45 million from the City and includes the additional 75 to $83 million from the Commonwealth.

COUNCILMAN ORTIZ: Fine. So you're coming here today and you're saying to us, let us borrow $300 million. And I asked you -- you see, that's all you gave us. All you gave us was how much money we're going to be in deficit.

I'm asking you to tell me how much money you need in order to operate, not in deficit, and where are you going to get it from. Because if you expect to come back here in 2004 to cure a $144 million deficit, then I don't think we should give you the $300 million, that I believe that we should be able to force this to a faceoff.

(Applause.)

COUNCILMAN ORTIZ: Okay? Then I believe we should force this. Either we are going to educate the kids of the City or we're not going to educate the kids of the City. And let us --

I have two kids in public school. And either we're going to be serious because what you just described is a scenario in which you're going

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to keep on coming back, and we're going to keep on borrowing, and the City's going to keep -- because we're loath to be seen as portrayed as anti-public schools, because we don't want to force the closing of the schools.

And if we don't give these $300 million, this is what's going to happen, isn't it?

MR. DOOSEY: That's exactly what's going to happen

COUNCILMAN ORTIZ: That's exactly if we don't give it. And then let the politicians in Harrisburg -- the Mayor, he gave it up to the State, he washes his hands, and then we are -- we're saying, Well, the City Council acted irresponsibly, they didn't give the $300 million.

But you still haven't presented where we are going to get money in order to make up an operating deficit of 105, 123, 144, $172 million, and you still do not give me a figure as to how and how much money we need as a system so that in the year 2007, when Pilar is in high school, Central is open, and Girls High is open and Bodine is open and Edison is open, and Kensington is operating in the best conditions possible.

You still don't give what is the money that is needed to operate the school system. All you give me is deficits

MR. DOOSEY: I wish I could provide a better financial --

COUNCILMAN ORTIZ: All I want you to do is present a plan that says, This is how much money we need and this is where we have to get it from.

MR. DOOSEY: Again, Councilman --

COUNCILMAN ORTIZ: Other than running deficits in the City of Philadelphia.

MR. DOOSEY: I truthfully wish I could present a different scenario and a different factual layout of the School District's position as we speak. The School District is in a position where it does not have sufficient cash to finish out the school year.

The School Commission understands Council's concerns. I am not a member of the Commission; it is the School Reform Commission that is responsible for developing what the overall academic strategy will be for the next few years.

COUNCILMAN ORTIZ: Councilwoman Tasco sent for a -- Marian? Oh, she's not here. I

haven't seen it, but we wanted to know what the cost of all of the those contracts that were given out are going to be and what the impact is.

MR. DOOSEY: I'm sorry, Councilman. Was that in response to a question raised during the budget testimony?

COUNCILMAN ORTIZ: No, that was a question raised by Councilwoman Tasco in a letter to the Reform Commission, to Mr. Nevels. She wanted to find out -- I mean, you gave out how many contracts the other day, seven? Edison -- a multiplicity of contracts were handed out the other day, but really no figures were given with those contracts.

How much money is involved in each of those contracts for how many years that those contracts were for and so on down the line; and what is the impact on the operating budget, if any, in terms of education, where those monies are coming from?

MR. DOOSEY: To start with, I'm unfamiliar with the Councilwoman's letter.

Secondly, as far as the contracts that were -- I shouldn't say "contracts." The

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resolutions that were adopted by the School Reform Commission, no contracts have been executed, no negotiations have commenced, so I can't provide a figure for you.

COUNCIL PRESIDENT VERNA: Excuse me, Councilman Ortiz, there's a point of order from Councilman Mariano.

COUNCILMAN MARIANO: Thank you, Council President.

I've got to leave and I want to go on record as voting yes.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN ORTIZ: So you say no contracts have been given, no contracts were handed out?

MR. DOOSEY: That's correct. Resolutions were adopted, but the scope of the work and contracts negotiations have not commenced with any of those vendors.

COUNCILMAN ORTIZ: So we don't know how much money those contracts entail.

MR. DOOSEY: Nor do I.

COUNCILMAN ORTIZ: When are you going to know? I mean, give me an approximate answer. Is

it going to take us as long as the agreement between the Governor and the Mayor has taken for us to get an answer on the agreement? Or is it going to be much shorter than that?

MS. STERN: Councilman, my name is Joan Stern. I'm with Blank, Rome, Comisky & McCauley, and we're counsel to the School District of Philadelphia.

The resolutions that were adopted by the Commission with respect to the consultants contain the following parameters:

The contracts are not to be for a terms in excess of two years;

They are not to be effective unless the School District receives the material elements of the funding in its proposed operating budget. That includes the proceeds of the definite funding bond issue, the additional appropriation from the state, and the additional funding from the City.

So those are the parameters that staff and counsel have been given in order to negotiate the contracts.

COUNCILMAN ORTIZ: Well, obviously, Edison isn't going to get into a contract unless

they're assured that there's going to be enough money to get paid.

I mean, I'm glad that you put that in there. You know, you told Edison, We are going to get the material elements to pay you, we are going to get the $45 million, we're going to get the $75 million, and we're going to get the $300 million so that you can be assured you're going to get your check. Of course.

MS. STEIN: So that's the charge with respect to any contract.

COUNCILMAN ORTIZ: Well, Edison is not going to accept any contract without those conditions in it, and neither are the other companies.

How much for each contract?

MS. STEIN: We have no --

COUNCILMAN ORTIZ: Did you set any parameters? Because you set some parameters. Did you set parameters in those contracts? Two years, what are the financial parameters for each, if there are any?

MS. STEIN: Since we haven't begun the negotiations, we do not have that information.

COUNCILMAN ORTIZ: So your statement is that you are going to be here two years from now, asking for money to cover the deficit of $123 million and $144 million.

MR. DOOSEY: No, sir. My statement is that I cannot provide a guarantee that the deficit financing in and of itself resolves the structural revenue issues addressing the School District.

COUNCILMAN ORTIZ: Sir, I know deficit financing does not resolve the structural problem of the School Board and the school system, I know that. I didn't ask you that.

I said, obviously, you have no plans other than to continue in a deficit-financing mode.

MR. DOOSEY: In the short term, ongoing deficits for the School District, unfortunately, I believe, and the School Reform Commission believes, are not something that can be resolved overnight.

Yes, the District will continue to run operating deficits in the short term.

COUNCILMAN ORTIZ: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thanks.

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Good afternoon.

MR. DOOSEY: Good afternoon.

COUNCILWOMAN TASCO: I, too, am troubled by trying to fund the school system this way, and I do want to go on record to state that I appreciate Mr. Nevels' effort to cut the cost of the borrowing, but I have the letter that Councilman Ortiz referred to that I sent asking about the cost. We'd like to have that responded to prior to our vote.

It is -- you said that out of the $300 million borrowing, 175 will go for debt service -- or 125 for deficit?

MR. DOOSEY: No, ma'am. The background is: The $300 million issue, over 20 years, will cost a total of $486 million, so it's the 300 million principal and 186 in interest. And of the $300 million, when it is received, $125 million of that will immediately be used to pay off the operating deficit from last year of $65 million.

COUNCILWOMAN TASCO: Mm-hmm.

MR. DOOSEY: And the projected operating deficit this year of approximately $161 million.

COUNCILWOMAN TASCO: And that leaves you

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with --

MR. DOOSEY: In round numbers, $175 million.

COUNCILWOMAN TASCO: If you take 125 from 300,000, is that the total deficit? Maybe I misunderstood you.

MR. DOOSEY: No, the projected accumulated deficit for the School District at the end of this fiscal year is estimated to be a total of $126 million. That would be the 65 from last year and the 61 from this year.

COUNCILWOMAN TASCO: Which leaves $175 million.

MR. DOOSEY: Which leaves $175 million for use in Fiscal Year '03 and going forward.

COUNCILWOMAN TASCO: And I think my question asked, what does that buy? 'Cause I'm concerned about the cost of doing business under this new organization. What is the cost?

'Cause we have no idea of how the School District is going to function structurally, who is in charge. You have the SRC, but who is in charge? If you're laying off 325 people, who are they? Who are the consultants? Will they pick up some of the

individuals, the slots?

And my question is, what is -- it's the same as Councilman Ortiz: What does it look like for the next year and a half in terms of operations? And we don't have that information. You have a business plan, you've tied -- have you tied cost to your plan?

MR. DOOSEY: I'm -- let me try and rephrase your question.

Is it a request again for the business plan, or is it a request for information on the 325 positions?

COUNCILWOMAN TASCO: I'm asking you for all of that. I'm asking you: How much is it going to cost us to run the School District? How have you broken the costs down? How do you do it?

And we have $175 million left out of the borrowing. What does that buy?

Bottom line, we don't know what this whole new structure's going to cost us and how it's financed.

MR. DOOSEY: To clarify my prior -- or to repeat my prior testimony from the budget hearings, the $175 million would buy you a

timeframe to run the District in its as-is condition into the beginning of the 2005 fiscal year.

Having said that, the School Reform Commission's intent is to implement best practices into the District, primarily on the business side, not on the school side, to extend that timeframe.

In reference to the announcement of the District's -- the School Reform Commission's goal of eliminating 325 positions, the District has recently announced a -- I guess it would be phrased as a "sweetened" or a "voluntary request" for individuals who, in exchange for increased medical benefits, would be willing to retire early.

So I cannot at this point give you an exact idea as far as which positions, which units.

It is not the intent of the District that the consulting contracts, that the resolutions that were passed last week replace the functions performed by these individuals. It is the opinion of senior management that these positions are extraneous positions, and it is for that reason that the School Reform Commission is proposing their elimination.

I hoped I answered your questions.

COUNCILWOMAN TASCO: Well, do we have anything -- and I got a big, thick book the other day; what was that? What did I get in the mail from the School District?

MR. DOOSEY: Hopefully, you received the District's and the School Reform Commission's written response to the questions raised during the budget hearings.

COUNCILWOMAN TASCO: Well, we haven't had time to read those yet since we were dealing with the wage tax.

COUNCIL PRESIDENT VERNA: And if I may just interject for a minute.

I truly want to thank you. It's the first time that I can remember that we got such rapid responses to our questions, and we got documents that we never received before. Thank you very much.

COUNCILWOMAN TASCO: Is my response in there too, the response to my letter in there?

MR. DOOSEY: To be quite honest, since I'm unfamiliar with your letter, I'm not sure. And if I can get a copy today, I'll make sure that it

gets -- when I get back this afternoon that we start working on it if we haven't done so already. I'm just not familiar with your letter.

COUNCILWOMAN TASCO: All right. Thank you very much.

COUNCIL PRESIDENT VERNA: You know, I guess we're all somewhat perplexed in that we hear about a 30-year borrowing and then a 20-year borrowing, but I think that there's no free lunch out there, and we are led to believe that unless we do this, by the end of May, schools will have to be closed.

Our hands are tied. I don't think that anybody's come up with any better solution.

So I am going to urge my colleagues to definitely report these bills out today because as I said, I didn't hear anybody else come up with a better solution.

Am I enthralled with the 20-year borrowing? Absolutely not, but it is what it is. And my main concern is for the 112,000 youngsters. And if we close the schools in May, I don't know when we'd be able to open them again, and I don't know that we can wait for Harrisburg that long.

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And if Harrisburg is waiting for us to blink first, so be it. Let's do what we have to do.

Are there any other questions of these witnesses?

MS. STEIN: Council President Verna, may we respectfully request --

COUNCIL PRESIDENT VERNA: Would you identify yourself, please.

MS. STERN: Joan Stern, counsel to the School District of Philadelphia.

May we respectfully request that these bills be reported out with a suspension of the rules in order that final passage may occur by the 18th of April?

COUNCIL PRESIDENT VERNA: Thank you. We will certainly consider that.

This concludes our public hearing.

MR. DOOSEY: Thank you.

(Shelly Yanoff comes forward.)

COUNCIL PRESIDENT VERNA: This is going to have to be very brief because we have another hearing, and people are waiting to testify on that hearing too.

Miss Yanoff, please identify yourself

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for the record.

MS. YANOFF: Thank you very much and thank you for this minute.

Council President Verna, I have been testifying in support of schools and school bonds in this Council for 30 years. I have never come here and said to do anything but support it.

This morning's papers say to me that the only leverage we have to have to have any control over what happens in our schools is not to report those bills out at this time, not to have things happen overnight.

(Copy of this article is attached hereto.)

MS. YANOFF: They're taking over Central, they're taking over Henry; on what basis? Who reports those?

We urge you to use the leverage you have and hold them up now.

(Applause.)

MS. YANOFF: Thank you.

COUNCIL PRESIDENT VERNA: Miss Kahn, did you want to be recognized?

MS. KAHN: Thank you, President Verna.

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Debra Kahn, Secretary of Education for the City.

I want to thank you, President Verna, for your comments before, and just so that we can complete the record, I did provide, so that all Councilmembers are aware, early last week responses for the information that was requested on the part of Administration, and I also do have today for distribution, signed today by both the Governor and the Mayor, a written copy of the partnership agreement between the Governor and the Mayor.

COUNCIL PRESIDENT VERNA: Councilman Nutter will be very anxious to receive a copy of that.

MS. KAHN: I'm sure he will.

Thank you, Madam President and all of the other members as well.

COUNCIL PRESIDENT VERNA: Thank you.

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COUNCIL PRESIDENT VERNA: I would ask all members to please come down to Room 696, we're about ready to vote. Please report to 696.

(Audience members chant "Postpone the vote.")

(Council President Verna strikes gavel.)

COUNCILMAN ORTIZ: Madam President, if I may.

COUNCIL PRESIDENT VERNA: Councilman Ortiz.

COUNCILMAN ORTIZ: I would like to recommend that we postpone the vote at least two weeks.

(Applause.)

COUNCIL PRESIDENT VERNA: All those in favor will signify by saying aye.

Those opposed, nay?

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam President. Thank you, Madam President.

I move that Bill No. 020031 be reported out of this committee with a favorable

recommendation, and I further move that the bills of Council be suspended so as to permit first reading at our next session of Council.

(Duly seconded.)

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that Bill No. 020031 be reported out of committee with a favorable recommendation and also a recommendation that the rules of Council be suspended so as to permit first reading at our next session of Council

All those in favor will signify by saying aye.

Those opposed?

The record will indicate that Councilmembers Ortiz and Cohen voted no.

The Chair recognizes Councilwoman Miller regarding Bill No. 020033.

COUNCILWOMAN MILLER: Thank you, Madam President.

I move that Bill No. 020033 be reported out of this committee with a favorable recommendation, and in addition move that the rules of Council be suspended so as to permit first reading at our next scheduled session.

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(Duly seconded.)

COUNCIL PRESIDENT VERNA: It's been moved and properly seconded that Bill No. 020033 be reported out of committee with a favorable recommendation and also a recommendation that the rules of Council be suspended so as to permit first reading at our next Council session.

All in favor will say aye.

Those opposed?

The record will indicate that everyone voted aye, with the exception of Councilmembers Cohen and Ortiz.

This concludes our Council meeting. Thank you all very much.

(Council proceedings end at 3:03 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia's meeting of the Committee Comm. of Wednesday, April 10, 2002, are contained fully and accurately in the stenographic notes taken by me, and that this is a true and correct transcript of same.

RE: Ordinance No. 020031, 020033

_____,

Josephine Cardillo

Registered Professional Reporter
and Notary Public

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)