

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Thursday, May 9, 2013
2:10 p.m.

PRESENT:

COUNCILMAN BILL GREEN, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN DENNIS O'BRIEN
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

BILL 121037 - An ordinance amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Income and Receipts Taxes," by, including but not limited to, modifying certain definitions...

BILL 130225 - An ordinance authorizing the Office of the City Treasurer, on behalf of the City, to enter into an agreement with Wells Fargo Bank, N.A. for provision of payroll banking services...

BILL 130227 - An ordinance amending Chapter 19-200 of The Philadelphia Code, entitled "City Funds - Deposits, Investments, Disbursements," by amending Section 19-201, entitled "City Depositories," by authorizing the City Treasurer to deposit funds in Bank of New York Mellon...

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COUNCILMAN GREEN: Good

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afternoon. The Committee on Finance is

4

called to order. I'd ask the Clerk to

5

please read the title of the bills we

6

will be considering.

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THE CLERK: Bill No. 121037, an

8

ordinance amending Chapter 19-2600 of The

9

Philadelphia Code, entitled "Business

10

Income and Receipts Taxes," by, including

11

but not limited to, modifying certain

12

definitions, all under certain terms and

13

conditions.

14

Bill No. 130225, an ordinance

15

authorizing the Office of the City

16

Treasurer, on behalf of the City, to

17

enter into an agreement with Wells Fargo

18

Bank, N.A. for provision of payroll

19

banking services to the City, under

20

certain terms and conditions.

21

Bill No. 130227, an ordinance

22

amending Chapter 19-200 of The

23

Philadelphia Code, entitled "City Funds -

24

Deposits, Investments, Disbursements," by

25

amending Section 19-201, entitled "City

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Depositories," by authorizing the City
3 Treasurer to deposit funds in Bank of New
4 York Mellon, under certain terms and
5 conditions.

6 COUNCILMAN GREEN: Thank you.

7 I note for the record the
8 presence of a quorum in the persons of
9 Councilmembers Blackwell, Greenlee,
10 Goode, and Reynolds Brown.

11 We are going to take the bills
12 in this order: First, the Bank of New
13 York Mellon, 130227; then we will hear
14 121037 relating to changes to the BIRT
15 tax; and finally deal with 130225.

16 Can I ask the Treasurer to
17 please come forward, state your name for
18 the record, and proceed with your
19 testimony.

20 (Witnesses approached witness
21 table.)

22 MS. WINKLER: Good afternoon,
23 Councilman Green and members of the
24 Committee on Finance. I am Nancy
25 Winkler, City Treasurer for the City of

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Philadelphia. I'm here today to testify
3 in support of Bill No. 130227 that amends
4 Chapter 19-200 of The Philadelphia Code
5 by amending Section 19-201, entitled
6 "City Depositories." Specifically, to
7 update the list of financial institutions
8 that the City is authorized to deposit
9 funds.

10 With me today are James Lanham,
11 Deputy Treasurer, and Mark DiSilvestro,
12 Assistant Treasurer. There are also
13 representatives of Bank of New York
14 Mellon here in the audience, Peter
15 Cunningham, Managing Director of Global
16 Client Management, and Charles M.
17 Elliott, Bank of New York Mellon Treasury
18 Services, Certified Treasury
19 Professional.

20 Bill No. 130227 authorizes the
21 Office of the City Treasurer to deposit
22 funds in Bank of New York Mellon, under
23 certain terms and conditions. Bank of
24 New York Mellon meets the requirements to
25 become an authorized depository, and the

1 5/9/13 - FINANCE - BILL 121037, etc.

2 Administration supports this bill.

3 Bank of New York Mellon has
4 affirmed in writing to the City that they
5 will participate in the annual lending
6 disparity study.

7 This concludes my written
8 testimony. I am available to answer any
9 questions you may have at this time.

10 Thank you.

11 COUNCILMAN GREEN: Thank you.

12 Are there any questions from
13 the Committee?

14 Councilmember Goode.

15 COUNCILMAN GOODE: Ms. Winkler,
16 could you have the representatives from
17 the bank come forward?

18 MS. WINKLER: Certainly.

19 (Witnesses approached witness
20 table.)

21 MR. CUNNINGHAM: Good evening,
22 Councilman.

23 COUNCILMAN GOODE: How are you?

24 MR. CUNNINGHAM: Fine.

25 COUNCILMAN GOODE: State your

1 5/9/13 - FINANCE - BILL 121037, etc.

2 name for the record, please.

3 MR. CUNNINGHAM: Peter

4 Cunningham.

5 COUNCILMAN GOODE: You were

6 removed from the list of City

7 depositories. Can you explain for the

8 record why you were removed from the

9 list?

10 MR. CUNNINGHAM: I don't

11 believe that we had been removed from the

12 list. I think that we may have not

13 submitted to the lending study.

14 COUNCILMAN GOODE: You were

15 removed from the list because I removed

16 you from the list.

17 MR. CUNNINGHAM: Oh, you did?

18 COUNCILMAN GOODE: Yes.

19 MR. CUNNINGHAM: Okay. I'm

20 sorry. That was before my time.

21 COUNCILMAN GOODE: Do you now

22 understand the requirements?

23 MR. CUNNINGHAM: Yes, we do.

24 COUNCILMAN GOODE: And you're

25 going to comply with the requirements?

1 5/9/13 - FINANCE - BILL 121037, etc.

2 MR. CUNNINGHAM: We expect to,
3 yes.

4 COUNCILMAN GOODE: And did you
5 approach the City or did the City
6 approach you about becoming a depository
7 again?

8 MR. CUNNINGHAM: I think we
9 approached the City.

10 COUNCILMAN GOODE: Okay. Thank
11 you.

12 MR. CUNNINGHAM: You're
13 welcome.

14 COUNCILMAN GREEN: Any further
15 questions from members of the Committee?

16 (No response.)

17 COUNCILMAN GREEN: Seeing none,
18 anybody else here to testify on this
19 bill?

20 (No response.)

21 COUNCILMAN GREEN: Seeing none,
22 we will move to Bill No. 121037. I think
23 the COO of the Department of Commerce is
24 here to testify, Kevin Dow.

25 Also, for the record,

1 5/9/13 - FINANCE - BILL 121037, etc.

2 Councilmember Tasco and Councilmember
3 O'Brien and Johnson have joined the
4 Committee.

5 (Witness approached witness
6 table.)

7 COUNCILMAN GREEN: Thank you.

8 Before you proceed with your testimony, I
9 will take the opportunity to say that
10 this is another collaborative effort
11 between the Council and the
12 Administration. This bill is a follow-on
13 to work done in the, I guess, last
14 session of City Council with bill ending
15 in 554, which provided for single sales
16 factor apportionment to manufacturing
17 companies. We followed that up this
18 year -- well, single sales factor
19 apportionment for all companies, but
20 primarily that only benefits companies in
21 the City of Philadelphia that sell
22 tangible goods, which would mean that the
23 playing field is completely level for,
24 say, for example, manufacturers or
25 distributors, whether they are

1 5/9/13 - FINANCE - BILL 121037, etc.
2 headquartered in the City of Philadelphia
3 or not, because they will pay the same
4 tax to the City of Philadelphia in either
5 case based only on one single factor,
6 their sales inside the City of
7 Philadelphia versus their sales outside
8 the City of Philadelphia.

9 Earlier in this term we passed
10 a bill that exempted private investment
11 funds from the BIRT tax. As a
12 consequence, we've had over one-half of
13 \$1 billion in investment funds moved into
14 the City of Philadelphia and have
15 collected far more in wage tax in that
16 short time than we ever collected from
17 private investment funds. Many of those
18 funds will be invested in the
19 knowledge-based economy and the future of
20 the American economy and today's
21 manufacturer of 80 years ago and, that
22 is, software companies. And so we'd like
23 to put the sellers of those products,
24 software products, on a level playing
25 field with their competition across the

1 5/9/13 - FINANCE - BILL 121037, etc.
2 country, and as a consequence, we and the
3 Administration have worked on a bill that
4 will level the playing field for software
5 manufacturers so that as companies are
6 invested in and grow and become
7 profitable, there will be no incentive
8 for them to move to the suburbs and that
9 we can retain those companies that are
10 currently conducting that business today.

11 With that, Mr. Dow, please
12 proceed with your testimony.

13 MR. DOW: Thank you,
14 Councilman. Good afternoon. My name is
15 Kevin Dow. I'm the Chief Operating
16 Officer for the Commerce Department in
17 the City of Philadelphia. I'm here today
18 to testify on Bill No. 121037 in support
19 of that bill.

20 We support the bill, as the
21 Administration believes it will help spur
22 continued growth in the information
23 technology within Philadelphia. As
24 Philadelphia's industrial base has
25 declined, much like what Councilman Green

1 5/9/13 - FINANCE - BILL 121037, etc.
2 has stated, over the years, the tech
3 industry is beginning to take its place.
4 The employment opportunities for
5 Philadelphia residents is far too much to
6 ignore, and this Administration wants to
7 do everything possible to support that
8 growth.

9 I'd be happy to take any
10 questions at this time.

11 COUNCILMAN GREEN: Any
12 questions from members of the Committee?
13 (No response.)

14 COUNCILMAN GREEN: Seeing none,
15 anybody else here to testify on this
16 bill?

17 COUNCILWOMAN TASC0: Just tell
18 me, what does this bill do?

19 MR. DOW: Well, the bill
20 changes the -- it actually gives -- the
21 way in which we calculate the sales
22 factor or the taxes for companies in the
23 City is by apportionment. And by
24 apportionment, I mean there is a formula
25 that we use based on payroll, property,

1 5/9/13 - FINANCE - BILL 121037, etc.
2 and receipts. This bill would limit the
3 taxing ability to companies in the IT
4 industry, and there's very specific NAIC
5 codes which identifies those companies in
6 this bill, which we appreciate, that
7 would limit it to a single sales factor
8 to receipts. It would essentially level
9 the playing field for Philadelphia-based
10 companies with its competition outside
11 the City.

12 COUNCILWOMAN TASCO: Okay.

13 COUNCILMAN GREEN: Any other
14 questions from members of the Committee?

15 (No response.)

16 COUNCILMAN GREEN: Seeing none,
17 anybody else here to testify on this
18 bill?

19 (No response.)

20 COUNCILMAN GREEN: Thank you.

21 I will ask --

22 MR. DOW: Thank you.

23 COUNCILMAN GREEN: --

24 Councilmember Tasco to please chair the
25 hearing and proceed with the next bill,

1 5/9/13 - FINANCE - BILL 121037, etc.
2 121037, after which I'll ask her to go
3 into a --

4 COUNCILWOMAN TASC0: We just
5 did 37.

6 COUNCILMAN GREEN: I'm sorry;
7 130225, for which I must recuse myself,
8 and then I'll ask her to go into a public
9 meeting and we'll take it from there.

10 Thank you, Councilmember.

11 COUNCILWOMAN TASC0: Okay.
12 Thank you.

13 We now call on those who are
14 here to testify on Bill 130225.

15 (Witnesses approached witness
16 table.)

17 COUNCILWOMAN TASC0: Good
18 afternoon.

19 MS. WINKLER: Good afternoon.

20 COUNCILWOMAN TASC0: Would you
21 please state your name for the record,
22 please, and begin your testimony.

23 MS. WINKLER: I'm Nancy
24 Winkler, City Treasurer for the City of
25 Philadelphia.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 Good afternoon, members of the
3 Committee.

4 COUNCILWOMAN TASC0: Could you
5 speak into the mic, please.

6 MS. WINKLER: Sure.

7 Good afternoon. I'm Nancy
8 Winkler, City Treasurer. I'm here to
9 testify today on behalf of Bill No.
10 130225. Bill No. 130225 will authorize
11 the Office of the City Treasurer, on
12 behalf of the City, to enter into an
13 agreement with Wells Fargo Bank, N.A. for
14 provision of payroll banking services to
15 the City. Bill No. 060387 as adopted by
16 City Council requires the City Treasurer
17 to conduct an RFP process to select a
18 City payroll depository. That bill also
19 requires that no contract be executed
20 with the selected vendor until it has
21 been approved by City Council by
22 ordinance.

23 Let me provide you some
24 background. The Office of the City
25 Treasurer issued an RFP for payroll

1 5/9/13 - FINANCE - BILL 121037, etc.
2 banking services in October of 2012. The
3 responses were reviewed by an evaluation
4 team that included representation from
5 OEO, the City Treasurer's Office, the
6 Finance Department, OIT, and our banking
7 services consultants. After reviewing
8 the responses submitted, the evaluation
9 team selected Wells Fargo Bank, N.A. and
10 Bank of America for interviews. These
11 were the two lowest cost providers.

12 Based on the selection criteria
13 for the RFP, the Committee ranked the
14 banks. Wells Fargo Bank, N.A. received
15 the highest ratings, was the lowest cost,
16 and was selected to be the vendor. The
17 contract has now been negotiated. We are
18 in the process of negotiating a back-up
19 contract with Bank of America, but it has
20 not yet concluded due to difficulty in
21 reaching agreement on certain terms
22 required by the City's general provisions
23 related to liability.

24 This concludes my testimony. I
25 am happy to answer any questions you may

1 5/9/13 - FINANCE - BILL 121037, etc.
2 have at this time.

3 COUNCILWOMAN TASC0: Are there
4 any questions?

5 Councilman Goode.

6 COUNCILMAN GOODE: Thank you,
7 Madam Chair.

8 Good afternoon again, Ms.
9 Winkler.

10 MS. WINKLER: Good afternoon.

11 COUNCILMAN GOODE: You're
12 familiar with the requirements of Bill
13 130011, which is the latest bill that
14 added new requirements?

15 MS. WINKLER: The quarterly
16 reporting?

17 COUNCILMAN GOODE: The
18 quarterly reporting, also the addition of
19 community reinvestment goals as exhibits
20 to the bill.

21 MS. WINKLER: Yes.

22 COUNCILMAN GOODE: And the
23 community reinvestment goals and the fair
24 lending plan that were attached to this
25 bill were from 2012. You've agreed to

1 5/9/13 - FINANCE - BILL 121037, etc.
2 make sure that they are updated and
3 submitted as amendments to the bill?

4 MS. WINKLER: Yes.

5 COUNCILMAN GOODE: And you will
6 enforce the quarterly reporting
7 requirement?

8 MS. WINKLER: We will require
9 quarterly reporting. We have spoken -- I
10 have spoken to Wells Fargo and confirmed
11 with them that they are prepared to meet
12 the quarterly reporting requirements.
13 And also I'd like to say that there are
14 members of Wells Fargo Bank here today.

15 COUNCILMAN GOODE: Thank you.

16 Thank you, Madam Chair.

17 COUNCILWOMAN TASC0: Any other
18 questions?

19 (No response.)

20 COUNCILWOMAN TASC0: There
21 being no further questions, is there
22 anyone else here to testify on this bill?

23 Would you come forward, please.

24 (Witnesses approached witness
25 table.)

1 5/9/13 - FINANCE - BILL 121037, etc.

2 MS. GEMMELL: Good afternoon,
3 Madam Chair, members of the Finance
4 Committee. My name is Anne Gemmell. I'm
5 the Political Director at Fight for
6 Philly. Thank you for the opportunity to
7 speak to you today about Mayor Nutter and
8 the City Treasurer's choice of banking
9 partners for the coming year.

10 First, I'd like to express
11 relief. Fight for Philly is very
12 relieved that the life of the contract is
13 only one year. However, we're still
14 opposed to this choice.

15 Now, I find it a great irony
16 that at this very moment, there are about
17 500 Philadelphia students who gathered
18 here first and started marching up
19 towards the School District building to
20 protest the cuts that are falling on
21 their head. Wells Fargo and other banks
22 were involved in swap agreements that
23 helped deepen the debt of our School
24 District, but you'll never see it in the
25 School District's budget, because every

1 5/9/13 - FINANCE - BILL 121037, etc.
2 swap agreement was rolled into subsequent
3 bond deals until the bond deals
4 approached half a billion dollars. So
5 the point now where the interest rate
6 is -- the amount of interest on the
7 School District budget, as you all know,
8 is 12 percent of the School District's
9 budget.

10 But I want to speak quickly
11 about Wells Fargo's community
12 reinvestment goals. I had the
13 opportunity to review these documents
14 that were a required step of becoming a
15 City depositor. Wells Fargo seems very
16 proud of their hands-on banking financial
17 education program. My son, Harrison, in
18 sixth grade last year experienced this
19 curriculum of financial literacy
20 firsthand. Even a sixth grader
21 recognized it immediately as propaganda
22 to restore the damage that's been done to
23 Wells Fargo and other banks' brand due to
24 the greed that crashed our economy in
25 2008.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 Curriculum like this is nothing
3 more than a way to manage and -- manage
4 the damage to the brand, but also get
5 into kids' heads as early as possible
6 that these banks and their brands are
7 good things, when in fact it's not the
8 case at all.

9 The real financial education
10 our kids received started in 2008, and it
11 goes like this: Banking greed crashed
12 our economy. The banks were bailed out
13 with taxpayer money, and then they
14 lobbied in bigger -- bigger percentages
15 of their profits than ever to have access
16 to special Federal Reserve programs.
17 This investment of lobbying dollars
18 protected laws that were friendly to
19 off-shore tax havens. They collect
20 hundreds of millions in swap payments
21 from our schools. Not only Philadelphia,
22 but 107 school districts in Pennsylvania
23 and 86 Pennsylvania municipalities had
24 swap agreements, managing almost \$15
25 billion in debt throughout the

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Commonwealth. Just in Pennsylvania. The
3 news of mega bankers' unending scams
4 indicates a remorseless, corrupt culture,
5 literally rigging global interest rates,
6 flagrantly violating new lending rules.
7 And now just this month, just this week,
8 a bigger ICAP scandal is erupting
9 involving the rigging of interest rate
10 swaps markets. The whole markets, the
11 whole market is rigged. Every day you
12 can read about new scams.

13 Tuesday it was announced that
14 the New York City Attorney General, Eric
15 Schneiderman, announced that he's
16 pressing charges against Bank of America
17 and Wells Fargo for their violation of
18 the National Mortgage Agreement. Every
19 week. It's to the point where it's not
20 even news anymore.

21 In addition, Wells Fargo has
22 poured millions of dollars into lobbying
23 against commonsense reforms that would
24 protect American consumers. Wells spent
25 18.86 million in lobbying from 2008 to

1 5/9/13 - FINANCE - BILL 121037, etc.
2 2011. That's 11 million from 2008 to
3 2010, plus an additional nearly \$8
4 million in lobbying expenditures in 2011
5 alone. According to Los Angeles Times,
6 the bank spent 27 percent more on
7 lobbying in 2009 after getting bailed
8 out, and then in the three years from '08
9 to 2011, Wells focused its lobbying
10 against consumer-friendly bills on issues
11 like mortgage reform, foreclosure
12 prevention, anti-predatory lending laws,
13 overdraft fees, credit card reform, tax
14 simplifications, derivatives markets, and
15 the creation of an independent consumer
16 financial protection agency. All the
17 things that would protect little people
18 Wells Fargo lobbied against.

19 Wells Fargo CEO John Stumpf
20 sits on the Board of Directors and
21 executive committee of the Financial
22 Services Roundtable. This Roundtable
23 lobbied against the Employee Free Choice
24 Act. This measure would have given bank
25 workers who make \$10 an hour a voice on

1 5/9/13 - FINANCE - BILL 121037, etc.
2 the job through a union and allow them to
3 bargain for stronger whistleblower
4 protections so they can speak out against
5 harmful consumer practices. Wells Fargo
6 spent money to lobby against that.

7 So the Wells Fargo financial
8 literacy curriculum for kids that is in
9 our schools right now doesn't get into
10 any of this, but the bank does think it's
11 important that they reach 2,700 kids with
12 this literacy curriculum, and they think
13 it's laudable that they've distributed
14 about \$1 million per year in community
15 grants since 1998. This is a mockery.
16 This is a bank who received a federal tax
17 refund, a refund. So they're so good at
18 avoiding taxes and sheltering their
19 profits in off-shore accounts that they
20 get a federal refund of \$680 million
21 instead of pay a single dime in taxes to
22 the American taxpayer.

23 They made billions last year
24 and serviced over \$2 trillion in
25 mortgages. The damage that they have

1 5/9/13 - FINANCE - BILL 121037, etc.
2 caused to our country and the School
3 District and our city is so much greater
4 than the value of a few feel-good grants
5 cited in their community reinvestment
6 document.

7 Here is the real lesson in
8 financial literacy for our kids, and it's
9 a constant stream of bad news. Tens of
10 thousands of our kids were affected by
11 school closures just this year, with
12 undoubtedly more on the horizon.
13 Hundreds of thousands of kids will be
14 affected by the austerity slamming down
15 against -- cutting their sports, arts,
16 musics, counselors, and teachers. The
17 banks are absolutely to blame.

18 It's really a favorite in City
19 government to blame Arlene Ackerman and
20 mismanagement of the stimulus funds, but
21 you know what, that's stale. That's old.
22 There's a lot of blame to go around, and
23 the reality is that we're in a situation
24 right now and what is the plan? And I
25 think when the Mayor just this morning

1 5/9/13 - FINANCE - BILL 121037, etc.
2 talks about shared sacrifice and says
3 that the blue-collar workers gave up so
4 much money per paycheck so that the
5 teachers should too, what about the
6 banks? Do the banks really need to pay
7 200 -- do they really need to get paid
8 \$280 million a year, 280 million just in
9 interest payments a year? They are
10 making, I'm told, 4, 4 and a half percent
11 interest on the bonds. They are lent
12 money at practically zero percent
13 interest rate by our government. Our tax
14 dollars bailed out the banks, and they
15 have lobbied to keep the interest rates
16 from the fed at near zero. So when they
17 charge our children 4 percent interest
18 rate, that is pure profit, pure profit on
19 the taxpayer. Who is going to publicly
20 ask for them to share some sacrifice? It
21 wouldn't even be a sacrifice. This
22 money -- it would be nothing to them to
23 refund the cancellation payments from the
24 swap agreements, to waive some service
25 fees on the debt management. Who is

1 5/9/13 - FINANCE - BILL 121037, etc.
2 going to stand up and ask them to share
3 some sacrifice as well? Like I said, it
4 wouldn't even be a sacrifice for this
5 sector.

6 Our Mayor is not going to lead
7 on this. I have no hope of him standing
8 up to the private sector mega rich in our
9 region. Council, it's up to you. It's
10 up to you to see the forest of the
11 financial sector corruption instead of
12 the tiny bark of contributions that Wells
13 Fargo claims they have made to our
14 communities or the tiny bark of the
15 difference between choosing Wells Fargo
16 Bank and another bank that met the
17 requirements as well and maybe would
18 charge the City a little bit more.
19 That's tiny bark compared to the forest
20 of trees, the forest of corruption.

21 I don't even think our deposits
22 are safe with these banks. Every day New
23 York Times DealBook, every day, every
24 month Matt Taibbi writes about it in the
25 Rolling Stone. Every day there's

1 5/9/13 - FINANCE - BILL 121037, etc.
2 investigative bloggers telling about new
3 ways the banks are up to their same old
4 tricks. There's no remorse in the
5 financial sector. Our dollars are not
6 safe with these banks.

7 So on behalf of our city, on
8 behalf of the schools, I think that -- I
9 urge you to refuse to do business with
10 Wells Fargo and refuse to approve this
11 contract with any bank who has helped
12 crash our economy with their greed
13 collected from our kids with the swap
14 scams, dodged federal taxes, and show no
15 sign of reform since the bailout in 2008.
16 There are alternatives, but we just lack
17 the political will to fully explore the
18 alternatives. And I urge you to reduce
19 the one-year contract and use the time --
20 maybe to a month-to-month agreement and
21 use the time to explore other options.
22 There are banks who were not involved in
23 the global meltdown, who did not market
24 toxic swaps to the District, who did not
25 flagrantly violate the National Mortgage

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Agreement or robo sign foreclosures or
3 set up shops for payday lending. Those
4 are the banks that deserve our business,
5 not Wells Fargo and other similar banks.
6 They do not deserve our business.

7 I've attached just this week,
8 just this week new news about things that
9 Wells Fargo is involved in to my
10 testimony. And here with me is Public
11 Banking Institute, who has evidence of
12 alternatives.

13 COUNCILMAN GOODE: Madam Chair,
14 questions for Ms. Gemmell.

15 COUNCILWOMAN TASC0: Councilman
16 Goode.

17 COUNCILMAN GOODE: Ms. Gemmell,
18 I've been fighting big banks before it
19 became popular. So I actually have some
20 problems with the testimony, and I'll
21 start with you said you reviewed the
22 community reinvestment goals?

23 MS. GEMMELL: Right.

24 COUNCILMAN GOODE: What were
25 the goals?

1 5/9/13 - FINANCE - BILL 121037, etc.

2 MS. GEMMELL: Well, the goals
3 are relative, right? The goals are
4 improvement. The goals are relative
5 to --

6 COUNCILMAN GOODE: The goals
7 are actually numbers.

8 MS. GEMMELL: Right, but it's
9 all relative numbers, relative
10 improvement to the previous year.

11 COUNCILMAN GOODE: They're not
12 relative numbers. The goals are
13 specifically how many home mortgages, how
14 many home refinances, how many home
15 improvement loans, how many small
16 business loans the bank is going to do
17 within low and moderate-income
18 neighborhoods. Those are the goals.
19 What's wrong with the goals?

20 MS. GEMMELL: No. Those goals
21 are great, and compared to the meltdown
22 where there's a huge dip in those and in
23 banks reaching those goals, I can see
24 there's been improvement.

25 COUNCILMAN GOODE: I'm

1 5/9/13 - FINANCE - BILL 121037, etc.
2 specifically asking you locally about the
3 community reinvestment goals that you
4 said you reviewed.

5 MS. GEMMELL: I reviewed --

6 COUNCILMAN GOODE: What were
7 the goals?

8 MS. GEMMELL: I reviewed the
9 grants and I looked specifically at the
10 curriculum. I was personally offended by
11 the curriculum that's put into our
12 schools that poses as --

13 COUNCILMAN GOODE: In 2011,
14 Wells set a goal of 389 small business
15 loans in low and moderate-income
16 neighborhoods. Do you know how many they
17 did?

18 MS. GEMMELL: I know it was an
19 improvement. I don't have the numbers in
20 front of me.

21 COUNCILMAN GOODE: In 2011,
22 Wells Fargo committed to 1,626 home
23 mortgages. Do you know how many they
24 did?

25 MS. GEMMELL: No, I don't. I

1 5/9/13 - FINANCE - BILL 121037, etc.
2 have it -- I don't have it in front of
3 me.

4 COUNCILMAN GOODE: In 2011,
5 Wells Fargo committed to 112 improvement
6 loans. Do you know how many they did?

7 MS. GEMMELL: No.

8 COUNCILMAN GOODE: They set a
9 goal of 389 small business loans. They
10 did 783. They set a goal of 1,626
11 mortgages. They did 3,336. They set a
12 goal of 112 improvement loans. They did
13 149 improvement loans. So which banks do
14 you think we should be doing business
15 with?

16 MS. GEMMELL: Well, I think
17 that we should start with the list of
18 banks who weren't involved in the global
19 meltdown. I think that the goals are
20 very worthy goals, but at the same
21 time --

22 COUNCILMAN GOODE: The question
23 I asked --

24 MS. GEMMELL: At the same time,
25 now they're under investigation.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 COUNCILMAN GOODE: The question
3 is, which banks should we be doing
4 business with?

5 MS. GEMMELL: Well, my
6 understanding is that PNC submitted a bid
7 and TD Bank submitted a bid. Neither one
8 of those banks are involved in global
9 financial derivatives or rate rigging or
10 neither one of those banks are under
11 investigation for violating the National
12 Mortgage Agreement.

13 COUNCILMAN GOODE: Does that
14 make them more qualified?

15 MR. NUESSLE: What was that
16 question?

17 COUNCILMAN GOODE: I asked her
18 a question.

19 MS. GEMMELL: I think the way
20 that the laws are written now, it may not
21 be written in -- the requirements may not
22 be written in a way that looks at the
23 forest, right?

24 COUNCILMAN GOODE: Let's talk
25 about the forest. We're going to have a

1 5/9/13 - FINANCE - BILL 121037, etc.

2 long discussion right now.

3 Have you drafted responsible
4 banking legislation?

5 MS. GEMMELL: Of course not.

6 No, I haven't.

7 COUNCILMAN GOODE: How many
8 responsible banking ordinances have you
9 reviewed?

10 MS. GEMMELL: I'm sure not as
11 thoroughly as you've reviewed them.

12 COUNCILMAN GOODE: Did you
13 review the latest lending disparity study
14 released last month?

15 MS. GEMMELL: No, I haven't.

16 COUNCILMAN GOODE: This is it.
17 It's kind of thick. It's a lot of
18 reading, but I read the entire thing.

19 Are you familiar with the
20 performance rankings within that study?

21 MS. GEMMELL: No, I'm not.

22 COUNCILMAN GOODE: Are you
23 familiar with the rankings on home
24 mortgage and small business loans?

25 MS. GEMMELL: No, I'm not.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 COUNCILMAN GOODE: The American
3 dream is to buy a home or start a
4 business. So should those rankings
5 matter to us?

6 MS. GEMMELL: Of course they
7 should matter, but I would contend that
8 investigation of mortgage -- violation of
9 the National Mortgage Agreement should
10 also matter.

11 COUNCILMAN GOODE: I'm asking
12 you whether those performance rankings
13 should matter.

14 MS. GEMMELL: I answered that,
15 yes, they should.

16 COUNCILMAN GOODE: Do you know
17 what the performance rankings are based
18 upon?

19 MS. GEMMELL: There's a wide
20 range of metrics, I know that. I can't
21 rattle them off.

22 COUNCILMAN GOODE: One of the
23 things they are based upon, which I've
24 raised in the past and my colleagues have
25 been here for a while, I used to

1 5/9/13 - FINANCE - BILL 121037, etc.
2 completely attack Wachovia, the
3 predecessor, for the lack of home
4 mortgages to African Americans. Do you
5 know where PNC and TD Bank, which you
6 just touted, rank in terms of that?

7 MS. GEMMELL: That's not
8 something I looked at. I'm --

9 COUNCILMAN GOODE: Let me tell
10 you how good I am at this. In terms of
11 the entire market, the entire market did
12 about 19 percent of home mortgages. In
13 terms of our depositories, they did about
14 23 percent of their mortgages to African
15 Americans.

16 MS. GEMMELL: I'm sorry. Are
17 you talking about PNC or Wells Fargo?

18 COUNCILMAN GOODE: I'm about to
19 get there.

20 In terms of all the banks in
21 the market, they did about 19 percent of
22 their mortgages to African Americans. In
23 terms of all depositories, they did about
24 23 percent of home mortgages to African
25 Americans. In terms of Wells Fargo, what

1 5/9/13 - FINANCE - BILL 121037, etc.

2 do you think they did?

3 MS. GEMMELL: Probably much

4 higher percentage.

5 COUNCILMAN GOODE: 24 percent.

6 Now, what do you think PNC did? 15

7 percent.

8 MS. GEMMELL: 15 percent

9 instead of 24 percent.

10 COUNCILMAN GOODE: What do you

11 think TD Bank did?

12 MS. GEMMELL: Probably lower

13 than PNC.

14 COUNCILMAN GOODE: 4.3 percent.

15 But you want us to do business with TD

16 Bank.

17 Thank you for your testimony.

18 MS. GEMMELL: Can I say

19 something?

20 COUNCILMAN GOODE: Whatever you

21 want now.

22 MS. GEMMELL: So I understand

23 where you're coming from and I understand

24 you've worked on this issues for decades.

25 COUNCILMAN GOODE: Won national

1 5/9/13 - FINANCE - BILL 121037, etc.
2 awards for it.

3 MS. GEMMELL: I'm very aware of
4 that.

5 COUNCILMAN GOODE: I've been a
6 speaker at every national committee and
7 conference they have on local responsible
8 banking ordinances.

9 MS. GEMMELL: I know. We all
10 have issues that we're invested in.

11 COUNCILMAN GOODE: I'm very
12 serious about this. I actually do the
13 homework.

14 MS. GEMMELL: Councilman Goode,
15 I did some homework on what my kids were
16 being sent with homework in terms of bank
17 propaganda in their classroom, and I know
18 that Wells Fargo --

19 COUNCILMAN GOODE: But you
20 refer to that as community reinvestment
21 goals. They are not the community
22 reinvestment goals. The community
23 reinvestment goals are how many home
24 mortgages, how many small business loans
25 you're going to do in low and

1 5/9/13 - FINANCE - BILL 121037, etc.
2 moderate-income neighborhoods. Beyond
3 that, our lending disparity study
4 examines how you lend to African
5 Americans, how you lend to Hispanics, how
6 you lend to low and moderate-income
7 areas. We have a wide range of studies,
8 very thick study.

9 MS. GEMMELL: Yes. I see that
10 study. I also --

11 COUNCILMAN GOODE: So if you're
12 actually talking about community
13 reinvestment goals and fair lending
14 plans, then speak about that. You could
15 talk about the national situation. I buy
16 that. But when I asked you the question
17 who we should do business with in terms
18 of banks, you didn't provide an answer.

19 MS. GEMMELL: Well, I'm sorry
20 you're not satisfied with my testimony.

21 COUNCILMAN GOODE: You didn't
22 tell me which banks we should do business
23 with.

24 MS. GEMMELL: Well, I'm not --
25 that's not my job. I'm not on the

1 5/9/13 - FINANCE - BILL 121037, etc.

2 Finance Committee.

3 COUNCILMAN GOODE: Well, last
4 year --

5 MS. GEMMELL: What I'm trying
6 to do --

7 COUNCILMAN GOODE: Last year
8 you had a complaint about it, right?

9 MS. GEMMELL: Yes.

10 COUNCILMAN GOODE: And an RFP
11 went out?

12 MS. GEMMELL: Yes.

13 COUNCILMAN GOODE: And you were
14 aware of the RFP?

15 MS. GEMMELL: Yes.

16 COUNCILMAN GOODE: And any bank
17 you wanted to respond to the RFP could
18 respond to the RFP.

19 MS. GEMMELL: Several banks --

20 COUNCILMAN GOODE: Which they
21 did not.

22 MS. GEMMELL: I must be getting
23 information from --

24 COUNCILMAN GOODE: And one of
25 the banks that did respond, TD Bank,

1 5/9/13 - FINANCE - BILL 121037, etc.
2 which you just touted, only gave 4.3
3 percent of their home mortgages to
4 African Americans.

5 MS. GEMMELL: Well, I also know
6 they don't foreclose on African Americans
7 either. Fight for Philly shares an
8 office with the Affordable Housing
9 Alliance and I've talked to those
10 counselors endlessly, and I said, Who is
11 in here providing the biggest hardship
12 for African American families?

13 COUNCILMAN GOODE: Do you have
14 any data?

15 MS. GEMMELL: I can certainly
16 get data from them.

17 COUNCILMAN GOODE: The data is
18 actually within here.

19 MS. GEMMELL: I understand
20 that. I understand that, but in
21 conversations with people who do the work
22 every day of counseling people through
23 foreclosure prevention, TD Bank is never
24 mentioned. PNC is never mentioned. The
25 culprits are Bank of America and Wells

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Fargo. Those are the mortgages that are
3 in front of the affordable housing
4 counselors of people who are dealing with
5 foreclosure all the time.

6 COUNCILMAN GOODE: How can TD
7 Bank foreclose on African Americans
8 without giving them a home mortgage?

9 MS. GEMMELL: Well, PNC is not
10 in there either. They're lending to --
11 15 percent of their mortgages in the
12 region are lent to African American
13 families.

14 COUNCILMAN GOODE: How can TD
15 Bank --

16 MS. GEMMELL: They're not in
17 foreclosure.

18 COUNCILMAN GOODE: How can TD
19 Bank foreclose on African Americans if
20 they won't give them a mortgage?

21 MS. GEMMELL: That's a very
22 valid point.

23 COUNCILMAN GOODE: It's an
24 extremely valid point.

25 MS. GEMMELL: But PNC is not

1 5/9/13 - FINANCE - BILL 121037, etc.

2 there either.

3 Look, I didn't come here to
4 advocate for one bank or the other. What
5 I am trying to say --

6 COUNCILMAN GOODE: Neither did
7 I.

8 MS. GEMMELL: Right, so --

9 COUNCILMAN GOODE: If Wells
10 Fargo didn't place first in the study in
11 terms of home mortgages and didn't place
12 first in the study in terms of small
13 business lending to African Americans, to
14 Latinos, to low and moderate-income areas
15 using our performance ranking, unless you
16 question the methodology -- you can do
17 that if you want, but if they didn't
18 place first, if they placed poorly as
19 they did in the past, I would be on your
20 side. But this time you're raising an
21 issue of swaps, which is an unrelated
22 issue. We're not here to discuss
23 investments. We're actually here to
24 discuss where the payroll account should
25 go. Now, if there was an investment

1 5/9/13 - FINANCE - BILL 121037, etc.
2 decision before us and we were trying to
3 decide whether we should let Wells Fargo
4 invest our money, your testimony might be
5 valid. Your testimony might be relevant.

6 MS. GEMMELL: Well, do you
7 think when you deposit the payroll, that
8 it's not being invested by Wells Fargo?
9 There are no rules. Once you hand it
10 over to the banks, there are no rules.
11 They're going to do whatever they want
12 with it, into derivatives, into global
13 finance, into high-risk hedge agreements.
14 I don't think that our deposits are safe.

15 COUNCILMAN GOODE: Do you know
16 where the rules are? They're within a
17 contract. That's what we're approving
18 today.

19 MS. GEMMELL: Well, it's a
20 shell game when the financial sector --
21 and once Wells Fargo gets the money,
22 they're going to do whatever they want
23 with it.

24 COUNCILMAN GOODE: We have a
25 contract and that's what we're approving

1 5/9/13 - FINANCE - BILL 121037, etc.
2 today.

3 MS. GEMMELL: We all had
4 contracts, and they didn't matter when
5 the meltdown happened. None of it
6 mattered. None of the contracts
7 mattered.

8 COUNCILMAN GOODE: Next.

9 COUNCILWOMAN TASC0: Any other
10 questions?

11 (No response.)

12 COUNCILWOMAN TASC0: Any other
13 testimony?

14 MR. NUESSLE: Mr. Chairman and
15 members of the City Council, my name is
16 Frank Nuessle. I teach courses in
17 sustainability in the Organizational
18 Dynamics program at the University of
19 Pennsylvania and I'm a Director of the
20 Pennsylvania Project and the Director of
21 Research for the Public Banking
22 Institute.

23 Both of these organizations are
24 not-for-profit and non-partisan. We
25 advocate and educate for the creation of

1 5/9/13 - FINANCE - BILL 121037, etc.
2 a network of public partnership banks
3 here in Pennsylvania and around the
4 nation at the state, county, and
5 municipal level, advocating for new
6 models of municipal banking that can
7 contribute to economic development, job
8 creation, local strong banking, and
9 credit markets and sound municipal
10 finance.

11 The proposed contract with
12 Wells Fargo to hold City deposits and
13 manage the payroll puts the City Council
14 between a rock and a hard place.

15 On the one hand, many people in
16 this city and perhaps on the Council
17 already realize that to do business with
18 the too-big-to-fall Wall Street banks is
19 dangerous. These Wall Street banks
20 almost collapsed the American economy,
21 which led to a massive unemployment and
22 home foreclosures while these same Wall
23 Street banks peddled interest rate swaps
24 which have caused cities, school
25 districts, and municipal authorities

1 5/9/13 - FINANCE - BILL 121037, etc.
2 hundreds of millions of dollars.

3 On the other hand, local banks
4 aren't currently a real option for the
5 City Council even though local
6 Pennsylvania banks are far more prudently
7 managed and are actually better
8 regulated. Yet local banks often lack
9 the technical capacity to manage the
10 City's complex banking and reporting
11 requirements and/or unwilling or unable
12 to collateralize the City's large
13 deposits.

14 Yet there is a third option.
15 In more than 20 state legislatures and a
16 growing number of cities and counties
17 across the United States, new models of
18 municipal banking are being developed to
19 get cities like Philadelphia out of this
20 bind and provide a real alternative to
21 banking only with Wall Street.

22 One such model of municipal
23 banking, which we urge Council to
24 explore, is creation of a public bank of
25 Philadelphia modeled on the very

1 5/9/13 - FINANCE - BILL 121037, etc.
2 successful Bank of North Dakota. The
3 concept is very simple. Philadelphia
4 public funds can be used to capitalize a
5 public bank, which then works in
6 partnership with local community banks,
7 credit unions, and other local financial
8 institutions to increase the volume,
9 lending limits, and affordable commercial
10 lending, which then expands local
11 businesses, creates jobs, supports
12 homeownership, student loans, and
13 generally supports local economic
14 development.

15 A Philadelphia public bank
16 would put the common wealth of
17 Philadelphia to work for the common good
18 of Philadelphians.

19 The benefits of this banking
20 model for the people of North Dakota have
21 been significant.

22 On the second page of the
23 handout that I think you were provided,
24 there's a graph which shows that on a
25 loan per capita basis, the community

1 5/9/13 - FINANCE - BILL 121037, etc.
2 banks in North Dakota since 2006 have
3 lent out four times as much as the U.S.
4 average. Also on Page 3 there is a table
5 which shows -- which compares Vermont and
6 North Dakota on a number of different
7 metrics. The reason Vermont, because it
8 has about the same population as North
9 Dakota. You'll notice that North Dakota
10 unemployment as of 2010 is half that of
11 Vermont. There're also in North Dakota
12 five times as many local banks as there
13 are in Vermont. The percent of deposits
14 in out-of-state banks as of 2009 is
15 almost three times as much in Vermont as
16 in North Dakota. But, most importantly,
17 economic development lending in North
18 Dakota is ten times that of Vermont.

19 Now, let me ask you this
20 question: How safe are City funds on
21 deposit with Wells Fargo and the other
22 Wall Street banks? This question was
23 asked only two days ago in a revealing
24 article that appeared in the U.S. News
25 and World Report, which is attached to my

1 5/9/13 - FINANCE - BILL 121037, etc.

2 testimony and which I urge you to read.

3 Given the inherent risk of the
4 Wall Street banks, the lack of any
5 meaningful federal regulation, and their
6 exposure to the derivative markets and
7 the plans of the central bank to raid
8 depositors when the next crash occurs,
9 this could be an urgent consideration for
10 the Council.

11 For those interested in a
12 deeper dive into these issues and the
13 benefits of public banking, you may want
14 to attend a public forum that is being
15 hosted by Professor Richardson Dilworth,
16 who is the head of the Drexel University
17 Center for Public Policy, which will take
18 place at Drexel on Thursday, May 23rd.
19 The agenda for this forum is also
20 attached to the material that I provided.

21 To conclude, we understand
22 Council's urgent need and limited options
23 to manage City banking at this time, and
24 we applaud the Council's decision to
25 limit the Wall Street -- excuse me; the

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Wells Fargo contract to the term of one
3 year. We would also encourage Council to
4 investigate these new models for
5 municipal banking so that one year from
6 today, the City of Philadelphia can
7 conduct all its banking locally in ways
8 that drive economic development, create
9 jobs, and support strong local banking
10 and sound City finances.

11 Thank you.

12 COUNCILWOMAN TASC0: Thank you.

13 Questions?

14 Councilman Greenlee.

15 COUNCILMAN GREENLEE: Just very
16 quickly. Thank you, Madam Chair.

17 Sir, as I understand your
18 testimony, you're really talking about
19 something you think we should do in the
20 future, and I get that.

21 MR. NUESSELE: Well, yes.
22 Exactly right. What I would urge the
23 Council to consider is to begin the
24 investigation into the possibility of
25 having the City of Philadelphia establish

1 5/9/13 - FINANCE - BILL 121037, etc.
2 its own public bank.

3 COUNCILMAN GREENLEE: I
4 understand.

5 MR. NUESSELE: Because you not
6 only would save a lot of money, but you
7 would also reduce the risk that is
8 inherent in the Wall Street-managed
9 system currently that you're depending
10 on.

11 COUNCILMAN GREENLEE: I get
12 that, but my question is, on this bill
13 today that we have before us, it doesn't
14 sound like you're speaking against that
15 bill today. Is that a fair statement?

16 MR. NUESSELE: Well, no, no,
17 because you have to do something right
18 now.

19 COUNCILMAN GREENLEE: So, no,
20 you're not speaking against the bill as
21 of today; is that right?

22 MR. NUESSELE: No, no. That's
23 correct. I mean, I would recommend the
24 same option that Anne spoke to a moment
25 ago, and, that is, to consider it on a

1 5/9/13 - FINANCE - BILL 121037, etc.
2 month-to-month basis rather than on one
3 year. But we do applaud the City Council
4 for limiting the term of this contract to
5 one year.

6 COUNCILMAN GREENLEE: Thank
7 you.

8 Thank you, Madam Chair.

9 COUNCILWOMAN TASC0: Councilman
10 Goode.

11 COUNCILMAN GOODE: Thank you,
12 Madam Chair.

13 Which banks other than a public
14 bank would be qualified to hold our
15 payroll deposits?

16 MR. NUESSELE: Well, right now I
17 don't think that the smaller local banks
18 here in Philadelphia would qualify to
19 handle your rather complex payroll
20 requirements.

21 COUNCILMAN GOODE: My question
22 is, which banks would qualify to hold our
23 payroll deposits?

24 MR. NUESSELE: Well, I think the
25 same banks that Anne mentioned, PNC and

1 5/9/13 - FINANCE - BILL 121037, etc.

2 TD Bank and certainly Wells Fargo, and
3 I'm sure there are other Wall Street
4 banks that would qualify.

5 COUNCILMAN GOODE: Okay. Thank
6 you.

7 COUNCILWOMAN TASC0: Are there
8 any other questions?

9 (No response.)

10 COUNCILWOMAN TASC0:
11 Mr. Shapiro.

12 MR. SHAPIRO: Members of
13 Council, nice to see you again. I'm Stan
14 Shapiro. I'm Vice Chair of Neighborhood
15 Networks, and I want to endorse the
16 comments of Anne Gemmell and Frank
17 Nuessle. They compellingly laid out the
18 case for why it's time to move our money
19 from the institutions that crashed our
20 economy, placed the City into a fiscal
21 crisis, and have left our pension fund
22 a-cripple.

23 I just want to add a bit of
24 context from my perspective.

25 The funds we're talking about

1 5/9/13 - FINANCE - BILL 121037, etc.
2 are the resources that have been given to
3 the City by its residents. They're the
4 pulled resources of one and a half
5 million of us or also been borrowed or
6 granted to the City based upon the full
7 faith and credit, again, of all of us as
8 represented by you, our government.
9 Every one of those dollars serves two
10 purposes, the first of which is the
11 purpose for which you've appropriated
12 them. That includes all the services the
13 City provides, whether it be police
14 protection, fire, street, library or
15 whatever. It also includes the building
16 repair of the City's infrastructure
17 insofar as they're spent in the capital
18 budget.

19 But every one of those dollars
20 does something else while it's waiting to
21 be spent. They're invested, short,
22 medium or long term, and right now they
23 are invested for the purposes of those
24 very entities that nearly destroyed our
25 world and may do so again.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 Exhibit 13 of the City's Fiscal
3 Year 2012 financial report states that
4 the City has investments of almost \$6.4
5 billion. 27.3 percent of that sum, over
6 1.7 billion of that total, is invested in
7 corporate equities. That's the line item
8 in the City's financial report.
9 Corporate equities, \$1.7 billion.

10 Another 14.1 percent is
11 invested in corporate bonds to the tune
12 of \$900 million. You know what corporate
13 bonds has done to the economy of the
14 world. The crashing of the economy of
15 the world is due to what happened in the
16 corporate bond market.

17 Well, what are those funds
18 being used for? The report doesn't tell
19 us. Are they being used for mountaintop
20 removal in West Virginia? To manufacture
21 death-dealing cigarettes to fund the
22 operations of oil companies that are
23 causing climate change? We don't know.
24 It's not in the financial report, and
25 it's not in the financial report because

1 5/9/13 - FINANCE - BILL 121037, etc.

2 we don't ask the banks what is happening

3 to the money that they are investing.

4 That's their business with our money.

5 What we do know is that there

6 are housing developments that need to

7 happen in North, Northwest, and West

8 Philadelphia whose construction could put

9 Philadelphians to work. We know that

10 there are cooperative enterprises

11 striving to be born in the City of

12 Philadelphia that could put unemployed

13 ex-offenders to work in our city. There

14 are small businesses in Philly that need

15 working capital to expand and put

16 graduates and put graduates of our high

17 schools to work. And it's true, of

18 course, as we've heard in the dialogue

19 over the last period of time, that Wells

20 Fargo does a certain amount of that

21 lending. But that's a portion of the

22 portfolio that they have and it's a tiny

23 portion of the \$6.4 billion that the City

24 has as its investments that are reported

25 in its financial report.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 So I think what the three of us
3 are saying is that there's a bigger
4 picture, that right now we're looking for
5 the best that we can expect from the
6 privately controlled banking system that
7 we have. It is not the only kind of
8 banking system that we can have. We
9 understand that we can't shift from one
10 to the other overnight, and I for one am
11 not going to suggest that where we are
12 right now doesn't require that we get the
13 best bang for the buck that we can
14 possibly get under this structure, and
15 Wells Fargo may produce that. And I have
16 no criticism of that at the present time,
17 but I think we're all urging this
18 Committee and this Council to look at
19 real opportunities for change,
20 opportunities that have been tested in
21 the State of North Dakota and that the
22 City really ought to look at.

23 Thank you very much.

24 COUNCILWOMAN TASC0: Thank you
25 very much.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 The Chair recognizes Councilman
3 Greenlee.

4 COUNCILMAN GREENLEE: Thank
5 you, Madam Chair.

6 Again, Mr. Shapiro, I guess I
7 got kind of the same question. It sounds
8 to me again like Mr. Nuessle, you're
9 saying the system should be changed, but
10 you're not really speaking against this
11 bill as we sit here today, right?

12 MR. SHAPIRO: I don't have any
13 objection to this particular bill.

14 COUNCILMAN GREENLEE: You don't
15 have any objection to this bill?

16 MR. SHAPIRO: No.

17 COUNCILMAN GREENLEE: So really
18 there's sort of a difference of opinion.
19 We got two people who want the whole
20 system changed, but are not speaking
21 against the bill, and one person who is
22 speaking directly against the bill; am I
23 right?

24 MR. SHAPIRO: I believe that
25 the overriding philosophy that all of us

1 5/9/13 - FINANCE - BILL 121037, etc.

2 have is identical. We're dealing with a
3 very difficult situation.

4 COUNCILMAN GREENLEE: Right.

5 MR. SHAPIRO: I think that all
6 of us are looking for the maximum
7 investment that we can get at this time
8 and in the future in loans to underserved
9 communities in the City of Philadelphia.
10 If we have small differences that are
11 nuances, I don't think -- I would hope
12 that that would not overwhelm the thrust
13 of our testimony, which is that we need
14 to get out of this trap.

15 COUNCILMAN GREENLEE: You want
16 a different system, I get that, but
17 today, obviously we're going to vote on a
18 bill today. You are not urging a no vote
19 today; is that correct?

20 MR. SHAPIRO: Correct.

21 COUNCILMAN GREENLEE: Thank
22 you.

23 Thank you.

24 COUNCILWOMAN TASC0: Councilman
25 Goode.

1 5/9/13 - FINANCE - BILL 121037, etc.

2 COUNCILMAN GOODE: Mr. Shapiro,
3 you're a former employee of City Council,
4 so you've watched a lot of this unfold
5 and you probably know that Council didn't
6 have approval authority in terms of the
7 payroll contract before.

8 MR. SHAPIRO: Yes.

9 COUNCILMAN GOODE: In fact, it
10 was just an agreement between the
11 Administration and a certain bank, and
12 former City Treasurers testified to the
13 fact they just gave it to the largest
14 bank, and then when that bank got bought
15 out and a new bigger bank came, they just
16 gave it to that bank. And essentially
17 through the work that we've done here,
18 we've required community reinvestment
19 goals, we've required an annual lending
20 disparity study, we've required a fair
21 lending plan, we've required that before
22 someone holds our payroll deposits that
23 in some ways establishes banking
24 relationships for employees and in some
25 cases pensioners, that we basically have

1 5/9/13 - FINANCE - BILL 121037, etc.
2 that institution come before us, approve
3 it so we can ask them the tough
4 questions. And you've watched the
5 predecessors of Wells Fargo come before
6 this Committee and/or this Council and be
7 attacked for what was a worse record.

8 Every institution had an
9 opportunity to apply or respond to an
10 RFP. There was a fair process that had
11 to take into account community
12 reinvestment goals and fair lending plans
13 and all of that. Do you know of any
14 other banks that you would recommend
15 should have participated in that process
16 that did not?

17 MR. SHAPIRO: Well, I would
18 have hoped that some of the credit unions
19 would have participated in the process,
20 but they apparently did not, and I'm
21 not -- again, I think that the work that
22 you in particular and Council alongside
23 you in making banks produce plans that
24 would serve the needs as best as possible
25 of the low-income, African American,

1 5/9/13 - FINANCE - BILL 121037, etc.
2 minority, female populations of the City
3 is tremendous and laudable. I would just
4 hope that you wouldn't -- and I know that
5 you won't -- rest on those laurels. I
6 know that you're always trying to improve
7 those records. I think that you've been
8 incredibly responsible in modifying our
9 local law to get the most that we can,
10 but I think we are living -- things
11 continue to evolve and we're living in a
12 time when there are considerations that
13 perhaps we wouldn't have dreamt up a few
14 years ago when you got started. We
15 didn't really believe that these banks --
16 first of all, there was Glass-Steagall
17 and banks were banks and investment
18 companies were investment companies, and
19 that's no longer the case, and we weren't
20 in this situation where we expected any
21 moment that these banks, regardless of
22 their great lending record, could
23 actually destroy the economy. And we
24 came this close to doing that. So I
25 think it's legitimate for this Council

1 5/9/13 - FINANCE - BILL 121037, etc.
2 going forward, as tremendous as the work
3 is that you've already done, but going
4 forward to look at these additional
5 considerations and also the fact that the
6 public bank means that the funds of the
7 City would be completely under your
8 control and not farmed out to
9 institutions which would give back as
10 much as you could get from them, but
11 would enable you to fashion a plan with a
12 much greater resource base than you now
13 have. So these are new things that I
14 just ask you to look into.

15 COUNCILMAN GOODE: Just for the
16 record, the very first bill that I
17 introduced in City Council in 2000 was a
18 bill that authorized the City to invest
19 in community development financial
20 institutions through the use of
21 promissory notes. And so the model
22 you're talking about is not that
23 dissimilar in terms of having the City
24 directly invest in community development
25 financial institutions. I've actually

1 5/9/13 - FINANCE - BILL 121037, etc.

2 also pushed Wells Fargo to do the same,
3 and they will get CRA credit for it.

4 So I'm not against the model in
5 terms of taking the resources that we
6 have and invest them in institutions that
7 are going to focus directly on the
8 community.

9 MR. SHAPIRO: Tremendous.
10 Thank you.

11 COUNCILMAN GOODE: Thank you,
12 Madam Chair.

13 COUNCILWOMAN TASC0: Thank you.
14 Any other questions?

15 (No response.)

16 COUNCILWOMAN TASC0: Anyone
17 else here to testify on this bill?

18 (No response.)

19 COUNCILWOMAN TASC0: We will
20 say that Councilman Goode has been
21 tenacious in this area in terms of
22 holding the local banking community
23 accountable, and certainly he has come a
24 long way with Wells Fargo. Prior to
25 that, it was Wachovia. He started with

1 5/9/13 - FINANCE - BILL 121037, etc.
2 Wachovia, and I think has made some great
3 strides for the people of the City of
4 Philadelphia.

5 Certainly the Council is always
6 open to new ideas, but that takes time,
7 and so in the meantime, we have to do the
8 business with those people who feel that
9 they're capable of handling the payroll,
10 because that's what we're talking about
11 today, the payroll account, and there are
12 a number of banks who don't have that
13 ability to do that. But in the meantime,
14 at the same time, I'm sure that
15 Councilman Goode will be following
16 through on other issues around banking in
17 Philadelphia as well as across the
18 country.

19 So we thank you all for your
20 testimony.

21 (Thank you.)

22 COUNCILWOMAN TASC0: Now, that
23 concludes -- you want to go ahead.

24 COUNCILMAN GREEN: Thank you
25 very much, Councilmember Tasco. I

1 5/9/13 - FINANCE - BILL 121037, etc.
2 appreciate you chairing the Committee for
3 that bill.

4 We will now move from -- I
5 guess we will recess the hearing and go
6 into the public meeting. And the first
7 bill we will deal with is 121037.
8 Amendments have just been passed out for
9 this bill. I will explain them to
10 everybody.

11 The state law that allowed us
12 to implement what was then the BPT and
13 the BIRT tax says that the Revenue
14 Commissioner shall determine
15 apportionment. It is the
16 Administration's position that
17 determining apportionment means that we
18 don't have the ability to legislate with
19 respect to this tax, that they get to do
20 it all themselves. It is my view and the
21 view of Council's attorney who worked on
22 this with us that we, of course, can
23 legislate. We are the legislative body
24 as the State Constitution and the
25 enabling act that creates a first-class

1 5/9/13 - FINANCE - BILL 121037, etc.
2 city, we are the legislative body that
3 has all authority of the General
4 Legislature with respect to any matter in
5 the City of Philadelphia that has not
6 been preempted by the state. Giving
7 permission to the Department of Revenue
8 does not prescribe City Council's ability
9 to legislate what the Revenue
10 Commissioner or Revenue Department can
11 say with respect to apportionment or do
12 at all. So our authority comes not from
13 the enabling legislation, but it is
14 available to us with respect to any taxes
15 that we may impose or have the authority
16 to impose as a city, and that applies in
17 this case.

18 What these amendments do is
19 leave the bill, as we believe we have the
20 authority to, but it says that if a court
21 of competent jurisdiction concludes that
22 the Administration's view is correct,
23 that it would be done in a way that the
24 Administration has agreed with us is
25 acceptable. And so that's the purpose of

1 5/9/13 - FINANCE - BILL 121037, etc.
2 these amendments. It doesn't change the
3 substance of the bill at all.

4 So I would ask Councilmember
5 Greenlee to move the amendment and then
6 the bill.

7 COUNCILMAN GREENLEE: Thank
8 you, Mr. Chairman. I move the adoption
9 of the amendment to Bill No. 121037 that
10 was just explained.

11 (Duly seconded.)

12 COUNCILMAN GREEN: It has been
13 moved and seconded that the amendment to
14 Bill 121037 be approved.

15 All in favor?

16 (Aye.)

17 COUNCILMAN GREEN: Any opposed?

18 (No response.)

19 COUNCILMAN GREEN: Hearing
20 none, the ayes have it.

21 Councilman Greenlee, if you
22 would please move the bill with a
23 suspension.

24 COUNCILMAN GREENLEE: Thank
25 you, Mr. Chairman. I move that Bill No.

1 5/9/13 - FINANCE - BILL 121037, etc.
2 121037, as amended, be reported out of
3 this Committee with a favorable
4 recommendation and that the rules of
5 Council be suspended to allow for first
6 reading at our next session of Council.

7 (Duly seconded.)

8 COUNCILMAN GREEN: Thank you.
9 Having been moved and seconded that Bill
10 121037 be reported from this Committee
11 with a favorable recommendation, that the
12 rules of Council be suspended.

13 All in favor?

14 (Aye.)

15 COUNCILMAN GREEN: Any opposed?

16 (No response.)

17 COUNCILMAN GREEN: Hearing
18 none, the ayes have it.

19 Councilmember Greenlee, 130227.

20 COUNCILMAN GREENLEE: Thank
21 you, Mr. Chairman. I move that Bill No.
22 130227 be reported out of this Committee
23 with a favorable recommendation and move
24 further that the rules of Council be
25 suspended to allow for first reading at

1 5/9/13 - FINANCE - BILL 121037, etc.

2 our next session of Council.

3 (Duly seconded.)

4 COUNCILMAN GREEN: It's been
5 moved and seconded that Bill No. 130227
6 be reported from this Committee with a
7 favorable recommendation, that the rules
8 of Council be suspended.

9 All in favor?

10 (Aye.)

11 COUNCILMAN GREEN: Any opposed?

12 (No response.)

13 COUNCILMAN GREEN: Hearing
14 none, the ayes have it.

15 I now would like to turn the
16 Chairmanship of this Committee over to
17 Councilmember Tasco and will recuse
18 myself from this bill for the reasons
19 stated in the memo and given to the Chief
20 Clerk. Thank you.

21 COUNCILWOMAN TASCO: The Chair
22 recognizes Councilman Greenlee to move
23 Bill 130225.

24 COUNCILMAN GREENLEE: Thank
25 you, Madam Chair. I move that Bill No.

1 5/9/13 - FINANCE - BILL 121037, etc.
2 130225 be reported out of this Committee
3 with a favorable recommendation and that
4 the rules of Council be suspended to
5 allow for first reading at our next
6 session of Council.

7 (Duly seconded.)

8 COUNCILWOMAN TASC0: It has
9 been moved and properly seconded that
10 Bill 130225 be reported out of Committee
11 with a favorable recommendation and a
12 request that the Council -- suspension of
13 Council's rules so that this bill can be
14 heard at Council's next session.

15 All in favor?

16 (Aye.)

17 COUNCILWOMAN TASC0: Any
18 opposition?

19 (No response.)

20 COUNCILWOMAN TASC0: There
21 being none, the motion is carried.

22 This Committee is now
23 adjourned. Thank you very much.

24 (Committee on Finance concluded
25 at 3:10 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the
proceedings, evidence and objections are
contained fully and accurately in the
stenographic notes taken by me upon the
foregoing matter, and that this is a true and
correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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