COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE OF THE WHOLE

- - -

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, May 4, 2009, 10:20 a.m.

- - -

Res. 090226 - Approval of revised Five-Year Financial Plan covering FY 2010 through 2014.

Bill 090212 - FY '10-'15 Capital Program.

Bill 090213 - FY '10 Capital Budget.

Bill 090214 - FY '10 Operating Budget.

COUNCILMEMBERS PRESENT:

Anna C. Verna, Chair
Marian B. Tasco, Co-Chair
Jannie C. Blackwell
Blondell Reynolds-Brown
Darrell L. Clarke
Wilson W. Goode, Jr.
Bill Green
William K. Greenlee
Curtis Jones, Jr.
James F. Kenney
Donna Reed Miller
Brian J. O'Neill
Frank Rizzo
Maria Quiñones-Sanchez

- - -

V A R A L L O Incorporated
Litigation Support Specialists
1835 Market Street, Suite 600
Philadelphia, Pennsylvania 19103
215.561.2220 215.567.2670

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

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

The first department to testify...

MR. McPHERSON: ... will be the City Representative's Office.

(Witness comes forward.)

COUNCIL PRESIDENT VERNA: Good morning.

MS. JOHNSON: Good morning.

COUNCIL PRESIDENT VERNA: Kindly identify yourself for the record and proceed with your testimony.

MS. JOHNSON: Melanie Johnson, City Representative.

Good morning, Council President Verna and members of Council. I am here to present testimony on behalf of the Office of the City Representative FY '10 Operating Budget request of $1,137,491, which is a decrease of $4,225,022 over FY '09 obligations. This budget request of $1.1 million will fund ten staff positions and pay for core Department operations in FY '10.

The Office of the City Representative is responsible for developing and promoting events to attract commerce, visitors, and new residents to Philadelphia and improving the quality of life for the people who live here. Our office also works with various agencies to market Philadelphia with one voice to a worldwide audience.

The City Representative, under City Charter, is a member of the Mayor's Cabinet. The Office of the City Representative handles:

Marketing, promotions, and branding internally and externally; international protocol; special events; ceremonial events; ceremonial documents, 3,000 produced annually; ceremonial gifts, 4,000 presented annually; public relations; photographic services; presentations; and also oversees the Fund for Philadelphia.

We also produce the Sunoco Welcome America Celebration and the Philadelphia Marathon, as well as other events such as the Mayor's Centenarian Celebration, Police and Fire Memorial, and the City Hall Tree-lighting Ceremony among many others.

In the November 2008 rebalancing, the Department of the City Representative eliminated two positions that were vacant, and notwithstanding the reduction to its workforce, this office has been able to carry out some important accomplishments in FY '09. Some examples are:

Coordinate a strategy with the Mayor's Office to assist with public relations and marketing efforts for issue-based programs for seniors, mortgage foreclosure, hunger, and the education campaigns for all ages;

Infrastructure-enhancement programs and collaboration with Commerce

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

and outside organizations such as Center City District, PCVB, GPTMC that can bring new residents and visitors to the City;

The facilitation of partnerships which team external organizations and internal departments for mutually beneficial outcomes;

The development of stronger guidelines for producing events in the City that have helped to offset City service costs that have been waived in the past;

Ongoing engagement of the Philadelphia Executive Marketing Council, a think tank of senior-level marketing professionals who help find marketing communication solutions for various City department challenges in an effort to enhance the City's image, from crime to education to business services and everything in between.

And we have maximized efficiencies by finding creative solutions to do more with less. We have solicited engaged agencies to assist in our marketing efforts pro bono. An example of this is the development of a new City iconography system that will unify the City departments and to present a more service-oriented government to residents, visitors, and businesses developed pro bono by the Philadelphia-based Star Group, and is launching soon.

The Department of the City Representative's $1,137,491 budget request represents a decrease of $4,225,022 over last year's allocation. Of this amount, $3.7 million is attributed to the transfer of the Cultural Fund to the Office of Arts and Culture and the Creative Economy.

When you net the funding for the Cultural Fund, this budget will be reduced by 31.6 percent over FY '09 funding levels. The remainder, or $525,022, represents reduction over various classifications in this proposed

FY '10 budget.

An analysis of the FY '10 budget by classification shows a decrease of $103,000 in Class 100, representing a reduction of workforce positions that occurred during the November 2008 FY '09 rebalancing. The proposed FY '10 budget also reflects a reduction of one staff position.

Class 200 will be reduced by 43 percent from FY '10 to $544,833. This will result in decreased support for the City stakeholders, including Avenue of the Arts, Historic Philadelphia, the Fund for Philadelphia, and the Greater Philadelphia Film Office.

Class 300 and 400 combined will be reduced by 10 percent from FY '09 to $72,250. These cuts will result in less resources across the board that help to support the basics operations of this department and our constituents such as ceremonial documents and presentation offerings, publications, office supplies, photography equipment, and other items.

Our office had planned to hire an in-house graphic designer who would be able to save the City significant money by providing graphic design support to all City departments. If Plan B occurs, we won't need to continue to outsource this function to consultants for all projects, as will other City departments that use the Office of the City Representative for this function.

In addition, the impact to our overall budget will severely limit our ability to provide core services such as ceremonial gifts and documents at a rate of close to 50 percent because of the lack of funds to replenish the supplies and the loss of a currently-vacant public relations coordinator, who writes the documents.

Annually, we receive more than 3,000 requests for documents and 4,000 for gifts, including the ones provided for dignitaries. If Plan B occurs, we will have to revise the policy even more than we are currently to provide these services. We will also have to continue to cut support for stakeholder programs.

Thank you for the opportunity to testify before you. I am happy to answer any questions.

COUNCIL PRESIDENT VERNA: Thank you very much.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Good morning, Miss Johnson. How are you this year?

MS. JOHNSON: I'm doing well. Thank you, Councilman.

COUNCILMAN JONES: Good, good, good.

I wanted to just take a moment to thank you, and I didn't see it in your testimony or hear it, but you, based on the budget and based on the recession, have probably been besieged with a number of additional expenses by way of parades and requests for assistance.

I would also say that we probably, in this city, came a lot closer to cancelling worthwhile events than we care to know in the public but, but for your work, along with the Managing Director's Office along and others that formed ad hoc teams that individually saved these events.

And I wanted to recognize also Congressman Brady, who most recently saved the Bike Race in the City of Philadelphia by bringing new sponsors to the table.

Could you elaborate on what the behind-the-scenes efforts have been to save parades from the Bike Race to the Mummers to the Marathon to the Greek Parade to the Hispanic Parade that we have, ethnic parades, that we have around the City and what went into that effort to save them?

MS. JOHNSON: Certainly.

There's a task force of different departments that have something to do with special events throughout the City, and that task force meets individually with the organizers of the different events so that we can look at exactly what they need, what their services are.

None of these events in the past have ever paid for City services. So we absolutely understand from the beginning that it's kind of a sticker shock for them when they see a bill that they've never seen before. So we try to work with them to produce an event that still gives them what they want but provides them with a lower cost as much as we can without messing up safety.

So that's basically what we do. We sit down and we talk to them. And all of the departments, from the MDO's Office to Fairmount Park, just try and work with them to come up with a good plan that helps everyone.

COUNCILMAN JONES: So what we

do now versus what we used to do before we kind of did this service, whether it was Police, Fire, Sanitation, cleaning up after a parade almost gratis for the most part, and now we're itemizing each one of those expenses and kind of presenting them with a bill in order for them to understand what it costs us to provide it.

Now, granted, we get in return positive public relations. I can't imagine what 4th of July does for the image of the City, but we also get hotel nights' tax that we get from that, so we have to kind of balance that out in a mathematical way to make sure that we're getting the proper return on our investment.

MS. JOHNSON: Absolutely. Because of the current budget problems that we have, we've worked, as I said, with the different individual organizers of different events -- the Bike Race being one of them, as well as the St.

Patrick's Day Parade was one of the first, the Mummers -- to try and figure out exactly we can still make these events happen because they're such a core part of Philadelphia.

And Welcome America, it's little different. That's an event that we produce from my office, and we try to come up with different marketing ideas and figure out more sponsorship.

And also, last year, when we first did it, we -- the total of the cost of producing that event was about 3 million. We cut a million dollars from that budget to bring it in at about 2.1 million. This year, we're trying to do the same. We've made some really good changes that help in cutting some costs. And we also came up with a marketing plan for the hotels that puts some money back into Welcome America and also gives them a opportunity to be promoted nationally.

I'm not sure if you heard, but Channel 6 announced who our talent for the July 4th concert would be for this year, and that's Cheryl Crowe.

(Timer bell rings.)

COUNCILMAN JONES: Now, having said all of that, you know, the Dell isn't opening again this year.

MS. JOHNSON: Yes.

COUNCILMAN JONES: So we should anticipate from your shop a concert series? Or are we going to have to cut that?

MS. JOHNSON: I believe that's going to be cut, Councilman.

COUNCILMAN JONES: Okay. Finally, we, as "the Freshmen 15," offered no swag, no kinds of gifts and stuff like that. But, however, under full disclosure, we had a group Chinese business people ready to relocate here, and your office was very helpful in making sure they understood that the City of Philadelphia, even though we were poor, somehow found a way to welcome them.

And as a result of that, I want you to know that that small gesture meant so much that they are considering opening a plant here in the City of Philadelphia.

So I just want to give and put into context that what the City Rep's Office does by the way of hospitality also sometimes every now and then results in new business coming to the City of Philadelphia, which means new tax ratables for the City. And I want to thank your office for cooperating with that.

Also, the public relations that went into supporting the Senior Foreclosure Diversion Program that helps thousands of citizens take advantage of programs that are germane to them to keep them in their houses. And you don't get enough credit for your participation in that. And I wanted to thank you publicly for it, Miss Johnson.

MS. JOHNSON: Thank you.

COUNCILMAN JONES: Thank you,

Madam Chair.

COUNCIL PRESIDENT VERNA:

You're welcome.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

I join in with my appreciation for the work that you do and as Councilman Jones has laid out and wish, you know, that you will continue. I know that you will continue to do what you do very well.

On Page, I guess, 2 of your testimony, you talked about Plan B. You wanted to hire a graphic designer, a in-house graphic designer.

Has there been any cost analysis to show that it's more cost-effective to bring that person in-house as opposed to hiring consultants or contracting that out, given the fact you have to have staffing for that position plus location and all of that cost.

MS. JOHNSON: We haven't done anything formally, but we pretty much know how much we spend when we use an outside vendor for graphic services.

COUNCILWOMAN TASCO: Mm-hmm.

MS. JOHNSON: And those services -- even if we bring a graphic designer in, we would still need to do some outside but certainly not as much, but that graphic designer would be able to give more services to other City departments.

We helped create the brochure that went out for the foreclosure program, and we worked with other departments to build up these collateral materials, but there's no formal cost analysis as to what could be saved at this time.

COUNCILWOMAN TASCO: Okay. Now, you said you have ten people on your staff now?

MS. JOHNSON: We have seven, but there's also the Fund for

Philadelphia, which is a part of my department, which adds three other people. There are three vacant positions, which brings it to ten.

And also, we do the Welcome America and the Marathon, so they have staff which are consultants for part-time. Well, they're full-time, but only for a short period of time.

COUNCILWOMAN TASCO: So the Office of Cultural -- the Cultural Fund -- wait a minute. The Office of...

MS. JOHNSON: The Office of Arts and Culture?

COUNCILWOMAN TASCO: Yeah, the Office of Arts and Culture and the Creative Economy, are you all located in the same facility?

MS. JOHNSON: No. Their office is here, on the seventh floor.

COUNCILWOMAN TASCO: So why aren't you all sort of like together, in one location.

MS. JOHNSON: That's the way it

was set up when they set it up, my office being over in 1515 Arch. And when they hired someone for the Office of Arts and Culture, they're a part of the Mayor's Office, so they're located in this building.

COUNCILWOMAN TASCO: But do you work together on projects and events --

MS. JOHNSON: We do --

COUNCILWOMAN TASCO: -- or just the planning for cultural events in the City?

MS. JOHNSON: We haven't done anything formally. We do -- they have a monthly meeting where a member, one of my deputies, sits on that committee. And Gary and I, who run that department, we speak occasionally about some of the things that we're doing; for instance, something that we might be trying to create, a Mayor's Award for the Arts, and so forth.

So we try to keep each other up to date on what's going on in each of our departments.

COUNCILWOMAN TASCO: Okay. Thank you very much.

MS. JOHNSON: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I have a question that goes back to our Majority Leader's question about the graphic designer. Could you show me where in Class 200 for FY '09 you're spending money on the graphic designer on outside services?

MS. JOHNSON: Most of that money comes from the promotion and marketing, which was $175,000, which sits in the Fund for Philadelphia --

COUNCILMAN GREEN: Okay.

MS. JOHNSON: -- which is the money for promotions and marketing for the City of Philadelphia.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

COUNCILMAN GREEN: Okay. So --

MS. JOHNSON: And that's where that money is usually taken from when we decide to use it for graphic design.

COUNCILMAN GREEN: So how much of that Fund for Philadelphia money was used for graphic design?

MS. JOHNSON: It depends, Councilman. We use some of that from --

COUNCILMAN GREEN: Well, so far this year, how much?

MS. JOHNSON: I don't have an answer for your specifically.

COUNCILMAN GREEN: Okay. I note that you're lowering the Fund for Philadelphia by $27,500 yet you're hiring a graphic designer for $84,000, including fringe benefits.

MS. JOHNSON: Actually, we haven't hired the graphic designer; it's a vacant position in my office. And since there's a freeze currently, I don't believe that we will be able to do that anytime soon.

COUNCILMAN GREEN: Oh, I'm sorry. So --

MS. JOHNSON: And we wouldn't --

COUNCILMAN GREEN: So if we took out the graphic designer from your budget, it would not impact your operations. In other words, you don't intend to hire it, so why would we fund it?

MS. JOHNSON: I didn't say that we didn't intend to hire; I said that we have not been given permission to do that hire yet.

As I said in the testimony, I believe that we could eventually save money if we had a graphic designer and didn't have to outsource. We work with a number of different agencies. We've been able to do some pro bono to get some of that work done.

But we have someone that may be on retainer that we're spending money on for us to do this work if we had it in-house.

COUNCILMAN GREEN: You've issued RFPs for graphic design work?

MS. JOHNSON: Yes.

COUNCILMAN GREEN: Do you know what you're paying on an hourly basis?

MS. JOHNSON: Nothing from the General Fund. At the moment, we're paying a retainer of about $5,000 through the Marathon.

COUNCILMAN GREEN: Through the...?

MS. JOHNSON: Philadelphia Marathon.

COUNCILMAN GREEN: I'm sorry. You just testified that it was being paid through the Fund for Philadelphia. I'm very confused.

MS. JOHNSON: The Fund for Philadelphia runs the Philadelphia Marathon.

COUNCILMAN GREEN: Okay.

MS. JOHNSON: And we pay money from the Philadelphia Marathon for a graphic design company, about $5,000 a month for a retainer.

COUNCILMAN GREEN: So that's a $5000-a-month retainer. Do we exceed the retainer in any month?

MS. JOHNSON: Not usually, no. We try our very best to keep it under that. It's usually on a hourly basis so we'll know how many hours each month we have.

COUNCILMAN GREEN: Do you use all of the hours that you are billed for?

MS. JOHNSON: Do we use -- yes, we do, because we use it not only for the marathon, but for other things, yes.

COUNCILMAN GREEN: Okay. Would you please provide all of the detail surrounding that contract, how much you spend, how much hours of service they provide at each month. And we'll take a look at that.

MS. JOHNSON: Certainly.

And so that you understand, Councilman, that's not General Fund money at all.

COUNCILMAN GREEN: But you -- but a graphic designer on your staff would be General Fund money.

MS. JOHNSON: Yes, it would.

COUNCILMAN GREEN: Okay. That's rather the point.

MS. JOHNSON: And I'll certainly get that to you as soon as I can.

COUNCILMAN GREEN: Thank you.

COUNCIL PRESIDENT VERNA: Point of information, please.

Does the General Fund contribute anything for the Fund for Philadelphia?

MS. JOHNSON: No.

COUNCIL PRESIDENT VERNA: No City dollars go into that whatsoever?

MS. JOHNSON: Only through when they get a grant. But, no, we don't -- they're not City employees at all.

There are three people that work in that office, but no City funds are used -- no general funds are used for the Fund for Philadelphia.

COUNCIL PRESIDENT VERNA: Thank you.

Go ahead, Councilman.

COUNCILMAN GREEN: Thank you.

Could you please -- I happen to -- I have a lot of constituency that's very different, all the different ethnic parades, and they've dealt with your office along the lines that Councilman Jones has discussed.

The estimates that were given to some of these parades, given their size and other things, are very large. It's hard to see how they can continue traditions that have sometimes gone back, you know, over a hundred years.

Could you please, for each parade that's happened so far this year, provide the original amount requested and the detail that would back that up in terms of the number of police, the sanitation workers, et cetera.

Then provide the amount that was actually agreed to, the specific number of police, sanitation, and other that were committed to be on that event that went into that calculation.

And then the actual number of police, sanitation workers, others that were at that event and whether or not they were on overtime or on straight time when they attended the event.

Because I think our goal here is to recover our costs. And based on the count of police officers I saw at the St. Patrick's Day parade, they were being charged for far more police officers than were actually present on the street.

So I'm very interested in the detail of how you do these calculations, and I want to make sure that we get some reimbursement, but I also don't think we should be trying to make a profit off of these different activities.

MS. JOHNSON: Certainly.

COUNCILMAN GREEN: Thank you.

You discuss the Infrastructure Enhancement Program. Can you describe what this is.

MS. JOHNSON: We work with a number of different organizations. The budget for the promotion and marketing in the City of Philadelphia doesn't allow us to do a whole lot, so we work with outside organizations such as PCVB, GPTMC, Center City District.

(Timer bell rings.)

MS. JOHNSON: All of these organizations -- and Greater Select Philadelphia -- that basically promote the City of Philadelphia.

And there is a core group that has a monthly, sometimes more, meeting to determine exactly how they're marketing so that the City has a say and the City has a place so that we can help with the marketing with the little resources that we do have.

So that's basically what that means.

COUNCILMAN GREEN: Okay. So it meets monthly. Are minutes kept of those meetings?

MS. JOHNSON: No.

COUNCILMAN GREEN: Can you describe any particular changes that were made to GPTMC or Center City District or Pennsylvania Conventioneers Visitors Bureau that -- in their marketing efforts that were a result of your meeting with those offices?

MS. JOHNSON: They had a -- GPTMC put together a committee from outside organizations, including our office, to talk about the new program that they're getting ready to launch, I believe, actually tomorrow. And everyone there sat down and looked at a number of different -- a number of different programs to determine which department and which -- which program would be used for the promotion of Philadelphia through their summer program.

So that's something that has

happened. And the Mayor is actually going to be a part of that as well.

So our presence allowed us to have a say as to what the program that they would use for their marketing efforts were for this year.

COUNCILMAN GREEN: Who in your office is responsible for liaising with these organizations about what really are Philadelphia tax dollars being spent with respect to GPTMC and others --

MS. JOHNSON: It depends.

COUNCILMAN GREEN: -- on marketing.

MS. JOHNSON: All of us, all of us. We all sit on different committees. We all interact with the different organizations.

I have a deputy who basically does all marketing and public relations, and she sits on a lot of those committees, as do I and as do the other deputy who does logistics for events. So we all are basically --

COUNCILMAN GREEN: Who's in charge of that activity?

MS. JOHNSON: That would be me.

COUNCILMAN GREEN: You, okay.

Do you have a chart -- please provide a chart to the Chair that shows the different boards your people sit on, what those boards do, and the activities of those boards.

That's the end of my time, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I am hopeful that, given all of these cuts, that many of the programs we enjoy will survive.

We do want to thank the City Rep and her deputy for helping us with our myriad programs we have and especially for people who come out of the

City, state, and country.

Thank you very much.

MS. JOHNSON: Thank you, Councilwoman.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam President.

You also testified that the duties of the Office of the City Representative include handling marketing, promotions, and branding internally and externally. The proposed FY '10 budget includes 3 million in strategic marketing fees as to the FY '09 budget.

Is this -- could you describe what strategic marketing fees are and --

MS. JOHNSON: I'm sorry. Where are you reading from, Councilman?

COUNCILMAN GREEN: Well, in your testimony, you stated that you were in charge of handling marketing promotions and branding internally and externally. In the budget, there are 3 million that we should receive for strategic marketing fees?

MS. JOHNSON: In the budget, you said, that there's 3 million for marketing fees?

COUNCILMAN GREEN: Strategic marketing fees, revenue we should receive as a city. And I'm wondering what involvement you have in that, if any.

MS. JOHNSON: Are you talking about the Cultural Fund, the 3.7 million for that?

COUNCILMAN GREEN: No. It's on the MDO's budget. It's on Page 13 of the budget detail.

MS. JOHNSON: I don't believe that's in my budget, Councilman.

COUNCILMAN GREEN: No, but it's marketing, and it's a revenue side item. It's not in your budget.

I'm asking what your -- you're supposed to be handling marketing, promotions and branding internally and externally, and I'm wondering what connection, relationship you've had with respect to that $3 million.

MS. JOHNSON: I don't know that $3 million because it's not in my budget.

COUNCILMAN GREEN: Okay. So the MDO's Office hasn't involved you in the strategic marketing that they're under -- revenue ideas that they're undertaking.

MS. JOHNSON: There is a connection between my office and the MDO's Office for Special Events. I'm also involved with the MDO's Office in terms of a RFP that we're putting out to look at what the City may offer in terms of promotion of our assets; for instance Dilworth Plaza, courtyard, how we can look at those as an ability for us to promote that but also market it and make revenue from it, if that answers your question.

But as far as $3 million, it's not in my budget so I'm not aware of what that is. If that's specifically for marketing out of MDO's Office, then yes, I am still a part of the MDO's Office; we do work together on those two things that I just told you.

COUNCILMAN GREEN: Okay. So I think this is probably street furniture and other things.

MS. JOHNSON: Okay.

COUNCILMAN GREEN: Are you involved in that?

MS. JOHNSON: I am not, no.

COUNCILMAN GREEN: Okay. Well, those are all of my questions. I have a few more questions; I'll submit them in writing to you so that we don't take more time on this.

But I just want to say that I think your office does a terrific job. Part of our job here is to try to find savings and money.

MS. JOHNSON: Absolutely.

COUNCILMAN GREEN: I think, through your testimony, we found at least

$84,000.

MS. JOHNSON: No, my graphic designer.

COUNCILMAN GREEN: That's it.

MS. JOHNSON: Yeah. (Laughs.)

COUNCILMAN GREEN: And I appreciate the work that you and your team does for the City of Philadelphia. You represent us very well. And, you know, it's nice to see you here today.

Thank you.

MS. JOHNSON: Thank you, Councilwoman.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Just a point of information. How many events did you have last year?

MS. JOHNSON: Wow. I don't know. Probably over 20.

COUNCILMAN JONES: Have you had any major --

MS. JOHNSON: Plus the Phillies.

COUNCILMAN JONES: Which was probably a record-setting parade.

MS. JOHNSON: Oh, yes.

COUNCILMAN JONES: Foe pass in any of those events.

MS. JOHNSON: I think we produced them very well and most people were satisfied.

COUNCILMAN JONES: Thank you very much just for the record.

COUNCIL PRESIDENT VERNA: Are there any other questions from members of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you very much.

MS. JOHNSON: Thank you, Councilwoman.

COUNCIL PRESIDENT VERNA: Thank you.

MR. McPHERSON: The next department is the Commerce Department.

(Witnesses come forward.)

COUNCIL PRESIDENT VERNA: Good morning. Please identify yourself for the record.

MR. ALTMAN: Good morning. I'm just getting organized in the chair here. Thank you.

Good morning. My name's Andy Altman. I'm the Deputy Mayor for Planning and Economic Development and the Director of Commerce. And with me today are the management team from the Commerce Department: Sade Olanipekun-Lewis, who is the Head of Finance and Operations; Kevin Dow, who's the Deputy Director in charge of Neighborhood and Business Services; and Duane Bumb, who's the Senior Deputy Director for the Department.

Good morning, President Verna and members of the City Council. I am here to present testimony on behalf of the Department of Commerce's FY '10 operating budget request of $262,550,773, which is a net increase of $24,754,448 over FY '09 obligations. The total funding request is applied as follows:

$28,553,662 to the General Fund.

$13,277,695 to the Grants Fund.

$39,530,000 to the Hotel Tax Fund.

$16,613,000 to the Community Development Fund.

And $164,576,000 to the Aviation Fund. Mark Gale, the Acting Aviation Director, will testify regarding the Division of Aviation portion of the budget request immediately following this hearing.

The non-Aviation Division portion of this budget request of $97,974,773 represents a net increase of $8.1 million over last year's funding and is allocated as follows:

$28.5 million to the General Fund. Of this, 25 million is the Convention Center lease service fee, which represents an increase of $2,347,478 over FY '09. The remaining $3,553,000 is a $209,000 decrease over '09. And of this, $3.6 million, $1,689,000 will support economic-development activity and 1-million-roughly-800,000 to support basic Department operations.

$13,200,000 to the Grants Revenue Fund represents a $919,000 increase over FY '09.

Roughly $16.6 million to the Community Development Fund represents about a-million-3 increase over FY '09.

And $39,530,000 to the Hotel Tax Fund represents a $3,758,000 increase over FY '09.

The Department of Commerce's mission is to create and retain jobs by fostering and improving the business climate, growing the City's business sector, while increasing population and enhancing the quality of life through sustainable development with the City of

Philadelphia. All the work of the Department of Commerce takes place within the context of the Deputy Mayor's five economic development strategies:

1. To create a competitive business environment.

2. Invest in growth sectors.

3. Spur small-business growth and promote minority, women, disabled and small-business access to private markets.

4. Educate a skilled workforce.

5. And build liveable neighborhoods.

The FY '09 update: Before I go into details of the purpose of the Department of Commerce's FY '10 budget request, I would like to provide an '09 update.

In the rebalancing plan, the Department of Commerce had a reduction of 10 employees as a result of the overall Department of Commerce reorganization, 8 were laid off, 1 was transferred. And 1 resigned. Additionally, independent of the rebalancing plan, one position was eliminated during this fiscal year because funding ends on June 30th.

Notwithstanding the reduction to its workforce, Commerce has been able to carry out some important accomplishments in FY '09, which include, but are not limited to:

Establishing the Office of Business Services and appointing Kevin Dow. Sitting next to me is the Deputy Commerce Director for Neighborhood Services, who will, among other things, advance a key department initiative, which is Business Creation and Support Services.

We are integrating the Office of Economic Opportunity, formerly the Minority Enterprise Council, and with the Office of Economic Opportunity now a part of Commerce, we can better implement the goals and objectives of the Economic Opportunity Cabinet, most notably connecting Philadelphia businesses and workers to economic opportunities.

We've launched several programs to support neighborhood economic development, including a $5 million gap financing loan pool to support commercial corridor investment and partnership with the Local Initiative Support Corporation, an expanded Home-Buy-Now homeownership program in partnership with the private sector, and implementing a $1 million façade improvement program for commercial corridors.

We've been supporting efforts to increase the educational attainment levels of our citizens through the work of Graduate! Philadelphia. In addition to opening its reengagement center in 2008 to help people with some college credits receive their degrees, Graduate! served more than 3,000 individuals at college fairs or at outreach events with employers.

And, finally, we've been

reorganizing the Penn's Landing Corporation into the Delaware River Waterfront Corporation, seating new board members, and making all board meetings open to the public. And the new nonprofit organization is responsible for the planning, design, development, and management of the central Delaware riverfront between Oregon and Allegheny Avenues.

FY '10 Budget Details in Plan A. While last year's original General Fund allocation reflected many of the Administration's new priorities, with the recent severe downturn in the economy, the proposed FY '10 budget reflects modified priorities, given the current economic realities and constraints.

This FY '10 request will fund a total of 66 positions, 15 of which represents OEO staff that, in January of this year, became a part of the Department of Commerce as a result of the Mayor's Executive Order 14-08.

The below chart is intended to provide some clarity to our staffing levels and summarizes positions by funding source for Commerce and the Office of Economic Opportunity.

And I just want to point out that the chart that we have submitted as a part of the testimony was our attempt -- 'cause we understand that the Commerce budget is often somewhat confusing 'cause we have, unlike other departments, so many different sources, and we wanted to put them in one place so you had the whole picture of sources for our staffing. And that's reflected in the chart.

An analysis of the FY '10 budget by classification shows an allocation $3,091,818 in Class 100, an increase of $1,065,000. The variance is a result of:

The full FY '10 staffing costs attributed to the integration of the Office of Economic Opportunity, as they were transferred to the Department of Commerce mid-year;

The full FY '10 cost of certain non-OEO staff;

The elimination of five General Fund positions;

And, importantly, reallocation from the Community Development Block Grant.

Class 200 will be reduced by 24 percent from FY '09 to $1,720,495. This will result in more limited contributions to non-government agencies, including zero funding for its Schuylkill River Development Corporation and a 10 percent reduction in funding for the international visitors Council.

Of particular note is the Class 250 allocation that's provided through PIDC for the Department of Commerce business attraction and retention. This line went from $4 million in FY '08 to a proposed funding of $1,452,386 in '10, representing a 64 percent reduction.

This severely restricts our capacity and our ability to be responsive to the core mission.

Class 900 reflects a payment of $25 million in FY '10, consistent with the City's commitment to support the Pennsylvania Convention Center. This payment drops, beginning in FY '11, to $15 annually.

To improve operations, the Department of Commerce will seek to augment its services through integrational functions currently provided through the Philadelphia Commercial Development Corporation. An integration of the Commercial Development Corporation will allow us to maintain our business-creation and support services in our commercial corridors and will also result in the allocation of existing PCDC economic development funds.

In so doing, Commerce will be able to eliminate redundant commercial corridor functions, refocus on core business programming, including business education, capacity-building and eliminating administrative functions no longer needed and restructuring designed to build a greater level of responsiveness and accountability for external client needs and outcomes.

Plan B. If Plan B is implemented, it will result in an additional $794,405 in reductions to the Department's proposed FY '10 budget. It will eliminate between 8 and 12 additional positions or significantly reduce or eliminate assistance to outside organizations providing technical assistance.

For instance, in the Office of Economic Opportunity, reductions might result in limited capacity to assist departments in setting contractor participation goals and monitoring activity as well as elimination of outreach services to small businesses. Reductions in Neighborhood and Business

Service units within Commerce would cause the elimination of many small-business support programs, reduce services to existing and new businesses, and elimination of planning and development of CDBG funding projects for key community- based nonprofits.

Thank you for the opportunity to testify before you, and we're happy to answer questions.

COUNCIL PRESIDENT VERNA: Thank you.

Mr. Altman, can you tell us the amount of unspent Stimulus Funds that PIDC has.

MR. ALTMAN: Unspent. I would have to -- Council Chair, I'm looking now -- I would have to do an account -- let me do a full accounting of that and submit that for the record for you.

COUNCIL PRESIDENT VERNA: Thank you.

While you're doing that, I would also like to have a detailed breakdown of the Stimulus Funds that the City has given to PIDC.

I would further like a breakdown, to be by fiscal year, of the amount that was awarded, the project that it went towards, and the benefits the City received from the project.

Any funds that PIDC still has under contract and the status as to whether it's been committed to a project. If so, what is the status of that project. And can the City cancel its commitment and the amount of uncommitted funds?

I know that all of this information would be readily available to you, and I would appreciate it if we could receive that information by the close of today's business.

MR. ALTMAN: I, um...

COUNCIL PRESIDENT VERNA: You have all that information.

MR. ALTMAN: I would have to work with PIDC to get the full accounting of all that. I would --

COUNCIL PRESIDENT VERNA: Thank you. We would appreciate it if we could have it by the close of today's business.

On Page 19-4 of your detail, it reflects a $580,966 increase for a consolidation of OEO. Can you explain the consolidation and what its funding level was in 2009?

MR. ALTMAN: Yes. I'm sorry. Could you just repeat the page, Chairwoman? I'm sorry.

COUNCIL PRESIDENT VERNA: 19-4.

MR. ALTMAN: 19-4. I'm just finding it in the book. Oh, here it is, Section 19-4. Got it.

The $580,000 in total consolidation of OEO, which includes both Class 100 and Class 200, those are costs we are -- as you know, Chairwoman, we are -- the Office of Economic Opportunity is coming into the Department of Commerce. Now we are in the process of consolidating the staffing function into

Commerce.

Those funds are paying for -- there's -- I think it's basic -- it's essentially sort of administrative costs. I mean, the overall OEO funding has actually been reduced over time in terms of the consolidation in terms of -- let me just point out.

If you look at the chart in my testimony, it shows the... the original funding let me just go through just to show you quickly 'cause I think the chart -- that's why we tried to put this in a chart that would be helpful.

In '09, the General Fund for the Office of Economic Opportunity was about $1 million and had about 18 staff and one vacancy. With the rebalancing, that number went to 842,748, which is 16 staff. And the Office of Economic Opportunity in the '10 budget -- and, again, this is just for staffing levels -- would be $772,468 which is 15 staff.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

COUNCIL PRESIDENT VERNA: We're having a little difficulty in trying to figure this out.

MR. ALTMAN: This is the staffing cost that was transferred to us estimated at mid-year of last year. And that has since, obviously then, been -- that's the number that comes over to the Commerce Department in terms of staffing for our budget.

MS. LEWIS: Council President, Sade Olanipekun-Lewis. May I provide a little clarity?

You were requesting the $530,000 on Page 4.

COUNCIL PRESIDENT VERNA: Right.

MS. LEWIS: Okay. That $530,000 represented what was believed to be the staffing costs for OEO. We've estimated that the true staffing costs for the half-year was going to be something a little bit less than. And then we annualized that, which is where you have th 842 on the chart in the testimony, at 842,748.

What we're trying to show in the chart is the full year of staff costs for OEO in FY '09, the rebalancing, and what we're projecting in FY '10, although the amount that was transferred to Commerce is an amount that's less than the annualized staffing cost as a result of it happening at mid-year.

So those 530,000 -- the 501,000, excuse me, that represents the Class 100 transfer was an estimated cost that was transferred to Commerce to cover staffing costs for OEO.

COUNCIL PRESIDENT VERNA: You know, it's got me a little confused, and it doesn't take much to confuse me these days.

MR. ALTMAN: No, it's the budget -- it's the --

COUNCIL PRESIDENT VERNA: In FY '09, you had a staff of 16, with no vacancies, and the General Fund amount was 842,000, okay?

MR. ALTMAN: Mm-hmm.

COUNCIL PRESIDENT VERNA: For '10, there's one less employee, and we have a staff of 15.

MS. LEWIS: Mm-hmm.

MR. ALTMAN: That's right.

COUNCIL PRESIDENT VERNA: With 772,000.

MR. ALTMAN: Yes.

COUNCIL PRESIDENT VERNA: And I just don't understand that.

MR. ALTMAN: Well, the reduction -- so, in terms of the number of the reduction, it goes from -- so, as you said, in '09, with the rebalancing, you had 842,000.

Within '10 what we're projecting, what is in the budget, is 772,000. So it reduces by one staff.

There are also -- there are some costs in there of different, you know, different positions that have had, you know, step increases over time. There's an overall adjustment so that

that number nets out. It is less and it does reflect a reduction of the, you know, 25, you know, close to $70,000.

So that's a staff -- you know, it's a loss of a staff position. It's a staff position.

And there's a little bit of an add back in. At the end of the day, it's $70,000 of the reduction.

COUNCIL PRESIDENT VERNA: All right, thank you.

On Page 19-4, you're requesting an increase of $751,000 in Class 100 in the Community Development Fund. Is this request for new hires or to transfer existing employees?

MR. ALTMAN: Yeah, it's -- it's -- it is a combination of both. The answer to it -- again I'd like to -- the way we tried to make some sense of this -- and I say that because we recognize that our budget is a bit confusing --

COUNCIL PRESIDENT VERNA:

Complex.

MR. ALTMAN: -- because there are so many sources. And, in fact, when we went through this budget, you have to go through and say, Some are community development sources, some are General Fund sources, some are other sources --

COUNCIL PRESIDENT VERNA: Right.

MR. ALTMAN: -- hotel tax. Commerce has always had this myriad of -- let me just refer, 'cause I think it will be helpful back to the chart, which we tried to do in our testimony to help make this as clear as possible.

And just, Chairwoman, what I wanted to do -- the reason we did this chart, which may be a bit unusual in testimony --

COUNCIL PRESIDENT VERNA: Mm-hmm.

MR. ALTMAN: -- is to recognize, when you go through the budget, as you're doing, the line by line --

COUNCIL PRESIDENT VERNA: Right.

MR. ALTMAN: You have to kind of put together and say, What is the picture of what Commerce is? So here's the story in a nutshell.

If you see on the chart, FY '09 rebalancing, CDBG goes from Community Development Block Grant, goes from 287,245; and then in '10, 1,038,416. That's the difference you're talking about is, what is that increase and how is it reflected in our budget?

At the end, because we are doing consolidations here, at the end of the day, we will have 50 positions in Commerce that will be funded from General Fund, Community Block Grant, or other. So you see that it's, at the end, a net increase of 1.

So the answer to your question is: There may be some new hires in the consolidation, there may be some reductions in the consolidation, but the net of the addition of the money is not all new staff, because what's happening is, as you can see in the chart, Block Grant dollars go up, but other sources are reduced.

And that's the balancing. Essentially, Block Grant money will be paid for different staffing that are Block Grant-eligible.

COUNCIL PRESIDENT VERNA: Thank you.

I have one last question. There may be more, and I see that a number of Councilmembers want to be recognized.

However, on Page 19-5, you show an increase of $5,250,000 in Classes 300 and 400 for Environmental Initiatives. Can you explain what this is and where these funds are budgeted?

MR. ALTMAN: I believe...

MS. LEWIS: What page? I'm sorry.

COUNCIL PRESIDENT VERNA: 19-5.

MS. LEWIS: That's Aviation.

MR. ALTMAN: I'm just looking, Councilwoman, I'm sorry. It may be in -- I'm -- I'm -- it may be in Aviation.

I'm just checking 'cause in my Commerce budget detail, I don't have that, which means I may have taken that out because Aviation was going to testify to that.

Let me come back to that. I'm happy to -- if you have it, I'm happy to look at it.

Yeah, Councilmember, this is in Aviation, which will be testifying later. It used to be within Commerce. Aviation is no longer within Commerce anymore.

COUNCIL PRESIDENT VERNA: Okay. The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam President.

Good morning, Mr. Altman.

MR. ALTMAN: Good morning.

COUNCILMAN GOODE: I actually have questions for the Office of Economic Opportunity, but before they come forward, could you give me a brief update on the Loan Guarantee Program and the new Job Creation Tax Credit?

MR. ALTMAN: Yes. Thank you, Councilmember.

On the Loan Guarantee Program, as you know, we are very happy to report progress on that. As you know, thanks to the legislation that you sponsored and your, I think, vigilance in seeing that program get up and running last week, we announced with you and with two banks in Philadelphia, Valley Green and United, that there will be a launch of that program.

And with the Industrial Development Corporation, we'll be investing about a million dollars of its funds in that program, which we think will leverage dollar-for-dollar small-business lending. The two banks were doing that as a demonstration project to be able to provide access to capital to small businesses.

So what this will allow -- and we think this is a really exciting initiative -- is banks to take a bit more risk to reach a group of businesses in our neighborhoods that may have been on the margin, that need a little bit more assistance, but are viable businesses, and to reach them. And we hope that, should that be successful, we'll be able to expand that.

So I do acknowledge that you were -- a year ago, that was one of the items you put on our agenda, and we're very happy that it's worked out. We would obviously love the larger banks to participate, and we hope by demonstrating success with the smaller banks that it will build momentum.

In terms of the Job Creation Tax Credit, the Finance Office has just completed -- they had committed to complete their analysis of the current program. They have had the Wharton School, through Robert Inman, doing an analysis of actual users of the program to learn about where the defects are, where it has been effective, and how many jobs really have been created as a result of the program, sort of the "but-for" test. And they have literally just completed that.

And we would like to sit down with you and go over it. I think they just delivered the results last week. I think it will be a foundation for us to -- at the hearing that you had on this and your proposed modifications to it, for us to sit down and, I think, design a more effective program within the next two to three weeks.

COUNCILMAN GOODE: Okay. I'd like to do that as soon as possible.

MR. ALTMAN: Yeah.

COUNCILMAN GOODE: In terms of the Office of Economic Opportunity, I have a question about departmental goal-setting. I don't know who would want to take that question.

MR. DOW: I'll take it.

COUNCILMAN GOODE: Okay. During the course of budget hearings for each department, there's been an issue, which, I'm sure, Councilwoman Brown is going to follow up on with regard to departmental goal-setting, but one of the original problems we had when we did the Charter change and called for an annual disparity study and then participating goals on an annual basis was that the first set of annual participation goals that were set were not actually based upon the disparity study, and that was an issue with how MBEC set participation goals.

We resolved that issue somewhat, and we actually asked the consultant who conducted the disparity study to make recommendations on participation goals, which happened in terms of the overall goals.

But the issue is, the participation goals set on an annual basis per the Charter mandate, do they actually correspond to the departmental goal- setting? because they don't seem to.

MR. DOW: Well, we -- my name is Kevin Dow. I'm the Deputy Commerce Director for Neighborhood and Business Services.

And the disparity goals that you're referring to, an eConsult study, and whether or not they line up to the Charter; is that what your question is?

COUNCILMAN GOODE: Whether the overall disparity goals set for disadvantaged businesses, minority business, for women businesses or City goals, whether they actually line up and correspond to departmental goal-setting.

MR. DOW: Mm-hmm, mm-hmm. The candid answer is that we have not done a good job on that in the years past. And for '08 into '09 for this current year, we and MBEC, now OEO, established those goals based on historical information and attainment levels.

So we took the '08 numbers into '09, and that's the goals that we have established for that year.

COUNCILMAN GOODE: So the departmental goal-setting was simply based upon what happened before, and they were not necessarily accurate.

MR. DOW: Well, the accuracy was reflected in the Fiscal Year '08 numbers, so I would say that there was conversations that took place, and MBEC worked with those departments in '08. We did not do that going into '09. And so, what we took was the numbers from '08 to '09.

So I would say that the accuracy that was there for '08 was what we have.

COUNCILMAN GOODE: Let me give you a glaring example of it.

Under your departmental testimony, it says that the Commerce Department itself did zero percent because it did no contracting; is that true?

MR. DOW: Which department?

MR. ALTMAN: Commerce.

COUNCILMAN GOODE: The Commerce Department.

MR. DOW: Oh, Commerce. Yes, I'm sorry, I didn't hear you.

I'm looking for my chart here. Yes, that is correct. And the reason why we had zero participation --

(Timer bell rings.)

MR. DOW: -- was because we track only for-profit contracts and --

COUNCILMAN GOODE: But what were the goals --

MR. DOW: And --

COUNCILMAN GOODE: But what were to goals set for the Commerce Department?

MR. ALTMAN: 42.

MR. DOW: 42, 42 percent.

COUNCILMAN GOODE: So how can the goals be set for 42 percent and then there be zero percent participation?

MR. DOW: Because in previous years -- because in '08 and previous years '07 and further back, we had levels of participation at that level. And so, it was carried forward because there was no strong conversation between departments and MBEC in this year, and so we just carried it forward.

COUNCILMAN GOODE: I'll come back. I don't believe you've ever achieved 42 percent. I don't believe a 42 percent goal was ever real, and this is a very serious issue with regard to departmental goal-setting.

MR. DOW: Sure, sure.

COUNCILMAN GOODE: Okay. Thank you.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you,

Madam Chair.

Good morning. I'd like to get started by letting you know how much I appreciate in the last year the numerous occasions I've had to interact with your team, with your organization. It's been really a good experience, they're very quick to respond, and so I just wanted you to know that.

Also, you alluded to the Penn's Landing Corporation, the new organization down there. Similarly, I've had a really good experience with Joe Brooks and the people down there. So anytime there's issues in the near community, problems that exist with concerts, et cetera, that organization has also been very responsive.

The couple of questions that I have is, do we have an inventory -- based on our financial condition right now, do we have an inventory of available land, excluding Fairmount Park land, that we should really start to get serious and dispose of to fill up the General Fund with some of that money?

Do we know -- do we have a list of all of this real estate that the City has clear title to?

Because I've had so many people tell me that they have tried to buy the little lot next door to them that is owned by the City. We're not -- in this day and age, I don't think we should be investors of real estate. And so, where it's appropriate, where it fits into the community design, I think we should start putting some of this stuff up for sale.

MR. ALTMAN: Yeah. And the answer, Councilmember, is that that is coming together. There have been -- there are number of different sources -- I guess two really principal sources of where land is held -- I mean -- let me say three.

I mean, one is the RDA clearly. The second is Public Property, and then PIDC has some industrial parcels remaining.

We are -- we do have a merged list now of those properties that's being worked on between RDA and Public Property. The question of clear title may be always a little more complicated as we go through that list to see what other liens or anything's on that, but I think we're getting a good handle.

I couldn't give you that number today of how many parcels, but I could get back to you and tell you.

COUNCILMAN RIZZO: I think that's an important question.

MR. ALTMAN: Yeah.

COUNCILMAN RIZZO: Because many people, especially people trying to buy some land in their neighborhood, the prices have gotten so expensive that they're backing away from it, and I think that we've got to get real, got to get realistic on what some of this is worth, because I'd rather have someone buy it that's going to protect it, take care of it, develop it maybe some time in the future.

But some of the numbers that people are telling me that we're asking for this property -- I guess RDA -- it's out of reach. And guess what? It just becomes another dirty piece of property in the community because many of those folks have basically given up.

MR. ALTMAN: Understood, yes. I agree.

COUNCILMAN RIZZO: Let me see. And I did say excluding Fairmount Park; I'm not in favor of starting to --

MR. ALTMAN: Yeah, 9,000 acres, I don't think we'll probably want to touch that.

COUNCILMAN RIZZO: Realistic, there has been some noncontiguous land that the Fairmount Park has sold in recent years, that the Fairmount Park said it doesn't serve us any use, because it's not connected to our acreage. And they have on occasion, I understand, disposed of some land.

But how can we get a real feel for what we have? Are you able eventually to -- and, again, I don't want to burden you with a lot of requests that take a lot of time, but I think it's important to know what is available because we, as members of City Council, run into people all the time that are interested, but they feel as though it's really a tough approach --

MR. ALTMAN: I agree.

COUNCILMAN RIZZO: -- trying to buy something that they understand that the City of Philadelphia owns.

MR. ALTMAN: We can make the -- it is a bit of a work in progress, but are -- we do have a consolidated list of public property and RDA, and RDA is sort of leading the charge and putting together a land disposition policy and looking at all of our vacant property right now but -- so we'd be happy to -- I can provide you with what we have.

COUNCILMAN RIZZO: I think it would be interesting.

MR. ALTMAN: Yeah.

COUNCILMAN GREEN: Point of information.

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

COUNCILMAN GREEN: Thank you, Madam Chair.

I guess it's still "good morning," Mr. Altman.

If you could please provide to the Chair just a data merge of all of the properties that you say that you have now compiled in one list with the BRT full-value estimates of those properties.

We've asked many times -- you know, a question that's been asked of every department that's sort of under your jurisdiction that's been here is: What are these values worth? what are the properties worth? You know, let's start selling them, let's see what they're worth.

And the answer we've gotten is, "We don't know what they're worth. We don't do" --

MR. ALTMAN: Right.

COUNCILMAN GREEN: Basically, we haven't done appraisals on all 5500.

MR. ALTMAN: That's right.

COUNCILMAN GREEN: But, lucky for us, the BRT just did, and they have an estimate of full value -- of what they would be worth at full value.

And so, if we could get that data merge to the Chair as quickly as possible. I'm sure the Department of Technology can handle it; if they can't, I'm happy to consult.

COUNCILMAN RIZZO: Thank you, Madam Chair.

So, again, thank you. You have a lot on your plate, and I appreciate always the relationship my office has with yours.

MR. ALTMAN: Thank you.

COUNCILMAN RIZZO: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

And good -- is it still morning? Good morning.

A couple of questions. One, what is the current CDBG allocation to the City of Philadelphia?

MR. ALTMAN: The total?

COUNCILMAN JONES: Yes.

MR. ALTMAN: I don't have the exact number. I want to say it's...

COUNCILMAN JONES: And Part 2 to that question -- because I've learned how to work these questions and not wait for your answers but keep asking questions.

The Part 2 of that is: What percentage of that CDBG allocation goes to economic development?

MR. ALTMAN: Yeah, I would have to get you the precise numbers. I want to say it's about 60-ish million dollars allocation per year and per the consolidated plan. And I'll get you a breakdown of that.

COUNCILMAN JONES: And historically, it's been about 7 percent --

MR. ALTMAN: Yeah.

COUNCILMAN JONES: -- dedicated out of that total to economic development. So if that's wrong correct me, but that's been the historical norm.

I want to thank you, first of all, because I wrote questions to you as follow-ups last year, and I actually did get responses to them, which is a good thing, because it makes these sessions go much better.

And in one of the responses, I want to put on the record is that out of -- I asked a question of how many recognized commercial corridors that were in the City of Philadelphia, and the answer, according to the Planning Commission, is 265, for which about $5 billion in tax revenue or economic development revenue in general is generated, of which that total, 187 of those corridors are basically neighborhood corridors, which leads me to my question.

What is our strategy for neighborhood economic development in coordination with EOC? And I want to kind of get a sense of where we're going on the record 'cause I kind of have a sense of it, but I want to hear it on the record, I want to hear the rationale.

Because all of my colleagues here, including the at-large ones, represent these commercial corridors. And it's important to us. We get more comments and criticisms and concerns about neighborhood corridors, although we are responsible for the entire city, but we get more responses to that.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

So I want to know what the strategy basically is to deal with those issues.

MR. ALTMAN: Sure. Thank you, Councilmember.

Let me just give you not a very long answer 'cause we've had many discussions, but --

COUNCILMAN JONES: Your answer can take as long as it wants.

MR. ALTMAN: Oh, okay.

First of all, let me say that one of the things that we are very much looking forward to over the next, I would say, six or seven months is that we still have remaining and allocated -- I want to say of the Cultural and Commercial Corridor bond money, probably over $30-some million that will be going out to commercial corridors throughout the City to complete that bond issue and those are all streetscape improvements, façade improvements, you know, working with the Councilmembers in each of their districts.

And, you know, we've sat down over the past month to go through where we are. And I think we feel pretty confident that we're on track. Those have to be spent pursuant to the bond requirements, and I think we're on track to do that in large part.

So I would say that over the next -- as I said, you know, that's a short term in terms of where a lot of our focus and energy is on the commercial corridors is to make sure that those funds are spent, they're spent well on those projects, and that those dollars are hitting the street.

And we're working, as you know, with community development organizations everywhere, from Girard Avenue to Ogontz to Frankford to Lansdowne across the City.

In a bigger-picture sense, I mean, what we're trying to do, in looking at where Commerce is going and in bringing together in Commerce different elements of what we think really promotes neighborhood economic development, and, obviously then, commercial corridors.

So Commerce, the Office of Economic Opportunity and PCDC, the Commercial Development Corporation, we see as really three very critical entities. And the coming together of those entities, what we believe it will allow us to do is to have a very integrated approach to neighborhood economic development.

So what do I mean be that? It means that we want to move with a couple of things. One, that it's clear that Commerce would be -- I don't want to -- "one-stop shop" is so overused, but a point of contact where you could say, if I'm interested in small business development in the City, who do I call? Councilmember Clarke has asked this in some of our hearings before.

There are lofts organizations

in the City, it's been very fragmented for lots of different reasons. Without anything negative about any organization, who do I call? So the point of entry and, this past year, bringing Kevin Dow on board to be that single point of contact.

Now, once you're in the system, what are we trying to do? One, we want to connect contracting and opportunities. So having the Office of Economic Opportunity be not only a --

(Timer bell rings.)

MR. ALTMAN: -- regulatory body, where, clearly, you have issues, which I know we're going to discuss, but --

COUNCILMAN JONES: Uh, hold --

MR. ALTMAN: You said I could take as long as I wanted but --

COUNCILMAN JONES: No, no, you could take as long as you want.

MR. ALTMAN: I'll just take another minutes.

COUNCILMAN JONES: Charlie McPherson is wicked with that bell, and I just wanted to have you, in your answer, speak specifically to a growth process --

MR. ALTMAN: Yes.

COUNCILMAN JONES: -- of a firm that comes in in one form in PCDC. How do they mature, what kind of TA, what kind of contract opportunities, a holistic treatment, if you would --

MR. ALTMAN: Right.

COUNCILMAN JONES: -- of a small business.

MR. ALTMAN: Right.

COUNCILMAN JONES: -- and how are they going to receive that --

MR. ALTMAN: Sure.

COUNCILMAN JONES: -- is, I guess, kind of my --

(Indiscernible; parties talking over each other.)

MR. ALTMAN: I'll finish this really quickly just so everyone has a picture 'cause the answer is reflected in what we're trying to do in this budget, which is to say, Okay, you have basically these three legs. You've got the one-stop, you know, Commerce. We have OEO, as part of Commerce, which we want to move to connecting contracting opportunities, supporting small businesses in those contracting opportunities, and clearly, which is the discussion we're going to have, being better about setting goals and targets and being aggressive and having a system that has had many problems in the past, that we want to fix.

But the goal by having it in Commerce is not just how we say, What is your goal? X-percent, but how do we help you get there?

So the technical assistance and the support, and that's where also the PCDC comes in terms of integration with Commerce 'cause the small-business technical assistance helping you, whether it's how to grow your business, how to take advantage of the contracting opportunity.

So all those services could be available in one place for a small business in the City. And so, if you're a small business that comes in the door and you say, "I want to grow," we would then be able to offer you, I would say, a set of services okay?

So things like what Councilmember Goode mentioned before: What are the loan products that we might have available? Do we need to refer them for the Small Business Loan Guarantee Program? Okay, we have a place to go, PIDC and two banks. Maybe that's a possibility.

Do I actually have financing lined up but I'm missing a gap? We have a gap financing product, which we put out, and we hope to do another round.

Do I need help with licenses, getting through L&I? Okay, the business team, under Kevin, helps you work through that process, get you to L&I or Planning or whatever it may be, to help you grow.

Or I'm looking for opportunities, contracting opportunities. Great, we have the Office of Economic Opportunity, here's what we believe the contracting opportunities are in the next year, here's how you can access to it.

If it's an issue of certification, if it's an issue of technical assistance, an issue of growth, we can help them.

So the idea is, whether it's help in financial products, whether it's help with technical assistance, whether it's help with permitting and regulations or access to capital and access to opportunities, there's a place where you enter the system and we help you in whatever your needs are.

And that's, at the end of the day, what we're trying to achieve by taking the different entities and pulling us all together into one operating function.

COUNCILMAN JONES: I can see you're trying to break down silos that may have traditionally been there. The key of it is how we track that.

And are you prepared to say today that -- I will hold you accountable tomorrow -- that we're going to increase productivity?

MR. ALTMAN: Yes.

COUNCILMAN JONES: Are you prepared to --

MR. ALTMAN: Yes.

COUNCILMAN JONES: By how much?

MR. ALTMAN: I'm looking at Kevin Dow, because I, then, of course, hold him accountable and you hold me accountable.

(Laughter.)

MR. ALTMAN: We do think we can increase efficiency -- "efficiency" is not the right term. Volume of the activity. We hope that we can get through another 15 to 20 percent in volume in terms of increasing, you know, small-business activity. I can't say -- you know, 'cause many businesses close, many businesses open, but I think in terms of the overall, you know, volume of activity, of working with small businesses, I think we can ramp up that number, and we're prepared to do that.

COUNCILMAN JONES: All right. I'm going to quantify that with this: That you will provide to the Chair, the President, and members of Council what we did by way of gross net volume of PIDC, PCDC, what our contract attainment was for MBEC -- EOC, and then be able to say that this time next year, quantifiable, we will have 15 to 20 percent more overall?

MR. ALTMAN: That's our hope.

COUNCILMAN JONES: Is that a "yes"?

MR. ALTMAN: That's our hope.

COUNCILMAN JONES: Stenographer , underline that, please.

MR. ALTMAN: That's our hope.

MR. DOW: Let me help my boss and clarify that it's over a two-year period 'cause we realize that we have to ramp up, we have to get the structure in place.

MR. ALTMAN: That's true.

MR. DOW: And then over that -- from this point on, which would be 7-1 to two years, we would be able to achieve that goal, so it's not in one, absolute one year; it's over a two-year period.

COUNCILMAN JONES: So we should see, on average, a 7 percent increase next year to get to the 15 to 20.

MR. ALTMAN: Well, I see -- I look at it this way, which is that in the next year, we have a lot of work to do organizationally. I mean, to -- in fairness, I think that, you know, there's work of integrating these organizations and creating the system.

We're doing a lot of things right now. We're creating a website for business. We're consolidating functions.

Yes, we would love to do that, but I think Kevin is right that we see that the next year is a ramping-up, and the following year, you'll see a real increase.

COUNCILMAN JONES: The bottom line for me -- and I'll pass the mic -- is that I understand that the Center City skyline is important, but there is more constituent involvement in my commercial corridors. And I never want to see the tail wag the dog, if you would, by way of that balance that has to be maintained by your office and then through the various support agencies that do that.

And each year, I'm going to look to that kind of growth from a small-business perspective, because that's who's really paying the bucket of taxes for America and for the city in particular.

MR. ALTMAN: And I would just comment on that --

COUNCILMAN JONES: Thank you, Madam Chair. I saw you getting ready to tell me "enough."

COUNCIL PRESIDENT VERNA: I was.

(Laughter.)

COUNCILMAN JONES: I'm beginning to anticipate.

COUNCIL PRESIDENT VERNA: You're reading my mind now, huh?

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

My questions, Mr. Altman, should not come as a surprise to you. If you could -- I've provided many of them in advance so that we could try to get some answers.

Could you please provide details, including class amount and budget detail, in which the savings appear about -- savings that will follow from bringing PCDC functions within the

Commerce Department and PIDC?

MR. ALTMAN: You -- I'm sorry, Councilmember. You would like us to submit that, or do you want me to answer --

COUNCILMAN GREEN: Well, do you have -- I mean, if you --

MR. ALTMAN: I can get back to you, I can provide that.

COUNCILMAN GREEN: Okay. The key question related to, I think, the Council President's questions about savings and other things, and if you look at the chart in your testimony, and you go down 14 positions and that the spending only goes down by $350,000.

So basically, if you look at Class 100 salary spending and staffing levels for the balance of FY '09 and through FY '10, can you provide the Chair a detailed breakdown of what the Commerce Department actually expects to spend in Class 100 spending only -- that is, only line 1 on Page 47 of the budget detail in

FY '09.

And descriptions of any positions that are currently vacant in the Department, the number of positions the department plans to have filled by the end of FY '09, and the projected Class 100 salary only spend for FY '09 based on current staffing levels as of May 1, 2009.

And if you don't have that, we have that in writing for you.

MR. ALTMAN: I'd be happy to (indiscernible).

COUNCILMAN GREEN: Okay. On Page 43 of the budget detail for the Commerce Department, it indicates 22 people in the Department, 11 on the General Fund, and 11 on the Community Development Fund. Your written testimony indicates that the requested FY '10 appropriations will fund a total of 66 positions.

And when we met with you the week before last, I think you said that

Commerce had approximately 42 staff members, with 19 from the General Fund. So I'm still trying to get a handle on how much staff Commerce has, their job duties and funding sources for their salaries.

And I understand that this has to do with inherited staffing setups, reorganizations, et cetera, but for the sake of clarity, if you could provide a written chart, including:

All Commerce Department staff and listings for each one, job title, job duties, departmental budgets funded from, with the cite to the section and page in the budget detail from which each staff person appears;

For any staff not included in Commerce's budget, an explanation of the reason for inclusion on another department's budget;

And whether the Administration plans to move the staff person to Commissioner's budget in FY '11, assuming it's not there.

MR. ALTMAN: Yes. We'd be happy to provide that.

By the way, Councilmember, for clarification, I believe that what the budget shows are 33 positions. If you look -- at least if I look at the budget detail, it has 19 under Economic Development General, which is Section 19; it would be Page 46.

And then I'm just looking to find the other number. Hold on one second. And under -- on Page 66, under the Community Development Fund, it shows another 14.

So, anyway, but -- so it still -- it begs the same question, I understand.

COUNCILMAN GREEN: Yeah. I --

MR. ALTMAN: There are 33. So when I go back to our chart, our testimony, it says 66 --

COUNCILMAN GREEN: Right.

MR. ALTMAN: And I think 33 are

shown there are, 33. And, as you say, historically because they've either been on Managing Director's or Mayor's or PIDC. And we can give that you.

COUNCILMAN GREEN: Great.

So I've asked the Mayor's Office this question, but I'll ask you as well 'cause I think some people may be coming to you. Could you describe what's happening to the staff previously assigned to NTI?

MR. ALTMAN: Yeah.

COUNCILMAN GREEN: And whether or not they're staying on the payroll?

MR. ALTMAN: Yes.

COUNCILMAN GREEN: What budget and salary positions are included in the FY '10 budget?

MR. ALTMAN: Yes. The -- hold on one second here.

The -- let me go through the numbers -- some -- the numbers, 'cause, again, it's not reflected in the detail, but let me give you the breakdown.

COUNCILMAN GREEN: And including -- can you point to the line item where their salaries are reflected?

MR. ALTMAN: It's -- they were not in our budget; those had been carried in the Mayor's Office budget. Those now, as part of the new sources, that are coming together between Community Development Block Grant and General Fund and Revenues, some of those NTI staff have come off of what have been the Mayor's Office budget and onto our budget.

So as of FY '10, there are about eleven staff that remain. Seven of what had been called "NTI staff" have been laid off, three resigned, and one was transferred, actually took a position at the Zoning Code Commission, as you know, so that leaves now eleven staff who now come onto the Commerce payroll, what had been NTI.

And, by the way, I just want to say for the record that, you know, NTI also -- what had been called "NTI staff," many of those staff had been in Commerce under other programs.

(Timer bell rings.)

MR. ALTMAN: And then when NTI came on, we called it "NTI staff," but, really, many of them are performing core Commerce functions. So in NTI, many of those people are doing commercial corridor work. So many of the people in the Neighborhood Commercial Corridor unit actually had, at one time, been called "NTI."

So that's --

COUNCILMAN GREEN: So, in your response, if you don't have it now, just to close a loop on this one question, if you could point to the line item in the budget where their salaries are reflected and then provide a job description post-NTI job duties.

MR. ALTMAN: It's not -- Councilman, it's not reflected in any one place. So some of them are reflected under the Community Development funding that I just outlined of the 14 positions, some are reflected in the General Fund funding, some are reflected in other sources.

COUNCILMAN GREEN: Well, if you could just --

MR. ALTMAN: So there's no one place, but I could give you --

COUNCILMAN GREEN: Point to all lines --

MR. ALTMAN: I mean, it's easy enough to do a chart and show where the sources of each position are.

COUNCILMAN GREEN: Okay, thank you.

MR. ALTMAN: Right.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

I wanted to talk a little bit

about Page 4 and PCDC. I know we talked a little bit about it, but it's still been on my mind. And can you tell us how much money we save for making this change, how much money it saves in the budget?

MR. ALTMAN: It's... It's -- it's about -- and I'm looking to show the where -- the line item where this would actually -- I don't think it will really -- I'm just looking to see where the line item is, Councilmember.

COUNCILWOMAN BLACKWELL: Thank you.

MR. ALTMAN: Hold on. Let me just turn to it.

COUNCILWOMAN BLACKWELL: Thank you.

MR. ALTMAN: Yeah. I mean, I guess the closest number I could give you -- and I need to be honest, it would really be a question of not just of our office 'cause this really goes to an overall reallocation within the overall budget. So it's really more of a question to the Budget Office.

But I think at the end, on Page 65, Section 19, if you see the number there under Class 100, A, it goes from -- you'll see estimated obligations. The increase or decrease is about 751,000. Now, whether all of that is captured in the General Fund, again, we'd have to check with the budget.

But that's the increase in the amount of dollars -- it's the increase in Community Development Block Grant dollars that would be used within Commerce.

COUNCILWOMAN BLACKWELL: Yeah, I thought it was about half of that.

And can you explain to us, who use PCDC a lot, what this -- how would this department look, what would it be like, and what would the change be like?

MR. ALTMAN: Yes.

COUNCILWOMAN BLACKWELL: And how will our constituents access these services?

MR. ALTMAN: Yes. Councilmember, as I was saying before, what they would see is that the Commerce Department would be assuming -- would be an integration into Commerce. We would be assuming the majority of those activities. So that's the process we're going through right now in discussions with PCDC.

Your constituents would see that it would -- if you -- if someone were to ask you, Where do I go? you would say, for commercial corridors, for small business, for assistance, you would send them to the Department of Commerce, and that's where we would provide that activity. And we would still be providing those services to the neighborhoods.

We actually hope that this will increase efficiency and, as Councilmember Jones wants to see the increase in volume, that we'll be able to give them a broader access to services through the integration.

COUNCILWOMAN BLACKWELL: I know I said it then, but we are concerned. I know your organization's been around a very long time, some 35 years, but we've finally gotten to the place where we feel that we have the ability to refer people, minority contractors and such, who don't know how to get themselves in order. A lot of times people need advice on -- even though they have to prepare their paperwork, they need -- they need a conduit, like PCDC has been, between itself and PIDC, 'cause a lot of us have felt PIDC has been a little bit further along for some of these small businessmen who just don't know what to do, don't know how to prepare, and need somebody to just work with them on really a beginning level.

MR. ALTMAN: Mm-hmm, yes. We don't intend to -- there -- that service will remain. I mean, there would be not any interruption.

What we're trying to do here is to actually enhance those services. So, as an example, to help the businesses that you're talking about, the technical assistance with PCDC has provided. We would continue to provide that.

We would also be expanding that by having the Office of Economic Opportunity. That would also give access in one place for contracting and other access to opportunities.

So we're trying to -- actually, Councilwoman, our goal here is to create this as simple as possible and to provide those services.

COUNCILWOMAN BLACKWELL: Is it -- do we have to do it this year? I mean, couldn't we have some interim period before -- I assume that you won't be ready July 1.

(Timer bell rings.)

COUNCILWOMAN BLACKWELL: Could not we have some interim period for this to happen?

MR. ALTMAN: I think we believe, Councilmember, the best way to do it is to do it now and to do it all together.

We don't think that it'll -- I mean, there -- we think that that's achievable. We think that there won't be a disruption in services by doing that. And we, in fact, think that that will create a lot of -- just a lot of clarity immediately, and that this is a good time to make those changes.

And, Kevin, if you have anything to add.

COUNCILWOMAN BLACKWELL: Well, finally, if we couldn't get a year leave time, could you provide to the Chair a summary of what this new program would look like?

MR. ALTMAN: Oh, absolutely, absolutely.

COUNCILWOMAN BLACKWELL: Thank you. Thank you.

COUNCILWOMAN TASCO: Thank you,

Councilwoman Blackwell.

I was going to follow up on that with the same question. What -- I'm interested too in the reorganizational structure of PCDC. What will their charge be, and then how will they fit into the PIDC structure?

And then how do you split half between you and Commerce and PIDC? I mean, how does that all work?

MR. ALTMAN: It's -- let me explain, 'cause I think it's a very good question.

Most of -- if you think about the functions, you have three functions, PCDC: Commercial corridors, technical assistance, and lending, just in general terms.

The -- the commercial corridors and technical assistance would come into the Commerce Department so that there is one place, as we said, where all commercial corridor assistance happens, where all technical assistance for small businesses happens, where all access to opportunities and equal opportunity can happen.

Lending would -- because Commerce does not do lending, we do it through third parties, the lending function would be a part of what PIDC would do. It would be a specific program within PIDC for that lending.

So it would probably have -- and we're just in discussions now and thinking about it -- maybe a specific subsidiary board within it just focused on the small-business lending. PIDC also has some small-business lending programs.

So there would be a whole, again, range of loan products, all of which could go out on the street. They have the Emerging Loan Program, there'd be the Small-Business Lending Program. So there would be -- lending would be there. And all commercial corridor technical assistance, business assistance would all be in Commerce.

But you would come into Commerce -- let's say, for example, you're small business and, say, you know, you'd sit down with us. And as I said before, we would say, you know, What are your needs? And they may sit down with us and say, My need is, I need loans to help me with operating capital or working capital. Great. We would refer them over, here's the place to go, go to PIDC, and there's a small business group there that could make those loans.

If they need technical assistance on the corridors, we'd provide that to them, as I said.

So there would be a point of access, and I think it would be a very clear system.

COUNCILWOMAN TASCO: Well, where will the current -- how many staff members are left with the current PCDC department?

MR. ALTMAN: Well, there -- we're -- I mean we're working through those numbers right now because a certain number are going to come -- you know, we're looking at how many would come over to the Commerce Department. And the Lending Unit's a smaller group that would be a part of PIDC.

Again, we're literally having these discussion right now to work through what the numbers look like.

COUNCILWOMAN TASCO: So will it still be PCDC at the end of the day, or would it be a combination -- something -- would they be all employees, those who go to PIDC, employed with PIDC. Those who are PCDC work in the Commerce Department.

MR. ALTMAN: That's right.

COUNCILWOMAN TASCO: They're the Commerce Department.

MR. ALTMAN: That's right.

COUNCILWOMAN TASCO: So PCDC, as it currently exists, will not exist.

MR. ALTMAN: That's right.

COUNCILWOMAN TASCO: As it currently exists?

MR. ALTMAN: As it currently exists, that's right.

COUNCILWOMAN TASCO: Okay. Now, would PCDC have a board? Will that board be eliminated?

MR. ALTMAN: I think the whole -- there could be a -- yeah, the answer is, to be straight, yes. There could be a new board with members of what had been PCDC constituted to oversee this small-business lending function. As you know, PIDC has many subsidiary boards, so it still could have -- it probably would have a separate -- a board under it focused on small-business lending.

COUNCILWOMAN TASCO: PIDC would.

MR. ALTMAN: Potentially. That's what we're exploring now.

COUNCILMAN JONES: Point of information.

MR. ALTMAN: But we're looking at that now.

COUNCILWOMAN TASCO: Yes,

Councilman.

COUNCILMAN JONES: Thank you, Madam Chair.

Having some small recollection of how that works, is that it is a independent entity, anyway. I mean, the board -- even though it is a quasi-governmental entity, it is a 501(c)(3) or thereabouts entity.

MR. DOW: Right.

COUNCILMAN JONES: Private, nonprofit. It has to exist for a couple of reasons going forward.

One, they have some outstanding contracts probably that they have as a entity, that they have to fulfill under RFPs and other things like that.

There are some outstanding loan obligations that I would imagine have to be fulfilled and monitored and collections being done on that. So the entity a legal entity will have to exist.

Now, I would also -- and I'm not try to micromanage the Commerce

Department -- think that you also have some flexibility there that you do not have under a city administration. Knowing where funds come from for organizations similar to that, some RFPs and sources of fund from the federal or state government strictly prohibit the use of it by a municipality. So you have to have a PIDC, PCDC kind of entity to be a conduit for money that we are eligible for as a municipality.

So under some kind of configuration, you're going to, for some time, have to have a PCDC.

MR. ALTMAN: Yeah.

COUNCILMAN GOODE: Point of information.

COUNCILWOMAN TASCO: Point of information, Mr. Goode.

COUNCILMAN GOODE: Having some experiences also --

(Laughter.)

COUNCILWOMAN TASCO: I have had some.

COUNCILMAN GOODE: Just to complement what my colleague said, it started out as the Model Cities Development Corporation, had an Urban and Local Development Corporation title at some point, merged into a PCDC/Urban Local Development Corporation title, has had other subsidiaries, including Minority Venture Partners at one point.

And so, it's not hard to reconfigure. And, essentially, you have to keep some of those original pieces in place.

I think it's probably also some UDAG money and Urban Development Assistance Grant money that dates back years that has to be configured into whatever organization.

So it never really disappears at all.

MR. DOW: Yeah. So the entity itself, as it's currently structured as a legal entity, can stay the same. We just might redirect its activities in a different way so that we could maintain funding programs that have contractual relationships that come in, and we can still attach to those, we can still have an opportunity to go out after additional monies through a RFP process.

If there's additional grants or whatever, that a separate organization separate from the City can do, we will still have that ability.

COUNCILWOMAN BLACKWELL: Point of information.

COUNCILWOMAN TASCO: Point of information.

COUNCILWOMAN BLACKWELL: How many employees are there now in that department?

MR. DOW: At...?

COUNCILWOMAN BLACKWELL: At PCDC.

MR. DOW: I believe there's 28, 27, 28.

COUNCILWOMAN BLACKWELL: Well, if we have 28 now and you haven't configured what the new department will look like, how can we be ready? How can we be ready July 1 if we haven't worked on where they'll be and exactly who's doing what?

MR. ALTMAN: We --

COUNCILWOMAN BLACKWELL: In other words, we want to make sure that these people are protected as well.

MR. ALTMAN: We are working very much on that and with the July 1 date so that we can work through all of that in terms of personnel skills and how that sorts out. So we are very aware of that.

COUNCILWOMAN BLACKWELL: Would you likewise submit that information to the Chair so we can follow up?

MR. ALTMAN: As we're doing it.

MR. DOW: Yes. As we move forward, we will keep the Council informed about those processes.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCILWOMAN TASCO: How much does this organization save the City?

MR. ALTMAN: That was the number I went through before, Councilmember. I don't know -- what I said is that if you -- I was pointing out the line items. I think it was Page 65 where the number -- and, again, I just want to preface this.

The number that's in the book is 751,000. How much of that is saved to the City, again that's not just -- this is just within Commerce; in other words, what the Block Grant dollars would potentially save but whether that's reflected in the overall General Fund and overall budget is something you'd have to ask the Budget Office.

In other words, that's how much is returned, but some of that may have been needed for other services or functions that are outside of Commerce. So I don't know the net number, which is, I think, what you're asking.

COUNCILWOMAN TASCO: So that's the question that Councilwoman Blackwell asked; I didn't.

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: Okay. Has the strategic plan for the Office of Economic Development been presented yet?

MR. ALTMAN: For the Office of --

COUNCILWOMAN TASCO: Of Economic Opportunity.

MR. ALTMAN: Opportunity, oh, okay.

MR. DOW: No, it has not.

COUNCILWOMAN TASCO: When do you plan to have that plan prepared?

MR. DOW: We anticipate presenting a final draft to the Mayor by the fiscal year end, by June 30th.

COUNCILWOMAN TASCO: Okay. It was supposed to have been done January of '09?

MR. DOW: Unfortunately, we were unable that done. We were waiting for the MACCID recommendations, the Mayor's Advisory Commission on Construction Industry Diversity, which came out in mid-March, and so, we're taking those into consideration and we'll deliver the plan that will take those recommendations into consideration by the end of the fiscal year.

COUNCILWOMAN TASCO: Councilman Goode asked about the, um... Well, I can't remember what he asked about, but let me ask you a question.

MR. DOW: Participation goals. And I think I got an answer to --

COUNCILWOMAN TASCO: Yeah, but I'm interested in who in the City -- you know, we have given -- we have cut business privilege tax and wage tax because the ultimate goal is to keep businesses in the City and/or attract businesses.

And who has done a study to see what impact our lowering of these taxes have had on the City? Has it been a plus or a minus or a status quo?

MR. ALTMAN: In terms of the -- of an economic impact of the tax, what the taxes have resulted in?

COUNCILWOMAN TASCO: Mm-hmm.

MR. ALTMAN: The lowering of taxes?

COUNCILWOMAN TASCO: Mm-hmm.

MR. ALTMAN: I don't have those here. There have been a number of studies. I think probably Steve Agostini testified to these before.

But there has been Wharton studies. I believe Bob Inman had done some studies of this. I don't have the numbers off the top of my head, but it showed what the reduction he believes correlated to in terms of jobs.

And we can get that to you; I just don't have that it in front of me.

COUNCILWOMAN TASCO: Do we know how many jobs have been created as a result -- additional jobs created as a result of what --

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MR. ALTMAN: We can --

COUNCILWOMAN TASCO: Yes. Point of information.

COUNCILMAN GOODE: Maybe you could show how many jobs have been saved, not necessarily created.

MR. ALTMAN: That's right.

COUNCILMAN GOODE: And I believe the number -- I don't want to guess at it, but I think the number may have been over 100,000 jobs saved since we started cutting the business and wage tax.

But the number -- it's not jobs -- a jobs-creation number; it's actually jobs saved.

MR. ALTMAN: Right.

COUNCILMAN GOODE: Jobs that would have otherwise been lost.

COUNCILWOMAN TASCO: Okay. Thank you. And that's the question you asked too, earlier, right?

Okay. Let me just recognize some other people here, and I'll come back.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam Chair.

Good morning.

MR. ALTMAN: Good morning.

COUNCILMAN CLARKE: Let me ask you a question about if you can give me briefly the status of the City's two -- at this point still proposed -- casinos proposed casinos. And if you can kind of summarize it 'cause I have a follow-up question that's budget-related.

MR. ALTMAN: Okay.

COUNCILMAN CLARKE: So, Mr. Agostino, you may want to be ready to come up.

MR. ALTMAN: The status is as follows: Let's start with SugarHouse. The SugarHouse casino on the north Delaware, there is -- we have been working with them on their permits and approvals. They were actually issued a foundation permit, I believe, over a month ago.

They are before the Gaming Board this week; I believe the hearing is this Wednesday, in Philadelphia, for the extension of their permit, which had expired. We're working with them and have submitted a letter in support of that.

And they will be -- there's legislation before the Council that the Council will be considering, but in terms of their plan of development, they need to modify their plan of development to reflect their -- some of the changes they made to their design.

But we anticipate and what the schedule is bringing that forward to the Planning Commission, and hopefully that will be concluded by June.

COUNCILMAN CLARKE: That's the interim facility.

MR. ALTMAN: That's the interim facility, which they project they would like to open essentially a year from today, if all goes well. And that's, again, their projected schedule.

That interim facility is about 1700 slots and -- and is actually a permanent facility, and then ultimately would expand to 3,000 slots.

COUNCILMAN CLARKE: Right.

MR. ALTMAN: And then there would be a Phase II. So that's SugarHouse.

Foxwoods, they are -- as you know, they are looking at the Strawbridge site at 801 Market. Similarly, there is legislation before Council. They would like to be on a similar timeframe in terms of approval of their plan of development also by June, and we're working with them on that.

They need Gaming Board approval for relocation of their license from the South Philadelphia site to the Center City site, and they have to apply for that, and I believe they anticipate that anticipate that in May or June; I'm not sure of the actual date, I'd have to check with them.

But we're working, again, very closely with them on a plan of development for approval.

COUNCILMAN CLARKE: Okay. Mr. Agostino, can you...

(Mr. Agostino comes forward.)

MR. AGOSTINI: Good morning, Councilmember, good morning.

COUNCILMAN CLARKE: Good morning.

With respects to the timing -- and Mr. Altman has laid out what we hope -- and based on the spirit of cooperation that is happening everywhere as a result of this, there's a likelihood that we will have -- and I'm pretty confident about SugarHouse; I still don't know where I am with Foxwoods. We will have something on line to reflect revenues generated for Fiscal '11; am I correct?

MR. AGOSTINI: That's correct. I believe -- and I just sent a note back the my office to get the exact number. I believe it's in the low 20s, like 23 million, beginning in FY '11.

COUNCILMAN CLARKE: Is that for SugarHouse?

MR. AGOSTINI: I believe it's for one of them. I don't know that it's both.

COUNCILMAN CLARKE: All right. So worst case, 20, a little more --

MR. AGOSTINI: About 23.

COUNCILMAN CLARKE: Best case, 40, 50?

MR. AGOSTINI: I don't -- I don't remember how the numbers were arrived, and I don't know if they assume the same number of slots and the same revenues. But for your purposes now, let's say it's about that --

COUNCILMAN CLARKE: All right.

MR. AGOSTINI: -- or similar.

COUNCILMAN CLARKE: So in our

budget Five-Year Plan, all right, where are the revenues projected to?

MR. AGOSTINI: There is -- I can -- I'll pull that from the plan and give that to you in detail, but we do show a figure of additional revenue, and I forget if it's in non-departmental revenue that represents the income from the arrangements regarding the casinos.

As you know, one of things we haven't shown are some of the related costs, and we also haven't shown related tax revenues associated with some of the jobs.

COUNCILMAN CLARKE: I asked you a real easy question. Where does it show? It's either Fiscal '11 or Fiscal '12.

MR. AGOSTINI: Yeah, I'd have to go back. I don't remember.

COUNCILMAN CLARKE: It's in '12.

MR. AGOSTINI: Okay.

COUNCILMAN CLARKE: So assuming

that these move along in schedule, there's a strong likelihood that, worst case, we may have $20 million that's not being showed in Fiscal '12. Best case, 40 million is not -- I'm sorry, '11 that's not being showed in Fiscal '11. Best case, upwards of 40 million in Fiscal '11 that's not being showed.

If that happens, given -- and I'm going to use Council's budget proposal for these purposes. Given Council's proposals that Council has a proposal in the second year, we have shown interest-only payments of $20 million.

Worst-case scenario, we may be in the position to pay the interest on those interest-only proposals as a result of this $20 million that's not referenced in the Five-Year Plan.

MR. AGOSTINI: Councilmember, if the casinos were to begin, then yes, I think that your premise is probably correct, that we would show some revenues in either late half of '10 or '11 that we currently don't show in the plan.

(Timer bell rings.)

MR. AGOSTINI: What we have not shown in the plan as well -- and I think we've said this on other occasions -- are costs associated with the things like the additional police presence that would be required, some of the traffic mitigation; we have not shown any of those costs in any part of the plan and assume that on some level, some of the additional revenue associated with the wage taxes and business-privilege taxes associated would be used to take care of those costs.

But we have not demonstrated those costs in the plan.

COUNCILMAN CLARKE: Well, would you acknowledge that it won't cost us $20 million for additional police and supportive services?

MR. AGOSTINI: I -- Councilmember, honestly, I don't know.

(Indiscernible; parties talking over each other.)

COUNCILMAN CLARKE: I think I have a little bit of knowledge on that based on my early involvement with respects to leading up when we anticipated that this was going to happen, and it's not even close to that, not to mention the fact that you show no revenues associated with the construction side that will actually start, according to SugarHouse, on July 1.

MR. AGOSTINI: In terms of the tax, the associated tax --

COUNCILMAN CLARKE: The wage tax, right, yeah. We're going to have a substantial number of jobs, purchase of services.

So -- and I say this because we get a letter from Mr. Dubow that outlined the fact --

COUNCILMAN GREEN: (Inaudible, off-mic.)

COUNCILMAN CLARKE: Sorry,

Councilman, I heard your point of order. I don't want to lose my train of thought. And I know Council President is ultimately in charge of this.

That you have not shown any revenues associated with construction, purchase of services for those years. And I say that because we get a letter from Mr. Dubow that talks about our proposal that will require significant reductions both for the 25 million in cost savings and the interest payments.

But the reality is that there's the potential -- I mean, best or worse -- for a significant amount of revenue coming to the City to help repay the debt service on that borrowing.

MR. AGOSTINI: With respect to the casinos, Councilmember, you're correct. We have not shown because it was kind of difficult to understand the number of jobs and the wage taxes and the business-privilege taxes, so we have not shown that. You're correct.

COUNCILMAN CLARKE: Well, I mean, all you have to do is look at the document from two years ago. I mean, it was clearly laid out, you know, particularly on the SugarHouse, the type of jobs and the number of jobs that would be associated. So we don't have to reinvent the wheel.

So, I mean, there is a potential to generate some significant revenues, and we're not showing it --

MR. AGOSTINI: Right, that's not reflected in --

COUNCILMAN CLARKE: -- in '10 or '11.

MR. AGOSTINI: That's right.

COUNCILMAN CLARKE: All right.

COUNCILMAN RIZZO: Point of information.

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

COUNCILMAN GREEN: Thank you, Madam Chair.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

Piggybacking on Councilman Clarke's question, could you please, in the years where you have revenue in the Five-Year Plan, provide to the Chair what expenses you have in additional police officers, additional fire, additional sanitation, or whatever you have in the Five-Year Plan that relates to the fact that the casinos are expected to be up and running.

Say, in the Five-Year Plan in FY '12, you're saying that there's revenue in the budget. Your objection to us taking the savings and applying it for another percent of revenue in FY '11 was -- you know, there are associated expenses.

I'd like to see where those are outlined in the Five-Year Plan, those associated expenses that you say we'll be required to pay in FY '11 as a consequence of having the casinos.

MR. AGOSTINI: Councilmember, for the record, I did not object; I just said that we didn't have those costs in. We will -- if there's a document, we'll be happy to put this together --

COUNCILMAN GREEN: No, no. In --

MR. AGOSTINI: But we do not have anything -- to my knowledge, we do not having anything in the Five-Year Plan on the cost side associated with the opening and operation of two casinos.

COUNCILMAN GREEN: That's, I guess, my point. There is nothing in the Five-Year Plan with respect to associated costs, so you've got revenue in the Five-Year Plan starting in FY '12.

If that revenue is in FY '11, then it's revenue because you weren't charging any extra costs in '12, you weren't saying we need 20 extra policemen, we need this, that, and the other thing. It's all taken care of in the big expenses and budget that we already have.

Therefore, when we move the

revenue up, we're not going to increase costs, just like there are no increased costs in FY '12. That's my point.

Thank you, Madam Chair.

COUNCILMAN RIZZO: Point of information.

COUNCIL PRESIDENT VERNA: I believe Councilwoman Tasco has a point --

COUNCILWOMAN TASCO: On this issue, I'll pass.

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

COUNCILMAN RIZZO: Good afternoon.

MR. AGOSTINI: Good afternoon.

COUNCILMAN RIZZO: In previous meetings, we discussed the concept which was embraced, I believe, by the Administration that for the costs for police, that we would create a model that's been so well done by the Airport, like the Aviation Fund that funds the police officers that are assigned at the

Airport. And pretty much, those officers are assigned there. A significant issue could occur someplace else in the City; they stay at the Airport.

And I thought that we were looking -- down the road, that we would create something like that, where the casino industry would contribute to a fund that would support the extra required police officers in the casino environment.

MR. AGOSTINI: Councilmember, I'm not aware of that. You'd have to ask others who have been more directly involved.

COUNCILMAN RIZZO: Well, no, I think you were in the room when this was brought up, so maybe you just don't recollect, but it was discussed pretty thoroughly that that was going to be one of the considerations that would be on the table.

And I'll recollect that there was then a controversy whether, you know, it's the Pennsylvania State Police who has the jurisdiction within the property lines of the casino, who's responsible outside. So we had a lot of conversations about this.

It's been a while ago, but hopefully, that model would be considered.

Mr. Altman?

MR. ALTMAN: Councilmember, all I can say is that, look, it's something we have to look at in light of the timing of the casinos and also how they've modified their plans. We have to go and look at the costing of what the service is and how they would be provided.

Obviously, for example, Foxwoods is going into Center City, is going to have a very different set of assumptions than when it was at the waterfront, and it will have a set of different kinds of impacts that we're analyzing now. Also, the size of SugarHouse going in, 1700. So we're looking at those costs now.

COUNCILMAN RIZZO: Well, the same way for special events. When we have a Phillies game, Eagles game, other special events, that those officers that are there -- that are, let's say, a part of the requirement, but anything in excess -- obviously, the way we police those two locations today is going to be a lot different once casinos are full-blown.

So I don't think that the taxpayers of the City of Philadelphia should have to pay for that extra coverage that will be required. Somebody else is going to have to pay the bill.

COUNCILMAN GREEN: Point of information.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Mr. McPherson, Council's CFO, just pointed out the budget detail to me, and there's $23,600,000 in additional revenue in Years '12, '13, and '14 in the budget for casinos. There are no expenses associated with that revenue during those years.

And it is assumed that the extra economic activity that results from the casinos in terms of jobs, wage taxes, et cetera, will pay for the costs of the casinos. at least in the Administration's current Five-Year Plan.

And so, I would ask the Administration to go to Chester or go to the Park, and take a look and see how many extra policemen or city services are provided there. There are none.

So I think if we move it up a year, we'd move $23,600,000 more into the Five-Year Plan.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good morning.

MR. ALTMAN: Good morning.

COUNCILWOMAN BROWN: I have a quick follow-up to Councilman Goode's question.

In FY '09, the documents show that you had $2.3 million in contracts in Class 200. So my question is actually a repeat: Why does your MBE/WBE chart show zero dollars in total contracts for FY '08 and '09.

MR. DOW: And that's for the Commerce Department, and you're referring to the spend that we have on our for-profit contracts?

COUNCILWOMAN BROWN: For-profit.

MR. DOW: For-profit. And so, we only track, for these purposes, for-profit contracts.

COUNCILWOMAN SANCHEZ: Point of information.

COUNCIL PRESIDENT VERNA: The

Chair recognizes Councilwoman Sanchez for a point of information.

COUNCILWOMAN SANCHEZ: We do the commercial corridor contracting, and all of that stuff is done through PIDC. And while it's not in your budget, it's reflective of your activities. And that's why a chart this way doesn't reflect your activities.

MR. DOW: That's right.

COUNCILWOMAN SANCHEZ: So when are we going to see that?

MR. DOW: That's right. And you'll begin to see that next year. When we sit here next year, we will be able to show you some different information.

We don't have the information on the nonprofit contracting that occur throughout the City; we do in certain areas track it.

COUNCILWOMAN SANCHEZ: I'm talking about your commercial. We have encumbered money through commercial corridors, cultural, corridors and so forth.

MR. DOW: Okay.

COUNCILWOMAN SANCHEZ: Where are you going to reflect that, which is a reflection of your activities.

MR. DOW: The Cultural and Commercial Corridor Bond, we have some of that information for you.

MR. ALTMAN: Councilmember, what you're talking about is how the funds have been spent on commercial -- the 30-plus million dollars --

COUNCILWOMAN SANCHEZ: The Commerce Department has a lot of contracting.

MR. ALTMAN: Yes.

COUNCILWOMAN SANCHEZ: Where you do it through PIDC --

MR. ALTMAN: Yes.

COUNCILWOMAN SANCHEZ: -- or you choose to do it through wherever --

MR. ALTMAN: Yes.

COUNCILWOMAN SANCHEZ: -- it's a reflection of your activity. So this chart is inaccurate to your activity.

MR. ALTMAN: That's right. We will be --

COUNCILWOMAN SANCHEZ: So when are we going to see that?

MR. ALTMAN: We will be submitting a report. For example, on Commercial and Cultural Corridor Bonds, which is really, I would say, the principal source for Commerce, that's really the large majority of it.

And we're going to be submitting a report, I think, within the next ten days, and we'll be able to break that down for you. We're looking at all of the contracts and what the percent is. We owe the Council a report on that.

COUNCILWOMAN SANCHEZ: Okay. So all of that money is in PIDC?

MR. ALTMAN: It flows through PIDC as the -- as the -- yes, as the project --

COUNCILWOMAN SANCHEZ: Because they don't come before us to testify, I

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

think not having that data as part of your activities doesn't actively regulate your activities.

MR. ALTMAN: And we -- you know, it's -- that's right. We should -- we will submit a report on that. Part of it's --

COUNCILWOMAN SANCHEZ: That's all right. I'm only on a point of information.

COUNCILWOMAN BROWN: I appreciate that.

MR. ALTMAN: Oh, sorry.

COUNCILWOMAN BROWN: I appreciate that.

MR. ALTMAN: Yeah. Oh, I'm sorry. Right, it is --

COUNCILWOMAN BROWN: What we need to make clear is that going forward forever, any person who gets a penny from the City of Philadelphia, be it directly or indirectly, subcontracts, prime contracts, nonprofit, for profit, we want to see numbers that speak to MBE/WBE participation, period.

MR. ALTMAN: Yeah.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: And we're happy to provide that.

I was going to say that part of this is how the budget is reflected, and so, the literal reading of the budget of what funds you have going out is zero. It doesn't reflect our contracting activity, which will be in our report on Commercial and Cultural Bond Corridor proceeds, which we'll get to you.

COUNCILWOMAN BROWN: On Page 1 of your testimony, you indicate here that there has been a $3 million-plus increase over FY '09 for Hotel Tax Fund. What would you attribute that growth to?

MR. ALTMAN: That growth is attributable to the increase that -- I believe of 1.2 percent that the Council approved. We had state-enabling legislation --

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: And so, that's the increase in those dollars.

COUNCILWOMAN BROWN: All right, then.

In this peer report that Councilman Goode always keeps in his desk, it shows here that of industries and job growth over the last many years, the greatest area -- the area where we have the greatest indicators of education and job growth are in education and health services.

MR. ALTMAN: Mm-hmm.

COUNCILWOMAN BROWN: With that in mind, is there any synergy with your office and the Philadelphia Visitors and Convention Bureau, which has various congresses to attract different industries?

MR. ALTMAN: Yes. I mean, we work very closely with them. We work with all of the different economic-development entities -- the Convention and Visitors Bureau and --

COUNCILWOMAN BROWN: In what way? In what way specifically as it relates to those industries.

MR. ALTMAN: Well, a couple of examples. We work with them on the Life Science Congress for example.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: And that aggressively tries to bring in conventions and as well as just meetings of the life science industry.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: So we work to be supportive of those activities. Our office works directly with them, whether it's on marketing, making arrangements.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: We also, by the way, just on this, directly, though, because of exactly the fact that education and medical industries are such a key component of our economy --

COUNCILWOMAN BROWN: Mm-hmm.

MR. ALTMAN: -- roughly 1 out

of 3 jobs. The Mayor has convened the heads of all of the universities as well as the heads of all of the hospitals to engage them directly in how can we be supportive of your growth in the City.

One of the things we've done, for example, is, in the Commerce Department, we have appointed someone, Indira Scott, whose job is just to work with them on coordinating all of their capital projects.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: There's probably a billion dollars in capital projects that will come to fruition over the next 24 to 36 months in the pipeline if you take in the aggregate of all of the institutions.

COUNCILWOMAN BROWN: Mm-hmm.

MR. ALTMAN: And we felt one of the things that we can be most supportive of is how to help them just even get through the process.

So there are lots of ways like that that we're trying to work with them.

COUNCILWOMAN BROWN: Okay. That's very helpful.

Given the role that they play, the hospitality industry plays, in our economy, what is the role of the Department of Commerce when it comes to the Convention Center?

According to your testimony on Page 4, the payment drops in FY '11 to $15 million annually. So that's on the financial, fiscal side.

MR. ALTMAN: Right.

COUNCILWOMAN BROWN: What role does your department play, if any, with policy or overseeing contracts or MBE/WBE participation goals, any role at all?

MR. ALTMAN: No, we -- we -- I mean, on the finance side, we're really just -- it's a pass-through in the budget.

COUNCILWOMAN BROWN: Oh, okay.

MR. ALTMAN: So we're -- that's why our budget reflects many pass-throughs.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: As you can see in that opening testimony, whether it's Aviation, hotel tax, and Convention, we work with them on the programmatic side.

(Timer bell rings.)

MR. ALTMAN: And so, for example, with the Convention Center expansion, we are working on what could be the physical improvements around the Convention Center on North Broad Street, on Arch, on Race, as well as in terms of what their future marketing is.

COUNCILWOMAN BROWN: Okay.

MR. ALTMAN: So we work with them very much on the program side, but not on the funding or contract side.

COUNCILWOMAN BROWN: Very well. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you,

Madam President.

Mr. Dow, getting back to departmental goal-setting --

MR. DOW: Mm-hmm.

COUNCILMAN GOODE: -- and using the Commerce Department as an example, the Fiscal Year '09 goal was 15 percent MBE, 25 percent WBE, 2 percent DSBE. The actual participation was zero, for reasons that we've noted, that essentially the Department did no for-profit contracting.

The goal for Fiscal Year '08 was the same: 15 percent MBE, 25 percent WBE, 2 percent DSBE. And the participation was zero because, essentially, we don't track for-profit contracting.

So why were the goals set at 42 percent DBE participation for Fiscal '08 and '09?

MR. DOW: They were carried over from the previous years. In '06, '07, we have roughly 80 percent of the contracts for-profit contracts. There was only one; it was $35,000. And that translated into 80 percent of --

COUNCILMAN GOODE: Mr. Dow, you might be correct, but I don't know what document you're reading from because the document I'm reading from now has Fiscal Year '07 actual, zero percent.

MR. DOW: Right, right. And so at '06 --

COUNCILMAN GOODE: So it wasn't carried over from '07.

MR. DOW: The goal was, not the actual, the goal. So the goal was carried over based on '06 numbers, and then, subsequent to that, carried over until today.

COUNCILMAN GOODE: But in Fiscal Year '07, it was zero percent, and Fiscal '08 was zero percent, and Fiscal Year '09 was zero percent.

MR. DOW: Achievability, right.

COUNCILMAN GOODE: So why were there 42 percent goals set in '08 and

'09?

MR. DOW: There were --

COUNCILMAN GOODE: It could not have been based upon Fiscal '07.

MR. DOW: I would agree. I would think that that's where we need to do a better job of having conversations not only with the individual departments about what their realistic and actual spend is and then develop goals and objectives based off of that. That's what we don't do a good job of right now.

COUNCILMAN GOODE: Yeah, but let me just run down the list in terms of some different departments and the over/under. And this is for Fiscal Year '08:

Public Property was 3 percent under the goal.

The Board of Revision of Tax was 25 percent above the goal.

The Managing Director's Office was 19 percent above the goal.

L&I was 16 percent below.

And then you have:

11 above.

22 percent.

1 percent above.

9 percent below.

24 percent below.

6 percent below.

3 percent above.

3 percent below.

15 percent above.

2 percent below.

21 percent below.

6 percent below.

14 percent below.

19 percent below.

12 percent below.

8 percent below.

20 percent below.

15 percent below.

4 percent below.

18 percent below.

19 percent below.

15 percent below.

20 percent below.

40 percent below.

-25 percent below.

-40 percent below.

-30 percent below.

-15 percent below.

And I go through all of that, a long exercise of it, to say that there's no way to reach citywide goals if departmental goals are off that much. And I guess my question at the end of the day is: How close should you be in terms of matching the goal with the actual achievement?

MR. DOW: How close should we be?

COUNCILMAN GOODE: Yeah. I mean 3 percent, 5 percent --

MR. DOW: Right.

COUNCILMAN GOODE: Even to some extent, maybe 10 percent above or below is not that big of a deal.

MR. DOW: Right.

COUNCILMAN GOODE: But even with a 25 percent above, that means the goal was set too low.

MR. DOW: Mm-hmm.

COUNCILMAN GOODE: And with a 45 percent -- a 40, 45 percent below, it may mean the goal was set to high, or it may mean that someone needs to have a talking-to.

MR. DOW: That's exactly right. I think what you see there is historical performance and (indiscernible), I can't shift that. We can take that, analyze that, and see why we were so off in that regard.

So going forward --

COUNCILMAN GOODE: But if we're basing it upon historical performance, that means that the numbers are never going to move.

MR. DOW: Okay. So that's where we do a better job of educating -- well, this is where that -- what Andy referred to as a three-pronged type of processes that we have here.

One, the OEO world has to do

a -- we have to do more work around engaging each individual departments around what their actual spend is; what are they actually spending, not only from a dollar perspective, but where they are.

COUNCILMAN GOODE: You should know for the record that each department has come here --

MR. DOW: Yes.

COUNCILMAN GOODE: -- and Councilman Brown, in particular, has asked them, Why did you spend that amount of money? And they always point back to Commerce and OEO.

MR. DOW: Okay.

COUNCILMAN GOODE: And they basically blame you for bad goal-setting.

Now, we don't -- we actually within Council, I don't think, put it on you, but you should know that we can't go back and forth and play that game where departments say, "We didn't set the goals; they set the goals," and then you say, "Well, we have to work closely with them to set the goals," 'cause at the end of the day, the goals do not match the performance.

MR. DOW: Mm-hmm.

COUNCILMAN GOODE: And I'm asking, how do we get to a point where the goals actually match the performance?

(Timer bell rings.)

COUNCILMAN GOODE: And then, lastly, how far off can we be in terms of goal-setting if we're actually going to achieve the citywide goals?

MR. DOW: For me, I think that that's the difference in new leadership that we're going to be able to provide. That's the difference in integrating them into the Commerce world.

We will be able to look at and work with, on a very much proactive basis, much more so that we've done in the past, with the departments to establish realistic, achievable goals that have some stretch metrics in it. Then we will look at judging them based on that, holding them accountable throughout the fiscal year flowing through.

Where we want to go is to identify where the gaps are. And then once we understand where the gaps are, we can look at, how do we increase the availability of firms to fill those gaps, working with the Office of Economic Opportunity, working with the Office of Business Services, to draw those as portals to fill those gaps.

And then, over time, we should be able to see improvement in the numbers as well as fewer gaps in the overall accounting of it. And then, also, if we miss or go above or below it, that range of miss is much, much thinner.

COUNCILMAN GOODE: But we can agree that departmental goal-setting was not real.

MR. DOW: We can agree that departmental goal-setting was not done well.

COUNCILMAN GOODE: But it was not real goals, because essentially, it was simply based upon goals set the year before, and those goals weren't real.

So even if last year, what you did was base departments goals beyond the previous year, and that was real for you, you may have done that without realizing that the goal set for the year before was not real.

And so, essentially, if the goal wasn't real two years ago, then the goal wasn't real last year. Is that fair?

MR. ALTMAN: Councilman, let me say -- yeah, I mean, we certainly -- there's been a -- you know, we aren't here to defend how it was done in the past or to, you know, in some ways, criticize 'em in the --

COUNCILMAN GOODE: And I wouldn't ask you to defend it.

(Laughter.)

MR. ALTMAN: No, but I think

it's clear that there is -- the reason that the Mayor created the Economic Opportunity Cabinet and restructured and has an Office of Economic Opportunity and has that as part of Commerce, I think recognizes the fact that there is a problem.

And what you're pointing out is, there's a problem in how you do the numbers, there's a problem in how you set the targets, but there's also been a problem in terms of -- I think we wanted to be clear and the Mayor wanted to be clear that there was accountability from the top.

Each of the deputy mayors sits on the cabinet, the Finance Director is at the cabinet, the Chief Integrity Officer is at the cabinet. These are goals coming from the highest level; these aren't just numbers, as you say, that aren't realistic, and he's going to hold everyone's performance to it.

So, unfortunately, I wish we

could give you a more specific answer. All we know is that it's a system that has to change. We're going to be setting those targets differently. And we recognize, as do you, that this has been a problem.

COUNCILMAN GOODE: So I won't ask you for a answer right now; I'll just actually make a request. And I know my time is up, so I'll move quickly.

The problem we've had in the past for all of the years that I've been here was, first, not getting information. We solved that problem by making a Charter mandate that we have an Annual Disparity Study instead of anticipation goals.

Even when we did that, MBEC, OEO's predecessor, wanted to create participation goals that weren't based upon the Disparity Study. We thought we corrected that.

And now we find that even when we set departmental goals and ask for them to be put within that study as a matter of law, that those goals are not real. And it's the first time those departmental goals have been made public.

MR. ALTMAN: Mm-hmm.

COUNCILMAN GOODE: And so, at the end of the day, we're not able to do our job without the proper information. And to some extent, those departmental goals are false information.

And it's not just a matter of us not being able to do our job; but more importantly, those departments can't be held accountable unless not only do they have real goals, but they are told those goals were meant to be real.

MR. ALTMAN: Yeah.

COUNCILMAN GOODE: Thank you.

MR. McPHERSON: Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Good afternoon, gentlemen.

I want to complete that conversation with Councilman Goode, because it was very disheartening for me to have him request and Blondell Reynolds consistently from departments, and one of the things that we found was that the independent agencies also don't feel like they need to set up OEO goals.

So my request on those lines, in addition to making sure that the departments, under our purview, are following these goals and setting realistic goals, but that there be some formal communication between this office and our independent elected offices, because what I don't want them to do is come here next year and say, "We've had no interaction with this."

And we're talking specifically about the Courts and the independent elected office, who have absolutely no goals. And unless we make them, we'll have -- they will not establish any goals for us to hold them accountable to us, since they do also do run on tax dollars.

So it's really important that,

in addition to our local departments, that we begin a process to engage our independent elected offices so that they establish some goals; and, in this case, more realistic goals that we can hold 'em to. So that's important.

I wanted to speak a little bit about the PIDC merger, and I'm all for efficiencies. But as I mentioned to both you, Kevin and Andy Altman, is my concern around any merger is: One, we haven't done some of these mergers well in other departments, but more important around diversity.

In the rebalancing of last year in the Commerce Department, you laid off nine people, and seven were of color. And we want to make sure that as we transition PCDC, we understand that that level of diversity to deal with the different corridors and a lot of ethnic corridors that we -- that our office reflects that.

So I want to make sure that

when he ask you -- or when you submit the data that Councilwoman Blackwell is asking for, that we see those numbers improve in terms of your diversity.

You talked about subcontracts. What's the data that you're going to request out of subcontracts to make sure on the diversity? because I'm concerned that we just ask for staff, and I'd like to see us, if we're going to make some requirements to our subcontractors or nonprofit subcontractors, that we look at board composition, that we look at employee composition as those factors.

Is there anything else you're going to be requesting of the nonprofits?

MR. DOW: We'd like to look a little bit -- and there are a couple of areas that are already working in that regard. The Department of Health, under Don Schwarz, is doing some work and looking at some of those stuff.

We need to do a little bit more step beyond that and look at what actually those nonprofits are spending their money on and look at giving them some objectives around utilizing diverse minorities -- men, women, those who are disabled -- within their own actual spend so we can look a little bit deeper.

We not only support nonprofits from a programmatic perspective, but there are administrative costs that are available, and looking at, okay, helping them understand what's available to them, helping them understand that. Then we can put some language into our contracts that would engage them in meeting some of those goals and objectives.

COUNCILWOMAN SANCHEZ: What is that pool of nonprofit vendors that Commerce currently uses? How many people are we really talking about?

MR. DOW: In our world? Our nonprofit world? I don't have the exact answer there, but I will tell you it's many. I mean, that's who we contract with. That's -- all our contracts are with nonprofits.

COUNCILWOMAN SANCHEZ: Okay. And in our contracting for commercial corridors as it relates to PCDC, are we looking to enhance any of those other contracts for folks who do commercial corridor work?

MR. DOW: And you mean by "enhance" -- I'm not sure.

COUNCILWOMAN SANCHEZ: Either their objectives or goals.

MR. DOW: Oh, we have the objectives and goals for minority participation and workforce including --

COUNCILWOMAN SANCHEZ: No, I'm saying for the actual services delivered. If we have, as you're saying, a whole host of nonprofits to do some of the work that PCDC does throughout City, right, commercial corridor work?

MR. DOW: Yes.

COUNCILWOMAN SANCHEZ: Are we looking to enhance any of that work?

MR. DOW: Yes, yes. In our --

COUNCILWOMAN SANCHEZ: As part of the reorg?

MR. DOW: Yes.

COUNCILWOMAN SANCHEZ: Okay.

MR. DOW: That's the plan, absolutely.

COUNCILWOMAN SANCHEZ: As it relates to them, the biggest complaint I get around commercial corridors and Commerce Department contracting is exactly that. The fiscal year starts July 1st, people don't get contracts until January. Can you tell me where are you as it relates to our ability to contract? What's the turnaround time for our contracts?

MS. LEWIS: Good afternoon, Council. I'm Sade Olanipekun-Lewis.

You are right. We have been having challenges. The contract processing comes under my unit. And through the rebalancing, we've lost two contracting staff. We're hoping to bring on another two through the reorganization.

We manage about 109 contracts, and there have been challenges, we agree, in terms of processing them.

We're working through a -- we're going through an exercise where we determine how to better process these contracts so that the providers don't get their contacts middle of fiscal year or the latter part; we believe that's unacceptable.

And so, we hope to have a plan together for the fiscal year based on our contracting.

COUNCILWOMAN SANCHEZ: So what is your date? Is it 90 days out? What can I expect this year?

MS. LEWIS: We're still looking at -- all of our contracts have different demands. And so, we're trying to determine those contracts that are easily able to roll out --

(Timer bell rings.)

MS. LEWIS: -- which may happen

in as little as 30 days and those that may need a little more support in terms of completing the contracting process.

And when I say "support," some of the providers may need some technical assistance in beginning to provide the services, so we may deploy staff to try to work on that deficiency in the contract.

So it depends on the provided. And so, we're working through that process.

MR. ALTMAN: What we're looking to do and what Sade's doing is to set clear targets for each of the different contracts. And right now, that, as you say -- you're right, that doesn't exist, and it's confusing and difficult for groups, and -- and we want to fix that.

COUNCILWOMAN SANCHEZ: Okay. What's the goal, though? I mean, it's -- is it 90 days? Am I calling you November 1st because my contractors don't have contracts, or am I calling you December

1st? What is our goal? What is our aspirational goal?

Because it's not good business. I mean, we're the Commerce Department.

MS. LEWIS: Right.

COUNCILWOMAN SANCHEZ: If we don't have good business practices, how do we expect nonprofits for cash flow to manage what we're asking them to do? So that has to be seen as urgent.

MS. LEWIS: And 90 days is not an unreasonable amount, again, being the average, depending on the provider.

COUNCILWOMAN SANCHEZ: Well, a lot of these are re-ups. These are people that contract with us every year? Why is someone who we contract for 20 years having to wait 120 days, 180 days if it's the same contract?

MS. LEWIS: We have a very painful contracting process, Councilwoman. And we're looking to see if we can --

COUNCILWOMAN SANCHEZ: I can't

hear you.

MS. LEWIS: We have a very painful contracting process, a long contracting process that we're looking to streamline.

In fact, we're working through the Mayor's Private-Sector Task Force, we're working with Temple University. We have a graduate team, a team with graduate students, who are looking to see how we can better perfect our contracting process. And that is underway right now.

So when that analysis is complete, we should hopefully have in place some recommendations that can streamline our contracting process.

COUNCILWOMAN SANCHEZ: Thank you, Madam President. Or can I keep asking questions?

COUNCILWOMAN TASCO: Point of information. And don't take me off the list.

(Laughter.)

COUNCIL PRESIDENT VERNA:

Councilwoman Tasco.

COUNCILWOMAN TASCO: Have -- in streamlining the process, have you -- are you having conversations with the organizations to see what -- how they see the impediment? Are you talking to them?

MS. LEWIS: Not -- right now, we're looking internally, Councilwoman, at our processes, which we believe is the first step. I think once we've done that, we're going to look globally at the providers. Again, our providers have different capacity, so we will look at them to see where we can better expedite their processes.

MR. ALTMAN: In fairness, we do hear from them regularly. I mean, I -- so we have spoken with them, because they -- the ones who run into problems talk to us and say, Here's how I think you can do it better. Different organizations have made a number of suggestions.

We're pulling all of that

together to try to get to this 90-day goal, if we can, for the majority of contracts. And we've heard from many of them.

So I think we have some pretty good outreach to the groups.

COUNCILWOMAN TASCO: Okay. I didn't lose my spot, did I?

COUNCIL PRESIDENT VERNA: No, you didn't.

COUNCILWOMAN TASCO: Thank you.

COUNCIL PRESIDENT VERNA: I'm going to recognize Councilman Jones, and after he questions the witnesses, we're going to recess until 1:45. So I'd like everybody in the audience to know that.

Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

And now it's "good afternoon." We've been here that long.

Two things. One, there's the Office of Economic Opportunity, and then there's the Economic Opportunity Cabinet, and I need to kind of delineate what the responsibilities of one are and whether they're working together to create this opportunity.

I give that question in context to the American Recovery Investment Act, and I notice that you're scheduled -- or at least applying in part for funds under the Economic Development Assistance, the Broadband Expansion, Weatherization, High Grow Industry Green Jobs, and Brown Fields Cleanup, and Training. Those are all categories by which the Commerce Department may be eligible for some of those Stimulus dollars.

My question is in the context of how we evaluate what levels of minority participation should be involved in these kinds of opportunities and how we are going to, going forward, kind of implement that and making sure that, you know, there's some equity by way of distribution of these dollars.

MR. ALTMAN: Yeah. I think the

answer, Councilman, is: Most of these are under federal guidelines, and they set specific goals, I think.

So our role with respect to the recovery dollars is more connecting firms to those opportunities as most of those mandates -- you know, most of the requirements and goals are set by the federal government.

But I think what we're trying to do is set up a pipeline of different opportunities for service providers and others to take advantage of those as they come in.

COUNCILMAN JONES: What you hear from various Councilmembers is that, you know, as we start to look at these opportunities, historically as a body, whether it was cable in the last century, whether it is the hope of gambling revenues now, whether it is the Stimulus Package, what we need to have is better kind of coordination and then matriculation to opportunities for minority firms.

MS. LEWIS: Mm-hmm.

COUNCILMAN JONES: And at the end of the day, when we start counting these things up, what we want to say is what I asked for in the beginning: A quantitative measurement that says we're going to be better next year than we were this year, better the year following that, and being able to quantify that in ways of opportunities.

For example, in weatherization, there's going to be two types of opportunities: Those that come from departments within the City of Philadelphia and then those that come from subcontracting opportunities.

I'll give you an example. If, in fact, the Water Department or the Gas Works does a certain amount of piping that it does in-house, through its own crews, then there is a opportunity to hire people through that Stimulus Package, but many of those contract opportunities are subcontracted out.

MR. ALTMAN: Yes.

COUNCILMAN JONES: So the question becomes: Are we talking, are we coordinating with various agencies to make sure there's a pathway to opportunity for female companies, for minority companies, because in most of the spending, we're talking about a 180-day window from start to completion, or obligation of the funds at least.

So if we're not talking now then this wave of opportunity is going to hit us, go right over us, and we're not going to benefit from it in a substantial way if those mechanisms aren't being put in place right now.

MR. ALTMAN: I agree, yes. I mean, weatherization is a good example where, you know, we're starting now to look at a few fronts. I mean, one is the training front, clearly because that's going to be a significant source of jobs.

About two weeks ago from -- two

weeks ago today, we launched a training class with ECA, the first class of 20, which will be going through for training in weatherization.

COUNCILMAN JONES: Are these individuals or companies?

MR. ALTMAN: These are individuals; we're just talking about people for the moment.

COUNCILMAN JONES: All right.

MR. ALTMAN: So -- 'cause we know there's going to be a number of -- we don't know yet the total weatherization dollar number, but it could be pretty substantial, so we're trying to get that training up and going now.

We did that -- as an example of what you proposed, I mean, we didn't wait to receive weatherization dollars; we haven't actually received new recovery weatherization dollars, 'cause they go through the State, which then disburses those to the cities, but we've already set up the training program, using some workforce dollars.

And we're now starting to get organized around what business opportunities may come from weatherization. We're analyzing, actually, where the business opportunities may be in terms of supplies to try to figure out what -- how we can support potentially some smaller contractors and businesses to take advantage of it.

So we're trying to do that ground work now.

COUNCILMAN JONES: My question -- because, again, I want people to go to lunch -- is: If I have 30 contractors right outside of City Hall ready to go, ready to participate, where's their first port of entry? Where's their first door they go through?

MR. ALTMAN: Well, in terms of weatherization or just in general?

COUNCILMAN JONES:

Weatherization.

MR. ALTMAN: Weatherization right now, it's going to -- we are working with the State. The State has not -- the dollars are going to go through the State. The State then distributes it -- is deciding how they want to distribute it to the City.

They may distribute those funds, we hope, to PHDC, they may distribute some of those directly to ECA as a provider. We're working with them now to try to figure out that system.

COUNCILMAN JONES: Here's my point: Right now, there's 30 contractors lined up, ready for this Stimulus Package, Recovery Package to hit.

MR. ALTMAN: Yes.

COUNCILMAN JONES: Right now, when I say to you, Where do they line up at to get the opportunity --

(Timer bell rings.)

COUNCILMAN JONES: -- we don't have that answer.

MR. ALTMAN: Well, I would say right --

COUNCILMAN JONES: And that's the answer.

MR. ALTMAN: Yeah.

COUNCILMAN JONES: That's the 180-day, that's the $100 million dollar question we have to give them a answer to.

MR. ALTMAN: Right.

COUNCILMAN JONES: So whether it's a PCDC, PIDC, Commerce, it -- the acronym matters less than where do they line up for the opportunities?

MR. ALTMAN: I'd say the easy answer to that right now would just be Commerce, that if there's a list of 30, we're organizing that.

But I would say, again, part of what we're doing is figuring out that provider system in weatherization, but we will be compiling, and we have actually a grant to help us organize specifically weatherization, because of those opportunities, to get that system in place, so that we can have a -- where they can sign up.

And whomever it is, if the dollars go to X, Y, and Z they're lined up to take advantage of it.

COUNCILMAN JONES: Just so you know, we're talking about a considerable amount of dollars expended in a short amount of time.

MR. ALTMAN: That's the big --

COUNCILMAN JONES: And my only concern is, I don't want to be here next year, and my colleagues are asking these same questions for which we cannot give them answers.

MR. ALTMAN: Yeah.

COUNCILMAN JONES: So it is important -- if it ain't measured -- and I say it in broken English, just to make the point -- it ain't managed. And we have to measure where those opportunities are, who they're going to. Whatever the door is, tell us. And we have constituents that are waiting right outside of this hall, ready to go, but they don't know where to report to.

MR. ALTMAN: Right.

COUNCILMAN JONES: And that's the key for us.

MR. ALTMAN: Yes.

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

We will stand in recess until 1:45.

(Lunch break taken.)

(Proceedings resume.)

COUNCILWOMAN TASCO: Good afternoon. We will reconvene the hearings this afternoon, and we'll continue with the Commerce Department.

I think Councilman Clarke -- he's not here, Councilman Green is not here.

Councilwoman...

COUNCILWOMAN SANCHEZ: He's

here.

COUNCILWOMAN TASCO: Oh, I'm sorry. I'm trying to do this like -- okay, Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Good afternoon. I appreciate your patience with us today. I will try to get through my questions in five minutes, so if you don't have the answer right away, if you could just provide them to the Chair.

I'd like to look at your revenue projections. So if you look at Page 42, which details revenue from other governments, funding is falling by 2 million, or 24.8 percent. What was this revenue and how was it allocated and why is it dropping?

MR. ALTMAN: On Page 42 in the budget brief?

COUNCILMAN GREEN: Yeah.

MR. ALTMAN: I'm sorry. Okay, hold on one second.

MS. LEWIS: This is Sade Olanipekun-Lewis speaking.

COUNCILWOMAN TASCO: Sade, you have to speak up.

MS. LEWIS: Yes, ma'am.

COUNCILWOMAN TASCO: We can't hear you we have old hears.

MS. LEWIS: Yes, ma'am. The difference of the 2-million-171 is actually, the effect of two items in the budget.

On Page 57 of the budget details, the Grants Revenue, we are expecting an increase -- we've asked for an increase of $519,000 of appropriations power for various grants that we will receive over the fiscal years; it's a continuation of grant.

You net that against Page 67 of the budget details, which shows a line item of about 3,191,000, and that represents a revenue source of UDAG repayment the City received from a project that was done, I guess, in FY --

it was done years ago, but the payment to support the project was done in FY '09.

COUNCILMAN GREEN: Okay. So that was one-time payment.

MS. LEWIS: Yes, sir.

COUNCILMAN GREEN: Okay. So then there's a FY '09 original budget, including 5 million from Other Governments, and it's now -- and this is also on 42, and now it's only 728. Can you explain this change?

MS. LEWIS: That part of the -- if I can refer to you Page 57 of the budget details, Commerce Budget, on Section 19, Page 57, this -- there are a number of grants that City Commerce will be requesting -- will be receiving over the course of the fiscal year, and the net increase is going to be 19,093, and these come from different sources.

I can provide you the details of the differential of the 600,000 over the 728, but the 5 million -- one of the things, when we look at the budget, we request an appropriations power to receive certain grants over the course of the fiscal year. We may not receive up to the appropriations power, but it's there to allow us to receive grants that we anticipate during fiscal years, and those grants that we never anticipate. It's a placeholder for us to receive the funding.

COUNCILMAN GREEN: Okay, I understand. If you could provide detail about what you expected to receive and then what you are planning to receive on Page 57.

MS. LEWIS: Okay.

COUNCILMAN GREEN: So that we can understand what we're giving you appropriation power for potentially.

MS. LEWIS: Okay.

COUNCILMAN GREEN: On Page 49 -- I'm going to skip that question 'cause it's the same thing.

On Page 50 of the summary, which is CDBG --

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MS. LEWIS: Yes.

COUNCILMAN GREEN: -- it's declining by 7 percent, FY '10 versus '09.

MS. LEWIS: Yes.

COUNCILMAN GREEN: Can you explain that?

MS. LEWIS: Yes, sir. That also is a net effect of three things:

The first effect is on Page 75 of your budget. Page 75 shows the $238,000 appropriations for PCDC, and that number has been zeroed out because of proposed reorganization.

COUNCILMAN GREEN: But that's an expenditure number, and I'm asking about revenue.

MS. LEWIS: I'm sorry, sir?

MR. ALTMAN: Revenue.

COUNCILMAN GREEN: I'm asking about revenue.

MS. LEWIS: And you're on Page 49?

COUNCILMAN GREEN: 50.

MS. LEWIS: Oh, I'm sorry. Wrong page.

Yes. These are -- again, these are appropriations powers, Councilor, and this is money that we will receive in the fiscal -- that we expect to receive in the course of the fiscal year. And these numbers are estimates. It includes original appropriations, plus prior years' appropriations.

COUNCILMAN GREEN: Okay, so --

MS. LEWIS: So this is just this year, what we're expecting.

COUNCILMAN GREEN: If you could provide the detail about that is going to be for, you expect, in addition to the detail you're going to provide with respect to Page 57, I'd appreciate that.

MS. LEWIS: Okay.

(Timer bell rings.)

COUNCILWOMAN TASCO: Let me just follow up on the -- I may have missed something you said. What was zeroed out of what portion of your budget for PCDC?

MS. LEWIS: There's a -- on Page 75, there's a $238,000 appropriations in FY '09. There's no allocation for that in Fiscal Year 2008.

COUNCILWOMAN TASCO: What was that for?

MS. LEWIS: There -- the 238 was typically -- was used by PCDC for loan programs. Each year, PCDC gets an appropriations through the Community Development Block Grant. Monies that aren't expended that year go into reserve, and so, this 238 represents additional entitlement dollars, new dollars, but it doesn't represent the true spending for loan origination.

Based on our numbers, they've originated about a-million-9 in loans this year, but this 238 is just a portion of the amount of loans they've originated because they have prior reserves -- they have reserves from prior fiscal years.

So the appropriation authority

is just not there.

COUNCILWOMAN TASCO: So where does it go if -- according to the testimony, you're moving PCDC to Commerce and part of it's commercial corridors and Commerce and part of the loan program and PCDC, where will that appropriation go?

MS. LEWIS: The appropriation will still with the iteration, the new iteration, of PCDC; it will sit with that. They will still -- it's anticipated that they will still provide loan services pursuant to their mandate, but it may not necessarily come through this vehicle in terms of the funding.

MR. ALTMAN: The answer is, it's not an actual -- many of these, as Councilmember Green has pointed out, are not actual dollars but are authority to spend a certain amount of dollars.

I this think what -- in this instance, with the lending capacity, if it goes to PIDC, there's loan authority there that they'd be able to use.

There's not an actual dollar amount that would be a decrease in loan activity because, in fact, we want to increase loan activity.

So, it's just shifting -- it would shift to a different authority and a different vehicle to do that.

COUNCILWOMAN TASCO: Okay.

The Chair recognizes Councilwoman Brown.

Councilwoman Brown is not here.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Madam Chair.

Good afternoon.

Following up on a question that Councilman Jones asked before the break, which wasn't fully answered -- and I think he went on to other matters -- the Economic Opportunity Cabinet, what's its purpose? how long ago was it created? and how many times has it met?

MR. ALTMAN: Very good. We'll get you the actual number of times it met.

It was created, Councilmember, to, I think, bring to the highest level of attention that the Mayor wanted to set up -- because many of the issues that you've pointed out and that we went through before the break in terms of how goals are set, how seriously they're taken, how they're implemented, felt that that needed to come from the Mayor, from the deputy mayors, from the Cabinet, so that all of the departments, there was accountability at the highest level.

So the Equal Opportunity Cabinet was set up. It is intended, I believe, to meet, I want to say, quarterly. We have met --

MR. DOW: Once.

MR. ALTMAN: No. More than once. It was established --

COUNCILMAN GOODE: The second question what was, when was it created? How many times has it met since it was created?

MR. DOW: Once.

MR. ALTMAN: I think it's met once since it was created, but it met two -- the Cabinet met a couple of -- at least two times before the actual creation in terms of organizing itself and the executive order, reviewing the executive order. So I think we've come together, in the past year. Probably three times. And I think it's intended to get together quarterly.

So we had planning some meetings, where cabinet members were there went, through what the goals would be, went through what the --

COUNCILMAN GOODE: So be a little bit more specific, if you can remember. When did it meet?

MR. ALTMAN: Oh, I'd have to get you the specific dates. Unless Kevin you have it.

MR. DOW: It was in the October timeframes.

COUNCILMAN GOODE: Okay.

COUNCILMAN GREEN: Point of information.

COUNCILWOMAN TASCO: Point of information, Councilman Green.

COUNCILMAN GREEN: Excuse me, Councilman.

My question -- if you could answer Councilman Goode's one question I'm very curious about, which is one of the parts of his question is: What is the actual authority of the Economic Opportunity Cabinet? In other words, what is it deciding? It's a cabinet meeting for a purpose; what is it deciding? what decisions does it make?

Thank you, Madam Chair.

MR. ALTMAN: I mean, the goal of it, I don't have the executive order in front of me -- you may Councilman Goode, but the intent of it was to, at the high level, set -- have the coordinated policy and strategy related to our equal opportunity goals.

And we talked before about the

strategic plan. We'll be bringing forward a strategic plan, which would be presented to that cabinet, to the Equal Opportunity Cabinet. It would be adopted, in the sense of the buy-in, by all of the deputy mayors and the Finance Director and cabinet officials so that it becomes an operating policy document that all -- everyone is held accountable to.

So adoption of the strategic plan and, I'd say, execution, implementation of that strategic plan. And then to have this kind of a conversation that we're having today, where, I think, that what the Mayor and what we envision is that the deputy mayors would have to come before and say, How did we meet -- are we establishing goals? did we meet our goals? why did we meet our goals? And that we would literally be accountable for that performance over the next year.

COUNCILMAN GOODE: I guess that's where I'm going at the end of the day, and I thank Councilman Green for the question, 'cause, to some extent, there's no need to just try to hold you accountable or Mr. Dow accountable or Mr. Bell accountable, because that's not where we're trying to get to. We're trying to hold every department accountable.

MR. ALTMAN: Right.

COUNCILMAN GOODE: And all of those departments report to deputy mayors, and it seems, in terms of how this was structured, that the Economic Opportunity Cabinet is actually the entity itself that we want to hold responsible, yet it appears that it may not have actually made any decisions yet since its creation.

MR. ALTMAN: The next piece that we're waiting on is -- or that will be the meeting will be bringing forward the strategic plan, which, as Kevin said, we're going to complete in the next couple of months.

And that will be, I think, very important 'cause that's where the goals and objectives are going to be set for this cabinet, and we're now incorporating the recommendations of the Structure and Diversity Task Force, and we're working on that. So that's right.

And then it will be, from that point forward, held accountable the, deputy mayors and then departments.

COUNCILMAN GOODE: Okay.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

That's your strategic plan for its Commerce Department?

MR. ALTMAN: That's for the Economic Opportunity Strategic Plan.

COUNCILWOMAN TASCO: Okay.

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: So you'll have -- when is that due? When do you plan to have it for?

MR. ALTMAN: What we intend -- I believe we said earlier we'll have that completed for the -- well, the end of the year, for July, for the fiscal year.

MR. DOW: The fiscal year.

COUNCILWOMAN TASCO: Okay. Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Going back to the commercial corridors discussion, we talked about the 187 neighborhood-based commercial corridors. How many are under the current management of PCDC?

MR. ALTMAN: Of those corridors?

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. ALTMAN: I believe 27.

COUNCILWOMAN SANCHEZ: Is that the total that they do?

MR. DOW: They prioritize their commercial corridors, so they prioritize 27.

COUNCILWOMAN SANCHEZ: And how many do with we do internally through our subs?

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MR. DOW: We have -- neighborhood commercial corridors are 187, which we define.

COUNCILWOMAN SANCHEZ: Right.

COUNCILMAN JONES: Point of information. Point of information.

COUNCILWOMAN TASCO: Would you yield for a point of information?

COUNCILMAN JONES: I think we should call up Mr. Sabor, 'cause, from my recollection, there are a lot more than 27 corridors that are under the management contractual obligation of PCDC, and I think we might save ourselves a couple of questions and steps by bringing him up so he could speak to those issues that my colleague wants answered.

COUNCILWOMAN TASCO: The Chair recognizes Mr. Sabor; is he available?

(Witness comes forward.)

MR. SABOR: Good afternoon, Councilwoman.

COUNCILWOMAN TASCO: State your

name, please, for the record.

MR. SABOR: Kiel Sabor, President of the Philadelphia Commercial Development Corporation.

With respect to the contractual obligation that PCDC has regarding commercial corridors, there are 45 corridors that we are responsible for, of which 20 have been designated as priority corridors.

COUNCILWOMAN TASCO: Who's asking the question?

COUNCILWOMAN SANCHEZ: I am.

COUNCILWOMAN TASCO: All right.

COUNCILWOMAN SANCHEZ: So of the 45, can you please provide to the Chair that clarification in terms of the 45 under contractual arrangements versus the 27 that are priorities. You said 20?

MR. SABOR: 10.

COUNCILWOMAN SANCHEZ: The Councilman said 27, okay.

And then -- 'cause I guess my point is, part of the streamlining line is, we're going to be able -- going back to Councilman Jones' point earlier -- do more corridors or develop more efficiencies. So I would like to see where we are today and then what the goals is in terms of servicing some of those corridors.

So, if you could provide that as part of your transition plan, that would be important.

One thing that's missing -- and I had this conversation with the Commerce Director and Kevin Dow. One of the things that's missing in the conversation, as we talk about business development, is manufacturing. I have 600 manufacturing jobs in my district that I'd like to protect.

Can you articulate for me what our agenda is as it relates to manufacturing, light manufacturing?

MR. ALTMAN: I was just checking on one thing.

I think there are two -- well,

at least two, but let's just talk about two things.

One is, as you know Councilmember, we have funded over the past few -- Commerce has funded over the past few years the Urban Industry Initiative, UII. They have been the principal organization doing outreach to the manufacturing sectors, Steve Jurash. They -- I've gone to a number of meetings with them, with manufacturers.

Their goal is both to do advocacy for that sector as well as problem-solving. One of the things they've been working on -- and I met with Mr. Jurash about two weeks ago -- is actually a training module with the community colleges, which has been designed with manufacturers.

Apparently -- and I'm not sure of the exact number -- but there are something close to 800 job openings in manufacturing.

COUNCILWOMAN SANCHEZ: In the

city, in the City.

MR. ALTMAN: In the City. And they have found that it's been hard to fill those jobs in terms of just basic skill requirements, the manufacturers have. So they've designed this program. I believe they've received some funding for it. And so they've been doing that kind of outreach.

They also work on referring many manufacturers to us in Commerce just on a day-to-day basis in terms of their needs. Many of them -- a lot of their needs have to do with licensing, getting through permitting processes, business-license issues because of the classification of the industries. So there's a lot of interaction day-to-day between our staff and UII. So that's kind of on the daily basis.

On a policy level, we are working with the -- I think you heard this, I think, maybe in Allen Greenberger's testimony during the

Planning Commission, the -- the Industrial Land Use Study that we're doing with PIDC and the Planning Commission, which is looking at all of the supply of industrial land, looking at what the demand is for industrial land. So taking a longer-term view in terms of the manufacturing sector and what its needs are because we are either land-constrained or, if not land-constrained, the parcels we have are either brownfield sites or difficult sites when the manufacturing wants to expand.

(Timer bell rings.)

MR. ALTMAN: So I'd say two fronts: One is day-to-day problem-solving related to both their training needs and business needs, and then taking the long-term view of what we need to do to prepare ourselves to keep this sector vibrant in the City.

COUNCILWOMAN SANCHEZ: Okay. One of my concerns is, and Councilwoman

Tasco's, who shares part of Cardone Industries, they've recently started moving out of the area. And when I attempted to speak with them prior to this administration, their issue was, they had some financing issues and some other things that the City did not respond to that led to them moving to McAllen, Texas, some of their manufacturing plants, 'cause they're trying to be competitive globally.

And I'm very concerned because, going back to job retention, this market does not get the same attention from our business component but provides for those of us in the neighborhood critical entry-level jobs.

And it is -- when you hear the number, there's 800 jobs they can't fill, and we're not creating a pipeline either through our technical component at the School District or through our community college. That is of great concern, because these are jobs that, in some cases, don't require high school diplomas but are good-paying jobs because they start immediately at anywhere between $15 and $17.

I'd like us to be a little bit more aggressive. I have a lot of this in my district. I know, for Councilwoman Tasco, we lost hundreds of employees through Cardone Industries, hundreds. And they're going to continue to divest from the City because they didn't feel that the City was as proactive as we can be, so we need to put that on our radar; it's important.

MR. ALTMAN: Yeah. And let me just make two very quick points on that, Councilmember.

One is, we agree with you. And we met with Cardone as recently as, I would say, in the past maybe 60, 90 days, met with actually their whole leadership team. And all of us, we went out there and met with them. And they signed up for our Home, Buy Now Program the expanded program, because one of the issues that they said they had is that they wanted to have an incentive, you know, to keep for employees in the neighborhoods.

And, as you know, they probably employ -- I don't want to say an exact number, but let's say 50 percent, 60 percent of their employees -- they have, let's say, 4,000 employees -- are within the northeast area, in Northeast Philadelphia.

So they signed up first -- actually, Michael Cardone himself. And we did a tour of their facility. And they are participating.

We've also gone out to manufacturers, like Agusta, of helicopters in Northeast Philadelphia.

We really wanted to hit these manufacturers, and, I agree with you, both on the training front and also in terms of employee retention.

So, you know, there's always

more we can do, but it's a very important sector, and we do see that these are firms that are in the neighborhoods and providing jobs in the neighborhoods, which is why we started with them on some of these incentive programs.

COUNCILWOMAN SANCHEZ: Okay, thank you.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam Chair.

And I know by now that you at that table think we just like hearing ourselves talk, but such is not the case. We like being -- we like being heard, however, when we do talk, and one of the things that we want you to hear loud and clear is that the inclusion factor, the diversity factor is something that we take very seriously.

And that when -- I'm a little distressed when I hear that we've only met -- the Cabinet has only met one or possibly even three times in this period -- wait a minute -- and that we haven't gotten together a plan yet.

We are 15 months into this administration. And the projects aren't starting up while we plan our way through this. Groundbreakings happen every day, there's shovel-ready projects going through the Stimulus Fund. And if we don't get our kind of collective acts together, these opportunities are going to pass right by us.

And so, it's not that we like hearing ourselves talk, but we want to be heard when we do.

And we want you to understand that, just like I want to see a increase of 15 to 20 percent in the loan production, the business development side of this, I'd like for us to have a real land that includes real businesses in some of these opportunities that we can all be proud of when -- I don't know if we're having the mid-week this year or budget cuts prevent it, but at the mid-week luncheon, we have really need to have something substantial to point to by way of our work.

And the other suggestion that I would add is that you might want to invite Council, or a member or two from Council, to work with that office, because, as you do things in an administrative capacity that needs legislative action, we can be a part of the team as well.

And we can help you. When a developer comes in here, trying to get relief from us or different things from us, we want to be able to help you to help them to be diverse. And that's something that we're going to look forward from you guys in the couple of months -- not years.

We don't want to take windows of years in between, but we want to look at this on a quarterly basis, maybe under the Fiscal Stability Committee and see how we're doing.

MR. ALTMAN: Absolutely.

COUNCILMAN JONES: You can say "yes" in the mic so that it's on the record.

(Laughter.)

MR. ALTMAN: Yes, I hear you.

COUNCILMAN JONES: Does that mean "Yes, we're going to" --

MR. ALTMAN: That means yes.

COUNCILMAN JONES: Okay.

MR. ALTMAN: I mean yes is that we -- look, we also are taking it very seriously. We're going to -- we're not just waiting for this plan. We're looking at every opportunity we can to increase this. And we will -- we hear you that this is on the top of our radar screen as well.

COUNCILMAN JONES: Just as a friendly amendment, I was told just now that we're doing it through the Commerce Committee, of which Wilson Goode is the

Chair.

So thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

And speaking of diversity, I note earlier we had gotten some concerns, and Councilwoman Sanchez raised the issue of the number of people who left your department and that the majority of them were minorities.

And what is the breakdown, the minority breakdown, of your executive staff?

MR. ALTMAN: You're seeing the team here.

COUNCILWOMAN TASCO: The executive staff?

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: Okay. How about --

MR. ALTMAN: I mean, there is also -- I mean, there's also -- right here, we have here the key people, my -- you know, Kevin's in charge of overall Neighborhood Business Service, as well as

Equal Opportunity Employment reports to Kevin.

Sade is in charge of all finance and operations.

And Dwayne's in charge of both the policy as well as the development arm of -- within Commerce.

COUNCILWOMAN TASCO: How about your middle managers?

MR. ALTMAN: In the middle managers, we have Mike Bell, Andrew Frishkoff, and Dawn Summerville. I would say that's it.

Dawn's running under Kevin, the Business Team. Andy Frishkoff runs the Neighborhood Commercial Corridor Group. Michael Bell runs Equal Opportunity.

Those are kind the of the three principal divisions, I would say.

COUNCILWOMAN TASCO: Okay. Are they the only three in middle management?

MR. ALTMAN: Yeah, we only have -- remember, Commerce is only -- I mean, in total, we're -- when you integrate, I mean, the Office of Economic Opportunity and Commerce, we're 65 people. I mean, Commerce itself today is about 49 people, so --

COUNCILWOMAN TASCO: What I would like for you to do is give us a list of your staff members.

MR. ALTMAN: Sure.

COUNCILWOMAN TASCO: One of the things that we talked about when we met, one of the issues we talked about, was increasing the Asian diversity, Asian representation in your office.

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: Due to the fact that many of our commercial corridors are -- the businesses are owned by Asians and other ethnic groups, one of the problems we have found with the --

(Timer bell rings.)

COUNCILWOMAN TASCO: -- particularly in my area, on Fifth Street -- Fifth Street, particularly, and some of the other areas not quite as bad, but the language issue and having the business owners understand, you know, how to do business with the City, how to do business in the City. And just the inability to communicate with someone who works for the City.

And not just your department but all of the City departments, particularly those departments where they -- that impacts on their business, L&I, for instance.

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: And understanding the L&I rules and regulations as well as having someone communicate with them who can speak their language and work with them.

And so, I think there ought to be some effort to, particularly in your business --

MR. ALTMAN: Business services.

COUNCILWOMAN TASCO: -- Business Services Group.

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: That those employees should be -- certainly reflect what the City looks like and the business community that you're serving.

So, we'll ask that question. And when you come back, we want to have some better numbers.

MR. ALTMAN: Well, I mean, the numbers in terms of the senior staff --

COUNCILWOMAN TASCO: Mm-hmm.

MR. ALTMAN: -- and as I went through, as you can see, the sort of the executive staff here, and then, you know, in terms of the middle management, what we consider the middle management division managers. So I'm happy to provide that in writing for you.

But your point about -- and we've talked about this. We do have someone who's very good, who done a lot of outreach, as you know, to the Asian-American community.

COUNCILWOMAN TASCO: Mm-hmm.

MR. ALTMAN: Unfortunately, we

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

only have one person doing that. And with the budget constraints we've had, we obviously haven't been able to hire more people, but it is something that we're looking at doing 'cause of the demand that's there. And there's no question the need in the commercial corridors.

COUNCILWOMAN TASCO: Maybe you could get employees from other departments to provide any direct contact or services to the community.

MR. ALTMAN: Yeah. We'll driver's license look at that.

COUNCILWOMAN TASCO: Councilman Green.

I'll come back.

COUNCILMAN GREEN: Thank you, Madam Chair.

On Page 51 of the detail, you've got a-million-452 for PCDC for -- the purpose described is economic stimulus.

MR. ALTMAN: Yes.

COUNCILMAN GREEN: What does

that mean?

MR. ALTMAN: That number is... Yeah, that number, this fiscal year, is largely a staffing number. And that's one of the numbers that's included in the testimony under -- of sources. That's one of the other sources of staffing money.

COUNCILMAN GREEN: I'm sorry. Why is it described as "economic stimulus"?

MR. ALTMAN: This is a fund that has -- there's a stimulus fund that, I guess, historically has always -- it has been steadily declining over the years. That's been used for a whole variety of different uses from grants to businesses to doing different development deals to staffing.

Most of that money, as you can see, has declined over the years. You can see, in '08, it was about $4 million, and before that, it was at significantly greater levels. It's now down to about

$1.4 million.

COUNCILMAN GREEN: Well, this isn't a fund. This is, from the General Fund, an appropriation to PIDC.

MR. ALTMAN: Yes.

COUNCILMAN GREEN: As it was in 2008. It was a $4 million appropriation from the General Fund.

MR. ALTMAN: That's right.

COUNCILMAN GREEN: There's no fund. It's the General Fund.

MR. ALTMAN: Right. It's a fund. It's a general -- I'm sorry. I meant it's a line item, not a separate fund. And the line item now, really the core of it, is just paying for staffing. It used to pay for a lot more when we had a greater number.

COUNCILMAN GREEN: What do these people do and how much do they earn? Can you please provide the Chair with a copy of that?

MR. ALTMAN: Yeah, I can --

COUNCILMAN GREEN: A job

description of each person in PIDC --

MR. ALTMAN: Sure.

COUNCILMAN GREEN: -- that we're paying for?

MR. ALTMAN: Yes.

COUNCILMAN GREEN: How much they earn and, you know, why we feel like, with all of the fees and the other things that they generate as a result of doing a lot of business for the City, we need to supplement their staff and we can't make them self-sustaining.

MR. ALTMAN: Yeah, let me be -- let me clarify, Councilmember Green.

COUNCILMAN GOODE: Point of information. Point of information.

COUNCILMAN GREEN: Yes. I yield.

COUNCILMAN GOODE: Just to give some background.

Even before Mr. Altman was here, the Economic Stimulus Fund was actually started under the Rendell Administration and different sources of funding, including tax lien sales, a portion of which went to the School District; the other portion went toward economic development projects, some other sources of funding through the sales support proceeds. At one point, it was at 70 or $80 million or more.

When that money was depleted, we began to plug in General Fund money to keep the Economic Stimulus Program going, but it could be only appropriated at the level about of 4 or $5 million.

And so, PIDC simply administers the fund.

COUNCILMAN GREEN: But there's no fund anymore.

COUNCILMAN GOODE: It's still a fund, but it's funded through the General Fund.

COUNCILMAN GREEN: Okay.

MR. ALTMAN: Let me try to make the -- I think -- and, Councilmember, you're right.

COUNCILMAN GOODE: To the

extent that they were loans made that are paid back to the Economic Stimulus Program, that money goes back into the fund.

COUNCILMAN GREEN: Okay.

MR. ALTMAN: Right. What's happened -- and Councilmember is absolutely right. It -- just to be clear, this is funding -- the line item that you refer to, the $1.4 million --

COUNCILMAN GREEN: Right.

MR. ALTMAN: -- that money pays for staff at Commerce not at PIDC. So, in other words, it's just funded through -- and this is just -- this is part of what I wanted to do in the testimony, because Commerce has historically --

COUNCILMAN GREEN: No. I'm sorry. This is Class 200 detail. This is a contract -- this is money that goes to PIDC.

MR. ALTMAN: I --

COUNCILMAN GREEN: This is

Class 200 detail. This does not pay for Class 100 staff at Commerce.

MR. ALTMAN: I -- it -- that's why I'm showing -- in the testimony, I say we have a variety of sources that have paid for staffing. If you look at the chart --

COUNCILMAN GREEN: So you're saying that what we do is, we appropriate money to PIDC, and then somewhere in the five-year budget detail, under Commerce, there's money that comes back to Commerce from PIDC?

MR. ALTMAN: It doesn't come back to Commerce. It's appropriated.

And this is historically just -- I mean, what's happened, it's been, I guess, appropriated to PIDC, and then it has paid for staff at Commerce. They're PIDC employees, but they are deployed to Commerce, and they do various activities at the Commerce Department.

COUNCILMAN GREEN: Where are they, in your office building?

MR. ALTMAN: In our office building.

(Timer bell rings.)

COUNCILMAN GREEN: Okay. Just provide the Chair --

MR. ALTMAN: That's the way -- and, again, it's one of these -- like there's funds at MDO that work at Commerce, there's money through PIDC that had staff at Commerce. And just, it's --

COUNCILMAN GREEN: I just --

MR. ALTMAN: I understand.

COUNCILMAN GREEN: I see no reason to have Class 200 funding for PIDC employees if they work in your office. It should be Class 100 in your office or, you know, it's just -- there's no transparency or even accountability; they don't work for you.

MR. ALTMAN: Well --

COUNCILMAN GREEN: So, you know, let's get the information to the Chair. And then we'll see if we can clean it up in this budget, maybe.

Madam Chair, I had a point of information, which took about three minutes roughly. You weren't here so --

(Laughter.)

COUNCILMAN GREEN: -- I have one final question.

COUNCIL PRESIDENT VERNA: All right. I'm timing you.

COUNCILMAN GREEN: I have one final question, and that is: In the Controller's audit, one of the main complaints was that PAID did not remit land bank sales to you, to this General Fund quickly, and that costs us a great deal in interest expense.

The Commerce Department's response, in the 2007 audit, was that the department will modify its contract to require it to remit -- with PAID, to require it to remit the proceeds of land bank properties in a timely manner. And in those instances, where PAID has failed to comply, it will assess interest and get reimbursed.

Can you please tell me, have you actually done this revision with your contract? And, if so, provide to the Chair a chart that shows when the sale happened and when the funds were remitted since 2007.

MS. LEWIS: Councilman Green, Sade Olanipekun-Lewis.

The 2007 audit, the exit conference, was had last fall. And in our response, we committed to what you just shared on the record. And we anticipate in FY '10, in the beginning of July, all of the contracts will be modified to reflect the interest payment that we're going to assess if the land proceeds are not remitted in a timely basis.

COUNCILMAN GREEN: Was there a reason you didn't do it right away?

MS. LEWIS: We just concluded the exit conference, and we --

COUNCILMAN GREEN: It was in the fall, you said.

MS. LEWIS: Right, in the fall.

We're updating all of our contracts with the new fiscal year, although the current contracts were already let. So for the new fiscal year, we're going to modify --

COUNCILMAN GREEN: I'd say we have a little bit of hand with PAID, given that the Mayor appoints all five members of the board. And maybe we ought to revise that contract when we know there's a problem.

Thank you, Madam Chair.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good afternoon.

As a matter of record, Michael Bell reports directly to...?

MR. DOW: Myself.

MR. ALTMAN: Kevin Dow.

COUNCILWOMAN BROWN: Are any one of you at the table when Michael Bell is sitting with the department heads to think through and strategically determine what MBE/WBE goals will be?

MR. DOW: I have not been, but we will be and can be, yes.

COUNCILWOMAN BROWN: Okay. It gets back to Councilman Goode's and all of our concern, who do we ultimately hold accountable and responsible when it comes to what is essential for us, and that is leveling the playing field for women- and minority-owned businesses.

To the Mayor's Advisory Commission Report on Construction Industry Diversity, what are the Administration's next steps in regards to any of those recommendations?

MR. DOW: We are taking those recommendations into hand now and we are going to be integrating some of our responses in the strategic plan for the economic opportunity that we'll take into conversation, the 75 recommendations there. So there were 75.

We're going to try to do best to respond to all of them. We might not get 'em all, probably won't.

COUNCILWOMAN BROWN: Sure.

MR. DOW: But they have help us and influence what we do in the strategic plan.

COUNCILWOMAN BROWN: Okay. In an effort to lead by example, and in response to the First Judicial District's comments that they weren't a City department, so therefore, they don't have to provide us numbers, is your department at all involved with non-city, quasi-government agencies in helping them understand that this is an expectation of this administration, here are the goals, what are you doing?

Do they get any kind of reach, contact, conversation, dialogue, from your office on this issue?

MR. DOW: And you're talking

about Courts and the --

COUNCILWOMAN BROWN: Courts, SEPTA, Community College.

MR. DOW: Right. No, not at this time. We have not have been involved with them over the years, involving them in their minority participation.

COUNCILWOMAN BROWN: Okay. Councilman Jones has spoken at length about our interest in ensuring that, again, the playing field is even and level for persons in neighborhoods having access to jobs and subcontractors having access to opportunities.

What is OEO going -- doing to assist MBE contractors to prepare and ramp up for these dollars? Given the fact that the Commerce Director has indicated you're still waiting for additional guidance from the State, what are you doing to ramp up in anticipation of those dollars?

MR. DOW: We hold a number of

outreach sessions with a number of different organizations to prepare them in terms of making them aware of what the opportunities are.

So right now, it's a lot about let's make sure that folks understand what opportunities are coming down the pike for weatherization, the Neighborhood Stabilization Program. We've done the -- we've done the Hispanic Chamber, we've done MSDC, we've done a number of different outreach programs to engage that community so that they can understand what they need to do to get their ducks in order in advance, and so, when they come and they are ready and we get these funding sources, they'll be prepared to take advantage of it.

COUNCILWOMAN BROWN: There may be a role for District Councilmembers as well --

MR. DOW: Sure.

COUNCILWOMAN BROWN: -- to be aware of those efforts so that they can reach to their constituencies even in their way to really make sure that the word gets deep as far as wide, in addition to wide.

MR. ALTMAN: Agreed.

And we are, by the way, holding on Monday, next Monday, an event with the -- on the 11th -- with the SBA, the Small Business Administration with the federal government, which will be a major outreach effort to small businesses to make them aware of the SBA opportunities for -- they've changed some of their lending criteria, they have a number of outreach programs that serves small business development. So we're going to be hosting a major event with them as a first of series of how do we get ready Recovery dollars --

COUNCILWOMAN BROWN: Yes.

MR. ALTMAN: -- and here are the opportunities of the federal government, and here's what we can prepare for. So we're launching that.

(Timer bell rings.)

COUNCILWOMAN BROWN: Terrific. We'll look forward to the --

MR. ALTMAN: And I'll be happy to send it to everybody. Hopefully, if you haven't received the invitation, you will receive one.

COUNCILWOMAN BROWN: Terrific.

The bell has rung, and I'll honor the bell.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you very much.

Mr. Altman, you talk about of the 28 of 5 million dollars that's of your budget that's for the General Fund, $25 million is the Convention Center lease-service fee.

MR. ALTMAN: Yes.

COUNCILWOMAN TASCO: Now, isn't

the Governor supposed to re -- aren't we supposed to stop paying that fee?

MR. ALTMAN: Yeah, I'm not the expert on that. I mean, that would really be through the Finance Office. We're a pass-through, but that number is supposed to go down to a fixed amount. I believe it goes to, I want to say, $15 million a year. And then that term was extended.

So our -- we're never relieved of total responsibility. What the State is going to do is, I believe, they have to issue a bond. They have to defease the current bonds, and then --

COUNCILWOMAN TASCO: Is the Budget Director here?

MR. ALTMAN: They have to defease the --

COUNCIL PRESIDENT VERNA: Is the Budget Director available?

(Steve Agostino returns to the witness table.)

MR. ALTMAN: But, essentially,

what's happening is, they just have to defease the bonds; they haven't been able to do that, given the market condition. So, therefore, we're holding on to -- we have to continue payments a bit longer until they're able to do that, and then the amount will go down to 15 over a longer term, but I'll let...

MR. AGOSTINI: Steve Agostini. Good afternoon.

Pretty much what he said, almost verbatim.

COUNCILWOMAN TASCO: Mm-hmm.

MR. AGOSTINI: I forget if the number is 15 or 19 million; it has been extended out. We're still in discussions with the State. We do function as a pass-through, so what Andy said for the record pretty much --

COUNCILWOMAN TASCO: But will we still be responsible for 15 million?

MR. AGOSTINI: Yes.

COUNCILWOMAN TASCO: So the State is not picking up the entire cost?

MR. AGOSTINI: No, they're not, and there is still some discussion about some elements of that, but no, they have not alleviated us of that cost.

COUNCILWOMAN TASCO: When we did the Convention Center, weren't they supposed to pick up that whole fee? Okay, we'll check on it and will come back to you on that; that's not the Commerce Department, but yes, they are --

I have one other question, Mr. Altman. It's my understanding that OHCD reports to you. In addition, and according to your testimony, one of your five economic development strategies is to build liveable neighborhoods.

In this regard, I find it troubling that in this year's preliminary consolidated plan for OHCD, which will come to this Council, there is no proposed funding for anti-predatory lending products. Since 2003, the City has provided funding to support the program costs, and you know it's my favorite program, the Fill Plus and the Mini Fill Home Improvement Loans.

Considering your economic development strategies, Philadelphia's foreclosure crisis, America's stagnant economy, and a reduced amount of available credit from financial institutions, why have these programs been cut?

MR. ALTMAN: Councilwoman, I'll have to look at that and get back to you. I do understand how important that is, and we've been a national model in this regard.

COUNCILWOMAN TASCO: Mm-hmm.

MR. ALTMAN: So let me look at the comp. plan and the funding and then get back to you, and I know we'll have a hearing on that, but --

COUNCILWOMAN TASCO: Thank you very much.

We did get some testimony from the GPUAC, who testified before the -- on the consolidated plan.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MR. ALTMAN: Yeah.

COUNCILWOMAN TASCO: And from that testimony, I gather that the program has not been funded. So I hope you will look into it, please.

MR. ALTMAN: Let me look at that before the hearing, and then we'll get together with you.

COUNCILWOMAN TASCO: Okay. One more question.

It's my understanding that OHCD will have access to additional CDBG dollars as a result of the federal Stimulus Program. With the Stimulus funds, additional federal regulations are being developed to instruct recipients, like Philadelphia, on how they must use these funds.

MR. ALTMAN: Yeah.

COUNCILWOMAN TASCO: In this regard, the Administration will present to Council the Consolidated Plan Ordinance, which must be passed by this spring. And considering that the federal

Stimulus regulations may not be released before the need to pass the plan, what is the Administration's plan to address this issue?

MR. ALTMAN: Well, we are waiting for guidance. We do anticipate, in terms of the Block Grant, somewhere around --

COUNCILWOMAN TASCO: Here comes the guy here, the budget guy.

MR. ALTMAN: Oh, Steve?

(Timer bell rings.)

(Laughter.)

MR. ALTMAN: Let me just finish. $14 million. And go ahead.

MR. AGOSTINI: Madam President and Councilmembers, we have been very concerned about the reporting requirements, and we've been doing a lot of research across all of the Stimulus areas.

We are in the process now of putting together a list of the steps that we need to take for the reporting requirements.

COUNCILWOMAN TASCO: Mm-hmm.

MR. AGOSTINI: We've even gone so far as to actually put together a description of the people we would need to administer the Recovery Act funds and the reporting requirements, 'cause they are very onerous. So we're putting that together. And it's our intent to come back at some point and sort of explain all of those pieces that we're putting together.

But you're right: The requirements are going to be very onerous. And we're trying to prepare ourselves, particularly for those entities, most notably CDBG and a couple Health Department grants, where there's money that's coming in right now, and we haven't put all of those reporting requirement and reporting mechanisms in place, and we have to do that.

COUNCILWOMAN TASCO: Do you have any ideas when the feds are going to release their --

MR. AGOSTINI: We've been -- Councilmember, we've been checking on a regular basis. Some of the departments are a little further along.

COUNCILWOMAN TASCO: Mm-hmm.

MR. AGOSTINI: For example, the Economic Development Administration, as a part of Commerce, which I'm familiar with, is a little further along in terms of the reporting requirements that they are going to be under.

COUNCILWOMAN TASCO: Mm-hmm.

MR. AGOSTINI: Others are not there yet. And until they put those together, we're not going to know one.

Of the things we're looking to do, probably in the next week or two, actually, is a couple members of the Administration are actually going to go to Washington, D.C. and talk to the President's appointee for Stimulus oversight to try and get a handle on what that would be.

COUNCILWOMAN TASCO: And with the clock ticking for -- on the months this money will be available, is there any effort to lobby the extension time for these dollars through maybe the National League of Cities? because we're not the only one facing this problem. Maybe there's something that they could lobby on to get the time period extended to spend these dollars.

MR. AGOSTINI: That's a very good suggestion. And when we go down to Washington, we should probably take that up with them. That's a very good suggestion.

COUNCILWOMAN TASCO: All right. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Green. Is he in the room?

UNIDENTIFIED SPEAKER: No.

COUNCIL PRESIDENT VERNA: Well,

we're not going to wait.

Are there any other questions from members of the committee?

The Chair recognizes Councilwoman Brown. No?

Any other questions from members of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you. Thank you very much.

MR. DOW: Thank you, Madam President. Thank you.

COUNCIL PRESIDENT VERNA: We will now hear from the Commerce Aviation.

(Witnesses come forward.)

COUNCILWOMAN BROWN: Madam President.

COUNCIL PRESIDENT VERNA: Councilwoman Brown?

COUNCILWOMAN BROWN: I'll have a conversation offline. I did have a couple of other questions -- additional questions for OEO; I'll just have it offline.

COUNCIL PRESIDENT VERNA: Okay, thank you.

Good afternoon. Kindly identify yourself for the record.

MR. GALE: Good afternoon, President Verna and members of City Council. My name is Mark Gale, and I am the Acting Director of Aviation.

COUNCIL PRESIDENT VERNA: Just a moment, please.

The noise level is much too high.

Please proceed, Mr. Gale. Thank you.

MR. GALE: Would you like me to read the full testimony, Madam President?

COUNCIL PRESIDENT VERNA: You can abbreviate it. And we'll give a copy a copy of your testimony to the stenographer, and she will transcribe it in full.

(Mr. Gale's written testimony is attached hereto.)

MR. GALE: Okay. I'm here

today to present testimony on behalf of the Division of Aviation FY '10 operating budget. The Division of Aviation operating budget request for FY '10 is $164,576,000, an increase of $22.3 million over Fiscal Year 2009 estimated obligations. The increase from Fiscal Year '09 to Fiscal '10 is primarily for contractual services, materials, and equipment.

In the summer of 2008, the airline tenant group requested the Airport reduce its operating budget. Crude oil was trading at $147 per barrel, and the aviation industry was in a financial crisis.

The Airport deferred several maintenance projects and equipment purchases from Fiscal Year '09 to Fiscal '10. The Airport's Fiscal '10 operating budget request includes an additional $2.8 million to fund materials, supplies, and equipment. Increased funds totalling $11.1 million are required to fund current operating, maintenance, and professional services contracts.

The Airport has requested an additional $1.5 million in Class 500 appropriations, which includes contributions, indemnities, and taxes.

Also, the Airport has included an additional $1 million for payments to other funds.

In addition, the Airport has requested $5.25 million in new Class 400 appropriations for additional electric GSE, or ground service equipment, recharging stations. Costs for this equipment are 75 percent funded by a federal grant and 25 percent funded by a state grants.

The total FY 2010 Aviation Fund request is $376.5 million, a 3.9 percent increase from the Fiscal Year '09 operating budget appropriation of $345.9 million. This includes appropriation in the Police, Fire, Fleet Management, Public Property, Law, and

Finance Department, as well as the Sinking Fund Commission, which will be fully funded by revenues from the operations of the City's two airport facilities.

Revenue sources that fund Airport operations include terminal-building space rentals, landing fees, net parking revenue, and concession fees.

The Philadelphia International Airport is the only major airport serving the City of Philadelphia and the surrounding counties located in Pennsylvania, New Jersey, Delaware, and Maryland.

In 2008, J.D. Power & Associates ranked PHL highest in customer satisfaction for large airports in North America.

Our airport is one of the largest economic engines in Pennsylvania, generating $14 billion annually into the local economy. Over 200 businesses linked to the Airport employ some 42,000 workers.

In 2008, PHL accommodated 31.8 million passengers, including 4 million international passengers, on close to one-half-million aircraft takeoff and landings.

PHL is currently the tenth-busiest airport in the United States in terms of annual takeoff and landings. Approximately 560,000 tons of cargo and mail are moved annually by the commercial airlines and a half a dozen cargo carriers.

Twenty-nine tenant airlines operate more than 600 flights to 124 cities, including 58 daily nonstop flights, to 40 international destinations. Service to three new international destinations has recently been added and will begin in May and July: Birmingham, Oslo, and Tel Aviv.

Also, USAirways has just announced PHL's first-ever direct service to South America. This new service to

Rio de Janeiro is tentatively planned to commence in the fall of this year.

In spring of 2010 USAirways is expected to initiate nonstop service to Beijing, China, Philadelphia's first Pacific Rim destination.

In addition to good international reach, low-fare carriers continue to positively impact our domestic airfares. Our airport is currently serviced by four low-fare carriers: Southwest Airlines, AirTran, Frontier, and USA 3000, which represented almost 15 percent of the domestic passenger marked in Fiscal Year 2008.

However, despite the many positive achievements, the Airport, as well as our airline and tenant stakeholders, has shown that it is not immune to these hard economic times. During the past year, passenger traffic slightly decreased at the Airport, albeit at a lesser rate than many other airports, and also less than the national average decline.

In 2008, the PHL's domestic passenger traffic was 1.2 percent less than in 2007; whereas, national declined 4.3 percent. According to the Federal Aviation Administration's annual aviation forecast, domestic passenger traffic is expected to decrease by 7.8 percent in 2009 but then grow at an average of 2.7 percent annually through the year 2025.

Turmoil in the bond market has presented challenges to PHL that are typical of those that have been inflicted upon Airport bonds throughout the U.S. We are pleased to report that solutions have been put in place to meet these challenges. Specifically:

We remarketed our 2005 C variable-rate bonds, 179 million in December 2008, with a bank letter of credit obtained through a competitive process;

And in April of 2009, we refunded our 2005 B -- excuse me -- 2005B variable rate bonds, 41 million, which have become unmarketable.

As a result of these actions, our 2005 C bonds are now trading satisfactorily at pre-recession levels. And by refunding the 2005 B bonds, we have avoided an acceleration provision that would have required us to pay off the bonds in their entirety over the next five years.

The refunding bonds also take advantage of the two-year alternative minimum tax exemption on Airport bonds under the Economic Stimulus Law. As a result, we will save $9.1 million in gross debt service payments through the life of the refunding bonds, for a net present value savings of $5.7 million.

In conjunction with all of the above, Standard & Poor's, Moody's, and Fitch ratings affirmed the Airport's underlying bond ratings at A-plus, A2, and A, respectively.

Within an anticipated return to

growth and prosperity and to meet current and future airline needs, the Airport is moving forward with its expansion program.

The most significant terminal improvement project is the $300 million expansion and renovation of Terminals D and E. The project consists of:

A new 210,000-square-foot multi-level connector building between Terminals D and E;

A 45,000-square-foot addition to Terminal E concourse, which will provide 7 brand-new gates;

A 9,000-square-foot connector between Baggage Claims D and E and various renovations to areas within the two terminals;

A new 14-lane passenger security screening area serving Terminals D and E opened this past December, providing 57 percent more screening capacity than the two previous checkpoints combined.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

The first level of a new connector building housing a state-of-the-art check baggage handling system that will include the most modern explosive-detection technology will be complete and on line by the summer of 2010. The baggage-claim renovations are scheduled to be complete in late 2009, the gate expansion is scheduled to be complete by March of 2010. And the entire project will be complete by fall of next year.

COUNCIL PRESIDENT VERNA: I don't mean to interrupt you, but I thought you were going to abbreviate.

MR. GALE: Okay, I'll summarize the next few paragraphs.

COUNCIL PRESIDENT VERNA: Thank you.

MR. GALE: The Airport just recently completed its work on the 1735 expansion. This runway expansion extended the runway by 1,040 feet, but in the total, the 6500 feet, which gives us the ability to handle additional aircraft on that runway, reducing congestion and delay, and adding capacity at the same time, saving the airlines an estimated $20 million in direct operating costs and an estimated value of passenger time of $29 million annually.

During Fiscal '10, the Airport will focus on three terminal building projects: The first is a multiple-airline relocation, which will provide additional gates for USAirways' international growth; it will handle or facilitate the merger of Delta and Northwest Airlines; and would also efficiently -- or maximize utilization of the terminal facility by relocating AirTran Airways to Terminal E.

The second project will be the expansion of Terminal F, which will also move the baggage-claim facility for Terminal F from its current location across the road onto the arrival side, which would be consistent with all of the other terminals. It will expand the offerings in terms of the concession amenities program, and it will also increase the size of the security checkpoint.

We also are going to be working on a project with USAirways to create a new check-baggage handling system in Terminals B and C, again to provide the most modern and efficient baggage-handling system, with inline explosive-detection technology.

The last two projects, the Terminal F renovations, and the B and C check-baggage handling system, we expect to have the designs for both of those projects complete by the end of this year, or early next year, and out to bid.

The Airport did -- or is expected to receive significant financial benefit from the Stimulus, or the ARRA Act. We anticipate receiving as much as $63 million through a combination of Stimulus monies that would come from the

FAA and the TSA for various projects, including airfield renovations and security.

Looking forward to the future, we continue to work on the Airport's master plan, or the Capacity Enhancement Program, as it is often referred. We anticipate that the FAA will issue a final environment impact statement with respect to our project by late this year and, hopefully, a record of decision by early 2010.

The Airport is committed, as we sit here, to environmentally-sound practices and green initiatives. We have over 50 recycling bins placed throughout our terminal facility, and we also have a number of other environmental initiatives underway, including one that's in our budget, to continue the purchase of the recharging stations for electric ground service equipment to reduce knocks emissions on the airfield.

Diversity in our professional

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

services and construction and contracting is a priority at the Airport. During Fiscal Year '09, 34.4 percent of professional service contracts were awarded to DBE firms, representing 13.8 million of the 40.8 million total.

For construction, $15.8 million of the contracts, totaling $74.9 million, or 21 percent, were awarded to minority, female, or disabled firms.

Over the past four years, 35.2 percent of professional-service contracts and 17.3 percent of construction contracts were awarded to DBE firms.

Thank you for the opportunity to testify. Both myself and senior airport representatives are here to answer any questions you may have.

COUNCIL PRESIDENT VERNA: Thank you very much.

MR. GALE: Thank you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilwoman Brown, if she's in the room. She's not?

Councilman Jones.

COUNCILMAN JONES: She actually asked me to ask some of her questions seriously.

COUNCIL PRESIDENT VERNA: Okay.

COUNCILMAN JONES: So when she left, she let me know.

Gentlemen, thank you for coming in, and it did not fall on deaf ears, your participation numbers, and some of them were 34 percent MBE by way of professional service contracts, equaling about $18 million, and I think it was 18 percent in your construction?

MR. GALE: It was --

COUNCILMAN JONES: Equal ling $74 million?

MR. GALE: -- $15.8 million in contracts.

COUNCILMAN JONES: Right. Which did not fall on deaf ears and which -- is that a federal requirement that you followed? You followed the federal guidelines on participation; is that correct?

MR. GALE: For anything that involves the use of federal functions fundings, that's correct.

COUNCILMAN JONES: How did you fare in -- and I'm assuming that you and the Northeast Airport administratively are connected; is that correct?

MR. GALE: That is correct. We oversee the operation of the Northeast Philadelphia Airport.

COUNCILMAN JONES: And it's my understanding that through the Stimulus dollars, that we're also expanding, or are gaining a runway; is that correct?

MR. GALE: Just recently, the Mayor, along with Governor Rendell and our Deputy Mayor for Transportation and Utilities, were at the Airport to accept a check from the Secretary of Transportation LaHood that actually awarded Philadelphia International $5 million in Stimulus monies for work at

Philadelphia International and $1 million for taxiway repair work at Northeast Philadelphia Airport.

These are projects that otherwise probably would have sat there and not have gotten done as quickly without these monies.

COUNCILMAN JONES: So I took note also in your testimony that we now have a directing flight out to Beijing, China, whereas, before, we -- in order to make it to China, we would have to go up to New York. What does that mean for revenues to the City of Philadelphia?

MR. GALE: We do not have a current flight to Beijing today. USAirways had applied, through the Department of Transportation, for the rights to fly to China and receive that for 2009, as did a couple of other airlines.

Most all those -- I think all of those airlines deferred the right to fly to Beijing, given the economy, and requested that they begin flying those routes in the spring of 2010.

COUNCILMAN JONES: So in 2010, we will have a district flight --

MR. GALE: We're anticipating that USAirways will continue to honor that and fly that Beijing route in the spring of 2010.

COUNCILMAN JONES: In your market research of flights from New York airport to Beijing, what does that mean by way of market share, market potential and revenue to the City of Philadelphia, just expanding that flight?

MR. GALE: I don't have exact figures on what it means in terms of market share. Obviously, I think that, for the longest time, Philadelphia International Airport was often characterized as being an airport that only had reach into Europe and was never able to get beyond that.

So to take the bold steps and to see USAirways actually reach into the

Pacific Rim, into Asia, and hopefully into many other spots in the Far East area in the coming year, I think, is a great tool for Philadelphia to use going forth in the future as a world-class facility.

COUNCILMAN JONES: And by way -- there's been a lot of publicity by the way of the swine flu and how people are trying to prevent traffic of that particular flu, and one of the pieces of equipment that is used is a recognition of body temperature equipment, and I wanted to know if Philadelphia has that same type of identification mechanism.

MR. GALE: We currently don't have thermal imaging, or body heat, scanners at the Airport. We are looking at to see how much they would be to deploy those at our facility.

I would say that we have been working extremely closely with the Center for Disease Control and the Philadelphia Health Department as well as our Customs and Border Protection folks on identifying flights that were coming in from Mexico and taking necessary precautions, again, to spread the word that the best way to prevent the disease from spreading any further is just through good hygiene practices -- washing your hands, coughing into a tissue and disposing of it.

So we're keeping in very close contact with them, as we could for any other possible pandemic that would occur, being an international gateway company --

COUNCILMAN JONES: Do you anticipate in the near future investing in that type of equipment?

MR. GALE: I believe that if it proves to be cost-effective and the equipment that we would use, if we weren't able to get it from one of the federal agencies such as the CDC that might have it, to be able to be used --

(Timer bell rings.)

MR. GALE: We do have a CDC

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

officer that resides at the Airport, and so, we can confer with them to see if that would be use in the future.

COUNCILMAN JONES: My final point and question, and this comes from Councilwoman Blondell Reynolds-Brown. She has informed me that you are a leader in greening and recycling and wanted you to expound upon that.

And, by way of point of information, is Dennis Waller with you at the Airport?

MR. GALE: That is correct. Dennis Waller is --

COUNCILMAN JONES: Then that explains the participation numbers. He's a former Minority Business Enterprise guy and a deputy over there, and he had a real hard boss when he was there. So I understand why you achieved such good numbers.

MR. GALE: Thank you. Thank you, Councilman.

COUNCILMAN JONES: You can

answer the recycling and greening question.

MR. GALE: Well, as in my testimony, we do have a public-venue recycling program underway, with over 50 receptacles throughout the Airport.

We are working on several different environmental initiatives that include the use of electric ground service equipment, going after federal and state grant dollars to be able to purchase the equipment to put it at the Airport.

We're work on LEEDS-initiatives buildings that we are currently throwing into design to make sure that they are LEEDS-certified moving forward.

And I don't want to take all of it, but if you would like further information, our Deputy Director for Planning and Environmental Stewardship, Calvin Davenger, is here, and he actually spearheads all of these initiatives for the Airport and has done a wonderful job.

If you'd like to hear from him --

COUNCILMAN JONES: Yeah, I would, but just -- and I'm going to let my other colleagues take this, but how do we compare with other airports in that regard?

So I'll take that answer from whomever.

MR. GALE: Okay. I'll let Mr. Davenger respond to that.

I think that we're doing very well compared to other airports these days.

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

(Witness comes forward.)

MR. DAVENGER: Good afternoon. My name is Calvin Davenger. I'm the Deputy Director for Planning and Environmental Stewardship at the Airport.

And, Councilman Jones, I'll be happy to fill you in on what the Airport is doing and how we compare to other large-hub airports.

I recently returned from a conference in L.A. on climate change. And at these various conferences, we do get a sense for how we're doing in relation to other large-hub airports that have the same issues that we have.

To start, though, the Mayor recently introduced his Green Works Philadelphia Plan, and we have any number of initiatives either in place or are being planned or will soon be in place that certainly are parallel what I tend to term his "5 Es" that were mentioned in his plan.

And as it relates to that, the first E he talked about was energy. And when it comes to energy, we look at how we can best reduce the demand or reduce the demand for energy.

And what we have done there is, we're -- we have an RFP which will be released very soon for an energy audit.

And the goals of an energy audit would be, first of all, to parallel the City's plan for climate change as it relates to a 5 percent reduction in energy by 2010, another 10 percent by year 2015.

And also, there will be measures, which will be introduced, to conserve energy, in the hopes of helping to offset some of the deregulation of energy, which is due to happen in the year 2011.

Mark, Mr. Gale, has already mentioned the fact that we're tied to leadership in energy and environmental design, LEEDS. We are members of the U.S. Green Building Council.

We also have introduced a program for our tenants for LEEDS, Commercial Interiors, and USAirways has taken that a step further; they have a maintenance repair facility that's being constructed which they intend to have as a LEEDS gold facility.

Mr. Gale had mentioned our

upcoming Terminal F project. That is being legislated to be, at minimum, a LEEDS silver facility.

When it comes to alternative energy, we're going to continue our renewal of wind energy purchase at the level of 8 percent.

We're looking at solar power.

We're looking at a pilot project at our vehicle storage facility

And we're also considering or looking at the possibility of hot water -- solar hot water at our new international terminal, Terminal A, if we can find space to place collectors on the vicinity -- in the area of the roof to make that happen.

When it comes to environment, which is or carbon footprint, greenhouse gas emissions, we are undergoing a greenhouse gas inventory right now. We've started it, but since we've begun, we have new resources that have come into play. The Delaware Valley Regional

Commission has since released their greenhouse gas report, so we're looking at that.

Also, the Airport Cooperative Resource Program, which is part of the Transportation Resource Board, they have released a document that outlines how airports need to accomplish this task, so we'll go back and review that.

Also, airline conservation as, Mr. Gale mentioned, with regard to converting diesel ground support equipment to electric equipment. We have a program now where about one-third of the inventory of the Airport's airlines' ground support equipment could possibly be switched over to electric, thus eliminating, again, additional greenhouse gas emissions.

COUNCILMAN JONES: I just want to say, last year, when you testified, you said in earnest that you were going to start to look at all of the greenhouse and green carbon reduction methods that the Airport could have. You've been extremely busy over the last year, and I want to compliment you, the Airport, and Deputy Mayor Cutler for your work on that. And that is progress.

So I appreciate the update.

MR. DAVENGER: Thanks, Councilman.

COUNCILMAN JONES: Madam Chair, thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Good afternoon, gentlemen, and I know you've been here a long time. Thank you so much for your good work that you're doing at the Airport.

I just have one question I'm curious about. On Page 33, Section 19 of the budget, under your, I guess, your contractors, contracting out services, you have one line item that I'm curious about.

You have a contract with the Mental Health Association of Pennsylvania. Would you explain that?

MR. GALE: Yes, Councilwoman.

I'll let Tom take the question. He's been handling it.

COUNCILWOMAN TASCO: Okay.

MR. BECKER: Tom Becker, Assistant Director of Aviation.

Councilwoman, that contract's actually with the Health Department, but the Airport -- the Aviation Fund has funded outreach services at the Airport since January of 2007. And we use a contract with the Mental Health Association of Southeast Pennsylvania to send outreach workers to the Airport.

It was five nights a week, now it's going to be seven nights a week -- to -- they've been out there for the homeless. We've gotten pretty good press out of it.

COUNCILWOMAN TASCO: Mm-hmm.

MR. BECKER: It's been a combined effort with the Office of Behavioral Health, Dr. McGuire, Dainette Mintz's staff, and Airport Police and Operations to take an approach to do outreach before -- we had intended all along to -- there's a regulation on the books that to be in the terminal buildings between midnight and 5, you need to be a ticketed passenger or an employee.

So since, I guess, January of 2007, we've had the outreach workers there. And it's been a very successful program, and we've been able to do a soup-to-nuts approach, where the outreach workers can place the homeless at the Airport in shelters or get the services that they need.

So it's very successful, and we're going to continue that program on in 2010.

COUNCILWOMAN TASCO: Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam President.

We were having a sidebar here with Councilman Green because I was trying to understand how the police officers at the Airport are paid for. And I'm aware that you fully pay them through your Aviation Fund, so none of it is General Fund money, right?

MR. GALE: No.

COUNCILWOMAN SANCHEZ: There are quite a bit of police officers directing traffic there, and I've always wondered why we need so many police officers directing traffic, even though they're paid for as a practice. And my concern is that we need as many police officers in the street.

Is that just the practice that we've followed over the years? Is there a federal requirement that we have so many police officers there?

MR. GALE: Councilwoman, there's no federal requirement that there be a police officer at every single terminal, but what we have found is that the lack or the presence of a police officer would contribute to folks parking right up against the curbside, so it's not only a congestion issue, but in this day and age, when there's such a significant threat out there for explosives to be packed into a vehicle or a vehicle-borne explosive, the police officers take a very active approach in making sure that if they either see a suspicious vehicle or somebody that's been sitting there for a long time, to try to move things, move the traffic along there so we don't have mass congestion and so we also don't have a security risk at the same time.

COUNCILWOMAN SANCHEZ: Okay. How many officers do we have allocated to the Airport right now?

MR. GALE: I think 155.

COUNCILWOMAN SANCHEZ: 155 officers?

MR. GALE: Yes, 155, and that's 7/24.

COUNCILWOMAN SANCHEZ: Seven --

MR. GALE: That's seven days a week, 24 hours a day.

COUNCILWOMAN SANCHEZ: 7/24, okay.

That was just my one question. I use the Airport quite frequently, and I must say there's been incredible improvements and efficiencies there, so I like actually flying -- I used to fly through Newark all of the time because of the flight fees, but I'm back to flying through Philly.

MR. GALE: Thank you, Councilwoman.

COUNCILWOMAN SANCHEZ: That will be all, Council President.

COUNCIL PRESIDENT VERNA: The

Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you. Likewise, it's a pleasure to visit the Airport. There's a lot of good things going on there. And it's this team that makes it worse, and I personally appreciate that.

The reason is, people coming to the City lately, it's not just that seal of approval you got from J.D. Powers; it's the people that I know that fly that account to me and say that the experience has really been a good one for them.

MR. GALE: Thank you, Councilwoman.

COUNCILMAN RIZZO: You know, just the environment itself, with all of the aircraft and the emissions that they put out, I know it's good to invest money in going green, but isn't there a better place to spend our money than the ground support equipment -- that probably should be running on natural gas since we own a utility company -- rather than investing on electric-powered equipment?

And I know it would probably be just a drop in the bucket, what it contributes, and I know people are going to say that any little bit helps.

But don't you think that maybe we ought to be a little more careful where we spend our dollars, especially in an environment. And I know jet engine aircraft have gotten a lot cleaner throughout the years, but it seems to me to worry about those little diesel-powered carts, when possibly propane or some other form of clean energy might suffice, especially natural gas.

And then that leads me to: Are our natural gas-powered buses back in service?

MR. GALE: They are not presently in service at Philadelphia, although I would say that USAirways and others, car rental agencies and the like, continue to evaluate compressed natural gas vehicles for their fleets.

The response to the first part of the question with respect to electric versus propane or another one of an alternative fuel variety, if you will, is that we've been working collaboratively with the airlines. It's not just Philadelphia International that they're doing these types of migrations or transitions on their ground support fleets to electric- or battery-powered; they're doing it at multiple stations. And they're trying to set a level of standardization across the board at the same time.

So, in addition to that, as was in the testimony, we're going after federal grant dollars that are available for this type of acquisition as well.

So, in the end, it should not end up costing the Airport, or even the airlines, any dollars for that except for the investment that the airlines will make in that type of equipment that will save them in the long run in terms of fuel costs and the fossil -- the emissions that come from fossil fuels.

COUNCILMAN RIZZO: What happened with our -- I know we had a fire with one of the buses at the Airport.

MR. GALE: Yeah.

COUNCILMAN RIZZO: And they were really beautiful, natural-gas-powered, close-proximity, your own fueling station. I guess it's been two or three years. What happened with that fleet of buses?

MR. GALE: Oh, it's -- it's -- time has been flying by, Councilman. It's been probably closer to seven or eight years since we've had the compressed natural gas buses, but it is a fuel alternative that we continue to look at and evaluate, to see whether or not it would be a viable solution for the Airport going forth in the future for not just vehicles that we have in our airport fleet. A work van, for example, we've had C and G work vans, but also larger vehicles.

Hopefully, at some point in time, we'll have the majority of the vehicles that are circulating around the Airport, whether they be rental car facilities or shuttle buses and the like, converted to some other type of alternative fuel, either using a bio-diesel or a compressed natural gas or an ultra low sulfur diesel that would actually reduce the emissions.

COUNCILMAN RIZZO: Well, even though it's wrong longer than I can remember, were they the property of the Airport, those buses?

MR. GALE: No. That was a bid. And as part of the requirement for the bid, the vendor had to procure those C and G buses that we had specked out. And you're right, they were nice buses at that point, with the clouds on them.

But we did have -- there were fires on the vehicles, but none were ever shown to be attributed directly to the C and G tanks themselves.

COUNCILMAN RIZZO: Right.

MR. GALE: But there were multiple fires.

COUNCILMAN RIZZO: Overheating I think I can remember.

MR. GALE: There was at least three.

COUNCILMAN RIZZO: Yeah, and an overheated power-steering pump, which would have happened if it were a gasoline-powered vehicle.

MR. GALE: Right.

COUNCILMAN RIZZO: But not as often if it was a diesel.

But, again, it's good to see you have a lot of opportunities the make this stuff work. So good luck.

MR. GALE: Thank you, Councilman.

COUNCILMAN RIZZO: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman

Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Good afternoon.

MR. GALE: Good afternoon.

COUNCILMAN GREEN: I apologize for missing your testimony at the beginning, so if I've -- if I ask a question that was covered there, just point me to it, and I'll move on.

Can you tell me how much you make from concessions, concessionaires in the Airport?

MR. ANASTASI: Good afternoon. My name is Ed Anastasi, Deputy Director of Aviation for Finance and Administration.

The Airport generates a total annually of about $120 million in non-airline revenues. And included in that count are the retail and food and beverage operations at the Airport, which probably totals in the area, I would say, net to the Airport of around between 15 and $20 million.

COUNCILMAN GREEN: When you say "net to the Airport," what do you mean by that?

MR. ANASTASI: Well, net to the Airport because the arrangement we have with the company that manages the concession program is a profit-sharing type of arrangement.

COUNCILMAN GREEN: How much do they make?

MR. ANASTASI: The way the deal works is that the profit, at the end of the formula, approximately 85 percent of the profit goes to the Airport, and the other 15 to 20 percent, depending upon the total amount of net income, goes to the concession operator.

COUNCILMAN GREEN: So would you please provide the exact detail for the last few years of how much the Airport made, how much the concessionnaire made, and explain why you don't think it makes more sense for us to just hire a professional to do this and not give 3, or $4 million away to a partner.

MR. ANASTASI: Right. We could certainly provide that, Councilman.

COUNCILMAN GREEN: Okay. Also, could you please provide details of every single concession contract you have at the Airport, the RFP process used, and the submissions of all of the different people that they made for concessions for the last four years.

MR. ANASTASI: We can provide that also.

COUNCILMAN GREEN: Thank you.

Those are all my questions, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any other further questions from members of the committee?

(No further questions.)

COUNCIL PRESIDENT VERNA: Seeing none, thank you very much.

MR. GALE: Thank you, Madam

President. Have a good day.

COUNCILMAN GREEN: One more question.

COUNCIL PRESIDENT VERNA: One more question.

COUNCILMAN GREEN: Sorry. I forgot to ask, could you also give a breakdown of Minority Business Enterprises in terms of concessionnaires if that question has -- with the chart and detail you provide about the rest of the information. Not just total number, but level of income at their stores, 'cause I think you keep actual sales data for every single business. In other words, if it's 40 percent but only 7 percent of the revenue, I'd like to know that or vice-versa.

MR. GALE: Okay.

COUNCILMAN GREEN: Thank you.

MR. ANASTASI: We'll provide that Council.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN JONES: Point of information.

COUNCIL PRESIDENT VERNA: Yes.

COUNCILMAN JONES: While you're doing that part, it might be good to look at not only the actual concessions and restaurants but the kiosks that are made available as well. Put that in your total aggregate so that we have a better sense of what the economic opportunity is.

MR. GALE: Yes.

MR. ANASTASI: Yeah, we can break down that information.

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Any further questions or comments?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you.

MR. GALE: Thank you, Madam

President.

COUNCIL PRESIDENT VERNA: We will now hear From the City Commissioners.

(Witnesses come forward.)

COUNCIL PRESIDENT VERNA: Good afternoon.

PANEL MEMBERS: Good afternoon.

COUNCIL PRESIDENT VERNA: Welcome. Thank you for your patience.

Please identify yourself for the record and proceeds.

MR. LEE: Yes my name is Bob Lee. I'm the Voter Administration Administrator, AND I'm here for the three City Commissioners.

MR. VOIGT: I'm Fred Voigt, Deputy City Commissioner.

COUNCIL PRESIDENT VERNA: I don't think the stenographer heard you.

MR. VOIGT: I'm Fred Voigt, Deputy City Commissioner.

COUNCIL PRESIDENT VERNA: Thank you.

MR. LEE: Madam President and members of City Council, good afternoon. I'm Bob Lee, Voter Registration Administrator, and I'd like to thank you for this opportunity to provide testimony regarding the proposed Fiscal Year 2010 operating budget.

The budget that we've been provided by the City's Finance Department totals $8,794,177.

The Commission prepared its own requirements budget; however, it got over to the Finance Department too late to be included. But there's a stark difference in the numbers.

We believe that we're about $1,118,000 short of having what we need to conduct elections in FY 2010.

I'll give you an example. The Class 200 that's been allocated in the City budget is $2,741,350.

Just to pay the poll workers alone for two elections is --

COUNCIL PRESIDENT VERNA:

Excuse me. We did not get a copy of your testimony.

MR. LEE: Yeah, the written testimony was e-mailed Friday.

COUNCIL PRESIDENT VERNA: I beg your pardon?

MR. LEE: The written testimony was e-mailed on Friday.

COUNCIL PRESIDENT VERNA: I don't have a copy of it.

MR. LEE: I have an extra one here.

COUNCIL PRESIDENT VERNA: I don't have it.

Thank you.

Sorry to interrupt you, but --

MR. LEE: That's okay.

If we take that $2,741,350, and just work out the basic numbers, the poll workers, to pay 'em for both the primary -- for the general of '09 and the primary of 2010 will run approximately $2.15 million. That would leave about $590,000 in other Class 200 expenditures, which would be short.

I can work through the basic numbers. It's -- it cost us $350,000 just to ship the voting machines for the two elections, $158,000 for contract technicians to provide Election Day voting machine coverage, another $150,000 for annual software and hardware maintenance fees, and $152,000 for postage.

Those four major items alone come to $810,000, and if you add it to the 2.15 million, it exceeds the $591,000 that's left -- or that's been allocated in the $2.7 million. The math just doesn't work out.

There are other Class 200 expenditures:

Rental of forklifts, cargo vans, $23,000 a year.

Reporting services for the Commissioner's public meeting, $17,000.

Vehicle expense reimbursements for field investigators, $15,000.

And voting machine janitorial services and supplies for another $10,400.

We believe the allocation of Class 200 in the City's budget is approximately $381,000 too short.

I'll point to the Class 300. The City's allocating $491,472. We try to carry over the amount that was done in prior to years, $551,652.

And in Class 300, if we just work out the numbers:

Mandated documents that we need to print, it costs $120,000 to print the Election Day poll books listing the eligible voters.

It costs another $55,000 to print the street list.

$27,000 for admission slips.

$19,000 for sample ballots.

The purchase of voter ID cards is $11,000.

There's other numerous mandated posters and forms used at the polling place that are $45,500.

The thermal tapes that we print the election results on in the voting machines, $33,000.

Paper for printing the absentee ballots, $20,000.

We use Philacore for a lot of our materials, envelopes, and printing. That's $55,000.

There's another $20,000 just in paper alone that's used to print reports and forms and reimburse the City's central duplicating unit for printing forms.

There's $71,000 we spend in toner cartridges and copier parts and printer parts because of the cost of toner and printing the printer ballots and absentee ballots.

Our total of Class 300 expenditures, when we add up all of our costs -- and these costs are based on actual FY '08 actual expenditures; we just didn't make these numbers up.

They're the FY '08 actual expenditures, which is a small percentage increase.

We come to $553,500 in Class 300 expenditures which is about $60,000 more than what the Administration's proposing.

The Class 100. We are finally at a permanent employee position level, where we believe we have sufficient personnel to carry out the mandates. We worked out our numbers based on the annual salary of those employees and the temporary employees. We've been hit with a substantial increase in the pay scale for the temporary employees. Our costs have probably doubled based upon an ordinance in Council that they be paid 150 percent of the Federal Minimum Wage Act that probably ran an extra 4 or $500,000 a year. It doubled the pay from $5.15 an hour, which was absolutely too low, but they're now making 10.73 an hour.

And the overtime. When you

look at the Administration's allotment of $5,511,210, it's about $675,000 short. And if the permanent employee level was just right, that would have to come out either out of the temporary employee allocation or out of the overtime allegation.

And it's the kind of thing where we wouldn't have enough man hours to do what is needed to be done in the peak season right before and after an election. Election cycles vary, and the workload varies. But consistently, two months before and a month after, the election cannot be prepared for and conduct without the use of overtime, whether it's mandatory or voluntary and without the use of temporary employees to do jobs that we don't have sufficient full-time permanent employees for.

COUNCIL PRESIDENT VERNA: Have you spoken to the Administration about this?

MR. LEE: No, not yet. We sent

over a requirements budget a while ago, but we were told it was too late to be included in the master budget.

But the expenditures are right out of the FY '08 actual expenditures, with a small increase. And there's some questionable differences on the Class 100.

COUNCIL PRESIDENT VERNA: Is the Budget Director in the room?

(Budget Director is not present at this time.)

COUNCIL PRESIDENT VERNA: Yes. I think -- would you have him come up, please. Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

It's good to see you, Mr. Voigt.

I have one question: Where are we by way of machine breakdowns as to prior years if you track it over the years? Are we experiencing during election time less machine failures? And based on the study you did, were you right?

MR. LEE: Oh, in the '06 primary, we did have over 200 machines where we had an issue with the printers and the paper tapes coming out. And we did do a study of that, and we went back and we did regression testing on a lot of machines.

And we were right: It was a simple incorrect setting or something that's called a "counterweight," which is supposed to be in the lower position to hold that paper tape taut to that paper roll so it doesn't come loose and unspool and come out the front window.

Most of our machine issues naturally are operator issues -- getting ready in the morning, getting set up, getting the machine rolling. Once they do that, we have very few issues.

We do have issues. We probably

replace about 27, 28 to 30 printers an election, maybe 15 to 20 batteries.

We don't do Election Day repairs to machines only because of the implications. And if we have an issue with a machine that cannot be done through a simple reset or a simple rerouting of the paper, we will replace the machine, and we replace anywhere from 15 to 20 machines per election. We roll them out on Election Day.

COUNCILMAN JONES: How does that compare to the old Jamestown or shoot machines?

MR. LEE: These machines are a lot more reliable and are a lot more easier to work with, and the poll workers can get out of there a lot quicker.

And, for the most part -- and I'll say all the time, the count is accurate. You never have that issue where you have 8500 poll workers counting up 3.5 million numbers by hand after 13 hours in a polling place and then hand-writing them down and hand-adding them. The count is much more accurate.

COUNCILMAN JONES: What was the Obama effect on voter administration in the City of Philadelphia?

MR. LEE: That was probably the highest registration that we've seen in recent history. It even surpassed the 1983 primary of Wilson Goode and Frank Rizzo.

For the five months before that, we got about 293,000. For the November; 08 election we got 299,000 paper applications plus an additional 80,000 electronic applications.

COUNCILMAN JONES: So that's why the angry texts I got from Councilman Rizzo and Councilman Goode about that record being broken. I get it.

(Laughter.)

COUNCILMAN JONES: So that's the highest we've had?

MR. LEE: It's the highest I've heard of. Yes.

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I'm just curious and, obviously, I'm not sure what the reason is -- there could have been a conflict, but you're in here asking for funding of an additional 1,100,000-plus dollars that has not been allocated to you from the Administration's proposal. You have not spoken to the Administration about this difference.

And I'm an elected official, I'm here, I'm asking questions, trying to guess answers, but the people who are responsible for making decisions at the City Commissioner's Office are not here.

Frankly, I think we need to have the commissioners back when the commissioners are free to testify, Madam Chair.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

COUNCIL PRESIDENT VERNA: When the commissioners are free to testify?

COUNCILMAN GREEN: Yes, ma'am.

MR. LEE: I have a comment if you'd like.

COUNCILMAN GREEN: When the elected officials are free to come defend their budget and testify here, we ought to have these hearings. But, I mean, it is certainly appropriate for staff to be this with people -- my staff works very hard for me -- but I'd like to hear from the people we elect as to why they need a million-1.

Thank you, Madam Chair. I have no further at this time, but I believe we should call back the commissioners so that when -- at a time when they're available to testify before us.

COUNCIL PRESIDENT VERNA: Thank you.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

I wanted to ask a little bit probably, as you know, my issue around language access has been one that I've worked on for many, many years. Where are we as it relates to our compliance with our consent decree with the Department of Justice around language-access issues.

MR. LEE: For the November '08 election, we had slots in the agreement at about 10 percent that were vacant either due to failure of those who were recruited and appointed to show up or inability, in some cases, to actually even recruit an individual to serve.

We have more interpreters on the street than ever in not only in English-Spanish but we had 30 Asian interpreters out there and probably about ten Russian interpreters also.

Some of the programs that were implemented, all of the translations were resubmitted to be retranslated by Global through the Managing Director's Office.

We instituted first a pilot program and then a citywide program, where we put a cellphone or we supply a cellphone to every voting district in the City. And there's a telephonic language interpretation service available so that if any voter comes in who cannot speak English well enough to vote, they can point to any number of 80 languages printed on a piece of paper, and the judge can get someone on the telephone to translate.

We've totally and repeatedly stressed a federal requirement that any voter be given their own personal choice as to who accompanies them into the voting booth to provide assistance to them, whether it be language assistance or assistance with operating the machine.

We've also stressed the fact to or poll officials that if we appoint an interpreter, they must allow that interpreter to serve, and that interpreter must be there for the duration of the day to provide services.

We've used a number of different methods to recruit interpreters; the foremost is through the political-party structure. We do place advertisements in the Latino newspapers seeking volunteers, we've sent some e-mails out to some organizations seeking volunteers.

But the predominant number of interpreters are supplied by either the polling place officials themselves or the committeemen or the ward leader or somebody else.

I believe the advertisements this year that we placed in the Latino papers, we gained an additional 10 to 15 interpreters who volunteered.

We had an organization -- we are meeting with some groups, an advisory committee. We've got about 10 to 15 from people on the advisory committee; in fact, some of the members do it.

COUNCILWOMAN SANCHEZ: Are we

in compliance, though?

MR. LEE: We really are in compliance. We have some divisions that we'd like re --

COUNCILWOMAN SANCHEZ: How are the feds monitoring our compliance? 'cause I'd like to know, are we in compliance?

I appreciate all of the efforts 'cause I know that those are important, but what I'd like to know is, in the stipulated agreement with them, issue-per-issue, are we in compliance?

MR. LEE: The only issue in the agreement is the 10 percent divisions, where there's a vacancy at times. And they -- they check our compliance by coming to Philadelphia on Election Day and going in the polling places and looking for an interpreter.

Often, we have disagreements as to about what who we paid and who we paid and whether someone's there.

COUNCILWOMAN SANCHEZ: Legally,

we're required to do at 10 percent. Where are we? how close to that number are we?

MR. LEE: No, no, no, not 10 percent, no, no.

COUNCILWOMAN SANCHEZ: We're required to provide an interpreter in any division where more than 10 percent of the population speaks another language.

MR. LEE: No, you're misunderstanding the 10 percent number.

What I was referring to was is that of the number of divisions where we're required to have an interpreter, 10 percent were vacant.

COUNCILWOMAN SANCHEZ: Oh, 10 percent were vacant.

MR. LEE: Right.

COUNCILWOMAN SANCHEZ: So it's the reverse.

MR. LEE: Right, right.

COUNCILWOMAN SANCHEZ: Okay. And that's based on the number of 5 percent --

MR. LEE: No, it's based -- actually, it's not based on the number of people who do not speak English well. The Justice Department does not have that information by election district.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: It's based upon the number of voters in the district, or in a consolidated district, as to what they call that have a Latino or a Hispanic surname.

COUNCILWOMAN SANCHEZ: Okay. You state in your report that one of the issues where you've had higher expenses have been in the mandated HAVA. What of HAVA reimbursements have we received, and is there any other money from HAVA we haven't sought so that we can be in HAVA compliance?

MR. LEE: Oh, we are in HAVA compliance; it's just that HAVA requires a lot more expenditure. One thing HAVA required is that our voting machines -- visually impaired voters be able to vote independently, without assistance, on the voting machines.

(Timer bell rings.)

MR. LEE: We spent $4.41 million in HAVA funds, retrofitting our machines with an audio key pad headset, where a visually-impaired voter can go in and vote, without any assistance whatsoever.

Also that upgrade upgraded it to provide certain audit trails and other features required by the Help America Vote Act.

The Help America Vote Act also required us to use a statewide uniform voter registration system, which we've been on since January 1 of '06. That's probably been the biggest expense as far as labor goes.

The additional requirements of the federal law on the way the system works, it's probably the -- the productivity on it is probably 50 percent of what it was on our old county system.

COUNCILWOMAN SANCHEZ: So the short system, the state system, that they tout as being the best system is not the best system for us?

MR. LEE: It's the requirements of the law and the system itself. And it's -- there's an issue right now as where the short system was -- the contract for short was done in July of '07.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: The State procured the software, and now they're trying to upgrade it, and now they have new software up there. And we're going through the pains of a new system all over again.

COUNCILWOMAN SANCHEZ: And they don't reimburse us for that, the State?

MR. LEE: We used HAVA funding to fund for six positions that worked entirely on the short system.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: And that's both for

salary, overtime, and benefits. We use HAVA funding to reimburse our Class 100 funds for any labor we did in upgrading the voter machines.

We're converted to short back in '06. So wherever possible, we have requested and been approved to use HAVA funding, federal HAVA funding, to provide additional labor where needed, provided that labor was soley dedicated and certified to be working only on Help America Vote Act requirements.

COUNCILWOMAN SANCHEZ: So we get reimbursed for all of the activities related to us being HAVA-compliant in our own acts compliance.

MR. LEE: No, we don't get reimbursed for all of the activities of HAVA.

COUNCILWOMAN SANCHEZ: Okay.

MR. LEE: There was a set formula under the state plan --

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: -- that each county

was set up. And basically, the voting system -- let me give you an example. The voting system -- if you look in the budget for the Administration, there's like 10.66 million in payments.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: Those were HAVA reimbursements that were paid directly back to the county as a partial reimbursement for its initial funds in procuring the voting system.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: There's about another 2.8 million that will be available for that same kind of reimbursement in FY '10, and some of it may even go into '11, depending on when the funds are available.

COUNCILWOMAN SANCHEZ: So is there any part of your current request now that might be from what you're claiming to be the additional million dollars that you need, that could be covered through HAVA or through the

State?

MR. LEE: No. These are all General Fund requests. The HAVA funding -- if you look on the City (discernible), they have separate grants down there.

COUNCILWOMAN SANCHEZ: Yeah, but they --

MR. LEE: Most of the HAVA --

COUNCILWOMAN SANCHEZ: They have money for access. They have millions of dollars at the state.

What I'm asking you is: Are we accessing all of that money as it relates to us being in compliance both with the Department of Justice --

MR. LEE: We are accessing all of the money that's been allocated to Philadelphia based upon the timing of the need and the application for it, because you have to submit quarterly work and capital requests.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: They just awarded a

$2.267 million PA Interest Award. All of the HAVA money that was sitting in Harrisburg earned interest. They whacked it up between the counties. Our share was 2.267 million, and $400,000 of that is going to the U.S. District Court to pay a third-party vendor to go out and work in conjunction with the U.S. Justice Department and reinspect every polling place in the City of Philadelphia and make recommendations for modifications.

A lot of that money is set aside. There's approximately 400,000 set aside for reimbursing FY '10 Class 100 expenses that are not included in this. They have been deducted before this number was put together. There is money in there for --

COUNCILWOMAN SANCHEZ: But -- so there's more -- so this budget does not reflect actually all of your expenditures, because there's more money that you're going to get reimbursed?

MR. LEE: No. The HAVA money

is budgeted for certain items.

COUNCILWOMAN SANCHEZ: Right.

MR. LEE: But the way it's been working with the Commonwealth is, we wind up spending money out of our operating budget.

COUNCILWOMAN SANCHEZ: Right. And then we get reimbursed.

MR. LEE: And hopefully -- yeah, money in our operating budget that's already allocated to other expenses. In other words, we ran a lot of newspaper ads, a voter ed program, before the November of '08 election.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: It cost $271,000. We didn't have HAVA money in the account to pay for that at this time. We paid for it out of our Class 200 budget, and that money was reimbursed.

COUNCILWOMAN SANCHEZ: That leads to one of my questions: Why are we doing full-page ads in Spanish in the Inquirer and the Daily News, when clearly, if you are reading the Inquirer and the Daily News, you read Spanish, as opposed to spending that money in the Spanish-language media?

MR. LEE: Well, that goes back to the U.S. Justice Department in that these ads should be bilingual, right?

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: Now, the law requires that we run our advertisements in two major daily newspapers.

COUNCILWOMAN SANCHEZ: Right.

MR. LEE: So if the state law requires we run it in two daily major newspapers, and the federal government says we need to do things in a bilingual manner, that's why we had 'em in English and Spanish in the Inquirer and Daily News, that's why we're allowed to target the five Latino community newspapers that we ran 'em in. They were in Spanish only.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: And then the other

community newspapers, most of those were in English only, I believe.

COUNCILWOMAN SANCHEZ: So if we said to the Department of Justice that it makes no sense for us to spend -- what do we pay for an ad in the Daily News or the Inquirer?

MR. LEE: Have you tried to tell this to the Department of Justice, that it doesn't make any sense?

COUNCILWOMAN SANCHEZ: Well, if we weren't in compliance.

(Indiscernible; parties talking over each other.)

MR. LEE: I'll give you an example. There's a polling place in 6218 to 19. We have a bilingual interpreter there since at least '05.

COUNCILWOMAN SANCHEZ: Mm-hmm.

MR. LEE: We pay her to cover both divisions because the Justice Department carries it as a consolidated division. So she gets $75 times 2, $150.

And she's told us repeatedly that the only individual she interpreted for was her father, and she used to do it for free, but now the Justice Department says we need to have an interpreter there; she's the only one that's available, and we hire her.

COUNCILWOMAN SANCHEZ: You just opened up another question, which was: You have interpreters serving three divisions, four divisions; they're allowed to get the check for each one? Not that they're not underpaid. They're underpaid at 75. They're not underpaid, because in some divisions, where we have four divisions, like is the case in Linley and the 42nd, where there's usually one interpreter, that person collects the checks for the four divisions?

MR. LEE: Not allowed. They can only get it twice.

COUNCILWOMAN SANCHEZ: Just two.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MR. LEE: Just two.

COUNCILWOMAN SANCHEZ: So there are --

MR. LEE: Yeah. Most of the divisions that the -- the Justice Department calls them "consolidated divisions," where it's two divisions in one facility. Most divisions where the Justice Department has allowed us to use one interpreter for two divisions, that's where we do that.

COUNCILWOMAN SANCHEZ: How many --

COUNCIL PRESIDENT VERNA: Councilwoman, I'm sorry. You're going to have to wait for the next go-around. Thank you.

Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Madam President.

Good evening, Mr. Voigt. Good evening Mr. Lee.

MR. LEE: Good evening.

COUNCILWOMAN BLACKWELL: Madam

President, as you and I know, nobody in the city knows more about these machines and the process than Bobby Lee.

COUNCIL PRESIDENT VERNA: I agree.

COUNCILWOMAN BLACKWELL: Yes. Let me ask you a question. When we call in -- and in most recent years, if you call in on Election Day, they want the person at the polling place. They don't want us at ward headquarters anymore.

MR. LEE: Is this for voting machine repairs?

COUNCIL PRESIDENT VERNA: Yes.

COUNCILWOMAN BLACKWELL: Yes.

MR. LEE: Yes. They'd much rather have the poll official -- the judge or the machine inspector, because they need the machine number. And also, on the back of the machine, there is an LED light that will come up with an error code.

And if the poll official tells our operator the error code, it may be an issue that they can walk over on the telephone and resolve it right away, without having to dispatch out a technician.

So they would prefer to have the call made right from the polling place by the judge or by the machine inspector, with the machine number, the error code number, and the description of the problem.

In addition to that, although I know in some cases, where it's been a serious issue and maybe the service is slow, we would want to hear, but we wouldn't want you to call the 7800 number. You would call one of the commissioners' offices, and then we would call up there and double-check and see what the story is on it.

COUNCILWOMAN BLACKWELL: You don't want us to do the 7800 number anymore?

MR. LEE: It's a preference of the operators. I don't have an issue with it, but they prefer that the poll worker call themselves.

And the other issue is, they've got to watch because if they get too many duplicate calls to the same line, they may dispatch more than one technician out there, which is why they want the poll officials to call.

Sometimes we would get people calling us. Maybe they heard it an hour later, and our technician had already been there and serviced the machine. And we don't want to send a technician out on double work on something that's already been repaired also. And that's happened, where we have --

COUNCILWOMAN BLACKWELL: Oh, I know.

MR. LEE: -- organizations call us and --

COUNCILWOMAN BLACKWELL: I know 'cause we get calls, and you may have a voter calling or you could have a committeeman calling, you could have either committee person calling.

So we can get -- you know, if a machine is out an hour, believe me, we're going to get calls back from that.

MR. LEE: Right.

COUNCILWOMAN BLACKWELL: You know, we can't afford to lose --

MR. LEE: Yeah, but at anytime, if anyone in the ward, either the ward leader or the committeeman, feels that the time for service has passed, then call us, and we'll check on it, and we'll see what the status is of that response.

COUNCILWOMAN BLACKWELL: Okay.

MR. LEE: And preferably to the Commissioner's Offices or the to hotline number down at Delaware Avenue and Spring Garden Street.

COUNCILWOMAN BLACKWELL: Okay. Thank you.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

Steve, can you come up to the

table please.

COUNCILMAN RIZZO: I have a question.

COUNCIL PRESIDENT VERNA: Did you have a question, Councilman Rizzo?

COUNCILMAN RIZZO: Thank you.

Hi, Mr. Lee. One thing I'd like to ask you are the changes of polling places. It troubles me a little bit when people think that it's manipulated, that they change them intentionally.

Could you explain the physical process of how far out and how you notify people that their polling location has been changed?

MR. LEE: Okay. The three Commissioners and the staff all know that a great majority of people in our denser neighborhoods all walk to vote. We know we have 180 to 190,000 senior citizens that are registered here who walk, and can't walk far.

Whenever a request for change

comes in, we send somebody out to inspect the new location, make sure it's suitable, make sure it's accessible in comparison to the current place.

And then a hearing is set up, a public hearing. Notices of that hearing are put on five posters -- one on the old polling place, one on the new polling place, and three elsewhere in the division.

The hearing's held in Room 130, 11 o'clock, every Wednesday, if it's scheduled, where anybody can down, make a comment for or against a move, it's all on the record, and the commissioners will vote on it.

The commissioners have a policy. In fact, we built it in with our agreement with the Justice Department and with the private plaintiffs (indiscernible) that as they're going around inspecting these polling places, if it can't be temporarily modified, they can recommend a relocation.

However, the relocation can only be in the division or adjacent division; it can't be outside of that area. And if it's in an adjacent division, it can't be more than five blocks' walk from the furthest edge of the subject division.

And we built that in that agreement because we didn't want to subject our seniors to walk any longer than that.

COUNCILMAN RIZZO: Here's what happens. Many people go to the polling place, they see the polling location changed, they -- they're on a timeline. Forget the senior citizens that are unemployed; they just forget it, and possibly, they'll say, Well, after work, I'll come back, and they wind up not getting there.

Can we do more to let the voters know officially that their voting location has been changed? can it be advertised in the paper? Could they get

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

a letter? Something that they don't learn about it on election morning.

MR. LEE: If it's changed, then we go out and post posters in the division saying it has been changed. Also, our website has a polling place locater that's located on the Department of State. You just go in their link to the State, type in your address, and it tells you where to go vote. It's updated daily.

The newspaper ad, we spend about $56,000 to pay -- well, Procurement does, $56,000 for a full page to list the polling pages. They're in there the Monday before the election. We're not allowed to make any changes more than 20 days before -- after 20 days for an election exempt for emergencies.

COUNCILMAN RIZZO: My point being -- and I'll come back at you, when it's my turn -- many people, again, don't know that their polling place has been changed --

(Timer bell rings.)

COUNCILMAN RIZZO: -- because they're not looking in the paper, because they believe it's at the same place they've been voting for 15 years.

We have to do a better job at letting people know in a particular division that their polling place has been changed.

MR. LEE: Well, the only way you can do that is a direct mailing to every voter in the district. And, again, you're talking costs.

Before -- I'll tell you, one of the items we used HAVA funding for in the '04 general, '06 general, and '08 general was we spent $87,000 to print postcards for every voter in the City. And in '08, it cost us $364,000. We mailed every voter in the City a postcard telling them where to go vote.

We think that helped cut down on a lot of work, but that just shows you what the cost of that would do to notify every single voter of where they go vote. If you only did it in changes, it would cut the bill a lot more, but you're going to create an issue where, Why are they getting a postcard and we're not getting a postcard?

COUNCILMAN RIZZO: Thank you.

COUNCIL PRESIDENT VERNA: And usually, the committeeman does notify. They should.

COUNCILMAN RIZZO: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILMAN RIZZO: Thank you.

COUNCIL PRESIDENT VERNA: Mr. Agostini?

MR. AGOSTINI: Madam President?

COUNCIL PRESIDENT VERNA: There is a difference of over a million dollars between the Administration's proposed budget and the Commission's requirement funding level.

I am told that there has been absolutely no communication between

Finance and the City Commissioners. I don't know what we're waiting for, but I'm going to request that you get together with them to see how -- if and how this can be resolved.

MR. AGOSTINI: We actually have spoken to them before.

COUNCIL PRESIDENT VERNA: Oh, you have?

MR. AGOSTINI: We've had two meetings in the last, I'm going to say, about six months. And the first meeting was to talk about the '09 revised, which led to a series of reductions that were reflected in the '09 and represent the actual cut that's in the FY '10 budget. There were no changes made subsequent to the November revise to the Commissioners budget for a reduction.

About two or three months ago, as we were putting this budget together, we sat with Bobby Lee and Mr. Taglione, the senior, about the budget, specifically to talk about the Help

America Vote Act dollars.

At no point in that dealing was there a statement or series of statements that you have probably heard here in the last 45 minutes or so about the inability to move forward with elections based on the existing funding. At no point was that statement made to me or Mr. Dubow. And subsequent to that meeting has no statement been made to us.

So this is the first that I'm hearing about this. And we've certainly had opportunity. And given the sort of seriousness, at a minimum, I would have expected to get an e-mail or a phone call or something, and I have no record of any of that.

So I'm more than happy to sit down and sit down with the City Commissioners about it, but it would have been nice to know in advance of this meeting that there was a potential issue.

COUNCIL PRESIDENT VERNA: Thank you. And we will add The City

Commissioners to our callback.

Bob, you've got to sit down.

MR. LEE: This was -- this was sent over the day before I seen this.

COUNCIL PRESIDENT VERNA: I beg your pardon?

MR. LEE: This was sent over a month ago. When I talked to our budget analyst, he said it was too late to be in the master budget, but it was sent over to him.

COUNCIL PRESIDENT VERNA: Well, we're not going to have a little debate here.

MR. LEE: No.

COUNCIL PRESIDENT VERNA: Just a moment.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

I just want to make clear, Mr. Lee and Mr. Voigt, that, you know, I understand that the Commission does a great job of running what I consider to be good, clean, and fair elections in the City of Philadelphia. Some language issues have been to be taken care of, but you do a very good job.

I just am not going to vote for an increase in your budget if the people who run the Commissioners Office don't come to callback and testify for themselves.

Thank you.

MR. LEE: All right.

COUNCIL PRESIDENT VERNA: Thank you.

I would suggest, Mr. Lee, you do get in touch with Finance, sit down and go over this budget with them, and we will add the City Commissioners on our callback list.

MR. LEE: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

We will now hear from Community College.

(Witnesses come forward.)

COUNCIL PRESIDENT VERNA: Good afternoon. Welcome, Doctor, and thank you for your patience. I know you've been waiting quite some time.

Kindly identify yourself for the record and proceed with your testimony.

MR. DAVIS: Yes. Good afternoon, President Verna. My name is George Davis, and I chair the Board of Trustees at the Community College of Philadelphia. You'll be pleased to know I will be very brief.

COUNCIL PRESIDENT VERNA: Thank you.

MR. DAVIS: I would like to just quickly recognize a few board members: Rhonda Cohen and Sally Glickman, who are trustees; and also Stanley Cohen, Steve Mullin, and Jack Ferber, who have been here a part of the time. And Jack is still here; I think I see him over there.

I just want to say that my board colleagues and I are very committed to the Community College of Philadelphia. We believe very strongly, for the City of Philadelphia to flourish, we need a strong community college. And, as you know, as well as us, many of our residents would be unable to earn a degree or even think about continuing their education without the Community College of Philadelphia.

And I would like to just say, on behalf of the board, Council President Verna, we appreciate very much the support we've gotten from the City Council and from the Mayor. We know that the Mayor has -- in his budget has kept funding at the current level. And in this environment, we're grateful for that.

And that doesn't mean we don't need more money; we could always use more. But we're pleased with your support, and we thank you for that.

COUNCIL PRESIDENT VERNA: Thank you.

MR. DAVIS: So with that, I'll have --

COUNCIL PRESIDENT VERNA: And thank you for the wonderful work you're all doing.

MR. DAVIS: Thank you.

COUNCIL PRESIDENT VERNA: Doctor?

DR. CURTIS: I'm Steve Curtis, President Of Community College of Philadelphia. And in deference to the time, I'm not going to read the testimony, but I will do two things: Just remind you of the three main points that are in the testimony. And then, if it's all right, Madam Chair, I'd like to ask two of our graduating students just to make a brief statement about -- from their point of view, why it's so important for the City to invest dollars in its citizens.

The three basic points in my

testimony:

One, a year ago, when we were here, we made a series of commitments as to what we would do at that time with some increases in funding, and you'll see that in the written testimony. We froze tuition and fees this year for our students; it's the first time in almost 20 years.

When we did it, we didn't realize how truly important it would be because the economy hasn't crashed yet to the extent that it eventually did. So we think that, in holding down tuition and fees for our students this year, it has made a significant difference.

We also had promised that we would work to produce more graduates, and that's in line with the Mayor's proposal to double the number of residents of the City that have a college degree. And, again, in deference to the time, I won't read.

But we do at least point to a

couple of new programs that we've launched this year that do exactly that: Point more residents of this city toward the accomplishment of an academic degree. My Degree Now is one of the examples that's in here for residents that have some college credits already but never actually finished a college degree.

The third thing we said a year ago was that we would work with the City to actually give some of the dollars back in the form of training to City employees. We work regularly with some departments within the City infrastructure, but there are also other departments with which we have very little to do, to be candid. And so we saw this as an opportunity to try to open some doors.

And in the written testimony is a particular example of some tens of thousands of dollars of training that's been done for one of the City departments.

And the last thing a year ago that we talked about, we said we were going to align ourselves with the economic development goals of the City. And, again, we've attempted to describe some ways in which we're doing that. Some of it is around short-term education and training as opposed to the full degree.

We have almost 30 new certificates that are geared toward high-demand fields, green jobs, and we're trying to work with the City, with the Workforce Investment Board, with the School District to see if we can't create some synergy around those.

And, again, there are a series of examples, including our continuing offer for any displaced worker in the City who loses a full-time job due to layoffs, we still provide a tuition-free for the first semester.

The second main point of the written testimony has to do with how we will handle our budget situation next year. We do appreciate the City's financial and economic situation. And, as my board chair has said, we are here to support the Mayor's budget, which keeps us at the current level; that's after the mid-year cut that took place. We were cut as everyone else was.

We've described -- and I'm not going to do it in the oral testimony, but we've described some steps we're taking around reducing expenditures for next year as well as increasing revenue. We've tried not to get into a spiral of just cut, cut, cut. And that's important because we expect we'll have more students next year. We are -- we have increased enrollment this semester, we are ahead for the summer, we are expecting to be ahead in the fall.

In this kind of economy and this kind of increasing unemployment, we know that we'll get more students; that's always the cycle. And it is not our intention to turn those students away. We intend to admit them and to put them on a path, an academic path.

So, again, the written testimony speaks to some of the steps that we're taking, and if there are particular questions about those, I'm happy to answer them.

And the last general comment in the written testimony has to do with the "what if," the contingency. Our planning for next year, the coming year, is based on no new dollars from the City, very few dollars from the State if the Governor's proposal goes through, which is why we have to do a reduction of expenditures as well as increase other kinds of revenues, because there will be very little help from our public sources in terms of new dollars. But everything is predicated on that, that there will be no further significant cuts from either City or State.

And if that were to happen, if

economy remained unpredictable, then we just do want to say that we'd have to look at some contingency steps, including further tuition increases and other steps. But failing that, we intend to support the City proposed budget for next year and take appropriate steps that we think will continue to allow us to serve the City in very meaningful ways.

If I may, I'd like to just turn over the rest of my time to a couple of students, if that's all right. We have three graduating students with us, and if you would allow two of them just to make a few brief remarks.

You have always been so supportive in the years that I've been here, but what you're supporting are individuals, you're supporting residents of this city who have not only personal dreams but are key to the future of this city. So with your permission, I'll just ask a couple to say a few words.

COUNCIL PRESIDENT VERNA: That

would be fine.

DR. CURTIS: Good. And our three students are Mary Anderson and Donelle and Monique Casey. I think just two will speak, but if that's all right, I'll ask them to come forward briefly. And then I'm happy to answer any questions.

(Students come forward.)

COUNCIL PRESIDENT VERNA: Good afternoon.

MS. ANDERSON: Good afternoon, President Verna and Councilmembers. My name's Mary Anderson, and I'm the President of Student Government at Community College of Philadelphia. Thank you for this opportunity to speak before you in support of the institution that's done so much to change my life.

There was a time in my life when I was despondent and uncertain about my future, and for years, I had struggled with poverty, neglect, and physical abuse. I was raising three children on my own and was a high school dropout, and I felt helpless and hopeless.

A friend of mine told me about Community Learning Center, where I was able to receive counseling and obtain my GED. Taking that first step gave me an enormous sense of accomplishment and (indiscernible) my thirst for learning.

My next step led me to Community College of Philadelphia. When I walked into Admissions that first day, I was flying on blind hope. I had no idea that I could even attend college or how I would pay for it. I was just praying something would work out. I never imagined the opportunities that would come my way.

What once felt like the only option now feels like it was the natural choice. I don't think I would have had opportunities I have here at any other school. I chose to pursue a career in education, allowing me to share what I have learned with people who might be facing the same obstacles that I encountered.

Thanks to the Community College of Philadelphia, my life has changed. My self-esteem has increased, and I now have hope for the future.

This academic year has been eventful. I was elected President of the Student Government Association and won dual honors recently as a Coca Cola Scholars Foundation national finalist and as a member of the all-Pennsylvania a academic team. The all-Pennsylvania recognition also provides a full scholarship to complete my bachelor's degree in education at West Chester University.

But my most significant achievement since entering Community College of Philadelphia was not a near-perfect grade point averages; it was my founding of the Kenya Project, which provides clothing, school supplies, and money for medical supplies for Sujeto, a small village in Kenya. The Student Government Association and other clubs at the college were able to raise more than a thousand dollars in goods and cash we recently shipped to Sujeto.

My hope is that the Kenya Project will create the same hope and opportunities for the children in Suweto that Community College of Philadelphia has given to me.

Thank you.

MR. CASEY: Good afternoon, Council President Verna.

COUNCIL PRESIDENT VERNA: Good afternoon.

MR. CASEY: My name is Donelle Casey, and I'm here today with my wife, Monique.

We are both residents of Kingsessing and juggle the responsibilities of being students along with parents of three. We are both scheduled to receive our associate's degree in liberal arts.

COUNCIL PRESIDENT VERNA: Excuse me. Would you pull the microphone closer. Thank you.

MR. CASEY: Sure. Sorry about that.

Our plan is to transfer to Cabrini starting in the fall, thanks to Community College's dual-admissions agreement. Also this fall, we will return to Community College of Philadelphia to complete four additional courses that will give us two more associate degrees related to the marketing and communication fields. Transferring these additional credits to Cabrini will put us further along, completing our bachelor's degree in communications. Our goal is to launch our own communications and marketing company in the Philadelphia area.

None of this would be possible if it were not for Community College of Philadelphia's affordable tuition. I urge you to support the Mayor's proposed budget for the Community College of Philadelphia.

Monique and I, on behalf of more than 34,000 fellow students at the college, want you to know that in these tough times, we have few, if any, other choices to further our education.

My wife and I are good examples of how difficult it can be to afford college. We were in high school when we first had our daughter. The unexpected pregnancy forced us to make some tough choices. I chose to drop out of high school and let her finish to get her diploma. Afterwards, she graduated, I went back to finish get my diploma. We had two more children. And even though I worked full-time, it was touch to make a living. We were getting nowhere and falling further and further behind financially.

Monique decide to go back to school. At first, she tried Strayer University and the University of Phoenix, both distance-learning schools, but the cost was just too high. Finally, she received a postcard from the Community College of Philadelphia, and it said that they were taking applications for the fall semester. She applied for admissions, took the placement test, and started classes in the summer of 2007.

A month later, after losing my job as a store manager at the Exton Mall, I decided to join my wife at the college. It was the best decision and the right one, actually, at that time. Again, we made sacrifices for our future.

We had to give up our apartment and move in with her mother and father. Also, our family of five was living on $324 a week of unemployment and also a grant of $600 a month in public assistance once the unemployment ran out.

Community College of Philadelphia was within our means because the amount of the state and federal grants we received was enough to cover all tuition and fees at the college. Luckily, the college has a program that paid for our books and other class materials.

Monique and I came to the college with little interest beyond attending class and maintaining our grades. However, we were soon deeply involved in many campus activities available to the college students. We jumped first -- we jumped feet-first into programs such as the Student Government Association and the Student Ambassador Program and other social activities, all while keeping a grade point average of 3.0 or greater -- that would be her.

The college is here to serve the community; hence, the name. Community College of Philadelphia's well aware that not every student needs or wants a four-year degree. The school makes it possible, though, for every student to achieve their goals, whether that goal is merely to take a few classes to brush up on their skills, earn a certificate to launch a new career, or transfer credit to a four-year program at another college or university.

Whether their goal, students can come away from Community College of Philadelphia with a sense of achievement and a clear path to a future filled with possibilities; hence, us three sitting in front of you right now.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

We certainly applaud you -- we applaud you. You're not listening. We certainly applaud you and want to wish you all of the success in your future endeavors. Good luck.

COUNCILMAN RIZZO: Madam President, may I say something?

COUNCIL PRESIDENT VERNA: Councilman Rizzo.

COUNCILMAN RIZZO: The young man indicated that he had a job at Exton

Mall.

MR. CASEY: Yes.

COUNCILMAN RIZZO: How long did you do that haul from Philly to there?

MR. CASEY: I was actually manager at (inaudible). I was there for eight months.

COUNCILMAN RIZZO: It's a long drive to Exton every day. Okay.

COUNCIL PRESIDENT VERNA: That's determination.

Councilwoman Brown, we are running late, so I would ask my colleagues to try to be as brief as possible.

COUNCILWOMAN BROWN: Okay.

COUNCIL PRESIDENT VERNA: Thank you.

COUNCILWOMAN BROWN: Good afternoon, Mr. President, and your team.

DR. CURTIS: Good afternoon.

COUNCILWOMAN BROWN: Let me commend you for bringing young people so that they can see government up close and personal. There's nothing like that experience.

If you could please discuss briefly the relationship you are enjoying with the Workforce Investment Board and School District specifically around the green efforts.

DR. CURTIS: Well, the -- with the Workforce Investment Board, over time, we are involved in various kinds of training. With the Stimulus funding that's now going to be coming to the State and eventually to the City, we have sat down with the Workforce Investment Board to talk about the specific areas of the Stimulus as one example that deal with green and also deals with health care and some other areas.

Now, we are -- we will be bidding on some of these projects. We'll be a provider, but we are trying to align the programs that we have with the specific needs of the City and with the specific areas that we believe the

Workforce Investment Board is going to be promoting.

COUNCILWOMAN BROWN: Mm-hmm.

DR. CURTIS: I mentioned -- I think it's in the written testimony. We've developed some short-term certificates that didn't used to have -- almost 30, a number of which are around the green jobs.

We're prepared to do more as the funding is made available to help develop some of curriculum around weatherization and the like.

COUNCILWOMAN BROWN: Sure.

DR. CURTIS: So all of that is being discussed. We've had meetings already with the Workforce Investment Board.

With the School District, I can't answer the question on the green jobs 'cause we have met with representatives of the School District also for some specific training areas and also some links between the --

programmatic links between the School District and our academic programs.

But I don't know the answer on the green jobs specifically.

COUNCILWOMAN BROWN: Okay.

DR. CURTIS: I can try to get some information on that if you'd like.

COUNCILWOMAN BROWN: In your appropriation from the City of Philadelphia, is it targeted towards any particular program effort or initiative at Community College?

DR. CURTIS: You're talking about the City's base allocation to us?

COUNCILWOMAN BROWN: Yes.

DR. CURTIS: No, no. It's a lump sum, and it simply goes to cover our budget. You know, it's part of the revenue that comes in for our overall budget.

COUNCILWOMAN BROWN: Okay.

DR. CURTIS: It's not targeted in any way.

COUNCILWOMAN BROWN: Okay. One

laser-beam interest that a number of us on City Council has had is for any entity, any part of government, any organization that is receiving anything from the City of Philadelphia, we continue to be deeply concerned where it has been or interested in knowing how well you are doing as an institution with MBE/WBE participation. And so, if you could please speak to that.

You're aware of a letter I sent to you on April 9th stipulating that we would want to know those numbers, both on the prime side and on the subprime side.

DR. CURTIS: I apologize. I never received the letter, so I didn't know that, but I can answer the question in general.

COUNCILWOMAN BROWN: Okay.

DR. CURTIS: And then if you need more than the detail I'm about to give you, we'll be happy to provide it.

In terms of our operating budget, our operating budget's a little over a hundred million dollars, and 85 percent of that is people, salaries, benefits, and so on, so those aren't dollars that are available for, you know, the kind of question that you're asking.

And there are also some other dollars for the post office and major utilities, again, that I would set aside from that.

So there's about 9 or $10 million that we have control over in terms of contracts, goods, services, and the like. And the answer to the question is, out of that about, 20 percent is for minority- and women-owned businesses.

COUNCILWOMAN BROWN: Could you please provide a detail to Council President Verna? And how soon could you provide that?

DR. CURTIS: Very quickly, I think. Sure.

COUNCILWOMAN BROWN: Okay. And you -- for the record, you're telling me that the letter dated April 9th addressed to you, you never received it.

DR. CURTIS: No, ma'am, I've not received -- I've not seen that.

COUNCILWOMAN BROWN: All right, then. I'll make sure that you get a copy of this.

You should know for the record last year, I sent a letter to the Mayor so that the Mayor could convey that message. This year we opted to do it informally. So, going forward, that will be a required expectation that we would prefer to have in the text of your testimony so that we can see how our city is doing with regards to leveling the playing field for everybody.

DR. CURTIS: We're happy to do that. Again, we just haven't received that request.

COUNCILWOMAN BROWN: Oh, okay.

DR. CURTIS: And I apologize.

COUNCILWOMAN BROWN: All right. The clock hasn't run yet. That's interesting.

Tell me about your My Degree Now Program and how many have been impacted by that.

DR. CURTIS: My Degree Now is an effort to reach out to Philadelphians who started on a college track but never finished. They have credits. Now, it -- could be a small number of credits; it could be three or six, but could be ninety -- but never actually received a degree.

We made an offer this year. We had a donor who was willing to back the offer with scholarship monies, that if there were anyone in the City who had at least 30 credits that could be transferred to us, they had to be transferable credits, which is roughly half of a lot of our associate degrees.

COUNCILWOMAN BROWN: Okay.

DR. CURTIS: So you'd be sort of halfway along --

COUNCILWOMAN BROWN: Okay.

DR. CURTIS: -- toward an

associate degree. That we would see to it that between financial aid or, if you don't qualify, or qualify for very little, through scholarship --

(Timer bell rings.)

DR. CURTIS: -- there would be no tuition or fee cost for the remaining 30 credits.

There are some parameters. You know, have to stay in good standing.

COUNCILWOMAN BROWN: Sure.

DR. CURTIS: You can't fail anything, you have to be there every semester, et cetera.

We have a hundred people in the pipeline this year who responded to that. So we have guaranteed them -- now, most them are part-time, so we've guaranteed them the money will be there for the next couple of years as long as they stay on track until they graduate.

We will continue the program next year probably with fewer slots just because of resources.

COUNCILWOMAN BROWN: Of course.

DR. CURTIS: But we like this approach, and we think it's a way to grab hold of some Philadelphians that, with a little bit of intensive push, could get to their first academic credential.

COUNCILWOMAN BROWN: Yes, yes. I congratulate you.

DR. CURTIS: Thank you.

COUNCILWOMAN BROWN: Thank you very much.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Dr. Curtis, I think it's safe to say that probably out of all of the investments, we in City Council have made this year, yours has shown, based on your students' comments, the greatest rate of return. When I hear stories like that, I understand that this is money well spent.

And did I further understand you to say that you are planning towards zero contribution from the City of Philadelphia based on our financial crisis? Did I hear that?

DR. CURTIS: Gee, I just don't remember saying that one.

(Laughter.)

COUNCILMAN JONES: All right. A couple of quick questions 'cause the President's trying to keep things within a reasonable timeframe.

Has the recession increased enrollment, decreased enrollment? And I'd be curious to know if folk that were originally attending, or planned to attend, a four-year institution are now choosing Community because of economics.

DR. CURTIS: Well, the answer to the first part: A poor economy always drives more students to us. I know it's worse than normal right now, but if you were to look at the entire history of the college, our enrollment is basically a sign curve that is counter to the economy. So always, in poor economic times, our numbers go up.

So yes, I think I said earlier we're up this spring, we're running 4 to 6 percent ahead for this summer. We expect to be up again this fall.

And then the second part of your comment: I can own answer that anecdotally at the moment. We certainly know that we're seeing some of that. I think it's been true for a while, though. I mean, again, I know things are worse right now, but the cost of higher education has been an issue for a while.

It's -- and while we are still the best deal in town -- I say that every time I come to talk to you each year, and we are proud to say that. At the same time, we know, for a lot of our students, it's still a fair amount of money, even our tuition and fees. And that was one reason I wanted to freeze the tuition this year.

So I think that move of some students that might have started at a four-year school, going to not just ours but other community colleges as well, has been there for a while. I think that's why it's also important that we have those articulation agreements with the universities that will then allow for a seamless transition for your final two years.

COUNCILMAN JONES: That was my next question.

DR. CURTIS: Right. And you heard from Mary Anderson. In her case, because she's a terrific student, she's gotten a full scholarship to support the tuition for the final two years of her bachelor's degree.

COUNCILMAN JONES: But are all of those relations still in place like they were last year?

DR. CURTIS: Absolutely. And we keep adding them.

We have now nine dual-admission programs. Again, you heard Donelle speak to the dual admission that we have with Cabrini. We just added one with Holy Family about a week ago, and we already have them with Temple and Drexel, and many, many others.

So absolutely it's a critical part of what we do for our baccalaureate intended students.

COUNCILMAN JONES: Well, I mean, I'm just excited about what your role has been in fulfilling the Mayor's intentions of increasing our graduate population and moving onto college graduates and decreasing the amount of dropouts in that regard.

My last question would be similar to what Councilwoman Reynolds-Brown was talking about through the Stimulus Package and green jobs, that I'd like you to give some thought to and some effort to establishing relationships with places like Randolph Skills Center that, for green jobs and Stimulus jobs, are a good feeder pipeline of enthusiastic young tradespersons that want to figure out ways to advance their skill sets to be able to A, go into business; B, go into jobsites and union halls and prepare them for these apprenticeship tests that are out there that seem to baffle some of our young people and deny them admission into some of our unions.

And if you could work with Dr. Ackerman, who went on a tour of the Randolph Skills Center with us to try to cement that relationship, that would be a next step, a next evolution in your role as president of Community College.

And I support you and your staff.

(Timer bell rings.)

COUNCILMAN JONES: And whenever I call there with a constituent that's trying to get in the school or trying the figure out how to make all of the numbers add up to get a tuition payment, you have yet to fail one of my constituents, and I thank you for that.

DR. CURTIS: Well, thank you very much.

COUNCIL PRESIDENT VERNA: Thank you, Councilman.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: I'll be brief, Madam President. I know we want to move on.

But I would be remiss if I did not acknowledge the good work Of Community College as it relates to providing sometimes gap education and much-needed linkages to students.

But I wanted to put on the record for now 'cause I'll ask it during -- when the School District is here. One of the things that I found in my discussions with Dr. Curtis is that the School District's failure to (indiscernible) our dual-credit program in the mix of Dr. Ackerman coming in, a program that served how many students, Dr. Curtis?

DR. CURTIS: It was 60; it was a small program.

COUNCILWOMAN SANCHEZ: It was a small program where we were doing dual credits for high schools, but the School District of Philadelphia defunded it. Mr. Curtis assures me that we will be able to get that back up and running.

But I think as we talk about providing access to college and education and particularly this administration, whose made such a huge goal that we have to pay attention to those small details.

So I just wanted to put that on the record 'cause it's one that I will put at the School District, but I did want to thank Mr. Curtis and the entire staff at Community College.

DR. CURTIS: May I just make a brief comment on that? Just so it's clear, we do lots of dual-enrollment and dual-credit with the School District. This was a particular program; and it is, for lack of a better word, on hiatus at the moment.

We're still working with the School District, and I believe both sides have an intention to see if it can't be started again, but it is not going forward in the coming year.

COUNCILWOMAN SANCHEZ: Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

Any further questions?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you very much.

DR. CURTIS: Thank you.

COUNCIL PRESIDENT VERNA: We will now hear from SEPTA.

(Witnesses come forward.)

COUNCIL PRESIDENT VERNA: Hello.

MS. NEWKIRK: Good afternoon

Madam Chair.

COUNCIL PRESIDENT VERNA: Good afternoon.

MS. NEWKIRK: I am Jettie Newkirk here representing the SEPTA Board members and as the Philadelphia -- one of the Philadelphia representatives to the SEPTA Board.

And before Mr. Burnfield gives the testimony, I would just like to take this opportunity to -- since this is probably my last appearance before Council in this role, to say goodbye and thank you for Council's assistance, patience, ability to, and willingness to work with SEPTA Board and staff in terms of moving SEPTA along in the path that I think we all wanted it to go, where I think that it is now on that right path.

SEPTA has adopted a five-year plan that you will hear more about later. But in that plan, one of the core values is diversity, and that is something that we have been working on for a number of years.

We also are doing more in terms of what you would call "constituent services," but what SEPTA calls "customer relations," so that there is more attention being paid to the customers.

So please accept my thank-you both for this opportunity since I started as a Council representative to the Board and for your consideration. Thank you very much.

COUNCIL PRESIDENT VERNA: Well, we certainly want to thank you for your many years of experience and dedication. What is it, 16 or 17 years?

MS. NEWKIRK: 17 years.

COUNCIL PRESIDENT VERNA: God bless you. We applaud you.

(Applause.)

COUNCIL PRESIDENT VERNA: Thank you.

MS. NEWKIRK: Mr. Burnfield will give testimony.

MR. BURNFIELD: Good afternoon,

Council President Verna. My name is Richard Burnfield, Chief Financial Officer for SEPTA. Today, I am pleased to speak to City Council today concerning the Authority's Fiscal 2010 operating budget request and several SEPTA initiatives.

Today, I am joined by Frances Jones, Assistant General Manager; Jeffrey Canuple, Assistant General Manager for Engineering Maintenance and Construction; and Lily Clayette, Director of Office of Disadvantaged Enterprise Programs.

Over the last 12 months, SEPTA Act 44-dedicated funding enabled SEPTA to add bus and trolley service during peak and nonpeak hours, implement new service initiatives, and increase seating capacity on 21 bus routes serving Philadelphia.

As Miss Newkirk mentioned, the Authority is working to improve customer service by enhancing rider communications, station and vehicle cleanliness, and passenger courtesy. To reinforce this commitment, the General Manager created a new division reporting directly to him, the Customer Service and Advocacy Division.

SEPTA continues to invest in station and facilities through our Capital Program. I am delighted to report that this morning, the 63rd Street Station on the Market Street elevated line reopened for regular service.

(Applause.)

COUNCILMAN JONES: Bravo!

MR. BURNFIELD: This marks one of the final milestones in the $740 million reconstruction of the Market Street elevated, with all SEPTA work to be completed this summer.

Fleet enhancements are also a vital part of our Capital Program, with 120 new hybrid buses to be delivered this year.

President Obama's federal stimulus program has given SEPTA the opportunity to advance $119 million in shovel-ready projects. Among these initiatives are renovations to the Girard and Spring Garden stations on the Broad Street Subway, new track at the Fern Rock Yard, right-of-way fencing placements along the Airport High Speedline, improvements to the signal system for the tunnel serving five trolley routes, and improvement to stations on the Chestnut Hill West and Fox Chase rail lines.

Just last week, we introduced the new Independence Pass for individuals and families, good for unlimited one-day travel throughout the SEPTA network.

City Council's continued support of public transit through the City matching funds for the operating and capital budgets is greatly appreciated

Thank you for the opportunity to speak today, and we would be happy to answer any questions members of Council may have.

MR. McPHERSON: Councilwoman

Brown.

COUNCILWOMAN BROWN: Thank you, thank you, thank you. First let me say thank you to our board member here for being an agitator.

(Laughter.)

COUNCILWOMAN BROWN: And in a good way. You've been the conscience of that board in the years since you've been there. And on a number of different issues where, but for your presence, there may not have been the required action. So to Miss Newkirk, we're going to miss you, miss your voice, but I would ask that you continue to reminded us that you are paying attention where you believe from where you sit that we, in Council, and those at the SEPTA can do more and do better.

We thank you for your service.

MS. NEWKIRK: Thank you, Council Lady.

COUNCILWOMAN BROWN: Good afternoon.

Could you please just update us on the, I believe, exciting decision you've made regarding the art effort, why you had to move to that decision, and the good news that comes out as a result of the new policy you're implementing.

MS. JONES: It's Frances Jones, Assistant General Manager of Government Affairs.

If you're speaking to the press conference that we had recently regarding the music in the station stations?

COUNCILWOMAN BROWN: Yes, yes, yes.

MS. JONES: It's an effort to -- we don't want to stifle art in any way or in any medium, but it really was a way to control where the artists were playing and also to remember that the amplification systems really were an intrusion in the way that we make the announcements.

COUNCILWOMAN BROWN: Okay.

MS. JONES: Quite frequently,

we got complaints from customers that because of the music in the amplification systems, with some of the artists, they were unable to hear the announcements that we were making.

And so, what we've put in place basically is a program where we have specific locations where the artists can perform as well as the specific timeframe. So we are -- it's a part of where we feel that we're providing a service of transportation but we're providing art in a different medium as well.

COUNCILWOMAN BROWN: And in public places, where folks can really enjoy it.

MS. JONES: Yes. And the new policy, in my opinion, has been well received from the public.

COUNCILWOMAN BROWN: Well, I'm excited about it.

MS. JONES: Thank you.

COUNCILWOMAN BROWN: And I

commend you enormously.

I don't have to ask questions regarding MBE/WBE participation because you did follow through and provide us those numbers, which are impressive, given the enormous amount of appropriations that have come to SEPTA from both the federal and State level.

And I appreciate you actually breaking down by level of government exactly who those contractors are and the level to which they have been awarded. So we thank you for leading by example. Thank you very much.

Would you like to comment on that, sir?

MR. BURNFIELD: Thank you, Councilwoman.

We're very proud of the program that we have. We have made that a major effort. As part of our Stimulus Program, Lily Clayette has done a wonderful job of promoting that. As part of the Stimulus, we had an outreach effort very early in that program to bring together prime contractors and minority firms to try to partner up in the beginning of the process, before we even started to bid projects.

COUNCILWOMAN BROWN: Mm-hmm.

MR. BURNFIELD: So we're very proud of our program and thank you for your comments.

COUNCILWOMAN BROWN: Excellent, excellent.

One final question: Because you have done this quite effectively, do you -- and as a practice, do you have opportunities where officials at SEPTA can connect face-to-face with MBEs and WBEs in a formal way to hear about these opportunities?

MS. CLAYETTE: Good afternoon. This is Lily Clayette, Director of the DBE Program at SEPTA. And if you could just repeat that question for me again, please, Councilwoman.

COUNCILWOMAN BROWN: Sure.

This doesn't happen by accident; it happens because there's been a plan, a strategic plan, to get the word out, A; and then to help create a pipeline so that those who qualify can actually have access to opportunity.

So just briefly tell us how you're able to make it known that there are opportunities here and that this what you need to do to make yourself available to them.

MS. CLAYETTE: Okay. Similar to what we did for the Stimulus Program, one of our projects is to bring the prime contractors -- primarily those contractors that have done business with SEPTA, say, for example, over the past, say, three to five years, that we know bid on SEPTA's work. We invite them invite in, and then we also invite the DBE subcontractors to come into the network with them.

And that's something that we will be doing periodically. Specifically with the Stimulus Program --

COUNCILWOMAN BROWN: Yes.

MS. CLAYETTE: -- we did it in February. We plan to do it again in the early part of the fall, when we go into the second half of our Stimulus projects that will be going out on the street.

COUNCILWOMAN BROWN: Could you please keep Councilmembers informed as well, because we may like to come and/or inform those who are in our world that this is happening.

MS. CLAYETTE: Absolutely, absolutely.

COUNCILWOMAN BROWN: Okay.

MS. CLAYETTE: Absolutely, yes.

COUNCILWOMAN BROWN: Thank you very much.

MS. CLAYETTE: You're welcome.

COUNCILWOMAN BROWN: Excellent work.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam Chair.

I too rise to salute former board member now Jettie Newkirk to say that we are very proud of all of her accomplishments over her tenure. I mean, whether it is simple things like getting the board to go to training officially or more complicated things by, like, navigating through several strikes, or whether it's interesting things like greening and things like that that we find important as we use the system, whether it's fighting for WBEs or dealing with the difficult issue, as Councilwoman Blackwell will probably talk about, the el reconstruction, with the team that you've assembled, we appreciate all of the things you do.

And just the cherry on top of the sundae was announcing that the 63rd Street Station was open today, and I would just simply say, job well done, Soldier, and thank you for finally

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

getting some dedicated funding from the Commonwealth of Pennsylvania for our system, and say thank you for all you've done.

Having said that, you've picked a great group of folk to actually implement a lot of this stuff, so I just want to go through a couple of questions.

I would be interested in understanding where we are with LCD lighting throughout the system, and particularly that lighting that kind of -- we talked about the Amber Alert system and working in with that for better SEPTA safety. And could you speak to the issue of the signage, but also SEPTA safety.

MR. BURNFIELD: One of the stimulus programs that we are looking at as part of the Department of Transportation, it has somewhat of an add acronym. It's called TIGGER, which is Transportation Investments Greenhouse Gas Energy Reduction. The grant applications are due to the Department of Transportation May the 22nd.

We intend to submit an application to convert some of our lighting to the more energy-efficient lighting. We're looking at an application somewhere in the range of 5 to $7 million to implement such a program.

COUNCILMAN JONES: Are we tying that into GPS locators that kind of indicate what the estimated time of arrival of a particular mode of transportation might be, to be able to give a consumer the ability to know, Hey, I got seven minutes in between trains, I can go and get a cup of coffee and make it back in time to catch my train?

MR. BURNFIELD: One of the projects, Councilman, that we have in our Capital Budget that is currently underway is what we call "Smart Stations." It includes a number of initiatives in terms of life safety and improvements, and it will include communications so that at each station on the Broad Street Subway and the Market-Frankford line, we will have signs that will be able to indicate next train in seven minutes, five minutes, four minutes, so that whenever someone goes down to catch a train, they will know how long they will have to wait until the next train arrives.

And we believe that is a part of our commitment to improve customer service.

COUNCILMAN JONES: In light of that kind of work to make Smart Stations, are we also providing camera access for security purposes so that one of the big issues for safety is having that kind of surveillance camera, so that when there is an instance, someone doesn't have to run to an emergency phone; the observer, the security person, can see what's going on and automatically call for assistance.

MR. BURNFIELD: There are several hundred cameras that are being installed throughout the system and on vehicles, both buses and rail cars.

COUNCILMAN JONES: My final thing that I guess I would ask you to also do: Is there a analysis that shows by way of, as we start to talk about Stimulus and talk about work generated, there's a certain amount of work that is done in-house on trains, on locomotives, and buses that is done in-house and a certain amount of it that is shipped out.

Have we looked at cost and cost-effectiveness to try to retain as many jobs here in the City of Philadelphia as possible?

I give one example. You have these couplings that connect the actual trains that, from time to time, you ship out of Philadelphia. And I wanted to know what the cost analysis was that went into making the decision about whether to farm something out or whether to do something within the shops that you have.

MR. BURNFIELD: Specifically

for the Stimulus Program, because those funds are provided by the federal government, the Federal Transit Administration, there is a requirement that that work be contracted out to third-party contractors rather than the work being done in-house.

However, we do have a State-funded program called "Vehicle Overhaul Initiatives" that's about $53 million a year for which we do most of that work in-house in terms of overhauling buses, doing work on rail cars. So there is a significant amount of work that we have to determine that we can do more effectively and efficiently in-house.

COUNCILMAN JONES: Finally, could you describe for me whatever apprenticeship programs you have in conjunction with people like Community College and also the public or parochial school systems to provide job opportunities for Philadelphia residents?

MR. BURNFIELD: We have a number of training programs with our trade unions to --

(Timer bell rings.)

MR. BURNFIELD: -- uh --

COUNCILMAN JONES: That's for me, not you. Go ahead.

MR. BURNFIELD: To encourage those individuals to gain the skill sets that they need to be either mechanics or to work in our buildings group.

We have just recently started a training program for apprentices to work on elevators and escalators. As more and more of our stations become accessible, we have found the need to develop an apprentice program in that area.

COUNCILMAN JONES: Any with our public schools?

MR. BURNFIELD: (Consults off-record with Ms. Newkirk.) We do have an internship program this summer where we are --

COUNCILMAN JONES: And you know

next year, you ain't going to have Jettie there to tell you that, right?

(Laughter.)

COUNCILMAN JONES: Go ahead.

MR. BURNFIELD: We have an internship program this summer, where we are bringing about 27 students onboard.

COUNCILMAN JONES: Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Could you please describe for us what our limitations are as a city or what our requirements or obligations are with respect to the funding that we provide -- a percentage of total funding we provide compared to the surrounding counties?

MR. BURNFIELD: The overall formula, the State requires a match on State dollars of 15 percent. And then for each of the divisions that SEPTA operates service, there is a different formula that is used to determine local match.

COUNCILMAN GREEN: I'm sorry. With respect to the first formula, it's State law, right?

MR. BURNFIELD: It's State law, correct.

COUNCILMAN GREEN: So we have no choice. And how much under the first formula do we contribute compared to the surrounding counties?

MR. BURNFIELD: Of the overall amount, the City provides about 80 percent of the local match.

COUNCILMAN GREEN: What's the dollar figure compared to the...

MR. BURNFIELD: It's 64 million provided by the City of Philadelphia.

COUNCILMAN GREEN: Okay. Sorry. Go on to the next one.

MR. BURNFIELD: The formula is based on each of the divisions. The City

Transit Division, the majority of the local matching funds are provided by the City of Philadelphia too. The surrounding counties provide some matching funds. And then the City provides 70 percent of the local match for the Regional Rail Division.

COUNCILMAN GREEN: And how much is that dollars-wise? And do you have traffic figures for regional rail, for example?

MR. BURNFIELD: I don't have --

COUNCILMAN GREEN: County breakdown versus City, you know, where people get on and originate.

MR. BURNFIELD: We have that information; I don't have it with us today, but --

COUNCILMAN GREEN: Can you do an analysis for me of how much of the burden we're bearing compared to how much of the benefit we're getting. We may be winning, we may be losing; I don't know. And just provide that to the Chair.

MR. BURNFIELD: Yes, absolutely.

COUNCILMAN GREEN: The second formula you discussed, is that State law?

MR. BURNFIELD: No.

COUNCILMAN GREEN: Okay. So how much do we provide under that formula?

MR. BURNFIELD: Under the formula for local match?

COUNCILMAN GREEN: Yes.

MR. BURNFIELD: The City provides 64 million --

COUNCILMAN GREEN: No, I'm sorry, but you said that was required by State law.

MR. BURNFIELD: The requirement of State law is to have for every dollar that you receive from the State, the local, and they don't define how local is, but the locals much match it at a 15 percent ratio.

COUNCILMAN GREEN: Okay. So for every dollar from the State, Philadelphia and surrounding counties that participate in the SEPTA have to provide 15 cents.

MR. BURNFIELD: Right. It's an 85 percent/15 percent matching requirement.

COUNCILMAN GREEN: And we negotiate that with the surrounding counties and with SEPTA?

MR. BURNFIELD: It's been a longstanding arrangements between the City and the four counties as to how that match requirement has been allocated.

COUNCILMAN GREEN: But that's not governed by State law.

MR. BURNFIELD: No, it is not.

COUNCILMAN GREEN: Okay. Has the City approached SEPTA or the surrounding counties about the counties picking up more of the burden during this economic crisis?

MR. BURNFIELD: No, they have not.

COUNCILMAN GREEN: Okay. If

you could just provide sort of your analysis of that to the Chair both in terms of ridership, what we contribute compared to, you know, broken down by type of service, also including regional rail, I would appreciate that.

What would happen if the City cut funding for SEPTA in this environment, where you're receiving so much economic stimulus money and you appear to have run a $40 million -- you are projected to run a $40 million surplus this year.

MR. BURNFIELD: I think it would jeopardize the receipt of State funds. As part of the State law, the State requires the local match to be available in which the year they provide the State funds. So if the local match is not available, the State withholds their funds.

COUNCILMAN GREEN: And can we apply the surplus to the local match?

MR. BURNFIELD: No.

COUNCILMAN GREEN: What happens when there's a surplus that nobody's budgeted for that results in extra cash within SEPTA?

MR. BURNFIELD: The surplus issues for the Service Stabilization Funds, whenever Act 44 was passed about two years ago, the funds that were not required to balance the budget in the current fiscal year were put aside for -- in a Service Stabilization Fund.

COUNCILMAN GREEN: What is that?

MR. BURNFIELD: That is to allocate funds for future operating budgets should funding not be available and we would have to be looking at either cutting service or increasing fares.

Prior to Act 44, we went through a period of probably five or six years with great fiscal uncertainty. And in my previous position as Budget Director, probably every year, we were out with public hearings, looking at different options to balance the budget, and we don't want to have to go through that certainly in the short term.

COUNCILMAN GREEN: So Act 44 restricts what we can do with the surplus dollars also.

MR. BURNFIELD: Pardon me?

COUNCILMAN GREEN: Act 44 restricts surplus dollars.

MR. BURNFIELD: Act 44 does not specifically direct you as to how to restrict those dollars.

COUNCILMAN GREEN: Oh, I thought you just testified that they had to go into the Stabilization Fund.

MR. BURNFIELD: We have worked with PennDOT, and they have agreed to the use of funds for that purpose.

COUNCILMAN GREEN: Okay. So that's not restricted either. So, in other words, that's a negotiation also. I'm just trying to figure out the moving pieces in your --

MR. BURNFIELD: With PennDOT,

yes.

(Timer bell rings.)

COUNCILMAN GREEN: Okay. I have some more questions. I'll come back.

COUNCILWOMAN TASCO: Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

Good afternoon.

MR. BURNFIELD: Good afternoon.

COUNCILWOMAN BLACKWELL: Let me likewise wish Jettie all the best and thank her and thank Frances.

And, Mr. Burnfield, a special thank-you to you for helping us -- and good afternoon as well -- on this last big issue, on the issue of curbs and sidewalks. I'll always remember you for that.

(Laughter.)

COUNCILWOMAN BLACKWELL: Yes. We had a big issues, I'll say to my colleagues, on the curbs and sidewalks for the Market Street elevated project. And they wanted to pave one-third to one-half of a block and the curb and leave the other half old.

And thanks to Mr. Burnfield. You know what would happen after one winter; it would all look bad, you know. And he, with the voice of reason, said, If you've spent all of this money, what's a couple million more to make it right. I thank him for that.

And I think we're kind of almost there. We have those Bilco doors to deal with that. Maybe we can work together with you and L&I.

And my last issue, of course, will be one that indirectly affects you, vendors and parking meters and such.

But I do want to again say thank you. This new leadership team is all the difference, all the difference in the world. And I'm grateful for the final opportunity to be able to work together after all these years on this project, which we know started in 1999. So it's been a long time coming. And we're glad that at the end of this year that our major issues will be completed.

So thank you. And I look forward to working with you to finish these last bits of it.

MR. BURNFIELD: Thank you. We're also looking forward to the completion of the project. And we thank you for your support. We know it's been a long project, has had an impact on the community certainly, but better days are ahead.

COUNCILWOMAN BLACKWELL: Thank you.

And let me also note that you are also the first team on cleanup days to come out and actually clean and pick up trash and work with the community and really, really be involved in the community, which is what it's all about.

So again thank you.

MR. BURNFIELD: Thank you.

COUNCILWOMAN TASCO: Thank you very much.

I just have one reminder -- not even a question. I wanted to be on record that we've been working with SEPTA to get a bus service from the Lower Northeast to travel through Olney and East Oak Lane over to the Cheltenham Mall, because the people who live in Melrose Park in East Oak Lane have to go back to Broad and Olney to go back up to the Cheltenham Avenue.

So it's -- we've talked to you and sent letter, and we've been talking to Frances, and we want that to become a reality because we are working with the county. Cheltenham and Philadelphia have a planning grant from the State through State Representative Evans, and we have a business improvement district up there between the two, so we have great cooperation between the two counties.

And if you all could make that happen, it would be very helpful to the citizens over in Melrose Park. You don't want me to put Mr. Robison on you either.

(Laughter.)

COUNCILWOMAN TASCO: 'Cause I not only do I have this bus, I got the driveway. So...

MR. BURNFIELD: We have scheduled a public hearing. It's tentatively scheduled for June 10th. It's our Annual Service Plan, and that route is a part of the hearing that day.

COUNCILWOMAN TASCO: Oh, thank you very much. I appreciate it.

Now Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you very much.

I wanted to follow up on Councilman Jones' question, the Summer Internship Program. Just speak briefly about that: What it is, how many young people does it capture, how long is the program, what are the criteria for consideration to be a candidate for that program?

MR. BURNFIELD: It's for 28 summer interns. I believe it's a 10-week program, and I believe you have to have a current GPA of 2.5 and a sophomore in college.

COUNCILWOMAN BROWN: Okay, very helpful.

MR. BURNFIELD: And we had over 800 applicants.

COUNCILWOMAN BROWN: Candidates?

MR. BURNFIELD: Candidates for it.

COUNCILWOMAN BROWN: Which is another reminder of how anxious young people are to get to work.

Exciting news here. In your testimony, you state that we will be receiving 120 new hybrid buses. How much do you think that will save the City in long-term purchase of gas?

MR. BURNFIELD: Right now, we believe, based on the hybrid buses that we already have in service, that the diesel buses averaged 2.8 miles per gallon. The hybrid buses will average about 3.5 miles per gallon. So as we convert our entire fleet to hybrid, it's going to have a very significant savings in diesel fuel.

COUNCILWOMAN BROWN: And that will bring your inventory to what number?

MR. BURNFIELD: By the end of this summer, we will have 260 hybrid buses; and then, next year, another 120 buses; and the year after that, another hundred buses.

The SEPTA Board policy is for all future bus procurements to be hybrid buses.

COUNCILWOMAN BROWN: Mm-hmm. So then, you expect by 2011 to be fully hybrid vehicles?

MR. BURNFIELD: Actually, it will probably take us about 10 years.

COUNCILWOMAN BROWN: I see.

MR. BURNFIELD: We replace one-12th of our fleet every year.

COUNCILWOMAN BROWN: Okay.

Seniors, paratransit. First, let me say thank you. And that SEPTA, through Frances Jones, always makes sure that a SEPTA representative is at the senior citizen forums that I do for eight executive weeks every fall. So we appreciate that, actually having a SEPTA employee up there to speak up close and personal about paratransit.

And each year, there have been improvements, I've learned, in what you're doing around paratransit. So speak to us about what some of those improvements have been, because always, there's the ongoing challenge to help seniors get where they need to be on time and with a level of courtesy by your employees.

MR. BURNFIELD: Well, I think the most significant improvements that we're working on right now is that we are in the process of making major improvements to our Control Center, where all of the vehicles that are used in

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

paratransit have automatic vehicle locator, so that if you're in the Control Center, you will know exactly where that car, sedan, mini bus is.

COUNCILWOMAN BROWN: Mm-hmm.

MR. BURNFIELD: So that if the driver is either stuck in traffic, delayed, gets lost, that they will know exactly where they are and can communicate that to our customers so that they're not waiting around, wondering where their vehicle is, where their bus is, whether it's 5 minutes away or 25 minutes away.

COUNCILWOMAN BROWN: Mm-hmm.

MR. BURNFIELD: And that project should be done later this year.

COUNCILWOMAN BROWN: Do you do any type of customer service information-gathering; in other words, asking your customers to tell you what they believe SEPTA can do better, particularly again around paratransit and seniors so that we can hear from where they sit?

MR. BURNFIELD: As part of our new Customer Service Division that the General Manager established last year, when he became general manager, we created a new Customer Service Division.

And as part one of the priorities of the Assistant General Manager for Customer Service is that we put out a poll on our Internet site every two weeks, asking for information from our customers. We have picked different subject matters that we believe are important to our customers, asking for feedback as to how we can improve our customer service.

And taking information from that, we look at programs that we can initiate. One of the suggestions that came in last year that we have since implemented is the quiet ride car on our regional rail cars.

COUNCILWOMAN BROWN: Okay.

MR. BURNFIELD: So we believe it's been very good information that we get from our customers. They're riding the system every day, they are our eyes and ears, and we thank them for really giving us a huge response to our survey so far.

COUNCILWOMAN BROWN: Surely. The only recommendation or suggestion I would offer: For those who are not fortunate enough to have computers and cannot access the Internet, a lot of our seniors, if you could confer with the head of senior citizen centers around the City who are relying on paratransit to move their seniors in and out. I know that would be helpful just based on informal discussions I've had with them.

MR. BURNFIELD: We will certainly look at that, Councilwoman.

COUNCILWOMAN BROWN: Then lastly, with your 4 percent increase in ridership, have you thought about a Rainy Day Fund to invest those dollars back into services where riders can benefit?

(Timer bell rings.)

MR. BURNFIELD: That's exactly what we did last year. Last year, when ridership increased significantly when gasoline prices went up, we took the additional revenue, which was about $10 million, and we added that right back into the budget for service initiatives.

COUNCILWOMAN BROWN: Mm-hmm.

MR. BURNFIELD: We had 65 new service initiatives. Because of that additional ridership, we noticed that there were a number of bus routes that were experiencing overcrowding. So rather than retiring 40 buses that we had planned to retire, we kept those 40 buses so that we could add more service during the peak hours. And then also, we tried to fill in some of the gaps off-peak.

So that's exactly what we did when we saw the increase in ridership.

COUNCILWOMAN BROWN: Very well. Thank you for your testimony.

MR. BURNFIELD: Thank you.

COUNCIL PRESIDENT VERNA: Thank

you.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam President.

I don't have a lot of questions because we had an opportunity to talk during a briefing session that Mr. Massaro had, and I found that to be very informative. But there were two issues during that discussion that we had that I want to back to and see where your updates are.

And one is to remind you I represent a district that is 10 of the blue line el stops. And one of my questions and concerns at that time was the availability of purchasing tokens or token machines in all of those stops. And the reason is that in, for whatever reason, the policy decision, tokens are not sold during peak traffic times, and those are some of my poverty areas. It goes counter to what we're trying to do in terms of having people have access to public transportation.

So where are we with that?

MS. JONES: It's Frances Jones.

Councilwoman, we got that recommendation and we really are looking into it. Some of the stations are still under -- I think the last station to be done is -- I think it's Margaret Orthodox that we're working on, and we're looking at that at this point to see what we can do to accommodate to you around the tokens at the stations.

COUNCILWOMAN SANCHEZ: Thank you, Frances.

But it's not me; it's the riders, and it's a particularly poor area. So this is very important to me because I hear it all the time. So it's real important that we make tokens available 24 hours to folks on those lines.

MS. JONES: Thank you.

COUNCILWOMAN SANCHEZ: Let me

thank you. I know that the renovations of all the el stops have been very important to the neighborhood, and I thank Frances for working with us. I know we're working on the Berks Street piece right now, which I appreciate SEPTA's help.

The other that issue I brought up during that time was the issue of bus shelters and trash receptacles in large bus stops, because that adds to some of the trash problems. Where are we with looking at that?

MS. JONES: The shelters are installed by the City of Philadelphia through the Office of Transportation, and that request should be made through the Office of Transportation around the shelters as well as trash receptacles.

COUNCILWOMAN SANCHEZ: Okay. So I'll ask Rina Cutler when she comes back up, where are we with that? Okay, I'll save it for that time.

Okay. That's all of my

questions. Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Perhaps we missed it, but my office did not receive any budget detail for SEPTA. Did you send around binders like you normally do?

MS. JONES: It was my understanding that the testimony that was requested we sent over to the Budget Office, as is the normal procedure. And it was my understanding that the testimony was distributed. However, we brought over copies of the testimony.

COUNCILMAN GREEN: Not the testimony but there's no -- the budget -- your detailed budget. I mean, I guess I could go -- is it available on your website or --

MR. BURNFIELD: I actually have

a copy of the SEPTA 2010 operating budget here with me today. I can leave a copy, and I can also provide additional copies for members of Council.

COUNCILMAN GREEN: Okay. That's great.

How much State funding are we getting that requires a local match this year?

MR. BURNFIELD: For fiscal 2010, $517 million of operating assistance.

COUNCILMAN GREEN: And the 15 percent you mentioned, does that include operating and capital, or is it separate categories?

MR. BURNFIELD: The 15 percent match is just for operating assistance.

COUNCILMAN GREEN: Okay. So what is the total amount of dollars that we spend that is contributed by the counties added all up together? My recollection was, it was 80 million.

MR. BURNFIELD: It's

approximately 80 million, correct.

COUNCILMAN GREEN: Okay. But the matching requirements is only 77.55 million if it's 517. So can you tell me what all of the funds are?

MR. BURNFIELD: I don't have all of the specific numbers in front of me as to how much each of the counties provide along with the City, but I'd be happy to get that information to you.

COUNCILMAN GREEN: Okay. I mean, in other words, if the -- it sounds like we can appropriate you less money than we did last year based on the total number according to the matching formula. And we may or may not have to negotiate with the surrounding counties since we appear not to be increasing the wage taxes of their residents about whether or not, you know, how much of the savings in the local match we can take advantage of here in Philly versus surrounding counties.

But that would be a discussion

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

with those counties; is that correct?

MR. BURNFIELD: No. I would say that if the City provided less match than what was requested, that could jeopardize the State grants.

COUNCILMAN GREEN: Well, no. What is -- I'm sorry. We provide 80 percent of the match?

MR. BURNFIELD: Approximately.

COUNCILMAN GREEN: Well, I need to know exactly.

MR. BURNFIELD: I don't have that in front of me but we'd be happy to provide that.

COUNCILMAN GREEN: Okay. Well, you've requested $64 million for us, but 80 percent of 77.55 million is actually $62 million. So it sounds like you need $2 million less from us than you're asking for, and you can still comply with State law.

MR. BURNFIELD: I'd have to check exact numbers. I don't have the percentages. You know, 80 percent is my recollection in round numbers. It could be 81 or 82; I just don't know that exactly.

COUNCILMAN GREEN: Okay. Please provide that information to the Chair. I think we've found another $2 million, Madam President.

I have lots of questions about fiber optics and other things in the subways. I'm going to go offline with those so that -- and just set up a meeting with you after the budget process so we don't take time today.

Thank you.

(Timer bell rings.)

COUNCIL PRESIDENT VERNA: Thank you.

Councilwoman Blackwell, your light's on; did you want to be recognized?

COUNCILWOMAN BLACKWELL: (Shakes head.)

COUNCIL PRESIDENT VERNA: Thank you.

Councilman Green, are you finished?

COUNCILMAN GREEN: Yes, Madam Chair.

COUNCIL PRESIDENT VERNA: Thank you.

Are there any questions from members of the committee?

(No questions.)

COUNCIL PRESIDENT VERNA: Seeing none, I thank you. Thank you very much.

(Witnesses come forward.)

COUNCIL PRESIDENT VERNA: Good afternoon. Kindly identify yourself for the record.

MS. MEADE: Good afternoon, Madam President and members of Council. My name is Charlesretta Meade. I'm Chairwoman of the Board of Revision of Taxes.

With me today are Harvey Levin, our Vice Chairman of the Board; and Enrico Foglia, our Executive Director.

Also we have Board Member James Dintino present and our also esteemed judge, Alan Silberstein are present today.

In addition, I was asked to mention that Board Member Robert Nix III regrets that he's not able to appear; he is serving as the alternate to the Board of View today, which is also the responsibility of the Board of Revision of Taxes. And also the regrets of Justice Russell Nigro, who is in Pittsburgh, attending the funeral of former Justice Caffey.

COUNCIL PRESIDENT VERNA: Caffey.

MS. MEADE: So thank you for having us here today. We know that we kept enter you for a long period during the briefing, and that briefing was on the Actual Value Initiative.

We submitted the tentative numbers to Council and to the Administration last week, and we also presented a briefing. That information is an update to the budget because that was -- came after we submitted the budget.

So we'd just like to say that the budget is our basic budget. We were requested to submit it, including reductions.

The reductions -- the decrease is total 9.24 percent from the current year.

The Class 100 employee compensation: 125 full-time positions for FY '10. That is a reduction from our current status of employees, which is 137, and from our allowance of 145 employees. That is going to hurt us quite a bit.

The total of the General Fund request of the budget this year is $7,816,024. The BRT anticipates additional funding from the Philadelphia School District for the 80 Real Property Assistants in the amount of $4,522,683.

The BRT are carrying on our

legislatively-mandated function, which is to uniformly value properties at actual value across the City, to hear property appeals, and to administer the various legislative action and ordinances.

We've given you a synopsis of our Citizen Service Center. The Citizen Service Center is our fully-staffed customer service center, with the purpose to provide efficient, quality, professional services and assistance to consumers. The services are provided by use of the BRT Call Center, an interactive voice response system, our BRT website, and there's also walk-in assistance. We've provided you within the budget the total of the numbers in terms of activity to our citizens during the 2008 year.

Our Information Technology Division operations. We gave a brief update when we were here in March for the Transfer Ordinance, and Allan Frank, the head of the Department of Technology, was here as well, to assist in explaining what is being done.

Basically, we called the Department of Technology, with the new head, Allan Frank, to request his assistance in October, because we just were having problems, and it was multiple problems, getting the system fully up and operational. He suggested a multi-phase approach that so that we would be able to both generate the actual-value numbers and then continue to install the system to provide us with the full operational -- business operational services that we need.

The projection is that by September, we should be at that state in operational readiness and full business activity with the assistance of the Department of Technology.

We've -- the Actual Value Initiative I spoke about earlier, and we did the briefing on that last week. So the information that's contained here has been updated because we've actually delivered the tentative numbers.

We're still working on the next phase of the project, which is to have actually the human eyes, which is the professional evaluators, review each property, both sitting in-house and, for those properties that need the attention, going out to do physical inspections and making sure that the values that were placed by the computer are correct.

Also, the 30,000 values for the commercial properties were values that were done by the Commercial Unit. They will be further reviewed for accuracy.

We've included the statistical information Council often asks for on the abatement and exemption program. And so, I won't read the numbers, but this is for the certified tax year 2009.

And, in summary, we'd like to say that the Board of Revision of Taxes plans to continue its efforts to improve levels of performance in all areas. Our ultimate goal remains: The establishment of fair and equitable property assessment. We remain committed to achieving excellence in the provision of customer service to the City.

While we acknowledge and we understand the City's economic issues, we are concerned that the reduction to BRT staff reflected in the FY 2010 budget may reduce our ability to complete ongoing critical projects and reduce our ability to provide quality service to citizens.

We know that we, like the rest of the City, will have to sustain some serious cuts to our budget. And what we're asking is that the Administration and Council work with us to allow us to at least keep the basic staff that we've had, many evaluators who have come in recently that we've trained, and we hired them because they have specific acumen in the areas of statistical analysis and modeling.

Thank you for your

consideration. And we're here to entertain any questions.

COUNCIL PRESIDENT VERNA: Thank you very much.

Miss Meade, you have a reduction of 13 employees from your adopted budget?

MS. MEADE: Excuse me one minute.

COUNCIL PRESIDENT VERNA: Is it 13?

MS. MEADE: Excuse me one moment. I want to verify it.

Yes, it is 13.

COUNCIL PRESIDENT VERNA: Very well. Thank you.

The Chair recognizes --

(Witness comes forward.)

MS. MEADE: Excuse us for one moment. This is Veronica Daniel, our Administrative Services Director.

COUNCIL PRESIDENT VERNA: Miss Daniel, welcome.

MS. DANIEL: Hi. Madam Chair,

it's actually on our current budget. The positions budgeted was actual 145, but we never really reached that number in the hire. So the dollar-amount attributed to the --

COUNCIL PRESIDENT VERNA: The detailed budget only showed 138.

MS. DANIEL: For Fiscal Year '09?

COUNCIL PRESIDENT VERNA: Yes.

MS. MEADE: Those are the numbers that were actually employed --

MS. DANIEL: Right.

MS. MEADE: -- during Fiscal '09.

MS. DANIEL: Our actual hire got up to 139 in Fiscal Year '09, but prior to my arrival, the Chair had come to Council and asked for additional positions, and we eventually got a budget of 145 positions.

COUNCIL PRESIDENT VERNA: That doesn't show in the detail budget.

MS. MEADE: Maybe I could

expand. In 2007, we were cut, I believe, it was by seven positions. And during the change in the administration -- we had requested from the previous administration to have that funding put back into the budget, which would bring the number of employees back to 145 employees.

We were given the allowance to do that, but that didn't occur until the transfer ordinance of March of 2008. And then we began the hiring process for those employees.

Testing was done, we hired a number of those employees. But then once the freeze came on toward the end of last year, we had to stop any further hiring.

COUNCIL PRESIDENT VERNA: Well, I think you were allowed to train employees, and that's how you got to the 145.

MS. MEADE: Mm-hmm.

COUNCIL PRESIDENT VERNA: I believe that many of your -- several of your employees were leaving, and you were able to take several employees on so that they could be trained properly; is that correct?

MS. MEADE: I'm not sure.

COUNCIL PRESIDENT VERNA: And I think that's how you got to the figure of 145.

MS. MEADE: Of 145, and overlapping is what you're referring to.

COUNCIL PRESIDENT VERNA: Yes, absolutely.

MS. MEADE: Yes, an overlapping (indiscernible).

MS. DANIEL: The 145 was actually what was on our budget for the appropriations for FY '09.

COUNCILMAN GREEN: Point of information.

COUNCIL PRESIDENT VERNA: Yes, Councilman Green.

COUNCILMAN GREEN: I'm looking at Page -- I'm sorry -- 5 or 6 of the budget detail. I'm sorry, Page 8 of the budget detail. And it shows FY '09 budgeted positions of 145. The increment run is 138.

How many people -- I'm sorry. So just how many employees are there right now, at BRT?

MS. DANIEL: At this very moment, there are 135 positions because we just had some recent retirees and a couple of DROPs.

COUNCILMAN GREEN: How many people are expected to retire between now and FY '10 and in FY '10?

MS. DANIEL: We have two other employees scheduled to DROP prior to the end of FY '10. During FY '10, we have two people scheduled to DROP.

COUNCILMAN GREEN: And what about other retirements?

MS. DANIEL: We don't know. Well, we do have one; we have one person who has mentioned that they would leave in the next month -- I think it was the next month. And then two people who are on the DROP Program.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

In the Sunday Inquirer, it was reported that approximately 7500 commercial properties would realize a 37 percent decrease in overall tax bills, equaling about $74 million.

In that same article, it said that a single-family homeowner would, on average, receive about overall a 40 percent increase of a total of about $85 million.

Can you explain why this is, that commercial properties are going to go down and residential homeowners' properties are getting to go up?

MS. MEADE: Okay. Councilman Jones, I would like Barry Mescolotto, who is our Acting Director of Assessments to address that question.

MR. MESCOLOTTO: The reason for the change is -- the difference is because the commercial properties are generally assessed higher than the citywide average. They are closer to their actual values to begin with, so if you are closer to your actual value, you will probably get a reduction when this program is finished.

COUNCILMAN JONES: From what I understand, you used one or two methods to determine for commercial properties a market rate based on sales prices or what the property generates by way of revenue, and you could use either one of them to determine the value of a commercial property.

What is the determining factor for you to take one set of methodology versus the other?

MR. MESCOLOTTO: The biggest reason for that is that --

COUNCILMAN JONES: Speak into

the mic, please.

MR. MESCOLOTTO: There's actually three approaches to value:

The cost approach, which we don't use, except on -- usually on special-purpose properties;

And the income approach, which you mentioned, which is an approach that uses the income of the property and minus expenses to get to net income, which is capitalized into a value;

And also, the sales comparison approach, which you're most familiar with because we use it mostly all on residentials, but it is used on some commercial properties when the income information is not available.

Property owners are under no compunction [sic] in this state or county to give up this information voluntarily. We do get some of it based on appraisals that are followed with the board during the appeal process. We gather other income information and expense information from commercial services, such as the CoSTAR Services and IREM, and we also get information from the marketplace when we can get it.

COUNCILMAN JONES: So let me get this right. The same property can be valued three different methods.

MR. MESCOLOTTO: Correct.

COUNCILMAN JONES: And so, there's no standard way you approach it. So how do you make a determination: Which one, for which customer, for what purpose?

MR. MESCOLOTTO: Generally for residential properties, it's the sales comparison approach, because it is the one approach that yields the most reliable measure of value. And we look at what properties have sold for after we make a determination and we can see the sales comparison approach when we compare a property to other properties that have sold that are similar to it.

For residential properties and

some commercials and industrials, that does generally yield us the best indication of value for those properties.

However, when people are buying commercial properties that generate income, they're buying an investment and they're buying a -- something that is going to yield a profit for them, so that they need to be valued, using the income approach. Things like office buildings, hotels, large investment properties.

You will -- you can do all three approaches, and that is the standard for appraisal, but you will find that the one that gives you the best results in those kinds of properties are generally the income approach, because that is what the marketplace uses to value these properties, not just people that are mass-appraising them like we are.

COUNCILMAN JONES: Is this a national standard industry-wide? I mean, are these same three options all across the country, what other cities do?

MR. MESCOLOTTO: Yes. They're the standard appraisal approaches that are used by all appraisers, certified appraisers, state certified appraisers, in all states of this country.

COUNCILMAN JONES: Are appraisers in your office currently allowed to serve as independent appraisers?

MR. MESCOLOTTO: There are some of our staff that are -- they are certified appraisers, state-certified appraisers. And if you're asking, do they practice appraising outside of their job? there are some people that do.

(Timer bell rings.)

MR. MESCOLOTTO: They are state-licensed.

MS. MEADE: The answer to the question is yes.

COUNCILMAN JONES: So that couldn't possibly be a conflict of interest?

MR. MESCOLOTTO: It's possible that it could be.

COUNCILMAN JONES: I'll hold my round of questions.

Thank you, Madam President.

MS. MEADE: Can I further add that there are some safeguards? And that is that we require employees to complete an outside employment form. And on that outside employment form, we request that they include the information of all of the licensing that they possess in the real estate area. Also to state where the -- what offices that hold their licenses from which they work and their home addresses.

That is to be matched to assure that the assessors are not working for the Board of Revision of Taxes in any area in which they actually hold a license and are practicing.

The other issue is that we request that they list the hours that they're working in this outside employment so that it's clear that that does not conflict with your normal work schedule at the board.

COUNCILMAN JONES: Madam President, I'll hold the rest of my questions for the next round 'cause I know --

COUNCIL PRESIDENT VERNA: Thank you. There are quite a number of Councilmembers that want to be recognized. And at this time the Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you, Madam President.

Good afternoon.

All of us for sure have been waiting with baited breath for your report. And you live and breathe this issue every day. Everybody has an opinion.

What grade would you give your agency, given where you are and where we all know we want to move to?

MR. MESCOLOTTO: At this time,

I'd have to answer that I think we're about a B+ right now, because we haven't finished all of the work that we intend to do.

There are several -- like the Chairman was mentioning earlier, the phased approach that the Department of Technology and the BRT have agreed upon means that there are parts of the new system that are going to come online several months apart, things like this Apex Drawing Package that we have, which we'll be able to have a sketch, a very good digital sketch, of every house, every building in the City. Things like that enable us to do other -- to fine-tune values with capabilities that we did not have in the past but nor online yet.

As far as other -- there's other tools that are also coming online, some --

COUNCILWOMAN BROWN: Let me just ask you to pause right there. So you're suggesting that because of technology and the tools that technology brings, that is enabling the department to operate in a different way?

MR. MESCOLOTTO: Yeah. I think we will maybe get to that A at some point, the rating that we're looking for.

A lot of what is going on at our agency is not just producing the actual values, which we released this week. It's about changing workflows, it's about making our staff more productive and more efficient.

COUNCILWOMAN BROWN: Mm-hmm.

MR. MESCOLOTTO: And it's about adopting new technologies such as pen table computers that can be used in the field so we operate completely paperlessly and are able to easily gather things and bring them back for valuation purposes in a way that we were not very efficient at in the past.

COUNCILWOMAN BROWN: And so my only last follow-up question would be:

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

Because of the lack technology, we ended up with the severe discrepancy and inequity in the process?

MR. MESCOLOTTO: I would say that that is partially a major part of the reason why we ended up where we were because the legacy system, we could not react fast enough to cover the market. The market moves at all different speeds all over the City, so that when we had a wild runup in the value in the last several years, our systems were not -- we were not able to adequately follow that and reflect it in the values of the properties.

Our new system has the capability of us revaluing the City in a matter of hours once we finish the work to validate all of the characteristics about the properties and to -- and calibration of our models.

So we didn't have that capability in the past. It would take weeks and weeks to do that. And there would be times where we would have to have people in on the weekends in order to accomplish it.

This becomes a very easy task for us to do now.

MS. MEADE: And Councilperson, what that allows us to do it, allows us to use the professional staff in their professional capacity. The use of the CAMA system and numbers generated by the computer are a tool. It allows us to quickly value projects, as Mr. Mescolotto said, across the City, and then allows the evaluator that's assigned to review those values and to then go out to pay particular attention to those values that seem askew, to make the necessary changes to files because of changes that have occurred due to the market, and then to provide that professional acumen that's needed with the professional assessments.

The problem we had was the mandate to try to do the entire City. And it was just very difficult to keep up.

One of the reasons that two years ago, when we came before you, we talked about the need of going forward with the actual-value project, which was at that time under Mr. Glancy, the Full Value Project. One of the reasons was that the constitution mandates uniformity throughout the City. And there should be equity and fairness in all assessments.

We finally had determined and had to recognize that the best way to achieve that was to do actual value, the uniformity issue. That by doing the fractional assessment system and trying to cap those assessments, we were literally defeating the purpose. And so, you had people within the City who could not read or understand --

(Timer bell rings.)

MS. MEADE: -- their values, even if they wanted to contest a bill. So they weren't able to do that.

Now the goal with actual value

is that you can, because what you look to is to look at your valuation notice, and you can then determine fairly easily, is that what properties are selling for in the area?

And it may be not be a professional look, but you wouldn't have to pay. You could look that information up, it would be available on our website. You could look in the papers, you could go to neighbor brokers, and you would have an opportunity then to have an appreciation of whether your property is valued appropriately, not only compared just to your neighbors, but you would know that you proportionately are valued in such a way that proportionately, you will pay your share, not more and not less, of taxes.

It also puts us in step with the law so that we do not have to cringe when we reach this point with (indiscernible) and with, is the City in compliance? because we would know that the City is in compliance. And when it's not, we can be cited exactly where the problems are and address those problems.

It also allows us to know whether one specific area -- as you're aware, different areas of the City sort of take off during a boon. So one area may expand greatly and the market may rise greatly, and other areas may stay relatively stable.

This type of system allows us to use the technology. And when we know one area is expanding greatly, if there needs to be additional evaluation staff in that area to address the changes so that we can keep up and allow that to be done.

COUNCILWOMAN BROWN: Well, I have a number of follow-ups, but the bell has rung.

COUNCIL PRESIDENT VERNA: Yes.

COUNCILWOMAN BROWN: So I'll see you in the next round.

COUNCIL PRESIDENT VERNA: Thank

you.

The Chair recognizes Councilman green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Going back to the President's first question, could you just provide us a chart that walks us through the number of employees that you've had all year. This is -- you were appropriated for 145 employees, you got a transfer ordinance for more. You appear to be spending in this year more than was appropriated, even though you were appropriated for 145 and you have 135 employees right now.

MS. MEADE: Mm-hmm.

COUNCILMAN GREEN: So I just need to understand the discrepancy between, you know, the appropriation. And unless you've given people bonuses or raises --

MS. MEADE: No, no.

COUNCILMAN GREEN: -- this year, the estimated obligations appear to be overstated.

MS. MEADE: Right. We'll provide that because -- we can provide the chart. You're requesting it to be in a chart form, correct?

COUNCILMAN GREEN: If you have the answer, that would be great.

MS. MEADE: Oh, yeah, okay. We have the answer here.

MS. DANIEL: I'm Veronica Daniel. Again, I'm the ASC.

Councilman Green, the original appropriations of the 145 were those additional positions that Council gave to the Chairman back at the beginning of '07, I think it was. At some point during Fiscal Year '09, there was a freeze in the hiring, where we had to do a --

COUNCILMAN GREEN: No, no. I understand the question. Let me restate it.

MS. DANIEL: Okay.

COUNCILMAN GREEN: The question

is: You appropriated 145 employees with a total appropriation of 8-million-128. Your estimated obligations, as of the January increment run, is 8,251,000, which is 120,000 more than was appropriated to you, yet you have ten fewer employees.

MS. DANIEL: Right. And they --

COUNCILMAN GREEN: Please explain that discrepancy.

MS. DANIEL: The 123,00 is the bonuses that the union members got in the beginning of the fiscal year.

COUNCILMAN GREEN: Okay. So that's 123.

MS. DANIEL: That's 123.

COUNCILMAN GREEN: Still, you have ten fewer employees than you appropriated for, and you're spending the same amount that was originally appropriated to you.

MS. DANIEL: Right.

COUNCILMAN GREEN: How are you

doing that?

MS. DANIEL: Well, we're not going to spend the same amount.

COUNCILMAN GREEN: So how much are you going to spend? In other words, every dollar that you tell us is not actually going to be spent --

MS. DANIEL: Right.

COUNCILMAN GREEN: -- in estimated obligations increases the fund balance, which is less taxes we have to raise from our citizens.

MS. DANIEL: Right.

COUNCILMAN GREEN: So we need an accurate estimated obligations for Fiscal 2009, not just what was appropriated to you, because you're not going to spend that amount.

MS. DANIEL: And that number we can get back to you.

COUNCILMAN GREEN: Okay.

MS. DANIEL: And it will be based on the 130-something.

COUNCILMAN GREEN: Thank you.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

We just found another half a million, Madam President.

Okay. So perhaps Mr. Mescolotto could describe what the process was before you had the devices that are going to go out and take paper out of your process compared to what they are going to be once you have those devices operational.

MR. MESCOLOTTO: Sure. It's --

COUNCILMAN GREEN: So, like walk me through a typical day with paper and without paper of everybody involved in the process.

MR. MESCOLOTTO: A typical day in one of our evaluators' lives, which is someone that visits the field, gathers information, would be all on paper. Observing characteristics of the property, observing condition, measuring sizes of buildings, observing whether it has central air-conditioning, and all the attributes and amenities that they can observe from the outside of a house or any kind of a building, for that matter.

It would all be written on paper, it would be sketched on paper if they could do that, and then brought back to the office and then would have to be transferred to forms that would go to our IT Department and would be entered.

COUNCILMAN GREEN: Sorry. So what do you mean -- when you say "transferred to forms," you mean they don't take the forms with them in the field?

MR. MESCOLOTTO: Some people do, others don't. Others feel more comfortable one way or the other. They can work faster. It's kind of like an individual --

COUNCILMAN GREEN: So they're writing --

MR. MESCOLOTTO: And there's people in the office that there to fill these forms out.

COUNCILMAN GREEN: Okay. So an assessor doesn't fill out the form, an evaluator doesn't fill out the form; someone back in the office fills out the form based on the notes from the assessor.

MR. MESCOLOTTO: That's possible. It's not the case in every case.

COUNCILMAN GREEN: Okay. So what we have is somebody writing stuff down on paper in the field, bringing it back to the office, somebody writing it down again on paper back at the office, a different piece of paper.

MR. MESCOLOTTO: Correct.

COUNCILMAN GREEN: Then, after it's on that piece of paper, you have data-entry people who are putting that information into a computer.

MR. MESCOLOTTO: You are correct.

COUNCILMAN GREEN: So you are eliminating three steps.

MR. MESCOLOTTO: Yes, we are.

COUNCILMAN GREEN: So you're

going from three steps to one step.

MR. MESCOLOTTO: That's correct.

COUNCILMAN GREEN: So how come you are only losing eleven people?

(Timer bell rings.)

MR. MESCOLOTTO: How come what? I didn't get that.

COUNCILMAN GREEN: It seems like that there are more efficiencies than eleven people available once you eliminate -- once you go from three steps to one step in your process.

MR. MESCOLOTTO: You still need the evaluator, the trained evaluator, to do all those things. It's not like the three steps along the way are three separate people. We have one person that enters for the entire department.

COUNCILMAN GREEN: But you just said it was different people.

MR. MESCOLOTTO: Right. There are different people, but at the end of the day, at the of the line when we get

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

to IT Department, there's one person that does all this entry work for entire department 'cause we have not been able to hire any backup, you know, in any recent memory.

So that's really one job there who can -- we cannot eliminate that job because there are still things that are --

(Indiscernible; parties talking over each other.)

COUNCILMAN GREEN: There's inefficiencies in the first two steps as well.

MS. MEADE: But also, Councilman Green, the person that did, I think it's, the second step was the real property assistant. Those are what we formally call "School Board clerks," and those School Board clerks are the people who gathered the information from the evaluators in many instances --

(Timer bell rings.)

MS. MEADE: -- and then put it

into the format so that it could be sent on to IT. So that's the steps.

So this allows the evaluator to do the job of evaluation. And then it further improves it and improves the quality in terms of the accuracy of the work, with the evaluator entering the information directly if we're able to reach the stage of using handheld devices, because that means if there's a mistake, it's the first mistake, as opposed to being several levels of mistakes.

COUNCILMAN GREEN: Right, but we've gone from three steps to one step, and you're saying there's no efficiencies in terms of personnel as a result of that change.

MR. MESCOLOTTO: I also didn't quite finish saying that there are also new skills that we're giving them to do that they did not do in the past such as the apex drawing and other data that we're gathering along the way. So we're replacing some of those things with new, more modern parts to this.

Now, if you're asking me how many people we can eliminate based on this one scenario that you're giving me, I don't have an answer to that question.

COUNCILMAN GREEN: Why not?

MR. MESCOLOTTO: 'Cause I don't. I mean, this is something that I think as we -- if you look at what's happening here, we're also, you know, have 125 positions we're talking about now. That is down from what we had when we are at 145. So, you know, there is some loss of personnel there, a significant loss to us.

But we still need a certain amount of bodies to do this job according to the national standards groups that we abide by.

MS. MEADE: And also, Councilman Green --

COUNCILMAN GREEN: Well, I want to take exception to that because every surrounding county doesn't have clerks; they have only assessors and evaluators. So, I mean, you know, they're abiding by national standards.

MR. MESCOLOTTO: I'm referring to the Civil Service personnel and the people that are on the City's budget.

COUNCILMAN GREEN: Okay. My time has ended, but I will have more questions, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Sanchez.

COUNCILWOMAN SANCHEZ: Along those lines, how many of your employees are Civil Service and how many are exempt?

MS. MEADE: Exempt employees?

COUNCILWOMAN SANCHEZ: Non-Civil Service.

MS. MEADE: Non-Civil Service employees.

MR. MESCOLOTTO: One.

MS. MEADE: Oh, one. Enrico Foglia is exempt. We have 10 board members, and then of the other 138 that are there now, they're Civil Service employees.

COUNCILWOMAN SANCHEZ: The 138 are Civil Service?

MS. MEADE: No, no, no. I'm sorry. We started with the 138.

COUNCILWOMAN SANCHEZ: The ones on the School District payroll are not Civil Service --

MS. MEADE: No, they're not Civil Service.

COUNCILWOMAN SANCHEZ: So out of your 138 positions, how many are Civil Service?

MS. MEADE: All but one. 138.

MR. MESCOLOTTO: 138.

MS. MEADE: It's 138. But you asked how many are exempt, and there's one exempt employee.

COUNCILWOMAN SANCHEZ: Right, but of the ones at the School District, are they Civil Service --

MS. MEADE: No.

COUNCILWOMAN SANCHEZ: -- or are they a part of the union? So how many of those --

MS. MEADE: There are 80 School Board employees.

COUNCIL PRESIDENT VERNA: Your testimony says there are 80.

MS. MEADE: There are 80 employees paid by the School Board.

COUNCILWOMAN SANCHEZ: Out of the 138.

MS. MEADE: No, no, no. That's separate.

COUNCILWOMAN SANCHEZ: In addition to?

MS. MEADE: Yes, that's in addition, that's in addition.

COUNCILWOMAN SANCHEZ: Okay. So can you provide to the Chair a breakdown of your employees so that we're clear between what is Civil Service, which we are required to do, versus exempt and non-bargaining represented employees. If you could submit that, that would be great.

MS. MEADE: Yes, we can do that.

COUNCILWOMAN SANCHEZ: One of the things, before we get to Full Value Project, is, you recently moved your offices to the Curtis Center. Why was that decision, and how much money did we save on that move?

MS. MEADE: That decision was 2007. I don't know how much money was saved on that move, but we moved at the time because the -- what is it, the Girard Trust? The owners of the building where we were located had given us a notice to move and had given everyone in the building notice to move. And they were planning to -- they had a three-year plan for the building.

And then I think Mr. Levin worked on the committee with the move; he could further explain.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MR. LEVIN: Councilwoman, that was not our decision. The decision was made by the Department of Public Property that actually pays the rent.

COUNCILWOMAN SANCHEZ: We still pay your rent, the City. It's not reflected in your budget, 'cause I was looking for that, I was looking for your rental expenses, and it's not here.

MR. LEVIN: That's paid by the Department of Public Property.

COUNCILWOMAN SANCHEZ: Do you know the amount?

MR. LEVIN: When we moved, we moved along with the IG and the Commission on Human Relations and the Fair Housing Commission. It was a total of about 78,000 square feet. That's -- that space was found, and the leases were negotiated primarily by Commissioner Slaughterbeck.

COUNCILWOMAN SANCHEZ: So because that cost is not reflected on here and it's in the Public Property budget, do you know what the cost is of the rent that we're picking up for you through Public Property that's not reflected on your budget?

MR. LEVIN: We do not. We don't even know how that allocation of the 78,000 square feet is made amongst the four agencies.

COUNCILWOMAN SANCHEZ: Okay.

COUNCILMAN GREEN: Point of information.

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

COUNCILMAN GREEN: Thank you, Madam Chair.

Just for my colleague and for the Members of the Board of the BRT and Executive Director who are here, you saved hundreds of thousands of dollars in storage cost as a consequence of OCRing lots of records that used to be stored in office space that is now electronic, as part of the move. One more example of going paperless.

MR. MESCOLOTTO: That is very true.

MS. MEADE: And as part of that, Mr. Mescolotto can also explain, we imaged the records, and the long-range goal is to try to image all documents for the BRT.

MR. MESCOLOTTO: Yes. We've started up a unit that is going to be charged with scanning documents for the entire department. We're organizing that, we have the people in place. We're organizing the equipment and a few other things right now.

Indexing of all of the records will be against the account number of the property and the address, so that all of those records -- paper records can go away, and anytime that you're looking for anything about an account, anything that's occurred, be it a memo, be it a -- we started with all of the old property record cards, which took up over 500 filing cabinet space -- space for 500 filing cabinets, and that was eliminated, a very true statement, when we moved to this new location.

Hopefully, we get down, and as far as I'm concerned, down to where we have no filing cabinets going forward, because we can -- the City's made quite a big investment on the central imaging warehouse, and we intend to be active users of that investment.

COUNCILWOMAN SANCHEZ: Okay. Let me get in one more question before the bell rings.

Much talk has been done to those employees at the School District, that we have in the School District. If we were to eliminate for accounting purposes and correct that, what fee would you be charging for the School District for the services rendered that you feel that the School District should be paying?

MS. MEADE: We'd need to do a

study within our department to actually do those calculations, the man-hour calculations that are involved.

COUNCILWOMAN SANCHEZ: And you think you can get that to us before the School District comes before us?

MS. MEADE: When is that?

COUNCILWOMAN SANCHEZ: They come in may, the end of May.

MS. MEADE: The end of May?

COUNCILWOMAN SANCHEZ: Mm-hmm, next week.

MS. MEADE: We will do our best efforts, yes.

MR. MESCOLOTTO: Yes.

COUNCILWOMAN SANCHEZ: Okay, all right. If you would submit that to the Chair, that would be helpful.

Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank

you, Madam President.

Good afternoon. When are you planning to certify these new assessments per the information we received from you last week?

MS. MEADE: We are waiting for the validation process to be completed by the evaluators. Once that validation process has been completed, then we want an opportunity for the consultants who worked with us on the project to look at those numbers. Then we will know how soon we can certify.

COUNCILWOMAN BLACKWELL: And I raise those issues because we are very upset with regard to figures that we see listed on the north side of Market and in communities like Mantua, communities like Belmont and Parkside, these are the areas that have been some of the poorest in the City. And Lex Street, before PHA rebuilt, we had the Lex Street massacres, some of the worst crime in the City. And we have focused so much time and energy to try to rebuild a failing neighborhood. And thank God we've been trying to do that and have been successful on some levels.

But to have them almost double? These are people who are fourth- and fifth-generation friends and neighbors who are unemployed, people who receive assistance, fourth- and fifth-generation. And we worked hard to bring this community around, but it appears that after they withstood all of the university expansion, they've managed to stay together, they've withstood all of the university expansion. Now because you can stand in Mantua and look over and see the Art Museum, or you live near the Zoo, it appears that they're being reassessed almost double.

And that's a real, real, real problem for us. It's going to be a community issue unless we can find some way to reconsider this.

And mantua and on the north

side, everybody hears about the black bottom, all of these areas, that's where you want to double it, and it's just not fair. People can't afford it.

And it looks like, you know, the old word "gentrification" that they've withstood all of these years. Now we reassess and they run the risk of being gentrified.

And I can't sit by and let that happen on my watch, not without doing everything we can to speak out against it, to complain against it, to tell people what their public recourse is, and to let you know that it's just not fair.

You're going to put people out of the neighborhood we fought so hard to change, to redo. We almost have a thousand PHA homes there, we have Lucien E. Blackwell homes there, we have houses where people died. Now you see seniors coming out of them. We fought so hard to lose the very people that we fought hard to house.

And so, I certainly would hope that you will consider that and that you will let us know what our recourse is, and that you understand this is something that's just not fair.

MS. MEADE: And, Councilwoman Blackwell, we understand that as a board. We're very not only sympathetic to it all, but we also understand it's very important for us to do or job. And that job is to assess the property accurately to make sure that we've established uniformity and equity in that assessment process.

We recognize that a once we do that, then Council is able rely upon those values to set the tax rate, and we're out of it at that point because that tax rate is what then generates the tax revenue and determines how much each person pays.

So from our perspective, that doubling does not have to occur. It depends upon where Council sets the rates. That's why we understand it's very important for us to have the accuracy of assessment.

COUNCILWOMAN BLACKWELL: We had this discussion, Madam President, I don't know, maybe a year ago. We talked about homesteading, we talked about six or seven ways that people can be exempted. There's no talk about any of that now. There's no talk outside of the 19 percent this year, 14 or 14-and-a-half percent the Year 11, along with this revaluation, there's no talk about those things.

All I hear is that they want to double the taxes of the people who live on the north side of Market in my area, people who live in Mantua, and other neighborhoods like that. That's what we hear about.

There's no big move afoot for any of the other. And it's just that people cannot afford it. It's not right, it's not fair, and I will not take that responsibility upon myself that I got to make it all right.

It is certainly a problem for all of us. I'm not the only one who has these neighborhoods; we all do. But I'm telling you that it's not fair and that it's not something that we can sit idly by and let happen.

MS. MEADE: And, Councilwoman, as I said, that's why the Board recognizes the importance of having accuracy of assessment in this process and setting those values at actual value --

(Timer bell rings.)

MS. MEADE: -- so that a determination can be made of what the fair rate should be so that it can generate the revenue that the City needs. But we recognize that that's not our issue.

But in addition to doing the accuracy -- accurate setting of the market values, what we are also waiting for is, we know about the homestead legislation that was passed through Council, the ordinance that passed Council last year. And in that, there's a mandate that that would be another program that would be managed and administered by the Board of Revision of Taxes.

So we're awaiting for -- there's no dollar figure in that, and we recognize that there's a need for enabling legislation, but we're waiting for that information so that we can also put that as part of our to-do list in terms of preparing the proper paperwork so that we can administer that program appropriately.

And any other programs and buffers that Council puts in place, if they choose to have the Board of Revision of Taxes administer it on the valuation side, we're waiting for that information as well so we can include that as part of the things that we do in managing the valuation and market values and assessment values in the City of Philadelphia.

COUNCILWOMAN BLACKWELL: Madam President, we're at the beginning of this discussion only, and that nothing happens without full and open disclosure across the board.

Thank you.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Clarke.

COUNCILMAN CLARKE: Thank you, Madam President.

Good evening.

MS. MEADE: Good evening.

COUNCILMAN CLARKE: Real quick I'm going to try to get two questions in. Probably won't make it.

Page 3, could you walk me through this Abatement and Exemptions. I just want to make sure that I'm reading this correctly.

On the bottom, where it says

"the statutorily exempted properties," and you have a $12 billion decrease of $62 billion from Tax Year -- I'm sorry, of 62 million from tax year '07. Is that the cumulative amount?

MR. MESCOLOTTO: Yes. Those two figures are -- the statutorily-exempt properties are churches, charities, schools, things like that. We're separating them from the abated properties, first of all.

COUNCILMAN CLARKE: Okay. Just wanted to make sure.

MR. MESCOLOTTO: And we did have a decrease in that area due to a number of different parcels around the City, including ones up by LaSalle, where they converted them to properties that are now taxable by building the shopping center and so forth.

And through the auditing of these properties by our staff, we've had a net decrease of $62 million in those valuations during this timeframe.

As far as the abatement properties, they do go back on the tax rolls --

COUNCILMAN CLARKE: Okay.

MR. MESCOLOTTO: -- and generate, you know, revenue.

As far as the abated properties, we have had a substantial increase putting on, as you could see, it's $870 million from Tax Year 2007.

COUNCILMAN CLARKE: Wait, are you on the second one now?

MR. MESCOLOTTO: Yeah.

COUNCILMAN CLARKE: The real estate tax-abated?

MR. MESCOLOTTO: Right. These are the abated properties, the new construction, the renovations, the many condominiums that came on during this period of time, and it was a net increase of --

COUNCILMAN CLARKE: So we're experiencing -- unlike the general view, at least in those two particular years, we experienced an increase in numbers, not necessarily units, but it could have been more expensive units that got abated?

MR. MESCOLOTTO: They're all over the City. Many of them are in Center City, but there are abated properties that came onboard all over the City, all different kinds -- it could be business properties, it could be condominiums, it could be single-family houses; many, many different types. We can give you detail on that if you want.

COUNCILMAN CLARKE: All right, okay. If I had more than five minutes, I would ask for it.

Okay. So in spite of the downturn in the national economy, at least in '08, we didn't see any evidence of it locally.

MR. MESCOLOTTO: There were many projects were winding down at that point.

COUNCILMAN CLARKE: So in the

next year, on the next page, in 2009, I'm assuming this reflects -- does this reflect these numbers up to date in terms of abatements?

MR. MESCOLOTTO: It would be more or less end of 2009 -- 2008, certified for 2009, yes.

COUNCILMAN CLARKE: So from this, can you have an estimate as to what the forecast may be in terms of the amount of abatements for Calendar '09?

MR. MESCOLOTTO: Going forward?

COUNCILMAN CLARKE: Consistent with what was in '08?

MR. MESCOLOTTO: We could give you a current -- a very current version of this report if you want, which is current to, like, you know, the last month. And we could maybe divine from that a growth rate, if you will.

COUNCILMAN CLARKE: Okay.

MR. MESCOLOTTO: And compare that to the previous years.

I think you're going to see

this coming year not as much growth, but still some growth. We're still seeing building permits coming in to us for new construction. And I would be hard-pressed to think that we would still be getting them had we not had the abatement programs.

COUNCILMAN CLARKE: Okay. The reason I ask that is 'cause, as you know, I'm pushing this reduction in the abatement amount, and I continue to see -- we did a little brief analysis, obviously, without the resources that you had. But we continually show that if we went to 80 percent as opposed to 100 percent, the General Fund would experience between 2 and $3 million a year, and 80 percent is still a relatively high abatement.

MR. MESCOLOTTO: Eight years as opposed to ten.

COUNCILMAN CLARKE: No, ten years, but 80 percent.

MR. MESCOLOTTO: Oh, 80 percent

of the value.

COUNCILMAN CLARKE: Our numbers show between 2 and 3 million each year.

MR. MESCOLOTTO: Yeah. We'd certainly be glad to work cooperatively with you on that.

COUNCILMAN CLARKE: Okay, yes. It's between 2 and 3. We looked at it from a conservative side.

The issue about appraisers; there are appraisers that are on your staff?

MR. MESCOLOTTO: Correct. We call them "evaluators."

COUNCILMAN CLARKE: Yeah, all evaluators. There was this request with the Redevelopment Authority in particular that, for whatever reason, the Redevelopment Authority always contracts out for appraisers, so every time there is some activity, which is quite frequently, with the Redevelopment Authority, we have to go out and contract with it and appraise it, and it takes a lot of time to get those appraisals back; therefore, it takes a lot of time for us to get a number or a value so we can then complete a transaction.

Is there anything in the law that says -- that you know of in State law or any law that governs appraisals that would not allow you to have on staff appraisers that can be a part of a condemnation or a land sales process?

MR. MESCOLOTTO: We might ask our vice chairman to weigh in on that.

COUNCILMAN CLARKE: I just never understood why we don't have an appraiser on staff.

MR. MESCOLOTTO: I don't know what the actual requirements are there 'cause I've never looked into it.

COUNCILMAN CLARKE: Mm-hmm.

MR. MESCOLOTTO: They may require a State license and certified appraiser. Not all of our people are State-licensed and -certified.

(Timer bell rings.)

MR. MESCOLOTTO: Again, I really don't know what it is.

MS. MEADE: Right. But, Councilman Clarke, are you referring to the Redevelopment Authority?

COUNCILMAN CLARKE: Yes.

MS. MEADE: Hiring those appraisers to work as employees for them.

COUNCILMAN CLARKE: Yeah. I mean, why wouldn't we just --

MR. MESCOLOTTO: They hire them as contractors.

MR. LEVIN: Councilman, the Redevelopment Authority does have a staff appraiser; they've had it forever as long as I can remember. Val Pasquarelli is their staff appraiser, but they do contract out when they condemn properties.

COUNCILMAN CLARKE: I actually know that. I'm glad that you said it 'cause I don't want to give the impression that I was picking on the Redevelopment Authority, but I guess I just don't understand -- I thought maybe it was something that was required from some external appraiser as opposed to an internal appraiser, some state reg or something, 'cause I just didn't understand if you have an appraiser on staff, why do you contract out? And that traditionally lengthens the whole acquisition and the disposition process for weeks and months sometimes at a time because you have to get these outside appraisers, and it seems like it would be more productive to just use your person through the appraisers to get the deal done.

MR. LEVIN: I don't know specifically. It may have to do with the fact that much of what they acquire includes federal funding. There may be a requirement that they be independent appraisers; I don't know.

COUNCILMAN CLARKE: You don't know.

MR. LEVIN: I do not.

COUNCILMAN CLARKE: All right. That may be one other thing that I would ask for you to work with me on, 'cause I really have an issue about the productivity of that particular dormant.

All right. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

COUNCILMAN RIZZO: Point of information.

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

COUNCILMAN RIZZO: Just a quick one here.

There are different types of deferrals, right? There's the total deferral other than the land, but if a person reconstructs, there's tax deferrals there. How many categories are there of deferrals?

And also, when does the first deferral start to expire; and if you collate it, what the tax will be?

MR. MESCOLOTTO: Abatements, yes. We have four abatement programs right now. There's an abatement for new construction of residential properties, renovation of residential properties. We have a 961 abatements that -- and the 1130 abatement, which is for -- it's for commercial properties in either new construction or substantial renovation. And the Act 205, 175 State, what we call the builders or developers abatement. So there's four programs right now.

And what your question after that was...?

COUNCILMAN RIZZO: The second question was: When do the first abatements end? And have you started to calculate what the revenue will be when those abatements end?

MR. MESCOLOTTO: The answer is, the first substantial abatements of ten-year abatements that we're talking about started to come off for 2009.

There was I don't know -- Mike, we had about what, 300-and-some came off this past year? Yeah, for certified 2009, went back on the tax rolls.

They were some of the earliest abatements when properties that were converted from office buildings into apartments into condos. So they started for this past year.

I can give you a report, if you want, that details for the next ten years, what comes off each year, how much, what type of abatement. We do have that, and I can supply it for you.

MS. MEADE: But that report --

COUNCILMAN RIZZO: To the Chair.

MS. MEADE: Right. That report is read by valuation, so it contains the assessment and market value figures. It doesn't contain the tax figures.

MR. MESCOLOTTO: Yeah, we can't have the tax figures --

MS. MEADE: Yeah, we don't have

those.

(Timer bell rings.)

MR. MESCOLOTTO: -- 'cause we don't know what the rates are going to be boing forward.

COUNCILMAN RIZZO: Thank you. Thank you, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam President.

Going back more to Councilwoman Blackwell's concerns about the disparities that often are unintended, I'll say consequences of your reassessments and appraisals.

Why is it that some neighborhoods have been reassessed more than others and some -- as I'm getting complaints about it four times versus others that may not have been touched in ten years?

COUNCILWOMAN BROWN: Madam President, point of information.

I never do a point of information, let the record show. But Councilman Jones' question goes to my very opening question, wherein your answer was a B+. Help me reconcile the reality you just stated with the grades you just gave yourself.

Thank you, Madam President.

COUNCILMAN JONES: And my issue is: In light of the fact that I've had year after year folks say that they are getting reassessed and their values are going up and up, and then there are other blocks that get quiet passes and aren't touched and aren't reassessed. And that adds to the disparity in some of the -- you used words like "reliable" and "accurate," reliable and accurate.

But it also needs to be consistent and uniform, because if people doubt that process and doubt that fundamental fairness, and if you do a wink and know somebody, it can be a pass on your block, that's not the kind of confidence that we want in light of the tough decisions that we may have to make.

And I need a answer to why some blocks get a pass.

MS. MEADE: Right. And Councilman Jones and Councilwoman Brown also, the B+ was in reference to the Actual Value Project, how we're moving along with that project to the future.

But in answer to your question in terms of the disparity, I'll allow our Acting Director to give you a full answer, but the Board's position is that's the reason that we need to go to actual value. And that's why we need it a full assessment of the City at actual value, what a willing buyer, willing seller would pay, what the income that would be driven on an open market for property.

And that's why we needed to do it at the actual value level to provide for uniformity, which not only is fair but is the constitutional mandate.

And, unfortunately, the fact that we had to have this type of a program and spend so much time and effort trying to achieve the uniformity, equity, and transparency and assessment and the fairness bespeaks the problem that you speak of.

And I'll have Mr. Mescolotto --

COUNCILMAN JONES: I know how that bell thing works here. I want to get on the record this question, which is also when a -- let's do a hypothetical. Someone comes into a neighborhood that is on the upswing, and many of us have them, Councilwoman Blackwell, all of us in our districts have neighborhoods that are considered "on the upswing."

And a person comes in, a pioneer comes in, and mingles and buys a property among long-term residents. And then, all of a sudden, the sale value jumps up, let's say, to a quarter of a million. It impacts everyone that's on the block.

So for the existing residents, the idea of a better city and a beautiful city doesn't necessarily have the same weight on them because they now see an increase in their assessments and wonder why because someone else moved in their block.

So I'm telling you, we have to figure this kind of system out.

MS. MEADE: And that's why it's so desperate, the need for the buffering programs, for the Homestead Act, for ordinances that specifically address gentrification for -- I was so happy that Council increased the Tax Reach Program, the dollar-amount, raised the dollar-amount to allow people to qualify for the Tax Reach Program, because so often, it's the seniors that we see on appeal who come in and oftentimes tell us, That's value. I don't have a problem with the value; I simply can't afford to pay the tax increase.

So that's why we recognize the importance of providing you with the uniform information for the entire City to assure that the assessments are accurate, to assure that there's equity and fairness, so that all of those programs can be taken into consideration when and applied either on the value side or on the tax side to making sure that we don't force those dedicated citizens of the City who labored hard and in those neighborhoods -- and I lived in those neighborhoods and I've worked in housing areas in those neighborhoods to build low-income housing.

(Timer bell rings.)

MS. MEADE: But I had to watch the low-income housing that I helped to provide for people gave time to, at no cost. Then I had to watch that increase the value of the homes in the areas where speculators come in, and now the property values are up so high, what happens to those people who stayed since the 1960s, since the riots, since the time that it was hard to live in that section of Philadelphia. What happens to them.

So that's something that we are sensitive to.

COUNCILMAN JONES: Just as you answered the original question, just note that there's a stereotypical view of what that neighborhood is. And I'm telling you --

MS. MEADE: It's all over the City.

COUNCILMAN JONES: And I'm telling you, from Market Street in my lower-income neighborhoods, in certain parts, to my more affluent neighborhoods I'm getting the same concern, because when they bought in a certain neighborhood, middle-level area, they bought it at $95,000, and now it's worth, you know, people are buying 'em for 200 and $250,000, and they are on fixed income, retirement income, pension income. And now they're finding themselves between a rock and a hard place.

So, you know, we have to provide, as Councilwoman Blackwell said, some buffers and, more importantly, some uniformity answers, so that when people receive that tax bill in the mail, that reassessment in the mail, there is a degree of confidence behind it.

MS. MEADE: And that's why our assessments must be accurate, uniform, fair, and equitable. And I would even say in response that, we recognize that there was not a boon just in one section of Philadelphia; it was all over the City, to the extent that you have places that were North Philadelphia that are now Northern Liberties, places that were West Philadelphia that are now University City. If you're looking for a movie theater, you have sometimes have to look to see what section of the City is it located now. The street hasn't changed, the location hasn't changed, but what they're calling it is changed.

And that's a reflection of when the market values increase. Then the line moves in terms of how the higher-end properties are defined or how the middle-income properties are defined. So we recognize that, and it happens all over the City.

The abatement program was one of the reasons that we believe you saw such a demand in the construction area to build not only new residential homes, but new commercial properties, new condos. And what that provided on one hand for Council to bring the people back to the City of Philadelphia, both in business and both as residents, and put them on the tax roll is a good thing. But by the same token, we have to remember, whenever we improve any neighborhood, then the property values are increased, and we have to find a way -- and I don't say we can, because we're you just the Board of

Revision of Taxes; we're only supposed to value and assess.

But we have to work and provide whatever information we can to you that's accurate and assists you in any other ways with information that we have, that might not be directly related to the assessments, so that you can do the job that you need to do to protect those long-term citizens about whom you speak.

MR. LEVIN: Councilman, there was, in effect, a proposed constitutional amendment that would have protected folks in gentrified neighborhoods, exactly the concern that Councilwoman Blackwell has expressed for many, many years, as articulated for many, many years, whereby that individual, the increase in the real-estate taxes from a certain point would be deferred until either that individual who owned the property passed and then paid as part of the estate taxes or the property was sold. At that point, the tax would be made up.

We, nor you, nor anyone wants to tax folks out of their own homes, and we find that second and third and fourth generation in many neighborhoods, and especially in University City.

So that was a constitutional amendment, and it might be something that needs to be looked into. Once again, it's a logical, intelligent answer to a very severe problem.

COUNCILMAN JONES: I appreciate that sentiment because some people -- you know, all progress isn't forward for all people. All progress isn't forward for all people. And one person's "Oh, isn't this a beautiful neighborhood" is "Oh, I used to live here."

And I'm very concerned about that destabilizing factor and particularly at the hands of the tax man.

MS. MEADE: Mm-hmm. And we have to work as a city, work together, and help you in whatever you have to do to lobby Harrisburg, because a lot of the things that need to be done require enabling legislation, and they have to become sensitive to working with the City of Philadelphia so that we can grow this city for all people at all economic levels.

COUNCILMAN JONES: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilwoman Brown.

COUNCILWOMAN BROWN: Well put, Councilman Jones.

So to the passion expressed by Councilwoman Blackwell, and looking to the future, with the new tools you're putting in place, have you talked to, talked through, thought through how we educate citizens so that there is clearly a distinction between a tax hike versus the actual value? Have you had a chance yet to go to a strategic implementation plan so that we help civilians what it is and what it is not?

MS. MEADE: Preliminarily, there was an attempt to do that. And, unfortunately, what we needed, we realized, in trying to do that process were actual numbers, because what people want to know is, How does it affect me specifically?

COUNCILWOMAN BROWN: Mm-hmm.

MS. MEADE: So we realized that before we go out again, we really need to complete the process and then be prepared to go out wherever we're needed, to discuss with people and explain to people and to open our offices, most importantly, so that taxpayers can come in. And, as we said, we've created the Citizen Service Center several years ago, with the intent of being able to serve people en mass who needed specific information because they did not understand what would happen and what has happened to them with the Actual Value Project.

COUNCILWOMAN BROWN: What I might argue --

MS. MEADE: It's very personal for people.

COUNCILWOMAN BROWN: I might argue that there needs to be a parallel track of activity because those who are being assessed, they will talk and share with others.

MS. MEADE: Oh, yes, and we plan to go out.

COUNCILWOMAN BROWN: And does that feed inaccurate, misinformed citizens who become heightened and scared, quite frankly, because of what they're hearing, and not knowing still what their own circumstance will be.

MS. MEADE: Right. And we do plan to go out because we also recognize the importance of explaining to citizens their rights as well, because their rights are the right to appeal any valuation and assessment that's placed on their property and to provide us with information. We know that it is necessary to come out.

There's no charge for an appeal to explain to people the process, how very simple it is to file the appeal, the kind of information that they should prepare to submit to us, and how to go about the process, that how we value properties, and that if there are particular disabilities with their properties, if there's a change in their properties. You're talking about gentrification.

There are four remaining properties that we may not be able to see because we don't see the interiors on the block from a whole entire block that has been gentrified, and those properties have all been improved greatly, and we don't know that because we don't see the interior, and possibly all of the facades remain the same.

So that's something we know that we recognize we must do in terms of education of the public. And going further than educating the public, but providing them with services that we are to provide and being prepared to handle any appeals that come forward.

COUNCILWOMAN BROWN: My only final comment would be that what you and what we have before us is a huge undertaking.

MS. MEADE: Absolutely.

COUNCILWOMAN BROWN: The last time was 18 years? According to the information I've read.

So I'm not confident that you, as an agency, can handle in huge elephant alone, that it may indeed take a really -- the same way we approached the merging of Fairmount Park and the Rec Department. We had to be very, very strategic and share that with citizens around the City and have community forums. The reach of that is this way and this way.

MS. MEADE: Mm-hmm.

COUNCILWOMAN BROWN: And so, I would just encourage you to consider an extremely well thought out strategic public relations, information-driven plan, where citizens at every reach of the ladder know that it's coming, it's real, what we're giving you is accurate and current, period.

(Timer bell rings.)

MS. MEADE: Yes, thank you.

COUNCILWOMAN BROWN: Thank you, Madam President.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

Given the discrepancies we see in the difference between full-value information and data provided yesterday and the current method of assessment, and when you look at the chart on Page 11 provided in Kevin Gillen's -- or the

BRT's presentation that Kevin Gillen gave to us a couple of days ago, would you say that our current property tax assessment system is legal?

MS. MEADE: Is legal?

COUNCILMAN GREEN: Is it legal? If someone would sue the City of Philadelphia today about our quality of our assessments, would we be required to go to full value immediately? Is our current system legal?

MS. MEADE: Dan Cantu-Hertzler from the Law Department --

COUNCILMAN GREEN: I'm sorry?

MS. MEADE: We were faced with this problem last summer when we were threatened with a lawsuit by Philadelphia Forward. And what they did, Joseph Bright was the attorney who was the attorney -- handling the lawsuit on their behalf, or the threatened lawsuit. And what they provided to us was basically a copy of what might be filed.

Our position with that lawsuit

was that we recognized the problem that we faced. We contacted the Law Department because the Law Department are the lawyers who are to represent us. Dan Cantu-Hertzler could, you know, answer your question more directly, as our legal representative.

But this is the reason that we believe that we need actual value, because we know that if we were to go forward, Councilman Green, basically, this would be what we'd have to present. This is the status. And when you just look at that status, I think it answers the question, that we need to go forward to actual value.

COUNCILMAN GREEN: So our current tax system, then, according to your testimony, is not legal. Is it fair?

MR. LEVIN: It's problematic, whether it's legal or not, Councilman.

MS. MEADE: It's problematic --

MR. LEVIN: We've been

threatened with, you know, lawsuits for many, many years.

COUNCILMAN GREEN: Okay. Well, I'll just change the question.

MR. LEVIN: There's no question that actual value is --

MS. MEADE: Right.

COUNCILMAN GREEN: Is the current system fair?

MS. MEADE: And I prefer, again, for Dan Cantu-Hertzler -- he is the attorney for the BRT handling these matters, and I would prefer for him to --

COUNCILMAN GREEN: Okay. I appreciate what you're saying, but I have five minutes, so if you're not going to answer my question, just say so. Is it fair?

MS. MEADE: I don't think so.

COUNCILMAN GREEN: Okay. If it's not fair, do you think it's reasonable that, on a current broken system, we increase property tax by 20 percent?

MS. MEADE: With all due respect, I'd prefer not to answer that question simply because I don't want to be in conflict.

COUNCILMAN GREEN: That's fine.

Do you think the City would be in legal jeopardy if we increased property taxes by 20 percent on people whose homes are already overvalued? Would there be a massive class-action lawsuit likely to win if we increase people's property taxes above current -- for people who are already overvalued according to the data that we now have in our hands?

MS. MEADE: Okay. Again, with all due respect, I don't want to put the Board into that discussion, but I will answer the question in this way:

We believe that we have to go forward with actual value because it's the right thing to do, because it's -- uniformity is required by the Constitution, because equity of assessments is required by law, and because we want to do the legal thing, as the Valuation and Assessment Office for the City.

COUNCILMAN GREEN: Okay. So it's your testimony, then, that the current system is inequitable; isn't that kind of the same as "unfair"?

MS. MEADE: Yes, it is.

COUNCILMAN GREEN: Thank you.

MS. MEADE: But that's why we're going towards full value. We started with fall value, but that's why we determined that we have to implement actual value and do all of the things necessary to get to that point.

COUNCILMAN GREEN: I agree. I just don't think we should make a -- and this is not a question for you to answer. I don't think we should make an inequitable, illegal system worse and expose us to hundreds of millions of dollars of potential damages of people who could sue the City if we increased their taxes when they're already illegally unhigh -- I mean, too high.

So that being said, could the Administrative Services Director who came up before come up and describe your job to me? Just kind of walk me through your job duties and typical job requirements.

(Timer bell rings.)

COUNCILMAN GREEN: Madam Chair, I have this question for several people, so I'd rather come back to it than start now if other people are --

COUNCIL PRESIDENT VERNA: Very well. I have other Councilpeople that want to be recognized.

Councilwoman Sanchez? Oh, I'm sorry. Councilwoman Tasco.

COUNCILWOMAN TASCO: I know we were talking earlier about the number of employees that you have. Did we ever settle on how many employees you have over at the BRT?

MS. DANIEL: On staff right now, we have 135.

COUNCILWOMAN TASCO: Okay. Of those 135, how many of them are civil servants?

MS. DANIEL: 135. Every -- all -- we have Civil Service staff, we have School Board staff. We have 80 School Board employees, and we have 135 Civil Service employees.

COUNCILWOMAN TASCO: Go ahead.

MS. DANIEL: The Civil Service employees, some are union, some are non-rep, but there are 135.

COUNCILWOMAN TASCO: So you have 135 civil servants.

MS. DANIEL: Yes, ma'am.

COUNCILWOMAN TASCO: And you have 80 School Board employees --

MS. DANIEL: School Board.

COUNCILWOMAN TASCO: -- who are not civil servants.

MS. DANIEL: Who are not Civil Service and are not part of our budget, so they're not shown on our budget.

COUNCILWOMAN TASCO: So they're

not on your budget.

MS. DANIEL: Right.

COUNCILWOMAN TASCO: They're on the School District's budget.

MS. DANIEL: From the School District's budget, yes.

COUNCILWOMAN TASCO: Of the Civil Service positions, what categories do you have? Are they mostly technical?

MS. DANIEL: We have -- well, we have management staff, we have IT personnel, we have the Real Property. It's actually three units. It's the Personnel Unit, which I manage. It's the IT staff, and it's Real Property staff, so...

COUNCILWOMAN TASCO: And so, when you need to have an opening for a Civil Service position, who writes the specifications for the position?

MS. DANIEL: The specs are already written. We just go to the regular position that's listed with Central Personnel. We have not created any positions.

COUNCILWOMAN TASCO: Okay. So the current specs are the specifications that have been -- that were written by the Personnel Department?

MS. DANIEL: Yes.

COUNCILWOMAN TASCO: Okay. Then how do you select them? The applicant has to have the appropriate qualifications to fit that position?

Let's take management, for instance. If you get three people who take the test, how do you choose between the three?

MS. DANIEL: We have the testing. And everything, with the exception of the executive director, every position --

COUNCILWOMAN TASCO: I know that, but I'm saying -- you state the Civil Service Department administers the exam. Three people maybe -- or maybe two or three (inaudible).

MS. DANIEL: We use the Rule of

Two that most departments would use. You have the -- you take the first two applicants at the top of the exam, and we would interview the first two applicants, and we would make a selection.

But that also would be based on how many vacancies we have. So if there were more than one vacancy, then we would add another person, but we would use the Rule of Two.

COUNCILWOMAN TASCO: All right. And the exempt employees don't have to take any examination?

MS. DANIEL: We only have one position in the department that is not an exam, and that's the Executive Director.

But I just want to clear up one thing. When I say the 135, the board members are also Civil Service, so they are a part of that 134, so with the exception of --

COUNCILWOMAN TASCO: The board members are Civil Service?

MS. DANIEL: Yes, ma'am. They

are Civil Service.

COUNCILWOMAN TASCO: Do they take a test?

MS. DANIEL: No, they don't.

COUNCILWOMAN TASCO: Well, how are they Civil Service?

MS. DANIEL: I'm sorry, I'm sorry. I'm thinking in my head. I'm talking City budget. They're on our budget, they are shown on our budget. They are Civil Service but they are shown on our budget.

COUNCILWOMAN TASCO: Oh, so --

MS. DANIEL: But they are a part of the -- right. They are a part of the 134 that's paid from the City budget.

COUNCILWOMAN TASCO: That includes the -- Charlie says they're not.

MR. McPHERSON: (Inaudible, off-mic.)

MS. DANIEL: That's news to me. I am -- I mean I took over the preparing of the budget and the way that it was prepared. Prior to my arrival, the board members were listed on that budget and they continue to be listed on that budget. So they are there and they are a part of the number count.

COUNCILWOMAN TASCO: Of employees.

MS. DANIEL: The board members are a part of the Civil Service budget, a part of our operating budget. So the board members number and the dollar amounts are on that budget.

COUNCILWOMAN TASCO: Your 135 employees include -- how many board members do you have?

MS. DANIEL: There are seven, and then the board of (indiscernible), so it's ten altogether.

COUNCILWOMAN TASCO: So you have 125 Civil Service employees who take a test and come to the department, and then you have ten board members?

MS. DANIEL: Right.

COUNCILWOMAN TASCO: So that's how you get to 135 employees?

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

MS. DANIEL: Right.

COUNCILWOMAN TASCO: But the board members are full-time, aren't they?

MS. DANIEL: They are not full-time, but they -- I mean, I don't know how else we would prepare a budget without showing -- because they are a part of our budget.

(Timer bell rings.)

MS. DANIEL: I don't know where else we would show them.

COUNCILWOMAN TASCO: Okay.

Thank you very much, Madam President.

COUNCIL PRESIDENT VERNA: You're welcome.

The Chair recognizes Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you very much.

Just for clarity purposes, the budget that you are requesting today, is that different than the budget that the Mayor is proposing that your department has?

MS. DANIEL: No. It's the exact, same budget.

COUNCILWOMAN SANCHEZ: So you have agreed with the number that the Mayor --

MS. DANIEL: We have reduced our budget to do -- under the instructions that we were given from the Finance Department. And so, we've shown the numbers as the Finance Department directed us.

COUNCILWOMAN SANCHEZ: Okay. I just wanted clarity 'cause they're not -- some of the other independent offices are challenging the number that was given by the Mayor's Office, and I wanted to make sure that in your case, that is not the case.

MS. DANIEL: We used what they gave us.

COUNCILWOMAN SANCHEZ: Okay. In light of the fact that we're talking about the system and it being broken, are properties going to continue to be reassessed during this evaluation process between now and us going full market value?

MS. MEADE: No. Our intent is to go forward with actual value, to continue doing --

COUNCILWOMAN SANCHEZ: But we're assuming we're going to take care of this in the fall. Between now and our going to full market, will properties be reassessed and potentially people's taxes increase during that time?

MR. MESCOLOTTO: We're not stopping our normal operations, but that does not include a citywide revaluation other than as we go to actual value. We will still be revaluing properties that are increasing in size because of putting an addition on, properties that are being torn down, properties that are being consolidated, subdivisions, and so forth.

All of our normal operations continue normally.

COUNCILWOMAN SANCHEZ: Do you understand this is a problem for us politically as we try to get our constituents to buy into that this -- we're trying to fix the system?

If you are continuously reassessing properties, in their mind, it's a tax increase. I'll go back to councilwoman Blackwell's point. In their minds, it's a tax increase med.

MS. MEADE: But no, the property to which he is referring are properties that are new properties that are going online, because they -- it's a consolidation, because it's been requested by the taxpayer. If it's a subdivision, it's because it's been requested by a taxpayer.

It means that a new deed has hit the Records Department. And if a new deed hits the Records Department, they have to act on those properties.

COUNCILWOMAN SANCHEZ: Okay.

MS. MEADE: And if permits hit,

we also have to act upon those properties. If there are permits that have hit L&I, then those are sent over to us, and we are responsible for keeping up with those.

COUNCILWOMAN SANCHEZ: But what you're saying to me is, in some cases -- and I represent one of those districts where properties are overwhelmingly assessed at the highest rate, so we are going to continue to reassess them because of the -- 'cause that's a policy decision that this board can make, and it can say that in the process of us going to full, all of the different triggers for reassessment we're not going to acknowledge until we fix the system.

Because I have a district that's redeveloping, so potentially, every single one of my constituents that requests a permit is going to get reassessed, and their taxes are going to increase in the middle of all of this.

MS. MEADE: No, not every one

because what we're saying is, those are only the properties where deeds or permits hit. If a deed hits, we have to react and make sure that the address --

COUNCILWOMAN SANCHEZ: You don't have to. But if a permit hits, you don't have to.

I mean, the fact of the matter is that this board can say, In the process of this new market value initiative, we are going to call for a moratorium on this so people don't get reassessed. You could make that decision.

MS. MEADE: Thank you.

COUNCILWOMAN SANCHEZ: Can you?

MR. MESCOLOTTO: Well, you know, the only thing is, you know, if someone builds a new house, it's incumbent upon us to put that on the record.

COUNCILWOMAN SANCHEZ: There's a difference between a new deed. See, we're going -- there's levels of this.

There's a difference between a new deed, which is -- would fall in that category of a new house and my making an improvement on my house.

MS. MEADE: But there it is; it's an improvement.

COUNCILWOMAN SANCHEZ: Yes, but it's a broken system. So if I'm in a neighborhood where I'm being assessed at 75 percent, and you've acknowledged through numerous testimonies that that system is unfair, then why are we adding? Why can't we make a policy decision that says, in the interim, improvements will not be reassessed until we fix it.

MS. MEADE: Because we can't stop normal business operations --

COUNCILWOMAN SANCHEZ: Why not?

MS. MEADE: -- for which we're responsible.

COUNCILWOMAN SANCHEZ: Why not?

MS. MEADE: No, we can't. We should not. No, we should not do that.

COUNCILWOMAN SANCHEZ: You've

operated a broken system, a potentially illegal system. All I'm saying is, we have new market values, we want to move in that direction. In the interim --

(Timer bell rings.)

MR. MESCOLOTTO: We wouldn't be able to process their abatement either if we don't reflect the --

COUNCILWOMAN SANCHEZ: But that's on new ones. I'm talking about improvements.

MR. MESCOLOTTO: There's an abatement for renovations and additions also.

COUNCILWOMAN SANCHEZ: So if there's an abatement, why are we reassessing them?

MR. MESCOLOTTO: We're reassessing them to reflect them on the record. They need to have the improvement come onto the record in order for the abatement to go into effect. That's a part of the ordinance that supports the abatement. We don't have any way around that.

However, if we encourage people to file for abatements, there will be no effect from the improvements that they get.

COUNCILWOMAN SANCHEZ: Yeah, but that goes to the point of who knows how to do that.

I represent a district that is going through major redevelopment. And what I'm saying to you is, I want to be supportive of us fixing the system, but I can't do that if my constituents are going to be continuously receiving these reassessments and, in their minds, a tax increase. I don't care how we call it.

MR. MESCOLOTTO: Can I just say that the number last year, there were 18,000 such changes around the City that's it. That's it.

COUNCILMAN GREEN: Point of information.

COUNCILWOMAN TASCO: I have a point of information too on that.

COUNCILMAN GREEN: I yield to the Majority Leader.

COUNCILWOMAN TASCO: Thank you.

COUNCIL PRESIDENT VERNA: Councilwoman Tasco.

COUNCILWOMAN TASCO: I have a meeting at 7:30, which brings me to mind, the City p-OHCD is going to get $16 million for home rehabilitation for properties that have been foreclosed. Those houses will be rehabbed, receive renovation. What happens to them; do you reassess them at that time?

MR. MESCOLOTTO: We do, and they --

COUNCILWOMAN TASCO: Because there's certainly a lot of those in my district and in some other districts too where that will take place, and so that's on top of all of this other stuff.

MR. MESCOLOTTO: They will be reassessed, and for the most, all of those improvements will be abated.

COUNCILWOMAN TASCO: Well, will

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

the reassessment be on the new system, the fair market value system?

MR. LEVIN: Councilwoman, from here on out -- and maybe this answers the questions -- there will be no interim. We're going to move forward only on our actual valued numbers.

COUNCILWOMAN TASCO: Okay.

MR. LEVIN: So there will really be no interim.

COUNCILWOMAN TASCO: So if I get some funds or if I'm a developer or a CDC and we're rehabbing a number of houses in West Oak Lane, and those houses go on the market, 'cause for the most part, they are vacant, I think, is what the requirement is to date, that they are vacant or in the foreclosure system, does the developer apply for the abatement? That's another question.

MR. LEVIN: Yes.

MS. MEADE: Yes.

COUNCILWOMAN TASCO: Okay. And so once they get the abatement, once they do the rehab, then do you assess it on the rehabbed property?

MR. LEVIN: Well, it would be abated. The land value would remain constant. The improvement -- the proportion attributable to the improvement would be abated for ten years or whatever program that was under.

COUNCILWOMAN TASCO: Well, I'm not real good at this, so I'm going to have to --

MR. LEVIN: No, no. We're --

COUNCILWOMAN TASCO: I got to check it out. So that's what's going to happen.

MR. MESCOLOTTO: Did we answer your question?

COUNCILWOMAN TASCO: The $16 million is going to be sent to Philadelphia to rehab properties that are vacant and that have been in foreclosure. And so, we just need to know what happens with all of that. And I think maybe the CDCs ought to have a conversation with you also so they'll know what's going to happen.

MR. MESCOLOTTO: We're always available for that.

COUNCILWOMAN TASCO: If this is abated, we may have (inaudible). So we'll see, okay? I have my two CDCs -- three CDCs check with you.

COUNCIL PRESIDENT VERNA: The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

This point of information was along the same line of questioning, and that is, in the 7th District, there are areas that are 75 percent assessment. The average assessment in the City is like 33 percent, something like that.

That means that when -- in order to get an abatement for a renovation, you have to have spent 50 percent of the assessed value on the renovation. So, in the poorest neighborhoods of the City today, if you spend 50 percent of what it's really worth compared to what it would really be worth in full value, 'cause the values are going to go down in full value basically compared to the market value you have for that property now, the full value will be less.

If you spent 50 percent of what its actual value is, you'd be entitled to it, but because of what you have on the books, people could be denied abatements that they're legally entitled to because the assessments are wrong.

And so, the question really is, how could -- is Mr. Levin's testimony that you will use full value for the purposes of determining whether or not the renovation qualifies for the abatement; in other words, is over 50 percent. And can you legally do that if the tax notice you send out this year is based on the illegal system?

MR. MESCOLOTTO: I don't know what you mean by this 50 percent requirement, but -- so I'm not aware of anything that requires it to be 50 percent.

COUNCILMAN GREEN: So if I improve my property and the home is -- and I spend 10 percent of what the home's worth, I'm entitled to an abatement?

MR. MESCOLOTTO: Yes.

COUNCILMAN GREEN: I didn't realize that. I thought there was a --

MR. LEVIN: Any increase in value.

MR. MESCOLOTTO: Any improvement, any increase in value, you're entitled to an abatement as long as you qualify for the rest of the rules.

MR. LEVIN: Now, there is a caveat, and that is: There's not a dollar-for-dollar increase. You may spend a dollar and your property value may not increase by $1; it may increase by more or less.

Under the new system, it will be assessed at actual value, the most probable selling price.

COUNCILMAN GREEN: Okay. So it goes back to the same basic question, which is: You're sending out tax notices based on the old system this year. When someone comes before you, how can you legally say you're going to use the actual value? You're going to redo the assessment at that time and then see what the new value -- in other words, you're basing the abatement based on a change in value. How are you going to do this?

MR. MESCOLOTTO: Basically, the property has a value before the abatement.

COUNCILMAN GREEN: What value are you going to use?

MR. MESCOLOTTO: There's an existing value on the property right now.

COUNCILMAN GREEN: Right. And what if it's over-assessed?

MR. MESCOLOTTO: Based on what they paid for the property, if the property changed hands --

COUNCILMAN GREEN: What if they didn't?

MR. MESCOLOTTO: -- it could be reduced in value prior to the abatement being applied.

This came up in some other discussions we had regarding low-income housing. And there are situations out there right now where the properties are selling for less than what the market around it is commanding for smaller lots. And our words on were that we encouraged the people, that when they start this process and they get -- become certified as a low-income housing project, you know, a credit-financed, a tax credit-financed, they contact us to then have the property revalued based on that.

In most -- you know, the generic situation, where you -- someone buys a vacant property, and --

COUNCILMAN GREEN: If someone who's lived there for 30 years gets weatherization money from federal government --

MS. MEADE: Okay.

COUNCILMAN GREEN: -- puts on a new roof, does new systems --

MR. MESCOLOTTO: If his property's overvalued, we will encourage them to speak with our department to have the property revalued at that time.

COUNCILMAN GREEN: So you're going to base it off current values that you're -- for the tax bills you're sending out this year. So as we spend this federal stimulus money --

(Timer bell rings.)

COUNCILMAN GREEN: -- improving these houses, tens of thousands of them potentially, they might not be eligible for an abatement of the improvement because they're currently over-assessed; that's what you're saying. They would have to proactively take a step.

MS. MEADE: Well, the language in the abatement statutes -- or ordinances refer to substantial improvements to the property versus repairs.

COUNCILMAN GREEN: Right.

MS. MEADE: Now, oftentimes, that same property that you described that received the new roof, the new windows, most often if it -- if that property came before the Board for an appeal, the property value would be decreased because of those disabilities, looking at the cost to repair those properties.

And so, the things that you've described, like the weatherization and like the new roof and like not upgrading the bathroom, but some people have, you know, not modernizing the bathroom, but simply correcting problems with the piping and all, those would be considered repairs to the property and not substantial improvements. So the abatement may not even apply.

COUNCILMAN GREEN: Okay. So I thought that's where the 50 percent came in. I thought the threshold for substantial improvement was 50 percent. What's the threshold for substantial improvement and how do you determine that?

MR. MESCOLOTTO: I don't think there is one. It's substantial. That's the word that's in the ordinance, that's all there is. There's no percentage, no quantifiable number there.

COUNCILMAN GREEN: Well, everything I've read about it says 50 percent, so maybe that's not a standard you use, but that's what people are told out in the marketplace.

MR. MESCOLOTTO: Not by us.

MR. LEVIN: Increase in value?

COUNCILMAN GREEN: Yeah. What does "substantial improvement" mean? What is your written guideline on what "substantial improvement" means?

MR. MESCOLOTTO: It's any improvement to the property value, as determined by our staff, our evaluators, who are appraisers.

COUNCILMAN GREEN: So you have no written guideline on that?

MR. MESCOLOTTO: I didn't say that we didn't have written guidelines. There are written guidelines.

COUNCILMAN GREEN: Would you please provide the Chair with a copy of all written guidelines --

MR. MESCOLOTTO: Of course.

COUNCILMAN GREEN: -- with respect to what "substantial improvement" means?

MR. LEVIN: It's improvements that are sufficient to be quantified in terms of market value.

MR. MESCOLOTTO: But we could put that in written terms for you. That's not problem. We have those.

COUNCILMAN GREEN: So let's take the low-income house that we just described that needs new windows, a new roof, new basic systems, okay? And it's assessed today at $38,000. And if you were to go buy that house, because of the systems that need to be added, its value would likely be $25,000.

Now they fix everything, it's worth 38. But if it was properly assessed at 25 today, the taxes would remain 25 for that low-income homeowner we've just assisted because there are substantial improvements.

MR. MESCOLOTTO: It's the argument for going natural value, yes.

MR. LEVIN: Right.

COUNCILMAN GREEN: Well, what about the people who are going to get that help this year?

MR. MESCOLOTTO: We would hope that we can go to actual value and fix that problem for you.

MR. LEVIN: And if it were appealed, they would get that relief. I think that's where we're going with this.

COUNCILMAN GREEN: Most people don't go to appeal, don't know.

Just please provide a written

plan to address this at the BRT level to the Chair for people coming up next year, because, in my opinion, we are exposing ourselves to tremendous liability for a class of citizens who would otherwise be entitled to a tax abatement or tax writeoff if we don't do this correctly going forward now that you have shown how out of whack our system is.

This is great data, it's great information, and it's also a plaintiff's lawyer's dream.

MS. MEADE: I know.

COUNCILMAN GREEN: So, okay. Are you familiar -- so someone earlier mentioned, when seniors or other people come before the BRT and they say, We kind of agree with the value, but we can't afford it, what do you dell them? And they're not eligible for PaceNet or -- what do you tell 'em?

MR. MESCOLOTTO: Are you referring to in the case of an appeal?

COUNCILMAN GREEN: Yes.

MS. MEADE: We've referred people -- we've provided appeal forms to people if we see that they meet the guidelines for Pace or PaceNet to apply.

COUNCILMAN GREEN: Right. The question is, if they don't --

MS. MEADE: And if they're not eligible for those, then our recourse is to refer them to the Department of Revenue and explain to them that there are programs that the Department of Revenue has to work with them in terms of creating a payment plan. That's all that we have, is what Council provides us.

COUNCILMAN GREEN: And do you keep records of the number of people you refer to the Department of Revenue that can't afford it?

MS. MEADE: Records of that? No.

COUNCILMAN GREEN: No? Okay.

MS. MEADE: No specific records of that, no.

But I can say that during

appeal hearings, whenever that occurs, we provide that information. And normally, when we have residential homeowners in, that's one of the opening statements that's made. And then anyone who requests an appeal form, we'll provide them with that appeal form --

COUNCILMAN GREEN: Provide --

MS. MEADE: Not appeal form, but the Tax Reach form, we'll provide them with that there.

COUNCILMAN GREEN: So what you're referring to -- I'm confused by this whole debate that there aren't any circuit breakers right now.

Under 1913-07 of the Philadelphia Code, which is, I think, what you're referring to, any homeowner can be granted relief for any increase or portion thereof of real-estate taxes due to an increase in assessed value of real estate that is greater than 15 percent in any given year. The factors the department is to consider in granting deferrals are household income reasonable household expenses, and available liquid assets.

MS. MEADE: That's the Revenue Department.

COUNCILMAN GREEN: That's right.

MS. MEADE: Yes. And so we refer people to the Revenue Department. And when we hand out any information, we have to tell people that they have to -- they're required to go to Revenue --

(Indiscernible; parties talking over each other.)

COUNCILMAN GREEN: So you don't know how many people you refer to Revenue.

MS. MEADE: No. I don't have those statistics, and we don't keep those statistics.

COUNCILMAN GREEN: All right. We'll get that from Revenue, I guess.

Okay. I'm sorry. If we could have the Administrative Services Director back, please.

(Ms. Daniel returns to witness table.)

COUNCILMAN GREEN: If you would please give us a brief job description, what it is you're responsible for, who you supervise, et cetera.

MS. DANIEL: Well, my position, Administrative Services Director, is all the administrative services at BRT. I directly supervise three Civil Service employees and two School Board employees. So all of the administrative services would be all of the personnel functions.

I also prepare the budget.

We take care of all of the Procurement purchasing, bill payments.

COUNCILMAN GREEN: Okay. So the two School District employees you supervise, what do they do for the school?

MS. DANIEL: They do payroll for the School Board.

COUNCILMAN GREEN: Okay.

MS. DANIEL: So they do the personnel functions of the School Board.

COUNCILMAN GREEN: Okay. Mr. Mescolotto, could you please give us a brief job description?

MR. MESCOLOTTO: My own job? I'm the Acting Director of Assessments. I direct the day-to-day operations of all of our evaluation staffs, both residential, commercial and industrial, and our Evaluation Support Division, which handles exempt properties and other functions.

COUNCILMAN GREEN: So what employees -- if I'm looking at the budget or -- what employees do you supervise? Do you supervise Real Property 02?

MR. MESCOLOTTO: Real Property and the Commercial Industrial Division and our -- what we call our Evaluation Support Division.

COUNCILMAN GREEN: Do you supervise the -- do the School Board employees provide support to Real

Property 02.

MR. MESCOLOTTO: Yes, they do.

COUNCILMAN GREEN: And do you supervise them?

MR. MESCOLOTTO: I don't supervise them directly, but through management, yes.

COUNCILMAN GREEN: Who supervises them?

MR. MESCOLOTTO: We have line supervisors that supervise them.

COUNCILMAN GREEN: So that would be within Real Property 02?

MR. MESCOLOTTO: Yeah, the Real Property Evaluation Supervisor that you're looking at on at that list.

COUNCILMAN GREEN: Okay.

MR. MESCOLOTTO: There should be 14.

COUNCILMAN GREEN: Right. I got it.

So Mr. Foglia, what is your job description?

MR. FOGLIA: My job

description? My ASD actually took over part of my explanation today. I run the ASD. She reports to me. I report to my chairman if there is a problem. If there's a problem with School Board employees, I answer to the ASD to look into it, and then we settle it.

If there's a problem with Civil Service people, I report to the ASD and her help. I go to the supervisor, see what the problem is, and whatever else has to be done.

COUNCILMAN GREEN: So you have one employee reporting to you directly?

MR. FOGLIA: No. I have my -- my ASD reporting to me if there's any problems with School Board or Civil Service.

COUNCILMAN GREEN: Okay. Is there a requirement in the City Code or Charter to have an executive director of the --

MR. FOGLIA: That I couldn't tell you, but from what I understand, since God was born, they had an executive director there.

COUNCILMAN GREEN: A lot's changed since God was born.

MR. FOGLIA: Yeah.

COUNCILMAN GREEN: Okay. I just wanted to understand what people did there.

Let's see here. Are you familiar -- can you tell me, does the BRT always do a reassessment when a property is abated of the land value prior to certifying what the abated value is?

MR. MESCOLOTTO: Not always.

COUNCILMAN GREEN: And are you familiar with many properties in Center City where there was a significant zoning change from industrial to commercial, where the land value certified for the abatement was what was paid for the property as industrial?

MR. MESCOLOTTO: If it's changing from industrial to another use, you wouldn't be paying for an industrial property.

COUNCILMAN GREEN: Well, people buy industrial property all over the City all the time. They go to the Zoning Board, they get it changed, or they come before Council and it's changed to commercial.

In a few cases of major projects that we've looked at, the BRT has valued the property based on in terms of the abatement, what the land value is going to be worth for the next -- or what the land value is worth, the BRT has valued the profit based on what was paid for the property, and I believe there was testimony here earlier tonight that it's based on what you paid for the property.

The law is that it's what the property is worth at the time the building permit is issued, which means that they've gotten a zoning change from industrial to commercial, and the property is worth a lot more.

MR. MESCOLOTTO: Which law are

you referring to?

COUNCILMAN GREEN: The abatement law.

MR. MESCOLOTTO: I don't believe there's any requirement in the abatement law as you've described.

COUNCILMAN GREEN: What is the value that you place on the land as a matter of policy when someone applies for an abatement certificate?

MR. LEVIN: Councilman, most major developments, most major developments, the purchase reflects the value of that land assuming there's going to be a zoning change and assuming it's going to receive required permits for the development.

So that sale price of industrial land is built into assuming it's going to be a zoning change for redevelopment.

COUNCILMAN GREEN: So it's your testimony that you do not reassess the land value to take into account the density and other things that are provided for in the zoning change prior to granting an abatement certificate.

MR. LEVIN: We do.

MR. MASCALATTO: Yeah, if we know that there is a change in the zoning, we will revalue it accordingly.

COUNCILMAN GREEN: And that's a a written policy somewhere that your assessors have, you do it in every case?

MR. MESCOLOTTO: I wouldn't say that it happens in every case, but I would say that I'd like to see it happen in every case. And when we go to actual value, we will assess in that fashion -- value in that fashion.

COUNCILMAN GREEN: Okay.

MR. MESCOLOTTO: In every case.

COUNCILMAN GREEN: So in other words, even C-5 zoning doesn't necessarily tell you what the land is worth. The land is worth something based on the density that's provided for that space.

So if you could have C-5 with a six-story building, the land's going to be worth -- people pay based on -- for land based on the number of units, density, as you guys well know.

MR. LEVIN: Floor area.

COUNCILMAN GREEN: So the land reflects the density permitted by this Council as by ordinance or by the Zoning Board or whatever.

And it's my understanding that the land value certified by the BRT for the abatement at the time of the initial abatement certificate does not reflect the density of the lot, et cetera, and often does not reflect the change in zoning from residential to commercial.

And I would like you to calculate for the Chair how much more we can get in taxes from commercial or residential properties as a result of charging what the land is actually worth compared to -- in other words, go back and look at major abated projects and do a little analysis for us and provide that to the Chair. I think you'll be very surprised.

Also, how often does the BRT do a reassessment of what it is worth after a project is done and an abatement certificate is issued? Or, put another way, are all properties reassessed after they're abated?

MR. MESCOLOTTO: Yes.

COUNCILMAN GREEN: They are?

MR. MESCOLOTTO: They are.

COUNCILMAN GREEN: So I'm aware of many properties in the City that have not been reassessed; and as a consequence, their sales and use tax is way -- which it does not get abated, is much lower. And that causes the School District to have less money because the sales and use -- the use-and-occupancy tax, sorry, goes to the School District.

So could you do an assessment of use-and-occupancy tax changes from the time a property's been abated to now.

Just go back a couple of years. I think you guys -- go back for four years, in the boom years, and you're going to be very surprised at how much the School District is missing out on revenue.

MR. MESCOLOTTO: One of the reasons why I think what you're saying is that there are properties that have applied for abatements and been granted abatements, but we have -- no one can see any change in the value when you look on our website for these properties.

And the reason for this is because a lot of people who own these properties have not completed the process to get the abatement and, consequently, the revaluation, simply because they have not submitted the final piece of paper -- unfortunately, it is a piece of paper at this point. It's a certificate of owner occupancy on the new construction and on the substantial renovation. It is a statement that the work has been completed and as of what date.

Last summer, the BRT was very proactive in identifying these properties, knowing that it is an issue, and sending further notification and a new certificate for the homeowner or owner of the property to fill out and send back. Consequently, hundreds of those that were out there have now been recovered and reassessed.

If people do not complete the process within a certain amount of time going forward, we are going to -- what we've done at this point is -- what we've done at this point is, we've said, Well, we've given people a second chance to -- you know, maybe a developer, and this is one of the kind of deficiencies of this whole process, is that I would think at -- and this is the practice of the developers that really understand this.

When they go to settlement, they have somebody sign that piece of paper right there and send it in. The abatement goes on, the new value goes on, and everybody is happy. All of the taxes are collected and assessed properly.

Most developers don't do that; they leave it up to the homeowner or the owner of the property to figure this part out.

We've been proactive in trying to get this word out. There were -- it was included in some stories that the Inquirer wrote last year at that time, and we did get over 2,000 responses from people who sent in the last of piece paperwork of and had us revalue these properties.

There are some properties, remember, that the abatement cannot be applied because they haven't been sold, they remain unsold in this market. And in that regard, it's an unfortunate situation, but our hands are tied by the ordinances.

COUNCILMAN GREEN: Well, do you know how many -- so what we're talking about is multiple -- in my opinion, multiple cases indicating the BRT is failing to calculate the new value based on improvements for U&O purposes.

And my understanding is that if a tax filer has been using the abated value for U&O purposes, which is what happens in many cases -- you've got U&O purposes, you've got the abated value for use and occupancy, not the actual value for use and occupancy, and/or even the market value for use and occupancy.

And it's my understanding that the City can collect -- essentially go back six years for the use-and-occupancy tax if somebody has been doing that; in other words, doing it on the abated value, not the market value.

And I'd like you to provide the Chair a calculation of how many properties you think fit that category, or simply look at U&O on abated properties and see whether the value is a market value or an abated value, and provide the number of such properties that exist today to the Chair.

MR. MESCOLOTTO: I might point out that U&O only applies to tenant-occupied properties, not to all the vast majority of abatements, which are residential properties.

COUNCILMAN GREEN: I understand. I'm aware of many industrial properties where this is the case.

MR. MESCOLOTTO: We can provide the market value calculations and -- on that data.

COUNCILMAN GREEN: You can look abated properties --

MR. MESCOLOTTO: Yes.

COUNCILMAN GREEN: -- you can look at U&O, and you can look at -- okay, good.

COUNCIL PRESIDENT VERNA: Councilman Green?

COUNCILMAN GREEN: Madam Chair?

COUNCIL PRESIDENT VERNA: I two of our colleagues have been patiently waiting to be recognize. Thank you.

Councilman Jones.

COUNCILMAN JONES: And, Madam President, I want the Bill Green clock.

(Laughter.)

COUNCIL PRESIDENT VERNA: Excuse me, Councilman. Just one moment.

Councilwoman Blackwell?

COUNCILWOMAN BLACKWELL: Yeah, we thought we had a filibuster going.

(Laughter.)

COUNCILMAN JONES: This was my first time in Council experiencing a filibuster. I was taking notes.

I just have two things to say, and then I'm done. I'm feeling like I felt when I heard about the hedge funds. And it's one of those Robin-Hood-in-reverse scenarios.

We have business taxes, real estate, commercial taxes going down 37 percent, and homeowners' taxes going up 40 percent. It's like a, you know, rob the poor and give away our base, tax base, to the rich. And that can't be the way we solve this budget problem.

And we are counting on you, counting on you to help us out here so that we have some tax equity and tax fairness.

And what we're hearing now at least gives me a great deal of concern for major, major sections of Philadelphia that are going to feel overall oppressed with this Sheriff-of-Nottingham approach to dealing with assessments.

MS. MEADE: And we know this is not Sherwood Forest.

COUNCILMAN JONES: All right.

MS. MEADE: And we don't perceive ourselves as Robin Hood. We perceive ourselves as the Assessment Office for the City of Philadelphia. Our goal is to assess and to appraise the properties -- every property within the City so that the properties are all uniform and equitable when compared to one another, so that everyone receives an individual accurate and fair assessment.

COUNCILMAN JONES: Amen.

COUNCIL PRESIDENT VERNA: Thank you.

The Chair recognizes Councilman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Madam President.

And I too will be brief, but I will say this, and it was a conversation that was had when the BRT came in front of Appropriations, asking for additional allocation.

It appears that you have the ability, through policy and practice, to give us some equity around some of this stuff even before we get to fair market value. And for me, it is disheartening because we are making decisions about pools, about $1.2 million in pools, and my colleagues here are talking about problems that, if fixed immediately and that are currently under your purview, could add millions and millions of dollars to the table at a time when we're making these drastic decisions.

So, you know, I will repeat it again in terms of we are held accountable to the electorals of the City of Philadelphia, and we are dependent on an independent body who has to fall in line with us in terms of how we make these decisions.

All of a sudden, it's until we fix the whole system, it is okay to allow this level of discretion among your assessors for blatant problems. And that's not -- I'm not satisfied with that response. I'm not satisfied that all of a sudden, only full value will get us to equity when we've been enumerating case after case after case around situations that you can immediately fix and immediately help us address this financial crisis.

So I'm going to say that it's really, really hard. I'm all for, you know, we got to fix this broken system, but there has to be some trust factors to the BRT's ability to do that, do that quickly, and address this issue. And I'm just really frustrated by what I've heard here today.

So my last question's going to be: Are there any constitutional, legal requirements why you have to continue to assess at a time when we are fixing the system?

MS. MEADE: What I would like to do is have our legal counsel answer that, so I'll contact the Law Department tomorrow and ask them to provide the answer to that question for you.

COUNCILWOMAN SANCHEZ: Okay. I would really like to get that.

The other thing that I want to know in terms of policies around the assessors. Going back to if we're going to continue to assess, how much discretion do these assessors have? Because what you were articulating to us is, you know, there's these broad parameters. I'm an assessor, I can make decisions that it could go as little as $10,000 to several million dollars, with no policy direction.

So I'd like to see those policies, if they're written, and the protocols because I want to see how they're applied in my Councilmatic District, 'cause I just feel like these assessors have a lot of power that we may need to lock at how we narrow that.

And, again, you know, this Council is prepared to make some really tough decisions, but we can't have an independent agency like the BRT that impacts our ability to do our jobs, not take this -- not correct these short-term ones.

You know, forget about the market value stuff. There are millions and millions of dollars on the table, and then I got to sit here and decide whether I get a pool in a poor area.

And I'm frustrated, I'm angry, I'm disappointed that this is such a bad system and that we're okay with it. I mean, I'm just frustrated. I'm sorry, I'm not going to rant. I'm just frustrated. This is ridiculous.

COUNCIL PRESIDENT VERNA: Councilman Green.

COUNCILMAN GREEN: Thank you, Madam Chair.

At last year's budget hearings --

(Timer bell rings.)

(Laughter.)

COUNCILMAN GREEN: -- and on May 13, 2008, I asked a bunch of questions about accurate assessment data. The current property -- this is one of them. The current property tax is 8.264 percent.

Based on the actual value information, what property tax rate would Council need to set in order to achieve revenue neutrality?

MR. LEVIN: You mean to have the revenue neutral for the entire city?

COUNCILMAN GREEN: Yes.

MR. LEVIN: We would have to do the math in theory. No, it won't be revenue-neutral for every property.

COUNCILMAN GREEN: How about revenue-neutral to the City?

MR. LEVIN: Well, in theory, if market value doubles and Council has the millage, we would be revenue-neutral, so it would be a question of doing the math for the City.

COUNCILMAN GREEN: So I guess I'm surprised you're surprised I asked this question 'cause I asked it last year, and I asked it on May 13, 2008, and I came and testified about it over the summer, and I was told by the Board that as soon as you had accurate value data, you would, in fact, provide me this information immediately.

And you have the data, but I don't have the answers to any of the questions that I asked at least three times.

MS. MEADE: But on setting the rate, we don't set the rate.

COUNCILMAN GREEN: I'm not asking you to set the rate; I'm asking you to tell me what we would have to -- based on the value of the total market value in the City, what rate would we set to be revenue-neutral?

MR. LEVIN: We'll get you that. We'll do the mathematics and we'll get you the answer.

COUNCILMAN GREEN: When?

MR. LEVIN: Tomorrow morning.

MS. MEADE: No, not tomorrow.

COUNCILMAN GREEN: Thank you.

I also asked some LVT-type questions, because one way to go at the abatement issue is to go to a land value tax, so we can tax -- if we proportionally tax the value of land more, we're not increasing taxes and we're not taxing the improvements that are abated, so we can, in Center City and a lot of places, get a lot more revenue.

And so, I asked some specific questions about that, and I'd like that information also. Using accurate land improvement values, if Council wanted to receive 50 percent of property tax revenues from land values and 50 percent from improvement, what would the tax rates have to be?

And same thing with 5-to-1 land-to-improvement ratio. And same thing with 99-to-1 land-to-improvement ratio.

Then can I get those tomorrow also? It seems like that would be simple math.

MS. MEADE: I -- because the staff does this work, we will get it to you as quickly as possible. I won't say tomorrow.

COUNCILMAN GREEN: Who on your staff will be responsible for it?

MS. MEADE: Well, Mr. Mescolotto will --

COUNCILMAN GREEN: Okay.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

Mr. Mescolotto, when can you get me that?

MR. MASCALATTO: Can you just give me the last two things that you asked for?

COUNCILMAN GREEN: I'll give you another copy of my letter; I have 'em here with me.

MR. MESCOLOTTO: That might be helpful. And I will get back to you absolutely as fast as I can. I don't think it should take more than a day or two.

COUNCILMAN GREEN: So within two days at the outside, I'll have this information.

MR. MESCOLOTTO: Yes.

COUNCILMAN GREEN: Thank you.

MR. MESCOLOTTO: And that will be based on the current budget as it stands?

COUNCILMAN GREEN: Right. And I just -- well, I would assume a zero percent property-tax increase. Base it off FY '09 figures.

Okay. So also, on July 23rd last year, and I talked to about this when I was over there testifying on full value, I wrote to your office about the Historical Commission and information-sharing between the two agencies. Specifically I asked that historical designation information be included on BRT's online property search so that people didn't unwittingly make improvements to historical properties that they then had to take out, which happens all the time.

Have you made any progress on this?

MS. MEADE: Yes. Mr. Mescolotto has made progress on that.

MR. MESCOLOTTO: Yes. We immediately contacted the Historic Commission after we got your letter.

And the problem that they had was providing that data to us. They did not have many of the -- the majority of the properties were not associated with a legitimate address. It took them until about two months -- not even two months ago to finally come up with a file that was of about 80 percent -- or 80 to 85 percent of the properties involved.

Others of the properties are being researched by -- we're being collaborative with them, and there's a list of, oh, I don't know, maybe like 30 or 40 properties that are contained within Fairmount Park which are exceedingly difficult to get 'cause they don't have individual addresses, but we're now -- we've researched them.

We should be ready within -- the actual changes to our website are already -- have already been engineered, they're ready to go. And now, it's just a matter of associating the data and putting it up on the site.

I'm told that within a couple of weeks, we should be ready to post that.

COUNCILMAN GREEN: That's

terrific. Thank you for following up on that. I appreciate that.

Can you tell me why the BRT decided to do its own evaluation of commercial and industrial properties with respect to the new system rather than use eConsult, as it did for residential properties?

MS. MEADE: Well, the ultimate goal is to use consultants, but we didn't have the time to prepare the models for the commercial properties, and --

MR. MESCOLOTTO: In fact, we did use some consultants on it. We have our in-house consultants, Bernard Caymans and Eileen Lynn and others, who were consulted with on these properties.

Remember, that the commercials in many ways are individual appraisals. We constructed rudimentary multiplicative models for many of them and group properties by like type. For instance, all the gas stations, all the, you know, Wawa-type retails, all the 7-Elevens, all that kind of stuff.

We were able to use our in-house consultants that we've had for a number of years to guide our evaluators and supervisors in the CNI Division and to tap into the knowledge that we have in that specialty unit who deal with these properties on a regular basis.

Remember, it's a much smaller group of properties; it's only about 15,000. And we felt that our people, with the help of our consultants, were the best people for that job.

MS. MEADE: Mm-hmm, but we did no use the computer with using the statistical analysis to do those properties.

MR. MESCOLOTTO: We will, though.

MS. MEADE: We used those consultants, and we do plan in the future to create those models so that we can do those computerized as well.

MR. MESCOLOTTO: Again, it's a

different kind of a model situation than in the residentials. Income modeling is a little more challenging.

COUNCILMAN GREEN: I have a question about that. When you do a commercial property based on an income stream-type assessment, you're looking at, you know, the present value of future payment stream and et cetera, how do you verify what data that the property owner has to give you for you to do that analysis.

MR. MESCOLOTTO: Well, there's a lot of different sources for that kind of data. We do get appraisals on these properties in the appeal process, and we do use that information too against other properties that are of like type. We do get information from commercial services on this, such as the CoSTAR Services. We do get -- we get income and expense statements from people that submit appeals.

All this stuff put together --

all these different data sources put together gives us enough to profile -- make a profile for the various different kinds of income-producing properties.

COUNCILMAN GREEN: Do any of your assessors work for any of these independent on their free time? Any of these agencies that you just mentioned, CoSTAR.

MR. MESCOLOTTO: Not that I know of. I don't believe so.

COUNCILMAN GREEN: Okay.

MR. MESCOLOTTO: We didn't see any of that on any of the disclosure statements that we have them file for --

COUNCILMAN GREEN: That's fine.

MR. MESCOLOTTO: -- their outside -- any outside activity they have.

COUNCILMAN GREEN: And, finally -- and this is finally -- is there any reason why you wouldn't, since you have an actual value for residential properties, make that the market value under the current assessment system? In fact, one would argue you might be required to.

MS. MEADE: Not at this stage, not until the evaluators complete the validation process and we know that we can confirm that those are the values.

COUNCILMAN GREEN: Who are the evaluators?

MR. MESCOLOTTO: That's our staff.

MS. MEADE: That's our staff of assessors and appraisers.

COUNCILMAN GREEN: Okay.

MS. MEADE: Our people.

When we made the presentation, if you recall, one of the things we said, the next step to start immediately is to have the evaluators go through the computerized list, make a determination of which properties are out of kilter or just not appropriately assessed according to the market, and then to review those properties individually, to go out if necessary to do inspections, or to gather the information, using the system that Mr. Mescolotto explained.

Once they're able to do that validation process, which means that they can stand by, as the professional staff, those assessments, even though the assessments may remain the same, and most of them will remain the same, are the projections, as made by computer, but that they adopt those as their professional opinion. And if there have to be changes, then to put in the changes and explain.

COUNCILMAN GREEN: What is your written policy with respect to going from, if an assessor, an evaluator wants to make a change from what the computer system says?

The way I read the policy in the paper today, it would appear that that would not require going to the Board. So if someone wanted to do an over-50,000 change from the computer system, that wouldn't require going to the Board. If someone wants to do a 50,000 change once the assessor makes his determination, that would require going to the Board or evaluator.

So what I would like to ask you to do is do a written policy so that wherever there is a change from the CAMA system of more than, say, 50,000 or some number that you feel is appropriate, that that change should be required to be kicked up.

MS. MEADE: Yes.

COUNCILMAN GREEN: Because that is a place where the system could break down.

MS. MEADE: Yes. And, Councilman, we're working on precepts, which are -- the precepts are the standards that the appraisers or assessors in our department are supposed to utilize as a part of assessing the properties.

They have not been revised

since --

MR. MESCOLOTTO: 1993.

MS. MEADE: -- 1993. And we're working on revising those in conjunction with use of the computer system.

One thing that came up preliminarily that the Board recognized was that there was a problem with one of the precepts, and that was the precept that allowed evaluators to make a change for any property above -- and reductions for any properties up to $150,000. We saw that that was not being handled consistently and that it was problematic.

The Board, on its own initiative, put forward to have the valuators come before the Board for any changes over $50,000. And now, what we've requested is that Mr. Mescolotto and his staff are reviewing that whole policy to determine whether 50,000 is appropriate, whether it should be on increases and reductions alone, whether it should go back to the 150,000.

So that study, once it comes up with the final determination, then we'll put that as part of the precepts. And we hope to publish those precepts once they're completed with the standard --

COUNCILMAN GREEN: I know, Ms. Meade, but I don't want there to be any misunderstanding about what I'm saying.

MS. MEADE: Yes.

COUNCILMAN GREEN: I'm talking about before an evaluator gets a hold of it, a change from what CAMA says the value is to the evaluator's first opinion.

MS. MEADE: I understand, yes.

COUNCILMAN GREEN: Okay.

MS. MEADE: Mm-hmm.

COUNCILMAN GREEN: 'Cause that's not currently a part of the process. It would only be after the evaluator made their first determination.

MS. MEADE: Mm-hmm.

COUNCILMAN GREEN: So I just

want to make sure that we're not changing things before it would get to that level.

MS. MEADE: You're right, Councilman. And one of the problems that has existed with the Board is that we have not had a true quality control unit that could operate independently.

That is one of the units that we hope to create. And that's one of the issues that they'd be dealing with: To assure that those values, when changes are made, that they are appropriate, and that there are substantial reasons consistent with appraisal property principles to substantiate those changes.

But we want to put a quality control unit in there to handle those separately.

MR. MESCOLOTTO: And maybe this would help us out here. You know, one of the changes that we've made in the way our work flows and our systems work is that there is complete security over the models that are created to project these

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

values before any of the evaluators get involved with reviewing them.

And the process after the -- everything is projected and then needs review by our staff is that if you find a value that you feel has not been projected properly or some data on it that you feel is not correct, you're not going to change that value right then and there. What you're going to do is investigate it, find out why the projection didn't work out right, and then we correct the projection, run it back through -- it's usually a data error of some sort where, you know, the square footage is different than it should be, or the condition is different from what it actually was. And then it runs through the model again, and the value is projected.

It's not an arbitrary move on anybody's part.

COUNCILMAN GREEN: And there's a complete audit trail of every change that's made?

MR. MESCOLOTTO: Oh, yeah.

COUNCILMAN GREEN: And you'd be able to go back in and --

MR. MESCOLOTTO: Oh, yeah.

COUNCILMAN GREEN: Okay.

MR. MESCOLOTTO: And, again, it's the security over the models that is our real -- the factor that we have to -- that that is a big change in everything that we've done.

There's very few people, very few, that actually can have access to all of the models and what is in the work. There is also a copy of that, so that if anybody actually -- if we ever thought that there was any kind of tampering, we go back to a copy that says this is the true version of it and compare it.

And in order to do something like that, you would have to leave your footprint behind.

COUNCILMAN GREEN: With log-ins, et cetera.

MR. MESCOLOTTO: Yes.

MS. MEADE: Yes.

COUNCILMAN GREEN: Okay. Could you describe to the Chair, not now, that process for security in the system that provides the audit trail you're discussing.

MR. MESCOLOTTO: I can.

COUNCILMAN GREEN: 'Cause when you go to a totally electronic system, that's one of the areas where, you know, shenanigans can happen.

Thank you.

MS. MEADE: Right.

COUNCIL PRESIDENT VERNA: I'm going to ask anyway: Are there any further questions?

(No further questions.)

COUNCIL PRESIDENT VERNA: Thank you all so very much. You've extremely patient. We do appreciate it.

This committee will stand in recess until tomorrow, Tuesday, May 5th, at 10 a.m. Thank you all very much.

5/4/09 COMM. OF THE WHOLE - FISCAL '10 BUDGET

(Proceedings end at 8:05 p.m.)

* * *

C E R T I F I C A T E

I HEREBY CERTIFY that the proceedings of the City of Philadelphia Council Committee of the Whole are contained fully and accurately in the stenographic notes taken by me on Monday, May 4, 2009, and that this is a true and correct statement of same.

____

JOSEPHINE CARDILLO
Registered Professional Reporter

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