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COUNCIL OF THE CITY OF PHILADELPHIA

3

COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, April 14, 2009
10:50 a.m.

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PRESENT:

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COUNCIL PRESIDENT ANNA C. VERNA

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COUNCILMAN DARRELL L. CLARKE

COUNCILMAN W. WILSON GOODE, JR.

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COUNCILMAN BILL GREEN

COUNCILMAN WILLIAM GREENLEE

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COUNCILMAN CURTIS JONES, JR.

COUNCILMAN JACK KELLY

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COUNCILMAN JAMES F. KENNEY

COUNCILWOMAN JOAN L. KRAJEWSKI

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COUNCILMAN BRIAN J. O'NEILL

COUNCILWOMAN MARIA QUINONES-SANCHEZ

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COUNCILWOMAN DONNA REED MILLER

COUNCILWOMAN BLONDELL REYNOLDS BROWN

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COUNCILMAN FRANK RIZZO

COUNCILWOMAN MARIAN B. TASCO

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BILLS 090212, 090213, 090214, 090215, 090218,
090219, 090220 and 090221

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RESOLUTION 090226

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COUNCIL PRESIDENT VERNA: Good morning, everyone. This is a continued public hearing of the Committee of the Whole.

We will hear from the Finance Department, please.

(Witnesses approached witness table.)

COUNCIL PRESIDENT VERNA: Good morning.

MR. DUBOW: Good morning, Councilperson Verna and members of Council. I'm Rob Dubow, Director of Finance, and I'm pleased to provide testimony on the Department's proposed Fiscal Year 2010 Operating Budget. The proposed budget for the Office of the Director of Finance supports a number of departmental divisions: The executive division, including the Administrative Services Center and the Contracting Unit; the Office of Budget and Program Evaluation; the Accounting Bureau; the Office of Administrative Review; Risk

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Management. Joining me here today are
3 representatives from these divisions who
4 will be able to answer any of your
5 questions.

6 The FY10 budget as proposed
7 includes reductions implemented as part
8 of the Fiscal Year 2009 rebalancing plan,
9 as well as further reductions proposed
10 for the FY 2010 budget. The proposal
11 presents challenges for the Department,
12 but we're confident it provides the
13 necessary funding for us to accomplish
14 our objectives.

15 The budget as proposed totals
16 \$1.1 billion, a reduction of 20.6 million
17 from 2009 estimated obligation levels.
18 The proposed budget includes \$968 million
19 in Class 100. That's a decrease of about
20 5.8 million from 2009. This funding is
21 for our 141 employees and fringe benefits
22 for all City of Philadelphia General Fund
23 employees. Class 100 funding for Finance
24 Department staff is projected to decrease
25 by about \$845,000 from 2009 as a result

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 of a net decrease of 28 positions, from
3 169 budgeted in FY 2009 to 141 in 2010.
4 This includes a decrease of 19 positions
5 which are being transferred to the Office
6 of Economic Opportunity, an increase of
7 six positions transferred from CP0 and a
8 reduction of 15 positions as a result of
9 the FY09 budget rebalancing and 2010
10 planned position reductions.

11 We're also proposing 40.3
12 million in Class 200, which is about a
13 3.6 million decrease from 2009. The
14 largest portion of this appropriation is
15 nearly \$36 million for legal services
16 provided by the Defender Association and
17 Community Legal Services. The \$3.6
18 million decrease from the estimated '09
19 obligation levels results from about
20 500,000 in reduction in professional
21 services contracts from the 2009
22 rebalancing, an additional \$200,000 in
23 reductions planned for 2010, the
24 elimination of one and a half million for
25 CORE Philly Scholarships, since that

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 program is ending, and nearly 1.4 million
3 in reductions for the Defenders'
4 Association and CLS. We're proposing
5 just about \$450 million in Classes 300
6 and 400, which is a decrease of about
7 63,500, for materials, supplies and
8 equipment. We're proposing 107.8 million
9 in Class 500 for contributions, which is
10 a decrease of about 11 million. The
11 107.8 includes the City's 38 and a half
12 million dollar contribution to the School
13 District, which is an increase of 50,000
14 over the 2009 level; 26 and a half
15 million for Community College; 18 million
16 for PGW; and 24 and a half million to
17 fund indemnities. That's a decrease of
18 about \$11 million, and the proposed
19 decrease in indemnities is largely
20 because there were two large one-time
21 indemnity payouts this year. And we're
22 also proposing one and a half million in
23 Class 800, which is unchanged from the
24 Fiscal Year 2009 level, and that's to
25 supplement the projected 10 million in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 fees and interest earnings that will be
3 deposited into the Housing Trust Fund.

4 The budget as proposed includes
5 reductions made during the 2009
6 rebalancing plan, as well as additional
7 reductions for 2010. Those reductions
8 include the elimination of three
9 vacancies throughout the Department, a
10 reduction in eight filled positions,
11 including two Destination fellows,
12 reductions in professional services
13 contracts such as that for maintenance of
14 ACIS, reduction in risk management
15 contracts, cancellation of the upgrade of
16 Accounting's data warehouse and a
17 reduction in Class 400 for the citywide
18 equipment pool. In addition to those
19 expenditure reductions, the rebalancing
20 plan included projected revenue
21 enhancements related to an increase in
22 alarm fee registrations and false alarm
23 violation fines and increased recovery
24 activity in Risk Management. Additional
25 reductions in the 2010 budget include

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 elimination of the remaining three
3 Destination fellows and further Class 200
4 contract reductions.

5 Even with the proposed
6 reductions, the Department will be able
7 to perform its core functions at the
8 levels proposed. Plan B for the
9 Department, as included in the Five-Year
10 Plan, includes an additional reduction of
11 one and a half million. Plan B includes
12 the elimination of an additional 12
13 filled positions for a savings of about
14 \$527,000. Those positions would be
15 almost all divisions of the Department.
16 The plan would also include further
17 reductions of 587,000 in Class 200, about
18 37,000 in Class 300 and almost 300,000 in
19 Class 400. The consequences of reducing
20 the budget to this level include possible
21 failure of the City's financial
22 management system, potential loss of
23 federal and state reimbursement, grant
24 deposits not being made timely, delayed
25 payments to vendors, possible delay in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 processing payroll changes and even the
3 potential declining revenue collections.

4 The Office of the Director of
5 Finance has an overall 20 percent
6 participation rate in contracting
7 opportunities for minority and female
8 businesses, and for contracts related to
9 City bond issuances, the Finance
10 Department achieved a 28 percent
11 participation rate.

12 I appreciate this opportunity
13 to provide testimony and we're happy to
14 answer any questions.

15 COUNCIL PRESIDENT VERNA: Thank
16 you very much.

17 The Chair recognizes Councilman
18 Green.

19 COUNCILMAN GREEN: Thank you,
20 Madam Chair.

21 Good morning.

22 MR. DUBOW: Good morning.

23 COUNCILMAN GREEN: My first
24 question sort of relates to -- and I do
25 understand that we're not going to get

4/14/09 - WHOLE - BILLS 090212, etc.
General Fund help from the federal Recovery Act, but it sort of relates to a conversation we had yesterday with Mark Alan Hughes, who is in charge of gathering our requests, I suppose, and making sure they're submitted timely and then somebody is going to be in charge of having the money spent within a certain amount of time so that we don't lose it back to other municipalities or other things, and I think we can agree that when we spend money, whether it's for capital improvements, et cetera, it creates jobs, and I'm very concerned. And this now relates to your bailiwick because the Capital Budget Office is now part of Finance, so --

19 MR. DUBOW: The Financial Unit
20 of the Capital Program Office is in
21 Finance. The operational portion is in
22 Public Property.

23 COUNCILMAN GREEN: Okay. Well,
24 I'm still going to ask you this question,
25 and, that is, in July 2008, we requested

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 from PICA 27 and a half million dollars
3 for existing projects. We knew what they
4 were. You went to PICA and said there
5 were critical capital needs at fire
6 stations and police buildings, requested
7 5 million to fund critical capital needs,
8 installation of fire detection systems at
9 16 of the 30 fire facilities that PICA
10 identified as not having fire detection
11 systems. There were potential
12 life-safety electrical corrections such
13 as ground fault interrupt and circuit
14 overload and also the repair of seven
15 roofs that were in need of substantial
16 replacement. Similarly, the
17 Administration requested 5 million for
18 critical capital needs at police
19 facilities, including acute need to
20 restore and upgrade mechanical,
21 electrical and plumbing systems, take on
22 potential life-safety concerns and repair
23 of roofs in need of substantial
24 replacement. And this is the
25 Administration's request to PICA that I'm

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 quoting from.

3 How much of that 27 and a half
4 million dollars that PICA made available
5 in July 2008 has been spent on these
6 critical life-safety elements?

7 MR. DUBOW: We have not spent
8 any of that. That is something that we
9 need to address quickly and to start
10 moving on. You raise a very good point,
11 and that's something we need to address.

12 COUNCILMAN GREEN: And it's our
13 understanding that you're going to have a
14 critical role in supervising the money
15 that comes in from the federal Recovery
16 Act.

17 MR. DUBOW: Yes. Finance will
18 have a role in that and --

19 COUNCILMAN GREEN: Okay. So --

20 MR. DUBOW: Can I finish?

21 COUNCILMAN GREEN: Yeah.

22 MR. DUBOW: Finance will have a
23 role, and we also, I think, through the
24 Recovery Act, we'll look to bring in some
25 outside help to make sure that we monitor

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 it appropriately.

3 COUNCILMAN GREEN: Okay. So
4 it's your testimony that not one dollar
5 of the 27 and a half million dollars that
6 PICA has made available to you has been
7 spent on critical life-safety issues at
8 police and fire stations?

9 MR. DUBOW: That's correct.

10 COUNCILMAN GREEN: Why is that?

11 MR. DUBOW: As I said, that's
12 something that we really need to get on,
13 and we will. We'll give you an
14 explanation of what we're doing going
15 forward to make sure that gets done.

16 COUNCILMAN GREEN: Do you have
17 a date that it will be done by?

18 MR. DUBOW: I don't. That's
19 part of what we will get to you.

20 COUNCILMAN GREEN: Okay.
21 During a briefing for Council yesterday,
22 Mark Alan Hughes stated that the proposed
23 FY10 Operating Budget includes over a
24 hundred million in anticipated funding
25 from the American Recovery and

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Reinvestment Act. Can you provide the
3 Chair a chart indicating by department
4 and class where this funding is located
5 and for what purposes it will be used?

6 MR. DUBOW: Yes.

7 COUNCILMAN GREEN: Thank you.

8 Okay. So I'm at Five-Year
9 Plan, Appendix 4, Page 1. If you look at
10 the Five-Year Plan, it appears that the
11 FY10 fund balance is going to be 96.7
12 million; FY11, 154 million; FY12, 175
13 million. In the FY09 to '13 Plan, the
14 fund balance decreased each year,
15 eventually stopping at 34 million in
16 FY13. So the Administration's FY09
17 Budget in Brief noted that the large fund
18 balance it inherited masks underlying
19 issues that continue to endanger the
20 City's fiscal stability. For example,
21 the City's fund balance would have been
22 substantially lower if the City had been
23 making larger contributions to the
24 pension system or had pursued prudent
25 infrastructure investments called for by

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 PICA and the City Planning Commission.

3 In light of the
4 Administration's prior position regarding
5 large fund balances, why are we proposing
6 such large fund balances for the FY10 to
7 '14 Plan instead of investing in
8 infrastructure, et cetera, especially
9 when we're calling for large tax
10 increases?

11 MR. DUBOW: I guess we have a
12 different definition of a large fund
13 balance. The GFOA recommends that fund
14 balances be at least five percent of your
15 revenues. For us, that would be at least
16 \$200 million. So we still have a fund
17 balance that's lower than what the
18 Government Finance Officers Association
19 recommends. So I don't think of these as
20 big fund balances. I don't think they
21 give us a lot of room in terms of
22 contingency.

23 COUNCILMAN GREEN: Well, we had
24 this discussion last year where I said
25 that fund balance was going too low, and

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 the response to that was, we have to make
3 our infrastructure investments and spend
4 on things that will cost us more money in
5 the long run if we don't spend the money
6 now, and I'm asking why that rationale
7 does not apply this year with respect to
8 the critical infrastructure needs of the
9 City.

10 (Bell rung.)

11 MR. DUBOW: Well, we're
12 entering it with, I guess, a different
13 point of view of what these fund balances
14 are. I don't think these are large fund
15 balances given what --

16 COUNCILMAN GREEN: But they
17 ended at 34 million at the end of the
18 Five-Year Plan last time and now we're
19 ending significantly higher. The
20 rationale for the low fund balance last
21 time was investment in infrastructure, et
22 cetera. Why do we not continue to invest
23 in our infrastructure? What's the
24 rationale?

25 MR. DUBOW: Well, again, we're

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 going back and forth on what a large fund
3 balance is.

4 COUNCILMAN GREEN: Well, no.
5 We agree that it's a small fund balance.
6 The difference is, we chose to spend it
7 last year on things like infrastructure,
8 et cetera. We're not choosing -- we're
9 choosing to have a much higher fund
10 balance at the end. And we've heard
11 testimony from Mr. Frank that if he had
12 \$20 million or so, he could save \$17
13 million a year, and instead of using the
14 fund balance to make that investment to
15 get those savings much earlier in the
16 Five-Year Plan, what we're doing is
17 reinvesting savings over time and slowing
18 down the whole process of efficiencies
19 from technology, plus investment in
20 infrastructure, et cetera, that save
21 money in the long run.

22 MR. DUBOW: That --

23 COUNCILMAN GREEN: So the
24 question is, why are we choosing not to
25 spend this money where we can get a huge

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 bang for the buck in the out years of the
3 Five-Year Plan, including \$17 million a
4 year of savings in the technology?

5 MR. DUBOW: Well, first of all,
6 let's go back to the original point. I
7 won't classify this as a large fund
8 balance.

9 Secondly, the Plan still does
10 include investments in infrastructure,
11 obviously not at the level that any of us
12 would like, and it includes investment in
13 IT. We are still working with the CIO on
14 his plan and where appropriate
15 investments may be. But I think we have
16 a fundamental difference about what a
17 large fund balance is.

18 COUNCILMAN GREEN: No, we
19 don't. Our fund balance is not high
20 enough. We both agree.

21 MR. DUBOW: Okay.

22 COUNCILMAN GREEN: The question
23 is what we're going to do with that money
24 sitting in the bank and whether we can
25 get a better return by investing it in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 technology than we can by sitting there
3 in terms of having an ultimately higher
4 fund balance at the end of the Five-Year
5 Plan because we've invested in things
6 that are going to give us a two- or
7 three-year ROI.

8 MR. DUBOW: When you talk about
9 money sitting in the bank, I mean, you
10 should know that one of the things that
11 has driven our Plan is that we have
12 fairly low cash balances throughout '09
13 and '10, and that often there'll be kind
14 of a disconnect between where your fund
15 balance is and where your cash is. So
16 you can have a fund balance that doesn't
17 look quite as healthy, but a cash flow
18 that is more healthy. We're not in that
19 position now. One of the things --

20 COUNCILMAN GREEN: Do you have
21 a cash flow --

22 MR. DUBOW: Can I finish?

23 COUNCILMAN GREEN: Yeah.

24 MR. DUBOW: So one of the
25 things that we had to do in this Plan was

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 ensure that we took enough steps to make
3 sure that we didn't run out of cash,
4 particularly in the early years of the
5 Plan. So that drove a good deal of what
6 we were doing.

7 COUNCILMAN GREEN: Okay. Do
8 you have a cash flow chart?

9 MR. DUBOW: There's a cash flow
10 chart that's in the Five-Year Plan.

11 COUNCILMAN GREEN: You do?

12 MR. DUBOW: Yeah.

13 COUNCILMAN GREEN: By quarter
14 or by year?

15 MR. DUBOW: The cash flow is by
16 month.

17 COUNCILMAN GREEN: Oh, okay.
18 Thank you. We'll find that.

19 Thank you, Madam Chair.

20 COUNCILWOMAN TASCO: The Chair
21 recognizes Councilman Jones.

22 COUNCILMAN JONES: Thank you,
23 Madam Chair.

24 Good morning.

25 MR. DUBOW: Good morning.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN JONES: A couple of
3 quick questions. Number one, this
4 testimony assumes certain revenue changes
5 such as tax consequences generated from a
6 sales tax increase from the Commonwealth
7 of Pennsylvania and a possible
8 combination of real estate taxes and/or
9 other municipal taxes that we raise?

10 MR. DUBOW: It does. It also
11 describes what would happen in the
12 Department if we didn't get the state
13 action, the sales tax and the change in
14 the pension amortization.

15 COUNCILMAN JONES: It also
16 assumes no increase in wage payments to
17 the unionized labor that we employ?

18 MR. DUBOW: That's true. It
19 assumes no increase in wages and it
20 assumes a \$25 million annual reduction in
21 benefits and -- through benefits and work
22 rule changes.

23 COUNCILMAN JONES: In your
24 testimony you also talk about savings
25 realized through increased collections

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 under Risk Management recovery.

3 MR. DUBOW: Correct.

4 COUNCILMAN JONES: Can you
5 explain that a little more?

6 MR. DUBOW: Sure. I'm going to
7 ask Barry Scott, the Risk Manager, to
8 come up and talk to you about that.

9 COUNCILMAN JONES: While he's
10 coming up, can you explain the 19
11 positions being transferred over to, I
12 think it's, EOC and will they be
13 performing similar functions?

14 MR. DUBOW: Sure. That is what
15 was formerly called MBEC, and it used to
16 report to Finance. Our view was that it
17 should be playing an economic development
18 role and that it more appropriately
19 belonged in the Commerce sphere. So it
20 has been moved over and now reports to
21 the Economic --

22 COUNCILMAN JONES: So it's just
23 a transfer of workforce?

24 MR. DUBOW: Correct.

25 COUNCILMAN JONES: And you've

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 been able to achieve 28 participation in
3 your bond work?

4 MR. DUBOW: Yes.

5 COUNCILMAN JONES: Nicely done.
6 I say that on behalf of Councilwoman
7 Blondell Reynolds Brown.

8 And you've gotten an overall 20
9 percent participation in your department.
10 Can you describe what that participation
11 is, and what was it in the last
12 Administration?

13 MR. DUBOW: We actually -- we
14 have a chart we can give to you by
15 contract, if that's helpful, to give you
16 the participation rate. For the last
17 Administration, I don't know. So we can
18 get you that as part of the response.

19 COUNCILMAN JONES: Council has
20 a reputation for beating departments over
21 the head when they do things that we
22 don't agree with, but I also need to pat
23 you on the back when you do things that
24 are laudable, and your participation rate
25 of 28 percent for the bonds and 20

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 percent participation overall has to be
3 commended.

4 MR. DUBOW: Thank you.

5 I think the Risk Manager
6 decided it was too risky to be at the
7 table. He left.

8 COUNCILMAN JONES: Wise man.

9 So are you going to tell me
10 about this Risk Management recovery?
11 State your name for the record, please.

12 MR. SCOTT: Yes. Good morning,
13 Councilman. My name is Barry Scott. I'm
14 the Risk Manager for the City.

15 During the year, the City
16 experiences a number of losses to its
17 property, most commonly City vehicles
18 which get damaged by crashes and also
19 City equipment, most commonly light
20 poles, traffic lights and fire hydrants.
21 Risk Management has worked to recover
22 monies from -- especially from insured
23 parties who provide that damage. We are
24 looking this year to enhance our ability
25 to recover those funds, and that's what

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 we're looking at in terms of the revenue
3 enhancements.

4 COUNCILMAN JONES: So
5 aggressive collection efforts are what
6 you anticipate?

7 MR. SCOTT: Yes, sir.

8 COUNCILMAN JONES: Thank you
9 very much.

10 By way of vendor payment and
11 processing these cuts, you caution us
12 that any further cuts may impede your
13 ability to pay people we owe as a
14 municipality. Can you tell me what the
15 processing time on average is now and
16 what it may be jeopardized going down to
17 if we cut any further?

18 MR. DUBOW: I think we have to
19 get back to -- we'll have to get back to
20 you with that time.

21 COUNCILMAN JONES: Because that
22 also impacts our competitive edge when
23 vendors look at the City of Philadelphia
24 and whether or not there will be prompt
25 pay.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: Correct.

3 COUNCILMAN JONES: A 15-day,
4 20-day, 90-day receivable impacts on our
5 bottom line, because they actually put
6 that in the price of the bid, the future
7 value of money and the delay in payment.

8 MR. DUBOW: We completely
9 understand that. That's why we'd like to
10 avoid having to do that.

11 COUNCILMAN JONES: All right.
12 You have listed here \$960 million in
13 fringe benefits to fund all City of
14 Philadelphia General Fund employees. Can
15 you explain exactly what that means?

16 MR. DUBOW: Right. That is our
17 pension costs, our health benefit costs,
18 our disability payments, our FICA
19 payments. So it's all benefits that City
20 employees receive.

21 COUNCILMAN JONES: And how far
22 are you on this state-declared distressed
23 pension fund plan alternative that you
24 have?

25 MR. DUBOW: We sent an

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 application to the Pennsylvania Employee
3 Retirement Commission I think last week.
4 It will probably be a couple of weeks
5 before we hear back from them.

6 (Bell rung.)

7 COUNCILMAN JONES: And what are
8 your A, B, and C scenarios of that? If,
9 A, they agree with you, what happens
10 next?

11 MR. DUBOW: If they -- we send
12 an application asking that the fund be
13 declared severely distressed, which is
14 the highest level of distress. If we get
15 that declaration, we're then required to
16 take actions to reduce the cost of our
17 plan, and we would then propose a changed
18 plan that will reduce our costs and
19 benefits.

20 COUNCILMAN JONES: What would
21 that change possibly consist of? Give me
22 a couple of --

23 MR. DUBOW: I mean, potential
24 changes would be reduction in -- your
25 pension is calculated with a multiplier

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 for each year that you work. So a
3 potential change would be reducing that
4 multiplier.

5 COUNCILMAN JONES: What does
6 that mean to persons contributing to that
7 fund and then recipients of that fund
8 that are actually retired persons?

9 MR. DUBOW: It would mean --
10 well, another potential -- you're talking
11 about contributions to the fund. Another
12 potential would be increasing the size of
13 that contribution that people make. So
14 it would mean for participants in the
15 fund, that there -- it has a different
16 impact on different people. If you're
17 vested, the only impact would be you
18 might contribute more. If you're a new
19 member coming into the plan, so you're a
20 future City employee, it would mean that
21 your benefits would be lower because the
22 multiplier is lower. And --

23 COUNCILMAN JONES: So new
24 people would have to pay more and get
25 less at the end of the rainbow?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: That's right.

3 COUNCILMAN JONES: Existing
4 people would maybe pay more but get the
5 same expected payout as they thought they
6 would?

7 MR. DUBOW: That's correct,
8 and --

9 COUNCILMAN JONES: Is there
10 another scenario or consequence?

11 MR. DUBOW: The other -- I
12 mean, I think that's -- the other
13 scenario would be layering some kind of
14 defined contribution on top of that. And
15 the part of this is that pension costs
16 have been really eating our budget alive
17 and we have to figure out a way to
18 address that.

19 COUNCILMAN JONES: Thank you,
20 Madam President.

21 COUNCIL PRESIDENT VERNA:
22 You're welcome.

23 The Chair recognizes
24 Councilwoman Krajewski.

25 COUNCILWOMAN KRAJEWSKI: Oh,

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 thank you, Madam Chairman.

3 Good morning.

4 MR. DUBOW: Good morning.

5 COUNCILWOMAN KRAJEWSKI: Your
6 testimony on Page 2 refers to two large
7 one-time indemnity payouts in FY09.

8 MR. DUBOW: Right.

9 COUNCILWOMAN KRAJEWSKI: What
10 were those payouts?

11 MR. DUBOW: One related to the
12 Move settlement, and that was, I think,
13 about \$5 million, and the other related
14 to strip searches at the prisons.

15 COUNCILWOMAN KRAJEWSKI: The
16 what?

17 MR. DUBOW: Strip searches at
18 the prisons, and that was also about 5
19 million.

20 COUNCILWOMAN KRAJEWSKI: Could
21 you please provide a breakdown of how the
22 money is spent that is going to the
23 Housing Trust Fund. If possible, break
24 it down by Council districts.

25 MR. DUBOW: We'll --

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILWOMAN KRAJEWSKI: You
3 will send it to the Chair?

4 MR. DUBOW: Yes.

5 COUNCILWOMAN KRAJEWSKI: Thank
6 you.

7 MR. DUBOW: You're welcome.

8 COUNCILWOMAN KRAJEWSKI: See,
9 mine was easy.

10 MR. DUBOW: Yes. Thank you.

11 COUNCIL PRESIDENT VERNA: The
12 Chair recognizes Councilwoman Miller.

13 COUNCILWOMAN MILLER: Thank
14 you. Thank you, Madam President.

15 Good morning, Mr. Dubow.

16 MR. DUBOW: Good morning.

17 COUNCILWOMAN MILLER: On Page 1
18 of your testimony in the second
19 paragraph, you talk about the contracted
20 services with the Defenders' Association
21 and Community Legal Services. How
22 exactly does the Finance Department use
23 those two entities? What do they do?

24 MR. DUBOW: We really are where
25 their cost contracts rest, but what they

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 really do is, they provide representation
3 for indigent defendants. So the Defender
4 does -- I'm sorry; represents people
5 charged with crimes who can't afford
6 their own attorneys. They also provide
7 representation for dependent children,
8 for kids in the DHS system. CLS does
9 some of that dependency work also. And
10 there's another smaller contract with
11 Support Center for Child Advocates that
12 do the dependency work also.

13 COUNCILWOMAN MILLER: So
14 actually you add to the Defenders'
15 budget?

16 MR. DUBOW: I'm sorry. I
17 didn't hear you.

18 COUNCILWOMAN MILLER: So
19 actually you add to the Defenders'
20 Association's budget?

21 MR. DUBOW: Well, really for
22 the work that they do in state court,
23 we're really their whole budget. They
24 don't really have other funding sources.

25 COUNCILWOMAN MILLER: Okay.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: They have a federal
3 unit too that's funded separately from
4 us.

5 COUNCILWOMAN MILLER: Are they
6 the only two legal contracts that you
7 have?

8 MR. DUBOW: Those two and the
9 Support Center, I believe, are the only
10 legal contracts, yes.

11 COUNCILWOMAN MILLER: On Page
12 4, Section 12 of the Operating Budget,
13 can you describe in detail what the \$1.5
14 million in Class 800 appropriations are?
15 I'm not sure, did Councilman Jones ask
16 that same question?

17 MR. DUBOW: The one and a half
18 million in Class 800? That's the Housing
19 Trust Fund money.

20 COUNCILWOMAN MILLER: All
21 right. And what exactly is Class 900
22 appropriations? What are they?

23 MR. DUBOW: We actually don't
24 have any here, but in the budget the
25 Class 900 is our Convention Center

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 payment. So it's our payment over to the
3 Convention Center.

4 COUNCILWOMAN MILLER:
5 Convention Center?

6 MR. DUBOW: Right.

7 COUNCILWOMAN MILLER: All
8 right. Thank you.

9 Thank you, Madam President.

10 COUNCIL PRESIDENT VERNA: Thank
11 you.

12 The Chair recognizes
13 Councilwoman Brown.

14 COUNCILWOMAN BROWN: Thank you,
15 Madam President.

16 Good morning.

17 MR. DUBOW: Good morning.

18 COUNCILWOMAN BROWN: I continue
19 to receive letters in my office, mostly
20 from seniors, who are distressed about
21 the prospect of the increase in the
22 property tax, and I've been struck by how
23 the federal government; namely, the IRS,
24 is making or taking provisions to
25 accommodate extraordinary circumstances

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 of citizens around the federal tax
3 returns. So have there been discussions
4 in the Department as to how and if we
5 figure out some type of, for lack of a
6 better word, hold harmless situation for
7 seniors who definitely can't afford it
8 and other citizens who are on the fringe,
9 knowing everybody has to pay something,
10 but clearly recognizing they are hanging
11 on by a toenail right now with their
12 existing circumstances?

13 MR. DUBOW: Yeah. There are
14 programs in place for seniors, and I
15 think we may have sent over a description
16 of those, but we'll make sure we get that
17 to you of what's in place for seniors
18 now.

19 We have had conversations about
20 what to do for non-seniors who, as you
21 said, are hanging on by a toenail. We
22 haven't finished figuring that out, but
23 that is something that we know is
24 important and we're looking at.

25 COUNCILWOMAN BROWN: I know we

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 discussed this once before, so the
3 question becomes -- well, the follow-up
4 question is the cut-off level in terms of
5 income and how big is that pot. Because
6 the pot is going to grow given this new
7 proposal.

8 MR. DUBOW: Yeah. I think
9 that's described in the write-up.

10 COUNCILWOMAN BROWN: It is?

11 MR. DUBOW: I think so.

12 COUNCILWOMAN BROWN: So you've
13 already sent that, too?

14 MR. DUBOW: Yes.

15 COUNCILWOMAN BROWN: Okay. The
16 employees that were transferred from MBEC
17 to Commerce, as Councilman Jones stated,
18 are strictly because? If you could
19 finish the sentence.

20 MR. DUBOW: It's a transfer of
21 function from --

22 COUNCILWOMAN BROWN: Of
23 function?

24 MR. DUBOW: Yeah. The whole
25 function was moved over to the Deputy

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Mayor for Economic Development.

3 COUNCILWOMAN BROWN: And so
4 that person will report to Altman?

5 MR. DUBOW: Yeah. That person
6 reports to Deputy -- to, I think, Kevin
7 Dow.

8 COUNCILWOMAN BROWN: Oh, okay.
9 All right.

10 An ongoing circumstance also
11 with small organizations is because they
12 are small, invoicing process from the
13 City is complicated, typically delayed
14 for reasons that you all would know
15 better than us, and small organizations
16 simply are not able to pay their workers
17 while they wait for the reimbursements
18 for the City. So to Councilman Green's
19 continuing plea, are there discussions
20 underway as to how to further use
21 technology in a way that expedites those
22 reimbursements to small organizations?

23 MR. DUBOW: Yeah. I think
24 there have been discussions with the CIO
25 about that and about IT in general for

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 the Finance Unit.

3 COUNCILWOMAN BROWN: Is the IT
4 person here to give us an update on where
5 those discussions are or what the plan
6 is?

7 MR. DUBOW: By the IT person, I
8 meant Allan Frank.

9 COUNCILWOMAN BROWN: Okay.

10 MR. DUBOW: But he's not here.

11 COUNCILWOMAN BROWN: All right.
12 So how do I get an answer to that
13 question? You tell me.

14 MR. DUBOW: We can get back to
15 you with a description of what we're
16 doing.

17 COUNCILWOMAN BROWN: Please. A
18 description as it relates specifically to
19 further streamlining the process so that
20 small organizations don't have to wait so
21 long.

22 MR. DUBOW: Understood.

23 COUNCILWOMAN BROWN: On Page 22
24 of your budget, it shows multiple
25 organizations that received funding in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 FY08, but none in '09 and '10; namely,
3 City Year, the Greater Philadelphia Film
4 Office and the Greater Philadelphia
5 Tourism Marketing Group. Were these
6 programs -- why were they moved out of
7 Finance?

8 MR. DUBOW: No. I mean, what
9 happens actually is, these come out of
10 our Class 500 contributions and
11 indemnities line and they're grouped in
12 there. The payments are made during the
13 course of the year.

14 COUNCILWOMAN BROWN: They are?

15 MR. DUBOW: They're made during
16 the course of the year. So some of these
17 groups will be getting payments again
18 this year.

19 COUNCILWOMAN BROWN: Oh, okay.
20 All right.

21 MR. DUBOW: It's just -- it's
22 not displayed well because they're in the
23 larger 500 line. It's not broken out.
24 If you'd like, we can get you a breakout
25 of what those payments are.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILWOMAN BROWN: That would
3 be appreciated.

4 Also on Page 68 of your budget
5 you show an increase of \$50,000 to the
6 School District. And those dollars are
7 specifically for?

8 MR. DUBOW: Well, we are
9 required under state law to compensate
10 the School District for any reduction in
11 the wage tax. The wage tax means there's
12 a reduction in their income tax. So
13 that's the value of their reduction in
14 the income tax that we're compensating
15 for them.

16 COUNCILWOMAN BROWN: I see.
17 Okay, then. Thank you.

18 Thank you, Madam President.

19 COUNCIL PRESIDENT VERNA:
20 You're welcome.

21 The Chair recognizes Councilman
22 Kenney.

23 COUNCILMAN KENNEY: Thank you,
24 Madam President.

25 Mr. Dubow, in prior hearings, I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 had requested -- and this is kind of in
3 the same realm of question that
4 Councilwoman Brown has relative to the
5 number of senior citizens, because that
6 seems to be some of the biggest impact
7 that we're hearing about.

8 MR. DUBOW: Right.

9 COUNCILMAN KENNEY: The number
10 of senior citizens that own property in
11 the City, those that are eligible for
12 PACENET, which would not experience any
13 increase in real estate taxes, and those
14 who participate in the real estate tax
15 rebate program. Because unless we get
16 that context, we really don't understand
17 how many seniors are potentially hit and
18 what their income levels are when they
19 would really actually have to pay it.

20 The other thing that would be
21 really very helpful for me and hopefully
22 the rest of Council and the public is to
23 have a discussion about the impact that
24 these regrettable requests for real
25 estate tax increases would have on

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 commercial properties. I would suspect,
3 without knowing the exact number offhand,
4 that there is a very high number of
5 commercial properties that would be
6 paying this increase, proposed increase,
7 in real estate tax.

8 MR. DUBOW: That's correct.

9 COUNCILMAN KENNEY: Not just
10 residential ratepayers.

11 MR. DUBOW: Right. Straight
12 residential properties, I think, are
13 around 55 percent.

14 COUNCILMAN KENNEY: But --

15 MR. DUBOW: So that's a good
16 point, yeah.

17 COUNCILMAN KENNEY: Everybody
18 is asking for charts. I'm only asking
19 for one chart here, a chart that shows
20 how many people are impacted and to what
21 level they're impacted and at what level
22 they've become impacted if they're senior
23 residential property owners and what is
24 the amount of money to be generated,
25 again, on the request for these

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 regrettable increases in real estate
3 taxes, what does the business community
4 pay. Because this whole argument has
5 been couched that this is a burden solely
6 on the residential property owner, which
7 it is, but it's not solely on them.

8 MR. DUBOW: That's correct, and
9 we can get you that information.

10 COUNCILMAN KENNEY: So I would
11 appreciate that context.

12 The other issue is -- and I
13 don't know if you've run any numbers and
14 scenarios, because a lot of this is not
15 known yet where we're going to come out
16 yet. In the event you were forced to
17 raise wage taxes in the City, despite
18 whatever arguments we may have relative
19 or suppositions we have relative to
20 Harrisburg's reaction to that, could you
21 give some indication as to what the
22 potential increase in wage taxes would be
23 and would you be forced to raise wage
24 taxes on suburbanites as well as
25 Philadelphia residents?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: We would increase
3 both the resident and non-resident rate,
4 and we can get you what that would look
5 like.

6 COUNCILMAN KENNEY: Have you
7 also driven some numbers relative to the
8 possibility that because of a wage tax
9 increase or proposed wage tax increase,
10 we do not get our sales tax?

11 MR. DUBOW: Yes. We've looked
12 at numbers. We can get you those. We
13 looked at what would happen if we lost
14 the wage tax relief, the sales tax money
15 and the pension amortization.

16 COUNCILMAN KENNEY: Now, you
17 could argue one way or the other whether
18 we would lose it or not, but you have to
19 look at the worst-case scenario, and if
20 we lose the sales tax, do you have any
21 ball park figures on the increase in wage
22 taxes if we lose the sales tax?

23 MR. DUBOW: We have those
24 numbers. I don't know off the top of my
25 head. It's three hundred --

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN KENNEY: More than
3 five percent, more than 10 percent, more
4 than 20 percent?

5 COUNCILMAN GREEN: Point of
6 information.

7 COUNCIL PRESIDENT VERNA: The
8 Chair recognizes Councilman Green for a
9 point of information.

10 COUNCILMAN GREEN: The sales
11 tax increase brings in about \$118 million
12 a year. If we were not to get a one
13 percent sales tax increase, it would be
14 approximately three-tenths of one percent
15 in the wage tax, raising both City
16 residents and suburbanites.

17 COUNCILMAN KENNEY: Thanks for
18 that.

19 Can you give me your analysis?

20 MR. DUBOW: Yeah. We will get
21 that to you.

22 COUNCILMAN KENNEY: And that
23 also would include the possibility that
24 we would lose -- could you also give me
25 the scenario if we lose the pension

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 adjustments?

3 MR. DUBOW: Yes, and the wage
4 tax relief money.

5 COUNCILMAN KENNEY: Correct.

6 MR. DUBOW: I mean, I think you
7 get over five percent.

8 COUNCILMAN KENNEY: So could
9 you give me those particular scenarios?

10 MR. DUBOW: Yes.

11 COUNCILMAN KENNEY: Could you
12 please put them on some kind of chart so
13 people can see them?

14 MR. DUBOW: Yes.

15 COUNCILMAN KENNEY: Thank you
16 very much.

17 COUNCIL PRESIDENT VERNA: Thank
18 you.

19 The Chair recognizes Councilman
20 Greenlee.

21 COUNCILMAN GREENLEE: Thank
22 you, Madam President.

23 My question is sort along the
24 same line as Councilman Kenney, the
25 beginning of it, as a follow-up to

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Councilwoman Brown, and I know you said
3 you were going to provide us information,
4 so maybe this question is slightly
5 premature, but I just want to be clear.

6 The seniors that you're saying
7 you're going to be able to help, they're
8 the ones that are eligible for the
9 program as we speak?

10 MR. DUBOW: That's what I
11 meant, yeah, that there are programs --

12 COUNCILMAN GREENLEE: So there
13 wouldn't be any extension. Because, see,
14 I think that's the concern with a lot of
15 people, that those programs are great,
16 but they kind of only hit the low, low
17 income almost.

18 MR. DUBOW: Right.

19 COUNCILMAN GREENLEE: And
20 there's a lot of people who are above
21 that limit but still would have a problem
22 obviously with a 19 percent, or something
23 like that, tax increase.

24 MR. DUBOW: Correct.

25 COUNCILMAN GREENLEE: So I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 guess we're still -- and obviously that's
3 one of the dilemmas we have, because the
4 more people you include, the less money
5 you get, I understand that, but I think
6 that is what maybe all of us are hearing
7 from, are those people that are not
8 eligible for that but still would be
9 under a real hardship to get a pretty
10 sizable real estate tax increase.

11 MR. DUBOW: Right. And that is
12 part of what we're looking at. It's a
13 legitimate question.

14 COUNCILMAN GREENLEE: No. I
15 understand.

16 And the other part of that is,
17 you're saying there's going to be other
18 people included in trying to get in the
19 information you're sending in response to
20 Councilwoman Brown's question or have
21 sent? Are there other people that are
22 going to be included, low-income people?

23 MR. DUBOW: That's what we're
24 looking at. We haven't fully developed
25 those plans yet, so --

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREENLEE: So you
3 don't have it yet. All right. I got
4 you.

5 All right. Thank you.

6 Thank you, Madam President.

7 COUNCIL PRESIDENT VERNA:

8 You're welcome.

9 Mr. Dubow, the Administration
10 has been saying that 58 percent of the
11 General Fund budget is non-discretionary;
12 is that correct?

13 MR. DUBOW: That's what we've
14 been saying, yes.

15 COUNCIL PRESIDENT VERNA: Can
16 you tell us the total amount that you
17 have reduced and/or cut from the
18 non-discretionary items?

19 MR. DUBOW: Yeah. I mean, I'd
20 have to go back and look, but, yes, we
21 can do that.

22 COUNCIL PRESIDENT VERNA: How
23 have you been able to achieve these
24 savings if they are truly
25 non-discretionary?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: Well, for each of
3 them, we need cooperation or approval
4 from someone outside the City's control.
5 So, for example, we show reductions in
6 our pension costs, but that would require
7 approval from the state Legislature. We
8 show reductions in our labor costs. That
9 would require cooperation from unions or
10 arbitrators.

11 So there are a number of things
12 that we show, but each of them are things
13 we can't do by ourselves.

14 COUNCIL PRESIDENT VERNA: On
15 Page 2 of your testimony, you mention the
16 potential consequences of Plan B
17 reductions. If in fact these reductions
18 could result in declining revenue
19 collections, wouldn't you be increasing
20 the deficit rather than reducing it?

21 MR. DUBOW: We would be trying
22 to manage so that that did not happen,
23 but it is one of the threats of what
24 could happen. So we will try to make
25 sure it didn't. It's just a risk of some

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 of the cuts that we'd be making.

3 COUNCIL PRESIDENT VERNA: Can
4 you tell us how were Plan B reductions
5 determined?

6 MR. DUBOW: Yeah. I mean, at
7 that point, we were looking at each
8 division and trying to just maintain core
9 services, to the greatest extent
10 possible, and the cuts were all things
11 that we wouldn't want to do, but that we
12 thought left most of the core intact.

13 COUNCIL PRESIDENT VERNA: Well,
14 as we look at these reductions, we see
15 that some of them could have revenue
16 implications. Was that taken into
17 consideration in determining Plan B
18 reductions?

19 MR. DUBOW: It was taken into
20 consideration. It's why these things
21 weren't in Plan A, and we know that each
22 one of these creates a real challenge for
23 us in terms of managing to make sure that
24 they don't, for example, lead to a
25 decline in revenue or that our financial

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 accounting system doesn't fail. So it
3 would present some real challenges for us
4 in making sure that these bad potential
5 contingencies don't happen.

6 COUNCIL PRESIDENT VERNA: Thank
7 you.

8 The Chair recognizes Councilman
9 Green.

10 COUNCILMAN GREEN: Thank you,
11 Madam Chair.

12 To follow up on the question
13 about Plan B, would you please -- and I'm
14 asking every department this -- would you
15 please provide the Chair with the exact
16 positions in your department, exact 200
17 funds, whatever, that would be cut in
18 Plan B so we can understand fully what
19 the Plan B budget is. And if you don't
20 have it --

21 MR. DUBOW: No; we have it.
22 What I'm concerned about is, because our
23 department's positions is relatively
24 small, there are exact people who are in
25 Plan B who may not know that they're

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 there yet. So I'm worried about -- we
3 can give you the numbers --

4 COUNCILMAN GREEN: Well, you're
5 asking us to approve a budget that's
6 contingent, and I want to know what that
7 is.

8 MR. DUBOW: I guess what I'm
9 asking is, can we give you the number by
10 unit instead of each specific position?

11 COUNCILMAN GREEN: Sure.

12 MR. DUBOW: We can do that.

13 COUNCILMAN GREEN: And the
14 function that's being lost or functions.

15 MR. DUBOW: We can do that.

16 COUNCILMAN GREEN: Okay. So do
17 you happen to know -- have you compared
18 what a three-tenths of one percent
19 increase in the wage tax means to the
20 average family on the chart that the
21 Administration provided on Page 32 of the
22 Five-Year Plan compared to, in terms of
23 dollars out of pocket for a family,
24 compared to the real estate property tax
25 increase?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: We've done a number
3 of comparisons and scenarios for what
4 wage tax increases would mean compared to
5 property tax increases, and when we
6 provide the chart that Councilman Kenney
7 asked for, we can include that
8 information.

9 COUNCILMAN GREEN: Would you be
10 surprised to learn that the average
11 Philadelphia family would pay \$250 less
12 per family to the City if we go with a
13 wage tax versus a property tax, which
14 would mean seniors who are retired pay
15 nothing more?

16 MR. DUBOW: Right. We know --
17 and we're going to go back to an area
18 where we've had disagreement before. One
19 of our big concerns about the wage tax is
20 what other implications it would have in
21 Harrisburg, and so when we look at
22 scenarios, we look at other potential
23 impacts, which would have a very
24 different outcome for taxpayers here.

25 COUNCILMAN GREEN: What

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 legislator has told you that we won't get
3 our sales tax increase if we increase the
4 wage tax?

5 MR. DUBOW: What we've been
6 told is that there would be a severe
7 negative reaction. I mean, the first
8 thing they told us is --

9 COUNCILMAN GREEN: Who told you
10 that?

11 MR. DUBOW: -- the gaming
12 revenue was at risk.

13 I'm not going to tell you names
14 of people we had private conversations
15 with.

16 COUNCILMAN GREEN: Because
17 we've all spoken to legislative leaders
18 too, and they told us as long as we're
19 building casinos, it's not a problem.

20 COUNCILMAN KENNEY: Point of
21 information.

22 COUNCIL PRESIDENT VERNA: The
23 Chair recognizes Councilman Kenney.

24 COUNCILMAN KENNEY: Would you
25 ask the member to please identify who has

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 told him that there would be no
3 implications if we raise the wage tax?

4 COUNCILMAN GREEN: I'm sorry?

5 COUNCILMAN KENNEY: Could the
6 Chair please ask the member if he could
7 identify which legislative leaders has
8 told him there would be no implications
9 if we raise the wage tax.

10 COUNCILMAN GREEN: I've spoken
11 to a number of caucus leaders and also
12 people in the leadership in the state
13 House.

14 COUNCILMAN KENNEY: Well, if
15 Mr. Dubow is expected to give names,
16 perhaps you should do the same.

17 COUNCILMAN GREEN: Well, I'm
18 not proposing a budget.

19 COUNCILMAN KENNEY: Okay. Just
20 wanted to know if we play on an even
21 playing field here.

22 Thank you.

23 COUNCILMAN GREEN: Have you
24 spoken to people in leadership that have
25 told you that?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: Yes.

3 COUNCILMAN GREEN: Okay. And
4 have they told you that since the Mayor
5 announced that the casinos were going to
6 be up and running in FY11?

7 MR. DUBOW: Yes.

8 COUNCILMAN GREEN: So in the
9 last four days you've had conversations
10 with leadership?

11 MR. DUBOW: The Mayor announced
12 that the casinos would be up and running
13 a couple of weeks ago, not just four days
14 ago.

15 COUNCILMAN GREEN: Okay. Well,
16 I guess this is a point we'll have to
17 disagree on.

18 MR. DUBOW: Right.

19 COUNCILMAN GREEN: But the
20 point --

21 MR. DUBOW: I knew that when I
22 brought it up.

23 COUNCILMAN GREEN: The major
24 point here is that we'll save
25 Philadelphia families on average \$250,

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 and for people who make \$50,000 or less,
3 which is most of this city, the
4 percentage of their income, according to
5 the chart that you have on Page 32 of the
6 Five-Year Plan, the percentage of their
7 income that will be paid to the City in
8 taxes will go from 1.2 percent to about
9 half a percent of their household income,
10 which is significant for families at that
11 level.

12 MR. DUBOW: And this, again,
13 goes back to our difference in
14 assumptions of what might happen in
15 Harrisburg.

16 COUNCILMAN GREEN: Okay. Well,
17 we can resolve that one before May 31st,
18 I imagine.

19 The assumptions of stock market
20 performance in the Five-Year Plan, so
21 what assumptions is the Administration
22 making about the performance of the stock
23 market over the Five-Year Plan?

24 MR. DUBOW: The Plan uses
25 actually projections by the pension

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 fund's actuary and uses the fund's
3 assumed return, which would be eight and
4 a quarter if we get the change in
5 amortization.

6 COUNCILMAN GREEN: So what's
7 the baseline in terms of -- my
8 recollection is, when we looked at the
9 rebalancing and when the budget stat
10 sessions were held, was that you are
11 basically holding the fund's earnings to
12 zero throughout the Five-Year Plan.

13 MR. DUBOW: No.

14 COUNCILMAN GREEN: You're
15 increasing it by eight and a quarter?

16 MR. DUBOW: Yeah. We're using
17 the --

18 COUNCILMAN GREEN: Off of what
19 base?

20 (Bell rung.)

21 MR. DUBOW: We assume a 30
22 percent reduction in Fiscal Year '09, and
23 it's been about 26 percent through the
24 end of February, the loss. And then we
25 assume kind of a return to normal, which

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 I think some of we're actually starting
3 to see, and that you get to about -- you
4 get back to the fund's earnings
5 assumption.

6 COUNCILMAN GREEN: So just to
7 close the loop on this, at the end of
8 February the market was much lower than
9 it is today.

10 MR. DUBOW: Correct.

11 COUNCILMAN GREEN: So how much
12 more money, assuming the market's at
13 8,000, not the end of February rate, how
14 much more money does that add back in by
15 year to the Five-Year Plan? And you
16 don't have to answer that now. If you
17 could get it to the Chair.

18 MR. DUBOW: Well, no. What you
19 have to look at actually is kind of where
20 you end the year. In looking at it each
21 month doesn't get you to where you'll be
22 at the end.

23 COUNCILMAN GREEN: But the
24 assumption --

25 MR. DUBOW: And you would need

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 to have the actuary do another run. And
3 the other thing to remember is that
4 because of what was going on in the
5 market in the pension fund, we did some
6 shifting of our investments, so they're
7 more conservative now. So that at least
8 for this year, what the market does has
9 less of a direct -- I mean, it still has
10 a large impact, but what the stock market
11 does isn't as determinant of what the
12 fund does as it would have been in
13 earlier years.

14 COUNCILMAN GREEN: So the
15 pension bond sold at the bottom of the
16 market?

17 MR. DUBOW: No. The pension
18 fund, in terms of where new investments
19 would go, switched its allocation to be
20 more conservative.

21 COUNCILMAN GREEN: Okay. But
22 it's your testimony that you're basing it
23 off a 30 percent decline. As of the end
24 of February, we were 26 percent down.

25 MR. DUBOW: Correct.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREEN: We're up
3 from that significantly.

4 MR. DUBOW: Maybe. We haven't
5 seen -- I haven't seen our March numbers
6 yet. I don't know where we are.

7 COUNCILMAN GREEN: Okay. So
8 what difference will that make if we
9 assume 20 percent down over the Five-Year
10 Plan and 25 percent down over the
11 Five-Year Plan and 15 percent over the
12 Five-Year Plan, if you could just provide
13 that to the Chair, because my time is up.

14 MR. DUBOW: Okay.

15 COUNCILMAN GREEN: Thank you.

16 COUNCIL PRESIDENT VERNA: The
17 Chair recognizes Councilman Kenney.

18 COUNCILMAN KENNEY: I'm fine.
19 Thank you.

20 COUNCIL PRESIDENT VERNA: Thank
21 you.

22 The Chair recognizes
23 Councilwoman Brown.

24 COUNCILWOMAN BROWN: Thank you,
25 Madam President.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 I'm being very redundant, but I
3 do want to underscore the fact that
4 numbers really do tell the story for us.
5 So when you've heard from a number of us
6 that are deeply concerned about senior
7 citizens, we look forward to that
8 information that gives us the hard data,
9 because that then informs us of how great
10 the impact will reach.

11 MR. DUBOW: I understand.

12 COUNCILWOMAN BROWN: Okay.

13 Thank you.

14 Thank you, Madam President.

15 COUNCIL PRESIDENT VERNA: The
16 Chair recognizes Councilman Green.

17 COUNCILMAN GREEN: Thank you,
18 Madam Chair.

19 So on the City's website is a
20 chart called Efficiencies Service
21 Enhancements for FY09 and FY10 Budget.
22 Are you familiar with that chart?

23 MR. DUBOW: I haven't seen the
24 chart on the website, but I've seen
25 charts that show our efficiencies.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREEN: Okay. So
3 many of these efficiencies are
4 encouraging. However, for most items on
5 the chart, no savings or efficiencies are
6 put in in terms of dollar savings. So
7 there's some identified which happened in
8 FY09 that have specific dollar amounts,
9 but the chart contains many items that
10 don't have dollar amounts of savings,
11 probably 30 or 40. Do you know what
12 you're anticipated to save from those
13 items?

14 MR. DUBOW: I think those are
15 all items that we want to implement, but
16 that we do not have full plans of
17 implementation yet for, so we don't know
18 what the savings are.

19 COUNCILMAN GREEN: Would you
20 provide to the Chair your best guess of
21 what those efficiencies will save the
22 City?

23 MR. DUBOW: For the ones where
24 that's possible, yeah. For ones where we
25 don't have an idea yet, there won't be

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 things for me to give you.

3 COUNCILMAN GREEN: Well, you
4 anticipate some savings or they wouldn't
5 be on the chart.

6 MR. DUBOW: I guess what I'm
7 saying is, if we don't have good
8 information, I'm not going to make
9 something up, but we'll --

10 COUNCILMAN GREEN: If you can't
11 provide a number for an item that's on
12 the chart in terms of savings, explain
13 what information you need in order to
14 come up with a solid number for savings
15 in your response to the Chair.

16 MR. DUBOW: Okay.

17 COUNCILMAN GREEN: Thank you.

18 So the proposed FY10 budget
19 includes 439,000 roughly reimbursement
20 from the Philadelphia Parking Authority
21 to the Bureau of Administrative
22 Adjudication for processing of appeals
23 and contested parking violations. I have
24 several questions provided by the
25 technical staff.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Is this an allowable cost for
3 the PPA?

4 MR. DUBOW: Yes.

5 COUNCILMAN GREEN: Under the
6 Parking Authority law?

7 MR. DUBOW: Yeah. It's
8 actually a proposal that came from them,
9 so, yes.

10 COUNCILMAN GREEN: Well, that's
11 not --

12 MR. DUBOW: I said yes and it's
13 a proposal that came from.

14 COUNCILMAN GREEN: Okay. And
15 how about under Philadelphia Parking
16 Authority's bond covenants permit this?

17 MR. DUBOW: Yeah. I mean, as
18 far as -- yeah. This is a permissible
19 cost for them.

20 COUNCILMAN GREEN: Okay. You
21 might want to check the bond covenants.

22 MR. DUBOW: Sure. We can do
23 that.

24 COUNCILMAN GREEN: And let the
25 Chair know your response to that.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 When we delegated authority to
3 the Parking Authority, it authorized PPA
4 to collect all revenues due to the City,
5 except fines and penalties from contested
6 on-street parking violations, and to pay
7 the City said revenues in excess of costs
8 incurred by the Authority. Because the
9 PPA is not authorized to receive revenues
10 from contested parking violations and
11 does not incur any costs related to them,
12 what is the basis for PPA paying the
13 City's costs in collecting these
14 revenues?

15 MR. DUBOW: The basis is that
16 this is still a function related to PPA
17 activities.

18 COUNCILMAN GREEN: Does the
19 Administration proposal require,
20 regarding the PPA reimbursement, require
21 an amendment to the 1983 ordinance that
22 delegated on-street parking authority to
23 the PPA so as to provide for
24 reimbursement of these costs?

25 MR. DUBOW: It seems like what

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 would make sense for us, since you have
3 this list of questions, is for us to --
4 it sounds like you probably want a legal
5 opinion rather than a Finance Director
6 opinion. So if you want to get us those
7 questions, we'll pass it on to the City
8 Solicitor.

9 COUNCILMAN GREEN: Okay.
10 That's great.

11 And you may want to get back to
12 the Chair about this. For the general
13 provisions set forth in Section 16 of the
14 Operating Budget ordinance, for each
15 provision please describe the purpose of
16 the provision and how often the provision
17 is utilized, and then please identify any
18 provisions that have been added in the
19 past two years and the reasons for adding
20 them.

21 MR. DUBOW: Okay.

22 COUNCILMAN GREEN: Your
23 testimony notes that reductions to the
24 Finance budget in November 2008
25 rebalancing plan included reductions in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 professional service contracts such as
3 that for maintenance of the automated
4 contract information system and
5 cancellation of the upgrade to the
6 Accounting data warehouse. How was the
7 ACIS maintenance contract changed?

8 MS. PASTER: My name is
9 Catherine Paster, First Deputy Director
10 of Finance.

11 The contract was changed in the
12 '09 rebalancing. There were a couple of
13 enhancements in the contract that we
14 chose not to do. So the -- I'm sorry; in
15 the system. So the system still
16 functions. It's just some added benefits
17 that we won't be allowed to have. I
18 don't know what they are at the moment
19 exactly.

20 COUNCILMAN GREEN: Okay. Are
21 you looking at, as part of the technology
22 changes that are going to be proposed by
23 Mr. Frank, going to the Oracle Systems
24 Business Suite that the City owns and
25 sort of getting rid of these Legacy

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 systems that cost a lot to maintain by
3 outside contractors?

4 MS. PASTER: I know that's all
5 part of discussions that we're having
6 with the CIO.

7 COUNCILMAN GREEN: Is it part
8 of the Five-Year Plan?

9 MR. DUBOW: Do you mean do we
10 show savings from that in the Five-Year
11 Plan?

12 COUNCILMAN GREEN: I mean --

13 MR. DUBOW: I'm not sure --

14 COUNCILMAN GREEN: -- do you
15 plan to do it during the five years,
16 whether or not you show savings?

17 MR. DUBOW: That is what we've
18 been talking about with the CIO. So we
19 do hope to get that done.

20 COUNCILMAN GREEN: And you
21 anticipate no savings in your department
22 as a result of this change?

23 MR. DUBOW: We do not show
24 savings in there from that.

25 COUNCILMAN GREEN: Why not?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: We don't think that
3 savings would be that large. We haven't
4 quantified them yet.

5 COUNCILMAN GREEN: Okay. I'm
6 still waiting for reports from outside
7 consultants and vendors with respect to
8 the implementation of the technology
9 changes that Mr. Frank is recommending,
10 and I think a lot of the questions that
11 were asked in the last two weeks, had we
12 received responses when -- as far as I
13 know, we've received no responses.

14 MR. DUBOW: That's not
15 accurate. We sent over well over 20
16 responses last week.

17 (Bell rung.)

18 COUNCILMAN GREEN: That is, no
19 responses were provided to that question
20 other than the Deloitte report, which you
21 gave us last year.

22 MR. DUBOW: I think what the
23 CIO said is that's the only report he had
24 from last year.

25 COUNCILMAN GREEN: That's not

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 correct. They just assumed that's what
3 we were talking about, is what he said
4 during his testimony. So I have many
5 more questions on the topic of
6 efficiencies in government, but first I
7 need the response of Mr. Frank to all of
8 my questions asked him last week. When
9 can I have those, do you think?

10 MR. DUBOW: Well, he sent a
11 response over. I mean, I don't know what
12 else to tell you. He did send a
13 response.

14 COUNCILMAN GREEN: He sent a
15 response prior to his testimony. He sent
16 a response to the questions that were
17 asked during the Five-Year Plan.

18 MR. DUBOW: Oh, okay. You're
19 asking about the questions that were
20 asked -- I'm sorry. I thought you were
21 asking about that specific question.

22 I don't know. I wasn't at his
23 hearing. I don't know what questions
24 were asked, but we can find out.

25 COUNCILMAN GREEN: Okay. I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 think Councilman O'Neill suggested sort
3 of a kind of timeframe that we have for
4 getting us timely questions, which was 24
5 hours. Is that something we can --

6 COUNCILMAN O'NEILL: I think
7 they thought I said 24 days.

8 COUNCILMAN GREEN: Oh.
9 What kind of standard can we
10 expect so that we can be able to timely
11 ask different departments questions
12 based -- a lot of the questions that we
13 ask at the beginning, especially in the
14 Five-Year Plan, are necessary to ask the
15 department specific questions, and we
16 have a lot of departments appearing
17 before us. How long do we have to wait
18 to get answers to our questions?

19 MR. DUBOW: It really depends
20 on the question. We try to get answers
21 over as quickly as we can. Some answers
22 require a lot of research and gathering a
23 lot of data and hearing back from people.
24 Those may take time. Some of them are
25 relatively simple and we can turn them

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 around within a couple of days. But it
3 really does depend on how much work is
4 required to get the answer.

5 COUNCILMAN GREEN: Well, it's
6 just really not acceptable, because the
7 questions that we ask now, especially of
8 your department and other departments,
9 will flow through to every question that
10 we want to ask every department that's
11 going to appear before us later.

12 And, Madam President, we're
13 going to have to have these departments
14 back twice or three times until we get
15 the answers to our questions.

16 Thank you, Madam President.

17 MR. DUBOW: I understand that
18 we do get the answers as quickly as we
19 can, but we want to make sure what we get
20 you is accurate, too.

21 COUNCILMAN GREEN: Last year I
22 received most of the answers to my
23 questions three days before we were
24 required to vote on the entire budget,
25 and it's just not going to be acceptable.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MR. DUBOW: And we don't want
3 that to happen either.

4 COUNCILMAN GREEN: Thank you,
5 Madam Chair.

6 COUNCIL PRESIDENT VERNA: Thank
7 you.

8 Are there any other questions
9 from members of the Committee of
10 Mr. Dubow?

11 The Chair recognizes Councilman
12 O'Neill.

13 COUNCILMAN O'NEILL: On a more
14 serious note, Mr. Dubow, since Councilman
15 Green reminded me that 24 hours passed a
16 long time ago, was that a complicated
17 request -- and if it was, I certainly
18 would understand, because it's eight days
19 now -- when I asked the Chief of Staff
20 and yourself for just a list of the
21 people under the Mayor, salaries and
22 titles and comparative to the last
23 Administration? You said some things
24 take longer.

25 MR. DUBOW: Right.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN O'NEILL: I'm
3 assuming that took longer, but I'm sort
4 of having trouble with the complication
5 of it. It seems pretty straightforward.
6 Is that one of those sort of
7 drag-your-feet answers?

8 MR. DUBOW: No. We'll get that
9 to you. If I could lip read, I would
10 actually be able to tell you exactly what
11 we're doing. They're trying to tell me
12 where it is and I -- but we'll have that
13 soon.

14 COUNCILMAN O'NEILL: Okay.
15 Thank you.

16 COUNCIL PRESIDENT VERNA: Thank
17 you.

18 Any other questions from
19 members of the Committee?

20 (No response.)

21 COUNCIL PRESIDENT VERNA:
22 Seeing none, this Committee will stand in
23 recess until 1 o'clock this afternoon.

24 Thank you.

25 (Luncheon recess.)

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCIL PRESIDENT Verna: Good
3 afternoon, everyone. The Committee of
4 the Whole is now back in session.

5 Our next witnesses will be?

6 MR. McPHERSON: Is the Revenue
7 Commissioner.

8 (Witnesses approached witness
9 table.)

10 COUNCIL PRESIDENT Verna: Good
11 afternoon. Welcome.

12 COMMISSIONER RICHARDSON: Good
13 afternoon.

14 COUNCIL PRESIDENT Verna:
15 Please identify yourself for the record
16 and proceed with your testimony.

17 COMMISSIONER RICHARDSON: Sure.
18 Good afternoon, Council President Verna.
19 Keith J. Richardson, the Revenue
20 Commissioner. With me today is the
21 Deputy Commissioner for Tax, James Haley,
22 to my left, and Michelle Bethel, the
23 Deputy Commissioner for the Water Revenue
24 Bureau. We are pleased to be with you
25 today to discuss the proposed FY 2010

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Operating Budget for the Department of
3 Revenue.

4 The Department of Revenue is
5 responsible for the collection of all
6 revenue due to the City and for the
7 enforcement of tax ordinances for the
8 City and School District of Philadelphia.
9 The Water Revenue Bureau is specifically
10 charged with the collection of all water
11 and sewer payments. The Department
12 performs these duties while delivering
13 quality customer service to all customers
14 and taxpayers.

15 The FY10 General Fund
16 appropriation request for the Department
17 of Revenue is 16,414,209. This is a
18 decrease of 984,362 from FY09 estimated
19 obligations of 17,398,570. This decrease
20 is achieved primarily through reduced
21 professional service contracts
22 requirements, \$270,000, along with
23 reduced postage costs associated with
24 eliminating business tax mailings for
25 taxpayers who use preparers and through

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 elimination of certain mailings that have
3 been identified as non-essential,
4 450,000. In addition, we will reduce
5 full-time staff by eight positions
6 through selected attrition, for a savings
7 of 164,361, and eliminate a one-time
8 non-recurring equipment purchase of
9 \$100,000.

10 The Department is requesting
11 12,498,246 in Class 100, personal
12 services, to fund 263 full-time and two
13 part-time positions, \$3,263,014 in Class
14 200, purchase of services, and 652,949 in
15 Classes 300 and 400, materials, supplies
16 and equipment.

17 On the Water Fund, FY10 Water
18 Fund appropriation request for the
19 Department is 22,165,547. This is an
20 increase of 1,645,146 from FY09 estimated
21 obligations. The Department is
22 requesting 10,990,857 in Class 100,
23 personal services, which is an increase
24 of 948,857 over FY09 estimated
25 obligations. This funding will enable us

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 to fill as many as 34 current vacancies
3 and reach staffing levels of 270
4 full-time positions in FY 2010.

5 The Department is also
6 requesting 9,873,851 in Class 200. This
7 is an increase of 454,789 over FY09
8 estimated obligations due primarily to
9 additional costs associated with
10 enhancements of the new water bill
11 system, such as design of a new more
12 customer-friendly bill, programming costs
13 to implement interactive voice response
14 applications to the Water Revenue
15 Bureau's automated call distribution
16 system and a postage rate increase
17 expected to occur in May 2009. We are
18 requesting 1,288,839 in Class 300 and
19 400, materials, supplies and equipment.
20 This is an increase of 241,500 from FY09
21 estimated obligations due to increased
22 requirements for computer and office
23 equipment associated with full staffing
24 of the Water Revenue Bureau.

25 The FY10 Acute Care Hospital

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Assessment Fund appropriation request is
3 145,000. This is the same as FY09
4 estimated obligations. The Department
5 received Department of Public Welfare
6 funds to support the implementation of a
7 monetary assessment on the non-Medicare
8 net operating revenue of acute care
9 general hospitals located in the City.
10 The new hospital assessment program is
11 intended to generate additional revenues
12 to fund Medical Assistance expenditures
13 for hospital emergency department
14 services in the City. The program is
15 also expected to generate additional
16 funding to support the City's public
17 health clinics.

18 The FY10 appropriation is
19 30,000 in Class 100, personal services;
20 100,000 in Class 200 for purchase of
21 services; and 15,000 in Class 300/400,
22 materials, supplies and equipment.

23 Enhancements and
24 accomplishments: The Department has
25 improved customer service performance

These performance improvements were achieved while reducing overtime costs on a department-wide basis versus the same period last year. For example, total overtime charged to the General Fund in FY09 for the period July 1, 2008

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 through December 31, 2008 was \$215,519, a
3 36.8 percent decrease compared to the
4 340,000 in overtime used during the same
5 period of FY08. The Water Revenue Bureau
6 achieved similar results. Total overtime
7 used for the period July 1, 2008 through
8 December 31, 2008 was 263,777. This is a
9 24.9 percent decrease compared to the
10 350,978 in overtime used during the same
11 period in FY08.

12 Increasing electronic
13 transactions: The trend in using
14 electronic transactions continues to
15 increase. These transactions include
16 credit card payment of taxes and water
17 and sewer bills, ZipCheck or ZipPhone for
18 direct payment from a bank account of
19 water and sewer bills and debit or credit
20 payments for those registering from the
21 Automated Clearinghouse. In FY07,
22 1,198,177 electronic transactions were
23 received. This number increased to
24 1,355,087 in FY08, and in FY09 it is
25 projected the number will increase to

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 about 1,515,000.

3 In the last quarter of FY09,
4 the Department will install an additional
5 remittance processing machine and add a
6 second shift of workers to improve
7 processing times of all incoming
8 remittances. Council staff was given a
9 tour last spring of the payment
10 processing area and is aware of the
11 challenges our staff face in processing
12 payments during the annual tax season.
13 The Department projects handling 3.7
14 million machine transactions in FY09 and
15 anticipates the full impact of the
16 additional equipment will be felt in FY10
17 through reduced time to process machine
18 transactions, resulting in quicker
19 deposits of all receipts.

20 Our Compliance Division hired
21 five revenue examiner trainees to
22 increase the number of business audits
23 performed and to ensure all taxpayers are
24 paying their fair share. In FY09, the
25 Department expects to generate 16 million

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 in new audit assessments, a four and a
3 half percent increase over FY08. The
4 full impact of this hiring will be
5 achieved in FY10, resulting in increased
6 audit initiatives and increased ability
7 to perform travel audits. It is
8 anticipated that FY10 audit assessments
9 will increase by 18 percent over FY09
10 projected estimates.

11 In an effort to support our
12 Compliance Division initiatives, full
13 staffing of our Investigation Unit was
14 achieved. This resulted in a significant
15 number of audit and tax discovery leads
16 that resulted in increased tax
17 assessments in FY09 in excess of a
18 million dollars.

19 New and improved water billing
20 system: In January 2008, the Basis2
21 water billing system developed from
22 Project Ocean began production. Since
23 that time, it has successfully issued
24 each of the approximately 480,000 monthly
25 water bills. In April of 2008, the

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 system was turned on for automated
3 delinquency and shutoff processing.
4 During the first quarter of FY09, we
5 completed our first year-end financial
6 and audit reporting on the new billing
7 system. In the first quarter of FY10, we
8 will introduce a new water bill design
9 that is more informative and easier to
10 read and understand.

11 Enhanced public outreach: To
12 ensure that taxpayers understand their
13 financial responsibilities and the
14 process involved with paying taxes, the
15 Department of Revenue has expanded its
16 public education and outreach efforts.
17 The Department has sent representatives
18 to community festivals to answer
19 questions and provide literature to the
20 City's taxes and made numerous
21 presentations to tax practitioners and
22 other interested organizations. In
23 September 2008, the Department of Revenue
24 launched ReveNews, a quarterly
25 e-newsletter about tax policy and

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 administration in Philadelphia
3 distributed via e-mail and available on
4 the Department's website. It has nearly
5 600 subscribers and the list grows daily.
6 In partnership with the Division of
7 Technology, the Department of Revenue is
8 also working on substantial improvements
9 to its website to improve the ease of use
10 and offer additional information.

11 In FY09 the Department has
12 contracts with the following MBEC/WBE/DBE
13 certified contractors: Peripheral
14 Systems, Pace Data Systems, Wendy Miller,
15 Irina Sheynfeld.

16 The Department also has a
17 contract with Information Services
18 Partner, Inc. in the amount of \$425,920.
19 While this contract is not a minority,
20 the contract subcontracts 102,221 to Pace
21 Data Systems, an MBE, and 55,370 to
22 Peripheral Systems, a WBE.

23 Thank you and this concludes my
24 testimony. We are available to answer
25 any questions.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCIL PRESIDENT VERNA: Thank
3 you, Commissioner.

4 The Chair recognizes Councilman
5 Greenlee.

6 COUNCILMAN GREENLEE: Thank
7 you, Madam President.

8 Good afternoon, everyone.

9 COMMISSIONER RICHARDSON: Good
10 afternoon, sir.

11 COUNCILMAN GREENLEE: I just
12 had a question, and I know that you talk
13 a lot about staffing in here, because --
14 and I'll preface this by saying I'm not
15 blaming any of you guys for this, but a
16 lot of times people in my office tell me
17 that when they deal with Revenue, they're
18 told, Well, one of our problems is we
19 don't have enough staff. They're told
20 that by the people they deal with in the
21 Department.

22 Now, I know you talk about
23 filling these current vacancies in Water
24 Revenue. Do you feel comfortable that
25 you have enough people to do the job, if

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 you will, or at least do it up to where
3 you are now, or do you feel that there
4 could be problems? I know that's a tough
5 question for you.

6 COMMISSIONER RICHARDSON: Right
7 now I think we're giving C effort. I
8 think with the additional folks we're
9 looking to add to the complement, it will
10 help us to move forward and provide a
11 quality service to our customers.

12 COUNCILMAN GREENLEE: And
13 that's over all the services? Because I
14 see you talk about filling those
15 vacancies in Water, but then I see you
16 say we reduced full-time staff by eight
17 positions through selected attrition.

18 COMMISSIONER RICHARDSON: Well,
19 mind you that the tax side is General
20 Fund. Water Revenue side is not General
21 Fund money. So, again, we know with the
22 General Fund side, we're losing folks to
23 attrition and with the retirements that
24 are coming in. So if we could replace
25 them, that would be great, but we don't

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 foresee that happening within the next
3 fiscal year.

4 COUNCILMAN GREENLEE: You talk
5 about generating revenues. Do you see
6 your present position able to generate
7 the same revenues as last year
8 percentage-wise or more, if I'm making
9 sense with that question?

10 COMMISSIONER RICHARDSON: I
11 have an idea what you're trying to say.
12 Will the same revenue that was collected
13 last year come in this year? I can't
14 project that. Given the economy, as we
15 all know, we can't forecast what the
16 business privilege tax returns coming in
17 hopefully starting tomorrow will be,
18 because we know some businesses may be
19 out of business or have generated less
20 revenue in 2008 than they did in 2007. I
21 can't say that.

22 We, as a department, are trying
23 to be more creative in working with our
24 enforcement tools and generating
25 especially within audits and discovery

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 more assessments on businesses that are
3 not complying with the City of
4 Philadelphia.

5 COUNCILMAN GREENLEE: I guess
6 what I'm getting at, do you feel that
7 whatever revenue is generated, if it's
8 less, it won't be because of staffing
9 issues?

10 COMMISSIONER RICHARDSON: No.

11 COUNCILMAN GREENLEE: You do
12 not?

13 COMMISSIONER RICHARDSON: Not
14 because of staffing issues, no.

15 COUNCILMAN GREENLEE: Okay.
16 Just to give you one example, but I've
17 heard this a few times. People get
18 notices from the Law Department saying
19 you haven't paid certain taxes or
20 whatever. They produce proof that they
21 paid months ago, and the Law Department,
22 lawyers for the City, have told us, Well,
23 one of the reasons is, it takes Revenue a
24 long time to give us that information.

25 Do you see that? Is that how

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 you see it and do you see that -- if so,
3 do you see it improving at all?

4 COMMISSIONER RICHARDSON: I
5 don't see it that way. However, again,
6 we are working with the Law Department
7 more in conjunction now to improve some
8 things, improve reporting. Access to the
9 system is a little bit better than we had
10 in the past.

11 COUNCILMAN GREENLEE: Okay.
12 Because I guess just generally where I'm
13 going with this is, if obviously the
14 Department is a revenue generator, that
15 it seemed if staff was cut back too much,
16 that would hurt the generation of
17 revenue. It's almost the old saying
18 about penny wise and dollar foolish. But
19 you don't feel that that is a problem?

20 COMMISSIONER RICHARDSON: At
21 the current staff level that we're at, I
22 think we can continue to collect the
23 revenue that is owed to the City, and,
24 again, moving forward with the hiring of
25 new auditors, again, we're being more

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 proactive now doing more travel audits, I
3 think we will continue to create more
4 assessments that will be owed to the City
5 of Philadelphia. I think also because of
6 our educational outreach to practitioners
7 and to the business communities, I think
8 that is telling folks they need to start
9 getting compliant. I think also this
10 fiscal year we've started with the
11 delinquency of businesses on the website.
12 I think that has started stimulating more
13 compliance. We've been more proactive
14 now doing audits with parking lots in the
15 City of Philadelphia. Just, for example,
16 today we had one business come in and
17 comply and pay a very large sum of money
18 that we didn't anticipate. So I think
19 because we're out and about now, that
20 will start stimulating compliance to --

21 COUNCILMAN GREENLEE: Doing
22 more outreach kind of thing.

23 COMMISSIONER RICHARDSON: Doing
24 more outreach. That's how it happens.

25 COUNCILMAN GREENLEE: Good

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 enough. Good luck.

3 COMMISSIONER RICHARDSON: Thank
4 you, sir.

5 COUNCILMAN GREENLEE: Thank
6 you.

7 Thank you, Madam President.

8 COUNCIL PRESIDENT VERNA:
9 You're welcome.

10 The Chair recognizes Councilman
11 Rizzo.

12 COUNCILMAN RIZZO: Thank you,
13 Madam Chair.

14 Good afternoon.

15 COMMISSIONER RICHARDSON: Good
16 afternoon, sir.

17 COUNCILMAN RIZZO:
18 Commissioner, I wasn't going to talk
19 about this, but since you brought it up,
20 Project Ocean. I thought we heard the
21 last of Project Ocean, to tell you the
22 truth, but now it sounds like we're
23 asking for additional funds to complete
24 the, how you say it here, additional
25 costs associated with the billing system.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 I understand this project has
3 been very expensive to our city. How
4 much of the money for Project Ocean came
5 from your budget and this 454,000
6 additional? Could you give us the total
7 cost of implementing the water bill,
8 including the 454,000?

9 COMMISSIONER RICHARDSON:
10 Repeat your question again, please.

11 COUNCILMAN RIZZO: Project
12 Ocean, the water bill, in your testimony
13 you're asking for another 454,000 and, in
14 your words, it is an increase because of
15 the estimated obligations due primarily
16 to the additional costs associated with
17 enhancements to the new water billing
18 system. The new water billing system is
19 Project Ocean, correct?

20 COMMISSIONER RICHARDSON: Yes.

21 COUNCILMAN RIZZO: So it sounds
22 like we're still dumping money into this
23 development of a water bill when I
24 understand well in excess of \$20 million
25 has already been put into this project.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 And I asked earlier I think to the Budget
3 Director of what really did we spend, not
4 just from your budget, from IT, from --
5 again, one of the confusing things about
6 government is, the source of funds come
7 from so many directions, we can never
8 figure out what something costs us.

9 So how much money did you spend
10 on developing this water bill? Am I
11 correct that this is additional money to
12 bring Project Ocean to completion?

13 COMMISSIONER RICHARDSON: Yes.
14 When the system went live for Project
15 Ocean, they were under budget by a
16 million. So they spent about \$5 million
17 in 2007. Currently, we're asking for
18 additional money because, again, the
19 system needs enhancements for collection
20 purposes. It's not built. You can't buy
21 a system built with everything you need,
22 so the system has continued to have
23 enhancements that we need to help with
24 collections, to help with municipal
25 courts, to help with getting things to

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 the collection agencies as well.

3 COUNCILMAN RIZZO: Well, what
4 I'd like to -- and the Budget Director
5 doesn't need to come. I think one day we
6 really need to know, we really need to
7 know, because I just don't want to make
8 up numbers. I hear that it could be 30
9 million. I hear it could be 40 million
10 that we spent and eventually abandoned
11 many of the parts of the project and got
12 something that's very more basic than we
13 originally anticipated when Project Ocean
14 was still first put on the drawing board.
15 We were trying to design something that
16 we probably should have bought to begin
17 with from a vendor.

18 But my question again is, do
19 you know how much the Revenue Department
20 has kicked in to Project Ocean, your
21 direct money?

22 COMMISSIONER RICHARDSON: I'll
23 get that information for you and get back
24 to you.

25 COUNCILMAN RIZZO: And then the

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Budget Director or the Finance Director,
3 please, could we some day know what
4 this -- I don't want to use the word
5 "boondoggle," but what this project
6 actually costs the taxpayers of the City
7 of Philadelphia.

8 The other issue that I'd like
9 to take a minute to discuss with you is
10 something before your time as
11 Commissioner, is the police reimbursable
12 overtime program. As you know, during
13 this budget process, a few years ago we
14 realized that police officers working off
15 duty and the police officers were being
16 paid, and the City was not doing a very
17 good job, the Police Department at the
18 time, of collecting the money from the
19 companies or individuals that the police
20 officers were working for. And I had
21 this conversation earlier and I remember
22 the number was about \$6 million that was
23 written off, and I understand that
24 Revenue has come to the rescue of the
25 Police Department, which I appreciate,

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 and has involved yourself in that process
3 of managing oversight to make sure that
4 the police do what they do well, fight
5 crime, but the Revenue Department does
6 what they do well, collect money.

7 Is it safe to say that this
8 police reimbursable overtime program is
9 on track? I'm hearing that there was a
10 time recently where we were starting to
11 get into the hole again, and I hope
12 that's not the case.

13 COMMISSIONER RICHARDSON: As I
14 expressed to you last year, I wasn't
15 happy with the program. However, this
16 year we've met with Deputy Commissioner
17 Gaittens and Deputy Mayor Gillison.
18 We're moving forward to make this a
19 better program. We are looking forward
20 to now trying to require the businesses
21 that are in Philadelphia using the police
22 or ones coming through the City to start
23 making their payments go automatic to us
24 through ACH. So we're trying to set some
25 parameters. Anything \$5,000 and above

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 that they may owe us, we want our money
3 cleared, not a check being mailed to us.

4 (Bell rung.)

5 COMMISSIONER RICHARDSON: So
6 we're trying to also have the system that
7 this is built electronically, so when
8 you're going to go into the Police
9 Department, you put your information in
10 there, we want to also capture -- because
11 the delinquency in the past, the
12 corporate officers who were dealing with
13 the company, how to reach them and
14 contact them, so if they're going to go
15 by the wayside and become delinquent, we
16 have a way to reach them.

17 But I'm confident to say with
18 the Police Department we're moving
19 forward being more progressive and trying
20 to do things more in a 21st century of
21 electronic Internet usage for these
22 businesses and capturing the money
23 faster, too.

24 COUNCILMAN RIZZO:
25 Commissioner, we wrote \$6-plus million

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 off. Am I hearing that we still don't
3 have the full engagement of the Revenue
4 Department in this process?

5 COMMISSIONER RICHARDSON: We
6 are engaged in this process because we're
7 trying to change it to make the police do
8 their job and us collect the money.
9 We're trying to take it to electronic
10 age. So that's where I'm trying to say
11 we're going with this further. We've
12 been meeting with them already to move
13 forward with this.

14 COUNCILMAN RIZZO:
15 Commissioner, this has been going on now
16 for over a half a dozen years and I
17 cannot believe what I'm hearing today,
18 that we -- I was hoping to hear you say
19 that this program is solid as a rock, and
20 that's not what I'm hearing.

21 COMMISSIONER RICHARDSON: What
22 I'm trying to say to you is, I can't talk
23 about the past. We are trying to change
24 the ways of the past to make this a
25 better program.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN RIZZO:

3 Commissioner, we've been here now a year
4 and three months, and I think in a year
5 and three months, that's a significant
6 amount of time and I think it's enough
7 time to have this program on a solid
8 footing.

9 COMMISSIONER RICHARDSON: Well,
10 as I said to you, I think this program is
11 doing much better than it did last year
12 when I started. Am I going to say are we
13 on solid rock? Nothing is really on
14 solid rock. I'm confident to say this
15 program is moving forward. I'm not going
16 to say that they wrote \$6 million off in
17 this program. We are moving forward to
18 do a better job of collecting money
19 automatically instead of by check to have
20 the policemen do their jobs on the
21 streets and, as you said, Revenue to
22 check the money coming in. So we're
23 doing things, again, in the mindset of
24 the 21st century electronically instead
25 of doing paper coupons, sending in a

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 check.

3 COUNCILMAN RIZZO: How much
4 money do we have -- and I know I'm out of
5 time. The next round I want to ask you
6 the question. I'll ask it now so if you
7 don't have the answer. How much money do
8 we have on the street presently? And
9 I'll end right now. I'll come back to
10 you.

11 COMMISSIONER RICHARDSON: To
12 answer your question, thus far as the end
13 of the third quarter, we've collected
14 10,571,632, and it's roughly to say about
15 on the street there's about \$4 million.

16 COUNCILMAN RIZZO: Four
17 million?

18 COMMISSIONER RICHARDSON: Yes.

19 COUNCILMAN RIZZO: Uncollected?

20 COMMISSIONER RICHARDSON: At
21 this current time.

22 COUNCILMAN RIZZO: I think
23 we're heading back into some trouble
24 here. So we might have to have a hearing
25 or have everybody in this Chamber to kind

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 of discuss this program, because I can't
3 imagine that we have allowed this program
4 to continue if we're not able to collect
5 the money from the people that use the
6 services of our Police Department.

7 COMMISSIONER RICHARDSON:
8 That's why we're working with the Police
9 Department now to collect our --

10 COUNCILMAN RIZZO:
11 Commissioner, again, no disrespect. A
12 year and three months is a long time.
13 This program should be really -- this
14 program should be in better shape than
15 it's in at this point. And I'm not going
16 to beat it to death now. We might have
17 to have a hearing on this.

18 Thanks.

19 Thank you for your indulgence,
20 Madam Chair.

21 COUNCIL PRESIDENT VERNA: Thank
22 you.

23 Commissioner, can you tell us
24 how long it takes your department to
25 deposit a taxpayer's real estate payment?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON: It
3 generally will take no more than a week
4 to get a check into the bank. Again, I'm
5 going to tell you the reason why I'm
6 saying that to you, when the money comes
7 in, we'd like to get it in within 24 to
8 48 hours. Just in the last quarter
9 alone, we've had 69,942 exception payment
10 processing issues with real estate
11 payments coming from taxpayers in the
12 City. What that means is, a taxpayer is
13 probably sending us a check but no
14 coupon, send us a coupon and maybe didn't
15 send a check. So it takes us time away
16 from processing things when we have to
17 continue to move forward to take care of
18 these exceptions.

19 COUNCIL PRESIDENT VERNA:
20 Commissioner, I am telling you without
21 any hesitation that we know of people who
22 have told us that they're waiting months
23 for their check to clear, and you're
24 saying that you deposit the check within
25 48 hours. Tell us what the process is.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON:

3 Again, the process is, if a taxpayer
4 sends in a coupon and a check --

5 COUNCIL PRESIDENT VERNA: What
6 is the coupon?

7 COMMISSIONER RICHARDSON: When
8 you get your real estate bill, you have
9 on your coupon 2009 real estate tax bill.

10 COUNCIL PRESIDENT VERNA: Oh,
11 the insertion that you send back.

12 COMMISSIONER RICHARDSON:
13 Right. So once we have that, we can
14 process that with the check through our
15 billing system, our processing system.
16 That doesn't take long at all. Again, we
17 have a lot of folks -- again, I said over
18 69,000 -- that are sending in a check
19 without the coupon, and that takes us
20 time to pull it out of the process to
21 research the information from an
22 individual. So that may delay that
23 timeframe of getting into the bank a
24 little bit longer as well.

25 COUNCIL PRESIDENT VERNA: We

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 know someone, I think it's about two
3 months now or close to two months.
4 Perhaps something is wrong with the mail,
5 and I'm going to suggest that he either
6 call your office or call his bank.

7 COMMISSIONER RICHARDSON: He
8 can call me. As I said before, if
9 anybody here has a problem with a
10 taxpayer not getting their credit, please
11 call us. So, I mean, we're here to try
12 to service them. I haven't had any calls
13 or complaints in regard to people getting
14 their tax real estate payments paid, so
15 this is news to me.

16 COUNCIL PRESIDENT VERNA:
17 Commissioner, what steps has the Revenue
18 Department taken to increase the
19 delinquent collections?

20 COMMISSIONER RICHARDSON: Right
21 now, again, we're working with the Law
22 Department on various initiatives. We as
23 a department are, again, working with
24 them on the delinquency as being posted
25 on the website of businesses in the City

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 of Philadelphia. We're also looking to
3 enhance our audit functions. We've
4 increased staff. As I said, about five
5 new auditors have come on board. Just in
6 the two months they've been there, they
7 were able to collect themselves from
8 doing taxpayer assist over \$215,000. So
9 we're working that way. Again, we're
10 looking to match wage taxes that are
11 being paid by taxpayers that may not have
12 business privilege taxes -- they're not
13 registered for business privilege tax in
14 the City of Philadelphia. We're working
15 on various initiatives like the parking
16 lot tax, and we're working on the
17 initiative that we got here from
18 Councilwoman Sanchez that's going to be
19 pretty fruitful for us as well. Again,
20 we're looking at using the data that we
21 receive from the IRS to continue to help
22 us with projects here in the City of
23 Philadelphia. We're trying to do
24 outreach again with regard to the school
25 income tax that people say they don't

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 know about. So we're trying to make sure
3 that we are proactive in getting that
4 information out as well.

5 So we are daily trying to think
6 of programs that will help increase
7 revenue in the City of Philadelphia.
8 We're trying to be more proactive in
9 tackling the delinquents that are
10 currently on our books and trying to come
11 to resolutions with the Law Department on
12 those cases as well.

13 COUNCIL PRESIDENT VERNA:
14 Commissioner, on Page 13-17 of your
15 detail, you're requesting \$152,000 for
16 printing of business tax packages. What
17 information is contained in the package?

18 COMMISSIONER RICHARDSON:
19 That's the business privilege tax returns
20 that we're sending out to all the
21 businesses in the City. It's their 2008,
22 last year's, tax return information that
23 they need to send in to us. That's
24 primarily what the package is. If you
25 want a copy of one, we can try to provide

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 you with a copy of one.

3 COUNCIL PRESIDENT VERNA: I'm
4 not following.

5 COMMISSIONER RICHARDSON: Kind
6 of sort of you get in the mail your --

7 COUNCIL PRESIDENT VERNA: When
8 you say "printing of business tax
9 packages," I may be interpreting it one
10 way and I think you're probably saying
11 it's a bill?

12 COMMISSIONER RICHARDSON: No,
13 it's not a bill. It's your tax return
14 for that year. For example, you get a
15 tax return booklet from the IRS or from
16 the state for your personal income tax.
17 That's the kind of package that we're
18 sending out to the various businesses in
19 the City of Philadelphia.

20 COUNCILMAN RIZZO: Point of
21 information.

22 COUNCIL PRESIDENT VERNA: The
23 Chair recognizes Councilman Rizzo.

24 COUNCILMAN RIZZO:
25 Commissioner, are you telling me these

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 are forms that we're sending to people
3 that could possibly be printed out on a
4 computer at their end?

5 COMMISSIONER RICHARDSON: Yes.
6 That's what -- some of them are. Some
7 people can't print these out. Again,
8 we're looking -- for example, the long
9 form for your business privilege tax,
10 that's not being printed out currently on
11 the system. We're looking to do that for
12 next fiscal year.

13 COUNCILMAN RIZZO: So we're
14 spending all this money and we could put
15 the burden on the taxpayer to print the
16 documents that they need to fill out
17 rather than us send them blank papers?

18 COMMISSIONER RICHARDSON: We
19 are trying to do that for next fiscal
20 year's tax returns, to do that so they
21 can print them electronically or be part
22 of software packages that they can get
23 them.

24 COUNCILMAN RIZZO: Thank you,
25 Commissioner.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Thank you, Madam Chair.

3 COUNCIL PRESIDENT Verna:

4 You're welcome.

5 Commissioner, on Page 13-25
6 you're requesting an increase of \$104,500
7 for mail center equipment. What
8 equipment will you be purchasing?

9 COMMISSIONER RICHARDSON: That
10 is part of the Quantum payment processing
11 equipment we're looking to purchase that
12 will help us getting payments remitted
13 faster through the system.

14 COUNCIL PRESIDENT Verna: And
15 how much is it going to cost?

16 COMMISSIONER RICHARDSON: It's
17 for an inserter and another mail machine.

18 COUNCIL PRESIDENT Verna: I'm
19 sorry. I didn't hear you.

20 COMMISSIONER RICHARDSON: An
21 inserter and another mail machine.

22 COUNCIL PRESIDENT Verna:
23 Again, can you tell us why you need this
24 equipment now? Can it wait or be delayed
25 for another year?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON:

3 Again, we're doing over 480,000 water
4 bills a year, plus tax return packages
5 and other mail that we do for the City.
6 We are the mail department for the City
7 of Philadelphia pretty much. So we need
8 new equipment to continue to move
9 forward. Again, the mail department --
10 the U.S. --

11 COUNCIL PRESIDENT VERNA:

12 Sometimes there's mail we don't like to
13 receive.

14 COMMISSIONER RICHARDSON:

15 That's true. But that's what the
16 equipment is for.

17 COUNCIL PRESIDENT VERNA: Okay.

18 COUNCILMAN GREEN: Point of
19 information.

20 COUNCIL PRESIDENT VERNA: Yes.
21 Councilman Green.

22 COUNCILMAN GREEN: Thank you,
23 Madam Chair.

24 I'm sorry. Your first answer
25 to the question was that you were

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 purchasing a Quantum software.

3 COMMISSIONER RICHARDSON: My
4 first response was incorrect. That's for
5 the mail room, for mail room equipment,
6 not for payment processing.

7 COUNCILMAN GREEN: So payment
8 processing, that will be an electronic
9 payment processing system that you're
10 putting in place?

11 COMMISSIONER RICHARDSON: No.
12 That is a piece of equipment.

13 COUNCILMAN GREEN: No, no. I
14 understand. The information I'm seeking
15 is, are you purchasing the software that
16 you mentioned in your first answer to the
17 Chair's question?

18 COMMISSIONER RICHARDSON: We
19 are talking with the CIO, Allan Frank, to
20 start looking at that, for electronic
21 portal for people to pay their taxes.

22 COUNCILMAN GREEN: Are you
23 aware that the Oracle Business Suite that
24 we currently own provides for an
25 electronic portal and electronic

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 payments?

3 COMMISSIONER RICHARDSON: I
4 don't know that, but that is probably
5 what Mr. Frank is going to talk to us
6 about so we can move forward for 2010 for
7 April 15th.

8 COUNCILMAN GREEN: We need to
9 not spend money on new software when we
10 own many of the packages we can implement
11 in every department and save money.

12 I also would say as a point of
13 information that it sounds like a mail
14 sorter, a piece of equipment, could
15 perhaps be purchased under the Capital
16 Budget rather than with general operating
17 funds, and I make that suggestion. And
18 if you could report back why that's not
19 part of the Capital Program to the Chair.

20 Thank you.

21 COUNCILMAN RIZZO: Can I get
22 back in cue here?

23 COUNCIL PRESIDENT VERNA: No.
24 I'm sorry. We have other
25 Councilmembers --

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN RIZZO: I know,
3 because my point of information --

4 COUNCIL PRESIDENT VERNA:
5 You're fine.

6 The Chair recognizes Councilman
7 Jones.

8 COUNCILMAN JONES: Thank you,
9 Madam President.

10 Commissioner, I must say that
11 this is my second year hearing your
12 testimony and I have to admire your tie.

13 COMMISSIONER RICHARDSON: Thank
14 you, sir.

15 COUNCILMAN JONES: It is a
16 definite upgrade over last year and
17 hopefully indicative of revenues coming
18 in to the City of Philadelphia.

19 Let me ask you a couple of
20 questions. One, in your testimony you
21 mention that you're getting ready to fill
22 34 current vacant positions out of the
23 Water Revenue Fund, I believe?

24 COMMISSIONER RICHARDSON: Yes.

25 COUNCILMAN JONES: Help me to

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 understand how a department applies for
3 Water Revenue Fund and is it specifically
4 for collections for that department?

5 COMMISSIONER RICHARDSON: It is
6 for customer service and collections and
7 some technology that we want to bring in
8 some folks to manage the Project Ocean
9 going forward.

10 COUNCILMAN JONES: So who
11 determines whether your request for
12 additional staff should be funded? Who
13 controls that process of making your
14 department eligible versus another
15 department?

16 COMMISSIONER RICHARDSON: We
17 met with the Water Department in November
18 to go over our budget for FY10.

19 COUNCILMAN JONES: So the Water
20 Department has a board or how is that --
21 I'm trying to get my arms around who
22 determines whether that specific set of
23 revenue should apply to your specific
24 department versus some other worthwhile
25 departments.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON:

3 Because it's Water funded, I guess we go
4 through them for the request. That
5 probably is vetted out between Council to
6 approve the Water Fund.

7 COUNCILMAN JONES: So at some
8 point, we actually approved these
9 positions within another budget,
10 particularly the Water Department, or we
11 will?

12 COMMISSIONER RICHARDSON: You
13 have to approve the Water Fund, I'm
14 pretty sure.

15 COUNCILMAN JONES: So as a
16 subset of that, it will go then to you?

17 COMMISSIONER RICHARDSON:
18 Right. That's under the Water Fund that
19 comes to us.

20 COUNCILMAN JONES: All right.
21 As you requested this Project Ocean is
22 \$20 million investment in software, will
23 that result in less outsourcing of
24 collection activity by your department?

25 COMMISSIONER RICHARDSON:

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Hopefully it would, if everyone will pay
3 their bills on a timely manner. However,
4 for those that are delinquent, we will
5 still probably be using collection
6 agencies via through the Law Department.

7 COUNCILMAN JONES: Is that a
8 goal of yours, to reduce the outsourcing
9 and be able to do that internally?
10 Because every time we outsource, we give
11 a commission, I'm imagining, and that's
12 less dollars in our treasury.

13 COMMISSIONER RICHARDSON: It is
14 less. However, within the Charter, the
15 case will stay with us for 90 days, then
16 they go into the Law Department. The Law
17 Department is responsible for all the
18 collection agency contracts.

19 COUNCILMAN JONES: So after
20 you're done making your initial attempt,
21 then it goes to them?

22 COMMISSIONER RICHARDSON: Yes.

23 COUNCILMAN JONES: Okay. You,
24 I see, did approximately \$3 million in
25 Class 200 contracting; is that right?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON:

3 You're talking the Water Fund or the
4 General Fund?

5 COUNCILMAN JONES: I thought it
6 said that you did -- I see you have a
7 list of MBEs and WBEs here within your
8 testimony.

9 COMMISSIONER RICHARDSON: Yes.

10 COUNCILMAN JONES: And that
11 comes up to how much?

12 COMMISSIONER RICHARDSON: That
13 comes up to 870 -- well, all the
14 contracts that we have comes up to
15 \$870,452.

16 COUNCILMAN JONES: So you've
17 outsourced in Class 200 less than a
18 million dollars?

19 COMMISSIONER RICHARDSON: Yes.

20 COUNCILMAN JONES: And of that,
21 your minority and female participation is
22 what percent of them?

23 COMMISSIONER RICHARDSON:
24 Minority participation is 14 percent and
25 women participation is 24 percent.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN JONES: Repeat that
3 for me.

4 COMMISSIONER RICHARDSON:
5 Fourteen percent for minority businesses
6 and 24 percent for women businesses.

7 COUNCILMAN JONES: What was it
8 last year this time?

9 COMMISSIONER RICHARDSON: I
10 don't recall what it was last year. I
11 can get back to you with that answer.

12 COUNCILMAN JONES: I think that
13 that's -- again, I'm trying to, as best I
14 can, when departments do a good thing or
15 make an improvement, kind of put that on
16 the record, too. We have a tendency to
17 accentuate the negative and not kind of
18 underscore the positive, as Blondell
19 Reynolds Brown, Councilwoman at-large,
20 would say. So we're going to try to --
21 so if you could give us last year's
22 participation numbers and then juxtapose
23 them with this year's, it would be worth
24 doing.

25 You said the Law Department

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 should get that question on collections,
3 correct?

4 COMMISSIONER RICHARDSON:
5 Collection agencies?

6 COUNCILMAN JONES: Yes.

7 COMMISSIONER RICHARDSON: Yes.

8 COUNCILMAN JONES: What is the
9 average age of your receivables now and
10 has it changed based on the recession?

11 COMMISSIONER RICHARDSON: I
12 have to get back to you on that, on the
13 average age of receivables. Again,
14 within our department, anything that goes
15 past 90 days gets moved on to the Law
16 Department for further collection
17 activities.

18 COUNCILMAN JONES: Okay. But
19 you would probably have a delinquency
20 rate within that percentage of expected
21 revenues, which I think will give us a
22 lot of indication if this recession is
23 going to get worse or getting worse and
24 having a negative impact on our budget.
25 So if you could provide that to the Chair

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 and she can distribute it to Council,
3 what was the aging report from last year
4 versus this year and is the number of
5 delinquent accounts increasing.

6 COMMISSIONER RICHARDSON: I can
7 try to provide it to you.

8 COUNCILMAN JONES: Thank you,
9 Madam Chair.

10 COUNCIL PRESIDENT VERNA:
11 You're welcome.

12 The Chair recognizes
13 Councilwoman Brown.

14 COUNCILWOMAN BROWN: Thank you,
15 Madam President.

16 Good morning, everyone. Let me
17 pick up and underscore where Councilman
18 Jones left off. Background: Last year I
19 sent a letter to the Mayor asking that
20 every single department, when they come
21 before us, tell us specifically their
22 percentage of MBE/WBE. This year I'm
23 augmenting that last by saying not only
24 stipulate the percentage of MBE/WBEs, but
25 also tell us of those, which are prime

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 contractors and which are subcontractors,
3 because that gives us a better picture.
4 And I'm going to augment that further and
5 say in the presence of Mr. Dubow that we
6 want to know '08 numbers, '08 numbers, so
7 that we can really see what's happening
8 from year to year. And I've been assured
9 that I do not have to put that in
10 writing, so I want to stipulate again --
11 can we ask Mr. Rob Dubow to come to the
12 witness table, Madam President?

13 COUNCIL PRESIDENT VERNA:

14 Certainly.

15 (Witness approached witness
16 table.)

17 COUNCILWOMAN BROWN: Greetings,
18 Mr. Dubow.

19 MR. DUBOW: Hello.

20 COUNCILWOMAN BROWN: I just
21 want to go on record again to say how
22 important it is to us that we have the
23 numbers, which you have here today,
24 Mr. Revenue Commissioner, but you told us
25 the percentages, and when we're reading

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 testimony, we'd like to be able to look
3 at a grid and actually see the progress
4 or not. And so I'm asking again that all
5 departments come to us showing the
6 percentages. The amounts are fine, but
7 the amounts put up against the big
8 picture tell us nothing.

9 MR. DUBOW: Right. You want
10 the percent and you want it for both
11 years?

12 COUNCILWOMAN BROWN: Both
13 years, as well as those who are prime and
14 those who are subcontractors. Because
15 more and more we're hearing from women
16 and people of color, We're sick of being
17 subcontractors, we are now at a capacity
18 where we want to be considered for
19 opportunities to be prime contractors.
20 And so if we're going to move the needle,
21 we need to know how and if department
22 managers are seeking to raise the level
23 of opportunity, if you will, for those
24 who can qualify to be prime and subs.

25 MR. DUBOW: Okay.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILWOMAN BROWN: Thank you.

3 So enough on that for now.

4 If you could, reflecting on the
5 article that was in the paper dated
6 November 13th, '08, just give us an
7 update on where you are with the list of
8 the top 50 business tax delinquents.

9 COMMISSIONER RICHARDSON: Well,
10 currently -- you're talking about the
11 website delinquency listing?

12 COUNCILWOMAN BROWN: Yes.

13 COMMISSIONER RICHARDSON: 1.6
14 million has been collected and 1.6
15 million is set up in payment agreements
16 currently.

17 COUNCILWOMAN BROWN: So as a
18 result of that tactic, there's clearly
19 been some response.

20 COMMISSIONER RICHARDSON: Yes.
21 The goal of the tactic is, the folks that
22 are going on the list are the most
23 egregious people and are probably not
24 going to pay you, but it's stimulating
25 compliance with someone else saying, I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 don't want to be on that list. So those
3 folks are starting to come clean and get
4 compliant and take care of their
5 responsibilities.

6 COUNCILWOMAN BROWN: Okay. Do
7 you think there's any role for Council on
8 our end to assist in that enterprise, or
9 no?

10 COMMISSIONER RICHARDSON: Sure.
11 I think Council, for one, if you can get
12 the word out to the businesses in your
13 various districts, letting them know if
14 they are delinquent -- you can view the
15 website and see for public information if
16 they're delinquent -- to come talk to us,
17 set up a meeting, set up some payment
18 agreements.

19 I think also to follow up with
20 a previous question, if anybody in your
21 districts that you know that are sending
22 payments into us or may have questions
23 about do I send my payments in, what do I
24 do with this tax return or this coupon,
25 the more you can help us out, the better

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 it is for the City and for the Revenue
3 Department.

4 COUNCILWOMAN BROWN: Is that
5 website broken down by councilmanic
6 district with the listing of those
7 businesses?

8 COMMISSIONER RICHARDSON: No,
9 it's not. We're hoping that as we move
10 forward with the process, because we're
11 still in our baby steps and infancy, that
12 we can start getting more creative and
13 looking at doing that or perhaps by zip
14 code.

15 COUNCILWOMAN BROWN: Okay.
16 Because I know that would be a great
17 service to district Councilmembers.

18 On the last page of your
19 testimony, last paragraph, you talk about
20 how the Department of Revenue and the
21 Division of Technology are working on
22 substantial improvements to the website.
23 Talk about what they are.

24 COMMISSIONER RICHARDSON: Well,
25 one, if you look at our website, it looks

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 different.

3 Two, we're providing more
4 information on our website for reporting
5 on a monthly and a weekly basis what the
6 collection efforts have been in the City.
7 We're posting our regulations and rules
8 on the website. You have more access and
9 easier use to get to things now for tax
10 credit applications. It's more easier to
11 get to -- it's more easier to navigate
12 than it was in the past, I will say.

13 Our ReveNews, our newsletter
14 that we do quarterly, is on the website
15 as well. So it's more opportunities for
16 people to go in and feel more comfortable
17 as they're looking at the website and
18 seek information a little bit more
19 readily faster than they did in the past.

20 COUNCILWOMAN BROWN: I do know
21 of one constituent who was okay and able
22 to complete the federal tax form and the
23 state form, but when it got to the City
24 form -- I wish I had that document with
25 me -- the question was asked -- the City

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 form became very, very cumbersome for
3 them and that they're computer
4 literate --

5 (Bell rung.)

6 COUNCILWOMAN BROWN: That is
7 amazing.

8 Sorry, Madam President. I've
9 lost my train of thought. That bell went
10 off.

11 COMMISSIONER RICHARDSON: To
12 help your question, if someone has a
13 question in regard to their tax returns
14 or forms, they can come to our 4th Floor
15 in Room 430 for taxpayer assist. That is
16 a service we provide to the taxpayers in
17 City of Philadelphia for free.

18 Also, if you're looking for
19 them to do their filing electronically
20 online, that's something we're trying to
21 move forward to in the future, as you can
22 do your federal and state online and send
23 it through electronic portal that goes to
24 them without sending a copy into us.

25 COUNCILWOMAN BROWN: Can I wrap

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 up on this question, Madam President?

3 COUNCIL PRESIDENT VERNA:

4 Certainly.

5 COUNCILWOMAN BROWN: Please.

6 Thank you.

7 When filing online, the website
8 asks you to fill in your income, and when
9 calculating a tax due, it asks customers
10 to multiply that by zero. Anything times
11 zero equals zero. And this taxpayer knew
12 for sure that they owed the City dollars,
13 but on that specific form, it says
14 whatever that number is times zero equals
15 zero.

16 COMMISSIONER RICHARDSON: If
17 you want the taxpayer to call my office,
18 we can talk to them.

19 COUNCILWOMAN BROWN: Okay. All
20 right. I'll leave it there for that.

21 Thank you, Madam President.

22 COUNCIL PRESIDENT VERNA:

23 You're welcome.

24 The Chair recognizes
25 Councilwoman Sanchez.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILWOMAN SANCHEZ: Thank
3 you, Madam President.

4 I want to thank the Revenue
5 Commissioner and his office. I know both
6 Rob Dubow, my office and yours have been
7 working on many different collection
8 processes. So I want to thank you on the
9 record for your willingness to indulge us
10 as we try to seek out and improve our
11 collections.

12 That said, I wanted to echo
13 what President Verna mentioned earlier,
14 because this happened less than two weeks
15 ago. We had a business owner who had
16 about 44 different accounts and was
17 coming in with \$100,000, and we had quite
18 a bit of difficulty finding a staff
19 person that wanted to collect it, and
20 even when I sent my legislative staff
21 across the street, we went to one person
22 and they said, Well, it's almost 3
23 o'clock, I don't do this anymore, you got
24 to go to a supervisor. And it took us
25 about half an hour to navigate someone

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 who wanted to take \$100,000.

3 So I think there's some room
4 for improvement there. I don't want to
5 name names, but any time a Councilperson
6 is sending over a business person to pay,
7 we may want to think about how we do
8 that, especially with multiple accounts.

9 The other thing was that he had
10 to write out multiple checks, because
11 your department claimed that they did not
12 have ability to separate it, and I think
13 we ended up at like 20-something checks
14 versus 44 checks. But that's a problem,
15 so it's something that should be looked
16 at.

17 I don't know if we have a
18 special supervisor, a point of contact in
19 those types of cases. I would just hope
20 that if I'm encouraging my businesses to
21 come in and pay taxes because we need
22 money, that that doesn't happen, because
23 that's a problem. And I didn't call you
24 personally because we got it resolved,
25 but I just wanted to let you know that

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 there's a lot of room for improvement.

3 One of the issues that came up
4 in some of the community sessions I've
5 been having is about our electronic bill
6 pay. What do we currently charge people
7 who pay their bills electronically?

8 COMMISSIONER RICHARDSON: 2.49
9 percent.

10 COUNCILWOMAN SANCHEZ: 2.49
11 percent? Is there anything that we can
12 do about that high cost? Because for
13 some folks, for your average person and
14 people on fixed incomes, you would think
15 if we're encouraging them to pay it
16 electronically so they don't get a dollar
17 money order and a 40-something cent
18 stamp, they almost -- what they've said
19 to me is, I prefer to do it that way,
20 which causes more labor for you because
21 of the fee.

22 COMMISSIONER RICHARDSON: We
23 are trying to work with the group that we
24 use trying to do a restructure of the
25 fee. I will say to you that if any

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 taxpayer you have may have a bank account
3 that they do electronically through their
4 bank, they can do it free of service and
5 pay their water bill, if that's what
6 they're looking to do. If they're doing
7 their tax returns, it's just a matter of
8 sending a check in.

9 COUNCILWOMAN SANCHEZ: So if
10 they do it through their bank fee, it's
11 free of service, but if they do it on
12 your online --

13 COMMISSIONER RICHARDSON: If
14 you're using your credit card, you're
15 going to pay for the service. But I will
16 say they can use their bank accounts or
17 do it by bank by phone or ACH payment
18 that way as well.

19 COUNCILWOMAN SANCHEZ: If they
20 do bank by phone?

21 COMMISSIONER RICHARDSON:
22 There's no fee for that.

23 COUNCILWOMAN SANCHEZ: So it's
24 only when they use your website?

25 COMMISSIONER RICHARDSON: When

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 they're using the City's payment

3 organization, there's a fee for that.

4 COUNCILWOMAN SANCHEZ: Okay.

5 COMMISSIONER RICHARDSON: To
6 follow up on a question or back to your
7 statement earlier, if there's a situation
8 where you have a taxpayer that's coming
9 in with that kind of money and those
10 amount of accounts, I would like that you
11 would call us and let us know in advance
12 so we can set somebody to the side. And
13 afterwards you can tell me who that
14 individual was, please.

15 COUNCILWOMAN SANCHEZ: Okay.
16 What would you say is our estimated
17 outstanding debt in water right now,
18 delinquents, really delinquent accounts?

19 While they respond, why is it
20 that we don't have an ability to take one
21 check and split it?

22 COMMISSIONER RICHARDSON: For
23 tax payments?

24 COUNCILWOMAN SANCHEZ: Yeah.

25 DEPUTY COMMISSIONER HALEY: I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 would need more information as to whether
3 court fees, sheriff's sales cost, why it
4 would have to be split. If it was all
5 tax, there's no reason to split.

6 COUNCILWOMAN SANCHEZ: Okay. I
7 guess my question is, once we know what
8 the outstanding debt is, if we've done an
9 analysis of what -- if we did an amnesty
10 for that Water Revenue piece of it, have
11 we done them in the past? What have they
12 generated? Because that number is going
13 to be huge when they -- do you have the
14 final number?

15 DEPUTY COMMISSIONER BETHEL:
16 Yes.

17 COUNCILWOMAN SANCHEZ: What is
18 it?

19 DEPUTY COMMISSIONER BETHEL:
20 Good afternoon. My name is Michelle
21 Bethel. I'm the Deputy Revenue
22 Commissioner for Water.

23 COUNCIL PRESIDENT VERNA:
24 Please pull the microphone closer to you.
25 Thank you.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 DEPUTY COMMISSIONER BETHEL:

3 The outstanding delinquency is 163
4 million.

5 And in reference to the amnesty
6 program, it is my belief several years
7 ago a program did take place, and
8 actually we are in discussions with
9 having a similar program, but we've just
10 started, so we don't have any numbers or
11 how we would roll that out at this point.

12 (Bell rung.)

13 COUNCILWOMAN SANCHEZ: Of the
14 163, is most of that principal? Do you
15 have the breakdown? Can you give that to
16 the Chair?

17 DEPUTY COMMISSIONER BETHEL:

18 Yes.

19 COUNCILWOMAN SANCHEZ: So
20 you're saying you're doing an analysis to
21 determine whether an amnesty program
22 makes sense at this point?

23 DEPUTY COMMISSIONER BETHEL:

24 Yes.

25 COUNCILWOMAN SANCHEZ: When do

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 you think you'll make some final
3 decisions?

4 DEPUTY COMMISSIONER BETHEL:
5 We're hoping to make those final
6 decisions quickly so we can roll it out
7 at the beginning of the fiscal.

8 COUNCILWOMAN SANCHEZ: Okay.

9 Thank you, Madam President.

10 COUNCIL PRESIDENT VERNA:

11 You're welcome.

12 The Chair recognizes Councilman
13 Clarke.

14 COUNCILMAN CLARKE: Thank you,
15 Madam President.

16 Good afternoon.

17 COMMISSIONER RICHARDSON: Good
18 afternoon.

19 COUNCILMAN CLARKE: Sorry I
20 wasn't here for all the testimony. I
21 don't know if this issue came up about
22 the senior citizens tax relief program.

23 COMMISSIONER RICHARDSON:

24 Nothing came up about that.

25 COUNCILMAN CLARKE: And I know

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 I had some conversations with you
3 actually earlier this year on the
4 expansion of PACENET because of this
5 whole real estate issue that has now
6 risen to the top of the food chain as it
7 relates to issues that have gotten
8 people's attention. I think it was in
9 2001 or 2 when there was this significant
10 assessment issue in the City of
11 Philadelphia and Council was making all
12 sorts of proposals about caps and all
13 types of real estate protection programs,
14 and I understand that at that time --
15 actually, I know Councilman Rizzo had
16 worked with the former Mayor on putting
17 together one of the programs. There are
18 a number of programs that I understand
19 are currently available for tax relief,
20 not just to seniors but to other people,
21 such as deferrals and installment plans,
22 and, one, I would like for you to
23 possibly get us through the Chair a list
24 of every potential problem that's allowed
25 under the existing code that does not

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 require state authorization.

3 Two, can you talk to me about
4 the marketing strategy for these various
5 programs? Because it's my understanding
6 that a lot of people either, one, don't
7 know or don't take advantage of even the
8 senior citizens relief program. We
9 actually did a flyer. We were giving out
10 flyers because we were hosting a meeting
11 for the Mayor in Strawberry Mansion, and
12 I actually -- I got to tell you, I
13 included my little Darrell Clarke update
14 along with the flyer. Since I was paying
15 somebody to put flyers out for the
16 meeting, I might as well put my
17 newsletter out, too. Economies of scale.

18 But I was surprised at how many
19 people actually came to the meeting that
20 had no idea that there was a senior
21 citizens program that had been expanded
22 to include more people. Can you talk to
23 me about how your department markets or
24 makes people aware of that other than
25 just simply posting a notice? I think

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 they put an application in the mailer for
3 the assessment.

4 COMMISSIONER RICHARDSON: Yeah.
5 Notice goes out every year with the tax
6 bill November, early December. We really
7 don't do marketing per se, because that's
8 spending money. We're more on the
9 enforcement side of trying to collect the
10 money.

11 Again, to let you know, there's
12 about 20,680 people right now that
13 currently are involved in our programs.
14 We're involved in an installment program
15 for low income --

16 COUNCILMAN CLARKE: Slow down.
17 Slow down. Involved in what kind of
18 program?

19 COMMISSIONER RICHARDSON: The
20 various programs that we offer --

21 COUNCILMAN CLARKE: All of the
22 programs?

23 COMMISSIONER RICHARDSON: Yes.

24 COUNCILMAN CLARKE: Twenty
25 thousand?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON:

3 Twenty thousand six-eighty. Of that, we
4 have the installment program for low
5 income. We have the low-income senior
6 citizens plan, which as of December of
7 '07 is 12,235 folks who are in that plan
8 as well. We also do provide for --

9 COUNCILMAN CLARKE: Is that in
10 PACENET or is that PACE? Because I think
11 we got the notices out late.

12 COMMISSIONER RICHARDSON:

13 Right. That's part of PACENET. We are
14 still taking applications. We didn't
15 stop that window for folks, because it
16 came up kind of late this year. So
17 that's still available.

18 We also do provide a tax credit
19 for anyone in the national corridor or
20 the Reserve that's on active duty also.

21 COUNCILMAN CLARKE: Okay. So
22 beyond -- because you say you don't do
23 marketing, because I understand you're
24 revenue, you're supposed to collect
25 money, not give money away. Is there any

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 way that we can have some sort of
3 strategy to make sure that people take
4 advantage of these programs beyond simply
5 asserting something that is -- maybe it's
6 not your department since that's not your
7 charge.

8 COMMISSIONER RICHARDSON: We're
9 working with the Administration to look
10 at doing something that way right now
11 currently for the programs.

12 COUNCILMAN CLARKE: Okay.
13 Well, in the meantime, can you get us a
14 list of all of the existing or potential
15 programs as allowed under our existing
16 code that don't require state
17 authorization to the Chair?

18 COMMISSIONER RICHARDSON: Yes,
19 sir.

20 COUNCILMAN CLARKE: Thank you.
21 Thank you, Commissioner.

22 Thank you, Madam President.

23 COUNCIL PRESIDENT VERNA:
24 Commissioner, with that same information,
25 can you let us know just how many people

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 are enrolled in each of the programs?

3 COMMISSIONER RICHARDSON: Sure.

4 COUNCIL PRESIDENT VERNA: Thank
5 you.

6 COUNCILWOMAN SANCHEZ: Madam
7 President, can I add how many people
8 would be eligible versus how many are
9 enrolled also.

10 COMMISSIONER RICHARDSON: We
11 can't quantify how many people are
12 eligible. That's going to be real hard
13 for us to quantify low income and seniors
14 in the City of Philadelphia.

15 COUNCILMAN CLARKE: Point of
16 order.

17 COUNCIL PRESIDENT VERNA:
18 Councilman Clarke.

19 COUNCILMAN CLARKE: Thank you.

20 When we initially proposed the
21 bill, the Administration and former
22 Revenue Commissioner did come up with a
23 pretty accurate estimate, because at the
24 time, they weren't supportive because it
25 was going to cost the City a certain

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 amount of revenue in the middle of the
3 calendar year. So somehow they were able
4 to determine the eligibility of all of
5 the seniors portion. So shouldn't you be
6 able to know that? Because they gave me
7 to the dollar. They said, This is what
8 it's going to cost us. This is why we
9 can't do it.

10 COMMISSIONER RICHARDSON: I
11 will go look for that information. I
12 know currently within the state level for
13 the property tax rebate program from
14 citizens in the City of Philadelphia,
15 there's 74,000 applicants, but, again, it
16 could be more, it could be a number we're
17 missing, but we will try to get that
18 information for you.

19 COUNCILMAN CLARKE: Wait a
20 minute. Say that again.

21 COMMISSIONER RICHARDSON:
22 Within the Commonwealth of Pennsylvania
23 tax rebate program for renters or for
24 property, there were 74,000 applicants
25 from Philadelphia.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN CLARKE: Is that
3 just renters or is that both renters and
4 homeowners?

5 COMMISSIONER RICHARDSON: For
6 both.

7 COUNCILMAN CLARKE: Is it
8 categorized in terms of renters versus
9 homeowners?

10 COMMISSIONER RICHARDSON: They
11 can probably break that out for us, yes.

12 COUNCILMAN CLARKE: So the
13 likelihood that the person that qualifies
14 under the state rebate program is
15 probably also eligible for PACENET,
16 right?

17 COMMISSIONER RICHARDSON:
18 Possibly. But there could be more than
19 that number right there that we don't
20 know about. Some folks, as you know, are
21 afraid to fill out applications and
22 apply. We can try to quantify as best we
23 can. It may take some time to come back
24 with that data.

25 COUNCILMAN CLARKE: Thank you.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Thank you, Councilwoman.

3 COUNCIL PRESIDENT Verna: Thank
4 you.

5 The Chair recognizes Councilman
6 Green.

7 COUNCILMAN GREEN: Thank you,
8 Madam Chair.

9 Good afternoon, Commissioner.

10 COMMISSIONER RICHARDSON: Good
11 afternoon.

12 COUNCILMAN GREEN: You
13 testified the Department has hired five
14 new revenue examiner trainees and it's on
15 track to generate 16 million in new audit
16 assessments, a 4.5 percent increase. You
17 also testified the Department is now,
18 quote/unquote, fully staffed its
19 Investigations Unit and that following up
20 on audit and tax discovery leads will
21 yield over 1 million. I think I just
22 heard you say that you, because of this
23 group, have increased collection over
24 just a couple months by \$215,000, more
25 than paying for these five auditors.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 What is the cost per revenue examiner
3 trainee?

4 COMMISSIONER RICHARDSON:

5 That's about 50,000.

6 COUNCILMAN GREEN: I guess the
7 question really is, what's the break-even
8 point at which additional hires would not
9 yield more revenue?

10 COMMISSIONER RICHARDSON: The
11 break-even point where they would not be
12 generating more revenue -- what was your
13 question again?

14 COUNCILMAN GREEN: Well, my
15 question is, hiring five seems to be very
16 successful. What would hiring 50 bring
17 in? They're all paying for themselves.
18 I mean, why wouldn't we hire 50?

19 COMMISSIONER RICHARDSON: I
20 think we have to quantify that. I don't
21 know. I couldn't tell you hiring 50
22 would it be a plus or minus for the City.
23 We'd have to quantify that.

24 COUNCILMAN GREEN: Well, how
25 about hiring ten more? Are you confident

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 that would provide us with more revenue
3 than the cost?

4 COMMISSIONER RICHARDSON: Put
5 it this way to you: Anyone or any
6 additional bodies you want to give us for
7 our department to collect more revenue,
8 we appreciate it.

9 COUNCILMAN GREEN: Will they
10 pay for themselves?

11 COMMISSIONER RICHARDSON: Yes.

12 COUNCILMAN GREEN: Until what
13 point?

14 COMMISSIONER RICHARDSON: I
15 can't tell you what fiscal year that it
16 would not be paying for themselves.
17 Again, I don't know.

18 COUNCILMAN GREEN: In other
19 words, if we gave you ten more, could you
20 collect another 16 million that you
21 weren't -- if we gave you 20 more, could
22 you collect 32? If we gave you --

23 COMMISSIONER RICHARDSON: Keep
24 in mind, it's not collecting. It's
25 assessing. So we're assessing more

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 dollars on audits and discovery cases,
3 not meaning the money is coming in.

4 COUNCILMAN GREEN: Fair enough.

5 COMMISSIONER RICHARDSON: But I
6 can't determine and say if you give me
7 ten, can we do 32 million more. Yes, we
8 probably could. We could probably do
9 more travel audits for the City, but I
10 can't tell you if that's going to
11 guarantee X amount of dollars in the
12 equation.

13 COUNCILMAN GREEN: Well, I
14 mean, it seems to me that that's a very
15 basic thing that a business plan for your
16 department should have the answer to.
17 You should know the break-even point
18 where hiring more auditors will not
19 provide a return. So, I mean, I don't
20 even -- I don't know how to respond to
21 the fact that you don't know the answer
22 to that question. If you could please
23 very quickly do an analysis and provide
24 it to the Chair so that we can see what
25 providing you with more bodies will do in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 terms of assessments, and then I guess we
3 can look at assessments, apply a
4 historical collection rate on them and
5 make sure people continue to pay for
6 themselves, and provide you with the
7 resources you need to increase our
8 revenue in the City of Philadelphia.

9 Will you provide that to the
10 Chair, please?

11 COMMISSIONER RICHARDSON: I
12 will get that to her.

13 COUNCILMAN GREEN: Is that
14 something you can get to her in one week?

15 COMMISSIONER RICHARDSON: No.

16 COUNCILMAN GREEN: How long
17 will it take you to get that to her?

18 COMMISSIONER RICHARDSON: I
19 can't quantify that for you. I will get
20 it to her as quickly as we can.

21 COUNCILMAN GREEN: How about
22 two weeks?

23 COMMISSIONER RICHARDSON: I
24 will get it to her as quickly as we can.

25 COUNCILMAN GREEN: Maybe it's

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 something we should have thought about
3 this entire year, since I asked the same
4 exact question last year, and also the
5 Freshmen 15 specifically raised this
6 issue six months ago.

7 So you prepared a memo last
8 summer summarizing various business
9 privilege tax loopholes, including ones
10 related to corporate structure and
11 unrelated business activities of
12 non-profits. Can you provide an update
13 on your efforts to close those loopholes
14 and what it has yielded the City, if
15 anything.

16 COMMISSIONER RICHARDSON: At
17 this current time, I cannot provide an
18 update to you. We are still vetting the
19 two regulations that we have out for it,
20 and I have to make a determination. I do
21 not want to talk about that publicly at
22 this present time.

23 COUNCILMAN GREEN: I'm sorry.
24 Why don't you want to talk about it
25 publicly?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON:

3 Because I have to make a decision on both
4 of those regulations that we have put out
5 to the public and I have not made a
6 decision yet. I can talk to you offline
7 about what we are doing.

8 COUNCILMAN GREEN: Are there
9 any changes to state law needed to close
10 these loopholes?

11 COMMISSIONER RICHARDSON: No,
12 there is not.

13 COUNCILMAN GREEN: Okay. Do
14 you have an estimate if we close them how
15 much it will bring the City?

16 COMMISSIONER RICHARDSON: No,
17 we do not.

18 COUNCILMAN GREEN: Well, then
19 why do you want to close them?

20 COMMISSIONER RICHARDSON:

21 Because there are tax loopholes right now
22 that businesses and some non-profits are
23 getting through the system currently.
24 You can't quantify them yet because we
25 haven't been out to all of the various

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 organizations that may be taking
3 advantage of these loopholes. So to
4 quantify that, we can't say. We can
5 discuss it offline of once the decision
6 is made.

7 COUNCILMAN GREEN: I think the
8 Freshmen 15 identified some of these
9 loopholes and put the potential revenue
10 on the order of -- Councilwoman Sanchez
11 worked on this -- over \$10 million.

12 So it's your testimony that
13 whatever closing these loopholes will
14 bring into the City in terms of
15 additional revenue is not a part of the
16 Five-Year Plan?

17 (Bell rung.)

18 COMMISSIONER RICHARDSON: Say
19 your last part, please.

20 COUNCILMAN GREEN: Closing
21 these loopholes in terms of additional
22 revenue is not a part of the Five-Year
23 Plan currently?

24 COMMISSIONER RICHARDSON: It is
25 not quantified within the Five-Year Plan,

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 you're correct.

3 COUNCILMAN GREEN: It is not
4 quantified. So if you can quantify that
5 for the Chair, we'll be able to add that
6 revenue to the Five-Year Plan.

7 COMMISSIONER RICHARDSON:
8 Unfortunately, I may not be able to
9 quantify that for her. Again, I
10 appreciate the Freshman 15 providing us
11 with the information of thinking it's \$10
12 million, though.

13 COUNCILMAN GREEN: Okay. Why
14 can't you quantify that within the next
15 two months?

16 COMMISSIONER RICHARDSON: We'll
17 attempt to put something together for
18 you.

19 COUNCILMAN GREEN: Thank you.

20 I have more questions, Madam
21 Chair, but I don't know if someone
22 else --

23 COUNCIL PRESIDENT VERNA: Yes.
24 We have other Councilmembers that want to
25 be recognized. Thank you.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 The Chair recognizes Councilman
3 Rizzo.

4 COUNCILMAN RIZZO: Thanks,
5 Madam Chair.

6 Commissioner, you mentioned
7 something a minute ago. Maybe you can
8 explain the process. It has to do -- I
9 think you said you handle the mail?

10 COMMISSIONER RICHARDSON: Yes.

11 COUNCILMAN RIZZO: Just the
12 mail that's mailed outside? Do you
13 handle the delivery of mail to the
14 offices?

15 COMMISSIONER RICHARDSON: No,
16 we do not.

17 COUNCILMAN RIZZO: The reason
18 I'm asking that question -- and I think
19 this is going to be a tough challenge for
20 you, but I've collected for years now
21 boxes of U.S. mail that came from the 7th
22 Floor to the 5th Floor, from the 1st
23 Floor to the 5th Floor, from MSB, all
24 with postage on it, and I think the
25 Freshmen 15 stole that one from me,

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 because I talked about that before they
3 were even here.

4 Isn't there something -- again,
5 I don't even have a current list of where
6 inner-office mail -- and I think the
7 Department of Public Property handles
8 that -- and how it even works. But why
9 do we have so much mail that's being
10 mailed via U.S. mail within our building?

11 COMMISSIONER RICHARDSON: We
12 don't do the mail for City Hall or City
13 Council. I can't speak upon what mail is
14 coming out. We can look into that,
15 though.

16 COUNCILMAN RIZZO: City Council
17 does a pretty good job of moving our mail
18 around. I'm talking about when the 2nd
19 Floor sends a Councilmember a
20 communication, if it's not
21 hand-delivered, guess what? It's got
22 postage on it.

23 COMMISSIONER RICHARDSON: We
24 are looking at mail now currently being
25 delivered within buildings that should

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 not be getting a stamp on it. I
3 understand what you're saying. So our
4 group is pulling those pieces out to make
5 sure that they get hand-delivered instead
6 of sending out the postage.

7 COUNCILMAN RIZZO: But I think
8 what I'm hearing is that you need to
9 coordinate -- I think Public Property
10 handles inner-office mail and they
11 deliver to the various City agencies
12 throughout the City where they have a
13 mail run or what. Maybe we ought to get
14 it all on the same page and figure out
15 why I have this box of mail that's got
16 hundreds of dollars of postage on it that
17 came from MSB or City Hall from one floor
18 to the other. I mean, it sends such a
19 terrible message to even employees during
20 tough times that we're willing to use
21 U.S. postage to deliver something two
22 floors.

23 So if you could figure out,
24 maybe work with -- and give us some
25 feedback. Maybe you can have a meeting

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 with the Public Property Commissioner to
3 see if there's something we can do.
4 Because what's that old cliché? Every
5 little bit helps.

6 COMMISSIONER RICHARDSON:
7 Again, mail that's coming into our shop
8 now that is from one floor going to the
9 next, we're pulling out mail that can be
10 hand-delivered or sent back to Public
11 Property's offices, and now people are
12 picking up the mail themselves in
13 departments. So we're cognizant of that
14 as we're trying to save money for the
15 City to make sure that we're not sending
16 things out that could be delivered or put
17 in people's boxes.

18 COUNCILMAN RIZZO: Well, that's
19 a good first step, but I hope the process
20 isn't where you throw it in a box and
21 it's something important and it sits for
22 a week before it gets back to Public
23 Property for hand-delivery or manual
24 delivery.

25 So the process really, I think,

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 needs to be reviewed, because that's one
3 of the problems that people have told me.
4 They say, The reason I put postage on it,
5 because we really don't have a good
6 internal delivery process in our
7 government.

8 So if you could work on that
9 and maybe talk to Commissioner
10 Schlotterbeck to see if coming together
11 might make this a better process. And,
12 again, at the end of the day, you might
13 be able to pay for that new machine by
14 just the money you save.

15 Thank you, Commissioner.

16 Thank you, Madam Chair.

17 COUNCIL PRESIDENT VERNA:

18 You're welcome.

19 The Chair recognizes
20 Councilwoman Brown.

21 COUNCILWOMAN BROWN: Thank you,
22 Madam President.

23 You mention in your testimony
24 that you charge a two percent fee for
25 filing paperwork online. Was that

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 accurate?

3 COMMISSIONER RICHARDSON: For
4 the payments.

5 COUNCILWOMAN BROWN: For the?

6 COMMISSIONER RICHARDSON: The
7 payment by credit cards.

8 COUNCILWOMAN BROWN: So those
9 dollars are actually, I guess, going to
10 the credit card service?

11 COMMISSIONER RICHARDSON: Yes.

12 COUNCILWOMAN BROWN: Because
13 that's their requirement?

14 COMMISSIONER RICHARDSON: Yes.

15 COUNCILWOMAN BROWN: Thus, the
16 City sees no yield in that?

17 COMMISSIONER RICHARDSON: Yes.

18 COUNCILWOMAN BROWN: So you're
19 doing them a favor?

20 COMMISSIONER RICHARDSON: Yeah.
21 They're getting the fee.

22 COUNCILWOMAN BROWN: But the
23 yield is that you get -- the City
24 benefits from receipt of those dollars?

25 COMMISSIONER RICHARDSON:

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Getting the money quicker, yes.

3 COUNCILWOMAN BROWN: So you do
4 believe then in your estimation that is
5 efficient for those who opt to use that
6 method of payment?

7 COMMISSIONER RICHARDSON: I
8 think it is, yes.

9 COUNCILWOMAN BROWN: Okay. All
10 right, then.

11 Thank you, Madam President.

12 COUNCIL PRESIDENT VERNA:
13 You're welcome.

14 The Chair recognizes
15 Councilwoman Sanchez.

16 COUNCILWOMAN SANCHEZ: Thank
17 you, Madam President.

18 To my colleague's point, if I
19 have a debit card or let's say I have a
20 mileage card, again, and I choose to use
21 it, then I'm paying 2.49 percent of my
22 bill payment, which is a problem for
23 people on fixed incomes. While the
24 options of people paying online is one
25 for many seniors, because they're on

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 fixed incomes, how they transact with
3 them means -- because they don't know
4 when they can pay their bill. So they
5 end up using their debit card, and
6 therein lies the problem. That's where
7 I'm getting it from, so that you
8 understand that.

9 As it relates to the \$163
10 million outstanding, how much of that is
11 fines and penalties and how do we
12 determine fines and penalties on
13 principal?

14 DEPUTY COMMISSIONER BETHEL:
15 That was a breakout that I said I would
16 get back to you what the breakout of that
17 is. So I don't have that readily
18 available.

19 COUNCILWOMAN SANCHEZ: So how
20 are fines determined? What's the level?
21 If you owe a certain amount, when do
22 fines and penalties start triggering, and
23 interest?

24 COMMISSIONER RICHARDSON: Fines
25 would occur, one, if it goes to municipal

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 courts to pay for the court fee. Also
3 maybe issues with the collection agencies
4 on fees that they may be using as well.
5 So that's when that would start.

6 Your interest is going to start
7 calculating once you start missing your
8 first regular payment from the first 30
9 days.

10 COUNCILWOMAN SANCHEZ: How many
11 companies do we have doing discovery work
12 for us currently?

13 COMMISSIONER RICHARDSON:
14 Currently, there are -- I want to say
15 none, because there are new contracts
16 going out to collection agencies from the
17 Law Department. So right now we'll tell
18 you none.

19 COUNCILWOMAN SANCHEZ: So the
20 Revenue Department has no one doing
21 discovery work?

22 COMMISSIONER RICHARDSON: We
23 don't have a contract anymore. The
24 contracts for any collection agencies
25 will go to the Law Department now.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILWOMAN SANCHEZ: They're
3 all going to go through the Law
4 Department; you won't handle it?

5 COMMISSIONER RICHARDSON: Yes,
6 ma'am.

7 COUNCILWOMAN SANCHEZ: So how
8 are we going to determine which accounts
9 get passed over to discovery or for
10 collections?

11 COMMISSIONER RICHARDSON: Once
12 we send the cases to the Law Department
13 or they tell us who they want us to send
14 them to the agencies, we will know better
15 then.

16 COUNCILWOMAN SANCHEZ: Isn't
17 the collection rate the sooner, the
18 better? So at what point are we sending
19 those accounts for collection? Is it 120
20 days? Is it 60 days?

21 COMMISSIONER RICHARDSON: I
22 can't tell you that answer. Again,
23 anything past 90 days goes to Law. We're
24 trying to work on a parameter of when to
25 start sending things that are fresher out

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 to the agencies instead of waiting for a
3 longer timeframe.

4 COUNCILWOMAN SANCHEZ: Going to
5 the point that Councilman Green was
6 making, because of the way we can
7 contract with these companies going to
8 the issue of not committing to long-term
9 staffing, what are we going to have in
10 these new contracts to allow us to
11 increase our ability to collect earlier?
12 Because my understanding is from some of
13 these collection agencies, they get the
14 accounts six months, a year out, which
15 makes the rate of collection less and
16 less and less.

17 If we're talking about
18 efficiency and we're not willing to
19 commit to the internal staff, what are we
20 going to do differently in the new fiscal
21 year to generate a larger percentage,
22 which is that 60- to 120-day window?

23 COMMISSIONER RICHARDSON: Well,
24 again, we're working together in unison
25 to start setting parameters for fresher

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 cases to go out to the agencies instead
3 of waiting, as you said, six months,
4 eight months to a year. So we're working
5 right now with Law to make that
6 determination.

7 COUNCILWOMAN SANCHEZ: How many
8 companies was the City using prior to
9 this new contract?

10 COMMISSIONER RICHARDSON: For
11 collection agencies or for discovery?

12 COUNCILWOMAN SANCHEZ: Both,
13 collections and discovery.

14 COMMISSIONER RICHARDSON: RCB
15 was discovery, was one.

16 COUNCILWOMAN SANCHEZ: What
17 kind of discovery work were they doing?

18 COMMISSIONER RICHARDSON: 1099
19 work they were looking at.

20 COUNCILWOMAN SANCHEZ: One of
21 the things in our work, we've discovered
22 that there's a lot of business loopholes
23 that obviously you don't want to talk
24 about publicly. Have we considered in
25 this new round adding some discovery work

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 as it relates to that?

3 COMMISSIONER RICHARDSON: We
4 haven't discussed that, but it's
5 something to consider.

6 COUNCILWOMAN SANCHEZ: Okay.

7 COMMISSIONER RICHARDSON:
8 Again, probably the loopholes are
9 businesses that are probably paying us or
10 registered to pay some kind of BPT to the
11 City. So it wouldn't be a discovery
12 effort. A discovery effort is going to
13 be on a case, for example, that may be
14 registered as a business but not paying
15 BPT or not having a wage account with the
16 City, somebody that you've discovered and
17 you've brought into compliance.

18 A loophole business probably
19 has been around for years, is registered
20 with the City, may be paying some sort of
21 tax but not paying their fair share.

22 COUNCILWOMAN SANCHEZ: Right.
23 But my point is, with contracting of
24 these discovery companies, we're not
25 losing anything and we're potentially

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 finding revenue. So my issue is, why
3 aren't we being more aggressive with it
4 for both of those that you mentioned?

5 COMMISSIONER RICHARDSON: Well,
6 for the loopholes is because that will be
7 more of an audit situation than a
8 collection agency, because there may be
9 some rules and regulations and things
10 that they may not be cognizant of that an
11 auditor may be.

12 COUNCILWOMAN SANCHEZ: But
13 these are contingency fees based on if
14 they find something. So there's less
15 cost for us for the work. So why aren't
16 we being more aggressive?

17 COMMISSIONER RICHARDSON:
18 Again, with the loophole companies that
19 we're talking about, again, some of these
20 companies are already in business,
21 already in place, may be paying us some
22 form of BPT but not paying us what they
23 may owe us. A collection agency could do
24 discovery work on that, but then the
25 question may be, what are you assessing

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 us for, what is this.

3 They may not know all of the
4 ramifications of the various rules and
5 regulations set up by the fiscal code to
6 say it is a tax loophole. So that's not
7 really there laying the work per se.

8 COUNCILWOMAN SANCHEZ: But
9 there's some discovery companies that
10 also do collection, who can also collect,
11 that can do the discovery and then also
12 collect, and we can contract with them on
13 a contingency basis.

14 COMMISSIONER RICHARDSON:
15 That's possible.

16 COUNCILWOMAN SANCHEZ: I'm
17 concerned, for instance, in the list that
18 we forwarded over to you around lawyers
19 and out-of-town lawyers. That could be
20 profitable if we're aggressive with it,
21 because it's a timely situation. If
22 we're not on this on a timely basis, then
23 we're going to recover less and less of
24 that.

25 COMMISSIONER RICHARDSON: You

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 weren't here earlier. I gave you kudos
3 for sending that to us --

4 COUNCILWOMAN SANCHEZ: I heard
5 it. I was listening from upstairs.

6 COMMISSIONER RICHARDSON: And I
7 kind of didn't want to put that out there
8 publicly what the list was from. So we
9 know that. We recognize it. That was a
10 program we did years ago, but we
11 appreciate it, and it's something we're
12 moving forward with now within our
13 discovery group.

14 COUNCILWOMAN SANCHEZ: So
15 what's the timeframe on that?

16 COMMISSIONER RICHARDSON: On
17 the project working?

18 COUNCILWOMAN SANCHEZ: Mm-hmm.

19 COMMISSIONER RICHARDSON: We're
20 starting to implement that now. Again,
21 because the list is very big, we're doing
22 it in increments. We're looking at doing
23 potentially sending out 50 letters every
24 couple of weeks.

25 COUNCILWOMAN SANCHEZ: Do we

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 have to do it internally or can't this be
3 something that we give to a company and
4 say, Go out, find us what you can?

5 COMMISSIONER RICHARDSON:
6 Because it's fruitful, we would like to
7 do the project first instead of paying
8 the fee on top of it. So if you send it
9 out, we lose 18 percent of what we could
10 have kept in-house. So we have it and
11 we're going to work it first.

12 COUNCILWOMAN SANCHEZ: So when
13 you say it's fruitful, what are we
14 talking about?

15 COMMISSIONER RICHARDSON: It's
16 potentially fruitful because, as you
17 know, there are probably a lot of
18 counselors that are from outside of
19 Philadelphia that aren't registering or
20 paying us. So why would we want to give
21 it out to someone and then charge a fee
22 and we're losing out? So if you owe me
23 \$100, we're only going to get \$81 instead
24 of the full hundred.

25 COUNCILWOMAN SANCHEZ: I guess

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 my concern is the issue of timing again.
3 The further dated this material comes,
4 it's less likely you're going to get 100
5 percent anyway. In some cases because
6 we're dealing with an industry that is
7 contracting, because of the economy they
8 may be out of business by the time we get
9 to them.

10 This is a judgment call. It's
11 not something that we counted on before,
12 so it's easy enough for us to give to
13 someone and say, Come back and give us
14 what you can off of this list. I'm just
15 worried that -- again, I think
16 institutionalizing how we do that moving
17 forward I think is an important piece of
18 revenue, but this list is dated already.
19 So I'm a little concerned that we're
20 going to miss out.

21 COMMISSIONER RICHARDSON: We
22 can look at that once the collection
23 agencies are in place working with them
24 on the list.

25 COUNCILWOMAN SANCHEZ: What's

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 the timeframe for the new contract?

3 COMMISSIONER RICHARDSON: I
4 don't know. You have to talk to Law
5 about that. I defer that to them.

6 COUNCILWOMAN SANCHEZ: Okay.
7 In terms of if we go up on our sales tax,
8 one of the loopholes or one of the areas
9 where we'd have to monitor is if people
10 begin to travel outside of Philadelphia
11 to purchase goods that then end up in
12 Philadelphia. Are we looking at what
13 things we're going to have to ramp up to
14 make sure that on the manufacturing cars,
15 those types of areas where people could
16 potentially go to Delaware and purchase,
17 how we make sure that we collect our
18 portion?

19 COMMISSIONER RICHARDSON:
20 Unfortunately, I can't give you our
21 response to that, because that is a state
22 tax that's being collected. So a use tax
23 form would probably be sent out from the
24 Department of Revenue in Harrisburg.
25 That wouldn't be our bailiwick to deal

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 with that.

3 COUNCILWOMAN SANCHEZ: So we
4 depend on them to do that search and that
5 analysis?

6 COMMISSIONER RICHARDSON: The
7 Bureau of Trust Fund Taxes collects our
8 sales tax for the City, so they would
9 look at doing analysis for that. We
10 couldn't determine that analysis for you.

11 COUNCILWOMAN SANCHEZ: Okay.
12 Thank you.

13 COUNCIL PRESIDENT VERNA: The
14 Chair recognizes Councilman Green.

15 COUNCILMAN GREEN: Thank you,
16 Madam Chair.

17 Just following up on
18 Councilwoman Quinones-Sanchez's question
19 about -- how many people are on the list
20 that she was referring to?

21 COMMISSIONER RICHARDSON: How
22 many people are on the list?

23 COUNCILMAN GREEN: Yeah.
24 What's the number of --

25 COMMISSIONER RICHARDSON: I'll

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 get back to you, because I don't know the
3 number off the top of my head.

4 COUNCILMAN GREEN: It's over a
5 thousand, would you --

6 COMMISSIONER RICHARDSON: I
7 will get back to you. I'm pretty sure it
8 is. I don't know the number off the top
9 of my head.

10 COUNCILMAN GREEN: Let's just
11 assume it's a thousand, then. Why would
12 we send out 50 a week, which would take
13 20 weeks, 50 every two weeks versus
14 sending out a thousand?

15 COMMISSIONER RICHARDSON: Then
16 the staff has to deal with the thousand
17 potentially calling in at one time, plus
18 the other projects we're doing. So then
19 the question is going to be, Well, I left
20 a message, they couldn't get back to me.

21 We're juggling about six or
22 seven projects now waiting for people to
23 call back. It's not realistic when you
24 have a staff to do that at one time.

25 COUNCILMAN GREEN: So if you

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 had the staff to do that, it sounds like
3 it would pay for itself.

4 COMMISSIONER RICHARDSON:
5 Possibly, but, again, that project may
6 come to an end eventually also. So back
7 to your question about when does it
8 become a break-even. We can't determine
9 that.

10 COUNCILMAN GREEN: That's a
11 great point. So why not collect 81
12 percent very quickly in the current
13 budget year when we need the revenue as
14 opposed to going 20 weeks into the year
15 at some point starting when?

16 COMMISSIONER RICHARDSON: As I
17 responded to Councilwoman Sanchez, I said
18 we will look at that.

19 COUNCILMAN GREEN: Okay. Do
20 you have any estimate of how much you
21 believe is outstanding just on the list
22 Councilwoman Quinones-Sanchez provided to
23 you?

24 COMMISSIONER RICHARDSON: I
25 cannot tell you that because I do not --

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 I can't quantify how much is owed because
3 you don't know how much an attorney is
4 getting paid per hour or what their rate
5 is. So I don't know.

6 COUNCILMAN GREEN: But you can
7 make some assumptions. So why don't you
8 assume the average rate is \$250 an hour
9 and that they were each in Philadelphia
10 three hours every single day and just --
11 which is a very conservative estimate, in
12 my view, if you have people coming in
13 from out of town, and provide to the
14 Chair what that total revenue number
15 would be. Okay?

16 COMMISSIONER RICHARDSON:
17 (Commissioner nodding head in the
18 affirmative.)

19 COUNCILMAN GREEN: Thank you.

20 The reason I say is because I
21 believe this number will be in the
22 millions of dollars, and we'd like to --
23 I'd certainly like to include it in this
24 year's revenue.

25 A lot of people talked about

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 the 2.49 percent fee for paying with a
3 credit card as opposed to -- and you said
4 you can pay ACH. So can I go on the
5 website and pay directly from my bank
6 account?

7 COMMISSIONER RICHARDSON: What
8 are you trying to pay?

9 COUNCILMAN GREEN: My property
10 tax bill.

11 COMMISSIONER RICHARDSON: If
12 you set it up that you want the check to
13 come to the City, you probably could.

14 COUNCILMAN GREEN: No, no. On
15 the City's website.

16 COMMISSIONER RICHARDSON: No.

17 COUNCILMAN GREEN: So I can't
18 do an ACH payment like I can do with my
19 American Express bill or Visa bill, and
20 you're trying to set it up for that?

21 COMMISSIONER RICHARDSON: We're
22 trying to set it up towards like an
23 e-TIDES that you can electronically send
24 through a portal for the future.

25 COUNCILMAN GREEN: How much

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 does it cost you to process all of the
3 checks you receive every year; do you
4 know? Have you like taken that function?

5 COMMISSIONER RICHARDSON: For
6 each check it takes us to process, about
7 41 cents.

8 COUNCILMAN GREEN: Forty-one
9 cents per check?

10 COMMISSIONER RICHARDSON: Yes.

11 COUNCILMAN GREEN: Okay. And
12 that's all the employee time, their
13 fringe benefits, which are in the Finance
14 Department, et cetera?

15 COMMISSIONER RICHARDSON: I'm
16 not quantifying what's in the Finance
17 Department.

18 COUNCILMAN GREEN: Could you
19 provide the Chair with a breakdown of
20 exactly how you reached that figure?

21 COMMISSIONER RICHARDSON:
22 Mm-hmm.

23 COUNCILMAN GREEN: The Acute
24 Care Hospital Assessment Fund, how much
25 revenue is that fund expected to generate

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 in FY09 and '10?

3 COMMISSIONER RICHARDSON: I'll
4 get back to you. I think it's about 5 to
5 7 million, but I'll get back to you with
6 that number.

7 COUNCILMAN GREEN: Will this
8 funding, which is dedicated to emergency
9 room-related medical assistance
10 expenditures, have any impact on costs
11 incurred by the City in the Health
12 Department or otherwise?

13 COMMISSIONER RICHARDSON: No,
14 it should not.

15 COUNCILMAN GREEN: Okay. Why
16 not?

17 COMMISSIONER RICHARDSON: The
18 costs that -- we are being paid by the
19 Department of Public Welfare, so it's not
20 money that -- we'll be using that money
21 to take care of the transactions, the
22 information technology side of things.
23 So it wouldn't be a situation that's
24 going to be costing us. We're budgeting
25 that out properly.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 (Witness approached witness
3 table.)

4 COUNCILMAN GREEN: So the --
5 I'm sorry, Mr. Dubow. Do you have --

6 MR. DUBOW: Yeah. There's a
7 piece of the Hospital Assessment money
8 that goes to the Revenue Department to
9 cover their costs. I think that's what
10 the Revenue Commissioner is talking
11 about. There's another piece that will
12 go to the Health Department to cover some
13 of their costs, and I think when they're
14 here, they can describe to you how that
15 will be used.

16 COUNCILMAN GREEN: And that's
17 currently in their budget?

18 MR. DUBOW: That is in the
19 budget, yes.

20 COUNCILMAN GREEN: In the
21 Health Department budget?

22 MR. DUBOW: Yeah.

23 COUNCILMAN GREEN: Okay. Have
24 you looked at the revenue assumptions in
25 FY10 and throughout the Five-Year Plan?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON: Yes.

3 COUNCILMAN GREEN: Do you agree
4 with them?

5 COMMISSIONER RICHARDSON: My
6 responsibility is to collect the money.
7 I can't say anything else than that.

8 COUNCILMAN GREEN: Well, were
9 you consulted during the estimating
10 process?

11 MR. DUBOW: As the Revenue
12 Commissioner said, that's not what he
13 does. He doesn't look at projections.
14 There are people in his department who
15 help us do analysis of collections.
16 That's part of what forms our
17 projections. But he does not do
18 projections.

19 COUNCILMAN GREEN: So just for
20 the record, the Commissioner of Revenue
21 was not consulted with respect to the
22 revenue assumptions in the Five-Year
23 Plan?

24 MR. DUBOW: That's correct.
25 His job is to collect revenues.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREEN: Thank you.

3 MR. DUBOW: His job -- can I
4 answer?

5 COUNCILMAN GREEN: It was very
6 clear.

7 MR. DUBOW: His job is not to
8 figure out growth assumptions in the
9 economy. That's not what he does. We
10 talk to other people about that, like
11 economists.

12 COUNCILMAN GREEN: Okay.
13 Councilman Clarke touched on this. Under
14 Section 19-1307 of The Philadelphia Code,
15 the Department of Revenue is authorized
16 to grant deferrals, in whole or in part,
17 of increases in real estate taxes.
18 Deferrals may be granted for any increase
19 or portion thereof of real estate taxes
20 due to an increase in assessed value of
21 real estate that is greater than 15
22 percent in any given year. There's a
23 bunch of factors that are laid out in the
24 Code there.

25 Is this program publicized in

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 what you send out with the tax bill every
3 year?

4 COMMISSIONER RICHARDSON: It's
5 not within the tax bill, sir.

6 COUNCILMAN GREEN: So how does
7 the public know about this?

8 COMMISSIONER RICHARDSON:
9 Again, we have to do more outreach to let
10 folks know about the payment plans and
11 deferral payment plans that they have an
12 opportunity to be afforded to.

13 COUNCILMAN GREEN: I thought
14 your response to Councilman Clarke was
15 that all of these programs are in the
16 final tax bill. But this one is not?

17 COMMISSIONER RICHARDSON: In
18 the final tax bill?

19 COUNCILMAN GREEN: In the tax
20 bill or like -- yeah. When we send a tax
21 bill, do we let people know about every
22 program that's available to offset costs?

23 COMMISSIONER RICHARDSON:
24 That's not in the tax bill.

25 COUNCILMAN GREEN: It seems to

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 me that might be a good place to -- a
3 good use of that stamp would be to
4 include information about these programs
5 for people.

6 How often does the Revenue
7 Department --

8 COUNCIL PRESIDENT VERNA:
9 Councilman, I'm sorry to interrupt you,
10 but we do have other Councilmembers
11 waiting.

12 COUNCILMAN GREEN: Final
13 question on this point, Madam Chair.

14 COUNCIL PRESIDENT VERNA: Okay.

15 COUNCILMAN GREEN: How often
16 has the Revenue Department granted
17 deferrals under this program? How many
18 did you grant in 2008 and 2009?

19 COMMISSIONER RICHARDSON: I
20 can't quantify for you yet. We will get
21 you numbers for 2008 and 2009.

22 COUNCILMAN GREEN: Thank you.

23 COMMISSIONER RICHARDSON:
24 Again, as I said, as of 2007, there was
25 12,235 folks that were in the senior

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 citizens program. In totality, we have
3 20,680 who are in the programs that we
4 offer.

5 COUNCILMAN GREEN: I don't
6 think any of those are the program that
7 I'm discussing, though.

8 Thank you.

9 COUNCIL PRESIDENT VERNA: Thank
10 you.

11 The Chair recognizes Councilman
12 Rizzo.

13 COUNCILMAN RIZZO: Thank you,
14 Madam Chair.

15 Commissioner, I think that
16 maybe you ought to look at what we were
17 discussing earlier, taking credit cards
18 for City payments. I'll tell you why.
19 There are a lot of companies, big
20 companies, that don't charge a
21 convenience fee, and I learned that the
22 reason is that in most cases, the next
23 day, the next day the money is in their
24 bank account. Many big companies do not
25 charge a convenience fee. There's still

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 a few. But I think we really need to
3 look at what is the upside and the
4 downside of doing it, because I'll tell
5 you that I know a lot of people that have
6 sent their tax payment in, and I'd like
7 to know what departments or what bills
8 are paid that the Revenue Department
9 handles. I don't know. Do you handle
10 the water bill or Water Department's
11 bills, the payments for the water bill?

12 But I really think you should
13 look at the convenience fee issue,
14 because if you get your money within a
15 few hours after the transaction is
16 completed -- I know some folks that pay
17 their real estate taxes. Twenty days
18 later the check still hadn't cleared.

19 So I'd like you to comment on
20 both of those, and why does it take so
21 long for the City of Philadelphia to post
22 a payment for real estate taxes and other
23 bills that a physical check is sent in.

24 COMMISSIONER RICHARDSON:
25 Again, the Department takes all taxes and

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Water Revenue bills. As regard to
3 individuals sending checks in for payment
4 that's taking 20 days, again, are they
5 sending in the coupon with that check as
6 well?

7 COUNCILMAN RIZZO: Everything
8 is right. Everything is right.

9 COMMISSIONER RICHARDSON: I
10 will look into it. Again, I haven't
11 heard a problem at all people getting --
12 their checks taking that long.

13 COUNCILMAN RIZZO: Well, nobody
14 is going to call and complain that their
15 check took 20 days to cash, but I think
16 we need the money, and to have it out
17 there and not in our account is not a
18 good thing.

19 COMMISSIONER RICHARDSON: I
20 understand that, and we're trying to make
21 sure that the money gets in the bank
22 faster than what it has been getting
23 into. So I will take a look into that as
24 well.

25 COUNCILMAN RIZZO: What about

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 the convenience fee again? What are you
3 going to do?

4 COMMISSIONER RICHARDSON:
5 Convenience fee, again, we will talk with
6 the various departments in the City that
7 are working with that to look at that
8 moving forward as time moves on with the
9 contract. So it's not just Revenue
10 that's involved in that. So there are
11 other departments.

12 COUNCILMAN RIZZO: There could
13 be an indirect savings of not having to
14 handle the payment, that it's posted
15 right into the account, you have the
16 money immediately. So just to say that
17 you're paying the credit card fee to the
18 credit card company, there may be some
19 indirect savings that you haven't
20 identified that could make that a very
21 good way for people to pay their bills.
22 So you will follow up on that?

23 COMMISSIONER RICHARDSON: We
24 will follow up on it.

25 COUNCILMAN RIZZO: Thank you,

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Commissioner.

3 Thank you, Madam Chair.

4 COUNCIL PRESIDENT VERNA:

5 You're welcome.

6 COUNCILMAN RIZZO: That was a
7 short five minutes, Madam Chair.

8 COUNCIL PRESIDENT VERNA: Yes.

9 The Chair recognizes Councilman
10 Kenney.

11 COUNCILMAN KENNEY: Thank you,
12 Madam Chair.

13 Commissioner, I want to first
14 compliment you on your aggressiveness,
15 because I think you've been aggressive.
16 We've had a number of conversations
17 relative to collection of revenue that's
18 due the City in a number of different
19 areas. Some of the things I brought to
20 you privately and we've talked about and
21 you followed up on. So I do believe that
22 the will is there to do the best you can
23 to get our money in.

24 One of the things that
25 continually arises during the course of

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 this budget crisis discussion is this
3 mythical \$300 to \$400 million in real
4 estate tax that's owed the City. And I'm
5 constantly getting letters from people or
6 phone calls or people on the street,
7 Don't cut one ounce of service until you
8 collect that \$300 or \$400 million in real
9 estate taxes.

10 Could you give us a little kind
11 of description or narrative as to the
12 condition of those tax bills and how old
13 some of them are and what the cost is to
14 collecting some of them relative to being
15 held in estates, in different states,
16 where the people who had owned the
17 property originally had passed on, the
18 kids are scattered throughout the country
19 or we don't know where they are. Could
20 you talk a little bit about the reality
21 of the real estate tax collections on the
22 arrears. Because I remember -- just one
23 extra thing. I remember the last couple
24 Administrations we've had these kind of
25 tax sales and lien sales and all that

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 kind of stuff, and it seemed to me that
3 during the course of those activities,
4 the property tax that was really
5 collectible is what we sold off or what
6 we gave to companies to collect.

7 Could you talk a little bit
8 about the reality of collecting \$400
9 million in back real estate taxes?

10 COMMISSIONER RICHARDSON: To be
11 honest with you, Councilman Kenney, I
12 don't really want to comment on it,
13 because, again, the Law Department is
14 more proactive on working with the
15 delinquencies in the real estate. Is the
16 beast realistic that it's about 250, 300
17 million or more? Yes, it is,
18 unfortunately. The Law Department is
19 proactively working --

20 COUNCILMAN KENNEY: That's on
21 paper?

22 COMMISSIONER RICHARDSON: On
23 paper, yes.

24 The Law Department is more
25 proactive on working with various

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 agencies and within their own offices to
3 collect the money that is owed on real
4 estate taxes. Again, unfortunately,
5 we're not really involved in that process
6 with the real estate side on collections,
7 because, again, with the processing going
8 past the 90 days, it's going to them.
9 But it is a real issue.

10 COUNCILMAN KENNEY: So it's
11 mostly Law Department responsibility?

12 COMMISSIONER RICHARDSON: Yes,
13 sir.

14 COUNCILMAN KENNEY: Rob, could
15 you --

16 MR. DUBOW: That's correct.
17 It's mostly Law Department. But it's
18 important to note that when you look at
19 aging of bills, anything that gets beyond
20 a few years becomes very difficult to
21 collect.

22 COUNCILMAN KENNEY: Why is
23 that?

24 MR. DUBOW: People are gone.
25 They've moved away. It's hard to track

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 down the original taxpayer.

3 The number on real estate tends
4 to look bigger in other areas because
5 we're much slower to write off because
6 there's a property there.

7 COUNCILMAN KENNEY: Or a vacant
8 lot.

9 MR. DUBOW: Or a vacant lot,
10 right. But the Law Department has more
11 details. But you're right, that a lot of
12 that number is not really collectible.

13 COUNCILMAN KENNEY: You were in
14 the government I believe in some form or
15 another when I think we did something in
16 the Rendell Administration, we did
17 something in the Street Administration
18 relative to trying to accelerate the
19 collection of real estate taxes as a
20 result of real estate tax bills that are
21 actually collectible, and aren't those
22 the ones that these companies or lien
23 sales really gravitate to? I mean, they
24 kind of pick up the low-hanging fruit or
25 the medium-hanging fruit, but the stuff

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 on the top they have no interest in
3 either?

4 MR. DUBOW: Right. And even
5 that didn't turn out too well, because
6 that was the tax lien sale, and a lot of
7 that turned out to be not collectible.

8 COUNCILMAN KENNEY: But as far
9 as the Law Department being able to
10 collect \$400 million in back real estate
11 taxes or \$300 million, whatever the
12 number is, because the number gets bigger
13 every time I hear a complaint, that's not
14 a realistic --

15 MR. DUBOW: Correct.

16 COUNCILMAN KENNEY: At least
17 realistic both in accomplishing it and
18 doing it at a cost that doesn't exceed
19 the cost of the lien?

20 MR. DUBOW: Correct.

21 COUNCILMAN KENNEY: Okay.

22 Thank you.

23 COUNCIL PRESIDENT VERNA: The
24 Chair recognizes Councilwoman Sanchez.

25 COUNCILWOMAN SANCHEZ: Yes. I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 wanted to ask a question in light of what
3 we are reviewing could be a potential
4 property tax hike. Other than the
5 deferral programs, what would be the cash
6 flow impact if we allowed people to
7 spread out their bills over a longer
8 period of time, say six months to a year,
9 if we went up to a 20 percent increase,
10 which is what is being requested?

11 COMMISSIONER RICHARDSON: I'd
12 have to try to quantify that for you. I
13 couldn't tell you today.

14 COUNCILWOMAN SANCHEZ: Okay. I
15 don't know if Rob wants to add to that.
16 Rob?

17 MR. DUBOW: I'm sorry,
18 Councilwoman. I didn't hear the
19 question.

20 COUNCILWOMAN SANCHEZ: In light
21 of the fact that we're being asked to
22 vote on a potentially 20 percent real
23 estate tax increase, what would be
24 the cash flow implications or impact if
25 we allowed people to spread out their

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 taxes over six months or a year,
3 depending on the financial situation, and
4 lifting our current deferment for our
5 income qualifications?

6 MR. DUBOW: If people were able
7 to pay later, the issue for us,
8 particularly in 2010, is that our cash
9 position is fairly weak. It's one of the
10 reasons that we might end up having a
11 fund balance that's as high as it is, is
12 to make sure that we don't run out of
13 cash. With those deferrals, there would
14 be a heightened risk that we would
15 actually run out of cash during the year.

16 COUNCILWOMAN SANCHEZ: Okay.
17 Thank you.

18 COUNCIL PRESIDENT VERNA: Thank
19 you.

20 The Chair recognizes Councilman
21 Green.

22 COUNCILMAN GREEN: Thank you,
23 Madam Chair.

24 Mr. Dubow, while you're there,
25 what is the portion of the real estate

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 tax owed that is delinquent within the
3 last year, last two years?

4 MR. DUBOW: I'd have to get
5 back to you on that. I don't have that
6 with me.

7 COUNCILMAN GREEN: Okay.
8 Because you would agree that there is
9 some significant portion, on the order of
10 \$20, \$40, \$50 million, of real estate tax
11 that is collectible?

12 MR. DUBOW: There is definitely
13 a portion that's collectible, and we are
14 aggressively pursuing that.

15 COUNCILMAN GREEN: How much
16 does the Five-Year Plan or does FY10
17 calculate from a revenue assumption that
18 we will collect in what are currently
19 delinquent real estate taxes?

20 MR. DUBOW: For 2010 it assumes
21 \$42 million.

22 COUNCILMAN GREEN: And what was
23 it in 2009?

24 MR. DUBOW: In 2009 it assumes
25 42.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREEN: Forty-two?

3 MR. DUBOW: Yeah. In 2008 --
4 let me finish. In 2008 it was 36
5 million. And the original budget for
6 2009 was 36. So we took it up from last
7 year and the original budget by \$6
8 million.

9 COUNCILMAN GREEN: Okay. And
10 maybe we can do even better in 2010 if we
11 hire staff either in Revenue or in Law
12 and go after some of these people.

13 MR. DUBOW: Well, the other
14 thing that happens when you look at
15 delinquents going up from 36 to 42, some
16 of what you've done is captured people
17 who then become part of the current. So
18 if you have six for two years in a row,
19 it means that there's actually an
20 increase in the number of delinquents
21 you're bringing in, because you have a
22 portion that's staying delinquents and a
23 portion that go up.

24 COUNCILMAN GREEN: Sure. So
25 we've consistently heard discussion about

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 how Revenue doesn't have enough bodies to
3 accept more payments from people, so --

4 MR. DUBOW: I'm not sure that's
5 exactly what the Commissioner said.

6 COUNCILMAN GREEN: Well, for
7 example, with respect to the collection
8 of money from attorneys who do business
9 in the City but are out of town, we're
10 only going to send out 50 every two weeks
11 because we don't have enough people to
12 answer the phone calls when those numbers
13 come back.

14 I just think we need to be more
15 aggressive with collecting this money. I
16 see the Mayor on TV out there, but maybe
17 we ought to behind the scenes build up
18 the back-office operation that will let
19 this happen.

20 MR. DUBOW: We are being more
21 aggressive, and as the Commissioner said,
22 we have given them more staff to be more
23 aggressive in going after delinquents.

24 COUNCILMAN GREEN: Okay. So
25 you'll provide the Chair with the aged

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 accounts receivable for delinquent taxes?
3 MR. DUBOW: Yes.
4 COUNCILMAN GREEN: Thank you.
5 COUNCIL PRESIDENT VERNA: Thank
6 you.
7 Are there --
8 COUNCILMAN GREEN: Yes, Madam
9 Chair.
10 COUNCIL PRESIDENT VERNA: Oh,
11 I'm sorry.
12 COUNCILMAN GREEN: That's okay.
13 So, Commissioner, you've
14 testified that after 90 days you lose
15 control of the collection of -- is that
16 any kind of tax or is that just Water
17 Revenue?
18 COMMISSIONER RICHARDSON: Water
19 Revenue and all taxes.
20 COUNCILMAN GREEN: And all
21 taxes. So if somebody is 90 days late on
22 their real estate tax, it leaves you and
23 it goes to the Law Department?
24 COMMISSIONER RICHARDSON: Let
25 me rephrase that. With real estate, no,

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 you have a year to pay your real estate
3 tax bill.

4 COUNCILMAN GREEN: Okay. So
5 it's a year and 90 days for real estate.
6 So for one year real estate stays in your
7 department?

8 COMMISSIONER RICHARDSON: Real
9 estate stays in our confines for a year,
10 and then after that --

11 COUNCILMAN GREEN: So can you
12 describe to me what happens from a
13 systems and a workflow process operation
14 in your department if somebody's real
15 estate tax bill is 30 days late.

16 COMMISSIONER RICHARDSON: Well,
17 first of all, you have up until February
18 28th to get the one percent discount. So
19 you're going past 30 days. Then you're
20 due by March 31st. If that is the
21 situation, our department is not built to
22 continually try to call them via phone or
23 something. What happens after December
24 31 of the current year, they are then in
25 the process to go to get a lien against

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 them and a certified letter is sent out
3 for the delinquency.

4 COUNCILMAN GREEN: So the
5 answer to the question is, from March
6 31st when it's due to December 31st, even
7 though it remains within the jurisdiction
8 of your department, nothing is done, no
9 mail is sent?

10 COMMISSIONER RICHARDSON: We
11 continue to bill them. That's really
12 about it.

13 COUNCILMAN GREEN: How often do
14 you bill them?

15 COMMISSIONER RICHARDSON: We
16 bill them on a monthly basis.

17 COUNCILMAN GREEN: So if
18 somebody hasn't paid, every month you
19 send out a bill?

20 COMMISSIONER RICHARDSON: Yes.

21 COUNCILMAN GREEN: I'm sorry.
22 I couldn't hear your response.

23 DEPUTY COMMISSIONER HALEY: We
24 would bill quarterly a reminder notice,
25 but they're sent out on a month --

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREEN: Oh,
3 quarterly, not monthly?

4 DEPUTY COMMISSIONER HALEY:
5 Yes.

6 COUNCILMAN GREEN: So you bill
7 quarterly or monthly?

8 COMMISSIONER RICHARDSON: You
9 as an individual would get a quarterly,
10 but we're billing monthly to all the
11 taxpayers that are delinquent for real
12 estate.

13 COUNCILMAN GREEN: I'm
14 confused. You send out notice quarterly?

15 DEPUTY COMMISSIONER HALEY:
16 Yes. They're cycled. There's actually
17 bills that go daily.

18 COUNCILMAN GREEN: So you're
19 billing monthly in your system in terms
20 of calculating interest, but you're only
21 sending out bills quarterly?

22 DEPUTY COMMISSIONER HALEY:
23 Yes.

24 COUNCILMAN GREEN: No phone
25 calls are being made?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COMMISSIONER RICHARDSON: We
3 are not built for phone calls, sir,
4 outbound calls rather.

5 COUNCILMAN GREEN: Thank you,
6 Madam Chair.

7 COUNCIL PRESIDENT VERNA:
8 You're welcome.

9 The Chair recognizes Councilman
10 Kenney.

11 COUNCILMAN KENNEY: Thank you,
12 Madam Chair.

13 Just relative to real estate
14 tax collection, if you live in a house
15 and don't own it, the property owner gets
16 the bill or the tenant gets the bill?

17 COMMISSIONER RICHARDSON: The
18 property owner should be getting the
19 bill, not the tenant.

20 COUNCILMAN KENNEY: So in order
21 to get a property tax bill, you have to
22 actually own the property in the City?

23 COMMISSIONER RICHARDSON: Yes.

24 COUNCILMAN KENNEY: And if you
25 don't own the property in the City, you

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 don't get the bill?

3 COMMISSIONER RICHARDSON: If
4 you don't own the property, no.

5 COUNCILMAN KENNEY: So it's not
6 mailed to the house; it's mailed to --

7 COMMISSIONER RICHARDSON: It
8 should be mailed to the property owner.
9 So you may be living in Florida. The
10 bill should be going to your mailing
11 address in Florida, if you change your
12 address.

13 COUNCILMAN KENNEY: Does it
14 make any sense to mail it also to the
15 house?

16 COMMISSIONER RICHARDSON: Not
17 really, because then the taxpayer
18 confidentially is being taken away,
19 because my bill you should not know
20 about.

21 COUNCILMAN KENNEY: But the
22 same process is followed quarterly with
23 the out-of-state owner when it's a
24 tenant-occupied residential property?

25 COMMISSIONER RICHARDSON: Yes.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 The tenant -- the owner is the one
3 accountable for the bill, not the tenant.

4 COUNCILMAN KENNEY: Thank you.

5 COUNCIL PRESIDENT VERNA: Any
6 other questions from members of the
7 Committee?

8 (No response.)

9 COUNCIL PRESIDENT VERNA: Thank
10 you very much.

11 COMMISSIONER RICHARDSON: Thank
12 you, Madam President.

13 MR. McPHERSON: The City
14 Treasurer is next.

15 COUNCIL PRESIDENT VERNA:
16 Councilman Green.

17 COUNCILMAN GREEN: Thank you.

18 Madam Chair, with respect to
19 the discussion about real estate taxes
20 and other delinquent taxes, given the
21 responses that we received today, that
22 it's really not within the control of the
23 Department of Revenue, I would expect
24 that the City Solicitor will arrive
25 prepared to answer the questions that

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 we've asked of the Department of Revenue
3 today that he said only the City
4 Solicitor can answer.

5 Thank you, Madam Chair.

6 COUNCIL PRESIDENT VERNA: Thank
7 you.

8 (Witness approached witness
9 table.)

10 COUNCIL PRESIDENT VERNA: Good
11 afternoon. Welcome. Please identify
12 yourself for the record --

13 MS. RHYNHART: Rebecca
14 Rhynhart.

15 COUNCIL PRESIDENT VERNA: -- and
16 proceed with your testimony.

17 MS. RHYNHART: Rebecca
18 Rhynhart, City Treasurer.

19 Good morning, Council -- can
20 you all hear me?

21 COUNCIL PRESIDENT VERNA: I
22 think it's afternoon.

23 MS. RHYNHART: Good morning,
24 Council President Verna and members of
25 City Council. I am Rebecca Rhynhart,

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 City Treasurer of the City of
3 Philadelphia. I am pleased to provide
4 testimony on the proposed Fiscal 2010
5 Operating budget for the Office of the
6 City Treasurer.

7 The Office of the City
8 Treasurer is responsible for the
9 distribution of checks and electronic
10 payments and the investment of bond funds
11 and operating funds not needed for daily
12 disbursements. In addition, the Office
13 is responsible for new bond issuances and
14 the management of 8 billion of
15 outstanding debt, including debt issued
16 for the General Fund, Water Department,
17 Aviation Department and Philadelphia Gas
18 Works.

19 The Fiscal 2010 budget as
20 proposed provides the necessary funding
21 for the Office of the City Treasurer to
22 accomplish these core responsibilities.

23 The Office of the City
24 Treasurer assumed the responsibility of
25 debt management during Fiscal 2009. The

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Office has managed to bring this function
3 into the budget and reduce the Office's
4 proposed budget over the Fiscal 2009
5 budget when the Office of the City
6 Treasurer was responsible for only cash
7 management.

8 The highlights of the Fiscal
9 2010 budget request by proposed
10 expenditures are as follows:

11 The \$653,801 in Class 100 funds
12 represents 80 percent of the Office's
13 proposed budget and funds 13 positions.
14 In order to accomplish a Class 100
15 expenditure reduction despite the
16 addition of a position transferred from
17 the Finance Department to handle the debt
18 management responsibilities of the
19 Treasurer's Office, one accountant
20 position was cut from the budget. In
21 addition, a vacant position was lowered
22 in title. In total, \$84,191 in savings
23 was realized in Class 100, which
24 represented over ten percent of the total
25 Office's Fiscal 2009 budget. This

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 resulted in \$25,791 in savings after
3 taking into account the transferred
4 position.

5 The \$73,088 in Class 200 funds
6 is unchanged from Fiscal 2009 and
7 includes funding for a study to examine
8 authorized depositories' lending
9 practices. The contract for this study
10 represents 65 percent of Class 200
11 expenditures.

12 The combined Class 300/400
13 amount is \$24,224 for supplies and
14 equipment. This is unchanged from the
15 Fiscal 2009 budget.

16 The City Treasurer's Office is
17 focused on efficiencies in the
18 distribution of payments, as well as
19 efficiencies in the deposit of revenues
20 into City bank accounts. Direct deposit
21 for City workers and pensioners is
22 encouraged, and we have seen a steady
23 increase in participation, from 70
24 percent in Fiscal 2004 to 75 percent in
25 2007 to 78 percent in March 2009. There

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 is an even higher participation among
3 pensioners, as about 85 percent of
4 pensioners receive payments through
5 direct deposit. In addition, the Office
6 has been focusing on reducing the amount
7 of check payments received and increasing
8 the amount of revenues received through
9 direct deposit as this increases interest
10 earnings.

11 Interest earnings on invested
12 funds are down this year because of the
13 low interest rates. However, the Office
14 has not experienced any losses on its
15 investments despite the tough market
16 conditions, which is considered a direct
17 result of a prudent investment policy.

18 Because of the market turmoil
19 and bond insurer downgrades which
20 occurred over the last year, the Office
21 of the City Treasurer has restructured or
22 refunded over 750 million of debt,
23 resulting in lower interest rates paid by
24 the City. In addition, the Office
25 coordinated the issue of 350 million of

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 tax and revenue anticipation notes in
3 November and 165 million of general
4 obligation bonds in December to fund
5 capital projects throughout the City.
6 The Office continues to work on
7 restructuring and/or refunding existing
8 debt issuances which are experiencing
9 problems in the market.

10 The Office commissions an
11 annual study that analyzes the lending
12 practices of the authorized depositories
13 in the City. The most recent study for
14 calendar year 2007 was delivered to
15 members of Council in mid March. The
16 Treasurer's Office issues an annual
17 Request for Information to be completed
18 each year by the authorized depositories
19 in which they must state their community
20 reinvestment goals, respond to the annual
21 lending study and address any disparities
22 in lending.

23 Fiscal 2009 appropriations
24 supported one Treasurer's Office contract
25 with Econsult Corporation and MFR

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 Consultants in the amount of 47,500. The
3 Office had a 50 percent participation
4 rate in contracting opportunities for
5 MBE/WBE firms.

6 I appreciate this opportunity
7 to provide testimony regarding the
8 proposed Fiscal Year 2010 budget for the
9 Office of the City Treasurer. I will be
10 happy to answer any questions that
11 Council may have regarding my testimony.

12 COUNCIL PRESIDENT VERNA: Thank
13 you.

14 The Chair recognizes
15 Councilwoman Brown.

16 COUNCILWOMAN BROWN: Madam
17 President, I'm going to yield to
18 Councilman Jones, who has a pending
19 calendar schedule, and I'll come back on
20 my round.

21 COUNCIL PRESIDENT VERNA: Thank
22 you.

23 Councilman Jones.

24 COUNCILMAN JONES: Thank you,
25 Councilwoman Blondell Reynolds Brown, and

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 thank you, Madam Chair, and thank you,
3 colleague Green for yielding so that I
4 can make this.

5 I have one quick question.
6 Last year and as a part of a cost-savings
7 measure submitted, we had talked about
8 electronic transfers from Revenue's
9 checks to various departments to the City
10 of Philadelphia, and I wanted to get an
11 update a year later as to when we could
12 expect the elimination of paper checks
13 generated by the Commonwealth of
14 Pennsylvania which are to the City of
15 Philadelphia, which loses annually \$1
16 million in interest payments that we
17 could receive a year that goes a long way
18 to deal with a lot of the vital services
19 that we're considering cutting.

20 Where are we in working out a
21 protocol relationship with the
22 Commonwealth of Pennsylvania to eliminate
23 paper checks?

24 MS. RHYNHART: Sure. We
25 identified \$135 million of paper checks

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 that we had been receiving from the
3 Commonwealth of Pennsylvania. We have
4 enrolled about 60 million of that to date
5 in direct deposit. We have 75 million
6 remaining. We've broken that down,
7 looking at payments of checks of over \$1
8 million, and there's about 12 checks over
9 \$1 million, which the Treasurer's Office
10 staff is working on right now converting
11 those to direct deposit. And then we
12 will look at those of 500,000 and greater
13 and go from there.

14 COUNCILMAN JONES: So out of
15 the how many checks annually we get?
16 Number of checks, not amount.

17 MS. RHYNHART: The number of
18 checks, we get about 740 payments by
19 check.

20 COUNCILMAN JONES: So we are at
21 the 25 percent mark, 50 percent mark?
22 Where are we?

23 MS. RHYNHART: Well, in the
24 amount, the dollar value, we are
25 almost -- we've transferred over about 40

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 percent of the checks. And I think now
3 that we've identified what the larger
4 checks are, I think it can happen -- we
5 can at least get it down to about 30, 40
6 million in checks pretty quickly, I would
7 say over the next month. Once you get
8 down to checks that are pretty small and
9 a few thousand dollars, they're harder to
10 identify, but I think we need to take
11 care of the big ones.

12 COUNCILMAN JONES: Well,
13 Treasurer Rhynhart, that's real progress.
14 So I will spare you the sermon I was
15 going to give you about what a million
16 dollars buys. It broke down into 25
17 firemen, approximately 25 policemen. It
18 was about 66 percent of the after-school
19 programs and about all of the Recreation
20 Department's sports and athletics budget,
21 and it was about -- we went through --
22 I'll spare you what a million dollars
23 buys, because we're 40 percent there, and
24 I appreciate the effort. If we can get a
25 hundred percent there. As we start to

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 plug the leaks, we can take care of the
3 big things and have a confidence that
4 we're at a high peak of efficiency.

5 So, Madam Treasurer, I am
6 pleased to hear that 40 percent is better
7 than no percent, but I don't want to come
8 here again next year where we aren't at
9 least double that, to 80 to 90 percent of
10 the checks. Now, I understand some of
11 the smaller checks present a problem
12 because it's hard to get an account. It
13 may be a one-time, two-time payment.
14 That doesn't make sense. But we can
15 achieve a greater efficiency of beyond 40
16 percent, and I'm going to look forward to
17 that progress report.

18 Thank you, Madam Chair, and
19 thank you, colleagues, for allowing me
20 this opportunity.

21 COUNCIL PRESIDENT VERNA:
22 You're welcome.

23 MS. RHYNHART: And thank you
24 for bringing it to our attention,
25 Councilman Jones.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCIL PRESIDENT VERNA:

3 Councilwoman Brown.

4 COUNCILWOMAN BROWN: Thank you,
5 Madam President.

6 Good afternoon. Let me commend
7 you on the, I guess, percentage of the
8 participation rate of MBE/WBEs. If I'm
9 reading your testimony correctly, that
10 amounts to just two companies, one being
11 Econsult and the other being MFR
12 Consultants that helps yield that 50
13 percent?

14 MS. RHYNHART: That's right.

15 COUNCILWOMAN BROWN: So is that
16 the only contract then that's --

17 MS. RHYNHART: The Treasurer's
18 Office has one contract in the budget,
19 and MFR is a minority and women-owned
20 firm.

21 COUNCILWOMAN BROWN: And they
22 have a rich track record of service.

23 Discuss, if you will -- you
24 write in your testimony "efficiencies in
25 the distribution of payments and deposit

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 of revenues." Just discuss what that
3 means.

4 MS. RHYNHART: Sure. I think
5 in the deposit of revenues is what I was
6 just discussing with Councilman Jones.
7 The faster we get revenues deposited into
8 the bank accounts, we can earn interest
9 on that money. So paper checks of large
10 amounts that take a week or two to
11 process into the system, it's lost
12 interest earnings. So that's what it
13 means, the focus on that.

14 COUNCILWOMAN BROWN: Are you at
15 liberty or willing to say what City
16 agency has been the most egregious in not
17 doing the check deposit turnaround in a
18 way that meets your goals, and
19 specifically -- I'll leave the "who" out.
20 Is there any particular City department
21 where you've seen improvement, let's put
22 it that way?

23 MS. RHYNHART: Yeah. I think
24 it's not department by department. It's
25 more just the method of paying.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILWOMAN BROWN: Okay.

3 MS. RHYNHART: Checks versus
4 direct deposit.

5 COUNCILWOMAN BROWN: What type
6 of incentives, information do you offer
7 to employees and pensioners to
8 participate in direct deposit? I'm
9 amazed often times those who still do
10 not -- have chosen not to use that method
11 of handling their business.

12 MS. RHYNHART: Right. We
13 actively encourage participation in
14 direct deposit. We've spoken to central
15 personnel to encourage employees to
16 enroll in direct deposit.

17 On the pension side, I know the
18 pension -- maybe Pensions could speak to
19 this as well, but I know that they have
20 sent out information in their newsletters
21 for people to participate in direct
22 deposit, and their numbers are up to 85
23 percent.

24 COUNCILWOMAN BROWN: What is
25 the number?

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 MS. RHYNHART: On the employee
3 side, it's 78 percent.

4 COUNCILWOMAN BROWN: And that's
5 an increase from last year?

6 MS. RHYNHART: Yes. It's up
7 from 75 percent.

8 COUNCILWOMAN BROWN: And what
9 would you attribute the factor that
10 caused that increase?

11 MS. RHYNHART: I think we've
12 seen a steady increase year over year, so
13 I think people are moving towards direct
14 deposit. I think they probably agree
15 with what you said, that it makes sense.
16 There's some people, though, that
17 obviously don't.

18 COUNCILWOMAN BROWN: I think
19 that's it for me.

20 Thank you, Madam President.

21 MS. RHYNHART: Thank you.

22 COUNCIL PRESIDENT VERNA:

23 You're welcome.

24 The Chair recognizes Councilman
25 Green.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GREEN: Thank you,
3 Madam Chair.

4 Treasurer, good afternoon.

5 MS. RHYNHART: Good afternoon.

6 COUNCILMAN GREEN: It's been a
7 tough year for you in this job, and we
8 thank you for everything you've done for
9 the City this year. I know it's been --
10 you're a new Treasurer and it was a very
11 difficult market with respect to
12 everything we're trying to do. So I want
13 to thank you.

14 MS. RHYNHART: Thank you.

15 COUNCILMAN GREEN: So following
16 up on Councilwoman Reynolds Brown, have
17 you examined giving people electronic pay
18 stubs or the option of electronic pay
19 stubs in addition to the option of direct
20 deposit?

21 MS. RHYNHART: We've discussed
22 it. I think in order to do that, we
23 would need to create some sort of
24 Internet server for people to log in and
25 get that information. It's something

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 that I think we'll continue to talk to
3 DOT about, Department of Technology
4 about.

5 COUNCILMAN GREEN: Do you know
6 how much that would cost to implement?

7 MS. RHYNHART: I don't offhand.

8 COUNCILMAN GREEN: Do you know
9 how much that would save a year?

10 MS. RHYNHART: Well, how much
11 what would save, though? Doing
12 electronic pay stubs instead of --

13 COUNCILMAN GREEN: Paper.

14 MS. RHYNHART: -- paper pay
15 stubs?

16 COUNCILMAN GREEN: Which the
17 federal government does, state government
18 requires.

19 MS. RHYNHART: It would save
20 some money. I think, though, when we're
21 looking at it, we're also looking at
22 there's the up-front cost of creating the
23 system, and also if we went only to
24 electronic pay stubs, there might be
25 additional issues with people that don't

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 have access, Internet or e-mail access.

3 COUNCILMAN GREEN: Sure.

4 That's true. And the federal and state
5 government have hardship exemptions.

6 Okay. So if you could provide
7 the Chair with what it would cost to do
8 that and basically a reason for why we're
9 not currently at least offering it as an
10 option to people who receive direct
11 deposits electronically currently anyway.

12 MS. RHYNHART: Okay.

13 COUNCILMAN GREEN: Thank you.

14 Thank you, Madam Chair.

15 COUNCIL PRESIDENT VERNA: The
16 Chair recognizes Councilman Goode.

17 COUNCILMAN GOODE: Thank you,
18 Madam Chair.

19 Good afternoon, Ms. Rhynhart.

20 MS. RHYNHART: Good afternoon.

21 COUNCILMAN GOODE: How many
22 City depositories do we have authorized?

23 MS. RHYNHART: I believe we
24 have 11.

25 COUNCILMAN GOODE: And how many

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 actually have received deposits during
3 your tenure?

4 MS. RHYNHART: I think it would
5 be five or six. Six.

6 COUNCILMAN GOODE: And do you
7 know which ones they are?

8 MS. RHYNHART: Wachovia, PNC,
9 Citizens, First Republic, Commerce,
10 United and Mellon Bank of New York.

11 COUNCILMAN GOODE: Do we have
12 dollar amounts?

13 MS. RHYNHART: I don't have
14 them here.

15 COUNCILMAN GOODE: I know we
16 are trying to hold less in cash deposits
17 and have more in investment, which is
18 smart strategy, but in terms of even the
19 cash deposits, of those depositories
20 which have received money in the five or
21 six, is a lot of the money concentrated
22 in one or two institutions?

23 MS. RHYNHART: Well, Wachovia
24 is the main, I would say, is our main
25 account.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 COUNCILMAN GOODE: What
3 percentage of deposits do you think lies
4 there?

5 MS. RHYNHART: I don't have
6 that number.

7 COUNCILMAN GOODE: Is it safe
8 to say it's maybe 70 percent or more?

9 MS. RHYNHART: It's probably
10 fair.

11 COUNCILMAN GOODE: And Wachovia
12 still exists in terms of its local
13 organizational structure even though it
14 was taken over by Wells Fargo?

15 MS. RHYNHART: It does.

16 COUNCILMAN GOODE: And it will
17 continue to exist based upon what?

18 MS. RHYNHART: Well, what I've
19 been told is that the Wells purchase or
20 the merger between Wells Fargo and
21 Wachovia, Wachovia still has the name
22 Wachovia and they're looking and
23 analyzing their systems, but it looks
24 like, from what I've been told, that it
25 won't be until 2011 or later when they

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 actually have some system changes. So
3 they're going slowly in terms of any
4 changes that occur.

5 COUNCILMAN GOODE: And if
6 something happens to Wells Fargo --

7 MS. RHYNHART: What if
8 something happens to Wells Fargo?

9 COUNCILMAN GOODE: -- does that
10 affect Wachovia?

11 MS. RHYNHART: You mean
12 financial meltdown?

13 COUNCILMAN GOODE: If Wells
14 Fargo went under, would Wachovia then
15 disappear?

16 MS. RHYNHART: I don't know if
17 it would disappear, but it would
18 definitely negatively impact them, yes.

19 COUNCILMAN GOODE: So it would
20 impact the fact that a majority of our
21 deposits are there?

22 MS. RHYNHART: I would think
23 so.

24 COUNCILMAN GOODE: And what's
25 the current status of the agreements we

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 have with Wachovia? When were they
3 updated? Are they still binding?

4 MS. RHYNHART: Sure. We have a
5 payroll contract, which is almost done
6 being negotiated and should be submitted
7 for introduction to Council within the
8 next few weeks for the session.

9 COUNCILMAN GOODE: And are we
10 looking to, in addition to that contract
11 and authorizing Wachovia as a payroll
12 depository or continue that relationship
13 as payroll depository, for the record,
14 are we looking at having some backup in
15 terms of other institutions that might be
16 qualified because we don't know what's
17 going to happen out there in terms of
18 Wells Fargo and any other institution?

19 MS. RHYNHART: Well --

20 COUNCILMAN GOODE: I understand
21 we're looking to go to contract with one,
22 but the question is, are we looking to
23 authorize others as payroll depositories
24 and are we setting up a back-up plan?
25 Because when Wachovia got in the

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 business, it was said on the record by
3 the previous City Treasurer it was
4 because they were the biggest and,
5 therefore, they were thought to be able
6 to withstand anything that would happen
7 in the market. And, therefore, in
8 retrospect, we don't know what's going to
9 happen, and, in fact, it's some of the
10 larger companies, the national banks,
11 that are struggling even more so than
12 community banks. So I guess the question
13 just is, should all our eggs be in one
14 basket or as we move forward in this
15 process, are we going to look to at least
16 have back-up plans in terms of other
17 depositories for payroll purposes?

18 MS. RHYNHART: I mean, I think
19 that there's risks. There are risks with
20 any bank, so -- I would say that there's
21 risks. There is a requirement, a state
22 law that requires the banks to
23 collateralize at 102 percent of our
24 deposits. So whatever we have in
25 deposits, they have at the fed or another

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 nationally recognized bank in collateral.
3 We are -- on the pension bank
4 accounts, which have been held by Bank of
5 New York Mellon, we do have an RFP out
6 right now, which is due back later this
7 week from banks, to see for a competitive
8 process. So I think we keep looking to
9 the different banks and do have a
10 competitive process.

11 COUNCILMAN GOODE: I'll ask the
12 question in a different way. How many
13 authorized City depositories are
14 qualified to hold payroll deposits?

15 MS. RHYNHART: Oh, just for
16 payroll? I believe it's just Wachovia,
17 but I'm not -- that is correct, yes.

18 COUNCILMAN GOODE: I don't
19 think that's correct.

20 MS. RHYNHART: Oh, it isn't?
21 Okay. Well, we'll find that out, then.

22 COUNCILMAN GOODE: If you want
23 to approach the witness table, that's
24 fine.

25 (Witness approached witness

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 table.)

3 MS. RHYNHART: He doesn't know.

4 MR. DiSILVESTRO: Could you
5 repeat the question? I'm sorry.

6 COUNCILMAN GOODE: How many
7 authorized City depositories are
8 qualified to hold payroll deposits?

9 MR. DiSILVESTRO: Good
10 afternoon. My name is Mark DiSilvestro,
11 Assistant Treasurer for Cash Management.

12 I was part of the RFP review
13 process, and we narrowed it down to about
14 five that were qualified and then we
15 ranked them. So I would say five are
16 qualified.

17 COUNCILMAN GOODE: Okay. I
18 actually heard it was further narrowed to
19 maybe two or three, but it's definitely
20 more than one?

21 MR. DiSILVESTRO: Yes.

22 COUNCILMAN GOODE: So the
23 question really is, if there's more than
24 one authorized depository which is
25 qualified to hold payroll deposits, while

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 I can understand that we may be only
3 going to contract with one, what process
4 are we taking to make sure the others are
5 certified as payroll depositories and
6 that systems are in place or we at least
7 know what we need to do in case something
8 happens with that one institution,
9 Wachovia, which inherited the account
10 from First Union, which inherited the
11 account from CoreStates, which inherited
12 the account before that? Essentially, it
13 just shows the track of this. And I'm
14 not saying that Wachovia shouldn't have
15 the business now, but in this fiscal
16 crisis in terms of the markets, Wachovia
17 has already been taken over because it
18 went under, and I'm pretty sure that as
19 Wells Fargo goes, Wachovia goes, that it
20 will not exist if Wells Fargo goes under.

21 MS. RHYNHART: And I think
22 we'll stay on top of it to make sure that
23 we have options. Wachovia -- Wells Fargo
24 is one of the most strongly rated banks
25 right now, just so that you know, but I

1 4/14/09 - WHOLE - BILLS 090212, etc.
2 think we will continue to make sure that
3 we're prepared for anything that does
4 happen.

5 COUNCILMAN GOODE: Well, they
6 owe the federal government a little bit
7 of money which they're having trouble
8 coming up with right now.

9 MS. RHYNHART: A lot of the
10 banks are. Yeah.

11 COUNCILMAN GOODE: Thank you,
12 Madam President.

13 MS. RHYNHART: Thanks.

14 COUNCIL PRESIDENT VERNA: Thank
15 you.

16 Any other questions from
17 members of the Committee?

18 (No response.)

19 COUNCIL PRESIDENT VERNA: Thank
20 you both very much.

21 MS. RHYNHART: Thank you.

22 COUNCIL PRESIDENT VERNA: The
23 Committee will stand in recess until
24 tomorrow, Wednesday, April the 15th at
25 10:00 a.m.

1 4/14/09 - WHOLE - BILLS 090212, etc.

2 Thank you.

3 (Committee of the Whole

4 recessed at 3:30 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the
proceedings, evidence and objections are
contained fully and accurately in the
stenographic notes taken by me upon the
foregoing matter on April 14, 2009, and that
this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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