

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, April 3, 2013
10:55 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN JAMES KENNEY
COUNCILMAN DAVID OH
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILLS 130178, 130179 and 130180
RESOLUTION 130190

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COUNCIL PRESIDENT CLARKE: Good morning, everyone. We're going to start.

Thank you. This is a public hearing of the continuation of the Committee of the Whole regarding Bills No. 130178, 130179, 130180, and Resolution No. 130190.

Ms. Lewis, please read the titles of the bills and resolution.

MS. LEWIS: Bill No. 130178, an ordinance to adopt a Capital Program for the six Fiscal Years 2014 through 2019 inclusive.

Bill No. 130179, an ordinance to adopt a Fiscal 2014 Capital Budget.

Bill No. 130180, an ordinance adopting the Operating Budget for Fiscal Year 2014.

Resolution No. 130190, providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2014 through 2018, and incorporating proposed

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 changes with respect to Fiscal Year 2013,
3 which is to be submitted by the Mayor to
4 the Pennsylvania Intergovernmental
5 Cooperation Authority (the "Authority")
6 pursuant to the Intergovernmental
7 Cooperation Agreement, authorized by an
8 ordinance of this Council approved by the
9 Mayor on January 3rd, 1992 (Bill No.
10 1563-A) by and between the City and the
11 Authority.

12 COUNCIL PRESIDENT CLARKE:

13 Thank you, Ms. Lewis.

14 We'll now hear from the
15 Administration. Mr. Dubow, please come
16 up.

17 (Witnesses approached witness
18 table.)

19 COUNCIL PRESIDENT CLARKE: Just
20 let the record reflect OPA was originally
21 scheduled for today, but we moved them up
22 in the schedule. So anyone tuning in
23 expecting to see OPA today, they will not
24 be on today. I anticipate that they will
25 be engaged in a call-back session at some

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2 point. Thank you.

3 Thank you, sir.

4 MR. DUBOW: Good morning,
5 Council President Clarke and members of
6 City Council. I'm Rob Dubow, Director of
7 Finance. With me is First Deputy Finance
8 Director Cathy Paster and then members of
9 the Finance team are here with us too.

10 I know we should summarize the
11 testimony, so I'll just hit a couple
12 highlights and then open up for
13 questions.

14 So the FY14 General Fund budget
15 as proposed for the Office of Director of
16 Finance totals roughly \$1.3 billion.
17 That's an increase of almost \$57 million
18 over FY13. That increase is caused
19 mostly by increases in fringe benefit
20 costs, including a \$48 million increase
21 in pension costs. And the core direct
22 General Fund appropriations for the
23 Finance Department are 12.9 million, an
24 increase of about \$300,000 over FY13.

25 The FY14 budget proposes

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2 \$300,000 for funding of a new office,
3 Chief Collections Office, that's created
4 to support our enhanced collection
5 strategy. Currently collections are
6 disbursed across multiple departments
7 where collections are not departments'
8 area of expertise or its core mission.
9 Chief Collections Officer's sole focus
10 would be on enhancing collections through
11 coordination of collection activities
12 citywide and implementation of efficient
13 and best practices across all
14 departments.

15 The Office of Director of
16 Finance is committed to supporting the
17 Administration's FY14 goal of 25 percent
18 minority, women, and disabled business
19 participation in City contracting. For
20 FY 2013 year to date, we have an overall
21 31.27 percent participation rate in
22 contracting opportunities for minority
23 and female-owned businesses. Based on
24 the availability of funding for
25 contracting opportunities, the Office of

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Director of Finance has an FY14
3 participation goal of 30 percent.

4 I included an attachment to the
5 testimony regarding our participation
6 levels for FY13, whether those contracts
7 were awarded through an RFP, if the
8 service providers are in compliance with
9 living wage requirements, and whether
10 providers are local business entities.
11 We've also included demographic
12 information broken down by gender and
13 race for all departmental staff as well
14 as senior staff only, information on the
15 number of bilingual employees in the
16 department, and information concerning
17 all vacancies within the department.

18 Thank you for the opportunity
19 to testify. I'd be happy to answer any
20 questions you may have.

21 COUNCIL PRESIDENT CLARKE:

22 Thank you, Mr. Dubow.

23 I have just a couple of
24 questions to start. At yesterday's
25 hearing -- and I'm asking you this

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2 question because you're the highest
3 ranking Administration official in this
4 room. So to a degree, this obviously
5 falls within your jurisdiction.

6 During the questions about the
7 School District, Ms. Shorr indicated that
8 the Administration/Mayor supported the
9 \$60 million for the School District, and
10 can you tell me where, if anywhere, that
11 that's reflected in the budget that was
12 submitted to City Council?

13 MR. DUBOW: It is not reflected
14 in the budget. As you know, our budget
15 was completed before the School District
16 did their lump sum. That request was
17 part of their lump sum. So in order to
18 support additional funding for the
19 District, we would have to figure out
20 where that would come from, and we would
21 hope to work with Council on that
22 process.

23 COUNCIL PRESIDENT CLARKE:
24 You're saying we would have to figure
25 that out? So the Administration, that's

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2 not their responsibility?

3 MR. DUBOW: Well, I said what
4 we would want to do is go through a
5 process where we would work with Council
6 on figuring that out.

7 COUNCIL PRESIDENT CLARKE: But
8 the Administration proactively said
9 yesterday that they support the 60
10 million. So I would think that that was
11 the responsibility for the Administration
12 to come up with a proposal for the \$60
13 million, not the responsibility of City
14 Council.

15 MR. DUBOW: I'm really not
16 trying to say it's one entity's
17 responsibility or another. What I'm
18 saying is we would want to work
19 collaboratively on that.

20 COUNCIL PRESIDENT CLARKE: So
21 would that mean an additional tax
22 proposal?

23 MR. DUBOW: I don't know. The
24 request really was made just last week.
25 So I don't know what we would do. Like I

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2 said, we don't have that done yet.

3 COUNCIL PRESIDENT CLARKE: So

4 the support of the 60 million was

5 conceptually? I mean, is there -- if

6 you're saying you're supporting \$60

7 million in revenue for the School

8 District, I anticipate any member in this

9 room, City Council, would have some sense

10 of where that money may come from, so --

11 MR. DUBOW: So at this point,

12 we've gotten the request. We support

13 quality education in the City. So we

14 think it's something --

15 COUNCIL PRESIDENT CLARKE: We

16 all do.

17 MR. DUBOW: I understand. And

18 we want to figure out how we could meet

19 that request, and we'd like to work with

20 Council on that.

21 COUNCIL PRESIDENT CLARKE: But

22 Council didn't say that it supported the

23 \$60 million.

24 MR. DUBOW: I understand.

25 You're asking what the Administration's

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2 position is, and I'm telling you what it
3 is.

4 COUNCIL PRESIDENT CLARKE: So
5 you don't have a proposal at this time?

6 MR. DUBOW: We do not.

7 COUNCIL PRESIDENT CLARKE: We
8 should anticipate getting a proposal or a
9 recommendation for the \$60 million before
10 the end of this budget process?

11 MR. DUBOW: As I said, we would
12 like to work with Council on that during
13 this process.

14 COUNCIL PRESIDENT CLARKE: So
15 is the \$60 million contingent on the
16 state putting up the \$120 million?

17 MR. DUBOW: We would hope that
18 the state would put in money,
19 particularly because the state has cut
20 funding over the last couple years while
21 we've been increasing funding.

22 COUNCIL PRESIDENT CLARKE:
23 That's not what I asked you.

24 MR. DUBOW: No; I know. But --

25 COUNCIL PRESIDENT CLARKE: You

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2 know that? Okay. As long as you know
3 that's not what I asked you.

4 MR. DUBOW: I know.

5 COUNCIL PRESIDENT CLARKE: I'd
6 be concerned if you thought that's what I
7 asked you.

8 MR. DUBOW: We support
9 providing additional funding. We have
10 not made that support contingent,
11 although we think that the state should
12 be providing that additional funding.

13 COUNCIL PRESIDENT CLARKE:
14 Okay. I mean, I'm asking these questions
15 for obvious reasons.

16 MR. DUBOW: I understand why
17 you're asking.

18 COUNCIL PRESIDENT CLARKE: I
19 got the call from Dr. Hite on what his
20 public statement was going to be. I got
21 the impression that these things were
22 tied together, teacher contract
23 revisions, facilities master plan,
24 optimum, because I think they would need
25 everything as it relates to their

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2 proposal, state funding of 120 and local
3 funding at 60 million, and he gave me the
4 impression that these things were going
5 to be tied together, because he
6 understood that this Council working with
7 the Administration has passed -- put
8 revenue on the table for the School
9 District in the last two years and
10 earlier, as a result of a change in
11 formula, put additional dollars on the
12 table.

13 MR. DUBOW: Right.

14 COUNCIL PRESIDENT CLARKE: So I
15 think he understood that any additional
16 funding from the local government would
17 be contingent on some commitment from the
18 state, if at all, because at this point,
19 I haven't talked to any member of Council
20 who said they were prepared to support
21 additional taxes or any other types of
22 revenue.

23 MR. DUBOW: Yeah. And, I mean,
24 that's -- in terms of their achieving
25 balance, I think that's absolutely right.

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2 They need all of the things you talked
3 about. They need what they have in their
4 budget for labor, they need the money
5 from the State, they need the money from
6 the City, they need the facilities master
7 plan to work. So they do need all those
8 things to be balanced.

9 COUNCIL PRESIDENT CLARKE: So
10 my question is -- I want to be clear. I
11 heard you saying that the Administration
12 is going to work with City Council in
13 whatever way you all choose to do that.
14 Will you also be working with the State
15 delegation and the City delegation from
16 the state, in addition to which the
17 republican leadership in the state, to
18 get the 120 from the state?

19 MR. DUBOW: Yes. Yes, we will.

20 COUNCIL PRESIDENT CLARKE:
21 That's a part of your strategy?

22 MR. DUBOW: Yes.

23 COUNCIL PRESIDENT CLARKE:
24 Okay. We will revisit that a little
25 later.

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2 One quick clean-up question.

3 Earlier in the OPA hearing, there was a
4 conversation about these outreach
5 meetings and I had asked about in
6 particular Strawberry Mansion, and it was
7 said by a member of your staff that they
8 did have a meeting in Strawberry Mansion.

9 MR. DUBOW: Right.

10 COUNCIL PRESIDENT CLARKE: And
11 I wasn't familiar with it, and I went up
12 to Strawberry Mansion, as I always do,
13 and talked to the local neighborhood
14 organizations, the NAC, and nobody knows
15 anything about a meeting in Strawberry
16 Mansion.

17 MR. DUBOW: I think we have the
18 location.

19 (Witness approached witness
20 table.)

21 MS. ADAMS: Hi. Anna Adams,
22 Chief of Staff in the Finance Department.

23 It was at the First Church
24 Worship Center at 2509 North 30th Street,
25 and we worked with Bonita Cummings in

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2 your office on that.

3 COUNCIL PRESIDENT CLARKE: It
4 was an outreach meeting?

5 MS. ADAMS: It was, yeah. It
6 was an --

7 COUNCIL PRESIDENT CLARKE:
8 Because she works right down the hall.

9 MS. ADAMS: It was a meeting
10 about AVI in general as well as the
11 homestead.

12 COUNCIL PRESIDENT CLARKE: So
13 somebody attended; it wasn't an outreach.

14 MS. ADAMS: It wasn't one of
15 the drop-in's or the ones that we had in
16 March.

17 COUNCIL PRESIDENT CLARKE: That
18 was what we were talking about.

19 MS. ADAMS: It wasn't a
20 drop-in. It was a regular kind of
21 community meeting that we specifically
22 talked about AVI and the homestead.

23 COUNCIL PRESIDENT CLARKE: But
24 there was a drop-in meeting?

25 MS. ADAMS: It was not a

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2 drop-in meeting.

3 COUNCIL PRESIDENT CLARKE:
4 Which is what we were talking about that
5 day.

6 MS. ADAMS: Yeah. It was just
7 part of our broad kind of AVI outreach.

8 COUNCIL PRESIDENT CLARKE:
9 Somebody from the Administration came to
10 a meeting?

11 MS. ADAMS: We had a few
12 people. We worked with your office and
13 we had a couple of people from OPA. We
14 used it mostly as sort of helping to fill
15 in the homestead applications. We sort
16 of used it as a workshop to help people
17 fill out the homestead applications and
18 then worked with other people. They
19 could work in their community, fill out
20 the homestead applications. It was
21 primarily a homestead meeting.

22 COUNCIL PRESIDENT CLARKE:
23 You're saying that there was a partial
24 workshop in that meeting?

25 MS. ADAMS: Yeah. They ended

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2 up -- I wasn't actually at the meeting,
3 but they ended up bringing lots of
4 homestead applications and then walking
5 through how people could fill out the
6 homestead application, in the hope that
7 then people could also work with people
8 in the neighborhood to help them fill out
9 the homestead application. And so that
10 was the intent of the meeting.

11 COUNCIL PRESIDENT CLARKE: How
12 did we publicize that meeting?

13 MS. ADAMS: I don't know. I
14 can find out how that was publicized.

15 COUNCIL PRESIDENT CLARKE: All
16 right. Because, I mean, the meetings
17 that I've attended, there were like robo
18 calls. People say, The Mayor called me,
19 told me to come to a meeting. They
20 actually thought it was the Mayor.

21 MS. ADAMS: I'm not sure. I
22 think we worked with a neighborhood
23 organization, but I can find out the
24 details and we can submit that to the
25 Chair.

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2 COUNCIL PRESIDENT CLARKE: All
3 right. I mean, I'm going to find out,
4 because, as I said, she works down the
5 hall.

6 MS. ADAMS: Exactly.

7 COUNCIL PRESIDENT CLARKE: We
8 were talking about drop-in meetings.

9 MS. ADAMS: This was not a
10 drop-in.

11 COUNCIL PRESIDENT CLARKE: You
12 said it was across the City.

13 MR. DUBOW: Yeah. I actually
14 didn't --

15 COUNCIL PRESIDENT CLARKE: I
16 asked this because Strawberry Mansion is
17 one of the lowest responding areas as it
18 relates to homestead applications. We're
19 getting ready to do a mass mailing to
20 that neighborhood, and when you said we
21 had a meeting --

22 MS. ADAMS: This was just a
23 broad sort of in general AVI meeting. It
24 wasn't a drop-in.

25 COUNCIL PRESIDENT CLARKE: But

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2 you attended the meeting?

3 MS. ADAMS: I didn't attend.

4 COUNCIL PRESIDENT CLARKE: I'm
5 saying not you.

6 MS. ADAMS: OPA.

7 COUNCIL PRESIDENT CLARKE: It
8 was the City's meeting. It was a
9 meeting --

10 MS. ADAMS: We worked with
11 Bonita in your office to -- it was a
12 specific OPA homestead meeting, but it
13 wasn't a drop-in.

14 COUNCIL PRESIDENT CLARKE: All
15 right. For the record, she's not in my
16 office.

17 MS. ADAMS: Oh, sorry.

18 COUNCIL PRESIDENT CLARKE: She
19 works for the Chief Clerk.

20 MS. ADAMS: Okay.

21 COUNCIL PRESIDENT CLARKE:
22 She's a great worker, but that's her
23 community. So I just didn't want you
24 people to think that somehow you were
25 working directly with my district office.

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2 MS. ADAMS: Okay.

3 COUNCIL PRESIDENT CLARKE:

4 Okay. I had to check, because I went to
5 the NAC and they said, We have no idea
6 what you're talking about.

7 MS. ADAMS: Okay. But we can
8 submit all of that in writing so you can
9 see.

10 COUNCIL PRESIDENT CLARKE: All
11 right. Thank you.

12 The Chair recognizes Councilman
13 Goode.

14 COUNCILMAN GOODE: Thank you,
15 Mr. President.

16 Ms. Dubow, you know I'm not
17 finished with the School District yet.
18 Let me ask my few questions very
19 directly, because I want to move on to
20 another topic within my time period.

21 Based on the School District's
22 \$60 million request, does the
23 Administration intend to amend its budget
24 proposal?

25 MR. DUBOW: Not at this point.

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2 We don't have a specific proposal for how
3 to do it, so there's no amendment.

4 COUNCILMAN GOODE: The question
5 was, does the Administration intend to
6 amend its budget proposal?

7 MR. DUBOW: I think we would
8 intend for the budget to be changed by
9 the end of this process.

10 COUNCILMAN GOODE: Will the
11 Administration be making any amendments
12 to this budget proposal?

13 MR. DUBOW: I imagine at some
14 point we will. We don't have any planned
15 right now, but --

16 COUNCILMAN GOODE: But you
17 always amend the budget.

18 MR. DUBOW: Exactly.

19 COUNCILMAN GOODE: So the
20 Administration does make amendments.

21 MR. DUBOW: Yes.

22 COUNCILMAN GOODE: Because the
23 Administration commented in the newspaper
24 that it doesn't introduce bills in
25 Council, but a bill does not need to be

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2 introduced in Council in order for the
3 \$60 million request to be handled.

4 MR. DUBOW: Say that again. I
5 didn't --

6 COUNCILMAN GOODE: I said there
7 was a comment in the newspaper by the
8 Administration that it does not introduce
9 bills in Council, but that bill has
10 already been introduced. Therefore, the
11 Administration does amend bills that are
12 already introduced or are asked to --

13 MR. DUBOW: Right. We propose
14 changes and we transmit bills.

15 COUNCILMAN GOODE: So I'm
16 assuming in the budget process, you will
17 be asking for amendments, and because you
18 support the \$60 million request, if we
19 don't offer those amendments, then you
20 will ask for those amendments to be
21 offered?

22 MR. DUBOW: We will offer
23 amendments. I mean, as we always do,
24 we'll offer amendments to the budget.

25 COUNCILMAN GOODE: So what will

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2 the property tax rate be to accommodate
3 the \$60 million request?

4 MR. DUBOW: I don't know. I
5 mean, I also don't know --

6 COUNCILMAN GOODE: Can you
7 forward that to the Chair.

8 MR. DUBOW: Yeah. I also don't
9 know that that's what we would propose.
10 We can give you that math, but --

11 COUNCILMAN GOODE: The question
12 was simply what would the tax rate be to
13 accommodate the \$60 million request.

14 MR. DUBOW: We can give you
15 that.

16 COUNCILMAN GOODE: In 2000,
17 tax-abated properties had a value of
18 about a hundred million. By 2012,
19 tax-abated properties were worth well
20 over a billion dollars and the annual
21 forfeited taxes were over a hundred
22 million dollars. What's the total value
23 of tax-abated properties according to the
24 reassessment?

25 MR. DUBOW: We can get you

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2 that.

3 COUNCILMAN GOODE: What does
4 that represent in terms of forfeited tax
5 revenue?

6 MR. DUBOW: Understood.

7 COUNCILMAN GOODE: Does Center
8 City still need a ten-year tax abatement?

9 MR. DUBOW: I think that's an
10 issue we should discuss, but probably
11 better to discuss with the people in the
12 Commerce Department who have a better
13 sense of development in Center City.

14 COUNCILMAN GOODE: What percent
15 of tax-abated properties are in Center
16 City?

17 MR. DUBOW: We'll get you that.

18 COUNCILMAN GOODE: And what
19 does that represent in terms of forfeited
20 tax revenue?

21 MR. DUBOW: We'll get you that
22 too.

23 COUNCILMAN GOODE: Does the
24 Administration have a position on my Bill
25 No. 120651 to modify the tax abatement?

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2 MR. DUBOW: I think we think
3 that it raises real issues. We want to
4 talk about it, but we don't have a pro or
5 con position on it yet.

6 COUNCILMAN GOODE: Okay.
7 Should the abatement be modified?

8 MR. DUBOW: Again, I think
9 that's something that we should talk
10 about during this process, and we should
11 include the people from the Commerce
12 side.

13 COUNCILMAN GOODE: Should
14 existing homeowners be forced to
15 subsidize developers' costs and tax cuts
16 for developers and new homeowners? In
17 other words, that burden would be borne
18 by existing homeowners. That's not
19 really debatable regardless of what the
20 Commerce Department says. So should the
21 existing homeowners be forced to
22 subsidize developers' costs and tax cuts
23 for developers and new homeowners?
24 That's a philosophical question.

25 MR. DUBOW: It's a

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2 philosophical question, and I think part
3 of the answer to the philosophical
4 question is, do you believe that those
5 incentives led to increased economic
6 activity that increased the tax base so
7 that it helps those homeowners in other
8 ways.

9 COUNCILMAN GOODE: But if the
10 point is to subsidize developers' costs,
11 you could spread that among other taxes.
12 You could offer some sort of developers
13 tax credit as opposed to actually putting
14 the burden directly on existing
15 homeowners. There are other ways to do
16 it if what you're actually doing is
17 simply subsidizing developers' costs.

18 MR. DUBOW: Right. However you
19 do it, there'll be a cost and a benefit
20 to it, and the cost will be borne by
21 taxpayers and the benefit will go to
22 taxpayers.

23 COUNCILMAN GOODE: But the
24 question is, should it be borne
25 specifically by existing residential

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2 homeowners? Should existing residential
3 homeowners have a larger burden because
4 of developers' costs and to offer tax
5 cuts to developers and new homeowners?

6 MR. DUBOW: So --

7 COUNCILMAN GOODE: Because you
8 could actually offer a developers' tax
9 credit structured program, have that
10 money that would come out of the
11 operating budget, then it has to be
12 replaced by what you think the benefits
13 are. And so if you want to talk about a
14 cost-benefit analysis and you think that
15 it's going to benefit the City, there are
16 other ways to do it rather than putting
17 the burden on existing homeowners.

18 MR. DUBOW: I think it's
19 definitely worth looking at the best way
20 to do it.

21 COUNCILMAN GOODE: Last thing.
22 I asked in the previous meetings for
23 five-year schedules on labor costs, tax
24 cuts, and fund balances. Is that ready
25 yet?

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2 MR. DUBOW: That should be
3 ready by the end of the week.

4 COUNCILMAN GOODE: Thank you.
5 Thank you, Mr. President.

6 COUNCIL PRESIDENT CLARKE:
7 Thank you, Councilman.

8 The Chair recognizes Councilman
9 Greenlee.

10 COUNCILMAN GREENLEE: Thank
11 you, Mr. President.

12 Good morning.

13 MR. DUBOW: Good morning.

14 COUNCILMAN GREENLEE: I had
15 questions on something else, but just one
16 more thing on the school funding. I
17 think Ms. Shorr said yesterday in
18 response to Councilman Goode's question
19 that where they didn't know exactly the
20 amount, but -- I'm paraphrasing -- that
21 it was suspected that they were going to
22 ask the City for more money. I guess my
23 question would be, as we all talk about
24 transparency these days, was it really
25 fair for the Administration then not to

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2 have any money put into the budget? The
3 way Ms. Shorr -- and maybe I
4 misinterpreted what she said, but the way
5 Ms. Shorr talked yesterday was that it
6 seemed to be an understanding at least
7 for a while -- now, I don't think she
8 described what "a while" was -- that
9 there was going to be a request for money
10 from the City, and now the City -- now
11 the Administration at least is saying
12 they support the 60 million.

13 MR. DUBOW: I think we
14 understood that the District had really
15 severe fiscal challenges and that they
16 were trying to figure out how to balance
17 their budget and that one of the
18 possibilities was that they were going to
19 ask us for money. I don't think we had
20 any sense of kind of the amount or
21 whether there was going to definitely be
22 an ask. I think we thought there was
23 going to be, but there wasn't certainty
24 around that.

25 COUNCILMAN GREENLEE: Well, I

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2 guess we'll talk more about that.

3 On the Chief Collection Office
4 situation, I know that's still being
5 formed, I guess. I know the person was
6 announced today and all, but in your
7 written testimony, you have the revenue
8 collection is disbursed across multiple
9 departments where collections are not the
10 departments' area of expertise or the
11 core mission.

12 When you say "the department,"
13 you mean the Finance Department; is that
14 what you're referring to?

15 MR. DUBOW: So, for example, if
16 you look at EMS collections for the Fire
17 Department, that collecting is not their
18 core mission. So we have a very low
19 collection rate on the EMS.

20 COUNCILMAN GREENLEE: Okay. I
21 got you. So you're talking about each of
22 those individual departments?

23 MR. DUBOW: Yes.

24 COUNCILMAN GREENLEE: So I
25 guess Revenue, that's one of their core

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 missions, I guess, right?

3 MR. DUBOW: Revenue focuses on
4 tax collection, and while the Chief
5 Collection Officer will work with
6 Revenue, I think a lot of the Chief
7 Collection Officer's work will be on
8 those non-tax revenues, things like EMS
9 revenues, the trash fee collection, code
10 violation notices.

11 COUNCILMAN GREENLEE: So how
12 many departments -- when you say "across
13 multiple departments," do you have like
14 how many that is or could you get us a
15 list of those departments at all that in
16 some ways collect money?

17 MR. DUBOW: Yeah. I can find
18 that for you.

19 It's Fire, Streets, Police,
20 Finance, L&I, a little bit in Records,
21 Revenue, Water Revenue. I think that's
22 it.

23 COUNCILMAN GREENLEE: And I
24 guess one of the things that's going to
25 be done through this office is to have

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 all those departments working together in
3 some way?

4 MR. DUBOW: Yes, coordination.

5 COUNCILMAN GREENLEE: Well,
6 that brings up -- and I know Councilman
7 Kenney I think raised this question the
8 other day -- about this whole sharing of
9 information and what is legal and all.
10 Is that going to be looked at again sort
11 of and what legally we could -- because
12 it seems like the more information that
13 should be shared, obviously the better
14 the results.

15 MR. DUBOW: Right. And one of
16 the prime examples that the Councilman
17 brings up regularly and that we've been
18 working on and need to improve is the
19 coordination between Revenue and L&I, and
20 that's a high priority.

21 COUNCILMAN GREENLEE: That's a
22 big one, I think.

23 MR. DUBOW: Yeah. I know they
24 meet regularly. Their systems -- the
25 communication between their systems needs

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 to be improved.

3 COUNCILMAN GREENLEE: And I
4 know there seemed to be at least some
5 disagreement about how much information
6 could be released. I know -- I guess
7 he's former Commissioner now
8 Richardson --

9 MR. DUBOW: Not quite, but will
10 be soon.

11 COUNCILMAN GREENLEE: Soon,
12 yeah. (Continued) -- seemed to have that
13 concern. I never quite totally
14 understood that, but I would think if
15 that could get worked out, that could --
16 because if L&I can access Revenue
17 records, I mean, that would -- and
18 address this and all that kind of thing,
19 I think it would give the possibility of
20 bringing a lot more money in.

21 MR. DUBOW: Yes.

22 COUNCILMAN GREENLEE: You talk
23 about fringe benefits.

24 MR. DUBOW: Yeah.

25 COUNCILMAN GREENLEE: Can you

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 define that a little bit better.

3 MR. DUBOW: Sure. So the
4 fringe benefit, the largest is pensions,
5 but it also includes healthcare costs,
6 workers comp, Medicare, FICA taxes, life
7 insurance, legal services, unemployment
8 comp, tool allowance.

9 COUNCILMAN GREENLEE: Is that
10 broken down?

11 MR. DUBOW: It is. It's in the
12 budget detail for the Finance Department.
13 It's kind of in the back of the section.

14 COUNCILMAN GREENLEE: All
15 right. All right. Thank you.

16 Thank you, Mr. President.

17 COUNCIL PRESIDENT CLARKE:
18 Thank you, Councilman.

19 The Chair recognizes Councilman
20 Oh.

21 COUNCILMAN OH: Thank you,
22 Mr. President.

23 The projected fund balance is
24 \$114 million; is that correct?

25 MR. DUBOW: For FY13 in the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Plan, the projected fund balance is 128.

3 COUNCILMAN OH: 128. So is

4 that money accounted for in the proposed

5 budget?

6 MR. DUBOW: It is accounted for

7 in the budget and in the Five Year Plan.

8 COUNCILMAN OH: In what manner?

9 MR. DUBOW: So what the budget

10 shows is all of our revenues, all of our

11 obligations and then the difference

12 between them. And when you take the

13 difference between them and add them to

14 the prior year's fund balance, you get a

15 new fund balance. So, for example, for

16 FY13, we end with 128 million. In FY14,

17 that fund balance goes down to 80

18 million. So it's \$48 million lower,

19 which means in total our expenditures for

20 '14 are \$48 million higher than our

21 revenues.

22 COUNCILMAN OH: Okay.

23 MR. DUBOW: So the fund balance

24 goes down again in '15 after the 1

25 percent sales tax expires and then goes

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 back up, and by the end of the Plan, it
3 has reached 89 million roughly.

4 COUNCILMAN OH: Okay. So I
5 understand your answer. Can you tell me
6 a little bit about the Grants Revenue
7 Fund. I see that money comes out. What
8 is the total size of the Grant Revenues
9 Fund?

10 MR. DUBOW: Hold on one second.
11 So one big difference between -- so the
12 Grants Revenue Fund for '14 is roughly
13 \$1.4 billion.

14 COUNCILMAN OH: And is all that
15 money -- in other words, I assume this is
16 a fund of available monies with some
17 parameters around it or parameters.

18 MR. DUBOW: Really mostly
19 specific parameters. That money is
20 for -- let's say we get a grant from the
21 federal government and we need
22 appropriations to spend it. That grant
23 money goes into the Grants Fund and then
24 we can spend against the appropriation.
25 We also, however, in the Grants Fund,

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 unlike in the General Fund, put
3 additional appropriations in there in
4 case we get other grants that we hadn't
5 anticipated before the year, so that
6 we're able to spend them if that money
7 comes in.

8 COUNCILMAN OH: So this amount
9 of money includes money that you are
10 setting aside and if you get approved on
11 a grant, you may spend the money from the
12 fund, and then basically the fund will
13 come in later to replace the money that
14 you spent? No?

15 MR. DUBOW: So you get a grant.
16 You have an appropriation you can spend
17 against once you've gotten the grant.
18 That's what the Grants Fund provides you.

19 COUNCILMAN OH: Okay. So the
20 money comes into that fund and then you
21 spend it. You don't spend ahead of time.
22 You don't have additional monies for
23 matching funds or anything like that?

24 MR. DUBOW: So there are times
25 when there are matching requirements.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILMAN OH: So you
3 appropriate a certain amount -- you will
4 put money into that fund that is not
5 grant funds.

6 MR. DUBOW: Well, the matching
7 funds are usually required to be spent
8 out of the General Fund. So you can
9 spend out of the General Fund to match a
10 Grants Fund amount. So you could get a
11 grant that will say we're giving you
12 \$800,000 and you have to spend \$200,000.
13 That \$200,000 would come out of the
14 General Fund.

15 COUNCILMAN OH: So what is the
16 available amount of money in the Grants
17 Revenue Fund that could be spent for
18 various types of projects that has not
19 been spent yet, not spoken for?

20 MR. DUBOW: So there's a line
21 in the Finance portion of the Grants Fund
22 that's called "provision for other
23 grants," and that's about a hundred
24 million dollars.

25 COUNCILMAN OH: Okay. So

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 there's a hundred million dollars that
3 could be spent on something.

4 MR. DUBOW: Only if specific
5 grants come in.

6 COUNCILMAN OH: Okay. So how
7 much money is in the Fund for
8 Philadelphia, now called the Mayor's
9 Fund?

10 MR. DUBOW: I'd have to get
11 back to you on that. I don't know how
12 much is in there.

13 COUNCILMAN OH: That's not
14 accounted for in this budget?

15 MR. DUBOW: That's right.

16 COUNCILMAN OH: Because that is
17 a separate thing altogether?

18 MR. DUBOW: Yeah. Yes. But I
19 can get you that dollar amount.

20 COUNCILMAN OH: Okay. So the
21 Fund for Philadelphia, what are the
22 parameters around it?

23 MR. DUBOW: What I can do is
24 get you the amount and give you kind of a
25 write-up on what the parameters are.

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2 COUNCILMAN OH: Okay. So what
3 I'm going to be interested to know is, I
4 understand it's a 501(c)(3), it has a
5 bylaw, it has a specific legal
6 requirement including number of Board
7 members, quorum and other things.

8 MR. DUBOW: Right.

9 COUNCILMAN OH: And at least at
10 one point in time there were 11 members.
11 They had to include private sector,
12 community, and the last I saw there were
13 less than the full number of Board
14 members, and the entity had a change of
15 name and a change of mission. And I want
16 to understand at what point did that
17 change, why did it change, and what is
18 the difference between the Mayor's Fund
19 now as it functions as to what it was
20 before based on the amount of money and
21 what it did. It will help me understand
22 what role it plays in funding the City.

23 MR. DUBOW: Okay. We will get
24 you a response on that.

25 COUNCILMAN OH: Okay.

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2 COUNCIL PRESIDENT CLARKE:

3 Thank you, Councilman. Thank you, sir.

4 The Chair recognizes Councilman
5 Kenney.

6 COUNCILMAN KENNEY: Thank you,
7 Mr. President.

8 I just wanted to announce that
9 I had a milestone in a social media
10 tech -- my social media tech life the
11 other night or late afternoon when I
12 learned about the \$60 million request for
13 the School District on Twitter when
14 Dr. Hite tweeted it. I immediately
15 called the Council President, thinking,
16 well, you know, maybe there's been some
17 discussion that I didn't know about, and
18 he was unaware of the tweet either. And
19 the reason I raise it is twofold.

20 Number one, we've all been
21 around here a long time, and \$60 million
22 is what it is and it can only come from
23 certain areas. So where is it going to
24 come from, number one.

25 Number two, the \$120 million

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2 from the Commonwealth, I don't suspect
3 that any of the leadership in the Senate
4 or the House is going to change between
5 now and the time we pass our budget, and
6 I assume the Governor is still going to
7 be the Governor. What makes any one of
8 us think that we're going to get \$120
9 million out of the Commonwealth? And I
10 think Senator Pileggi kind of said that
11 pretty much.

12 MR. DUBOW: So I'll take the
13 first part, which is, as I said to
14 Council President, that's something that
15 we want to work on. We don't have an
16 answer to that yet, the 60 million.

17 COUNCILMAN KENNEY: Let me -- I
18 know you don't speak for Dr. Hite. You
19 don't speak for the SRC. But was
20 there -- before Dr. Hite decided to tweet
21 that gem, like my Arab Spring, do you
22 mean to tell me that he never talked to
23 the Mayor about it? So the Mayor's
24 Office -- we have an Office of Education.
25 What is that, Deputy Mayor -- we have a

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Deputy Mayor for everything, but Deputy
3 Mayor for Education didn't know that the
4 Doctor was going to tweet a \$60 million
5 budget request?

6 MR. DUBOW: I think what
7 Dr. Shorr testified yesterday was that we
8 had discussions with them. We knew that
9 they had --

10 COUNCILMAN KENNEY: Did you
11 know what the number was?

12 MR. DUBOW: I think she said we
13 knew that the day before.

14 COUNCILMAN KENNEY: Isn't that
15 a problem? I mean, why do we have the
16 Office of Education that's supposed to be
17 the conduit for the government to this
18 SRC when she knows the day before that
19 the number is 60 million? Which is not
20 insignificant.

21 MR. DUBOW: Well, I think for
22 them they were --

23 COUNCILMAN KENNEY: By the way,
24 don't we have two appointees on that SRC?

25 MR. DUBOW: We do.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILMAN KENNEY: What's
3 their role in communication?

4 MR. DUBOW: I think for them,
5 they were putting their budget together.
6 So they probably didn't come upon that
7 number until pretty soon before they did
8 their budget also.

9 COUNCILMAN KENNEY: Just as an
10 editorial comment. Either it's really,
11 really bad or we're not being told the
12 full truth. I mean, and I'm not saying
13 that you're not -- you happen to be there
14 taking the questions, and I respect you
15 and like you, but it's either really bad
16 communication or we're not being told the
17 truth. So either one is pretty bad.
18 And, again, going through the number of
19 budgets that we've been through, \$60
20 million is coming from where? It's not
21 coming from cuts because you're spending
22 more money than you spent last year, or
23 you're proposing to. So it's either
24 coming from taxes or it's coming from
25 something else, and I don't know what

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 that "else" could be.

3 MR. DUBOW: As I said, we don't
4 know that yet either.

5 COUNCILMAN KENNEY: And if the
6 120 million is suspect, what does that
7 mean? They shut down? I mean --

8 MR. DUBOW: I think if they
9 don't get more money from the state, they
10 have a big hole in their budget. So,
11 yeah, that creates severe problems for
12 them.

13 COUNCILMAN KENNEY: All right.
14 But I just don't understand, unless the
15 players change in Harrisburg -- and I
16 don't suspect they're going to, we know
17 they're not, and we know what their
18 positions are -- we're up against this
19 again. And I tend to kind of understand
20 where the Council President is going, is
21 that the buck stops here. And sometimes
22 the buck is directed here, so it stops
23 here and we have to deal with it as
24 opposed to collaborating, as you say
25 we're going to do between now and the end

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 of May, as opposed to collaborating
3 before the budget is even introduced.
4 And I find it hard to believe that two
5 members of the SRC that the Mayor
6 appoints and the Mayor's education person
7 didn't know anything about this.

8 MR. DUBOW: I don't think we're
9 saying we didn't know anything about it.
10 I think we're saying we knew that there
11 were real budget issues there, but that
12 we didn't have a specific number. We
13 didn't know -- I mean, I don't think they
14 knew until the very end what they were
15 going to do.

16 COUNCILMAN KENNEY: What do
17 they talk about? I mean, what does the
18 education -- is it Deputy Mayor for
19 Education?

20 MR. DUBOW: I think she's Chief
21 Education Advisor.

22 COUNCILMAN KENNEY: Advisor.
23 Do you know what they talk about?

24 MR. DUBOW: Well, I think they
25 talked about a lot, a lot of things.

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2 COUNCILMAN KENNEY: But not
3 money apparently.

4 MR. DUBOW: Well, I think they
5 talk about money too. Like I said, I
6 mean, it wasn't a surprise to anybody
7 that the School District has severe
8 financial issues.

9 COUNCILMAN KENNEY: But just
10 understand the history. The history here
11 is, we come in and we get all the parents
12 and all the kids and we talk about going
13 from full-day to half-day kindergarten.
14 Oh, we got to do something. Then they
15 bring in all the parents and all the kids
16 and we talk about bus transportation,
17 we're going to end it. And we wind up
18 having to eat it. Well, we don't eat it;
19 our taxpayers eat it.

20 But it's not -- it's no way to
21 run this parade. It just don't work.
22 And we're going to be back here again,
23 and I'm sure the room is going to be
24 filled with signs and kids and parents,
25 Give us the money, it's all about the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 kids. I get it all. I heard it before.

3 But I can't believe that no one
4 knew about this number before I got my
5 tweet.

6 Just one positive thing.

7 MR. DUBOW: Yeah.

8 COUNCILMAN KENNEY: Terrific
9 selection on your revenue collection
10 person. Terrific selection.

11 MR. DUBOW: Thank you.

12 COUNCILMAN KENNEY: And one of
13 the two or three top commissioners in
14 your Administration running Revenue is a
15 terrific idea.

16 MR. DUBOW: Thank you. Thank
17 you very much.

18 COUNCILMAN KENNEY: I hate to
19 be sarcastic and negative all the time.
20 So on those particular moves, bravo.
21 Thank you.

22 MR. DUBOW: Thank you.

23 COUNCILMAN GOODE: Point of
24 information.

25 COUNCIL PRESIDENT CLARKE:

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Point of order. Councilman Goode. Point
3 of information. I'm sorry, sir.

4 COUNCILMAN GOODE: Very quick.
5 Mr. Dubow, last year the Administration
6 made a specific \$94 million request?

7 MR. DUBOW: That's correct.

8 COUNCILMAN GOODE: Who
9 collaborated on developing that request?

10 MR. DUBOW: I think that was a
11 request that came from the
12 Administration.

13 COUNCILMAN GOODE: So you did
14 not ask the School Reform Commission what
15 they needed last year?

16 MR. DUBOW: Again, we had
17 discussions with them, so I think they
18 knew that we were going to ask for that.
19 So we did have conversations with them,
20 but the request came from us.

21 COUNCILMAN GOODE: The simple
22 question is, if you made a specific
23 request last year of \$94 million, what
24 changed between last year and this year
25 in terms of process?

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2 MR. DUBOW: So last year, if
3 you remember, that 94 million was related
4 to AVI and --

5 COUNCILMAN GOODE: So we're not
6 doing AVI this year?

7 MR. DUBOW: Can I --

8 COUNCILMAN GOODE: Go ahead.

9 MR. DUBOW: I'll get there.

10 And what we said last year is
11 that we had not -- because we hadn't been
12 doing assessments correctly, we had not
13 captured an increase in value, and that
14 increase in value translated into \$94
15 million in additional revenue. It was
16 pretty clear to us that that argument was
17 not persuasive. So in our proposal this
18 year, AVI is designed to generate the
19 same amount of revenue in '14 as in '13.

20 COUNCILMAN GOODE: So you still
21 don't want the School District to get the
22 \$94 million you asked for last year?

23 MR. DUBOW: We --

24 COUNCILMAN GOODE: You changed
25 your mind about that over the course of

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 the last year?

3 MR. DUBOW: Well, as you know,
4 the District got some money last year.

5 COUNCILMAN GOODE: They got
6 some money and they borrowed some money.

7 MR. DUBOW: This year --

8 COUNCILMAN GOODE: But the
9 money they borrowed was only good for
10 this year.

11 MR. DUBOW: That's right.

12 COUNCILMAN GOODE: So you
13 wanted 94 million last year and you got,
14 I believe it was, 40. You didn't want
15 the rest of the money?

16 MR. DUBOW: No, we did not. We
17 were not going to propose additional
18 revenue from AVI, which is what we
19 proposed last year. The District has now
20 made a specific request --

21 COUNCILMAN GOODE: Just cut
22 through it.

23 MR. DUBOW: -- and we support
24 that request.

25 COUNCILMAN GOODE: Cut through

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 it. As we implement AVI, you refused to
3 ask for the remaining money for the
4 School District.

5 MR. DUBOW: We didn't refuse.

6 COUNCILMAN GOODE: You did.

7 MR. DUBOW: No, we didn't.
8 Refusing would indicate that there was
9 some request that we did that.

10 COUNCILMAN GOODE: You made
11 your own request last year. You asked
12 for \$94 million on your own.

13 MR. DUBOW: That's right.

14 COUNCILMAN GOODE: So you
15 refused to ask for the money this year.

16 MR. DUBOW: I guess I'm not
17 arguing with the fact that we didn't ask
18 for it.

19 COUNCILMAN GOODE: You refused
20 to ask for it.

21 MR. DUBOW: I don't agree with
22 the word "refused."

23 COUNCILMAN GOODE: You don't
24 want the money that you asked for last
25 year?

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2 MR. DUBOW: Well, we are
3 supporting a request from the District.

4 COUNCILMAN GOODE: But you
5 don't want to ask for it.

6 MR. DUBOW: We are supporting a
7 request from the District.

8 COUNCILMAN GOODE: Thank you.

9 COUNCIL PRESIDENT CLARKE:
10 Thank you, Councilman.

11 I actually wasn't going to go
12 there on that question about last year
13 when we were criticized to a degree by
14 some individuals because we didn't go
15 towards AVI last year and, based on the
16 increase in values, 94 million was
17 supposed to materialize. And we're
18 moving towards AVI this year and somehow
19 the \$94 million will not materialize this
20 year, because I do believe last year we
21 were supposed to be revenue neutral last
22 year had we moved forward, and it's
23 supposed to be revenue neutral this time.
24 So I don't understand --

25 MR. DUBOW: No. Last year we

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 said that we were going to generate
3 additional --

4 COUNCIL PRESIDENT CLARKE: No.
5 No. You said we were supposed to be
6 revenue neutral based on the prior years,
7 and we had that press conference in there
8 with Senator Farnese in the group, and we
9 committed to revenue neutral, and you all
10 were on board with that in order to get
11 the legislation passed in Harrisburg that
12 allowed us to move forward with respect
13 to the School District ability to change
14 the millage.

15 MR. DUBOW: At the end of --
16 that was at the end of the process,
17 right? At the beginning of the process,
18 we said this was going to generate more
19 revenue than the year before.

20 COUNCIL PRESIDENT CLARKE:
21 Based on what?

22 MR. DUBOW: We said based on
23 increased values.

24 COUNCIL PRESIDENT CLARKE: So
25 if we've increased values this year, how

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 come we're not realizing an additional
3 \$94 million?

4 MR. DUBOW: As I said to the
5 Councilman, we understood during the
6 process last year that our argument
7 wasn't compelling. We're not making that
8 argument. We're proposing to generate
9 the same amount of revenue.

10 COUNCIL PRESIDENT CLARKE: So
11 last year you were wrong. You were
12 basically attempting to put 94 million
13 additional based on the rate.

14 MR. DUBOW: No. I'm not
15 saying --

16 COUNCIL PRESIDENT CLARKE: I
17 don't understand how if you move towards
18 a process and you say that AVI would
19 generate an additional 94 million based
20 on values increasing and now this year
21 the same values are increasing, actually
22 more, but yet the 94 million or close to
23 it is not materialized.

24 MR. DUBOW: As I said, we
25 realized that that argument -- people,

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Council, legislators, didn't agree with
3 that argument, so we are not making that
4 argument.

5 COUNCIL PRESIDENT CLARKE:

6 You're saying we didn't agree. The
7 reality is that it wasn't facts based.

8 MR. DUBOW: No. I don't agree
9 with that conclusion.

10 COUNCIL PRESIDENT CLARKE: The
11 attempt was to put an additional \$94
12 million in increases in the budget.

13 MR. DUBOW: That's right, based
14 on what we thought were values that
15 hadn't been captured over time.

16 COUNCIL PRESIDENT CLARKE:
17 Well, in other words, it was a tax
18 increase.

19 MR. DUBOW: No.

20 COUNCIL PRESIDENT CLARKE: Yes,
21 it was.

22 MR. DUBOW: Well, we had this
23 argument all of last year, and what we
24 said last year is, those are increases in
25 values just like if values increase going

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 forward, the total collection would go
3 up.

4 COUNCIL PRESIDENT CLARKE: But
5 it was an increase in values based on a
6 different rate.

7 MR. DUBOW: And if they go
8 down --

9 COUNCIL PRESIDENT CLARKE: Rob,
10 it was based on a different rate. If you
11 had the same rate as we're probably going
12 to have this year, that money would not
13 have materialized. The only reason that
14 it would have materialized last year,
15 there would have been a change in the
16 rate that would have given you an
17 additional \$94 million.

18 MR. DUBOW: Right, because we
19 are picking a new rate and we are picking
20 that rate to generate a specific amount
21 of revenue.

22 COUNCIL PRESIDENT CLARKE:
23 Right.

24 MR. DUBOW: Right? So whatever
25 new rate we pick was going --

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2 COUNCIL PRESIDENT CLARKE: So
3 it was a tax increase.

4 MR. DUBOW: No. I mean, again,
5 we can -- we had the argument for months
6 last year and we could have it again this
7 year for months, but I think we're not
8 going to agree.

9 COUNCIL PRESIDENT CLARKE: This
10 is where we debate. We don't argue.
11 We're fully prepared to have that debate.

12 I just want -- the way it was
13 characterized last year, that somehow
14 Council wasn't going to allow the
15 opportunity to have money available for
16 the School District because we refused to
17 allow this growth in value. And we
18 continue to say -- and I think we're
19 proven right based on this year's
20 process -- that that was essentially a
21 way to move the rate to get additional
22 taxes. It was a tax increase on
23 individuals. Because if we tried to
24 generate 60 million or 94 million to
25 reflect last year's request, we would

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 have to change the rate; therefore,
3 people's taxes would go up.

4 MR. DUBOW: I think we're not
5 going to agree on this. I mean, we can
6 go back and forth.

7 COUNCIL PRESIDENT CLARKE:
8 Okay. It won't be the first time we
9 disagree. It won't be the last.

10 MR. DUBOW: Right.

11 COUNCIL PRESIDENT CLARKE:
12 Thank you.

13 The Chair recognizes
14 Councilwoman Brown.

15 COUNCILWOMAN BROWN: Thank you.
16 Good morning.

17 MR. DUBOW: Good morning.

18 COUNCILWOMAN BROWN: My
19 questions regarding the School District
20 are very much in line with others. I am
21 curious, however, about the process. I
22 wrote here just as Councilman Kenney was
23 stating it that there are two
24 appointees -- the Mayor has two
25 appointees at the SRC and we have a

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 Secretary of Education. So in terms of
3 process, what is it? Is there an annual
4 report to the Mayor or weekly report to
5 the Mayor? Is education or the funding
6 of education discussed at cabinet
7 meetings? Give us a sense of what
8 happens given where we are around this
9 discussion of the 60 million.

10 MR. DUBOW: Sure. I think
11 there are actually ongoing discussions
12 about everything to do with the District,
13 including their finances. People from
14 the Education Office are involved, people
15 from my office are involved. So we know,
16 I mean, during the course of the year
17 what their finances look like. So we
18 know -- like I said, we're not surprised
19 that there's a gap. So that's kind of a
20 constant discussion. I mean, we update
21 the Mayor regularly on what's going on.
22 Like I said, there are discussions at our
23 cabinet meetings about it, so people have
24 a sense of what's going on with the
25 District throughout the year.

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2 COUNCILWOMAN BROWN: And as the
3 gap, do you also discuss strategies for
4 filling the gap in the Mayor's Office
5 separate from the work of Council?

6 MR. DUBOW: I think we have
7 discussions, but I think the real
8 discussions on how to fill the gap are at
9 the School District. They're not --
10 we're not -- they're not our discussions;
11 they're the District's discussions.

12 COUNCILWOMAN BROWN: Okay. At
13 the School District?

14 MR. DUBOW: Yeah.

15 COUNCILWOMAN BROWN: So we
16 should not have a role?

17 MR. DUBOW: No, no, no. I
18 think you were asking kind of during the
19 year in terms of strategies for closing
20 the gap, kind of who develops those
21 strategies.

22 COUNCILWOMAN BROWN: But as we
23 get to this juncture where we are now in
24 terms of budget discussions.

25 MR. DUBOW: Yeah. I mean, we

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 have conversations with them kind of all
3 the time about their budget. I guess
4 what I was trying to make clear is,
5 they're the ones kind of formulating this
6 strategy on how to handle their budget
7 gap. I mean, they have conversations
8 with us about it, but they're the drivers
9 behind it.

10 COUNCILWOMAN BROWN: Okay.
11 Let's go to alarm fees and fines. Last
12 year we discussed ACS, which is the
13 company that administers and collects
14 code violation and alarm fees and fines
15 that was taken over by Xerox.

16 MR. DUBOW: Yeah.

17 COUNCILWOMAN BROWN: You stated
18 that an RFP for collection of those code
19 fines would be released in July '13. Did
20 that happen?

21 MR. DUBOW: Yes, it did.

22 COUNCILWOMAN BROWN: Provide us
23 some detail.

24 MS. PASTER: Cathy Paster,
25 First Deputy Finance Director.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 I believe that we have received
3 responses to that RFP and that they are
4 currently in the selection process right
5 now. There's a team working on a
6 selection.

7 COUNCILWOMAN BROWN: How many?

8 MS. PASTER: How many?

9 COUNCILWOMAN BROWN: Responses.

10 MS. PASTER: Maybe three, but I
11 don't know for sure. We could ask Paula
12 Weiss to answer that.

13 (Witness approached witness
14 table.)

15 MS. WEISS: Good morning.
16 Paula Weiss, Office of Administrative
17 Review.

18 We got three responses,
19 Councilwoman. There were three responses
20 to the RFP.

21 COUNCILWOMAN BROWN: Are they
22 local?

23 MS. WEISS: Two are local. Two
24 have local presence; one is not.

25 COUNCILWOMAN BROWN: Okay. Is

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 the Office of Administrative Review
3 currently fully staffed?

4 MS. WEISS: Yes, we are.

5 COUNCILWOMAN BROWN: With
6 regards to alarm violations, we get a
7 number of calls in the office from
8 homeowners who still are not aware that,
9 A, they have to be -- their alarms have
10 to be registered and, B, if they're not,
11 they get fined.

12 So what type of education
13 layering happens in the appropriate
14 offices to make sure citizens are
15 adequately informed that they have to be
16 registered?

17 MS. WEISS: We are not
18 currently fining unregistered alarm
19 account owners. There's a fine for
20 excess false alarms, but to the
21 registration process itself, the process
22 is, when we do have the alarm companies
23 responsible and we're in touch with the
24 alarm companies themselves. When they
25 get new users, they should be informing

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 their new clients or their accountholders
3 that registration is required. It's on
4 our website as well that registration is
5 required.

6 In the event that someone is
7 not registered but a false alarm occurs
8 at their location, we don't fine them,
9 but we do set up an account for them and
10 notify them that an account has been set
11 up and they are required to follow
12 through with that registration. Fines
13 only occur in the event that more than
14 two false alarms in a year occur at their
15 location, and then a fine process kicks
16 in.

17 COUNCILWOMAN BROWN: Okay. So
18 is there interface with the Records
19 Department to ensure that the homeowner
20 of properties receive those notices for
21 registration of alarms? And if not, then
22 what protections are in place to ensure
23 that homeowners get those notices to make
24 sure that the fees are paid?

25 MS. WEISS: Once an alarm is

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 registered or before? I'm sorry. I'm
3 not sure I understand the question.

4 COUNCILWOMAN BROWN: Once the
5 alarm -- before. Before.

6 MS. WEISS: Before? We haven't
7 really interfaced with the Records
8 Department because obviously not every
9 property has an alarm. So we're not -- I
10 guess we don't have a process right now
11 for notifying new property owners,
12 because really it's also the user of the
13 property, not necessarily the property
14 owner. So in commercial circumstances,
15 it would be the tenant, the business
16 owner who has the alarm, or even if it's
17 a residential property, the tenant who
18 has the alarm is the responsible party,
19 not necessarily the property owner.

20 COUNCILWOMAN BROWN: I see.
21 Okay, then. Thank you. The bell has
22 rung. We'll honor the clock.

23 COUNCIL PRESIDENT CLARKE:

24 Thank you, Councilwoman.

25 The Chair recognizes Councilman

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Squilla.

3 COUNCILMAN SQUILLA: Thank you,
4 Mr. President.

5 Good morning.

6 MR. DUBOW: Good morning.

7 COUNCILMAN SQUILLA: My
8 question -- I don't want to belabor the
9 school issue, so I want to talk about if
10 the Administration is currently looking
11 for \$60 million for the School District.

12 MR. DUBOW: I'd say at this
13 point we don't have a plan for that. One
14 of the things we talked about, I guess,
15 before you came in was that we want to
16 work on that through this process and
17 then work with Council on it.

18 COUNCILMAN SQUILLA: During the
19 process, during this AVI procedure, we've
20 been hearing so much from the community
21 about delinquent taxes, and I know
22 they're making some changes and doing
23 some things in the Administration. We've
24 been saying all along that if we're going
25 to make a serious effort to collect

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 delinquent taxes, that it probably would
3 be a good idea to have some type of
4 effort and collections added into this
5 year's budget. Do you see that happening
6 at all this year as far as being able to
7 collect delinquent taxes?

8 MR. DUBOW: I think there's a
9 possibility that we'll start to see some
10 benefit from the enhanced collections
11 program. I don't see us putting it in
12 the budget.

13 COUNCILMAN SQUILLA: So you
14 think we'll be able to collect more, but
15 you don't see any revenue being generated
16 from any delinquent taxes this year?

17 MR. DUBOW: We generate a fair
18 amount from delinquent taxes already.
19 The question is will we increase that
20 amount, and there have already been
21 increases over time in that. So we show
22 in the budget -- and I think we had this
23 discussion during the finance --

24 COUNCILMAN SQUILLA: I was
25 really confused about that discussion, if

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 you remember, and you were going to give
3 me some type of flowchart to explain it.

4 MR. DUBOW: Right. So I have
5 to -- I still owe you that. I will get
6 you that.

7 So I guess what we have not
8 done is put -- added delinquent
9 collections into the budget. We still
10 have collections as we always do, but we
11 haven't put the --

12 COUNCILMAN SQUILLA: Right.
13 And it seems like you're keeping the same
14 pace going forward. Don't you think it
15 would be a good idea from the
16 administrative standpoint to -- I mean,
17 if the people who are going through this
18 AVI process and is struggling with it, to
19 know that the City is really seriously
20 looking to collect delinquent taxes and
21 getting money from the deadbeats or the
22 people who don't pay, that there would be
23 an added collection to the budget.
24 Therefore, almost forcing the
25 Administration to collect that much money

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 in order to balance the budget or at
3 least showing the people that you're
4 serious about collecting extra money from
5 the delinquent taxes.

6 MR. DUBOW: I think we're
7 showing we're serious by the additional
8 investments we're making and by the
9 people we're bringing in to do those
10 collections. We think that it makes
11 sense to kind of see the success before
12 we count on it.

13 COUNCILMAN SQUILLA: All right.
14 I would disagree with that. But as far
15 as the AVI process that we talked about
16 and that we talked with OPA about it,
17 knowing that the issues that we're having
18 as far as assessments, some being over
19 and under-assessed, do you see a
20 possibility of maybe trying to phase this
21 in over time?

22 MR. DUBOW: Phasing in the new
23 assessments? Well, I know you have a
24 proposal to phase in taxes, and I think
25 what we've talked about is, there are

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 kind of a variety of relief proposals and
3 we should talk about all of them, but we
4 need to go to the new values this year.

5 COUNCILMAN SQUILLA: We need to
6 go to the new values and we need to go to
7 them because of the state initiative?

8 MR. DUBOW: Partly because of
9 that and partly because the old system
10 was so broken and these are much more
11 accurate assessments.

12 COUNCILMAN SQUILLA: Well, I
13 think we have debated that also to see
14 what was more accurate, the old ones or
15 these, but --

16 MR. DUBOW: I don't think
17 anyone is debating that the old ones are
18 more accurate. I think there are people
19 who are debating how accurate the new
20 numbers are. I haven't seen anybody say
21 the old ones were more accurate.

22 COUNCILMAN SQUILLA: I might
23 agree with that issue.

24 So at this point, then, we'll
25 have formal discussions with Council

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 going forward with the safeguarding
3 measures that the Administration may buy
4 into or may not buy into, but now you
5 don't see that the Administration would
6 put maybe a collection of additional,
7 say, 30, 50, 80 million dollars of
8 delinquent taxes into the budget even
9 though we are investing money and
10 manpower to do that?

11 MR. DUBOW: That's right. And
12 I also think that it's not -- you
13 wouldn't see that type of number in the
14 first year anyway. I mean, that would be
15 something that would be more likely to
16 happen in kind of later years as more
17 parts of the collection plan are put into
18 place.

19 COUNCILMAN SQUILLA: So the
20 investment that we make this year, would
21 there be a promise to collect delinquent
22 taxes in the future years? I know in the
23 Five Year Plan, it looks like there's
24 going to be a little increase, but not
25 really anything that would make it look

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 like they were really serious about going
3 after those delinquent taxes.

4 MR. DUBOW: Well, there's a
5 commitment to put additional resources
6 and new methods, better systems. We are
7 trying to get some legislative changes.
8 So there's a commitment to do everything
9 we can to improve those collections.

10 COUNCILMAN SQUILLA: I know. I
11 see the commitments to improve them, but
12 I just don't see any commitments to
13 actually have an accountability on
14 collections. To me if you put a goal
15 there and you have a reason to do the
16 collection in order to balance the
17 budget, it's more of an incentive for the
18 department to actually go out there and
19 get that money. If we just say we know
20 we're going to invest some money in there
21 and we have a lot of work to do first, so
22 maybe the next year, the following year
23 or the year after that we may collect
24 more money, it doesn't give the public a
25 good impression of how serious we are

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 about going after it. It seems more like
3 lip service. And when we go out to these
4 meetings, everybody has said it. The
5 people are very angry about it, and when
6 you see the number of delinquencies and
7 the actual dollar value that we have -- I
8 know we argued about how much is actually
9 collectable and how much isn't, and I
10 think you have now written some dollars
11 off. But when we see that and if we just
12 say we're going to invest more money but
13 don't see a return, they laugh at us, and
14 it's kind of embarrassing.

15 So we need some sort of effort
16 from the Administration to actually prove
17 to the people that this is a serious --
18 and just by saying we're investing money,
19 we're changing things around, and we're
20 looking to do a better job, to me doesn't
21 actually show that we're serious about
22 the collection.

23 MR. DUBOW: Well, I guess again
24 that's a place where we disagree. I
25 think the commitment of dollars and

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 people and bringing new people in shows a
3 serious commitment.

4 COUNCILMAN SQUILLA: All right.
5 I would hope that in the future -- and if
6 not this year, even though I was still
7 pressed to put this year -- we have to
8 have an actual map -- from our
9 investment, we have to have a return.
10 And if we don't have a return, the
11 investment looks really weak. So I would
12 hope that we as Council even work on that
13 and also with the Administration to work
14 on that from now and in future years
15 moving forward.

16 Thanks.

17 COUNCIL PRESIDENT CLARKE:
18 Thank you, Councilman.

19 So, Mr. Dubow, if we didn't
20 authorize the appropriations for the
21 additional dollars for tax collections,
22 the current Five Year Plan would not
23 change; is that correct?

24 MR. DUBOW: We wouldn't change
25 the revenue projections, if that's your

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 question.

3 COUNCIL PRESIDENT CLARKE: So
4 it wouldn't matter.

5 MR. DUBOW: Well, it wouldn't
6 matter because we --

7 COUNCIL PRESIDENT CLARKE: In
8 terms of the Five Year Plan.

9 MR. DUBOW: In terms of the
10 Five Year Plan. But that's different
11 from not mattering. It would matter
12 because --

13 COUNCIL PRESIDENT CLARKE: It
14 would not be reflected.

15 MR. DUBOW: Right.

16 COUNCIL PRESIDENT CLARKE: So
17 the same fund balance would be every year
18 based on no additional collections.

19 MR. DUBOW: That's right. But,
20 I mean, to go back to the "it wouldn't
21 matter," it would matter because we think
22 that there will be a benefit from these
23 programs, and we think it's important to
24 make a commitment to improving our
25 collections through people, through

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 systems, through pushing for legislation.

3 COUNCIL PRESIDENT CLARKE:
4 Okay. The Chair recognizes Councilwoman
5 Bass.

6 COUNCILWOMAN BASS: Thank you,
7 Mr. President.

8 COUNCIL PRESIDENT CLARKE: Good
9 morning.

10 COUNCILWOMAN BASS: Good
11 afternoon -- or good morning.

12 MR. DUBOW: Good afternoon.

13 COUNCILWOMAN BASS: Almost
14 afternoon.

15 MR. DUBOW: Almost.

16 COUNCILWOMAN BASS: I just
17 wanted to follow up on some questions
18 that my colleague had in reference to the
19 Chief Collections Officer. And can you
20 give us some sort of idea about when the
21 decision was made that this was the way
22 to go, that this was the appropriate
23 direction that we should go to collect
24 the outstanding revenue that's due to the
25 City?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: Yeah. So we hired
3 a firm called FTI Consulting and we asked
4 them to look at our processes to look for
5 efficiencies on the expenditure side, to
6 look for improvements we could make on
7 the collection side. One of their
8 recommendations was that we have this
9 office. I think their report came out in
10 late February. We got the report. We
11 looked at the recommendation. We thought
12 it made sense.

13 COUNCILWOMAN BASS: And based
14 on what was the recommendation made? Was
15 this done in other cities or -- like why
16 did this make sense in particular for
17 Philadelphia?

18 MR. DUBOW: So they looked at
19 collections across a number of our
20 departments. EMS is one we talk about a
21 lot where the collection rate was much
22 lower here than in other places. They
23 looked at really collections in a lot of
24 our departments where collection is not
25 their primary responsibility, saw

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 collections rates were low and thought it
3 really would make sense to have someone
4 whose focus was on that collection.

5 COUNCILWOMAN BASS: Okay. But
6 what made it right for us, I guess? Is
7 this something that's done in other
8 cities, other places, or was it just an
9 idea that, Hey, you need somebody to do
10 collection, so you need an office to do
11 that?

12 MR. DUBOW: I guess their basis
13 of comparison was mostly states and
14 private-sector companies, where
15 private-sector companies there's a chief
16 collection officer and they thought that
17 was a good model to bring to the public
18 sector.

19 COUNCILWOMAN BASS: Okay. So
20 there's really -- to your knowledge, this
21 was not based on any other municipal
22 authority that was doing something
23 similar?

24 MR. DUBOW: That's right.

25 COUNCILWOMAN BASS: So now I

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 know in the past we've used sort of like
3 a private collection agency effort.

4 MR. DUBOW: We have actually a
5 number of private firms that worked on
6 various. So in Finance for our code
7 violations, we talked about the firm we
8 used there in the RFP process. Fire has
9 someone they use. So there are a number
10 of private firms that help. I think part
11 of it is, there's no kind of coordination
12 among various agencies and it's not --
13 collection isn't their first priority.

14 COUNCILWOMAN BASS: So why is
15 there no coordination, I guess?

16 MR. DUBOW: I think --

17 COUNCILWOMAN BASS: Would that
18 be the role of the new --

19 MR. DUBOW: Yes.

20 COUNCILWOMAN BASS: So they're
21 going to coordinate the efforts of the
22 private contractors who are doing
23 collection?

24 MR. DUBOW: They're going to
25 coordinate the efforts of all of the

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 entities that collect, whether they do it
3 with private firms, whether they do it
4 with our own people.

5 COUNCILWOMAN BASS: Okay. And
6 can you give us some sort of idea in
7 terms of what prompted -- you said there
8 was FTI Consulting that actually gave you
9 the idea that this was the way to go.
10 And so what sort of prompted that
11 discussion? Was it a discussion
12 internally about the ineffectiveness of
13 tax collection in the City?

14 MR. DUBOW: So FTI met with a
15 number of City departments, including the
16 departments that do collections. They
17 talked to them about their processes and
18 how they went about it, and kind of based
19 on their analysis of what they saw all of
20 our departments do, they came up with
21 this recommendation.

22 COUNCILWOMAN BASS: Okay. So
23 how much are we spending on this effort?

24 MR. DUBOW: On the Chief
25 Collections Office?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILWOMAN BASS: Yes.

3 MR. DUBOW: We have \$300,000
4 for the office in the Finance Department
5 budget.

6 COUNCILWOMAN BASS: And then
7 there will be some additional folks hired
8 to do collection efforts?

9 MR. DUBOW: Yes.

10 COUNCILWOMAN BASS: What would
11 you say is the total amount?

12 MR. DUBOW: That's it. That
13 total represents the people who would be
14 hired.

15 COUNCILWOMAN BASS: Okay.
16 Three hundred thousand is going to
17 collect --

18 MR. DUBOW: Well, there are
19 already people in departments, so they
20 would work with those people in the
21 departments to make sure the collections
22 happen. We're not talking about a whole
23 new collections infrastructure. We're
24 just talking about kind of leadership to
25 make sure that people focus on

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 collections.

3 COUNCILWOMAN BASS: Okay.

4 Because it feels even with hiring a new
5 Chief Collection Officer, from my
6 perspective, it still feels disjointed in
7 terms of what we're trying to do, what we
8 need to do, and I'm not really confident
9 that we're headed in the right direction
10 to get this done. There's a lot of money
11 out there as we're talking about AVI. We
12 go to community meetings, and the first
13 thing people always want to know is, Why
14 don't you collect the money that's
15 outstanding. And so it's very difficult
16 for us to stand there and to say, well,
17 we're trying different efforts and we're
18 doing different things if we don't have a
19 lot of confidence in some of the ideas
20 that have been brought forward, and there
21 was sort of very little interaction or
22 consulting with us to discuss the matter
23 further before we say we're going to
24 support the effort.

25 MR. DUBOW: Yeah. And I think

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 we -- part of the reason that we're
3 proposing this position and proposing the
4 investments that we're talking about are,
5 we hear the same thing you hear. We
6 share the concern about making sure that
7 we do as good a job as possible on
8 collections, and we want to make that a
9 real focus of what we do and elevated
10 priority.

11 COUNCILWOMAN BASS: Okay. I
12 know my time is up, but I just wanted to
13 say it's important to me that we look at
14 the best practices of other similarly
15 situated cities like Philadelphia. If
16 we're at the bottom of the barrel in
17 terms of being able to collect, it's
18 important that we look at who is similar,
19 what their model is, what they've done,
20 so that we're not out here winging it or
21 trying something new and different and
22 innovative that may or may not work. If
23 we know that there are practices that
24 work over and over again, to me it just
25 makes sense that we should embrace those

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 practices. But I'll come back around. I
3 have some more questions.

4 COUNCIL PRESIDENT CLARKE:
5 Thank you, Councilwoman.

6 Real quick. Mr. Dubow, you
7 probably don't know the answer to this.
8 Can you give me the status of the
9 municipal marketing RFP?

10 MR. DUBOW: We'll get you
11 something on that.

12 COUNCIL PRESIDENT CLARKE:
13 Thank you.

14 The Chair recognizes
15 Councilwoman Blackwell.

16 COUNCILWOMAN BLACKWELL: Thank
17 you.

18 I was listening to Councilman
19 Kenney talking about, as many people did
20 yesterday, about what we knew about the
21 need for extra money, and I will
22 reiterate -- and I mentioned it
23 yesterday -- that maybe if they could get
24 the website working so there can be
25 communication, maybe Hite might have

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 wanted to send some information that way
3 too.

4 Thank you, Mr. President.

5 COUNCIL PRESIDENT CLARKE:

6 Thank you, Councilwoman.

7 The Chair recognizes Councilman
8 Henon.

9 COUNCILMAN HENON: Thank you,
10 Council President.

11 Good afternoon.

12 MR. DUBOW: Good afternoon.

13 COUNCILMAN HENON: 12:02.

14 So the conversation has in the
15 latter part of the morning here shifted
16 to tax delinquency. So as a followup to
17 a two-day hearing, two days of hearings,
18 on multiple resolutions from many of the
19 colleagues and past legislation that was
20 introduced that we're going to have
21 subsequent hearings in the future, are
22 you taking that into consideration, any
23 of the legislation and some of the
24 questioning and resolutions that were
25 held in two days of hearings two weeks

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 ago? Like is Council going to be -- so
3 let me ask it more direct. Is Council
4 going to be a partner --

5 MR. DUBOW: Yes.

6 COUNCILMAN HENON: -- in the
7 tax delinquencies and the new department
8 and investment that we're going to be
9 making --

10 MR. DUBOW: Yes.

11 COUNCILMAN HENON: -- in our
12 tax collections?

13 MR. DUBOW: Yes.

14 COUNCILMAN HENON: So a couple
15 other specific questions. It's been
16 asked over and over again --

17 MR. DUBOW: I know, for
18 example, there were things that you had
19 been asking about in terms of working
20 together, and we would like to pursue
21 those.

22 COUNCILMAN HENON: Well, I
23 think that would be appropriate, because
24 17 members here all have specific
25 questions and introduced separate

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2 legislations where everybody was in full
3 support of. So I think I would encourage
4 more of a -- not an informal, but more of
5 a formal kind of input from Council
6 through Council President's office as we
7 move forward. So I appreciate that.
8 Thank you.

9 The question comes over time
10 and time today and at other times. So in
11 the Five Year Plan, the tax
12 delinquencies, are they accounted for in
13 the budget? I know they are in revenues,
14 but is it a part of the actual budget
15 plan?

16 MR. DUBOW: The investment in
17 new people?

18 COUNCILMAN HENON: Not the
19 investment in the infrastructure or
20 capital investment. In the --

21 MR. DUBOW: Operating budget --

22 COUNCILMAN HENON: So we are
23 intending to, through projections, \$25
24 million in addition to where we are now.
25 What happens to that additional revenue?

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2 MR. DUBOW: So we are not
3 showing that in the budget. We want to
4 see the success of these new programs
5 before we put money into the budget and
6 plan.

7 COUNCILMAN HENON: So you're
8 not showing it until the investment is up
9 and running?

10 MR. DUBOW: Until we see some
11 success from it, yes.

12 COUNCILMAN HENON: Where would
13 that revenue go? To the General Fund?

14 MR. DUBOW: It would, yeah.

15 COUNCILMAN HENON: But we're
16 projecting --

17 MR. DUBOW: We will -- let me
18 give you more specific. Part of it would
19 go to the General Fund, part would go to
20 the School District.

21 COUNCILMAN HENON: Are we
22 projecting the additional revenue
23 collected from our tax delinquencies in
24 FY14 or '15?

25 MR. DUBOW: It doesn't show in

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 the Plan.

3 COUNCILMAN HENON: When would
4 you -- when would you think that
5 additional revenue would --

6 MR. DUBOW: So what we've done
7 in the Plan, the projections in the
8 collections plan as opposed to the Five
9 Year Plan, in the collections plan, the
10 projections were based off what we've
11 seen in other places, and mostly the
12 stuff we're taking was from other states.

13 In the past, when we've
14 implemented things that have worked
15 elsewhere, may either have not worked
16 here or not worked as well, so we want to
17 see kind of what we're talking about
18 actually works before we start counting
19 on the money in our plan.

20 COUNCILMAN HENON: No; I
21 understand that. I think obviously a
22 step in the right direction. Everybody
23 wants to see that program get better.

24 How many departments currently
25 are responsible for their own tax

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 delinquencies?

3 MR. DUBOW: Tax delinquencies
4 or fees and fines?

5 COUNCILMAN HENON: Fees and
6 fines, collections.

7 MR. DUBOW: So there's
8 obviously Revenue, there's Finance. We
9 have things like code violations.
10 There's L&I. There's Fire Department.
11 There's Records. There's Police,
12 Streets, and a little bit in Health too.
13 So it's really all over the government.

14 COUNCILMAN HENON: So does each
15 department, are they responsible for
16 their own collections or does that all
17 come through the Finance Department? So
18 each department -- would you have
19 separate outside vendors for each one of
20 those departments responsible for the
21 collections?

22 MR. DUBOW: We would, yes.

23 COUNCILMAN HENON: So are there
24 multiple outside vendors per department?

25 MR. DUBOW: I think most

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 typically have one, but I think there are
3 probably examples where there are more
4 than one.

5 COUNCILMAN HENON: Would you
6 have a collection agency, outside
7 collection agency vendor, doing multiple
8 departments or would they be separate
9 agencies?

10 MR. DUBOW: I think it can work
11 both ways. So you can have that.

12 COUNCILMAN HENON: You can?

13 MR. DUBOW: Yeah, you can.

14 COUNCILMAN HENON: You can.

15 MR. DUBOW: Yes.

16 COUNCILMAN HENON: Is any of
17 the departments themselves using in-house
18 employees for any sort of collections?

19 MR. DUBOW: I think that --
20 well, obviously Revenue --

21 COUNCILMAN HENON: Or is
22 everything outsourced?

23 MR. DUBOW: I think even the
24 departments that have outside vendors
25 have people in the department that are

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 managing the contracts. So there's
3 always someone in the department that
4 some part of their job is related to
5 collections.

6 COUNCILMAN HENON: And in your
7 opinion, what do you see the role of the
8 Revenue Department? So Revenue was in,
9 and I think the one question was
10 referencing to the new collection, I'm
11 going to say, czar. What's the formal --

12 MR. DUBOW: Chief Revenue
13 Collections Officer.

14 COUNCILMAN HENON: But Revenue
15 was unaware of any of the conversation --
16 well, was not a part of any of the
17 decision-making or conversations of that
18 department and what its responsibilities
19 and vision would be moving forward. So
20 my question to follow that up that was on
21 the record is, what is -- what do you see
22 the role of the Revenue Department?

23 MR. DUBOW: Sure. I think
24 there are multiple roles for the
25 department. I mean, one is collection of

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 tax revenues. I think that's their
3 primary role, but they also have a
4 service role to answer questions about
5 taxes, to inform people about things like
6 the senior citizen discount, but it all
7 kind of relates back to their primary
8 role, which is tax collections.

9 COUNCILMAN HENON: So Revenue's
10 primary role is tax collections?

11 MR. DUBOW: Yes.

12 COUNCILMAN HENON: I have no
13 further questions.

14 COUNCIL PRESIDENT CLARKE:
15 Thank you, Councilman.

16 The Chair recognizes
17 Councilwoman Sanchez.

18 COUNCILWOMAN SANCHEZ: Thank
19 you.

20 Good morning.

21 MR. DUBOW: Good morning.

22 COUNCILWOMAN SANCHEZ: I wanted
23 to put some stuff on the record. I know
24 we've been talking around some of this
25 collections and, in particular, my

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 interest around the use and occupancy.
3 One of the things that we talked about
4 was the ability for -- because I believe
5 everyone here is concerned about this
6 collections for the School District --
7 the ability to change the regulations
8 whereby Revenue can issue a bill versus
9 asking people to submit a plan. Is that
10 something that you guys have deemed
11 possible?

12 MR. DUBOW: I think that's
13 something we should talk about, yes.

14 COUNCILWOMAN SANCHEZ: Is it
15 something --

16 MR. DUBOW: Particularly with
17 kind of new -- with the new Revenue
18 Commissioner, I think that's a
19 conversation we should have.

20 COUNCILWOMAN SANCHEZ: Is it a
21 regulatory issue or is it a...

22 MR. DUBOW: I think it's
23 regulatory, but -- I think it's
24 regulatory.

25 COUNCILWOMAN SANCHEZ: Okay.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 What is our collection -- there's about
3 90,000 business licenses in the City, and
4 commercially there's 17,000, 18,000 use
5 and occupancy. Are there that many
6 home-based businesses? Why is there such
7 a difference between the two?

8 MR. DUBOW: I'm not sure. That
9 may be a better question for the Revenue
10 Department hearing.

11 COUNCILWOMAN SANCHEZ: I think
12 this is one area that we should really
13 look at. I think one, as you know, we
14 begin to talk about the commercial tax
15 piece, very concerned as we've started to
16 look at those, what those sectors are. I
17 was looking at some of the data, and I
18 don't know the correlation between how we
19 got 90,000 business licenses and then we
20 only have 17,000 people paying our
21 commercial tax. It seems like a huge
22 gap.

23 MR. DUBOW: We should revisit
24 that.

25 COUNCILWOMAN SANCHEZ: In terms

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 of this -- and I know you were talking
3 about it earlier. I was trying to listen
4 in as I was at other meetings.

5 In terms of our projection for
6 the City revenues, what percentage are we
7 looking at in terms of growth?

8 MR. DUBOW: It varies by --

9 COUNCILWOMAN SANCHEZ:
10 Department?

11 MR. DUBOW: You're talking
12 about tax collection?

13 COUNCILWOMAN SANCHEZ: Yes.

14 MR. DUBOW: Okay. Let me just
15 grab my Five Year Plan.

16 Let me just take one second. I
17 have to find the right table.

18 So for the wage tax, we are
19 projecting for FY14 3.59 percent growth.
20 For '15, '16, and '17, between 3.2 and
21 3.3, and then in Fiscal '18, 2.95.

22 COUNCILWOMAN SANCHEZ: Are
23 these standard with what we've seen
24 lately in the last few years? Is it
25 higher, lower?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: It's a little -- I
3 mean, we're seeing a little bit healthier
4 collections as the economy is coming
5 back. The projections are based on
6 recommendations we got from IHS, our
7 outside consultant, and conversations we
8 had with the economist at a meeting at
9 the Federal Reserve.

10 For the business income and
11 receipts tax, we project about 3 percent
12 growth each year, and that's a tax that
13 can go up or down in large amounts in a
14 year.

15 COUNCILWOMAN SANCHEZ: In the
16 last couple of years, where has that
17 number been? What's been our projection
18 versus what we've actually received? Are
19 we in line?

20 I remember having a discussion
21 last year. I think the number was a
22 little higher, your projection numbers.

23 MR. DUBOW: Yeah. So we've
24 increased that projected growth rate a
25 little, but we won't know -- that tax is

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 due in April. So we'll have a better
3 sense in a month. Then it actually takes
4 a little while after that to even know
5 what the final number is.

6 COUNCILWOMAN SANCHEZ: Okay.
7 Can we get a comparison around our Five
8 Year Plan? I know that there's been some
9 concerns around some of the business tax
10 deductions and some other stuff, and I
11 just want to do a comparison on our
12 projections on the revenue side. Because
13 we're always looking for money. We have
14 a new request from the School District.
15 Where do we get it? Do we have room?
16 Obviously your projections can move the
17 needle 10, 20, 30 million dollars, and
18 I'm just wondering if we're being too
19 conservative or if there's some room
20 there.

21 MR. DUBOW: Right. And I don't
22 think we're being too conservative. I
23 mean, there's always -- there are always
24 risks. So we're assuming that the
25 recovery continues, and that's as we've

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 seen over the last few years. But that's
3 always a risk.

4 But let me make sure I
5 understand what you're looking for.
6 You're looking for how the projections in
7 this Five Year Plan compare to actual
8 growth over the last, say, three or four
9 years?

10 COUNCILWOMAN SANCHEZ: Yes.

11 MR. DUBOW: Okay.

12 COUNCILWOMAN SANCHEZ: Thank
13 you.

14 Thank you, Mr. President.

15 COUNCIL PRESIDENT CLARKE:

16 You're welcome, Councilwoman.

17 The Chair recognizes Councilman
18 Squilla.

19 COUNCILMAN SQUILLA: Thank you,
20 Mr. President.

21 And not to belabor the
22 collection status, and there were some
23 good questions asked during the process,
24 but if we go forward with the new plan
25 from the Administration, invest the

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 capital, and find out that it's not
3 working, what is the next step?

4 MR. DUBOW: I think we at that
5 point would want to look at why it wasn't
6 working to understand what we'd have to
7 do next.

8 COUNCILMAN SQUILLA: But I know
9 you said earlier the investment will
10 hopefully, even though we don't have any
11 return for that investment, it would
12 start a process that you believe in
13 coming years would collect more of the
14 delinquencies.

15 MR. DUBOW: Right.

16 COUNCILMAN SQUILLA: Right?
17 But in our Five Year Plan, are we showing
18 that?

19 MR. DUBOW: Again, we are not.
20 We want to see success. We want to see
21 what we're doing works here before we put
22 that money in our Plan.

23 COUNCILMAN SQUILLA: During the
24 Five Year Plan, we also have issues -- I
25 know we had put money aside, it looks

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 like, this year now for the firemen and
3 also for the labor contracts.

4 MR. DUBOW: For District
5 Councils 33 and 47.

6 COUNCILMAN SQUILLA: And for
7 the arbitration for the new --

8 MR. DUBOW: The new
9 arbitration.

10 COUNCILMAN SQUILLA: The new
11 arbitration for the firemen contract.

12 And I know previously stated we
13 had the old arbitration that was ruled on
14 and we appealed, and then they ruled on
15 it again and we appealed again. Is
16 there -- what is the philosophy for the
17 Administration, beside thinking they're
18 going to win that appeal, for not putting
19 any money into the budget for the
20 previous contract?

21 MR. DUBOW: I mean, you've
22 actually -- you've said what the theory
23 is, is that we believe that we'll win on
24 appeal.

25 COUNCILMAN SQUILLA: But if you

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 believe you're going to win, even a
3 business or any community, would you
4 still put -- so you put nothing aside in
5 case for some reason you don't? Because
6 we believed we were going to win the
7 first appeal and we didn't. So we
8 appealed again, so --

9 MR. DUBOW: Actually, just to
10 go through the history, there was an
11 award. We appealed. It went to Common
12 Pleas Court. Common Pleas Court remanded
13 it for reconsideration. So, I mean,
14 that's not losing the appeal. It got
15 remanded. Went back. A new award came
16 out. We appealed that award. Went to
17 Common Pleas Court. Common Pleas
18 Court -- we lost in Common Pleas Court,
19 and we've appealed that.

20 COUNCILMAN SQUILLA: Right.

21 MR. DUBOW: But we believe that
22 there's merit in our case.

23 COUNCILMAN SQUILLA: Well, I
24 mean, we know the process. You believe
25 there's merit, but you still have to be

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 prepared in case it doesn't happen. And
3 is that considered good budgeting
4 process? I mean, if we do have to pay,
5 shouldn't we have something in the budget
6 in order to do that, and then if we don't
7 have to pay, we have that money for other
8 things that we can invest in?

9 MR. DUBOW: I think what we did
10 last year is showed what we thought we'd
11 have to do to pay for it if that award
12 came.

13 COUNCILMAN SQUILLA: And I know
14 the PICA Board did approve that. I don't
15 know if they would approve that again.
16 But what you actually said was you would
17 close the firehouses and --

18 MR. DUBOW: We said there were
19 many, many things in there. Firehouses
20 were what everyone focused on, but there
21 were cuts all across the government.

22 COUNCILMAN SQUILLA: Well, I
23 would just think instead of going through
24 and saying this is a disaster and the sky
25 is falling, after we lose it, it would be

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 good practice to actually invest some
3 money into the budget now so we don't
4 have to have the sky falling, in case we
5 do lose it, and to not have any money put
6 aside for a rainy day in case it does
7 happen to rain, and there's a possibility
8 we could get a storm and then we don't
9 even have an umbrella, we're going to be
10 in bad shape. And that just seems -- do
11 you think that by not putting that money
12 in there and maybe not having this, that
13 the PICA Board would then approve this
14 budget?

15 MR. DUBOW: Again, I'm telling
16 you why we've done it, why we've done
17 what we've done. I'm not going to kind
18 of pre-judge what PICA will or won't do.

19 COUNCILMAN SQUILLA: Do you
20 have a fall-back in case PICA comes back
21 again and -- say they say, All right,
22 last year we took that and we said that
23 you're going to close all these things,
24 this year we're not going to deal with
25 that. What do we do in that case?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: I'm not sure
3 that -- what we do to balance our plan,
4 we show PICA how we would balance the
5 plan. That's what they have to ask us to
6 do.

7 COUNCILMAN SQUILLA: But they
8 could accept it or not accept it. They
9 could accept, saying, This is not a good
10 way to balance your plan, this is not --

11 MR. DUBOW: They can say, We
12 don't believe this is reasonable, these
13 are reasonable assumptions. They can't
14 say from a policy perspective, We don't
15 like this approach.

16 COUNCILMAN SQUILLA: Right.
17 They can say it's not reasonable;
18 therefore, they could vote against it.

19 MR. DUBOW: Right. And then
20 they could say, Show us different cuts
21 because we don't think that it's possible
22 to make these, and our job would be to
23 show them, Well, here's why we think it
24 is reasonable.

25 COUNCILMAN SQUILLA: So your

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 philosophy as the Administration is just
3 that if we're not going to put any money
4 aside for this, if it does happen, we're
5 just going to have to cut everything in
6 order to pay.

7 MR. DUBOW: Well, our
8 philosophy is that we've appealed because
9 we don't think it's consistent with our
10 Five Year Plan, and we've shown what we
11 would do if we lost that appeal.

12 COUNCILMAN SQUILLA: All right.
13 It just seems like it's a bad way to go
14 about the budget, knowing that there is a
15 possibility we've already lost -- well,
16 we didn't lose. You keep appealing, I
17 guess, so it's not considered a loss.
18 But it's proven that it may be a
19 possibility, and we don't seem like we
20 have any safeguards in place except for
21 just cutting. And, again, then the onus
22 you put on Council to do something to
23 raise that money or somehow come up with
24 a tax or just -- because to me it seems
25 like bad planning, and I just think that

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 it's a bad way to go, but we'll have to
3 deal with it when it happens, I guess.

4 Thank you.

5 COUNCIL PRESIDENT CLARKE:

6 Thank you, Councilman.

7 The Chair recognizes Councilman
8 Oh.

9 COUNCILMAN OH: Thank you very
10 much, Mr. President.

11 You may know that I introduced
12 a bill to set aside \$66 million for the
13 firefighters' contract. If that passes,
14 do you believe that you have to abide by
15 that bill?

16 MR. DUBOW: I am not going to
17 play lawyer here, and I haven't really
18 seen the details of what it was, so I
19 can't -- I'm not going to speculate.

20 COUNCILMAN OH: That's fine.

21 Under the Charter, the Finance
22 Director establishes a general accounting
23 system. Are you familiar with that
24 language?

25 MR. DUBOW: I'm familiar that

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 the Finance Director is responsible for
3 accounting.

4 COUNCILMAN OH: Okay. Do you
5 in your general accounting system as you
6 establish it, do you use generally
7 accepted accounting principles and
8 generally accepted auditing standards
9 when you establish the budget?

10 MR. DUBOW: We use those
11 principles when we do our accounting. So
12 when we do our CAFR, it's based on
13 generally accepted principles. When the
14 Controller's Office audits that, they use
15 generally accepted auditing principles.
16 So, yes, those standard are used.

17 COUNCILMAN OH: So according to
18 those standards, police vehicles are
19 operating budget items, not capital
20 budget items.

21 MR. DUBOW: So police
22 vehicles -- for capital items we look at
23 useful life and dollar amount.

24 COUNCILMAN OH: I understand,
25 less than five years?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: Yes. So the useful
3 life of a police vehicle is not.

4 COUNCILMAN OH: So when you
5 purchase a police vehicle, the seller is
6 warranting it to have a useful life of
7 five years?

8 MR. DUBOW: Well, we --

9 COUNCILMAN OH: Is that in the
10 contract?

11 MR. DUBOW: We look at what our
12 useful life is.

13 COUNCILMAN OH: So you
14 determine useful life?

15 MR. DUBOW: Yeah. That's one
16 of the things we look at, and then the
17 Controller's Office signs off on what
18 we've said.

19 COUNCILMAN OH: Average life of
20 a police vehicle is more than five years
21 right now; is that correct?

22 MR. DUBOW: I'm not sure that's
23 correct.

24 COUNCILMAN OH: You can check
25 it. I'm pretty sure.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 And then the air tanks for the
3 firefighters are about 15 years old. So
4 that \$4 million, if they last 15 years,
5 should be moved to the capital side; is
6 that right?

7 MR. DUBOW: Well, what the
8 standards say is that if things don't
9 meet those requirements, they can't be
10 capital, not that they have to be
11 capital. You have discretion to pay for
12 anything out of operating, and our
13 capital budget, as you probably know, is
14 also constrained.

15 COUNCILMAN OH: Right.

16 MR. DUBOW: And to the extent
17 that we borrow money for a police
18 vehicle, for example, and we're paying
19 that off with debt that is 20-year debt
20 or 30-year debt, we think it makes more
21 sense to pay for it out of operating.

22 COUNCILMAN OH: So the reason
23 I'm asking is because you have a \$3.5
24 billion operating budget, of which you
25 are now making a request somehow that 60

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 million more dollars be obtained, in
3 addition to which you have liabilities
4 that are not addressed in your budget.
5 There's a disagreement on whether the
6 firefighters and other liabilities should
7 or should not be in this budget, but if
8 you take the sum of what would be
9 generally accepted accounting principles
10 and the evidence behind it and move
11 things from the operating budget to the
12 capital budget, you would reduce the
13 operating budget, thereby reducing the
14 taxes and the millage rate for that
15 operating budget. You would then take
16 those items which should be on the
17 capital side and you would be constrained
18 to select from your list of choices on
19 the capital side which ones you are going
20 to float bonds for, but if you move
21 things from the capital side to the
22 operating side, you not only raise taxes
23 unnecessarily, but you also increase the
24 debt on the City that has to be paid
25 back. That would seem to me to be a

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 problem.

3 MR. DUBOW: Well, a couple of
4 things. First, there's a constitutional
5 debt limit on the capital side that we're
6 right up against. So if we move things
7 over to capital, that will replace other
8 things in our capital budget.

9 COUNCILMAN OH: Right. You
10 will have to choose among those things.

11 MR. DUBOW: That's right. And
12 that side is as constrained as the
13 operating side. So, I mean, if what
14 you're saying is you would rather make
15 some of those items capital and then take
16 other things out of the capital budget?

17 COUNCILMAN OH: What I'm saying
18 is, I think the Charter requires that, so
19 that you are constrained not to overspend
20 the resources of the City. So when
21 you're pulling out another \$60 million
22 that is an important request, but you
23 have to choose within the operating
24 capital side, but we also have to take
25 into account citizens' ability to pay the

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 taxes and whether or not those taxes are
3 being requested in accordance with the
4 Charter.

5 MR. DUBOW: I'm not sure -- I
6 think I've lost a bit of your argument.
7 I'm not sure how this relates to the
8 questions about police vehicles.

9 COUNCILMAN OH: Because if you
10 put police vehicles which are a capital
11 expense on the operating side, you
12 increase taxes. Let's say they were, for
13 example, \$50 million. I'm just making up
14 a number. You would move that number
15 from capital. So you would increase the
16 operating budget by \$50 million,
17 increasing the millage rate. You would
18 have a hole of \$50 million on the capital
19 side, thereby floating more bonds to do
20 more projects, but you would not have to
21 choose and prioritize where you expend
22 your money based on the limitations of
23 the Charter.

24 MR. DUBOW: No. You would --
25 first of all, I don't agree that police

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 vehicles are capital.

3 Second of all, those
4 (unintelligible) we talked about do not
5 mean that something has to be capital.
6 It just says that they're eligible for
7 capital.

8 And third of all, moving
9 something from the operating budget over
10 to capital either means you have to --
11 would mean you have to take other things
12 out of capital. So you are making
13 choices.

14 COUNCILMAN OH: Yes.

15 MR. DUBOW: You're still making
16 choices. I think at some point you don't
17 have to make choices. You're making a
18 different type of choice. You're
19 choosing to take other things out of the
20 capital budget.

21 COUNCILMAN OH: Yes. That's
22 correct.

23 MR. DUBOW: Okay.

24 COUNCILMAN OH: I know my time
25 is up. Thank you very much,

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Mr. President.

3 COUNCIL PRESIDENT CLARKE:

4 You're the last.

5 COUNCILMAN OH: I'm last? All
6 right. Well, I get to keep going then.

7 So let me ask you this: In the
8 budget requests for next year, there's a
9 request for money for graduation coaches,
10 Philly Rising, Mural Arts, and I believe
11 the Mayor's 10,000 Summer Jobs Challenge.
12 That is in the budget request; is that
13 correct?

14 MR. DUBOW: That's correct.
15 There's about, I guess, about \$18 million
16 worth of things and those are among them.

17 COUNCILMAN OH: So in the
18 Mayor's Fund for Philadelphia, it says
19 that programs and projects, there are six
20 listed. One is graduation coaches,
21 another is Philly Rising and Mural Arts
22 and another is Mayor's 10,000 Summer Jobs
23 Challenge. Does that mean that there's
24 money in these accounts?

25 MR. DUBOW: Yeah, but that

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 doesn't mean that there's enough money in
3 those accounts to fully fund the
4 programs.

5 COUNCILMAN OH: I understand,
6 but what I had asked you before is how
7 much money. Wouldn't you know or someone
8 on your staff know that when you're
9 asking for 18 million additional dollars,
10 that there's money in this Mayor's Fund
11 for Philadelphia of a certain amount, so
12 that when you add those two numbers
13 together, you get the number that you
14 want?

15 MR. DUBOW: Right. That's
16 right. And I think that was -- I'm sure
17 that was taken into consideration as part
18 of the request. What I said to you is, I
19 don't know the details of what's in the
20 fund and that I would get that
21 information to you.

22 COUNCILMAN OH: I understood it
23 was a lot of money. Am I wrong?

24 MR. DUBOW: Like I said, I will
25 get back to you with that.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILMAN OH: A hundred
3 million dollars, \$50 million?

4 MR. DUBOW: I don't want to
5 speculate. I don't know the number, but
6 I'll get back to you.

7 COUNCILMAN OH: But that's my
8 point a little bit, is that shouldn't you
9 know that number being that your Chief of
10 Staff is on the Board and everyone else
11 on here is a City official from the
12 Mayor's Office?

13 MR. DUBOW: Like I said, I can
14 get that number. I don't know it off the
15 top of my head.

16 COUNCILMAN OH: So let me ask
17 you this: Prior to this Mayor's Fund for
18 Philadelphia back when it was a Fund for
19 Philadelphia, it had 63 different
20 accounts, and it seemed to be something
21 where you would raise money, and they
22 could also request funds. Is that no
23 longer the case?

24 MR. DUBOW: Like I said, I'm
25 going to have to get back to you on the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Fund questions.

3 COUNCILMAN OH: Okay. Final
4 question. What happened to the money
5 that was in the 63 accounts?

6 MR. DUBOW: Okay. So we'll add
7 that to what we get back to you on.

8 COUNCILMAN OH: Okay. Thank
9 you very much.

10 Thank you very much,
11 Mr. President.

12 COUNCIL PRESIDENT CLARKE:
13 Thank you, Councilman.

14 Real quick, Mr. Dubow.
15 Conceptually I want to say that the
16 notion of having a -- what's the new
17 term, chief?

18 MR. DUBOW: Chief Revenue
19 Collection Officer.

20 COUNCIL PRESIDENT CLARKE: Is
21 there one person -- and I support that,
22 and we'll see how successful that person
23 is. Hopefully very.

24 Is there one person in the
25 Administration who deals with revenue

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 generation?

3 MR. DUBOW: No, and that was
4 the issue. That's why we wanted to
5 create this position.

6 COUNCIL PRESIDENT CLARKE: I'm
7 not talking about collections. Or is
8 this person --

9 MR. DUBOW: No, there isn't.

10 COUNCIL PRESIDENT CLARKE: You
11 know where I'm going?

12 MR. DUBOW: So you're talking
13 about grants too, is that --

14 COUNCIL PRESIDENT CLARKE: I'm
15 talking about everything. I mean, the
16 reality is, we have a fiscal challenge
17 pretty much every year. This year is
18 obviously much better than prior years.
19 And now we have a new \$60 million request
20 for schools and who knows what else will
21 pop up. And beyond the traditional
22 taxing authority that the City has,
23 imposing regulatory fees, now
24 collections, because we understand that
25 that's a challenge, outside of that --

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 and grants revenues funds that we've
3 always done, is there anyone responsible
4 or is there any one person that could be
5 on the receiving end of proposals to
6 generate additional revenue? As an
7 example --

8 MR. DUBOW: I see where --

9 COUNCIL PRESIDENT CLARKE: --
10 we talked earlier about going to
11 Harrisburg for some support for whatever,
12 the 120 or any additional, and then I've
13 talked before about the five cent liquor
14 tax for schools, and Councilwoman Brown
15 has talked about revenues generating by
16 advertising on buses. I mean, all these
17 different things. Is there any one
18 person --

19 MR. DUBOW: It would probably
20 be the Chief of Staff for me, and those
21 would probably be the places to go. We
22 don't --

23 COUNCIL PRESIDENT CLARKE:
24 Chief of Staff for you?

25 MR. DUBOW: I think so. I

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 think those were probably the two places
3 to go with that type of idea. But I
4 understand where you're going. There
5 should be --

6 COUNCIL PRESIDENT CLARKE: And
7 I hear you, but my concern is that, in
8 all due respect, we haven't been very
9 successful. I know Councilmembers and
10 Councilman Kenney said yesterday
11 something that is now going to be
12 implemented on the Administration, and he
13 made a proposal like five, six years ago
14 that would basically save us money by
15 doing certain things.

16 If there was just like one
17 place, one individual who was
18 responsible, it would make things a lot
19 easier for us. Because I know all my
20 colleagues, they got like real good ideas
21 about creative solutions on increasing
22 funding. And I talked to Councilman Oh.
23 We were talking about this generating X
24 Sports. And I look at the paper
25 yesterday, they talked about Virginia is

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 actually exporting liquid natural gas to

3 India and some other country. Yeah.

4 This is a novel idea, right?

5 So is there like --

6 MR. DUBOW: There isn't, and

7 it's an interesting --

8 COUNCIL PRESIDENT CLARKE:

9 Somebody that we can just kind of sit

10 down and --

11 MR. DUBOW: It's an interesting

12 idea. It's something we should talk

13 about, because that might be really

14 productive position.

15 COUNCIL PRESIDENT CLARKE:

16 Yeah. I mean, it's 300,000 for the

17 collections guy. It's like let's get

18 somebody in there on the revenue

19 generation side.

20 MR. DUBOW: That makes a lot of

21 sense.

22 COUNCIL PRESIDENT CLARKE:

23 Thank you. Thank you so much.

24 MR. DUBOW: Sure.

25 COUNCIL PRESIDENT CLARKE: Next

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 we have up City Treasurer.

3 (Witnesses approached witness
4 table.)

5 COUNCILMAN GREENLEE: Good
6 afternoon. Please identify yourself and
7 proceed. As you know, we have your
8 written testimony already. Thank you.

9 MS. WINKLER: Yes. Good
10 afternoon, Councilmembers. I'm Nancy
11 Winkler, City Treasurer, City of
12 Philadelphia. I'm pleased to provide
13 testimony, abbreviated testimony --

14 COUNCILMAN GREENLEE: Excuse
15 me. As people are leaving, if they could
16 keep their voices down, please. Thank
17 you.

18 I'm sorry. Please.

19 MS. WINKLER: That's okay.
20 Thank you.

21 I'm pleased to provide
22 abbreviated testimony, as my written
23 testimony has already been submitted.

24 The Fiscal 2014 General Fund
25 budget request for the City Treasurer's

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 Office is \$899,260, representing a \$3,164
3 increase from our Fiscal '13 estimated
4 obligations.

5 I'd like to just highlight a
6 few of the accomplishments of the City
7 Treasurer's Office over the last years.

8 First, a bond rating increase.
9 As you know, the City has ratings of a 2
10 for Moody's, BBB plus with a positive
11 outlook from S&P, and an A minus from
12 Fitch. Over the course of the last
13 several years, we have been working to
14 obtain an upgrade from Standard and
15 Poor's and have obtained that from BBB
16 flat to BBB plus.

17 This rating increase helped
18 lower borrowing costs for the City's
19 General Fund debt, and while we are
20 pleased with this S&P increase, the
21 City's bond ratings remain very low. The
22 City is the fourth lowest rated city out
23 of the top 50 most populous cities in the
24 United States of America.

25 The second accomplishment is

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 debt service savings from refunding
3 savings and letter of credit repricings.
4 In the last two years, the Treasurer's
5 Office has completed five separate
6 refundings and seven letter of credit
7 restructuring, which have generated
8 lifetime budgetary savings for the
9 General Fund of \$81 million. 17.23
10 million of those savings have been
11 realized in Fiscal '12 and '13, and 28.4
12 million of those savings will be realized
13 in Fiscal Years '14 through '18.

14 We have also led four different
15 refundings and 13 letter of credit
16 restructurings and replacements for the
17 revenue credits of the City, the Airport,
18 the Water Department, and PGW, saving
19 ratepayers an aggregate of \$59.78 million
20 over the life of the bonds. 15.2 million
21 will be saved in the two-year period
22 Fiscal '12 and '13, and 41.9 million of
23 savings will be realized in Fiscal Years
24 '14 through '18.

25 In December of 2012, the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Treasurer's Office executed a market
3 purchase of zero coupon bonds and
4 simultaneously sold bonds to fund the
5 purchase, that purchase generating a
6 deposit to the Pension Fund of \$22.6
7 million.

8 Another way of saving has been
9 the use of competitive bond sales for the
10 City's TRAN. As you know, each year the
11 City issues a tax and revenue
12 anticipation note. Why do we do this?
13 It's because in the first part of the
14 year, our expenditures exceed our
15 revenues and we accumulate a cash flow
16 deficit. This is also because we advance
17 money from the General Fund to the Grants
18 Fund, and that Grants Fund may be running
19 a negative cash position during a large
20 part of the year. So we go to the
21 capital markets and make a short-term
22 borrowing. Because we were able to build
23 up the City's financial position over the
24 last couple of years, it was feasible to
25 go back to the market on a competitive

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 basis, and we believe that has produced
3 about \$1.69 million of savings versus had
4 we had to -- versus the 2010 expenses,
5 actual expenses.

6 The City Treasurer's Office
7 commissions an annual study that analyzes
8 the lending practices of authorized
9 depositories for the City. The Fiscal
10 2011 study was actually delivered to us
11 today and we will be distributing it City
12 Council members later this week.

13 The Treasurer's Office is
14 committed to supporting Administration's
15 Fiscal 2013 goal of 25 percent minority,
16 women, and disabled businesses. In
17 Fiscal '12, the office had a total of
18 27.97 percent minority and women
19 participation. Through the first half of
20 Fiscal '13, we had a total of 31 percent
21 participation. Our office is diverse.

22 Thank you. If you have any
23 questions, I'll be happy to answer them.

24 COUNCILMAN GREENLEE: Thank
25 you. Just a quick one regarding -- I

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 think Council passed a bill a few years
3 ago -- I think Councilman Kenney was a
4 sponsor -- dealing with a Rainy Day Fund.
5 Is there such a thing in effect?

6 MS. WINKLER: Well, there was
7 an amendment to the City Charter which
8 established the legal concept of a Rainy
9 Day Fund. It has not been funded because
10 the specific wording of the language in
11 the Charter amendment required there to
12 have been a certain amount of surplus
13 generated and then the amount over that
14 surplus for the fund --

15 COUNCILMAN GREENLEE: And we
16 never reached that?

17 MS. WINKLER: We've never
18 reached those thresholds.

19 COUNCILMAN GREENLEE: All
20 right. Thank you on that.

21 Councilwoman Sanchez.

22 COUNCILWOMAN SANCHEZ: Thank
23 you.

24 Good afternoon. I wanted to --
25 we had a conversation. I think at some

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 point it will be great for us, Council,
3 to get a good briefing around all of the
4 different things that your office does
5 that's not budget related. So I
6 encourage us at some point to do that.
7 We'll talk to leadership to do that,
8 because I think there's a lot of things
9 going on as it relates to our bond
10 ratings and I think we need to be aware
11 of.

12 I wanted to ask you a question.
13 I notice that one of your most successful
14 pieces has been around refinancing a lot
15 of our debt service. Are we out of the
16 swap business?

17 MS. WINKLER: No. We still
18 have -- for the General Fund, we have
19 several swaps that are paid for out of
20 the General Fund.

21 COUNCILWOMAN SANCHEZ: Do you
22 know about how much of that?

23 MS. WINKLER: Well, we have a
24 General Fund swap that's a hundred
25 million dollars and --

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILWOMAN SANCHEZ: A year?

3 MS. WINKLER: No, no. It's the
4 total par amount of that swap, notional
5 amount they call it, is a hundred
6 million. And then the General Fund also
7 funds the swaps that are outstanding
8 associated with the stadium financings,
9 and I believe that's a 265 to 270 million
10 notional.

11 COUNCILWOMAN SANCHEZ: Given
12 the controversy around these, is there
13 any way that we can get out of these?

14 MS. WINKLER: We have evaluated
15 that, and at this time -- first of all,
16 I'd like to mention that my predecessor
17 did reduce the swap exposure for the
18 City, and that was done in a manner to
19 accomplish the least budgetary impact to
20 the City. So I guess what's left to
21 terminate could be -- it would be more
22 difficult to terminate at this point.
23 And also the rates that we've locked in
24 are fairly low. So the actual interest
25 rates that are locked in on those swaps

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 are quite low, and so we've lowered the
3 cost of the swap, those swap
4 transactions, through these letter of
5 credit renegotiations.

6 COUNCILWOMAN SANCHEZ: So is it
7 fair to say that our new policy is we're
8 not going to be engaging in these very
9 controversial financing -- in swaps or do
10 you foresee the City getting into
11 additional ones?

12 MS. WINKLER: I think we
13 haven't really been entertaining new swap
14 proposals. I don't think we've made a
15 policy decision to never do one, but
16 we're not at this point entertaining any
17 more.

18 COUNCILWOMAN SANCHEZ: So one
19 of the things we've been talking about is
20 some of the -- particularly with AVI and
21 others, is moving to a monthly payment
22 schedule. Do you think that will impact
23 our TRAN's ability and the City
24 Treasurer's ability to create a TRANS
25 mechanism where, for instance, if we

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 switched, I don't know, so many people
3 into paying monthly their property taxes
4 versus what we do, is that going to be
5 complicated for us as a city?

6 MS. WINKLER: Well, the
7 property tax revenues, sort of the timing
8 of when they come in, I'm not sure it
9 would really meaningfully impact the size
10 of our TRAN borrowings. We could
11 certainly take a look at that, but given
12 the timing of when they come in now, I
13 really still think our deficit, our max
14 deficit is driven by a large number of
15 factors and I still think we would have
16 to do a TRAN given -- the only real way
17 to reduce the TRAN costs is to build up a
18 fund balance so that we're not in the
19 situation of not having enough money from
20 our current revenues in a certain year to
21 pay that week's bills, so we have to do
22 the --

23 COUNCILWOMAN SANCHEZ: That's
24 what I wanted to hear. I wanted to make
25 sure that any of the --

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MS. WINKLER: But I wouldn't --
3 I'm not speaking in favor or opposed
4 to --

5 COUNCILWOMAN SANCHEZ: Right.
6 I just wanted to make sure that it
7 wouldn't increase any cost as we finance
8 ourselves on an annual budget. I foresee
9 us having to come up with several
10 different schemes to offset the new AVI
11 kind of cost, and I'm just wondering for
12 constituents that at some point we may
13 want to think about doing a monthly.
14 That's part of the discussion that we're
15 having, and I just wanted to make sure it
16 just didn't change kind of. Okay.
17 That's what I wanted to hear. Okay.
18 Thank you.

19 Thank you, Mr. Chair.

20 COUNCILMAN GREENLEE: Thank
21 you, Councilwoman.

22 If I could ask, Ms. Winkler, as
23 far as AVI, have you looked at what
24 impact AVI will have on debt capacity, or
25 will it?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MS. WINKLER: Well, I mean --
3 no. When we think about debt capacity
4 for the City, we look at the operating
5 budget of the City. And I'm not the
6 budget person, but in general, the
7 market, when you talk about debt
8 capacity, you sort of think about what
9 can the City afford. And from that
10 perspective, the City just only has so
11 much budgetary room to spend on debt. So
12 it doesn't -- AVI -- constitutionally
13 each year we get to add in the higher
14 amount of property value, and there's a
15 ten-year average that sets the
16 constitutional capacity, but that's
17 really not how I think we set the --

18 MR. DUBOW: That's what I was
19 going to say.

20 COUNCILMAN GREENLEE: It sounds
21 like, Mr. Dubow, you're going to say the
22 same thing?

23 MR. DUBOW: Same thing. It's
24 correct that under the Constitution we
25 would have additional capacity, but as

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 the Treasurer is saying, we're really
3 constrained by our ability to afford that
4 debt and by our revenue streams. So
5 that's really the constrain on our debt.

6 COUNCILMAN GREENLEE: But
7 there's a different calculation, right?

8 MR. DUBOW: Yeah. It's 13
9 percent of the ten-year average of your
10 assessed value. So as your assessed
11 value goes up, your debt limit on the
12 Constitution goes up, but we still
13 wouldn't be able to afford the additional
14 debt.

15 COUNCILMAN GREENLEE: Okay.
16 I'm not sure I follow that, but okay.
17 Thank you.

18 Just one more question. You
19 talk about in your written testimony,
20 Ms. Winkler, about the various negative
21 factors and the City is the fourth lowest
22 rated city of the 50 top cities in credit
23 rating. Given all that, is there a
24 strategy to try to improve that City
25 credit rating? Is there a general

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 strategy or discussion about that?

3 MS. WINKLER: Well, the focus
4 that we've had to date is to emphasize
5 the difference between the City of
6 Philadelphia's importance in its regional
7 economy and some other cities, other
8 northeastern cities, who have not been
9 able to maintain a vibrant downtown and
10 who may through other reasons, mostly
11 because they have much higher fund
12 balances and better funded pension funds,
13 actually have higher bond ratings than
14 the City.

15 But as a going concern, as a
16 vibrant community with an active --
17 maintaining our population, actually
18 growing and adding our population versus
19 some of the other cities, mostly
20 northeastern cities, who have been unable
21 to retain businesses and residences, that
22 we're actually more -- a better long-term
23 bet because of that strength, that
24 economic importance in the region, and
25 the obvious fact that we've maintained

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 that. We focused on the importance of
3 the major institutions that are located
4 in the City, which are national leaders
5 and are thriving and growing and making
6 billions of dollars of infrastructure
7 investment, which indicate they're likely
8 to stay. So these are some very sort
9 of -- it's stability issues and then it's
10 also a focus on the demonstrated ability
11 of the managers of major -- managers of
12 the City's departments to operate on
13 very, very tight margins that other
14 governments don't have to operate under.
15 So it's both a management discussion and
16 an economic discussion.

17 COUNCILMAN GREENLEE: Okay.
18 And I guess that's ongoing. All right.
19 Thank you.

20 Any other questions?

21 (No response.)

22 COUNCILMAN GREENLEE: Seeing
23 none, thank you for coming. Thank you
24 for your patience.

25 And our next department before

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 we take a break is the Sinking Fund.

3 I take that back. We're not
4 taking a break. We're going right
5 through.

6 Next is the Sinking Fund, and
7 Pensions will come up after that, whoever
8 is here.

9 MS. DUBOW: They're on their
10 way.

11 COUNCILMAN GREENLEE: Okay.
12 Thank you.

13 (Witness approached witness
14 table.)

15 COUNCILMAN GREENLEE: Good
16 afternoon. If you could identify
17 yourself for the record. We have your
18 written testimony, so if you could
19 summarize.

20 MR. JONES: Good afternoon.
21 I'm Charles Jones, the Executive Director
22 of the Sinking Fund Commission, and I
23 want to thank the members of City Council
24 for allowing me to testify today on
25 behalf of the Commission.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 I am the sole employee of the
3 Commission, and all Class 100 funds are
4 budgeted in the Treasurer's Office.

5 The highlights of the Sinking
6 Fund Commission's budget, the Commission
7 oversees the timely repayment of bond
8 principal and interest for all the -- for
9 the City's debt as well as the City's
10 related authorities. The budget request
11 this year is \$572 million, which is an 8
12 percent increase over the estimated
13 obligations for Fiscal Year '13.

14 The Commission budgets and pays
15 for the debt service for the General, the
16 Water, and the Aviation Funds. The
17 General Fund budget request is \$226
18 million, which is about a 5 percent
19 increase over last year. That's due
20 mainly to \$6 million on projected new
21 debt as well as a slight increase in the
22 TRAN interest expense.

23 The Water Fund is \$205 million
24 request. That's about a two and a half
25 percent increase over last year. That's

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 also due to interest on new issues. And
3 the Aviation Fund is \$135 million.
4 That's about a 25 percent increase.
5 That's due to an increase of \$17 million
6 of interest and \$9 million of principal
7 payments on new issues as well as a
8 reduced level of capitalized interest.

9 The Sinking Fund Commission has
10 one contract. It's with Digital
11 Assurance Certification, which is a
12 female-owned company. The value of that
13 contract is \$4,500 a year. DAC
14 disseminates the financial information
15 that's required by the SEC.

16 I'd be happy to take any
17 questions from any member of City Council
18 now or at your convenience.

19 COUNCIL PRESIDENT CLARKE:
20 Thank you, sir.

21 Page 2 of the testimony you
22 state that the City plans on issuing \$100
23 million worth of tax revenue anticipation
24 notes early in FY14.

25 MR. JONES: Yes.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCIL PRESIDENT CLARKE: This
3 is an improvement from the 127 million
4 issued in FY13.

5 MR. JONES: Yes.

6 COUNCIL PRESIDENT CLARKE: Can
7 you tell me why that's the case, why
8 we're decreasing the TRANS?

9 MR. JONES: Do you want to give
10 that a try?

11 Ms. Winkler is an expert on
12 TRAN issuance. We'll let her --

13 COUNCIL PRESIDENT CLARKE:
14 We're very aware of that.

15 MS. WINKLER: So at this
16 point -- thank you. Nancy Winkler, City
17 Treasurer.

18 At this point, that's an
19 estimate of the size of the TRAN, and it
20 will really have to be sized based on
21 where we actually wind up in terms of
22 what we look to have our cash flow
23 deficit look like. I believe the reason
24 is because we've had a slight change in
25 the composition of the revenues that we

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 receive and a slight change in the timing
3 of when we make some of our expenditures.
4 So it's sort of an interesting phenomenon
5 that we're actually looking at running a
6 little bit of an operating deficit this
7 year, but the TRAN is actually lower. So
8 we'll just have to be sure that those
9 projections of the timing, month-to-month
10 timing, of when the revenues will come in
11 and when the expenditures will occur will
12 produce -- that will be the max deficit
13 that we could finance.

14 COUNCIL PRESIDENT CLARKE: When
15 you say "operating deficit," explain that
16 in a little more detail.

17 MS. WINKLER: So we're going to
18 take in about 44 million less in revenues
19 than expenditures. So if you think about
20 it, we have a little bit -- we have a
21 decline in fund balance, and it's that
22 fund balance in part -- it's a little bit
23 of a mixed concept, but it's that money
24 that you can tap into to fund the
25 difference between revenues and

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 expenditures.

3 COUNCIL PRESIDENT CLARKE: So
4 it won't be deficit spending, but it will
5 be close to it?

6 MS. WINKLER: It's a little
7 bit.

8 COUNCIL PRESIDENT CLARKE:
9 Actually, we will be. Okay.

10 MS. WINKLER: That's what's
11 proposed.

12 COUNCIL PRESIDENT CLARKE:
13 Okay. Should we be troubled? Is that a
14 long-range trend or is that --

15 MS. WINKLER: Well, obviously
16 over the long run and the Five Year Plan
17 is set up and to, over the five-year
18 period, maintain positive fund balances.
19 I think that --

20 COUNCIL PRESIDENT CLARKE: And
21 the minimum should be around, what, 40,
22 45?

23 MS. WINKLER: Well, I think
24 folks have been consistent in taking the
25 position that we should have 5 percent

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 fund balance, and I would heartily
3 support that.

4 COUNCIL PRESIDENT CLARKE:
5 Okay. Thank you.

6 There are no questions. Thank
7 you very much for your testimony.

8 MR. JONES: Thank you.

9 COUNCIL PRESIDENT CLARKE:
10 Pension is not here. We'll take a brief
11 recess until the Board of Pensions gets
12 here.

13 (Short recess.)

14 COUNCIL PRESIDENT CLARKE:
15 We're going to reconvene now. Thank you.

16 Next up will be Board of
17 Pensions and Retirement.

18 Good afternoon, sir.

19 MR. BIELLI: Good afternoon,
20 Council President Clarke, members of
21 Council. My name is Francis Bielli. I'm
22 the Executive Director of the Board of
23 Pensions and Retirement.

24 You have my testimony. I think
25 it largely speaks for itself. However,

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2 I'd like to make a brief statement, that
3 yesterday I heard Councilman Jones
4 talking about silos and he was talking
5 about them in the context of OIT, of
6 sharing of information, but I think
7 sometimes we can find silos within
8 organizations. And when I came to the
9 Board of Pensions, one of the things that
10 Sumit and I endeavored to do was to
11 create a flat organization, and by that I
12 mean, we didn't want the staff of the
13 Pension Board nor the trustees to feel
14 like they couldn't approach us with any
15 ideas, any suggestions. And I think
16 you'll see some things throughout the
17 testimony that evidence the importance of
18 getting information from all employees,
19 such as the pilot mail program that we
20 had for a large number of people that we
21 had in DROP in June, and many people on
22 Council have met with myself or staff
23 members concerning issues, and I think
24 it's a testament to the Pension Board
25 staff and to the trustees that we can all

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 share information, we can all
3 collaborate, because none of us have the
4 answers to everything.

5 So I just want to applaud the
6 staff of the Pension Board and the
7 trustees for working collaboratively to
8 make the Pension Board a very well-run
9 organization. I just wanted to say that
10 publicly, because I really appreciate
11 their efforts.

12 COUNCIL PRESIDENT CLARKE:
13 Thank you.

14 MR. BIELLI: And we'd be glad
15 to answer any questions you have
16 concerning the testimony or any other
17 pension issues.

18 COUNCIL PRESIDENT CLARKE:
19 That's great. I'm glad to hear that. We
20 all can maximize our opportunities if we
21 agree to work together. That's everyone,
22 everyone in government along with the
23 private sector. So thank you for that.

24 Just a couple quick questions.
25 In February of 2012, the Board reduced

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 its expected future earnings rate from
3 8.15 to 8.1 in February 2012. You state
4 in your testimony on Page 1 that the
5 Board voted in March 2013 to reduce the
6 assumed rate of return of the fund from
7 8.1 to 7.95.

8 Given that the rates are at
9 historical lows and this assumed rate is
10 a reasonable one, does the Board plan any
11 additional reductions in assumed rates,
12 and how does this reduction and rate
13 affect the City's annual contribution to
14 the fund?

15 MR. BIELLI: Well, I think it
16 increases the City's annual contribution
17 to the fund. Every time you reduce the
18 assumed rate, you're increasing the
19 City's annual contribution. So as a
20 general rule of thumb, for every ten
21 basis points, that would be 0.10. For
22 every 0.10 reduction in the assumption
23 rate, you can assume a \$10 to \$15 million
24 increase in the City contribution.
25 Again, that's a rule of thumb. That's

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 based on the last year's valuation,
3 actuarial valuation.

4 So the steps that the current
5 Board and the Administration working
6 together -- and by "Administration," rob
7 Dubow of course is the Chair of the
8 Board, City Controller Alan Butkovitz is
9 a Board member, as are the four elected
10 trustees and the remaining Administration
11 ex officio members who are appointed per
12 the Charter -- they have reduced the
13 assumption rate --

14 COUNCIL PRESIDENT CLARKE: Real
15 quick, off the track a little bit.
16 Why -- and I don't know why I'm asking
17 you this question, but I'm going to ask
18 it anyway.

19 Council is not a voting member
20 of the Pension Board?

21 MR. BIELLI: Council per
22 Charter is a non-voting member of the
23 Pension Board, that's correct.

24 COUNCIL PRESIDENT CLARKE:
25 That's what I thought. I just wanted to

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 make sure. Let me ask you this, a
3 followup. Sorry to get you off your
4 stride. Given that Council is involved
5 in pension issues, sometimes against the
6 best wishes of other people, do you think
7 it would be productive to have Council as
8 a voting member? That's a very, very
9 loaded question.

10 MR. BIELLI: It is a loaded
11 question, but I've never been one to back
12 off a question.

13 I think that the contributions
14 that Ms. Lewis has made since coming to
15 the Pension Board have been a welcomed
16 addition. Her knowledge of finance and
17 how things work have been very helpful.

18 As far as changing the Charter,
19 that's something -- two-thirds of a vote,
20 right?

21 COUNCIL PRESIDENT CLARKE:
22 Yeah.

23 MR. BIELLI: So that's
24 something that -- again, any expertise
25 that would be added to the Pension Board

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 would be a welcomed addition, as far as
3 I'm concerned.

4 COUNCIL PRESIDENT CLARKE: All
5 right. I just add -- and I'm sorry to
6 ask you that.

7 MR. BIELLI: That's okay.

8 COUNCIL PRESIDENT CLARKE: I
9 probably should have asked you that
10 outside of the Chambers, but we're like
11 kind of in it, but we're not in it. And
12 personally I'm like if I got to be in it,
13 then I want to be in it, you know. But
14 that's a political decision that
15 ultimately people have to make. I'm
16 sorry.

17 MR. BIELLI: But we're always
18 amenable to sitting down with any
19 Councilmember, as Ms. Lewis knows, as
20 many of the Councilpeople know. We're
21 glad to do that and glad to have
22 constructive conversation concerning how
23 to improve this Pension Fund, because,
24 quite frankly, it's to the benefit of not
25 only the 64,000-plus members of the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Pension Fund, but it's to the benefit of
3 the taxpayers, with the pension unfunded
4 liability hanging over everyone's head.

5 COUNCIL PRESIDENT CLARKE:

6 Exactly. Okay. I'm sorry. I got you
7 off your testimony.

8 MR. BIELLI: No. That's okay.

9 So the assumed rate has been reduced by
10 the current Board of Trustees in
11 conjunction with the City Controller and
12 Mr. Dubow as Chairman of the Board 800
13 basis points, 0.80, almost 1 percent
14 since 2008. That's more than the
15 assumption rate has been reduced since
16 the 1950s. So that's five decades where
17 the assumption rate was reduced 0.25
18 percent, 0.25 in five decades. It was
19 basically at 9 percent until Mayor
20 Street. During Mayor Street's
21 Administration, it was reduced 0.25
22 between 2008 -- excuse me; 2006 and 2007.
23 But since then, it's gone from 8.75 down
24 to 7.95, which is amazing.

25 So if you take that rule of

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 thumb, \$10 to \$15 million additional City
3 contributions per ten basis points, if
4 you multiply that by eight, you're close
5 to an additional \$100 million
6 contribution obligation that the current
7 Board of Trustees, along with Mr. Dubow
8 and the City Controller, have made to
9 increase the health of the Pension Fund,
10 and that's something that takes a lot of
11 courage, and I'm glad that they did that.

12 COUNCIL PRESIDENT CLARKE:
13 Right. I'll ask a layperson's question,
14 because I actually am one of those
15 laypersons in some respect. When I look
16 at the news and CNN, MSNBC and you see
17 stock markets are flourishing and the Dow
18 is breaking records every day and you
19 say, Well, why aren't our investments
20 experiencing gains that are comparable.
21 Is it that we have investments that are
22 safer and not necessarily as volatile or
23 are the investments that we see on a
24 daily basis that are skyrocketing, those
25 are the type of investments that we don't

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 want to speculate on because there's
3 concerns that as you go up, sooner or
4 later you're going to come down? Can you
5 talk to me just from a layperson's
6 perspective about our investment in the
7 market.

8 MR. BIELLI: Yeah. I will
9 Sumit Handa, our CIO, will answer the
10 majority of that question. However, I
11 will state that for the last fiscal year,
12 our actuarial return was 2.42 percent,
13 and during that same period of time, the
14 majority of large public pension funds
15 were flat to minus. So our return was
16 positive, and that was good.

17 Since then, in the calendar
18 year ending 2012, our return was 12.4
19 percent. Fiscal year to date, our return
20 is plus 9.8 percent. Fiscal Year '11,
21 our market return was 19.4 percent.
22 Fiscal Year '10, our return was 13.8
23 percent. So we have been capturing a
24 large amount of the market run-up. Of
25 course, on the opposite end, during 2008,

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 2009, we captured a large portion of the
3 market downturn where our return was
4 minus 19.1 percent.

5 COUNCIL PRESIDENT CLARKE:

6 We're catching up.

7 MR. BIELLI: But all of those
8 returns, it's important to keep in mind,
9 are spread out over a ten-year period,
10 and that's pursuant to the State Act. So
11 any time you have large gains or,
12 conversely, large losses, the effect on
13 the Pension Fund is minimized by what
14 they call a ten-year smoothing process.

15 COUNCIL PRESIDENT CLARKE:

16 Okay.

17 MR. BIELLI: And Sumit Handa
18 can comment more on that.

19 MR. HANDA: We do participate
20 in the markets. I believe we have
21 approximately -- we've updated our asset
22 allocation. I believe that's also in
23 your testimony, as well we hired a new
24 consultant last year to help with that.
25 But we do participate. We have

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 approximately 40 percent of our assets
3 are in equities and they are in the
4 equity markets on a daily basis, but
5 that's 40 percent of 100 percent of the
6 \$4.2 billion.

7 We also have a lot of fixed
8 income in our portfolio, because that
9 helps pay our -- to meet our benefits, to
10 make our benefits payments. And so I
11 think we're running it sort of in a
12 balanced approach, if you will. We do
13 want to participate, but we also have to
14 be mindful of the fact we have benefit
15 payments that have to be made on a
16 monthly basis.

17 In terms of the market
18 exposures, like I said, we are
19 participating, but I think we're not 100
20 percent exposed to the S&P 500. It's far
21 less than that. And I believe that it's
22 important to have balanced portfolio,
23 because you don't want to take the risks
24 also associated with it. So yesterday
25 the Dow hit its all-time high. Today

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 before I walked in, the S&P is down
3 almost 80 basis points. So if we had 100
4 percent exposure, we would also get hit
5 today. So there is a risk/reward that
6 has to be taken into account.

7 And last, but not least, we
8 have to also think very long term because
9 our obligations are fixed, meaning that
10 our liabilities are fixed in terms of
11 obligations. We have to make sure that
12 we match that as well in terms of our
13 asset mix.

14 So that's how we're sort of
15 balancing it out, and I promise you it's
16 more of an art than a science and we're
17 always -- if you have any other thoughts
18 or ideas, we're always welcome to them as
19 well.

20 COUNCIL PRESIDENT CLARKE: I
21 think I'll leave the investment
22 strategies to you guys. I'd be doing my
23 investments based on my morning
24 television watches. I'm getting ready to
25 go to work and I say, Oh, the stock

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 markets are booming today, buy futures in
3 whatever. You know, that obviously
4 wouldn't be a good idea, so I'm going to
5 leave that to the experts.

6 One last question. In terms of
7 creating a better level of solvency in
8 our fund -- and you may or may not be
9 able to answer this -- if there was the
10 ability to have a sustained level of
11 revenue stream from a -- I don't want to
12 say where -- what would be the minimum
13 amount on an annual basis that would get
14 us over maybe 50 or a little more
15 reasonable level in terms of our
16 unfunded --

17 MR. BIELLI: Last year one of
18 the questions as a follow-up question
19 that was asked of us is, what impact
20 would various levels of contribution have
21 to the Pension Fund. And, again, this is
22 based on last year's valuation. And we
23 provided a chart in response to the
24 question, and I have that chart with me.

25 So I heard you talking about

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 the advertising, where the consultant
3 said maybe \$10, \$12 million on a yearly
4 basis, and that would --

5 COUNCIL PRESIDENT CLARKE: That
6 now has to go to the School District now.

7 MR. BIELLI: No. I heard that
8 this morning also.

9 COUNCIL PRESIDENT CLARKE:
10 Yeah.

11 MR. BIELLI: We're in great
12 shape.

13 For example, let's just say \$10
14 million. The impact of a one-time or,
15 let's say, on an ongoing basis, \$10
16 million. The impact on the funding
17 percentage would be a plus 0.1 percent on
18 the funding level. Let's say \$1 billion,
19 just as an example. Again, this is as of
20 last year. If we got \$1 billion as a
21 one-time stream of income, it would
22 increase the funding percentage 10.5
23 percent, which, again, based from last
24 year's 49.7 percent funding level, that
25 will put us at 60.3 percent funding

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 level.

3 I can again reissue this chart
4 to you guys as a general reference, but I
5 think this gives you an idea of the --

6 COUNCIL PRESIDENT CLARKE: So
7 how would that one-time contribution
8 work? If it's a one-time and it gets you
9 to 63 and your out years, you'd only have
10 to fund up to -- I mean, how would that
11 work?

12 MR. BIELLI: That's correct.
13 The larger funding percentage that you
14 have, the less amount of money that's
15 required to contribute to the Pension
16 Fund from the General Fund on an annual
17 basis.

18 COUNCIL PRESIDENT CLARKE:
19 Right. So if you take that amount, a
20 billion, and you have a revenue stream
21 over a period of time that got you there
22 in a ten-year period and you monetized
23 it, say an investment firm bought that
24 revenue stream, then you'd be in a
25 position to essentially get that \$1

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 billion contribution?

3 MR. BIELLI: Yeah, I think
4 that's right. I think that's right. And
5 maybe a good example was, back in 1999
6 when prior to 1999, 1998, the fund was
7 52.3 percent funded. Then the City
8 floated the bond. I think it was about
9 \$1.5 billion. And in 1999, the funding
10 percentage was 76.7 percent. So that
11 shows the dramatic effect that it could
12 have on the funding.

13 Now, since then, there's been
14 some years of severe market turmoil, and
15 what happens when you have a year like
16 '08, '09, you're still paying out
17 benefits, right. No matter what happens,
18 you're still paying out the benefits, and
19 in fact, right now annually we're paying
20 out benefits -- this is through February
21 28th. The annual amount of benefits is
22 \$657.4 million, and that's gone up from
23 last year, for example, from 646.4, so on
24 and so forth, all the way back to 1992.

25 So when you're paying out those

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 benefits and you have a market decline,
3 then in order to pay the benefits, you
4 have to pull from the investments that
5 you have to pay those benefits, because
6 after all, we're in the business to pay
7 the benefits for employees who have given
8 their service, their lifetime service to
9 the City of Philadelphia. So then when
10 the market turns around again, you've
11 pulled principal to pay the benefits, so
12 you're not capturing as large of a part
13 of the market upturn as you otherwise
14 would, and that's one of the things that
15 the Board, along with staff, has been
16 trying to do is to diversify the
17 investments into areas where we can
18 generate sufficient amounts of current
19 income in order to cover that benefit
20 requirement on an annual basis in order
21 to allow the portfolio to continue to
22 grow.

23 COUNCIL PRESIDENT CLARKE:

24 Okay. Thank you.

25 MR. BIELLI: You're welcome.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCIL PRESIDENT CLARKE: The
3 Chair recognizes Councilman Greenlee.

4 COUNCILMAN GREENLEE: Thank
5 you, Mr. President.

6 Good afternoon. First, real
7 quick question. You talk about in your
8 testimony the retirement seminars?

9 MR. BIELLI: Yes.

10 COUNCILMAN GREENLEE: How does
11 the word get out for that and how have
12 they been going? Can you deem them
13 successful?

14 MR. BIELLI: Yes. They're at
15 capacity. I think 60 people is at --
16 they're at capacity every time we have
17 them. And how they go is that an
18 employee of a particular department will
19 contact their HR person, and HR schedules
20 with us. Then we send out a letter to
21 the individual confirming attendance at
22 the seminars. They're very well received
23 and we get a lot of compliments on those.

24 COUNCILMAN GREENLEE: So the
25 retiree contacts their person and then --

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. BIELLI: That's how the
3 majority of even retirement appointments
4 are made. It goes through the department
5 HR person and they contact us to schedule
6 the appointment.

7 COUNCILMAN GREENLEE: Okay.
8 You talk about on Page 1 the Plan 10, the
9 hybrid plan.

10 MR. BIELLI: Correct.

11 COUNCILMAN GREENLEE: And I
12 know it's been implemented for certain
13 new employees. Can you kind of briefly
14 just explain that plan, like the basics
15 of it?

16 MR. BIELLI: I can. And I
17 guess I'll start with Police, because
18 they were the first group that was
19 mandated in Plan 10. You have Police,
20 Fire, Deputy Sheriffs, who are all
21 optional Plan 10. What that means is
22 that when they're hired, they have 30
23 days from the date of hire to opt out of
24 Plan 10. If they opt out of Plan 10,
25 they get to remain in; for example,

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Police, Plan B, but they pay an increased
3 contribution. Instead of 5 percent, they
4 pay a 6 percent contribution. If --

5 COUNCILMAN GREENLEE: Okay.

6 And -- I'm sorry to interrupt, but how
7 has that been going? Have people been
8 opting out?

9 MR. BIELLI: Every single
10 person among Police, Fire, and Deputy
11 Sheriffs who have the ability to opt out
12 have indeed opted out.

13 COUNCILMAN GREENLEE: That's my
14 understanding.

15 MR. BIELLI: There's one
16 current department that is mandatory Plan
17 10 and that is Register of Wills
18 employees, and we have -- so we have
19 three people in Plan 10 as of today.

20 COUNCILMAN GREENLEE: The three
21 new employees of Register of Wills,
22 that's it?

23 MR. BIELLI: Yes.

24 COUNCILMAN GREENLEE: And the
25 reason Register of Wills was different,

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 that was worked out, I assume, with the
3 Register of Wills?

4 MR. BIELLI: That was again an
5 arbitrator's decision.

6 COUNCILMAN GREENLEE: Oh, the
7 arbitrator's decision.

8 MR. BIELLI: And then there
9 were two additional arbitrator's decision
10 for the correctional officers and the
11 court employees, specifically the
12 probation officers, Local 810, where the
13 arbitrator award did make those
14 mandatory, but I believe that's waiting
15 for City Council approval.

16 COUNCILMAN GREENLEE: So you
17 can't really get into what the cost
18 savings have been because people aren't
19 in it, right?

20 MR. BIELLI: I don't think --
21 we cannot give you an accurate
22 representation of any cost savings for
23 Plan 10. The actuary may be able to give
24 you rough percentages, but not specifics.

25 COUNCILMAN GREENLEE: Okay.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Just, lastly, I guess your opinion. Do
3 you have an opinion on why people choose
4 that, not to opt out?

5 MR. BIELLI: Yes. Because, for
6 example, a police officer, the percentage
7 that they get for each year of credited
8 service is 1.75 percent versus the
9 current amount that they would get, which
10 would be 2.2 percent, and the Plan 10 is
11 capped at 20 years of service, whereas
12 the current Plan B is not. And it's a
13 ten-year vest for the Plan 10 versus
14 ten-year vesting also for the current
15 police. But for other plans, it's
16 ten-year vest versus possibility of
17 five-year vest if you're Y5, for example.
18 So there are various reasons that I can
19 see why people would opt out.

20 COUNCILMAN GREENLEE: Sure.

21 Okay. Thank you.

22 Thank you, Mr. President.

23 COUNCIL PRESIDENT CLARKE:

24 Thank you, Councilman.

25 The Chair recognizes Councilman

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Squilla.

3 COUNCILMAN SQUILLA: Thank you.

4 Good afternoon, guys.

5 MR. BIELLI: Good afternoon.

6 COUNCILMAN SQUILLA: Thank you.

7 And I just wanted to say that from
8 talking to people throughout Council and
9 people associated, that they speak very
10 highly of you. So it's good to have
11 that, because what sometimes we don't
12 hear that here in Council.

13 MR. BIELLI: Thank you.

14 COUNCILMAN SQUILLA: So I just
15 wanted to make that statement.

16 My question is, I know --
17 because the Administration says they had
18 agreed to certain things with the Police
19 and not the Fire because they were able
20 to make so much more savings in the
21 pension part of it. What I just heard is
22 that the savings really, they're still
23 going into the same pension plan because
24 they're opting out of the Plan 10. Is
25 that correct?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. BIELLI: Every police
3 officer who has been hired since the
4 implementation of Plan 10 has opted out.
5 However, remember, everyone who opts out
6 pays an additional percentage point of
7 contributions from 5 to 6 percent to
8 remain in Plan B, which is the current
9 plan for police officers that are not in
10 Plan 10. So to that extent, there's
11 greater employee contributions.

12 COUNCILMAN SQUILLA: Okay. So
13 if that was something too -- I'm looking
14 because we always hear the pension issue
15 is one of the major issues of the
16 shortfall and what's costing the City the
17 most amount of money.

18 If they're paying that extra
19 percent, so that option -- does that even
20 out if they pay the extra percent
21 compared to going into Plan 10?

22 MR. BIELLI: I don't think --
23 we haven't conducted that analysis. We
24 would have to go back and see how many
25 people were hired since the

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 implementation of Plan 10, how many
3 people opted out, and what the cost
4 differentials have been. But we can
5 certainly do that in conjunction with our
6 actuary.

7 COUNCILMAN SQUILLA: I think
8 that would be good too, because I think
9 moving forward with options even for
10 other contracts that are coming too, if
11 that's an option for them and if it evens
12 out, if they could even opt into another
13 plan and the City could still make the
14 same savings that was stated, it gives
15 that option and maybe make it easier for
16 maybe a contract negotiation to move
17 forward.

18 What is the most -- there's
19 like a whole bunch of different pension
20 plans, right?

21 MR. BIELLI: There are.

22 COUNCILMAN SQUILLA: I mean,
23 there's A, B, C, X, Y, all these numbers.

24 MR. BIELLI: There's a whole
25 list of them.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILMAN SQUILLA: I saw
3 that.

4 Is there one pension plan that
5 like would cost more than another pension
6 plan?

7 MR. BIELLI: Well, pension
8 plans have various percent that a person
9 gets per year of credited service. So to
10 that extent, there's a difference. So it
11 ranges from 2.2 percent for Plan Y
12 employees for the first ten years, then
13 2.0 for years after that. Police, 2.5
14 percent per year under the old police
15 plan. Under the new police plan, Plan B,
16 2.5 percent for the first 20 years and
17 then 2 percent thereafter, and to the
18 elected plan, which is 3.5 percent per
19 year of credited service.

20 COUNCILMAN SQUILLA: So
21 depending on the percentage, that would
22 cost more to the City? Is that what
23 you're saying or not really?

24 MR. BIELLI: Well, then you
25 have an offset. So Police get a higher

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 percentage per year of credited service.
3 However, they also pay a higher
4 contribution than a Plan Y member. So,
5 in fact, if you look at -- and I think
6 somebody mentioned this during the -- I
7 think it was Councilman Jones who
8 mentioned this during the Five Year
9 budget testimony. He wanted to know what
10 the funding percentages were for the
11 various specific plans. And so if you go
12 to the 1967, which are the old plans, the
13 municipal plan is 40.8 percent funded,
14 the police plan is 34.6 percent funded,
15 and the fire plan is 34.5 percent funded.
16 But that's not simply based on the fact
17 that the benefits are necessarily too
18 rich or too low. That's based on the
19 fact that most of those employees are
20 retired and they're no longer
21 contributing.

22 Remember, we have
23 34,300-and-some employees receiving
24 benefits. We have a little over 26,000
25 active employees. So when you have less

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 people contributing to the Pension Fund
3 and you have more people collecting from
4 the Pension Fund, it's called a mature
5 plan, and that's one of the problems with
6 a mature plan. So if you segregate out
7 that 1967 plan, which is on the left-hand
8 side of my page, and you look at the 1987
9 plans, so the municipal plan, which is
10 Plan Y, is 78 percent funded, the police
11 plan is 80.6 percent funded, and the fire
12 plan is 83.8 percent funded. Again, you
13 don't have as many people collecting
14 benefits, but you also do have lesser
15 benefits and you have greater
16 contributions in a lot of the cases.

17 COUNCILMAN SQUILLA: That's a
18 good point, because it seems like the
19 older plans, which nobody contributes to
20 anymore, are less funded, because they're
21 paying out and nobody is not many people
22 are paying into it because they're being
23 weeded out as they retire, I would
24 imagine.

25 How does the City then if we

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 start a new one, say everybody goes to
3 the 10, then the Y Plan is no longer
4 being funded, eventually we're probably
5 going to see the same thing with the Y
6 Plan, I would imagine.

7 MR. BIELLI: In any -- except
8 for the Y Plan, you're not getting the
9 same level of benefit that anyone was
10 getting in the 1967 plan. So that would
11 be diminished somewhat. That would be
12 diminished.

13 COUNCILMAN SQUILLA: But it
14 would eventually go down. It's not going
15 to stay 80 percent funded.

16 MR. BIELLI: Eventually you
17 would see a curve, right. It's a natural
18 curve.

19 COUNCILMAN SQUILLA: So it
20 seems like as these plans stop,
21 eventually the curve would come down and
22 the new plan would be more funded, I
23 would imagine.

24 MR. BIELLI: Any new plan would
25 be more funded just because virtually all

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 the employees are not of retirement age
3 and they are contributing.

4 COUNCILMAN SQUILLA: So right
5 now the option is there for new pension
6 plans for people to join Plan 10 or stay
7 into their current, except for the one
8 that you mentioned, the Register of
9 Wills.

10 MR. BIELLI: And then the
11 outstanding correctional officers and
12 probation officers.

13 COUNCILMAN SQUILLA: So the Y
14 Plan right now is probably one of the
15 cheaper plans, then.

16 MR. BIELLI: It is. With the
17 exception of Plan 10, putting that aside,
18 yes.

19 COUNCILMAN SQUILLA: We don't
20 know Plan 10 yet. I mean, do you know
21 Plan 10?

22 MR. BIELLI: Well, we know from
23 the amount of credited service you get
24 per year of service and the amount of
25 contributions that you make, that it

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 would be a -- it's a less generous plan
3 than Plan Y, we know that.

4 COUNCILMAN SQUILLA: Less
5 generous. But, again, when they go to Y,
6 if they had the option to stay into that,
7 they would pay more.

8 MR. BIELLI: That's correct.

9 COUNCILMAN SQUILLA: Right. So
10 it seems like there might be a balance
11 somewhere. We don't know what that
12 balance is yet.

13 MR. BIELLI: We would need the
14 actuary to do that analysis.

15 COUNCILMAN SQUILLA: Right.

16 MR. BIELLI: And, again, the
17 analysis would be based on estimates
18 because we only have three people in Plan
19 10. So it's not based on an actual
20 fact-specific analysis. It would be
21 based on estimates. For example, the
22 actuary would have to take every employee
23 that was hired in the last five years and
24 assume that they went into Plan 10 and
25 kind of take a look at the experienced

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 study of that. There's really no other
3 way --

4 COUNCILMAN SQUILLA: And the
5 reason I'm asking, you know there's a lot
6 of contract talking about discussed and
7 people are mentioning pension plans and
8 how we're going to save all this money.
9 So there's really not an actual big
10 savings initially to the City for the
11 first year or two or three or four?

12 MR. BIELLI: Well, I think -- I
13 can't comment on the specific savings
14 because of what I stated. However, what
15 I will state is that in any new pension
16 plan, whether it be a hybrid plan,
17 defined contribution plan, you won't see
18 savings until later down the road. I
19 mean, that's because until that group of
20 people start to get closer to retirement
21 age, you won't see any savings because --

22 COUNCILMAN SQUILLA: So 20
23 years, I guess.

24 MR. BIELLI: -- they're not the
25 people who will be the recipients of the

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 pension benefit. The people who will be
3 the recipients are the existing Plan 67
4 employees and the existing Plan 87
5 employees. So, yes, there's always a
6 period of time before you see the
7 savings. However, when you're looking at
8 a plan for the long term, they are all
9 things that you need to take into
10 consideration.

11 COUNCILMAN SQUILLA: Right.
12 And I agree long term, we have to look
13 out for the long-term benefit of the City
14 and, therefore, we want to be able to
15 save as much money as possible. But
16 that's like a 20-year plan, I would
17 guess, going forward before we really --

18 MR. BIELLI: Yeah. I think
19 there's some number of years. Whether
20 it's 20 or not. There's certainly some
21 number of years.

22 COUNCILMAN SQUILLA: I'll come
23 back.

24 COUNCIL PRESIDENT CLARKE: Do
25 you have more?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILMAN SQUILLA: Yeah.

3 I know like you said -- how
4 many voting members are on the Board?

5 MR. BIELLI: Well, you have the
6 four elected trustees, the City
7 Controller, and the three Administration
8 officials - Managing Director, Personnel
9 Director, and City Solicitor - and then
10 the Chair of the Board is the Finance
11 Director, and they are a tie-breaking
12 vote.

13 COUNCILMAN SQUILLA: Okay. So
14 your goal as the Board, I guess, is to
15 make sure that the pension is there to
16 benefit the employees and that we're able
17 to secure that pension to make sure our
18 employees have that in the future?

19 MR. BIELLI: There is no
20 question about that. That is our first
21 and foremost duty, is the 64,000-plus
22 members of the Pension Fund.

23 COUNCILMAN SQUILLA: Okay. So
24 right now we realize that Y Plan is the
25 cheapest. We don't really know about the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 10 Plan as of yet, but we're hoping
3 because they have -- what is their rate
4 per year? Is it 2 percent?

5 MR. BIELLI: Plan 10.

6 COUNCILMAN SQUILLA: Yes.

7 MR. BIELLI: It varies. Police
8 would be 1.75, as would Fire.

9 COUNCILMAN SQUILLA: Per year?

10 MR. BIELLI: Per year of
11 credited service. Deputy Sheriffs, 1.25.
12 Register of Wills, 1.25. Both
13 correctional officers and court
14 employees, Local 810, subject to Council
15 approval, 1.25.

16 COUNCILMAN SQUILLA: That's a
17 big difference. And the Plan Y is two
18 point --

19 MR. BIELLI: Two point two for
20 the first ten and then 2.0 thereafter.
21 And then the Plan Y, again, is a limit of
22 credited service to 20 years, whereas the
23 other plans don't have that limit.

24 COUNCILMAN SQUILLA: Right. So
25 to get a higher percentage for Plan 10,

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 you would have to work a lot of years to
3 try to get up to 40 percent or 50
4 percent?

5 MR. BIELLI: Well, in the
6 defined benefit portion. But, remember,
7 it's a hybrid plan, so there's a defined
8 contribution portion. So the City will
9 match 50 percent of any of your
10 contributions up to 1.5 percent of your
11 annual salary, and that vests after five
12 years. So you would have to stay for
13 five years in order to get the benefit of
14 that vest.

15 COUNCILMAN SQUILLA: And I
16 guess that's why too you really can't see
17 the cost of that plan until more people
18 are in it and how much they put in and,
19 therefore, what the City has to match?

20 MR. BIELLI: It's a variable.
21 Until you see how much people are putting
22 in, exactly, and what the City has to
23 match, you can't really determine that.

24 COUNCILMAN SQUILLA: All right.
25 So we have the members -- and I guess the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Charter gives you -- is it the Finance
3 Director, City Solicitor, the Managing
4 Director, and the Personnel Director?

5 MR. BIELLI: That's correct.

6 COUNCILMAN SQUILLA: All right.

7 Now --

8 MR. BIELLI: And City
9 Controller is in the Charter also.

10 COUNCILMAN SQUILLA: City
11 Controller is.

12 MR. BIELLI: Then the four
13 elected trustees. Currently they're
14 elected by the Civil Service, by the
15 members of the Civil Service. So
16 currently you have an elected trustee who
17 is a former police officer, who is an FOP
18 representative, a current trustee DC 33,
19 DC 47, and Fire Department. It works out
20 where each of the units has
21 representation on the Board.

22 COUNCILMAN SQUILLA: Now, the
23 plan that we talked about -- and each of
24 these vote on, I guess, specific issues
25 whether they're going to change the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 pension plan or --

3 MR. BIELLI: Well, most of the
4 changes to the pension plan itself come
5 from legislation. So the level of
6 benefits, whether the buyback -- whether
7 you can buy back time, service-connected
8 disabilities, ordinary disabilities. All
9 of that is statutory, and the Board does
10 not have the ability to enact statutes,
11 as you know. The Board can enact
12 regulations to implement the code.
13 However, the Board does decide -- make
14 every single decision on recommendations
15 made by staff concerning asset
16 allocation, specific investments, whether
17 to terminate or to hire specific
18 managers.

19 COUNCILMAN SQUILLA: All right.
20 But, I mean, the goal is to make sure --
21 that Board's goal is to make sure that
22 the pension stays as much funded as
23 possible and to do the best possible
24 thing so that those employees when they
25 retire will have a pension.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. BIELLI: That's what the
3 Board's charge is, and the Board -- I can
4 tell you in looking at other boards
5 throughout the country in municipalities
6 and states, that this Board takes its
7 fiduciary duty as seriously as any board
8 I've seen, and, in fact, we've had people
9 comment on this Board saying the way that
10 this Board functions is exemplary. So
11 they do a really good job.

12 COUNCILMAN SQUILLA: Because it
13 just seems like some part -- I know Rob
14 is on it from the Finance Director and
15 his goal is to make sure to maintain the
16 City's side of it, and is there -- does
17 it seem to be some type of conflict that
18 somebody from the City is looking out for
19 the City's best interest?

20 MR. BIELLI: No, and I think
21 that's the beauty of the Charter in the
22 way that it composed the Board, is that
23 I've always thought of this -- and this
24 is just my opinion; that I've often
25 thought that the best way to get to a

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 decision is to have different points of
3 view, and they're discussed, sometimes
4 discussed very vehemently at the Board
5 meetings. But Rob as Chairman of the
6 Pension Board has a fiduciary duty to the
7 Pension Fund and to the fund and to the
8 Board, and our Vice Chairman, Ron
9 Stagliano, who is a former police
10 detective, there's healthy debate back
11 and forth, and our staff provides the
12 Board with all the information that they
13 need to make informed decisions.

14 So I've seen no -- I guess zero
15 indication of a conflict at all at the
16 Board, and I think that's the beauty of
17 the way it was designed.

18 COUNCILMAN SQUILLA: And, Rob,
19 I guess now that you're here, I could ask
20 you a question. I know you're on a lot
21 of boards and you're busy this time of
22 year. Your goal is to, I guess, protect
23 the City's interest in this, correct?

24 MR. DUBOW: No. My goal in
25 this is to protect the interest of the

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 Pension Board.

3 COUNCILMAN SQUILLA: The

4 Pension Board?

5 MR. DUBOW: Pension Fund. If I
6 were just looking out for the General
7 Fund's interest, for example, I would
8 never advocate for reducing the earnings
9 assumption, because when you reduce the
10 earnings assumption, you increase the
11 contribution, but we've reduced it almost
12 every year.

13 COUNCILMAN SQUILLA: So,
14 therefore, you take your hat off as the
15 Finance Director for the City in that
16 case and say that --

17 MR. DUBOW: There's
18 obviously -- I mean, there's a balancing
19 act, but when I'm at the Pension Fund, we
20 look at, for example, we look at
21 investments. I think all the members on
22 the Board have the same interest in what
23 happens with investments. We look at
24 asset allocations. We have the same
25 interest there. On the earnings

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 assumption, sometimes we'll be in a
3 little different place, but we've come to
4 agreement each year on reducing it.

5 COUNCILMAN SQUILLA: So then,
6 therefore, when we come in, we talk about
7 the pension plan -- and some pension
8 plans that we see end up costing more
9 than other pension plans depending on the
10 years of service and what their buyout
11 is. And I know that the main thing and
12 the Board had said that the reason why
13 we're able to do certain things and we
14 were happy that the appeal for the
15 firemen was not appealed, the decision by
16 the firemen was not appealed, and one of
17 the reasons was that their savings is --
18 because of their agreement of savings on
19 the pension, and that was something that
20 was important.

21 Do you see that savings in
22 pensions that they agreed to as
23 benefiting the City?

24 MR. DUBOW: Sure. The fact
25 that the pension portion of that award

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 wasn't appealed and that new members,
3 they've all opted to pay the extra
4 percent, that extra percent helps the
5 fund. We had asked in our request
6 conversation was that Plan 10 would be
7 mandatory, but the fact that there is a
8 change was helpful for the fund.

9 COUNCILMAN SQUILLA: Now,
10 knowing that a lot of them don't choose
11 the new plan, we still believe that
12 paying the extra percent still enables
13 the City to save money; therefore, it is
14 a better -- I guess a better plan to go
15 into, so that option is for --

16 MR. DUBOW: It's a benefit for
17 the Pension Fund because members are
18 paying more. So that's a benefit. We
19 would rather have had new members go into
20 the new plan, have to go in, but it is a
21 benefit for the plan to have new members
22 pay an additional percent.

23 COUNCILMAN SQUILLA: By
24 reducing the rate, we reduced the rate
25 this year -- last year?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: The earnings
3 assumption?

4 COUNCILMAN SQUILLA: Yes.

5 MR. DUBOW: We reduced it last
6 year and we reduced it this year.

7 COUNCILMAN SQUILLA: All right.
8 Does it then become a little -- I guess
9 does it further the Administration's
10 position that it would become
11 unaffordable?

12 MR. DUBOW: Well, it means that
13 the costs go up. On the other hand, part
14 of our argument is that the fund is under
15 50 percent funded. So part of looking at
16 the earnings assumption and making sure
17 that your assumption is reasonable is
18 looking at what's best for the health of
19 the fund. So, yes, it definitely costs
20 more, but it is in the long-term interest
21 of the fund.

22 COUNCILMAN SQUILLA: Right. I
23 mean, like I said, I'm trying to wrap my
24 hands around this to understand it,
25 because this is a major issue during not

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 only when we talk about AVI and things
3 and we talk about delinquent taxes, but
4 you talk about the affordability of the
5 pension plans and how to move forward,
6 and I'm trying to see how much of a
7 savings are we really trying to get out
8 of this. And I understand Plan 10 will
9 probably not gather savings for 20 years
10 from now, but we want to try to move
11 forward, try to save the City some money.
12 But --

13 MR. DUBOW: Excuse me. There
14 are two things. One is savings, but also
15 there's the health of the fund. The
16 health of the fund -- the fund is under
17 50 percent funded. It's gone from almost
18 80 percent funded to under 50 percent
19 funded. At the same time, it's gone from
20 being 6 percent of our budget to 16
21 percent of our budget. So it's not -- IT
22 doesn't work the way --

23 COUNCILMAN SQUILLA: Right.
24 You have so many different pension plans.
25 So it was also stated that the older

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 pension plans that money isn't being
3 funneled into are even by -- even the new
4 one eventually, if we go to a new plan
5 after that, eventually it will go down in
6 percentage. The percentage -- it won't
7 be 80 percent funded.

8 MR. DUBOW: We have to look at
9 the entire fund. So even though Plan 87
10 has a higher funding percent, overall the
11 plan is still under 50 percent funded.
12 That's an issue that -- that's what we
13 look at.

14 COUNCILMAN SQUILLA: It's 150
15 percent funded?

16 MR. DUBOW: Oh, I wish. Under
17 50 percent.

18 COUNCILMAN SQUILLA: I was
19 going to say, wow, we don't have any
20 problems.

21 MR. DUBOW: Yeah. Thank you,
22 and good night.

23 COUNCILMAN SQUILLA: Since we
24 have all the pension work down here.
25 That would be great. Hopefully Rob is

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 still here when the plan is 150 percent
3 funded, and that would be great.

4 MR. DUBOW: Yeah.

5 COUNCILMAN SQUILLA: So
6 initially or as we move forward, we are
7 looking as a city trying to save money in
8 different places, and I think that's the
9 goal here. I think we're just trying to
10 figure out how that process works. And
11 knowing that these funds will actually
12 move down as they get older, if they're
13 no longer being participated in, is
14 something that we also need to look at,
15 because you're never going to get the, I
16 guess, J Plan to 80 percent funded. I
17 mean, unless we have a miraculous market
18 that explodes somehow.

19 MR. DUBOW: Yeah, and --

20 COUNCILMAN SQUILLA: Unless we
21 put extra money into it.

22 MR. DUBOW: But that's why we
23 look at the overall plan. But even
24 there, our gap is something like 4.9
25 billion.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 COUNCILMAN SQUILLA: 4.9

3 billion?

4 MR. DUBOW: Something like
5 that. And Fran can correct me if I'm off
6 on that. That's going to take a while to
7 fix. You're not going to be able to fix
8 that in a year or five years. It didn't
9 develop in a year or five years. So
10 that's something that requires a
11 long-term solution.

12 COUNCILMAN SQUILLA: Right.
13 And I see why by adding an extra
14 percentage -- so it seems like the
15 cheaper plan is great, or if they go into
16 the same plan -- I guess right now it's
17 the Y Plan -- and pay the extra
18 percentage, that also helps benefit the
19 City.

20 MR. DUBOW: Yes.

21 COUNCILMAN SQUILLA: All right.
22 Now, if the City as a whole can save
23 money during the pension plan, what do
24 you project, I guess, going forward
25 trying to get it to a point where it's

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 funded? Is it like 20 years down the
3 road that we believe it would -- if we
4 could constantly make these changes or
5 stay with a new plan?

6 MR. DUBOW: So we actually have
7 a 30-year amortization that gets us to
8 full funding by 2039, I think is the
9 year. But what we would hope is that our
10 funding percent would start to increase.
11 And that wouldn't happen for ten -- I
12 mean, it would increase marginally, but
13 you wouldn't see a substantial increase
14 with Plan 10 for -- it would take some
15 time.

16 COUNCILMAN SQUILLA: Fifteen,
17 20 years?

18 MR. DUBOW: Maybe 10, 15 years.
19 And the same on the savings side, because
20 you don't really start to see savings
21 until you see new people hired go into
22 the plan and retire and get the different
23 level of benefits.

24 COUNCILMAN SQUILLA: Right. So
25 now moving forward then, do you see it as

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 an option for -- I know contract
3 negotiations, you can't speak on that
4 part, but having the same type of options
5 moving forward for non-uniformed
6 employees to be able to save money by
7 putting more money into the pension plan?

8 MR. DUBOW: Still our proposal
9 is that all new members go into the new
10 plan.

11 COUNCILMAN SQUILLA: Oh, it
12 wouldn't be similar to --

13 MR. DUBOW: No. And, again,
14 that's not what we actually -- that's not
15 what we asked for in arbitration. That's
16 what came out of arbitration.

17 COUNCILMAN SQUILLA: Right.
18 But that was accepted, I guess, as part
19 of the arbitration and we didn't -- we
20 didn't decide to appeal that, right?

21 MR. DUBOW: Right.

22 COUNCILMAN SQUILLA: So
23 obviously as an Administration, we
24 thought that was fine, but we don't think
25 that's fine for the non-uniformed?

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: I don't think we
3 thought that there were, under Act 111,
4 there were grounds for appeal on that.
5 It doesn't mean we thought it was fine.
6 We just didn't think there were grounds
7 for appeal on that portion of the award.

8 COUNCILMAN SQUILLA: Well, I
9 really appreciate it. I know moving
10 forward, this is going to be a dialogue
11 that we're having in Council, and even at
12 some of our meetings, the pension plan
13 often comes up. And I appreciate what
14 you're doing, looking out for the benefit
15 of the employees and their pensions and
16 also looking out to try to save the City
17 money somehow, but we have to come up
18 with something that either it will work
19 or agreed on by all parties in order to
20 get this moving forward, and I appreciate
21 your efforts in that. So thank you.

22 MR. DUBOW: Thanks.

23 COUNCIL PRESIDENT CLARKE:

24 Thank you, Councilman.

25 Real quick. There's been a

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 recent request to have employees from
3 other entities engaged in the pension
4 program; am I correct? Didn't you send
5 us a bill up and ask for --

6 MR. DUBOW: Oh, about PHDC? Is
7 that the bill you're talking about?

8 COUNCIL PRESIDENT CLARKE: Yes.

9 MR. DUBOW: So right now what
10 we --

11 COUNCIL PRESIDENT CLARKE:
12 PIDC. I think I received something from
13 you all obviously --

14 MR. DUBOW: The only other
15 legislation I know about is the one about
16 the amount that PIDC contributes.
17 They're contributing at the funding
18 policy, whereas we contribute at the MMO.
19 So the legislation would let them
20 contribute at the MMO. That's the only
21 thing I know about. I don't know --

22 COUNCIL PRESIDENT CLARKE:
23 Because I thought there were like two
24 other entities that you were seeking to
25 have a part of the pension plan.

1 4/3/13 - WHOLE - BILLS 130178, etc.

2 MR. DUBOW: I don't know
3 anything about that. But, I mean,
4 I'll --

5 COUNCIL PRESIDENT CLARKE: Is
6 that something that's ever been
7 discussed, about incorporating additional
8 employees in the City's pension plan?

9 MR. DUBOW: PIDC I think
10 actually used to be in and then opted
11 out, but we haven't had any discussions
12 since I've been here about other entities
13 coming into the plan.

14 COUNCIL PRESIDENT CLARKE:
15 Never?

16 MR. DUBOW: Not that I've
17 heard.

18 COUNCIL PRESIDENT CLARKE: Is
19 that something that would be prohibited?

20 Let me ask you, make sure I
21 understand it.

22 MR. DUBOW: I'm not -- I don't
23 know.

24 COUNCIL PRESIDENT CLARKE: Let
25 me tell you where I'm going. Right now,

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 correct me if I'm wrong, we have a
3 significant number of current employees
4 that have more costly pension plans.
5 They experience 50, 60, 65, 70 percent of
6 their three highest years; am I correct?

7 MR. BIELLI: Right.

8 MR. DUBOW: Yeah. Right.

9 COUNCIL PRESIDENT CLARKE: So
10 the issue with the new employees, they
11 would have a less costly pension plan,
12 but they would still be contributing at a
13 healthy rate, but they would
14 experience -- and I think one of the
15 challenges associated with getting a
16 solution on the 33, 47 contract, because
17 I think it's like 25 percent of the three
18 highest years, and that three highest is
19 capped at 20.

20 So if there were more employees
21 involved in a less costly pension plan
22 and those employees wouldn't necessarily
23 be municipal employees, then it would be
24 more people paying into the fund
25 generally, and that would strengthen the

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 fund, and those individuals would have,
3 as I said earlier, a less costly plan.
4 Is that something that makes any sense or
5 am I just again getting out of my --

6 MR. DUBOW: I think one of the
7 issues of the plan is that we have more
8 beneficiaries than active members. So if
9 bringing more members in reversed that,
10 that would help also the plan.

11 COUNCIL PRESIDENT CLARKE:
12 That's where I'm going. So that's never
13 been discussed?

14 MR. DUBOW: I have not heard
15 that discussed.

16 COUNCIL PRESIDENT CLARKE:
17 Okay. So Ms. Lewis, as the Council's
18 unofficial representative, I anticipate
19 will stimulate that conversation at the
20 next Pension Board meeting. I just think
21 we need to look at every imaginable
22 approach, because currently there are
23 people whose pension plans are obviously
24 not as good as the City's pension plan,
25 even the pension plan that is being

1 4/3/13 - WHOLE - BILLS 130178, etc.
2 proposed, I mean, based on the economy
3 tanking. So I'm sure there are a lot of
4 employees that would be more than willing
5 to take some of the benefits associated
6 with being in the municipal plan.

7 Okay. Thank you. Thank you so
8 much. Thank you for your good work.

9 MR. BIELLI: Thank you.

10 COUNCIL PRESIDENT CLARKE: So
11 we will now be in recess until Monday,
12 April 8th, 10:00 a.m.

13 Thank you all.

14 (Committee of the Whole
15 recessed at 1:55 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
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MICHELE L. MURPHY
RPR-Notary Public

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