COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING - COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Monday, February 14, 2005, 10:15 a.m.

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050078 - Resolution reappointing Howard Wurzak to the Board of Directors of the City Avenue Special Services District of Philadelphia & Lower Merion.

050079 - Resolution reappointing Michael Woodward to the Board of Directors of the City Ave. Special Services District of Philadelphia & Lower Merion.

050080 - Resolution reappointing H. James Tollett to the Board of Directors of the City Ave. Special Services District of Philadelphia & Lower Merion.

050081 - Resolution reappointing Rev. Timothy R. Lannon, S. J. to the Board of Directors of the City Avenue Special Services District of Philadelphia and Lower Merion.

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS-BROWN
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK DI CICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN JAMES F. KENNEY
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN JUAN F. RAMOS
COUNCILWOMAN DONNA REED-MILLER
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COUNCILWOMAN MARIAN B. TASCO

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P R O C E E D I N G S

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COUNCIL PRESIDENT VERNA: 050078, 050079, 050080 and 050081. I would ask Mr. McPherson to please read the title of the resolutions.

THE CLERK: Resolutions reappointing Howard Wurzak to the Board of Directors of the City Avenue Special Services District of Philadelphia and Lower Merion.

Resolution appointing Michael Woodward to the Board of Directors of the City Avenue Special Services District of Philadelphia and Lower Merion.

Resolution appointing H. James Tollett, III, to the Board of Directors of the City Avenue Special Services District of Philadelphia and Lower Merion.

Resolution appointing Reverend Timothy R. Lannon, S. J., to the Board of Directors of the City Avenue Special Services District of Philadelphia and Lower Merion.

COUNCIL PRESIDENT VERNA: Thank you.

Do we have anyone to testify on the resolutions?

Good morning, sir. Please identify yourself for the record and proceed with your testimony.

MR. COHEN: By way of brief introduction, I'm David Cohen, the Executive Director of the City Avenue Special Services District. And I want to thank you for this opportunity today.

With us today we have Rob Scammarucca, who is here on behalf of Father Tim Ryan of St. Joseph's University, Michael Woodward on my left.

On my far left we have James Tollett. And I'll be representing Howard Wurzak, who's out of town today on business. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

MR. SCAMMARUCCA: Good morning, President Verna. Thank you for this opportunity; and thank you, Councilman Nutter, for your support for St. Joseph's University and for this resolution.

My name is Rob Scammarucca. I am the assistant vice president for government and community relations at St. Joseph's University, and I stand as proxy for Father today who had to be in New York on business.

By way of brief bio for Father Lannan, he's an accomplished leader in Jesuit education in his second year as President of St. Joseph's University.

He began his term at St. Joseph's as the 26th President in July of 2003. He previously was vice president for university advancement and associate executive vice president at Marquette University, and served presidential internships at the College of Holy Cross in Boston College, while completing a doctorate in teaching fellowship in graduate school of education at Harvard University.

He serves on the Board of Trustees at Fairfield University, Marquette University and St. Joseph's Preparatory School. He has studied and written on Catholic identity at Jesuit Universities.

He's a native of Mason City, Iowa. He attended Creighton University as an undergraduate and later was President of Creighton Preparatory School.

We appreciate this opportunity to have him considered as a board member for the City Avenue Special Services District. We are a large institution on City Avenue in both Montgomery and Philadelphia County.

We are deeply committed to the quality of life for the corridor and our residents on each side.

It's a measure of our respect and commitment that we would introduce our President of a Division I college to serve as an active member of the Board on the City Avenue Special Services District.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Kindly identify yourself for the record.

MR. WOODWARD: Good morning.

COUNCIL PRESIDENT VERNA: Good morning.

MR. WOODWARD: My name's Mike Woodward. I've been married to the same woman for 27 years, and we have three teenage children.

My wife Kathy and I are principals of Woodward Properties, a real estate management firm, based in Philadelphia for a little over 25 years.

We own and operate numerous multi-family apartment communities in Philadelphia and the surrounding counties.

Our main office is situated on City Avenue in one of our communities, the Bala Apartments, located within the Special Service District.

Five other communities are positioned within a few short blocks of City Avenue.

I am an active member of the Apartment Owners Association of Greater Philadelphia and a member of its board of directors.

As a Philadelphia property and business owner, I am a strong supporter of

living and working in the City, particularly of the City Avenue area.

If confirmed as a board member of the City Avenue Special Service District, I will devote my attention to and use my firsthand knowledge of local resident issues to assist the agency in promoting activity that will reduce crime, improve the image of and the responsible development of the City Avenue area.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you. Good morning.

MR. TOLLETTE: Good morning.

COUNCIL PRESIDENT VERNA: Please identify yourself for the record.

MR. TOLLETTE: My name is James Tollette. I am a vice president of Winther Investment. We are a multi-family development company. We have interests in East Falls and in the -- within the district itself.

My family and I relocated here from Houston, Texas about two years ago. I've

been working in the city for about four years.

And my interest in serving the board is very similar to the mission of the board, and that is to maintain and enhance the City Avenue corridor, make it a friendly place to live and work.

And I have prior experiences with other boards and volunteer organizations, and I'm excited about serving the district.

COUNCIL PRESIDENT VERNA: Thank you very much.

Are there any questions from members of the committee?

Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam President.

Just a comment. First, thank you for making arrangements to have these nominees considered.

The City Avenue Special Services District is seeking to maintain continuity of leadership. And it's critically important that they have a full complement of board

members.

It's an excellent group that's been nominated. I would only make one comment which is with regard to Mr. Woodward. He should understand that the primary reason that he was nominated was actually because of his wife Kathy. And he should be mindful of that in all of his service with the City Avenue Special Services District.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

Any other questions or comments from members of the committee?

Seeing none, this will conclude our public hearing.

(Public hearing concluded at 10:20 a.m.)

Whole - 2/14/05

CERTIFICATE

I HEREBY CERTIFY that the proceedings and evidence are contained fully and accurately in the stenographic notes taken by me upon the public hearing of The Philadelphia City Council, taken on February 14, 2005, and that this is a true and correct transcript of same.

_____

DAVID A. DEIK, RPR and
Commissioner of Deeds

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

COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC MEETING - COMMITTEE OF THE WHOLE

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050081 - Resolution reappointing Rev. Timothy R. Lannon, S. J. to the Board of Directors of the City Avenue Special Services District of Philadelphia and Lower Merion.

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P R O C E E D I N G S

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COUNCIL PRESIDENT VERNA: We will now go into our public meeting. And the Chair recognizes Councilman Nutter.

Thank you, gentlemen.

COUNCILMAN NUTTER: Thank you, Madam President.

I'd like to move the adoption of Resolution 050078.

VOICE: Second.

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Resolution Number 050078 be reported out of committee with a favorable recommendation.

All in favor will indicate by saying aye.

(Chorus of "ayes.")

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it, and the motion carries.

Again, the Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I move Resolution 050079 be reported out of this committee with a favorable recommendation.

COUNCILMAN DiCICCO: Second.

COUNCIL PRESIDENT VERNA: It has been moved and properly seconded that Resolution Number 050079 be reported out of committee with a favorable recommendation.

All in favor will indicate by saying aye.

(Chorus of "ayes.")

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it, and the Resolution is adopted.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I move that Resolution Number 050080 be reported out of this committee with a favorable recommendation.

VOICES: Second.

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Resolution Number 050080 be reported out of committee with a favorable recommendation.

All in favor will indicate by saying aye.

(Chorus of "ayes.")

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it, and the motion carries.

The Chair again recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I move that Resolution Number 050081 be reported out of committee with a favorable recommendation.

VOICES: Second.

COUNCIL PRESIDENT VERNA: Do I hear a second?

VOICES: Second.

COUNCIL PRESIDENT VERNA: It has been moved and seconded that Resolution Number 050081 be reported out of committee with a favorable recommendation.

All in favor will indicate by saying aye.

(Chorus of "ayes.")

COUNCIL PRESIDENT VERNA: Those opposed?

(No response.)

COUNCIL PRESIDENT VERNA: The ayes have it, and the motion carries.

This concludes our public meeting of the resolutions just considered.

(Public meeting concluded at 10:22 a.m.)

COUNCIL OF THE CITY OF PHILADELPHIA
PUBLIC HEARING - COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Monday, February 14, 2005, 10:22 a.m.

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050022 - Resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2006 through 2010, and incorporating proposed changes with respect to Fiscal Year 2005, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3, 1992 (Bill No. 1563-A), by and between the City and the Authority.

PRESENT:

COUNCIL PRESIDENT ANNA C. VERNA
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILWOMAN BLONDELL REYNOLDS-BROWN
COUNCILMAN DARRELL L. CLARKE
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Whole - Res. 050022 - 2/14/05

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P R O C E E D I N G S

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COUNCIL PRESIDENT VERNA: We will again go into a public hearing of the Committee of the Whole, regarding Resolution Number 050022.

And I would ask Mr. McPherson to please read the title of the resolution.

THE CLERK: Resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2006 through 2010, and incorporating proposed changes with respect to Fiscal Year 2005.

COUNCIL PRESIDENT VERNA: Thank you.

Miss Wilkerson. Good morning.

MS. WILKERSON: Good morning.

I'm Joyce Wilkerson, Chief of Staff to Mayor John Street. And with me is Diane Reed, Budget Director for the City of Philadelphia. And behind me is Sean McNeely of my staff. And Vince Jannetti is also

here. Mr. Jannetti is the acting Finance Director.

The FY'10 -- FY'06/FY'10 plan, the City's 14th, details the City's continuing commitments to the following areas:

Maintaining fiscal health, implementing neighborhood transformation and blight elimination, promoting economic development, providing high quality public education and comprehensive coordinated social services, and enhancing public safety and quality of life.

It's been four years since Mayor Street first announced his commitments to these areas, and the City has made examples of the successes of these investments.

I'd like to share some of these successes. Improvements in public safety have resulted in a significant reduction in part one offenses, the most serious crimes as defined by the F.B.I., which have declined by 22 percent from 1999 through 2004.

By FY'06 investments made in social services will provide youth development

programs to almost 48,000 more children than at the beginning of the administration, funded primarily through Federal and state dollars.

And due to the success in the City's Neighborhood Transformation Initiative in ridding neighborhoods of dilapidated, vacant and eminently dangerous buildings, housing collapses have been reduced from 1,040 in FY'02 to 70 to date in FY'05.

Investments made in cleaning and greening vacant lots are having not just an impact on neighborhood esthetics, but on property values as well, as documented in the work of Penn Professor Susan Wachter.

As of December 31, 2004, 4,844 units of large-scale developments, 2,900 of them market rate and 1,900 affordable, were either completed, under construction or carrying out pre-development activities.

These large scale development projects are occurring in various neighborhoods throughout the City, and are influencing real estate markets in

surrounding areas.

Since 2000 the average home in Philadelphia has appreciated in value by 30 percent, when adjusted for inflation. The vibrancy throughout the City is reflected in our real estate transfer tax revenues as well.

The City collected 89 percent more in real estate transfer tax in FY'04 than before this administration took office, proof that people want to invest and live in Philadelphia.

Next week Mayor Street will unveil the economic development blueprint to the Chamber of Commerce, providing the framework for the City's economic development activities for the next several years.

Finally, the FY'04 citizen satisfaction survey contained the highest satisfaction levels for many City services in the eight years since the survey was first conducted, including street repair, trash collection, library services, police protection and recreation programs.

Whole - Res. 050022 - 2/14/05

We will continue to make strategic investments that will ultimately lock in the City's world-class status, without compromising the General Fund or accruing additional costs.

In FY'06 the administration proposes to provide $125 million for infrastructure investments under the New River City and N.T.I. initiatives.

The funds will be used to facilitate the transformation of the Delaware and Schuylkill River areas by providing a foundation for turning acres of underutilized land into new communities of residential and commercial investment on the riverfronts.

Investments will increase awareness of the waterfronts, stimulate economic activity and improve the quality of life for the City and the region.

Infrastructures will be made in select N.T.I. projects as well. This initial investment will be funded through the replacement of cash reserves currently securing water revenue bonds.

Whole - Res. 050022 - 2/14/05

The City will purchase a security bond to replace part of the Sinking Fund Reserve currently held for the water revenue bonds, and use these replaced funds for the initiatives.

The City will continue working with the Philadelphia industrial Development Corporation to revitalize and market the Navy Yard and bring new vitality to South Philadelphia.

Last fall a master plan was unveiled which called for mixed use development with businesses, housing, recreation, retail and restaurants co-existing at the Navy Yard space.

The revitalization of the master plan will generate more than $2 billion in private investment.

We achieved these successes despite an increasingly difficult financial situation, with a shrinking pool of funds available for program expansion and new investments.

The City ended FY'04 with a $46.8

million General Fund deficit, the first negative fund balance in 12 years.

While the deficit was primarily attributable to a delay in receiving state reimbursement for human service program costs, the negative General Fund balance was nonetheless a sign of the increasingly limited room for error in City finances.

Current estimates leave the FY'05 and FY'06 fund balance for each year at $19 million. The fund balance is expected to dip to $8 million and $9 million respectively in FY'07 and FY'08.

We project to close out the last two years of the plan with fund balances of $75 million and $65 million respectively, assuming the repayment of the City's $45 million loan to PGW in FY'09, and the restoration of PGW's customary annual $18 million payment to the City beginning in FY'09.

Projected fund balance in the FY'06, FY'10 plan remain at less than preferred levels. Many rating agencies cite fund

balances in the range of three percent to five percent of revenue as evidence of fiscal health and stability.

For Philadelphia, this means carrying a fund balance of at least $100 million.

The Government Accounting Office officer's association is even more cautious, recommending that governments maintain an unreserved fund balance of 5 to 15 percent of revenues.

Achieving a healthy fund balance will require the City to continue to eliminate the business as usual model and identify even more strategies to significantly increase revenues and reduce costs.

However, since 2000 the City has been faced with a series of challenges to the fund balance, making achieving a healthy fund balance difficult.

These challenges include skyrocketing increases in pension and health and medical costs, coupled with slowed

revenue growth, the City's increased commitment to the School District, and an aggressive tax reduction scheme.

Specifically, from FY'00 through the end of FY'05, as projected, tax revenues are projected to grow a modest 15 percent during the same period. Both health and medical costs and pension obligations are projected to increase by almost 60 percent.

The City shifted its funding policy for the FY'04-FY'08 plan to the minimum municipal obligation required by state law, to meet future unfunded pension liabilities.

At that time the shift to the MMO policy reduced the amount of the City's actuary. The actuary projected that the General Fund would have to contribute to the pension fund by $245 million from FY'04 through FY'08.

Nevertheless, the poor earnings of the past several years have caused the City's General Fund pension contribution to escalate dramatically and forced severe cuts in more discretionary General Fund expenditures.

Even maintaining the shift to the MMO funding policy for the current plan, the City is projecting $800 million more dollars in pension obligations in the FY'06 to FY'10 plan than was projected in the FY'02 to FY'06 plan before the earnings target was consistently missed, beginning in FY'01.

To address this financial situation in last year's plan, the administration outlined a series of tradeoffs in order to maintain fiscal stability.

These tradeoffs included shifting costs, eliminating programs, selling City-owned assets, seeking legislation to increase revenues from other governments to more appropriate levels, and right sizing the number of facilities.

Administrative service centers serving several departments were formed to cluster back office services, administrative, human resource, and budgetary functions, instead of replicating stand-alone back offices across departments.

With the help of City Council, the

administration updated fees for environmental health licenses and permits, expanded the Department of Licenses and Inspections, accelerated permit review program and updated the fees for police accident reports.

Through the Fleet Reduction Initiative, departments relinquished 329 vehicles, resulting in a cost avoidance of $9 million through the life of the plan.

Under the City's right sizing efforts, five recreation centers were winterized and closed for the winter months, and programs and staff for an additional five centers were shifted and reallocated.

This summer three pools will be demolished and replaced with spray parks which are not only less costly to maintain, but since they have no standing water, provide a safer way for children to cool down during the summer.

Our asset sales initiative aims to reduce the City's inventory of buildings, many of which are underutilized or vacant.

Our plan includes an aggressive

target of $10 million in asset sales for '05, and $24 million more from '06 through '08. We cannot realize these funds without the help of City Council.

Additionally, several bills have been presented to you for consideration that would allow the City to better regulate street construction, provide improved disincentives for committing violations to The code and better punish those who choose to short dump in our City.

The City worked successfully with the state legislature, and two key bills were passed this fall which paved the way for a significant reduction in quality of life violations against the City and increased revenue.

The first piece of legislation allows the City to raise the maximum fines from $300 to $2,000. The second bill allows the City to increase the fines for individuals who choose to short dump within the City to $5,000

Legislation to implement this new

authority has been submitted to Council. In addition, the right-of-way ordinance that was transmitted to this body earlier this month will allow the City to recover not only costs associated with managing rights-of-way, but will also enable better enforcement, improve coordination between entities who need to enter the right-of-way and better preservation of the City's investment in roads throughout the City.

Your passage of these ordinances will further enhance the quality of life in this City and generate additional revenue to support the General Fund.

Despite implementing innovative programs and consolidation, the City recently was faced with a looming deficit projection of $40 million for '06 and had to supplement existing workforce reduction efforts with employee layoffs.

Through a combination of attrition, replacing only half of the DROP retiree positions and employee layoffs by FY'06, the City will have reduced the General Fund

position level by 2,023 positions since FY2000.

Approximately 90 percent of the City's workforce reduction has been taken in Mayoral agencies.

Our police force and Fire Department will be operating at the lowest levels in 40 years, as will Streets, L & I and the Recreation Department and the Free Library System.

The administration attempted to minimize the impact of these cuts. However, some services will be reduced or eliminated. Trash collection will be standardized across the City.

The number of buildings cleaned and sealed will be reduced. Curb side pickup of white metals, such as refrigerators, will be eliminated. Trash basket collections in Center City will be reduced by one daily, and branch library hours are also affected.

We hope the outcome of these budget hearings will not require additional layoffs or employee reductions because further

reductions are likely to jeopardize services and undermine advances we have made to the quality of life in our neighborhoods and citizen satisfaction with City services.

Over the next year, City departments will focus on internal management and implement the restructurings and process changes necessary to operate efficiently with low staffing levels.

Efforts to control overtime are already under way and will continue through the life of the plan.

The Streets Department will consolidate survey districts from six to five and will consolidate highway districts from six to three.

The Police Department will restructure its bureaus and reduce the number of deputies from six to four.

The Free Library will restructure the hours of operation at branch libraries to better serve children and working adults.

The Recreation Department will consolidate program districts from ten to

seven.

The City's facilities management initiative will allow the City to better maintain City buildings, by consolidating staff dedicated to these duties under the Department of Public Property and deploying staff on a district basis.

We are also committed to adjusting resources in the Fire Department to better reflect the needs of citizens by adding eight additional medical units and by reducing the number of engine and ladder companies by four units each. We do not intend to close any fire stations in this restructuring.

Where possible, the City will explore using technology to improve processes, and in particular reduce the number of manual processes in the City.

A new human resources information system will eliminate stand-alone department systems, increase efficiency in processing new hires, improve the accuracy of the City's information, and reduce much of the paper pushing currently required.

Whole - Res. 050022 - 2/14/05

In '06 the Department of L & I is expected to complete an automation project that will enable faster and more effective response to citizen complaints, better management of resources thanks to readily available productivity data from each employee, increased efficiencies in public safety and code enforcement due to reduction in lag time, elimination of double data entry by inspectors and office staff.

In FY'06 the taxpayer information processing system will expand to support the Law and Revenue Departments collection efforts.

An electronic bill payment tool was launched in '05 which for the first time allowed residents and businesses to conduct transactions online.

Services enhancements through expanded use of technology entail substantial costs both to implement and maintain. They also require significant commitment of staff time.

During this plan the City expects to

receive new support from the Commonwealth. Beginning in FY'07 we expect the state to phase in reimbursement of the City for social worker salaries with $67.2 million expected through the end of the plan.

In addition, beginning in '06 the plan assumes the state will increase adoption subsidies and custodian service reimbursements, providing an additional $26.9 million through FY'10.

The City also expects to be reimbursed approximately $2 million annually for medical care provided for prison inmates who are medical assistance eligible.

Beginning in '06 we expect the state to assume patrol of City highways. State highways in Philadelphia are currently the only highways in the state that are not patrolled by state troopers.

In addition, the plan assumes receipt of $77.5 million in gaming revenues between FY'08 and FY'10.

In FY'05 the administration proposed reducing the budgets of the First Judicial

District and court-related agencies and the offices of the independently elected officials.

With the help of City Council these efforts were largely successful. However, we need Council to continue working with us, as we continue with efforts committed to in our prior five year plans, and introduce new ideas to help balance the budget in a fair and reasonable way across all parts of government, not just within the executive branch.

We call on your cooperation again, as the City's budgetary constraint required the administration, to request the offices of independently elected officials in the First Judicial District and court-related agencies to participate in absorbing the same five percent reduction in '06 budgets imposed on Mayoral departments.

If we do not all work together, the burden of meeting the City's fiscal realities will fall disproportionately on citizen services.

We remain committed to reducing burdensome taxes that hamper our City's ability to grow. The administration's position is that tax reductions beyond those currently in law should be offset by new revenue sources.

Accordingly, the administration proposes two new tax changes. First, the proposed plan would accelerate the reduction of the gross receipts portion of the Business Privilege Tax, so that it would be on pace to be eliminated by 2018 instead of 2020.

The proposed plan would reduce the gross receipts rate by 21 percent in FY'06 alone, from 1.9 mills to 1.4 mills, which is more than twice as large as the eight percent reduction currently scheduled by legislation.

After 2006, the rate will continue to be reduced until it is zeroed out in 2018. The faster-paced reduction means an additional $71 million in Business Privilege Tax relief over the proposed plan, on top of the $109 million in business tax relief already planned to occur without this

acceleration.

Second, the proposed plan would increase the parking tax rate from 15 percent to 20 percent, in order to offset the revenues lost resulting from the accelerated phase out of the gross receipts portion of the BPT.

The parking tax increase will generate $13 million in '06. Increasing the parking tax to 20 percent is one of the Tax Reform Commission's suggestions for changing Philadelphia's tax mix to afford Business Privilege Tax reduction.

The administration's proposed gross receipts reduction is the full amount of tax reduction that can be funded by this proposal.

The administration also recommends that the $45 million loan repayment expected from PGW in '09 be used towards the reduction of net income portion of the BPT beginning in '10.

In addition, the City will continue making wage tax reductions and will make its

11th stepdown in January 2006.

The 2006 the wage tax of 4.3 percent for residents and 3.7 percent for non-residents will be 13 percent lower than the rate in 1995 and the lowest rate since 1976.

Through 2010, the wage tax rate will decrease to 4.0 percent for residents and 3.6 percent for non-residents.

The City's wage tax reduction is expected to be supplemented by statewide tax reform approved by the Governor in July '04, which will provide $101 million in annual funding to the City, to further reduce wage taxes beginning in 2007.

Consider the magnitude of the City's tax reduction program to date. Ten consecutive years of local tax cuts have returned $1.1 billion to the taxpayers through the end of '05, including $71 million in accelerated BPT relief that I have just described. The proposed plan provides for an additional $378 million in wage and business tax relief.

I must convey a word of caution. Our projections show that the impact of scheduled tax cuts and credits may exceed natural growth in the tax base beginning in FY'11.

The incremental annual impact of wage tax cuts and credits mandated under current law from FY'10 to FY'15, combined with the continuation of the City's BPT rate reduction, is projected to exceed $70 million each year.

Although long-term forecasts are speculative, this impact is projected to roughly meet or exceed the growth in the tax base from FY'11 through FY'15.

Tax cuts currently planned or mandated could very possibly lead to a nominal revenue decline in some or all fiscal years beginning in FY'11 through FY'15 period.

And the proposed plan projects that tax revenue will grow by only $7 million in FY'10. In light of the many rapidly growing expenditure obligations, such a scenario, if

it occurs, would be fiscally insupportable.

As I stated earlier, we expect to end FY'05 and '06 with a fund balance of $19 million. Our projections for '07 and '08 leave the fund balance at $8 million and $9 million respectively.

A such low fund balance we cannot afford to restore funds in areas that have already been reduced, and we cannot afford any additional tax cuts beyond those current cuts in the plan without providing offsetting revenues.

Challenges we face are growing. We are currently analyzing the potential impact to the City of the proposed Federal and state budgets which could have significant direct and indirect negative effects on the General Fund, based on changes to Medicaid, the Community Development Block Grant, and other programs that Philadelphia depends on.

The City has been successful in shifting hundreds of millions of dollars in costs to state and Federal sources over the past decade, and the proposed plan assumes

further such shifts.

Negative outcomes at the state and Federal levels would require us to pursue alternate contingencies to maintain a balanced plan.

Other threats to the budget include future health and medical costs.

The most recent arbitration panel award to the F.O.P., health benefit costs were determined only for the first year of the four-year contract award, with further costs to be determined by reopening bargaining, beginning for the FY'06-'08 period.

Similar contracts were struck with DC33 and 47 will have reopened bargaining sessions for health costs in '07 and '08 respectively.

S.E.P.T.A.'s ongoing financial crisis poses another risk to the City's finances. Any proposal that includes an increase in matching funds would require greater payments from the City.

While a few of these risks cannot be

controlled, there are a few that Council can help mitigate. We again ask that no restorations be made to the cuts currently contained in the proposed budget.

Thank you for the opportunity to present this testimony in support of the proposed five-year financial plan.

We would be happy to answer any questions that you have at this time.

Additionally, representatives of City agencies included in the five-year plan are here to answer questions about their sections of the plan.

COUNCIL PRESIDENT VERNA: Thank you very much.

COUNCIL PRESIDENT VERNA: Miss Wilkerson, now that the Governor has submitted his budget to the legislature, are there any adjustments that the administration will be proposing to the City's budget or five-year plan?

MS. WILKERSON: We have not concluded our review of the Governor's proposed budget and its implications, as a

lot of the changes that are proposed are in the social service arena.

And it takes a very careful reading of state law and Federal law in trying to work through the various initiatives that we have funded.

We expect to complete our review in the next week or so and will return to Council with our estimate of what's -- what the potential impact is.

Several years ago, when the Governor's budget first came out, it appeared that there would be a $90 million-plus impact on the City.

But as we work through the legislative process, we were able to reduce that to a much more manageable level. And I anticipate that it will be that same kind of back and forth that will happen this time.

COUNCIL PRESIDENT VERNA: Thank you.

You indicate that we will be reducing the number of daily trash basket collections in Center City.

You don't mention about the trash

baskets that are spread throughout the City. Will there be a reduction? For instance, I know that we have them on South Broad Street. I know that we have them in commercial areas.

How frequently will trash be collected? Is it just going to be in Center City that we're reducing the number of trash collections?

MS. WILKERSON: The proposal is a Center City proposal. Currently I believe the baskets in Center City are emptied three times a day.

The recommendation -- The proposal is to reduce that to twice a day. In addition, in some sections of Philadelphia we have twice a week trash pickup.

We propose reducing that, so that across the City there will be once a week trash collection for just general streets, curb side trash collection.

COUNCIL PRESIDENT VERNA: What is the proposed change -- Well, you expressed what the proposed change is going to be. But how much are we actually saving?

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MS. WILKERSON: Well, I'll have to ask the Budget Director for that.

MS. REED: I'm Diane Reed, Budget Director.

I'm just checking my information on that. One second.

We're anticipating saving about $700,000 in this fiscal year.

COUNCIL PRESIDENT VERNA: All right. I was distracted.

MS. REED: We anticipate saving about $700,000.

COUNCIL PRESIDENT VERNA: And how frequently will the trash pickup be, for instance, in the commercial districts? Is that changing any or is this simply going to affect Center City?

MS. REED: The proposal is a Center City proposal, from three times a day to twice a day. And also standardizing the trash collection across the City to once a week.

COUNCIL PRESIDENT VERNA: Okay.

COUNCILMAN RIZZO: Point of

information on that issue, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo for a point of information.

COUNCILMAN RIZZO: Just to follow up on President Verna, about the trash receptacles, Miss Wilkerson, we have fire hydrants now that are missing in Center City. And now I've noticed we have fewer trash cans.

As a matter of fact, there is one that's normally in front of the M.S.B. building in mid block, that I went there looking specifically to throw some trash away. It's gone.

Is it gone because we've reduced the number? Or could you report on the number of containers that we have. And has the administration, Streets Department, taken any of those containers away?

Because I've noticed two locations this week that have no containers where they once were.

MS. REED: I can ask the Streets

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Department, Miss Tollson, the representative from the Streets Department, to comment on the number of trash receptacles we have in Center City. I don't know that.

COUNCIL PRESIDENT VERNA: Is Miss Tollson in the room or a representative?

MS. REED: Yes. Somebody's coming forward from the Streets Department.

MR. ZAKAGNE: Good morning, Council president.

My name is Michael Zakagne, I'm the Deputy Commissioner.

Thank you. My name is Michael Zakagne. I'm the Deputy Commissioner.

And as for the exact number of baskets, I don't have that information here.

It is only affecting Center City. We are going to keep an eye on those baskets also that have high volume. We feel we're going to be able to do that.

If there are some specific baskets, Councilman, that we need to look at, please, if you'll let us know, we can check that out.

COUNCILMAN RIZZO: My question is,

is there any program right now to take away, because I've noticed that there were baskets at specific locations, exactly right across the street from City Hall, mid block, J.F.K. There was once a trash receptacle there. It's no longer there.

I went to another location in Center City on Locust Street where I normally have a cup of coffee. And I finish it at that point, and I put it in the receptacle. It's gone.

So, now, you're making me think there's also a reduction in the number. And we'd like to be assured, I'm sure, that you're not taking away trash receptacles. So...

MR. ZAKAGNE: I don't know of a plan that we're specifically taking away or going through systematically taking away. But we certainly will check into that for you.

COUNCILMAN RIZZO: We have one missing. Then somebody has taken one of your...

MR. ZAKAGNE: We will certainly

check that out.

COUNCILMAN RIZZO: Okay. You'll get back to us on that, whether or not there's any effort to reduce the number?

MR. ZAKAGNE: Yes.

COUNCILMAN RIZZO: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Okay.

(Voices speaking away from the microphone, inaudible to the court reporter.)

COUNCILMAN DiCICCO: This guy's going to wait, but if you don't mind. Thank you.

I think Miss Wilkerson testified that the savings in reducing the number of times per day that the trash receptacles will be cleaned is something like $700,000 annually.

MS. WILKERSON: I think that was from both initiatives.

MS. REED: Correct.

MS. WILKERSON: Both the reduction in collection in some areas of the City from twice a week to once a week, and reducing the

number of pickups in Center City

COUNCILMAN DiCICCO: What is the savings in those areas where we are now collecting trash twice a week? What is the savings we will benefit by going to once a week?

MS. REED: That's included in that number.

COUNCILMAN DiCICCO: In the $700,000.

MS. REED: Mm-hmm.

COUNCILMAN DiCICCO: So, it's not just...

MS. WILKERSON: That's correct.

COUNCILMAN CLARKE: That's $300,000, Councilman, I was told.

COUNCILMAN DiCICCO: So, $300,000 is a portion of the $700,000.

MS. WILKERSON: Yes.

COUNCILMAN DiCICCO: So, it's $400,000 in Center City.

Has there been any cooperation or understanding between the Center City Special Services District?

Is there someone who will be collecting the trash, now that we would be reducing the number of times per day? Is there any accommodation for that?

MR. ZAKAGNE: We believe at the service levels we will be able to handle the basket collection with the Center City area.

There hasn't been any decisions or agreements made with Center City District to do any additional services check.

COUNCILMAN DiCICCO: Aside from the savings, the dollar savings, was there a study conducted to suggest that we may not need to do it three times a day or is it just strictly on a financial basis that the collections of from three times a day to twice a day has been made?

MR. ZAKAGNE: It was a recommendation from the operations. So, that is something that they look at, as to how often they collect baskets and in what areas are high levels of trash.

COUNCILMAN DiCICCO: Will there be any... And I'm not sure if this happens as

much in Center City as it does in the neighborhoods, and particularly South Broad Street. Council President and I were talking about that earlier.

Will there be any enforcement, surveillance, or something to the effect that we will identify people who are using these receptacles for household trash, as opposed to general trash that is generated from people waiting for a bus or walking down the street?

And this has been a sticky point with me for a number of years. You can almost with certainty identify certain intersections -- at least I know in my district -- where it's continually a problem with short dumping, household trash in particular.

So, is this any enforcement attached to this reduction? I'm not necessarily opposed to the reduction. I want you to understand that. I mean, if it maintains the quality of life and cleanliness and maintenance of our streets and sidewalks, I'm

okay with that.

I just have the concern about the regularity in which some of these intersections are being dumped on.

MR. ZAKAGNE: There's no additional enforcement services that are going to be provided. But again, we believe that by being diligent about where the receptacles are and which ones are most used we will certainly look at that.

And also, the issue of those receptacles that may be used by people who are not just -- people who are dumping trash inappropriately, we'll certainly be -- we will be diligent about that also.

COUNCILMAN DiCICCO: Well, I think it makes sense for us to be a little more efficient when it comes to the enforcement because some of the fines -- And although I'm not trying to suggest that we should create a fining mill for people who short dump or to bring their household trash.

But it does cause a problem. It's a quality of life issue. And all too often

it's a regular -- It becomes a normal way of life for some people to, at the end of the day, early in the morning, walk to the corner, drop their trash from the night before.

And whether the container is full or not, even if it's full, they'll just leave it there. And it's unsightly. It's a quality of life issue.

So, I would think that if we did some enforcement, that we may be able to generate some revenues that would not only offset the cost of cleaning it, but maybe additional revenues that would help us maintain our streets more efficiently and effectively.

MS. WILKERSON: The administration is working to be more aggressive with its code enforcement, and also the Law Department is working with the very City departments to actually collect the dollars due.

It's been an effective strategy in the CLIP part of the City. And what we find is when we are very aggressive about code

enforcement and actually begin executing that, you get higher compliance levels.

And so, we're going to be working on code enforcement. We're going to be aggressively going after dollars owed to the City.

COUNCILMAN DiCICCO: Yeah. I'll just... I'll end with this. I'm not choosing South Broad Street because it's the district that the Council President and I represent, but it's someplace I'm familiar with, and I see it constantly.

You would put somebody in a vehicle, an unmarked car, and just sit at Broad and Tasker, Broad and Morris, any of those intersections.

It is amazing the people who just line up in the morning just dropping in their trash off, and then leaving it there. And on the weekends it accumulates.

It is certainly not a welcoming invitation for tourists who are coming in from the airport taking South Broad Street into Center City.

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It certainly does not look appropriate. And I think, in addition to the sanitary -- some of the health issues that may be involved, it would be important for us and I think beneficial for us to do some stepped up enforcement in those areas.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

While we're on the subject -- It will be my last question -- why is it so difficult to have at one of these baskets, that the area residents do not want at their corner removed?

MR. ZAKAGNE: I'm not familiar with those types of requests, Council President, so --

COUNCIL PRESIDENT VERNA: Well, somebody from my office --

MR. ZAKAGNE: -- that is something we can certainly look into.

COUNCIL PRESIDENT VERNA: -- will be contacting you sometime today because we have received that request any number of times about a certain basket. It was removed and

then replaced. So, area residents don't want them. Many of them don't want them.

Miss Wilkerson, you mention strategic marketing partnerships.

MS. WILKERSON: Mm-hmm.

COUNCIL PRESIDENT VERNA: And you anticipate that the City could receive $47.5 million from FY'06 to FY'10. Who have you retained as your consultant and at what cost?

MS. WILKERSON: The name of the firm is Civic Entertainment Group.

COUNCIL PRESIDENT VERNA: I'm sorry. Is what?

MS. WILKERSON: Civic Entertainment Group and Octagon.

The cost of the contract is between $170,000 and $180,000.

COUNCIL PRESIDENT VERNA: Oh. Will these partnerships require City Council approval?

MS. WILKERSON: That will depend on the term of the agreement.

COUNCIL PRESIDENT VERNA: Has anyone from City Council been involved in this

project?

MS. WILKERSON: Not as far as I know.

COUNCIL PRESIDENT VERNA: I think the gentleman's trying to get your attention.

MS. WILKERSON: Okay. We have not identified any particular contracting opportunities.

The way we structured it is, first we did a solicitation, and have identified a consultant that is in the process now of going around meeting with City departments, trying to identify the opportunities.

Once that work product is complete, the City will make decisions about whether to pursue them and how to go about pursuing the various alternatives.

I think there might have been Darwin from Councilwoman Blackwell's office might have been involved in the selection process.

COUNCIL PRESIDENT VERNA: I'm sorry. You turned your head and you weren't speaking into the microphone. So, I could not hear what you said.

MS. WILKERSON: The administration structured the solicitation so that the consultant that I identified earlier will be helping the City identify potential advertising and strategic marketing opportunities.

Once that work product is provided to the City, then we will decide which of the opportunities to pursue.

You know, some of the opportunities are likely to involve the bus shelters. And, you know, and if you look at what's been done in other places... I remember in past years Miss Davis testifying that in Houston they had put advertising on the tops of school buildings, you know. So you really -- You know, there are a lots of things that we'll be looking at.

And to the extent that it requires a multi-year contract, you know, the administration would bring it back to City Council.

COUNCIL PRESIDENT VERNA: In your testimony you indicate that this summer three

pools will be demolished and replaced with spray parks.

MS. WILKERSON: Mm-hmm.

COUNCIL PRESIDENT VERNA: Can we assume that there will only be three swimming pools that will not be open this summer?

MS. WILKERSON: I believe that's -- I'm sorry.

MS. REED: Actually, there are nine pools that have been identified for closure that won't be opening this summer.

COUNCIL PRESIDENT VERNA: I beg your pardon? I'm having difficulty hearing you. Nine pools...

MS. REED: Nine that have been identified, yes.

COUNCIL PRESIDENT VERNA: Have been identified that will not be open this summer?

MS. REED: Correct.

COUNCIL PRESIDENT VERNA: Is that going to be a secret or are we going to be informed as to what nine pools will not be open this summer?

MS. REED: I have that information

with me, if you would like me to tell you, which have been identified already.

COUNCIL PRESIDENT VERNA: I think that would be extremely helpful to all of us.

MS. REED: Hancock; 48th and Woodland, which will be replaced with a spray ground; Baker, which did not open at all in 2004. And that's a possible spray ground. Waterview, which will be replaced by a spray ground; Smith likewise replaced by a spray ground; Island Road, which is going to -- property that's going to be leased; Athletic, which has mechanical problems; Franklin, where the facility has closed; and Heightsman.

COUNCIL PRESIDENT VERNA: With the Island Road swimming pool, I know that the School District -- or rather a charter school has been occupying that building. Are they going to be purchasing the swimming pool also?

MS. REED: No. I think the pool would be closed, but I think someone from Recreation probably should make that --

COUNCIL PRESIDENT VERNA: Is the charter school interested in purchasing a swimming pool also?

MS. WILKERSON: We'll get back to you on that. I don't know the answer to that.

COUNCIL PRESIDENT VERNA: Thanks.

I have an awful lot of questions that I want to ask. For the time being I'll just ask one more, and then I'll start recognizing some of my colleagues.

Under your new initiatives, you mentioned realign medical assistance. Can you explain what you mean by this and what are the projected savings to the Philadelphia taxpayers?

MS. WILKERSON: Some of what we're doing, for example, I mentioned briefly the initiative to fund in-hospital patient care through medical assistance.

Historically this is something -- This is a cost that was absorbed by the General Fund.

We have done a survey of the prison

population. And a number of these individuals are medical assistance eligible. Those health care costs are appropriately funded through the medical assistance program.

And so, it is our intention to move that out of the General Fund and into the medical assistance rolls.

Do you want to talk about some of the other initiatives?

COUNCIL PRESIDENT VERNA: So actually, this is something that we've been talking about for years, and we're finally getting around to doing it? Is that so, Joyce?

MS. WILKERSON: No. I think the administration has been doing it for years. I think that each year we identify additional opportunities and are working to fund programs.

I think if -- you know, Miss Steiker can talk about some of the after-school programs.

MS. STEIKER: This is Ellen Steiker,

Deputy Managing Director.

Another initiative that is being strongly supported and actually initiated by the State Department of Public Welfare is to look at programs that are currently being funded by children and youth through D.H.S., to look at the behavioral health component of those services, the treatment component, and where it's appropriate, to move the costs of those services over to medical assistance.

And this is something that will be beneficial to both the state and to the City, and it's an initiative we're working on jointly. And that can have very positive impacts for the City

COUNCIL PRESIDENT VERNA: Thank you.

MS. WILKERSON: I just wanted -- I think that one reason why, what's going on with the, you know, the discussion of medical assistance at the Federal level and the state level can have such a critical impact on -- on the City because, you know, we've done a fair amount of this.

COUNCIL PRESIDENT VERNA:

Councilwoman Tasco.

COUNCILWOMAN TASCO: And to follow up on that, as a first step of this realignment, the State Department of Welfare and the Office of Behavioral Health have identified providers that already have medical assistance enrolled in it.

Do you know those providers?

MS. WILKERSON: We'll get you that list. I don't have it with me right here.

COUNCILWOMAN TASCO: All right. Thank you.

COUNCIL PRESIDENT VERNA: Okay.

We have a number of Council members that want to be recognized. So, each Council member with the first go-around will be given five minutes.

And the Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good morning.

MS. WILKERSON: Good morning.

COUNCILWOMAN BROWN: On Page 4 of

your testimony you mentioned that we ended FY'04 with a $46.8 million General Fund deficit, mostly attributable -- and I underscored that because I want to get back to that -- to a delay in receiving state reimbursement for human services program costs.

First of all, is the delay an anomaly? And have you been able to determine why the delay?

MS. REED: Councilwoman Brown, yes, the delay was an anomaly. It also was partly an accounting rule adjustment that's now --

COUNCILWOMAN BROWN: I can't hear you. Thank you.

MS. REED: Yes, it was an anomaly. Money that should have been received before August 31st did not come in until September. We could not count it for last year, but we could count it for this year.

COUNCILWOMAN BROWN: And you say mostly attributable. What other reasons have you been able to determine on the why?

MS. REED: The billing of the state

is a very complicated process. We often have to restate entire bills when we have not received payments from a prior period.

COUNCILWOMAN BROWN: Well, we often have to do what?

MS. REED: Restate bills. And in fact, '04 billing is not totally, totally completed as yet.

COUNCILWOMAN BROWN: Mm-hmm.

MS. REED: It's an involved process. And we have been talking with state budget officials just trying to see how we might streamline that on the state side.

COUNCILWOMAN BROWN: So, are you optimistic? What types of, I guess, recommendations or suggestions have you put in place, especially since this appears to be a first?

MS. REED: I don't know if it's a first, but it's certainly an order of magnitude that makes us want to focus on this, yes.

COUNCILWOMAN BROWN: And what services, then, have been impacted by this

within D.H.S.? Is it foster care or is it child care? What is it?

MS. REED: No. We just got -- We get reimbursed for the services, so the services were provided.

COUNCILWOMAN BROWN: Forgive me?

MS. REED: We get reimbursed for the services, so the services were provided.

COUNCILWOMAN BROWN: Okay, then. All right. Thank you for your testimony.

You said we'll get another round, correct, Madam President?

COUNCIL PRESIDENT VERNA: Yes, ma'am.

COUNCILWOMAN BROWN: Okay. Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President. Good morning.

Miss Wilkerson, with respects to your testimony on the $125 million for

infrastructure investments -- And I know we have talked at length about that in the past. As it relates to the part that talks about NTI projects, I don't recall it being a passive prior testimony.

In what way... What guidelines will we have to select those NTI projects, as it relates to investments, which is money?

MS. WILKERSON: As I recall, it has been a part of previous presentations. The funds are funds that are part of the water -- our water revenue funds. And so, the dollars have to be spent for water-related infrastructure projects. So, for example --

COUNCILMAN CLARKE: I'm familiar with that. The part I'm -- The question I'm asking, as it relates to selecting NTI projects.

MS. WILKERSON: We're going to --

COUNCILMAN CLARKE: Are there any particular things that you all have in mind? Say, for instance, if there's a housing development. NTI has kind of taken on a life of its own. I mean, it could be anything, so

that's why I'm not clear, exactly what we would interpret as being NTI.

MS. WILKERSON: Well, we're going through the list of projects. Some are affordable housing projects. Other developments that are being proposed are not affordable housing projects. But we're looking at initiatives where there's -- particularly initiatives where there's subsidies required.

Those would be -- tend to be projects where we're going into an area that wasn't previously residential or where we're going into an area and changing the size of the lots.

And so, you have to have new infrastructure put in, new water, sewer lines put in, the roads and the curbs and sidewalks that are ancillary to that. Those would be the types of developments that would be eligible for this funding.

We're in the process now of stepping through each of the developments in the pipeline and also looking at other

initiatives where it might be appropriate to use these dollars.

COUNCILMAN CLARKE: So, are you looking at current projects being proposed? I guess I'm trying to get a sense of how Council people in particular are involved in this selection process.

Are you looking at offsetting some costs in the current, say... What's this, Year 36 C.D.B.G. budget, whatever the year is, in funding some of those activities or are we looking at things beyond the traditional affordable housing components?

MS. WILKERSON: We're doing both.

COUNCILMAN CLARKE: Are we looking at market rate housing?

MS. WILKERSON: We're doing both. What I've asked staff to do is identify projects where there are infrastructure costs. And that list is being culled to identify projects where there's specifically water and sewer related infrastructure costs.

COUNCILMAN CLARKE: That's probably every housing development imaginable.

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MS. WILKERSON: No, not all of them are. Some of them are simply the laterals going into the house. It's not clear that that would be a fundable activity.

So, you know, what I'll do, and I'll share with Council the list of projects that have been identified, and also the funding parameters that we've been given by the Law Department to determine, you know, which of the NTI type projects might be eligible. But I'll share that list.

COUNCILMAN CLARKE: Can we be in that process earlier?

MS. WILKERSON: Yeah. Before the dollars would be available, as I've testified before, we would have to come back to City Council for an amendment of the bond ordinance.

There are additional accounts that would have to be set up under the indenture that requires approval of City Council by ordinance.

And so, before any dollars are made available, we have to come back and would

expect to have a fully developed program.

COUNCILMAN CLARKE: Okay. I don't want to spend my time on just that one question.

Let me briefly get in my next question, and I'll come back for the discussion about the standardization of trash pickups.

In Page 5 you talk about the possibility of PGW making a $45 million loan repayment. Is there anything going on with PGW that puts us in a position that we now feel that the company is healthy enough to make that repayment in the future?

I haven't been hearing all those wonderful things. And if something's going on, can you kind of, like, enlighten us as to what's happening over there?

MS. WILKERSON: Well, PGW... Oh, the bell rang.

COUNCILMAN CLARKE: That's for me. That's not for you.

(Laughter.)

COUNCILMAN CLARKE: That's for me,

it's not for you.

MS. WILKERSON: Next question.

(Laughter.)

COUNCILMAN CLARKE: That's not for you.

MS. WILKERSON: As everybody knows, the last several years have been inordinately trying for PGW, in part because there's been such a huge run-up in the cost of natural gas.

You know, it's been a challenge for the company. It's most particularly a challenge for thousands and thousands of our customers.

Notwithstanding the increase in the cost of natural gas, PGW is collecting gas at approximately 93, I think, .8 percent collection experienced this year, which is up from the 87 percent collection in the last year.

And so, PGW has also successfully negotiated its union contract. The salary increases are one, two, three and a half percent.

We have the employees moving from a Personal Choice plan into an H.M.O. plan. There have been changes in the company's collection operations. The company lobbied hard to get changes in Chapter 56, to give it more collection tools than it had before.

And so, we feel confident that the company will no longer leave as much money on the table as it has done in some past years and has the tools to operate reasonably moving forward.

But as I said before, what's going on with the cost of natural gas is the challenge. We've worked with state legislators in an effort to try to get state funding to assist with LIHEAP program. Pennsylvania is one of the few states that doesn't supplement Federal LIHEAP funding with local funds.

We're also working to try to get more LIHEAP and crisis funds focused on natural gas, as opposed to made available for some of the other utilities.

But you know, this is going to be an

ongoing issue there. Natural gas is a challenge across the country.

The company has also solicited proposals for partners on its proposed LNG project. We issued an RFP and that process is ongoing, in order to better leverage the LNG asset that the City has.

But that, at this point, is still in the planning stages, and we're not banking those dollars yet. But we anticipate being able --

COUNCILMAN CLARKE: So, this is a speculative $45 million?

MS. WILKERSON: No. The repayment of the $45 million doesn't turn on that.

In order to repay the City's $45 million, the company will probably begin drawing down on its commercial paper. The City's $45 million has enabled the company to be less dependent on the commercial paper.

And when the City is repaid, the company will probably have to be more aggressive in its use of its commercial paper.

COUNCILMAN CLARKE: Okay.

Thank you. I'll come back.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Miss Wilkerson.

Page 12 of your testimony you state, we remain committed to reducing burdensome taxes that hamper our City's ability to grow.

And on Page 52 of the five-year plan, the economic development portion, the second economic development goal stated is to grow jobs. And under strategy it says, foster job growth through tax reform.

Is that a change in public policy position from last year's five-year plan testimony?

MS. WILKERSON: I don't -- I don't think so. I mean, I think -- The administration's position is that tax reduction is a part of growing job opportunities in growing the City. It's not

the only part.

COUNCILMAN GOODE: Is there anything that came out of the Economic Development Summit or that will be included in the economic development blueprint to be released next week that reflects a change in tax reform policy from last year?

MS. WILKERSON: At this point I don't believe there is. There may be, but it's...

COUNCILMAN GOODE: Well, last year the administration seemed resistant to an additional wage and business tax cuts, yet the Mayor did sign a wage tax cut bill which saved us $15 million on the five-year plan.

And this year the Mayor has included a Business Privilege Tax cut and a portion of the gross receipts.

How do you explain that and where did that come from, if not from the Economic Development Summit and not as part of the strategy coming out of the economic development blueprint?

MS. WILKERSON: The

administration... You know, our position is that -- that -- that -- that there are a lot of conversations that we could have about restructuring taxes.

I think it becomes more difficult, from our perspective, when we're only talking about tax reductions.

And so, this year we've -- you know, we've proposed aggressive, you know, as you've always supported, aggressive cuts in the gross receipts portion of the Business Privilege Tax. And we've -- You know, we have adopted that.

We've done that by identifying alternative revenue sources. Last year we proposed an increase in the parking tax to offset...

COUNCILMAN GOODE: Well, Miss Wilkerson, I supported aggressively going after the gross receipts portion of the Business Privilege Tax last year, and agreed with paying for it through the parking tax.

But last year the administration was focused on moving to single sales factor

apportionment.

Where did the change in policy come, in terms of going from single sales factor apportionment to an aggressive gross receipts tax cut or are you doing both?

MS. WILKERSON: We're not trying to tackle single factor apportionment. We have this year proposed the gross receipts tax.

If you'll recall, back in, I believe it was, '03, the administration proposed not being as aggressive with the wage tax reduction, in order to focus on the gross receipts.

COUNCILMAN GOODE: Really where I'm going is, between last year and this year, we had an Economic Development Summit, this economic development blueprint to be developed.

You've made a conscious tax reform policy decision to say as part of your job creation strategy, but you've moved from single sales factor apportionment to gross receipts. And where did that policy change come from? It came from somewhere.

MS. WILKERSON: I think it came from... I think it came from a whole host of places. It is one of the things that you hear from the summit.

I think it also is something we heard loud and clear going through the legislative process last year that, you know...

COUNCILMAN GOODE: So, is gross receipts -- is accelerating gross receipts cut better than single sales factor apportionment?

MS. WILKERSON: We believe that there's a huge -- that there's a substantial benefit from tackling the gross receipts tax.

COUNCILMAN GOODE: Is one better than the other? Is a gross -- accelerated gross receipts tax cut better than single sales factor apportionment or are we just changing tax policy by year, having nothing to do with economic and job growth? What is the better strategy?

MS. WILKERSON: I don't have an answer for that.

COUNCILMAN GOODE: So, no one knows why we moved from single sales factor apportionment as a strategy to accelerating gross receipts tax cuts?

MS. WILKERSON: One of the reasons we adopted the single factor was because it was a recommendation of the Tax Reform Commission.

And I think that we have long had confidence that if we can bring down the gross receipts portion of the Business Privilege Tax --

COUNCILMAN GOODE: My question really is, what is the strategy based upon? And one of the ways is getting at what your strategy is based upon, is which is better.

Last year you proposed single sales factor apportionment. This year you supported gross receipts cut. Which is better? What is the strategy based upon?

MS. WILKERSON: We have studies supporting the reduction in the gross receipts tax. We believe that it will generate new jobs because it takes the burden

off of newly emerging businesses. And so we've decided -- And because we think that it's politically doable.

COUNCILMAN GOODE: Because it's politically doable.

MS. WILKERSON: And we think that it will inure a benefit -- it will result in a benefit.

COUNCILMAN GOODE: Is it better than single sales factor apportionment?

MS. WILKERSON: I don't know.

COUNCILMAN GOODE: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam President.

I want to go back to the issue of short dumping. I believe that's on Page 8 of the testimony. First of all, can you tell me what a short -- what's considered short dump, a short dumper?

COUNCILMAN DiCICCO: Five feet, five.

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COUNCILWOMAN MILLER: I didn't hear you, Councilman.

COUNCILMAN DiCICCO: Five feet five.

MS. WILKERSON: Let me ask the Streets Commissioner to come up.

I appreciate your help, Councilman.

COUNCILWOMAN MILLER: It starts on Page 7. We have a lot -- In my district we have a number of neighborhood sites where people -- we call them short dump sites.

And I just want to make sure I am correct; actually want to really know what a start dump is, a short -- a person that does short dumping, not the size of the person. And are we only talking about people that empty pickup trucks or just what?

MS. TOLLSON: Good morning. My name is Clarina Tollson.

I'd be happy to answer that question. Short dumping... It does not refer to the size of a person, and, in fact, reflects the location where material is dumped. Material that is dumped short of the proper locations is where the term came from.

COUNCILWOMAN MILLER: Okay.

MS. TOLLSON: So, any illegal dumping, whether it come from a dump truck or large truck, construction vehicles, is considered short dumping, a term in the field. But its illegal dumping.

COUNCILWOMAN MILLER: Okay. So, what do we call our neighbors that take their old living room furniture or old kitchen furniture to that particular site? I know that's illegal. So, they'd also be considered a short dumper, correct?

MS. TOLLSON: That's correct.

COUNCILWOMAN MILLER: Okay.

MS. TOLLSON: But typically, when you use the term short dumpers, we're referring to larger quantities that may come out of pickup trucks, not the neighbor who takes the bag of trash and leaves it at the corner, through technically it is also illegal dumping.

COUNCILWOMAN MILLER: Correct. And so the fine, the increase in the fine from $300 to $2,000 or up to $5,000 would be for

who?

MS. TOLLSON: For those who are dropping the truckloads of material, pickup size or larger, on lots and alleys around the City.

COUNCILWOMAN MILLER: Okay. And I support that because I think that the short dump problem is a real problem and an issue across the City

How is the CLIP program working in the northeast, as it relates to fine collection from residents that do illegal dumping? Are people paying the fines? And are those fines still just $25?

MS. JONES: Good morning.

I'm Lori Jones, Deputy Managing Director.

What we found is that we've had very good compliance rates in the CLIP area. What I'd have to do is get more information for you on those rates.

The fines are the same but there has been legislation that has been introduced, as the Chief of Staff mentioned in her

testimony, to increase fines.

COUNCILWOMAN MILLER: But that's for the short dumpers.

You're talking about the $300 to $2,000 or $5,000 dollar amounts; is that not correct?

MS. JONES: That is correct.

COUNCILWOMAN MILLER: Okay. I'm talking more now -- And I support that. We need to stop the short dumping. But also, we need to be more aggressive for the resident that does what I call short dumping.

In my district we have sites. We have locations in many neighborhoods where people take their living room set, their kitchen set, their bath, their bedroom set. They just dispose of these items. Instead of putting them out in front of their houses, they take them around and it becomes an actual dump site.

COUNCILMAN DiCICCO: Point of information, Madam President, if I may.

COUNCIL PRESIDENT VERNA: Councilman.

COUNCILMAN DiCICCO: That same line of questioning. Is there any plan to either reduce or eliminate the bulk trash pickups? I've heard something about that about a week ago. Is that part of the reduction in the trash facility -- trash pickup?

MS. REED: Yes. That's the provision for white metals.

COUNCILMAN DiCICCO: Would you repeat that?

MS. REED: That is the provision for white metals. The City will not be picking those up any more.

COUNCILMAN DiCICCO: White metals?

COUNCIL PRESIDENT VERNA: Washers, dryers.

COUNCILMAN DiCCICO: Well, I was going -- This is going to sound funny. I happen to have a refrigerator that's black. That would apparently be picked up, right? You're talking about --

MS. WILKERSON: You're funny today.

COUNCILMAN DiCICCO: I know. I'm not normally not this way, but I'm just

having a bad -- good day or a bad day. I don't know.

But you're talking about appliances, then.

MS. WILKERSON: Yes.

MS. REED: Yes.

COUNCILMAN DiCICCO: Appliances will no longer be picked up?

MS. REED: Right.

COUNCILMAN DiCICCO: They're not considered bulk trash? But sofas, vanities, other bulk, mattresses...

COUNCILWOMAN MILLER: Right. Are we only talking about the metals or are you talking about all furniture?

COUNCILMAN DiCICCO: That's what I'm getting at.

Metals only will no longer be picked up or considered bulk trash pickup?

MS. TOLLSON: Thank you. Let me clarify a little bit what you're asking about. Bulk metals, which would be washers, dryers, air conditioners and hot water heaters will no longer be picked up at the

curb.

They will still be accepted at our citizen drop-off sites. Also tires. All accepted at our citizen drop-off sites.

Items such as case furniture and mattresses, oversize televisions, those things will be collected at the curb. They will continue to be collected at the curb.

COUNCILMAN DiCICCO: Ranges, gas ranges, electric ranges, are they part of the... that will no longer be picked up as well?

MS. TOLLSON: That's correct. No longer at the curb, but will be taken at the citizen drop-off sites.

COUNCILMAN DiCICCO: And where are those citizen drop-off sites? Do we expect to increase the number of sites? Because I think at the end of the day we're going to have a bigger problem than we have now, because, unfortunately, there are a lot of people out there who are irresponsible.

And for whatever reason, they -- we have a difficult time with them leaving their

bulk trash out to be picked up anyway when we were picking it up.

For some reason they had to get away from the house in less than a day, and it would find another neighborhood to drop it off.

Or the person who was delivering the new appliance would take the old appliance, put it on the back of the pickup truck and look for some remote area to dump it, to save the cost of bringing it to a landfill or whatever.

So, I think -- And I understand we're dealing with dollars and cents. I just think we're going to exaggerate the problem that we already have.

People... I can't imagine the people in my -- an older person, an elderly person -- anyone, for that matter -- but take an elderly person who may not have a vehicle. How do we expect them to get that dishwasher, clothes dryer, gas range, electric range to an off site?

MS. REED: Councilman, if I could

just interject.

COUNCILMAN DiCICCO: How's it getting there?

MS. REED: I had a gigantic freezer --

COUNCIL PRESIDENT VERNA: Sorry. We cannot hear you.

MS. REED: I had a huge freezer in my basement. I went to a large department store and got a nice little one. And for $10 they took that monster away. And my husband and I in no way could have taken that out of the basement. So, that was good.

COUNCILMAN DiCICCO: I understand that there are some places that sell appliances, that do that as part of their regular normal business. But there are other places where you may go to that don't provide that service.

And I wish there was a way we could legislate it that they all have to provide it. And hopefully that may answer this question, if they all lived by the legislation that we would put into effect.

But without that, the local neighborhood appliance stores may not provide that service. And I think in many cases they do not.

I just see this as a problem that's going to intensify.

COUNCIL PRESIDENT VERNA: And how much are we saving by proposing this change?

COUNCILWOMAN MILLER: Excuse me, Council President. Is the clock ticking away on my time?

(Laughter.)

COUNCIL PRESIDENT VERNA: No.

COUNCILMAN DiCICCO: Your bell already rang.

COUNCILWOMAN MILLER: No, it did not. My bell did not ring.

(Laughter.)

MS. TOLLSON: The savings is nearly $700,000.

COUNCILMAN DiCICCO: Is that part of the same $700,000 that we took $300,000 when we only pick up once?

MS. TOLLSON: No, no. That's an

additional $700,000.

COUNCILMAN DiCICCO: Additional.

MS. TOLLSON: It's an additional $700,000, yes.

And there have been some assumptions that have been made in moving ahead with the notion of eliminating curbside collection of bulk.

One is that we understood that citizens had to have an outlet to place their materials. They may not be with the person that bought them a new appliance.

So, we have presently five citizen drop-off sites around the City. And we hope to have some more in the future. But with the five that we have, we can accommodate appliances coming in.

Additionally, anyone who has an appliance delivered... Let's say if there's a senior citizen who has a new hot water heater. Someone brings the hot water heater.

And we took it upon ourselves to try to call around to plumbers, people in the industry who sell refrigerators and washers

and dryers, to ask the question, do you deliver? Is there a charge? Do you pick up? Is there a charge?

In all cases we found that there was a possibility of having the citizen, through the person who was delivering or from whom they were buying an appliance, they could also leave the appliance, give the appliance to them.

I think what we have in Philadelphia is a case where most people know that the City does take materials. So, they leave it at the curb without a question to it.

I purchased a hot water heater a couple years ago. And I didn't even think to ask my plumber to take it away because I knew the City would take it away. It wasn't a question mark for me.

So, we do have an education process to go through, where we need to educate not only our citizens, but also our vendor community, to let them know that the City will no longer collect the materials at the curb, and that we encourage them to instead

take it for people who are within the walls of the City of Philadelphia because it is to our benefit and to our advantage.

And for those who do not want to have the vendor take it away, there are five convenient centers around the City: 63rd Street, Grays Avenue, Ridge Avenue, Delaware, and also State and Ashburner.

COUNCIL PRESIDENT VERNA: I think we ought to -- I think we ought to address this issue and get it behind us because apparently it's going to go on and on.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

Just to follow up, I totally agree with Councilman DiCicco. Seniors can't pay. If it costs $25 or $100, you and I can pay for the pickup. And how are they going to have something dropped off at a drop-off site? It's just not feasible.

And I certainly agree with him as well when he says we may get more problems than they're worth because if they use these

little neighborhood places, they're not going to want to pay for that either.

So, I think... I agree. I don't think in the final analysis we're going to save anything, that we're going to have a bigger problem by talking about white metals and this whole service.

I really, really think we need to consider keeping that service. Thank you.

COUNCIL PRESIDENT VERNA: And I think, too, that as far as the refrigerators are concerned, if they're placed at the curbside, and if the door is not removed, a child could really get...

COUNCILMAN DiCICCO: That's the law, isn't it?

COUNCIL PRESIDENT VERNA: ...very seriously injured.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I wonder, can... If a commercial entity delivers an appliance to a home and then removes the appliance, can that entity take that

appliance to the neighborhood drop-off center or do they have to take it to a dump site and pay a tipping fee?

MS. TOLLSON: They would take it to a salvage company that we capture the freon and probably recycle the product.

COUNCILWOMAN TASCO: Is there any cost associated with that?

MS. TOLLSON: It maybe depends upon how the market is at the time.

COUNCILWOMAN TASCO: So, then, that cost is charged back to the homeowner.

MS. TOLLSON: Right. That's true. And oftentimes, it's already built into the fees that the companies charge.

COUNCILWOMAN TASCO: Okay.

And then you talk about short dumping. Some of these individuals don't take these appliances to the sites. They dump them over on Newtown Street, and then the City still has to pick it up.

MS. TOLLSON: Right.

COUNCILWOMAN TASCO: Still has to pick it up, because they don't want to pay

the dumping -- tipping fee to dump it.

MS. TOLLSON: We have work to do in the area of illegal dumping. Unfortunately, that's been going on for a very long time in our City, even with the curbside collection.

COUNCILWOMAN TASCO: It's even going to increase because they're not willing to take it to a salvage yard or to the neighborhood center.

Would they be allowed to take it to the neighborhood drop-off center?

MS. TOLLSON: The citizen or the businesses?

COUNCILWOMAN TASCO: The business.

MS. TOLLSON: I think, as part of this process, we'll have to figure out how to better regulate them and check them with the illegal dumping.

COUNCILWOMAN TASCO: Well, you say that if I get a hot water tank, and I take it to the -- to the neighborhood drop-off site in an SUV. I drop it off. It doesn't cost me anything.

MS. TOLLSON: That's correct.

COUNCILWOMAN TASCO: Because I'm a homeowner.

I'm a little old lady. I can't get -- I don't have an SUV, and I got to have someone take it.

MS. TOLLSON: Yes.

COUNCILWOMAN TASCO: So I pay the guy to take it. He takes it over. He has to pay.

MS. TOLLSON: Someone who is in business has... If they're in the business selling hot water heaters or refrigerators and washers and dryers, they don't have one per day or one per week. They're coming in -- They would come in rather regularly.

COUNCILWOMAN TASCO: Okay. Suppose I get a hot water heater. My cousin installs it, and he takes it to the neighborhood drop-off site. Can you do that?

MS. TOLLSON: Yes.

COUNCILWOMAN TASCO: No charge.

MS. TOLLSON: No charge.

COUNCILWOMAN TASCO: But if it's a business, they would have to pay.

MS. TOLLSON: The business as a part of their normal course of business, right now they're doing that. They take it to a proper salvage company.

COUNCILWOMAN TASCO: Thank you.

MS. TOLLSON: And that's what they do right now.

COUNCILWOMAN TASCO: Thank you.

COUNCIL PRESIDENT VERNA: You're welcome.

Does anyone else have any questions regarding the curbside?

COUNCILMAN CLARK: Yes.

COUNCILWOMAN TASCO: I'm not finished with mine.

COUNCIL PRESIDENT VERNA: Well, Councilwoman, do you have more questions?

COUNCILWOMAN MILLER: Yes. I just wanted -- Well, I never really finished, Council President Verna.

I want to know how they're working with the courts, as relates to enforcement, because it's my understanding, from some of the officers that monitor these neighborhood

dump sites, that when they catch someone, write them up a citation, and eventually they get into court, that the courts are not taking it serious. And it's almost the attitude of, oh, you're bringing this here to my courtroom. They don't want to be bothered with it.

And we'll never -- And I don't care how many -- I don't care how much you raise the fine. If it's not being enforced at the court level where it needs to take place, then it's a waste of time and your efforts are fruitless.

So, I wanted to know if there was any information that says how -- what is enforcement, what's happening at the court level.

MS. WILKERSON: I'd like to pull together a report for you on that: You know, how many cases we take in; you know, how many times a judgment is entered, whether there's execution on that. I don't have that information right now.

COUNCILWOMAN MILLER: Okay.

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MS. WILKERSON: I'll compile it for you.

COUNCILWOMAN MILLER: Thank you. That will be it for now.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Cohen.

COUNCIL PRESIDENT VERNA: Councilman Cohen, your microphone's not on.

COUNCILMAN COHEN: It just seems to me it's a terribly shortsighted policy of the City, with its greater capacity to put this burden of getting rid of bulk material on homeowners or occupants who have no cars, many of whom are single, old-aged parents, have no facility whatever to get rid of material.

It seems to me you've got to find a method of putting the burden on businesses. Or many times there's material lying around in the basement that ought to be gotten rid of for safety reasons.

Before the City had its policy, what happened often is, you found a refrigerator or some other piece of equipment on an open

lot. And then people got worried about the youngster getting caught inside, you know, and losing his life. Because the papers were full from time to time about things or stories.

Seems to me the City's got to find some other method of dealing with it. Even possibly if the City feels it's too costly, maybe the City can set a price for doing it, if they feel that they're being unfairly used.

But certainly putting a burden on those least able to handle the problem is certainly not the way to go. And I would be unalterably opposed to any change in the ability of the City to remove bulk from outside the homes.

I think it's a good service. It was badly needed. That's why it came into existence. And it's one of the better services that the City of Philadelphia offers to its citizens.

MS. WILKERSON: Well, I guess I've heard several recommendations. One is

legislation that would require that vendors of refrigerators, water heaters be required to dispose of the broken appliance that the homeowner has.

The second is a recommendation that we look at charging a nominal fee to those who don't have the ability to dispose of something.

And Miss Tollson will take a look at that and come up with a potential fee schedule for that.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: My spot on the redirect -- or I'm sorry. The second round.

COUNCIL PRESIDENT VERNA: You just did.

COUNCILMAN CLARKE: We're not in court.

COUNCIL PRESIDENT VERNA: You just did.

COUNCILMAN CLARKE: I just wanted to do a point of order to follow up on that line

of questioning.

Just to add to Miss Wilkerson -- Actually, I was going to reference those recommendations. But I'd just like to add another one.

Could you see -- And I'm assuming that the cost -- the high cost of the white metal pickup is associated with the cost of the City's workforce.

MS. WILKERSON: Yes.

COUNCILMAN CLARKE: Is there a prohibition, as it relates to the bargaining agreement with the unions, to not allow a private entity to -- Say, for instance, if we contracted out with Sanford & Son or somebody similar to that...

(Laughter.)

COUNCILMAN CLARKE: ...to pick up -- to pick up white metal? And I'm assuming it has some resale value.

UNIDENTIFIED VOICE: I've got a big one coming.

(Laughter.)

COUNCILMAN CLARKE: I mean, is

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that...

(Unidentified voices speaking away from the microphone, not reportable.)

COUNCILMAN CLARKE: Yeah. Right.

I'm just saying... I'm assuming that -- And I'm not going to use Sanford because, unfortunately, he's not...

But if we had a private entity -- I mean, I see there are a number of people in my community that basically do this as a living, kind of ride around and pick up things from the side.

If this was somewhat formalized -- I'm assuming the costs associated -- that would be much less. Would we be prohibited from examining that as a result of the...

MS. TOLLSON: We can certainly examine that. We can certainly examine that now, Councilman.

There's certainly a lot of scavengers right now who are collecting refrigerators and washers and dryers at the curbside. In fact, they beat the City there.

It depends upon the market. If the

markets are good, there won't be much for the City to collect. If the markets are not good, the scavengers will leave them at the curb.

COUNCILMAN CLARKE: Well, I'm saying, if you formalized it. I mean, if you had a particular day that people put it out, on Monday, right, and just different areas, and the entrepreneurs -- I don't like to call them scavengers.

MS. TOLLSON: I'm sorry.

COUNCILMAN CLARKE: The entrepreneurs know that on that particular day everybody's putting out their bulk metal, that the likelihood that they would think this is profitable.

MS. TOLLSON: We can certainly look at that.

COUNCILMAN CLARKE: All right. Can you look at that?

MS. TOLLSON: Yes.

COUNCILMAN CLARKE: It's clear that this is obviously a problem.

MS. TOLLSON: Yes.

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COUNCILMAN CLARKE: You know, particularly for people who don't have the ability to take it somewhere else. And I think we need to get a little more creative before we...

Madam President, can I get back in line?

COUNCIL PRESIDENT VERNA: Yes. We have you.

COUNCILMAN CLARKE: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: (Beginning of sentence cut off, due to microphone not being on.) ...for 2006 to 2010 shows the same projections that you do about the $45 million.

But how realistic is it that PGW will actually meet these projections?

And also, in their forecast, they base their projections on a $25 million base increase for the year 2009.

MS. WILKERSON: I mean, at some point PGW rates, you know, are going to have

to go up. The company has increasing health care costs. The company has, you know, increasing fuel costs, like every other business in the City. We don't project having to request a rate increase in the near term, though.

I asked just last week are we going to get our money back, you know, is the City going to get the money back? I ask that all the time.

And the company believes that it will be able to repay the City money. Like I said, it's going to have to use the commercial paper in place of the... you know, the funds that the City had made available. But we think we will be in a position -- the company will be in a position to repay the City.

COUNCILWOMAN TASCO: So they're using commercial paper in 2009 to repay the $45 million?

MS. WILKERSON: No, they won't use it, but they will begin drawing down on it as opposed -- the company has a lot of different

short-term cash funded -- short-term cash needs, a lot of different ways.

The commercial paper is one way. The City loan is another way. It's not been using its commercial paper. It's been using the City loan.

It's not fully drawn down the whole time. The amount of the loan that it uses fluctuates, and it believes that it will be able to repay.

COUNCILWOMAN TASCO: But they still owe $45 million. I mean, if you put it here, and a hole rises over there, I mean...

MS. WILKERSON: Yeah. I mean, it will become more expensive --

COUNCILWOMAN TASCO: Right.

MS. WILKERSON: -- because the company will have to pay interest on the commercial paper. It's not paying interest right now on the City loan.

COUNCILWOMAN TASCO: So, it's just a projection.

MS. WILKERSON: That's right.

COUNCILWOMAN TASCO: On Page 8 in

the book, financial planning, you stated that in 2004 the City agreed to release PGW from its legal obligation to pay the General Fund $18 million per year for five years, from '04 through '09, to help improve the financial situation at the Gas Works.

So, I'd like to take exception to this statement because we're not aware of any ordinance. And I think in this instance we are part of the City because it was done through an ordinance.

And how do you explain that the Mayor can just release them from an $18 million payment without the involvement of City Council?

MS. WILKERSON: I'd rather provide you with the legal opinion from the Law Department, as opposed to reciting it. I don't -- I don't remember the rationale.

COUNCILWOMAN TASCO: So, the -- Well, if we pass an ordinance, any adjustment or change in the ordinance doesn't have to come back to City Council? Because it was an ordinance, and not...

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MS. WILKERSON: The City Solicitor will address that.

MR. RAMOS: Good morning, Madam President.

Pedro Ramos, City Solicitor, and having second thoughts about being Managing Director.

MS. WILKERSON: Be careful what you ask for.

MR. RAMOS: Sometimes you don't ask; you just get it.

I will -- The -- The -- First of all, the $18 million -- the uncollected $18 million that has not been by ordinance is the '04 year, because in subsequent years, starting with this current fiscal '05 year, there have been Council ordinances reflecting the -- through the budget the $18 million dollar non-payment to PGW. In '05...

(Mr. McPherson shaking his head from side to side.)

COUNCILWOMAN TASCO: Where?

THE CLERK: We get the money, and then we're making a payment back.

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MR. RAMOS: Right.

THE CLERK: Starting in '05 PGW was paying.

MR. RAMOS: Starting in '05 -- Starting in '05 there were ordinances to implement the proposal. And that's been the case.

The dispute has been with respect to Fiscal '04. And we'd be happy to provide another copy of the legal opinions around this, if that's what's being requested.

COUNCIL PRESIDENT VERNA: I think it's a legal question.

COUNCILWOMAN TASCO: It's a legal question.

We're going to file suit on that issue.

MR. RAMOS: Understood. But you were asking for the rationale. I think it's been provided. We will be happy to provide it again for '04.

But in subsequent years -- In subsequent years, there have been ordinances to implement the grant and then give back,

which has been helpful to PGW for coverage purposes.

COUNCIL PRESIDENT VERNA: Councilwoman, I think we're going to have to come back.

COUNCILMAN COHEN: (Beginning of sentence cut off, due to microphone not being on.) ...for year '05.

Isn't the same thing still the case, that PGW owes us $18 million for each year?

MR. RAMOS: My understanding is that, starting with '05, PGW has made the payment and the City has granted it back. So, in essence it has provided a way of providing that relief for PGW, in a way that enables PGW to count that for bond coverage purposes.

There's been a dispute between the extent -- about the authority of the administration and the Law Department to have foregone the fiscal '04 $18 million payment without Council action. And that's been a continuing point of disagreement, and Councilwoman Tasco referred to that as an

ongoing disagreement.

COUNCILMAN COHEN: And you disagree with her conclusion.

MR. RAMOS: (Indicating.)

COUNCILMAN COHEN: Do you disagree with Councilwoman Tasco's conclusion?

MR. RAMOS: The Law Department has opined that the City has the authority to forego a payment.

COUNCIL PRESIDENT VERNA: Councilwoman Tasco, do you want to conclude this now or later?

COUNCILWOMAN TASCO: Just a second.

I think in the book -- The concern is that you state that in '04 the City agreed to release PGW from its legal obligation to pay the General Fund $18 million a year. And we did not do that.

So, we're asking you, how did the Mayor do that?

MS. WILKERSON: Yeah. And I think that's what the Solicitor was addressing.

COUNCILWOMAN TASCO: He's going to give us a copy of the legal opinion --

MS. WILKERSON: Right.

COUNCILWOMAN TASCO: -- that tells us that he had the legal right to do it?

MS. WILKERSON: Right.

COUNCILWOMAN TASCO: Without Council's approval? Since it was an ordinance which makes it legal.

COUNCIL PRESIDENT VERNA: Right.

MS. WILKERSON: I believe that's what he just...

COUNCILWOMAN TASCO: All right.

On Page 8 of your testimony, you talk about... Page 11 of your testimony, you talk about you expect to phase in reimbursement to the City for social workers' salaries, you expect to be reimbursed annually for medical care provided for prison inmates who are medical eligible -- medical assistance eligible, and you expect the state to assume patrol of City highways.

On what do you base your expectations? What signals have you gotten from the state that all of this is going to happen?

MS. REED: The reimbursements we are advancing through working with legislators to try to get legislation passed for that.

MS. WILKERSON: There also have been ongoing dialogue on the prisoner -- the coverage of prisoner health care.

There have been conversations -- and perhaps Miss Steiker can talk more about it -- with D.P.W. to determine if it's an eligible expense. We believe that, and I think the state believes that it's an eligible expense for prisoner in-hospital health care.

There have been ongoing conversations with the state concerning the -- the patrol of the state highway.

There is no question but that it's not a City obligation. And we expect to have -- that the state will assume it in the budget transmitted by or presented by the Governor last week.

There was, in fact, a record high number of positions for the state highway. And we expect that the state will assume its

responsibility for patrolling state highways within the City.

COUNCILWOMAN TASCO: I've been here a long time. I think this issue has been on the agenda for as long as I've been here, relative to the state picking up the highway cost.

I mean, what gives you some assurances that they will change this year? Or when you expect it, in '06?

MS. REED: There's $22 million more in the line item for the state highway patrol. They are funding at historic levels.

As the Chief of Staff recognized, we have been talking with senior finance officials about this. We may not know until later in the state budget process how this will happen.

COUNCILWOMAN TASCO: Because all of these assumptions are based on your expectation from the state, what is the likelihood of your achieving any of these goals?

There are conversations and there

are great expectations, but what gives you some assurances, particularly when you get to the social workers' salaries which is the $67.2 million cost, what is the reasonable assurance that that's going to take place?

MS. WILKERSON: We don't have any assurances on that. We'll be working with the delegation in order -- and other participants in trade associations across the Commonwealth, to get the legislation to increase the City's compensation for adoption and case worker cost. But there are no assurances.

These and other -- This and other things within the plan do present risks. We try to address some of the risks by discounting the value that's reflected in the plan, but they present risks that I think make -- you know, make it imperative that the City move cautiously with restoring proposed cuts, because these are areas of risk.

We also know that there's huge risks that some of the Federal and state funding will be cut. So, there are a number of risks

in the plan. And that's why we think that it's imperative that the City move cautiously before it restore any of these reductions.

We have had conversations with the state, both with respect to the prisoner cost and the state highway. I feel good about those. I think there is more risk associated with the reimbursement for case worker salaries and adoptions.

COUNCILWOMAN TASCO: All right. I'll come back.

COUNCIL PRESIDENT VERNA: Time's up.

The Chair recognizes Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Madam President.

Good morning.

I think at this critical juncture in our City's history, I think we need a little bit of perspective on the history of our problem here.

And when the administration came into office in 2000, there was a $300 million surplus. At the end of FY'04 there was an

$155 million operating deficit, and giving credit for the $90 million accrual problem with state money, an actual $65 million operating deficit.

What in your view were the major issues, expenditures, programs that turned -- that basically created a $365 million turnaround in four years?

MS. WILKERSON: I think that this -- when this administration began, we had a school system that was on the verge of financial collapse.

If you'll recall, we engaged in protracted negotiations with the state to get the state to assume a larger percentage of the cost of school operations.

In return for the state's commitment, the City committed to expand its financial support, to increase its financial support for the schools.

As my testimony points out, there's been a huge increase in pension costs. The pension -- The pension assumes -- The pension plan assumes a rate of return of nine

percent.

There were years in 2001, 2002 when there was actually negative -- the plan was earning at negative nine percent. That has made between a $600 and $800 million difference in just this last plan, in comparison to the plan in FY'02, I believe it is.

I think those two items alone can account for a large percentage of --

COUNCILMAN KENNEY: What percentage would that account for? Estimate it.

MS. WILKERSON: I can't do the math like that.

COUNCILMAN KENNEY: What other areas do you believe were responsible for this reversal of fortune, so to speak?

MS. WILKERSON: I'd like to have Mr. McNeely expand on that.

COUNCILMAN KENNEY: Sure.

MR. McNEELY: Good morning. Sean McNeely.

I just wanted to point out that in FY'03 the City's General Fund contribution to

pensions was $150.5 million. The budget for FY'06, based on our actuarial report, is $279.3 million.

COUNCILMAN KENNEY: Does that have anything to do with contracts that were negotiated?

MR. McNEELY: The '06 number is still based on the five-year rolling forecast or the five-year rolling average of returns.

COUNCILMAN KENNEY: So, we were unlucky in our investments?

MR. McNEELY: Everybody was unlucky.

COUNCILMAN KENNEY: Not everybody, but a lot of people were unlucky.

MR. McNEELY: A lot of people were.

MS. WILKERSON: I think if you look at -- We can provide you with a report on how the City's pension fares in comparison to the benchmarks.

I guess, you know, we had the years when the whole -- you know, everybody was doing -- most people were doing poorly in the stock market.

More recently the City's investments

have been performing much better, but we're -- because we do have the five-year rolling average, it will be several more years before we stop having to absorb --

COUNCILMAN KENNEY: So, it was just schools and pensions that put us in arrears?

MS. WILKERSON: No. I think there have been health care costs. There have been...

COUNCILMAN KENNEY: Were they a result of contract awards?

MS. WILKERSON: Excuse me?

COUNCILMAN KENNEY: Were the health care costs a result of contract awards?

MS. WILKERSON: Arbitration awards and contracts negotiated.

COUNCILMAN KENNEY: Were any of those contracts appealed?

MS. WILKERSON: Yes.

COUNCILMAN KENNEY: Which ones?

MS. WILKERSON: In...

COUNCILMAN KENNEY: I know the firefighters were appealed. That's probably --

MS. WILKERSON: Yeah. I believe there was one appeal of a contract.

COUNCILMAN KENNEY: Okay. Are there any other factors?

MS. WILKERSON: There are...

COUNCILMAN KENNEY: Just in your opinion.

MS. WILKERSON: We've also reduced revenues because of the tax reduction program. We have made expenditures.

The administration has said all along that its committed to strategic investments.

One of the things that those who comment on tax reductions also say is that tax reduction alone won't grow the City, that you also have to have investments.

You have to provide high quality services that -- You know, the services, the education provided in the jurisdiction are as important as the tax reduction.

And so this administration has advocated for an investment, not just in education, but we've supported the N.T.I.

bond issue program.

We've supported Safe Streets, and had substantial costs that we incurred as a result of Safe Streets. We believe those investments have paid off well for the City.

COUNCILMAN KENNEY: How do you believe that the investments in Safe Streets has paid off? Is the murder rate down?

MR. WILKERSON: We have reduced -- The major crime rate is down. I don't have the latest numbers on the murder rate.

But I think that when you go through the neighborhoods of Philadelphia, you don't have the same level of open market drug activity going on.

Anecdotally, when you talk to developers, they will tell you that there are sections of the City where they're willing to invest now that they weren't willing to invest before, because it simply wasn't safe.

COUNCILMAN KENNEY: Anecdotally, in Councilwoman Verna's district, I believe it's like the OK Coral up on West Broad Street. So, I don't know, in that particular

neighborhood, whether there's been a real significant improvement in the quality of their life.

The question I have -- and I know the bell has rung -- is that during the course -- When the pension fund issue... We didn't expect it, but we knew what was happening and we project forward.

When the schools are in terrible shape, and we do a deal with the state to put more money into the schools, doesn't somebody in the cabinet room at these weekly meetings say, whoa on the spending?

We really need to make sure we pull back a little bit, based on these obligations that we now can project forward, that we need to pull back a little bit on what we spend, in an effort not to be at $155 million operating deficit?

MS. WILKERSON: I think we have made -- We have -- As I said in my testimony, we have the lowest personnel level since the '50s in a lot of the City departments.

We have a lot of the initiatives

that you're hearing about today, that are tough pills to swallow, reflect the administration attempting to constrain spending.

We've attempted to change deployment in the Fire Department. You know, we're changing Library hours. These are all attempts by the administration to constrain spending.

We've worked hard to drive up revenues in the City, and this you'll hear in testimony today and throughout the course of the budget hearing.

COUNCILMAN KENNEY: When the bubble burst in '99, 2000, 2001, you still have a responsibility, a fiscal responsibility, to sit in the room, count the amount of cash you have, what you expect to spend, and like any other business cut that spending back so that we're not in the hole.

Any business that runs the way this description is would no longer be in business. It would be in bankruptcy.

MS. WILKERSON: Well, we believe

that we're presenting budgets that drive towards balanced operating budgets on an annual basis.

By the end of this five-year plan, we project a surplus. It's not the surplus that the rating agencies might want to see, but it's a surplus that begins to approach $70 million, $80 million.

But it's only going to happen if we're successful in constraining our spending. I think --

COUNCILMAN KENNEY: And the Federal Government doesn't kick us in the shins, which looks like it's coming.

MS. WILKERSON: Well, that's right.

COUNCILMAN KENNEY: Which looks like it's coming.

MS. WILKERSON: The Federal Government could enact changes that are devastating to the City.

COUNCILMAN KENNEY: I know.

MS. WILKERSON: And it could precipitate a need for even more Draconian changes in the City's five-year plan.

COUNCILMAN KENNEY: I just have one request for information from the administration.

I would like if you can possibly find for me all the public relations and advertising contracts for every City agency -- for every City office, for all the operating departments, and also for the related agencies like P.H.A., R.D.A., PGW, P.I.D.C., including those contracts that are paid out of the fund for Philadelphia, not just out of the budget line items, but the fund for Philadelphia.

I would like to see like a compilation, advertising and public relations.

MS. WILKERSON: Okay.

COUNCILMAN KENNEY: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

Just to follow on one issue that Councilman Kenney touched on, do we still have a Safe Streets program?

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MS. WILKERSON: Yes.

COUNCIL PRESIDENT VERNA: We do?

MS. WILKERSON: Yes.

COUNCIL PRESIDENT VERNA: Do we have something in writing as to where they're located? Because believe me, every night there's another shooting in my district. So, I would like to know where the Safe Streets are.

MS. WILKERSON: All right.

COUNCIL PRESIDENT VERNA: Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

I have kind of a rapid series of questions. Some you may need to get information back on.

Earlier there was discussion about the strategic marketing consultants. And a couple names were mentioned. Unfortunately, I did not get the names. I'll look through the record and get those.

What I'd like to know is, were those contracts competitively bid or were they

no-bid contracts?

MS. WILKERSON: We had RFPs that were... We put out an RFP, received responses to the RFP, and... and a selection was made.

COUNCILMAN NUTTER: Okay.

MS. WILKERSON: And I can get you -- If you want more details, I can get you that.

COUNCILMAN NUTTER: I would. If you could send to the Chair, a copy of the RFP.

And did I understand there was one company selected or two?

MS. WILKERSON: There is a joint venture, a team.

COUNCILMAN NUTTER: Okay. And who are the venturing members?

MR. McNEELY: Civic Entertainment Group and Octagon.

COUNCILMAN NUTTER: I'm sorry?

MR. McNEELY: Civic Entertainment Group and Octagon are the main partners.

COUNCILMAN NUTTER: I know you've been up to the table a couple of times.

MR. McNEELY: Sean McNeely.

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COUNCILMAN NUTTER: Okay. Are you new?

MR. McNEELY: I worked for Rob Dubow for four years.

COUNCILMAN NUTTER: Who?

(Laughter.)

COUNCILMAN NUTTER: Oh, that guy we had before. Oh, Rob.

MR. McNEELY: Yeah.

COUNCILMAN NUTTER: Now I remember Rob.

MR. McNEELY: Yeah.

COUNCILMAN NUTTER: My, how we forget people so quick.

No. We love Rob.

So, you worked for him. You were in the background?

MR. McNEELY: Yes.

COUNCILMAN NUTTER: Okay. Smart.

You'll get us a copy of the bids. And so we got Octagon, and who else?

MR. McNEELY: Civic Entertainment Group.

COUNCILMAN NUTTER: So, that's one

firm that's joint ventured?

MR. McNEELY: Yeah. It's a joint venture.

COUNCILMAN NUTTER: Okay.

MR. McNEELY: And there are also subs. There are also other partners in the group.

COUNCILMAN NUTTER: There are other partners.

MR. McNEELY: Yeah.

COUNCILMAN NUTTER: Okay. When you send over the information, if you could give us --

MR. McNEELY: Sure.

COUNCILMAN NUTTER: -- and everyone who's involved, and who's being paid what, I'd appreciate that.

MR. McNEELY: Sure.

COUNCILMAN NUTTER: Who is the City Treasurer?

MS. WILKERSON: The City Treasurer is John Nockie (phonetic).

COUNCILMAN NUTTER: I'm sorry?

MR. WILKERSON: John Nocchio.

COUNCILMAN NUTTER: Okay. And who puts together the bond deals these days?

MS. WILKERSON: When you say who puts it together...

COUNCILMAN NUTTER: Who put the teams -- Do we have any bond offerings coming up any time soon?

MS. WILKERSON: Yeah. The Finance Director can talk about that.

MR. JANNETTI: I'm Vince Jannetti, acting Finance Director for the City.

The bond teams are put together by staff people in finance, you know, based on -- based on the type of financing we're doing, you know, who we feel has expertise to do, you know, the type of bond we're doing.

COUNCILMAN NUTTER: I'm sorry?

MR. JANNETTI: Who has expertise, you know, to do the type of financing we are working on.

COUNCILMAN NUTTER: Okay. So, you're involved as the Finance Director?

MR. JANNETTI: Yes, sir.

COUNCIL PRESIDENT VERNA: And Mr.

Nocchio as the Treasurer?

MS. WILKERSON: The administration -- One of the changes made during Ms. Davis's tenure was to move debt out of the Treasurer's Office. And so the City Treasurer is no longer involved in structuring debt and running the bond deals, as was the case in previous administrations.

COUNCILMAN NUTTER: Okay. So, it's now left to the Finance Director?

MS. WILKERSON: It's an operation out of the Finance Department.

COUNCILMAN NUTTER: Okay. So, you decide, Mr. Jannetti? Do you decide who's on the team?

MR. JANNETTI: I help in that decision, yes.

COUNCILMAN NUTTER: Well, who decides?

MS. WILKERSON: The Mayor's Office also has input into that.

COUNCILMAN NUTTER: Okay. Well, I understand everyone's given the input.

Now, who finally decides who's on

the team? Who makes the decision?

MS. WILKERSON: I think it's a joint decision. I mean, I've had input. You know, and if there's an F.A. that I think is appropriate for a transaction, there are a lot of -- there's a lot of input.

COUNCILMAN NUTTER: Okay.

MS. WILKERSON: And --

COUNCILMAN NUTTER: Well, I know it's a collaborative process.

MS. WILKERSON: The Mayor's Office has ultimate responsibility.

COUNCILMAN NUTTER: Okay. Well, it's a big office.

Someone has to decide who ultimately all the team players are. Who makes that decision?

MS. WILKERSON: The second floor has ultimate responsibility for who's on the team.

COUNCILMAN NUTTER: Is there any one person who makes the decision as to the composition of a bond team?

MR. JANNETTI: I would say no,

Councilman.

COUNCILMAN NUTTER: I'm sorry?

(Buzzer buzzes.)

COUNCILMAN NUTTER: You can ignore that.

MR. JANNETTI: I don't think it's really one person, because information -- suggestions come up from the staff. So, it's not -- There's no one person saying, you know, we're going to use this firm, this firm, this firm on a deal.

COUNCILMAN NUTTER: Well, after all the input and the collaboration, I mean, the names have to end up on a sheet of paper.

I assume then someone makes the call to tell whomever that they were on the team or, I mean, how do people find out? Who is in charge of this process?

MR. JANNETTI: Well, I would --

COUNCILMAN NUTTER: At some point the collaboration stops and there's a team, right?

MR. JANNETTI: Correct.

COUNCILMAN NUTTER: Who decides?

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MS. WILKERSON: The Finance Director makes recommendations within the Mayor's Office. Mr. Burrell has input. I have input, if I need to.

COUNCILMAN NUTTER: Okay.

MS. WILKERSON: And...

COUNCILMAN NUTTER: And then at some point a decision is made, this is the team or this one's in, this one's out.

All I'm asking is, what person makes that decision?

MS. WILKERSON: Yeah; I mean, the recommendations come up from the Finance Department.

On occasion there will be input from people outside the Finance Department. For example, on the NTI transaction I had input, you know, when the deal, you know, was initially structured on the F.A. The deals -- Mr. Burrell has input.

COUNCILMAN NUTTER: Who makes the call to the individual firms to tell them that they are on the transaction? And who is the last person who either has any input or

who ultimately says, yes, this is the team; no, this is not?

MR. JANNETTI: Councilman, I think you're asking two different questions.

The first part of your question was --

COUNCILMAN NUTTER: Mr. Jannetti, this is the first day of budget hearings.

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Let me suggest to you that you probably don't want to tell me what questions I'm asking.

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Okay. I ask the questions the way I ask them, and that's the way I'd like them answered. Respectfully and with dignity, I say that to you.

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: So, I asked the question.

MR. JANNETTI: When the teams are selected...

COUNCILMAN NUTTER: Mm-hmm.

MR. JANNETTI: ...usually I call the

firms to tell them that they're on the team.

COUNCILMAN NUTTER: Okay. And who told you to make that call?

MR. JANNETTI: Well, that comes from the Mayor's Office.

COUNCILMAN NUTTER: Is there any person in the Mayor's Office that tells you that?

MR. JANNETTI: Yeah. It comes from... I would say it comes from Burrell's office.

COUNCILMAN NUTTER: Okay. Okay. So, that's the answer.

MR. JANNETTI: That's the answer.

COUNCILMAN NUTTER: Okay. Well, we could have got through that about four and a half minutes ago.

Madam Chair, I know that, unfortunately, my time is up.

COUNCIL PRESIDENT VERNA: Yes, it is.

COUNCILMAN NUTTER: Since this is the first day, I'll come back.

COUNCIL PRESIDENT VERNA: And we

will have a second go-around.

COUNCILMAN NUTTER: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

I will like to remind my colleagues that our schedule indicates that we will be breaking or recessing at 12:30.

So, Councilman DiCicco, you are next. And you will be the last Council member recognized at this time until we come back from recess.

COUNCILMAN DiCICCO: Thank you, Madam Chair.

Miss Wilkerson, earlier under questioning by Councilman Clarke on Page 4 you were talking -- discussing the issue about infrastructure investments.

Correct me if I'm wrong. Did I hear you say that you have a list of projects that have been selected -- NTI projects that have been selected, where this infrastructure investment is proposed to be implemented?

MS. WILKERSON: No. What I said was, I was soliciting a list of projects in the pipeline that might be appropriate for

the use of these funds.

COUNCILMAN DiCICCO: Development driven. If there's a developer who has a particular project in mind that may need some infusion of public dollars, if you will, that's... Okay.

So, it wasn't a list. It's just a general list of projects that are in the pipeline that may...

MS. WILKERSON: Be eligible --

COUNCILMAN DiCICCO: ...be eligible.

MS. WILKERSON: -- for this kind of funding that allows us to -- For example, you know, with the affordable housing, it would allow us to free up other dollars that can be used.

COUNCILMAN DiCICCO: And when... Who will make that determination, as to whether a specific project is eligible?

MS. WILKERSON: Some of it is... You know, it will be made by the administration. I think we have to run it by bond counsel. It has to satisfy certain tests under the indenture. It has to be

water related. It has to be in publicly owned space, you know. So, there are a lot of tests that it has to pass.

And then the administration will propose that it be one of the projects funded.

COUNCILMAN DiCICCO: Will City Council -- In particular, will a district Councilperson be involved in any of the discussions?

I mean, because, you know, my district is -- There are a lot of things in the pipeline, some of which will hopefully happen. Others we'll never get to see the light of day, for financial reasons.

MS. WILKERSON: I mean, we haven't had the conversation with counsel about what its role is.

The bond program requires that we come back to Council. And I'd anticipate that we would set up some kind of protocol.

No development happens in this City that the district Councilperson isn't involved in it. We have a lot of

conversation about that. But, you know, so I don't --

COUNCILMAN DiCICCO: So, you don't anticipate any change in that process.

MS. WILKERSON: No. I mean, it might not be the same process. These dollars are going to -- You know, these dollars -- Our vision of the dollars are that they would be targeted to further the New River City program and select NTI initiatives.

You know, not every district has river land in it. And so, I think the conversation about how the dollars are spent would be different. You know, it's not going to be as easy to divide the dollars ten ways. So, we have to have further conversation about how that might happen.

COUNCILMAN DiCICCO: Yeah. And again you mentioned River City, depending on where it is.

I do have a portion of the river, as does the Council President, and I believe Councilwoman Blackwell. And maybe Councilman Clarke has some river within our district.

And I've been engaged with a group of community groups that I put together several months or about a year or so ago which we actually paid for a plan. I think you saw the plan, the Wallace Robertson Todd plan. So we'd certainly like to be part of that process.

Last sentence on Page 9. We're also committed to adjusting resources in the Fire Department to better reflect the needs of its citizens by adding eight additional medical units.

You testify... The last sentence of that paragraph, we do not intend to close any fire stations in this restructuring. With all due respect, isn't that a play on words?

MS. WILKERSON: No.

COUNCILMAN DiCICCO: Well, 4th and Arch. I believe today there is a ladder and an engine.

Under the proposed realignment, the only equipment that will be housed in that facility will be medical units, a medical unit or units.

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Now, I know the building is not going to close because there will be some activity within it. But if you're removing a ladder and an engine, I mean, unless I'm wrong on this... But that's what has been testified during the briefings, and I believe at the arbitration hearing, and other...

COUNCIL PRESIDENT VERNA: State your name.

FIRE COMMISSIONER: Good afternoon.

COUNCILMAN DiCICCO: Commissioner, good afternoon.

Did you hear my question to the Chief of Staff? Would you be able to help us out and answer that?

FIRE COMMISSIONER: Yes. After the re-deployment at that location, we'll have a medic unit and also a heavy rescue one.

COUNCILMAN DiCICCO: So there will no longer be any firefighting equipment, ladder, engine, equipment of that nature.

FIRE COMMISSIONER: Heavy rescue one is a firefighting unit. They are dispatched to fires all over the City.

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COUNCIL PRESIDENT VERNA: What is that?

COUNCILMAN DiCICCO: What does that unit do? Does it have a hose, does it have a ladder?

FIRE COMMISSIONER: They have a ladder, but not your normal equipped ladder. They supplement all equipment that -- They supplement the firefighting forces that respond to the fire ground.

COUNCILMAN DiCICCO: For the purpose of putting out fires?

FIRE COMMISSIONER: That's correct.

COUNCILMAN DiCICCO: It's not a first in. We understand that.

I'm still confused. A ladder and an engine, as far as I know -- and I'm not an expert in firefighting -- is the equipment that is necessary to put out fires and to help people be evacuated from buildings.

The unit that you're referring to, the Medvac Unit at 4th and Arch, will that piece of equipment be used for the same purpose of evacuating individuals from

apartments and putting out fires?

FIRE COMMISSIONER: Yes, they do. They evacuate apartments. They evacuate buildings.

COUNCILMAN DiCICCO: How big is the ladder?

FIRE COMMISSIONER: I beg pardon?

COUNCILMAN DiCICCO: How big is the ladder?

FIRE COMMISSIONER: Which ladder?

COUNCILMAN DiCICCO: The ladder on the unit that they're going to replace, the ladder and the engine at 4th and Arch.

COUNCIL PRESIDENT VERNA: Rescue.

COUNCILMAN DiCICCO: The rescue unit ladder.

FIRE COMMISSIONER: The rescue -- The ladders on the rescue unit are used for special purposes. It's not like your normal ladder.

COUNCILMAN DiCICCO: That's what I was getting at. It's not a normal ladder, as we as individuals understand a ladder gets firefighters up to higher buildings on roofs

or helps evacuate people from the upper levels of buildings.

FIRE COMMISSIONER: That's correct.

COUNCILMAN DiCICCO: So it's not that type of ladder.

FIRE COMMISSIONER: No, it's not a ladder at all. It's rescue. Specialized equipment.

COUNCILMAN DiCICCO: So, for a lay person.

FIRE COMMISSIONER: Sure.

COUNCILMAN DiCICCO: I have to go back to my original statement. To me, you're correct or the Chief of Staff is correct that the fire station will not be closed.

But for all intents and purposes, the equipment that will be used -- be housed in that facility are not really for the purpose of putting out fires.

So for the lay person, me, I have to make -- go on the assumption that there will be a fire station closure that we have -- normally been used to for I don't know how many decades at 4th and Arch in Old City.

So that fire station is not going to be a fire station as I know it. And I grew up as a kid visiting on Fire Prevention Week as a fire station, not a normal fire station. It's just going to have medical units.

FIRE COMMISSIONER: It would be a medic unit and a rescue unit.

So, as you stated, would it be as you normally see a fire station or to look at an engine or ladder? That's correct, they wouldn't be the same. It would be different. It would be a re-deployment. You'd have resources that respond to fires in the City at that location.

COUNCILMAN DiCICCO: Is that a unit -- That rescue unit is for Citywide purposes or just the area within where it's located?

FIRE COMMISSIONER: No. They are for Citywide. And we have also supplemented the rescue with two special units who do the same type of special services, two squad companies that we just brought online December the 1st.

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COUNCILMAN DiCICCO: Well, I know my time is up, so I'll have to come back to this after the break. But I just would like... Councilman Rizzo?

COUNCIL PRESIDENT VERNA: Councilman Rizzo.

COUNCILMAN RIZZO: Just so I -- For the record, and that I understand clearly, Commissioner, Heavy Rescue One is deployed when I would assume field commanders decide that that unit is needed.

So I understand, if there's a fire in Center City, like Councilman DiCicco just described, Heavy Rescue One will not just roll out every time there's a fire four blocks away.

Someone will have to call to augment their... they decide that there's a need for Heavy Rescue One. You just won't have Heavy Rescue One roll in every time there's a fire in Center City.

FIRE COMMISSIONER: No. We have in the computer-aided dispatch system, I organized it so that when there is a fire, a

box in Center City, Rescue One would respond.

COUNCILMAN RIZZO: So you're telling me, every time that there is a...

FIRE COMMISSIONER: A box.

COUNCILMAN RIZZO: A box. Describe a box for us that don't know what that is.

FIRE COMMISSIONER: A box is an alarm that comes in. They require four engines, two ladders, and they -- most often they will send a medic unit. Boxes are called based on what the target hazard may be or what the call comes in as.

COUNCILMAN RIZZO: That's not a one alarm fire, a box.

FIRE COMMISSIONER: That is a one-alarm fire.

COUNCILMAN RIZZO: Well, then, what I'm trying to get is that a routine fire... Routine fires all over the City never are one-alarm fires; am I correct?

FIRE COMMISSIONER: Routine fires are not always one-alarm fires.

COUNCILMAN RIZZO: So, there could be an instance where there's a fire in a

dwelling in Center City that never is -- It isn't a box or it isn't a one-alarm fire, and Rescue One would not roll, correct?

FIRE COMMISSIONER: Well, it would have to be something like wires in a dwelling or something like that.

COUNCILMAN RIZZO: But --

FIRE COMMISSIONER: But Rescue One would not be called out on that because it hasn't risen to the magnitude where we would need that.

COUNCILMAN RIZZO: That's right. I just wanted to understand that Rescue One is not going to roll. Every time there's a fire in Center City it would have to be a box or one-alarm fire to get that response.

FIRE COMMISSIONER: Pretty much so. Or the incident commander. He or she would say, we need Rescue One for something.

COUNCILMAN RIZZO: I just want to be clear on that. Thanks.

COUNCILMAN DiCICCO: So the bottom line is, if there's a fire at 3rd and Arch, the equipment that will be necessary to fight

that fire will be coming from another -- from a location other than 4th and Arch.

FIRE COMMISSIONER: That's correct.

COUNCILMAN DiCICCO: I know my time is up. I said that. But I just want for the record, Madam President, a week or so ago a fire occurred in my district in South Philadelphia, the day care center.

COUNCIL PRESIDENT VERNA: Devastating.

COUNCILMAN DiCICCO: And were it not for the staff and the fire drill practices that they did on a weekly basis, if I'm not mistaken, God only knows what could have happened.

And I will preface what I'm about to say. I've said this all the way through this debate about realignment. I respect full well what the firefighters do in not only this City but across this nation.

I think that they're probably the most underpaid civil servants in the City of Philadelphia. And that's not a reflection on this Mayor or any other.

I just think that people don't really understand. And I've become fully aware of what their role is in protecting its citizens.

But I was quoted in the newspaper last week as saying that I think as a result of that fire... And by the way, the first responders in was Ladder 11 from 12th and Reed which is one of the ladders that is under the realignment to be removed which is about two and a half blocks away from where the day care center that caught on fire is located.

And I made a statement, not to embarrass, criticize the Mayor in any way, shape or form, that I think as a result of this fire, I said, that I think it's an opportunity for us to reevaluate this whole realignment issue.

Because if it were not for Ladder 11 being in close proximity that it is to the day care center, the next available ladder, if it was available, not out on another call, was 4th and Snyder. And that at best, at

best is an additional five minutes to respond, at best, in my opinion.

Because you've got to take intersections. You don't fly as the crow goes, you know, straight line from 4th and Snyder. Maybe three minutes.

But for what I'm told I think for every second that a fire goes unattended, it spreads something like 16 feet. Anybody can do the math. Three minutes, five minutes. You figure it out.

And I made a statement that we may have had a much more severe situation. It's possible that the entire block could have gone up. I don't know. Maybe it would; maybe it wouldn't have. That's what I said.

The Mayor responded back that my comments were irresponsible. I take offense to that. And I wanted that on the record. I have a responsibility, as all of us do, to the people of this City, to the people of our districts.

I just made a statement that maybe we ought to reevaluate this whole notion that

we can do better with less, in terms of firefighting.

And all the statistics which are a result of a lot of different things in this City over the years: New structures, new fire codes, and the great educational work that the Fire Department does, actually, no pun intended, go up in smoke when there's a fire because we don't know when the next fire is going to occur.

I represent one of the oldest districts in the City of Philadelphia, in terms of structures, Old City, 4th and Arch. There will not be a firefighting piece of equipment to fight a fire in that neighborhood.

They may have to come from Councilman Clarke's neighborhood to fight that fire. In fact, they would.

20th and Market is the example they used to fight a fire down at 2nd and Arch. The next available ladder and engine would come from 20th and Market.

That's all I said. I didn't say he

was wrong. He was right. I wanted that for the record, that I did not try to insult anybody.

And I think I was acting responsible, as opposed to what the Mayor was saying, that I was irresponsible and I don't know what I'm talking about. I think I do.

But I wanted that for the record before we break. It's not over. We'll have some more discussion on this about the survey and the studies and everything else.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The committee will stand in recess until 1:30.

(Recess from 12:40 to 1:40 p.m.)

COUNCIL PRESIDENT VERNA: This is the continued hearing of the Committee of the Whole.

Ms. Wilkerson.

Ms. Wilkerson, in the FY'05 budget there appeared a move for self insurance on health and medical benefits. I see that we

have postponed it to FY'06.

Can someone explain exactly what it is that the administration is proposing, the time line, and when you expect to implement it.

And if you can, can you tell us what the projected benefits are to the City and what is the basis and/or analysis for these savings?

MS. WILKERSON: We've had that in all -- in our position, starting position, in all the labor negotiations. We have not been successful with that.

What we have in... What we got out of the F.O.P. contract arbitration was a provision that calls for a reopener, that sets up some standards for taking a look at cost containment strategies.

And when we go back in front of the arbitrator with the reopener, we will be advancing a number of positions. I don't know that we will be in a position to make a lot of headway with self insurance.

We'll be taking a look at things

like plan modification, you know, different structures of the plan, as the -- as the order directs.

But I don't know that we're going to end up making a lot of -- a lot of headway with the self insurance. We did not get it in the 33 and 47 negotiations. And it's hard to have a benefits program that has...

COUNCIL PRESIDENT VERNA: So, you're not really projecting any cost savings in FY'06 by this?

MS. WILKERSON: I don't know yet. You know, as we get closer, you know, to the arbitration, further in the process, we'll have a better idea.

COUNCIL PRESIDENT VERNA: Very well.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good afternoon, Ms. Wilkerson.

We'll go back to tax reform a little bit. And we were discussing the gross receipts cut and decision to do that rather

than single sales factor apportionment.

You used a term it's politically doable. If my memory serves me correctly, the administration could move to single sales factor apportionment, from an administrative regulation, as opposed to even having to introduce an ordinance; is that correct?

MS. WILKERSON: That's correct.

COUNCILMAN GOODE: So technically, if the gross receipts cut did not pass, you could still move to single sales factor apportionment.

MS. WILKERSON: We would have to identify adequate revenue.

COUNCILMAN GOODE: Are you willing to provide more flexibility in your parking tax bill, then, to allow for single sales factor apportionment, if the gross receipts tax does not pass?

MS. WILKERSON: The way we transmitted the legislation, it couples the parking tax with the gross receipts.

I think we're very comfortable with pursuing the gross receipts tax. And I

don't...

COUNCILMAN GOODE: Are you comfortable with not having the revenue to pursue single sales factor apportionment because of the way you chose to write the legislation?

MS. WILKERSON: Yeah. Yes.

COUNCILMAN GOODE: Let me ask another question, along the same lines. Regardless of whether you move to single sales factor apportionment or to a gross receipts tax, you were looking to do some sort of business tax reform for fiscal year '06; is that correct?

MS. WILKERSON: Yes.

COUNCILMAN GOODE: But the three bills introduced by members of Council were not moved toward new business tax reform until fiscal year '07; is that correct?

MS. WILKERSON: I believe so.

COUNCILMAN GOODE: There would be no changes, in terms of the five-year financial plan for the Nutter Bill or for the Clarke Bill or for the Goode bill.

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MS. WILKERSON: No. Let me ask Mr. McNeely to answer this.

MR. McNEELY: Yeah. I believe that the bills you're mentioning would have an impact beginning in '06.

COUNCILMAN GOODE: No, they wouldn't. You should double check, but none of the bills would have any impact in fiscal year '06. The impact would take place in fiscal year '07. There would be no change, in terms of the five-year financial plan, for any of the Council bills.

MR. McNEELY: Even if the impact doesn't begin until '07, that still will impact in the five-year plan.

I'll double check on the '06 budget.

COUNCILMAN GOODE: That's not the question.

The question is that the Council bills do not require any change for '06 but the Mayor's legislation does.

MS. WILKERSON: I'll take your word for it. I would have to go back. I don't have any independent...

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COUNCILMAN GOODE: Well, that's sort of curious. I mean, aside from the fact that... You say you don't know why you're necessarily doing gross receipts tax, other than single sales factor apportionment, and that policy decision is not necessarily based upon an economic development summit or an economic development blueprint.

And obviously also, it is not based on fiscal considerations, if you're deciding to move to a business tax cut in '06, when the other bills wouldn't do anything until '07.

MS. WILKERSON: No. The administration is proposing to reduce the gross receipts portion of the Business Privilege Tax because we believe it's good for the growth of business and the growth of jobs in the City.

We propose that married to an increase in the parking tax because we need the revenue to offset the revenue...

COUNCILMAN GOODE: I understand that. But the issue is that you're making a

conscious decision to do business tax reform in '06 rather than '07.

MS. WILKERSON: Right.

COUNCILMAN GOODE: When the Council bills do not do that. Yet, in response to Councilman Kenney's questioning about the fund balance...

MS. WILKERSON: Mm-hmm.

COUNCILMAN GOODE: ...you were very direct about the fact that part of what we've been paying for over the last five years is tax cuts. Yet you're deciding to do a tax cut next year that Council's not even asking for.

MS. WILKERSON: I did a tax cut offset by revenues, so that the tax change is revenue neutral to the five-year plan, the proposed change.

COUNCILMAN GOODE: But if Council decided that it wanted to pass the Nutter bill...

MS. WILKERSON: Mm-hmm.

COUNCILMAN GOODE: ...and wanted to pass a parking tax, not necessarily the

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administration's bill...

MS. WILKERSON: Mm-hmm.

COUNCILMAN GOODE: ...that would actually be additional revenue for fiscal year '06.

MS. WILKERSON: If the parking tax were passed this year, and there were no change in the business taxes until out years, that would be additional revenue for us.

COUNCILMAN GOODE: So, the administration is making a conscious decision that business tax reform is needed in '06, before '07.

MS. WILKERSON: Yes.

COUNCILMAN GOODE: Okay.

Let me move just real quickly, since other Council members are not here yet, and I have a little bit more time, I hope, to one question.

On Page 57, the five-year financial plan, with an economic development portion, talks about a strategy to integrate women and minority businesses into the City's mainstream economy.

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The last sentence of that paragraph says, in partnership with private financial institutions, the City will improve access to traditional and non-traditional sources of capital for small and women or minority owned businesses.

What is the plan to do that specifically?

MS. WILKERSON: I can get -- I don't have the specifics with me right now.

COUNCILMAN GOODE: Who would know that?

MS. WILKERSON: That would be a combination of the Commerce and also Michael Williams with M.B.E.C.

COUNCILMAN GOODE: There is a specific plan, though?

MS. WILKERSON: I haven't seen it. I know that we have worked with the African American Chamber of Commerce in connection with the Emerging Contractors Program, in collaboration with Citizens Bank and some of the other banks, to put together a pool of working capital, to support the emerging

businesses.

We also fund the Chamber to do ongoing technical assistance to firms. And that access to working capital is part of that. Beyond that, I don't know exactly.

COUNCILMAN GOODE: Can someone respond to that question?

MS. WILKERSON: Excuse me?

COUNCILMAN GOODE: Can you get someone to respond to that question?

MS. WILKERSON: Yeah. I'll get a response. I don't know that I'll have it today, but I'll get you a response, a written response.

COUNCILMAN GOODE: Okay. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam Chair. Good afternoon.

There's a couple things I want to follow up. And follow up is one of the issues that I have when we go through these negotiations -- when we go through this

budget process.

We all met in the Mayor's Office prior to the budget. And we asked a couple questions. So if the problem's on my side, I'll apologize.

We asked for some information about this beautiful chamber, and it was damaged, and about the recovery of a significant amount of money. Has that information been forwarded to the President of City Council yet?

MS. WILKERSON: I don't --

COUNCILMAN RIZZO: Again, that's... What really bothers me is the fact that we ask questions; we're told we'll get back to you; and if you don't follow up on it four, five, six times, it's like talking to that granite column over there. So, I'd like to know. Weeks ago I asked the question. Do we have an answer?

MS. WILKERSON: I don't know the answer to that. I'll have to see.

COUNCILMAN RIZZO: That's kind of like what we deal with here.

Okay. Then you know I want to talk about what you say here. Beginning in fiscal year '06 we expect the state to assume patrol of our City highways. State highways in Philadelphia are currently the only highway in the state that are not patrolled by state troopers.

We know that Councilwoman Tasco said earlier today, it's like... All we hear is that statement. I talk to the people in the Governor's Office. I talk to the state police.

They want to know and I want to know where we're getting that. Because I think if you're having behind-door meetings, it is absolutely necessary for you to tell us who's telling you that they're going to start patrolling the roads or give us the money.

I'd prefer the money rather than the patrol, have them patrol the roads. Would somebody please tell me: Every time you say something here, either in the Mayor's budget address or here in these documents, I pick up the phone, I call Harrisburg, and they tell

me, you don't know what you're talking about.

So, would somebody... Reporters call me. They call -- Nicole Wise and Mr. Eagan from the Daily News calls me, tells me that she speaks -- She asked me to comment on a particular question. She speaks with you. You tell her something differently. When I speak with you, Diane, Miss Reed, you tell me something differently.

Can we get a straight story on where we are with this? And who told you that the Pennsylvania State Police starting in this -- this fiscal year are going to patrol the City roadways? Because nobody seems to know it but you.

MS. REED: Good afternoon, Councilman.

COUNCILMAN RIZZO: It's getting embarrassing for me, because every time I'm asked about this I'm told, that's not what you say. They pick up the phone. They call Harrisburg. That's not what they say.

I think we need it straight for once for the record.

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MS. REED: I'm Diane Reed, Budget Director.

P.I.C.A. was also concerned about this source of funding, given what our fund balance was looking like for this year.

So, we had a meeting with senior state officials. And we all heard the same thing at the same time, which was before the holidays.

And at that time we were being told that, yes, this would be funded, but we had to see what would be the result of the arbitration.

I have since talked with senior --

COUNCILMAN RIZZO: Can you name some names, please? For the record, could you name some names?

MS. REED: Well, they really asked not to be named.

COUNCILMAN RIZZO: Well, why? What is this, a big secret? This is not an investigation --

MS. REED: I don't know. You know, it's --

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COUNCILMAN RIZZO: -- by the Federal... You know, it's our business. We'd like to know who you're talking to, so I can go to these people and ask them the same question.

I don't want to hear you're talking to Harrisburg. I'd like to know who you're talking to.

MS. REED: I will get -- Could I get back to you?

COUNCILMAN RIZZO: No. See, this is a killer. This is the same old spin: We'll get back to you; we'll get back to you.

I'm tired of asking the same questions meeting after meeting after meeting with the comment, we'll get back to you.

Do you have something to hide about the people that you're talking to? Then tell us.

MS. REED: It isn't my choice.

COUNCILMAN RIZZO: Is it Mike Mash? I'm asking you a question. Is it Mike Mash that's telling you that?

MS. WILKERSON: There have been

conversations.

MS. REED: There have been conversations with Michael.

COUNCILMAN RIZZO: Can I tell you? You're talking about five and a half, almost six million dollars that we're dealing with, and you can't tell the -- you can't tell --

We're here today to talk about your five-year plan. You're telling me something that I've been told time after time after time that is not true.

Don't you think -- I'm challenging you to tell me who you're talking to.

MS. REED: I'm giving you the best information I have.

COUNCILMAN RIZZO: This has been my issue for five years now.

MS. WILKERSON: We've had conversations with Mr. Mash. It's in part based on those conversations that we think the state is going to assume the responsibility.

We've pursued this initiative in part because you rightly pointed out that it

is a problem. We have had ongoing conversations with the state. What we represent to you is what's told to us.

When it becomes -- When we believe that there is no likelihood that the state will pick up the responsibility, and if the Mayor's prepared not to patrol the highways any more, we'll eliminate this item from the proposed five-year plan.

COUNCILMAN RIZZO: Then if this is so uncertain, why has it been such a certain -- In other words, somebody... Has the Governor of Pennsylvania authorized Mike Mash to say this?

MS. WILKERSON: I don't know what conversations the Governor and Mike Mash have had.

COUNCILMAN RIZZO: Because the Pennsylvania State Police Commissioner told our Commissioner, it's news to me.

MS. REED: We don't know anything about that.

COUNCILMAN RIZZO: So what do you do? If you don't get the state patrols, are

you...

MS. WILKERSON: If we don't get it, what we'll do is eliminate a $25 million cost avoidance or from the five-year plan, and we'll be -- we'll be looking to save money elsewhere in the budget.

COUNCILMAN RIZZO: Okay. Again, these people that have no names in Harrisburg... I think we're to the point now where we have to start knowing who's telling us these things, so I can start telling the people that ask me who's telling us all this. Because I'm tired of coming up lame on this. I'll be real honest with you.

MS. WILKERSON: All right.

COUNCILMAN RIZZO: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

Some of my questions have been answered, but I do have a few.

On Page 14 of our five-year plan,

there is a reference to... there is reference to the Commonwealth -- the proposed expansion of the Commonwealth's highway patrol functions within City limits.

And I wanted to ask for some information with regard to it, because we do have several state highways in my district. For example, I have Baltimore Avenue, Market Street, Chestnut Street, Lancaster Avenue. And I wondered how it is affected.

MS. REED: We note in the state budget that there is an increase of $22 million over last year's funding, as well as a level of workforce beyond any that they've had before.

So, there is certainly room in that budget to fund this function for Philadelphia.

COUNCILWOMAN BLACKWELL: So you expect that we won't see a decrease in service, but that the fund -- that the funding, then, will switch over to the state, but that we will not lose what we have now?

MS. REED: We originally had revenue

coming in from the state. Based on conversations that we had with the state, we changed that to a decrease in positions because that would -- they would be taking over the function.

COUNCILWOMAN BLACKWELL: Okay.

My second question is regarding Page 17, a change in food licenses, fees.

We're really concerned about the number of small mom and pop establishments that are impacted. We wanted to know what the fee would be and what the City will gain.

What will it be for these small businesses, and how many businesses will be impacted by the change in food licenses? We see you have here an additional $400,000 annually.

MR. DOMZALSKI: I'm John Domzalski. I'm the Health Commissioner.

COUNCILWOMAN BLACKWELL: Hi, Commish.

MR. DOMZALSKI: That detail is in the ordinance we've submitted, Councilwoman Blackwell.

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The specific fee with regard to the number -- that's related to the number of seats in the establishment -- And there's also a different fee schedule for grocery stores, and those kinds of things. And I can get that specific detail over to you even this afternoon.

COUNCILWOMAN BLACKWELL: Thank you. If you get it to the President, she will make sure we get it. Thank you.

My final question... Commissioner Domzalski will get that to you, Madam President, what the fee schedule is for small businesses.

My final question is regarding N.T.I. And my question is: We know that we've had a drop in Moody's bond rating, but I also understand in some meetings with the Mayor that we've been talking about doing additional NTI funds.

Can you tell us where we are in that regard and what we can expect this year?

MS. WILKERSON: We're actually pricing the NTI bond sale this week. And

we'll know exactly how much money we're able to raise, and we'll be able to then match that against the budget that -- that was proposed coming out of last year.

We have not put any additional dollars in the -- in the five-year plan for additional NTI bond proceeds for an additional bond program.

We're still living under the legislation that authorized the program back in 2001.

COUNCILWOMAN BLACKWELL: I just --

MS. WILKERSON: So we would have to find additional space in the budget, the five-year plan. And we've not been able to do that.

COUNCILWOMAN BLACKWELL: How will all of this... I understand we spent $139 million of $142 million in the first round. And I'm wondering how the NTI will also be affected by the proposed Federal cuts in C.D.B.G. funds.

MS. WILKERSON: I guess what we're seeing -- There are a couple of things going

on with the dollars available for transforming neighborhoods, and not all of them are bond dollars.

This year, for example, you'll see that we're funding demolition again, propose to fund demolition again out of the General Fund, as opposed to having sufficient dollars out of the NTI bond proceeds.

The Federal government has proposed consolidating 18 community and economic development programs into one, and is talking about an 80 percent overall cut in funding. That would have a dramatic impact on what we have available to invest in neighborhoods.

There is a proposal at the Federal level to eliminate the Hope Six program. The Hope Six program is what the Housing Authority has used to get rid of its high rise developments or its obsolete developments, and really be an anchor for the renaissance in a lot of neighborhoods across the City.

So, I think that if -- if what's being talked about at the Federal level

actually happens, it's going to have -- you know, it's going to have a devastating impact.

We're working hard. We're working in collaboration with other jurisdictions, with our Federal legislators, trying to lobby against the elimination of the C.D.B.G. program.

We understand there's a lot of bipartisan support for C.D.B.G. And so, we remain hopeful. But, you know, the changes that are being talked upon at the Federal level will create a completely new playing field, and I believe substantially reduce our opportunity to continue rebuilding neighborhoods.

An 80 percent cut in funding. The funding is already, you know, pale in comparison to what it used to be when the City was getting over $90 million every year.

The other -- The other problem would be that we would be left with repayment of 108 loans. And so, if there's any kind of substantial reduction in the City's grant, we

still have an obligation to repay the 108 loans.

And so, it's going to be hard to put adequate dollars on the street moving forward, if any of these things come to pass.

COUNCIL PRESIDENT VERNA: Excuse me.

The Chair recognizes Councilman Goode for a point of information.

COUNCILMAN GOODE: Thank you, Madam President.

Miss Wilkerson, I know that H.U.D. 108 funds are usually guaranteed by C.D.B.G. dollars.

Wasn't there a separate guarantee by P.I.D.C. to cover their cost so the C.D.B.G. dollars would never have to be touched?

MS. WILKERSON: On the economic development transactions, the dollars are paid for by revenue off the project.

The same is not true on the housing 108s. The housing 108 dollars go out as grant dollars.

COUNCILMAN GOODE: So, what portion of the H.U.D. 108 repayment is economic

development; what portion is housing?

MS. WILKERSON: Oh.

COUNCILMAN GOODE: It's overwhelmingly economic development, isn't it?

MR. WILKERSON: You mean in terms of funds used to repay?

COUNCILMAN GOODE: In terms of H.U.D. 108 repayment.

MS. WILKERSON: I'd have get that breakdown for you.

COUNCILMAN GOODE: Okay. Thank you.

COUNCIL PRESIDENT VERNA: Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thanks.

We would just appreciate hearing from Miss Wilkerson, the administration, any information with regard to housing as soon as it is available, and ask if she would get the information that my colleague, Councilman Goode, spoke of to the President. She'll get it to the rest of us.

MS. WILKERSON: Yeah. We will also circulate information that we've gotten from

our Federal lobbyists. There's just, you know, a litany of programs that are potentially impacted, everything from Amtrack to the police, a lot of the Police Department, federal dollars, Homeland Security. But we'll circulate that to you today or tomorrow.

COUNCILWOMAN BLACKWELL: Thank you.

And Madam President, finally, just let me state that albeit we always need demolition dollars, you know, I always think the battle is acquisition because until you acquire it, you can't do anything with it, whether it be demolish or rehab or transfer. So, that's always my concern.

Thank you.

COUNCIL PRESIDENT VERNA: Councilman Clarke, if you don't mind, I would just like to piggyback on what Councilwoman Blackwell has said.

I know that... I see we have $8 million in the General Fund for demolition. Heretofore wasn't that under NTI?

MS. WILKERSON: Yes.

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COUNCIL PRESIDENT VERNA: Now, how many properties would we be able to demolish, approximately, with $8 million? And does this now mean that it's going to go back to L & I for demolition -- they're going to be doing the demolition?

MS. WILKERSON: The demolition has been done by L & I all along.

COUNCIL PRESIDENT VERNA: I thought -- I thought there were other people doing that.

MS. WILKERSON: The demolition was done by -- you know, done by L & I all along. We have the targeted demolition. We still do curbside demolitions which is the traditional -- what you may be thinking of, the traditional L & I program.

And, you know, our goal is to have all the demolitions happen in the same way so that the treatment is the same; the kinds of consideration, you know, should we take the building down or not, you know, is the same.

But we will -- You know, the activity that you see on the street is going

to be funded in part with N.T.I. dollars that were allocated last year.

But moving forward it's going to be largely -- it's going to be largely City operating dollars. And I will get for you the exact number of properties that we expect to take down.

With that, if you'll recall, we moved monies out of demolition line item in order to --

COUNCIL PRESIDENT VERNA: To acquisition.

MS. WILKERSON: -- to fund acquisition and development. And that is what's precipitated our having to return to the General Fund for demolition support sooner than we had expected.

COUNCIL PRESIDENT VERNA: And when you provide that list, would you let us know what it is costing presently to demolish a building?

MS. WILKERSON: Yes.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman

Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Is Ms. Tollson here, the Streets Commissioner?

MS. WILKERSON: Yes.

COUNCILMAN CLARKE: Good afternoon.

MS. TOLLSON: Good afternoon.

COUNCILMAN CLARKE: In Miss Wilkerson's testimony, she talked about standardizing trash pickup. Can you cut to the chase and tell me what that's about.

MS. TOLLSON: Yes. The standardization of trash is making trash collection the same across the City. In a portion of what we call our highway district three with portions of North Philadelphia into Kensington, there is a collection of trash two times per week.

COUNCILMAN CLARKE: In the 5th Council District.

MS. TOLLSON: Within the 5th Council District, yes.

COUNCILMAN CLARKE: All right.

MS. TOLLSON: Of collections two times per week. There are approximately 25,000 households that are impacted by that.

It is not the entire 5th Councilmanic District. It is not the entire North Philadelphia. It's portions of that.

And by standardizing trash, we want to bring them in line with the rest of the City, and they will have one day a week collections of trash.

COUNCILMAN CLARKE: Have you thought of how you would implement that, from a strategic standpoint, given the diversity in those particular areas? Some row home communities, some high-rises, some mid rises, some buildings in particular.

In other words, because I'm thinking about Diamond Street as an example, where those properties have been cut up into numerous apartments, and there's no interior room for storage of refuse.

Do you have a real strategy or are you just to going simply one day the truck just doesn't show up?

MS. TOLLSON: No. No.

One of the things that we're trying to avoid is the confusion that when trash day is. Because of the multiple days of collection, trash winds up sitting out on the street.

COUNCILMAN CLARKE: You're saying people are confused about when trash is collected?

MS. TOLLSON: Because trash is collected on Mondays and Thursdays or Tuesdays.

COUNCILMAN CLARKE: What people are those?

MS. TOLLSON: People living in the community.

COUNCILMAN CLARKE: I'm not confused on when my trash day is.

MS. TOLLSON: Maybe not in your block, but in many of our blocks.

COUNCILMAN CLARKE: I don't think anybody is confused on when their trash day is.

MS. TOLLSON: Okay.

COUNCILMAN CLARKE: I think there are people who don't care when the trash day is. They just put it out every day. But I don't think people are confused about when trash day is.

MS. TOLLSON: Okay.

Well, to avoid any misperceptions about when trash day is, it's going to be one day per week.

COUNCILMAN CLARKE: Well, I disagree with your premise --

MS. TOLLSON: Okay.

COUNCILMAN CLARKE: -- that people are confused about trash day. So, I don't think that you can use that as a basis for giving us one day.

MS. TOLLSON: That's not the basis of the --

COUNCILMAN CLARKE: To cut out the confusion.

MS. TOLLSON: That's not the basis.

COUNCILMAN CLARKE: But you're implying that by saying, well, people are confused. So, we'll just give them one day

so they won't be confused about when the trash needs to be picked up. They're not confused.

MS. TOLLSON: Okay.

COUNCILMAN CLARKE: They are just people who just don't care.

MS. TOLLSON: I agree.

COUNCILMAN CLARKE: They put it out whenever.

So the issue is what? Cost savings? It's not really --

MS. TOLLSON: There is savings in standardizing collections. The savings is approximately $300,000.

Trash collections. You asked me the question do we have a strategy for communications. It is a very complex strategy, multifaceted.

We will have certainly the basic advertisements through the newspapers. We'll also do direct mailings to every household within the boundaries. We've identified the routes, the new routes, identified the houses that will have changes. Some houses will

change from their present day. They may have Monday and Thursday now.

And Monday or Thursday may not be their future day. They will get a new day. They're being advised of that. Or if one of the days is staying the same, they'll be advised of that as well.

Communications are being done in, I believe, five languages. There are two Asian languages, Spanish, English, and I can't recall the fifth at the moment.

There will be phone calls to each of the households in those communities as well. For every household or I should say for every phone that is listed to an address in that boundary, they will receive a message in multiple languages, if necessary, to advise them of the changes. And I did mention the direct mailings.

We will also be communicating through block captains, but as block captains are not in every block, we have several layers --

COUNCILMAN CLARKE: Wait a minute.

Hold it. Hold it. Hold it.

You're going to put the responsibility of going out and telling people that they're going to have one less trash day on a block captain?

MS. TOLLSON: No, no. It's just another layer of people that we communicate to, to make sure that the message gets out. So, not only will we do direct calling, and in addition direct mailing --

COUNCILMAN CLARKE: Sounds like you're doing everything short of you yourself or some member of the government going out. I mean, you're doing calls, mail, the whole nine yards.

Now you're talking about block captains going out informing people are going to lose their trash day.

MS. TOLLSON: No. I have no problem --

COUNCILMAN CLARKE: When will you and your people go out and physically tell people that you're going to have a trash day eliminated?

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MS. TOLLSON: We can start that probably in two weeks.

COUNCILMAN CLARKE: You're prepared to do that?

MS. TOLLSON: We're prepared to go to the street next week, if we had to, to talk about the changeover.

And I have no problem with doing personal community meetings. There are 25,000 households impacted. We can maybe find some schools to go out and meet with the community. We could do that to try to get the word out.

COUNCILMAN CLARKE: Okay. All right. I will give you a list of the appropriate community leaders, and you can contact them directly and have your community meetings.

MS. TOLLSON: That's fine.

COUNCILMAN CLARKE: I will not be there.

MS. TOLLSON: And I was going to add community leaders, as well as block captains.

COUNCILMAN CLARKE: I will not be

there.

MS. TOLLSON: Okay.

COUNCILMAN CLARKE: I will not be there. I will be on the other side fighting the elimination.

And I know this is going to be a very difficult one for me to win because, to be honest, a few Council-at-large members are probably not going to be able to solicit a lot of support from some of the other District Council people who have had one day a week.

This will probably be one of my most difficult political challenges as a Councilperson, but I am going to fight the fight.

But Council President, could I have one quick question?

COUNCIL PRESIDENT VERNA: Okay.

COUNCILMAN CLARKE: I had another question with respects -- and this is to actually Miss Wilkerson and Miss Reed.

Thank you, Commissioner.

During the course of budget

hearings, on a yearly basis we talk about various departments and to some degree agencies. But I can't recall if we have the level of discussion about agencies, other than official City agencies, that we either contribute to financially or contribute to the City financially.

And as we continue to cut our budget barebones, and all of the various departments and Council also, I have some concerns that some of these agencies that are either quasi agencies or agencies that we just contribute to aren't being asked to cut to the barebones.

Or we don't really have a sense of what the process is, as it relates to their budget, and, you know, who they contract with, and, you know, their employee negotiations, and things of that nature.

The one that comes to mind most of all is the Parking Authority. I guess that's probably the most controversial one. I understand that they contribute a certain level of revenue to the City.

And my question is, could in fact they contribute more revenue to the City if there were certain cost-cutting measures associated with the Parking Authority?

And how do we, as Council people, put ourselves in a position to have the same level of interaction with those type of agencies?

MS. WILKERSON: There are a number of those agencies that have a direct impact on the City's budget. This five-year plan includes $25 million in revenue from the Parking Authority annually.

And there is some concern that the Parking Authority is now saying it won't be able to pay to the City, you know, that amount of money.

We note that the number of employees at the Parking Authority has grown dramatically, from about 400 and some to over 700 employees, at the same time that the City is having to slash the size of its workforce.

It is -- You know, they operate pursuant to a contract. There also is state

law involved. But we've been trying to get additional information from the Parking Authority.

The Authority has not been forthcoming. And so, we've got our Law Department looking at escalating, perhaps, to litigation if we have to. We can't afford to have that kind of reduction in our revenues. So, you know, we're working on that.

We have ongoing conversations with the independently elected officials. I believe they also come to City Council.

COUNCILMAN CLARKE: Yeah. I mean, we have an opportunity to some have some interaction with them.

But, I'm just -- You know, I mean, there are a number of agencies -- and I don't know off the top of my head who they are -- that we contribute to that, that don't necessarily give revenue, like the Convention Center, you know, some of the other agencies, that we don't have an opportunity to interact with.

And I'm just trying to get a sense

that how we can impact on their budgets so we don't just simply continue to cut back on City's services, and these other ancillary agencies will pretty much do whatever it is they want to do.

MS. WILKERSON: What we can do is prepare a memo for you identifying those other agencies, you know, the type of funding they get from the City, and the kinds of controls that we do or don't have on their spending. And we should be able to pull that together quickly, so if you wanted to, you know, call them and ask them.

COUNCILMAN CLARKE: That would be helpful.

MS. WILKERSON: We can provide you with information on that, their budget, and about what we do have on spending.

COUNCILMAN CLARKE: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Ramos.

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COUNCILMAN RAMOS: Thank you, Madam President.

Thank you, Madam Chief of Staff for spending this last few hours with us.

MS. WILKERSON: My pleasure.

COUNCILMAN RAMOS: I know there's been a lot of pleasure.

I want to commend you and the administration for a presentation that, after being here for a year, makes sense to me. Might not be any fault of yours at all.

However, I think that shows that there's some talented people in this government that have worked hard to present us today with what you propose as to your five-year plan for this government.

And there's a number of points that I would like to address. However, I think that for better use of time, that I would address them to the particular departments.

But as you presented your testimony, and I thank you for making it available to us last Friday because it gave us a chance to take a look at your presentation today.

But I would say that things like the $125 million for River City development, all of a sudden N.T.I. shows up right next to it this year.

So, at an appropriate time, you know, I wanted to hear more about how that would work because if you're going to invest $125 million in river development, which was the only purpose when it first came up last year. Now we have N.T.I..

$125 million for River City development, although I know that there's other efforts to raise a whole lot more money than the $125 million.

I wouldn't want to see it -- You know, people have an idea as River City development, as the Mayor presented it last year -- all of a sudden get mushed up.

And we need more money for N.T.I., so we're going to take it out of here, something that, as these hearings go on, I would want some more clarity about that.

I know of a playground that had heavy equipment in the pool last summer. And

some work went on there. And today I hear that that pool is going to be closed.

So, you know, those are things that I'll address to the Recreation Commissioner, but there was something here that, if you don't mind, I'd like to ask you specifically about.

You said in Page 11 that the City expects to reimburse approximately $2 million annually for medical care provider for prison inmates who are medical assistance eligible.

When do you see that $2 million being recovered? When does it start to be recovered?

MS. WILKERSON: We proposed beginning that in FY'06, July 1. And we are working -- stepping through the protocol. We've had a number of conversations with the state on this, you know, conversations about the reimbursement, who provides the reimbursement or the match for those dollars. And, you know, so, we're working through those details. We expect the revenue in '06 and would expect to at least have it in place

by '06.

COUNCILMAN RAMOS: Were there any reimbursement dollars that came in in this fiscal year? Has any reimbursement ever come?

MS. WILKERSON: Not for prisoner hospitalization costs.

COUNCILMAN RAMOS: And why not?

MS. WILKERSON: I think in part it was that the City didn't realize its eligibility. I think the state also hadn't focused on that Medicaid was a potential funding source.

It's something that would be much more -- you know, it's much more significant at the state level.

One of the things that comes from interacting with other jurisdictions, in just reading the literature, is, you know, finding out best practices. You know, we do that all the time. This is one that we unearthed and are beginning to implement.

COUNCILMAN RAMOS: Is this indicative in any way -- I don't know -- that

this is something we should have done? Or has the prison system attempted to do this and then the reimbursement -- you know, the bureaucracy never lent itself to a response, which would mean a whole lot more money going back into our coffers.

MS. WILKERSON: My understanding is this is the first time we've tried it. One of the challenges in government is having people think not just about the prisons as a prison, but actually look at what kinds of services and activities --

COUNCILMAN RAMOS: That's what I'm getting at, yes.

MS. WILKERSON: -- what kind of services do they provide.

And so, it might be that the most appropriate funding for prisons is not just the General Fund.

They may be undertaking certain activities that are health care type activities, and so you begin looking at health care dollars.

Finding this source of funding for

the prisons was a result of that kind of exercise. And it's the kind of thing that D.H.S. and social services has been fairly aggressive about.

You know, they are constantly finding other opportunities to fund City services out of non General Fund sources. It's been -- It's been a huge -- It's taken a lot of pressure off the General Fund in past years, and it's something we continue to work on.

COUNCILMAN RAMOS: I agree with you that I think that there's probably some reimbursement dollars out there that we've never gone after.

And I think that is a matter of us focusing in on certain priorities, because I would suspect -- I have no way of calculating whether $2 million could become $4 million in a few years down.

But I would think that most of our prisoners would probably be eligible for medical assistance and in need of medical care, right?

MS. WILKERSON: We thought at one point that the $2 million was going to be $5 million and found out that it's worked in the opposite direction.

It's for patients who are actually eligible and treated in a hospital. It's not just for medical coverage provided to people while they're in the detention facility.

We spend over $47 million every year providing health care to prisoners. The large majority of those dollars, you know, are not eligible for Federal support.

COUNCILMAN RAMOS: Gotcha.

MS. WILKERSON: What we did was, we actually did a survey of everybody in a detention -- in detention on a certain day, trying to figure out what the potential universe is of people who might be eligible; and then had conversations with the state and distilled it back to around $2 million. It may be a little more. It more than likely may be a little less than that, as well.

COUNCILMAN RAMOS: Thank you, Madam Chief of Staff.

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COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam President.

I wanted to go back to Page 2 of the testimony and ask a couple questions about the priority areas on Page 2, one of which mentions maintaining fiscal health. And I know that we've some tough times around here.

What I'd like to know is, how many years over the past few years have we had operating budget deficits?

MS. REED: I think there was not an operating budget deficit for 12 years before the one occurred in '04.

COUNCILMAN NUTTER: Let me make sure we're clear on the question. I think the statement you're making is with reference to the fund balance.

I'm talking about an actual operating deficit per fiscal year.

MS. WILKERSON: I'll get you the exact years. We had them, I think, in year '02, '03 and '04. And in '01 it was because

of an accounting change.

COUNCILMAN NUTTER: I understand. So let me ask the question again. Over the past few years, how many years have we had an operating budget deficit?

MS. WILKERSON: In '02, '03 and '04 we had operating deficits.

COUNCILMAN NUTTER: Fiscal '02, fiscal '03 and fiscal '04. So, the last three fiscal years, each year in a row we've had an operating budget deficit?

MS. WILKERSON: Yes.

COUNCILMAN NUTTER: Thank you. What's the total amount of uncollected taxes presently?

MS. WILKERSON: Mr. Ramos, the Councilman's asking the total -- or the Revenue Commissioner -- the total amount of uncollected taxes.

I'm going to ask the Revenue Commissioner to come up.

MS. KAMMERDIENER: This is Revenue Commissioner Nancy Kammerdiener.

I'm sorry. I don't have with me

today the information on the total numbers of uncollected taxes. I do have a report back at my office, and I'll be happy to prepare something for you.

COUNCILMAN NUTTER: I appreciate that, Commissioner. Could you... Without holding you to it for the moment, do you have any rough estimates or ballpark figures on wage tax, business tax, property tax and outstanding fines?

MS. KAMMERDIENER: I'm sorry. I don't retain those numbers in my head. I will have to get the things from my office. I could see about getting it before this adjourns today or put something in writing, whichever you prefer.

COUNCILMAN NUTTER: Do you think you could call over to the office and someone might be able to fax it to the Council President?

MS. KAMMERDIENER: I can try that or have someone run it over.

COUNCILMAN NUTTER: Okay. Great.

As a budgetary item... Back to the

Chief of Staff and the Budget Director. What is the current estimated cost of legal expenses related to the Federal corruption investigation?

MS. WILKERSON: I don't have that number. I'll have to ask the City solicitor.

MR. RAMOS: This is Pedro Ramos.

MS. WILKERSON: The question is, what's the budget number?

COUNCIL PRESIDENT VERNA: Councilman, perhaps you should repeat your question because the City Solicitor was preoccupied.

COUNCILMAN NUTTER: Absolutely. Thank you, Madam Chair.

Mr. Solicitor, I wanted to know what is the current estimate of incurred or anticipated legal costs related to the Federal corruption investigation?

MR. RAMOS: What, in fiscal '06? For what?

COUNCILMAN NUTTER: '04, the present '05, and if you have an estimate for '06 I'd be glad to hear that as well.

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MR. RAMOS: Total year-to-date legal costs...

COUNCILMAN NUTTER: Could you pull that mike a little closer to you?

MR. RAMOS: I'm just trying to frame --

COUNCILMAN NUTTER: Yes.

MR. RAMOS: -- to make sure I have the question because I don't have it on the top of my head but can get it to you pretty promptly. Total year -- The total legal costs spanning '04 and current '05 to date.

COUNCILMAN NUTTER: Yes.

MR. RAMOS: I should...

COUNCILMAN NUTTER: When do you think you'd be able to have that?

MR. RAMOS: I could get it to the Council President by tomorrow morning, if not by the end of today.

COUNCILMAN NUTTER: Okay. Do you have a budgeted amount for '06?

MR. RAMOS: (Indicating).

COUNCILMAN NUTTER: Do you have a budgeted amount for '06 in your department?

MR. RAMOS: I didn't bring the Law Department budget with me, since we're scheduled to testify in April. But there --

COUNCILMAN NUTTER: I understand.

MR. RAMOS: But there is... You know, we will be prepared to testify on projected legal fees.

COUNCILMAN NUTTER: About this time last year, when we were in this discussion, I seem to recall that the amount at that time about a year ago was $1.8 million. Has the amount increased since that time?

MR. RAMOS: I'll get you the -- I'll get you an amount as of the last day of the last month.

COUNCILMAN NUTTER: Okay. All right. Thank you.

Madam Chief of Staff, let me go to Page 3 of your testimony. You made reference to at the top, as of December 31, 2004, 4,844 units in large scale developments, 2,907 in market rate, 1,937 affordable were either completed, under construction or carrying out predevelopment activities.

Of the 4,844 units, and broken out by market rate and affordable, can you tell me how many are completed, how many are under construction, and how many are carrying out predevelopment activities?

MS. WILKERSON: I'll get you a break-out of that.

COUNCILMAN NUTTER: If you could add to that, as you forward it to the President, could I have a list of the locations, the number of properties involved, the addresses, and any funding that was provided by the City for those developments or projects.

MS. WILKERSON: All right.

COUNCILMAN NUTTER: And getting a better sense of clock management, this will probably be my last one.

At the bottom of that same paragraph you made reference to the FY'04 citizen satisfaction survey contained the highest satisfaction levels for many City services in the eight years since the survey was first conducted.

And one of the items you mention is

library services. Do you know when that survey was done?

MS. WILKERSON: Those surveys are done in August.

COUNCILMAN NUTTER: So the last one would have been in August of 2004.

MS. WILKERSON: Yes.

COUNCILMAN NUTTER: Okay. Do you have a sense that you would attain the same high levels if the same questions were asked presently?

MS. WILKERSON: I think that we may well attain the same levels. One of the -- One of the problems that we've had with the library is unpredictable hours of operation.

Because of staff shortages, you know, people, you know, couldn't rely on when the libraries were going to be open. And what was the number of hours?

MS. REED: 700.

MS. WILKERSON: There were over 700 hours of libraries being closed, when they should have been open, simply because we didn't have adequate staff.

And what I think people will now be able to rely on are fixed library hours. When you know, they're counting on the library being open, it will, in fact, be open.

We have devised a plan that gives us the ability to be reliable in our delivery of library services.

COUNCILMAN NUTTER: Are you aware of any plan of this type that is being implemented anywhere else in a major or medium-sized City, anywhere else in the United States of America?

MR. GOLDSMITH: Phil Goldsmith, Managing Director.

I'm only aware of some cities that have been closing library branches because of fiscal problems, such as Pittsburgh.

We think that this is an innovative solution during very difficult budget times. And we thought it provided us a couple opportunities. One was to open our branches on Saturday, with some open on Sundays, two regionals, and I think two other branches.

Secondly, it provides stability and predictability to our customers, that they have a stable and predictable sense of hours.

And three, it allows us to get through these difficult budget times and at least put us in a position that, as money starts to increase into the City, that we will be able to, perhaps, decrease the hours of these branches that are being reduced during this period of time.

COUNCILMAN NUTTER: Well, under what set of circumstances would a determination be made that things have become better or the economy has improved enough to return --

MR. GOLDSMITH: Well, I --

COUNCILMAN NUTTER: -- to return to the previous service levels? What's the criteria?

MR. GOLDSMITH: I think we would have to look at all the services throughout the City because the library is no different from a lot of departments that we're cutting back on.

And there's been some degradation of

service levels. We're trying to minimize it. So, I think at the end of the day, it becomes a policy decision as to when we start to see our revenues increase, which services we're going to increase.

Whether it's expanding the police force or expanding the Fire Department or expanding libraries or the Streets Department, and all these departments that are going through cutbacks.

So, I don't think we can look at one individual department and say at what point in time would that happen.

I think we have to look at services in relationship to services throughout the City government and what people think is the most important and most critical, whether it be for public safety reasons or other reasons.

COUNCILMAN NUTTER: Well, let me just make sure I'm understanding the response. In, I think, news accounts, if not possibly in this testimony or some other document that I read, the statement by the

Library Director... Is he not here? I saw him earlier.

MR. GOLDSMITH: No. He had -- There's a memorial service today for Cathy Ingrid Burton, so he went there.

COUNCILMAN NUTTER: I understand.

The response was if the economy improves, then library services would possibly be restored.

What I'm now hearing from your answer is that the economy very well could improve, but the library will be dealt with in the context of everything else.

And so, is it possible that the economy could improve but there would be no change in the proposal for the libraries?

MR. GOLDSMITH: I would expect the Library Director to say that. Obviously, any department head's going to want the first dollar in. But I think it's up to the administration, with Council, to determine the total context.

I mean, it depends on where we are with fire staffing, and police staffing, and

so forth.

So, for me to sit here and say that the library's entitled to the first dollar in when revenues increase I don't think would be a responsible statement.

COUNCILMAN NUTTER: I understand.

And you made a statement earlier, and I want to make sure I'm clear on it. Are you saying that we've had a decline in tax revenues over the past few years?

MR. GOLDSMITH: I don't believe I said that.

COUNCILMAN NUTTER: Okay.

MR. GOLDSMITH: I don't think I said that.

COUNCILMAN NUTTER: Well, you made a statement with regard to tax revenues. Do you recall what it was?

MR. GOLDSMITH: I don't recall. If someone wants to read it back to me.

I don't think I said tax revenues.

COUNCILMAN NUTTER: This is not like law and order or something where you get the person to read the statement back.

MR. GOLDSMITH: Sometimes I think it is, but...

(Laughter.)

COUNCILMAN NUTTER: Okay.

MR. GOLDSMITH: I think it was a little while ago, but that's beside the point.

COUNCILMAN NUTTER: Well, the reason I ask is because the testimony indicates that tax revenues were projected to grow, albeit a modest 15 percent.

Your statement earlier, I thought, left some impression that there had been a decline in tax revenues over the past few years.

We'd probably both agree that maybe they've not grown at the astronomical levels that we would like, but they have grown.

MR. GOLDSMITH: I think that's correct.

COUNCILMAN NUTTER: Is that correct?

MR. GOLDSMITH: I don't think they've increased to the levels that we would like, for a whole bunch of different reasons.

And I believe, if I understand the five-year plan, I think going out -- I think that 2010 there will actually be a decrease in revenues. As opposed to just a slower growth, there will be a decrease in revenues.

COUNCILMAN NUTTER: Well, we'll see if we can do something about that.

Am I still -- Am I -- I mean, I'll take one last question.

COUNCIL PRESIDENT VERNA: You have long passed your time.

COUNCILMAN NUTTER: I'm just waiting for the bell to ring, like everybody else.

COUNCIL PRESIDENT VERNA: We thought we would let you continue --

COUNCILMAN NUTTER: Thank you. I appreciate it.

COUNCIL PRESIDENT VERNA: -- your line of questioning.

COUNCILMAN NUTTER: I'll come back. I'll come back.

COUNCIL PRESIDENT VERNA: At this time the Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I notice that there is D.H.S. reimbursement for social workers which obviously we support. I'm just curious as. It's a salary reimbursement. I'm just asking what that refers to.

Is it they're working overtime that we reimburse them for or...

MS. WILKERSON: No. Both of the reimbursement initiatives were discussed initially last year. It's a proposal to increase the level of reimbursement from 80 percent to, you know, 90 percent, 100 percent, so as to minimize the City's share of those costs.

It would require -- Both that and the adoption reimbursement require state legislation. I think the adoption proposal might also -- One of them also requires Federal legislation.

We have begun working with the delegation around those issues. We're also working with the other counties around those

issues.

Last year were more aggressive in the phase-in of those reimbursement dollars. We're pulling back from that some in this five-year plan. But that's what that's intended to refer to.

COUNCILWOMAN BLACKWELL: Oh, I know we've had much talk about it over the past. Thank you.

Thanks, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: I'm back to that same area, in terms of the expectations from the state. What would be the financial impact to the five-year plan if you don't meet these goals? Have you calculated them in for the future, in terms of revenue?

MS. REED: Yes. Our estimate for the plan for the increased support of social worker salaries is between $50 million and $67 million, depending on the level of

support.

And also adoption and custodian service reimbursements. That's anywhere, on the same basis, from $13 million to $27 million.

COUNCILWOMAN TASCO: So, if those goals are not realized, what impact does it have on your budget?

MS. WILKERSON: I'd like to have Ellen Steiker come up and talk about the contingency plan.

MS. STEIKER: When we built the plan --

COUNCIL PRESIDENT VERNA: Excuse me. Identify yourself.

MS. STEIKER: This is Ellen Steiker, Deputy Managing Director.

When we built the plan, we looked first of all at what the highest probability of the two initiatives were. And the adoption subsidy one has a higher probability of being enacted sooner.

So, we put that revenue coming in starting in FY'06; whereas, the social worker

salary numbers don't come in until the later years of the plan.

One of the things that we will do and continue to do in social services is just to -- to scrub the numbers, to look at where we can cut back, to look at all of our personnel policies, to look at all of the positions in every social service department, and see what it is that we can do with less.

We look at how we can integrate some of the services so that we can use fewer people to do the same levels of service.

And we look also at all of our programs to see which of our programs are the most effective and which ones may be duplicative.

And we're continually looking for new ways to deliver those services so that we don't have to have an impact on the families and the people we serve, even if we have to do it with fewer dollars.

COUNCILWOMAN TASCO: This $67 million would fund all of your current social workers or just part of the social worker

staff? What does the $67.2 million buy?

MS. STEIKER: I believe it buys a higher level of reimbursement. We're currently being reimbursed, I believe, at 80 percent, and this would get it up to 100 percent reimbursement.

COUNCILWOMAN TASCO: For all of the social workers in the department?

MS. STEIKER: Correct.

COUNCILWOMAN TASCO: Absent -- Absent -- Absent this increase, what is your -- what would be your level of employees at the 80 percent cost? Would you have to -- Are you planning to lay off any social workers?

MS. STEIKER: We probably wouldn't go about it that way. We would be looking at every program that we do, and look at which programs we could delay, which programs we could scale down.

It most likely will affect -- You know, when we look at spending, it most likely will affect some of our contract services, not our social workers.

Although, as I said, we continually look at all of our staffing positions, as we did in this latest personnel exercise that we went through, and look at every position and say, what can we do without, how can we administer things more effectively.

So, that's an ongoing process. But in terms of this particular initiative, we would not be targeting social workers to be laid off if it didn't happen. We would be looking more globally.

COUNCILWOMAN TASCO: Okay. Miss Wilkerson, on Page 21 of the budget, again, in that paragraph where you talk about the state highway -- reimbursement from the state, I notice that in fiscal year 2005 you have allocated $5.6 million, but in the out years you don't have anything.

MS. WILKERSON: We had been budgeting as revenue. Last year when we were here, we thought that the state was going to pay us to continue providing those services.

Now we're looking at the state picking up those services. So it's no longer

revenue in. It's a cost that will be avoided, an expense we won't have.

COUNCILWOMAN TASCO: So, this $5.6 million in 2005 is what it's going to cost you this year?

MS. WILKERSON: That's what --

COUNCILWOMAN TASCO: But this is revenue from other governments. You have $5.6 million.

MS. WILKERSON: Initially we thought that, you know, pursuant to conversations we had had or our goal was to have the state pay us to provide the service.

The state has indicated it's not interested in doing that, that it would prefer -- You know, its preference is to provide the service itself. And that's why we're not likely to see the revenue this year.

Our goal is to have them pick up the responsibility, enabling us to cut our labor costs for doing that activity.

COUNCILWOMAN TASCO: Okay. On Page 14 of the five-year plan, you have, I guess

under the fiscal health section, wherever, there's a paragraph that you talk about switching from a defined pension benefit to a defined pension contribution. Could you explain that, please?

MS. WILKERSON: Currently the... Let me have my City Solicitor explain it more clearly. Pension is his thing.

MR. RAMOS: Good afternoon. Pedro Ramos, City Solicitor.

We are talking with the City's pension consultants to understand the implications of the City for new employees, particularly new exempt employees, outside of any existing union contracts, what it would -- What the cost benefit would be of going from a defined benefit plan to a defined contribution plan.

A defined benefit plan is a type of pension that most -- that -- In the private sector, I would always say that our -- that our parents had, but in the public sector it's still in very big institutions they're still here.

And certainly here -- here in the City. And it's where you get promised not what the City's going to put in but what you're going to collect at retirement.

Defined contribution plan is a promise about how much is put into an account for your benefit.

So, we're looking at, for future new employees of the government not covered by collective bargaining, what the cost benefit would be of switching the type of retirement plan for those future employees.

COUNCILWOMAN TASCO: So you would possibly just... Explain to me a little further. You explain it, so I won't have to interpret it. Is this something like the Social Security plan that is being touted?

MR. RAMOS: Knowing that the President, I believe, is proposing to change the rules on people that are already in the system, and the -- and this is a consideration of changing -- potentially changing the plan for future employees not already in our system and who aren't promised

through collective bargaining some other benefit.

COUNCILWOMAN TASCO: But you're not telling me how it works.

MR. RAMOS: Okay.

COUNCILWOMAN TASCO: That's what I want. Tell me how it works.

MR. RAMOS: All right. Well, the difference would be that the -- that the -- that the -- that the benefit that somebody gets at retirement would be determined by how much was put in by the City, and to the extent there are employee contributions by the employee and by the earnings on that money, as opposed to the traditional pension that -- that -- like we have now for our unionized employees and others, where your benefit is determined by a formula, and then the City puts in every year what an actuary says you have to put in to fund that benefit for people when they retire.

So in a way it is something like what the President's talking about, with respect to Social Security reform, except to

the extent that the President's talking about changing the rules on people already in the system, in the Social Security system.

And this at this point is something being considered only prospectively for future new employees, if it makes financial sense for the City.

And it's certainly -- And in -- And it's -- Within the private sector it's what most of the private sector has moved to, from traditional defined benefit plans to defined contribution plans.

For example, a 401-K is a type of defined contribution plan. If you're on the board of a non-profit you might have heard about a 403-B tax shelter annuity program, that's like a 401-K in the non-profit arena. That's a type of defined contribution plan.

There are certain types referred to as profit-sharing plans, that where -- And all these are different structures by which the employer and/or the employee put money in, and the benefit at retirement is determined by how much is put in and the --

and the -- and how -- and how -- and how those individual accounts earn money over time.

Did I help there, Councilwoman? I'm not...

COUNCILWOMAN TASCO: Well, you're dancing a little bit.

MR. RAMOS: No. I'm not trying to dance. I'd be happy to try again.

A defined contribution plan is a promise about how much the employer will put in or under what terms an employee will put in, not what you get at retirement.

A defined benefit plan is a promise about what you get at retirement, and that's the difference.

COUNCILWOMAN TASCO: How does the City define what it would put in? What would that be based on?

MR. RAMOS: Again, at this point something only being considered for future new employees. And it would be determined, working with our actuaries, working with the -- with the benefits consultants, we

would look at what point it makes sense to do that.

So, it depends how much you want to spend. What's different about a defined contribution plan is, you're determining how much you're going to put into the system up front.

COUNCILWOMAN TASCO: Now, who determines the City's portion?

MR. RAMOS: (Indicating.)

COUNCILWOMAN TASCO: How would the City determine its contribution?

MR. RAMOS: The analysis... We would do it in consultation with our financial and pension consultants.

The -- Whether -- Whether -- Whether it would require Council ordinance, if that's what you're asking, is something I'm not -- I'd have to get back to you on.

Certainly, a pension plan, defined benefit plans, have required Council ordinance. And this probably would require Council ordinance as well, but I can't say that with certainty. We haven't gotten than

far.

COUNCILWOMAN TASCO: Would it require a Charter change?

MR. RAMOS: I don't think so.

COUNCILWOMAN TASCO: But you still haven't answered. So, who would the money managers be? Would they continue to be the money managers that we have now?

MR. RAMOS: Not -- Nothing -- Nothing would require that that be the case.

For example, what a lot of employers -- What most employers do is, they offer one or more investment -- one or more families of investment funds to employees.

At the University of Pennsylvania I had a 403-B plan which is a defined contribution plan. I could choose from -- I could choose to put some or all of my money in Vanguard or TIAA-Cref, which is another... And I don't know if we had Fidelity or not. I don't remember.

And within each of those you could direct how your money is invested within the family of funds made available by -- by -- by

a Vanguard or a TIAA-Cref or Fidelity Investments, or banks have them.

P.N.C. has a product. I forget what theirs is called. So, employees end up directing their investments.

MS. WILKERSON: Then if the fund does well, you know, the retiree does well. If the fund does poorly, you don't get to come back to the City and say, well, I can't live off this amount; you know, I need more. The City's obligation would end once the contribution is made.

And so, for example, you know, when we look at, you know, the problem we have now, we've had a $600 million increase in what we've had to fork out for pension for retirees because the stock market didn't perform well.

That wouldn't be the City's problem any more. Once we paid over to, you know, the employee what it's -- you know, what we promised to contribute, the risk becomes the employees' risk. The risk is not an open-ended risk for the City.

When Councilman Kenney asked earlier on, why don't we have a big fund balance any more, pension has as much to do with it. Our pension -- Our defined benefits pension program has as much to do with it as anything else.

COUNCIL PRESIDENT VERNA: Councilman Goode has a point of information.

COUNCILMAN GOODE: Miss Wilkerson, we've dealt with this before in briefings that Council had.

It's not so much a matter of the stock market performing poorly; but also, for several years the City's investment performance was poor.

That's decisions that essentially the administration made that did not perform on par, in terms of pensions and investment.

MS. WILKERSON: I'll get you the information on that.

COUNCILMAN GOODE: Well, you already sent the information that proved what I said in the private briefing.

And what it proved was that over the

last year or so, it's getting better. But it wasn't just that the stock market was performing poorly, but we lost tens of millions, if not hundreds of millions, of dollars because of poor performance on behalf of the City. Is that not correct?

You don't have to send it to me because I already have it. You gave it to me. And I'm sure you read it yourself.

MS. WILKERSON: I can -- I can give you what the City has, the City's performance in comparison to the benchmark. You've already got the information. I'll distribute it to the other members.

COUNCILMAN GOODE: You can also comment on the information that's in front of you.

The City's performing better over the last year or two, but for several years the City was not performing on par because of investment decisions that the City itself or people they contracted to make decisions on their behalf, because of decisions that they made. You lost money from bad investment

performance; is that correct?

MS. WILKERSON: In...

COUNCILMAN GOODE: That's actually just a lead-in question to...

My actual follow-up question is: Last year you talked about moving to a guaranteed contribution rather than guaranteed pension, but that was moving to a guaranteed contribution for new employees.

I didn't necessarily read within this year's plan that you're talking about moving to a guaranteed contribution for just new employees.

Are you talking about moving to a guaranteed contribution for everyone or is it just for new employees?

MR. RAMOS: The work that we're doing is looking at prospective -- prospectively for future new employees.

COUNCILMAN GOODE: So, it is for new employees.

MR. RAMOS: Yes, sir.

COUNCILMAN GOODE: Okay. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

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The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: What -- What short-term costs will this have on the City, of the fund, and to the -- what's the short-term cost to the pension fund, and what are the long-term savings to the City, to go to the new --

MR. RAMOS: Are you talking specifically about going from defined benefit to defined contribution?

COUNCILWOMAN TASCO: Mm-hmm.

MR. RAMOS: At this point what we're doing is, we've asked the -- several departments. We -- I've been involved for the Law Department, Finance, Personnel.

What we're doing at this stage, Councilwoman, is merely trying to gather the data to do that analysis.

We expect but are not prejudging whether there's a financial benefit to the City. It's only something we would do that if -- if it -- if the City's not worse off by going to that type of benefit. But, you

know, we're far from having the analysis done.

What we've done is start it going down that road. And we hope to generate, you know, to be able to show a model of which point there's a break even, at what point the City would be better off with that type of program for new employees.

But we don't have the actuarial work done at this point, to tell you, you know, that it -- that it's definitely a great thing or under what conditions it's a great thing.

COUNCILWOMAN TASCO: So you're really just studying it right now.

MR. RAMOS: Yeah. We're doing the analytical -- We're asking our actuaries to do the analysis for us.

MS. REED: Councilwoman, there are no costs or savings reflected in the budget for these yet, so you can't find it.

COUNCILWOMAN TASCO: I have one more question.

COUNCIL PRESIDENT VERNA: Okay.

COUNCILWOMAN TASCO: I want to go to

the health centers and your ability to get your reimbursement for medical assistance.

Some time ago, many years back, we thought that the health centers were doing a pretty decent job in collecting reimbursement for services to clients.

Has that fallen to the wayside and you're trying to pick that up again or just what's going on?

MS. WILKERSON: This is an ongoing initiative. Let me ask Mr. Gonzales.

MR. GONZALES: John Gonzales, the Health Commissioner.

You're right, Councilwoman Tasco. We do get third-party reimbursement in our health centers that -- predominantly through medical assistance. And in the five-county region of Southeastern Pennsylvania, we're in Health Choices which is a managed care arrangement.

There are a few patients that come in under fee for service, but we have contracts with our managed care companies. There are three of them. And that is where

we get the predominant reimbursement.

We also get reimbursement through Medicare for our older patients.

COUNCILWOMAN TASCO: So, what is your -- What is your rate of collection for the reimbursement?

MR. GONZALES: The rate, we're collecting at probably somewhere in excess of the 90 percent rate.

When we get kicked back for some defects in the -- in the encounter forms that go in, we usually are able to remedy those.

And in addition to that, we've arranged the situation with the Secretary of Welfare to allow us to go back, and we call the Lookback Project, over a year to catch up on those items that were billable that we may not have billed in the past and get those invoices in. So, we have very positive expectation in that regard.

COUNCILWOMAN TASCO: Okay. I guess I'm reading here on Page 15. It says, many of the uninsured patients at City health centers are eligible for coverage but are not

enrolled.

In fiscal year '02, in an effort to increase the number of patients who receive health coverage, D.P.H. increased the number of benefits counselors available to assist patients with medical assistance, adult basic private H.M.O. and children's health insurance programs. I guess I'm asking, how is that coming?

MR. GONZALES: We posted a 17 percent increase in the number of individuals we were able to convert from uninsured status to insured.

That, I think, is pretty good. It's not where we need to be, and -- and -- and part of that, it's an ongoing effort in those health centers to encourage people to come on.

One of the things that hampered a little bit was the freezing of slots in Adult Basic which is another public insurance program.

Those number of slots were capped at something like 45,000 for Philadelphia

County. And we ended up with a waiting list of some 14,000 individuals who wanted to convert and didn't.

The other area where we really need to continue our efforts is in -- with the CHIP which is the children's health insurance program.

And we're doing -- We're doing better with that but, not anywhere near where we need to be. About 45 percent of our children are uninsured.

We do believe a larger percentage of those individuals -- children are insurable. And the issue there is insuring the parents -- assuring, reassuring the parents that when they cooperate with us, to get the children onto that insurance, that somehow they're not jeopardizing their own status.

This is particularly with individuals who are recent immigrants and who themselves may not be eligible for government health care -- sponsored health care, but whose children, if they were born here, certainly are.

And that's an ongoing conversation. It's where our Global Philadelphia Initiative also, out of the Managing Director's Office, is very helpful, where we were able to get translators in all of our health centers and get our materials translated, and actually work with people so they can complete that application process right in the health center, without having to go to the County Assistance Office.

COUNCILWOMAN TASCO: The inability to collect or have these people insured, what's the impact -- fiscal impact on the health centers?

MR. RAMOS: I'm sorry. The inability to...

COUNCILWOMAN TASCO: To have them covered?

MR. GONZALES: Well, you know, we're not going to accept it as an inability. We're going to continue to improve.

But the bottom line on that, Councilwoman, is that there are no grants that support health care in the health

centers. And so, this is a 100 percent General Fund supported activity.

So, our effort is increasingly to convert people from uninsured status to insured.

In fact, two years ago, over 60 percent of individuals were -- were uninsured -- were uninsured. We've gotten that number down to about 48 percent. So we're -- So, we're making progress with that, but it's a daily constant effort to move that insurance process.

That's why we're watching what's happening at the state level and the national level with medical assistance.

COUNCILWOMAN TASCO: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Miss Wilkerson, we're here discussing a five-year financial plan. Do you know what the total amount of money the

City is projected at this point to spend over those five years?

MS. WILKERSON: Our budget for this year is $3.44 or 45 billion.

MS. REED: 463.

MS. WILKERSON: 463 billion.

MS. REED: 3.50.

MS. WILKERSON: Over the course it would be, you know, roughly five times that.

COUNCILMAN GOODE: $20 billion to $25 billion?

MS. WILKERSON: Something like that.

COUNCILMAN GOODE: But still we're anticipating, as we plan out spending that money, at least in the short-term, revenue shortfalls or slow revenue growth?

MS. WILKERSON: No. Actually, the City is projecting fairly aggressive revenue growth in some of the taxes.

COUNCILMAN GOODE: I'm talking across the board, in terms of total revenue.

MS. WILKERSON: Yeah. In -- The tax reductions that were enacted last year become steeper in '10, '11, and they begin to

outpace the projected growth in revenue.

COUNCILMAN GOODE: And other than doing something like rolling back the wage tax credits, which is a big bulk of that, particularly in the five-year plan, the issue here is, how do we grow revenue.

And it's based upon some of the questions I asked earlier. I'm still surprised that there is no real discussion of what came out of the economic development summit, what is in the economic development blueprint. All is I know, it's going to be released next year.

But more specifically, even in the development of tax reform policy, it doesn't seem to be specifically geared toward business and job growth.

But my questions are more specifically around the issue of small business development.

And not even asking you to lay out a small business development plan, although I wish the Commerce Director or someone else was here to talk about how economic and job

growth will enable revenue growth over the next five years.

I think it's key to have those economic development people here, rather than just the Finance and Budgetary and Revenue people saying, there's not enough money or there's not enough money right now and having discussions of layoffs.

But it's actually a five-year plan. And we're actually looking toward a healthier future. The issue is, what is that plan for growth?

MS. WILKERSON: And that --

COUNCILMAN GOODE: And is it geared around small businesses?

MS. WILKERSON: That will be in the blueprint. I don't have that information right now.

COUNCILMAN GOODE: Okay.

Within the five-year plan, it does note that in 2001 Philadelphia was the City with the lowest percentage of businesses in minority census tracks receiving loans, in other words, ranked dead last out of the top

100 metropolitan cities.

It also states on Page 49 of the five-year plan that Philadelphia ranked second to last among the 100 largest metropolitan areas to the small business loan to low and moderate income census tracks.

Isn't it possible that we're not providing resources to small businesses, who actually create the jobs, which is why we're not growing the City?

MS. WILKERSON: Yes, that's possible.

COUNCILMAN GOODE: So, why is there not someone here to discuss that, as part of the five-year financial plan?

I mean, because we can sit here and discuss the lack of revenue and the fact that it contributes to service cuts and layoffs. But why aren't we discussing what within this plan will actually cause us to grow?

MS. WILKERSON: I don't have those people here. I can...

COUNCILMAN GOODE: Are they coming? I mean, I asked a question earlier about how

you planned on integrating minority and women and neighborhood businesses into the mainstream economy.

You said you couldn't answer that question, that you would have either Michael Williams or the Commerce Director answer that question. I asked if they could come over.

MS. WILKERSON: Let me... I will... If I can take a -- When you go on to the next question, I'll speak with people and have them come over.

COUNCILMAN GOODE: My questions are purely going to be about how we grow the City if we're going to spend $20 to $25 billion over the next five years.

I'm not interested in just having a conversation about layoffs and service cuts about how we actually grow revenue. From my experience, you do that from business and job growth.

And it's a known fact that small businesses generate the most jobs. And if we particularly have a problem with access to capital and credit for small businesses, as

documented within the five-year financial plan, I'm just wondering whether someone can speak to how we resolve that issue of getting the capital and credit to small businesses they need, to actually create the jobs to grow the economy, to bring us the revenue that we need.

And I would expect the type of discussion that we would be having while we're discussing spending $20 to $25 billion.

MS. WILKERSON: Okay. If I...

COUNCILMAN GOODE: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: While we're waiting for Miss Wilkerson to return, does the Revenue Commissioner by any chance have the information that Councilman Nutter had asked for?

MS. KAMMERDIENER: Yes. I've gotten information on the accounts receivable as of June 30, 2004, which would be the close of the last fiscal year.

And if, Councilman, you could -- Do you want the total? Do you want it by tax?

I'm not sure what you're looking for.

COUNCILMAN NUTTER: By tax. Thank you, Commissioner.

MS. KAMMERDIENER: By tax? We carry receivables on the books for a long period of time. And some of them we've estimated as being uncollectable.

And so I'd like to address it in terms of what the receivables we estimate as being collectible by tax, if that's agreeable.

COUNCILMAN NUTTER: Well, why don't we do this: Thank you for the offer. Why don't you give me the total by tax. And then tell me of that amount which you believe is collectible, which you believe is uncollectable, and how long the uncollectable has been outstanding.

MS. KAMMERDIENER: The last part I really can't address because this would be cumulative and involve a lot of...

COUNCILMAN NUTTER: Well, you'll do the best you can.

MS. KAMMERDIENER: Okay. Real

estate tax from prior years, the receivable at 6/30/04 was $112 million.

Do you want the full extension with all of the numbers or just rounded?

COUNCILMAN NUTTER: I'm sorry?

MS. KAMMERDIENER: Is it okay if I round it to $112 million or do you want it out with each of the digits?

COUNCILMAN NUTTER: You know, once you're up in the hundreds of millions, it's -- it's fine. Is it $112 million or $113 million?

MS. KAMMERDIENER: $112 million.

COUNCILMAN NUTTER: $112 million.

MS. KAMMERDIENER: With $59 million of that considered to be uncollectable, for a balance of $53 million, that we deem as collectible.

COUNCILMAN NUTTER: And why do you believe the $59 million is uncollectable?

MS. KAMMERDIENER: Based on information about bankruptcies, people we've been unable to find, despite skip tracing and other methods of trying to locate an

individual who has a responsibility for the property.

In many cases, despite many efforts at billing, returned mail... There are a number of factors that go into it.

COUNCILMAN NUTTER: How long would you... And I know you've indicated this might be a little difficult, but how long have we been carrying the $59 million on the books? I mean, over what period of time did this accumulate?

MS. KAMMERDIENER: Well, with real estate tax, we put liens on properties that last for 20 years. And we actually revive those liens. So, some of these could have been receivables that were generated as much as 30 to 40 years ago.

COUNCILMAN NUTTER: Have we pursued legal action on these matters?

MS. KAMMERDIENER: In addition to the liens, many of these -- I can't tell you exactly the number-- but many of these properties the owners have had judgments filed against them. And the Law Department

would have pursued them in other ways.

I would not be able to speak directly to what the Law Department has done, but I know they filed judgments against individuals, as well as the liens that are filed against the properties.

COUNCILMAN NUTTER: Okay. I'll come back to this.

What's the next tax?

MS. KAMMERDIENER: Wage tax, $101 million, $25 million of which is deemed to be uncollectable. So, $75.7 million.

COUNCILMAN NUTTER: Is collectible.

MS. KAMMERDIENER: Right. The corollary or a piece of that, the earnings tax -- That's basically the tax that's owed by individuals who do not have an employer withholding their tax. They're a resident of Philadelphia.

COUNCILMAN NUTTER: So, what are you calling that, the earnings tax?

MS. KAMMERDIENER: We refer to that as earnings tax, to distinguish it from the wage tax which is withheld by employers.

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COUNCILMAN NUTTER: So, this is non-withholding.

MS. KAMMERDIENER: Right.

COUNCILMAN NUTTER: These are individuals.

MS. KAMMERDIENER: Right. Approximately $9 million, of which about $4 million is now deemed to be uncollectable. So, about $5 million that is a receivable.

COUNCILMAN NUTTER: Okay.

MS. KAMMERDIENER: That we think is collectible.

COUNCILMAN NUTTER: Right. What else?

MS. KAMMERDIENER: Net profits tax. $7.7 million in receivable of which about $4.5 million is uncollectable.

COUNCILMAN NUTTER: $7.7 million?

MS. KAMMERDIENER: Right.

COUNCILMAN NUTTER: 4.5 uncollectable. $3.2?

MS. KAMMERDIENER: Right.

COUNCILMAN NUTTER: All right. What else?

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MS. KAMMERDIENER: Business Privilege Tax. Rounding it up, $75 million, with $18 million uncollectable. So, $57 million estimated as collectible.

COUNCILMAN NUTTER: Mm-hmm.

MS. KAMMERDIENER: Now on to some of the smaller taxes. Amusement tax, $1.3 million in the receivable of which about $200,000 is --

COUNCILMAN NUTTER: I'm sorry, Commissioner. Amusement tax was what?

MS. KAMMERDIENER: $1.3 million.

COUNCILMAN NUTTER: Mm-hmm.

MS. KAMMERDIENER: A little over $200,000 is uncollectable. So, just between $1 million and $1.1 million in potentially collectible.

COUNCILMAN NUTTER: Right.

MS. KAMMERDIENER: Parking tax is $6 million, of which $1.2 million is uncollectable, leaving $4.8 million that we deem --

COUNCILMAN NUTTER: 4.8...

MS. KAMMERDIENER: $4.8 million we

deem as collectible.

COUNCILMAN NUTTER: Mm-hmm.

MS. KAMMERDIENER: Realty transfer tax as a result of audits, $7.4 million.

COUNCILMAN NUTTER: 7.4...

MS. KAMMERDIENER: $5.4 million uncollectable.

COUNCILMAN NUTTER: 5.4?

MS. KAMMERDIENER: Right. $2 million collectible.

COUNCILMAN NUTTER: How could the real estate transfer tax... I mean, it's a live -- There's a real live building, right?

MS. KAMMERDIENER: I --

COUNCILMAN NUTTER: Property.

MS. KAMMERDIENER: I indicated this is as a result of audits. This is after we've reviewed the tax that was filed and have identified what we believe is an under payment of the tax.

And most of these are in disputes or have been disputed. And then, even though we have a receivable, it has been determined that we would not be getting payment.

COUNCILMAN NUTTER: Anything else?

MS. KAMMERDIENER: That would be it, in terms of the taxes for the General Fund.

COUNCILMAN NUTTER: That's it?

MS. KAMMERDIENER: Yes, for the General Fund taxes.

COUNCILMAN NUTTER: Okay. Did you come up with the figure of $201.1 million of collectible?

MS. KAMMERDIENER: Actually, I'm extracting this from some things that are past due because there were balances due on June 30, 2004, that were not yet delinquent. And I've taken those out. So, I don't have an exact total here.

COUNCILMAN NUTTER: Well, I just added up what you gave me as the collectible.

MS. KAMMERDIENER: Mm-hmm.

COUNCILMAN NUTTER: $53 million on the real estate, $75 million on the wage, $5 million on the earnings tax, $3.2 million on the net profits, $57 million on B.P.T., $1.1 million on amusement, $4.8 million on parking, and $2 million on real estate

transfer tax.

MS. KAMMERDIENER: Mm-hmm.

COUNCILMAN NUTTER: That seems to add up to $201.1 million; is that right?

MS. KAMMERDIENER: I would say that's in the right range, yes.

COUNCILMAN NUTTER: Well, that's a lot of money.

MS. KAMMERDIENER: Yes, it is. We're actively pursuing it, along with the Law Department, which has the responsibility for collections after 90 days of delinquency.

And I know there are a lot of activities under way in an effort to collect these funds, not only from Revenue but also from Law.

COUNCILMAN NUTTER: And I just said collectible. When you add in -- Do you have a total for all of this?

MS. KAMMERDIENER: Again, I'd have to take some things out that don't get counted in there.

COUNCILMAN NUTTER: Never mind. That's okay.

MS. KAMMERDIENER: Okay.

COUNCILMAN NUTTER: Okay. Thank you.

I'll come back. I'm not even in my turn. I think we're actually in Councilman Goode's turn, but he had a witness leave on him. So, I don't -- I don't know where that leaves us.

Commissioner, thank you very much. You'll give us in a written form a fuller report?

MS. KAMMERDIENER: Yes, I will.

COUNCILMAN NUTTER: Thank you. Forward that to the President.

COUNCIL PRESIDENT VERNA: Commissioner, with the real estate taxes, the bulk of that goes to the School District?

MS. KAMMERDIENER: No. That was the City's share only.

COUNCIL PRESIDENT VERNA: City's share only?

MS. KAMMERDIENER: Yes.

COUNCIL PRESIDENT VERNA: We wanted to clear that for the record. Thank you.

All right. Councilman Goode. Or maybe I ought to ask Miss Wilkerson if --

MS. WILKERSON: I have Mr. Williams on his way over. The Commerce Director is at a memorial funeral service now. And I'll make her available at a later date.

COUNCIL PRESIDENT VERNA: All right. Do you have any other questions at this time? Or we can wait.

COUNCILMAN GOODE: If Mr. Bumm could come forward, that would be helpful.

COUNCIL PRESIDENT VERNA: Okay. Is he in the room?

COUNCILMAN GOODE: Good afternoon, Mr. Bumm.

I'm assuming you're familiar with the economic development section of the five-year financial plan?

MR. BUMM: Yes, I am.

COUNCILMAN GOODE: On Page 49 there's a sentence that reads, success of minority businesses is crucial for sustained economic growth in Philadelphia.

Later it talks about integrating

minority and women and neighborhood businesses into the mainstream economy.

My questions earlier really were around the issue of what are your specific plans for that, not so much that are detailed in the economic development blueprint but even as part of this five-year financial plan.

This is a plan that will spend, as we said, $20, $25 billion. And rather than having it just speak to layoffs and service cuts and how the City is being restricted by slow revenue growth, that, in fact, we would expect that the economic development portion of this plan would speak to economic growth, would speak to business and job growth, would speak to revenue growth, and having small businesses creating jobs as a factor in that.

The plan does specifically speak to the fact that there are problems, in terms of access to capital or credit for small businesses within low and moderate income neighborhoods and within minority census tracts within Philadelphia.

And my question to you is, one, do you know of any specific plans to address that?

And two, even before Mr. Williams comes over here, did he have any input whatsoever into the economic development portion of the five-year financial plan? So I'm assuming that he did not?

MS. WILKERSON: I think you're right about that; he didn't.

COUNCILMAN GOODE: Then why is he coming over here, if he had nothing to do with the writing of the economic development portion of the five-year plan? Then why would he come over here to answer questions that we already know he can't answer.

MS. WILKERSON: Well, there are things that are going on in M.B.E.C. that impact and tie into that kind of strategy.

COUNCILMAN GOODE: Michael Williams has never addressed one question related to access, to capital and credit for minority and small businesses.

On the issue of red lining, with

regard to race, gender, and geographic discrimination, he's never said anything about that red lining.

MS. WILKERSON: He's not working on bank red lining.

COUNCILMAN GOODE: I know he's not.

MS. WILKERSON: What he is doing, though, is --

COUNCILMAN GOODE: That's the question, is what are we going to do about bank red lining that keeps small businesses from growing and creating jobs and growing the economy, providing the revenue we need, to take us from a $20 to $25 billion plan to maybe a $25, $30, $35 billion plan that's a healthier City that has grown?

And I'm not going to wait till a Chamber of Commerce luncheon or for a Commerce economic development committee hearing to have the issue addressed of how we're going to grow the City economically, when in fact we're discussing spending $20, $25 billion without any economic growth plan, and no one to talk about it.

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MS. WILKERSON: What I was going to say is that I think there are a number of components.

We don't have a strategy for penetrating the access to capital, other than what I've talked about, that we've -- we have committed resources to the Emerging Contractors Program, for example. We've worked with the Chamber to put together a pool of dollars that would be --

COUNCILMAN GOODE: You're talking about the same -- What is it? $15, $20 million pool of funding that may or may not have been spent or line of credit that may or may not have worked out.

Nothing to do with the thousands and thousands of minority and women owned businesses across this City that can't get access to capital or credit. So, they can't grow.

So, we can't grow Philadelphia because of the change in demographics in Philadelphia, and the fact that the banks won't respond, and the administration won't

do anything about it, except for related to their pet projects.

You did one little program along with the African American Chamber of Commerce for your N.T.I. program.

You've done nothing about the larger issue. And there's no one to speak to it today, even though we're here discussing a five-year financial plan.

MS. WILKERSON: That's right.

COUNCILMAN GOODE: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Before I get to what I really want to talk about... Well, the problem is that the Chief of Staff was out of the room when we were talking about the outstanding taxes.

But the bottom line is that the Revenue Commissioner indicated that there are approximately $201.1 million in outstanding taxes across eight different tax categories.

Is there any plan, beyond what we're

presently doing, to try to figure out how to more aggressively capture those taxes?

We're talking about closing swimming pools, rec centers, cutback in library hours and layoffs. And we've got $200 million that's deemed collectible, out of a pool that could -- no pun intended -- could reach upwards of at least probably another $100 plus million in what's deemed uncollectable, and which may or may not be the situation. So --

MS. WILKERSON: I --

COUNCILMAN NUTTER: -- if you could give me a relatively quick answer because I want to move to the other.

MS. WILKERSON: Yeah. The Law Department's taking the lead on revenue collection.

MR. RAMOS: Pedro Ramos, City Solicitor.

Last year when we testified on delinquent tax collections, we said we were going to take a number of measures to increase delinquent tax collections for the

City by $10 million in this fiscal '05.

And we believe that by the end of fiscal '05 we will have done better than that for this year, in that I think we're going to actually hit it, with respect to the General Fund, not just the aggregate.

We are also projecting an additional $10 million for fiscal '06. And I believe in the out three years, the number goes down to about, I think, $8 million in each of those years.

The efforts that we undertook in fiscal '05, because several were new, took a few months to get up and running. For example, in the Law Department we created a new unit called the Execution Unit which --

COUNCILMAN NUTTER: Wow.

(Laughter.)

MR. RAMOS: We're trying to get tee-shirts.

COUNCILMAN NUTTER: I don't even want to have the phone number for that operation, nor am I taking any calls from them.

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(Laughter.)

MR. RAMOS: What we did there was, we took resources within the Law Department and convinced our colleagues, as well as Council, too, that the -- in lieu of taking a cut, we redirect resources within the Law Department towards increased tax collections.

So, we... Although it wasn't live on July 1st -- I believe it was more like November 1st -- we had our Execution Unit up and running. The purpose there was to execute on judgments.

People talk about collections. The City's owed something. You can have a delinquency. You then go out and you get a judgment on it. Then you have to execute on that judgment.

COUNCILMAN NUTTER: Right.

MR. RAMOS: And that unit is now up and running.

COUNCILMAN NUTTER: Okay.

MR. RAMOS: And providing returns.

We also committed to take a portfolio of our oldest real estate

delinquents and which, frankly, is money we had failed to collect in the past, despite our efforts.

And we outsourced them or farmed them out. And that effort, through -- We outsourced it, and we also changed the way we pay for it.

Instead of paying the outside firm on a contingency basis, we imposed a statutory fee that had been allowed under the law which would transfer the cost to the delinquent taxpayer.

And that effort, again, was late getting started, but is on its way to meeting our fiscal year goal.

COUNCILMAN NUTTER: I gotcha.

MR. RAMOS: And we have also taken a number of measures. We -- And the Law Department and Revenue now have access to screens that -- where we share information and view each others screens in a way that hadn't happened before, and some other technological -- Some other ideas about ways technology can help us going forward.

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COUNCILMAN NUTTER: Okay.

MR. RAMOS: We have also brought together everybody who has -- from within the Executive Branch as well as outside, like PGW -- everybody's who's involved in tax collections. And we meet periodically to share strategies.

We found new ways of finding people's money when they owe us taxes. So we're -- This is a lot of fun.

COUNCILMAN NUTTER: It sounds riveting. It really does. And if you could maybe give us a report back to the President because I want to get to my other thing. But I'm glad you're moving on that.

MS. WILKERSON: If you look at Page 14 of the budget in brief, you'll also see that we always have in the budget some figure for prior year tax collection.

And if you add them all up, it's one $119 million this year that is actually attributable to taxes that became due in previous years.

And what Mr. Ramos is talking about

is initiatives on top of what we normally look to bring in.

COUNCILMAN NUTTER: Right. Okay. All right.

Well, again, I would just make the kind of the general comment, given where we are financially. I think anything that we can do to make sure that those taxes are being collected might improve our operational situation.

Let me talk about the pension fund for a second. There was earlier discussion about it.

Now, Mr. Jannetti, you're the Finance Director, right?

MR. JANNETTI: Yes.

COUNCILMAN NUTTER: Okay. And that gives you the wonderful opportunity -- You chair the pension board now? Is that the way that works?

MR. JANNETTI: Yes, Councilman, I will be chairing the pension board.

COUNCILMAN NUTTER: Okay. Well, you are the chair, right?

MR. JANNETTI: Yes, sir. Right.

COUNCILMAN NUTTER: How long have you been Finance Director?

MR. JANNETTI: A month, I guess.

COUNCILMAN NUTTER: Great. Welcome to the team.

MR. JANNETTI: Thank you.

COUNCILMAN NUTTER: How many fund managers do we have?

MR. JANNETTI: Councilman, I don't have the answer to that. I can get you -- I can get you a report on the managers and performance, if you wish.

COUNCILMAN NUTTER: Okay. What I'd be interested to know is how many managers we have, what their individual earnings were last year, how much money did they make, what their performance was last year.

Actually, I'd like to have five years of performance data or for as long as they have been -- if it's shorter than five, for as long as they've been managing money.

What their performance was according -- against whatever benchmarks they

get measured by. But also, is there a report that would indicate how the Philadelphia Pension Fund matches up, from a performance standpoint, against any of the major cities or states across the country?

MR. JANNETTI: I don't know, sir, but I will look into that for you.

COUNCILMAN NUTTER: Okay.

MS. WILKERSON: I believe those are available. I mean, the benchmark reflects in part how other similarly situated funds are performing. And we can probably disaggregate that or it's probably reported in a disaggregated way. And we'll try to make that available.

COUNCILMAN NUTTER: Okay. And is there a document that would lay out for us over the last, let's say, five to ten years?

When you... We've done a number of things with the pension fund. We've had a pension obligation bond. We've had some good years. We've had some bad years.

And now, in the testimony, after going to the minimum municipal obligation,

you're projecting $800 million more in pension obligations in the FY'06 to '10 plan than was projected in the FY'02 to '06, before the earnings target was consistently missed beginning in FY'01.

Can you lay out, in a commentary fashion, the reasons for the exorbitant change in our cost factors related to the pension fund? I don't -- Don't do it now.

MS. WILKERSON: Let me ask Mr. McNeely to do that.

COUNCILMAN NUTTER: This is the guy that's been hiding, the Rob Dubow guy.

MR. McNEELY: The City has an amortization schedule for its unfunded liability.

COUNCILMAN NUTTER: What is our unfunded liability at this point?

MR. McNEELY: The actual amount? I could probably look that up, if I -- You know, the last actuarial report I have with me is from '03.

COUNCILMAN NUTTER: You know, Rob used to do this to me. You were obviously

around him for a long period of time. He did the same kind of behavior. No; go ahead.

(Laughter.)

MR. McNEELY: Yeah. The actuarial report that I have with me is from 2003, produced in March 2004. So, I could probably get you more updated numbers on the exact unfunded liability.

But we have a long-term amortization schedule. Under that amortization schedule, our obligations increase every year until -- At least the last official report said 2010. And then kind of level off or decline after that.

And that's just as a consequence of meeting our schedule, and then from liability, and meeting our obligations to current retirees and pending retirees.

When the City's pension funds began losing ground in '01, '02, '03, that started to increase the amounts necessary to meet the amortization schedule.

And even though 2004 was a pretty good year because we have a five-year rolling

average, we only picked up some of that benefit in this plan.

So, if this good year continues, you could see a little bit of improvement in next year's plan. But we're required to use the actuarial report done by our actuary as the basis, with -- with kind of a one-year lag for our state minimum municipal obligation payment.

So, that's what we have to go on right now, and that's what the plan is based on. And then there will be another actuarial report this next year.

But basically, you know, we had -- we had large pension obligations. We have a growing base of retirees.

And because we not only didn't make the nine percent earnings estimate, we've lost money for several years. You know, those obligation grew dramatically.

COUNCILMAN NUTTER: Okay. You're going to give me a full report, right?

MR. McNEELY: The actuarial report? Yeah. Yeah.

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COUNCILMAN NUTTER: Great.

And I know since you've been around for a little while, do you happen to know how many fund managers we have or money managers?

MR. McNEELY: No. I'm sorry. I don't.

COUNCILMAN NUTTER: Okay. Okay.

Last question: Madam Chief of Staff on Page 7, you talk about the plan for aggressive -- the aggressive target of $10 million in asset sales from FY'05 and $24 million more from '06 to '08. And I appreciate your request for Council support.

Exactly how many... In the category of underutilized or vacant buildings, how many do we have?

MS. WILKERSON: I'd like the Managing Director and perhaps the... to comment on that.

COUNCILMAN RAMOS: Point of order to Councilman Nutter.

Are any of our pension fund managers minorities?

MS. WILKERSON: I can get you that

information. I don't know right off the top. I believe there are, but I'll get you the information.

COUNCILMAN RAMOS: Yes. Thank you.

MS. WILKERSON: Excuse me. I have Miss Gwendolyn Bell.

MS. BELL: Gwendolyn Bell, Executive Director, Board of Pensions.

Yes, there are four minority managers in the pension fund.

COUNCILMAN RAMOS: You said there were four?

MS. BELL: Yes.

COUNCILMAN NUTTER: Okay. Let me -- I didn't know you were back there. Let me ask you a question. How many managers do we have?

MS. BELL: I can get the information to you. I think there are approximately 20.

COUNCILMAN NUTTER: 20?

MS. BELL: Yes.

COUNCILMAN NUTTER: Okay. All right.

But you'll coordinate with

everybody?

MS. BELL: Yes.

COUNCILMAN NUTTER: And you'll also be able to tell us --

MS. BELL: It might be slightly different because we are aggressively doing an asset allocation study, where we are terminating and replacing managers. We have just hired three managers recently, so that number is close to 20. We're looking at --

COUNCILMAN NUTTER: I understand.

MS. BELL: -- alternative investments now to grow the fund.

The nine percent assumption rate is extremely aggressive. And to do that, we are looking at alternative investment type managers.

COUNCILMAN NUTTER: As a part of the report, you'll also tell us the fund level that these managers have under management, right?

MS. BELL: Yes. Actually, the chief investment officer gathered quite a bit of the information you asked for. So --

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COUNCILMAN NUTTER: Okay.

MS. BELL: -- we should be able to get it to you very quickly.

COUNCILMAN NUTTER: Great. Thank you.

MR. GOLDSMITH: Phil Goldsmith, Managing Director.

I have a list here of properties, City assets considered for sale. And I'd be glad to make that available to the Chair. We have, I think, identified over 200 and some properties. Now, some of that is things like breezeways, and so forth.

COUNCILMAN NUTTER: Right.

MR. GOLDSMITH: That we are working on.

We have a special asset sales committee set up. So, we can give you a list of what we've identified so far, in which some of these are under more active consideration. We've gotten appraisals on them, and so forth.

COUNCILMAN NUTTER: Let me make sure I'm understanding, Mr. Managing Director. I

know that you've identified a number of properties, and you've further identified some for sale.

I think my question possibly may have been somewhat more expansive. I'd like to know the total number of properties in the City's inventory that are technically considered either, by the testimony here, underutilized or vacant.

MR. GOLDSMITH: Okay.

COUNCILMAN NUTTER: I'd like to know about every piece of property that we have.

MR. GOLDSMITH: We have that now.

COUNCILMAN NUTTER: Whether it's presently under consideration or not.

MR. GOLDSMITH: Right. We have that. And I think it's over 200. But when I say over 200, that includes land as well as buildings.

COUNCILMAN NUTTER: Right.

MR. GOLDSMITH: So, that could be things such as breezeways, and so forth.

COUNCILMAN NUTTER: Right.

MR. GOLDSMITH: So, we have that.

And we will get that to you.

COUNCILMAN NUTTER: Okay. All right. Sounds like a surprisingly low number, but I'll wait for the report.

So, I may be done, Madam Chair, possibly.

COUNCIL PRESIDENT VERNA: That being said, the Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you.

Earlier this month or late last month -- I can't recall -- we had a briefing in the Mayor's Conference Room. And a question was asked to the administration.

We've had two incidents that involved this Chamber, and also the Caucus Room, and then a subsequent incident in the Caucus Room which I assume was a very, very expensive situation.

What I'd like to know is what exactly were the -- What was the cost associated with the repair. And we've never heard anything, at least I haven't officially, about what caused the incident.

There was some media reports that

there was a water line that involved the refrigeration cooling system in the building. And it was rumored that there may have been a claim that we could have filed to recover that.

So what I'd like to know is, how much were the damages on the three separate instances to this beautiful Chamber and Caucus Room? And was there any recovery on the -- on this particular case?

Was it -- Was it the fault of a vendor or whatever the situation? Was it an insurance claim? Again, how much was it in total, the three incidents that occurred to this building?

MS. SLAUGHTERBACH: Good afternoon. Joan Slaughterbach, Public Property Commissioner.

Councilman, in each instance we have put in claims. And in the specific one related to the Chamber, Barry Scott's here to answer that. We're in negotiations.

On the Caucus Room, same thing. It appears that there may be some issue with the

sprinkler system up in the tower which is what ultimately caused the water to pool, which ultimately leaked down into the room down through the chandelier.

COUNCILMAN RIZZO: So, I assume this is not a lawsuit. It's negotiation. So you can talk about it here.

MS. SLAUGHTERBACH: No. It's an insurance claim.

COUNCILMAN RIZZO: Well, I think we can talk about an insurance claim.

MS. SLAUGHTERBACH: I think I would ask Barry Scott to answer that.

MR. SCOTT: Good afternoon. I'm Barry Scott, acting Risk Manager.

COUNCILMAN RIZZO: What I'd like to know is, how much were the damages to these facilities, this Council Chamber and the two incidents that occurred in the Caucus Room. What was the dollar value of the damages?

MR. SCOTT: For the original water leak which affected this Chamber, and...

COUNCILMAN RIZZO: Mayor's Reception Room.

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MR. SCOTT: The Mayor's Reception Room, space on the third floor, as well as space on the 6th floor, the total damages was somewhere around $1.5 million that we submitted in a claim to our insurance carrier.

There's been some significant amount of negotiation. The claim originally was not accepted. And we felt like -- We began the process of litigation. At that point there was some negotiation, and we are still in that negotiation.

COUNCILMAN RIZZO: Works.

MR. SCOTT: And we... We just transmitted -- There was some additional details that needed to be provided about our -- the amount of the claim and some documentation.

That information went over within the last month. We are waiting to hear back from them right now.

COUNCILMAN RIZZO: So, this is -- When was the first time the claim -- My point is, were -- I know I expressed an interest in

this.

And I hope that Council members aren't the ones that always have to be the one to kind of squeeze you guys to do these things.

Was there something in process before there was an interest from the Legislative Branch of government to get you guys rolling on this?

MR. SCOTT: Councilman, we put our insurance carrier on notice on about -- at about 10:30 on April 1st, on the day that the claim -- the water was leaking in here. We put our insurance carrier on notice at that time. And we have been working with our carrier since that time to resolve this claim.

COUNCILMAN RIZZO: Well, that's great to hear because I've heard very little about are we going to recover here.

The taxpayers believe because of that lack of information that, hey, here's another thing that they have to pay for to fix up; and then if it breaks again, we'll

fix it up again at their expense, and again and again.

And I'm hoping somebody's looking at some type of monitoring. Gee, you know, $300 alarm system, you can get water monitors that detect a leak when the humidity goes up in a particular space.

So, I hope that we're -- we just haven't ended here, that it's a shame to see this beautiful room damaged. And I'd hate to see it damaged again.

And I would like to, you know, be confident that there's some early warning system in place that would detect a leak. And especially since we don't have any roving patrol in this building any more or at least at that time.

MR. GOLDSMITH: Phil Goldsmith, Managing Director.

Let me assure you that while we appreciate the suggestions we get from you and other Council members, virtually all the time the hard-working men and women are already working on these things.

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COUNCILMAN RIZZO: That's great.

MR. GOLDSMITH: And the fact that sometimes you don't have instant communications is because of the fact that they are working on it.

But we will obviously let you know as to the status of these claims, and continue to have interest in your suggestions as to things that you think we can be doing better.

COUNCILMAN RIZZO: Well, Mr. Managing Director, I don't mean it to be an insult. But again, this is the Council's Chamber. The damages was to our space here.

And I still don't know -- And maybe other members do, but I don't know whether or not it was our fault, somebody else's fault. I mean, it would be nice to know what exactly occurred here.

MR. GOLDSMITH: Well, Councilman --

COUNCILMAN RIZZO: Because I get asked all the time at community meetings, gees, it's a shame what happened. What happened? Well, I don't know.

MR. GOLDSMITH: We believe it was equipment failure.

And I would also say that since we're in negotiations, if we thought it was our fault, we probably wouldn't say it was our fault.

And I think I also want to say --

COUNCILMAN RIZZO: If it were your fault, I think you'd say it, knowing you.

MR. GOLDSMITH: I also want to say, this is just not an issue of City Council Chambers.

We have a problem over at One Parkway where we have flooding in One Parkway. And we've had a problem in other facilities.

So, you know, one of the problems we have is, we're in some old structures, and some we're constantly finding out. So, I don't want anyone to think that we don't care because it happens to be City Council Chambers.

We do care. And we're sort of challenged because we have this issue at a

number of our facilities.

And I get phone calls from people in D.P.H., is it? D.H.S. Because when it rains, we have issues.

COUNCILMAN RIZZO: So, we're talking of all the damage that occurred as a result of the first incident and the second incident. We're talking about $1.5 million.

MR. GOLDSMITH: Approximately $1.5 million, as I understand it.

COUNCILMAN RIZZO: Where did the money come to fix it?

MR. SCOTT: I'm sorry?

COUNCILMAN RIZZO: Where did the money come to repair all this?

MR. SCOTT: It came from a number of different places.

The largest piece was the space, the renovation of this space. And that was a capital project. I'm not sure exactly where that came in the budget line.

COUNCILMAN RIZZO: Okay. I thank you. It's very nice to know and be able to speak intelligently on a space that you work.

Thank you.

MR. SCOTT: You're welcome.

COUNCILMAN RIZZO: Thank you, Mr. Goldsmith.

COUNCIL PRESIDENT VERNA: Mr. Goldsmith, while you're up at the table, can you tell us if there was ever an appraisal made for Camp William Penn.

MR. GOLDSMITH: Yes, we have had an appraisal for Camp William Penn.

We have some questions about the appraisal, so we are -- I think we are getting a second appraisal.

But it came in quite a bit lower than we anticipated. And I certainly -- much lower than Councilman DiCicco indicated it would.

So, we're not sure as to why that is, but I understand about one third of camp William Penn is under water, and that may have affected what we think is a great property, but someone looking to build on it may think differently.

So, we do plan to do a second

appraisal.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Sorry, Madam President.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam President.

I want to get some information regarding the testimony on Page 8 at the bottom where we began to talk about -- the administration talks about the workforce reduction in the Police Department, the Fire Department.

And it basically says, you will be operating at the lowest levels in 40 years, Streets Department, L & I, and Recreation Departments.

How would these reductions impact citizen services?

MR. GOLDSMITH: Phil Goldsmith, Managing Director.

I think in, you know, each of the cases that you've mentioned it has a different impact.

One of the things that we try to do as we went through our reduction process, which is about 1300 fewer jobs, positions that we will have starting the next fiscal year budget to what we just had starting this fiscal year's budget.

We tried to do three things: Number one, to meet our budgetary requirements.

Number two was to try to minimize the impact on our employees.

And number three, to minimize the impact on our citizens and try to insulate service impacts.

I think we have succeeded in a lot of cases but not in all case. And you've heard some of that today involving the Streets Department, and so forth.

But in most of the cases we think that we have -- given the size of the reduction that we're taking -- have done a pretty good job of minimizing what could be a

much more difficult and severe impact.

But I will tell you, having gone through these departments four or five times during this process, we don't have much room left, without seriously eroding and degradating the service levels we have in this City.

So, I think it becomes increasingly a concern to how much more reductions we can take, and for us to say it's had a minimal impact on service reductions.

COUNCILWOMAN MILLER: Well, we're concerned, too, about the actual impact of services to people, particularly in departments such as police.

And at some point I guess I'd like to get a clearer understanding of where we were and where we are now.

And I think you mention here that these were lowest workforce reductions since the year 2000.

MR. GOLDSMITH: Councilwoman, I can give to the Chair a presentation that we have that shows some departments, including the

Police Department, that shows you from 1955 to our target fiscal year '06 level what the staff reductions have been, what we're doing to get to the most recent level, and what we believe the service impact will be.

COUNCILWOMAN MILLER: Okay.

MR. GOLDSMITH: So, I'd be glad to offer this to the Chair.

COUNCILWOMAN MILLER: Yes. Well, that's very good. And also, I'd like to talk about the L & I.

On Page 9, there's mention of the number of buildings that can be cleaned and sealed will be reduced. And I assume that that's due to the workforce reduction?

MR. GOLDSMITH: That is correct.

COUNCILWOMAN MILLER: Well, a few years ago you had a program at L & I that I thought worked very well. In fact, the program was in place before I became a member of City Council. I used to participate in it out of the neighborhood.

And that's where, you know, L & I provided the materials and the community

volunteers provided the manpower.

So, I can't quite remember the name of the program. I'm sure Commissioner Sabibli will remember that it was headed by... I can't really remember the name. But anyway...

That was a program that worked. And I know that in recent -- in recent months and sometime last year we were trying to get that to happen again because we've actually...

You know and I know that the number of the buildings that are still open that needs to be cleaned and sealed, NTI has done a wonderful job on getting rid of a percentage of the abandoned and blighted buildings in neighborhoods.

And we know that we don't have the money to get them all down. So, there are a number that are still open.

And there are many groups out in the neighborhood that would participate in the neighborhood clean and seal program, but they just cannot afford to purchase the wood and the other materials to seal a house up.

I, along with Representative John Myers, has tried to continue to do some, but it can be very, very costly.

So, I'd like you to consider reinstituting that program, if the reason for the cutback is due primarily to manpower, lack of manpower, because we have people that are ready to do this.

MR. GOLDSMITH: All right. We'll ask our L & I Commissioner to consider that and talk to you about that.

COUNCILWOMAN MILLER: All right. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Chair recognizes Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you. Thank you, Madam Chair. Good afternoon.

I'd like to go back to some of the questions I had earlier concerning the Fire Department. Is the redeployment plan that the City has presented the same as the one that was presented last year?

MR. GOLDSMITH: It's the one that's

been presented through the arbitration process, yes.

COUNCILMAN DiCICCO: No change.

MR. GOLDSMITH: No, no change.

COUNCILMAN DiCICCO: That's the one, depending on anyone's interpretation, then closes or does not close the eight fire stations, six of which happen to be, I think, in my district.

MR. GOLDSMITH: Councilman, I went back after -- And I went to Google, and I Googled New York City and Pittsburgh.

And we would have to change your definition of fire closings because they've closed -- In Pittsburgh, out of 35 fire houses they've closed 7 of them. And New York has closed 6. Those are what I consider closers.

What we're doing is realigning our equipment based on the needs that the Fire Department and their staff has presented.

COUNCILMAN DiCICCO: I appreciate that. I don't know what goes on in Pittsburgh and New York, and I don't know

what they did or what they didn't do.

I don't know whether those closures -- the closures are, how close in proximity to existing fire stations. I think that's pure conjecture, for us to sit here and say, they did it in Pittsburgh; it's okay for us.

MR. GOLDSMITH: I'm just getting to the definition of closure.

COUNCILMAN DiCICCO: All right. So, we can deal with the definition, and go on for hours on that.

But, you know, my opinion -- I'm entitled to mine, and you're entitled to yours. And I think when you remove firefighting apparatus from a building, you in effect are closing down a fire station.

MR. GOLDSMITH: I think the definition of the Fire Department has changed dramatically. I mean, 20 years ago, 10, 15 years ago we had no such thing as E.M.S., so it's changed. And we have to change with the times.

COUNCILMAN DiCICCO: I understand

that.

And I also understand that the argument has been made about the statistics, that there are less fires, and that's a good thing.

But when there's a fire -- and I think I tried to explain that this morning -- if there's a fire, people don't care about the statistics.

The fact that the fire, their house, their business is on fire and it may take longer for a fire engine or a ladder to respond which may result in more damage to that property or adjacent properties, all the statistics in the world don't add -- don't mean anything.

MR. GOLDSMITH: Right.

COUNCILMAN DiCICCO: It's kind of like when we get in the discussion with the Streets Department and their traffic study unit.

When we ask for a stop sign, they tell us that there have not been enough accidents and not enough people have been

killed.

So, the ratio -- the more people get killed, the better off your chances are of getting a stop sign. I just don't subscribe to that kind of logic.

When the closures, realignment was presented, we, City Council, the Council President during that discussion had suggested to the City that City Council was prepared, through its budget, to retain a consulting company to do an independent study.

We were told by the consultant that the administration would not be willing to participate and give any information so that that study would be complete.

And at the end of the day, if the study were to bear out the administration's position that these changes will not in any way be harmful to the life and safety and welfare of our citizens, we would bite the bullet and say, okay.

Has the administration's position changed?

And in addition to that question, I understand that the administration supposedly did a study. And can that study, the results of that study, will they be shared with us?

MR. GOLDSMITH: One, I think our position has not changed; two, I think that the people that we had in the Fire Department with their experience, I don't think any consultant could hold a -- you know, could handle a candle, to be honest with you, with the expertise that we have in our Fire Department.

The people in those consulting studies are people that used to work in fire departments.

COUNCILMAN DiCICCO: Well --

MR. GOLDSMITH: And thirdly, I think it's important to state that we believe it's a prerogative of the Executive Branch to determine this. And that's where, obviously, there's a disagreement. And understandably so.

But we think how we deploy, whether it be policemen or sanitation workers or

firefighters -- And their equipment is basically a prerogative of the Executive Branch.

The fact of the matter is, we've had a lawsuit. We're in arbitration. It's not that these issues are not being aired by independent people. They are being aired by independent people.

COUNCILMAN DiCICCO: And I appreciate the good work -- and I said this earlier -- that the Fire Department does. And I'm not questioning their ability to conduct studies and make recommendations.

What I will remind you and everyone else is that when I posed the question to the former Fire Commissioner, were it not for the budget, would you be making these recommendations, and his answer was no, I take that to mean that it was only because -- I mean, it's very clear on its face it was only because of the budget.

It wasn't because he thought that this was something that was going to streamline the department and make it more

efficient.

He's suggesting that it still will be safe. And we can talk to the statistics on the number of fires being down, but I think the number of deaths has either -- has probably gone up, if my numbers are right, in the same period of time that we're discussing the fact that fires have been down. Deaths have actually gone up.

And to me, again, with all due respect, Mr. Goldsmith, if you don't have a ladder and you can't help people get out of buildings, the number of deaths could possibly increase.

MR. GOLDSMITH: Well, I think --

COUNCILMAN DiCICCO: I got in trouble for saying that because the Mayor said that's an irresponsible statement on my part.

MR. GOLDSMITH: One, I think the number of deaths have gone down; and two, you've got to look at -- We had one incident, we had an arson this year that killed six people in one fire. Was it six people,

Commissioner?

FIRE COMMISSIONER: Yes.

COUNCILMAN DiCICCO: My understanding is that the death rate has been the same in 2004 as it was in 2003 but it's up from 2002.

MR. GOLDSMITH: Well, I think whenever you look from year to year you're going to have these variables.

I think you always have to look at statistics over a five- or six-year period of time. There's no question about it, the number of fire deaths, the number of structural fires has gone down.

There's no doubt about it that the number of emergency runs has gone up. And that's what we're trying to reflect. And to say it's not related to budget, of course it's related to budget.

I think what the Commissioner was saying at that time, yes, it's related to budget; but we do not believe it has an impact on safety.

If it weren't for the budget

situation, I can assure you we'd be opening branch libraries seven days a week, eight hours a day, and we'd be doing more with rec centers, and so forth.

COUNCILMAN DiCICCO: I don't want to get into the libraries. I'll wait for later on that.

I remember asking Mr. Shellcrot a question, when he was in here promoting the expansion of the Central Library which we all supported.

And I asked him the question, were we all going to be in trouble with our constituents going forward because there's going to be some reduction in the hours and operation of local branch libraries.

And he said, absolutely not. We have a plan for that. That's what he said.

And here we are faced with reduction in hours, and days of operation, and librarians being replaced by non-librarians.

So, I mean, we're told one thing. And then two months later it's a whole different situation.

You know, the deaths: Up, down. I just -- You know, we're going to -- We've been in arbitration, as you know. And I went and testified at the arbitration hearing.

And I don't know of the Commissioner, the former Commissioner, ever suggesting, again, based on his answer to me, that this was in the best interests of the Fire Department.

It was only because he was given a charge by the administration to reduce spending within his department. And that's the best he can do.

And I understand he has a role. And his role was, slash it by five percent, ten percent, whatever the charge was by the administration, and he did that.

MR. GOLDSMITH: Well, he also -- he also came back to us and said there's certain things he couldn't do and would not do.

And we said fine.

What we don't want you to do is anything that jeopardizes public safety.

And our current Commissioner can

speak for himself. I'd also like him to answer the question about fire deaths.

And also, I think you made a comment earlier that it took -- would have taken five minutes on that recent fire to respond.

And I think he has different information.

And all I care about, when we talk about these issues, that we're dealing from facts because this is very, very, very important. We should be dealing from facts.

And we have the facts. And we can dispute the facts and the policy implications of those facts. But we have the facts. And we should hear from them, as opposed to not dealing with facts.

COUNCILMAN DiCICCO: Well, you know --

MR. GOLDSMITH: We do have the facts. We have the facts. We're willing to share them. Commissioner Harris is willing to share the facts as he has them today.

COUNCILMAN DiCICCO: The fact, Mr. Goldsmith, you and I can debate the issue on

my earlier statement about the fire that took place a week ago.

The fact remains, it takes longer to get from 12th and Reed to Passyunk and Dickinson which is two and a half blocks away, than it would take, even under the best of circumstances to get from 4th and Snyder to Passyunk and Dickinson.

It's 20 blocks away. It's got to take long longer. And maybe it isn't five minutes. Maybe it's two minutes. The fact remains that it will take longer for equipment to respond when you reduce the number of fire stations and/or the equipment as its located.

4th and Arch. You know, I'm not even going to get into the fact that I think it's the ladder or the engine under the realignment is being removed from 10th and Cherry.

That's part of the core of Center City, in close proximity to Old City. So, not only are we losing a ladder and an engine at 4th and Arch, we're also losing -- is it

the ladder or the engine -- at 10th and Cherry. The ladder at 10th and Cherry.

So, now, there are no ladders in the core of Center City east of Broad Street that I can think of.

The closest ladder may be -- and I'm not sure if it's the ladder or the engine again -- at Broad and Fitzwater. And then I think the next one is somewhere up on Girard Avenue.

So, you know, we can debate two minutes, five minutes, three minutes. The fact is no one can debate it is going to take longer to go 20 blocks than it takes to go two blocks.

MR. GOLDSMITH: Right. Commissioner.

MR. AYRES: Several questions were asked. The question on these --

COUNCIL PRESIDENT VERNA: Commissioner, please identify yourself for the record, so the stenographer knows who is speaking.

MR. AYRES: Fire Commissioner Lloyd

Ayres.

The question was asked on the deaths. And we have a ten-year average of 55 deaths, where we had at one point in the early '90s, late '89s, we were having over 100 fire deaths.

Now we have a low of about 50 deaths we're averaging. We've been below the average of 50 over the last couple of years. We did go down to 32 a couple of years ago, but there are spikes.

One of the things that we looked at was the warm weather that we had during that year, where we did not have heaters in service and we had a low.

We appreciate the low. We'd like to have a low every year. But the diligence that we have to do in fire prevention codes and other things are the reasons that we'll continue to drive it down, which we do continue to do so.

Again, we are running on a 50-year average. We had 44 the year before last. We had 45 last year. One person died that was

in a fire last year, but the way our system is set up, we counted it in this year, in the year that they died. So, that's what drives the average.

The other piece on the fire, on last week, the terrible fire, the day care fire, during that time ladder 11 which is at 12th Street, 12th and Reed, they saw the smoke early. I don't know if a lot of people knew that.

COUNCILMAN DiCICCO: They didn't see the smoke.

A police officer walking the beat on Passyunk Avenue exited Julianna's Restaurant half a block away, noticed the smoke, walked over to the facility, and said to Mr. Gallo and his wife, who own and operate the facility, you better get the kids out. There's smoke upstairs.

In the meantime, someone called 9-1-1 and that's how the firefighters responded.

MR. AYRES: Okay. That's what happened at the location. I'm talking about

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the firefighters themselves.

They self dispatched on it. I have the record. They self dispatched from ladder 11. And what they did was, they put themselves on the job. The box was struck and ladder 11 was en route.

Now, had ladder 11 not been available, it would have been ladder 27 first in from 4th and Snyder.

The time trials that we did with ladder 27, we did time trials for 11 blocks to 5th and Washington, was approximately 3 minutes and 36 seconds for the time trials.

COUNCILMAN DiCICCO: From 4th and Snyder to 5th and Wash.

MR. AYRES: That's correct.

COUNCILMAN DiCICCO: Straight Line.

MR. AYRES: Yeah. I understand.

COUNCILMAN DiCICCO: It's a straight line.

MR. AYRES: I understand.

COUNCILMAN DiCICCO: It's a big difference. In three and a half minutes we're not doing --

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MR. AYRES: I understand.

COUNCILMAN DiCICCO: -- left-hands, right-hand turns and everything else to get to 10th.

MR. AYRES: Right. And it's also we did it three times. We didn't do it just once.

COUNCILMAN DiCICCO: It's a straight line.

MR. AYRES: And the difference in the location, which was the box was at 11th and Snyder, which there would have been some turns involved, was only one block.

So, that's just to say that on the average trials that we did where we went to different box locations, the block difference was not that much, usually 30 seconds at the most.

COUNCILMAN DiCICCO: But under your example...

MR. AYRES: Yes.

COUNCILMAN DiCICCO: ...straight line added three and a half minutes from 4th and Snyder to 5th and Wash.

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MR. AYRES: It wasn't an add of three and a half minutes. They got there in their normal response time.

COUNCILMAN DiCICCO: In three and a half minutes.

MR. AYRES: Which they would be second due ladder. So we would expect that they would be arriving close to the time that ladder 11 or not far behind the time that they would normally arrive, if ladder 11 was in first place.

COUNCILMAN DiCICCO: Best guesstimate, making turns. You know south Philadelphia. It's hard to turn a car from one street off an intersection onto another street.

MR. AYRES: Best guess is a minute addition to their travel time, best guess.

COUNCILMAN DiCICCO: The difference between 12th and Reed versus 4th and Snyder is one minute?

MR. AYRES: I would say best guess, between that run from their station to 11th and Tasker is about a minute.

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COUNCILMAN DiCICCO: With all due respect, Commissioner, I have to -- I disagree with that.

MR. BUMM: I understand what you're saying.

COUNCILMAN DiCICCO: I travel through those streets constantly. I've been doing it for 50 something years. I just can't see a minute --

MR. AYRES: I rode the fire trucks for about 31.

COUNCILMAN DiCICCO: Well, you know, you say that the firefighters were en route because they saw the smoke.

Could we imagine what would happen had the firefighters not been there with that ladder?

MR. AYRES: Well, we just found out this morning -- My fire marshalls told me that it was arson. So, we're dealing with an arson case there.

COUNCILMAN DiCICCO: But it's a fire.

MR. AYRES: It was a fire, but it

was arson. And the positive piece was, along with the report that you had the opportunity to do, was that our fire prevention unit had been there several times.

And we have firefighter Frank Scolase who has that facility, and he's trained with our -- with those folks, along with other people, in our three-step process that we've used.

And the three-step process is that we encourage all day care owners to consistently stay updated with all information, as related to the children; all those things that they should know, too, that they practice the fire drills, ensure the children have all of those -- that information about how to get out; the care givers are instructed on how to get them out; what to do when they're asleep, those types of things.

And then the third thing, and most important, is that they should practice, practice, practice because that's what get people out fast and alive.

So, those are the things that we have to continue to do.

And I agree with you. We never know where a fire is going to be, Councilman.

COUNCILMAN DiCICCO: Do you know that building caught on fire 40 years ago, this past August? It was a six-story building once.

Second time in 40 years the same building was on fire. And they had to remove the top three floors. It's now being totally demolished.

It's an old wooden building. It was used as a storage facility which is what most of the row houses are made of. Except for brick facades, the rest are sticks. We live in stick-built houses that are 100 years old or older.

You know the stats on that stuff. I'm not going to belabor the record and take any more time.

But I do want to say just one more thing, and then I'll end. We talk about the number of deaths not increasing, ten-year

period, three-year period, what have you. Say the same for the last ten years, even though the number of fires has gone down.

MR. AYRES: No. It's been decreasing, sir.

COUNCILMAN DiCICCO: What's been decreasing?

MR. AYRES: The fire deaths have been going down consistently.

COUNCILMAN DiCICCO: I just thought you gave me an average.

MR. AYRES: Ten-year average.

COUNCILMAN DiCICCO: And you said one year it was 32 because --

MR. AYRES: The averages are a downward slope. I would have to give you each -- fires for each year which I don't have in front of me. I can supply it. But I'm saying the ten-year average, we're still going down.

COUNCILMAN DiCICCO: Do you as a firefighter, who have been doing this for a very long time, do you really believe in your heart that by reducing the number of ladders

and engines in these neighborhoods, that we're going to be able to fight fires and respond, and this is not going to put the public in any jeopardy going forward?

MR. AYRES: When -- When we --

COUNCILMAN DiCICCO: And you're firefighters by the way. And you're fire firefighters.

MR. AYRES: Absolutely. I understand.

COUNCILMAN DiCICCO: You don't think they're being jeopardized.

MR. AYRES: I understand the question.

COUNCILMAN DiCICCO: Compromised.

MR. AYRES: I think that they're not being compromised.

I believe that we have -- when you do that, you have to estimate the level of risk that's acceptable.

And the study that we've done, the risk level is minimally, minimally; that they will still be able to make National Fire Protection Association times which was key,

and that they will still be able to bring the same amount of equipment and members to the location, which is also key, and fight the fires and make decisions based on what they're faced with.

COUNCILMAN DiCICCO: It would really have been helpful -- and I don't know at the end of the day if I would agree with the findings -- had we had access to a study or we were at least being -- were able to participate, we as Council, to do a study and get the full cooperation of the administration.

I think that would have been very helpful and could have answered a lot of these questions that we're asking today, and we're going to ask when your department comes up for its hearing as well.

MR. GOLDSMITH: Councilman, it's my recollection we shared that information with Council in the Caucus Room last year.

COUNCILMAN DiCICCO: What was shared with us was an opinion -- in my opinion, was an opinion of the Fire Department, based on

some trial runs.

And as an example, Mr. Goldsmith, when I brought up 4th and Arch again, they showed a response from 20th and Market as a straight line from 20th and Market to 4th and Arch, as the saying goes, as the crow flies. No intersections, no traffic conditions, no weather conditions.

A straight line which probably would bring the fire engine somewhere through the center courtyard of City Hall -- and I'm not being facetious -- to get to 4th and Arch.

To me that is not a realistic view of the situation we're faced with. That's my opinion.

MR. GOLDSMITH: Right. Well, I know --

COUNCILMAN DiCICCO: You don't do straight lines, not in a city, not in an urban environment.

MR. GOLDSMITH: I respect your opinions and respect where you're coming from on this issue. But... And we can quarrel about the implications and our conclusions.

But the fact of the matter is, we did share the information with Council. We showed how we got to those conclusions. We had -- We showed how we got to those conclusions. The former Fire Commissioner shared that.

And as I said, we've been before a judge. We're now before arbitration. It's not -- Like this isn't being done without people kicking the tires.

COUNCILMAN DiCICCO: Well, I know. I went to the arbitration hearing, and I left before the Mayor testified.

And I understand the Mayor said, basically, look, whatever your findings are they are. I'm the Mayor. I'm going to do what I want to do anyway. So, it doesn't matter. Which I think is irresponsible. But that's my opinion.

Just let me finish, Frank, and then I'll rest.

And correct me if I'm wrong. The briefing and the materials that were supplied at the briefing, was there not a subsequent

study that was commissioned by the administration, that they claim to have spent, like, $15,000 on? Somewhere in between --

COUNCIL PRESIDENT VERNA: Yes.

COUNCILMAN DiCICCO: -- the time of the briefing and the time that Council was prepared to commission an independent study of its own or something in between?

MR. GOLDSMITH: Yes. We had a consultant that looked at our study to determine whether it was valid or not.

COUNCILMAN DiCICCO: That's the study -- I apologize -- that I've been referring to, that I don't know if we've ever been privileged to review or see.

MR. AYRES: I see no reason why we Should share that with you. It's part of the record in the arbitration, as I understand it.

COUNCILMAN DiCICCO: Fair enough. I just want to let you know that's the study. I apologize for the confusion. That's the piece I've been talking about. Thank you.

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COUNCIL PRESIDENT VERNA: Councilman Rizzo.

COUNCILMAN RIZZO: Thank you.

Commissioner, you cited some national standards for response time.

MR. AYRES: Yes.

COUNCILMAN RIZZO: I've gotten some information that the response time, that the national standard doesn't -- that takes into consideration isn't the time that the person picks up the phone, dials 9-1-1, processes the call, speaks with police radio, the call is then transferred to fire radio. You're not including that piece into your response time; am I correct?

MR. AYRES: That's correct. And nor does the National Fire Protection Association.

COUNCILMAN RIZZO: But when we say a response time, three minutes could really be four and a half minutes.

MR. AYRES: No. That's negative.

COUNCILMAN RIZZO: Well, I've on a few occasions called 9-1-1.

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MR. AYRES: Right.

COUNCILMAN RIZZO: And the process to me is a bit cumbersome, where the dispatchers at police radio have to physically take the information or ascertain that the fire board is necessary.

They hit the appropriate buttons. Then you have to start all over again with the fire dispatchers.

I have never reported a fire, even a minimum fire, where it didn't take me well over a minute just to deliver the information.

That's not a long time, I'm not suggesting. But I think in all fairness, we have to, when we speak, talk about the processing time that it takes to actually get the wheels turning; am I right?

MR. AYRES: That's correct. When you start talking about the processing time, the National Fire Protection Association does not include that in their response time.

In their response time, it is just once wheels are rolling until they get to the

location. The other time where firefighters are involved, it's called turnout time. That time is one minute to get out of the station after they are notified by dispatch that a call has been received for a fire.

So, those are the times that we utilize in order to test our performance and other reasons, as far as documenting those times.

COUNCILMAN RIZZO: It's a great response, believe me. But I'm just trying to be thorough here and making sure that everyone knows that we're talking about the time that when the bells ring in the firehouse, that's when the clock starts ticking, not the -- not the time that it takes to get that bell to ring.

MR. AYRES: Yes, sir.

COUNCILMAN RIZZO: Thank you. Appreciate that, Commissioner.

MR. AYRES: That's correct.

COUNCILMAN RIZZO: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: All right.

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We still have a resolution regarding the issue that has been spoken about quite extensively regarding the Fire Department.

I believe the last time the resolution was listed for a public hearing, you indicated that the administration was not in a position to testify because of the pending arbitration.

MR. GOLDSMITH: Right.

COUNCIL PRESIDENT VERNA: If, in fact, this resolution were to be rescheduled, what would your position be? Would you come in to testify?

MR. GOLDSMITH: Yes. I think when we asked for a delay last time, it was just before the administration was putting on its case. And we thought it was somewhat unfair for the firefighters to have put on their case.

We didn't know what their case was going to be. Now we were going to be here in public basically discussing things, and we just thought there was somewhat of an imbalance.

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We've put on our case. The arbitrator has all the evidence. We are now waiting for a decision.

We hope that that decision will be forthcoming, within the month. So, I would say we would have no objection to present the --

The City solicitor, do you want to answer this, an upcoming Managing Director or City Solicitor?

MR. RAMOS: Pedro Ramos, as City Solicitor. The decision may change, depending on the seat that I'm in.

(Laughter.)

MR. RAMOS: With all due respect to the Managing Director, I think that although the record hopefully is concluded in the arbitration -- and my understanding is that briefing -- that briefs are still being taken.

And I would just ask indulgence until we get the arbitrator's decision which we've been told by the arbitrator should come mid March. So within the month we expect to

have the arbitrator's decision.

I would prefer -- You know, the City's interests, I think, are served by the -- by not adding more variables to that equation of the arbitrator's decision-making process.

MR. GOLDSMITH: I would just like to say on this issue, because it's been a hotly debated issue that -- and I certainly understand Councilman DiCicco's position, other people's position. I just want to assure people that none of these decisions have been made cavalierly.

I mean, we understand what's at stake here. And I think our firefighters and the command in our Fire Department have been given ample opportunity to disagree, if they thought that they were headed down a path.

I know when we interviewed commissioners to become Commissioner, and so forth, everyone was given the opportunity to question that.

So, while we may have a difference of opinion, I don't -- would not want people

to think that we act cavalierly toward this issue because I think it's a very important issue, and our firefighters and our command structures are as much at risk as anyone.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

First, for the Revenue Commissioner, I should have asked earlier if you could just take these -- I'd also be interested in the outstanding balances or the collectables on water bills, as well as fines from code violations, total amount of outstanding fines owed to the City from code violations of the Philadelphia Code.

Let me ask the Budget Director: Do you have a current schedule of... We have an operating and maintenance agreement with one of the teams for a new sports stadium. You're aware of that?

MS. REED: I am aware of that.

COUNCILMAN NUTTER: Can you provide

to us a schedule of what those payments are? And do you know what the current payment is?

MS. REED: We'll try to get you a schedule, and I will try to get you the current payment.

COUNCILMAN NUTTER: Do you have it?

MS. REED: Vince, do you have the current payment?

MR. JANNETTI: Councilman, I believe the question -- You're asking about the maintenance clause in the stadium bonds?

COUNCILMAN NUTTER: Yes.

MR. JANNETTI: All right. I think it's $6.8 million for the current year.

COUNCILMAN NUTTER: Okay. And how long will we pay the $6.8 million figure?

MR. JANNETTI: Don't quote me on this. To about 2015, I think, or something.

COUNCILMAN NUTTER: Isn't it true, Mr. Jannetti, that the payment actually escalates --

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: -- about every five years?

MR. JANNETTI: Yes, sir, it does go up.

COUNCILMAN NUTTER: Okay. So, the present payment is about $6.8 million. And that will go through -- Will that start in '03?

MR. JANNETTI: Yeah. Yeah. I can get you the schedule. I have the schedule.

COUNCILMAN NUTTER: So, there's... How long is the schedule? How long will we be making these payments?

MR. JANNETTI: I'm not sure, Councilman. It's 2015, 2017, something. I can't remember. I know it goes up to like $11 or $12 million.

COUNCILMAN NUTTER: So, at some point we'll be paying $11 million toward the operating and maintenance agreement for a sports stadium?

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Okay. Do we own the stadium?

MR. JANNETTI: Not to my knowledge, Councilman.

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COUNCILMAN NUTTER: Okay. So, you would understand a bit of the dilemma. And I was for the transaction.

We have an escalating funding schedule, presently at $6.8 million a year, that over the next 15 or so years will result in final payment of about $11 million for a sports stadium that we don't own.

And we have a five-year plan in front of us that shows the City reducing its operating support for the Art Museum, the Atwater Kent Museum, libraries, and recreation centers, all of which we do own; is that correct?

MR. JANNETTI: I believe so, Councilman, yes.

COUNCILMAN NUTTER: Okay. Now, I asked a question earlier. And I think that there was... It seemed so long ago it could have been yesterday... with regard to the legal expense issue.

Have we be able to track down any information about that?

MR. RAMOS: Pedro Ramos, City

Solicitor.

The information I have is fiscal '03 and '04 aggregated. I can get it broken down. I haven't been able to get that yet. But fiscal '03, and I can give you fiscal '05 to date.

'03 and '04 together total --

COUNCILMAN NUTTER: Hold on for a second.

MR. RAMOS: The data -- As you were getting numbers last year, they were always straddled. The numbers -- You want consistency. I think you've always gotten year-to-date total spanning fiscal.

COUNCILMAN NUTTER: I understand that. I'm just trying to understand. At least for the public knowledge, this event occurred in October of 2003; is that correct? Which would have been fiscal year 2004, right?

MR. RAMOS: Yes.

COUNCILMAN NUTTER: Okay. So, why would there be any FY'03 expense?

MR. AYRES: Just telling you what

the printouts... I suspect that the reason that there may have been '03 would have related to prior investigations, not related to the current one, which we've commented on in the past.

COUNCILMAN NUTTER: Okay.

MR. RAMOS: Because some of these get aggregated.

COUNCILMAN NUTTER: Gotcha. What's the '03 '04 cumulative?

MR. RAMOS: Ended up at $1.9 million. And I can give you a more specific numbers in writing.

COUNCILMAN NUTTER: Okay. But again, when you break it out, since the event occurred in October of 2003, which would have been FY'04 --

MR. RAMOS: I suspect this is all '04.

COUNCILMAN NUTTER: I'm particularly interested in --

MR. RAMOS: There may have been some tail from some other matters or other matter.

COUNCILMAN NUTTER: Okay. I would

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be particularly interested in what's directly related to the current --

MR. RAMOS: Yeah. We've always -- This is the same data you've always gotten. So --

COUNCILMAN NUTTER: And what would be the FY'05 number?

MR. RAMOS: As of the first of the month, 800 --

COUNCILMAN NUTTER: This month?

MR. RAMOS: Yes. 806. And in both cases, as I've done before, I give you amount paid, as well as amount approved, not yet paid but in the pipeline.

COUNCILMAN NUTTER: So, 806 is the amount approved --

MR. RAMOS: 806.

COUNCILMAN NUTTER: It's the total?

MR. RAMOS: Paid or approved for payment in this fiscal year.

COUNCILMAN NUTTER: In the current fiscal year as of February 1, 2005.

MR. RAMOS: Through February 1, 2005.

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COUNCILMAN NUTTER: Okay. So, we are now at 2.7.

MR. RAMOS: About, yes.

COUNCILMAN NUTTER: Okay. All right. Thank you.

And you're going to -- You'll submit a document or a breakdown to the Council President.

MR. RAMOS: I'll do the summary, like I've done -- in the form that I've done in the past.

COUNCILMAN NUTTER: Great. Thank you.

One last question which is a follow-up to an earlier question. How many financial transactions do we anticipate in the course of this calendar year or the balance of this fiscal year?

It's not for you, Mr. Solicitor.

MS. WILKERSON: Talking about bond transactions?

COUNCILMAN NUTTER: Yes.

MR. JANNETTI: Councilman, for the balance of this year, we are going to close

on the N.T.I. bonds next week. We are working on an airport new money and refunding issue. We are starting to work on a water new money.

COUNCILMAN NUTTER: Hold on, Mr. Jannetti.

MR. JANNETTI: Okay.

COUNCILMAN NUTTER: N.T.I., was that 142? What was the amount?

MR. JANNETTI: It's like 147 today.

COUNCILMAN NUTTER: 147 million? Okay.

What's the airport transaction.

MR. JANNETTI: The airport is 150.

COUNCILMAN NUTTER: When do you expect that to go to market?

MR. JANNETTI: June. May or June.

COUNCILMAN NUTTER: Mm-hmm. And anything else?

MR. JANNETTI: And we're starting to work on a water new money deal.

COUNCILMAN NUTTER: How much?

MR. JANNETTI: $250 million.

COUNCILMAN NUTTER: Okay. When do

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you expect that to go to market?

MR. JANNETTI: June.

COUNCILMAN NUTTER: June's going to be a busy month.

Anything else?

MR. JANNETTI: Yes. We're working on a Juvenile Justice Center.

COUNCILMAN NUTTER: I'm sorry?

MR. JANNETTI: Juvenile Justice Center.

COUNCILMAN NUTTER: How much is that?

MR. JANNETTI: That is about $80 million. We're not quite sure yet.

COUNCILMAN NUTTER: When do you expect that to go?

MR. JANNETTI: We actually expect that to go in March of '.

06. We're going to do something short for now. You only need a limited amount of funds between now and next March, when the building is fully designed.

COUNCILMAN NUTTER: So you're going to have two offerings?

MR. JANNETTI: No. We're going to do something short, maybe borrow money from a bank -- not -- we're not going to do a bond issue for the first year, is what I'm saying.

You know, something -- not commercial paper but something along the lines of that. We're actually developing that right now.

COUNCILMAN NUTTER: What do you estimate that will cost in FY'06? And when do you plan to make the borrowing?

MR. JANNETTI: In FY'06... Well, when we do -- when we do the bond issue in '06, it will take out the short-term borrowing.

COUNCILMAN NUTTER: I understand that. When you borrow the money you're going to have to pay for it.

MR. JANNETTI: Right. For the first two years after that, we're going to have capitalized interest. So, we don't expect anything until '08 or '09.

COUNCILMAN NUTTER: When you make the borrowing from the bank, you said that's

going to be short term?

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: What do you expect the interest expense to be or the borrowing costs?

MR. JANNETTI: I'm not sure. We're talking about around maybe $10 million tops. And, so, say it's five percent.

COUNCILMAN NUTTER: Well, how much do you expect to borrow?

MR. JANNETTI: On the short-term piece?

COUNCILMAN NUTTER: The short-term.

MR. JANNETTI: No more than $10 million.

COUNCILMAN NUTTER: So, you're going to borrow 10?

MR. JANNETTI: Mm-hmm.

COUNCILMAN NUTTER: Short term.

MR. JANNETTI: Right.

COUNCILMAN NUTTER: And will you have any costs for that loan in FY'06 or you're expecting to cover your cost from that loan with the $80 million --

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: -- offering.

MR. JANNETTI: We're going to cover the costs from the first loan with the second loan.

COUNCILMAN NUTTER: So, is the project $90 million?

MR. JANNETTI: No. No, but the 80 will take out the 10.

COUNCILMAN NUTTER: So, the total project costs are 80.

MR. JANNETTI: 80.

COUNCILMAN NUTTER: Gotcha.

Any other borrowings? When do you expect to borrow the money from the bank?

MR. JANNETTI: It's going to take a couple months. We still have to come to Council. So, we're in that process.

COUNCILMAN NUTTER: Okay. Any other bond deals?

MR. JANNETTI: I think we're getting ready to do something with the library.

COUNCILMAN NUTTER: You're quite enthusiastic about these, aren't you?

Something with the library.

MR. JANNETTI: I'm...

COUNCIL PRESIDENT VERNA: With that something with the library, has the administration looked into the alternative funding sources that we spoke about originally?

MS. WILKERSON: Yes. I believe we sent a letter. We've taken a look at PICA funds Act 71 as alternative.

The PICA funds can only be spent for existing structures and emergency conditions, unless you go to the State Auditor General, I believe. And then there's one other signoff required.

It's the administration's position that those funds ought to be reserved for emergencies, their intended purpose.

The second would be the Act 71 funds. My understanding is there was an ordinance of Council directing those dollars to the Youth Study Center.

We're looking at an alternative funding source for the Youth Study Center

involving Federal dollars.

Whether or not those dollars are actually available to pay the debt service, though, is up in the air, in light of -- or how much of that can be paid from Federal dollars is up in the air, in light of the Governor's budget.

So, we're -- You know, there seemed to be more advantageous ways of funding that than with Act 71, but we won't know. And so, we're not -- the Mayor's not supporting using Act 71 dollars for the library.

COUNCIL PRESIDENT VERNA: We were told differently, but it's the Mayor's call.

COUNCILMAN NUTTER: In that context, Madam Chief of Staff, if the alternative funding sources -- and you've laid out a couple -- were utilized, would you commit to redirecting the anticipated $3.5 million in debt service for what I assume Mr. Jannetti is going to tell us... The library was going to be a $30 million offering, right?

MR. JANNETTI: (Nods head up and down.)

COUNCILMAN NUTTER: $3.5 million in debt service?

Would you direct the $3.5 million to -- which was coming from the General Fund -- to the libraries to help restore the services?

MS. WILKERSON: No, I wouldn't. I can't make that commitment in isolation. As Mr. Goldsmith testified earlier, we're always looking at an array of service cuts.

You know, we're sitting here now trying to figure out what the implications are for the budget as a result of state and Federal cuts.

There's a lot that goes into making -- that would have a lot of analysis that would have to go into -- take place before making that kind of commitment to restore funding for the library.

COUNCILMAN NUTTER: I understand that.

I mean, it just seemed to me it was the purest of an apples and apples situation, if you're willing to dedicate $3.5 million to

the library for the expansion of the downtown Central Branch, that it was not too much of a leap, since it was for the library, to then utilize those funds for the library system. That was the only issue that I was raising. Okay.

Mr. Jannetti, any other... And when do you expect to do the library offering?

MR. JANNETTI: We're developing that, Councilman. We're going to -- I think we're going to be doing, you know, the first traunch of that later this year, $10 million. And then -- Because that's, you know...

COUNCILMAN NUTTER: So, you're doing two different offerings for a $30 million issue?

MR. JANNETTI: We're looking at the mechanism we're going to use, how we're going to do that. We really haven't figured that out yet.

COUNCILMAN NUTTER: Well, when do you think you'll do that?

MR. JANNETTI: As soon as I can get to it, Councilman.

COUNCILMAN NUTTER: As soon as you can get away from the table, probably.

MR. JANNETTI: Or a few minutes thereafter.

COUNCILMAN NUTTER: Right. I understand.

Any other offerings coming up?

MR. JANNETTI: Well, the first week of July or so we'll be doing our annual trans.

COUNCILMAN NUTTER: Trans? How much will that be?

MR. JANNETTI: About $380 million.

COUNCILMAN NUTTER: First week in July?

MR. JANNETTI: Or thereabouts, yes, sir.

COUNCILMAN NUTTER: If you're not still sitting at the table.

MR. JANNETTI: If I'm not still -- Yes.

COUNCILMAN NUTTER: Any others?

MR. JANNETTI: Not that I can foresee from this point.

COUNCILMAN NUTTER: Okay. And could you provide us with a list of all the professionals who are expected to be a part of the NTI bond deal?

MR. JANNETTI: Sure. Yes, sir.

COUNCILMAN NUTTER: And the amount of their fees?

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Thank you.

For any of these other offerings, have the teams been put together?

MR. JANNETTI: Yes, they have, Councilman. The airport is already working. Water, we had our first meeting last week. So, these two teams are in place.

Juvenile Justice Center, a team is in place. And library, we have not done a team yet for that, nor for the tran.

COUNCILMAN NUTTER: Airport, water, Juvenile Justice Center.

Can you send us over a list of the different teams or the participants, and what their expected fees are as a result of their participation?

MR. JANNETTI: Yes, sir.

COUNCILMAN NUTTER: Okay. You worked on all of these?

MR. JANNETTI: Yes, I do.

COUNCILMAN NUTTER: Okay. When do you think you can get that over?

MR. JANNETTI: In a day or two, Councilman.

COUNCILMAN NUTTER: Okay.

MR. JANNETTI: As soon as I -- You know, as soon as I can put it together.

COUNCILMAN NUTTER: Okay. Great. Thank you.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Mr. Jannetti, is there a refund at the airport; and if so, in what amount? Isn't it $180 million?

MR. JANNETTI: You mean a refunding?

COUNCIL PRESIDENT VERNA: Mm-hmm.

MR. JANNETTI: Yes, there is, Council President.

I'll get a list of all the transactions and the amounts.

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(Councilman Nutter said something, microphone not turned on, inaudible to the court reporter.)

MR. JANNETTI: No. The airport has new money and a refunding.

COUNCILMAN NUTTER: You didn't tell me about that one.

MS. WILKERSON: In fairness to Mr. Jannetti, he can pull together a list of all the, you know, the financings planned for the coming year, so he's not in a position to have to speak off the top of his head.

The administration will provide the members of the team, the size of the transaction, the nature of the transaction, and as close as we can a schedule of when we'll be taking the transaction to market.

COUNCILMAN NUTTER: Okay. Last one.

Do any of these offerings require Council approval?

MR. JANNETTI: Yes, Councilman, they do.

COUNCILMAN NUTTER: Which ones?

MR. JANNETTI: The airport, juvenile

justice. Well, N.T.I. is already done. And I'm not sure on the water.

COUNCILMAN NUTTER: When do you expect the bills to come over?

MR. JANNETTI: As soon as the ordinances are prepared, Councilman. We're working on them as we speak, except for me. I'm at the table.

COUNCILMAN NUTTER: Except what?

MR. JANNETTI: Except for me. I'm not working on it right now. I'm at the table.

COUNCILMAN NUTTER: Yeah. Yeah. I understand that. I understand that.

I get the impression you'd like to get away from that table. And I'd love to accommodate you, but -- No. Thank you.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you. I'll ask the Chief of Staff this or the Budget

Director.

We have an issue in Northwest that it's been estimated by the Streets Department and others that it will take a million dollars to repair a very important piece of roadway that has created a bottleneck.

We'd like to know: Do you have the money? And could you report on where, because one of the scenarios was to use some of that emergency money. And that was something that was mentioned as a possibility.

Now that that's off the table, I'd like to know what we're going to do to fix this roadway.

MR. GOLDSMITH: Would you mind, Councilman, if I answered the question for you?

COUNCILMAN RIZZO: No. No. I know I'll get a straight answer.

MR. GOLDSMITH: My understanding is that the Federal Government did not approve that as an emergency.

We believe that we can do that. And

there's actually two intersections, Cresham Valley, and also Haverford Avenue and Lansdowne, which both -- basically both have the same impact.

And we are prepared to do what we would call a Band-aid approach, but to open up the roads till we are prepared to do that.

COUNCILMAN NUTTER: Could you give me a time line, please?

MR. GOLDSMITH: I would have to speak to the Streets Commissioner, but probably within the next couple weeks.

COUNCILMAN RIZZO: Is she here?

MR. GOLDSMITH: I don't know if she's here or not.

COUNCILMAN RIZZO: The Deputy Commissioner is here.

MR. GOLDSMITH: Okay.

COUNCILMAN RIZZO: There's a lot of anxiety, Mr. Goldsmith, so you can imagine that's a lot of people interested to know because it's really created at both locations quite a burden.

MR. GOLDSMITH: I should say while

we're talking here, we've had a significant sinkhole at 15th and Market.

Yeah. So, we're going about doing that. And this is, you know, one of the issues we have.

COUNCILMAN RIZZO: That's where the surplus was.

MR. GOLDSMITH: Yeah.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Miller for a point of information.

COUNCILWOMAN MILLER: Thank you. Next Thursday night on February 24th at 6:30 p.m. there's going to be a meeting in Chestnut Hill that the Mayor will be attending, along with the Streets Commissioner and I guess other people, appropriate people from City agencies, to talk about the plan for the Creshem Valley Road repair. And I'm sure -- Mr. Managing Director, I believe you probably are aware of that meeting.

MR. GOLDSMITH: Yes, I am.

COUNCILWOMAN MILLER: So, hopefully

by next Thursday we'll be able to answer a lot of questions.

MR. GOLDSMITH: I think we basically have the information now.

COUNCILMAN MILLER: Right.

COUNCILMAN RIZZO: Not all the interested parties are aware of that meeting, believe me, Mr. Managing Director.

COUNCILWOMAN MILLER: I know, but that's a meeting that I was personally working on along with Mayor Street.

We just pretty much tied up the date last week. And we have to get back to the President of Chestnut Hill Community Association that is securing a place.

Now, I don't know that all City departments know, but just earlier today I had a discussion with the Streets Commissioner. I don't know that the City -- the administration has gotten the word out to the various departments.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Rizzo, are you finished?

COUNCILMAN RIZZO: I'm finished but

not finished.

I'm interested to know when and where, so I'm sure Councilwoman Miller will communicate that to me. And also, I'm interested in the other location in Councilman Nutter's district.

COUNCILMAN NUTTER: Mr. Managing Director, can we possibly have any information -- not right now -- about Haverford Avenue, in terms of a start and an end. That would be helpful as well.

MR. GOLDSMITH: We see them as equally important, although we hear much more about the Cresham Valley than the Haverford Avenue, but we think we view them as equally important.

COUNCILMAN NUTTER: Folks out in West Philadelphia are very calm. But what would be helpful to know is from the storms -- and I don't need and answer right now -- from the storms from last August and September, does the City have a complete assessment of both the financial amount of the damage, and are there sources, state or

Federal, from which we might seek any relief or funding to deal with some of these issues? And again, you don't have to go into a whole...

MR. GOLDSMITH: No. We do have that information. We can supply that to you.

COUNCILMAN NUTTER: That will be great. Thank you.

Thank you, Madam Chairman.

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Rizzo, are you finished with your questioning?

COUNCILMAN RIZZO: I am.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN RIZZO: But again, where will we get this time line? Will somehow we be -- If we don't participate in this meeting, where will we find out the time line for the repair?

MR. GOLDSMITH: Councilman, I'll make sure that you receive that.

COUNCILMAN RIZZO: Great. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman DiCicco.

COUNCILMAN DiCICCO: That you, Madam Chair.

I have a question for the Managing Director. The position reduction process that you supplied us with.

MR. GOLDSMITH: Yes.

COUNCILMAN DiCICCO: Would you be able to supply to the Chair the positions in each of the various departments that had been eliminated or where people had been laid off, Recreation Department, as an example. Is it a recreation leader?

MR. GOLDSMITH: Yes.

COUNCILMAN NUTTER: In all departments, and all these departments, if you can lay that out for us?

MR. GOLDSMITH: We can do it by position but not individual name.

COUNCILMAN DiCICCO: That's fine. Would you also supply to the Chair any new hires in any of those departments as well, in the last 12 months?

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MR. GOLDSMITH: Yes.

MS. WILKERSON: You just want the layoff?

COUNCILMAN DiCICCO: Yeah. You know, was a clerk typist laid off in a certain department? How many clerk typists? How many inspectors? And were there any new hires within that department as well in the last 12 months.

MS. WILKERSON: A lot of it has come through attrition and D.R.O.P., and I didn't know whether you wanted that in addition.

COUNCILMAN DiCICCO: No. Attrition and D.R.O.P. I'm fine with. It's just the normal layoff.

MR. GOLDSMITH: The actual layoffs, yes.

COUNCILMAN DiCICCO: And the hires, and are those departments as well.

MR. GOLDSMILTH: I should say --

COUNCIL PRESIDENT VERNA: Some of the clerk typists, for instance, who received layoff notices, haven't they been reassigned to another department?

MR. GOLDSMITH: Yes. I should say that out of the approximately 1300 positions, we're reducing 200 of those. Approximately 200 of those are from layoffs. About 100 -- a little shy of 100 people are actually -- have actually lost their job or what I would say out on the street.

Another 34 have taken demotions in lieu of layoffs. So they are still -- We're still going through the bumping process.

And we have about 40 some -- We worked hard with the unions, as well as other departments, such as primarily the Water Department that did have positions available.

And about 40-some folks we've been able to transfer to either the Water Department or some other department where we thought there was a legitimate need.

And we had 20 people that took retirement, early retirement.

COUNCILMAN DiCICCO: Thank you. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman

Rizzo.

COUNCILMAN RIZZO: Mr. Managing Director, I understand -- And I'm not suggesting it troubles me. I know that they were tough decisions. But I've heard a story. And maybe you can tell me how many people fit this description.

I understand that we have an employee that was laid off that's in the D.R.O.P. He had two more years in the D.R.O.P. and he was laid off.

I mean, that's a significant -- That's a significant financial whack to a person. Here is a guy that's been around a long, long time. He's in the D.R.O.P. He has two more years to go, and we lay him off.

MR. GOLDSMITH: Well...

COUNCILMAN RIZZO: How many situations like that would we have?

MR. GOLDSMITH: We've actually calculated that it's not that many. And I don't want to minimize the concern to an individual employee.

But I would tell you, an employee

like that is in better shape. He's in D.R.O.P.? Is that what you're saying?

COUNCILMAN RIZZO: He's in D.R.O.P., but he has two years to go.

MR. GOLDSMITH: Well, he's in better shape because he's going to get a retirement, than some employees that aren't retirement eligible.

COUNCILMAN RIZZO: But he's also losing his D.R.O.P. payment.

MR. GOLDSMITH: No. He's just -- He's able to get what he's entitled to at that point in time.

The reverse of that, Councilman, is that what we are saying -- what we are saying is that once you enter D.R.O.P., you have -- you -- you are guaranteed employment.

And that's not what the D.R.O.P. program is about. And unfortunately, it's not the financial circumstances we find ourselves in. And people are -- As I understand it, are not entitled to employment.

COUNCILMAN RIZZO: Well, I'd be

curious as to know how many employees have been laid off that were in the D.R.O.P. that have been in the D.R.O.P. for two years. After they've entered the D.R.O.P. now they're laid off.

MR. GOLDSMITH: Right.

COUNCILMAN RIZZO: I'd just like to know how many people like that are affected.

MR. GOLDSMITH: We will provide that for you.

COUNCILMAN RIZZO: Thank you. Thanks.

COUNCIL PRESIDENT VERNA: All right.

Any other questions or comments from members of the committee?

Seeing none, this committee will stand in recess until Wednesday, February 16th at 10:00 a.m.

And Joyce, we don't have any testimony for Wednesday as yet.

(Hearing concluded at 5:00 p.m.)

CERTIFICATE

I HEREBY CERTIFY that the proceedings and evidence are contained fully and accurately in the stenographic notes taken by me upon the public hearing of The Philadelphia City Council, taken on February 14, 2005, and that this is a true and correct transcript of same.

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DAVID A. DEIK, RPR and
Commissioner of Deeds

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