COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, January 31, 2007
10:15 a.m.

- - -

PRESENT:
COUNCILWOMAN JANNIE BLACKWELL, CHAIR
COUNCILMAN DARRELL L. CLARKE
COUNCILMAN FRANK DiCICCO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM GREENLEE
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN DANIEL SAVAGE
COUNCILWOMAN MARIAN B. TASCO

BILLS 060108, 060109, 060052, 060832, 060834, 060939, 060961, 060966, 070018, 070020 and 070021

- - -

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COUNCILWOMAN BLACKWELL: Good morning. Thank you all for your patience. We will now begin our Finance hearing. We have a busy agenda today.

We will ask the Clerk to read the title of the first two bills, considered the biosolid bills.

THE CLERK: Bill 060108, an ordinance authorizing the Water Commissioner and the Procurement Commissioner, on behalf of the City of Philadelphia, to enter into a service contract with the Philadelphia Municipal Authority, pursuant to which the City will assume certain obligations under an agreement that the Authority will enter into with the Philadelphia Biosolids Services, LLC to design, finance, build, own and maintain facilities and equipment, and provide operating services for the management of the City's wastewater treatment solids; all under certain terms and conditions; and

Bill 060109, an ordinance

1/31/07 - FINANCE - BILLS 060052, ETC. approving an extension of the term of existence of the Philadelphia Municipal Authority and authorizing the Authority to design, build, finance, own, operate, maintain and lease facilities and equipment, and provide related services, for the management of the City's wastewater treatment solids; all under certain terms and conditions.

COUNCILWOMAN BLACKWELL: Thank you very much. Many of you know we've had two prior hearings on these two bills. Given the fact that there's been no resolve and that further legal action has been threatened in this area, we will announce that the Committee will not be hearing these bills and they will be called subject to the call of the Chair. So all of who you are here for those bills, 108 and 109, dealing with the biosolid issue, those hearings will not be held today. They will not be heard today. They will be held subject to the call of the Chair. We're hopeful that at some point resolution may -- we may get some resolution on the issues.

COUNCILMAN DiCICCO: Madam Chair, if I may. You mentioned something about there's some legal challenges?

COUNCILWOMAN BLACKWELL: Legal challenges are threatened should we hear them, which would take us out of it anyway, but after having talked to a majority after our briefing yesterday in the Caucus Room and after talking to the members of this Committee with no resolve, we promised everyone that we wouldn't do what we had done for two hearings past and have a big debate on the floor without any resolve.

Both sides are still as deadlocked as they were. It gives Council no place to be, and, therefore, we have agreed to hold this, subject to the call of the Chair and hope that there can be some resolve between the Administration and the unions so that the company could do or not do this, but certainly it becomes an issue, a labor issue, that Council has no authority to resolve.

COUNCILMAN DiCICCO: I appreciate that, but I'm still a little confused. I know we don't have any authority to negotiate any of the labor issues, but I think there's more to it than just the labor issues, isn't there? I mean, we have --

COUNCILWOMAN BLACKWELL: Absolutely there is. But were you at our briefing?

COUNCILMAN DiCICCO: No. I didn't even know about the briefing, so I apologize. I mean, if we delay it to the call of the Chair with no specific date set, if we leave it open-ended, this thing may never get resolved.

COUNCILWOMAN BLACKWELL: We are happy to get a date and we're happy, if that would satisfy my colleague, to choose another date. I don't know if it means that there will be resolve, but if that --

COUNCILMAN DiCICCO: It may not, and I understand. We've had a number of things that we never get to resolve, but I think if you don't have a date certain, in my opinion, it just kind of leaves it open-ended and this thing can go on forever, without any resolution.

COUNCILWOMAN BLACKWELL: What we will do is before this hearing ends, then, we will ask the Clerk to get another date.

So for all of you, you're welcome to stay until we get a date, but know that we will not be considering those bills today. We'll announce that formally before our hearing ends, another date, and we'll go from there.

How is that?

COUNCILMAN DiCICCO: Thank you.

COUNCILWOMAN BLACKWELL: You're welcome.

Any other concerns from members

of the Committee?

(No response.)

COUNCILWOMAN BLACKWELL: All right. Thank you. So Bill 060108 and 109 will be held and we will announce the date in question before we leave this hearing today.

All right. As has been suggested, my staff reminds me that we have -- this is another hearing before Finance on February 20th at 10:00.

COUNCILMAN DiCICCO: That will be this?

COUNCILWOMAN BLACKWELL: So, therefore, all of you who are here for the biosolids --

COUNCILMAN DiCICCO: Madam Chair, maybe you ought to get their attention.

COUNCILWOMAN BLACKWELL: May I have your attention, please?

COUNCILMAN DiCICCO: May we have your attention, please.

COUNCILWOMAN BLACKWELL: We

have another hearing scheduled. We can add this to that. February 20th at 10:00 a.m. is the next scheduled hearing for Bills No. 060108 and 109 dealing with the biosolid issue. Are we clear? February 20th at 10:00. Thank you very much. Thank you all for being here.

We will now ask the Clerk to read the title of Bill Nos. 060052 and 060939, commonly called the Wachovia Bank bills. And while we're here, let me note that we do have a quorum. To my left is Councilman Goode. To his left, Councilwoman Tasco. To my right, Councilman Greenlee, as well as Councilman DiCicco. Councilman Savage is here as well. So we do have a quorum. All members are present.

All right. Clerk, would you please read the title of the bills?

While he is doing that, we will certainly ask Vince Jannetti, Finance Director, and -- all right. Mr. Jannetti, we'll ask you to hold up.

We are requesting that Jim Eisenhower come forward and be prepared to speak, and then, Mr. Jannetti, we're happy to invite you forward.

Having said that, we'll ask the Clerk to read the title of both bills.

THE CLERK: Bill 060052, an ordinance amending Section 19-201 of The Philadelphia Code, entitled "City Depositories," by revoking the depository status of Wachovia Bank, and revising the list of City depositories, under certain terms and conditions; and

Bill No. 060939, an ordinance amending Chapter 19-200 of The Philadelphia Code, entitled "City Funds - Deposits, Investments, Disbursements," by requiring any City Depository authorized to accept City deposits under Section 19-201 of The Philadelphia Code to notify the City of proposed branch closings.

COUNCILWOMAN BLACKWELL: Thank you very much. The Chair also notes that Councilwoman Blondell Reynolds Brown, Vice-Chair, is also here. Thank you very much.

Mr. Eisenhower, please identify yourself to the record and begin your testimony.

MR. EISENHOWER: Good morning, Madam Chair, members of Council.

COUNCILWOMAN BLACKWELL: Good morning.

MR. EISENHOWER: My name is Jim Eisenhower and I'm with the law firm of Schnader, Harrison, Segal and Lewis. I'm pleased to be here this morning. I've been retained by Wachovia Bank to advise them regarding the issues before you today because of my close relationship and involvement in the Philadelphia community and my knowledge of the relevant law on these issues.

Today, I'm appearing before you to comment on Wachovia's behalf for the official record prior to your consideration of Bill 060052 and 060939 and to answer any questions that you might have.

First, let me say that Wachovia deeply values the banking relationship that it has with the City of Philadelphia. This relationship dates back more than 200 years and continues to provide the City with vital financial services, superior customer service and products that meet the diverse needs of a large, complex organization. In light of these longstanding and, we believe, mutually beneficial ties, it would be deeply regrettable if Council were to revoke Wachovia's status as a City depository and, thus, Wachovia wishes to assure Council that such action is neither necessary nor in the City's best interests.

As you know, Wachovia recently closed two branch offices in North Philadelphia. The decision to close these locations was made after thorough and careful consideration of the impact it would have on the area and an analysis of the availability of services to the affected areas. Specifically, Wachovia reached this business decision only after ensuring that it would continue to maintain a strong, viable network in the area with surviving Wachovia locations less than four-tenths and eight-tenths of a mile from the closed locations. In addition, an analysis of the two zip codes where its former branches were located shows 11 bank branches representing nine different financial institutions within those zip codes.

Wachovia continues to maintain one of the largest branch networks in the City with more than 75 percent of its financial centers in or adjacent to low- and moderate-income neighborhoods. It is committed to finding a suitable successor in both of the recently closed locations that will provide traditional financial services that will enhance and serve the area. Indeed, it has already been in close dialogue with several institutions and hopes to announce the successors in the near future.

Wachovia has been a strong supporter of struggling neighborhoods in Philadelphia for many years, having invested millions of dollars into these areas to ensure their long-term sustainability. This continued investment will continue into the future, as demonstrated by planned future openings at 34th and Chestnut and at 52nd and Jefferson, both of which are located in low- and moderate-income areas.

Before reaching the branch closing decision, Wachovia not only provided all branch closure notifications required by government regulators but did so in a fully transparent manner, providing written notice to all customers based at these locations and posting conspicuous notice for more than 90 days prior to the closings. In addition, it reached out to community leaders in the area with which it had an ongoing relationship to discuss the proposed closures and did so in a transparent and open manner.

While Wachovia did not notify certain signatories to community agreements that Wachovia's predecessors had entered into in 1998, we believe these agreements expired in 1992, and the parties were not customers at these locations nor had they kept up any ongoing dialogue with the bank. In other words, we believe Wachovia provided all notification that was required by regulators and by its internal policies and has made every effort to ensure that there are no negative impacts upon the surrounding neighborhoods.

This Committee is now considering Bill No. 060939, which would require all City depositories to provide notice of branch closings 120 days in advance. This bill would simply duplicate notification requirements that are already required by federal regulators and that were fulfilled here by Wachovia, except that it would do so with an inconsistent reporting period, thus making all City depositories issue the same type of notices on two different dates instead of on the same date.

In addition to fulfilling all of its notice requirements regarding these particular branch closings, Wachovia has already consistently fulfilled its broader obligations to the community, particularly to low- and moderate-income neighborhoods. For example, it has acted in accordance with each of the community agreements that it entered into at the time of the First Union/CoreStates merger. Today, Wachovia's practice is to issue general commitments to the community as a whole rather than making individual agreements with individual community groups.

On July 30th, 2006, Wachovia submitted a comprehensive strategic plan, as required by a City ordinance, pledging over $500 million in loans, investments and services over the next three years to low- and moderate-income neighborhoods, persons and businesses in the City of Philadelphia. Wachovia made this commitment as a demonstration of its ongoing desire to be a responsible corporate citizen in the City of Philadelphia and to do its part in strengthening these neighborhoods. In the first five months of the current plan, it has provided over $96 million in affordable housing loans and over $17 million in small business loans in low- and moderate-income areas of the City.

Another area in which Wachovia has sought to strengthen the community is through its commitment to affordable housing finance and small business loans. On affordable housing, Wachovia is one of the largest producers of prime affordable mortgages in the state and in the city. In 2005, Wachovia originated 2,351 affordable loans to low- and moderate-income borrowers or in low- and moderate-income census tracts in the City. These affordable housing loans include Pennsylvania Housing Finance Agency programs, but are not limited to these programs, as Wachovia also offers dozens of other options designed to meet the unique needs of its borrowers and offer them a variety of product choices.

Wachovia intends to maintain its position as one of the top producers of affordable home loans by providing over $150 million in home purchase lending and over $190 million in home refinance and home improvement lending over the next three years. That's a commitment that we've made.

Some of the actions it has already taken to further improve its performance include providing $500,000 in downpayment assistance to lower income Philadelphians; partnering with the Philadelphia Housing Authority to provide more homeownership opportunities --

that's one we're particularly proud of -- hosting seminars on expanding homeownership opportunity; removing income limitations from its community lending products in areas where the minority population is greater than 50 percent; hosting financial empowerment seminars targeted to women and minorities; and establish in Philadelphia as a pilot market for its newly released Hispanic Marketing Collateral program.

As for the area of small business loans, Wachovia has made this one of its prime business objectives, as demonstrated by its community commitment to the City of Philadelphia, through which Wachovia intends to provide over $155 million of small business loans in low- and moderate-income census tracts over the next three years. Some of the actions it's taking to further improve its small business lending include establishing Philadelphia as a pilot market for its newly released Hispanic

Marketing Collateral program; lowering its maximum -- minimum loans, excuse me, to $5,000; offering its streamlined and flexible SB Express program; partnering with Consumer Credit Counseling of the Delaware Valley, the Enterprise Center, Resources for Human Development and the Greater Philadelphia Urban Affairs Coalition to provide counseling and education services to Philadelphia-based small business owners; and providing a $1 million investment to CDFIs in Philadelphia to increase access to capital for small business.

Wachovia is proud of the work that it has done to support low-income persons in areas within the City of Philadelphia and will continue to improve and strive to invest our capital and resources to strengthen the quality of life in this city. This can be demonstrated by the fact that Wachovia maintains an outstanding Community Reinvestment Act rating with the Office of the Comptroller of the Currency, both in the Philadelphia area and overall as an institution. It is committed to doing all it can to make Philadelphia as strong and as vibrant as it can be, and it's proud of its leadership and support for all of Philadelphia's communities.

Among the other ways Wachovia's commitment helps the community are: Since its inception in 1998, the Wachovia Regional Foundation, whose mission is comprehensive neighborhood development, has made 50 grants totalling more than $14.5 million to Philadelphia-based non-profit organizations. This included eight grants made in 2006 totalling more than $2 million.

Also in 2006, more than 260 non-profit organizations in the City of Philadelphia received grants totalling over $5.6 million paid through the Wachovia Foundation, the Wachovia Corporation or by way of sponsorships. Among these organizations were the Free

Library of Philadelphia, the School District of Philadelphia, the Greater Philadelphia Urban Affairs Coalition and Congreso de Latinos Unidos, Incorporated.

Non-profit organizations in greater Philadelphia benefited from more than 15,000 hours of volunteer activity through the bank's Wachovia Volunteers program, and more than 1,000 Philadelphia residents learned the basics of budgeting, savings, credit management and homeownership through Wachovia financial education seminars.

This commitment to the community is not limited to Wachovia's employees or to the programs that the bank sponsors. Wachovia prides itself on the community leadership of its senior executives here in Philadelphia. For instance, you long chairs select Greater Philadelphia -- the regional economic development arm of the Greater Philadelphia Chamber of Commerce. Denise McGregor Armbrister, Executive Director of the Wachovia Regional Foundation, was recently appointed by Governor Rendell to serve on the Philadelphia School Reform Commission. Kevin Dow, Community Affairs Manager for Wachovia's Midatlantic Banking Group is President of the Board of Directors of the Philadelphia Cultural Fund. And Don Scott, head of Wachovia's Government Banking Group in Pennsylvania, is the former Chair of the Board of Directors of the African-American History Museum and is Co-Chair with the Greater Philadelphia Urban Affairs Council.

Wachovia genuinely desires to continue its status as a City depository so that it can continue to serve the City and its residents into the future. It will continue to work with the City leaders and with members of Council to effectively serve the community and ensure that credit and banking services are available to the largest possible number of people now and into the future.

Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you very much, Mr. Eisenhower. We may ask you to repeat some -- isolate some answers.

MR. EISENHOWER: All right.

COUNCILWOMAN BLACKWELL: What is Wachovia's CRA rating?

MR. EISENHOWER: As I said earlier, Madam Chair, Wachovia has the highest CRA rating and outstanding both as an institution and in the City of Philadelphia.

COUNCILWOMAN BLACKWELL: How is Wachovia working to ensure that the needs of Philadelphia's low-income areas are being met?

MR. EISENHOWER: Well, Wachovia, as I said, issued a three-year strategic plan approximately -- or several months ago that outlines the steps that it would take to better meet the needs of low- and moderate-income persons in areas in the City. This includes over a half billion in lending over the next three years and sizable investments of dollars, time and corporate energy.

COUNCILWOMAN BLACKWELL: Could you respond to concerns that Wachovia doesn't operate an adequate number of branches in low-income neighborhoods?

MR. EISENHOWER: Well, Wachovia is, I believe, the largest bank in the City in terms of branches. We have made every effort to keep branches open where it makes good business sense and we believe we serve the community. In addition to that, as I said, in the area, the two branches that we have closed, we did so after a lot of consideration and after analysis of the fact that there are Wachovia branches remaining open very close by, and we are also proactively discussing with possible successors their opportunities to perhaps open branches in those locations.

COUNCILWOMAN BLACKWELL: Just a couple more questions and I'll open it up.

Would you respond to the allegations of Wachovia's lending record to City residents and businesses in low-income neighborhoods.

MR. EISENHOWER: Wachovia's lending record I think is improving. We're doing more every day. We've been engaged in discussions with members of Council and with the community, and we know we can do better and we're committed to doing better, as we said in our strategic plan last year, and our numbers are going up.

COUNCILWOMAN BLACKWELL: How can a member of the public find out more if they would like to know more about Wachovia's commitment to our City?

MR. EISENHOWER: Jeff Gish is Wachovia's Community Relations Executive here in Philadelphia, and members of his staff -- he and members of his staff will be happy to discuss Wachovia's commitment with interested persons. I know Jeff has met with many members of Council. He's also met with community groups throughout the City, and he's always open to those kinds of discussions.

COUNCILWOMAN BLACKWELL: And finally for me, and then we'll certainly open it up to the rest of the Committee, we're really concerned about Wachovia's opinion and attitude about taking all of this very seriously. We're in a time when banks are changing hands all the time, but we have great needs, people who need mortgages, people who don't want to just use a bank as a check-cashing agency. How can you assure us that Wachovia hears us, that you're taking this matter serious and that you will improve not only communication but in ways that have brought us to this hearing in the first place, take us seriously?

MR. EISENHOWER: Well, Madam Chair, first of all, we've submitted, I think, detailed responses to many of the issues that are raised today in writing.

Wachovia has asked me to come and testify, touch on some of those things that we submitted in writing and to answer your questions as best I can and also continuing to keep a dialogue with the City and members of Council on issues of concern.

I think if you look at all of the things that Wachovia is doing in the City of Philadelphia, particularly charitably and reaching out to minority communities throughout the City, I think you can see an improving record from the bank and a commitment to doing better.

COUNCILWOMAN BLACKWELL: Thank you.

Any other questions? Councilman Goode is next.

COUNCILMAN GOODE: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Certainly.

COUNCILMAN GOODE: Good morning, Mr. Eisenhower.

MR. EISENHOWER: Good morning, sir.

COUNCILMAN GOODE: Thank you for your opportunity.

Are you the only representative for Wachovia in Council Chambers today?

MR. EISENHOWER: Yes, sir.

COUNCILMAN GOODE: Are there other representatives available on call?

MR. EISENHOWER: Well, theoretically, anyone is available on call.

COUNCILMAN GOODE: Are they prepared to answer questions on their lending performance?

MR. EISENHOWER: Well, the bank has made the decision to have me as their representative here today, and it's my goal to answer your questions as best I can. If I can't answer your questions, I will go back and get the answers for you and provide them to you.

COUNCILMAN GOODE: So Wachovia felt comfortable that you were qualified to talk about their lending record?

MR. EISENHOWER: Well, you'd have to ask them that, but I think they --

COUNCILMAN GOODE: I think they sent you here, so I'm asking you.

MR. EISENHOWER: I am not a banker, sir, but I do have a knowledge of the Philadelphia community and the relevant law in this area, and I've worked with Wachovia for some time in issues of this.

COUNCILMAN GOODE: And you don't think that this Council and this Committee should be insulted that Wachovia sent its lawyer?

MR. EISENHOWER: I would hope not, Councilman Goode. That's certainly not the intent. The intent of Wachovia was to engage in a dialogue and show its willingness to engage in an ongoing dialogue, and I would hope that my presence and my representation --

COUNCILMAN GOODE: But Wachovia

did in fact send its lawyer --

MR. EISENHOWER: Well, I am an attorney, that's true.

COUNCILMAN GOODE: -- in response to consideration of these bills?

MR. EISENHOWER: Excuse me. I'm sorry.

COUNCILMAN GOODE: Wachovia did in fact send their lawyer in response to the consideration of these bills.

MR. EISENHOWER: That's correct, sir.

COUNCILMAN GOODE: What is Wachovia's position on Bill No. 060939?

MR. EISENHOWER: Well, that's referring to the notice, sir?

COUNCILMAN GOODE: Yes.

MR. EISENHOWER: Our position is that if Council is inclined to pass that bill, the notice requirements should be in line with the federal requirements, which are 90 days.

COUNCILMAN GOODE: So if the bill were amended to 90 days, Wachovia would have no objection to the bill?

MR. EISENHOWER: Wachovia does -- we have a legal issue, sir, as you know, regarding the preemption doctrine and federal law and state law. So I'm not really authorized to concede that we would not oppose it, but we certainly believe that if it's going to be passed, the requirement should be consistent with the federal requirements.

COUNCILMAN GOODE: So you're not sure what Wachovia's legal position is on Bill No. 939?

MR. EISENHOWER: Well, as I've said, our position is if Council is inclined to pass that bill, the reporting requirements should be consistent with the federal requirement.

COUNCILMAN GOODE: Okay. In your testimony you state that Community Legal Services has selectively chosen statistics to paint an inaccurate picture of Wachovia's performance focusing on particular areas of the NCRC report in which Wachovia's performance was lacking.

Is that a true statement?

MR. EISENHOWER: Yes, sir.

COUNCILMAN GOODE: How many areas were actually examined within the NCRC report?

MR. EISENHOWER: I don't know, sir.

COUNCILMAN GOODE: I can tell you. There were four: home mortgage lending, home improvement loans, home refinance loans and small business lending. Wachovia was number one in terms of home improvement lending and home refinance lending. Wachovia was dead last in terms of home mortgage lending and small business lending.

Is that accurate?

MR. EISENHOWER: That's the finding of that report, yes.

COUNCILMAN GOODE: I'm saying, is that an accurate statement?

MR. EISENHOWER: Yes, that's an accurate statement.

COUNCILMAN GOODE: So we've cleared up any inaccuracies that may have existed?

MR. EISENHOWER: Well, it's an accurate statement that that is what the report said.

COUNCILMAN GOODE: Why doesn't Wachovia execute community reinvestment agreements?

MR. EISENHOWER: We believe it's better to engage in a dialogue with the community as a whole rather than engage in piecemeal agreements throughout the City that sometimes can be inconsistent with each other and difficult to enforce. And I think we've done that. The strategic plan that we filed with the City last year is comprehensive. It was done after dialogue with members of Council and representatives of the community throughout the City, and it's a comprehensive citywide plan, and we think that's the better way to go.

COUNCILMAN GOODE: What is your understanding of the purpose of a community reinvestment agreement?

MR. EISENHOWER: Well, I think it's the goal of the City to make sure that City depositories are doing everything they can to improve their performance, particularly with low- and moderate-income residents of the City. And we share that goal, and that's why we filed the plan and are committed to fulfilling it.

COUNCILMAN GOODE: So the purpose of your three-year strategic plan is what?

MR. EISENHOWER: To improve our performance, particularly with aiding low- and moderate-income residents of the City, through our services.

COUNCILMAN GOODE: If I was to suggest to you that your plan does not do that, in fact that your plan invests less in the future than it has in the past, would that be an accurate statement?

MR. EISENHOWER: I don't believe so, Councilman Goode.

COUNCILMAN GOODE: Let's run through your commitment, then.

You've committed $505 million in low- and moderate-income neighborhoods over three years; is that correct?

MR. EISENHOWER: May I have one moment while I reference the plan?

I'm sorry. Would you --

COUNCILMAN GOODE: $505 million is the commitment for low- and moderate-income neighborhoods over three years; is that correct?

MR. EISENHOWER: That is correct.

COUNCILMAN GOODE: And of the $505 million, $350 million in home loans in low- and moderate-income areas over three years; is that correct?

MR. EISENHOWER: Yes, sir.

COUNCILMAN GOODE: And that would be about $117 million per year?

MR. EISENHOWER: I don't have

the breakdown, but I'm sure you've got the number.

COUNCILMAN GOODE: I have a calculator for you as well if you need one.

The commitment for small business lending is $155 million?

MR. EISENHOWER: That's correct.

COUNCILMAN GOODE: Over three years?

MR. EISENHOWER: That's correct.

COUNCILMAN GOODE: That works out to about $52 million per year?

MR. EISENHOWER: Sounds right.

COUNCILMAN GOODE: Over what three years does this plan cover?

MR. EISENHOWER: It begins this year and goes forward three years.

COUNCILMAN GOODE: I'll ask you a question just for the record. Is this actually an increase in loan dollars for low- and moderate-income areas?

MR. EISENHOWER: That's my understanding, sir.

COUNCILMAN GOODE: That's your understanding?

MR. EISENHOWER: Yes.

COUNCILMAN GOODE: Your understanding from where? Did Wachovia tell you that it was an increase in loan dollars?

MR. EISENHOWER: That's my understanding from analyzing the numbers.

COUNCILMAN GOODE: Let's analyze it publicly, then.

MR. EISENHOWER: I guess you can disagree when you look at numbers, but that's my conclusion.

COUNCILMAN GOODE: Let's analyze it publicly, then.

In 2004, according to the NCRC report, Wachovia was ranked dead last in small business lending. In that year, Wachovia did 653 small business loans in low- and moderate-income areas in 2004. You can write that down, 653 small business loans in 2004 in low- and moderate-income areas. For 2005, Wachovia gave the City a goal of 741 small business loans in low- and moderate-income areas. Do you know how many loans they actually did?

MR. EISENHOWER: No, I do not.

COUNCILMAN GOODE: They did 348. So the year in which Wachovia ranked dead last, they did 653 small business loans.

They set a higher goal the next year of 741 small business loans but only did 348. Can you explain that?

MR. EISENHOWER: I cannot, but I will get an answer for you on that, Councilman Goode, and I'll get back to you and submit it to you.

COUNCILMAN GOODE: But even in that pitiful year where they did 348 small business loans, that amounted to $72 million in 2005. But your annual commitment on your strategic plan amounts to about $52 million per year. Can you explain that?

MR. EISENHOWER: You're saying that we loaned 72 but our commitment was 52?

COUNCILMAN GOODE: No. What I said was in the year 2005 where you did 348 small business loans, that amounted to $72 million in small business lending, but your commitment going forward is 155 million over three years, which amounts to only $52 million per year.

MR. EISENHOWER: I understand what you're saying, yes.

COUNCILMAN GOODE: Can you explain that?

MR. EISENHOWER: I cannot, but I will get you an answer to that specifically.

COUNCILMAN GOODE: In the year in which you ranked dead last in small business lending, you did 653 loans. The following year after you ranked dead last you did 348 loans. That was still $72 million in small business lending, but your commitment for this year is only about $52 million in small business lending. What's there to answer? It's less money.

MR. EISENHOWER: I'm sure you've got the numbers right, Councilman Goode. It's a fair question, and that's why I'm here to get you the answers, and I'll do that. You have my commitment that I will do that.

COUNCILMAN GOODE: In 2005, Wachovia did 348 small business loans. Do you know how many loans Bank of America did in low- and moderate-income neighborhoods?

MR. EISENHOWER: No, I do not, sir.

COUNCILMAN GOODE: 723.

In the year in which Wachovia did 348 small business loans in low- and moderate-income areas, do you know how many loans Citizens Bank did?

MR. EISENHOWER: No, I do not.

COUNCILMAN GOODE: It did 757.

In 2005, the year in which Wachovia did only 348 small business loans in low- and moderate-income areas, do you know how many loans PNC did?

MR. EISENHOWER: I do not, sir.

COUNCILMAN GOODE: It did 1,150. Can you explain that?

MR. EISENHOWER: I cannot, but you have my commitment that I'll get you an answer to that.

COUNCILMAN GOODE: Exactly how many small business loans has Wachovia done in their strategic plan?

MR. EISENHOWER: How many have we done?

COUNCILMAN GOODE: Since you've executed your strategic plan, this three-year strategic plan that you're bragging about, how many small business loans have you done since the execution of your --

MR. EISENHOWER: Well, the plan was only filed several months ago. I believe it was over the summer.

COUNCILMAN GOODE: How many loans have you done?

MR. EISENHOWER: I do not know the answer to that, sir, but I will get it for you.

COUNCILMAN GOODE: You don't know, but no one else is here available to answer those questions either?

MR. EISENHOWER: I don't know if any one person could answer every one of your questions, Councilman Goode -- can answer all of your questions, but my responsibility is to get you the answers, and that's my commitment to you and I'll do it.

COUNCILMAN GOODE: I already have the answers. I really want your response to those answers. Part of this data actually comes from Wachovia in terms of their submission in terms of community reinvestment goals and data that they actually submitted regarding how many loans they did in the previous year and how they met their goals and didn't meet their goals.

The Greater Philadelphia Urban Affairs Coalition recently launched a Business Builder program where five different banks committed $18.25 million to serve underserved markets in terms of small business lending. Why wasn't Wachovia a participant in that Business Builder program if its performance of small business lending is so inadequate?

MR. EISENHOWER: Well, Wachovia is a participant in many different programs, Councilman, and how they make decisions at a strategic level at the bank is not my responsibility, but if that is a good program, and I'm sure it is, and one you recommend, I'm sure it's one that we would consider and try to get involved in.

COUNCILMAN GOODE: If Wachovia ranked dead last in small business lending and there is a small business lending task force that crafts a program to serve underserved markets, why would

Wachovia opt out? Wachovia was in fact at the table. It's not that they were unaware of it. They helped craft the program but chose not to put any money in it. Why is that?

MR. EISENHOWER: That's a business decision made by the bank, Councilman Goode, and if there are specific answers to that question, I'll get them for you.

COUNCILMAN GOODE: What we're here to discuss is actually a business decision being made by this Council.

MR. EISENHOWER: I'm sorry?

COUNCILMAN GOODE: What we're here to discuss today is a business decision made by this Council.

The next question I'll ask you is, as Wachovia's lawyer, isn't it perfectly legal for us to just revoke Wachovia's depository status?

MR. EISENHOWER: I think the City of Philadelphia can choose to do business with whomever it wishes to. I think it would be a mistake to do that with this bank.

COUNCILMAN GOODE: I wasn't referring to the City of Philadelphia. I was referring to the Philadelphia City Council. Isn't it Council's legal authority to revoke Wachovia's depository status?

MR. EISENHOWER: Council has that power, sir.

COUNCILMAN GOODE: Okay. Let's move from small business lending to home mortgage lending. Wachovia also ranked dead last in 2004 in terms of home mortgage lending but first in home improvement lending, as I stated. In terms of Wachovia's three-year strategic plan, Wachovia home mortgage and improvement loans, the commitment is, as I said, about $117 million per year. The total commitment for three years is $350 million. Over three years that's $117 million per year. But in the year after Wachovia ranked dead last, Wachovia actually did home mortgage and improvement loans amounting to $339 million in low- and moderate-income areas. So if Wachovia did $339 million in 2005, how is the commitment for 350 million over three years an increase in lending?

MR. EISENHOWER: I'd have to look at those numbers and get back to you on that, sir.

COUNCILMAN GOODE: The numbers are this: In 2005 in terms of home mortgage and improvement loans, Wachovia did $339 million in low- and moderate-income areas, but the commitment over the next three years is only $350 million over all three years.

MR. EISENHOWER: I understand your point, sir.

COUNCILMAN GOODE: Which is about $117 million a year. So if the commitment going forward is $117 million a year, when Wachovia actually did $339 million in 2005, how can that possibly be an increase in lending?

MR. EISENHOWER: Well, it's a commitment for specific numbers that we intend to fulfill. Why there's a variation from numbers that we've done in the past --

COUNCILMAN GOODE: So it's a commitment to do less?

MR. EISENHOWER: It's a commitment for a specific number.

COUNCILMAN GOODE: But it's a commitment to do less.

MR. EISENHOWER: I don't know the prior numbers, Councilman Goode. I'll take you that you've analyzed those numbers correctly.

COUNCILMAN GOODE: I know the numbers. I'm sure Wachovia knows the numbers, but that's why they sent their lawyer rather than the bankers.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. And let me note that Councilman O'Neill is here, as well as

Councilman Ramos. So all members of the Committee are present.

We'll entertain questions now from Councilman Savage, Councilman Greenlee and Councilwoman Reynolds Brown, in that order. Thank you.

COUNCILMAN SAVAGE: Thank you, Madam Chair.

Good morning, Mr. Eisenhower.

MR. EISENHOWER: Good morning, Councilman.

COUNCILMAN SAVAGE: On December 7th you closed two banks within Philadelphia. One was in Councilman Clarke's district and the other was in my Council district, which was located at 101 East Allegheny Avenue. I was extremely disturbed that you did close that bank. I'm concerned about maintaining access to daily banking activities. What can be done to keep these branches open?

MR. EISENHOWER: Well, as I said in my testimony, we decided to close those branches after careful consideration, and one of the key factors that we looked at -- and I'm just going to refer to my notes because I want to be absolutely specific about it -- is that there are Wachovia locations within four-tenths and eight-tenths of a mile from both of those branches and there are nine other financial institutions within the zip code. So that's one thing we did take into consideration.

The second is ongoing discussions that we have with possible successors who may be interested in those two branches, and we're doing everything we can to make it easy for a successor who may be interested to move into those branches to do so quickly and effectively.

COUNCILMAN SAVAGE: Can you identify those institutions that you're having a dialogue with?

MR. EISENHOWER: I can't. They're ongoing negotiations and we have not reached any agreements at this point. But we are hopeful that we will.

COUNCILMAN SAVAGE: And you gave 90 days' notice to the closing, you said in your testimony?

MR. EISENHOWER: Yes.

COUNCILMAN SAVAGE: Okay. All right. Thank you.

MR. EISENHOWER: Thank you, sir.

COUNCILWOMAN BLACKWELL: Thank you, Councilman.

Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Madam Chair.

Good morning, Mr. Eisenhower.

MR. EISENHOWER: Good morning, Councilman.

COUNCILMAN GREENLEE: Staying on the notification issue, I know you said -- I think it was the first question to Councilman Goode -- that you'd like to see it 90 days, but you won't agree that you would not oppose it.

Since there seems to be a lot of concern about the cooperation of Wachovia, wouldn't it make a lot more sense to agree to a 90-day since it fits the federal guidelines anyway?

MR. EISENHOWER: Well, Councilman, perhaps it's coming at it from a legal perspective.

COUNCILMAN GREENLEE: I was going to say I know you're a lawyer.

MR. EISENHOWER: I am a lawyer, and there are larger issues dealing with -- which are national in scope, dealing with this question of federal and state preemption of banking operations, which affects all banks, not just Wachovia. And so that's an issue that is somewhat larger than all of this and that's why --

COUNCILMAN GOODE: Point of information.

COUNCILWOMAN BLACKWELL: Point of information. Councilman Goode.

COUNCILMAN GOODE: If we sort

of cut through the legalese of what you just said, what you actually are saying is that Wachovia's issue is whether this Council has any right to pass any banking legislation; is that correct?

MR. EISENHOWER: We would not concede that issue. That's correct.

COUNCILMAN GOODE: What you're saying is that this is none of our business.

MR. EISENHOWER: Well --

COUNCILMAN GOODE: And that only state and federal legislatures can legislate on these matters; is that what you're saying? Just be clear about it.

MR. EISENHOWER: That is not what I'm saying, and, in fact, if you look at the history, Councilman, as you know, while we have not legally conceded that issue, we have filed reports that the City has required, we have engaged in discussions with the City, we have cooperated with the City even though we have not conceded that legal point.

COUNCILMAN GOODE: But the point you were making to Councilman Greenlee is that you could never be for the bill because you're not for our right to legislate on this matter.

MR. EISENHOWER: We're not conceding that legal point. That's correct.

COUNCILMAN GOODE: Okay.

COUNCILWOMAN BLACKWELL: Thank you.

Councilman Greenlee.

COUNCILMAN GREENLEE: Yeah. Thank you. Thank you, Madam Chair.

Thank you, Councilman Goode.

The issue of any kind of written agreement with the community -- and I don't expect you to get into specifics here, but are you open on behalf of the bank to have a written agreement with -- I'm not giving out any secrets that there's going to be people speaking here who, CLS and others, who have concerns. Are you open to that, to those kind of agreements, again, without getting into the specifics right now?

MR. EISENHOWER: We are open to a dialogue with those groups, and we are in a dialogue with them. And we are reaching out our hand for a continued dialogue and further discussions. It is our policy to not enter into piecemeal agreements with separate and distinct and numerous community organizations, because we think that's kind of self-defeating. It's better to have a strategic plan for the City as a whole, which is transparent, which you can read, which you can ask questions about and we'll get you the answers. That's our position.

COUNCILMAN GREENLEE: Okay. Could I just respectfully just put on the record that I think given, again, the concern that a lot of people have, both Committee members and others, that consideration of some kind of agreement -- and, again, you lawyers and the bank have to work that out -- might be in order in this case. And if I could just put on the record, too, that I think -- and certainly I know your qualifications. I'm not questioning that, but I think it would have been in the best interest of Wachovia to have some of their people here also so they could have answered some of the other questions that you just couldn't answer today, and I understand why you couldn't, but that's just for the record. If you could relay that, I'd appreciate it.

MR. EISENHOWER: I will. I understand your point, Councilman.

COUNCILMAN GREENLEE: Thank you, Mr. Eisenhower.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you.

Good morning.

MR. EISENHOWER: Good morning, Councilwoman.

COUNCILWOMAN BROWN: It states here in literature that I have that Wachovia, we know, closed the branches without notice or consultation to groups it has signed agreements with. A, has there been a review of procedures, bank procedures, when it comes to closings going forward? And, two, are you prepared to share with us what those new standard operating procedures are when it comes to notification to the surrounding world that Wachovia is making those type of decisions?

MR. EISENHOWER: Correct. Yes. What we did in this case, as I stated -- and, again, I'll just go back on those notes to make sure that I'm absolutely clear about it -- we provided written notice to customers. We posted at the locations 90 days prior to the closing notices that the branches were going to be closed, and we did have discussions with many community leaders.

COUNCILWOMAN BROWN: And you

did?

MR. EISENHOWER: The groups themselves that were in these agreements, these agreements go back some time. It's our view that they were expired sometime ago, and they're not groups that we have been in ongoing discussions with for a number of years on either side. They haven't been in communication with us on a regular basis; we haven't been in communication with them. So we feel that we did give ample notice, particularly to the customers.

COUNCILWOMAN BROWN: And so going forward will there be anything new and/or different procedurally with regards to bank branch closings?

MR. EISENHOWER: Well, we intend to comply with the law and we intend to give full notice to our customers. I think that you can always have better communications. You can always talk to more people rather than less. And I think that is the goal of

Wachovia going forward, and we're committed to doing that.

COUNCILWOMAN BROWN: And the only additional friendly amendment I would offer is notification to the District Councilmembers as well, because then that arms them with the information they need to know, as they will get phone calls from the constituents in their councilmanic districts.

MR. EISENHOWER: I think that's a very good idea, Councilwoman, and I'll make sure that we do that.

COUNCILWOMAN BROWN: Thank you for your testimony.

Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any more questions for Mr. Eisenhower?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you. We will now call --

MR. EISENHOWER: Thank you.

COUNCILWOMAN BLACKWELL: You're welcome.

Vince Jannetti. Are you bringing the Treasurer, Mr. Nacchio, with you?

Next then after these witnesses we'll have CLS, for you who are here.

Good morning. Thank you very much. Please identify yourself for the record and begin your testimony.

MR. NACCHIO: Good morning. I'm John Nacchio, the Treasurer for the City of Philadelphia, and with me at the table is Vincent Jannetti, the Director of Finance.

I appreciate this opportunity to testify before you on matters related to City depository financial institutions authorized to accept deposits and its related cash management practices of the City.

Bill No. 060052 is proposed legislation by City Council to remove a depository from the list of authorized depositories. The impact of removing a depository impacts treasury operations of the City in a variety of ways and will vary in magnitude with the overall banking relationship that the City has with the depository.

As I have stated in previous testimony to City Council, the two former City Treasurers in this Administration are on public record with this Committee on other related bills in reference to moving funds from an existing depository. It can be a complex undertaking and was stated as: "The process to change depositories could prove to be difficult and take considerable time. A new depository to handle the corresponding City funds would have to be selected and the proper procedures put in place to make a smooth transition. This change could also require the task of setting up new accounts, making sure that our computer systems are compatible, and the involvement of other departments within the City's government," end of quote.

A move from this particular depository would have a large-scale operational impact requiring the retooling for processing the Revenue Department's daily deposits and intra day deposits with the School District and PICA, the Director of Finance with payment management and electronic transmissions, the City Controller payment and account audits, and the City's computer center, MOIS, with reprogramming a variety of processes required to print checks and transmit ACH and payroll direct deposit files over secure lines. In the Office of the City Treasurer, we would have to open up new accounts that would require establishing new sets of security signatures, sign-on to online systems, establish confirmation processes, back-up procedures, engage electronic controls for the prevention of fraud and theft, and allocating additional resources for transitioning bank reconciliations that reflects hundreds of thousands of transactions. That process is time consuming in meeting the compliance to federal and state banking regulations and internal bank practices and procedures.

Although this states the overall impacted areas, a simple set of words cannot precisely explain the depth and complexity or the interconnected relationships in place that would need to be adjusted. The process of any change would need to be done in a series of steady movements that can only be accomplished over a long period of time.

At this time, the Administration's commitment to the people resources over and above current levels could not be assembled immediately or on an interim short-term basis to make the required operational changes in the event it is required to move funds from this depository and end the existing banking relationship.

Further, it is relevant to take note of other tangential impacts to consider. A change would also have a ripple effect to many City employees and vendors using check-cashing services as Wachovia branches, at no cost or for convenience, or because they have related business interconnectedness. Additionally, internal to the City government are at least a hundred departmental bank accounts not under the City Treasurer, or restricted to use a City depository by Chapter 19-201 of the Code, that would have to begin to bear the cost of their banking services. Currently, the City earns what is known as banking credits that are based on the size of its banking relationship. These earned credits of the City are currently used to absorb these banking costs for the departments within them and without having to pay City dollars for these services.

That completes my written

testimony. Do you have any questions?

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there questions for the witness?

Thank you. Would you testify with regard to the second bill? Thank you.

MR. NACCHIO: On Bill 060939, I am John Nacchio, City Treasurer for the City of Philadelphia. And basically there is no objection to adding this requirement.

That concludes my testimony.

COUNCILWOMAN BLACKWELL: Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good morning, Mr. Nacchio.

MR. NACCHIO: Good morning.

COUNCILMAN GOODE: Thank you for your testimony. I found your testimony a little bit interesting. In your testimony you state the process of any change would need to be done in a steady series of movements that can only be accomplished over a long period of time. My understanding is that long period of time has been set at July 1st, 2007 by this bill and by a previous bill, though we amended it and took the date out. My understanding is that you were still trying to be on track to be in a position to change payroll depositories by July 1st; is that correct?

MR. NACCHIO: The latter part of that statement about payroll accounts, that is correct. The process is in place to establish an RFP for payroll accounts only, which is related to disbursement accounts as opposed to deposit accounts.

COUNCILMAN GOODE: So while this process is very complex, you are engaged in that process and will be in a position to change payroll accounts if Council so decides; is that correct?

MR. NACCHIO: That is correct, Councilman.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Further questions from the Committee?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much. Thank you.

Our next witness, Jonathan Stein and Donna Johnson Bullock, Community Legal Services. After CLS will be Lance Haver, and after Lance will be Nora Nichtash.

Good morning. Feel free to identify yourself for the record.

MR. STEIN: Yes. I am Jonathan Stein, general counsel at Community Legal Services, joined on my right by Donna Johnson Bullock, an attorney with the CLS Economic Development Unit, and to my left George Gould, who heads our housing unit.

COUNCILWOMAN BLACKWELL: Thank you. Would you pull your mike up closer.

MR. STEIN: Sure.

COUNCILWOMAN BLACKWELL: Thank you.

MR. STEIN: We're here today on behalf of our clients to urge unanimous support in Committee of both banking reform bills introduced by Councilman-At-Large Wilson Goode, Jr., Nos. 06005200, which involves striking Wachovia from the list of approved depositories, and 0060093900, the notice bill, notice of branch closing bill.

The first would revoke the depository status of Wachovia from the list of approved City depositories, and the second would require that all depository banks provide the City, including each member of City Council, with 120 days prior notice of any proposed bank closing.

I'm going to ask Ms. Bullock to speak to the notice bill first and then I'll speak to the City depository list bill second.

Ms. Bullock.

MS. BULLOCK: Thank you.

Socially responsible banks and financial institutions in our communities are very important to our citizens and our residents. These are the places where people go to turn their paychecks and their government checks into hard cash without having to pay high fees or, in some cases, pay no fees at all. These are the places where people go for affordable home mortgages, for home repair loans and where small, medium and large businesses can go to access credit and to expand and grow their business. However, these bank branches are not located in our communities. If they're not located where people live, the less people have access to those traditional financial services.

We support the bank branch closing bills because of their importance to our communities and their importance to the residents and our citizens. Where banks don't have consumer-friendly or socially responsible practices, where they don't -- where they just simply don't have a physical presence in our communities, either because they choose not to open banks in those neighborhoods or because they choose to close the existing branches, our citizens lose. Instead, we have check-cashing agencies, payday lenders and other predatory lenders moving in to fill the void.

It was no surprise to us on the day that Wachovia decided to close one of their branches at Front and Allegheny. As we stood there and looked across the street, we saw a check-cashing agency put up a sign "Grand Reopening."

Over the past five years, we've seen over 30 closings throughout the City of Philadelphia. Many of these closings may have been due to mergers and acquisitions. Six of these closings were located in low-income communities, low-income communities that already didn't have many branches to start with.

The recent Business Journal article stated that of the 222 bank branches in the City of Philadelphia, only 36 are located in low-income communities.

This past year we've seen stealth branch closings by Wachovia at the branches at Front and Allegheny as well as at Germantown and Lehigh. And while Wachovia posted notice with the federal government agency, trust me, it's not easy to find. As an attorney, I found it difficult. You have to get online onto a website and then you have to search through by state, and which can be misleading because you actually have to look in North Carolina to find the closings here in Pennsylvania. And then you have to go week by week to find the closings.

In addition to that, Wachovia's attorney stated that they sent notices to the customers. Well, they sent letters to those customers in the community that predominantly speak Spanish and all of those notices were in English.

Furthermore, they decided not to notify or have any consultation with those community groups that signed an agreement with their predecessor in 1998, and we argue that those agreements did not expire, although Wachovia states otherwise. They flatly decided that they were not going to discuss this issue with them. Furthermore, they didn't issue any press releases to the community regarding the bank branch closings.

Wachovia has announced that nationally they plan to close over 200 bank branches. Whether or not those branches will be in Philadelphia, I do not know. However, we know that Wachovia has less than 50 branches in the City, and while they state that they have the largest network, a recent article from the Philadelphia Business Journal states that there is another bank that has exceeded Wachovia's network by more than

15 branches. Additionally, Wachovia no longer has the largest number of bank branches in low-income communities. They only have six, while two other banks have respectively 12 and eight branches located directly in low-income communities.

But Wachovia is not alone. We need to avoid any more stealth bank branch closings in Philadelphia from any of the City depositories. Unfortunately, of the over 30 branch closings in the City that occurred over the past five years, many of them went unnoticed.

Simply, Bill 060939 will help us by allowing for more notice, by giving City Council notice of 120 days prior to the closing. This, I suggest, would give us time and adequate notice so that the City of Philadelphia, City Council and advocates can hold the City depositories accountable to the City's residents.

Banks that receive deposits from the City and its residents should be committed to our communities and should have a presence in every neighborhood where our residents live. Together we can work together with the banks to address the loss of the financial services. That is only if we had notice of their closings.

MR. STEIN: And I will speak to the second bill, which would be striking Wachovia from the list of approved City depositories.

Now, we're supporting this bill because we think this is the only way to give a message to the Wachovia Bank that they are failing in major areas of being a socially responsible bank to the entire City. If I was going to name one prime reason for it, it's one that I think must have struck you, City Council people, earlier when you heard Mr. Eisenhower try to say that we will never enter into written agreements, community reinvestment agreements, with community groups.

They want to offer plans. They want to offer promises. They want to offer dialogue. That's not the way they talk to the customers. If you want a loan from them, it's got to be in writing so they can enforce it if you default. They do business with the rest of the world through written agreements, but they're saying the one area that they won't have a written agreement is to enter into enforceable promises with the community as to what their banking practices will be. Now, that's not good faith. That's saying, Trust us, and if we fail in our promises, there's nothing you can do about it. And I think if there's one reason to hold this bank accountable and to strike them from the list of -- vote to strike them from the list this morning, it's their failure and refusal -- and this has come from the presidents we've talked to, both Bill Noth, the Regional President, and the Midatlantic President, Hugh Long, has said in our presence, We will not enter into written agreements. And this is the only way to enforce these promises.

First Union, the bank that they took over and merged with, entered into written agreements in 1998, and other banks across the country do this as a normal practice of enforcing their agreements. And they said, Well, we don't want individual group agreements. Well, we offer them a coalition. Our coalition is Action Alliance of Senior Citizens; Ceiba, a group of five Latino organizations; the Eastern Pennsylvania Organizing Project; the NAACP. There are about three or four or five other groups. This is a coalition that's very representative of the City, and this would be one agreement with them, not small agreements through individual groups. So their rationale for having no agreements really doesn't hold, and I think it really reveals an arrogance and an irresponsibility from the bank in not having these agreements.

COUNCILWOMAN BLACKWELL: Excuse me one moment, Mr. Stein.

A notice for anybody here who wanted to attend the Committee on Public Property and Public Works hearings with regard to Bill No. 060111, that's biosolids, and 060853, PIDC and a specific property, please note that this hearing scheduled for 11 o'clock today will be rescheduled subject to the call of the Chair. Thank you very much.

Please continue.

MR. STEIN: Thank you.

But there are many other grounds to strike them from the list at this juncture. Wachovia fails to offer any predatory lending foreclosure prevention loan product and fails to make grants for basic home repairs.

While the scourage of predatory lending resulting in sheriff's foreclosures continues, Wachovia has no loan product and makes no financial commitment to helping these victims of predatory lending save their homes through provision of an affordable refinancing loan.

Our coalition has put forward a proposal for Wachovia to establish a $2 million reserve fund that would allow the Pennsylvania Housing Finance Agency to make such a refinancing loan. We've met with the PHFA people. They're ready to go ahead to do this. The $2 million reserve fund from Wachovia would generate $25 million for a product that would save people's homes across the state -- rather, in the City. Wachovia refuses to commit to this fund and, of course, refuses if they did commit to put it in writing.

Elderly people especially lose their homes because of their inability to make repairs in basic systems or adoptive modifications. And as many of you know, because I'm sure your constituents complain about lack of available repair grants, only one in ten Philadelphia households currently get a home repair grant. Yet, Wachovia has refused in this area also to commit to make or contribute to any of these grants and refuses to cooperate in a novel idea that Lance Haver actually generated with a group of people to have a charitable check-off. No money from Wachovia; simply Wachovia agreeing to do what Exelon-PECO does, what other utilities do. When you have a financial transaction with a bank, you have a voluntary check-off to set aside 20, 30, 40 dollars for a fund for home repair grants. We've put this idea to them. We said a thousand utilities across America do this. PECO-Exelon has been doing this for 20 years in the utility emergence of service fund. Wachovia thinks it's a great, novel idea, but they're not ready to run with it or to commit to it.

In addition, in the area of affordable housing programs, Wachovia's participation is very low in relation to its size. And here's some hard data in addition to what Councilman Goode has presented earlier: The Pennsylvania Housing Finance Agency provides an affordable housing loan product to make it easy for low- and moderate-income people to buy homes. Wachovia is the second largest bank in the state. Where do they rank in the PHFA statistics? Number 18 statewide in using and affording their customers access to this product. And in Philadelphia, Wachovia reserved only 21 of the total of 1,233 PHFA loans under their affordable housing program in 2006. Let me repeat that. Twenty-one of the 1,233 loans by PHA were Wachovia loans. They were virtually invisible in making this product available to their customers.

In addition, there was the study that Councilman Goode may have referred to, but it was the disparity study that this Council commissioned last year. It was a report dated May 2006, which looked at the banking practices of all the City depositories. And that's the study that showed that Wachovia came last in the area of home purchase lending, last in the area of small business lending. Now, what does that mean? In home purchase lending they were last in home purchase loans to African-American borrowers. They were fourth -- that was next to last -- in home purchase loans to Hispanics. And they were last, totally last, in home purchase loans to low- and moderate-income borrowers.

In the area of small business lending -- and we know how key this is because probably half of your Council time is about how do you grow the City, how do we have economic development in the City, how do we create jobs in the City. Here, the largest bank in the City ranks last in small business lending practices. And this is a critical area.

In response, what do we hear from Wachovia? What we're hearing from Mr. Eisenhower and others is a, quote, plan to improve. And when you see closely their letter that they sent to each of you a few days ago, there's this constant repetition of the word "we intend to," "we intend to," "we intend to." "We have objectives" and "we have objectives," and "we're working on objectives." Well, that's fine and it's great. You have to start with objectives, you have to start with plans, but as of today, we have no concrete evidence that this bank has improved its track record.

And that's, in conclusion, why we're supporting the bill that would strike Wachovia from the list of approved depositories and give this bank a message.

Now, many of you might think or some of you might think that striking a bank from the City depositories is an extreme measure. Well, it is not an extreme measure here in light of the hard facts about this bank's practices. This is a critical way of this Council giving a message to this bank. This is a Committee vote this morning, and it's a way for the Finance Committee to tell this bank that the City Council of Philadelphia is unhappy with their practices to date and they have to improve. A vote that would keep them on this list would essentially be a vote of approval that the Council is satisfied with their practices.

We urge this Council to give a message to this bank that they have failings, that the Council looks forward to improvement, will monitor their improvement, but as of today, they are failing in some very important areas that are very critical to taxpayers and residents of the City.

Thank you.

COUNCILWOMAN BLACKWELL: Thank

you very much.

MR. STEIN: We're open to any questions.

COUNCILWOMAN BLACKWELL: Thank you.

Are there any questions for George Gould, Donna Johnson Bullock or Jonathan Stein? Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Lance Haver, are you here?

MR. HAVER: Yes, I am.

COUNCILWOMAN BLACKWELL: Thank you. Welcome. Please identify yourself for the record and begin your testimony. Thank you, Lance.

MR. HAVER: Thank you, Madam Chairwoman. My name is Lance Haver. I'm the Director of Consumer Affairs for the City of Philadelphia. Thank you for this opportunity to testify before you today.

There are two bills being considered, 0060093900, which would require 120-day notice before closing a bank branch, and 06005200, which would remove Wachovia Bank from the list of approved City depositories. I would like to address the bills in turn.

Requiring a 120-day notice before a bank branch closes is good public policy. Let me point out the obvious. No bank decides to close a branch 90 days before it closes. Why then not tell the community and the branch depositors the branch is scheduled to close?

I know that there are lobbyists and bank executives who do not understand why many consumers need advance notice. These lobbyists and bank executives often work in Center City where there are many branches and many ATMs. They often have savings so that even if they must change banks, the change is easy for them. They can get a bank check from their savings, open up a new account, wait the prescribed number of days until they can gain access to their own money. Then they switch their checking account over to the new bank without any difficulties. They can go on their lunch hour or, if they have to, take a few hours off to review different banks to see which one fits their needs best.

What I fear is that these executives and lobbyists don't understand that the working poor don't have the same opportunities. As study after study has shown, the poorer the neighborhood, the less likely there are to be bank branches within walking distance of the branch that closes. Many of the working poor cannot get off for a long lunch or an afternoon to visit different banks. They must either lose time from work or go when a bank has evening hours to open a new account.

Even then there is a real problem for people living close to the edge. They may not have enough cash to open an account without closing the existing one. And if they do that, they will lose access to their money for as long as it takes for the bank to give them access to their money. They will not have a debit card and the checks that they will be given will be, quote/unquote, starter checks, which in some places are not accepted because they don't have a name and address on them. In addition, the newer the consumer is to the branch, the more likely the branch is to place a hold on recent deposits.

Getting new checks will cost these families money that they can ill afford to give up and must be budgeted for. To make things more complicated, the new bank may not allow these working people to cash their paychecks or put their paychecks in as cash. Again, this is not a problem for people who can keep the money in the old bank while the new bank allows the checks to clear, but it is a problem for those living paycheck to paycheck.

Requiring a bank to give a 120-day notice before a branch closes will allow these working families the time they need to review charges at other banks. It will give them an opportunity to open one account before the other is closed and help them make a transition without losing access to their money.

It may even give community groups an opportunity to inform people about their options so that out of frustration former depositors don't turn to the check-cashing place that are all too often more prevalent in low-income neighborhoods than bank branches. Because it will not hurt the bank and it will help the community and the working poor, I urge you to pass the notification bill.

Let me start the second part of my testimony with a hypothetical question. Would Council want to do business with an insurance company that refuses to sell insurance to anyone who lives from Girard Avenue to Lehigh and from Front to Broad Street? I believe the answer is of course not. The City of Philadelphia would not want to do business with any company that decided to withdraw from offering to sell insurance from a certain neighborhood. Why should then the City do business with Wachovia that decided to withdraw from certain low-income neighborhoods?

Perhaps it would be different if Wachovia were losing money and had to close branches to avoid bankruptcy. Maybe then it would be understandable to close branches in low-income neighborhoods. But that simply isn't the case.

Wachovia, according to their own press releases as reported by AP, which is in your packet, of this year saw their quarterly net income skyrocket by 35 percent. Wachovia states that the increase comes from overhead efficiency, loan and deposit growth, as well as growth in fee and service charges.

Assuming Wachovia's press release is accurate, that the increased profits have come from lowering their expenses and increasing loans and fees, I urge Council to consider three things as it deliberates on doing business with the bank: What overhead is being cut? Where is Wachovia making more loans? And how do the service charges affect working people?

We know for a fact that at least closing branches in our low-income neighborhoods is creating some of the overhead efficiency. Perhaps that would be acceptable if the savings were used to increase loans to low- and moderate-income neighborhoods. But that appears not to be the case. In the last reporting period, as we've heard today in Council, Wachovia is near or close to the bottom of every list of banks lending in low-income neighborhoods, to small and moderate businesses, and to minority applicants.

Whatever growth there has been in the number of loans that Wachovia makes has not been made in parts of Philadelphia that need the most help.

The growth in fee and service charges also raises issues of what kind of bank does the City wish to do business with. Fees and service charges such as bounced check fees, debit card overdraft fees and ATM fees fall most heavily on the working poor. There is something objectionable to a bank like Wachovia that raises fees on people struggling so that it can pay its CEO, G. Kennedy Thompson, over $16 million a year in compensation.

To put Mr. Thompson's compensation in perspective, it would take an average worker in Philadelphia 662 years to earn what Mr. Thompson takes home in one year. Is it really that unreasonable to ask Mr. Thompson to take home a little less so we can keep a few more branches open in struggling neighborhoods or choose to do without the City's deposits?

I would urge Council to come up with a universal plan for all depositors as it goes forward rather than act on just this one branch or this one bank, that it look at what kind of criteria we want to use going forward in the future for where the City chooses to put its money. I think that that type of solution makes more sense than simply one.

But in the City's decision to support economic justice for citizens in other parts of the world, we have rightly limited with whom we will do business. We certainly should use the same power to fight for economic justice for our very own citizens.

Thank you very much. I'm happy to answer any questions.

COUNCILWOMAN BLACKWELL: Thank you very much. Important, excellent testimony.

MR. HAVER: Thank you. If I just may add, I've given in your packet just all the facts. I've given you the CEO's pay. I've given you a copy of the AP story about their press release. And I took the liberty of just printing out their press release on the web that goes over how their profits have increased this quarter.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Haver.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Thank you for your testimony. I just wanted to state for the record that our approach has been one toward all the City depositories, not just one. When we passed legislation requiring the banks to do community reinvestment goals, we then passed subsequent legislation that said if they did not submit those reinvestment goals, that they would be struck from the list. We subsequently amended the list of City depositories from about 30 depositories down to about six, and then we've added depositories since that time.

So we actually have developed a structured program that is based on fair lending and community reinvestment. The reason why Wachovia is singled out in this particular bill is because of its performance in terms of fair lending and community reinvestment and also because Wachovia last year threatened to sue the City over an act in fair lending community reinvestment legislation and even today sent their lawyer rather than come and defend their lending performance.

MR. HAVER: Councilman, if I were sitting where you were sitting, I would be equally upset, if not more. I thought your temper was well in check.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any more questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you, Mr. Haver, as always.

MR. HAVER: Thank you.

COUNCILWOMAN BLACKWELL: Nora Lichtash, Women's Community Revitalization Project.

Good morning.

MS. LICHTASH: Good morning.

COUNCILWOMAN BLACKWELL: Please identify yourself for our record and begin your testimony.

MS. LICHTASH: Sure. My name is Nora Lichtash and I work with the Women's Community Revitalization Project. Although, we've been working with CLS and the other groups around trying to get Wachovia to do the right thing.

I've worked in North Philly in the neighborhood right where the two banks are closing for more than 30 years. And just in terms of notice, we've been a really good customer of Wachovia Bank.

We do our lending with Wachovia. We have financing with Wachovia. They've invested and given us grants, and we were not notified about the bank closing. We own almost 100 units right around the corner from Germantown and Lehigh.

I'm here today to encourage the Finance Committee to support the Bill 060939 that Councilman Goode has introduced.

Thank you for introducing it.

It's my understanding that the bill will require about 120 days' notice to the City prior to a bank like Wachovia, depository bank, prior to closing a branch. And we learned about the branch closing from an article in the newspaper, and it's my understanding that many other people in the City learned about it from an article in the newspaper. We weren't told directly.

For most of the years I've worked in North Philly, I've worked with a group called the Women's Community

Revitalization Project, WCRP, and that group has two goals. The first one is to build affordable housing, but equally as important, to build and support leadership and community involvement. And because of that, we have a long history of partnering and at times, when necessary, holding the banks accountable so that they'll provide the needed services, banking services, to the residents and institutions.

I want to describe just one example of a partnership. It happened 20 years ago. The predecessor of Wachovia was Fidelity Bank, and they made the assessment that they were going to merge with a local bank. If any of you remember, it was IVB Bank, Industrial Valley. They were going to close some branches, and because there was notice and only because there was notice, there were a group of organizations and churches that got together and we decided we were going to look at the lending records of Wachovia -- I'm sorry; of Fidelity Bank. So we knew we were putting our money in Fidelity Bank as institutions and as human beings. We just wanted to understand how Fidelity was putting our money back in the community. So we did our homework. And what we ended up doing was negotiating with the bank to keep the most important services in our community and also to help them improve their lending record.

So this was really personally important to me, because WCRP had just started and this was our first deal, and Wachovia financed that first rehab of eight units of housing, and that was very important to us, that Wachovia ended up doing that, but it was because we had notice and because we negotiated with the bank.

I know it's not just important to WCRP. We believe it's important to the City and to other institutions that you pass this legislation, because it can help the banks meet their strategic goals and it can help those of us who are communities who are affected have input.

Thanks.

COUNCILWOMAN BLACKWELL: Thank you very much.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MS. LICHTASH: You're welcome.

COUNCILWOMAN BLACKWELL: Dolores Shaw and Steven Honeyman, Eastern Pennsylvania Organizing Project, EPOP. Next is Pedro Rodriguez, Action Alliance of Senior Citizens.

Good morning.

MS. SHAW: Good morning.

COUNCILWOMAN BLACKWELL: Please identify yourself for the record and begin your testimony.

MS. SHAW: My name is Dolores Shaw. And for the record, Mr. Honeyman will not be here today.

COUNCILWOMAN BLACKWELL: Thank you.

MS. SHAW: Good morning, Finance Chair Blackwell and fellow members of the Finance Committee. My name is Dolores Shaw and I'm Vice-Chair of the Eastern Pennsylvania Organizing Project, a faith-based non-profit organization representing more than 25 churches, community organizations and schools citywide.

I'm here today representing EPOP and our many members who use the Wachovia Bank. EPOP strongly supports Councilman Goode, Jr.'s Bill Nos. 06005200 and 0060093900.

In 1998, the Eastern Pennsylvania Organizing Project signed a community reinvestment agreement with then First Union Bank, which was subsequently bought and became Wachovia. The purpose of that CRA agreement at the time was to keep some of our local branch banks from closing, which we had understood would be the -- would happen under the CoreStates and First Union merger. The community banded together to keep this from happening, and in that sense, we were able to keep five of our local branch banks from closing.

Over the years, the banking industry has played a merge-and-close shell game with Philadelphia communities. This game involves the purchase of local banks and the subsequent closing of branches in low- to moderate-income neighborhoods. The game is one where neighborhoods suffer as bank branches close and leave local residents at the mercy of predatory check-cashing stores charging exorbitant fees. Minorities, seniors and the working poor are often forced to travel outside their neighborhoods to take care of their banking business or use these predatory services.

These closings, in addition to leaving the neighborhoods devoid of banking service, often leave empty buildings. These empty buildings all too often become eyesores and add to the blight of our City. Community investment means working with neighborhoods to strengthen, not to add to their financial struggles and the urban decay of our City.

The Wachovia closings of their branches at 101 East Allegheny Avenue and 2627 Germantown Avenue has left loyal customers out in the cold. Community residents recognize local branches as part of their neighborhoods. They use these branches faithfully, although -- and I say it again -- most of them will never benefit from the loan products or the services that would allow them to purchase homes or repair their homes and expand local businesses.

Now, more than nine years later from the original 1998 agreement with EPOP, we are right back where we started from. The players have changed, but the game remains the same.

We are here today to ask that City Council members support Councilman Goode's bill that will send a clear message to Wachovia and all financial institutions willing to be depositories with the City. This is the message: that all banks holding City monies give notice to the City and this Council of all branch closings. These bills look to a future where the banking industry works with communities to provide financial services and loan products and to help rebuild our neighborhoods.

Thank you for this opportunity to speak with you this morning. Any questions?

COUNCILWOMAN BLACKWELL: Thank you very much. We appreciate your testimony.

Are there any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Mr. Pedro Rodriguez, Action Alliance for Senior Citizens.

Is Marie Quinones here?

MS. QUINONES SANCHEZ: Yes.

COUNCILWOMAN BLACKWELL: After Mr. Rodriguez and Maria Quinones, is there anyone else here?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you.

MR. RODRIGUEZ: Good morning.

COUNCILWOMAN BLACKWELL: Good morning.

MR. RODRIGUEZ: Thank you for this opportunity to express the views of the Action Alliance of Senior Citizens before these two bills for consideration regarding Wachovia Bank and banks that are depositories for the City. My name is Pedro Rodriguez. I'm the Executive Director of the Action Alliance of Senior Citizens of Greater Philadelphia.

I had a prepared testimony, but I'm going to deviate from that. In my experience, talk is cheap and let's get to the facts.

There have been some allegations made or some statements made here this morning about certain agreements that were entered by Wachovia, by its predecessor, First Union, with the Action Alliance of Senior Citizens. That's one of those groups. I have distributed copies of that agreement for your review, and I want you to look at the entire document. It has no expiration date. I don't care what Wachovia officials say. The agreement with Action Alliance had no expiration date. They committed themselves. They met face to face with our seniors and our leadership and they signed on the dotted line that they were going to do a number of things for senior citizens and other organizations in the City of Philadelphia.

When Wachovia decided to close its two branches in Germantown and Lehigh and Allegheny and Front, Action Alliance was not notified. Action Alliance was one of the parties who did its part when we signed that agreement back in 1998. As part of our agreement and to show good faith to the bank, we persuaded thousands of senior citizens to switch from check -- getting their Social Security to direct deposit to the bank in exchange for a number of things, and you can see that's on Page 6 and 7 of that agreement, stipulations about no fee accounts, low income accounts, ATM free of fees. It is our contention today that Wachovia has reneged on each and every one of those points.

The Action Alliance is here to testify that we support very strongly the adoption by this Committee and by Council of Bill 060052 and Bill 060939.

As a resident of the City, I feel just like some of you feel today, that this bank based in North Carolina see the leadership of the City with contempt, see the residents of the City with contempt, see the community organizations that represent people in the City with contempt.

Their failure to come before this Committee today and answer the tough questions that are on the table is a reflection of the attitude towards the residents of the City of Philadelphia, and I personally resent it. I personally resent that corporate behavior. And I think the City Council and this Committee have a moral responsibility as accountable to the people of the City to speak with a loud voice and to carry the only stick that you have with banks in which City funds are deposited. You can send that message to Wachovia's officials today by making sure that the bills to remove Wachovia as a City depository is carried through.

We have let the banks off the hook for too long. There are considerations that they make that affect the lives of our people every day, that affect our neighborhoods develop and look. Clearly, we have an opportunity here to make sure that they understand that we mean business.

I know the seniors of Philadelphia will support all of you who take into your heart and with your vote the best interests of the citizens of Philadelphia.

Thank you very much.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Rodriguez.

Any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Maria Quinones Sanchez, you're next. Thank you.

Is there anyone else to testify on either of these bills after Ms. Sanchez?

(No response.)

COUNCILWOMAN BLACKWELL: Thank

you.

MS. QUINONES SANCHEZ: Good morning. Thank you, Madam Chair Lady --

COUNCILWOMAN BLACKWELL: Good morning.

MS. QUINONES SANCHEZ: -- the rest of the Councilmembers. I want to make a notation, because I noticed that on the list it had me representing Ceiba and I wanted to make sure that that was not the case. I, along with Ceiba, the Hispanic Chamber of Commerce, was one of three original signers of the Hispanic agreement that was reached with CoreStates during the CoreStates/First Union merger. So I am here in that capacity of one of three signers of that agreement.

My name is Maria Quinones Sanchez and I'm a community activist and a lifelong resident of the 7th. I am here today to respectfully ask that this Committee approve the two banking reform bills introduced.

Neighborhood banks are anchors in which we put money and trust. We need a 120-day notice.

Small businesses and the commercial corridors in which the businesses thrive are life lines for my community and many struggling and working-class communities in the City, and banks are key to the success of both.

Banks serve as anchors in a working-class community. Where Wachovia, until its recent pull-out, had neighborhood branches was in two potential new corridors, commercial hubs in the community of North Philadelphia. These shopping areas support dozens of storefronts, corner stores, clothiers, lunch counters, keeping neighbors surrounding them supplied with their day-to-day needs.

One branch was Front and Allegheny and another one was at Germantown and Lehigh in the community of Fairhill. I spent a lot of time at

Fairhill as Director of ASPIRA where we had our headquarters.

Fairhill is a vital area. The south end of Germantown has people working. These are communities where people do their business on foot. They walk to the corner store, to the lunch counter and to the bank.

If you visit Fairhill at Front and Allegheny corridor, you see the potential. New storefronts open, several new senior and affordable housing units and churches.

Wachovia saw it.

The Wachovia Regional Foundation helped craft a plan for increased development. The folks in Fairhill thought they'd have Wachovia's help in enacting its plan, but now it has left these shopping areas, removing a major commercial anchor that kept people visiting them.

In fact, Wachovia has funded several community planning grants in eastern North Philadelphia. Currently there are hundreds of residents engaged in a process of envisioning a new and improved neighborhood. Will Wachovia be there to help them implement those plans?

It seemed that Wachovia would be a good neighbor. CoreStates, its predecessor, was.

When I was Chief Executive Officer of ASPIRA and I joined other Latino CDCs, Ceiba, the Hispanic Chamber of Commerce and other organizations during the CoreStates/First Union merger, which is now Wachovia, they made a commitment to provide low-interest development loans to us. That enabled me to finance ASPIRA's $3 million headquarters and the first Latino charter school in Pennsylvania, Hostos, in my childhood neighborhood of Hunting Park.

But Wachovia didn't continue to be a good neighbor. Wachovia has not maintained the same philosophy as CoreStates. CoreStates had local

Philadelphia residents in the top of their management, people who were advocates of neighborhoods and loved Philadelphia. These neighborhoods were core customers for CoreStates. But now that CoreStates has grown and it's a major national corporation, it's lost that local commitment.

Now Wachovia is bailing out, without honoring its commitment to help enact plans in the development of Fairhill and other neighborhoods in eastern North Philadelphia.

Economic development in neighborhoods and socially responsible corporate citizenship should be in the forefront of every Councilperson and Council candidates's agenda for the City. I hope you and your colleagues on Council find this troubling as well, that you will support the bills presented before you today requiring the notification of 120 days before a proposed closing date.

Bank closures and divestment

are not good for our neighborhoods. Hopefully with sufficient notice we can fill the void with new anchors rather than fall prey to anti-consumer check-cashing establishments, predatory lending like the one across Wachovia where they abandoned on Front and Allegheny.

Broken promises should not be rewarded. We've lost the neighborhood bank branches, but we remember the broken promises. Wachovia inherited -- and I have to note that from Meridian to CoreStates to First Union -- to keep the City's payroll deposits in -- Wachovia inherited the contract to keep the payroll deposits for the City. This agreement ends soon, making it imperative that Councilmembers and the Mayor consider the bank's track record with honoring its commitment to our neighborhoods.

The question that I ask is, at a time when this City, this

Administration, this City Council has invested millions of dollars in neighborhood revitalization, investments that need to be leveraged with our private institutions, should Philadelphia deposit substantial payroll dollars in banks that have low rankings with the number of affordable home loans it reserves through PHFA? Should Philadelphia deposit substantial payroll dollars in a bank that ranks last in home purchase loans for African-Americans and fourth for Latinos? Should Philadelphia deposit substantial payroll dollars in a bank that ranks last in small business lending practices?

It didn't even demonstrate good faith by staying in what they know are struggling commercial corridors.

I hope that each of you on this Committee will support these bills that revoke the depository status of Wachovia's, creating an even playing field and perhaps a little competition.

Wachovia is a bank that has unceremoniously pulled inherited branches and the good-will that came with them out of my community and refuses to enter into a Community Reinvestment Act agreement with Philadelphia organizations. That behavior is not socially responsible and, thus, should not be rewarded with the privilege of holding the City of Philadelphia's payroll because of this historic relationship earned by CoreStates.

At a time when City residents are clamoring for transparency and the end to preferential treatment at all levels of government and with entities that do business with government, where the City does its banking should be earned.

I don't believe that this is the end to Wachovia's reorganization strategy. It will continue to open hundreds of financial centers in wealthier and up-and-coming neighborhoods but not in the neighborhoods in transition and in flux, as is my community. I fear for the other branches in eastern North Philadelphia, branches that will also be closed unless we leverage our public policy and our economic clout with our private institutions. This is about accountability.

As one of the signers of one of the original documents, I was never communicated with from the office of the community development at Wachovia about its decision to abandon my community. Therefore, I have to hold it accountable.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

Next we will -- Councilman Goode.

COUNCILWOMAN BLACKWELL: Mr. Eisenhower, would you return to the witness table. Thank you very much.

All of those who are here for the other capital project bills and discussion and legislation, we'll be hearing that very shortly. This is our final witness for Wachovia.

Thank you, Mr. Eisenhower.

MR. EISENHOWER: Thank you, Madam Chair.

COUNCILMAN GOODE: Mr. Eisenhower, how will you advise your client as to what took place at this hearing?

MR. EISENHOWER: Well, as I said in my earlier testimony, Councilman, our commitment is to work with you or work with the City of Philadelphia and work with City Council, and I made a personal commitment to you that I would get you the answers to your questions that I couldn't provide. So I'm going to, first thing as soon as this hearing is over, go back and start working on fulfilling that commitment as quickly as possible and getting the answers to your questions.

COUNCILMAN GOODE: Will you advise your client that they should have appeared before this Committee?

MR. EISENHOWER: I've advised my client, within the bounds of our relationship, that it's always best to engage in a dialogue with elected officials, and that's exactly why I'm here today, why I've stayed here for this entire hearing, why I've listened and taken detailed notes of everything that everyone has said. And I think it's only through that kind of communication and listening that we can improve our relationships throughout the City. And that's my advice.

COUNCILMAN GOODE: But as we are considering legislation, we have a public hearing and a public meeting process. We do that in public. So will you advise your client that it should appear before this Committee?

MR. EISENHOWER: Well, we are appearing before the Committee, sir, and I'm their representative. That's why I'm here.

COUNCILMAN GOODE: Do you think that your client's lending record is defensible?

MR. EISENHOWER: I'm sorry. I didn't catch the end of your question.

COUNCILMAN GOODE: Do you think your client's lending record is defensible?

MR. EISENHOWER: I do, and I think --

COUNCILMAN GOODE: Are you prepared to defend it?

MR. EISENHOWER: I'm prepared to defend it as best I can, and as I said with the questions that you've raised where I don't have specific answers and, as I said earlier, with respect to, Councilman Goode, I'm not sure any one person could answer all those questions, but it's my job to go back and get those answers.

COUNCILMAN GOODE: So there's no one at Wachovia that actually knows Wachovia's lending record; is that what you're saying?

MR. EISENHOWER: Well, that could answer every one of your questions, any single person, I don't think so, but certainly my job is to go back, find the answers and get them to you, and I think that's --

COUNCILMAN GOODE: That is a completely ridiculous statement. Where do you think I get my information from?

MR. EISENHOWER: Councilman --

COUNCILMAN GOODE: I didn't create it. So if I have the information, it was information that was submitted by Wachovia to either local or federal government. In this case, both. So if I have the information, Wachovia should be aware of its lending record. If you're saying Wachovia is not aware of its own lending record in low- and moderate-income neighborhoods and predominantly minority neighborhoods, then that's a disgrace and that's a reason to revoke its depository status.

How can you come here and actually say that Wachovia should not have defended its lending record?

MR. EISENHOWER: Councilman --

COUNCILMAN GOODE: And should not have been prepared to do it today?

MR. EISENHOWER: Councilman, first of all, let me say that I have the utmost personal respect for you, number one. Number two, I don't want to engage in a semantic battle here, but if it sounded like I said that Wachovia doesn't have the answers to these questions and doesn't want to defend its record, that is not what I meant and that's not our position. I intend to get you your answers. If I have to talk to 50 people at my client, I will do that and I will get those answers for you.

COUNCILMAN GOODE: Well, will you advise your client to appear before this Committee on February 20th?

MR. EISENHOWER: We are appearing before the Committee now and we will continue to cooperate with City Council.

COUNCILMAN GOODE: We'll take the action today, then.

MR. EISENHOWER: Sir, that's up to you. I think it would be a mistake.

COUNCILMAN GOODE: It absolutely is up to us.

MR. EISENHOWER: Absolutely it is.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN BLACKWELL: Councilman Greenlee.

COUNCILMAN GREENLEE: Mr. Eisenhower, with all due respect, I think the Committee is trying to work with you. And I know you have to give the legal answer, and, again, I have great respect for your ability, but I think it -- certainly with Councilman Goode, and I would agree to at least an extent, that there's not -- we're not real comfortable with at least some of the answers. And I understand you can't give them all, but that's why I think -- I don't think you can just say you're here representing Wachovia, because you can't answer all the questions. I mean, there's some answers we need, and all right, you'll come back, maybe the next one we'll try to get more answers, but it just -- and I think it's an issue of good faith and that's what we hear, that maybe Wachovia -- I'm not saying that's fair or not fair, but we're hearing lack of good faith to a certain extent.

And, again, I'm not trying to tell you how to represent your client. You're way better at that than me, but sitting here as elected officials, it's not making us feel real comfortable. It doesn't make me feel real comfortable.

I'm not going to speak for anybody else.

MR. EISENHOWER: Well, Councilman, I take your point, and the only thing I would say is that Wachovia has submitted numerous documents and reports and strategic plans. We submitted a detailed letter today, which went into a lot more detail than my testimony. There are specifics in that letter and in these plans and other documents that we've submitted over the course of time, including in the last year, to the City that are available and have been discussed at length with members of Council and also with the Mayor.

So I guess what I'm trying to say is, Wachovia's cooperation and answers are not limited to simply me testifying today. And, again, I go back to the point that I don't think there's any one person that could answer each and every question and parse out every number, and there's probably disagreements and interpretations, but I intend to be the funnel and the conduit for the very legitimate questions that you all have raised and to get you those answers.

COUNCILMAN GREENLEE: I mean, certainly I'm not -- I don't want at this point to vote for the one bill, but I just wish I could feel a little bit more comfortable that you're -- not you, but that the bank is a little bit more open to dealing both with Council and the various groups involved. Again, if you could take that back, I'd appreciate it.

MR. EISENHOWER: Well, I certainly will, and as I said, the bank is committed to that communication. That's why they sent me here today, and that's why I've made the personal commitment to continue communication and getting answers.

COUNCILMAN GOODE: Mr. Eisenhower, I'll ask you one more time. Will you advise your clients to appear before this Committee on February 20th?

MR. EISENHOWER: My clients are appearing before this Committee through their counsel, which is myself, and they'll decide how to go forward.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN BLACKWELL: Councilwoman Tasco.

COUNCILWOMAN TASCO: Mr. Eisenhower, I appreciate your testimony, but one of the questions raised here today go to policy issues. You're the legal representation. It would be very helpful and I have tried to encourage them to appear before this Committee, and I think it's very important that they find a way to appear before this Committee to answer the policy issues that the Committee is interested in.

MR. EISENHOWER: I understand your point, Councilwoman, and --

COUNCILWOMAN TASCO: And while

we have you is fine, but you don't set policy. You are the legal advisor.

MR. EISENHOWER: That's right.

COUNCILWOMAN TASCO: So, therefore, we need the policymakers before this Committee.

MR. EISENHOWER: I understand your point and I will make sure that my clients understand it as well.

COUNCILWOMAN BLACKWELL: Councilman DiCicco and then Councilman Goode.

COUNCILMAN DiCICCO: Thank you, Madam President. And not to continue to beat a dead horse, I follow the comments and support the comments of my colleagues. I was one who was not prepared to vote for this bill today in favor of the bill because I thought it might have been a little bit extreme, but when the people who are in charge decide that it is not in their best interest to come here -- and they may get beat up a little bit, there's no question about that, and that's the process. They're not here to stand in front of this Committee to get those tough questions, which you obviously are not in a position to answer all of them. You're doing a great job, by the way, for Wachovia representing them to the best of your ability. They need to be here, because there are some questions. As you said, not just one person can answer them all. And maybe if five people from Wachovia as a team come in, they may not have all the answers either, but I think we'll get a lot more from them if they were to appear here.

So I understand that the sponsor of the bill may be holding it until the 20th.

COUNCILMAN GOODE: If he will advise his clients to appear here on February 20th, I'll hold it. If he won't advise his clients to appear here, then I will run it.

COUNCILMAN DiCICCO: And,

again, as someone who was not particularly supportive of the bill, I'm finding it very difficult not to support the bill in light of the fact that they are not here today. And I think that's the message that we're all trying to convey to be brought back to Wachovia. Notwithstanding the admirable testimony and the way you've handled yourself, this is not you. It's Wachovia. And I know you speak for them, but we need to see some faces here.

MR. EISENHOWER: I understand, Councilman. I get the message.

COUNCILMAN DiCICCO: Thank you.

COUNCILMAN GOODE: So will you advise your clients to appear here on February 20th?

MR. EISENHOWER: I'll advise my clients to continue to cooperate with the City of Philadelphia and with Council.

COUNCILMAN GOODE: That doesn't do it.

COUNCILWOMAN BROWN:

Mr. Eisenhower, I need to go on record as well to underscore the request made by my colleagues. I believe Councilwoman Tasco made it clear, there are unanswered policy questions that we have. And we respect the legal explanations you've offered, but they do not move us to where we need to be as we move to ultimately render a decision on the bill. So it's clear to me that Councilman Goode wants to work, is reaching to work with you and those that you represent. Our request is, the best way to get answers to the policy issues are through those whom you represent, and it appears that they need to be here to move us to where we want to go.

MR. EISENHOWER: I understand, Councilwoman, and as I said, I think the questions that have been raised by Councilman Goode and others are perfectly legitimate questions and they deserve serious answers, and I intend to get them and provide them as quickly as possible to members of the Committee and Council.

COUNCILMAN GOODE: But will you advise your client to appear here on February 20th?

MR. EISENHOWER: I can only reiterate my prior answers, Councilman. You can ask me that as many times as you'd like.

COUNCILMAN GOODE: You can just say no and we'll settle it.

MR. EISENHOWER: Well, I've told you that I'll advise them to continue the dialogue with Council.

COUNCILMAN DiCICCO: Point of order on that same question. And I know --

COUNCILWOMAN BLACKWELL: Point of order. And after that, after you finish, then we'll have Councilman Savage.

COUNCILMAN DiCICCO: Again, I said I don't want to beat a dead horse. In the interest of public relations, I don't see why -- and I understand you don't want to answer the question for them, but I would think that your answer should be, We'll encourage them, maybe should be your answer to appear, just in the interest of public relations, because if they hide from this, which is what the perception is, that they're not willing to come forward -- and that may not be their intent, but it's certainly the impression that myself and other folks are under today -- it is not in their best interest from a public relations standpoint to ignore the Councilman's request to appear. I think it just makes a bad situation worse.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you.

Councilman Savage.

COUNCILMAN SAVAGE: Thank you, Madam Chair.

I keep hearing the words "intent" and "objectives" and I don't hear the word "commitment" too much. You talk about dialogue, to have a successor to succeed the businesses that you closed on December 7th. Are you committed to seeing somebody come in?

MR. EISENHOWER: We're committed to making every effort to get that done. We obviously can't control what the other parties want or desire or what their strategic mission is, but I can tell you with the discussions that I've had with the bank, the bank is bending over backwards to make it easy for successors to move into those branches and trying to remove any possible obstacle that we can remove for them to make a decision.

But, again, these are also business decisions by other financial institutions that we don't control. So all we can do is what we do. And I've been satisfied with the discussions I've heard that we're making every effort to remove obstacles, particularly any legal obstacles, financial obstacles for institutions who may wish to move into those two branches.

COUNCILMAN SAVAGE: But you would agree with me that you feel that Wachovia has a social responsibility to see that another institution does come in there?

MR. EISENHOWER: I think Wachovia does have a social responsibility that's even greater than that. It's Wachovia's goal to make sure that the financial situation, the quality of life improves for every citizen of the City of Philadelphia. It's the right thing to do and it also makes good business sense. We're the largest bank in this region. We do better when people do better, both financially and otherwise. So that is our larger commitment, and, again, I think it makes moral sense, ethical sense and financial sense.

COUNCILMAN SAVAGE: Thank you.

COUNCILWOMAN BLACKWELL:

Councilwoman Tasco.

COUNCILWOMAN TASCO: I think it would be helpful if you would relay to your client that once this Committee hearing is closed and the bill is voted out of Committee, there is no further opportunity to have dialogue. The dialogue is before this Committee.

So if you can find some way to keep the dialogue open before this Committee, it would be helpful to you and to the bank, because once the Committee votes the bill, it goes to the floor.

So those of us who want to have a dialogue with Wachovia in public before this Committee, you need to find some way to say that -- I mean, they don't have to comply. You can say, Well, I will advise them. You can take the message back that this Committee requests that they come before this Committee.

MR. EISENHOWER: Well, I certainly intend to do that, Councilwoman. I think the sense of the

Committee is pretty clear, and I intend to convey that message.

COUNCILWOMAN BLACKWELL: Councilman Goode.

COUNCILMAN GOODE: Can you explain to me what your specific commitment is?

MR. EISENHOWER: My specific commitment is to continue the dialogue with Council and to get answers to the questions that you've raised today, to get very specific with the numbers that you've raised, because I think those are very legitimate questions, and where we disagree on those numbers, to get it on the table in front of every member of Council so you can all make your own judgment as to what the answer is and what the numbers are. And that is the commitment I've made to this Committee today.

COUNCILWOMAN TASCO: And you will relay to the bank that the Committee requested they come before us?

MR. EISENHOWER: Absolutely.

COUNCILMAN GOODE: And if the bank does not appear on February 20th, you understand that we will take that as a second slap in the face?

MR. EISENHOWER: Well, again, I hope that my appearance today is not taken as a slap in the face.

COUNCILMAN GOODE: It is.

MR. EISENHOWER: Well, certainly that was not the intent.

COUNCILMAN GOODE: It was.

MR. EISENHOWER: Well --

COUNCILWOMAN TASCO: Know when to end.

COUNCILMAN GOODE: Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there further questions for Mr. Eisenhower?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much.

MR. EISENHOWER: Thank you,

Madam Chairman.

COUNCILWOMAN BLACKWELL: We will now enter into the next phase of our hearings with budget bills, capital budget bills. We'll ask the Clerk to read the title of the remaining bills so we can have a discussion after that. That is Bill Nos. 060832 and 834, as well as Bill Nos. 060961, 966 and, finally, Bill No. 070018. We note that Bill No. 070020 will be held at the request of the sponsor. He says it's a duplication. And the last bill today is 070021.

Clerk, please read the title of all those bills.

THE CLERK: Bill 060832, an ordinance amending Bill No. 060001, relating to the Capital Program for Fiscal Years 2007 through 2012, by adding line items for certain capital projects in Fiscal Year 2007; and

Bill 060834, an ordinance amending Bill No. 060002, relating to the Fiscal 2007 Capital Budget, by adding line items for certain capital projects; and

Bill 060961, an ordinance to amend an ordinance approved June 8, 2006, relating to the Fiscal Year 2007 through 2012 Capital Program, by decreasing project amounts in certain departments and increasing project amounts in other departments; and

Bill 060966, an ordinance to amend an ordinance approved June 8, 2006, relating to the Fiscal Year 2007 Capital Budget, by decreasing project amounts in certain departments and increasing project amounts in other departments; and

Bill 070018, an ordinance approving the reallocation of a portion of capital loan funds borrowed pursuant to Bill No. 040328-A, under certain terms and conditions; and

Bill 070021, an ordinance authorizing the creation of a loan or loans to provide funds for and toward various capital municipal purposes;

authorizing the Mayor, City Controller and City Solicitor or a majority of them to sell bonds at public or private negotiated sale; setting forth the capital purposes and the amounts for which the proceeds of loan or loans will be expended, including reimbursement of City capital expenditures; providing for the maturities and for other terms and conditions and for the form of the bonds; providing that certain bonds may be redeemable prior to maturity; providing sinking funds for the bonds and for appropriations to the Sinking Fund Commission for the payment thereof; authorizing agreements to provide credit or payment or liquidity sources for the bonds and interest rate swaps in connection with issuance of the bonds, and certain other actions; providing for obtaining the consent of the electors to increasing the indebtedness of the City of Philadelphia; and fixing a day for holding the election for obtaining such consent and providing for the arrangements for holding such election.

COUNCILWOMAN BLACKWELL: Thank you very much. We'll ask Vince Jannetti, Finance Director, City of Philadelphia, and Richard Tustin, Capital Program Director for the City, to come to the witness table and to identify themselves and to begin their testimony.

The Chair notes that Dianne Reed is also present. And we'll ask each of you to identify yourselves for our record.

MR. JANNETTI: Good morning, Madam Chair and members of the Committee. I'm Vince Jannetti, Acting Finance Director of the City of Philadelphia.

MS. REED: Good morning, Chairwoman Blackwell and members of the Committee. I'm Dianne Reed, Budget Director.

MR. TUSTIN: Good morning, Councilwoman Blackwell, as well as members of the Finance Committee. I'm

Rick Tustin, Capital Program Director.

COUNCILWOMAN BLACKWELL: Thank you. Feel free to begin your testimony.

MS. REED: Would you like to hear the testimony on 832 and 834 first, ma'am?

COUNCILWOMAN BLACKWELL: Yes.

MS. REED: I appear before you today to offer testimony on Bill 060832 and 060834. The bills would amend the FY07 capital budget and program to provide a total of 30 million of General Fund revenue for capital improvements at Police, Fire and Recreation facilities.

I have previously testified before the Appropriations Committee against companion Bill 060833, which provided the Class 800 General Fund appropriation necessary to transfer the 30 million to the Capital Fund for pay-as-you-go financing of capital projects. At the hearing, held December 7, 2006, I offered testimony concerning the deleterious impacts of the legislation on our ability to balance the Five-Year Plan, which is becoming increasingly difficult as a result of higher costs for criminal justice, social services, employee health and welfare benefits, and pension costs.

The Administration agrees that capital improvements and aggressive maintenance improvements are needed in Police, Fire and Recreation facilities. However, the Administration does not support the specific provisions of Bills 060832 and 060834, because the bills would provide a disproportionate share of funding for a select three departments, while not addressing the needs of approximately 15 other departments that also have compelling needs and rely on City general obligation funding for support.

Assuming Council approval of Bill 070021, the 129.7 million loan authorization ordinance for Fiscal '06 and Fiscal '07, which is also being heard this morning or this afternoon, as well as the Fiscal '08 loan authorization, which will be presented to City Council this spring, the Administration will have over 180 million in new authorization resources to fund capital projects.

Furthermore, the Pennsylvania Intergovernmental Cooperation Authority is about to embark on a wide-scale assessment of conditions in Police, Fire, Health and Prison facilities, as well as City Hall. It would be prudent to have the results of that assessment prior to allocating scarce resources to a select few departments, while many large-ticket projects such as streets resurfacing, emergency Fire Code compliance upgrades at City Hall and the City Hall exterior projects are severely underfunded or not funded at all.

Rather than passing these amendments, which would add a disproportionate share of funding for Recreation projects, as well as Police and Fire projects, the Administration urges Councilmembers instead to approve Bill Nos. 060961 and 060966, which would amend the capital budget and program to reallocate a total of 10.5 million -- 3.5 million per year in the Fiscal '05, '06 and '07 capital budgets -- from Recreation Improvements to Existing Facilities to Police and Fire interior and exterior renovations; Bill No. 070018, which would amend the FY05 loan authorization pursuant to 060961 and 060966; and we also urge Council passage of Bill No. 070021, which would provide an influx of much-needed authorization to address the deferred capital needs of all departments citywide.

This concludes my written testimony. I'll be happy to answer any questions Council might have at this time.

COUNCILWOMAN BLACKWELL: Thank you very much. Does anybody want to testify else at the witness table?

(No response.)

COUNCILWOMAN BLACKWELL: All right. Any questions for Ms. Reed?

Councilwoman Tasco.

COUNCILWOMAN TASCO: Ms. Reed or Mr. Jannetti, why were the items described in the Mayor's January 23rd letter never raised during the October 17th Finance Committee hearing regarding the $150 million arts and culture bond? If we had had these issues, did it make sense to commit the City for an annual debt service of 12.5 million per year for the next 20 years for capital improvements to mostly private facilities?

MS. REED: Councilwoman, the debt service for the 150 million was budgeted. And the situation of the budget is continuously changing as we find more revenue and realize that we actually have higher costs for some critical items. We didn't know earlier in the year that we would be unable to keep the prison census down to 8,500, which is the level that we budgeted at. It's up around 8,800 today. And so that's added another hundred million to the costs. We didn't know that at the time that that prior testimony was given.

Does that answer your question?

COUNCILWOMAN TASCO: When you were testifying in October regarding the $150 million, didn't you know that the prison population was going up then --

MS. REED: No.

COUNCILWOMAN TASCO: -- based on the reports, the police reports? Did you all not check that the prison population was going up? I think we had testimony in here in City Council before my Committee regarding the problems at the prison and the increase in population and where these people were -- the conditions they were sleeping in.

MS. REED: Last spring, because we were concerned about the census given, what we had challenged ourselves with as a management level of the population was to come up with some options to keep that down, and the Criminal Justice Coordinating Committee, which consists of criminal justice partners, has put together a list of options, and subsequent to that, there was the lawsuit about the overcrowding that happened during the summer. And we continue to try to look at options to keep that population down, but we did not know that it would go as high as it has gone. And there's speculation about why it is so high and it hasn't gone down, because it's about a thousand people more a day than it was the year before last.

COUNCILWOMAN TASCO: What communication --

MS. REED: So the answer to that is, we don't know why it's going so high and we certainly didn't anticipate it to be at historic high levels at this time of the year, which is usually the lowest.

COUNCILWOMAN TASCO: What information do you get from the Police Department regarding the number of arrests that are being made during the year? Is there any dialogue around that, knowing that every day in the paper there's a shooting or there's some criminal activity taking place, which gives you an indication that crime is up and that you're going to need the facility to hold the people when they're arrested?

MS. REED: Well, it really appears, Councilwoman, that it's not that the arrests are up, because the arrests are only up a little bit above what they have been for a very long period of time. As we presented to Council before the holidays, to Council staff mostly, about the City's financial situation, one of the things that appears to be happening, which was the focus of Dr. Goldkamp's study, which was released in November, on what drives the prison population is that the Bail Commissioners are tending to put people into facilities with a bail even though there are guidelines that say when you should apply bail and when you shouldn't. And people are saying that bail is getting slapped on people all the time and the criminals have an opportunity to get out because there's an infrastructure that gives them money, whereas people who are simply poor end up spending 35 to 55 days before they are immediately released. That's kind of the time frame, "immediate release." And what ends up happening is that as Goldkamp's study, which we got in November, showed 64 percent of the people who are put into the prison facilities end up being immediately released, but they're still in there for days getting medically evaluated and waiting until their turn comes up in the courts.

COUNCILWOMAN TASCO: The question for me is, why are you so opposed to the pay-as-you-go for our infrastructure when the City Planning Commission and PICA both have said that we don't have enough money for our infrastructure, except that these two gentlemen testified that we had plenty of money when we had this $150 million hearing? But we know that I can spend -- we're talking about now $800,000 for each district. I have a pool that costs $800,000.

When I sat down with Mr. Tustin the other day, they asked for money for a roof. And in the past, prior to the District Councilmembers being appropriated the $1.2 million, Recreation Department took care of some of these issues. They took care of the roofs. They took care of some of the structural maintenance from the Recreation Department's budget. Now all of that is given to the District Councilperson. So it's still a cut for us because we're picking up construction and maintenance repair for these rec centers that this

Rec Department used to pick up. So there's a cut right there, because you don't have -- you're not appropriating the money there and you're taking from us the money that we need to continue to repair these rec centers.

MS. REED: Well, Councilwoman, I think that the problem with pay-as-you-go, which I think the Administration does not generally support, is, in the case of the legislation, a huge matter of scale, because in the Fiscal '11 plan and in the Fiscal '12 plan that we're trying to put together now, we have an operating deficit in every single year. So the only way that we get a fund balance is by consuming prior year's fund balances. And the problem is that both in the Fiscal '11 and the Fiscal '12 plan, if we take 30 million out of that, we do not achieve the fund balances in Fiscal '09 and following that PICA is requiring us to meet because they are skeptical about

PGW's ability to repay the loan in Fiscal '09. They are requiring us to have a $45 million fund balance, and if you take out 30 million, it rolls right straight through.

COUNCILWOMAN TASCO: But when you proposed your fund balance, you did not have this $30 million in your fund balance. Did you know you were going to have an extra $30 million? Actually, you have more.

MS. REED: Yes, we did. We thought that the fund balance was going to be 63 million in Fiscal '11, and with this, it's only 33 million. So we're under the PICA threshold of 45. That's the thing that happens that's kind of a direct thing.

But let me also mention about the 180 million. One of the things about that level of need that was identified by the Planning Commission is that Police and Fire were only identified as having about a $5 million level of need and the

Recreation Department had a level of need of about 17. But if you look at just the life safety part of that, fires -- level of life safety need is only about two and a half million, but the Police level of need is about two million and Recreation's level of need is only about 1.7 million. And while the amount of money that was programmed in the capital budget to address Police and Fire is way under that life safety level, because we only had about 800,000 for Fire and about 400,000 for Police -- or 2.4 for Police, we have 13 million, which includes the ITEF amount of 17 million, against 1.7 of life safety need. And the reason I'm bringing up the life safety need is that as a result of this disproportionate programming for Recreation, other departments are going begging.

I sat in meetings over at the Planning Commission where we talked about how we're going to triage everybody else's budget and had to listen to the people of the Office of Supportive Housing trying to decide whether they were going to fix broken heating elements or fix windows because children might fall out, and they had to pick.

COUNCILWOMAN TASCO: But you didn't have that discussion when we had the budget hearings last year, and when you brought us a 12.5 million debt service on the 150, you never discussed that. If you knew all of that and we know that we have a deficit in funding our Fire, Police and other municipal buildings, why are we going in debt to provide money to other outside agencies?

MS. REED: Well, the allocation was as a result of trying to figure out how to fund the other departments in the City given how much money went to Recreation. We did not know what I just was describing about, say, the Office of Supportive Housing, because we only had those hearings for capital purposes in November.

COUNCILWOMAN TASCO: But we know that the structural -- that our buildings are not in good condition. You don't have to have a hearing to know that. You know that. Mr. Tustin knows that. He hears it from the District Councilpeople. You hear it all the time. So all of the sudden, you find out that you need more money for Fire and Police for those facilities at a hearing, but that's an ongoing problem. I hear it when I go out in the neighborhood. But we still spent $150 million at $12.5 million a year, and our needs in the City are going begging, and that's why I'm asking for the pay-as-you-go.

We can go round and round on this, because you're not going to agree and I'm not going to agree, but I just think that it's a matter of priority and certainly the will of the Mayor not to spend $30 million that he -- you know, he's the Mayor, but I can certainly ask for it and ask my colleagues to support it.

MS. REED: I understand, and if I could respond to that specific part of your question. The capital budget, as you know, is constrained by the legal limit, and that is a constraint for all kinds of spending. And the important thing about the 150 million borrowing -- and I think this is a critical piece -- is that like the abatements that we have, these kinds of decisions are strategic, and as a result of these kinds of investments, we will be strengthening neighborhood corridors in an extraordinary way that we don't have an opportunity to do any other way, as well as our arts and culture organizations, which have clearly demonstrated themselves to be economic engines.

So this is a different kind of an investment that is strategic that we don't have an opportunity to do, obviously, because if we were to try to do that in the capital budget the way it's already constrained, there really isn't any room, because then that would so much more magnify the decision-making problem already.

COUNCILWOMAN TASCO: Well, it could have been that more organizations could have received more money over the long haul of the 20 years with the 12.5 million without us going in debt if that 12.5 million had been put aside each year to allow for us to support other cultural institutions and you're not obligated each year. You can make that decision. It could have been a separate fund. And those organizations and more organizations, because right now you're going to have a few who access that money.

So I just think it's a matter of how we did it, not that I didn't support and don't support the funding and support of cultural institutions, but I think the way we did it was not the best way, because you limit the amount of access to these community groups.

COUNCILWOMAN BROWN: Any additional response or testimony to Councilwoman Tasco's remarks?

MS. REED: Did you want a response to that, Councilwoman?

COUNCILWOMAN TASCO: Not really.

COUNCILWOMAN BROWN: Any additional testimony on this bill?

(No response.)

MR. JANNETTI: No, Councilwoman. That's it for this bill.

COUNCILWOMAN BROWN: Repeat what you said. I'm sorry.

MR. JANNETTI: I'm saying that is the testimony we have on this particular bill, on 060832 and 060834.

COUNCILWOMAN BROWN: 060832 and 060834. So let's now move to you presenting testimony on the remaining bills up for consideration.

MR. JANNETTI: Yes, ma'am, we will be.

MR. TUSTIN: Good afternoon.

COUNCILWOMAN BROWN: Is your light on?

MR. TUSTIN: I believe so. I don't know. There's nothing on here.

COUNCILWOMAN BROWN: Okay.

MR. TUSTIN: Good afternoon, Councilwoman Blackwell and members of the City Council Finance Committee. My name is Richard Tustin and I serve as Director of the City's Capital Program Office. I appear before you today to offer testimony in support of Bills 060961 and 060966, which will shift the total of 10.5 million -- 3.5 each year in FY05, '06 and '07 -- from Recreation's Improvements to Existing Facilities line to the Police Department, Fire Departments' Interior and Exterior Renovations Capital Budget lines.

As you know, the Police and Fire Departments operate 24 hours a day, seven days a week, and are critical to the life and safety of the citizens of the City. Due to their long hours and the intense nature of their work, Police and Fire buildings, infrastructures and systems require replacement, renovations and upgrades more frequently than the average municipal building.

Due to the constrained capital budgets of the past and the competing needs of other City departments, which also provide valuable services to citizens, most departments receive only enough capital funding each year to cover the life safety and basic infrastructure replacements needed to keep their facilities open or operating. Since no new capital funds have been available or have been available since FY05, the City has had to further prioritize even these projects for implementation with the dwindling City carry-forward funds, leaving many projects on hold.

The additional funds made available through these two bills will not only allow our office to move forward with the previously planned projects but also will allow us to start implementing those types of projects which may not be considered life safety in nature but will certainly have a meaningful impact on the quality of life for police officers and firefighters. For example, heating and ventilation and air conditioning upgrades, operation room renovations, electrical and lighting upgrades, kitchen and bathroom upgrades, site improvements will all help to create a better working environment.

In closing, I would like to address the questions some may have regarding what impact the transfer of these funds will have on Recreation Department's facilities. Ongoing improvements to the City's recreation centers are vital to communities and neighborhoods. District Councilpeople carefully use their improvements to existing facility funds, ITEF, to provide recreation facilities for their constituents, and I'm confident they will continue to do so with the $20 million of funding provided to Councilmembers with the passage of Bill 070018, the FY05 loan authorization amendment, and Bill No. 070021, which will fund the FY06 and FY07 capital budgets. I believe that the passage of Bill 060961 and 060966 will have a limited and manageable impact on the Councilmembers' abilities to continue their good work.

Thank you for allowing me the opportunity to speak on this important issue, and I'll be happy to answer any questions you may have at this time.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there questions for Mr. Tustin?

(No response.)

COUNCILWOMAN BLACKWELL: Are you prepared to continue to testify on the other bills?

MR. JANNETTI: Yes,

Councilwoman.

Good afternoon, Councilwoman Blackwell and members of the Finance Committee. I'm Vince Jannetti, Acting Director of Finance. I'm here today to testify on behalf of Bill No. 070018, which was introduced on January 25th, and to testify in support of this bill.

Bill No. 070018 will amend Bill 040328-A, the FY05 loan authorization ordinance, in accordance with the amendments to the FY07 capital budget and program, proposed in Bill Nos. 060961 and 060966 introduced by Councilman Clarke on December 14, 2006. These bills propose transferring a total of $10.5 million - or $3.5 million each year in Fiscal '05, Fiscal '06 and '07 - from the Recreation Improvements to Existing Facilities to Police and Fire for interior and exterior renovations. Assuming passage of these two bills, the FY05 loan authorization, which was approved on September 30, 2004, will need to be amended to transfer authorization from the purpose category of "Recreation, Parks and Museums" to the purpose category of "Municipal Buildings."

I would also like to request the suspension of rules to allow for first reading at the next session of Council.

On Bill No. 070021, I'm also here to testify on behalf of the bill and to testify in support.

The purpose of this bill is to obtain approval from City Council to place a loan authorization on the Primary Ballot on Tuesday, May 15, 2007. The loan question requests an increase in indebtedness from the electorate in an amount not to exceed $129,695,000 to fund the City's Fiscal Year 2006 and 2007 Capital Budgets. State law requires the City to place a ballot before the electorate during an election to increase its borrowing authority.

The loan authorization, if

approved, would finance capital projects classified for the following purposes and in the following aggregate amounts: for Transit, $9,797,000; for Streets and Sanitation, $33,774,000; for Municipal Buildings, $51,863,000; for Parks, Recreations and Museums, $27,376,000; and for Economic and Community Development, $6,885,000.

It is essential that this loan authorization be passed in order to continue the funding of critical capital projects. Without the passage of this bill, at the estimated level of capital obligations for the remainder of the current fiscal year, there will be extremely little authorized carry-forward funding available to meet current capital needs or to fund unforeseen emergencies. Approximately 185 projects have been delayed as a result of loan authorizations to fund the '06 and '07 capital budgets.

In order to provide appropriate

time to advertise and print the ballot question to ensure it is placed on the May 15, 2007 Primary Election Day ballot, the bill should be enacted no later than March 15, 2007. The City Commissioners need to have a certified copy of the Loan Authorization ordinance and ballot question by April 1st, 2007.

Finally, attached as part of this testimony is the proposed ballot question requesting loan authorization from the electorate of the City of Philadelphia. "Should the City of Philadelphia borrow $129,695,000 to be spent for and toward capital purposes as follows: Transit; Streets and Sanitation; Municipal Buildings; Parks, Recreation and Museums; and Economic and Community Development?"

Also, I would like to request a suspension of the rules to allow for a first reading at the next session of Council.

Thank you, Madam Chair. If

there are any questions, I'd be happy to answer them.

COUNCILWOMAN BLACKWELL: Thank you very much.

Are there any questions from the Committee?

(No response.)

COUNCILWOMAN BLACKWELL: Thank you very much. If there is no other discussion on the hearing part of our hearing, our meeting, we will now leave this part and enter into our stated -- Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair.

COUNCILWOMAN BLACKWELL: Certainly.

COUNCILMAN CLARKE: Thanks, Madam Chair. Madam Chair, I just wanted to reference Bills 61, 21 and 66. There are amendments that have been circulated. These amendments reflect a recent change in the allocation on all portions of the '06 and '07 loan authorization and capital budget. The previously introduced legislation called for an $850,000 per Council district and then the remaining dollars were for municipal facilities. These amendments will change that number from 850,000 to 900,000 per Council district. The reductions will come from various categories in municipal facilities, but it is a reduction of an increase. So the previously introduced bills all call for increases to the municipal facilities, so it's not -- at the end of the day, it's still an increase over the prior fiscal years.

So I just wanted to make reference to those amendments and the purpose for those amendments and ask that a member of the Committee introduce those amendments.

COUNCILWOMAN BLACKWELL: Thank you very much, Councilman.

Any questions?

Councilwoman Tasco.

COUNCILWOMAN TASCO: So the

amendment is to --

COUNCILWOMAN BLACKWELL: I think --

COUNCILWOMAN TASCO: 0966, is that the --

COUNCILWOMAN BLACKWELL: Councilman Clarke, there's a question coming forth from Councilwoman Tasco. I think while you were talking she was talking to our colleague, Councilman O'Neill, so she probably didn't hear you. Maybe you could repeat what we have.

COUNCILWOMAN TASCO: No. I just want to ask a question.

COUNCILWOMAN BLACKWELL: Certainly. Feel free to, Councilwoman Tasco.

COUNCILWOMAN TASCO: 966 refers to what year? I don't have the bill in front of me.

COUNCILMAN CLARKE: This is '06-'07. Actually, '06 was actually a carry-forward. So '06 capital budget was a carry-forward to '07. So these amendments reflect both of those particular years.

COUNCILWOMAN TASCO: So this is '07?

COUNCILMAN CLARKE: '06-'07, yes.

COUNCILWOMAN TASCO: Now, one of our discussion you had on the table was '05.

COUNCILMAN CLARKE: What about what discussion? Can you be more specific?

COUNCILWOMAN TASCO: One of the issues that I have had about '05 is that that bill was approved by the voters for the $1.2 million for recreation and we have not been able to spend that money. We are only able to spend $500,000.

COUNCILMAN CLARKE: Yes.

COUNCILWOMAN TASCO: Will there be any action taken to renegotiate that figure with the Administration?

COUNCILMAN CLARKE: Yes.

COUNCILWOMAN TASCO: When?

COUNCILMAN CLARKE: I think that some discussions have already been had with respect to the '05 capital budget.

COUNCILWOMAN TASCO: So my vote today will be conditioned on what happens with 2005.

COUNCILMAN CLARKE: That's no problem.

COUNCILWOMAN BLACKWELL: Thank you very much.

Further questions or concerns?

(No response.)

COUNCILWOMAN BLACKWELL: All right. Then we will continue on our discussion. As we mentioned earlier, the biosolid bills were being held, so that we don't have to review that again. So we won't hear that in stated meeting. We will now consider Bill No. 060052 and note that it will be held, as the sponsor has requested and agreed to Wachovia people, until February 20th at 10:00 a.m.

We will now entertain a motion

from Councilwoman Tasco with regard to -- we are now in the stated meeting part of our gathering where we will make our decisions. Our hearing is over. We're in the stated meeting. Thank you very much.

Councilwoman Tasco, we will now call on you for a motion with regard to Bill No. 060832. The next two are yours.

COUNCILWOMAN TASCO: Okay. I move that Bill 060832 be reported out of Committee with a favorable recommendation and that the rules of Council be suspended so as to have this reading on the next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 060832 be reported out of Committee with a favorable recommendation and, furthermore, that the rules be suspended so as to permit first reading at our next session of Council.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The Chair calls on Councilwoman Tasco for a motion with regard to your second bill, 060834.

COUNCILWOMAN TASCO: Madam Chair, I move that Bill 060834 be reported out of Committee with a favorable recommendation and that the rules of Council be suspended so as to have this read at the next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it. Therefore, Bill No. 060834 is reported out of Committee with a favorable recommendation and also a recommendation that the rules of Council be suspended so as to permit consideration at our next session of Council.

The Chair recognizes Councilman Goode with regard to Bill No. 060939.

COUNCILMAN GOODE: Thank you, Madam Chair. I'm proposing an amendment to Bill No. 060939 that would change the notification from 120 days to 90 days in order to conform with federal regulations and to avoid a preemption battle. So I'm simply striking the number "120" and replacing it with the number "90." And I move for approving the amendment.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that the amendment to Bill No. 060939 be adopted.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL:

Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: Therefore, the ayes have it and, therefore, the amendment to Bill No. 060939 has been adopted.

The Chair now recognizes Councilman Goode for a motion on the amended bill.

COUNCILMAN GOODE: Thank you, Madam Chair. I move that Bill No. 060939 as amended be reported out of Committee with a favorable recommendation and that the rules of Council be suspended so as to permit first reading at our next Council session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The

ayes have it and, therefore, Bill No. 060939 as amended will be reported out of Committee with a favorable recommendation and with a suspension of the rules so as to permit first reading at our next session.

As has been stated, the Councilman has recommended that 060052 be postponed until February 20th where it will be considered at 10:00 a.m.

The Chair recognizes Councilwoman Blondell Reynolds Brown for a motion with regard to Bill No. 070018.

COUNCILWOMAN BROWN: I move that Bill No. 070018 be reported out of Committee with a favorable recommendation and further move that the rules of City Council be suspended so as to permit first reading at our next scheduled session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 070018 be reported out of Committee with a favorable recommendation and, furthermore, that the rules of Council be suspended so as to permit at our next session of Council its reading.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the bill passes.

Bill No. 070020 again we note is being held at the request of the sponsor. They tell me it is a redundant bill. It is considered with other bills.

We now call on Councilman Greenlee with regard to Bill No. 070021, an amendment that has been circulated.

COUNCILMAN GREENLEE: Madam Chair, I move the amendment of Bill No. 070021.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that the amendment to Bill No. 070021 be adopted.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the amendment to Bill No. 070021 is adopted.

The Chair now calls on Councilman Greenlee for a motion on the approval of the amended bill.

COUNCILMAN GREENLEE: Madam Chair, I move that Bill 070021 as amended be approved by this Committee, with a suspension of rules to provide for first reading at the next session of Council.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so, therefore, Bill No. 070021 as amended is reported out of Committee with a favorable recommendation, also a recommendation that it be heard at our next session of Council.

The Chair now recognizes Councilman DiCicco for a motion to amend Bill No. 060961.

COUNCILMAN DiCICCO: Thank you, Madam Chair. I move that the amendments to Bill No. 060961 be approved.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that the amendment to Bill No. 060961 be approved.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the amendment to Bill

060961 is adopted.

The Chair now recognizes Councilman DiCicco with regard to a motion on the amended bill.

COUNCILMAN DiCICCO: Thank you, Madam Chair. I move that Bill No. 060961 as amended be reported out of this Committee with a favorable recommendation and that the rules of Council be suspended so as to permit first reading at our next Council session.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 060961 as amended be reported out of Committee with a favorable recommendation and, furthermore, that the rules of Council be suspended so as to permit first reading at our next session.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the bill passes.

The Chair now recognizes Councilman Savage for a motion to adopt the amendment to Bill No. 060966.

COUNCILMAN SAVAGE: I move the amendment for Bill No. 060966 be approved.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that the amendment to Bill No. 060966 be adopted.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the amendment is adopted.

The Chair now recognizes Councilman Savage with regard to a motion on the amended bill.

COUNCILMAN SAVAGE: I move that

060966 as amended be moved and approved and further request for a suspension of the rules to be moved.

(Duly seconded.)

COUNCILWOMAN BLACKWELL: It has been moved and seconded that Bill No. 060966 as amende be reported out of Committee with a favorable recommendation and, furthermore, that the rules be suspended so as to permit first reading at our next session of Council.

All in favor will say aye.

(Aye.)

COUNCILWOMAN BLACKWELL: Opposed?

(No response.)

COUNCILWOMAN BLACKWELL: The ayes have it and so the bill is reported out.

I believe that takes care of our agenda for today. It was very long. I thank you all for your patience.

This hearing is recessed. Remember the February 20th hearing on the biosolids and the other bill with Wachovia Bank. I thank you all for your patience and all the hard work. Thank you. This hearing is recessed.

(Committee on Finance adjourned at 1:00 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 January 31, 2007, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY

RPR-Notary Public

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