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COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FISCAL STABILITY and
INTERGOVERNMENTAL COOPERATION

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Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, December 10, 2008, 1:25 p.m.

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RES. 080603 - Authorizing Committee on Fiscal
Stability and Intergovernmental Cooperation to
hold hearings re City's operating budget for
Fiscal Year 2009.

RES. 080890 - Authorizing Committee on Fiscal
Stability and Intergovernmental Cooperation to
hold hearings re feasibility and benefits of
implementing a coordinated municipal
advertising program in Philadelphia.

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COMMITTEE MEMBERS PRESENT:
Darrell L. Clarke, Chairman
Frank DiCicco, Vice Chair
Blondell Reynolds Brown
Curtis Jones, Jr.
James F. Kenney
Joan L. Krajewski
Brian J. O'Neill
Marian B. Tasco

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Also Present: Jannie L. Blackwell
Bill Green

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2 COUNCILMAN CLARKE: We are now
3 going to convene the Committee on Fiscal
4 Stability and Intergovernmental
5 Cooperation of the City Council of
6 Philadelphia.

7 Currently-present members of the
8 committee are Councilwoman Blondell
9 Reynolds-Brown, Councilman Curtis Jones,
10 and Councilman James Kenney. In addition,
11 we have Councilwoman Jannie Blackwell and
12 Councilman Bill Green in attendance.

13 Before we start, I just wanted
14 to give a brief statement.

15 This is what, we anticipate,
16 will be a series of hearings either by
17 this committee or another committee of the
18 City Council of Philadelphia in its
19 attempt to discuss initiatives that will
20 increase the revenue stream to the City of
21 Philadelphia.

22 As you know, we are in a
23 significant budget crunch. It is real; it
24 is not manufactured. It's likely to get
25 worse before it gets better. And at the

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2 end of the day, we find ourselves
3 wrestling with these issues about existing
4 priorities and existing programs in the
5 departments within the City of
6 Philadelphia and what changes should be
7 made, but the problem is, is that we're
8 arguing over a declining revenue stream as
9 it relates to our General Fund.

10 So as we move ahead it's
11 important for all of us in a collective
12 way -- Council and the administration and
13 all of the row offices -- to come up with
14 initiatives that will allow us grow our
15 revenue base. This particular hearing is
16 going to talk about some of the
17 initiatives that have been put forth by
18 members of Council earlier on in this
19 process and one or two new ones. And we
20 anticipate in the first part of next year,
21 there will be some significant things put
22 on the table to try to grow our revenue
23 stream.

24 So I just want to thank everyone
25 for being present here today, and we will

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2 start in short order. I guess we have a
3 witness list.

4 Councilman Jones would like to
5 make a brief statement. Councilman?

6 COUNCILMAN JONES: Thank you,
7 Mr. Chairman, and I would like to thank
8 you for chairing this committee and having
9 these hearings.

10 When, as a freshman, I came on
11 board and you allowed me to be a part of
12 this committee, I had no idea of the
13 relevance, the significance, the
14 importance of this committee in these
15 economic times. And just to give you your
16 kudos on having a committee which will
17 allow us periodically and on a quarterly
18 basis to review where we are as a
19 municipality.

20 And the other point that I would
21 like to make both to the people testifying
22 on behalf of the Administration and to my
23 colleagues is that the one thing that I
24 found throughout this whole process is
25 that we're in this together. I think, in

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2 different ways, we've all said that. And
3 it is our responsibility to figure our way
4 out of this, both through a combination of
5 revenue enhancements and cost-saving
6 measures.

7 But at the end of the day, I
8 think it suffices to say that we will rise
9 or sink together, and we should do this in
10 the best spirit of team effort.

11 So just on my behalf, as a
12 member of this committee, I want the
13 Administration members that will testify
14 here today that we're going to call up to
15 take a great big inhale and exhale because
16 this will be done in a spirit of
17 cooperation and not in a spirit of "I
18 gotcha."

19 Thank you, Mr. Chairman.

20 COUNCILMAN CLARKE: Thank you.

21 First up, we're going to have a
22 panel to discuss the electronic money-
23 transferring process in a proposal that
24 was brought forth by members of this
25 Council in a -- I guess in a venue other

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2 than a public hearing. So we would like
3 to have, for the record, it laid out in a
4 very specific way, this particular
5 proposal.

6 I'd like to call up Edward F.
7 Dempsey from the Pennsylvania Treasury
8 Department; he is actually the director;
9 and Mr. Bernie Strain, who is also from
10 the Treasury Department of the State of
11 Pennsylvania.

12 (Witnesses come forward.)

13 MR. STRAIN: Mr. Chairman, good
14 afternoon. Councilmembers, good
15 afternoon.

16 COUNCILMAN CLARKE: Good
17 afternoon.

18 MR. DEMPSEY: Good afternoon,
19 members of Council. I'm Edward Dempsey.
20 I'm the program director for a program in
21 the Pennsylvania Treasury Department known
22 as INVEST. We are a -- we operate a local
23 government investment pool, and that is
24 for the purpose of short-term funds to be
25 invested by any governmental entity in the

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2 Commonwealth of Pennsylvania along with
3 certain nonprofits.

4 Before I go any further, let me
5 introduce my colleagues with me here today
6 who work in Philadelphia, in the
7 Philadelphia area: Bernie Strain on my
8 right and Gerald Nicholas on my left, who
9 have had many meetings with the staffs of
10 members of Council and with the
11 Treasurer's Office, who have been very
12 receptive to what we have brought forward
13 to them on the table.

14 But I suppose, to get right to
15 it, what we found -- we started an
16 initiative statewide on electronic
17 transfers versus check-writing. And we
18 found -- we did a ten-month period where
19 we took a look at all 67 counties and
20 determined that there were in that period
21 \$1.3 billion worth of paper checks being
22 distributed.

23 Now, that sounds like a pretty
24 reasonable -- you know, getting checks
25 from the Commonwealth of Pennsylvania by

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2 checks is not a bad idea except when it
3 happens in that number and dollar-amount
4 that when the minimum time from when a
5 check is prepared in Harrisburg and mailed
6 out and received by the municipality is in
7 the neighborhood of four days, minimum.

8 In many cases, they're well
9 beyond that. But if everything goes well
10 by a paper check, there's four days' worth
11 of time, or float, if you will, that is
12 not going to go to the municipality -- in
13 this case the City of Philadelphia; but
14 rather, it will stay with the Commonwealth
15 until that check clears.

16 And we found that in that
17 general study, we didn't do the specific
18 analysis on Philadelphia; we did do a run
19 on the City for that same period. And the
20 paper checks that were sent to the City in
21 the period that we looked at of
22 approximately ten months was approximately
23 \$208 million in paper checks. And there's
24 a variety of reasons for that, but the
25 fact is that it was still \$208 million.

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2 So, as we had with many other
3 municipalities -- county governments
4 mostly. But the City of Philadelphia, we
5 approached the City Treasurer's Office --
6 the City Director of Finance, Mr. Dubow,
7 was kind enough to entertain us as well
8 found -- to make them aware of what we had
9 found and offer the services we could
10 provide to them.

11 Now, we're not the only ones who
12 could provide short-term investment
13 services to the City, and the City has an
14 awful lot of relationships already
15 established. But we were, rather, coming
16 in to say that (indiscernible) was one
17 that was sufficient for the City to get a
18 better deal; and/or in the case of the
19 paper checks, to make them aware that
20 those paper checks were coming, and
21 suggested that they might consider, where
22 they can, if it's appropriate, to switch
23 to the electronic funds deposit.

24 So from that, we've had, as I
25 said, many meetings, we've been treated

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2 very well. And we certainly appreciate
3 the time that we've had with Councilman
4 Jones and Councilman Green. And we're
5 here to assist where we can.

6 But, essentially, our role in
7 this was to make it known to the City that
8 this was an additional stream of revenue
9 that was available and to suggest that if
10 we could help, we certainly would.

11 COUNCILMAN CLARKE: Thank you.

12 Let the record reflect that
13 Councilwoman Marian Tasco has joined the
14 committee hearing.

15 Are all of you going to testify?

16 MR. DEMPSEY: No. Councilman,
17 Chairman, that's essentially where we are.
18 I suppose the long and the short of it on
19 our end was essentially to let you know
20 that this was -- and just not with the
21 City of Philadelphia. Quite honestly, the
22 County of Allegheny was not aware that
23 they, again, had a lot of direct deposits
24 as well, but they had over \$158 million
25 still due in paper checks.

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2 COUNCILMAN CLARKE: Wow.

3 MR. DEMPSEY: We went to some
4 counties. The County of Erie, for
5 instance, had \$184 million in the same
6 period. Now, considering their size
7 versus the size of Philadelphia, you know,
8 the fiscal impact is rather dramatic. And
9 the higher the interest rates are, the
10 more of an impact it is.

11 Now, the fact is that while the
12 checks are in process, the Commonwealth is
13 receiving interest on that. But, in fact,
14 for all of those people who are getting
15 electronic transfers, they're getting that
16 immediate.

17 The City of Philadelphia,
18 minimum, is losing, along with all the
19 other entities that we certainly
20 approached to inform them of this, are
21 losing that minimum of four days, which,
22 when you're talking several million
23 dollars on any given day, it can --
24 depending on what the interest rates, like
25 today, offering somewhere between, let's

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2 say, 1.50 to 2 percent. You could be
3 riding 50, \$60 a day per million for an
4 entity the size of Philadelphia. That
5 happens quite regularly. That's, again,
6 the millions; in some cases, ten or beyond
7 on a given day. So it can get up to be a
8 significant number pretty quickly.

9 COUNCILMAN CLARKE: Okay. Well,
10 I just want to thank you so much for
11 making us aware of that.

12 I know Councilman Jones and
13 Councilman Green have been very aggressive
14 in identifying any potential cost-savings
15 in this particular measure, and I
16 obviously want to thank them for their
17 support. And we look forward to taking
18 advantage of this initiative.

19 Councilman Jones, you had a --

20 COUNCILMAN JONES: Yeah, just a
21 few questions.

22 And I appreciate you guys coming
23 down and bringing this to our attention.
24 Almost, what, eight months ago now.

25 Let me ask you a couple of

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2 questions. At the point -- how many
3 departments on average does the City of
4 Philadelphia deal with that gets a
5 receivable from the Commonwealth of
6 Pennsylvania?

7 MR. DEMPSEY: Generally
8 speaking, each and every department; some
9 more than others.

10 COUNCILMAN JONES: So some 53 --
11 well, let's say not all of them. Let's
12 say they are close to the majority of
13 them. So some 25 to 40 departments
14 actually get receivables, and these are,
15 like, DHS.

16 MR. DEMPSEY: Oh, absolutely.
17 You're talking about -- the Department of
18 Welfare would be a large one. And, as you
19 noticed when we went over the report that
20 we handed in, there was an awful lot from
21 the state police.

22 COUNCILMAN JONES: Right. Can
23 you give us a couple of examples of
24 checks; do you have that?

25 MR. DEMPSEY: Actually, I don't

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2 have the report with me.

3 COUNCILMAN JONES: You produced
4 a report and you brought it to Council a
5 couple of months ago.

6 MR. DEMPSEY: Yes.

7 COUNCILMAN JONES: And you had
8 checks from the Department of Human
9 Services.

10 MR. DEMPSEY: The Department of
11 Welfare, yes, sir.

12 COUNCILMAN JONES: Welfare. And
13 checks from the Police Department.

14 MR. DEMPSEY: From the
15 Department of State of Police, yes.

16 COUNCILMAN JONES: And some of
17 them ranged in size of 100 to --

18 MR. DEMPSEY: There were several
19 things that came -- one of things that
20 happened is -- and it happens all too
21 often and it happens, again, not just here
22 but across the entire Commonwealth, is you
23 will have people who apply for the same
24 dollar-amount on the same agency, and you
25 will get four or five payments on the same

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2 day, in the same amount, coming back to
3 the City Treasurer's Office, mail; rather
4 than one electronic transfer, or at least
5 one transfer instead of all of these
6 multiple checks, that will delay the -- I
7 think what you were talking about was, I
8 believe it was 123,000 is what comes to
9 mind. There was at least four or five on
10 the same day, and they all took the same
11 time to clear. And I believe, if I'm not
12 mistaken, that it was, like, ten days.

13 COUNCILMAN JONES: So from the
14 process that a receivable is approved at
15 the State level, it can be a 15-day period
16 before a physical paper check is
17 generated.

18 MR. DEMPSEY: No, not on our
19 end. We will have, from the time it
20 gets -- from the time a voucher
21 transmittal is sent from the Department of
22 Welfare over to Treasury, and they give us
23 a pay date, we generally pay within 15
24 days.

25 The problem is that by the time

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2 we prepare the check and put it in an
3 envelope and put in it a batch to be sent
4 to the post office in Harrisburg to be
5 mailed till the time it arrives here in
6 Philadelphia -- and I'm not familiar with
7 the mail system here and how it arrives --
8 we have determined that we're looking
9 at -- and it's a best guess -- about four
10 days minimum from the time it leaves
11 Harrisburg till it actually clears the
12 bank up here and we get it back in
13 Harrisburg (indiscernible) so that the
14 funds have been transferred by check.

15 COUNCILMAN JONES: So then we
16 lose that time --

17 MR. DEMPSEY: You're losing a
18 minimum of four days.

19 COUNCILMAN JONES: Most
20 efficient financial entities count on
21 overnight sweeps of interest and money --

22 MR. DEMPSEY: Oh, absolutely.

23 COUNCILMAN JONES: And we don't,
24 correct?

25 MR. DEMPSEY: No, that's not

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2 true. For this portion.

3 What we identified, Councilman,
4 there are hundred dollars of millions that
5 are transferred electronically to
6 Philadelphia every year from the
7 Commonwealth. What we identified were
8 those checks that were not.

9 COUNCILMAN JONES: Okay.

10 MR. DEMPSEY: And that's what I
11 wanted to bring to your attention. I
12 wouldn't have anybody here thinking that
13 the City, particularly the Treasurer and
14 the Director of Finance behind me, I'd be
15 terribly unfair to them if I didn't say
16 that the City already did an enormous
17 amount of -- most, by all means, of the
18 money coming the transactions here are
19 electronic.

20 However, the 208 million that we
21 identified is still significant enough to
22 draw the attention, which is why we
23 brought it up here to your attention.

24 COUNCILMAN JONES: So
25 208 million, we don't generate --

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2 MR. DEMPSEY: Right.

3 COUNCILMAN JONES: So the time
4 of processing of four days is a loss of
5 interest to the --

6 MR. DEMPSEY: The City.

7 COUNCILMAN JONES: -- the City.

8 But then, because of physical checks,
9 sometimes human error comes to play.

10 MR. DEMPSEY: Absolutely.

11 COUNCILMAN JONES: So it winds
12 up on an administrator's desk and they
13 don't see it on top of the other mail, and
14 it may take a while for it to be processed
15 internal to the City of Philadelphia.

16 MR. DEMPSEY: Yes.

17 COUNCILMAN JONES: And so, even
18 in some worse-case scenarios, they have
19 been lost.

20 MR. DEMPSEY: Yes.

21 COUNCILMAN JONES: Misplaced.

22 MR. DEMPSEY: Yes.

23 COUNCILMAN JONES: In someone's
24 drawer. And then we have to start the
25 process all over again because we've

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2 misplaced that check.

3 MR. DEMPSEY: It happens, I'd
4 say, at least from what we've seen, 'cause
5 we operated the Treasury Department and
6 the Lost Checks Bureau, as well, Office
7 and routinely have to deal with that.
8 That does happen.

9 I think it's a -- it doesn't
10 happen a lot, but it does happen, and
11 sometimes they can be for significant
12 amounts.

13 COUNCILMAN JONES: Okay. Other
14 municipalities, you mentioned, have not
15 done that. Have we any best-case
16 scenarios or other best practices that
17 that we can look at that have, in fact,
18 improved their --

19 MR. DEMPSEY: I think when you
20 have a municipality certainly the size of
21 Philadelphia, over a billion dollar
22 budget, I mean, the amount of checks that
23 are written, the amount of vouchers that
24 are sent in, the requests for payments
25 made are enormous. And that's an enormous

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2 task to corral, if you will.

3 What we suggested in our
4 conversation and, certainly, I would say,
5 again, the Treasurer's Office and
6 Mr. Dubow's office were certainly in
7 agreement to look at the -- when a process
8 begins here in the City, as it has, and
9 we've run into the same problem elsewhere
10 across the State, that the process for
11 payment to be done, if you corral it
12 there, if you start from that process,
13 that it is no longer either allowable
14 (indiscernible) or appropriate, or
15 certainly, at the very least, it is
16 desirable, unless it is can be otherwise
17 be proven reasonable, to only get
18 electronic payments, that you should be --
19 because it's distinctly to the advantage
20 in terms of security, efficiency.

21 And when it becomes a large
22 number, when you get in excess of \$100,000
23 or upwards to a million, which, in this
24 city, happens a lot, obviously, by that
25 report we had, sometimes people who are

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2 starting the request for payment aren't

3 aware of it, they don't think about it.

4 All they want to know is, they want to put

5 the paperwork in and get the money back as

6 fast as they can.

7 Sometimes it is the fault of the

8 Commonwealth, where we should be in the

9 Department of Health, the Department of

10 Welfare, the State Police, we should be

11 encouraging people to utilize that.

12 COUNCILMAN JONES: Mr. Strain,

13 in your best estimate, how much did the

14 City of Philadelphia lose last year based

15 on interest payments not being

16 electronically deposited? Best guess.

17 MR. STRAIN: A guesstimate --

18 COUNCILMAN JONES: Yeah.

19 MR. STRAIN: -- would be --

20 we -- I think it was on average of --

21 MR. DEMPSEY: It was hard to do.

22 MR. STRAIN: It's hard to do an

23 apples-to-apples comparison.

24 MR. DEMPSEY: Because as the

25 interest rates started to drop from when

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2 they were 5 percent.

3 COUNCILMAN JONES: Just a wild

4 --

5 MR. DEMPSEY: I would say it
6 wouldn't be hard to suggest probably in
7 excess last year of a million dollars. I
8 would say that would be conservative based
9 on --

10 COUNCILMAN JONES: A million
11 dollars.

12 MR. DEMPSEY: -- on the basis of
13 those numbers.

14 COUNCILMAN JONES: A million
15 dollars.

16 MR. STRAIN: Councilman, for the
17 record, there's -- we talked -- you had
18 mentioned about uncashed and/or lost
19 checks in the process. There's about
20 \$70,000 that the Commonwealth has in its
21 possession to date that it is waiting for
22 the City to collect in uncashed and/or
23 lost checks.

24 COUNCILMAN JONES: So depending
25 on whether --

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2 MR. STRAIN: Two years ago,
3 there were, during the Street
4 Administration, I believe, there were in
5 excess of \$500,000 that was not collected
6 in the course of two years.

7 I think the City needs to
8 develop a program to review its uncashed
9 and/or unclaimed property at least
10 quarterly. That would help those funds --

11 MR. DEMPSEY: One of the things
12 we've suggested is that we routinely --
13 now, we represent one program, but we also
14 represent the department, and certainly,
15 there are other programs within it. And
16 the unclaimed property is one, and
17 certainly the uncashed checks is another.

18 Because of the size of the City
19 and the size of the number, it's going to
20 happen because of these amounts of
21 transactions over a period of time. And
22 we actually talked to the Treasurer's
23 Office about periodically -- at least,
24 like, quarterly -- reviewing what might
25 very well be there for the City and return

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2 it.

3 COUNCILMAN JONES: Let me just
4 ask a -- and I'm not a conspiracy
5 theorist. But then, again, who would not
6 want this to happen? Who benefits by us
7 continuing on this path?

8 MR. DEMPSEY: I mean, again, and
9 I don't -- again, there's no conspiracy
10 theorist on this end, myself, certainly.
11 But the fact remains that the only one who
12 benefits, to my knowledge, would be the
13 Commonwealth, where they're Commonwealth
14 checks, because, while the check is out
15 there, until it's cashed, it remains in
16 the Commonwealth's account.

17 Now, believe me, in the short
18 budget year, the Governor and the members
19 of the General Assembly are known for what
20 we're going -- you know, being short
21 (indiscernible) ourselves this year.

22 But the fact remains, when we
23 write that check, it's the municipality's
24 check; in this case, it's the City of
25 Philadelphia's check. It is no longer the

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2 money of the Commonwealth. And, in fact,
3 on the very same VT -- and there may be
4 some Philadelphia checks or payments there
5 that are going out by wire, so they're
6 getting the immediate benefit of that cash
7 because of the wire. On the other hand, a
8 check for the City is going to go out, and
9 it's going to be four days until it gets
10 to your account.

11 So there's really -- to my
12 knowledge, there is no benefit to get a
13 paper check versus an electronic. I mean
14 on our end, on the Commonwealth's end,
15 it's more expensive for us to prepare a
16 paper check than it is to send a wire.

17 COUNCILMAN JONES: Let me target
18 my question a little more specifically.
19 Who does the Commonwealth of Pennsylvania
20 bank with?

21 MR. DEMPSEY: A variety.

22 COUNCILMAN JONES: A variety.

23 MR. DEMPSEY: Yes.

24 (Indiscernible; parties talking
25 over each other.)

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2 MR. DEMPSEY: I will speak to
3 our custodial holds our money. That money
4 that comes through is -- currently right
5 now is Wachovia, but we have -- the
6 Treasury Department has a relationship
7 with many banks across the Commonwealth.

8 COUNCILMAN JONES: I'll leave it
9 there.

10 Thank you, Mr. Chairman.

11 COUNCILMAN CLARKE: Thank you,
12 Councilman.

13 Councilwoman Brown.

14 COUNCILWOMAN BROWN: Thank you,
15 Mr. Chairman.

16 Good afternoon, gentlemen.

17 PANEL MEMBERS: Good afternoon,
18 Councilwoman.

19 COUNCILWOMAN BROWN: I have a
20 follow-up to Councilman Jones' question
21 where your answer was about \$1 million.

22 MR. DEMPSEY: That's a best
23 guesstimate.

24 COUNCILWOMAN BROWN: Okay. So
25 tells us, what is what I call "SOP,"

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2 standard operating procedure, for
3 following up with those individuals,
4 citizens on the other end, in terms of
5 notification that those dollars are about
6 to be lost?

7 MR. DEMPSEY: Well, to be honest
8 with you, the -- it is the -- in this
9 case, it would be the City of
10 Philadelphia. When they are writing up a
11 request for payment, they're the ones who
12 tell us, the Treasury, how they want that
13 payment to come. They say whether they
14 want it electronic, they say whether or
15 not they want a paper check.

16 COUNCILWOMAN BROWN: Mm-hmm.

17 MR. DEMPSEY: Again, we're in
18 this electronic age, and a lot of your
19 smaller -- keep in mind now, the City
20 already gets hundreds of millions of
21 dollars electronically transferred every
22 year.

23 COUNCILWOMAN BROWN: Sure.

24 MR. DEMPSEY: This is only
25 talking about that part that has escaped.

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2 We wouldn't have even -- actually, we
3 wouldn't have even looked to Philadelphia
4 had we not seen what happened in the other
5 57 counties. So, again, Philadelphia is a
6 big player.

7 From a personal standpoint from
8 the INVEST program side, we were looking
9 to get Philadelphia's participation, in
10 all honesty, you know, to benefit us three
11 and our program, and we decided, you know,
12 if these others were having problems, we
13 thought, well, Philadelphia is about as
14 big as everything else, and their number's
15 probably going to be sizeable, which it
16 was. So we saw an opportunity to get
17 additional business for our program.

18 COUNCILWOMAN BROWN: I see.

19 MR. DEMPSEY: Otherwise, I mean,
20 if you -- if the people in any of the
21 individual departments, they might not be
22 aware it's to their advantage.

23 COUNCILWOMAN BROWN: Okay. So
24 then what recommendations or suggestions
25 would you offer to our government to fix

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2 what appears to be -- if it's a million
3 dollars, that's big. So given where you
4 sit and what you see works well in other
5 municipalities in terms of best practices,
6 what recommendations would you offer to
7 us?

8 MR. DEMPSEY: To go back and
9 take a look at the specific process you
10 have, to any one of the departments who is
11 going to put in a request for a payment
12 from the Commonwealth and, for that
13 matter, anywhere else, that where you're
14 going to get a payment where you can get
15 electronic payment, that should be the
16 preferred way of being paid, 'cause that
17 gets the funds back into the City's hands
18 quicker than a paper check under any
19 circumstances, unless you're going to
20 stand down there and get it right off the
21 press and walk across the street and put
22 it in your depository.

23 COUNCILWOMAN BROWN: Hmm.

24 MR. DEMPSEY: I mean, it turns
25 around that fast.

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2 But I will tell you, for
3 purposes of full disclosure, there are
4 some very sophisticated money-management
5 operations within the county government,
6 two of the most sophisticated that I've
7 seen in the four years I've been in the
8 program.

9 COUNCILWOMAN BROWN: Are...?

10 MR. DEMPSEY: North Hampton was
11 one, Dauphin County was the other.

12 COUNCILWOMAN BROWN: Forgive me.
13 Repeat that.

14 MR. DEMPSEY: North Hampton
15 County and Dauphin, and they had missed
16 paper checks in excess of -- Dauphin
17 County was in excess of 50 million, and I
18 forget the number, but I think it was 25
19 or 30 million in North Hampton.

20 COUNCILWOMAN BROWN: So are you
21 able to cite one or two features of those
22 best practices that give them the
23 characterization you've just described?

24 MR. DEMPSEY: Well, when I say
25 "sophisticated," when I went in to the one

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2 county, North Hampton in particular, they
3 run all the money through one central
4 area, so they control it all.

5 COUNCILWOMAN BROWN: So one
6 central area, meaning one city department
7 like Revenue?

8 MR. DEMPSEY: Yes. They have --
9 I won't say it's exactly set up that way.
10 I don't think they call it "Revenue," but
11 their fiscal control is there so that all
12 the cash that comes in is there. They
13 manage it all, they make sure that the
14 cash on hand is sufficient to pay the
15 checks on any given day of the week. It's
16 tightly controlled.

17 And in many other counties, you
18 have row offices who control their
19 specific counts of money.

20 COUNCILWOMAN BROWN: Mm-hmm.

21 MR. DEMPSEY: You have -- the
22 Treasurer does -- has certain authorities.
23 The Controller's Office has certain --
24 they're kind of spread out. It's
25 difficult to corral.

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2 COUNCILWOMAN BROWN: Right,
3 right.

4 MR. DEMPSEY: But even the ones
5 who were, I'd say, the most sophisticated,
6 have the best deal going, even they're
7 unaware of it because they're not aware of
8 all of the requests for payments made.

9 So if it comes from the top
10 down, suggesting that, you know, it's a
11 new day and we need the money in here as
12 quick as we can get it, we want to be sure
13 that where it is at all possible that
14 every payment coming into the City comes
15 electronically, unless it can otherwise be
16 proven necessary.

17 COUNCILWOMAN BROWN: Mm-hmm.

18 MR. DEMPSEY: And for us, from
19 what we've seen -- and I won't say we've
20 seen it all, and that there may be
21 some reasons -- no reasons that we're
22 aware of that you should be getting any
23 kind of a payment except electronic.

24 COUNCILWOMAN BROWN: I see.

25 MR. DEMPSEY: Particularly if

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2 you wanted to put, you know, like a
3 dollar-amount, where it makes sense. And
4 your finance professionals could tell you
5 where that makes the most amount of sense.

6 But to have a million-dollar
7 check sitting out there for three, four,
8 five or beyond days, it just -- we haven't
9 seen any reason that there should be for
10 that.

11 COUNCILWOMAN BROWN: Okay. Now,
12 you may have answered this question; I
13 just don't remember what it was.

14 Did you offer up one or two
15 recommendations that we, as a
16 government -- a practice we should adopt
17 to eliminate the scenario you just
18 described?

19 MR. DEMPSEY: Actually, we had
20 that very discussion with the former
21 treasurer and the current treasurer and
22 Mr. Dubow.

23 COUNCILWOMAN BROWN: Oh, really?

24 MR. DEMPSEY: And they were very
25 receptive to it.

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2 COUNCILWOMAN BROWN: Okay.

3 MR. DEMPSEY: But when you have
4 the amount of, again, the agencies that
5 we're talking about that are applying for
6 the money, it takes time, because a lot of
7 these people are doing it on their own,
8 you've got to get the -- you know, it has
9 to be (indiscernible) here how best to be
10 able to do that. But they were certainly
11 receptive to what we were talking about.

12 COUNCILWOMAN BROWN: Well, thank
13 you for your testimony. It's very
14 enlightening.

15 MR. DEMPSEY: You're very
16 welcome. It's a pleasure to be here.

17 COUNCILMAN CLARKE: Thank you.
18 Thank you, Councilwoman. All right.

19 Thank you, gentlemen.

20 What I would like to do now, at
21 the request of Councilman Jones, is we'd
22 like to ask the Administration, Mr. Dubow,
23 if he can step forward and respond to a
24 couple of the questions or statements that
25 were raised.

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2 And, gentlemen, if you could
3 just kind of hang up there on the side,
4 because we might want to call you right
5 back. So please don't go away.

6 (Witnesses come forward.)

7 COUNCILMAN CLARKE: And for the
8 record, I just want to note that
9 Councilman Brian O'Neill and Councilwoman
10 Joan Krajewski are at the hearing, and we
11 have officially established a quorum.
12 Thank you.

13 Councilman Jones?

14 COUNCILMAN JONES: Thank you,
15 Mr. Dubow. We had an opportunity to
16 discuss this some months ago, and I guess
17 the only question -- and I was asked to
18 raise this with you from Councilwoman
19 Blondell Reynolds-Brown as well -- is: In
20 light of the fact that paper checks, you
21 would agree, is an inefficient way to move
22 money, and you're keenly aware that we're
23 in a fiscal crisis, where are we on
24 implementing a more efficient process by
25 which -- that the City receives revenue

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2 from the Commonwealth of Pennsylvania?

3 MR. DUBOW: Okay. Well, let me
4 just start by saying that we agree with
5 you that we should go paperless with State
6 checks, you know, as quickly as we can.
7 We have been working with both the
8 incumbent treasurer and staff for the
9 incoming treasurer to try to get it done
10 as quickly as possible. There are some
11 technical questions on their end that
12 they're trying to work out, and as soon as
13 they're worked out, we will move ahead
14 with it.

15 COUNCILMAN JONES: Can you give
16 us a sense of what some of those issues
17 are?

18 MS. RHYNHART: Sure. The
19 information on the electronics --

20 COUNCILMAN JONES: You have to
21 say your name for the record, please.

22 MS. RHYNHART: Sure. Rebecca
23 Rhynhart, City Treasurer.

24 The information that the State
25 includes on the electronic fund transfers

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2 is not sufficient to identify what the
3 payment is for, for the accounting system.
4 So it might just say "City of
5 Philadelphia"; it doesn't say, you know,
6 "Police" and what the payment is for.

7 So they're looking to it to fix
8 the problem so that they can put more
9 information on it just so that our staff
10 isn't overburdened with that.

11 COUNCILMAN JONES: If I
12 understand it correctly, you just said
13 that one of the problems is identifying
14 the individual department.

15 MS. RHYNHART: Mm-hmm.

16 COUNCILMAN JONES: Or is it a
17 little more specific as to the individual
18 program that your accounting system has to
19 identify?

20 MS. RHYNHART: I think it's the
21 department and also what the payment is
22 for. So if there's a contract number or
23 an invoice number, that type of
24 information.

25 COUNCILMAN JONES: And is that a

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2 make, like, change to the system? It is?

3 MS. RHYNHART: Is it a major

4 change to the State system?

5 COUNCILMAN JONES: To the State

6 system.

7 MS. RHYNHART: Well, that's what

8 they're looking at, if they can make some

9 sort of adjustment to their system, to

10 make it work.

11 COUNCILMAN JONES: So on

12 estimate -- and not an exact number,

13 because you're not prepared to do that

14 maybe at this moment -- how many different

15 departments, programs, contracts are we

16 talking about annually?

17 MS. RHYNHART: I don't think I

18 could give an exact number, but they're --

19 it's a wide variety of departments.

20 COUNCILMAN JONES: So if we were

21 in the physical world of paper checks,

22 when a check comes into the department, is

23 that information included on the physical

24 check?

25 MS. RHYNHART: On the physical

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 check, it is; there's a piece of paper
3 that they include. But on the electronic
4 fund transfer, they don't include that
5 information right now.

6 COUNCILMAN JONES: Now, I'm not
7 a technological genius, but is that a hard
8 thing to fix?

9 (Addressing Mr. Dempsey.) Can
10 you come back up?

11 (Mr. Dempsey returns to witness
12 table.)

13 MR. DEMPSEY: It is not
14 technologically impossible at all.
15 However, what it is, it involves the
16 agency, their bank, their banking
17 instructions, IT requirements. And that
18 is something that we have -- I have talked
19 to Treasurer Weissman about it, and
20 actually, I've talked to Treasurer-elect
21 McCord as well.

22 That is a longer-term problem
23 that has to be resolved 'cause it doesn't
24 only affect Philadelphia, but it certainly
25 affects everybody else who receives large

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2 amounts of electronic transfers, as the
3 City does, as do many across the State.

4 But one of the things that we
5 had offered that we could do from our
6 program side is, if there was a particular
7 problem area of identification, that we
8 could set up the account within INVEST, of
9 which the City is already a member, and
10 title it so that the only money that would
11 come into that account would be from that
12 program.

13 COUNCILMAN JONES: So if I --

14 MR. DEMPSEY: In the -- as I
15 said, in the interim. That would be a
16 short-term solution.

17 COUNCILMAN JONES: So if I
18 understood the stopgap measure, it would
19 be to set up an account that was a
20 catchall account --

21 MR. DEMPSEY: Or for --

22 COUNCILMAN JONES: And then
23 sub-sort it later.

24 MR. DEMPSEY: Or set up as many
25 as the City wanted to for those particular

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 problem areas in the interim, but only in
3 the short term.

4 The long term has to be that --
5 they call it "the addendum" that
6 identifies the electronic payment as it
7 comes electronically. It needs to -- it
8 should, for the purposes of everybody's
9 receiving money from the Commonwealth,
10 properly identify so it can be properly
11 recorded.

12 But I would say even that, it
13 would be better for the -- if the City
14 gets an electronic payment for which
15 they're having trouble identifying, at
16 least while it's in the bank account --

17 COUNCILMAN JONES: It's drawing
18 interest.

19 MR. DEMPSEY: -- it's drawing
20 interest.

21 COUNCILMAN JONES: Right.

22 MR. DEMPSEY: Versus while it
23 sits as a check, again, the Commonwealth
24 is still drawing the interest.

25 COUNCILMAN JONES: Do you have a

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 response, Madam Treasurer?

3 MS. RHYNHART: I think we are
4 looking at all of our options. Our first
5 thought was to work with the State
6 Treasurer to see how quickly they could
7 implement some sort of change.

8 But, of course, you know, we
9 agree that it's a good idea to move to
10 electronic fund transfer as quickly as
11 possible, so we're working towards that
12 goal.

13 COUNCILMAN JONES: When you say
14 "as quickly as possible," that reminds me
15 of a term called "all deliberate speed"
16 when it came to integration of our
17 schools, and it proved to take a lot
18 longer than a lot of people thought.

19 So my question is: Do we have a
20 goal of a deadline? When we talk about a
21 spigot that's leaking at a million dollars
22 estimated a year, when can we kind of set
23 a timeline?

24 We know exactly when the
25 libraries are going to close, but when are

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 we going to close this loophole to figure
3 out how we can save a million dollars a
4 year, which is half of what I think the
5 amount of costs to operate the libraries
6 is estimated amount of savings.

7 So the sense of urgency is
8 something that, I guess, this body would
9 like to see as well.

10 MR. DUBOW: When we met with the
11 representative of the incoming state
12 treasurer, we told him this was our
13 number-one priority and that we wanted
14 this done as quickly as it could be done.

15 COUNCILMAN JONES: Okay.

16 MR. DUBOW: I mean --

17 MR. DEMPSEY: And I can assure
18 you that I work with the treasurer. You
19 know, our program is not separate from the
20 Treasury Department. And, in fact, if the
21 priority is that of the City, I'm sure
22 that Treasurer-elect McCord will indeed
23 make that a priority.

24 And, again, coming in. He's
25 going to be there for four years. I would

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2 say that this -- because it's not just a
3 problem significant to Philadelphia; it is
4 a little more significant to Philadelphia
5 'cause the numbers are larger. But, in
6 fact, this is a problem in Allegheny
7 County, it's a problem in a variety of
8 other large municipalities and counties
9 across the State. So it's one that I know
10 that there has been some work done on.

11 But to have the incoming
12 treasurer make that commitment that would
13 be a priority, I can assure you that --
14 I'd say you'd see some action probably
15 within the first six months.

16 COUNCILMAN JONES: Well, thank
17 you.

18 Mr. Chairman, we meet on a
19 quarterly basis, and maybe we might make a
20 footnote to check on the status of this at
21 our next quarterly meeting of this
22 committee.

23 COUNCILMAN CLARKE: I --
24 unfortunately, we'll probably end up
25 meeting more than quarterly, given our

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 current financial situation.

3 And as I said earlier, we plan
4 on being very aggressive in this economic
5 issue and in making sure that we provide
6 whatever support for the Administration to
7 get whatever revenue is necessary for us
8 to hopefully restore some of our services.
9 So absolutely.

10 COUNCILMAN JONES: Thank you,
11 Mr. Chairman.

12 COUNCILMAN CLARKE: Councilman
13 Kenney?

14 COUNCILMAN KENNEY: Thank you
15 very much, Mr. Dubow. So what have you
16 been working on lately, anything in
17 particular?

18 Are there any capital or
19 software costs or systems costs that are
20 associated with creating this new stream
21 of quicker revenue to the City? I'm more
22 asking the State, I think. Well, if you
23 know, fine; but if the State knows if
24 there are any costs involved.

25 Are there any changes to our

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2 computer systems or to --

3 MR. DEMPSEY: If you're talking
4 about the addendum, in changing that?

5 COUNCILMAN KENNEY: Yeah.

6 MR. DEMPSEY: I couldn't answer
7 on the -- I don't believe -- I don't know
8 what there is in the State's
9 (indiscernible). I know the technical
10 term for the addendum comes out as it
11 currently does.

12 We can only send from Treasury
13 what we're given, you know, from the
14 agency; for instance, what we get from the
15 Department of Welfare, and then the bank
16 that they're dealing with and/or the bank
17 that the City would be sending their
18 electronic payment to. That all has to be
19 very specific.

20 COUNCILMAN KENNEY: Now, the --

21 MR. DEMPSEY: So if we're going
22 to change now, it might -- I can't say
23 that on our end that there wouldn't be a
24 cost.

25 COUNCILMAN KENNEY: I'm not

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 worried about your end; I'm worried about
3 ours.

4 MR. DEMPSEY: I understand that,
5 Councilman, and I don't blame you.

6 The fact is, until we sit down
7 with all of the people who are involved in
8 making the changes, is there a software
9 change? Could be; don't know that.

10 And if that would be a cost that
11 the bank would eat if it's on, you know,
12 the City's bank, considering the --

13 COUNCILMAN KENNEY: Okay.

14 MR. DEMPSEY: And depending on
15 what the size of it is, I don't know that.

16 COUNCILMAN KENNEY: Now, as I
17 understand the process, does the City have
18 to initiate to the various departments in
19 the State the requests for the
20 reimbursement?

21 MR. DEMPSEY: Yes, sir.

22 COUNCILMAN KENNEY: Okay. So is
23 there a delay that City folks are aware of
24 relative to the request from DHS, for
25 example, for reimbursement from public

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2 welfare? Is there a delay or is there a
3 timeframe wherein the Department of Public
4 Welfare processes the claim to send the
5 check over to Treasury to disburse so the
6 City?

7 MR. DEMPSEY: Could be. I'm
8 not --

9 COUNCILMAN KENNEY: We don't
10 know --

11 MR. DEMPSEY: I'm not -- that
12 end I'm not as familiar with. Again, what
13 we were focusing on, Councilman, was, in
14 fact, from the time the payment request
15 comes over from the AT till it comes to
16 the City, that there was a gap that we
17 could close.

18 Now, to say that -- to sit here
19 and say that we could close the gap on a
20 given department and make that process --
21 that's the process of that department, and
22 I certainly couldn't comment on that.

23 But what we can say factually is
24 that we know that if it's a paper check
25 that's produced, till it arrives in the

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2 City till it clears, that we know that
3 there's a certain minimum there that we
4 sit on. I mean, the Director may
5 disagree, but I generally would say it's
6 about a four-day minimum.

7 COUNCILMAN KENNEY: Do you have
8 any insight into the -- any of the
9 hardware, software, or systems costs that
10 may be associated with this not new form
11 but, you know...

12 MS. RHYNHART: I think, from the
13 City's perspective, we've received
14 electronic fund transfers from others, so
15 we're set up to receive it, to my
16 understanding.

17 COUNCILMAN KENNEY: Okay. And
18 it's just trying to sort it out once it
19 gets there.

20 MR. DEMPSEY: There's a mixup
21 between the State that it sends out to, in
22 this case, the City's bank. That's part
23 of the problem.

24 COUNCILMAN KENNEY: Okay. Has
25 this been discussed in the Administration

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2 from the time you got here, or do you

3 remember discussions about this in prior

4 administrations?

5 Not -- it's probably more Rob,

6 you, than --

7 MR. DUBOW: I don't -- in prior

8 administrations, I probably -- I don't

9 remember. There may have been, but I

10 don't remember.

11 COUNCILMAN KENNEY: Okay.

12 MR. DUBOW: We've been

13 discussing it since fairly early on.

14 COUNCILMAN KENNEY: Since you

15 came in.

16 MR. DUBOW: (Nods head.)

17 COUNCILMAN KENNEY: Okay. So

18 you've been working on it.

19 MR. DUBOW: (Nods head.)

20 COUNCILMAN KENNEY: Okay. Thank

21 you.

22 COUNCILMAN CLARKE: Councilman

23 Green?

24 COUNCILMAN GREEN: Thank you.

25 I'm not sure that I understood

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 the -- if we ever got an answer to:
3 What's the problem with just creating a
4 separate account for each program or
5 department that receives money from the
6 State and allowing them to just put it in
7 there; and that way, when it hits that
8 account, you know that it's for that
9 program.

10 I guess I don't understand why
11 that, as an interim measure, if it's going
12 to take six or nine months for the State
13 to provide it exactly the way you want,
14 why we just can't open, you know, 53
15 accounts under our main INVEST account.

16 MR. DUBOW: That -- and I don't
17 know whether we've heard that before, but
18 I didn't remember that, so that was new,
19 and that's something that we'll look into.

20 COUNCILMAN GREEN: Okay. Is
21 there any reason why we wouldn't do that?

22 MR. DUBOW: Well, I don't -- we
23 have to talk about the details which, you
24 know, an open hearing is not the
25 appropriate place to do that, but --

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2 COUNCILMAN GREEN: Well, that's
3 fine.

4 MR. DUBOW: But that's what --
5 we want to understand what that means.

6 COUNCILMAN GREEN: So the other
7 thing is to have one INVEST account and
8 then have an arrangement from them to send
9 an e-mail to our treasurer as to all of
10 the wires we receive in one day or all of
11 the electronic fund transfer we receive in
12 one day and where they go. So we'll have
13 a pot of money and we'll know where to
14 send it --

15 MR. DUBOW: Right. And if they
16 were able to do that, that would be great.

17 (Addressing Mr. Dempsey.) But I
18 think what you're saying is, you're not
19 able to do --

20 MR. DEMPSEY: No, we'll --

21 MR. DUBOW: You can send an
22 e-mail to -- well, we'll talk to them.

23 COUNCILMAN GREEN: Okay. Thank
24 you.

25 Also, at the hearing of the

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 Committee of the Whole, at the end of that
3 hearing you, and Mr. Agostino committed to
4 getting me all of the information that I
5 requested in the context of some library
6 data I was seeking and other data in a
7 request that I had sent over through Clay
8 Armbuster, which you had a copy of, et
9 cetera.

10 And I still don't have most of
11 that data. You had committed to get it to
12 me by the end of two weeks ago Friday.
13 Can you tell me why I don't have the
14 information that you committed to give to
15 me?

16 MR. DUBOW: We -- I thought we
17 actually sent data over that Friday.

18 COUNCILMAN GREEN: You -- but it
19 wasn't all of the information that we
20 requested.

21 MR. DUBOW: I don't know what
22 information you requested you don't have.
23 We can talk about that, but I don't know
24 what you're --

25 COUNCILMAN GREEN: Okay. Well,

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2 I'll send you another copy of it, and I'd
3 like your commitment that I can -- that I
4 will -- that it is forthcoming quickly.

5 MR. DUBOW: Yeah. I mean, I
6 have to say what it is, but, you know,
7 we'll look at it and get to you as quickly
8 as we can.

9 COUNCILMAN GREEN: Thank you.

10 COUNCILMAN CLARKE: Councilman
11 Jones?

12 COUNCILMAN JONES: Thank you,
13 Mr. Chairman.

14 Just for the record, we don't,
15 as a council or a body or as freshmen,
16 believe that we reinvented the wheel, nor
17 cost efficiencies, but the only thing in
18 identifying them again is to say that
19 there's a newfound sense of urgency to
20 close these gaps, to correct these
21 problems.

22 So if we've been working on 'em
23 since God made little green apples, that's
24 fine, but now we really need to close the
25 loop, because now, these small

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2 efficiencies mean savings from tough
3 budget cuts that we're going to face.

4 So in a spirit of cooperation
5 and encouragement, we'd like you to really
6 look at, you know, solving these software
7 problems and creating the savings that we
8 need so we can apply those revenues to
9 needed departments and agencies.

10 That's all --

11 MR. DUBOW: Well, we share your
12 sense of urgency, and I think we've
13 conveyed that.

14 COUNCILMAN JONES: Yeah. And I
15 appreciate it.

16 Thank you, Mr. Chairman.

17 COUNCILMAN CLARKE: Thank you,
18 Councilman.

19 Any other questions from
20 witnesses -- from members of this body for
21 these witnesses?

22 (No further questions.)

23 COUNCILMAN CLARKE: There being
24 none, gentlemen, I want to thank you very
25 much for coming down and giving us this

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 very, very important information. We look
3 forward to working with you to iron this
4 out 'cause we need every penny we can get.

5 And to the Administration, if
6 there's any support that you need from the
7 Council to implement this program, please
8 let us know.

9 MR. DUBOW: Thank you. We
10 appreciate that.

11 COUNCILMAN CLARKE: You're
12 welcome. Okay, thank you.

13 Next on our list, we will have
14 Ms. Vivian Miller, the Clerk of Quarter
15 Sessions, to discuss of issue of bail
16 collections. I must say, Miss Miller is a
17 row office member.

18 (Witnesses come forward.)

19 MS. MILLER: Good afternoon. My
20 name is Vivian Miller. I'm the Clerk of
21 Quarter Sessions. To my right is Andrea
22 Jefferson, who is my accountant/clerk.
23 And to my left is Robin Jones, my first
24 deputy.

25 COUNCILMAN CLARKE: Thank you.

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2 Please proceed with your testimony.

3 Or were we going to have
4 questions? Councilman?

5 COUNCILMAN JONES: I'm sorry.

6 Thank you, Mr. Chairman.

7 I don't think you have prepared
8 testimony.

9 MS. MILLER: No, I do not.

10 COUNCILMAN JONES: What I'd like
11 you to do is -- this is as a result of
12 coming to this council's attention that
13 there may be outstanding bail money out on
14 the streets. And in tough times, I guess
15 the question begs itself of: How do we
16 get those dollars more efficiently into
17 our coffers?

18 And what I would like you to do
19 for us is describe the bail process for us
20 as it exists today. And then we'll go
21 into some understanding on how we can make
22 it a little more efficient. And also
23 whether the Council can be helpful in
24 increasing fees in certain areas as to
25 allow us to receive a little more revenue

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2 than we today.

3 So with that, can you describe
4 for us how the bail process works.

5 MS. MILLER: Okay. First of
6 all, bail is imposed a hundred percent.
7 We assess a person 10 percent of that
8 hundred percent. Thirty percent of that
9 is administrative costs.

10 Are you following me?

11 COUNCILMAN JONES: I'm following
12 you.

13 MS. MILLER: Okay. Now, what
14 happens is, FJD handled all codes and
15 forfeitures, which means the forfeitures
16 up until '06 of last year, when CPCMS came
17 in.

18 COUNCILMAN JONES: And who are
19 they?

20 MS. MILLER: Okay. That's the
21 State, when the State taken over.

22 And what happened is, we then --
23 well, the forfeitures went down because
24 FJD no longer did the coding; we had to
25 take over and do the coding.

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2 So, but I'll tell you -- better
3 still, I will let Andrea Jefferson, who's
4 my accountant/clerk, explain that process
5 to you.

6 COUNCILMAN JONES: Thank you.

7 MS. JEFFERSON: Hi.

8 COUNCILMAN JONES: State your
9 name for the record.

10 MS. JEFFERSON: Andrea
11 Jefferson. I'm the account clerk for the
12 Clerk of Quarter Sessions.

13 The process of bail, the judge
14 imposes a bail of a hundred percent. The
15 surety comes to the bail window, and they
16 pay 10 percent of the hundred percent.
17 And that money is collateral, stating that
18 the defendant is going to show up for
19 court.

20 If the person does not show up
21 for court, then the judge will enter,
22 like, a sue-out forfeited bail. The
23 defendant has 20 days to respond to the
24 letter. And if they do not respond to it,
25 then the judgment is entered.

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2 So in that process, we have
3 taken over the judgments. So now, once
4 the judgment is entered, the bail money is
5 assessed. That 10 percent that's
6 collected is forfeited and it goes to the
7 City. So then the defendant/surety will
8 owe the 90 percent.

9 So basically the 90 percent is
10 basically a judgment, but you have to put
11 the judgment for the whole thing, for the
12 whole total amount, to cover the money
13 that was assessed to the City.

14 COUNCILMAN JONES: So if I
15 understand this correctly -- let's use a
16 hypothetical figure of a thousand dollars.

17 MS. JEFFERSON: Okay. So --
18 okay, you have a thousand dollars. The
19 person doesn't show up for court.

20 COUNCILMAN JONES: So they -- we
21 --

22 MS. JEFFERSON: They pay 10
23 percent of it.

24 COUNCILMAN JONES: So we have
25 the hundred dollars immediately.

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2 MS. JEFFERSON: Yeah, we have a
3 hundred dollars right immediately. And
4 then also we have a \$10 bond fee, because
5 for every bond that is printed out, it's
6 \$10.

7 COUNCILMAN JONES: So then there
8 is \$900 that was owed to the City of
9 Philadelphia.

10 MS. JEFFERSON: Yes, that's
11 correct.

12 COUNCILMAN JONES: What happens
13 the -- so we enter a judgment --

14 MS. JEFFERSON: For 900 --

15 COUNCILMAN JONES: -- for \$900.

16 MS. JEFFERSON: The judgment is
17 for a thousand because you have to cover
18 the hundred that was taken.

19 COUNCILMAN JONES: So the whole
20 thousand is due.

21 MS. JEFFERSON: Right.

22 COUNCILMAN JONES: How do we
23 secure the other 900 when the defendant
24 comes in; is that unsecured? Meaning, is
25 there a house? is there property? is there

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2 a bank account?

3 MS. JEFFERSON: In some cases
4 how that money is collected is, if there
5 is, like, a payoff, if a person owns
6 property and they find out that you owe
7 the Clerk of Quarter Sessions, like, \$900
8 in judgment, you need to pay it off before
9 you can sell your house.

10 COUNCILMAN JONES: So you place
11 a judgment on a piece of property.

12 MS. JEFFERSON: Just on the --

13 COUNCILMAN JONES: Does that
14 happen a hundred percent of the time?

15 MS. JEFFERSON: Not on the
16 property but on the person itself.

17 COUNCILMAN JONES: Okay.

18 MS. JEFFERSON: 'Cause sometimes
19 they could -- they can get money off --
20 say, like, if they sell they house, then
21 whatever they owe, say like they owe \$900,
22 then that money will come to us. FJD
23 collects that money.

24 Then they would deposit that
25 money in our account, and then we would

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2 forward it to the City.

3 COUNCILMAN JONES: So there is a
4 scenario where a person can approve bail
5 for a person and may not have it secured
6 by real estate; it is on the person's
7 name?

8 MS. JEFFERSON: Mm-hmm.

9 MS. MILLER: Yeah.

10 MS. JEFFERSON: Yes.

11 COUNCILMAN JONES: So what
12 percentage of bail in the City of
13 Philadelphia is secured by real estate
14 today? Roughly, approximately.

15 MS. JEFFERSON: Roughly? It's
16 -- I know it's low. They do more
17 10 percent than real estate; that I do
18 know, but -- 'cause they do do real estate
19 bail, but it all depends on the value of
20 the property.

21 COUNCILMAN JONES: Mm-hmm.

22 MS. JEFFERSON: And that -- they
23 usually take the value of the property,
24 and whatever adjustment is left, they'll
25 take, like, 10 percent; they have to put

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2 up 10 percent of it.

3 COUNCILMAN JONES: Let me ask a
4 question, a more fundamental question.

5 MS. JEFFERSON: Okay.

6 COUNCILMAN JONES: How much bail
7 is owed the City of Philadelphia today?

8 MS. JEFFERSON: You talking
9 about forfeited bail?

10 COUNCILMAN JONES: Forfeited
11 bail.

12 MS. JEFFERSON: I know today...
13 Well, we'd have to give you the figure,
14 but it's a large sum of money.

15 COUNCILMAN JONES: Give me an
16 estimate.

17 MS. JEFFERSON: Estimate? I
18 know -- I'll say maybe over 20 million.

19 COUNCILMAN JONES: So there's
20 \$20 million approximately owed on
21 forfeited bail today? Or is that more?

22 MS. JEFFERSON: That's just
23 estimated because we only -- in the
24 figures that I have, it only went to --
25 the accounting -- the accountant only did

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2 from 2005 to 2008, but you have to go
3 prior to 2005.

4 COUNCILMAN JONES: Would it be
5 out of the realm of possibility for that
6 number to be higher?

7 MS. JEFFERSON: It could be.

8 COUNCILMAN JONES: Could it be
9 as high as --

10 MS. JEFFERSON: It could be
11 higher or lower.

12 And then also, too, you have to
13 take on account that you have vacated
14 orders that can affect that 90 percent,
15 because the person can say, Hey, you have
16 a judgment against you. And if they want
17 their bail money back, they can file a
18 petition through the president judge. And
19 it all depends on the reason why they
20 didn't show up for court; the judge will
21 either grant it or deny it.

22 COUNCILMAN JONES: It was
23 brought to my attention that that figure
24 could be as high as a billion dollars; is
25 that beyond the realm of possibility?

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2 Yes?

3 MS. JEFFERSON: It could --

4 COUNCILMAN JONES: So it's not a
5 billion dollars, but it could be -- what
6 could be the possible high end of this
7 based on the fact that a lot of the prior
8 years aren't assessed in your figures?
9 What could be the mean amount of money
10 owed the City of Philadelphia?

11 MS. JEFFERSON: Mm...

12 Roughly...

13 MS. JONES: About 300 million.

14 COUNCILMAN JONES: A hundred
15 million?

16 MS. JONES: About 300 million.

17 COUNCILMAN JONES: 300 million,
18 okay.

19 Now, you mentioned in your prior
20 testimony that we secure some of the bail
21 by real estate, but we're not today
22 prepared to say how much percentage of
23 that 200 million is real estate secured?

24 MS. JONES: Well, that part of
25 the process is not done by our office.

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2 COUNCILMAN JONES: Okay. Who is
3 it done by?

4 MS. JEFFERSON: Well, that
5 process is between FJD and the
6 Controller's Office.

7 COUNCILMAN JONES: So then when
8 a person wants bail, who determines
9 whether -- is there a financial assessment
10 done --

11 MS. JEFFERSON: Yes, sir.

12 COUNCILMAN JONES: -- of the
13 defendant?

14 MS. JEFFERSON: Yes, sir.

15 COUNCILMAN JONES: And could you
16 describe that process?

17 MS. JEFFERSON: If somebody
18 wants to put up property, they first have
19 to find out the value of the property, and
20 it all depends on the amount of bail that
21 the judge will impose on the defendant.
22 You know, sometimes they use half real
23 estate and half 10 percent. They use half
24 cash, half real estate.

25 COUNCILMAN JONES: So in order

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2 to get this accurately assessed, we need
3 to contact the Controller's Office --

4 MS. JEFFERSON: Yes, sir.

5 COUNCILMAN JONES: -- to find
6 out what percentage of the potential
7 200 million is secured by real estate?

8 MS. JEFFERSON: That I couldn't
9 tell you; I'm not for sure.

10 COUNCILMAN JONES: Right.
11 That's who we need to call, though, right?

12 MS. JEFFERSON: Okay, right,
13 mm-hmm.

14 COUNCILMAN JONES: Okay. Now
15 let's put a pin in that.

16 MS. JEFFERSON: Okay.

17 COUNCILMAN JONES: Because if we
18 do an assessment of the person's ability
19 to secure by real estate, what are some of
20 the litmus tests when we say, All right,
21 they don't have real estate; let's go in
22 that person's name. What would be that
23 threshold that we say, Okay, we're going
24 to let them not use real estate; we're
25 going to let them use their name as

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2 security. Could you describe what that
3 threshold is?

4 Or you don't do that, the
5 controller -- it goes to the bail
6 commissioner. So then they make a
7 determination as to this person's economic
8 is such that we could use the real estate.

9 MS. JEFFERSON: Right.

10 MS. MILLER: As far as we know,
11 yeah.

12 MS. JEFFERSON: Well, they have
13 that option, whoever the surety is, to use
14 real estate or use cash. It all depends
15 on, you know, what they have at hand.

16 COUNCILMAN JONES: All right.
17 You mentioned earlier that there's a
18 percentage, 10 percent, that you get for
19 processing fees?

20 MS. JEFFERSON: No. The cash
21 bail demanded is 10 percent.

22 COUNCILMAN JONES: And who does
23 that money go to?

24 MS. JEFFERSON: The 10 -- no,
25 there's a \$10 processing fee.

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2 COUNCILMAN JONES: \$10?

3 MS. JEFFERSON: \$10, not the --

4 COUNCILMAN JONES: Not 10

5 percent?

6 MS. JEFFERSON: No, sir.

7 MS. JONES: The 10 percent was
8 speaking in reference to what's paid from
9 the 100 percent. If a judge orders bail
10 on a thousand dollars --

11 COUNCILMAN JONES: No, I got
12 that.

13 MS. JONES: -- that's for the 10
14 percent. The administrative fee, which I
15 think you're asking, is 30 percent.

16 COUNCILMAN JONES: 30 percent.

17 MS. JEFFERSON: Mm-hmm.

18 MS. JONES: Which goes to the
19 City.

20 COUNCILMAN JONES: To the City,
21 okay.

22 MS. JONES: That's money that's
23 generated for the City whenever the bail
24 is imposed or paid.

25 COUNCILMAN JONES: So currently,

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2 do you know what we receive in revenues as
3 a municipality of that 30 percent?

4 MS. JEFFERSON: Uh, can you --

5 COUNCILMAN JONES: What was our
6 annual fee last fiscal year some?

7 MS. JEFFERSON: Let's see.

8 For -- for, um... Okay. For 2008 up to
9 date, it's 2 million, 800, 900 -- 600
10 dollars, 436 --

11 COUNCILMAN JONES: Could you
12 repeat that figure. 2 million...

13 MS. JEFFERSON: \$2,896,436.97.

14 COUNCILMAN JONES: So we can
15 round it off to a little less than
16 3 million. And --

17 MS. JONES: That's what's
18 collected this year.

19 COUNCILMAN JONES: This year?

20 MS. JEFFERSON: This year,
21 mm-hmm.

22 COUNCILMAN JONES: To date or --

23 MS. JONES: To date.

24 COUNCILMAN JONES: To date.

25 MS. JEFFERSON: To date.

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2 COUNCILMAN JONES: So annually,
3 your estimation is, we're going to be
4 about at 3 million, do you think?

5 MS. JONES: Probably.

6 COUNCILMAN JONES: So if we were
7 to -- and does this council have the
8 ability to increase that fee?

9 MS. JONES: Yes, you do, which
10 is one of our proposals for today.

11 COUNCILMAN JONES: Okay. So
12 you're recommending that we go from
13 30 percent to what percent?

14 MS. MILLER: 35.

15 MS. JONES: 35.

16 COUNCILMAN JONES: 35 percent.
17 So that would give us an additional what
18 in revenue annually?

19 MS. JONES: Well, those numbers
20 we haven't come up with because we wanted
21 to see what the process would be, I guess,
22 in terms of even asking for the 35
23 percent.

24 COUNCILMAN JONES: All right.
25 So your recommendation on the record is

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2 for us, for the administrative portion of
3 the fees, to go from 30 percent to
4 35 percent; is that correct?

5 MS. JONES: Yes.

6 COUNCILMAN JONES: All right.

7 Thank you, Mr. Chairman.

8 MS. JONES: Also, there's a cap.

9 COUNCILMAN JONES: Say it again.

10 MS. JONES: We're also asking
11 that possibly -- in terms of looking at --
12 we understood to come here today was to
13 ask for revenue-enhancement ideas, and one
14 of them was to raise the cap; it's a cap
15 of \$750.

16 Basically what happens is, if a
17 person pays a bail of, say, \$2500, the
18 most that they could take would be the
19 \$750; they couldn't exhaust the person's
20 fees. That's 30 percent, or 750.

21 What we're asking is to propose
22 it maybe to a thousand dollars so that it
23 would generate money for the City. So
24 we're asking to raise the cap.

25 COUNCILMAN JONES: So included

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2 in the 30 to 35 percent increase, which is
3 a 5 percent increase, you're recommending
4 to go remove the cap to -- from 750 to
5 \$1,000?

6 MS. MILLER: That's correct.

7 COUNCILMAN JONES: Thank you.

8 COUNCILMAN CLARKE: Thank you,
9 Councilman.

10 Councilwoman Tasco?

11 COUNCILWOMAN TASCO: I'm just
12 trying to figure out, you don't -- you
13 don't -- do you set bail?

14 MS. JONES: No. The judge does.

15 COUNCILWOMAN TASCO: The judge
16 sets bail, right? Do commissioners set
17 bail?

18 MS. JONES: Judges and bail
19 commissioners set bail.

20 COUNCILWOMAN TASCO: The bail
21 commissioners set bail? At what point
22 does the client pay the fee for bail?
23 They say \$25,000 and they said that's how
24 much your bail is; they have to pay
25 10 percent of that?

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2 MS. JONES: It's 10 percent of
3 that, yes.

4 MS. MILLER: Ten percent of
5 that.

6 COUNCILWOMAN TASC0: It's 70 --

7 MS. MILLER: No, 10 percent of
8 that bail.

9 COUNCILWOMAN TASC0: So they pay
10 10 percent of that -- that would be, what
11 did I say, \$2500?

12 MS. MILLER: But there's a cap
13 of --

14 COUNCILWOMAN TASC0: What does
15 that mean?

16 MS. MILLER: The cap means that
17 you only -- up to a certain amount,
18 irregardless of how much the bail is, they
19 only have to pay up to \$750.

20 COUNCILWOMAN TASC0: So if it's
21 a million-dollar bail, they still pay only
22 up to \$750?

23 MS. JONES: No, no. What
24 happens is that the cap is, as it pertains
25 to the 30 percent. The City can only take

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2 up to 30 percent. Anything over the
3 30 percent -- anything over -- anything
4 over 7 -- up to -- anything over \$750 they
5 can't take it as it pertains to --

6 COUNCILWOMAN TASC0: So your fee
7 is, the City gets 30 percent of \$700 --
8 750, right, okay. So what happens to the
9 rest of the money?

10 MS. JEFFERSON: It goes to the
11 surety 'cause the money is split between
12 the City and the surety. You have
13 30 percent -- on each bail is 30 percent.

14 COUNCILWOMAN TASC0: Mm-hmm.

15 MS. JEFFERSON: Anything 2500
16 and over is 750.

17 COUNCILWOMAN TASC0: Okay. And
18 that's what comes to the City.

19 MS. JONES: Right.

20 MS. JEFFERSON: The 30 percent
21 goes to the City.

22 MS. MILLER: As the
23 administrative costs.

24 MS. JEFFERSON: The 70 percent
25 of the 10 percent goes to the surety, the

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2 person who actually paid the money.

3 COUNCILWOMAN TASC0: Okay. So
4 all of that money floating out there
5 doesn't -- is not the City's money; it's
6 the surety's -- the person who assures the
7 bond.

8 MS. JEFFERSON: Yes, ma'am.

9 COUNCILWOMAN TASC0: So they
10 make the money.

11 MS. JONES: It's theirs until
12 they forfeit. If they don't show up to
13 court, then at that point, the City enters
14 a judgment and they keep the 10 percent.

15 COUNCILWOMAN TASC0: So if I
16 don't show up for my court date and I have
17 a \$25,000 judgment, so Mr. Jones assured
18 that they would get the 25 -- assured that
19 I would show up.

20 MS. JONES: Right.

21 COUNCILWOMAN TASC0: Right. So
22 he forfeits --

23 MS. MILLER: This is why --

24 (Indiscernible; parties talking
25 over each other.)

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2 COUNCILWOMAN TASC0: -- the
3 \$25,000, you get 750. And what happens to
4 the rest of the money; it goes to
5 Mr. Jones?

6 MS. MILLER: Whoever put the
7 money up. See, this is why a lot of the
8 sureties put the money in the inmate, the
9 person who is up in front of the judge;
10 they put it in their name because they
11 don't want to be responsible just in case
12 the person jumped bail. But then if the
13 person jumped bail, then they're not
14 responsible.

15 COUNCILWOMAN TASC0: Okay. So,
16 really, the City only collects \$750.

17 MS. JONES: Of a forfeited
18 (inaudible). There's a difference. What
19 happens is, there's 10 percent, okay,
20 that's paid off.

21 MS. MILLER: A hundred percent.

22 MS. JONES: That's a different
23 scenario; that's a thousand dollars, okay?

24 You pay a \$100 as your
25 10 percent.

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2 COUNCILWOMAN TASC0: Mm-hmm.

3 MS. JONES: All right. The City

4 takes 30 percent of that off of the

5 administrative fee, off of the 10 percent.

6 MS. MILLER: Yes.

7 COUNCILWOMAN TASC0: Okay. And

8 you keep the rest.

9 MS. JONES: You're entitled to

10 all of that money back --

11 COUNCILWOMAN TASC0: Except

12 the --

13 MS. JONES: You're entitled to

14 your 10 percent, minus the 30 percent if

15 you don't jump bail.

16 If you jump bail, then what

17 happens is, the City takes -- you go up

18 before a judge, and if the judge says he

19 doesn't reinstate that, that money goes

20 back to the City; that's money that goes

21 to the City.

22 If you're talking about that

23 90 percent, the difference between the 10,

24 the \$900 we were talking about in

25 reference to the example we used earlier,

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2 that's the judgment that's entered to the
3 defendant if it's not --

4 COUNCILWOMAN TASC0: (Addressing
5 Councilman Jones.) Is this your issue?

6 COUNCILMAN JONES: Mm-hmm.

7 COUNCILWOMAN TASC0: So what are
8 we trying to figure out here?

9 COUNCILMAN JONES: There are
10 several things we're trying to figure out.
11 Number one --

12 (Laughter.)

13 COUNCILMAN JONES: I appreciate
14 it.

15 MS. MILLER: What's happening
16 is, you --

17 (Indiscernible; parties talking
18 over each other.)

19 COUNCILWOMAN TASC0: Let him
20 answer my question, Ms. Miller. I want to
21 know, what are we talking about?

22 COUNCILMAN JONES: Here's what
23 we're talking about:

24 COUNCILWOMAN TASC0: What's the
25 issue?

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2 COUNCILMAN JONES: Here's the
3 issue: Under their estimate, as much as
4 \$200 million is on the streets right now.
5 In our current configuration, we only get
6 30 percent of the 10 percent, which is
7 capped at \$750.

8 COUNCILWOMAN TASCO: Mm-hmm.

9 COUNCILMAN JONES: We want to
10 consider increasing the cap so that the
11 City of Philadelphia gets a larger portion
12 of that share. And then we want to look
13 at means by which I hope the City
14 Solicitor is in negotiations on how we
15 receive that thou -- the rest of that \$900
16 that's owed on the streets, which could be
17 as much as \$200 million.

18 Now, I have questions about --
19 what has been helpful to me is that the
20 economic assessment of the individual
21 receiving bail is not done by you.

22 MS. JONES: Right.

23 COUNCILMAN JONES: It is done by
24 the Controller's Office, so the question
25 be --

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2 (Indiscernible; parties talking
3 over each other.)

4 MS. MILLER: That's only the
5 real estate part.

6 COUNCILMAN JONES: The real
7 estate part, correct.

8 And my issue on real estate is,
9 is there a question of economic viability
10 that we're trying to be a little more
11 liberal so that we have don't have
12 over-crowding in jails, and that's a
13 reality.

14 But in cases where people have
15 means to pay, we should be going after --
16 if somebody jumps bail, we should -- and
17 the person has means to repay the City of
18 Philadelphia, we should be going after
19 those dollars.

20 COUNCILWOMAN TASC0: Right, I
21 agree.

22 COUNCILMAN JONES: And that's
23 where I'm trying to get to.

24 MS. JONES: Right. And we are
25 working with the City Solicitor's Office

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2 to go ahead and make sure that that
3 happens, that there's a collection
4 (inaudible).

5 COUNCILWOMAN TASC0: (Inaudible.)

6 COUNCILMAN JONES: That's a
7 possibility, but at the point where we're
8 closing libraries, fire stations, and
9 pools, we're going to reassess how we
10 deliver bail, we're going to look a little
11 harder at the economic viability of the
12 individual. And if we can get real
13 estate, we want it; and if they violate
14 and jump bail, we want the property.

15 COUNCILWOMAN TASC0: I think in
16 terms of -- you mentioned it yourself. In
17 terms of looking at the cost, is trying to
18 collect a thousand dollars going to cost
19 you more? By keeping 'em in jail, does it
20 cost more than the thousand dollars to
21 keep 'em in jail than to keep the cap on
22 the 750?

23 Because the ability to pay the
24 750, if it's not there, then you increase
25 the population in the prison, and that

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2 cost goes up to the City.

3 COUNCILMAN JONES: And as we
4 look at this, we're looking at this in
5 total context of house arrest and other
6 things we can do to try to balance this
7 out.

8 And I appreciate your comments
9 there. We don't want to be penny-wise and
10 pound-foolish. It does not make sense for
11 us to hold somebody in jail at a hundred
12 dollars a day cost to the City of
13 Philadelphia. So your point is well
14 taken.

15 But as we look at all of these
16 things as cost considerations, we need to
17 take into account that \$200 million is a
18 lot of money that, you know, we can
19 possibly go after.

20 COUNCILWOMAN TASC0: I want them
21 to explain that 200 million. What --
22 whose money is that; is that our money?

23 If we're at a 750 cap, what -- I
24 don't -- see, I don't understand the
25 process, so that's why I'm not sounding

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2 real smart about this stuff. You can't
3 know everything, right?

4 So how do you come to -- is that
5 \$200 million that has not been paid of the
6 30 percent of the money that's floating
7 out there for bail?

8 MS. JEFFERSON: No.

9 COUNCILWOMAN TASC0: How do you
10 get to \$200 million? And what is that;
11 whose money is that?

12 MS. JEFFERSON: The commission
13 and the forfeited bail is two separate
14 categories. The commission is already
15 automatically earned, it's automatically
16 taken from the bail money.

17 COUNCILWOMAN TASC0: No, but
18 Councilman Jones is saying we have
19 \$200 million on the street that we need to
20 capture.

21 MS. JEFFERSON: I understand.

22 COUNCILWOMAN TASC0: Is that --
23 whose money is it? Who --

24 MS. JEFFERSON: It's the City's
25 money.

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2 COUNCILWOMAN TASC0: You haven't
3 collected the 750?

4 MS. JEFFERSON: The 750 is
5 commission. That money is separate from
6 forfeiture; that's what I'm saying.

7 COUNCILWOMAN TASC0: So you're
8 saying there are people out there on bail
9 who didn't pay the 10 percent.

10 COUNCILMAN JONES: No.

11 MS. JEFFERSON: No.

12 COUNCILMAN JONES: Point of
13 information. Let me help you.

14 COUNCILWOMAN TASC0: Please help
15 me.

16 COUNCILMAN JONES: There's an
17 administrative fee that they're already
18 getting; they get that off the top.

19 COUNCILWOMAN TASC0: Mm-hmm.

20 COUNCILMAN JONES: But what is
21 missing in that 200 million is people who
22 jump bail, who don't come back; that is
23 owed to the City of Philadelphia.

24 MS. JEFFERSON: Yeah, that's the
25 70 percent.

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2 COUNCILMAN JONES: That's the 70
3 percent of --

4 MS. JEFFERSON: Of the
5 10 percent.

6 (Laughter.)

7 MS. JONES: I don't know how to
8 present it easier.

9 COUNCILWOMAN TASC0: Joe Brown
10 goes to court, he has to pay a bond, and
11 he has to pay 750 to the City. And he
12 pays -- whatever he pays, 750 comes to the
13 City.

14 MS. JEFFERSON: Yes, ma'am.

15 COUNCILWOMAN TASC0: Does he put
16 the 10 percent up at the time he's put on
17 bail?

18 MS. JEFFERSON: Yes, ma'am.

19 Yes, ma'am.

20 COUNCILWOMAN TASC0: He has to
21 post that money at the time that he pays
22 the bail; he has to put the money up,
23 right? So you get 10 percent bail, and
24 that's \$2500, and then you take --

25 MS. JEFFERSON: 750.

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2 COUNCILWOMAN TASC0: -- \$750.

3 MS. JEFFERSON: That's 30
4 percent.

5 COUNCILWOMAN TASC0: So how do
6 you not collect it if you're not
7 collecting it upfront?

8 Shelly, can you explain it to
9 us? Let Shelly explain it to me 'cause
10 I'm a little slow at this.

11 (Witness comes forward.)

12 COUNCILMAN CLARKE: And for the
13 record, just for the record, we have three
14 individuals who are in the next panel that
15 have to be at a 3 o'clock appointment, so
16 if we can't wrap it up relatively shortly,
17 we're going to ask for you to submit to
18 the chair for the committee members in
19 writing the structure of how it works.

20 COUNCILWOMAN TASC0: Yes, of how
21 it works.

22 SOLICITOR SMITH: Shelley Smith,
23 City Solicitor.

24 All right. Hypothetically, a
25 person is -- a judge imposes bail of

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 \$10,000. The person is required, in order
3 to be released, to post 10 percent of that
4 bail, \$1,000.

5 Of that 10 percent, the court
6 charges an administrative fee of
7 30 percent; that would be \$300.

8 The amount of the administrative
9 fee, the 30 percent of that 10 percent, is
10 capped at \$750. Therefore, no matter how
11 high your bail goes, when you pay the --
12 if the 30 percent of your 10 percent would
13 theoretically exceed \$750, the court's
14 administrative fee is still capped at
15 \$750.

16 That's how it works.

17 COUNCILWOMAN TASCO: So how do
18 we get to the --

19 SOLICITOR SMITH: And the
20 remaining amount of money then -- how do
21 we get to the...

22 COUNCILWOMAN TASCO: They said
23 there's \$200 million on the street.

24 SOLICITOR SMITH: Okay. The
25 \$200 million, assuming that's the

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 number -- and I'm not sure that that is
3 the number. But assuming that's the
4 number, whatever amount of money is
5 outstanding in -- in -- that money is bail
6 judgment.

7 In other words, it's people who
8 have forfeited their 10 percent and also,
9 therefore, forfeited the total amount of
10 bail that was imposed against them. So
11 when they forfeited -- when they jumped
12 bail, they forfeited the deposit and they
13 forfeited the total amount of the bail.

14 So in my hypothetical, they
15 forfeited the total \$10,000. Whatever
16 they have not paid is the remaining amount
17 of the judgment against them, and they owe
18 that. And those total amounts for all of
19 those people who jumped bail and forfeited
20 their 10 percent and then the total amount
21 of bail amounts to the 200 million, or
22 whatever the number is.

23 COUNCILWOMAN TASC0: Thank you.

24 SOLICITOR SMITH: You're
25 welcome.

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2 COUNCILMAN JONES: Question,

3 Mr. Chairman.

4 COUNCILMAN CLARKE: Councilman

5 Jones?

6 COUNCILMAN JONES: Real quick.

7 SOLICITOR SMITH: Of me?

8 COUNCILMAN JONES: Yes. Are we
9 moving to look at that \$200 million for
10 collection?

11 SOLICITOR SMITH: We are.

12 COUNCILMAN JONES: Thank you.

13 COUNCILMAN CLARKE: Councilman

14 Green.

15 COUNCILMAN GREEN: Thank you.

16 And I won't ask question's; I'll
17 just ask you to provide this information
18 to the chair. Could you please get to us
19 what your estimates would be if we
20 increased it to a thousand dollars from
21 750, if we increased the fee from 30 to 35
22 percent. And then also give us a
23 breakdown of the 90 percent that is not
24 part of those fees, you know, the two or
25 \$300 million, whatever that number is,

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 give us a breakdown of how much of that is
3 collateralized by real estate or some
4 other method or has a surety other than
5 the actual bail jumper, what percent is
6 that, so that we can get some kind of
7 likelihood of collection analysis from
8 that data.

9 And then, finally, do we not
10 have bail bondsmen in Philadelphia?

11 MS. MILLER: No.

12 COUNCILMAN GREEN: So we
13 generally -- generally, we don't?

14 MS. MILLER: There is one.

15 COUNCILMAN GREEN: And, you
16 know, if there are sureties, why we're not
17 going after those people first, I guess,
18 would be -- why it's hanging out there.

19 Thank you.

20 COUNCILMAN CLARKE: Thank you,
21 Councilman.

22 COUNCILWOMAN TASCO: Thank you.

23 COUNCILMAN CLARKE: All right.

24 Thank you very much for your testimony.

25 SOLICITOR SMITH: Thank you,

1 12/10/08 FISCAL STABILITY, RES. 080603, 890

2 Mr. Chairman.

3 COUNCILMAN CLARKE: Thank you,
4 Miss Smith, for helping us.

5 If you can -- when you compile
6 that information, if you could forward it
7 to the chair and we'll distribute it among
8 the members both on the committee and
9 Councilmembers. Thank you so much for
10 your support.

11 MS. MILLER: You're welcome.
12 All right.

13 COUNCILMAN CLARKE: The next
14 panel, the next and last panel.

15 COUNCILWOMAN BLACKWELL:
16 Mr. Chairman?

17 COUNCILMAN CLARKE: I'm sorry.
18 Councilwoman Blackwell?

19 COUNCILWOMAN BLACKWELL: We only
20 wanted to make one statement.

21 COUNCILMAN CLARKE: Sure.

22 COUNCILWOMAN BLACKWELL: All of
23 us have been through Clerk of Quarter
24 Sessions and their funding issues over the
25 years, and it's always been an issue with

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 them.

3 Certainly, we support this
4 department and we want it to survive and
5 to continue. And we believe that any
6 issues that are raised about departments,
7 I would prefer that they come to Council
8 and talk to us, because the functions of
9 these departments still have to go on.

10 So to say what departments
11 should stay and which should lose, that's
12 easy; anybody can say anything. But what
13 happens to all that they do to raise these
14 funds for the City, maintain records, and
15 all that goes along with that.

16 And, you know, the issue has
17 always existed. They get a commitment
18 that they'll get funded, their department
19 does, and they never get it.

20 So we wanted to speak for the
21 Clerk of Quarter Session and praise them
22 for the work that they do.

23 COUNCILMAN CLARKE: Thank you.

24 COUNCILWOMAN BLACKWELL: Thank
25 you, Mr. Chairman.

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2 COUNCILMAN CLARKE:

3 Councilwoman, I suspect if the recent
4 newspaper reports go beyond simply
5 statements, there will be significant
6 discussions about what row offices will
7 stay and leave, and there will be
8 substantial discussions with respects to
9 those proposals.

10 Thank you so much.

11 Next we'd like to call up
12 Mr. Mark Madden, the Director of Business
13 Development from SEMUSA; and Paul Levy
14 from the Center City District.

15 (Witnesses come forward.)

16 COUNCILMAN CLARKE: And,
17 Mr. Madden, there will be some discussion
18 about the ability to have a coordinated
19 municipal advertisement program. And I
20 understand that there was an attempt in
21 the last administration to move this
22 forward, but we did not conclude that.

23 I understand Miss Cutler is here
24 to provide any support as it relates to
25 questions and the status of any new

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 proposals.

3 We're going to have a PowerPoint
4 presentation.

5 MR. MADDEN: Good afternoon,
6 Councilmembers, committee teams, and
7 citizens. My name is Mark Madden, and I'm
8 the Director of Business Development for
9 SEMUSA.

10 If you could turn to the next
11 slide, please.

12 We're a global leader in the
13 outdoor street furniture industry. We
14 were established in 1984, headquartered in
15 Madrid, Spain, and we're a century-old
16 company -- rather, a subsidiary of a
17 century-old company, FCC, which is Spain's
18 largest municipal-services provider, with
19 over \$16 billion in annual revenue.

20 Next slide, please.

21 We're in 13 countries, over
22 160,000 structures in the ground in over
23 160 cities, such as Milan, Barcelona,
24 Madrid, Rome, Rio de Janeiro; and, most
25 importantly, the New York City contact.

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2 The 20-year New York City contract is for
3 3,300 bus shelters, 330 newsstands, 20
4 automatic public toilets, and a number of
5 other amenities.

6 Next slide, please.

7 SEMUSA's sole business is just
8 the design, fabrication, installation, and
9 maintenance of world-class street
10 furniture complemented by dedicated
11 advertising sales force. This is
12 important because street furniture
13 advertising is the only medium that we
14 sell.

15 This is a crucial factor in
16 revenue maximization as it eliminates
17 internal competition for advertising
18 dollars by selling other competitive
19 media, such as billboards, radio,
20 airports, or shopping malls.

21 We use internationally renowned
22 designers such as (indiscernible)
23 Di Giotto for our street furniture, who
24 designed the Maserati; Richard Rogers, who
25 did the Centre Pompidou in Paris; and Sir

1 12/10/08 FISCAL STABILITY, RES. 080603, 890

2 Nicholas Grenshaw, who did the Waterloo
3 Station in London.

4 The next few slides are
5 basically just some examples of our street
6 furniture and different designs and
7 different design shapes. This is some
8 standard bus shelters as well as some
9 large bus shelters.

10 Next slide.

11 Here you have some newsstands
12 with different functionality, with the
13 garage-shaped enclosure in the front and
14 also open paneled doors on the lower left.

15 Next slide.

16 Here you have honor-box corrals,
17 or newspaper corrals, which are designed
18 to reduce street clutter.

19 And, finally, automatic public
20 toilets, several different designs.

21 And then information kiosks or
22 way-finding kiosks, which are used for
23 maps and things like that.

24 Trash receptacles, which can be
25 combined with other furniture such as

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 benches at bus shelters or stand-alone
3 furniture.

4 Also, with all of our
5 structures, we have the ability to put
6 in -- we have the flexibility and
7 innovation to put in the time and
8 temperature clocks, digital media, next
9 bus, or next (indiscernible) bus lights.

10 One of our core values is
11 respect for the environment. We use
12 high-quality, pollutant-free recycled
13 materials, and maintain our future, using
14 biodegradable cleaners. More than 95
15 percent of each (indiscernible) structure
16 is recyclable.

17 We implement solar-powered
18 structures when possible. For example, we
19 installed 1200 solar-powered shelters in
20 Miami. The power they generate provides a
21 minimum of six hours of illumination
22 during the night and reduces carbon
23 dioxide emissions by 2300 tons a year.

24 Next slide.

25 Bicycle-sharing systems. I know

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 this was a -- on the docket several months
3 back, in early 2009. SEMUSA has a long
4 history of supporting green and
5 sustainable policies. Through this, we've
6 come up with the bicycle-sharing program,
7 which we've launched in Pamplona, Spain,
8 which is 20 stations and 350 bikes; and
9 most recently, Rome, which was a pilot for
10 20 bicycle stations and 200 bicycles; as
11 well as San Sebastian.

12 Next slide, please.

13 When a city selects us to
14 install street furniture or bicycle-
15 sharing programs, we partner with local
16 design, engineering, and manufacturing
17 firms to maximize the local economic
18 development. For example, in Miami, local
19 partners performed 90 percent of SEMUSA's
20 work.

21 Next slide.

22 We look forward to continue an
23 open dialogue with the City of
24 Philadelphia and Councilmembers. My
25 contact information is in my testimony

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 submittal, which I have here. Should you
3 want to meet or discuss a street furniture
4 program for Philadelphia, we'd be more
5 than glad to meet and talk with you folks.

6 Thank you very much for your
7 time and attention.

8 COUNCILMAN CLARKE: Thank you.

9 Mr. Levy, I know you have a time
10 issue. Oh, you're okay?

11 Real briefly -- again, thank you
12 for coming down and being very patient. I
13 know you had some --

14 MR. MADDEN: No problem,
15 Councilor.

16 COUNCILMAN CLARKE: This is
17 obviously something that has been
18 discussed in the City of Philadelphia for
19 a period of time. I believe we came close
20 to entering in some agreement to have
21 advertisement on street furniture and
22 other municipal opportunities in the past,
23 and I don't believe we concluded that.
24 And it has obviously been lucrative not
25 only in New York, but in other cities.

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2 One of the things that we've
3 experienced in the City of Philadelphia --
4 be it good, bad, or indifferent -- is that
5 we have traditionally had significant
6 advocates for -- I guess it would be
7 opposed to -- I forget the term they use.
8 But essentially, it -- what's the term
9 they use.

10 UNIDENTIFIED SPEAKER: Outdoor
11 advertising?

12 COUNCILMAN CLARKE: No, it's a
13 certain term they use basically. They
14 call it "visual litter" or something like
15 that, where people essentially don't want
16 to be able to see anything else other than
17 the sky. And we've had these advocates
18 every time there was an attempt to enhance
19 the billboard program or wall wrap
20 programs in the City to increase revenue
21 generation both for the public and the
22 private sector, and more often than not,
23 they've actually won, so to speak, from
24 their perspective.

25 In these cities that you've

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 worked in, have you experienced the level
3 of pushback from the types of advocates
4 who would be opposed to outdoor and public
5 advertisement and things of that nature?

6 MR. MADDEN: Yes, Councilor, we
7 have.

8 For example, two years ago,
9 Toronto issued an RFP, and they restricted
10 the amount of advertising that could be
11 essentially in a zone or in a geographic
12 area but that adver -- bus shelters would
13 be able to possess advertising.

14 So I'd be glad to pass on that
15 RFP to City Council, or whoever it might
16 be, so you can look at kind of what the
17 parameters were.

18 Again, when you start -- you
19 know, the way the business model works is
20 that we provide the structures for free to
21 the City, using a long-term contract. And
22 90 percent of our contracts are greater
23 than 15 years, and we provide those free,
24 at no cost to the City or the citizens,
25 you know, with the proliferation of

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 advertising. And that's how it's financed
3 throughout.

4 So when you start to move -- as
5 you know, as you start to move the
6 parameters back in terms of what is
7 allowed, then, of course, the availability
8 in terms of the revenue share that we
9 would be able to provide to the City is --
10 subsequently, the scales are tipped and
11 then restricted.

12 Mostly the West Coast states and
13 the Northwest, like Oregon, Washington,
14 they have very strong first-right
15 amendments, so they're very, very keen to
16 scrutinize advertising programs, because
17 they're, you know, very much into what
18 you've described, you know, visual
19 pollution. They're concerned about
20 clutter and things like this.

21 Again, you have a very
22 outdoor-focused communities there. And
23 so, you know, for example, I think it was
24 Portland had a bicycle-sharing program
25 that they issued an RFP for, but weren't

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 allowing advertising on it. So, again,
3 you know, there was -- you know, it was a
4 bit of a disconnect in terms of how they
5 went. And, you know, unfortunately, they
6 canceled their program just to review it
7 further.

8 I don't know if that answers
9 your question.

10 COUNCILMAN CLARKE: To a degree.

11 MR. MADDEN: Okay.

12 COUNCILMAN CLARKE: And maybe
13 you haven't experienced the level of
14 opposition that we have in this particular
15 city.

16 MR. MADDEN: Sure.

17 COUNCILMAN CLARKE: During the
18 course in any of the cities that you
19 either participated in or know of, has
20 there been, either from your, the
21 company's, standpoint or the municipality,
22 a sharing of ideas as it relates to design
23 and content during the course of the RFP,
24 formulating the RFP, or during the course
25 of the implementation of the outdoor

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2 advertisement? Did your company -- I'll
3 ask about your company.

4 MR. MADDEN: Sure.

5 COUNCILMAN CLARKE: Did your
6 company -- and I don't know what degree
7 you participated, if you essentially
8 responded to what the city put out as an
9 RFP or --

10 MR. MADDEN: Did we provide
11 guidance to cities on the forefront prior
12 to an RFP is issued; is that --

13 COUNCILMAN CLARKE: Or were you
14 involved in any way, shape, or form of
15 dealing with the opposition? Were you
16 asked to sit down with some of the
17 opposition?

18 MR. MADDEN: Oh, in terms of
19 some of these people who are against,
20 quote/unquote, advertising --

21 COUNCILMAN CLARKE: Yes,
22 correct.

23 MR. MADDEN: Sure. As a matter
24 of fact, you know, we were participating
25 in the last RFP that was issued by the

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 City of Philadelphia, and we met with -- I
3 believe the organization was SCRUB. And
4 we had a very open conversation, it went
5 very well. You know, we talked about how
6 we -- you know, we -- as an organization,
7 we self-man -- we self-police our
8 advertising.

9 So, for example, when we arrived
10 in Miami, they had bench advertising,
11 which had a lot of bail bonds,
12 "1-800-divorce lawyer" advertisements.
13 Immediately, as soon as we took over the
14 contract, we got rid of all of those. We
15 just said we'll take that one on the nose
16 and we'll definitely -- you know, we want
17 to clean up. And we basically got rid of
18 bench advertising; that was something that
19 we put forth to the city.

20 COUNCILMAN CLARKE: Mm-hmm.

21 MR. MADDEN: You know, we're
22 always looking to work with the city. You
23 know, our motto is, you know, we want
24 to -- you know, we're your partner, you
25 know. And that's kind of what we want to

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 do.

3 If we're going to be in a
4 long-term contract with the City for 20
5 years and a municipality for 20 years,
6 then we need to get together on kind of
7 what the city is looking for in their
8 vision, and include all of the business
9 improvement districts, the NGOs, anyone
10 who -- you know, the business influencers,
11 kind of putting it together, because it is
12 a streetscape at the end of the day, and
13 we all have to live with it.

14 COUNCILMAN CLARKE: All right,
15 okay. I wasn't going to bring the name up
16 of one of the advocacy groups, but since
17 you brought it up, we do have SCRUB here
18 in the City of Philadelphia; it's been
19 very aggressive in, to some degree,
20 thwarting some of the initiatives that
21 have been put forth as it relates to
22 public advertising.

23 So you've had some experience;
24 I'm glad to hear that.

25 MR. MADDEN: Certainly. We had

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 a very open and a very positive discussion
3 when we met with them.

4 COUNCILMAN CLARKE: Okay. One
5 of the other questions: Given what's
6 happening in the economy, unfortunately --
7 and I want to acknowledge this, that in
8 terms of our ability to get significant
9 revenue as a result of the public
10 advertisement, there -- and correct me if
11 I'm wrong. It appears to be a shrinking
12 of the advertisement dollars from the --

13 MR. MADDEN: From the
14 advertisers.

15 COUNCILMAN CLARKE: -- from the
16 advertisers. And I think they're making
17 prudent decisions on how to spend money as
18 it relates to their being able to get the
19 maximum benefits of the advertisement.

20 Have you seen any significant
21 reductions in the willingness to provide
22 that opportunity for the municipalities?

23 MR. MADDEN: You know, there
24 hasn't been a major RFP in quite some time
25 from a municipal standpoint. I'm talking

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 about a large, you know, multifaceted such
3 as, like, New York, San Francisco,
4 Atlanta, were all out at the time
5 Philadelphia had issued theirs.

6 COUNCILMAN CLARKE: Mm-hmm.

7 MR. MADDEN: Phoenix was out
8 last year, smaller in scope. But, again,
9 it would be a large program. Haven't seen
10 a large program in the last probably a
11 good five months.

12 Now, you know, you've -- you
13 know, credit to you and your team. You've
14 obviously been doing your homework, you
15 know, with the economy, and that's going
16 across the board.

17 But yes, you're seeing
18 definitely a diminishment in terms of the
19 marketing dollars that an advertiser such
20 as -- and I'm talking about the national
21 advertisers, 'cause those are typically
22 the ones that drive the revenue stream
23 significantly; you know, the airline
24 industries, the auto industries, all of
25 those major industries that are obviously

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 pulling back on anything, any sort of, you
3 know, disposable income that would be
4 allocated towards marketing or
5 advertising.

6 So, yes, you're definitely
7 seeing a dip in the revenue streams. And
8 it's just something -- you know, again,
9 the advertising industry is definitely
10 similar to real estate; it's very
11 cyclical. When the economy buckles, you
12 know, so do those industries.

13 COUNCILMAN CLARKE: Right. In
14 terms of locations and opportunities for
15 advertisement -- and, again, I'm an
16 extreme novice in this issue, but my
17 assumption is that when people make
18 decision as to where to advertise, they
19 want to have one of the most visible
20 locations to either vehicular or
21 pedestrian traffic.

22 Assuming that in the City of
23 Philadelphia there's probably substantial
24 opportunities of municipally-owned, be it
25 sidewalks or be it buildings, and the

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 assumption is that they would probably be
3 in the extremely visible location,
4 particularly in Center City.

5 MR. MADDEN: Center City, no
6 doubt.

7 COUNCILMAN CLARKE: And I'm not
8 asking you to speak for an advertiser, but
9 if there's a decision to be made about
10 spending this limited dollar, would the
11 likelihood that they would spend in a
12 building that's owned by the City, that
13 everybody sees -- and if anybody's
14 listening, I am not talking about putting
15 a wall wrap around City Hall 'cause I know
16 that somebody's going to say that I'm
17 suggesting that.

18 Would you say that those would
19 be --

20 MR. MADDEN: You're absolutely
21 correct. I mean, when we study -- when
22 any outdoor street furniture organization
23 studies a city, you know, the first thing
24 they want to look at is all of the
25 locations of the existing inventory, and

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2 they want to find out where the densely
3 populated -- where the most eyeballs,
4 essentially vehicular and pedestrian
5 traffic, are going to see those
6 advertisements because, again, at the end
7 of the day, it's going to be those
8 national advertisers, those large
9 organizations with the large advertising
10 budgets that will look for those types of
11 things.

12 COUNCILMAN CLARKE: Okay. Thank
13 you. I had a few more questions, but I'm
14 going to defer to Councilman Jones at this
15 time.

16 COUNCILMAN JONES: Good
17 afternoon. How are you?

18 MR. LEVY: Good to see you.

19 COUNCILMAN JONES: Good.

20 Is there any estimate on what we
21 receive from outdoor advertisement
22 annually?

23 MR. MADDEN: What the annual
24 payment would be?

25 COUNCILMAN JONES: Right.

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2 MR. MADDEN: You know, when we
3 were looking at Philadelphia before you
4 could expect -- I don't know what the
5 annual could be, but it was over -- if you
6 were looking at a 20-year contract, you
7 were looking at over \$20 million over 20
8 years at a minimum, all right?

9 And it was probably more than
10 that; I don't have the figure, but it was
11 probably more than that.

12 This was -- again, those numbers
13 were at the time that the RFP was issued,
14 right? Obviously, all of that would
15 change given today's economy and
16 everything.

17 And we would also need to
18 understand -- you know, stepping back with
19 all of that, there is a significant amount
20 of ambiguity within the RFP itself, so it
21 lends a large range in terms of what types
22 of revenue could be distributed, you know.

23 So with a clearer picture, then
24 we would be able to tell you, you know,
25 more fine points or, you know, drill down

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2 into what number we could get to, you
3 know, provide to the City over the course
4 of time.

5 COUNCILMAN JONES: And, very
6 quickly, how does that compare to cities
7 like Washington, D.C. versus New York?

8 MR. MADDEN: It's a whole
9 social, political, economic study.
10 Essentially, I mean, you know, you're
11 looking at population density. You're
12 looking at, you know, population, tourism.

13 You know, a small city like
14 Miami Beach, which only has several
15 hundred thousand, you know, citizens, but
16 then you have tourism, which is 8 million
17 to almost 12 million a year. You know, it
18 starts to pave the way for how many
19 eyeballs or, you know, individuals are
20 seeing those advertisements.

21 You know, Philadelphia ranks
22 high, no doubt; it's the number-four city
23 in terms of population, and it's
24 definitely going to be up there with, you
25 know, the leading, you know, I guess,

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2 cities and outdoor furniture contracts.

3 COUNCILMAN CLARKE: Right. In
4 the earlier question from Councilman
5 Jones -- I'll just follow up to his
6 questions with respects to the estimates
7 on the municipal contract.

8 And I think you gave an estimate
9 in terms of the last RFP, but I believe
10 that the earlier RFP was limited in scope;
11 it didn't include all municipally-owned
12 buildings or properties. I think it was
13 --

14 MR. MADDEN: Right. There were
15 restrictions on where, for example, the
16 bus shelters themselves -- you know, there
17 was -- in Center City alone, there was
18 some restrictions just due to -- I think
19 there had been some recent upgrades to
20 some of those shelters, and there had been
21 some ordinances -- I don't really recall
22 what language was.

23 But, yes, there were
24 restrictions on where one could advertise
25 on -- I think those are on Chestnut Street

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2 and some of other major thoroughfares, and
3 I think that had to do with collaboration
4 with the local BID.

5 COUNCILMAN CLARKE: All right,
6 okay. All right. I'm going to actually
7 go to Mr. Levy next.

8 But, Councilman Green, you had a
9 question for Mr. Madden?

10 COUNCILMAN GREEN: I'll actually
11 wait till Mr. Levy finishes.

12 And then are you both going
13 to -- are they both going to be there to
14 answer questions?

15 COUNCILMAN CLARKE: Yeah, yes.

16 COUNCILMAN GREEN: Okay.

17 COUNCILMAN CLARKE: We'll come
18 back.

19 Mr. Levy, please state your name
20 for the record.

21 MR. LEVY: My name is Paul Levy,
22 and I'm president of the Center City
23 District.

24 Good afternoon, Councilman
25 Clarke, Councilman Green. Thanks for the

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2 opportunity. I'll be very brief.

3 But just the perspective I bring
4 as an organization over the last 17 years
5 that has installed a great deal of street
6 furniture, signs, maps, honor-box corrals,
7 et cetera. But since 1994, we've actually
8 managed the transit shelters on Walnut
9 Street and on South Broad Street.

10 And we've worked very closely
11 with the City's selected outdoor-
12 advertising agency, CBS Outdoor. And we
13 provide their opportunities of advertising
14 for nonprofit and cultural groups. Those
15 are areas where there was a prohibition on
16 commercial advertising, so we fronted the
17 cost on those shelters in order to provide
18 that opportunity.

19 Since 1998, we also managed the
20 transit shelters on Market East, which not
21 only provide opportunity for nonprofit and
22 cultural groups, but the commercial
23 revenue there goes to maintain the transit
24 shelters, bus stops, et cetera.

25 But most recently -- and you

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2 alluded to this -- in the last year of the
3 Street Administration, I served on the
4 Review Committee the last time there was a
5 public advertising offering by the City.
6 And out of those experiences, I just want
7 to offer a few suggestions and
8 recommendations.

9 I think, number one, the City
10 needs to think carefully about what it
11 wants to achieve. Is the primary goal
12 revenue generation, or is the primary the
13 provision of public amenities? You can do
14 both, but you really need to decide what
15 you want to emphasize.

16 It's clear, as you've heard,
17 that a substantial revenue stream can be
18 generated from commercial advertising, but
19 it may actually require more commercial
20 advertising than the City or its
21 communities are prepared to support.

22 I'll just give you an example.
23 In the last street-furniture public
24 bidding, the City was requesting about ten
25 public toilets, each of which cost about a

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2 half a million each. And to support that,
3 the advertising agencies wanted a great
4 deal more advertising on the street;
5 whereas, if you had taken the public
6 toilets out, you would have had a lot less
7 advertising. So it's a question of: What
8 is the City is trying to achieve?

9 If I had one piece of advice,
10 it's really to avoid what I think is a
11 false either/or choice. As you've alluded
12 to, there are people who are 100 percent
13 and categorically against any form of
14 commercial advertising, and I think
15 there's a middle ground that the City
16 should seek to find.

17 I think outdoor advertising can
18 be used very effectively to provide public
19 amenities like transit shelters, benches,
20 trashcans, recreational facilities,
21 screens to cover construction during
22 temporary periods of time. And you can
23 clearly do so with high-quality design.

24 The City, I think, needs to
25 think first about the design standards it

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2 wants to set for ads.

3 And I'll give you a very simple
4 example is, we installed banners all over
5 Center City for more than 60 cultural,
6 civic, nonprofit groups, and those really
7 announce events of nonprofit
8 organizations.

9 And by agreement with the Art
10 Commission, no more than 5 to 10 percent
11 of the area of the banner is devoted to
12 sponsorship. And so you have a discreet
13 logo of a corporation or their name taking
14 5 to 10 percent, and 90 to 95 percent is
15 the message; and, therefore, it's not
16 commercial advertising everywhere.

17 So there's a design standard of
18 how much advertising is appropriate, and I
19 think that's clearly a standard.

20 You could do the same on
21 basketball backboards. That is, if it was
22 plastered across there with the name of a
23 soft drink, people might find that
24 offensive, but if it was limited to a size
25 so it's appropriate.

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2 I think the City also needs to
3 carefully think about where things are
4 allowed, and that's effectively what we do
5 in zoning. I mean, if you remember a
6 couple of years ago, there was an April
7 Fool's issue that announced we were going
8 to rename it "The Taco Liberty Bell," and
9 everybody was incredibly offended by that,
10 but we're very comfortable with Citizens
11 Bank Park or Lincoln Financial Field.

12 And so I think commercial signs
13 and advertising should be allowed
14 appropriately in commercial districts and
15 not in others. I would make a distinction
16 between we wouldn't want commercial
17 advertising on the Benjamin Franklin
18 Parkway, but it's probably appropriate on
19 Market East. So I think there needs to be
20 a planning and zoning process.

21 I would echo your comment. In
22 the current economy, the value of outdoor
23 advertising has probably dropped
24 dramatically, but if the City were to go
25 through a bidding process, hopefully, by

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2 the time it's finished, the economy would
3 recover. But I would not go out today
4 with an RFP in this environment.

5 But that said, I do think it's
6 appropriate for the City to move forward
7 with issuing an RFP for street furniture.
8 The current transit shelters we have all
9 over the City were installed in 1994,
10 they're 15 years old and they're really
11 showing that wear and tear.

12 The current provider has been on
13 a year-to-year extension of his contract
14 and, therefore, is making no substantial
15 capital investments and not removing or
16 putting in expensive graffiti-removal
17 film, so they simply don't look up to
18 standard.

19 Most importantly -- and you just
20 heard this -- is that not simply SEMUSA,
21 but there are two or three other
22 competitive firms. The technology has
23 moved way beyond what we've installed in
24 1994. Realtime information, a whole
25 number of technologies really could enrich

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2 the street furniture we have out there.

3 So my own recommendation, to
4 simply conclude, is: Do not think about
5 this as a gigantic cash-generator. Think
6 about this -- and when the current
7 recession is over and -- and let me just
8 say, during the current recession, when
9 we're dealing with cutbacks and the kind
10 of psychology, I think street furniture is
11 one of those things that could happen
12 sooner rather than later that would show
13 continuous signs of improvements in
14 neighborhood commercial areas.

15 It would be like a psychological
16 shot in the arm that we're installing new
17 street furniture, we're upgrading
18 recreational facilities. And particularly
19 streetscape and public-area improvements
20 paid by others is part of a coordinated
21 public advertising program. It could
22 enliven streets, it could improve streets,
23 it could provide new amenities, but in
24 accord with pre-thought-out design
25 standards and with a clear set of what do

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2 we think is appropriate.

3 You cannot put out an RFP that
4 says, Give me the nicest-looking design
5 and maximize the revenue, with no further
6 guidance, which is something that needs to
7 occur before then.

8 But I thank you for the
9 opportunity to come in.

10 COUNCILMAN CLARKE: Mr. Levy,
11 are you participating in any way, shape,
12 or form with the Zoning Code Commission.

13 MR. LEVY: No, I am not.

14 COUNCILMAN CLARKE: You're not?

15 One of the issues -- and you
16 actually referenced it -- with respect to
17 some zoning initiatives involved in the
18 process of implementing a program, one of
19 the things that I found in representing a
20 district that includes substantial
21 opportunities. And there have been
22 occasions when developers or owners of
23 property, private property, were
24 interested in having certain advertisement
25 attached to -- as an accessory to their

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2 buildings and were shot down at the Zoning
3 Board simply because some of the advocacy
4 groups were able to muster a reasonable
5 amount of opposition.

6 And, frankly speaking, I didn't
7 agree with it, but this is America, and
8 people have the right. And in those
9 cases, they won. And there was actually
10 some instances where there was actually
11 oppositions raised, and the owner of the
12 building eventually was successful, but
13 they had to go through the process of
14 hiring a lawyer, and it was time-
15 consuming.

16 As a part of the Zoning Code
17 Commission -- I know you're not a part of
18 it but I know you're aware of it -- do you
19 think that there should be some
20 significant thought in terms of when we
21 ultimately redo the code or maybe prior to
22 it that we should look at areas or certain
23 aspects of the code to change the ability
24 to rezone certain areas?

25 I'll give you an example.

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2 There's a nonprofit corporation up in the
3 North Philadelphia part of my district
4 who, they own a building, and they were
5 able to get a contract with one of the
6 local TV stations to place outdoor
7 accessory signage that was electronic, and
8 there was an agreement that the TV station
9 would be able to show their news stations,
10 basically promoting the station.

11 MR. LEVY: Right.

12 COUNCILMAN CLARKE: But as a
13 part of that, they also agreed to do
14 public service announcements and things
15 like that. It was on a commercial
16 corridor, but because it was within
17 this -- I forget the exact amount of feet.
18 There happened to be, like, two residents
19 that lived in proximity within that feet,
20 and they had to go through that process to
21 get zoning.

22 And frankly speaking, everybody
23 thought it was ridiculous, but because of
24 that antiquated code, you know, it was
25 time-consuming and it was costly in terms

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2 of them being able to do that.

3 Do you think we need to look
4 at --

5 MR. LEVY: Yeah. You know, I'm
6 by no means an expert on zoning, but I
7 think it's clear, it's appropriate that we
8 relook at the zoning code. The technology
9 of signage, digital, LED screens allows
10 for things that were not possible before.
11 And I think it can be very appropriate in
12 some areas and very inappropriate in
13 others, but to do it by variance is not a
14 constructive way. I think rethinking the
15 zoning and the criteria would be very
16 helpful.

17 COUNCILMAN CLARKE: Okay, thank
18 you.

19 Councilman Green, you had some
20 questions?

21 COUNCILMAN GREEN: Thank you.

22 Actually, I would just like to
23 briefly take issue slightly with the
24 comments that there's not a lot of money
25 here. And I understand the economy is

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2 going down. But, you know, for example,
3 personally, I'd be willing to wrap One
4 Parkway and wrap MSB if that provided
5 enough money to save, you know, 11
6 libraries, for example. You know, for
7 things like that, you can get upwards of
8 \$60,000 a month for the side of a building
9 like that, depending on its visibility and
10 other things.

11 And I understand that there was
12 a building in Philadelphia at Fourth and
13 somewhere that had a wrap that was
14 required to take it down that actually was
15 getting \$60,000 a month. So I think the
16 City of Philadelphia needs to look at its
17 assets in this time and see how we can
18 create revenue.

19 And I just wonder if SEMUSA, if
20 we were to get you the address of all
21 City-owned facilities, if you could
22 provide for us kind of your estimate of
23 what -- if we were to wrap libraries, we
24 were to wrap rec centers, we were to allow
25 Coca Cola to put a Coke bottle at the

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2 bottom of a pool, and really get private
3 support for these very important
4 institutions in the City of Philadelphia.
5 You know, if we have to put a billboard on
6 the library on Broad Street to keep it
7 open, there's a lot of eyeballs there.

8 You know, what kind of revenue
9 can we get looking at just City-owned
10 facilities in terms of direct money to the
11 City of Philadelphia for allowing outdoor
12 advertising on these facilities in any
13 category -- wraps, whatever, all the
14 trashcans in front, you know, having
15 something on them, et cetera.

16 So I don't expect you to have
17 that answer now, but if you could provide
18 information like that to the chair for our
19 information, understanding you're not
20 making a bid, I would greatly appreciate
21 that.

22 I have another question and that
23 is -- and maybe Deputy Mayor Rhina Cutler
24 can help me with this. There's a section
25 of the subway lines that the City of

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2 Philadelphia, not SEPTA, owns. And I
3 don't know what -- do you know what
4 section that is? It's like the -- it's
5 the -- is it the Broad Street line or --

6 MR. LEVY: Councilman, I can
7 actually answer that question.

8 COUNCILMAN GREEN: Okay.

9 MR. LEVY: It's the South Broad
10 Street concourse. It's excluded from
11 SEPTA's outdoor advertising. It is
12 something that's being explored right now
13 in partnership with the City.

14 COUNCILMAN GREEN: Okay. Well,
15 I'm not just talking about the South Broad
16 Street concourse; I'm talking about,
17 there's a whole line, subway line, that
18 the City owns that we lease to SEPTA, and
19 there is outdoor advertising that SEPTA
20 currently gets a revenue from.

21 And I'd like to suggest that in
22 the renegotiation of whatever deal we have
23 to give SEPTA that line, that we retain
24 the outdoor advertising rights for the
25 City of Philadelphia in the future and try

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2 to get that revenue generated for us.

3 I don't really have any
4 questions except I'd like to get that
5 information. And if you have -- I'll get
6 you the information about that line, and
7 perhaps you can tell us what revenue could
8 be generated for the City as a result of
9 the selling the right to advertise at all
10 those stations.

11 MR. LEVY: Councilman, my
12 comment went to a 15-year or 20-year
13 agreement, that now is not the time to
14 enter into a 15-year or 20-year agreement
15 now. You wouldn't want to cast it in
16 stone. I wouldn't --

17 COUNCILMAN GREEN: With one
18 outdoor advertising firm.

19 MR. LEVY: That's correct.

20 COUNCILMAN GREEN: Right.

21 MR. LEVY: That was my only
22 thing.

23 COUNCILMAN GREEN: Yeah. That's
24 true. On City-owned facilities, we'd
25 obviously just be getting the revenue

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2 directly.

3 MR. LEVY: Yeah.

4 COUNCILMAN GREEN: Thank you

5 very much.

6 MR. LEVY: Great.

7 COUNCILMAN CLARKE: Thank you,

8 Councilman Green.

9 Mr. Levy, you have to go, and I
10 understand that. Thank you.

11 MR. LEVY: Thank you very much.

12 COUNCILMAN CLARKE: We'll be in
13 touch 'cause we want to have some
14 follow-up to this particular issue.

15 I want to thank you so much,
16 first of all, for being very patient in
17 coming down. We're going to actually have
18 some follow-up questions that we can
19 possibly e-mail to you 'cause we're
20 probably going to be issuing some
21 recommendations or a report on this issue.

22 Do you have a minute to stick
23 around?

24 MR. MADDEN: I certainly do.

25 It's no problem whatsoever. Thank you

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2 very much for inviting me. I appreciate
3 it.

4 COUNCILMAN CLARKE: Well, it's
5 our pleasure.

6 Miss Cutler, did you want to
7 talk at all about it? I know my
8 understanding through the grapevine is
9 that the City's working on some things
10 related to this matter. And I don't know
11 if you want to talk about it publicly. If
12 not, I understand.

13 (Witness comes forward.)

14 MS. CUTLER: Councilman, Rhina
15 Cutler, Deputy Mayor for Transportation
16 and Utilities.

17 Yes. In fact, my office is
18 looking at the issue of street furniture.
19 It is our expectation that at some point
20 in '09, we will produce an RFP for street
21 furniture.

22 At the moment, there are a
23 variety of issues that we are looking at,
24 one of which is, in fact, what will zoning
25 current allow? And some policy questions

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2 related to issues such as should the City
3 go forward with public toilets? That's
4 really a policy question at the moment
5 rather than an advertising question.

6 Many of the cities that have put
7 in public toilets have actually started to
8 take them out due to some undesirable
9 behavior around them, so it is one of the
10 issues we're looking at.

11 I think there is a sort of split
12 for me between what might constitute
13 street furniture versus what our other
14 potential revenue-producing piece is,
15 whether that's building wraps or vending
16 machines or naming rights or whatever,
17 that probably will not easily fit into a
18 street furniture contract.

19 So I know there is a group of
20 people in the Managing Director's Office
21 also looking at the additional pieces to
22 that, and at some point, will try to
23 figure out which ones are appropriate to
24 come into a street furniture contract and
25 which should be bid separately.

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2 So I don't have a great deal of
3 information. And we are certainly in
4 touch with all of the other big cities who
5 have gone out on the street, to get their
6 sense not only of their vendors but of
7 some of the pros and cons of what they
8 have put forth.

9 It is certainly my sense that we
10 will see probably nothing close to the
11 previous bids from a year-and-a-half or
12 two years ago because the economy just
13 cannot sustain that for public companies,
14 but we do think there is an opportunity.

15 I think the other piece -- and
16 it somewhat goes to your earlier comments
17 about advocates for no public
18 advertisement on the streets. And I think
19 part of what we're going to try to figure
20 out as part of the next RFP process is
21 really the public participation piece.

22 I think one of the problems that
23 I've heard a lot about from anti-billboard
24 advocates and anti-advertising folks is
25 that there was not enough of a public

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2 process to vet what kinds of things should
3 go into a street furniture contract, what
4 things are appropriate and where. And so
5 I do think we will try to figure out and
6 have it in advance of an RFP going out, a
7 public process where people get to weigh
8 in on the topic. And I'm hoping that will
9 mitigate some of the anti-street furniture
10 folks.

11 I would agree with Councilman
12 Green and with what Paul Levy just said.
13 I think, given the current financial
14 situation of the City, people are likely
15 to be at least slightly more receptive to
16 the notion that we will attempt to assist
17 in raising some revenue to assist us in
18 keeping things open that people care
19 about. So I think it might be slightly
20 easier to do now than it might have been
21 two years ago, because I think the
22 financial situation has so dramatically
23 changed, that people's opinions on the
24 subject are likely to have changed as
25 well.

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2 COUNCILMAN CLARKE: All right.

3 That might actually work on casinos,
4 right?

5 MS. CUTLER: I have no comment
6 on casinos, Councilman.

7 COUNCILMAN CLARKE: All right.
8 I hear you. It just seems like since the
9 City's financial situation -- and I know
10 you have nothing to do with this, but
11 since the City's financial situation has
12 declined, it seems that the anti-casino
13 advocates seem to be dwindling. Sorry. I
14 digress.

15 A couple of things. In terms of
16 an RFP contract -- and I know you've been
17 in government for a while, various stages
18 of government -- are there ways that you
19 could put escalators in a contract, so if
20 you let a contract at a particular time,
21 the climate is not that great, but if
22 there's a certain amount of revenue
23 raised, be it gross or net, that the City
24 can have escalators built into that
25 contract? So as the economy improves, we

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2 get more revenue for the City as opposed
3 to just simply saying, Well, it's a bad
4 climate, we're not going to do it. And
5 when there may be an opportunity to get
6 something now and more down the line as
7 the economy improves.

8 MS. CUTLER: I think there is
9 not only the opportunity to do that,
10 although, it obviously will impact your
11 upfront revenue estimates from the
12 companies.

13 I think there might also be a
14 way to just open the renegotiations if
15 revenue hits a certain point. So even if
16 you don't build the escalators in,
17 although you could certainly do that, you
18 could hypothetically create a contract
19 that said if revenues get above this
20 amount, we will come back and renegotiate
21 the next five-year term or the next
22 ten-year term.

23 So I think there are a variety
24 of ways you could have the City
25 participate on the upside as well as the

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2 base.

3 COUNCILMAN CLARKE: All right,
4 okay. That's something you will give some
5 thought to as you move forward?

6 MS. CUTLER: You bet.

7 COUNCILMAN CLARKE: One other
8 thing, and we touched on it to a degree.

9 I guess it was Councilman
10 DiCicco at the time, I think he was
11 pushing -- this was a few years back,
12 about this advertisement issue. And I
13 actually raised it at the time, and we
14 were a lot more fiscally sound so it
15 didn't get a lot of traction.

16 But we talked about at one point
17 the ability to have actual advertisement
18 on facilities in neighborhoods, and it got
19 a little pushback. Certain recreation
20 facilities -- I don't think anybody
21 referenced libraries, but recreation in
22 particular was -- I know I brought up in
23 terms of sponsorship. You know, we do
24 have certain entities that offer some
25 levels of sponsorship.

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2 Like in Strawberry Mansion, my
3 home base, you know, the Phillies, you
4 know, contributed through the RBI league
5 in making sure that the newly formed
6 baseball and athletic association to a
7 degree, but the question is, if the
8 Phillies were able to have some sort of
9 advertisement on the Mander Playground
10 Recreation Center, would that increase,
11 tastefully done, their ability or
12 willingness to contribute to a little
13 more to some of those facilities?

14 And just from a policy
15 standpoint, would or should there be any
16 thought given to possibly advertising in
17 actually high-profile locations on
18 municipally-owned buildings?

19 MS. CUTLER: I think it's
20 probably worth looking at. I would be
21 very careful about the type of advertising
22 I would allow, and I might even be
23 specific. I mean, I think there's a
24 difference here -- and this goes back to
25 the issue I was speaking about earlier --

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2 between what should go in a street
3 furniture contract versus what should go
4 in an additional sort of revenue-raising
5 contract.

6 And so, I don't -- I mean you
7 could hypothetically do logos on a variety
8 of things. We currently do not do them on
9 everything from trashcans to bags that
10 people will ultimately put their leaves in
11 to be picked up for collection, to sneaker
12 contests during a basketball league.

13 So I think the opportunity to do
14 that sort of thing is probably there. I
15 don't know if it's a part of street
16 furniture or if it goes to, you know, the
17 rest of the revenue-raising pieces, but I
18 certainly think I will bring it back and
19 try to figure out if there's a role for
20 it, which of those two sides of this might
21 be more likely.

22 COUNCILMAN CLARKE: Yeah. I
23 just think that, you know, understanding,
24 to some degree, we're taking baby steps.
25 I understand at this point, looking at

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2 street furniture, but I just think if
3 we're going to go full bore -- or maybe
4 some people don't.

5 But if we're going to look at
6 advertising, we should look at every
7 opportunity and kind of -- from my
8 perspective, what I would do, I would look
9 at the most lucrative advertising
10 opportunities and then back my way into
11 the RFP as opposed to putting the RFP out
12 there and saying, This is what we want you
13 to respond to, 'cause at the end of the
14 day, the advertisers going to advertise in
15 locations that are advantageous to them,
16 not necessarily to us.

17 So if they can't do it on a
18 municipally-owned building, then they're
19 going to go across the street and rent
20 some space from somebody that owns a gas
21 station and put a billboard across the
22 street on that building, and we get
23 minimal revenue; as opposed to if there
24 was some opportunities to do it on our
25 building.

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2 That's just my limited
3 perspective.

4 MS. CUTLER: Yeah, there are
5 some --

6 COUNCILMAN CLARKE: I just --
7 you know, we need to go where the money
8 and not make the money come to us
9 sometimes.

10 MS. CUTLER: There are --
11 obviously, there are some billboard rules
12 as well.

13 COUNCILMAN CLARKE: I
14 understand.

15 MS. CUTLER: So it wouldn't be
16 as easy for them to go across the street
17 and create a billboard.

18 COUNCILMAN CLARKE: I
19 understand.

20 MS. CUTLER: Having said that, I
21 agree with your piece. I think the first
22 question in the public process piece of
23 the question has to really be: How much
24 public advertising are people willing to
25 accept? And I think once you have that --

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2 those parameters, then you need to figure
3 out where the real dollars are.

4 So, for example, you may get
5 pushback on recreation centers in
6 neighborhoods; you may get no pushback on
7 commercial business districts in the
8 neighborhoods.

9 So I just don't know where the
10 public will come down on how much
11 advertising is appropriate. That question
12 really will be the determining factor, I
13 think, in now which of the advertising
14 pieces will give the City the most money
15 for its efforts.

16 And so I think those are the two
17 questions.

18 COUNCILMAN CLARKE: Okay. Not
19 to belabor the point, and I know I'm
20 getting a little beyond the subject
21 matter, but from a policy perspective, do
22 you think once you enter into determining
23 this first phase of public street
24 furniture and then possibly a broader
25 concept of advertisement that

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2 neighborhood-specific -- and I know it's a
3 touchy situation, issue -- strategy should
4 be dealt with? Because we've had in the
5 past a situation where a particular
6 neighborhood was supportive of an
7 advertisement initiative, and then some
8 advocacy group who might live halfway
9 across the City shows up at the Zoning
10 Board and opposes that particular
11 initiative, and it gets shot down because
12 they had the most sophisticated lawyers or
13 approach to opposing zoning.

14 And from my perspective, I don't
15 think it's fair that people in a community
16 don't have a little more input in the
17 ability to influence the decision than
18 somebody else who lives in other parts of
19 the City. This is from my perspective. I
20 always had a problem with that.

21 MS. CUTLER: Well, from a policy
22 perspective, I think there are two very
23 different responses.

24 The first is, I think you can,
25 in fact, create a zoning code which allows

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2 that, which allows certain community
3 groups in the neighborhood to determine
4 what is acceptable.

5 I think it's a very different
6 reality for what we would consider to be
7 the core, which, for us, would be Center
8 City, South Street to Spring Garden, river
9 to river, and University City.

10 So I think there's probably a
11 lot more people who wish to weigh in on
12 what happens in the core. And so I think
13 you have some ability to influence the
14 zoning code changes to respect some
15 neighborhood responses to this type of
16 issue. So, therefore, you take the zoning
17 and the variance question away.

18 And I think part of what the --
19 one of the problems I had with the prior
20 RFP, having had the opportunity to go back
21 and look at it, is it assumed there were
22 no zoning problems to be had. So when the
23 bidders responded, they appear to have
24 responded as if there were no variances
25 required and/or the City would provide

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2 them with whatever it was they needed to
3 meet the numbers in those responses.

4 So one of the first questions I
5 asked the Law Department was, in fact: Is
6 all of this doable? Can this be done as a
7 matter of right? And if it can't, then we
8 should not have an expectation in the
9 request for proposals that doesn't meet
10 that test.

11 So we will carefully see what
12 currently is allowed by code, and
13 certainly we'll raise the issue with the
14 Zoning Code Committee in terms of whether
15 or not we will need legislation as part of
16 that contract to establish what those
17 variances will be as part of the RFP.

18 We'd like to not issue one and
19 then have half it have to come back out
20 because we can't put the advertisements up
21 where people bid on them.

22 COUNCILMAN CLARKE: All right.
23 I don't recall that being the reason why
24 it didn't proceed.

25 (Councilman DiCicco enters

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 chambers.)

3 COUNCILMAN DICICCO: I couldn't
4 stay away any longer.

5 COUNCILMAN CLARKE: Councilman
6 DiCicco, how you doing, sir?

7 Let the record reflect that
8 Councilman DiCicco is here.

9 Yeah, I don't recall that being
10 the reason why it didn't proceed because
11 there were opportunities --

12 MS. CUTLER: No, no, no. What
13 I'm saying is, it is one of the results
14 that would have occurred.

15 COUNCILMAN CLARKE: All right.
16 So you anticipate that it would have been,
17 'cause we did get a respondent, and it
18 was -- but anyway...

19 MS. CUTLER: Okay. It did not
20 appear so to me, but that was just my
21 response. So it will need to be vetted in
22 advance of anything going on.

23 COUNCILMAN CLARKE: Okay, that's
24 fine. I just wanted for the record to say
25 that that wasn't the reason why it didn't

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 move ahead.

3 MS. CUTLER: Oh, no, no. It was
4 certainly not the reason.

5 COUNCILMAN CLARKE: Okay. So
6 you'll look at that?

7 MS. CUTLER: We will.

8 COUNCILMAN CLARKE: Okay. I'm
9 pretty much there.

10 Councilman DiCicco, Councilman
11 Green had -- he's been -- Councilman
12 Green?

13 COUNCILMAN DICICCO: I was
14 watching this on TV in my office, and I
15 just had to come up when I hear about
16 advertising.

17 COUNCILMAN GREEN: Thank you,
18 Mr. Chairman.

19 I just had a quick question,
20 which is: What is the area of the subway
21 line that we don't own?

22 MS. CUTLER: I'm sorry,
23 Councilman?

24 COUNCILMAN GREEN: What area of
25 the subway line do we own that we lease to

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 SEPTA?

3 MS. CUTLER: We own the South
4 Broad Street line and we own a portion of
5 the Market-Frankford line.

6 COUNCILMAN GREEN: Okay. So
7 that's the area that I was talking about
8 for your benefit and for others in terms
9 of the ad revenue. Maybe we can reserve
10 that for ourselves, or do we already?

11 MS. CUTLER: We also own a
12 portion of the concourse.

13 COUNCILMAN GREEN: Okay.

14 MS. CUTLER: And there is a
15 current vendor in place that manages the
16 advertisement for both the City and SEPTA
17 in the concourse.

18 COUNCILMAN GREEN: Okay, great.
19 So I just wonder if we can look to extend
20 our rights to have the advertising revenue
21 as part of our agreement to continue to
22 lease the lines to SEPTA as a revenue-
23 generating measure since we do own the
24 property and have been able to get there
25 with them.

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2 And just -- Councilman Goode's
3 having hearings soon on the whole concept
4 of those lines, and if you could have that
5 as maybe an answer to one of questions at
6 that hearing, it would be helpful. I
7 don't expect you to answer it today 'cause
8 I just am raising it.

9 MS. CUTLER: I will be
10 testifying at Councilman Goode's hearing.

11 But one piece that I would just
12 like to say, which is part of the
13 confusion that exists is that the -- when
14 I went back to start to look at lease
15 agreements for the concourse and some of
16 those spaces, part of the problem is that
17 they truly reference agreements with the
18 Pennsylvania Railroad from 1913, and SEPTA
19 didn't even exist, and so it's a very
20 convoluted set of documents.

21 The problem with exchanging it
22 for the rights for SEPTA to operate is, I
23 can't quite figure out what would happen
24 if they said no. I mean, obviously, we
25 can't have the system shut down.

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2 COUNCILMAN GREEN: Right.

3 MS. CUTLER: But this goes to
4 the whole issue of we should -- and I hear
5 it on a regular basis and I'd prefer to
6 not. It will take on a life of its own, I
7 assume, for Councilman Goode's hearing, so
8 I'll save most of it. But yes, I will
9 bring the information.

10 COUNCILMAN GREEN: Thank you.

11 And I just want to thank the
12 chairman for holding these hearings. I
13 found them very informative. I commend
14 you for it, and know you're going to keep
15 it up.

16 Thank you.

17 COUNCILMAN CLARKE: Absolutely.

18 Thank you, sir.

19 Councilman DiCicco?

20 COUNCILMAN DICICCO: Thank you.

21 I was listening to most of the
22 testimony in my office while I was having
23 other meetings. And advertising has
24 always been an issue that I've been very
25 interested in in the way of generating

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2 revenues.

3 And no disrespect to you,
4 Councilman Green, but back in, I think it
5 was, '97 or '98 -- no, actually, it was a
6 little bit later than that, closer to
7 2000.

8 I had introduced a bill that
9 would have provided for some of the
10 concerns that Councilman Clarke spoke of a
11 few minutes ago, about the ability to -- I
12 hesitate to use the word "limit" but to
13 create boundaries in which -- where people
14 from one neighborhood or from across the
15 City or even from across the region would
16 not have legal standing in issues as it
17 related to zoning matters, in particular
18 when it comes -- when it would come to
19 outdoor advertising. It's all-inclusive
20 of other matters.

21 The bill number was 629. I
22 pretty much had my head handed to me on a
23 platter. Every newspaper in the City
24 wanted to remove me from office. It was
25 unbelievable.

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2 But, needless to say, I would
3 certainly be more than glad to reintroduce
4 that bill or some form of that bill, but
5 there is that challenge that currently any
6 taxpayer has the right to appeal a
7 decision by the Zoning Board of
8 Adjustments, whether or not you're a
9 resident of the City of Philadelphia or
10 not. And that goes to the whole heart of
11 this issue.

12 And there are advocates out
13 there, as we all know, and I respect their
14 position, although I disagree with it,
15 that feel there is already too much
16 advertising in the City. So I'm just kind
17 of giving you a three-minute synopsis of
18 where this argument was.

19 And I know Rhina and I talked
20 about this the other day, and I started
21 out by suggesting that we do wall wraps on
22 scaffolding, which is temporary. And I
23 got the idea from Europe, where they were
24 putting these wraps on scaffolding, which
25 I thought was much more esthetically

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2 pleasing than the scaffolding. And it
3 just -- we were shot down -- I was shot
4 down every which way.

5 And at the time, I even used
6 City Hall as the example. A ten-year
7 project of scaffolding surrounding this
8 building would have generated
9 conservatively two-and-a-half, \$3 million
10 in direct revenues to the City that would
11 help offset.

12 So I'm not dismissing this
13 conversation. I'm just saying I've been
14 down that road and I'd be more than happy
15 to work with you, all of you, to find some
16 reasonable accommodation where we can
17 benefit by doing some advertising either
18 on public buildings or even not public
19 buildings. There's a whole way of -- a
20 whole host of things.

21 And, again, I did a lot of work
22 on this stuff. And, unfortunately, I
23 never could get the bill passed.

24 COUNCILMAN GREEN: Well,
25 Councilman, I'm always looking for common

1 12/10/08 FISCAL STABILITY, RES. 080603, 890
2 ground with my colleagues, and I look
3 forward to following the lead on this
4 issue.

5 COUNCILMAN DICICCO: Well, have
6 your staff go pull up Bill 629. And if
7 you want to get some of the testimony that
8 we've been through, but it was a rough
9 one. And it was at the beginning of the
10 Street Administration; I think it was,
11 like, '99 or 2000, if I'm not mistaken.

12 COUNCILMAN GREEN: Well, I'd
13 love to work with you on that.

14 COUNCILMAN DICICCO: Timing is
15 everything. So maybe there's a
16 different -- because of the timing and the
17 circumstances that we're confronted with,
18 there may be -- some people might -- may
19 have second opinions or second thoughts
20 about how we can go about raising
21 revenues.

22 Thank you.

23 COUNCILMAN CLARKE: Thank you,
24 Councilman.

25 Actually, I think that was my

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2 first year here, and I must say it was --

3 COUNCILMAN DICICCO: (Inaudible;
4 off-mic.)

5 COUNCILMAN CLARKE: Yeah, at
6 some point, I was wondering why I decided
7 to run for political office, and I said,
8 "Is this the way it's going to be?" And
9 it was pretty brutal.

10 Thank you. Thank you both for
11 your testimony.

12 MS. CUTLER: Thank you.

13 COUNCILMAN CLARKE: All right.
14 Are there any other questions from members
15 of the committee?

16 (No further questions.)

17 COUNCILMAN CLARKE: There being
18 none, Mr. Madden, I just want to thank you
19 so much. You had some more?

20 MR. MADDEN: No. I'm free to
21 stay afterwards if that's what you need.
22 That's no problem whatsoever.

23 COUNCILMAN CLARKE: No, no,
24 we're actually going to ask to be able to
25 have further conversation 'cause, as I

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2 say, we're going to -- there's going to be
3 some follow-up with this -- the
4 information that was discussed today in a
5 more formal way, and I think there's
6 actually going to be some sort of a
7 document produced, so we may need to lean
8 on you for --

9 MR. MADDEN: No problem. And I
10 have my submittal here.

11 COUNCILMAN CLARKE: Okay, great.

12 MR. MADDEN: And it has my
13 contact information and everything I
14 discussed.

15 COUNCILMAN CLARKE: Thank you.
16 Thank you so much.

17 MR. MADDEN: And so you guys can
18 have it and distribute it to Council.

19 Thank you.

20 COUNCILMAN CLARKE: Thank you.

21 MR. MADDEN: Thank you very
22 much.

23 You're a credit to your team.
24 You guys are definitely (indiscernible).
25 And also, Miss Cutler is fantastic. It

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2 really shows a level of effort, and it's
3 refreshing, so to speak.

4 COUNCILMAN CLARKE: Thank you
5 again.

6 MR. MADDEN: Thank you.

7 COUNCILMAN CLARKE: Thank you,
8 Miss Cutler.

9 This concludes the hearing on
10 the Committee on Fiscal Stability and
11 Intergovernmental Cooperation. We now
12 stand in recess to the call of the chair.

13 Thank you.

14 (Proceedings end at 3:35 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the
proceedings of the City of Philadelphia Council
Committee on Fiscal Stability and
Intergovernmental Cooperation are contained
fully and accurately in the stenographic notes
taken by me on Wednesday, December 10, 2008,
and that this is a true and correct statement
of same.

JOSEPHINE CARDILLO
Registered Professional Reporter

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