COUNCIL OF THE CITY OF PHILADELPHIA

BUDGET HEARING

BEFORE THE COMMITTEE OF THE WHOLE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, February 17, 1998
10:10 a.m.

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BILL NO. 980003 - An Ordinance adopting the Operating Budget for Fiscal Year 1999.

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PRESENT:

COUNCILMAN JOHN F. STREET, Chair
COUNCILWOMAN ANNA C. VERNA, Vice-Chair

COUNCILWOMAN HAPPY FERNANDEZ
COUNCILWOMAN AUGUSTA A. CLARK
COUNCILMAN DAVID COHEN
COUNCILMAN FRANK RIZZO
COUNCILMAN FRANK DiCICCO
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN MICHAEL A. NUTTER
COUNCILMAN RICHARD T. MARIANO
COUNCILWOMAN DONNA REED MILLER

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PRESIDENT STREET: Good morning, ladies and gentlemen. This is a Public Hearing of the Council Committee of the Whole.

Today we will hold public hearings. We will not conduct a public meeting.

We have in front of us several bills. Bill No. 980001, An Ordinance to adopt a Capital Program for the six Fiscal Years 1999 to 2004; Bill No. 980002, an Ordinance to adopt a Fiscal 1999 Capital Program; an Ordinance No. 980004, an Ordinance amending Chapter 19-1500 of the Philadelphia Code entitled "Wage and Net Profits Tax" by decreasing the rates of the tax; and Bill No. 980005, an Ordinance amending Chapter 19-2600 of the Philadelphia Code entitled "Business Privilege Taxes" by decreasing the rates of the tax based upon gross receipts and by clarifying the activities which will subject a person to tax for engaging in business within the City of Philadelphia.

Now, we will have public testimony today primarily on Bill No. 980003, an Ordinance adopting the Operating Budget for Fiscal Year 1999.

Now, at this time we do not have a quorum in the Council chambers, and, therefore, we

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are asking Councilmembers who may be in the building, in your offices, to please come to the chamber. We need a quorum of at least nine members in order to start the Public Hearing.

We thank those of you from the Administration who are here to testify for coming. We express our regrets that we are delayed in starting this hearing.

We did not have a stenographer at 9 o'clock. We have not investigated it, but I would be willing to wager that she thought the Public Hearing was to start at 10:00. We probably didn't make it clear enough. But she is here, does a good job, and we appreciate her coming.

And owing to the fact that we still don't have a quorum, even if she were here at 9 o'clock, we wouldn't have been started anyway.

So if we could have Councilmembers come to the chamber, we would appreciate that very much.

(Short recess.)

PRESIDENT STREET: A quorum is now present in the chamber.

The Chair recognizes Greg Rost, Chief

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of Staff, Office of the Mayor, who will give us a brief overview of his testimony and be available for testimony.

Good morning, Mr. Rost.

MR. GREGORY S. ROST: My name is Gregory S. Rost. I am Chief of Staff to Mayor Edward G. Rendell.

I am pleased to be here this morning to present testimony concerning the Fiscal Year 1999 operating budget for the Mayor's Office.

The total amount requested from the General Fund for the Mayor's Office is $2,452,162. This represents an increase of 22,672 over our Fiscal Year 1998 appropriations.

Of this amount, $1,833,678 is requested in Class 100 to cover 44 positions, three less than was included in last year's budget.

In Class 200, we are requesting $371,209. The bulk of these funds were devoted for dues for the National League of Cities, the National Association of Counties, and the city's subsidy to the Delaware Valley Regional Planning Commission.

Our Class 300 and Class 400 requested amounts are the same as were appropriated last

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year: $32,331 in Class 300 for office materials, supplies, and stationery; and 10,000 in Class 400 for office equipment.

And the balance of our Fiscal Year 1999 General Fund request is for 200,000 in Class 500 for the City's Scholarship Program. This amount will enable us to provide scholarships of between 1000 and 1600 dollars to approximately 200 Philadelphia students who will attend college in the Philadelphia area.

In addition to the General Fund, the Mayor's Office budget includes $2,159,537 from the Grants Revenue Fund. These are, essentially, pass-through dollars from the state and federal governments, principally to the Mayor's Commission on Aging and the Mayor's Commission on Literacy.

The Fiscal Year 1999 amount is $38,232 less than was included in last year's budget.

We are also requesting $470,164 from the General Fund in FY '99 for the Office of Labor Relations.

As you know, this office was established by executive order in November 1996, and is charged with coordinating the city's relations with its municipal unions.

The bulk of the money, those monies, $408,364, is Class 100 for the eight people who staff the Office of Labor Relations.

I note that Council will be hearing directly from the Mayor's Office of Community Services concerning its proposed Fiscal Year 1999 budget later in these budget hearings.

This concludes my testimony, and I would be pleased to answer any questions that members of Council may have.

PRESIDENT STREET: Thank you very much. The Chair recognizes -- Councilwoman Verna, is your light on?

COUNCILWOMAN VERNA: It is not, but if you want to recognize me.

PRESIDENT STREET: I thought I saw you hit your light.

Councilwoman Verna.

COUNCILWOMAN VERNA: Thank you. Mr. Rost, the Office of Labor Management, they were in the Personnel Department, and they were transferred over to the Mayor's Office; is that the

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same?

MR. ROST: Councilwoman, that's partially correct.

There were people that were in Personnel. There were some other people that were outside Personnel.

There was a Labor Relations Task Force that was headed up by Mike Nadol, who at that time was in the Mayor's Office.

Mike subsequently, after the conclusion of the 1996 negotiations, went down to the Water Department, where he is Deputy Water Commissioner.

And the Mayor created by executive order the Office of Labor Relations to pool together the disparaged people within the Administration who were working on labor relations issues.

It is, basically, a single point of contact for people both within the Administration, in the government, in Council, and also our municipal unions, so they know who to contact if they have issues pertaining to the city's collective bargaining agreements or labor relations at large.

COUNCILWOMAN VERNA: Thank you.

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PRESIDENT STREET: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Mr. Rost, with respect to the Office of Labor Relations, when the city entered into a contract with, say, District Council 33, and as part of the contract there was a wage increase granted to employees over a scheduled period of time, was that the final word with respect to wage increases?

Or is there some machinery whereby each department bargains after the District Council agreement, each department bargains with its units and has the right to withhold the wage increase until that department has achieved the labor contract?

I was always under the impression when we settled, say, District Council 33, that all employees covered by 33 would get a wage increase on the date scheduled.

But that's apparently not the interpretation. We had it recently with the Register of Wills. And we all thank everybody involved in clearing that matter up, because we think an injustice was cleared.

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But the same thing is happening in OHCD.

MR. ROST: With Local 1971. Yes, I am familiar with that.

COUNCILMAN COHEN: Well, can you help us on that? Because we are just mystified.

MR. ROST: Well, as I understand it -- and Bill Grab is in the gallery today -- Bill is the Director of Office Labor Relations.

As I understand it, the locals have to ratify the larger agreements. And in this instance Local 1971, which has approximately 35 members, they have not come to terms yet with OHCD. As I understand it, there are four issues that are still remaining.

Councilman Nutter recently inquired about this, as did Council President Street, in an interest of trying to bring this to some sort of closure speedily. So, I mean, that's basically where they are.

There is a state-appointed mediator from the Pennsylvania Board of Mediation, who is overseeing the negotiations.

As I said, Mr. Grab is involved. We

are trying to bring this to some sort of closure sooner rather than later.

But the fundamental issue from the Administration's perspective is that we don't see any reason why 35 members of one local should receive benefits appreciably different than the 13,000 members of District Council 33.

COUNCILMAN COHEN: Well, I would probably agree with your statement.

My understanding of the issue is that the management is trying to take away from this group of 35 -- all of whom are relatively low-paid employees, clerk typists, and lower-ranked program analysts, something like that -- the city is trying to take away rights from them that have been accorded to, for example, in Local 1971, into the city is trying to take away rights from this third unit.

There are two other units that Local 1971 has, and for these reasons these 35 workers are being offered less.

MR. ROST: Councilman, it is my understanding that what OHCD is asking for is the same thing that the other 13,000 members in District

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Council 33 are receiving.

There is no interest, from our perspective, in taking away any benefits or giving any benefits in excess of what we have provided.

COUNCILMAN COHEN: Well, does this citywide Office of Labor Relations have jurisdiction over that matter?

MR. WILLIAM GRAB: I am Bill Grab. I am the Director of Labor Relations.

To back up a little bit, the Office of Housing and Community Development is a separate --

COUNCILMAN COHEN: Would you speak right into the microphone.

MR. GRAB: -- is a separate bargaining unit from the District Council 33 master agreement. They have their own contract. It is a separate and distinct contract from the 33 master agreement.

They have been negotiating --

COUNCILMAN COHEN: Is that different, or is that the usual standard in government?

MR. GRAB: Most people think we have four major collective bargaining units, and that's

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the city's collective bargaining units.

We have them, and then we have the smaller units like OHCD. We have the deputy sheriffs, which is six. We deal with Traffic Court, we deal with some other court employees represented by District Council 47.

This unit has been certified by the Pennsylvania Labor Relations Board as its own unit. We negotiate separately with them. Their contract differs from the 33 contract in several ways.

What we are doing now in negotiating, they have some interests which they are trying to get us to agree with, and we have some interests in changing the contract which we are trying to get them to agree with.

Right now negotiations are under the supervision of the state mediator. The mediator has been doing shuttle diplomacy, basically, between the two parties and is trying to work us to agreement.

What the city is seeking, basically, is to bring the agreement more in line with the master agreement in the light of layoffs and promotions and things like that.

COUNCILMAN COHEN: Well, we get a

different version. I don't want to go into the detail of the differences.

But we are getting the version that the city is trying to take away rights from this group, rights that are generally accorded to everybody else.

But irrespective of that, it just seems that the city has a policy when there are relatively low-paid employees, that don't seem to have much clout, of using this wage increase that we thought was granted to everybody.

I just don't understand the policy.

MR. GRAB: They --

COUNCILMAN COHEN: And it seemed vitally unfair.

MR. GRAB: The policy is to try to treat our employees in a similar manner, as they are situated in different --

COUNCILMAN COHEN: But they are not being treated the same way; they are being treated differently.

MR. GRAB: But they want us to treat them the same way in the wages. We would like to make some changes in some of the other areas. And

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there is where we are.

COUNCILMAN COHEN: This has all the earmarks of the one we went through that doesn't make sense on the surface. And the more explanation just makes it even harder to understand.

I don't know why you don't give the wage increases that the whole public was told, and bargain out your differences on the other issues.

MR. ROST: Councilman, it is my understanding they did receive the $1100 bonus in the summer of 1996.

COUNCILMAN COHEN: But they didn't get the increase that I think went in December.

MR. ROST: They didn't get the December 15, 1997, increase.

COUNCILMAN COHEN: That all other employees got.

It is nothing as far as the city budget is concerned, yet you create a situation in which many people feel the city is being very unfair to them.

And you, Mr. Grab, I have to tell you, seem to be the person that's being blamed for it by everybody I have spoken with from the agency.

And I don't want to get involved in that. I have no idea of knowing at this point whether there is any merit or not to that.

But why doesn't the city just pay the money and do the negotiating on the other things?

MR. GRAB: Because we are trying to deal with a package, basically. And they have their interests and we have our interests.

COUNCILMAN COHEN: Mr. President, I think if that's the Office of Labor Relations, I have to submit that it is not worth funding. Because it is creating more problems, and it is not solving them.

And I would think with the citywide Office of Labor Relations, those things would have been smoothed out and you would say, don't take advantage of low-income workers, give them the increase.

Let's continue to argue, keep the mediator, if you need him, and so forth.

MR. ROST: Councilman, if you will agree and if the Chair would agree, what we could do is provide you with a brief summary of where we are in the negotiations in terms of the outstanding issues, so you could see precisely what we are talking about in terms of the District Council 33 master agreement, and then where 1971 is, and then where OHCD is. We will have three columns.

COUNCILMAN COHEN: I would ask that you supply it to Chairman of the Council's Labor Committee, Councilman Mariano, and then he can make it available. Because I know he has also been involved.

I am sure most members of City Council by this time have been involved, and we don't have any answers that make any sense.

MR. ROST: If that meets with the Chair's approval, then I would be happy to do that.

COUNCILMAN COHEN: Could it go to you, Mr. President?

PRESIDENT STREET: If you send it to the Chair of the Council Committee of the Whole, I will make sure that every Council member gets it.

COUNCILMAN COHEN: All right.

PRESIDENT STREET: Councilman Cohen, if you don't mind, I would like to pass on to another Council member at this time.

COUNCILMAN COHEN: Yes, please do.

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PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President. Since we are in this area, why don't we stay here for a few minutes longer.

If I could just go over two or three things, and you can respond that they are either correct or incorrect.

In this Local 1971 matter, there seems to be a debate about the term of the contract.

Local 1971 says that rather than beginning immediately after the termination of the former collective bargaining agreement, CBA, which would be July 1, 1996, OHCD wants to begin on the date of ratification of a new contract.

Whereas, District Council 33, the Parking Authority, the Housing Authority all began immediately after the termination of the former collective bargaining agreement.

Is that true or not true?

MR. GRAB: That has been changed in

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the last negotiation session. The city is willing to do the retroactive agreement.

COUNCILMAN NUTTER: To July 1, 1996?

MR. GRAB: Yes.

COUNCILMAN NUTTER: So that is no longer an issue?

MR. GRAB: No.

COUNCILMAN NUTTER: With regard to promotion lists, OHCD wants to limit the amount of seniority used in ranking the employees on a promotion list to a maximum 10 percent, down from the current minimum of 30 percent and maximum of 50 percent.

OHCD allegedly does not want to meet with the union to discuss the allocation of factors comprising the promotion list.

This is as compared to District Council 33, Philadelphia Parking Authority, and PHA, no employer attempt to revise promotion language, no change.

Is that correct or incorrect?

MR. GRAB: The city is seeking change in the promotional language to bring it more in line with those of the 13,000 people in the Civil Service unit of District Council 33.

COUNCILMAN NUTTER: So are you saying that there was a change for District Council 33?

MR. GRAB: There was no change for District Council 33. We are trying to bring OHCD language to be more similar to the language.

COUNCILMAN NUTTER: What is the provision for the 13,000 District Council 33 members on the promotional list?

MR. GRAB: On a promotional list, you get 10 percent.

COUNCILMAN NUTTER: So the union is wrong?

MR. GRAB: Well, the union is not wrong. The union is using a different sample there.

They are talking about the Parking Authority; they are not talking about the other 13,000 employees.

COUNCILMAN NUTTER: They actually were talking about D.C. 33, PPA, and PHA.

But you will get us the information, and we will go from there?

MR. GRAB: Yes.

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COUNCILMAN NUTTER: On a totally different topic.

Mr. Rost, last week in the Capital Budget hearings, there was a great amount of discussion -- and I think you were not in the room. Mr. Kaplan was here -- and this was regarding the libraries and library renovations.

As I recall the exchange, Mr. Rost -- I am sorry, Mr. Kaplan came back to the table after the library people gave their testimony and indicated that there was going to be a meeting some time late last week between, I guess, either the Mayor and Mr. Shelkrot. I don't know if Mr. Kaplan was going to participate in the meeting.

But we were supposed to get a definitive answer with regard to, I believe, upwards of $900,000 to complete and fully fund the Library Renovation Project.

Can you give us an update on the status of that?

MR. ROST: Councilman, I'm not sure if that meeting has been arranged.

What I will do is, when I conclude my testimony, I will check with the Mayor's scheduling

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office to determine if that meeting has been scheduled.

If it hasn't been scheduled yet, I will make sure that it is scheduled, and then I will report back to you when it is scheduled.

COUNCILMAN NUTTER: Okay. But somewhere in the course of today -- because we are going to be here for a while -- you will be able to report to us what the status is?

MR. ROST: Yes, Councilman.

COUNCILMAN NUTTER: Okay. Thank you, Mr. President.

PRESIDENT STREET: The Chair recognizes Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Thank you, Mr. President.

Mr. Rost, even though it was not mentioned in your testimony, I just wanted to note for the record that I think your office and the office of Finance and the Law Department and the Revenue Department did a spectacular job, even though it was a long and arduous process, for the tax lien sale.

And I think looking back, that was a

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major project for last year. And the fact that $31 million came in from taxpayers who, you know, had gotten a notice and thought they better come forward, plus the money that went both to the School District and the city as an up-front lump sum.

And then when we heard from the School District that their tax collections have been up, and the School District deficit might be down a little bit because people have been paying their real estate taxes, I just think that was such an important project.

I just wanted to note for the record I think you all did an excellent job, through a very long and arduous process, to reach an agreement that would be satisfactory.

MR. ROST: Thank you, Councilwoman.

I would also add the help that we received from the Council.

The tax lien process took place long before I became Chief of Staff to the Mayor. And I know that there were a lot of people both on the fourth floor and on the second floor, and in Finance and Budget and Revenue, that worked very, very hard to make that happen.

But thank you very much for your comment.

COUNCILWOMAN FERNANDEZ: Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Mariano.

COUNCILMAN MARIANO: Thank you, Mr. Chairman.

My question is to the gentleman from Labor Relations. Your name escapes me.

MR. GRAB: Bill Grab.

COUNCILMAN MARIANO: Thank you.

Back to what Councilman Nutter and Councilman Cohen were talking about, Local 1971.

I don't want to get into the particulars of this negotiation, but, in a nutshell, is this local that far ahead of their brothers and sisters in the big union, that you are negotiating them down?

Are you asking for any give-backs here; is that what the holdup is?

MR. GRAB: We are asking for some

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revision in their contract language, yes, which is different than the larger 33.

I mean, and they have some interests also that are different than were in the larger 33 that they are asking, they are seeking from us.

COUNCILMAN MARIANO: Were they that far ahead of 33, though?

MR. GRAB: They have some things that are different that we would like to bring in line. I don't know whether it is far ahead.

COUNCILMAN MARIANO: It is not monetary? Is it work rules?

MR. GRAB: Mostly they're work-rule-type things that we are interested in, yes.

COUNCILMAN MARIANO: Do you think this is something we can work out within the next 20 days?

MR. GRAB: Yes. The mediator has another session scheduled in about a week, week and a half.

COUNCILMAN MARIANO: Could we do this without a state mediator?

MR. GRAB: Excuse me?

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COUNCILMAN MARIANO: Could we possibly do this without a state mediator? You are talking about 34 people.

MR. GRAB: Yes. The mediator, though, has a role.

COUNCILMAN MARIANO: Is it binding?

MR. GRAB: No, mediation isn't binding.

But it is important to the union and us that we follow the impasse procedures provided in the act.

When we don't do that, the union limits its options, also.

COUNCILMAN MARIANO: Because it is real difficult for us, when a labor organization comes to us and tells us one thing, and it seems like people are out there swinging in the breeze by themselves, and then you get here and we hear something different.

It has been my experience in labor management negotiations that there are three sides to every story: Our side, your side, and the truth. So somewhere in between your side and their side is the truth.

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I don't think that the union or the city would purposely tell a City Councilman an untruth. But I think that sometimes in negotiating a contract -- and, again, I don't want to get into specifics of the contract, but we just went through this with the Register of Wills and the Sheriff's office, we had to do a hearing.

Hopefully that was taken care of, maybe, because of a little pressure with Council, maybe not, but it was done.

Now, 34 people, can't we just do one big master agreement? I mean, if I was in the management side, I would want to divide everybody and take them into different negotiations. If I was in labor, I would want everybody to be together.

MR. GRAB: It works to both sides' advantage.

Back to your analogy, I guess, of labor, management, and the truth. There is labor, management, and there is settlement. And there is room for settlement here, I believe, with both parties working.

COUNCILMAN MARIANO: My last question is, how did 1971 get so far ahead of the master 33

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agreement? When did that happen, 20 years ago?

MR. GRAB: Over the past 20 years of negotiations, when the government was a little less coordinated, which is why we have the Office of Labor Relations now.

COUNCILMAN MARIANO: Now that we are funding, this should never happen again, if we are putting all this money into the Office of Labor Relations?

MR. GRAB: Hopefully, yes, we will be more coordinated.

COUNCILMAN MARIANO: So the next time this comes around, we don't have to wait a year or two years down the line for 34 people?

MR. GRAB: Yes. I would be much happier.

COUNCILMAN MARIANO: I'm sure you would, because then you wouldn't have to sit here and listen to questions from Cohen and Nutter.

MR. GRAB: No. More importantly that we have labor agreement.

COUNCILMAN MARIANO: Thank you. Thanks for your help.

PRESIDENT STREET: The Chair

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recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Mr. Chairman.

I would only like to add that I, too, don't understand why we have so many problems with this one local, and that I, too, was given the impression there were give-backs which were the issue, and that this arbitrator who was coming in was really, really going to slow down the whole process to get anything done.

Most of us know the members of this union, and we have for a lot of years, and we have found them to be honorable.

Of course the union always represents people in trouble, so they have no interest in a prolonged agreement.

And there seems to be no interest in saying that they were told there would be give-backs, unlike other similar unions, unlike their sisters and brothers across the board, that they specifically have been targeted for some give-backs.

So I don't know where the rubber meets the road, either. But I am certainly

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concerned, as are my colleagues, about what we need to do to have a speedy resolution of this issue.

We are all concerned. After this we'll do the OHCD budget, and we would certainly hope that this issue will be resolved in short order.

So I look forward to receiving the information and, hopefully, news of a settlement.

MR. ROST: Thank you, Councilwoman. We share your concern with this being brought to closure promptly.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Mr. President.

PRESIDENT STREET: The Chair recognizes Councilman Cohen.

I remind Councilmembers that we are running a little bit late.

COUNCILMAN COHEN: Mr. Rost, the reference to the scholarship fund, you say we cover 200 students in the amounts that you have indicated.

MR. ROST: Approximately.

COUNCILMAN COHEN: Do we have any idea of how many of our high school seniors go on to college?

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I mean, what percentage is 200 of the graduates from the public schools, the parochial schools, private schools?

MR. ROST: Councilman, I'm not sure I know the answer to that.

COUNCILMAN COHEN: Well, could we find out?

Because I just have to tell you that out of a two-and-a-half-billion-dollar, even more than that, budget, plus maybe another billion and a half or two billion that doesn't come under the General Fund, $200,000 for Philadelphia graduates in the scholarship fund is almost laughably small.

And I think that figure ought to be revised, you know, unless there is some evidence that, really, Philadelphia students can all afford to go.

Could you get some more information on what that's based?

MR. ROST: I will get some more information, absolutely.

COUNCILMAN COHEN: Because I think students and parents throughout all of Philadelphia are very heavily pressed to make it possible for the

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youngsters to go off to college.

If we can get information. Thank you.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

Councilman Cohen, you shouldn't feel compelled to mention that this Council has over the years been very committed to Community College.

Part of our commitment to providing an education to the young people of this city actually is involved in their funding.

And our support for Community College, which, you know, I mean, we are very, very supportive of Community College and intend to continue to do so.

I just don't want anybody to think that this $200,000 is all we do as a city to encourage people and to support people in their pursuit of higher education in this city. We do a lot more.

COUNCILMAN COHEN: But I am limiting it to the area of the scholarship.

PRESIDENT STREET: I understand.

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COUNCILMAN COHEN: And that just seems to me to be terribly small. Because that also includes students that may graduate from Community College and may be headed for two more years if they do well at Community College.

So it seems like 200 pupils is a terribly small number, unless there is some explanation.

MR. ROST: Well, if I could piggyback on the Council President's comments.

I think we provide in excess of $18 million per year to Community College. We also provide water and sewer discounts, charitable discounts for a lot of our large nonprofit institutions who are tax exempt.

So we provide a variety of services to higher education in the City of Philadelphia above and beyond the $200,000 that we provide through the city's Scholarship Fund.

COUNCILMAN COHEN: I am talking about the families, Mr. Rost. It seems to me a terribly small amount, painfully small amount, to be applying.

Families are in a real squeeze. Not

only in Philadelphia, but throughout the nation. And it seems to me we ought to do far better.

I didn't want to get involved with Community College. We will do that on the budget.

But the President knows that my views have consistently been that we don't give enough support to Community College.

And I recognize that we do better than many other groupings do. But education is the kind of thing you have to keep fighting for or somehow it gets lost.

MR. ROST: Absolutely.

COUNCILMAN COHEN: And I would just urge that you re-examine it so that before these hearings are over, we can have an evaluation and maybe a reconsideration.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Just following on that.

Mr. Rost, could you provide to the members of Council and the Chair, could you list out

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what you estimate, your best estimates, of what the city is investing in education?

We already have the public schools, but all the higher ed, plus Community College.

MR. ROST: I would be happy to do that.

COUNCILWOMAN FERNANDEZ: I think that might be good to know. I think it is a good figure.

PRESIDENT STREET: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Mr. President.

Mr. Rost, I have a question about the salaries and salary increases of those individuals that work for the Mayor's Action Center.

Do they routinely get salary increases, or what? Because I know someone there that's had the same salary.

MR. ROST: I am aware of this issue, as well. It was brought to my attention recently that there are seven or eight people, I believe, who work in that office who have not had a salary increase.

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We will be processing salary increases for them within the month.

COUNCILWOMAN MILLER: Okay. Thank you.

PRESIDENT STREET: The Chair recognizes Councilwoman Clark.

COUNCILWOMAN CLARK: Mr. President, I would just like to follow up and ask Mr. Rost if when he makes the corrective action, he intends to make it retroactive so as to heal whatever harm was done.

MR. ROST: Councilwoman, those raises will be retroactive to August 25, 1997, which was the time that we made increases for a number of exempt people in the Administration.

So they will be retroactive until August 25, 1997.

COUNCILWOMAN CLARK: And so does it heal but for the failure to? They are just where they would have been if they had gotten their raises on time, with everybody else?

MR. ROST: They will be made whole. That's just another way.

COUNCILWOMAN CLARK: That is my

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question, will they be made whole.

And your answer is yes?

MR. ROST: Yes.

COUNCILWOMAN CLARK: Thank you.

PRESIDENT STREET: Does anyone else have any questions?

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Just one. I am a little troubled by the arithmetic. $200,000 covering 200 students would be an average of a thousand each, yet your sentence says it goes from a thousand to 1600 per student.

Can we assume that the average grant is just the 1,000? Because if the minimum is a thousand, and there are 200 students, the figure has got to be well above 200,000 if, say, even half of the students get the higher figure of 1600.

MR. ROST: Councilman, in my testimony I used the word approximately 200 Philadelphia students.

I would be happy to get the precise number for you.

COUNCILMAN COHEN: And could we get a

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breakdown by district?

MR. ROST: I can do that.

COUNCILMAN COHEN: Very good, sir. Thank you.

PRESIDENT STREET: Councilwoman Clark, is your light still on?

COUNCILWOMAN CLARK: I would ask for a yield, Mr. President.

PRESIDENT STREET: The Chair recognizes Councilwoman Clark.

COUNCILWOMAN CLARK: Following up on the comment that Councilman Cohen made.

It is clear we do know how many scholarships are presently in force; is that correct, Mr. Rost?

MR. ROST: Yes, ma'am.

COUNCILWOMAN CLARK: Have we looked at the adequacy of your minimum grant?

MR. ROST: I don't know the answer to that question. I can certainly find out from the person.

COUNCILWOMAN CLARK: Do you know where I am going with this?

MR. ROST: Yes, ma'am.

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COUNCILWOMAN CLARK: I mean, $1,000 is a book scholarship.

MR. ROST: $1,000, if tuition is $5,000, is 20 percent. $1,000, if the tuition is 25,000, is considerably less.

I understand where you are going.

COUNCILWOMAN CLARK: But I am saying that the range ought to accommodate an increasing number of students and it ought to make a significant impact on the ability to go.

And, yes, you need books in order to do well in college. But $1,000, the historically black colleges, which are generally low tuition, $1,000 doesn't help very much there these days.

About the only place $1,000 makes a lot of difference could be Community, if you lived at home and lived within walking distance.

So we do need to talk about, if the President says education is the major item on the addenda, and that this Administration agrees that it is the major Philadelphia concern, then we need to treat it in a major way, instead of throwing tips at it.

It seems to me that $200,000 in the

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year of education is little more than a tip, considering the number of students who are already admitted to Community College.

When you graduate any Philadelphia high school, you are automatically admitted to Community College. That's not much encouragement.

I mean, any general high school will graduate 200 students. So we are doing a small, we are doing a little bit of good to an infinitesimally small group of students.

And it can't be seen as a major encouragement, is all my comments are intended to say.

MR. ROST: Yes, ma'am.

COUNCILWOMAN CLARK: Thank you.

PRESIDENT STREET: Thank you very much.

Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Mr. President.

I think I know for the other scholarships that go to Penn, a whole package is put together for the student.

So it may be helpful, that may be

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some way to tackle it, to see if this grant is supposed to be in conjunction with the financial aid package, or if this is just a grant that's given to different students from our city.

So that might be helpful, if we understand that, as well.

MR. ROST: I will provide that information, as well.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

Are there any other questions?

Gentlemen, thank you for coming.

MR. ROST: Thank you, Mr. President.

PRESIDENT STREET: Office of the Director of Finance.

MR. BEN HAYLLAR: Good morning, Council President, members of Council. I am Ben Hayllar. With me is Lynda Orfanelli, Deputy Director, and Dean Kaplan, Budget Director.

You have my written testimony on the FY '99 Operating Budget. Therefore, unless you object, and prefer to have me read it, I would

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prefer to summarize the high points, in the interest of time.

Traditionally at this point the office takes this opportunity to inform Council of where we are with a number of major initiatives that were discussed last year and some of the major initiatives being undertaken this year.

As Council is aware, and has pointed out to Finance people for a long period of time, Philadelphia has a reputation for being a very slow pay to its vendors.

This causes the city to pay more because the vendors must add on the cost of money to their bids.

The Accounting Bureau has been building on the new general ledger accounting system by adding a computer-based payment system designed to pay vendors within 40 calendar days of receipt of an accurate invoice once a contract is signed. Today, ten departments are on this system.

In the fall of '96, when we began this exercise, the average payment time was 68 days. The departments on the system now average 46 days from receipt of the invoice to issuance of the

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payment.

This year, the Office of the Director of Finance and the Treasurer's Office re-bid the contracts for money management firms to manage the city's billion dollar consolidated cash and capital accounts.

As a result of this, for the first time two minority-owned firms have been added to the list to manage a portion of these funds.

The Revenue Department continues to upgrade the systems in which it collects taxes. It was this upgrade that made it possible for Revenue to handle the tremendous volume of business that was required during the tax lien sale last spring and summer.

It also will allow the Revenue Department to handle the changes that are being made to the Business Privilege Tax that we proposed both last year and this last.

The Office of the Director of Finance, with Public Property and the Capital Program Office, is overseeing the consolidation of city leases in the Central Business District.

In cooperation with Councilwoman

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Clark's committee, we are almost at an end of this process.

This summer 1900 employees will move from various locations, to the newly renovated One Parkway Building.

Legislation is presented to Council to lease up to 70,000 square feet for the remaining 350 employees, who will go into the Land Title Building at 100 South Broad Street.

We also intend to move about 269 employees who do not have to be downtown to the old Packard Press Building in a development that's taking place at 990 Spring Garden Street.

This office consolidation project has resulted in an $8.6 million savings in lease costs for FY '99.

As Council knows and has brought to our attention repeatedly, the ever-increasing cost of funding the city's pension, because of its historic unfunded liability, threatens the economic stability of the city in future decades.

I will discuss this at more length during the pension testimony, but I wish to point out that today the General Fund annually pays approximately $194 million into the Pension Fund.

Of this amount, 170, the vast proportion of it, is for the unfunded liability.

Between now and the Year 2019, the city's costs for eliminating the unfunded liability will escalate each year until the Year 2019, when a total of $508 million is projected to be paid.

To reduce the growth of payments for the pension obligations in 1997, the city proposed and the state enacted an amendment to Act 205 that allows the Pension Fund to change the way the unfunded liability is calculated once the pension is 70 percent funded.

We are currently 52 percent funded, and expect the pension to be 70 percent funded in approximately 2012.

At that point the new law will allow the city to annually set a ten-year payment schedule for the remaining unfunded liability.

This extends the payment schedule out past 2019 and reduces the huge spike in costs that the General Fund will have to pay after that date.

We will, as I will discuss in the pension discussion later this morning or this afternoon, also be discussing with Council and evaluating the practicality of doing a pension bond to reduce the unfunded liability.

There are risks inherent in this, and we need a tremendous amount of analysis to determine whether it can be recommended.

The Bureau of Administrative Adjudication has assumed responsibility for the regulation of individual burglar alarm systems.

And while Mr. Cermele will have more to say about this, we continue to see a reduction in false alarm rates because of the stewardship of that program. False alarm burglar alarms has reduced by 15 percent since the project began.

Despite continuing legal challenges, the Minority Business Enterprise Council continues to ensure that businesses owned by minorities, women, and disabled are given equal access to business opportunities with the city.

Participation by disadvantaged businesses for all contracts did decline last year from 16.3 percent to 13.4 percent. This was due in part to the effects of the legal challenges and also because of the 45 percent reduction in the amount of

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total contracts bid by the city.

In addition to working on city contracts, Minority Business Council looks at special projects to make certain that they are -- that women and minority-owned businesses are included.

They assume responsibility for making certain that minorities and women participated in the reconstruction of One Parkway Building, for example.

Base building contracts totalled 17.5 million by the end of November. And of this, 26 percent went to minority and women contracts.

In terms of employment for all hours worked on the project, 51 percent were to minority and women employees.

Finally, the Accounting Bureau will place the city's annual financial report on the Internet this fiscal year.

Normally we get some 500 requests for copies of our financial report. The cost of issuing it is probably 10 to 15 dollars apiece. So while this moves us into the technological age, it also saves us a few dollars.

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The office of the Director of Finance's FY '99 budget request for all funds totals $822,952,914. General Fund budget request is $635,561,343.

The largest component of the budget is employee benefits, which is budgeted at $559,243,187. Of this, $502 million is from the General Fund, where a $22 million increase is budgeted.

The increase is attributed to increases in the city's contribution to the Pension Fund, primarily, health care, and disability and FICA.

A large element of the Finance budget is legal services, witness fees, Hero Awards, and the Community College.

Many of these entities will testify before Council in separate testimony. But I would note that the Administration is proposing to provide the Community College with $18,267,000 in the budget. And this includes the increase of a half million dollars resulting from the challenge grant given to the college last year, because it was able to raise an additional half million dollars from the

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state.

Direct appropriations from the General Fund for FY '99 is $14,040,690. Most of the entities of the Finance group will testify separately.

That concludes a summary of our testimony. We would be happy to answer any questions.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President.

Mr. Hayllar, I have a number of questions which I will not get through in this first round.

But for the moment I would like to focus on parts of your testimony from Page 4, Page 3, and Page 2. Let's start with, actually, Page 4 first.

This has to do with employees and consolidation of -- it looks like a combination of consolidation and expansion of office space.

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I am fully familiar with the One Parkway building renovation and the turnkey proposal. We did that in Public Property some time ago.

Tell me a little bit about the 70,000 square feet at the Land Title Building, which I think that bill is over here, may have already had a Public Hearing?

MR. HAYLLAR: No, we have not. It has been read. I don't know that it's been introduced.

COUNCILMAN NUTTER: Okay. Who is proposed to go in that space?

MR. HAYLLAR: Court reporters, the Sheriff's Office, Women Against Abuse, Literacy Council, and there will probably be a few other small offices that are not necessarily part of city government for whom we traditionally have provided space, and I don't have the complete list with me.

COUNCILMAN NUTTER: Are these people going to this location because they can't fit at One Parkway?

MR. HAYLLAR: Yes. They do not require the same quality of space as the One

Parkway, which is the same quality of space which has been established at the new Municipal Services Building.

As you recall, we wanted to be a factor --

COUNCILMAN NUTTER: These people require a lesser quality of space?

MR. HAYLLAR: Yes.

One of them is, for example --

COUNCILMAN NUTTER: I am glad you are not outfitting my office.

MR. HAYLLAR: No.

Some of them will be of higher grade than the others. Court reporters, for example, require, basically, an open space in a well-ventilated, well-lit office, but it does not require a great deal of amenities. And that's one of the larger, that would be one of the larger, users in the building.

The Sheriff's Office, clearly, requires a higher grade of space.

If you go back a number of years, we wanted to still remain, even though we were purchasing buildings and renovating them, we wanted

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to be a factor, particularly in the B and C office area, where we could still help a rentor in those areas.

This -- I say 70,000; it will probably be less than that -- allows us to still do that in offices that have been vacated.

COUNCILMAN NUTTER: Let me ask this question, then.

I mean, is it now a component of your testimony that a part of our decision-making process about where we put our people or who goes where is also a function of the impact that the City of Philadelphia can have on the rental office market, the B and C spaces, and that becomes a factor in our decision making, versus what's in the best interests of our employees and where they are located?

MR. HAYLLAR: We believe we can accommodate both ends.

We have, for the most part, moved our people into buildings, taking them out of a wide variety, I believe 27 different leases, and put them in buildings that we will own and operate.

The remaining --

COUNCILMAN NUTTER: Well, we are not

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going to own and operate the Land Title Building.

MR. HAYLLAR: No. But the remaining we propose to have a longer-term lease for that B and C office.

We didn't want to lose our ability to help in that end of the real estate market.

COUNCILMAN NUTTER: Okay. And the One Parkway Building, the maximum capacity is 1900 people?

MR. HAYLLAR: Approximately, yes.

COUNCILMAN NUTTER: Let's talk about 990 Spring Garden.

I am generally familiar with Spring Garden Street, just from travels. And I understand that we try to, in your words, at least, help the real estate market in Center City.

Who is it that we are trying to help at 990 Spring Garden, and why are we going over there?

MR. HAYLLAR: There are some offices that were currently located in downtown Philadelphia that did not need, because of their function, to be downtown.

COUNCILMAN NUTTER: Like who?

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MR. HAYLLAR: This is an L & I and a Streets function.

COUNCILMAN NUTTER: What?

MR. HAYLLAR: I frankly don't know the details of their operation. But the Commissioners felt that they did not necessarily need to be downtown. They needed office space, but they could be outside the downtown area. That saves a little money.

This is an effort, as I understand it, that if we took two floors in this building, there would be the rehabilitation of the building on Spring Garden Street.

We need the office space. I believe the rent is in the $10 area, but you will see that when the legislation comes to you. And we would be proposing to put --

COUNCILMAN NUTTER: Is 990 Spring Garden in the same legislation as the Land Title Building?

MR. HAYLLAR: No. No.

COUNCILMAN NUTTER: Well, I guess all things being equal, one, if the people don't necessarily have to be in Center City, and they can just about be anywhere else, then why don't you put them out in some neighborhood locations?

MR. HAYLLAR: That's an option.

COUNCILMAN NUTTER: You can help the real estate market out there, if we are getting into helping people with their real estate problems.

MR. HAYLLAR: It was the feeling of Public Property that this was a good location, it had convenience for those operations, and they felt it was appropriate.

COUNCILMAN NUTTER: Who owns the building?

MR. HAYLLAR: The developer is Grasso, I believe. I don't know if he owns it now.

COUNCILMAN NUTTER: Grasso?

MR. HAYLLAR: Yes.

COUNCILMAN NUTTER: Is that the same company that owns the building where the City Commissioners is? Is that U.S. Realty?

MR. HAYLLAR: I believe so, but I am now answering questions on supposition and not hard knowledge.

This is legislation you will receive when these details are finalized, so that these

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questions would be thoroughly answered, and answered by Council.

COUNCILMAN NUTTER: Why does the Grasso name ring a bell with me? Did they have some previous dealings? Are there some issues with this particular company?

MR. HAYLLAR: Not to my knowledge.

COUNCILMAN NUTTER: There are no issues with this company?

MR. HAYLLAR: Not to my knowledge. That's a very broad answer. I am not aware of any.

COUNCILMAN NUTTER: Is there knowledge of anybody else at the table or in this room?

Do we know anything about this company that might give us any reason to have a concern?

COUNCILMAN COHEN: There was a Michael Grasso that over the years has appeared, and the name has appeared, at various hearings as an owner and as a developer, as a real estate operator and a developer, and the name has not always appeared under favorable circumstances.

But I recollect the first name was

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Michael. I don't know the person, and I don't know whether this is the same person.

COUNCILMAN NUTTER: Is this the same person that we are talking about?

MR. HAYLLAR: To the best of my knowledge.

COUNCILMAN NUTTER: Councilman, do you know what the unfavorable circumstances may have been?

COUNCILMAN COHEN: No, I don't have that.

MR. HAYLLAR: Councilman, before -- and I certainly don't want to interrupt your line of questioning -- but before we go too much further on who Michael Grasso is, whether this is the right Michael Grasso, and whether or not he is a good citizen, perhaps we should wait until we have the legislation in front of us.

I brought this out in my testimony only to point out that the work in the downtown consolidation group is nearing an end, we have found space for the city employees, high-quality space, far better than what they have been used to.

If something in this package does not

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suit Council, Council can always do something else. And it goes before Council prior to any final moves.

COUNCILMAN NUTTER: I think it may not only be the Council that would have concerns about it, but you might want to check that out.

MR. HAYLLAR: I really don't know what that means, sir.

COUNCILMAN NUTTER: I understand.

Who are the people moving into the building?

MR. HAYLLAR: Some police training, some L & I field work, some Streets field work. We also have some -- I think that's the extent of it.

COUNCILMAN NUTTER: From the police department, you said only a training operation?

MR. HAYLLAR: I believe that's correct, yes.

COUNCILMAN NUTTER: We can ask the police department about that.

All right. The Mayor announced in the budget message, and it has been much discussed in the press, the extension of the Business Privilege Tax to suburban-based businesses that

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conduct business in Philadelphia.

The one thing that intrigues me about that is, how will you enforce that?

MR. HAYLLAR: There is a lot of discussion underway on how that will be done.

A lot of it can be done by the source, the customers within the city, tracking backwards. A lot of it can be done by observation.

I don't think even in this day and age that we can abandon the notion that people who are aware that they owe a tax will, as businesspeople, step forward to pay it once that loophole is changed.

The Revenue Commissioner can discuss, I think, at greater length the techniques that they would use to develop this.

Clearly it will take a number of years to have the full effect of this in place. We don't believe we will collect more than $3 million this year from the extension of that definition. In five years we hope it will be as much as $9 million.

So there is a learning curve that is built into our budget assumptions.

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COUNCILMAN NUTTER: Okay. I will further explore that with the Revenue Commissioner.

Lastly, on Page 2 you talked about, the office has completed their fourth review of depository banks, lending records in low and moderate income areas of the city.

MR. HAYLLAR: Yes.

COUNCILMAN NUTTER: I am going to estimate I did, maybe about two months ago or so, about December or so, I guess, maybe, you sent the most recent report around?

MR. HAYLLAR: I think it was a little earlier than that. But, yes.

COUNCILMAN NUTTER: Maybe I have been carrying it that long.

Could you share with us, given the current concern about some of the banks in Philadelphia, where does First Union rank in your analysis?

MR. HAYLLAR: It doesn't. Because the analysis is for -- the most recent HUMDA data is 1995. They were in a serious -- they are very slow, the government is very slow, in providing that information.

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First Fidelity was, for that year, home repair and mortgage lending in Philadelphia's low and moderate income neighborhoods, First Fidelity had about $8.1 million. PNC had $17 million for that year, in comparison. Mellon was very high that year, at 26.

As a group --

COUNCILMAN NUTTER: Where was CoreStates?

MR. HAYLLAR: CoreStates, in terms of dollar volume, was 16 and a half million. But in terms of number of loans, they were the first, with 1126 for that year.

CoreStates has been traditionally, since we have been doing this analysis, has traditionally been, year after year, if not the leader, one of the leaders in lending in low and moderate income neighborhoods in Philadelphia.

I would also point out that as an industry, each year that we have done this, the number of mortgages and the dollar volume of the mortgages as an industry has gone up in Philadelphia.

For example, in the year previous,

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$83 million was lent. In the last year for which we have data, $94 million was lent in low and moderate income neighborhoods.

So that as an industry, Philadelphia banks have done a good job.

COUNCILMAN NUTTER: Okay. Thank you for this round.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

I am going to have to leave the chambers. But before I do, I would like to ask a question that I know Councilwoman Verna is going to ask, so I will fully credit this question to her.

But since I may not be here when she gets the floor, I need to hear the answer to it.

When we start talking about taxpayer information and processing and leaking tax systems and the like, recently, Councilwoman Verna, to her credit, pointed out that there were some people, landlords, who had contracts with the city to provide Section 8 housing and the like, and some of these people were woefully delinquent in their payment of a variety of city taxes.

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I know you were fully prepared for this question and you are ready to give us an answer.

Can you tell us where the department is in making sure that those people that we do business with, we give contracts to and the like -- and I don't want to limit your answer to a Section 8 question -- but tell us the progress we are making in making sure that people aren't having contracts and making money on us, on the one hand, and then withholding their lawfully due tax payments in a variety of different ways on the other hand.

MR. HAYLLAR: I am so close to being able to answer that question that I can almost touch it, but I can't.

For some months, since the Section 8 issue was raised, the Finance Department and the Revenue Department have been trying to come up with an accurate list of Section 8 landlords who are tax delinquent.

It sounds an awful lot easier than it has been. It has been an arduous process of getting data from the Housing Authority, comparing it to tax data. Because ultimately when we have the list, we

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want it to be 100 percent accurate.

There is no question that there are a good number of landlords -- not a large percent of all who have Section 8 certificates, but there are a good number of them, and a good number of them have multiple properties -- that don't think paying their taxes is important.

We have -- the Law Department has opined that we cannot attach the Section 8 check directly, which we hoped we could do. The contract with Section 8 says that the money must go only for rent.

However, the contract with HUD says that the landlord must keep their taxes current. So we intend to take the list, once it is completed -- which I believe we are days away -- and once we have a fully accurate list, and take that to HUD and see if we can use that to get these landlords to pay off their delinquencies.

It is a sizable list. It is well in excess of a million five dollars in principal owed.

There are some multiple names on there, obviously landlords with multiple properties that have not thought this was part of their

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responsibilities.

And I believe we can collect that money by going to HUD.

PRESIDENT STREET: Do we have the names of just the delinquent ones?

MR. HAYLLAR: Yes.

PRESIDENT STREET: Well, can you make that available to us?

MR. HAYLLAR: I will make that available when we are satisfied that it is accurate.

I don't want to put out a list that has people on it who aren't delinquent, because that's -- this is a high-power subject.

PRESIDENT STREET: I understand that. And I don't want a list that's not accurate. We would all like to have a list.

MR. HAYLLAR: I believe we are days away from providing that list to you.

PRESIDENT STREET: Mr. Hayllar, I am real impressed by "days away," but how many days?

I mean, there are 365 days in a year. I mean, are we like days, as in before the end of the budget period, before the end of the

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week? Those are all days away.

See, when somebody says to me that, "We are days away," I think then there are a number of days that are less than a week, or else a person would have said, "We are weeks away."

MR. HAYLLAR: Since the person doing it is not here, I will pro offer the last day of February as the day we can deliver that.

PRESIDENT STREET: I think that would be a good time for me.

Councilwoman Verna.

COUNCILWOMAN VERNA: Mr. President, thank you.

Will that also include the water delinquent bills?

MR. HAYLLAR: No. Once we have this list, we can check to see what they owe in gas and water.

It has been tough enough doing the simple, this one that's simple. But once we have this list, we can determine what the water delinquencies are.

I'm sure they are there.

COUNCILWOMAN VERNA: Now, the one

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owner who has 27 Section 8 properties, owes $54,000 in water bills. Shouldn't we be checking into something like that?

MR. HAYLLAR: Yes, we should. And that sounds fairly accurate, from what we know.

COUNCILWOMAN VERNA: And are we also checking to ascertain if, in fact, he has obtained the necessary rental permits?

MR. HAYLLAR: We will be.

COUNCILWOMAN VERNA: And when will that be done?

MR. HAYLLAR: As soon as we have perfected the list. These will be the steps afterwards.

PRESIDENT STREET: Mr. Hayllar -- and I, unfortunately, have an obligation that I have to keep -- in my mind, this raises, and I am very concerned about, people having contracts and then making money.

Because some of the Section 8 landlords probably do pretty good. I wouldn't want to say for sure, but some of them probably do all right on those residences. The rents are high. You know what I mean?

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MR. HAYLLAR: Yes.

PRESIDENT STREET: And when we get to the Office of MOIS, I am concerned about the use of technology in the government in a way that enables us to be efficient, to just know. Do you know what I mean? To just know.

And I believe I have some small idea how difficult it is, because it isn't easy.

And, you know, sometimes the things that we think should be readily available, just right at our fingertips, when we make requests here at these budget hearings, we say, give us this run or that run, and then when you go back -- and I know what happens when you go back, because I sometimes talk to the people that you talk to -- and they say, "We just can't do that."

And it is not -- they want to do it. It is not that nobody wants to do it. People really want to do it.

What I would like for somebody to do, somewhere, at some time, is tell us where we are failing, whole era of information technology that would enable us to do this kind of stuff.

I mean, how do we get so far behind?

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Or are we behind? Or does it just look like everybody else is ahead of us?

Do you know what I am talking about? Does it just look like everybody is ahead of us?

I just don't know. Can you comment on that?

MR. HAYLLAR: I can give you -- the one thing I can give you -- and I'm not sure you want to hear it -- is an excuse as to why it is taking so long. Because every week I get it. I can repeat back what I have heard.

The reality is, there are two different agencies, Housing Authority who runs Section 8, and the city who has the tax information. And blending that information has not been easy.

On the city's end, landlords will not necessarily file the same name. If they have multiple properties, they don't use the same name all the time.

So it might be John Jones, it might be J. Jones, it might be John W. Jones. And it takes a while to figure out, because you are looking now at their business address, that this is the same

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landlord.

There are inaccuracies in the file, and that's what we have been most afraid of.

The excuses can go on. I don't want to take up your time with them. Nobody is happy with how long it has taken to get what we think is fundamental information.

But we will get it. And all the things that Councilwoman Verna has pointed out will be followed up on, and we will collect from these folks because we know they are getting the money.

PRESIDENT STREET: And I am almost furious with this. Is this the case where the left hand doesn't know what the left hand is doing?

MR. HAYLLAR: No. I think it is a case of having a limited number of people with the technical ability to do this work, with a tremendous volume of work to do. Because they also do everything else for the departments.

It is more a case of technical skills being in limited supply.

PRESIDENT STREET: So it is not a systems problem?

MR. HAYLLAR: It is partially, but

you can work through those. It is really a talent pool problem.

It is not that these people aren't talented --

PRESIDENT STREET: Not enough of them?

MR. HAYLLAR: Not enough of them.

PRESIDENT STREET: Councilwoman Clark had a point on that. And I would like to recognize her and ask Councilwoman Verna to come get in the Chair.

(Councilwoman Verna assumes the Chair.)

COUNCILWOMAN CLARK: Mr. President, I am having difficulty accepting the answer to a legitimate question.

If we were gathering this data by people hunched over desks with green eye shades, I could see how we could not have a precise date or range of dates within which to expect the answer.

It seems to me that we have computers that can't talk to each other, that the data is not comparable; so, therefore, you can't pull it out and draw the same conclusions.

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It seems to me that this is not a technical problem; this is a very simple systems problem.

But we need to have a system where everything uses the same formatting system. So you go in the computer, and you take it out, and you spreadsheet it the way you need it.

That's not really a very complicated thing to ask of computers that can go to the moon and drop within 50 feet of the drop zone. And computers are not new to us.

MR. HAYLLAR: You are correct. That's what Revenue has taken six years to do for just its own systems.

As you recall, each tax in the city Revenue Department had its own file card system, that we are now integrating that into one database so that we can do exactly what you talked about.

The problem we have is, the data came from another unit of government. In fact, a unit of the federal government. So that data was hard to integrate.

We have done a tremendous amount on the city side and the Revenue side to do exactly what you said.

Our problems are when we get data from the outside, making sure we can manipulate it.

It will get done.

COUNCILWOMAN CLARK: But inside our own system, inside the City of Philadelphia's MOIS, we do not have systems compatibility.

Therefore, we shouldn't take documents out of a shoe box and then go through all the various stages. You can do it wrong.

We should all have one standardized format so that all anybody who has access to the database has to do is, ask for a spreadsheet the way they want it.

That's not a real hard system design problem, sir.

MR. HAYLLAR: I agree with you.

And let me just say parenthetically that I see an opportunity here to blame MOIS for this problem, but I can't honestly do it.

The problem is within the Finance and the PHA ability to integrate this data. MOIS has not been a primary player.

COUNCILWOMAN CLARK: MOIS will do

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whatever you tell them to do. They will make the computers do whatever you tell them to do.

But somebody at the systems design level has to design what you want it to be able to do. And the confusion as to what we want to be able to do manifests itself in the kinds of reports that we get.

MR. HAYLLAR: I am not going to argue with you.

We are a long way from where we were, but we still have a ways to go, and this demonstrates that.

COUNCILWOMAN CLARK: Okay. I am on the list for my own question, too.

COUNCILMAN COHEN: Can I yield for a moment on that?

COUNCILWOMAN VERNA: Do you mind?

COUNCILWOMAN CLARK: Okay.

COUNCILWOMAN VERNA: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: It is my understanding that the problem is just far wider than Section 8, that contracts have been given by the city to people who have owed the city water,

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sewer, real estate tax.

That nobody is really minding the store at all. That they are two separate operations, the giving of contracts is a separate, totally different operation from collecting. That there is no system for checking out each person that does business with the city.

MR. HAYLLAR: I now get to do the unheard of, I get to compliment the City Controller.

In recent years, the city has required every contractor to sign a certificate saying they owe no taxes. We can and do check often on their tax status.

But when the check is cut to the contractor, the Controller does make that check. And we get contractor checks held by the Controller all the time because they owe gas, water, or taxes.

So, again, is it a perfect system? I am sure it is not. But the Controller -- as a Council member, I am sure you have gotten calls from contractors that say we are slow pay.

Very often it is not that we are slow pay, it is that their check is being held by the

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Controller because of a tax problem, and that does get resolved, it does get results.

COUNCILMAN COHEN: But sometimes you are slow pay.

MR. HAYLLAR: We don't deny that.

COUNCILMAN COHEN: In many cases, particularly with small contractors, why can't that kind of system be employed in the Section 8 cases, through Philadelphia Housing Authority?

MR. HAYLLAR: We had no involvement with Section 8 up until the issue arose and somebody asked us to check the tax status of the Section 8.

COUNCILMAN COHEN: And you are now going to recognize the existence of PHA, and have some kind of relations with them?

MR. HAYLLAR: They have to recognize us, too, sir.

COUNCILMAN COHEN: And we now get them to cooperate with us?

MR. HAYLLAR: We look forward to better cooperations, there is no question.

COUNCILMAN COHEN: Thank you, Councilwoman Clark.

COUNCILWOMAN VERNA: Councilwoman

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Clark.

COUNCILWOMAN CLARK: I would like to go back to the question that my colleague Michael Nutter raised.

Is there any correlation between the size of city dollars deposited and those banks providing funds for mortgage and rehab loans? And can you spreadsheet this data?

I would like to see it formatted this way: The name of the bank, the number of city dollars deposited, the number of dollars invested in the community in the form of loans or mortgage loans or rehab loans, then I want the number of transactions.

MR. HAYLLAR: Okay. The answer to that is, yes, we can do it.

But please remember, the fundamental thing is that we don't keep our money in banks. Our money is managed independently in the consolidated cash account.

We only put money in banks on payday, when we take the exact amount of money that we need to pay our employees, we put it in CoreStates. And knowing our employees, it is out of that bank

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account probably by noon the same day.

Same when we pay vendors. We put the exact amount that we need to pay vendors for that day, deposit it in the disbursement account. It is not there for more than, in that case, a few days.

We have virtually no deposits in any banks, except some very small ones, where we do keep CDs, more to show support for a small institution. United Bank comes to mind.

So the deposits are not what our business relationship with banks are. It is a transaction-fee-based relationship. It is a million-dollar relationship.

And the decision on who gets the business has been based, frankly, on the technical ability of the bank to provide it. Not every bank can handle our payroll. You have 30,000 folks that need to be paid. They would like to do it correctly.

We have, I believe, some 25 to 30 percent of them on direct payroll deposit. That requires a sophistication that only the larger banks can handle.

So the first is technical ability.

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Second is the fees. And the third is, frankly, we have always preferred to do business with a Philadelphia-based bank.

So those have been the criteria. All things being equal, we would always go with the Philadelphia-headquartered bank, if we could do so.

And I can spreadsheet that for you and show you, on the data we have, what that looks like.

I am not sure you can draw a conclusion from it, other than that some banks are fee efficient and have the technical ability to handle our work.

But we do not keep money in banks.

COUNCILWOMAN CLARK: Perhaps deposits is not just the best example. Doing business with, is maybe a better heading.

MR. HAYLLAR: That's correct.

COUNCILWOMAN CLARK: But even take the simple act of deposits. There is some advantage to banks if your money butterflies there and stays there just a few seconds, there is some advantage to them. So I do understand the time value of money.

And if it were not so, banks wouldn't

care if we took it out. So there's got to be some advantage.

Whatever the advantage is, I would like to see that advantage shown in socially conscious banking procedures and efforts.

And by those, I have mentioned mortgage loans and rehabilitation loans. But if you know of other ways the banks can be socially responsive, tell me those.

MR. HAYLLAR: The trick is the data. From HUMDA we can get data on home repair and mortgage lending.

And there is a correlation between CoreStates and the -- they have been Philadelphia's premiere -- our primary bank because they have depository and payroll accounts. They also have been, over time, the major lender.

But the banking industry, all four primary banks and all the other banks, have done a remarkably good job in Philadelphia in terms of not only lending in low and moderate income neighborhoods, but increasing that amount each year.

COUNCILWOMAN CLARK: Well, then, that

will make a very pretty graph when you show it on a graph.

MR. HAYLLAR: I will refer you to, I believe, Page 6 on the book I sent you.

COUNCILWOMAN CLARK: Right.

You know, I won't disagree with you that there is more investment in the innercity and in low-income neighborhoods.

But as Mr. Cohen points out to me, when the numbers are small, if you go from 1 to 2, that's a 100 percent increase.

So let me see what they are, and then let me see how we can either express appreciation for the trend or give them some encouragement to do more faster.

COUNCILWOMAN CLARK: Thank you.

COUNCILWOMAN VERNA: Thank you.

The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: Mr. Hayllar, we are going back to the area that Councilwoman Clark, and I think before that Councilman Nutter, were discussing.

I am intrigued by the language in

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your statement on Page 2, second or third paragraph -- I don't know how you designate it -- "This office completed the fourth review of depository bank lending records in low and moderate income areas of the city." Fine. No problem with that.

Now, then you go on, "The city will not utilize a bank that refuses to lend to credit-worthy citizens because of the neighborhood they reside in."

I think that's a wonderful sentence. It says absolutely nothing. It doesn't tell us, does the bank have to refuse every credit-worthy citizen to get a black mark from the city, or an unfavorable mark from the city?

Is there a percentage of credit-worthy citizens that the bank rejects? Do they have to meet a certain percentage before you classify them as being no good or good?

It is a wonderful sentence, sounds good, says absolutely nothing.

Then you go on to the next one, "Philadelphia banks increase the amount of home mortgages and repair funds lent in these

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neighborhoods. In the most recent year for which data is available, Philadelphia banks lent 94," maybe even say 95, "million in low and moderate income neighborhoods."

Now, was that figure limited to home mortgage and repair funds?

MR. HAYLLAR: Yes; because that's the only data we have available from the Federal Reserve.

COUNCILMAN COHEN: And that applies to the data you read before?

MR. HAYLLAR: Yes.

COUNCILMAN COHEN: With the different banks getting different rates?

MR. HAYLLAR: Yes.

COUNCILMAN COHEN: It has nothing to do with the small loans, say, for auto loans?

MR. HAYLLAR: No; because that data is not available. I have no way of determining whether it is accurate.

COUNCILMAN COHEN: Well, it would be available if you wrote to the banks and asked for them to furnish it.

MR. HAYLLAR: They would send me

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something, yes. I can't tell you that it would be accurate. They may do a car loan differently.

COUNCILMAN COHEN: Mr. Hayllar, the city seems awfully good in finding techniques to absolve itself of any responsibility.

For example, if the city says it doesn't have any power to deal with the banks because we only use them, you know, for this one process, then it means the city has adopted a procedure which it thinks insulates it from public criticism for failure to use its relationship with banks to benefit citizens in low income and moderate income neighborhoods.

Why do you say you are not even going to inquire of the banks? Why don't you inquire, and then use some testing methods to determine whether you are getting correct information?

MR. HAYLLAR: Well, then --

COUNCILMAN COHEN: Why do you limit your dealings with banks?

MR. HAYLLAR: There is a question of how much resources we can dedicate and our ability to determine whether one type of loan given by a bank is done the same way as a different loan.

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COUNCILMAN COHEN: No, that's not the question, Mr. Hayllar.

MR. HAYLLAR: No, that is the question.

COUNCILMAN COHEN: Let me tell you what the question is --

MR. HAYLLAR: Let me make a suggestion --

COUNCILMAN COHEN: Would you incorporate this question I am raising with you. I say the real question is, what effort is the City of Philadelphia making to make loans really available to low-income and moderate-income neighborhoods?

Don't give us all of the reasons why you can't do it. Why don't you give us reasons that would enable the city to do it?

You certainly can do much better in getting results from the banks than we're getting.

Don't adopt procedures that make you weak and puny, so that you have no leverage with banks. Adopt policies that will help our citizens in the low-income and moderate neighborhoods.

MR. HAYLLAR: I would recommend that you take a look at this document, which you have, and then we can discuss what you would like added to it.

But it is very obvious to me, sir, that you don't know what we are doing, and that this would help you determine what we are.

COUNCILMAN COHEN: Well, I would say what we are doing, in complaints we get to neighborhoods, what amounts to maybe a little more but not much more than zero.

What you are doing is a pitifully small amount, and you are seeking credit by comparing it with other cities which may also be doing pitifully small.

But that's not the criteria. The criterion is what can we do in Philadelphia and how much of it are we doing.

And I submit to you the record of Philadelphia is very, very poor by that test.

MR. HAYLLAR: I would recommend that we discuss what we have prepared and sent to you so that you know exactly what we are doing.

COUNCILMAN COHEN: I followed this area over the years.

I followed Philadelphia's activity

over the years, and it has always been low. I am not saying the current Administration is any worse than any previous Administration.

But the fact is that we don't have adequate banking facilities in any of the low-income areas.

MR. HAYLLAR: Agreed.

COUNCILMAN COHEN: Very few banking facilities available in moderate-income areas. And the city does nothing to help the citizens in those areas.

MR. HAYLLAR: That's not true. For example --

COUNCILMAN COHEN: Tell me why it is not true.

MR. HAYLLAR: For example, this department, the Treasurer's Office, and the Police Department have been visibly putting AMT machines in police stations in low-income areas solely because the only banking option in many of those areas is check cashing.

COUNCILMAN COHEN: Why don't we require the banks to behave as they ought to?

They are given special privileges by

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government which enable them to make huge profits, as all the financial statements show of banks today, yet you are not making any demands on them to put an end to this terrible increase in these check cashing agencies that charge anywhere from 2 percent to 10 percent for the cost of checks.

You have given blessings, apparently, to banks that leave neighborhoods. You don't put any pressure on them, really, to remain in. You are putting no pressure currently.

The ordinary citizen has very little use for many of those machines. What they need is a little place, like these check cashing agencies, that perform at least fundamental basic bank activities.

And I don't see any sign that the City of Philadelphia as a government body is doing anything to help the citizens procure those kinds of services.

MR. HAYLLAR: But putting those automatic teller machines in police stations, we are putting competition on the check cashing operations and give them an alternative. That is something we have done, at our cost.

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COUNCILMAN COHEN: That is a very, very poor alternative choice.

Councilwoman Clark raises an interesting question. Most of our families, certainly, in the low-income area don't have money in the bank.

What is the value of having an ATM machine in the police station, which many citizens fear after, from any point of view?

MR. HAYLLAR: I am sorry, how do you want me to address that?

There are people in low-income areas that have checking accounts.

COUNCILMAN COHEN: There are some, but the overwhelming majority don't have bank accounts. And the city does nothing except come up with excuses why you have no bargaining power with banks.

MR. HAYLLAR: I don't know how to answer that.

If people don't have bank accounts, it is very hard to --

COUNCILMAN COHEN: Well, have you had a serious discussion with the banks?

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MR. HAYLLAR: About why people don't have bank accounts?

COUNCILMAN COHEN: Yes. They get privileges from government. They don't have a right to be a bank; you have to go through very elaborate procedures before you can get to be a bank.

It is a privilege extended by government to businesses to enter.

Now, why aren't banks required, and why doesn't the city move in the direction of saying, you can't just skim the top and get all the cream; you have got to service the entire community?

Why do you compel the lowest income people to have to pay these exorbitant fees to cash checks?

They have so little money to begin with, and then you put this extra burden on them of making them pay these high fees to these private check cashing agencies.

MR. HAYLLAR: We are trying to combat that by putting ATM machines in police stations.

COUNCILMAN COHEN: Well, we would like to see evidence. And I would like it if you

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would send to the presiding office of the President of City Council a report on what the city Administration has done to try to give some form of basic bank services to the low and moderate income areas of the city.

Would you do that?

MR. HAYLLAR: Certainly.

COUNCILMAN COHEN: And --

MR. HAYLLAR: And please take a look at this, because it does address a lot of those issues.

COUNCILMAN COHEN: Thank you.

COUNCILWOMAN VERNA: Thank you.

The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Madam Chair.

My question is regarding the same issue as Councilman Nutter, Clark, and Cohen.

On the spreadsheet, could you identify the number of individuals by zip code, the neighborhoods by zip code?

MR. HAYLLAR: What do you mean?

COUNCILWOMAN MILLER: You said you

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were going to do a spreadsheet.

MR. HAYLLAR: It is done by census track. If that's adequate, that's how we do it.

COUNCILWOMAN MILLER: Well, that would be okay. Because I would like to see just where various neighborhoods are falling in the numbers.

MR. HAYLLAR: That is concluded in this, but it is done by census track because that's how it is reported.

COUNCILWOMAN MILLER: And the other thing, you don't have information, you said, on other than home mortgages and home repair? You don't have commercial lending?

MR. HAYLLAR: No, we do not. Simply because we don't have the information available to us in a uniform fashion.

COUNCILWOMAN MILLER: Because I would be interested in getting information.

MR. HAYLLAR: We would be, too.

COUNCILWOMAN MILLER: I have people that have businesses in some of the districts, business districts, and can't seem to get a loan or a remortgage or a refinancing or any of that.

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So if you have it, I would appreciate receiving it.

MR. HAYLLAR: Okay.

COUNCILWOMAN MILLER: Thank you.

COUNCILWOMAN CLARK: Point of order. May I just tag on to her question?

COUNCILWOMAN VERNA: Please do.

COUNCILWOMAN CLARK: Mr. Hayllar, as convenient as an ATM machine is, it provides you instant access to cash which you have in the bank.

It does not meet the problem that Councilwoman Miller just raised of small businesses who need loans.

All of the full range of banking services which a branch would offer have been taken away from the neighborhoods and consolidated back downtown, or they have gone past our neighborhoods to suburban and outlying communities.

To follow up on Mr. Cohen's comment, is there something, is there some way, we can leverage our muscle as the city, through deposits or through other banking services with banks, that we could request and require that a certain minimum level of bank presence, above ATM machines, be

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maintained in communities?

MR. HAYLLAR: I don't want to be in a position where I defend the banking industry. Banks across the country are reducing the number of branch banks that they have because people don't bank that way anymore. It is very unfortunate, but that's a fact.

But I don't want to be in a position where I defend the banking industry.

Council has asked us, and we have complied, by preparing for the fourth year a report on what we considered to be the most important lending a bank could do in the city, and that's mortgages and home repair.

If we can get the data to extend that to other loans, we will do it, because that's something that's in our capabilities. It is a matter of getting that information in a uniform fashion that we have confidence in.

If we can get it, we will certainly include it.

COUNCILWOMAN CLARK: Do I construe that to mean that you will fight for the services, but you think it inappropriate for you to tell banks

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when and where to put their branches?

MR. HAYLLAR: Frankly, that's true.

COUNCILWOMAN CLARK: Could you tell me the name of the blue report that you referred to, so that we can know what it is when we get to our offices? I don't have it here.

MR. HAYLLAR: Bank Mortgage and Home Improvement Lending Record, it is dated July 1997.

COUNCILWOMAN CLARK: And it was distributed to our offices?

MR. HAYLLAR: Yes. Probably in the late fall.

COUNCILWOMAN CLARK: All right.

COUNCILMAN COHEN: Will you recirculate it?

MR. HAYLLAR: I will just circulate it to all of Council again, since that's the easiest way.

COUNCILWOMAN VERNA: Mr. Hayllar, does every police district have an ATM machine?

MR. HAYLLAR: No.

COUNCILWOMAN VERNA: How many police districts do, do you know? We can check with the Police Department.

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MR. HAYLLAR: We just put six in in low-income neighborhoods where there is a police station.

I am sure that there are many that we missed. And nobody can say that there are huge neighborhoods that are underserved. But we also didn't see much point in putting them in police stations that were in wealthier neighborhoods that had a bank nearby or an ATM nearby.

ATMs don't get put in low-income neighborhoods for a variety of reasons. We thought a police station was a safe and secure place where they could be put, where people would not be threatened, where the people who service the machine would not be threatened, and that's where we started out.

Is it the answer to the problem? Heavens, no. Is it a modest step to address the issues that Councilman Cohen raised? Yes, it is a modest step forward.

COUNCILWOMAN VERNA: Thank you.

COUNCILMAN NUTTER: Madam Chair, I have a question on that, or I can wait.

COUNCILWOMAN VERNA: The Chair

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recognizes Councilman Nutter for just one question.

COUNCILMAN NUTTER: Mr. Hayllar, on the ATMs in public facilities, including the one that is in City Hall, are you aware as to whether or not the ATMs charge a surcharge fee to users who are foreign to that particular bank?

MR. HAYLLAR: I believe they do.

COUNCILMAN NUTTER: And isn't it primarily left to the discretion of the party that has contracted with a particular bank as to whether or not there will be a surcharge on those machines?

MR. HAYLLAR: I think it is -- I'm not sure I understand the question, why don't you try it again. I am not sure I understand what you mean.

COUNCILMAN NUTTER: It is my understanding that it is usually a matter left between the bank and the facility where the ATM is being installed as to whether or not there will be a surcharge on that particular machine, in that some machines have a surcharge, some don't, and it is a function of the deal that's cut between the bank and the landlord of the particular facility.

In this case we are the landlord,

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whether it is in City Hall or at the police stations.

Why is it that we allow a surcharge on machines that are on public property?

MR. HAYLLAR: Okay. I am not sure that you are correct. But let's a assume that you are.

We went out with an RFP to all the banks in Philadelphia, gave them locations of police stations, plus City Hall, because we thought City Hall would be a good place to have an ATM. They require a certain volume of transactions, or they lose money. And the banks did or did not respond.

The bank that got the contract, United Bank, had the lowest fee and -- with the lowest fee to the public and the best terms in terms of what would come back to the city, if anything. We don't expect any revenue from this. But they have the lowest fee for usage.

Had we not had the fee imposed, I don't think any bank would have put their machines in those locations.

Either you have them or you don't. We wanted them there.

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COUNCILMAN NUTTER: I will extend the discussion on my own time, because that virtually makes no sense, given the fact that Wawa cut a deal with PNC to have no surcharge.

Now, are you telling me that the banks in Philadelphia would rather cut a deal with Wawa to have no surcharge, than to have ATMs in City Hall, police stations, and other public facilities that, by your testimony, are theoretically safer, that they not put any machines in public facilities just so they can get the surcharge, but they would rather have no surcharge at Wawa; is that your testimony?

MR. HAYLLAR: In a location in a low-income neighborhood, where there is also no Wawa, we can assume, there would have been no ATM in that location had we not allowed them to charge a fee.

It was either not having the machine there and trying it, or allowing United Bank to have a small fee.

And there is no Wawa in those neighborhoods, either.

COUNCILMAN NUTTER: I would like to

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see the RFP.

But your characterization of the various neighborhoods as low income or any other characterization that may go with them seems to be countered by the fact that the ATM is in a police station.

It doesn't get much safer than walking into a police station to access your money.

MR. HAYLLAR: It is traffic. We are hoping over time in those neighborhoods people will learn to go into that police station because they know there is a MAC machine.

In Wawa there is traffic, people coming in and out for various things, so the machine has --

COUNCILMAN NUTTER: Wawa, not Wawa? The issue is, the City of Philadelphia engaged in a relationship that allows people to be charged to access their money. And all I am asking is, why did we do that?

Now, we can continue the discussion on my own time. I thought there would be a shorter answer to it.

I am sorry, Madam Chair.

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COUNCILWOMAN VERNA: Thank you. The Chair recognizes Councilman Rizzo.

Were you finished, Councilman Cohen?

COUNCILMAN COHEN: No.

COUNCILWOMAN VERNA: I am sorry. Then you are next.

COUNCILMAN COHEN: For the record, I dispute very strongly your statement that the reason banks are moving out of neighborhoods is because of the habits of people in the neighborhood not changing their banking practices. That has nothing whatever to do --

MR. HAYLLAR: I don't think I said that, nor will I defend the practice of banks.

COUNCILMAN COHEN: I thought clearly I heard it, that you were saying that banks are moving out because practices are changing in the neighborhoods, and they don't need banks.

MR. HAYLLAR: Branch banking as an industry is declining in the number of branch banks.

COUNCILMAN COHEN: Yes, but it is declining because the banks have decided it doesn't produce enough profits. It isn't even that the

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banks that they have in neighborhoods are not producing profits; they are just not producing enough profits.

Because, apparently, the banking industry is very greedy, as most people will tell you when they examine their monthly statements and see all of these fee charges.

So I just want to correct the record. Neighborhoods are fighting for banking facilities, and the banks' practices of leaving neighborhoods is a major cause in the decline of neighborhoods. It is very difficult.

When CoreStates first announced that it was closing the Broad and Olney, it threw panic in the entire area. Communities had spent years building up the business strip from just Tabor Avenue, north to about Champlost Avenue. And in one fell swoop, CoreStates was throwing that all down the river.

That happened to be one successful fight by the communities and the business groups working together to save banking.

So that it is not a fact that banks are leaving neighborhoods because it is unprofitable. It is just not profitable enough.

Secondly, when we talk to banks, do we ever say to them, "We have examined your records, and we don't think you are loaning enough money in the neighborhoods," or are we just so polite always to the banks and so friendly that they feel that they can freely throw thousands of Philadelphians out of jobs by going into this horrible merger of CoreStates and First Union?

I mean, are we so friendly to banks that they feel they can get by with anything, and Philadelphia is so weak that we are going to be grateful for any little crumbs that they offer now and then?

MR. HAYLLAR: They have no reason to think that.

COUNCILMAN COHEN: Well, I submit to you, I think they think that.

Tell me of an unfriendly action that the City of Philadelphia has taken towards any bank or a demand that Philadelphia government has placed upon any bank saying, "We don't think you are doing well enough, you ought to do a little better."

Do you know of any instance?

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MR. HAYLLAR: We have removed business from a bank, yes.

COUNCILMAN COHEN: What bank?

MR. HAYLLAR: I would rather not say in public. I would be happy to tell you in private. I don't want to damage their reputation.

COUNCILMAN COHEN: Well, you know, if what they are doing affects and hurts the public interest, I don't see why we are interested in protecting them.

The only way you get corrective behavior, in many instances, when you are dealing with the public interest, is by informing the public of what the problem is and asking for their help.

I submit to you that there is an overwhelming warmth in the relationship between banks and the City of Philadelphia, and that it is hurting, not helping, the City of Philadelphia.

We don't even know today whether the Mayor is going to agree to protest by vote of the 15,000 shares of the Pension Board, when the issue comes up later in the month on the merger between CoreStates and First Union, even though 7,000 to 8,000 people in the Philadelphia area -- about half

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of them I understand are supposed to be Philadelphians -- may lose their jobs.

What's the hesitancy in the city proclaiming, "We think this is bad for Philadelphia, and we think we are getting a bad end of a deal"?

MR. HAYLLAR: Because the law requires that the pension trustees act only for what benefits the retired and active participants in the pension.

In other words -- it is not the answer you want to hear, but the answer is -- because the law requires its fiduciaries, that we look at it solely in terms of whether it benefits the pension. That's the law.

COUNCILMAN COHEN: If the level of the legal staff -- and I can't believe that -- is that the city employees are so low that it feels that the only requirement of the Pension Board is to produce maximum return, no matter how many Philadelphians lose their jobs, that's a wrong legal interpretation.

The City of Philadelphia has a responsibility for providing for the Welfare of all of the its citizens.

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And you mean money from workers and money from taxes, all of which support the Pension Board, mean nothing?

That the only thing the Pension Board is concerned about is investing in corporations that deal the highest profits of the city, even if it costs thousands of jobs?

Philadelphia is going to lose huge amounts of income when three, four, or five thousand workers lose their jobs if this merger goes through.

Isn't that of concern to Philadelphia?

MR. HAYLLAR: Certainly it is a concern. But as fiduciaries, our requirement is only what benefits the Pension Fund.

I was correct, I knew it was not an answer you would be pleased with, but that is an answer.

COUNCILMAN COHEN: When we first talked of investment long before you came to Philadelphia, when we talked of this investment with South Africa, we were met with that same argument that we cannot disinvest. And when it came to the

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tobacco stocks, to a lesser extent, but the argument was still there.

I submit to you that fiduciary as a word is being totally misinterpreted by the city government because it wants to be friendly with big business.

That it is big business that seems to be the sole concern of the Rendell Administration, when the concern ought to be, how do we use our various relations to improve the life of Philadelphians in the low income, in the moderate income areas of the City of Philadelphia. And I submit to you that you are misusing the word fiduciary.

The best use of those pension funds would be to promote jobs in the Philadelphia area, so that more of our citizens can live in dignity.

So you don't ask any questions of banks about, you never have told a bank they haven't done enough in the neighborhoods?

MR. HAYLLAR: When you have had an opportunity to read the report we sent you --

COUNCILMAN COHEN: Can't you answer this question, has the City of Philadelphia --

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MR. HAYLLAR: We deal with this issue all the time. We have made it clear to the banks that we do business with that they must loan in low and moderate income neighborhoods.

COUNCILMAN COHEN: How do you judge them? What's your benchmark?

MR. HAYLLAR: It is in the report, sir. It is the amount both by the number of loans and the dollar amount that they loan.

COUNCILMAN COHEN: What is your standard? When does a bank do right? What percentage, how many loans? What are your standards?

MR. HAYLLAR: It really depends on the peer group as an industry.

You certainly can expect less, and should expect less, from a very small bank, and expect more from a very large bank. That, we do.

COUNCILMAN COHEN: Do you have those standards reduced to numbers?

MR. HAYLLAR: Yes. They are in there, sir.

COUNCILMAN COHEN: Can we get them from you?

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MR. HAYLLAR: Yes, sir. I sent them to you.

COUNCILMAN COHEN: Well, would you send them again?

MR. HAYLLAR: Absolutely.

COUNCILMAN COHEN: Or read it into the record. I understand you have them available. Why don't you do that. Let us hear what we tell banks we expect of them.

MR. HAYLLAR: This report is about 200 pages. How far do you want me to read?

COUNCILMAN COHEN: Well, can't you tell us?

COUNCILWOMAN CLARK: Read the part that you think makes the point you just made.

MR. HAYLLAR: Any banks that fails to provide a fair share of housing loans in low and moderate income neighborhoods can and should be denied city banking business and deposits. That's as clear a statement as we can make.

COUNCILMAN COHEN: What is a fair share? Give us numbers or percentages.

What is a fair share?

MR. HAYLLAR: As long as the total

growth is going up, and there is not an economic reason for it to go down, that is, as an industry, a good indicator of effort.

COUNCILMAN COHEN: So if you go from 1 percent to 2 percent of your loans in low income areas, the bank is doing well, even though it is an insignificant amount of the bank's assets?

MR. HAYLLAR: Those numbers are much higher than that, Councilman.

It is going to take me a minute to pull it, but those numbers are bogus.

COUNCILWOMAN CLARK: Right now you are haranguing.

MR. HAYLLAR: I am haranguing?

COUNCILWOMAN CLARK: Yes. You are engaged in a harangue.

What you need to do now is put upon the record a fair example of what you think bears out the point you are making.

To say to read the report is a snippy response, and is not a response to the Councilman's question.

If you have an example, if you can have an example in your report that says sanctions

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will be invoked when this standard is not met, tell us what the standard is.

MR. HAYLLAR: The standard is really based on the economics of the time.

COUNCILWOMAN CLARK: That's going to be too vague to be useful.

Give us an example of dollars and tell us when you have invoked the sanction, if ever.

MR. HAYLLAR: When we have sanctions?

COUNCILWOMAN CLARK: When you have invoked a sanction, if ever.

MR. HAYLLAR: Yes, we have. I am trying to get the bank to do better. As I said, I would rather not mention who they are.

COUNCILWOMAN CLARK: It ought to be clear to you by now that that is not an acceptable answer.

You are not going to be able to cloak somebody and shield them from the effects of their acts or their failure to act. So you are going to have to put somebody on the record for falling below some reasonable standard, or you are going to have to take the weight for being unwilling or unable to answer the question.

MR. HAYLLAR: I am not sure what question you want me to answer, Councilwoman.

COUNCILWOMAN CLARK: I think that's been what the problem was, that you are not answering because you don't understand the question.

Mr. Cohen's question, it seems to me, is, at what point does a bank fall below an acceptable level of a social responsibility? And when that has happened, what sanctions will you apply? And when, if ever, have you applied that sanction?

That seems to me a very clear question.

MR. HAYLLAR: When given the size of the bank and the need, the posity of numbers in low and moderate income areas, that we believe that they could and should do better.

That has happened.

COUNCILWOMAN CLARK: Do you think that's going to be acceptable to me or Cohen?

MR. HAYLLAR: No.

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COUNCILWOMAN CLARK: Don't you think that's what you have been saying for the last 20 minutes?

MR. HAYLLAR: No.

COUNCILWOMAN CLARK: Don't you think now we need to say a number below which they will not be accepted? Don't you think we are looking for the name? We even are going to ask you when you invoke this sanction.

So you are not going to be able to protect whoever it is you think you are protecting.

MR. HAYLLAR: I missed the last part, please.

COUNCILWOMAN CLARK: And we are going to make you say it on a public record. You are not going to be able to send us a report.

So either there is no sanction, that there is a little sweetheart deal going on, or there is a sanction and you have applied it, and somebody has been required to pay some dues for it.

I mean, it is going to have to break down like that. I know you understand the question.

Do you?

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MR. HAYLLAR: Yes.

COUNCILWOMAN CLARK: All right.

MR. HAYLLAR: Let me back up for just a moment, Councilwoman, and just talk a second about the unfairness of what's taking place here.

We wouldn't do this if our goals weren't the same as yours. We wouldn't take the effort to write this report, circulate it to the banks.

This is something we initiated. It is a very recent event. It is only four years old.

So it is annoying -- and I apologize if I am snippy -- it is very annoying to have your motives challenged when you are doing exactly what you would have us do. That's terribly unfair.

COUNCILWOMAN CLARK: I don't question your motives.

I give you an opportunity to show what you are doing. Not to infer, not to hint; to show specifically what you got. I have tried to ask this question as clearly as I can.

Do you consider the question unfair?

MR. HAYLLAR: I am reluctant to name the bank that we did this to, yes.

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COUNCILWOMAN CLARK: Then give me a hypothetical.

But you can't talk about when somebody falls below some acceptable level. You know we are not going to accept that. Banks don't compute interest on some acceptable level.

This is a very concrete set of transactions.

MR. HAYLLAR: It is not. Because the size of the bank also determines what you can expect of them.

Of the four largest banks in the city, those that are remaining, they have increased their lending over time since we have been doing this.

COUNCILWOMAN CLARK: Uniformly?

MR. HAYLLAR: Yes.

COUNCILWOMAN CLARK: Have all of them been at the exact same rate, or have some been better than others?

MR. HAYLLAR: Some have been better because you expect more from banks that have larger assets.

COUNCILWOMAN CLARK: So much is

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given, much is required?

MR. HAYLLAR: That's correct.

COUNCILWOMAN CLARK: All right. Of those who have been given much and of whom much is required, are some taking the much and doing too little?

MR. HAYLLAR: I don't believe so, no.

COUNCILWOMAN CLARK: So every bank with which we do business is way above what we would require of them, had we the right and the will to require it?

MR. HAYLLAR: I believe that the larger bank, that's the case. I think of the smaller banks, we have reason for concern.

COUNCILWOMAN CLARK: Let's talk about those who are failing to meet our reasonable expectation.

Are some banks suggesting themselves to you by name in the definition I just gave, banks which fail to meet our reasonable expectation of socially responsible?

MR. HAYLLAR: Of the larger banks, I don't believe that's the case.

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COUNCILWOMAN CLARK: Whatever their size, Mr. Hayllar. Whatever their size. If we are doing business with a bank that is failing to be socially responsible -- are there any such?

MR. HAYLLAR: I think there are banks that can do better, and I want them to do better.

COUNCILWOMAN CLARK: Is that failing to meet our reasonable expectation?

MR. HAYLLAR: I think there are banks that can do better.

COUNCILWOMAN CLARK: Did you not understand my question, or are you simply refusing to use my language?

MR. HAYLLAR: I am probably not sure I understand your language.

COUNCILWOMAN CLARK: Then let me help you with it.

Are there banks with whom the City of Philadelphia does banking business, those banks which fail to meet our reasonable expectations of socially responsible?

Are there such?

MR. HAYLLAR: I don't believe so.

COUNCILWOMAN CLARK: So every bank

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with whom the City of Philadelphia does business meets our minimum standard of socially responsible?

MR. HAYLLAR: I believe that there are banks --

COUNCILWOMAN CLARK: That's a yes/no question, Mr. Hayllar. That's a yes/no question.

MR. HAYLLAR: By the virtue of we do business with them, the answer is yes.

COUNCILWOMAN CLARK: So everybody with whom we do business meets our reasonable responsibility, our reasonable level of social responsibility?

MR. HAYLLAR: Yes.

It may not be what you agree with, but I believe the answer is yes.

COUNCILWOMAN CLARK: On what did you base that?

MR. HAYLLAR: Because much of it is a subjective answer.

We look at the size of the bank, what it purports to do in the marketplace, we look at what its lending is.

COUNCILWOMAN CLARK: This is now like Charlie Brown's teacher, whacka, whacka, whacka. We are not getting anywhere with this.

But I think you understand what I am saying, and I understand that you stonewalled me.

I am going to give the record back.

COUNCILMAN COHEN: Can I have the floor back?

COUNCILWOMAN VERNA: Yes. I believe you were questioning.

COUNCILMAN COHEN: Yes. I yielded to Councilwoman Clark.

Two things that trouble me. It seems to me the City of Philadelphia has enormously low expectations from banks.

Because if anybody says that the banks today in Philadelphia, including all the major ones, are doing a good job by giving a fair share of their loans to moderate and low income areas, they are living in a different world than I am living in.

Go to any neighborhood in the City of Philadelphia, and any public meeting raise that question, and you will find total condemnation of banks from every point of view.

So if the government of the city

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feels the banks are doing a good job, they have no relationship whatever with the citizens.

Secondly, the question I raised of you on the voting, what did that have to do with your answer about a fiduciary relationship?

I raise the question of the Mayor's vote on the merger that's coming up later this month, I think February 27. There is a stockholder's meeting. The Pension Board owns 15,000 shares of stock in CoreStates.

Is that 15,000 shares of stock going to be voted in favor of firing thousands of Philadelphians, or is it going to be voted against firing them?

The issue is that simple, yet there seems to be great hesitation at the city Administration's level, at the Mayor's level, of what to do in that situation, with the leaning and the direction of voting to support CoreStates.

Tell me, if that happens, what's the message going to be to the people of Philadelphia as to the attitude of the city government toward them?

MR. HAYLLAR: We are still addressing the issue of how the Pension Fund is going to vote.

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We have not made a decision.

COUNCILMAN COHEN: Well, when are you going to make a decision? Shouldn't you be busy now rallying support for a no vote from the state Pension Fund, from every labor union Pension Fund that exists, from every source?

Instead, the leader of the America's Mayor is sitting quietly by and letting CoreStates and First Union make the decision that will give a couple hundred million dollars to the President of CoreStates, that will give him annual salaries of a million or more, while thousands of Philadelphians are thrown out of work?

What's the problem going out in front and saying it is bad, Philadelphia, we are against it, and we are urging all workers' Pension Funds and all other Pension Funds to vote in support of jobs and against the layoffs that this merger will induce?

Why aren't we out in front on that?

MR. HAYLLAR: We have to make a decision as to what is in the best interest of the Fund, and that is the decision we are currently grappling with.

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COUNCILMAN COHEN: But in the meantime you are totally ineffective in rallying support.

The Mayor has been down in Washington rallying for support in a number of changes in federal policy. And that's good and that's helpful to the city, that's helpful to all cities. Why isn't he doing it now?

Is it because there is a business involved? And is the answer in Philadelphia that if you are a business, it is open season, do whatever you want, the government will support you, even if it means cutting down on city revenue, even if it means taking jobs away from Philadelphians?

I think the people of Philadelphia are entitled to an answer from the Mayor with respect to that.

MR. HAYLLAR: Well, I believe the stockholders' meetings for First Union and CoreStates are on the 27th of the month.

COUNCILMAN COHEN: Tell me, First Union, from what's been reported in the press, would they be doing a fair job, would you say, in the loan policy?

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MR. HAYLLAR: I haven't gotten First Union's numbers. I have First Fidelity's numbers.

COUNCILMAN COHEN: I am not referring to your report. I am referring to what's appeared in the press recently, with the fact that First Union turns down the vast majority of applications it gets for loans from minority communities, while by a 3-to-1 ratio it supports the loan requests made by communities that are totally white, or overwhelmingly white.

You saw that. It was in the newspaper within the last week or ten days.

MR. HAYLLAR: Nobody would condone that, if it is true.

COUNCILMAN COHEN: Nobody would --

MR. HAYLLAR: Condone that if it was true.

COUNCILMAN COHEN: So are you saying it is not true?

MR. HAYLLAR: I am saying I don't know if it is true. That's what we want to know.

COUNCILMAN COHEN: Doesn't that concern you, with at least a number of us, and I think the vast majority of us feel in Council, is a

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very inadequate record by the banks in making loans, wouldn't it concern you that this merger involves a company from outside of Philadelphia, which has a notoriously bad, maybe the worst record of any bank in the country, with respect to loans in low-income neighborhoods?

Wouldn't that concern you?

MR. HAYLLAR: Absolutely.

COUNCILMAN COHEN: Especially when the bank, I think you rated CoreStates very highly along all other Philadelphia banks.

MR. HAYLLAR: That is correct. They have been, generally, the leader.

COUNCILMAN COHEN: Then tell me, what's the reason of the concern or the delay, and what does this have to do with a fiduciary relationship of any kind?

MR. HAYLLAR: We have to evaluate financially what the merger means to the participants in terms of the value of the fund, and that is what we are doing.

COUNCILMAN COHEN: And it isn't enough to you that thousands of Philadelphians are going to be laid off?

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MR. HAYLLAR: Of course it is. But as a fiduciary, we have to look at how it affects the fund itself.

COUNCILMAN COHEN: Tell me, how could it affect the fund adversely in any significant way?

You know, I don't mind your making these speeches for the record. But we have a fund that's worth over $3 billion right now. We have 15,000 shares of stock. An infinitesimal percentage of it would be point 000, maybe 10 or 15 or 20 zeros, before you would even get to a 1 at the end.

How could whatever we did have any impact?

MR. HAYLLAR: That is part of the deliberations. You are correct, that is a factor.

COUNCILMAN COHEN: Madam Chair, it just makes no sense whatever.

Thank you, Madam Chair.

COUNCILWOMAN VERNA: You are welcome.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Madam

Chair.

Mr. Hayllar, I would like to go back to the space consolidation. Can you hear me okay?

When you came to us and discussed the purchase of One Parkway, there was very little conversation at that time that you would need additional office space to house 619 additional employees.

When you anticipated a move to One Parkway, didn't you tell us that that would accommodate all of the employees?

MR. HAYLLAR: I certainly hope not.

From the beginning, it had always been our plan that we would have a group of employees and quasi employees, agencies that are not necessarily branches of government, but nonprofits for which we work very closely, for example, that we would want to find rental space for them. So that was always part of the plan.

We never said -- at least I hope we never said -- that we would put all the remaining employees in One Parkway, because we knew we couldn't.

COUNCILMAN RIZZO: The employees that

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are moving into One Parkway, many of them are coming from leased space?

MR. HAYLLAR: Yes; all of them.

COUNCILMAN RIZZO: All of them.

Now, we are moving to the Land Title Building, hopefully, that's your goal.

MR. HAYLLAR: If Council approves the legislation, yes.

COUNCILMAN RIZZO: To move 350 employees in the 100 South Broad Street.

This building, City Hall, it is pretty quiet. This is a big building. Why do we need to lease space?

Do we know the available space in this building, before we start moving people to rental space?

MR. HAYLLAR: I know where you are going. And they are, I think, very appropriate questions.

But the future use of City Hall is not something that I understand has been determined, nor was it in the purview of our group.

The space in this building, a lot of it is very special use, it was designed for

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courtrooms.

It was my understanding that the Civil Division was moving back, that there would be some offices moving into this building.

But in terms of the functions that are moving, say, into One Parkway, consolidation, efficiency of the space, we felt required -- and Council ultimately agreed -- a separate building.

COUNCILMAN RIZZO: When we leave these other leases to move into One Parkway, are we paying for any unused time on those leases? Have we looked carefully --

MR. HAYLLAR: Yes.

COUNCILMAN RIZZO: -- that we are not moving to the Land Title Building, when we are paying rent for an empty office someplace else?

MR. HAYLLAR: I am more concerned that the other side is true, that the lease expires.

Most of these offices come out of 1600 Arch, and that lease expires in November of this year. I am more concerned that we are able to get out in time, as opposed to having any vacancy and paying for empty space.

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There might be a minimal amount of that. But the moves are calculated to start in the spring of this year, consolidating offices -- it would be the first time, for example, the Law Department is consolidated. The remaining offices will move over. We have recommended 100 South Broad, Land Title Building. And that shift needs to be done by November of this year.

If there is a payment of a month or so where we are out of the building, that may happen, but it is minimal.

COUNCILMAN RIZZO: I believe Fleet Management is going to move to Land Title Building?

MR. HAYLLAR: Yes.

COUNCILMAN RIZZO: Has that been carefully, to move to Broad Street, no parking, problem that we have with the parking -- and, by the way, I understand that the parking lot underneath MSB, its lease with the contractor is about to end.

And I would hope that someone would look at that to see if that space may be available for some of the parking problems that we have around here, with all the space that we take up on the streets, and constantly hear people complain about

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the reserved parking around this area.

But it seems to me, to move to Broad Street, with no parking, for departments that have lots of vehicles associated with their operation, doesn't seem to make a lot of sense.

MR. HAYLLAR: There is parking on Sansom, which is around the corner, on both sides. The one block over, the name of the street escapes me. There is also a parking garage right beside it, which is seldom, if ever, full.

COUNCILMAN RIZZO: The other comment, before I end, is the fact that hearing Councilman Cohen and Clark talk about banks fleeing the local communities, utility companies have done the same thing.

PECO Energy, others have closed their offices and forced people to go to check cashing agencies to pay their utility bills and other places.

I think it is about time that we convene a group of people. Because when I worked for PECO, we suggested that the PECO office that was going to close around Broad and Erie take some space that was available at the PGW office on Erie Avenue, at Broad Street, to allow PECO customers to go to that facility to pay their bills.

I think that maybe you should look at encouraging some of the banks to look at some space, public space that we have, rather than put ATM -- by the way, I must have missed that one totally, about ATM machines.

Because I think I might even stop by, rather than stop at the one in Chestnut Hill, to get a few bucks out of the ATM machine. I don't know how well publicized that's been.

But I think that maybe PGW or another utility could possibly make some rental space available to a bank that would like to set up actual face-to-face customer contact at some of these locations.

Because everything seems to be leaving. The utilities are gone, the banks are starting to leave. And to deal with an ATM machine is a cold situation.

Thank you, Madam Chair.

COUNCILWOMAN VERNA: Thank you.

The Chair recognizes Councilwoman Fernandez.

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COUNCILWOMAN FERNANDEZ: Thank you, Madam Chair.

Three brief questions.

First, on Page 2 of your testimony, you note that for your money management firms, you re-bid the contracts, and noted that you did bid out to two minority firms.

Could you provide the Chair with a list of those, who has these contracts for money management?

MR. HAYLLAR: Certainly.

COUNCILWOMAN FERNANDEZ: And the amounts, and who is doing what?

MR. HAYLLAR: The amounts tend to vary depending on the time of year, but we certainly will.

COUNCILWOMAN FERNANDEZ: Thank you.

Secondly, in terms of the tax lien sale, again, I noted earlier how successful that had been. And, again, you need to be thanked, along with a lot of your staff.

You did note in your testimony that 30,000 people had made payment agreements to avoid having their properties put into the tax lien sale.

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Could you briefly tell us how many of those people have kept their agreements, or could that be forwarded in a report?

I think you were going to report periodically to Council; is that correct?

MR. HAYLLAR: About a third are broken of the 30,000.

COUNCILWOMAN FERNANDEZ: Could you review for the record what happens when those people break their agreement?

MR. HAYLLAR: We will attempt to get them back on. But, ultimately, they owe the money.

We will then discuss with Council whether those liens would be subject to swapping for liens that are in the pool.

We need Council's permission to do that, and that's the discussion that needs to take place.

A third is a little less than the normal dropout rate that we have been accustom to over the years.

So as large as that is, actually, we have done better. It used to be in excess of half of all payment plans were broken. So we are doing a

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little bit better.

But those liens, that money is owed, and the question is whether we can use those liens to swap for liens we want to take out of the pool that was sold, or we use the traditional collection devices to try to get those people to pay.

COUNCILWOMAN FERNANDEZ: Well, from where I sit, I would want you to be very aggressive with these people.

Because if others maybe didn't come in, didn't make an agreement, and then can get off, I mean, the people defaulting, I think they ought to be pursued as aggressively as the others who did make an agreement and are now being pursued by the private collection agencies.

Because that does, again, represent a lot of money that we need to get into our till.

So I think there is a growing, you know, basic anger about people, you know, getting over and not paying, while everyone else, the average, honest citizen pays, just like what Councilwoman Verna was mentioning.

And it is even worse when people have contracts with the city.

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MR. HAYLLAR: I was going to add, wait until they see the Section 8 list, because that's rent coming in.

COUNCILWOMAN FERNANDEZ: That will be a very interesting list to look at.

MR. HAYLLAR: Yes. I believe that will be ready on or before the end of the month.

COUNCILWOMAN FERNANDEZ: My last question deals with vendor payment.

I know you have done a lot to try to speed up the city's payment to vendors who do business with the city, some of them small businesses, many of them nonprofits. And I think you have made some very important progress.

What I was wondering, though, what is your goal for the average payment by the city of bills, like, by July 1 of this year?

MR. HAYLLAR: We would like to have all the departments that are on the system -- and we will still have some -- we won't have all the departments on the system until December of this year.

But once they are on, and once they have been running, we would like to have a 40-day

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average payment from the time an invoice has arrived and the check is sent.

That's calendar days.

COUNCILWOMAN FERNANDEZ: I noticed in your testimony you said an accurate invoice submitted.

MR. HAYLLAR: That's right.

COUNCILWOMAN FERNANDEZ: Why should it take 40 days if there is an accurate, properly filled out invoice? Why should it take 40 days?

MR. HAYLLAR: The delay will come in those departments where the invoice is sent to a substation, and it goes to the department's Accounting Bureau, and then from there it goes to the city Accounting Bureau.

It may take the paper -- or the transaction it is not paper now -- it may make several stops, and that can cause delay.

There are certain departments where it is not a priority, and we have to convince them that this is a priority to get it done.

There is no reason we shouldn't be able to make all our payments within 40 days. That's our goal, in answer to you.

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There are departments that have problems. We just have to help them work through it.

COUNCILWOMAN FERNANDEZ: I guess it is the 40 days that bothers me.

In the private market, people are expected to pay within 30 days. And if you don't, you pay interest.

And my sense is that's where the city -- that should be the goal. And I think an original idea had been to have the city start paying interest in cases where you don't meet the payments.

MR. HAYLLAR: Where we were when we started was somewhere around 68 to 70 days. If I got down to 40, the next step would be to raise the bar to 30. But I want to get a reasonable number.

And I think once vendors understand that there is -- that in all probability they will be paid within 40 days after we receive the invoice, that I think that will improve their attitude toward the city and improve their bids.

Once we get there, we can certainly want to lower it to 30. But I don't think we are

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there yet.

COUNCILWOMAN FERNANDEZ: Do you expect 30 by July of '99?

MR. HAYLLAR: I don't want to say. I would love to.

Once we got to 40, it would be investigate easy to come back on the budget cycle for the Year 2000 and say we can make 30.

COUNCILWOMAN FERNANDEZ: I think 30 needs to be the goal.

If not, I think, then, we should start looking at the city, maybe departments who don't get themselves moving, then the interest would come out of their budgets, or something.

But I think we ought to treat our customers just like they would be treated in the private market, if we want the city to be more customer friendly, you know, business-like enterprise.

But thank you for all your work to get it down to 46.

COUNCILWOMAN VERNA: Thank you, Councilwoman.

Mr. Hayllar, on Page 8-76 in your

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budget, contribution to the School District, is that wishful thinking?

Is that monies that would come to the city if the courts were operated by the state or reimbursed by the state?

MR. DEAN KAPLAN: This is Dean Kaplan, the city's Budget Director.

Councilwoman, the $38 million is one half of the amount which normally would have been appropriated for support of the First Judicial District of Pennsylvania.

And as last year, we have diverted that funding equally to the Finance Department and the Commerce Department in hope, I guess, that the state will continue with its progress in making the transition to State Court funding.

Should the state go further than it already has, that funding would be available for additional tax cuts for aid to the School District and for economic development purposes.

COUNCILWOMAN VERNA: Is the Finance Department working with the state to determine how much money will be given for the courts?

And, if so, when?

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MR. HAYLLAR: Yes. We have, with the Law Department, sent several responses to the Montamuro reports.

There have been discussions in Harrisburg about the sequence of events. But we have made our thoughts known to them. And I think in some cases, at least, Judge Bonaviticola has recognized that some of our strongly felt opinions were worthwhile.

For example, in the Montamuro report, he did not include rent of court facilities as something the state should assume.

Our position was that this is an easy way to balance your budget on the backs of the court facilities, by just giving them cheap and louzy space. It is not in the court's interest to do that, and Judge Bonaviticola has recognized that.

So I think we have had some impact on their thinking.

COUNCILWOMAN VERNA: And has there been any determination as yet?

Will the state reimburse the city, or will they simply take over?

MR. HAYLLAR: It could be done either

way. That's something they are working out.

There are many, many complicated issues, not the least of which is the pension position of current court employees who are in our system, and our system's benefit level is different from the state system.

These are all things they must work out, and they have given themselves a great deal of time within which to do that.

COUNCILWOMAN VERNA: And, of course, if the state takes over, the employees do not come under the City Charter. So you would have probably 2,000 people saying asta lavista.

MR. HAYLLAR: That is a consideration.

I don't know that that is absolutely the case, but I know some people have been concerned about that.

COUNCILWOMAN VERNA: Then there is vacation time and sick time. All of that has to be put into consideration.

MR. HAYLLAR: Our own view is that you need to transition, so that the people you currently have are treated one way, and that people that will be hired in the system in the future may become full state employees, or whatever.

But there needs to be a well-thought-out transition that is being worked on.

COUNCILWOMAN VERNA: Thank you.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Madam Chair.

Mr. Hayllar, now about those banks --

MR. HAYLLAR: I'm ready.

COUNCILMAN NUTTER: I bet you are. Some might say you are done.

Let's get back to 990 Spring Garden, though. The employees who are expected to be relocated to that building, or that facility, where are those employees now?

MR. HAYLLAR: Some of them are at 1600, some of the police may be in facilities down at the end of, I believe it is, Race Street.

COUNCILMAN NUTTER: 3rd around Race?

MR. HAYLLAR: Yes, I believe some of them. They are in a variety of locations.

The ones on Race are city-owned

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buildings, but they are very, very inadequate.

COUNCILMAN NUTTER: The ones on what?

MR. HAYLLAR: Race. The ones on Race.

COUNCILMAN NUTTER: Okay.

MR. HAYLLAR: We want to get some of them out of there, because they are really inadequate buildings.

COUNCILMAN NUTTER: Well, where are the Streets and L & I people coming from?

MR. HAYLLAR: I believe they are coming from 1600 Arch.

COUNCILMAN NUTTER: Do we have Public Utilities up at a facility building up North Broad Street, somewhere up near Broad and Master?

MR. HAYLLAR: Do we have a building?

COUNCILMAN NUTTER: Do we have employees in a building up at Broad and Master?

MR. HAYLLAR: I believe so.

COUNCILMAN NUTTER: Are any of those employees going to the 990 Spring Garden?

MR. HAYLLAR: We think so, but we don't know. That's easy to find out for you.

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COUNCILMAN NUTTER: Well, that's a pretty interesting answer. You think so, but you are not sure.

But we have public employees, for whom we are paying rent at a building somewhere in the neighborhood of Broad and Master, but you are saying that you are not sure if any of those people are being relocated to 990 Spring Garden?

MR. HAYLLAR: Not off the top of my head.

COUNCILMAN NUTTER: Okay.

When do you anticipate knowing that?

MR. HAYLLAR: Probably about 20 minutes after I am through here.

COUNCILMAN NUTTER: Okay. And if you could also get me some information on all of the other buildings that the particular entity that owns the 990 Spring Garden Street building, where we have other public employees, whether they are in the General Fund, whether they are in the executive branch or the judicial branch of government. I would like to know all of the buildings that this particular owner has or anticipates having public employees in those buildings.

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MR. HAYLLAR: Okay.

COUNCILMAN NUTTER: U.S. Realty, I believe.

MR. HAYLLAR: Okay. No problem.

COUNCILMAN NUTTER: Okay.

Let's go to, in a part of the extended exchange either between Councilman Cohen and yourself or Councilwoman Clark and yourself, just for the record, you had indicated that the city's money actually does not sit in banks, you deposit it, I guess, through the Federal Reserve system on Thursday night, I believe, or Thursday afternoon, so that checks are usually dated Friday.

Just so the record is clear, if our money is not in banks, and taxpayers' dollars, the various wage tax, property tax, and everything else, if it is not in banks, where is it?

MR. HAYLLAR: It is in capital professional management, cash management organizations, Smith Barney, CoreStates Capital Assets, which is a sub -- is not a part of the bank, but is affiliated with them. They manage cash.

Smith Graham, minority firm out of Houston. Frankie Hughes, minority firm out of

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Washington. And the Reserve Funds for debt service is managed by TFM.

COUNCILMAN NUTTER: So would that be considered a part of the answer to your testimony on Page 2, where you talk about the city's $1 billion consolidated cash and capital accounts?

MR. HAYLLAR: Yes, sir.

COUNCILMAN NUTTER: Can you get us, through the Chair, a complete list of all of the firms and dollars under management?

MR. HAYLLAR: Sure.

COUNCILMAN NUTTER: Okay. And, so --

MR. HAYLLAR: Recognizing that it varies as money is drawn down.

COUNCILMAN NUTTER: I understand.

So in the final analysis, when a bank is a city depository bank, and if we only give them the dollars the day before they are needed by our public employees or vendors, what are the advantages to a bank to be a city depository bank? What do they get out of this?

MR. HAYLLAR: The four that are able to handle our business, because they have the systems capability to do it, it is a fee business.

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And these fees can approach, in the course of a year, they can approach $900,000. So it can be very lucrative.

In the smaller banks, in some cases we keep CDs, really, to show support for the bank.

We may have some transactions with the bank. For example, it was United Bank that won the bid to put the ATM machines in the police stations.

COUNCILMAN NUTTER: We don't want to go back to that.

MR. HAYLLAR: I know. But that's the type of business they are interested in. There is a niche in there that they can fulfill.

COUNCILMAN NUTTER: Okay. But you will get us a list of who all the money management firms, the fees that are generated, how much money they have, as pretty much a snapshot, because we recognize that is there is fluctuation.

On Page 2 of your testimony, or your overview, there is a section that reads, "The office, along with the Treasurer's Office, updated the city's written debt policy statement that determines how we obtain and manage our $4.5 million in long-term debt."

MR. HAYLLAR: Typo.

COUNCILMAN NUTTER: The type being "million" versus "billion"?

MR. HAYLLAR: Right.

COUNCILMAN NUTTER: I thought so. "The office also made certain that money managers adhere to the city's investment policies governing how our funds are invested."

Now that you have at least clarified the one issue, what is the debt policy?

MR. HAYLLAR: I can send you a copy of it.

It basically -- well, there are two things I believe we are talking about: One is an investment policy and one is a debt policy.

Debt policy talks and puts out in certain ratios how much debt we have per capita as a percentage of our Operating Budget, so you have a sense of how much debt we have. So we look at our debt much the same way the rating agencies would.

We are concerned about statutory ceilings, sometimes in the first or second decade of the next century. We are concerned about exceeding

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those ratios that the rating agencies would think prudent and managing our debt so that we stay on or below them. And that's the notion of the policy.

It also explains how we go borrowing, it defines what debt we have out there, what is direct, what is overlapping, and so forth.

So it tries to give you a picture inside of 60 pages of what our long-term borrowed debt capacity looks like, how we go about borrowing it.

COUNCILMAN NUTTER: Page 3, the Tax Lien Sale section, I think I heard a piece of the exchange between yourself and Councilwoman Fernandez which may have covered some of the items that I wanted to raise there.

I guess you will be back at the table to talk about the pension system. I can save that question for then. And the BAA is coming up on its own.

You could, though, help us, I guess, with some perspective. Bureau of Administrative Adjudication is, in your testimony, talking about the burglar alarm systems.

I think you may be aware of an

interest and an effort by many members of Council to get rid of the renewal fee.

Does the Administration have a particular position on that?

MR. HAYLLAR: Our concern with that is that because a customer changes the vendor so often, we won't be able to keep track of what particular address has what vendor unless there is an annual renewal process.

It is a tool to update the records; that's a principal reason for wanting to have some kind of renewal.

COUNCILMAN NUTTER: Well, you can have a renewal process. You don't necessarily have to charge for it; right?

If your form says, it is time to renew your monitoring with the city, couldn't you have a section on the form that says, "Is this a first time or do you have a previous, have you had a previous vendor," and require the person to put the previous vendors?

MR. HAYLLAR: Our feeling has been -- and I understand the experience of other municipalities, that Judge Cermele can talk about at

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great length -- our feeling is that unless there is some amount paid, people don't file that piece of paper. The fact that they have to write a check, whether it is large, small, or de minimis, increases the response.

And that is what we're interested in, is accurate and current data collection, which has been a problem.

COUNCILMAN NUTTER: I would be glad to send mine in for free.

And your testimony is that people change alarm companies at some exceedingly high rate?

MR. HAYLLAR: Yes. That's my understanding.

COUNCILMAN NUTTER: Do we have data on that?

JUDGE DOMINIC M. CERMELE: I am Dominic Cermele, Executive Director, Office of Administrative Review.

I can give you specific data based on -- but I can't today -- based on our own records, as to the amount of turnover from company. I can tell you anecdotally that it is a frequent

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occurrence.

As you know, however, we have had legislation before the Council in the past seeking to shift the burden from people who merely own alarm systems to people who abuse alarm systems.

COUNCILMAN NUTTER: Well, I also wonder -- and I do recall that -- what are the prospects of just requiring the alarm companies to tell us who their customers are?

I mean, they seem to be the main repository of the information. And it might be a little easier for us to chase after them, rather than the individual customers.

JUDGE CERMELE: We spend a great deal of time dealing with alarm companies. And once the legislation was passed, we spent a great deal of time setting us up with the alarm companies.

You should know that when the legislation was passed, we were involved with, initially, the alarm industry, and so the first go-around on the legislation was very pro industry.

So while we have worked very well with the alarm industry, we really have no leverage with the alarm industry. And some companies are

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more cooperative than others.

Some of them routinely, when they install an alarm system, let people know that they have an obligation to register the system, and indeed provide them with a copy of our registration form.

Some companies utterly refuse to cooperate with us.

I myself, as do several other members of my staff, periodically call alarm companies to come to our house to give us estimates on alarm systems, so that we can determine whether they are letting people know their obligation to register their systems.

Again, some companies are better than others. Some who are very popular, and have caped figures, one particularly who has a caped figure who is going to protect us, has not been so cooperative.

COUNCILMAN NUTTER: They have the worst ads. Okay. We can talk about that tomorrow.

Lastly, Mr. Hayllar, I know you said you can get the information that I have been asking about in about 20 minutes or so.

Can you at least make sure that

whether it is yourself or Mr. Kaplan or Mr. Rost, somewhere in the course of today's hearings, that that information can be brought back and put on the record? I would greatly appreciate it.

MR. HAYLLAR: Okay.

COUNCILMAN NUTTER: And if you could also find out exactly who is proposed to move to the 990 location, I would like to know that, as well, and where they are coming from.

MR. HAYLLAR: No problem.

COUNCILMAN NUTTER: Thank you.

COUNCILWOMAN VERNA: Councilman Rizzo, did you want to be recognized again?

COUNCILMAN RIZZO: Thank you, Madam Chair.

My question is directed to Mr. Cermele.

Mr. Cermele, you worked on legislation to make some changes to the way the Administration handles alarm fees, penalties. That was introduced December 5, 1996.

And I am wondering, has your office ever inquired -- I know I have; it has never gotten a hearing -- have you checked on the status of the

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legislation that you requested be introduced on December 5, 1996?

JUDGE CERMELE: We have no information that -- we know there have been no hearings. We have not been called to any hearings.

COUNCILMAN RIZZO: Did you ever inquire about that?

JUDGE CERMELE: Not to my knowledge.

COUNCILMAN RIZZO: Do you think you may?

JUDGE CERMELE: We may ask that it be introduced again with some changes.

COUNCILMAN RIZZO: There are changes to what was introduced in the --

JUDGE CERMELE: We are currently looking at the legislation that we proposed earlier, and we may have some changes that we want to make and reintroduce, have it reintroduced.

COUNCILMAN RIZZO: What are some of the changes that you are considering that are not in here?

JUDGE CERMELE: Someone on my staff is working on it. But I will be happy to answer it to you separately later, or through the Chair.

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COUNCILMAN RIZZO: That would be fine. Thank you.

Thank you, Madam Chair.

COUNCILWOMAN VERNA: Thank you.

Any other questions of the Finance Director?

Thank you very much.

The Sinking Fund Commission will be next to testify.

Good afternoon. Please identify yourself for the record and proceed with your testimony.

MR. VINCENT J. JANNETTI: I am Vince Jannetti, Secretary to the Sinking Fund Commission.

The Commission's request for Fiscal 1999 budget is in the total amount of $340.9 million.

This amount, the General Fund request, totals 146.6 million, and includes 39.5 million for capital lease payments, and 107 million for debt service and other debt-related expenditures from the General Fund.

The Water Fund request totals 154.3 million. It is all Class 700 for payment of debt service on water/sewer revenue bonds and general obligation bonds.

The Aviation Fund request totals 40.1 million, and is also to provide payment on airport revenue bond and general obligation bond debt service.

This concludes the short version of my testimony. I would be happy to answer any questions Council may have.

COUNCILWOMAN VERNA: Thank you.

In your testimony you indicate that $9.9 million in debt service payment will be required for new borrowing.

What is the size of the new borrowing.

MR. JANNETTI: I believe, Councilwoman, it is 129 million.

COUNCILWOMAN VERNA: What is the assumed interest rate, and when do you expect to issue the bonds?

MR. JANNETTI: The expectation is in September of this year. And the interest rate, I have to look it up, is approximately 7.4 percent.

COUNCILWOMAN VERNA: Okay. Thank

you.

Why would we be paying so much interest? Why would the interest be so high?

MR. JANNETTI: That's a conservative estimate on the interest. We really at this point don't know what the interest is going to be.

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Mr. Jannetti, I admire you for your service to the city and the position that you hold.

I had planned to ask you how much money you were hiding for the Administration in this Fiscal Year in the Sinking Fund, but I have decided to hold the question and let some other unworthy soul come up to the table and answer it.

So it has been a pleasure seeing you here this morning.

MR. JANNETTI: Thank you, Councilman.

COUNCILMAN NUTTER: You are welcome.

COUNCILWOMAN VERNA: Are there any questions or comments?

Thank you. Thank you very much. I

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just said, I hope the money is there when we need it. Thank you.

Board of Pensions and Retirement.

MR. HAYLLAR: Good afternoon.

COUNCILWOMAN VERNA: Back again.

MR. BEN HAYLLAR: I am Ben Hayllar. In my capacity as Director of Finance, I serve as Chairman of the Pension Board. With me today is Joe Herkness the Fund's Executive Director, and Sandra Parker, the Fund's Chief Investment Officer.

My testimony is in writing and has been given to you. I would just like to summarize some of what I believe to be some of the more important points.

The city's General Fund is going to pay to the pensions over 191, actually closer to 194, million dollars this year.

This constitutes about 7.4 percent of the General Fund. It is one of the largest single expenditures that we make.

Like many municipal funds in Pennsylvania, our Fund is severely underfunded. For decades, past Administrations and Councils awarded pension benefits to employees without putting money

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in the Fund to pay for them. As a result, our Fund is only 52 percent funded.

While we have $3.1 billion in assets, to properly provide for our 31,000 retirees and 30,000 active participants, we should have somewhere around $5.7 billion.

The unfunded liability makes management of the Fund difficult. Ideally, the Fund should provide for the benefits for retirees through cash spun off from investments.

Because it is not large enough to support monthly pension benefits, the Chief Investment Officer, Miss Parker, and the Executive Director are constantly obtaining cash by having managers sell investments or maintaining high cash balances.

The Fund's returns have been good, but they have not been as good as they could have been had we been fully funded.

From the city's point of view, the unfunded liability requires us to pay into the Fund what is required for our current employees, plus additional money to pay off the unfunded liability.

In '94, in 1994, the state required

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that over 34 years the city fund the unfunded liability. And we are on track to eliminate the liability, but it is increasingly difficult because the payment increases every year.

In '99, the normal cost for our current employees will be only $60 million. But in addition, the unfunded liability payment is $170 million.

The state does add $36 million of Act 205 money to help pay for the unfunded liability. So the city's General Fund payment for the Fund for '99 is approximately $194 million.

By the Year 2010, a time we should be thinking about now, by the Year 2010, the unfunded liability payment will be 267 million, for a total Fund payment of $317 million. This will be 8 and a half percent of our General Fund budget.

By the Year 2019, the year that the liability is scheduled to be eliminated, the city will be required to pay over $500 million, or 9 and a half percent, of the General Fund.

If you look at the graph on Page 3, this is our current funding schedule for the pension.

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And you can see while it is difficult now to manage some 7 percent of our General Fund budget, we think it will be extremely difficult by the Year 2019 to make 9 and a half percent of our General Fund budget payment, a payment of almost a half a billion dollars.

Last year Council raised this issue, and together we decided that one way of reducing the ever-increasing General Fund payment was to amend the state law that governs the municipal pension funding to allow pension funds to change the way the unfunded liability is calculated.

Once the Fund is approximately 70 percent funded, which we believe will take place somewhere around the Year 2012, the Fund can annually set a ten-year payment schedule to eliminate the remaining liability. This is called a rolling amortization.

As a result, the Fund will be able to stretch out its payments beyond 2019. And as you can see by the graph on Page 4, at around the Year 2012, when we reach 70 percent funding, our scheduled payments will be reduced and that huge spike that takes place between 2012 and 2019 is

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eliminated.

The state has passed the law that we presented, the Governor has signed it, and we have eliminated at least that huge spike in the out years.

The problem is, while the rating agencies find favor with this, because it shows that a major fiscal payment has been reduced in the future, it doesn't help the managers of the Pension Fund extract enough revenue for benefits, nor does it get us to the Year 2012, where we will still expect to pay an increasing amount from all our funds, particularly the General Fund.

To this end, this year we will be examining with Council the possibility of floating a pension bond. These have been done in about 20 municipalities throughout Pennsylvania and the country.

And the theory is that the debt service on a pension bond would be less than the liability that we must pay each year to the Pension Fund under the current scheduling.

There are risks. We need to analyze them. But this year we need to determine whether this is a prudent way to go forward.

Despite the difficulty the investment staff has had with the Fund, we have had a remarkably good year.

For FY '97, the Fund's total return was 17.49 percent. This moved the Philadelphia Fund up from the 90th percentile, or the lowest 10 percent in the rankings, to about 46 percent when compared to similarly invested funds.

The Pension Board has had a policy of using minority-owned firms and local managers whenever possible. As of December 1997, fully 10 percent of the Fund's undermanagement were managed by minority-owned firms. 55 percent of the Fund's undermanagement were managed by managers located in or around Philadelphia.

In contrast, in the Year 1993, only 4.3 percent of the Fund's undermanagement were held by minority firms, and only 31 percent were managed by Philadelphia area firms.

Last year, the Pension Board initiated the annual employee benefit statements. And, again, in the spring of this year, the second annual statement will be presented to every active

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participant showing the value of their contributions to the Fund and what pension benefits they could expect to receive when they want to retire.

Last year the Pension Board began to review and update the summary plan description, booklets for all pension plans to both uniform and non-uniform divisions. This book will be updated and distributed in July of this year.

Where there has been a tremendous amount of technological advances in the Fund, all pension payroll files are in a common database and accessible in order to respond more quickly to participant inquiries.

60 percent of all retirees now receive their benefits by direct deposit. We want to see this increased to 70 percent by the year 2000.

Council has moved the responsibility for the city's $175 million deferred compensation program to the Board of Pensions and Retirement.

The Board has reviewed all aspects of the deferred compensation program, including the plan document, investment options, administrative fees.

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As a result, in the last year requests for proposals were issued and a new third-party administrator, Great West, was selected to manage the program.

As a result, the Fund is now paying -- the Deferred Compensation Fund is now paying a lower administration fee resulting in $300,000 in savings.

In addition, participants are now provided with a wide variety of quality options for investing their deferred compensation funds.

The cost of the Pension Fund is borne by the Fund. And no direct appropriations are made from the General Fund.

The FY '99 budget requests $5.3 million. In FY '99, we will have 59 budgeted positions for investment, clerical support, Welfare, counseling, and technical support.

Mr. Herkness, Miss Parker, and I would be happy to answer any questions.

(President Street resumes the Chair.)

PRESIDENT STREET: The Chair recognizes Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Thank you.

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Mr. Hayllar, thank you. I think you do deserve real credit for looking ahead. Looking at these graphs, I realize that some of us here would be as old as Councilman Cohen by the Year 2020. So it is good to look ahead and think of what kinds of obligations we are putting on those coming after us.

But I think you should be commended for looking ahead and considering these two options.

Do you have a timetable for when you expect to be submitting some proposals to Council for a more thorough discussion?

MR. HAYLLAR: Well, I don't think we will be submitting, unless we all agree to go forward.

But this is something that's under discussion now. And I would think between now and perhaps July, we would decide whether we will or will not.

The bond market right now is very favorable. The interest rates are very low. You wouldn't want to lose it. It is also a complicated transaction that would take a great deal of time to

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do.

So if we are going to drop the flag and do it, we might as well decide to do it sooner rather than later. But it is an event for this year.

COUNCILWOMAN FERNANDEZ: So you are expecting to make a decision July, you said?

MR. HAYLLAR: I would hope by July. There are a lot of decision-makers involved in this.

We can recommend, but Council, other elected officials, other parties in the city, they all will want to be interested in doing this, to say nothing of the participants and their unions.

COUNCILWOMAN FERNANDEZ: And the other question, the people who manage the pension funds, you noted that you have increased the numbers of people living in the city and minority-owned firms.

MR. HAYLLAR: In and around the city.

COUNCILWOMAN FERNANDEZ: In and around the city.

And when you say "minority firms,"

does that include women owned? Are there any women owned, too?

MR. HAYLLAR: Not at the moment. There have been, but not at the moment. The firms we have now are African-American. But there is not a woman-owned firm now.

COUNCILWOMAN FERNANDEZ: Could you provide a list of these firms that do this business for the Pension Fund?

MR. HAYLLAR: Certainly.

COUNCILWOMAN FERNANDEZ: Thank you.

MR. HAYLLAR: Certainly.

PRESIDENT STREET: Any other questions?

COUNCILWOMAN FERNANDEZ: With a break-out of the amount and terms and stuff?

MR. HAYLLAR: Certainly.

PRESIDENT STREET: Thank you very much.

I think we now are at the Revenue Department.

I am looking at this, and we have Revenue, Tax Review Board, Board of Revision of Taxes, and the City Treasurer. Somehow it seems

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like they all ought to be up there at the same time.

We will start with the Revenue Department.

Good morning, Commissioner. Please identify yourself for the record.

COMMISSIONER NANCY A. KAMMERDEINER: Good morning, Mr. President, members of Council. My name is Nancy Kammerdeiner, and I am the Revenue Commissioner.

With me is Denise Garrett, the Chief of the Water Revenue Bureau.

We are pleased to be with you today to discuss the Fiscal 1999 Operating Budget for the Department of Revenue and the Water Revenue Bureau.

I will highlight some recent activities of the department and some key features of the Operating Budget request for the tax side of the operation.

Denise Garrett will follow with testimony about the Water Revenue Bureau and its Fiscal '99 budget request, then we will both be available for any questions that you might have.

Since 1994, the Department of Revenue

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has invested more than $9.3 million in computer systems that have dramatically improved the department's operations.

Just two weeks ago we implemented the latest phase in our system integration efforts. It provides one place for the recording of taxpayer transactions of all tax types.

In the coming months, Revenue will be working on system improvements for the processing of the School Income Tax and the Use and Occupancy Tax.

The computer system projects implemented to date have enabled the department to significantly improve current and delinquent tax collections, and will have produced an estimated $28.7 million in additional revenue for the city by the end of this Fiscal Year.

The benefits of these new systems, however, go beyond direct tax collection. They have enabled the department to support programs such as the Tax Lien Sale and have enhanced the department's capability to perform the internal and external matches that are used to discover taxpayers who should be filing and paying city taxes, but who are

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not doing so.

In the next few months, Revenue will be replacing obsolete equipment used for payment processing and for the processing of returns. We will also be adding imaging technology.

This new technology converts paper documents to digital electronic information that can be retrieved on a computer screen.

It is expected that this will enable the department to bill taxpayers with greater speed and accuracy and will improve customer service through the prompt availability of reliable data.

I would like to just comment briefly on our budget request.

The Department of Revenue requests appropriations in the General Fund, the Grants Revenue Fund, and the Water Fund for Fiscal '99.

The FY '99 General Fund appropriation request totals $17,213,399. These funds will continue the full range of tax-collection operations with the staff of 338 full-time positions, the same number of positions funded in Fiscal '98.

The Grants Revenue Fund appropriation provides for payments to collection agencies, as

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well as school tax enforcement activities.

Revenue requests an appropriation of $2,315,976 in this fund.

The Water Fund appropriation requests for processing water and sewer payments totals $1,461,873. This provides funds for 40 full-time positions.

Denise Garrett will now review the activities of the Water Revenue Bureau and the remainder of the Water Fund budget request. And then, as I said before, we will both be available for any questions that you might have.

MS. DENISE GARRETT: Good morning, Council President Street and members of City Council. I am Denise Garrett, Assistant Finance Director and Chief of the Water Revenue Bureau. I thank you for this opportunity to provide testimony on the Water Revenue Bureau Fiscal Year 1999 budget request.

I would like to, for the record, state that we have submitted a revised edition of our testimony on 2/13/98.

And the two notable changes are in our chart, identifying contacts that we made with

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our delinquent customers. The number was actual contact that we made, versus our projection. And, also, our service goals are attached to this report.

In Fiscal Year 1999, we are requesting an appropriation in the amount of $17,716,032, which is $183,628 more than the appropriation for Fiscal Year '98.

The additional appropriation is for funding of wage increases negotiated for our union employees.

The Fiscal Year '99 budget request represents $10,087,765 for Class 100, $6,877,417 Class 200, and $750,850 for Classes 300 through 500.

Our Fiscal Year '99 appropriation for Class 100 will fund 277 employees, a reduction of 22 employees from Fiscal Year '98. We expect staff reductions to continue as we continue making operational improvements.

To highlight some of the changes that are taking place in the Water Revenue Bureau, as outlined in the testimony submitted, our staff training has been a key point for us.

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We are now conducting customer service sensitivity training with Blue Cross and Blue Shield, as well as P.C. training with new work stations and shifting of job functions.

Also, some of the internal word process changes include a shift from manual to on-line telephone payment agreements, as well as a shift from manual to on-line adjustments to accounts, customer applications, as well as a modification in our low-income application process.

In the previous year, we implemented a program called Zip Phone, which is an automated program that allows the Water Revenue Bureau to receive payment directly from a customer's checking account. And we try to encourage these types of programs to foster on-time payment.

One of the most notable changes in the Water Revenue Bureau is a joint project with the Water Department and a vendor by the name of ITRON, the larger AMR vendor in the country.

We have contracted with the vendor to install over 400,000 meters. And, to date, that vendor has installed over 90,000 meters. We are reading approximately 50,000 of those meters on a

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monthly basis.

All of these operations foster, again, timely bill payment, reduce operational costs, as well as customer inquiries and disputes.

Notable for the Water Revenue Bureau is an improvement in our revenue collection indicators.

In Fiscal Year 1996, the percentage of customers that paid within the first year was at 82.2 percent. As of to date, Fiscal Year '98, we are at 87 percent. Projecting by that Fiscal Year '99, we should be at 87.5 percent.

Also notable, and a contributor to this factor, is early notification to our customers.

In Fiscal Year 1996, we contacted approximately 112,913 customers. In Fiscal Year '97 that number was up to 258,173 customers.

As noted in my testimony, the actual number of contacts to date is 68,982 customers. But we anticipate by the end of the moratorium period, that we will have contacted 313,000 customers.

One of the things that we did in this Fiscal Year, which I think was a major departure for the Bureau, was to modify our enforcement parameters.

There was a change in our payment agreement system to limit the number of payment agreements to two in a cycle of delinquency.

We also expanded that system to allow for changes in customer circumstances, for renegotiations, and extensions.

We also made major modifications to our notification of delinquency. Previously we would notify a customer after about 120 days that they had delinquent billing. We have shifted that to 40 days, and we have incorporated telephone conversations into that.

Also, we have reduced the time period it takes to notify a customer of shut-off. That previously was over 215 days, and the delinquency amount had to exceed 150.

In April of '97, we reduced that to 75 days notification, with the delinquency amount of $75.

In doing so, we have taken into account the customer assistance programs that are necessary for customers to maintain water service.

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We have increased our customer service activity to these customers by, one, changing the process by which these customers apply to us, so they are no longer waiting in long lines.

We also are anticipating increasing the number of customers who participate in this program.

As of Fiscal Year 1997, a total number of low-income customers served exceeded 16,000. Approximately 65 percent of those customers are retained as we go to an annual determination program. In year to date, we have approximately 5,000 new customers participating in this program.

The Bureau began a collection agency program in Fiscal Year 1993. I would like to highlight some of the activity that we have received from these various programs.

Fiscal Year '96, we received in excess of $17 million. Fiscal Year '97, 19.5 million, and projected for Fiscal Year '98 is 17 million, projected for '99, $18 million.

These programs are significant and an integral part of the collections process of Water Revenue. They are also programs where fees are not

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paid unless we actually realize income.

One of the major changes that is taking place now is an upgrade to our P.C. network, as you mentioned earlier, as well as a modification and change in our computer billing operation.

We anticipate bringing on-line a new customer data information system projected for Fiscal Year 2,000.

That system will give us full-scale capabilities not only for billing collections and supporting AMR, as well as billing which is slated for Year 2000, but it will also contain information that customer service representatives can use in speaking to our customers, so that we continue to foster consistent information to customers so that they are able to do business with us effectively.

Some of the constraints and challenges that we are facing in the Bureau are being able to respond to customers quickly.

And we are in the process now of consolidating our call centers with the Water Department.

Presently we have two points of contact for our customers, and we are seeking out a

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single point of contact.

That consolidation is underway. Cross-training has taken place. Systems analysis have begun, as well as the acquisition of essential system that we will be utilizing.

At present, we are looking at abandonment rates that far exceed what we anticipate. However, once these new systems come on-line, and once this consolidation takes place, we hope that we will be able to reduce those numbers significantly.

I am available for your questions. Thank you.

PRESIDENT STREET: Thank you very much.

A constant source of frustration and confusion among our ratepayers is who to call and who is responsible. And you have heard this since, probably, your first second in the Water Department. And it is refreshing to hear of the single point of contact.

I will tell you, if it is one thing that has frustrated people more than anything else, it is not exactly knowing whether the Water

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Department, the Revenue Department, how do you fight your way through this bureaucracy in order to be able to just make arrangements.

I mean, most of the time when people are calling, it is because they need to make arrangements. It isn't because they have paid; they need to make arrangements.

Tell me what your bottom line is. Where are you trying to be? Tell me. Do you know what I mean? That's what people will want to know.

Where are we trying to be? At the end, if everything you do works, is implemented and works well, where will they be? Where will a water ratepayer be when it comes to negotiating your system?

MS. GARRETT: Where we would like to be, Council President, is a customer can call one number and reach us within a short range of time, and I would say within a minute. That's number one.

Number two, we would like our abandonment rates to be well below 5 percent, which is our industry standard.

Number three --

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PRESIDENT STREET: Explain abandonment rate.

MS. GARRETT: An abandonment rate is the rate by which a customer contacts your agency, and they are not able to get through. Either the lines are busy, the queues are full, and they are not able to get their call through.

So, subsequently, the customer will abandon that call and make an attempt at a later time.

So our abandonment rates at this point have ranged in the area of 15, and I have seen some as high as 40 percent, depending on what activities may be going on at the Bureau at that time.

The consolidation of the call center will permit us to shift calls to other areas, when we have those peak periods, so that we maintain a steady level of abandonment rate, as I stated earlier, below the industry norm of about 5 percent.

PRESIDENT STREET: Now, it is my understanding we are doing monthly billing.

MS. GARRETT: Yes.

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PRESIDENT STREET: There were long debates, for many, many years, about monthly billing. How has it worked out?

Some of us have taken the position that if you send me a bill when it is small enough for me to be able to imagine paying it, then I will pay it.

But once it gets beyond a certain point, you might as well go to the fast food store, because you can't do anything with it anyway.

We have always been told -- and I remember as a member of the Gas Commission saying -- you have to stop estimating bills, you have to start reading on a monthly basis. People have to get a bill that makes some sense to them in a context of their income.

What has been the experience?

MS. GARRETT: The experience has been very good. As I testified earlier on the collections rate, the current collections rate, that is really a measure of how effective monthly billing has been, and we have seen steady increases.

The other change that we need to make are operational changes, to support monthly

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billing. Because if you have a problem in one month, you will need to turn that problem around before the next bill goes out.

The third initiative that we are utilizing to support monthly billing is automatic meter reading. Because customers previously were receiving 12 bills, we are estimating, on average, I would say about 11 of the 12 bills because of our read rate percentage. We couldn't get into the property to get an actual reading.

So, in theory, what you are stating is absolutely correct. Monthly billing has been a benefit to us. However, operations need to continue to support that effort.

PRESIDENT STREET: How is the implementation of the AMR program coming?

MS. GARRETT: The implementation is coming fantastic. We are way ahead of schedule. Complaints have started to decline.

We still are in a period where we call backlog period, where we have to resolve old complaints as a result of the old meter.

But we have put in place a program to precede AMR called a Chronic No Response, where we

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are attempting to get that final reading before the vendor comes to install the new meter so that we can resolve that difficulty before the new meter goes in, and we have two sets of data to work with.

PRESIDENT STREET: The Chair recognizes Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Thank you, Mr. President.

Miss Kammerdeiner, could you tell us, you talked also about the call waiting time, or the waiting time that someone has to wait when they phone in to Revenue.

COMMISSIONER KAMMERDEINER: Yes.

COUNCILWOMAN FERNANDEZ: And I am wondering, can people call in after work, like evenings or Saturdays?

COMMISSIONER KAMMERDEINER: Right now, in terms of reaching a live body, that answer is no.

We are hopeful to be able to extend hours and be able to deal with some of the interest that people will have in reaching us at nonbusiness hours.

We have had a pilot program for

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something called an Interactive Voice Response Unit, where people could call and get the balance on their real estate account by using the telephone and accessing the computer to get their balance.

That worked very well and was successful in supporting us during the period of the Tax Lien Sale.

But, unfortunately, because of the lien sale, we had to change the messages, and we haven't been able to put that back into full force.

We are working with the productivity bank to develop some increased IVR applications. So that there will be more ways that people can use their telephone, access the computer information, and not have to deal with a person who is on duty during that time to get the core information that they need.

If someone just wants to get forms from us, we do have a way of getting to -- it is called a voice box, to get voice messages. And they can leave their address and information for the forms that they want to get.

So we have a few things that are underway, but we want to do a lot more in that area

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so that people can reach us in nontraditional business hours.

COUNCILWOMAN FERNANDEZ: That's what I was saying.

People are probably annoyed, upset, angry when they have to deal with Revenue anyway, because you are asking them for money.

COMMISSIONER KAMMERDEINER: Quite often, that's the case.

COUNCILWOMAN FERNANDEZ: Quite often they don't have to call, if you are sending them a refund. So they are usually calling with a problem; right?

COMMISSIONER KAMMERDEINER: Yes, most of them are.

One other thing that we are doing, that I didn't mention, we have information on the city's web site on the various forms and taxes.

And as people become increasingly able to access information by computer, through the libraries and other locations, they will be able to get a significant amount of information and get their basic questions answered through that route, as well as the more traditional routes.

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COUNCILWOMAN FERNANDEZ: I would suggest you continue to look for ways to make, you know, city departments more customer-friendly.

And if you are angry in the first place because you have gotten a bill you either don't understand or feel is unfair and you are calling, or just calling for information, and you have to wait close to three minutes, and let's say someone is on the job -- because if you are only open traditional work hours, someone has to squeeze it in on a break or lunchtime -- and that's why I ask about evening hours or Saturday hours, where maybe some of your staff wouldn't mind working a little later, for child care reasons or family responsibility, they might like a staggered work shift.

COMMISSIONER KAMMERDEINER: We are looking at that.

One of the other things we are doing, you mentioned a problem with their bill. We are working diligently to try and improve the quality of information that's on a bill, so that it is more self-explanatory and also more accurate, so that there will be fewer and fewer questions coming up

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about the information that's on a bill.

And the recipient of that bill will be able to tell from what they get exactly what the status of their account is.

That should help to relieve some of the frustration and it also would relieve some of the need to make a contact with us for explanation.

Certainly they will still want to reach us in terms of any payment arrangements that they might have, or if there is some other problem regarding their account.

But we are working to diminish the need for that kind of contact by presenting a more accurate and timely bill that has more plain English explanations about what it is.

COUNCILWOMAN FERNANDEZ: Well, again, this decrease in just a couple of minutes, I would hope you would be aiming for under a minute, where people would wait.

COMMISSIONER KAMMERDEINER: Yes, that is an ultimate goal, but we need to do it in incremental steps.

COUNCILWOMAN FERNANDEZ: And, Miss Garrett, you mentioned you have had some training for your staff on customer service. And who did you have doing that?

MS. GARRETT: Blue Cross and Blue Shield; they are renowned in this area. And this is the second-phase training.

They trained the customer service representatives at the Water Department, field service representatives, and they have just completed training with our customer-facing representatives.

COUNCILWOMAN FERNANDEZ: Do they do that pro bono, or is that under contract?

MS. GARRETT: We wish it was pro bono. I did try to negotiate that; however, I had to pay.

I was able to get a reduction in the fee because they had done previous water groups.

COUNCILWOMAN FERNANDEZ: Was that bid out or was that a no bid?

MS. GARRETT: No, it was not bid out.

COUNCILWOMAN FERNANDEZ: It is my sense that there is a lot of different departments in the city that do deal directly with the public

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that could use some improvement, to say it mildly, in terms of customer service.

And I would think that if we are paying Blue Cross/Blue Shield, I would like to suggest maybe some of that be competitively bid, not only in your department, but other places.

Because there are a lot of people that do customer service training. And I think it is a major next step, a major need in city government, as we try to improve our image as a city and mainly trying to deliver services more effectively.

MS. GARRETT: We do have additional customer service training with our groups that work at the telephone systems, which was a small bid purchase, where we are using a minority contractor.

They are actually working with us in looking at some of the statistics that we use to measure performance in the system, as well as sensitizing those customers to dealing directly with the public over the telephone.

So we have not just used Blue Cross and Blue Shield; we have actually attempted to use other firms.

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And I would also like to mention that we are very sensitive to customer needs. Hopefully by the end of March, we will have extended our customer service contact hours from 8:00 to 5:30, to 7:00 to 7:00 p.m.

COUNCILWOMAN FERNANDEZ: 7:00 to 7:00?

MS. GARRETT: Yes.

COUNCILWOMAN FERNANDEZ: That would be good. Thank you.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Mr. President. My question is to Commissioner Kammerdeiner.

Do you think that we could ever look forward to seeing a position in government called a customer service representative, that when a citizen calls, that they don't necessarily need to speak with Water Revenue, if they have a Streets Department problem, that one person could deal -- because in utility companies that have both gas and

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electric, one representative is versed in electric and gas.

I would hope that some day, that a person could handle a problem, trash that hadn't been picked up or a problem with their water bill.

And today with telecommunications, you know, calls can go to the person that's best versed in a particular subject, if their first choice is they have a problem with the water bill.

Why can't we -- and, again, I know this is something long-term -- look for an organization within government that can be a person that does lots of tasks?

COMMISSIONER KAMMERDEINER: I think we are starting to do that on the tax side and, as Denise Garrett testified, on the water side. We are experimenting with that.

As technology improves, and particularly telephone technology improves, there will be more opportunities for doing that.

I think we need to work a little more with that technology and understand it better. It is something that is new to us in city government. It might be used in some other areas.

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But I think your examples help to point out where that will be a little more difficult in city government, than when you are dealing with a utility that has one set of problems and issues to deal with.

Tax bills, water bills may have some similarities, but there is a lot of supporting information that someone needs to know in order to fully service the customer who has a problem in those areas.

And someone dealing with those issues and well versed in them might not be able to deal with a trash collection problem, a pothole problem.

Basically, our switchboard today serves as a clearinghouse to direct people to the right department. Perhaps part of what we need to look at is a better way of forwarding people to the right location quickly, after they go through the main switchboard.

We are working with Public Property on the way we handle the telephone technology, and are considering and would like to add something that's called call blending.

So that people who take incoming

calls can also have on their computer screens information to do outgoing calls.

I know in the Water Revenue area, they do a lot of collection calls. We do a lot of collection calls.

If there is an overload of calls coming in, right now we can't easily and quickly have those people who are doing outgoing calls take the overload of incoming calls, even in our own areas, much less for other departmental areas.

With call blending, if there is an overload of calls coming in, they can make that quick switch and help relieve the pressure on the incoming calls.

So as technology improves, as our experience with it improves, I can see us expanding this. And I can see on the operations side that they may be trying to consolidate things perhaps across departmental lines.

But we are not quite there yet.

COUNCILMAN RIZZO: Thank you, Commissioner.

Thank you, Mr. President.

PRESIDENT STREET: Does anyone else

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have any questions of the Commissioner?

Commissioner, thank you very much.

At this time we will hear from the Tax Review Board.

JUDGE DOMINIC M. CERMELE: I am Dominic Cermele, the Executive Director of the Tax Review Board. And sitting next to me is Cynthia Douglas, who is the Administrator of the Tax Review Board.

I thought that since you have my testimony before you, and you know that we handle parking tickets and you know that we handle burglary alarm violations, as well as sweep violations, that I would just touch upon some of the lesser-known things that we do.

For instance, last year we added hearings and enforcement, CVN enforcement, for violations of the city's tobacco ordinance.

Enforcement of this ordinance has achieved a 75 percent payment rate in its first year, and has resulted in a 55 percent decrease in the number of stores who failed to ask for age identification from buyers.

Secondly, another function that we

handle that you may not know about is that the fire department, who bills for emergency and medical services, and collected more than $12 million in last calendar year, the bulk of that is collected from Medicare, Medicaid, or other third-party payers.

But the city is required by those third-party payers to bill all individuals who received a service in order to comply with federal and other regulations.

The Office of Administrative Review handles all of the disputes, our requests for indigency relief. And last year we handled 512 such disputes, which resulted in $110,157 in write-offs.

Last year we also began doing settlement conferences for the Revenue Department, in the area of Use and Occupancy Tax.

That program which targeted non-filers who had delinquencies of at least $4,000, resulted in more than $250,000 of outstanding business taxes being brought in. This year we will be expanding that program.

The Office of Administrative Review also acts as the ombudsman for the Real Estate Tax

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Lien Sale. And we have handled well over 500 telephone calls from individual taxpayers who needed our assistance or needed information or needed to facilitate their communication with those collection agencies that are servicing the liens.

And we also handle the appeals from the denial of reserved on-street parking spaces for individuals with disabilities.

Last year we handled more than 250 such cases, 240 such cases, and we are able to provide hearings within 30 days of receipt of a review request.

We are now working with the Streets Department on handling bill disputes for oversized or improper street ditches by private plumbers.

And we are working with the Department of Licenses & Inspections on projects similar to that which we did with the Use and Occupancy Tax project.

These primarily will deal with L & I bills for various nuisance abatement categories.

And, finally, looking in our own shop, we, as you know, for all CVN's, for the sweep program, and for burglar alarm charges, we bring all

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of those cases to Municipal Court and take default judgments, where necessary.

We have determined that we now have over $3 million in outstanding judgments resulting from those code enforcement complaints in Municipal Court. And we will now assign our Tax Review Board to handle settlement conferences to settle those $3 million in outstanding judgments.

Those are for fines that start out at $25. But when we take them to Municipal Court, we take default judgment for the full amount of $300.

Our budget request for this year for the General Fund is $1,620,769, and an additional $56,082 from Grants Revenue. This is $13,000 less than last year's estimated obligations.

Ms. Douglas and I would be happy to answer any questions that you have.

PRESIDENT STREET: The Chair recognizes Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Thank you, Mr. President. Just one question. Again, your office does great work, very efficiently.

On Page 3 you talk about reserved on-street parking for the disabled, that you heard

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240 cases, you had hearings.

You know, I know for people who clearly are disabled, having those parking spots are very, very important, but we also know some people have been getting over.

What was the outcome of those 240 cases?

JUDGE CERMELE: If I could just back up a little bit.

At the request of the Mayor, I have put together a little task force about two years ago to look at the entire problem with on-street reserved parking.

Because as you are probably aware, it is quite an abused item in the city. And we discovered that, in the past, handicapped parking spaces were granted on the basis of medical diagnosis.

Based on that, I am entitled to a handicapped spot in front of my home, because I have had cardiac bypass surgery and I am a diabetic. So under the old system, I could qualify for a spot.

I hope that I look well enough that you would say, no, Judge Cermele, you are not

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entitled to a spot.

COUNCILWOMAN FERNANDEZ: You look well enough.

JUDGE CERMELE: Thank you. I was fishing for that.

COUNCILWOMAN FERNANDEZ: You walked all the way over here.

JUDGE CERMELE: I did walk over here.

What we did was, we changed it so that the criteria now is mobility impairment, rather than diagnosis.

And in implementing this, we require that handicapped or disabled persons not have the ability to ambulate 200 feet.

And we test this by, first of all, we bifurcated the application system. So that an individual no longer takes his application to the doctor and says, "Fill this out for me," because we felt that that put too much pressure on the medical practitioner.

So now you fill out your application yourself, you give the Parking Authority the names of your physicians, and then on behalf of the Health

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Department, the Parking Authority sends a different application form to your physicians, and that is returned to a Post Office Box that's being taken for the Health Department.

Finally, all of the medical information and applications are reviewed by a group of physiatrists who work for Moss Rehabilitation Hospital.

And by the way, until I met a physiatrist, I had no idea that there was such a medical specialty.

COUNCILWOMAN FERNANDEZ: It sounds like a podiatrist plus.

JUDGE CERMELE: And a physiatrist is someone who works with the mobility impaired.

I would tell you that the particular physiatrists that I have met and that we eventually engaged, when I met him, I put out my hand to shake his hand, and he did not have a hand.

So I felt confident that we had found the right person to deal sympathetically, yet properly, with the mobility impaired individuals. So applications now are reviewed that way.

And then if the space is denied, then

the person has the right to have an appeal. And those appeals are handled at the Tax Review Board.

We use one of our Masters at the Tax Review Board to Chair a panel which would consist of the Master, a representative from the Mayor's Commission for Persons with Disabilities, and a representative of the Health Department.

The results, I believe I have in my testimony.

COUNCILWOMAN FERNANDEZ: I didn't see it. You said you did 240 hearings.

JUDGE CERMELE: Since I probably do not have it here, I will -- Page 3, 240.

I will provide it to you. Because I do have the details; I just don't have it with me. But I will provide you with the details.

But, eventually, in about half of those cases we overturned the decision of the Parking Authority.

COUNCILWOMAN FERNANDEZ: And then could you also, do you have the data on how many applications or requests were turned down by the Parking Authority?

JUDGE CERMELE: I can provide that,

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also. I have that in my office.

COUNCILWOMAN FERNANDEZ: Because, again, I heard it is big issue, but I don't have any sense of it.

JUDGE CERMELE: There are 10,000 spots that we have identified around the city. They assure me that there are no blocks where there are more than five spots on any block.

But there are 10,000 around the city. It is, indeed, a big problem.

We are relicensing all of those spots, and are doing it about a third each year. They did a third last year, and they will be doing a third this year.

COUNCILWOMAN FERNANDEZ: Thank you.

PRESIDENT STREET: Councilwoman Clark.

COUNCILWOMAN CLARK: A handicapped space, a person who does not drive, is that person entitled to a handicapped space?

For instance, take the example of the gentleman you named, the physiatrist.

JUDGE CERMELE: Physiatrist. It took me a while.

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COUNCILWOMAN CLARK: Say it again, sir. Physiatrist?

JUDGE CERMELE: Physiatrist, yes. It is almost like a psychiatrist, but I was very familiar with what they do.

COUNCILWOMAN CLARK: Okay.

This specialist, would he be entitled to a handicapped space? He does not drive, because he does not have arms.

JUDGE CERMELE: Well, he did have one arm.

The criteria that we use in the City of Philadelphia is that you must have a handicapped plate on your car, not a placard.

And the differentiation is that a handicapped plate is given to those individuals who drive, who are disabled; whereas, an HP placard is given to those individuals who may have someone else drive for them.

COUNCILWOMAN CLARK: In their families, yes.

JUDGE CERMELE: Yes. So you would only be entitled to the space if you were the driver, as well as the disabled person.

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The theory being, that a driver can drive up, let you off in front of your house, and then go park the car. So, therefore, they are not entitled to that spot.

COUNCILWOMAN CLARK: I think that probably needs a little bit of publicity, because I don't think it is generally understood to mean that it is limited to a handicapped driver, and not a handicapped person who uses the car that is parked in this privileged way.

What method are you taking?

JUDGE CERMELE: Handicapped parking is a very, very abused problem not only in this city, but around the country.

I frequently attend conferences concerning parking and public parking, and my colleagues around the country all experience the same problems with abuse as we experience here in Philadelphia.

I had an individual in my office just the other day screaming and yelling at me that he wasn't being treated fairly. Because he lives in Wayne, and his mother has a handicapped parking placard, she lives in North Jersey, and he is

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getting parking tickets parked in front of his office in Center City Philadelphia.

And he tried to tell me that, you know, he would drive his mother to work, and then he would park his car and use the handicapped parking placard.

Even if I believed that he drove all the way from St. Davids, Pennsylvania, to North Jersey, picked up his mother, and then drove her into Center City each day, that would --

COUNCILWOMAN CLARK: You didn't have any trouble with that explanation, did you, Judge?

JUDGE CERMELE: No. I thought it was great, and I believed every word.

But even so, once he let his mother off, he was not entitled to use that handicapped parking placard throughout the day.

We have asked -- again, this is legislation that we have asked Council to look at. Because in Philadelphia, unlike most other jurisdictions, we have been rather liberal concerning the use of our public spaces.

A full 25 percent of our Center City spaces are taken up on a daily basis by individuals who either have a governmental privilege or have handicapped parking placards or plates.

That is far too many spaces for the core business district to absorb. And, therefore, you don't get a good turnover of spaces each day, which would be helpful to the merchants.

The reason that is, is because the State of Pennsylvania allows holders of those handicapped placards, or plates, to have an additional hour over and above any metered space timing that they would put money in.

But a number of years ago Council extended that to provide that those individuals with that type of licensure on their cars may park for free in time spaces all day long, without limit, unless it becomes a no stopping. And that, indeed, has led to the increased abuse here in Philadelphia.

COUNCILWOMAN FERNANDEZ: Just to follow up, I think I grew a little suspicious of handicapped plates or disabled plates when I was at the tennis court parking lot, and saw someone drive up with their handicapped plates, and they bounced out of the car to go play tennis. And I couldn't

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quite --

JUDGE CERMELE: It was therapy.

COUNCILWOMAN FERNANDEZ: Yes.

JUDGE CERMELE: They were seeing the psychiatrist, not the physiatrist.

COUNCILWOMAN CLARK: But the plate holder doesn't necessarily drive.

COUNCILWOMAN FERNANDEZ: But I thought the plate was supposed to be for the car where the person is disabled was they are driving.

JUDGE CERMELE: That's correct. And you are only supposed to use it when you are actually engaged in transporting a handicapped person.

And then, for instance, if you take such a person to the doctor's office, then you are entitled to park in an HP spot while that person is at the doctor's office.

It doesn't entitle you, in the case of the individual I was talking about earlier, to drive to your office and park there all day and then later on pick up mom.

COUNCILWOMAN FERNANDEZ: I am just glad you are cracking down on it.

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COUNCILMAN DiCICCO: I have a specific case that I want to use as an example.

There is a person who lives in South Philadelphia, in my district, that has a handicapped plate on her car.

And she I know is not handicapped at all. I believe that she made application for the handicapped zone in front of her house because she claims that her mother can't walk a certain amount of distance.

On the plate, the insignia, the little wheelchair insignia, whatever, is on the driver's side.

Isn't there a distinction or something I was told that if it is on the passenger's side, it means that the plate was issued because a member of the household is disabled, and not necessarily the driver?

JUDGE CERMELE: I don't believe that's true, but I will check that for you.

COUNCILMAN DiCICCO: If that's the case, this individual who lives on the 900 block of Reed Street, R-E-E-D, 900 block -- I'm not sure of the exact address, but I think it is the only

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handicapped.

JUDGE CERMELE: I can check the block.

COUNCILMAN DiCICCO: All right. The driver of the car, apparently, again, I think, made application for the handicapped zone because of her mother. Just last week when I was doing a walk through on East Passyunk Avenue, her and her mother were taking a stroll, and they were going shopping.

And they were about five blocks from their house, they didn't move the car, and they walked every day.

What do we do about something like that? I'm sure I already did what I was supposed to do.

JUDGE CERMELE: Yes, you did. And we will certainly look at that.

And, by the way, we get that type of information all the time, and the Parking Authority gets it all the time, particularly when a person with disabilities is deceased. Generally before they are buried, a neighbor calls to ask to have the signs removed. And I think that's appropriate.

You have to remember that in

Pennsylvania, it is very easy to get a handicapped parking placard and a handicapped parking plate.

You don't even have to have a doctor certify that you are disabled. It is enough in Pennsylvania that a police officer would certify that you are disabled.

And I think the theory was that in -- I suppose the theory was that in rural areas, where there is not a lot of medical practitioners, a police officer would be apt to be able to recognize a person with only one leg and certify that the person is disabled.

However, we believe that there are some abuses by police officers, although not necessarily in the City of Philadelphia.

COUNCILMAN DiCICCO: I think this may have come up last year, where the state is much more lenient than the city is, and more liberal.

JUDGE CERMELE: Yes.

COUNCILMAN DiCICCO: Is there any dialogue between the city and the state? How do we tighten this whole thing up?

JUDGE CERMELE: We have tightened up the issuance of handicapped zones.

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I think Council needs to re-examine the idea that persons with disabilities should park with impunity all day. I think that the state needs to deal with the issue of how handicapped plates are issued.

I have spoken with individuals at the Department of Transportation. They are not particularly receptive to our ideas of issuing more stringent regulations and having the General Assembly pass more stringent regulations.

However, we are working with other jurisdictions, with the Pennsylvania League of Cities and with the Pennsylvania Parking Association, to gather support with other municipalities, so that we can generate the ability to get that change.

COUNCILMAN DiCICCO: Thank you. No further questions.

Thank you.

PRESIDENT STREET: Any other questions?

Thank you very much.

Board of Revision of Taxes.

MR. DAVID B. GLANCEY: Good

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afternoon, Mr. President and members of City Council.

My name is David Glancey. I am the Chairman of the Board of Revision of Taxes. And with me this afternoon is the secretary of the Board, Mr. Robert Nix, and a member of the Board, Ms. Charlesre Meade.

Normally Mr. Foglia, Enrico Foglia, attends this meeting. His wife is undergoing surgery today, so he begs your indulgence and wants to take care of that personal matter.

In our submitted budget, I am just going to hit on very few highlights. The appropriation in 1997 for our department was $7,255,980, and we are requesting an increase of $207,367, which were the negotiated salary increases for our employees.

A few of the other highlights I would like to touch on, on Page 2 you will note that the total taxable assessed value went from 9.218 billion in 1998, and our projection is 9.2 million in 1999. It is a potential reduction in real estate tax revenue of about $1.4 million.

Even though that is a slight

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decrease, we still believe that the market is somewhat stable, and I think that's reflected in our taxable assessed values.

On Page 3, again, we just kind of highlight the equalization program.

If you recall, on November 19, 1997, before the Committee on Finance and the Committee on Commerce and Economic Development, we had some extensive hearings with Councilwoman Verna and Councilman Nutter, explaining pretty much a process, and that's what the equalization process was, why we do it, how we do it.

But if there are specific questions about that that are still outstanding, I would be happy to answer those.

If you turn to Page 5, it shows our service levels, our service level impact statement. And this year we are very happy to report that the average time between a written inquiry to our office, or even a telephone inquiry to our office, has been reduced to an actual 12-day turn-around time.

Even though we are being somewhat conservative for next year by putting in a 15-day

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turn-around time, we didn't want to put down anything less than 12, because we may not reach 12.

So we do believe that, you know, that kind of service to the public, as Councilwoman Fernandez was talking about, is extremely important.

And we also note that our appeals dissatisfaction rate, the turn-down rate, is about 3.12 percent for last year. And really what that kind of shows us is, what we think, is that our values are much more correct than they are incorrect.

PRESIDENT STREET: Is that appeals to you or appeals to the courts?

MR. GLANCEY: Appeals to us. Our appeals to the court are much better. We have a much better ratio there.

Again, if you turn to Page 9, we put in our annual market overview report of how we see the various segments in the market. And I know there are basically highlights in that message.

The hotels -- if you don't mind, I will skip over some of the things that we have said last year.

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But a couple of things that we do want to highlight specifically is that the hotel segment, you know, as I guess it is pretty obvious, is about the hottest segment that we have seen, certainly in my lifetime, on the Board. It is the hottest segment in the market that I have seen in many, many years.

We list on Page 9 and 10 -- I suppose everybody has a list -- and we think this is about as comprehensive as we can get of the construction that is underway as we know it, showing an addition of about 2838 rooms, and in some planned construction, where at least it has gone beyond the talk stage, where folks have actually tried to get some documents together and maybe have even stated something publicly about what they are going to do, and that subtotal of rooms is 2311.

There is a typo on Page 10, where we have the asterisk that says, "office building conversation," that should be "conversion." I don't think any of the staff, and probably very few members of the Board, have had conversations with office buildings, but I can't say that for sure.

Again, I will highlight. On Page 11,

the Personal Property Tax, as you are well aware, has been repealed. And what we are planning to do is to utilize the folks who have been working in Personal Property to be kind of an audit department for us.

In speaking with the Budget Department, they have not cut any of those jobs. And we're very grateful for that, and we are very grateful for City Council in supporting that position.

And we are now in the process of defining what that audit would be. And it is really an appraisal audit group.

There is some lag in training that we're going to have. But, nonetheless, we think that will be a very important part of the future of our department.

On to abatements and exemptions. The one thing I might -- I am sorry. Before I get to that, I think the residential market does deserve a mention.

Probably the most significant or salient part of this document would be on Page 12, which shows citywide residential sales by property type.

We believe that the 1997 numbers are probably a ten-month number. We have gotten the most current information we could get from the Department of Records, and we have also tried to cross-check some of that information with some of the information that is put out by the trade groups.

And we believe that there might be some more activity that we haven't picked up in 1997. But, for the most part, we believe that that's about a ten-month number.

And you can see there are little down ticks in each of these residential subsections. The rows were down-ticked about $600 on the -- in the median.

We do use the median sale price, because we think that is probably a more indicative indication of what values really are.

The twins are down about $1900. And, of course, the single detached residential numbers are down about $750.

But, again, I think because those down-ticks are so minimal, we believe that there is some stability in that section of the market, also.

Finally, onto the abatement and exemption portion of our testimony.

In November '97, the legislature passed and the Governor signed House Bill 55, which is currently called Act 55 of 1997, which codified the Supreme Court's decision in the HUP case, in that what we believe it has kind of broadened, we think, the standards in order for a nonprofit charitable organization to receive a real estate tax exemption in the State of Pennsylvania.

But in the process of broadening the five parts of the HUP test, what the city was able to do in negotiations when that bill was being drafted, was to get some incentives placed in that legislation to encourage what are called financially secure nonprofits.

And I think examples of that would be hospitals, universities. Financially secured nonprofits, to -- they are encouraged to join voluntary contribution programs in the municipalities in which they are located.

Currently Philadelphia gets about $6.5 million in cash in voluntary contributions from those kinds of entities. It is not a major number, but it is certainly an important number.

We also get some significant amount of services that are supplied by those institutions in lieu of cash payments.

In negotiations for this particular piece of legislation, we fully -- we did get a guarantee from those institutions that are currently participating in our program, a guarantee that we would be held harmless.

We are collecting 6.5 million. Our agreements run out December 31, 1999. We suspect that the next round of agreements will also be at least five years, and maybe more.

And the hold harmless guarantee is that we will continue to at least collect the $6.5 million. Hopefully, I can't say, but hopefully there is more, but we don't know that. But at least we don't want to be losing any of the money that we are currently getting in that situation.

And, finally, the abatements that we list -- and I guess the best thing to do is maybe just to turn to the tables on Page 1 of the table, which shows the summary of all the properties that

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are abated.

The total number of properties certified for Tax Year '98 are 470 abated properties, with the single largest total abated assessed value falling into the second category, which is 1130/982, the three-year commercial and industrial abatement.

The total abated assessed value on those properties is approximately $19.6 million. I think it is also important to note that all of those properties are also at a taxable value of $13.034 million.

And the current value of all of the abatements in all of the various categories is about $4.7 million. And we do collect about a million dollars, almost a million one, on those properties that do have the partial abatement.

We thank City Council for their support in the past, and we are here to answer any questions that you may have of us.

PRESIDENT STREET: Any questions?

Thank you very much.

MR. GLANCEY: Thank you.

City Treasurer.

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MR. THOMAS A.K. QUEENAN: Good afternoon. My name is Thomas Queenan, and I am Treasurer for the City of Philadelphia.

I am here to testify on behalf of the Fiscal Year 1999 budget for my department. To my right is Stephen Sliwinski, my Budget Officer for the City Treasurer's Office, as well.

Good afternoon, City Council President Street, as well as other members of Council.

I have submitted to you a copy of my testimony. And for purposes of time, what I will do is, I will just quickly summarize some of the achievements of this department over the last 12 months, since the last time we were before you.

As you know, we are responsible for all the debt management, investment policy management, development of the debt policy for the city, all the accounts receivable and accounts payable functions for the City of Philadelphia, including all disbursements of checks to employees, pensioners, and vendors to the City of Philadelphia.

Just a couple of highlights. One

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thing that we are very, very proud of is that, as you know, in 1995, the City of Philadelphia returned back to investment grade rating in terms of our long-term debt.

I just want you to know that we have continued in our efforts to increase the long-term debt rating of the City of Philadelphia.

Last May and March of '97, the city was upgraded from a Triple B minus to a Triple B. We are very happy about that. And that allows the city to, again, issue debt in the capital markets at a very, very competitive rate, compared to what we were able to do prior to the upgrades of the city's long-term debt.

Similarly, on the short-term side, the city was returned to the highest ratings possible in a short-term side as it relates specifically to the city's note financings, which we do every year, for approximately $300 million.

We have the highest category by Moody's and the highest categories by Standard & Poor's. Again, this is the first time that we have been back in the highest category for quite some time, so we are also quite proud of that.

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This past year the city has undertaken a number of financings. Most of you are familiar with them. One of which was the tax lien, the other was an airport financing that was done last July.

We recently completed a Water Department new money bond financing for their capital needs going forward, as well as a financing for the acquisition of automatic meter readers and for vehicles and software for PGW, as well.

This past year we revised the debt policy for the City of Philadelphia for 1997. This, again, as mentioned earlier in previous testimonies, is a document that we use in order to develop our strategy going forward for the issuance of long-term debt for the City of Philadelphia, particularly debt as it relates to the percentage of the General Fund and making sure that we stay within the proper framework that the rating agencies use to evaluate cities like Philadelphia, as well as making sure that we do not exceed our debt capacity for the City of Philadelphia, as well.

Most recently we re-bid the money management contracts. We have four money managers that manage the funds, short-term funds, for the City of Philadelphia, which is approximately $1.5 billion.

We have been able to do it in such a way that allows each of the managers to have light funds, so that they can maximize the returns on the monies that they are managing on behalf of the City of Philadelphia.

Before you we have submitted our budget for Fiscal Year '99, which is for the amount of $935,847, which is approximately 22 and a half thousand dollars more than our budget for last Fiscal Year.

What accounts for this increase, primarily, is for Class 100 expenditures, which is specifically the adjustments for increase to employees wages.

As it relates to Class 200, Class 300, and Class 400, these amounts are the same as they were for Fiscal Year '98.

That concludes the summary of my written testimony submitted before you. If you have any questions, I am here and more than willing to answer them.

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PRESIDENT STREET: The Chair recognizes Councilman Cohen.

COUNCILMAN COHEN: One question, Mr. Queenan.

The matter that raised issue about said bonds made out to a known bearer gets displaced, lost by the purchaser, has anything been resolved on that score?

MR. QUEENAN: Yes. We have done our own internal review of that particular matter. And for the purpose of everyone, this is the discussion of a lost bond to a bond holder or purchaser of a city bond some years ago, and the process for replacing that bond.

In regards to that particular item, it has been forwarded to the City Solicitor's Office.

But just to give you a summary, I did speak to your Chief of Staff about this particular item.

The bond, apparently, has been lost. In order for the bond to be replaced by the trustee bank, this bond -- bonds are typically replaced by the trustee bank, not the city itself.

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The person who has lost a bond has to provide a surety insurance or an indemnification insurance that has a particular price. I believe the price runs anywhere from $750 to approximately $1500.

They have to provide this to the trustee before they are allowed to have their bond replaced.

COUNCILMAN COHEN: You know, over the years, I have had occasion to criticize City Solicitor --

PRESIDENT STREET: Councilman Cohen, we are going to ask you to please speak right into the microphone. We're having difficulty hearing you.

Now Councilwoman Clark wants me to speak further away from the microphone, she is having too much success hearing me.

COUNCILMAN COHEN: I would like to hear a little bit about a rationale for what I must say seems to me the epitome of stupid decisions by government.

A person or a family unit, a husband and wife, buy a City of Philadelphia bond, something

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I thought we were interested in encouraging -- I have obviously been mistaken -- a bond is issued to Mr. and Mrs. Michael Nutter, say, for example.

Mr. Nutter or Mrs. Nutter loses the bond. Nobody else can cash the bond; it is made out to specific people.

And yet the City of Philadelphia requires that people pay 750 to 1500 dollars through this trustee arrangement that they have, or bank with whom the city must have some relations, or it would not have been chosen as trustee.

I can't think of a more arbitrary kind of stupid decision by the city government, which has got to be more interested in selling its bonds than to put a bondholder to that additional expense.

And so, Mr. Queenan, I ask why?

MR. QUEENAN: Well, essentially I think it is probably a very good policy. It is a policy that, quite frankly, is put in place to protect the bondholder.

If Mr. or Mrs. Nutter were to purchase a bond, let's say, in the amount of $25,000 and were to lose it, what is to keep anyone else

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from coming to the City of Philadelphia or to the trustee bank saying that they in fact are the owners of that bond, and they lost it, and they want that bond to be replaced?

COUNCILMAN COHEN: How can they do that, when the bond is made out to Mr. and Mrs. Michael Nutter, and the Nutters have not endorsed the transfer of the bond?

COUNCILMAN NUTTER: I have no money, zero. I can't afford to pay the trustee because I can't afford the bonds.

MR. QUEENAN: We are going to be issuing some bonds in September, so we will make sure they are in denominations that are within your range.

MR. QUEENAN: First of all, I don't want it to be too complicated, but I don't want to say it is too simplistic.

But there are some bonds that are actually issued, and the owner of the bond is not listed in terms of the same, it is a que zip number, which is a registration number.

So in the event that a bond is lost, there really is no way for me personally to know in

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fact that the bond was lost or was owned by a particular person.

Bonds are sold after a person buys them. They have the right and the opportunity, if they buy a 25-year bond, and after 5 years, to sell the bond.

So a particular bond, after the initial offering, can be sold to a number of people during the course of the full maturity of that particular security.

So that unless the person is willing to indemnify the trustee bank, really, the trustee bank, not the City of Philadelphia, that if I come to you -- and, again, if we are talking about $25,000 face value bond that pays 5 percent a year for 25 years, one could also say that $750 is a small amount of money to pay in order to have the security and the comfort to know that they will not be at risk, the city or the trustee will not be at risk, for giving the bond to the wrong person, or that person is at risk of having someone claim to have their bond.

COUNCILMAN COHEN: You know, when the Finance Director was here, I had occasion to say

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that the relationship between the banks and the City of Philadelphia is such a cozy relationship, in which the city goes far out of its way in order to ensure that the banks kind of legally have a right to rob people. And I think that this is such a case.

When a bond is made payable to, let's say, Mr. and Mrs. David Cohen, since Michael Nutter refuses the $25,000, we're the only people that can sign it.

And it makes no sense whatever to require a bond, just as if it was a bearer bond that was issued. All you are doing is enabling the banks, in their guise as a trustee, to collect a large sum of money for absolutely no reason at all, except to curry favor with the banks and to say, you have our permission to rob, steal from people blindly, and we'll give you city government approval.

MR. QUEENAN: That's just not correct.

COUNCILMAN COHEN: Well, it is correct.

MR. QUEENAN: Okay.

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COUNCILMAN COHEN: Because there is no way in the world that anybody else can take that bond without a signature from either David Cohen or from his wife, if the bond were issued.

MR. QUEENAN: There is no way for the trustee of the bonds, who is in place to protect the buyers of the bonds, to know for certain that they are replacing a bond to the proper --

COUNCILMAN COHEN: They can get Affidavits from the City of Philadelphia. They have done it in the past.

MR. QUEENAN: As I said to you earlier, once a person buys a bond from the City of Philadelphia or any other municipality, they are free to sell that bond to whomever they wish to sell it to.

COUNCILMAN COHEN: Yes, but whoever cashes it has to show that it has been signed over to them.

And you mean the City of Philadelphia or the bank that it entrusts its business to has no way of checking? You mean somebody else can take one of my bonds?

MR. QUEENAN: Over the years, all

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kinds of bonds have been issued. There are still bearer bonds in the market.

COUNCILMAN COHEN: This is not a bearer bond.

MR. QUEENAN: I am just using the scenario that you put forth. I haven't been given any proof that it was or was not a bearer bond in the particular instance that you are describing.

But, in general, when it comes to bonds, some bonds are still outstanding, some are bearer bonds, some are registered by people, some are registered by que zip number.

Anyway, after you issue a bond to anybody, they can sell the bond 5, 15, 25, 30 times after the original date.

In order to protect the bondholder, we need an indemnification that has to be put in place.

So that in the event, for example, that we do give the bond or replace the bond to the wrong person, there is an insurance policy, by virtue of this indemnification, which in some cases is $750, that will cure the mistake, that will permit the trustee bank to replace the bond to the

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original --

COUNCILMAN COHEN: I am going to urge everybody I know never to buy a bond from the City of Philadelphia, that the city government seems to be in cahoots with the banking industry to charge unfair charges, and the city is going to stand up for them.

I think it is absolutely outrageous to say that there is no way of a bank that is acting as trustee for the City of Philadelphia to determine whether or not a bond issued to named people, not bearer bonds -- I don't want to hear about what happens with bearer.

I would support that notion with bearer bonds, but not if bonds are issued to specific people.

And the answer you gave, Mr. Queenan, respectfully, makes no sense whatsoever. There is no way to justify to purchasers of nonbearer bearer bonds, bonds issued to specific people, that the banking institution, the City of Philadelphia, has no way to protect itself from fraud.

And why do you put the cost of protection from fraud on the named purchasers?

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Mr. President, I am going to be asking for some emergency legislation in this session, and during the budgetary period, to take care of this.

I just think it is outrageous that the City of Philadelphia feels itself so beholden to the banking industry, that it participates in giving support to absolutely senseless charges made by banks.

PRESIDENT STREET: Some of us are not quite familiar and up to the details of this problem.

Can we get some full and complete explanation as to what the issue is? What is the issue?

A, I would like to know a little bit about the numbers of times, you know, people run into this.

I guess it could be anybody who buys a city bond; is that correct?

MR. QUEENAN: Yes, anyone can buy a city bond.

PRESIDENT STREET: It can be anybody.

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I would like to know a little bit about the frequency of the problem. And can you tell us, what is the relationship, the contractual relationship, that exists between the City of Philadelphia and any financial institution that's involved in this that would give us a right to dictate or to at least influence the amount of charges that are levied for these, to replace these bonds?

And I would also like for you to find out what is the basis for these charges?

MR. QUEENAN: What charges?

PRESIDENT STREET: The charges that Councilman Cohen is saying that people have to pay to the financial institutions in order to get a replacement bond.

COUNCILMAN COHEN: When the bond is in their name.

PRESIDENT STREET: When the bond is in their name.

So that hypothetically I come in and say, look, I can't find this thing, I moved three times, I thought it was in the safe, it is not in the safe, and they say X, this is what it is going

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to cost you. Right?

Well, they need to justify to us why it is they charge X. You know what I mean? Why it is they charge what they charge.

And I guess this wouldn't be a matter that would concern us as much if we didn't see in the financial community some thoroughly outrageous, arbitrary charges that these institutions can make and do make for services that you otherwise would think would be no problem.

And I think it is a very legitimate question. What I would like to have is a little bit of a paper that shows us, gives us the kind of -- am I going in the right direction, Councilman?

COUNCILMAN COHEN: Yes.

PRESIDENT STREET: Any charges.

COUNCILMAN COHEN: That wasn't my question.

PRESIDENT STREET: I want to see the nexus between us and the lending institution.

Because if we are going to do something about it, we have to know what it is about our contractual relationship that allows us to influence this transaction.

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COUNCILMAN COHEN: That's where we differ.

I think if the city made a phone call and said, this doesn't really make sense and we are to, next time we are going to insert clauses in agreements before we let a company act as trustee, that in these circumstances they will not make a charge.

PRESIDENT STREET: Councilman Cohen, respectfully, you might be right.

I want to know, this Council member wishes to know, what is the basis for the charges.

I can't know whether or not to recommend to the Mayor, the Treasurer, the Finance Director, or anybody else to pick up the phone and make the phone call and say the charges are outrageous, if we don't have some basis for what it is.

It is almost like our fees as a government. We charge fees to do all kinds of different things. Those fees should bear some rational relationship to the service that is provided. And, presumably, there needs to be some rational relationship.

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Now, in this computer world, you know, they are going to have a burden to overcome. I have seen charges -- for example, a bounced check, $30 charge, sometimes more.

And you ask yourself why that kind of charge for that kind of service, when it just seems really like a paper transaction?

I think if we are going to do something, we ought to give these institutions an opportunity to say, this is what the charge is, this is how that charge is computed, and it isn't a back door way of making a whole lot of money.

I think we should get all the information.

COUNCILMAN COHEN: Some of my impatience results from the fact that for at least three years, I have been raising this issue with the Treasurer, with his predecessor, who I think now is at the School Board, with the current City Solicitor, in an area that makes no sense.

PRESIDENT STREET: What is the charge? Does anybody know what the charge is?

MR. QUEENAN: Well, first of all, if I could clarify the record here -- and I am not a

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lawyer, but I will do my best -- first of all, this is not a bank charge.

PRESIDENT STREET: What kind of charge is it?

MR. QUEENAN: First of all, this has really nothing to do with the bank per se.

Bonds that are sold by the City of Philadelphia, we are basically borrowing money from all the people who buy our bonds. Okay? Bondholders.

And the trustee bank, which is, you know, we select a trustee, a third party, who is basically there to represent the bond holders, is there to protect the solvency, the security of the bonds.

And in this case, we have a bond that is lost. And in order for the trustee to replace the bond to the particular applicant, there is a requirement in the legal documents that requires the applicant who is claiming a lost bond to have indemnification assurance for the City of Philadelphia and the trustee of the bond holder who is there to preserve and protect the rights of the bondholders.

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And so what happens is that the applicant needs to purchase this indemnification from insurance companies, not from banks. The money does not go to the bank.

PRESIDENT STREET: Well, explain what it is about our contractual relationship with whoever this trustee is that would put us in a position to make the phone call that Councilman Cohen is insisting that somebody should be able to make in order to be able to contest these charges.

MR. QUEENAN: Well, certainly I can write a summary to describe the issue for everyone here on Council and explain it.

But I believe -- and, again, I am not a lawyer -- that the only way that the fee can be waived is by the City Solicitor. It is not a matter of calling a bank and asking --

PRESIDENT STREET: Is the City Solicitor here? I thought I saw her. She is here. We need you. We need you now.

MR. QUEENAN: I believe that's possible; I am not positive.

PRESIDENT STREET: Here she is.

MR. QUEENAN: But it is not a matter,

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again, of making a phone call to a bank.

PRESIDENT STREET: Stephanie Franklin-Suber, can you come and just clear this up for us? Maybe we can get it cleared up right now.

Councilwoman Clark.

COUNCILWOMAN CLARK: It seems to me that it is a transaction fee, it is a transaction fee.

Is there any relationship between the size of the loss and the size of the bond? Would you pay the same $750 for a $250,000 bond loss, as you would for a 25,000 bond?

If it is a transaction fee, how are we different from the federal government?

If you lose a federal bond --

MR. QUEENAN: I don't know about federal bonds.

And I can actually verify and find out if there is actually some kind of a prorated or percentage basis, or paying for the indemnification as it relates to the amount of money related to the bond. I can check that for you.

COUNCILWOMAN CLARK: In a federal bond, you need only to assert that you owned it, and

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then they will check to see if it has ever been sold or cashed in.

And if it has not, you will be issued a replacement bond. I think that's what Mr. Cohen is asking for.

I think we need to explore options to paying the fee to have it replaced.

MR. QUEENAN: Yes, I will certainly, again, provide a summary memo of this particular issue. I don't know much about federal bonds.

But I will say that I have been with the city since August of 1993, and I don't recall any other problem with a lost bond.

So it is not a common occurrence, albeit is certainly a major occurrence to anyone who loses a bond.

But I also want you to know that this is very, very, very rare for anyone to lose a bond. And, again, in the five and a half years I have been here, I have never dealt with a situation where someone has lost a bond.

COUNCILWOMAN CLARK: The only case you have ever encountered?

MR. QUEENAN: Is this one case.

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PRESIDENT STREET: Ms. Suber, did you hear any of this discussion?

MS. STEPHANIE FRANKLIN-SUBER: For the record, this is Stephanie Franklin-Suber, City Solicitor.

I only heard the tail end of the testimony.

PRESIDENT STREET: Councilman Cohen has a concern about the charges that are levied when somebody loses a bond, a city bond, and goes for a replacement. Not a bearer bond.

And is told, you have to pay this outrageous fee, kind of like the fees that we sometimes encounter in the financial world today, that sometimes shock you.

And he has, you know, over a period of years, questioned this fee, and believes that because there is some kind of contractual relationship between us and the person charging these fees, that we ought to be able to do something about it because it is unfair, it is exorbitant, and beyond reason in the sense that the amount of work that people have to do to replace these bonds doesn't seem to bear any rational relationship to the costs involved.

And can you help us understand what we might be able to do about that?

MS. FRANKLIN-SUBER: Mr. President, Councilman Cohen, I may not be able to answer today this specific question.

As I communicated to Councilman Cohen on Friday, I am generally familiar with the particular circumstance. It is a matter that he raised with my predecessor and also the former Treasurer.

At this point, there is an attorney in the Law Department that was assigned to review this and work with the Treasurer's Office. They have prepared a briefing memorandum.

And as the Treasurer indicated, we are exploring other options that may warrant a relaxation of the Law Department's policy in this area.

But I have not reached a final determination. I had hoped to be in a position to communicate that to you today, but, unfortunately, I am not.

And I would be happy to provide any

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additional information to Council generally. But I believe the Treasurer is correct in pointing out the fact that this is a very rare occurrence, and it is, frankly, the only one that I am familiar with. But we are in the process of reviewing it.

It may very well be that I decide to ultimately waive this particular requirement because we can approach it from an alternative perspective.

I apologize for not being able to respond more specifically, but we are in the process of working on it.

COUNCILMAN COHEN: Then I would waive any further questions with respect to that.

PRESIDENT STREET: Thank you very much, Councilman. I appreciate it.

Are there any other questions?

The Chair recognizes Councilman Nutter.

COUNCILMAN NUTTER: Just, the Solicitor's answer was certainly more than adequate.

When we were in the discussion, I had also wondered and would ask either the Treasurer or the Solicitor to look at the matter of whether or

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not this issue as raised as a part of any of the covenants that are a part of the bonds as issued, whether or not there are SEC, NASD or MSRB rules or regulations that cover this particular issue, as well.

MR. QUEENAN: That's correct.

Again, as I mentioned earlier, this is not a requirement of the bank. But part of the laws and requirements that govern the issuance of tax exempt municipal debt, it is very, very common for there to be language as it relates to lost bonds, stolen bonds, or destroyed bonds.

So that the policy that the city has, as it relates to the replacement of a lost bond or an alleged lost bond, is very common to all issuance of tax exempt debt in the U.S.

COUNCILMAN NUTTER: I also would be interested to know what, if any, differences there are on this indemnification issue between municipal debt and private debt, or private corporate sector debt, and whether the same provisions exist, and whether it is, again, quite possibly something within the rules of the various regulating bodies that call for this kind of provision, in which case

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it may or may not be something that even with an all-powerful City Solicitor, we may not necessarily be able to waive, because all of those securities are issued subject to regulations by regulatory bodies.

MR. QUEENAN: Well, again, as I mentioned earlier, one of the things that we would have to be careful about is that there is a finite amount of money available to repay these bondholders.

And if there is a possibility that a bondholder is given a replacement bond, and, in fact, that bond is found at a later date, or if any other bondholder came forward and was under the impression that the city is willing or able or capable of waiving that requirement, we can be at a situation where the bucket of money that's been set aside to repay the bondholders is short some monies, and then that will be a bad thing.

COUNCILMAN NUTTER: As long as we can have an exhaustive search of wherever we need to search, we can hopefully get an answer to the question and not be faced with it this time next year.

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COUNCILMAN COHEN: Councilman Nutter, I can assure you that there is absolutely nothing in any of the federal or state laws that say that common sense must not be exercised in the discharge of our duties as trustees for any bond issue.

I assure you, there is nothing that prevents common sense from applying. And this is the most nonsensical feature I have ever heard about. Because the person that is involved is a person that has bought bonds, shown confidence in the city, in the worst days.

And I just --

COUNCILMAN NUTTER: Councilman, I have no doubt that there are any city, state, or federal regulations that prohibit the use of common sense.

Although based on both of our experiences, we know that that has never prevented us from doing things in the past.

COUNCILMAN COHEN: A city official recently remarked to me, never underestimate the extent to which stupidity can guide the city's actions.

I am not going to identify the

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department or the city official, but I think this has fit that kind of a situation.

COUNCILMAN NUTTER: That may be one for Bartlett's.

COUNCILMAN COHEN: Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

I do not join in your last comment, however. That might be a little strong, Councilman. It might be a little strong.

COUNCILMAN COHEN: I consider it an understatement.

PRESIDENT STREET: Councilman Cohen, let me tell you what happened to me. And this is not intended to be an indictment of anybody anywhere.

I go to a bank and I make a deposit of my paycheck, and they take that amount of money out of my account. Do you hear me?

Now, this is not the Revenue Department or the city Treasurer's Office; this is a bank in the City of Philadelphia, a big, gray, old big bank, I mean, with billions of dollars worth of

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assets.

I make a deposit. So instead of putting the money in my account, they take an amount of money equal to my paycheck out of my account and send me a notice and say they are going to charge me $30 for taking the amount of money that I put in out of my account.

I see the notice and I say, "There must be some mistake. This is an amount of money identical to what I put into my account."

I go to the bank. I see my favorite customer service representative -- because I have favorite customer service representatives, just like people have favorite people they go to in your office, have somebody you talk to in the bank -- and the lady says, "Oh, we can straighten this right out."

Three weeks later, Councilman Cohen, three weeks later, trying to figure out a way to straighten this all out. Because I subsequently got a couple of additional notices.

I mean, this stuff happens everywhere, it really does. And I don't like to act as if our people are the only ones who make these

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mistakes and who have difficulty figuring it out.

The average city worker, however, will take a terrible, terrible blow when something like that happens.

And I know that the people in the bank didn't intend to do that. I mean, it was a mistake. It was an honest mistake. But this stuff happens everywhere, in both the public and the private sectors.

And I think that we have to be very careful when impugning or saying things that could be used against people who in the main go to work every day and work hard and try to do a decent job, which is what I believe about most city employees.

They really try to do a decent job, and they are trying to help people. But they have a very difficult job, very difficult job. Because everybody who comes into a city office looks at city employees as if somehow you work for me.

Just like they tell us in the neighborhoods, we pay your salary. And sometimes we don't like it. They do the same thing to city employees.

And this is not to excuse any city

employee from any bad thing that a city employee has ever done.

But these mistakes are made, problems are had everywhere. And I just feel real bad. Because when we speak, other people hear it.

And I don't like, you know, we make these statements, the next thing you know they are getting picked up all over the place, these hearings get recorded, and sometimes they get shown back, and then, you know -- and I don't even know whether cameras are running in here today.

But these people have a very difficult job, including the ones who are in the room. And they make mistakes, and we get on them about it. But I think in the main they do a good job.

And I hope we can work this out. Because we don't want to give anybody the impression that we don't care about fees and all that they pay. Because money is very difficult to come by.

I have said enough.

MR. QUEENAN: Well, I appreciate your comments, Council President. And as I said earlier, that since I have been involved with the city for

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more than five years, we have never had a situation of a lost bond, that I am aware of.

That the city currently has more than a billion dollars of outstanding bonds in denominations of 5, 10, 25, 100 thousand dollars. And that the rules that have been defined by the SEC, the NSAD, and others, in terms of how we typically issue tax-exempt bonds, are being followed.

And we will, again, provide Council with a summary, explanation of how we typically handle lost bonds, and we will be able to give you some kind of a resolution, as noted by the City Solicitor, in a few days.

Are there any other questions for me?

PRESIDENT STREET: Any other questions? Thank you very much.

MR. QUEENAN: Thank you.

Procurement.

Good morning, Commissioner. Would you please identify yourself for the record.

COMMISSIONER LOUIS APPLEBAUM: Good afternoon, Mr. President, members of City Council.

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I am Louis Applebaum, Commissioner of the Procurement Department.

With me today are Deputy Commissioners Marla Neeson, Joseph Resta, the Administrative Services Director Deborah Beatrice, our MIS Director Jan Brundin.

Also here today with me today is Mr. Jim Roundtree, the Director of the Minority Business Enterprise Council, who will provide separate testimony on the city's efforts to create equal access to business opportunities with the city.

You have our formal testimony. I will briefly summarize the highlights of that testimony.

The Procurement Department is requesting an appropriation level for all funds of $5 million in Fiscal '99.

The General Fund budget of 4.5 million is a decrease of $90,000 from the '98 estimated obligations.

2.9 million for Class 100 payroll provides for an authorized position level of 77 employees, and includes funding for increments,

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longevities promotions, and a 3 percent salary increase effective December 15 of 1998.

Class 200 appropriations will provide $1.2 million for citywide advertising expenses.

The mission of the Procurement Department is to obtain quality, cost-effective goods, services, and construction in a timely and professional manner, through a competitive, fair, and socially responsible process in accordance with the law.

The Fiscal '99 General Fund budget request will provide the resources necessary to accomplish this mission.

Our major accomplishments for this past year have included increased automation. We have worked with the Finance Department to successfully modify, add picks to accommodate the electronics payable processing.

The Procurement Department revised its training programs for city purchasers and operating departments to consolidate and update course material.

The Public Works Division implemented the new Special Procurement Evaluation and

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Enhancement Database, otherwise known as SPEED.

With SPEED, the Public Works, the department has the ability to track bids, contracts, and amendments electronically, record specific bid milestones and processes, generate correspondence, bid tabulations, purchase orders, and contract summaries, and generate reports in the operational status of bids and contracts for departmental usage.

By the end of Fiscal '98, the final module in SPEED will be deployed. This will place that information on the city's Intranet for reference by the various departments that manage construction projects for the city.

The city provides a master bid and performance security program for vendors bidding on service, equipment, and supply contracts valued under $250,000.

Previously, the city purchased insurance for the vendors. But now the city is going to handle this as a self-insured entity. The change to self-insurance saves the city $200,000 annually in insurance premiums.

The Procurement Department

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established a program to recapture from the Commonwealth of Pennsylvania the Sales and Use Taxes erroneously paid by Public Works vendors doing business with the city.

Through a professional services contract, we petitioned the state for a refund of those taxes from which the city is exempt.

So far in Fiscal '98, the department has received $580,000. And to date, from the inception of the program, we have received a total of $1.5 million in gross revenue.

Our current objectives include the SPEED applications, which has been implemented in the Public Works Division, and will be implemented for service, supply, and equipment bids by the end of Fiscal Year '98.

Procurement is involved in developing an automated Class 400 personal property database, which will improve the tracking of all items and provide better capabilities when the database is completed.

City departments will have inquiry and reporting capabilities and will be able to electronically record the transfer of items between

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locations.

In partnership with the Minority Business Enterprise Council, Procurement works diligently to review bids and set participation ranges.

At prebid meetings, vendors are encouraged to seek minority participation and are introduced to minority businesses.

Procurement assists MBEC in training programs designed to educate minority vendors about the bidding process and of business opportunities with the city.

Mr. President, this concludes my testimony. I will now turn the floor over to Mr. Roundtree, Director of MBEC. We will then be glad to answer any questions you or other members of City Council may have regarding our testimony.

PRESIDENT STREET: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Mr. President.

Mr. Applebaum, can you describe for me what the Procurement Department has in place, even if it isn't a function of the Procurement

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Department, what type of materials management process is in effect?

The Water Department has ordered 600 widgets. I understand that there is a problem. When departments run out of things, Procurement is not aware of an inventory reorder point.

Is that, apparently, a problem with some of the operating departments?

MR. APPLEBAUM: At the current time the operating departments maintain physical inventory records of the inventory that is under their control.

The responsibility to determine reorder points and to enter requisitions in the Procurement Department remains with the operating departments.

The Procurement Department has an overall responsibility to maintain these inventory records for consumables. You are talking consumables, and not fixed assets.

We have the overall responsibility, and we receive reports from departments. But the reordering, the order levels, economic order quantities, first in, first out, all of the

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inventory mechanics, reside with the operating departments.

And they should not run out of their products. They should maintain their inventory records that they have. And when they get near the reorder points, they should send in their requisitions, and we will then reorder the products.

COUNCILMAN RIZZO: Do you consider that a state-of-the-art process?

MR. APPLEBAUM: It is not. It depends upon the system that each operating department has.

The Water Department has a very good inventory control system for their consumable items, at least I have been told that. Some departments do not have good ones.

We are hopeful that in the future, through add picks, we will be able to develop an overall centralized inventory management program for all departments.

It still remains for the operating departments to keep their inventory secure, to make sure the entries are recorded when materials are

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withdrawn from inventory, to make sure that when materials are received, they check them in, they enter them into the system that they have been received, and they -- the responsibility of managing the physical management of their inventories must remain with the operating departments.

COUNCILMAN RIZZO: So if the Water Department runs out of rubber boots, it is on them? If the Streets Department doesn't have blinker lights or barricades to identify obstructions and hazardous conditions, it is on them?

MR. APPLEBAUM: Not exactly.

If the Procurement Department has been informed on a timely basis that the material that they need has to be ordered, and we order it on time, and if it comes in, the system works right.

If the Water Department does not inform Procurement that they are running out of boots, we, at the present time, do not know that they are running out of boots. So if they run out of boots, it is the Water Department's responsibility to not allow that to happen.

COUNCILMAN RIZZO: That's --

MR. APPLEBAUM: When the police cars

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are riding on the street, and if they need gas, they take the police cars and they go into the gas station and they get gas. We don't tell them.

So when they are running out, it is their responsibility at the current time to notify us.

COUNCILMAN RIZZO: So if we had an up-to-date materials management system -- and I made some phone calls to various industry utilities that operate entirely different than you just described, that the purchasing departments, procurement departments, know usages, know reorder points.

So apparently the system that government operates by is not of the same standard or sophistication that many private sectors use.

MR. APPLEBAUM: No. We have at the current time decentralized the inventory managements back to the operating departments. There are many major companies that have elected to decentralize particular processes back to operating departments.

At the present time we are in a decentralized mode. And it is the responsibility of every one of our operating departments to determine their needs, to maintain adequate inventories, and to submit the requisitions to us when they need to reorder products.

We are not -- we do not have a fully 100 percent automated system, where Procurement has the pulse and the inventory records of every item that every department uses.

COUNCILMAN RIZZO: Okay. Thank you, sir.

Thank you, Mr. Chairman.

MR. APPLEBAUM: Mr. President, before we continue, should we allow Mr. Roundtree to submit his testimony?

PRESIDENT STREET: Well, Mr. Roundtree, how tall are you?

MR. ROUNDTREE: For the record, I am 6'9".

PRESIDENT STREET: I think he should go now.

Would you like to go now?

MR. ROUNDTREE: Yes, sir.

PRESIDENT STREET: I think he should go now.

MR. JAMES A. ROUNDTREE, JR.: Good afternoon, Mr. President, and the members of City

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Council. I am James Roundtree, and I am Deputy Finance Director and Executive Director of the Minority Business Enterprise Council.

This afternoon I also have several staff members with me. I have Candace Hitchcock, who is our Deputy Director of Operations; Ms. Valerie Moe, who is the Certification Coordinator; Mr. Charlie Thorpe, who is our Public Works Service, Supply and Equipment Coordinator; and Mr. John Macklin, who is our Legislative Affairs and Regulatory Coordinator.

The Minority Business Enterprise operating budget for 1999 request is $852,270, which is an increase over the Fiscal Year '98 Operating Budget of $827,920. The increase in the Operating Budget is a result of a 3 percent wage increase.

The Minority Business Enterprise Council is charged with the task of administering the City of Philadelphia's anti-discrimination affirmative action, and purchasing policies under the Executive Order 193, and formerly under Chapter 17-500 of the Philadelphia Code.

On December 31, 1997, the following legislation of the Minority Business Enterprise

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Council, Chapter 17-500, expired. This legislation was enacted in 1982 to promote and encourage the economic development of minority, women, and disabled business owners for participation in the city's contracting process.

The inclusion of minority, women, and disabled businesses was monumental and triumphant in the city contracting. It became the goal of the city government that the city's taxpayer dollars be spent with all viable business in and around the Delaware Valley.

Although the sun has set on Chapter 17-500, we continue to operate under the Mayor's Executive Order.

In contrast to 17-500, the Executive Order is established to provide equal access and opportunities for all businesses in city contracting. It ensures that city funds are not used directly or indirectly to promote, reinforce, or perpetrate discriminatory contracting processes.

The MBC has drafted revisions to Executive Order 193, which were submitted to the Finance Director and the Law Department for their review and comments.

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The draft revision includes an update to the MBC's current name and services, including the inclusion of MWB certification standards, personal and professional service contracts, the extended contract monitoring economic development, as well as a clarification of the agency policies on joint ventures with DBE firms.

Our vision of the future is turning networking and outreaching, as well as compliance, into real opportunities for the city and the region for disadvantaged business enterprises in our community.

In June of 1996, the city retained a consultant to conduct a business utilization study to examine the contracting policies of the city, and describes our agency.

The study is in its final stages, data reconciliation and verification. Currently, the focus of the study is conducting data sampling to fine tune the statistical analysis.

Based on the findings of the study, we will try to provide new legislation to the city for governing the city's MBE, WBE, and DBE programs.

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With a staff of 18, the MBC responds to the needs of the city departments, sister agencies, private business community, and the DBE business owners to ensure exclusion and diversity in contracting activity.

For the past few years, the MBC has successfully conducted monthly workshops on how to do business with the city for new businesses and firms currently certified, but unsure of the process.

Our last workshop drew over 80 respondents and included participation from the city's Procurement Department and the Philadelphia Commercial Development Corporation.

These are just a few of our highlights for our last Fiscal Year.

MBC is in the final stages of linking to the Procurement Department through the special procurement evaluation enhancement database system, which will allow the MBC to monitor all phases of the contracting process on Public Works, service, supply, and equipment contracts through an automated data system.

The MBC has worked very closely as a

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team member with the construction managers on the One Parkway project. We are actually monitoring the construction and employment of that activity on the project.

We have helped the owner achieve 30 percent combined participation for minority and women, disadvantaged business firms over the contract dollar value. And to date the combined contract employment work force for minority and women has reached 72 percent during the demolition and environmental removal activities.

In November, the city's Water Department, the Municipal Authority, the Water Revenue Bureau, and the Department of Revenue signed a multi-million-dollar contract with a company called ITRON to purchase and install, operate, and maintain meters, 480 new meters, in Philadelphia residential homes.

The Minority Business Enterprise Council played a key role as a member of the city's team by establishing minority, women, and disabled business partition ranges and employment participation goals for the MRI installation.

As a key fact, all of the

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installation of all of the automatic meters are being done by a local certified minority firm, and to date they are ahead of their schedule.

Two minority/women businesses are providing customer services through a call center for ITRON, and ITRON's warehouse tenant fit-out work was completed by a local MBE certified, minority disabled, disadvantaged business corporation.

The improvements and the achievements that MBC has seen over the last four years will continue to expand into the next millennium.

The agency will find new and innovative ways to improve and further increase the participation of minority, women, and disabled business participation in contract opportunities for the city.

This concludes my testimony. Thank you very much for allowing me to share the MBEC's achievements and goals for the future. I will be happy to answer any of your questions.

PRESIDENT STREET: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Mr. President.

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I have a question for the Procurement Commissioner. Maybe you can help me answer a question that's been raised numerous times to me, and I don't have a good answer.

I assume we purchase vehicles in northern New Jersey because of some state contract that we piggyback with?

I understand all of our police cars in the recent years have been coming from northern New Jersey, when dealerships here in this area are not eligible for that?

Could you explain, please?

MR. APPLEBAUM: Sure. We procure -- realize, we must award our bids to the lowest responsive responsible bidder. We cannot isolate and select Philadelphia businesspeople for awards. I mean, we have been through that before.

Police cars are acquired through the Procurement Department in two methods. One is through the Commonwealth of Pennsylvania, what they call the piggybacking contract, and the other portion is through competitive bidding.

And it so happens that in the competitive bidding arena, and also, I believe, in

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the Commonwealth of Pennsylvania's piggybacking contract, the low bidder has consistently been a New Jersey Ford dealer who specializes in fleets, in fleets for police departments and state police.

And our state police cars that we see, our Pennsylvania state police cars, were acquired through this agency at the New Jersey dealer, as most of our City of Philadelphia police cars are.

Some of our other police vehicles have been awarded through contracts -- I believe there is a Ford dealer in Philadelphia who has received some awards, because he was the lowest responsive responsible bidder.

But we cannot go and select and pick a Ford dealer in the City of Philadelphia and make an award.

COUNCILMAN RIZZO: Give me an example of lowest bid.

In other words, if a dealer, the northern New Jersey dealer, came in $10 per unit less than a Philadelphia dealership, you would award that deal to the northern New Jersey?

MR. APPLEBAUM: The law requires us,

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if that dealer, that New Jersey dealer, comes in $1 lower than the Philadelphia dealer, and they are both responsive and responsible, we are not permitted to award to anyone other than the low bidder, even if it is a dollar.

COUNCILMAN RIZZO: If a dealer in the middle of a prairie someplace had no operating expenses, compared to a dealership here in Philadelphia, you can't take that into consideration, that the business in Philadelphia is operating with more overhead than the business in the middle of a prairie?

MR. APPLEBAUM: What you are talking about is known as preferential -- local preference. We are not permitted to use anything that would indicate local preference and give a local company an edge, and reduce his price or whatever, because he happens to be local.

I agree with you. It would be my preference to award it to local people, but the law doesn't permit us to do that.

The only time we can do that is if it so happens that the bidders are tied. It is then the Procurement Commissioner's decision to make an award.

And the few times that that has happened, I have always, of course, awarded to the Philadelphia dealer, to the Philadelphia company.

COUNCILMAN RIZZO: What if one of those businesspeople were a minority; how would you deal with that?

MR. APPLEBAUM: It makes no difference.

Unfortunately, again, the law is clear. The lowest responsive responsible bidder must be awarded the contract.

COUNCILMAN RIZZO: And that has to be changed at what level? The state level?

MR. APPLEBAUM: That would be a combination of the state law and the Philadelphia City Charter. It is predominantly in the Philadelphia City Charter.

At one time there was -- and this is before our time, before 1992 -- there was an attempt to recognize what is known as local preference with a percentage, and that failed.

And I know the Mayor, we have had discussions, he would prefer to award -- and many

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times we had discussed us awarding -- contracts to local people, even though they were just a little bit higher, but we're not permitted to do that.

If we could change that, more power to you. That would be a step in the right direction.

COUNCILMAN RIZZO: You can imagine, Commissioner, I am sure you hear it more so than we do, it is constantly when you are out in the community and the business meetings, that they are very, very concerned about the fact that we do business outside of Philadelphia, when they are trying, many of them, to survive, and we are buying six, seven hundred cars a year from a company in northern New Jersey.

MR. APPLEBAUM: I certainly can appreciate the problems.

But one of the answers that you might want to give them is, if we did make local preference, we are then subject to what's known as retaliatory measures by the other states.

For instance, if we award to a Philadelphia company who happens to be higher than, let's say, a Jersey company, and that company then goes to New Jersey and says, look what Philadelphia is doing to us, then the State of New Jersey and other New Jersey people might not do business with Philadelphia companies who go over there.

So we could help one company in Philadelphia, but hurt another one, because they have lost business from Jersey.

COUNCILMAN RIZZO: Commissioner, just my final point.

Every dealer pays Ford Motor Company, if we are talking about a Ford product, the same amount of money for the vehicle.

MR. APPLEBAUM: Correct.

COUNCILMAN RIZZO: Is the problem that our businesses here in Philadelphia don't know how to bid on a police car? Are they greedy? Are they bidding too high?

Is there something that they need to learn? Have you ever had a workshop or some way to teach people? Are they making mistakes?

I know the bidding process is complicated, in many cases.

Is there a way, is there a person that we could send these people that are unhappy with the process to Procurement to understand better how to do business with the city?

MR. APPLEBAUM: I have had many discussions with the local Ford dealer, Pacifico. Kerry Pacifico is a friend of mine. We have spoken about that many times. I know his sales manager in charge of fleets. We have talked about that.

The difference is that there are certain companies, this company in Jersey, Warnock Ford, who is geared, who their whole business is major fleets.

They operate in a manner differently than Kerry Pacifico. Now, Kerry Pacifico, they have won some bids, some Ford Broncos, or whatever, they have.

But, believe me, I know Kerry Pacifico, I speak to him. And whatever help I can give to them, I do.

But the moment of truth is when that envelope is opened, and his car is 20,100 and the other guy is 20,000 even, and we have to award to that.

COUNCILMAN RIZZO: Thank you. Thank you, Commissioner. That's helpful.

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Thank you, Mr. President.

PRESIDENT STREET: The Chair recognizes Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you, Mr. President.

Good afternoon, Commissioner. Is it safe to say, then, when an RFP, the bid is returned on a particular item or items, all things being equal, that consideration would be given to the Philadelphia company, meaning if the bids are exactly the same and the performance would be equal to a Jersey firm, that we would give consideration to the Philadelphia firm?

MR. APPLEBAUM: If the bids come in and both companies are what we call responsive and responsible, and if both bids are identical in dollars, the Procurement Commissioner then has the right to make the determination as to who he will award to.

At one time they had a process where they flipped a coin. I have stopped that. And the Procurement Commissioner will now make the award, and he invariably will make the award to the local dealer. Because that's to the city's benefit.

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Because I look at that. And I know that if the prices are the same, and we are dealing with a local company, they are paying substantial taxes which are coming to us, which, in effect, will reduce the price.

So when it is tie, we can do it. Any other time, we can't.

COUNCILMAN DiCICCO: Which brings me to my next point.

One of the other considerations, I would assume, from a business standpoint, that why sometimes the Philadelphia companies, let's say the Ford dealership in this instance, may not be able to compete with the price of the Jersey firm is because of some of the encumbrances that we have in ways and means of taxes and so forth in the City of Philadelphia.

So we, as elected members of City Council, need to continue to look for ways in which we can accelerate the reduction of the Business Use and Occupancy Tax and other taxes which inflate the price of the item or materials that we would be looking to purchase, to put us in a more competitive position with outside -- meaning out of the

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county -- companies, dealerships, what-have-you?

MR. APPLEBAUM: You are absolutely correct.

And that's why, in my view, it is so important for the city to be able to tax the out-of-city companies for business that they are doing in Philadelphia.

When Warnock Ford sends in 200 police cars into Philadelphia, they, at the present time, are not paying Business Use Tax, Business Privilege Tax.

COUNCILMAN DiCICCO: And wage tax.

MR. APPLEBAUM: Forget the wage tax. But the Business Privilege Tax. For every car the Philadelphia dealer has to pay three mills, or whatever that happens to be, where the New Jersey dealer doesn't pay that. So his costs are a little bit lower.

So, again, I urge you and encourage the Finance Department, whoever is working on it, that it is very important to have these taxes on other out-of-city companies who ship products into our environment.

COUNCILMAN DiCICCO: You answered the

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next question I was about to ask. Thank you.

Thank you, Mr. President.

PRESIDENT STREET: Thank you very much. Any other questions?

Gentlemen, thank you very much.

Risk Management.

JOSEPH R. PERRELLO: Good afternoon, Council President Street and members of City Council, ladies and gentlemen. My name is Joseph R. Perrello, Deputy Director of Finance for Risk Management.

Here with me today is Jane Lewis, Director of Claims; Barry Scott, Director of Safety and Loss Control; Debra Lawton, Contract and Insurance Manager; and Susan Robinson, the division's Financial Analyst and Administrator.

We are here today to request your approval of our FY '99 budget of $1,482,418.

This increase represents a small Class 100 increase of $9,153 from the current budget.

To elicit your support, I would like to highlight some of the division's accomplishments and initiatives.

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The mission of the division is to use all the professional expertise in claims management, employee disability, insurance contracts, and loss control to mitigate and reduce the total cost of claims to the City of Philadelphia.

In this record, the Safety Unit focuses on reducing the frequency and severity of claims against the city. They have established safe practices acts and investigate and respond to health and safety concerns of city employees and the public.

Some of our most noteworthy accomplishments in this area are the environmental and air quality studies that the unit has accomplished; the safe driver program that the city is implementing, which will reduce the number and cost of accidents involving city vehicles in the coming years; the driver verification program, where, in conjunction with the Personnel Department and the State of Pennsylvania, we are now verifying the valid driver's license of city drivers; and the drug and alcohol program that we have initiated for city employees who drive commercial vehicles.

Our Employee Disability Unit provides

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quality medical care, case management, and rehabilitation to employees injured on the job.

In doing so, we have reduced the medical cost by an average of $7 million a year since 1994, substantially reduced both numbers of pay days lost and no duty days for city employees, and stabilized previously skyrocketing annual costs of workers' compensation benefits.

These achievements resulted in the city receiving an award from the National Publication on Insurance and Risk Management as having the best workers' compensation program in the country in 1997.

Our Insurance Contracts Unit manages the various city and authority insurance programs and provides oversight to some of the agencies and authorities that need risk management assistance.

We have reduced the overall city's cost of insurance by more than $5 million, while enhancing insurance coverage.

We have created a personal automobile program which provides the city with flexibility, in that individual employees can now use their personal cars for city business without incurring additional insurance costs.

We have greatly expanded the deal of DBE firms in both the city's and the authority's insurance programs, and we have arranged special needs insurance programs for special event firms and also for volunteers acting for the city.

The unit also manages the city's wrap-up construction insurance programs, which reduces the cost of construction insurance for the city and enables small disadvantaged firms to participate in programs that they would otherwise be prohibited from participating in.

Our claims unit focuses on fair and prompt settlement of liability claims against the city.

We have initiated a quick response program for claims involving immediate need situations. We have created a recovery program, where we have recovered over $1.5 million in the last four years for people who have done damage to city property. And we are now implementing an anti-fraud program, which will discharge fraudulent claims against the city.

In helping us to accomplish our

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mission, you will help us to free up dollars that would otherwise be spent on claims, to be redirected to the city, but put to more beneficial uses.

We thank you for your time, and we would be happy to entertain any questions.

PRESIDENT STREET: The Chair recognizes Councilwoman Fernandez.

COUNCILWOMAN FERNANDEZ: Thank you, Mr. President.

In the first part of your testimony, you say that you want an increase in your budget of $9,153.

MR. PERRELLO: Right.

COUNCILWOMAN FERNANDEZ: I am wondering how you can justify that amount?

I notice on the last page of your testimony you say that you feel that you have been effective in saving the city money that would have otherwise been spent on claims and claims-related issues.

Do you have any estimate of how much you have saved the city that might justify this $9,000 increase?

MR. PERRELLO: In the insurance area

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alone, we have saved over $5 million in insurance premium costs. And we have saved a smaller, but like number, or helped the authorities and agencies throughout the city save a smaller but like number, on a percentage basis.

Our workers' compensation cost, as we have mentioned, just for the cost of the medical care, we have reduced by $7 million a year over four years. That's roughly 30-some-million dollars that we have saved the city.

The city's outstanding liabilities for workers' compensation benefits were about $210 million, when the division took over in 1994, and now we are down under $100 million.

So there is a hundred million dollars in savings that we have been able to save for the city in outgoing year benefits.

We could go on about trying to define the savings that are generated from claims that don't happen.

But when we have an effective Safety and Loss Control Unit, which we have under the leadership of Mr. Scott, we are actually preventing claims and reducing the number of claims, as

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indicated by the fact that we now have less than 100 people throughout the city, of a work force of almost 30,000, that are on no-duty time. And that's a terrific, you know, percentage for that basis.

Similarly, we are getting people back to work quicker. And here again, they are numbers that can't be quantified because you are still in the Class 100 budget, but there is more productivity by the fact that people are being put back to work sooner.

COUNCILWOMAN FERNANDEZ: So bottom line, over 100, maybe several hundred, million dollars?

MR. PERRELLO: Yes. And we are looking for, basically, $9,000 to cover the 3 percent increase in the union contracts.

COUNCILWOMAN FERNANDEZ: Well, it is impressive both reading your testimony and what's in the Five-Year Plan. You have done a great job.

MR. PERRELLO: Thank you very much.

PRESIDENT STREET: The Chair recognizes Councilwoman Miller.

COUNCILWOMAN MILLER: Thank you, Mr. President.

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I just have a couple of questions. One is, on Page 6 of your testimony, you mention that you have insurance that will help community groups with special events coverage.

How will the groups know that? When they apply for that special events packet, is that in there? How would they know?

We get parades every year, for years and years and years, and I never knew that you had this.

MR. PERRELLO: Our basic response to that is, we just put this program into effect in the last year, really within the last few months. We have been working on it for several years.

The problem arose because there are many, many celebrations and events that the city puts on, and the city has standard insurance requirements that are fairly stringent for some smaller firms to participate in.

So we felt a way to solve that problem, to eliminate the restrictions for some of these small firms, was to put together a citywide program that these firms can participate in at a very discounted insurance cost.

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And we are now in the process of trying to go out, through the Special Events Committee, which meets monthly on all upcoming special events, to publicize this, and to publicize it also through the Mayor's Office and the Recreations Department.

COUNCILWOMAN MILLER: My other question would be, when you talk about developing a method for nonprofits to get broad liability insurance or general insurance, how close are you to completing it?

I think you said this is a new project that you started on?

MR. PERRELLO: Yes. This is a new project that we are working on now with several brokers.

The initial program, or problems that we have had -- and we have been looking at this program also for a number of years -- is that we had to find sufficient interest within the insurance community to help us develop this program.

It has almost been like crying in the wilderness trying to get somebody interested. Because we are not talking about large volumes of

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premiums here.

But the fact remains we have many, many, many needy not-for-profits in the community that need to have help with their insurance. Their insurance costs are overburdening, and we have to reduce those insurance costs.

And what we are trying to do is create a mechanism where the city can put together one master program and have all these not-for-profits subscribe to it at a much discounted rate. And we hope within the next six months, we will be able to have a program like this up and running.

COUNCILWOMAN MILLER: What are the results of your drug testing of city drivers, and when are you going to expand and test other people?

MR. PERRELLO: I would like to defer this to Barry Scott, our Director of Safety and Loss Control.

MR. BARRY SCOTT: My name is Barry Scott. I am the Director of Safety and Loss Control, Risk Management Division.

The program for testing our commercial motor vehicle drivers has been very successful. The program includes random tests, post-accident tests, tests for reasonable suspicion, and followup testing.

We have been successful in a number of ways. Number one, we have had a relatively low percentage of positive tests on our random test basis.

This is something that has been very encouraging to us. We have done an extensive program of education with our drivers, to make sure that they are aware of the testing program and why we are doing the testing.

We have had good success in terms of getting drivers through treatment and back to work.

COUNCILWOMAN MILLER: Thank you. I have one more question.

On Page 4 you say the division of corrective medical reevaluation and reemployment programs. Can you describe the aggressiveness of that whole piece?

Are you like a bill collector, hammering away at people to get back to work?

MR. PERRELLO: I would be happy to answer the first part of the question, then I will

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defer to Jane Lewis, our Director of Claims, to handle the second part.

The first and foremost piece of the employees' disability program -- and we focus on this every year with our testimony -- is that the most important part of our job for injured employees, injured on the job, is that we get them high-quality professional medical care.

If you want to look at it from strictly a dollars and cents standpoint, that is not our preferred way to do it. We would rather look at it from a humanitarian standpoint.

But even looking at it from a dollars and cents standpoint, the philosophy would always be, take care of the employee right the first time, rather than have to treat him a second or third or fourth time for the same injury.

And now I would like to turn it over to Jane Lewis.

MS. JANE LEWIS: My name is Jane Lewis. I am Director of Claims.

Really, the way that I would describe the shift in terms of the aggression is, under the old program, we focused on what people couldn't do.

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You know, you are out of work, you can't work.

Now we really trained our doctors to look at what people can do. Okay, you can't be a police officer, but that doesn't mean you need to sit home.

So we have trained our doctors to look at, say, okay, what can they do, how much can they lift, how much walking can they do.

And then we hired a bunch of vocational rehabilitation specialists. And we have them interview the employees or, if the employees are unwilling, looking at their work history, their employment application with the city, and to come up with sort of a profile of the skills that they could do.

And then those vocational rehabilitation people try to match the physical abilities of the employees with their vocational profile, and then look at available jobs within the city to say, okay, how can we get this person back to work.

So it has really been a key change in the way we approach the whole program.

I would like to say everybody has

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been happy about it. Some employees may not want to come back to work.

We have been very aggressive. We have made job offers in over 300, almost 400 cases now. A few people here and there are showing interest, more aren't.

But, in general, the response has been good for the people who never left the city, our employees who are on light duty. And there are a whole bunch of categories of employees involved.

But we really think it has enabled the employees who want to come back to work to come back to work. And just because someone has been gone from the city a couple of years on workers' comp or pension, doesn't mean we don't want to bring them back.

So if they approach us, and they want to come back to work, we will work with that employee to try to bring them back.

COUNCILWOMAN MILLER: Thank you, Mr. President.

PRESIDENT STREET: Thank you very much.

The Chair recognizes Councilman

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Nutter.

COUNCILMAN NUTTER: Mr. Perrello, it is still early in the budget process, so I can rehabilitate myself at a later point in time with other people.

But for the moment, I want to express my support for your request. I have enjoyed tremendously working with you and members of your staff, almost as much as I have enjoyed working with the City Solicitor and her people.

Your group I have found to be creative and willing to go the extra step in a number of situations that I have been faced with out in the Fourth District, whether it was a disastrous water main break, or other flood kinds of conditions, people with trees falling on various parts of their property, and a number of other instances.

The program that was mentioned a little while ago with the not-for-profit insurance program, we had occasion to discuss that privately, because of an interest by some groups in another part of my district.

So the Risk Management Unit, I think

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of the few units that do get created in government, and certainly the ones that I have had contact with, I think in a very short period of time has more than earned its keep.

I have enjoyed working with you, support your request, and look forward to working with you again in the future. And I do appreciate what you do.

MR. PERRELLO: Thank you very much, Councilman Nutter.

COUNCILMAN NUTTER: Thank you, Mr. President.

PRESIDENT STREET: The Chair recognizes Councilman Rizzo.

COUNCILMAN RIZZO: Thank you, Mr. President.

Mr. Perrello, I think I would like to go back to what I think is great, something you have implemented, is the recovery of damages to city property.

I am just curious. The obvious departments would be the Police and Fire that would capture a license number or an incident report. Fairmount Park Commission is one that's -- do we

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have a relationship with Fairmount Park going yet?

MR. PERRELLO: Yes, we do.

COUNCILMAN RIZZO: You do?

On my way to work, I noticed that a car, a vehicle, lost control and damaged a beautiful stone wall on Bells Mill Road, crossing over the creek.

And I am wondering if we have gotten sophisticated enough to go back to the police department.

There are thousands of dollars worth of damage to this city property. Would Risk Management do an investigation, or do you have resources within the Police Department to do a little bit of Columbo work and go after the person that caused this damage?

Because the information may be on a piece of paper somewhere, but you have to know it.

Could you just describe how the process works?

MR. PERRELLO: Yes, Councilman. We have an ongoing relationship with the Police Accident Investigation Division.

In fact, we go over to AID weekly and

go through every file that they have on a new accident that is reported to the city's AID Department. And we then follow up on every accident which we feel there is a possibility for recovery.

We also deal with the Water and the Streets Department to find out any street signs or any water hydrants that have been damaged. And we will continually look for more ways and better ways to find more damage to city properties, yes.

COUNCILMAN RIZZO: Now, you just mentioned accidents that are reported to the Accident Investigation Unit.

The number of accidents that are reported to the Accident Investigation Unit have decreased because of personnel issues.

The accident that I just described to that wall on Bells Mill Road, AID may have never been involved if it didn't involve serious injury or a fatality.

Does Fairmount Park know, would you speculate or would you know, that if Fairmount Park knows that they should come to you -- because they have to have stone masons go out there and spend a week to reconstruct that wall -- do they know today

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that there is a possibility of some recovery through Risk Management?

That district manager in that area, does he know that this may be something that he could recover if the police who were summoned to the scene -- and they were -- gave them or gave you the information to go get them?

MR. PERRELLO: We still depend primarily on AID for this information.

However, we do work, as I said, directly with Streets, Water, Public Property, and Fairmount Park to get every information that they are aware of so that we can proceed.

COUNCILMAN RIZZO: Through the Chair, just curiosity here, would you see if that particular incident that I described to you, you even know about?

MR. PERRELLO: I would be happy to follow up on it, yes.

COUNCILMAN RIZZO: Okay. My next question is something that I guess I will be asking Barry, as long as I am here, is the committee that is supposedly trying to get the various utilities together on ditch restoration.

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Every time I hit a pothole or, not a pothole, but a construction site that's left in an improper way, where it is not filled properly or a barricade is not on a ditch that the Water Department left or the Streets Department left, I think of you, Barry.

And then I talk to the various operating departments. And they say, "Well, I think there is a committee like that." Where are we with that in trying to fix the problem?

Because I feel bad for people that hit a hole, damage their cars, and it is really our fault. And then when they come back to Risk Management, they get this story that they are only liable for, you know, $500 in damages to their vehicle.

It could be a very, very severe situation, and very expensive for a person, especially an insurance claim.

Where are we with trying to make this situation better?

MR. PERRELLO: First of all, Councilman, I have to thank you for asking the question, because now Mr. Scott owes me some money,

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because I told him you were going to ask the question.

COUNCILMAN RIZZO: And that is a good reason for you to have an increase in your budget, to get that working.

MR. SCOTT: Thank you, Councilman. We have been doing a number of things in the area of ditch restoration since we have last talked about it.

The Streets and Water Department supervisors in the field are meeting on a regular basis. And that's something which started specifically under the Ditch Restoration Task Force aegis.

Those meetings have been going on to improve coordination between Streets and Water Department about ditches.

We have done a lot in the area of plumber's ditches, as well. The process of accounting for ditches has improved greatly. There has been approved billing for backlog of ditches for overpriced and oversized ditches. That accounting process has gone through.

There is an administrative

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adjudication process for people who have problems with that. That process has gone through. So we are better able to track down people who are doing ditches improperly.

In addition, there is work going on with the utilities to coordinate the information about ditch location.

The Utility Technical Subcommittee of the Streets or Maintenance, Highway Maintenance Committee, has been working to share information on a computer basis about their geographical information systems specifications.

So that information about work that the utilities are planning to do, in terms of their future work, can be also coordinated with the future work of the Streets Department, in terms of resurfacing streets, the Water Department as a utility in terms of doing their work is also getting their information.

The city is acting as a conduit, actually, to hold all of that information together about where those ditches are going to be dug, and so that the turnaround about the repair of those things are handled well.

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The Streets Department will be talking, to a significant extent, you know, in terms of their budget testimony, about the things that they can specifically use in terms of improving their internal process in terms of response.

Generally, those are the kinds of things that have been going on in the ditch restoration area since we have last talked.

COUNCILMAN RIZZO: Barry, the situation is that it is not just our Streets Department, Water Department. PGW, PECO Energy, the cable companies, the steam company, they are all equally responsible for leaving work sites in a condition that is not acceptable, at least to me, and I am sure to you in many cases.

The same way with open inlets. I mean, I go through some of our neighborhoods where you find a milk carton crate stuffed in where a lid is missing.

And I feel so bad when I walk through some of these neighborhoods. A person with poor vision could walk right into one of these open inlets. And weeks and weeks and weeks.

It got to the point where some of the

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neighbors stuck a police barricade in, sticking into the inlet. And I said to myself, some poor citizen who walks into that has to get seriously injured, if not killed.

So I would hope that this thing could get revved up a little bit, and all the departments come up with a process.

You know, PGW runs around drilling all these little holes in the street to test for gas leaks, they leave them that way.

So it really upsets me. And don't take the bet next year, because I am going to ask this question again. Okay?

Thank you.

Thank you, Mr. President.

PRESIDENT STREET: Any other questions?

Thank you very much.

The Law Department.

Good afternoon. Please identify yourself for the record and proceed with a brief statement.

MS. STEPHANIE FRANKLIN-SUBER: Good afternoon, Council President Street, members of City

Council. I am Stephanie Franklin Suber, City Solicitor.

PRESIDENT STREET: Does anybody have any questions? I am just teasing. Is that a brief statement?

MS. FRANKLIN-SUBER: May I introduce the members of the Law Department joining me today?

With me today at the witness table is Christopher Lane, our Director of Administration and Management. And also joining me are several of the Law Department's managers: Donna Mouzayck, who is our Chief Deputy City Solicitor for the Claims Unit; Carlton Johnson, our Chief Deputy City Solicitor for the Civil Rights Unit; Cynthia White-Winters, Chief Deputy City Solicitor for the Tax Unit; Anne Barden, Divisional Deputy City Solicitor for Labor Relations; and Cureley Cole, our Divisional Deputy City Solicitor for Code Enforcement.

I am pleased to have this opportunity to testify today in support of the Law Department's Fiscal Year 1999 operating budget request.

I can appreciate the length of City Council's day in conducting the various hearings, and I will briefly summarize the Law Department's

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budget request.

The Law Department requests a total of $32,756,813 in all funds for Fiscal Year 1999.

This represents an increase of $630,729 over our estimated Fiscal Year 1998 obligations.

The justification for this request is detailed in the formal testimony that has been distributed to City Council.

I would be happy to entertain any specific questions at this point. Or, at Council's pleasure, I can go into more detail and highlight the various requests per fund and get into detail with regard to the Law Department's accomplishments over the past Fiscal Year.

PRESIDENT STREET: Does anyone have any questions?

Thank you very much.

MS. FRANKLIN-SUBER: Thank you.

PRESIDENT STREET: This may never happen again.

If I could have your attention, the committee will stand in recess until tomorrow morning, Wednesday, February 18, at 9 o'clock a.m.,

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at which time we will start with the Managing Director's Office.

(Hearing adjourned at 3:40 p.m.)

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

I HEREBY CERTIFY that the foregoing proceedings of the Council of the City of Philadelphia of Tuesday, February 17, 1998, were reported fully and accurately by me, and that this is a correct transcript of same.

RE: COMMITTEE OF THE WHOLE

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DEBRA A. WHITEHEAD, RPR