COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FISCAL STABILITY AND INTERGOVERNMENTAL COOPERATION

Remote location using Microsoft® Teams
Tuesday, November 23, 2021
9:30 a.m.

PRESENT:

COUNCILMAN ALLAN DOMB, CHAIR
COUNCILMAN BRIAN J. O'NEILL, VICE-CHAIR
COUNCILWOMAN CINDY BASS
COUNCILWOMAN KENDRA BROOKS
COUNCILWOMAN JAMIE GAUTHIER
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COUNCILWOMAN HELEN GYM
COUNCILMAN DAVID OH
COUNCILMAN MARK SQUILLA
COUNCILMAN ISAIAH THOMAS

RESOLUTION: 200406

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COUNCILMAN DOMB: Good morning. This hearing is called to order. I recognize the presence of a quorum of the Committee members and members of Committee in attendance are as follows: Vice-Chair Councilmember Brian O'Neill, Councilmember Kendra Brooks, Councilmember Mark Squilla, Councilmember Helen Gym, Councilmember Kathy Gilmore Richardson and Councilmember David Oh. Thank you all for being here.

This is the public hearing of the Committee on Fiscal Stability and Intergovernmental Cooperation. The purpose of this public hearing is to hear testimony on Resolution 200406. I understand that state law currently requires that the following announcement be made at the beginning of every remote public hearing as follows:

Due to the current public health emergency, City Council Committees are currently meeting remotely. We're using Microsoft Teams to make these remote hearings possible. Instructions for how the public may view and offer public testimony at public hearings of Council Committees are included in the public hearing notices that are published in the Daily News, Inquirer and Legal Intelligencer prior to the hearings and can also be found on PHLCouncil.com.

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

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

Cooperation Authority.

COUNCILMAN DOMB: Thank you. I want to thank everyone for being here for continuing to participate in these quarterly hearings. Today we're going to walk through the most recent Quarterly City Manager's Report to discuss the ups and downs of the quarter and compare how we're doing today to how we thought we'd be doing when we forecasted this, also, to discuss how things are going with the recovery spending.

And lastly, we'll finish up with some great work by the Pew Charitable Trust and the work they're doing is to provide measurement or economic recovery and growth in the wake of COVID. It's great to see outside organizations stepping up to provide objective viewpoints of our City's economic health. So let's get started.

Ms. Grbach, please call the first panel of witnesses.

THE CLERK: We have Rob Dubow

and Ashley Del Bianco from the Finance Department, Harvey Rice from PICA and Tom Ginsberg from Pew.

COUNCILMAN DOMB: Okay. I guess -- actually, Rob, if you would like to go first. Please proceed and good morning.

MR. DUBOW: Good morning. Thank you. Thank you, Chair Domb and members of the Committee. I'm Rob Dubow. I'm here to testify on Resolution 200406. I'm joined by Ashley Del Bianco and Anh Hua from the Recovery Office and Sadia Sattar and Helen Loughead from Budget, and we'll be tag-teaming the presentation.

Sadia, if you can -- okay. So on Slide 3, we give a high-level overview of where we are, where we were for the first quarter in terms of revenues, expenses and our fund balance. So revenues at $777 million came in really almost exactly where we projected, just about 2 million less. But $27 million less than the same quarter a year ago.

On the expense side, we came in at 1.37 billion. That is consistent with original projections, but 150 million more than last year first quarter. And I shouldn't say those numbers are scarily different, but the reason is that a lot of our expenditures come out upfront and we'll see that as we go into more detail in department-by-department.

What does that mean for our fund balance? We're now projecting that we'll end the year at about 134 million, which is 47 million more than in the adopted budget. However, it's still only 2.6 percent of revenues, and that's far below our internal goal of 6.8 percent and then even further below the 17 percent recommended by the Government Finance Office Association.

On the next slide, we show graphically how our fund balance compares to our goals and the goals from the GFOA. And you can see even in years like 2019 when we had a fund balance that was historically high by our standards and even higher than our target, still way, way below where the GFOA says we should be.

In the year that just ended, FY21, we ended up at 298 million which is at the low end of our internal target, and again well below where the GFOA says we should be. We are projecting that that fund balance will drop in '22 to, as I said before, only about 2.5 percent.

And why fund balance is important is because you need a cushion for when things go wrong, and I think that was one of the big lessons of the pandemic, the fact that we had a larger fund balance than usual meant that we didn't have to do even more painful things than the painful things that we did.

Next slide. It goes a little more into our revenues. As you can see, they were right around where projected, and that's largely due to a combination of slightly lower than anticipated tax collections being partially offset by better local nontax revenue fees and fines. The year-end projection is about 5 billion. That's less than in the target budget and we're going to keep monitoring those revenues throughout the year to see whether they have to be adjusted further.

The next slide goes revenue item-by-revenue item to look at how the first quarter compared to what we anticipated. You see taxes about 5 million lower than anticipated and made up almost entirely by the locally generated nontax revenue.

Go to the next slide. And we start to look at the obligations side. And they said obligations are right where we thought they would be. They're much higher than last year. That's largely due to things like our new collective bargaining agreements, higher than expected cost-related fringe benefits and then some of the things we just added in the transfer ordinance.

The next slide goes into overtime costs. You can see overtime has gone up from last year. Last year it was a bit of an anomaly because of everything that was going on with COVID. But while we're higher than last year, we are about 5 million lower than where we were two years ago in the last pre-COVID year, and essentially with where we were in FY19. It's unfortunate to note that back in FY19 we had 600 more employees, and also the base pay that we're working off was lower than because of pay raises now since that time.

The next slide. Let's take a little deeper look at our obligations. We have, as you know, concluded collective bargaining with both D.C. 33 and D.C. 47 and received an arbitration award for the Fraternal Order of Police. Over our Five Year Plan, those labor agreements award added about $620 million in cost.

We put aside estimates for remaining contracts with firefighters, correctional officers and a couple of other units. And for exempts and nonreps about 288 million, assuming that those agreements and awards are similar to what was in 33, 47 and FOP. We did better in FY21 than we anticipated and came in about $299 million, which $220 million higher than we anticipated. But again, we start to see that fund balance go down in FY22.

And by the end of the FY22 to 26 plan that was approved by PICA, we're down to about 66 million. And PICA points out that that's one of the risks in the plan. Our revenue forecast incorporate what happened in '21, the higher base, but our economists did not think we should be adjusting our growth assumptions. We will continue to monitor that, and you'll see as we pose a new Five Year Plan, we'll do a deeper dive into what changes we need to make there. New costs, mainly talks about that.

With that, I'm going to flip the presentation over to Sadia to talk about leave usage.

MS. SATTAR: Good morning, Chairman Domb and members of the Committee. My name is Sadia Sattar and I am Deputy Budget Director for the Budget Office. I appreciate being here to talk today about the City's leave usage. As you can see as of September 30, 2021, our leave usage for the quarter was at a median level of 23.3 percent. It is higher than where we ended on Fiscal Year '21 in Quarter 1 where we were at 12 percent, but it is lower than where we ended at Fiscal Year '20 Quarter 1 at 23.7 percent, which was of course the last pre-COVID year.

There still remain concerns with some public safety agencies, public-facing agencies, in particular Streets, Sanitation Division, Police's uniform staff and of course Prison staff with regards to leave usage. And we believe that the main drivers of leave usage of course include COVID and non-COVID specific factors. As far as COVID-specific factors and concerns, they are related to employees health and of course the need to take care of their kids and family members and the need to quarantine and isolate as well.

Next slide, please. Here is a chart representing the City's full-time positions as of September 30th of this year. You can see that when we adopted the budget we had budgeted for about 31,033 positions. Where we are now is about 27,000 positions, so we are about 4,000 positions under budget. This is a decrease of 200 or .7 percent full-time positions for Fiscal Year '21 year-end actuals, and it's a decrease of 1052 full-time positions from this time last year, and that includes about 826 positions in the General Fund.

Next slide. Something that we also show in the QCMR is our performance measures for programs. About 109 performance measures are reported in the Quarterly City Manager's Report. For the first quarter of Fiscal Year '22, we've reported about 73 measures being on track or it's meeting or exceeding their targets. Unfortunately, we also report the 33 measures will not be meeting or exceeding their targets.

Next slide. In the QCMR, we divide performance measures into key functional areas. These include Public Safety, Health and Human Services Children and Family Services, Commerce, Planning and Development, Transportation and Infrastructure as well as Operational Support. And the agencies that kind of meet those key functional areas are listed below.

As I mentioned, we have about 73 measures that are meeting or exceeding their targets. Here are two examples that are meeting or exceeding their targets. For the Department of Licenses and Inspections, the demolitions perform measure is exceeding its target, having already performed 108 demolitions year-to-date in Fiscal Year '22.

For Homeless Services, a measure that is meeting or exceeding its target is households provided homelessness prevention assistance. As you can see, our target is 1400 households from OHS and the department has already provided assistance to about 314 households in the City.

We also have measures that unfortunately did not meet or exceed their targets. However, they have seen an improvement from the same time last year, but have not returned to Fiscal Year '20 or pre-COVID levels. A good example of that is Streets. On-time trash collection continues to not meet its target. Similarly, with the recycling rate, that has also not made its Fiscal Year '22 target as of yet.

And another example is the Free Library where we see teen program attendance still not meeting pre-COVID levels. So as you can see in Fiscal Year '20 Quarter 1, we had about 16,304 teens participate in these programs. And unfortunately, as of the end of the first quarter of this fiscal year, under 3,000 have attended so far.

Next slide. We also wanted to give you a snapshot of where we were when we ended last month which is October. I know that Rob just spoke to you about how we ended the first quarter, but we also wanted to give you a snapshot of how we ended in October. So as of the end of October, we have completed about 33.3 percent of our fiscal year. The General Fund spending year-to-date has been about 33.3 percent. That accounts for about 8.3 percent of obligations are 439 million in spending just from the General Fund alone.

And here is a chart showing you where that funding is coming from. So in Class 100, we were projected to spend

$279 million in October. We spent about 309, so about 30 million over. Projections, in Class 200 we're about 55 million under projections. Class 300, 400, about 4 million under projection. And Class 500 and other classes, about almost 5 million over. But given all that, we are still 23.8 million under what we had projected to spend in the month of October of this fiscal year.

Next slide, please. Here's a good graph. It's showing you which departments are spending about, you know -- sorry, departments year-to-date obligations as a percentage of their total appropriations. And we like to show departments of adopted budgets about $5 million or more. So you can see that for departments that we are around 33.3 percent over the fiscal year. Commerce has spent about 80 percent, and I know this includes a big expenditure as well in Class 200 as well to the Convention Center. Then we have DBHIDS, again having spent 70 percent, followed by DHS and OHS, and then of course, the Sinking Fund Commission.

Next slide, please. Our last slide having to do with our year-to-date spending through October includes a look at Class 100 spending in City departments of adopted budgets of $5 million or more. Again, we've talked a lot about overtime being a factor in public-facing departments, Streets being one of them, Streets Sanitation to be exact. And Streets continue to overspend in its Class 100 along with of course Parks & Rec and other departments such as the DA. Of course, as you're all aware in the mid-year transfer we did fix the structural deficit in Class 100 in the DA's Office, so we hope to remedy that moving forward.

I believe that concludes this portion of the Fiscal Stability hearing. We can turn it over to Ashley unless you have some questions.

COUNCILMAN DOMB: I do have some questions. Should we wait for all the panelists to present and then we can ask the questions maybe?

MR. DUBOW: Sounds good.

COUNCILMAN DOMB: Okay. So I guess our next panelist is Harvey Rice from PICA.

MR. DUBOW: Oh, sorry. We actually have the recovery part of our presentation.

COUNCILMAN DOMB: Okay. Go right ahead then, sure.

MS. DEL BIANCO: Yes. Good morning. Thank you Chairperson Domb and members of the Committee. My name is Ashley Del Bianco. I am the Chief Grants Officer for the City and the Acting Recovery Officer, and I'd like to introduce Anh Qua, who is our Deputy Director for Grants Management and Compliance in the Office of Recovery and Grants. And together we're going to present some information for the recovery funding, specifically focused on the American Rescue Plan and the Coronavirus Local Relief funding.

So I will ask for the next slide. So we're going to include as I said American Rescue Plan funding and Local Fiscal Recovery Funds, and then talk a little bit about relief to recovery and some of our next steps. I'm going to turn it over to Anh to present on the American Rescue Plan so far. Next slide, please.

MS. HUA: Thank you, Ashley. Hi, everybody. Thank you so much for having us here today. And as Ashley said, I'll be providing information about the funding that the City has received through the American Rescue Plan. So far the City has received 14 million in funding from CDC for vaccination-related activities, 42 million in home funds from HUD for homelessness assistance, 48 million in ELC funds from CDC for testing, 85 which must be used for school reopening activities, 58 million in emergency rental assistance from the U.S. Treasury, and 1.39 billion in the

Coronavirus Local Fiscal Recovery Funds from the U.S. Treasury. And this is one of the funds that is most flexible. And so far the City has received 50 percent of that amount, and another 50 percent will be sent to the City in about a year, which is about July of next year time. And besides the American Rescue Plan, the City has been engaging with FEMA to apply for a FEMA public assistance funding, and those funding are primarily for COVID and vaccine-related activities.

Next slide, please. And particularly for rental assistance, nationally there are about $1.5 billion in the American Rescue Plan for emergency rental assistance, which Philadelphia has received 58 million in funding in addition to 104 million that the City has received through the U.S. Treasury and the Commonwealth from the Consolidated Appropriations Act of 2021.

The American -- sorry. The Emergency Rental Assistance Program started in May 2020 to provide support for tenants and landlords affected by the COVID-19 pandemic. And since then, the City has provided over 156 million in support to over 19,000 households, with households in Central North, Lower Northeast, West and Southwest Philadelphia representing the highest area of rental assistance distribution.

The link on the slide here PHLRentAssist.org is the entry point for applicants and also provide great data points of how many applicants the City has received and how much funding has gone through and who, and that dashboard has been updated weekly.

Next slide, please. And of the total amount that the City has received for rental assistance, the City has successfully distributed 83 percent of the total allocation received to date, and in the American Rescue Plan it allows for the U.S. Treasury and the Commonwealth to engage in reallocation of unused funds that distributed less than 65 percent of the initial allocation. So through that process, the City has received an additional 29.4 million from the Commonwealth, and that 29.4 million is enough for about five to six weeks of rental assistance. We don't know of the timing for the federal reallocation process, but we are actively advocating and tracking this process.

It's important to note that although the City has received tremendous support from the American Rescue Plan and the Consolidated Act, there is still a continued need for rental assistance. Based on the number of unduplicated pending applications that the City has received, we estimated that households need a total of 159 million in additional funds to be able to pay the current rent and utility arrears.

Next slide, please. Now, I'm going to turn it over to Ashley Del Bianco to talk more about the

Coronavirus Local Fiscal Recovery Fund.

MS. DEL BIANCO: Thank you, Anh. Next slide, please. So I'd like to talk a little bit more about Coronavirus Local Fiscal Recovery Funding, and this is the more specific funds directed as part of the American Rescue Plan directly to the City as part of overall relief to state, local, territorial and tribal governments. You'll see that as part of the American Rescue Plan, that included $350 billion worth of this type of more flexible relief.

For local governments, as Anh mentioned earlier, the funding comes in two tranches. We have 50 percent that we received within 65 days of the enactment which fell within last year's fiscal year and carries through to this year's fiscal year. And we also are entitled to additional funding because we are both a metro city and county, so you'll see that our combined figure here is for a total of $1.395 billion.

Next slide, please. Something to really emphasize here is that while the Coronavirus Local Fiscal Recovery Funds were intended to help us as state and local government to assess the negative consequences of the pandemic and to recover, it is possible to use these funds for revenue replacement. And that is, in fact, what the City of Philadelphia is doing with our funding.

It is not enough funding despite how helpful it is. It is not enough to get us back to where we were prepandemic. When you look at the figures here, you'll see that our projected fiscal year budget gap over the Five Year Plan is $1.5 billion, whereas we're receiving $1.4 billion from CLFRF funding. So it's not enough to fully fund our gap, but we are using these funds for revenue replacement.

This funding really will help us to avoid more painful budget cuts and decisions by covering our costs. As we all know, this has been a very difficult and painful year of budget decisions over the past couple years and will continue to be. But as you'll see on the next slide please, we wanted to take a look here at how we compare as a city to other cities. And our colleagues at Pew Research Centers were able to provide for us a picture of that. They were able to show us that in this fiscal year our budget shortfall compared to other cities.

Philadelphia is actually only exceeded by Detroit in the amount of budget shortfall that we projected for 2021 calendar year. And this is based on their analysis of Fiscal Year 2020 expenditures. So the chart there represents Pew's research, and you'll see the significant gap that we have. And why is it that Philadelphia is faring worse than most other cities. In large part, as you know there's the heavy reliance on income taxes or our wage tax in relation to property taxes, and we have been exceptionally affected by the fact that our nonresidents during the pandemic were not contributing fully their portion of the wage tax because they were not residents in the City at that time. And lastly, we had limited reserves. They certainly helped us, as Rob pointed out, to have some reserves. But as Rob was discussing earlier, our fund balance is not particularly high. And so, we were more impacted by these shortfalls in revenue.

Next slide, please. With that said, the American Rescue Plan and its funding which is very crucial will help us to comparatively do well in relation to our Five Year Plan goals. With the funding of the American Rescue Plan Coronavirus Local Fiscal Relief Funding, we're able to avoid layoffs. We will not necessarily be looking at tax increases. We've been able to really focus on providing the services that are most public-facing and critical to our residents, including a lot of youth and library services.

We're able to and continue with new investments for 911 co-responder and mobile crisis units as well as violence intervention. Returning funding to the Cultural Fund, allocating for the Citizen Police Oversight Commission and covering debt service enabling us to pave additional roadways. Without the funding, you can see on the other side of the screen some of the highlights here would have been that we had a $450 million gap projected in FY22, and all of these things would have probably resulted if we did not have the American Rescue Plan in significant layoffs and/or significant tax increases, and we would have had a lot of difficulty being able to provide those critical services described.

Next slide, please. So CLFRF and the Five Year Plan, what does it mean for us. We're treating this funding from the American Rescue Plan as flexible revenues. These funds will be going directly to the General Fund and it will mostly fill the gap that was created by the pandemic. We are not using it to target specific programmatic spending. It will be used to support overall operations, COVID costs, investments in continuing education, health and anti-violence priorities, and it will keep the plan balanced. So we're using it to the maximum flexibility allowed rather than identifying specific programs.

Next slide, please. I also wanted to highlight for you some of the other key funding sources to track in Pennsylvania. As noted, the American Rescue Plan provided local and state funds. And so, the state funding from CLFRF is noted here at $7.3 billion. We are anticipating from what we hear that that could be used to balance the Commonwealth's budget in the similar vein as to what we're doing in terms of using it for revenue replacement.

There is additionally a Pennsylvania Capital Projects Fund that will be enabling additional critical capital projects in a whole range of areas outlined here, including education, health and other remote service options. We also can be looking at $350 million across the state for Pennsylvania Homeowner Assistance Fund. This is different than rental assistance. This is directly for homeowners and will assist with mortgage delinquencies and defaults. And it can be used for mortgage payments, homeowner's insurance, utility payments and other specified purposes as part of the plan, so there's flexibility there as well. That again is administered by the state.

And lastly, a significant effort to support small businesses. The state is receiving $207 million for the State Small Business Credit Initiative, which as the title suggests, it will be extending credit to small businesses similar to the relief programs that were stood up during the pandemic itself.

Next slide, please. So we wanted to take one last moment to talk a little bit about lessons learned and next steps related to coronavirus relief and recovery. So one of the things that you will have noted throughout this is the theme of critical and timely support from the federal and state and local funding sources. This has allowed the City to stand up very quickly some effective relief programs. These included small business supports, rental assistance as described and direct public health and public safety programs responding to the pandemic for vulnerable residents.

More can be done, however, to streamline and maximize access to these existing programs. As Anh had described, Philadelphia is noted as one of the most effective distributors of our rental assistance, and that is definitely something to learn from and that we continue to look at as a way to effectively reach out to both residents and landlords to continue to improve that program, but it also can have benefits to help us in terms of the program design and the tools that were used to communicate and track applications for other programs that we're doing.

The ARP provides the City with enough funding to support those core services and it will allow us to avoid painful cuts. It will also make direct funding available to individuals and businesses, and that's important to note as well. So beyond the Coronavirus Local Fiscal Relief Funding, Anh had described funding that was coming in directly for particular services, and those will be directed to individuals and businesses. We have used some innovative methods to help families and businesses maximize those resources. But again, that's an area that we can continue to learn and improve.

And finally, we know that accessing all of these resources is really critical for Philadelphia to emerge from the pandemic. We want to be thinking about how we move from relief into recovery and expanding our vision for what that looks like and not returning to business as usual. So in some of our participatory budgeting processes and other processes, those are the opportunities for us to do so.

In our Office of Recovery and Grants, we continue to provide direct management of our federal and state funding, and we also will be continuing to work with our colleagues in Finance across City departments to make best use of those resources. That concludes our testimony. Thank you.

COUNCILMAN DOMB: Thank you. Is there anyone else from the Administration?

(No response.)

COUNCILMAN DOMB: Okay. I think, Mr. Rice, you were up next.

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

Thank you for allowing me to testify and to speak about PICA's report on the Quarterly City Manager's Report for the first quarter of Fiscal Year 2022, which is July, August and September. Before I start my testimony, I would like to first thank you, all the City Councilmembers, for supporting the pending legislation in Harrisburg to extend PICA beyond the scheduled expiration date.

As you know along with City Council, PICA has been an integral part of the City's fiscal recovery and continued stability since the early 1990s when PICA was adopted. Extending PICA would continue this partnership to ensure Philadelphia's fiscal stability going forward. As requested, I did not prepare a PowerPoint presentation today. Instead I will highlight important proponents of the QCMR.

As you know, the City recently received an FOP arbitration award and negotiated labor contracts with AFSCME District Council 33 and District Council 47. As such, the City's Five Year Plan which was approved in July by the PICA Board and was needed to be revised to include the cost of these labor contracts. That cost was approximately $618 million.

The City submitted the revised plan to PICA on October 29, 2021. After reviewing an evaluation, the PICA Board unanimously approved the revised plan last week. Accordingly, the QCMR was submitted on November 15th of last week, and this reflects the revised plan projections going forward.

Here are some of the highlights I would like to point out: The '21 year-end fund balances now estimated at

$219 million, almost 220 million higher than previously projected, which was $78.7 million. This was primarily due to higher revenues of 140 million and lower obligations of $201 million in Fiscal Year 2021. The projected fund balance for Fiscal Year '22 is now 133.9 million.

However, while it's higher than in the original plan, it only represents 2.5 percent of the total obligations, far below the City's own target of 6 to 8 percent, and also far below the GFOA's recommended 17 percent. If you looked at the 6 to 8 percent, by the City's target we should have $366 million in the fund balance. And if you adhere to the GFOA's recommendation, that will be almost $900 million in the fund balance, so we are significantly low. And if you look at the new revised plan, while the fund balance has increased through four of the years, the last year is precariously low at $66 million.

So another highlight: The QCMR

projects a recession and reopening reserve for FY22 of $42.5 million and a labor reserve for future labor costs because there's some unions that -- smaller unions that haven't negotiated yet, and also the firefighters has been arbitrated but is being voted on now, so there's $27.7 million in FY22 and also reserves throughout the revised plan.

The ARPA fund usage was decreased in the revised plan for FY22 from 575 million to 250 million. This difference is projected to be used in the latter years of the revised plan. Overtime costs, as you know PICA has been very concerned about the increasing overtime costs. They've been increasing every year since 2011 since PICA's been monitoring it. It projects at 185.4 million, about the same level as Fiscal Year 2021. However, this represents a decrease of about 22 million from Fiscal Year '20, which was the last year prior to the pandemic.

And to emphasize that and to

give you a good picture, when we presented last week to the Board, the four months' overtime costs for July, August, September and October for FY22, we compared it not only to FY21 because that was a nominal year, but to FY2020 and there was a $10 million decrease in four months from FY20 to FY22 for overtime costs.

And I know we're talking about the QCMR, but I just wanted to give you a highlight of the revised plan. This revised plan has a contribution to the BSR in Fiscal Year '25, and the original plan there was no contribution to any of the years to the BSR. While we like to see it increased more years of deposits in the BSR, we're happy to see that in the revised plan one of the fiscal years there's a contribution to the BSR. Thank you for allowing me to testify. And I'm here and I'll be happy and available to answer any questions that you may have.

COUNCILMAN DOMB: Thank you,

Mr. Rice. We'll come back to you with some questions.

MR. RICE: Thank you.

COUNCILMAN DOMB: I guess next is Tom Ginsberg from Pew.

MR. GINSBERG: Hi. Thank you very much. I'm going to share my screen and make sure you can all see it. Is that all clear, everybody? Can you see my screen?

COUNCILMAN DOMB: Yes, we can see it.

MR. GINSBERG: Great. Wonderful. So thank you very much for this opportunity, Councilman Domb and City Councilmembers. I am Tom Ginsberg of the Pew Charitable Trust Philadelphia Research and Policy Initiative. We conduct nonpartisan independent research and engage with officials on key issues facing Philadelphia.

Last month we launched our interactive dashboard on businesses and jobs in Philadelphia. The free dashboard makes it possible for policymakers, business representatives and anybody else to monitor the financial health of establishments as it changes every quarter or month based on constantly changing credit bureau and government data on tens of thousands of businesses.

Apart from the taxes they pay, are Philadelphia business establishments staying ahead of their bills, how are certain corridors and sectors faring such as restaurants, hospitality, and city-wide how fast our jobs and establishments being restored. The answers in this data can provide some insight for legislative and regulatory initiatives and programs, such as pandemic relief.

By our count, federal, state and local governments distributed at least $3 billion in COVID relief loans and grants to Philadelphia firms last year. The dashboard can give a window on those funds impact in the past and the needs going forward. I'm going to give you a few snapshots here, although the tool is far more comprehensive than I can show you here.

The dashboard has -- next slide -- nine charts that are updated monthly or quarterly, such as delinquency on paying bills, bankruptcy filings, consumer spending and small businesses. It also has two reference charts showing prepandemic conditions. They include city-wide percentages of businesses owned by Black, Hispanic, Asian and White owners. Again, these two reference charts are from before the pandemic, the latest solid data that was available.

Unfortunately, current comprehensive current demographic data on business owners is pretty much nonexistent. We are looking at potential ways of generating this data, although it's still theoretical. I'm going to go through showing you the charts, quickly breeze through them to give you a sense of how comprehensive this is. Those are the prepandemic charts at the bottom. And then I will drill down a little more into what some of them say.

When you go to the dashboard, the first chart you'll see comes from Experian Credit Bureau. I'm showing them here without any filters so it's showing all businesses as of the latest period we've had as of today, which is September 2021. Overall these show that business health is improving, but modestly so. The first chart you'll see delinquency on bills. This tracks the share of establishments paying their bills 31 days or more late. About 6 percent in the last period, Q3, were moderately or severely delinquent. That's a little better than earlier this year, but it's still worse than last year, the earlier line when it was somewhat flat which coincided with a lot of those government fusions I mentioned earlier.

Delinquency is an early signal

on business health heading up or down. Financial stability, this is experienced composite measure of future default. This is a forward-looking indicator. The lower the line, the worse here. The higher, the better. It moves very incrementally, this line. This is the average score, but you can see it has been sloping upward slightly, and that's positive.

Credit on -- I'm sorry, balancing credit accounts, this is the median amount owed to creditors or lenders. This is a sign of business growth or risk or both. Notice the slope was still heading upward as of September, the last period shown, even with the PPP loans being forgiven. That was the biggest amount of loans coming in. This is potentially a good sign, that upwards slope, especially when delinquency in the other chart is heading down.

You can use these filters to slice by industry too. Here I'm going to switch and show hospitality. Leisure and hospitality which includes restaurants, hotels, entertainment, recreation venues and the like, typically these sectors, health is more volatile than the other sectors. But you can see here how much worse it's been on delinquency on the left chart, although there's a glimmer of hope in the September dip there right at the end.

Contrast that to the professional -- there's the dip -- the professional scientific and technical sector, its share has essentially been flat. You see on the left there and staying low. While its credit balances have been high and hovering high over the City average, we can also filter down to specific zip codes.

The dashboard gives you a map, as you see there on the right to visualize the differences by zip code. This is looking at the delinquency on bills. In September, Center City East share of bills, I'm showing Center City East here, the share of businesses that were late on their bills were a tad bit spiking up, started to come back down to the city-wide average. This may have been related to business activity picking up this past summer after that rough first 18 months.

Looking at another area, compare that to West Philadelphia, 19139, where delinquent share has been volatile, back up and down and now it's heading back up. And compared to an area like Olney where the delinquent share was up, and now it's coming down significantly and that's a positive sign.

On jobs, the dashboard shows the percentage lost or gained since 2019, most cases since the same month in 2019 by sector. Total employment in September was still about 8.2 percent there, below September 2019, two years earlier. That's a level where it's sort of stuck now. You see that line is sort of flat. In fact, we just got October data yesterday. It's not posted yet on the site, but it remains and also still about 8 percent below for October.

Filtering down in industry sectors on jobs, some sectors are coming back better than others. For example, hotels and eateries are still far down. That's the gray line there at the bottom. But notice there is a little hopeful uptick in September. And again, in yesterday's October data, that uptick continued.

That was a whirlwind through the tool. It literally has hundreds of permutations for you to explore, many of them new every month, to help you, your staff and any interested stakeholders to understand this data. We're happy to provide more detail briefings and we will be setting them up. And I thank you very much for your time and look forward to your questions.

COUNCILMAN DOMB: Thank you. That's a great tool. I want to thank you and Pew for that tool. That's really very impressive.

I would like to recognize at this time the Councilmembers who have joined. Councilmember Isaiah Thomas, Councilmember Cindy Bass and Councilmember Jamie Gauthier. Thank you for being here.

So I have several questions. I believe Councilmember Gym and Councilmember Gilmore Richardson have questions. But let me start off by asking our Finance Director Rob Dubow, the big question for me is of the $1.5 billion that we will be short over the next five years, can you tell me three or four of the biggest reasons why? For example, wage taxes, how much in wage taxes consist of that 1.5 billion and any other taxes that you could share with us?

MR. DUBOW: Yeah. And just to go back to that slide, so that 1.5 billion was where we were before we received the American Rescue Plan money, so we're not facing that kind of gap now. But looking back at what caused it, yeah, the big thing was a drop in revenues. And wage tax was a big part of that, including the hit to the nonresident wage tax since if you're a nonresident and you're required to work from home, you don't have to pay it. I think that's probably the biggest single driver of the decrease. But all of our taxes were projected to be lower than where they were before the pandemic. But the wage tax was our single biggest hit because it's our single biggest tax.

COUNCILMAN DOMB: But if we're looking at this and let's just say for a moment, thank God we're receiving the 1.5 billion, but if we are not going to receive the 1.5 billion, God forbid if another pandemic happens, I'm trying to figure out if the 1.5 billion was wage tax gap, 500 million, 700 million. So I'm trying to figure out what do we need to address going forward?

MR. DUBOW: Yeah. So we can

get you the dollar contribution, but that wage tax hit was the biggest portion of it. And if you went to that chart in Ashley's presentation that shows what happened to us compared to other places, the reason that our hit was so much bigger was because we're relying on sensitive taxes like the wage tax.

COUNCILMAN DOMB: And you know, Rob, I love that chart. I was so happy to see it in the presentation today. This is the chart that showed we were short 14.7, I believe. And compared to Baltimore, they were short 5 percent. So really the heart of this is how do we make sure we're not second worse in the country. How do we make sure we're towards the lower numbers. And it sounds to me like what I'm gleaning from this is that it's wage taxes and maybe possibly business taxes. And also, I think a big part of it is the types of jobs we have created in the City. Because when you look at jobs that pay

$35,000 to $100,000, many of them are in the suburbs and those jobs continued throughout this pandemic. While we have over 60 percent of the jobs we created in the last 10 years pay less than 35,000, those were the jobs that were affected by hospitality and other problems in that economy. So if we can figure out how to create higher-paying jobs in the long-term, we'll have a much more stable city. And I think that's what other cities have done when you look at that Pew report of the shortages of the budget.

So that's what I'm trying to figure out. Of that 1.5 billion, is it 700 million, is it $1 billion? How much is wage taxes and what are the other taxes that make up that differential?

MR. DUBOW: Yes. And it was a combination of taxes falling off and new expenditures, because there's a whole range of new expenditures that we have to incur for the pandemic to help fight the pandemic, so a combination of both things and we can get you that breakout.

COUNCILMAN DOMB: And we make sure of the new expenses we incurred, we've tried to obtain every possible dollar through that Recovery Act of those expenses?

MR. DUBOW: Yes, we have. In Ashley's office, the office is dedicated just to that and they work with everyone throughout the government, and there's a really high focus on making sure that everything that can be reimbursed will be reimbursed.

COUNCILMAN DOMB: So basic question, I was noticing you highlighted on the QCMR, I think it was the Streets Department that had a pretty low percentage of performance. I think it was like 56 percent. And I also noticed that on the budgeting area it seems like Streets went over budget. I'm just wondering what we can do to help and support our Streets Department to improve in that area, because that's like a basic service that people of the

City expect.

MR. DUBOW: Yeah. I think Council did something to help in the transfer ordinance where we provided additional staffing for Streets. I think what's happened because of the increase in tonnage and the increase in leave usage that Sadia talked about, we've had some challenges collecting all the trash. And without that, overtime goes up, costs go up.

I think with that money that we added with the transfer ordinance, they'll be better able to collect trash, you'll see performance go up and overtime go down.

COUNCILMAN DOMB: Who's in charge in that department looking at every possible new technology to make us more sufficient to help the Streets Department do their job?

MR. DUBOW: Yeah. I think it's a few people depending on where you're looking. So, for example, we're looking at moving to LED lights, so people --

Rich Montanez is the person who is looking at that. On the Sanitation side, it will be the heads of Sanitation looking at the best possible ways to deliver that service. And I know their administrative section led by Chris Newman is also looking at ways to improve efficiency and to deliver their services at the lowest cost possible.

COUNCILMAN DOMB: Another question I had is on the performance measures. I noticed that 73 measures were on track which is good, and 33 measures I guess need to improve. Who works with those departments to help them improve and achieve their goals?

MR. DUBOW: Sadia, it looks like you're popping up to answer that.

MS. SATTAR: Yes. I'll be happy to take that question, Councilmember. So we track measures on a quarterly basis as well as during the budget process. And my unit in the Budget Office and working with our Budget Director Marisa Waxman, we work

with departments directly to see how
their measures are on a quarterly basis,
should they have any revisions.

We know those, we actually just
sent Harvey and Gus and PICA a document
that shows how targets have changed for
certain departments. You know that we
adopted the budget, created the proposed
budget in March of this year. Things
have changed since then, so we actually
keep PICA apprised of any changes in
target levels as well. But departments
come to us should they have any changes,
they propose changes in their measures
so that they are accurately representing
how each program in the City is
performing, and we then make sure that
we stay on top of that and we help track
them.

COUNCILMAN DOMB: I appreciate
that, but my question maybe is more
driven by operational people that can
make it more efficient. In other words,
if we have a department that is not
performing well, it may not be their

fault. It may be that they have the wrong tools to do their job and who can come in and help them with the tools to become more efficient. That's my question. Do we have that person in government --

MR. DUBOW: So I think it really will vary by where the department is because I think that responsibility often will rest with their Cabinet member. I know in the Managing Director's Office, the Cabinet member or the Deputy Managing Director is responsible for that area and will give the kind of advice and technical expertise needed to help with performance.

COUNCILMAN DOMB: Okay. I have a few more questions, but I'm going to allow my colleagues to ask some questions. I think the first one was Councilmember Helen Gym that had a question, so I would like to recognize her.

COUNCILWOMAN GYM: Thank you so

much, Mr. Chairman, and I appreciate these hearings as always.

So I just wanted to clarify one thing because it did get brought up with Rob. The key issue around the wage and income tax is not so much the amount of money that somebody earns but actually where they reside; is that correct?

MR. DUBOW: I think there are two issues, one of which you're correct is that for people who live outside the City but work in the City, if they are not -- if they're directed to work outside of the City, they don't have to pay the wage tax and we've estimated that that will be about a 15 percent hit to the wage tax, so that's a big part of what's happening. There's some also just decline in jobs, and that decline in jobs also translates into wage tax. So I think it's both of those things.

COUNCILWOMAN GYM: So one of the key things is that as you noted for residents of the City who have jobs elsewhere, they do not have to pay the wage tax, is that correct, if they work outside of the City?

MR. DUBOW: No. Anybody who lives in the City has to pay the wage tax. If you live outside the City, you have to pay the wage tax unless you're not able to work in the City.

COUNCILWOMAN GYM: So I think the clarity though that we're trying to emphasize is that if people live in Philadelphia, the wage tax issue can be addressed. And one of the questions is about the importance of livability, growing the residential base and making it clear that residents no matter where they may work, pay the wage tax. And those jobs, even though they may be high paying, if those residents don't live in the City, it doesn't actually matter if they are not working inside the City or those jobs in this particular case are able to be done at home, then they don't pay the wage tax.

So it's not necessarily the salary level of the job. The importance is either the business and the business workers have to be physically in Philadelphia or they must reside in Philadelphia.

MR. DUBOW: Yes. And just to clarify one thing, if they are directed to work at home. If they work at home by choice, they still have to pay the wage tax.

COUNCILWOMAN GYM: Right. Thank you very much.

MR. DUBOW: Sure.

COUNCILWOMAN GYM: One, I wanted to thank the Administration for highlighting the Eviction Diversion Rent Assistance Program. You know, that has been I think one of the City's most successful and certainly nationally lauded efforts in the pandemic. And I think what was rightly noted was that in the time of crisis we actually invested in our internal capacity. We strengthened up the technological aspects to make the PHLRentAssist.org portal and the website more accessible, quicker and more streamlined with other entities so that we could move the money faster.

I think we were able to distribute the latest rent assist dashboard, I know you are using other numbers, shows up having distributed over $220 million to almost 36,000 households. Most of them, landlords since May of 2020, so I think that is significant. I think the 156 million in rent assist disbursement that you mentioned is just ERA 2 funds; is that accurate?

MR. DUBOW: I'll let Ashley respond.

MS. DEL BIANCO: Thank you, Councilwoman. It is a combination of ERA state and federal funds, yes. But you're correct, that basically that particular phase is inclusive of those ARP numbers, yes.

COUNCILWOMAN GYM: Okay. So one of the areas that we -- and I appreciate that we're tracking this money because I think it's incredibly important to families and to the health of our City, but we appreciate the support in tracking and advocating for the federal reallocation that fund these funds from jurisdictions that have distributed less than 65 percent of the initial allocations.

This was a big push. This is sort of what didn't happen in that early phase and it got reallocated by the state to the Department of Prisons or Department of Corrections rather, I'm sorry. And so, now we have a chance to ensure that municipalities and jurisdictions that have overwhelming need are able to access them a certain time after.

It's our understanding that the vast majority of jurisdictions have not distributed 65 percent or more of the allocation. Do you know if that's true or not statewide?

MS. DEL BIANCO: At a state level that's a good question that I

don't have a full answer for. I can see
if I can get more information on it.
What I will say is that not very many
jurisdictions received direct local
funding from the state. So Philadelphia
was one among only a few counties that
received a direct local allocation, and
the majority of cases the state itself
was overseeing the distribution into
jurisdictions. So I don't have a -- I
don't know whether it's a majority or
not and what the factors are, but I can
get some additional information on that
for you.
COUNCILWOMAN GYM: Do you have
any sense of the possible range of funds
that could be received based on how much
has been unspent and how much we may
have received initially?
MS. DEL BIANCO: You mean for
the reallocation of state funds? Yes,
our understanding is that we have
received our full reallocation at this
point. The state did prioritize going
through that process for those entities

that, A, were successful in distributing at least 65 percent and, B, that were receiving direct local distributions. It is not our understanding that beyond the $29 million we have received from the reallocation process that we would receive additional state reallocations.

COUNCILWOMAN GYM: Okay. All right. Thank you. One of my questions is about the Pennsylvania Capital Projects Fund and about the 279 million in there. As you know, there's been a lot of talk about aging school buildings and the fact that in September of this year I think when SLA Beeber had to close down because there were no functioning bathrooms in the entire school, it was the 12th school in two years to actually close. There's a heavy and huge need to remediate and modernize our schools.

Can you share any information about whether the Pennsylvania Capital Projects Fund could help address any of this or any additional information as to how and when that money is being disbursed and where we are in the allocation process regardless of whether it involves schools?

MS. DEL BIANCO: Sure. My understanding is that school and education capital projects are eligible. My understanding would be though that basically these funds have the same criteria as capital project funding typically does. They have not expanded the criteria. So the short answer is if the type of projects that you're thinking of or describing fall within the existing grant eligibility process which I believe they do -- but I'm not certain not having read the Capital Projects Fund eligibility closely recently -- I know school facilities in general are eligible.

COUNCILWOMAN GYM: Okay. And you don't have the sense of how that money is being disbursed or the --

MS. DEL BIANCO: No --

COUNCILWOMAN GYM: --

application process and is it done by
city governments, by private entities,
how are we applying?

MS. DEL BIANCO: Well, it
basically is a state process. And so, I
think us communicating and advocating
what the priorities would be, would be
an essential part of that. We have not
received any formal guidance about an
application process at this point for
capital funding.

COUNCILWOMAN GYM: Okay. And
is that because the state hasn't issued
it or is it because we need to figure
out what that looks like?

MS. DEL BIANCO: We always try
to keep an eye on things. To my
knowledge, the state has not issued
guidance on that. But again, I can
double check for that.

COUNCILWOMAN GYM: Okay. Thank
you. And then for Pew, I wanted to
thank you for your report as well. One
of the biggest concerns obviously is
what's happening with small businesses

in the City of Philadelphia. The number of jobs that small businesses, I think as you noted in Q1 down 17 percent seems to decline the most when you're looking at job loss by employer size.

I'm curious whether this matches trends in other cities nationally? Is it better or worse? It's not great either way. It's just kind of getting an understanding of what's happening and how we can best support small businesses here in Philadelphia because I don't think we're doing nearly enough.

MR. GINSBERG: Yeah, hi. The dashboard itself does compare to other places or other cities, so looking just at Philadelphia. So as far as the dashboard goes, we're just looking at the City, other data and we can see other data on an ongoing basis. Certainly, jobs declined everywhere nationwide. There would be differences from when one city, from one metro area to another. The national data comes out about a month or two before the local data, and we have seen in the national numbers also an uptick nationally.

How that differs from one city to another I have not looked at. But we can see it looks in the latest numbers that just came out yesterday that we are following some of that trend here too. We're seeing some of that uptick here in certain sectors. Some sectors like hospitality generally are low and the recreation venues, those remain significantly below their prepandemic levels. Some of the others have never really dipped much low, and a few of them are actually above where they were prepandemic. One of them is professional scientific like I highlighted, I think the information sector also stayed pretty solid. I can give you more breakdown if you need it. I can give it to you later from what we see in our data.

COUNCILWOMAN GYM: Yeah. We may follow up with you, and I assume some of it, we will take a look at the dashboard a little more closely about the breakdown of small business job loss or growth by sector I think will be really helpful and hopefully inform some of our work as we look at the next budget in terms of addressing that area in particular.

MR. GINSBERG: We'll reach out to your office too. We'll set something up.

COUNCILWOMAN GYM: And I just wanted to clarify. Going back to the reallocation of rent assist money if I could just for clarification, I think that you had mentioned state reallocation, but I was asking about Federal Treasury reallocation.

MS. DEL BIANCO: (Muted).

MR. DUBOW: You're muted, Ashley.

MS. DEL BIANCO: Sorry. The Federal Treasury reallocation process is just getting under way. My understanding is that Federal Treasury is going to do this in two tranches. First, they will look at reallocation of federal funding to the states from states that have not fully spent down their funding, so that's Process 1.

Process 2 is then distributing to jurisdictions who have been successful from those other jurisdictions that have not. The only thing we've been asked to do thus far is to certify the spending that we have made on the federal rental assistance which we have done, and we then also need to issue a formal request for additional funding. And that is due on the 30th, and we're preparing that now.

So there is no other process that we are aware of or beyond giving us instructions as to kind of those general guidelines about how they will handle reallocation, we do not have additional information from the federal government on that from U.S. Treasury.

COUNCILWOMAN GYM: And that's the 30th of November?

MS. DEL BIANCO: Yes.

COUNCILWOMAN GYM: Do we know how much money is potentially -- do we have a sense of the possible range of money that could be available?

MS. DEL BIANCO: We do not.

COUNCILWOMAN GYM: Okay. But it's just re-underscoring again that there looks to be a potential for two phases of a federal reallocation that would extend the rent assistance to the City of Philadelphia. I assume based on all the information that we've got that we're among the most successful cities in the nation. We're not even just talking about Pennsylvania. But in terms of national distribution success, that we would be pretty much at the top of the list.

MS. DEL BIANCO: I agree with that assessment, yes.

COUNCILWOMAN GYM: And that's a strong candidate for additional rent assist money coming through the federal government?

MS. DEL BIANCO: Yes.

COUNCILWOMAN GYM: All right. Thank you. Those are all my questions.

COUNCILMAN DOMB: Thank you, Councilmember Gym. Thanks very much. Great questions.

I have a few more questions I just wanted to ask. First, I wanted to recognize our Commerce Director Mike Rashid for being here. Thank you, Director Rashid.

And I guess maybe, Rob, you can answer this one, on the fund balance -- or, Harvey, I think both of you mentioned that our fund balance, if I got it right, estimated 220 million more than we thought?

MR. DUBOW: Correct.

MR. RICE: Yes.

COUNCILMAN DOMB: And we'll end with about 290; is that what I heard?

MR. DUBOW: Our preliminary actual for FY21 was 298.5.

COUNCILMAN DOMB: And what were the main two or three drivers of what caused that to be much higher?

MR. RICE: The --

MR. DUBOW: So -- it looks like Harvey -- go ahead, Harvey.

MR. RICE: Well, revenues came in higher than projected and the expenses, obligations were lower than projected, and those were the two major driving factors where we had a higher fund balance than projected in the Five Year Plan that we saw in the revised Five Year Plan. I don't know if Rob wants to speak further to that.

MR. DUBOW: No, that's good.

COUNCILMAN DOMB: Okay. And just in the breakdown, how much of that was revenue versus expenses that were lower?

MR. RICE: Um, I have it here.

MR. DUBOW: So --

MR. RICE: It's 140 million in revenue and approximately 200 million lower in obligations.

MR. DUBOW: I think some of the big drivers, I think that's what you're looking for. So wage tax was higher. The sales tax was higher. The BIRT was higher, so those three together were about 100 million. And what's interesting was there were a lot of things that broke our way by little and because they're so big, they add up to a lot. And then our benefits came in lower, health benefits. Even our salaries came in -- our salaries at 1 percent lower. But because our salaries are 1.8 billion, that's $18 million.

COUNCILMAN DOMB: Let me come back to something Harvey -- I want to make sure I understand what you're saying. You said 140 million more in revenue and 200 million less in obligations?

MR. RICE: Right.

COUNCILMAN DOMB: Would that be a difference of 340 million?

MR. RICE: There was some adjustments.

COUNCILMAN DOMB: Okay. All right. Let me know about that, what the final numbers were on that. I want to go back to wage taxes for a --

MR. DUBOW: I think part of what offsets that is moving some of the federal money from --

MR. RICE: Federal money.

MR. DUBOW: -- 2022.

MR. RICE: Yeah, that was part of that, moving the federal money.

COUNCILMAN DOMB: Okay. But really in the performance of the City would it be accurate for me to say that 140 million more in revenue and 200 million less in spending, is that --

MR. RICE: Yes, I think that's a very fair assessment.

COUNCILMAN DOMB: Okay. I think that's good, not bad.

MR. RICE: Yeah, that's what we like to see.

COUNCILMAN DOMB: Yeah. Let me go back to wage tax for a minute. I think, Rob, did you say the projection or refunds was going to be about 125 million and it's about 110 roughly.

MR. DUBOW: We came in just a little under 100, so that's part of the difference. Refunds were also really high in the high 90s. We're a little lower than we projected.

COUNCILMAN DOMB: What fiscal year would that be for if you're counting that?

MR. DUBOW: '21.

COUNCILMAN DOMB: '21. And when does that -- actually when does that end? When can people not continue to apply for a refund, by what date?

MR. DUBOW: They can continue to apply for a refund -- and if I get this wrong, Frank should jump in -- three years.

MR. RICE: Three years.

MR. DUBOW: We think we've seen the bulk of it, but there is a chance that you'll see some continuing hit, and you see it used -- the big time for people to start looking for wage tax refunds is around when their federal taxes are due, so you see the spike in the spring. And we can see that this year, that there was a really big hit for a couple months around then and then it drops off and hasn't moved much at all.

COUNCILMAN DOMB: What are you projecting for next year on refunds for wage tax?

MR. DUBOW: I think it's 70 million.

COUNCILMAN DOMB: And then the other question is how will inflation possibly affect our operational costs, especially in Class 200?

MR. DUBOW: So I think that will create some strain for our costs as everything goes up. We should probably see some strain. There may be some offset to that in terms of on the revenue side. For example, if wages go up, sort of inflation, that there might be some impact on the wage tax.

COUNCILMAN DOMB: I've seen reports that inflation could be 8 to 10 percent this year and 8 to 10 percent next year.

MR. DUBOW: Yeah, and we would see that in the sales tax too.

MR. RICE: Right.

COUNCILMAN DOMB: Okay. The other question I have is this is just an example of the operational performance measures. We were talking about the Free Library and we talked about the Teen program attendance in the chart. And the Teen program attendance for Fiscal Year '22 is like way down.

Is there someone on that team that could say, you know what, let's notify all of the Philadelphia high schools, 9th to 12th graders about the Teen program and make sure they're aware of it.

MR. DUBOW: Yeah, I think that was part of it. And I think also part of it, you know, letting people know that libraries are back and that they're open and that the hours are predictable, so there's definitely an outreach to be done to make sure all of that is known.

COUNCILMAN DOMB: And the last question I have -- well, maybe not the last, but one of the last -- is I'm trying to get your opinions on this, I hear from people all over the City there's a shortage of employment, okay. There's not enough people to work in a lot of these jobs. And I'm just wondering where did these people go? Why don't we have enough people? What's going on?

MR. RICE: Councilmember, I ask that question to my staff and to our economists every day almost. I can't understand it. Why the unemployment is so low, but there are businesses that anywhere you go, they're looking for help, anywhere you go, any type of business, whether it's retail, restaurant, entertainment.

MR. DUBOW: It's a national phenomenon.

MR. RICE: Right --

MR. RASHID: If I can say a couple of words. As you know, I'm one of the Co-chairs of Ready. Set. Philly!, which is a City government and business coalition that has come together to try to get people back to work. We've done surveys and studies. And as Rob was saying, this is all part of what's called the Great Resignation nationwide.

But we studied people here in Philly, and the number one reason that we got from our surveys was people felt what they call safety and security was the number one reason. And when we delved into that reason, the number one factor in safety and security was the pandemic and safety coming to work for those people, especially in the hospitality industry who have to face out to people every day, but also from working parents who have to send their children to child care and the concerns with sending their children to child care which seems to be bearing out right now, and then also there's the overall concern about physical security, whether it's gun violence, crime, whatever, that is continuing not only in the downtown areas but even more so in the neighborhood area. And so, people are just saying I don't want to get out, I don't want to go out. And if I can, I'm just going to quit my job, so people are withdrawing themselves from the workforce.

COUNCILMAN DOMB: Do we expect that to change in the next six months or we're not sure?

MR. RASHID: There are articles that have been written, and I read one as recently as this week, which says they expect things to change. They expect things to get better hopefully as the pandemic wanes and adjustments are made for child care, but I don't think we expect it to happen very soon.

COUNCILMAN DOMB: And while we have you, Director Rashid, do you have any idea -- I heard that in November that 36 percent of the offices were open. Do you have any idea what number we're going to be at in January or

February when the offices open in the City?

MR. RASHID: No. We talked to employers in the City and they are being very cautious, Councilmember, in terms of pushing people to come back. They're letting people and supervisors make choices. Choice seems to be something that's very important. You don't want to make people do something they don't want to do. So to be honest with you, we have not heard any predictions. What's overriding the whole thing is the pandemic.

And I think a couple of weeks ago we would have said things are getting better with the pandemic, the numbers were going down. But now in the last couple of weeks the numbers have come up, so we'll just have to see.

COUNCILMAN DOMB: Okay. That's probably key to helping our budget also getting all these people back into these jobs. So we need these wage taxes and other taxes paid. All right. Well, thank you.

Any other questions from my colleagues?

MR. RASHID: Councilmember, if I can just --

COUNCILWOMAN BASS: Councilmember --

MR. RASHID: I'm sorry. Councilmember, if I can just say one thing, there is a bright star on the horizon which is sort of immune to the pandemic, and that's our biomed and tech industry here in Philadelphia. As you probably know, almost $1.4 billion is being invested into that industry in 2021.

We have new starts in tech than any other City, including Boston. And the good thing about that industry with respect to the pandemic, when you work in a lab, you really can't work remotely in a lab. You have to come into the lab and do what you have to do, and the labs are being built in West Philadelphia. West Philadelphia is positioned to be the number one gene and cell therapy center not only in the United States, but in the whole world.

COUNCILMAN DOMB: I'm fully aware. We have a great person named Jim Wilson running that program, so that's great news. Thank you for sharing. That's great news. Thank you.

MR. RASHID: Yes, sir.

COUNCILMAN DOMB: Is my Councilmember Kathy Gilmore Richardson, I know she's having technical issues, I'm not sure she's able to ask questions, but she's going to send it in for the record.

Any other questions from my colleagues?

COUNCILWOMAN BASS: Mr. Chairman, this is Councilwoman Bass. I just wanted to make a statement.

COUNCILMAN DOMB: Sure.

COUNCILWOMAN BASS: I wanted to just say that number one, I thought that the hearing has been really, really informative from my viewpoint.

And I wanted to just circle back to Mr. Rashid and his comments. And I wanted to, number one, thank him for breaking down in terms of where have all the employees gone. You know, just the conversation and the analysis that was done, I think for many of us or at least for me it really did put together some of the things we have been suspecting, some of the things we have been thinking and just that there was a thoughtful analysis of this. It really comes together and makes sense.

So I just really wanted to give kudos to that and also to the work that we do here in Council around making sure our employees are safe and employment conditions matter. There's a lot more that we have to do, but we also have to do more so that people feel comfortable coming outside onto the streets of Philadelphia and that they will return to pre-COVID normalcy.

And I know that's going to take some time, but getting there is very,

very important. It's important not just economically, but it's important to the psyche for our mental conditions. And so, I just really wanted to thank Mr. Rashid for his analysis and really thank all of the speakers. I think it's been a wealth of information.

So thank you, Mr. Chairman.

COUNCILMAN DOMB: Thank you, Councilmember Bass. Appreciate it. Thank you very much.

I want to thank each witness for being here today --

COUNCILMAN SQUILLA: Mr. Chair.

COUNCILMAN DOMB: Yes.

COUNCILMAN SQUILLA: This is Councilman Squilla. Can I ask a question?

COUNCILMAN DOMB: Sure.

COUNCILMAN SQUILLA: I talked to the (inaudible) and even the Streets Department. Why are we having such a hard time filling those positions since there are current lists that are available (inaudible)?

MR. DUBOW: I think we are in the process. We're adding --

COUNCILMAN SQUILLA: You are in the process --

MR. DUBOW: Yeah, we're adding new positions. So I don't think that's --

COUNCILMAN SQUILLA: Wait, you're adding new positions or you're filling the ones that aren't filled?

MR. DUBOW: We're adding new positions. We added funding in the transfer ordinance to add new positions to the Streets Department.

COUNCILMAN SQUILLA: Yeah, but the problem seems to be that we're not filling the ones that are empty. So if we can't fill the ones that are empty, adding money for the new positions, how is that helping?

MR. DUBOW: I think actually the problem there is more absenteeism. I don't think it's as much of a large vacancy rate. It's been more people are out.

COUNCILMAN SQUILLA: We reached out to (inaudible) --

MR. DUBOW: I'm having a hard time hearing you.

COUNCILMAN SQUILLA: I'm sorry. It seemed like the Library had said that they can't get people to fill their positions and, therefore, that's why the libraries aren't open full-time. If that's not accurate, then maybe we can go back and ask them again.

MR. DUBOW: Oh, I thought you were asking about Streets. Sorry. The libraries --

COUNCILMAN SQUILLA: Libraries and Streets.

MR. DUBOW: Yeah, I think the Library has had problems filling positions, but I know that they're working with HR on that, but I do think that's been an issue there.

COUNCILMAN SQUILLA: And there is a large list. So that's what makes me -- it just seems like we're really moving slow on filling those spots, and

I agree we can increase our sanitation workers. Those guys, they've been working through the pandemic and working diligently and we need more, especially since we're now working with the Street cleaning program. Is that still moving forward as projected?

MR. DUBOW: Yeah, I think so. I haven't asked about it. I haven't heard that it's not. I think that's a better way to put it because I have not heard about that lately.

COUNCILMAN SQUILLA: All right. If we can get that information to the Chair, it will be appreciated. Thank you.

MR. DUBOW: Okay.

COUNCILMAN DOMB: Thank you, Councilmember Squilla. Good questions.

Any other questions from my colleagues?

(No response.)

COUNCILMAN DOMB: All right. Seeing none, I want to thank every witness for being here today. Great testimony. Great information. We appreciate your testimony today and look forward to working with you in the future.

I also want to thank everybody who is tuned in today. I think it was a very good hearing. You all brought great information to the City today, which is great. And lastly and very importantly, I want to wish you and all your families a very safe and Happy Thanksgiving holiday. And this concludes the hearing on Resolution 200406. The hearing is now adjourned. Thank you all. Take care.

MS. DEL BIANCO: Thank you.

COUNCILMAN DOMB: Thank you.

(Committee on Fiscal Stability and Intergovernmental Cooperation concluded at 10:53 a.m.)

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

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

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TANEHA CARROLL
Court Reporter - Notary Public

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