

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, April 2, 2019
10:40 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN DEREK S. GREEN
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN HELEN GYM
COUNCILMAN BOBBY HENON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DAVID OH
COUNCILWOMAN CHERELLE L. PARKER
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA
COUNCILMAN AL TAUBENBERGER

BILLS 190152, 190153, and 190154
RESOLUTION 190164

- - -

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCIL PRESIDENT CLARKE: Good
3 morning. We're going to start.

4 This is the public hearing of
5 the Committee of the Whole regarding
6 Bills No. 190152, 190153, 190154, and
7 Resolution No. 190164.

8 Mr. Stitt, please read the
9 titles of the bills and resolution.

10 THE CLERK: Bill No. 190152, an
11 ordinance to adopt a Capital Program for
12 the six Fiscal Years 2020 through 2025
13 inclusive.

14 Bill No. 190153, an ordinance
15 to adopt a Fiscal 2020 Capital Budget.

16 Bill No. 190154, an ordinance
17 adopting the Operating Budget for Fiscal
18 Year 2020.

19 Resolution No. 190164,
20 resolution providing for the approval by
21 the Council of the City of Philadelphia
22 of a Revised Five Year Financial Plan for
23 the City of Philadelphia covering Fiscal
24 Years 2020 through 2024, and
25 incorporating proposed changes with

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 respect to Fiscal Year 2019, which is to
3 be submitted by the Mayor to the
4 Pennsylvania Intergovernmental
5 Cooperation Authority (the "Authority")
6 pursuant to the Intergovernmental
7 Cooperation Agreement, authorized by an
8 ordinance of this Council approved by the
9 Mayor on January 3, 1992 (Bill No.
10 1563-A), by and between the City and the
11 Authority.

12 COUNCIL PRESIDENT CLARKE:

13 Thank you, Mr. Stitt.

14 Today we continue the public
15 hearing of the Committee of the Whole to
16 consider the bills read by the Clerk that
17 constitute proposed operating and capital
18 spending measures for Fiscal Year 2020, a
19 Capital Program, and a forward-looking
20 Capital Plan for Fiscal 2020 through
21 Fiscal 2025.

22 Today we will hear testimony
23 from the following City departments:
24 Finance Department, City Treasurer,
25 Sinking Fund Commission, Board of Pension

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 and Retirement.

3 Mr. Stitt, the first person to
4 testify from the Administration is?

5 THE CLERK: Rob Dubow.

6 COUNCIL PRESIDENT CLARKE: Good
7 morning.

8 MR. DUBOW: Good morning,
9 Council President and --

10 COUNCIL PRESIDENT CLARKE: Drum
11 roll.

12 MR. DUBOW: -- members of
13 Council. My name is Rob Dubow. I'm here
14 to testify on the Department of Finance's
15 FY20 proposed operating budget. With me
16 is the First Deputy Finance Director, Cat
17 Lamb.

18 The overall budget amount is
19 1.8 billion, 15.8 million of which is for
20 the Office of Director of Finance direct
21 expenditures.

22 You have a written copy of my
23 testimony, and we'd be happy to answer
24 any questions you have.

25 COUNCIL PRESIDENT CLARKE:

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 You're good?

3 MR. DUBOW: That's it.

4 COUNCIL PRESIDENT CLARKE: Man,
5 I am so impressed.

6 I had a couple of quick
7 questions. As you know, last year the
8 School District returned to City or more
9 formally known as local control following
10 the implementation of a new local School
11 Board. Given this new shift in control,
12 our credit rating agencies have listed
13 the School District financial solvency as
14 potential risk to the City's credit
15 rating.

16 Do you think credit rating
17 agencies will view the newer relationship
18 between the City and School District over
19 the long run given Philadelphia's new
20 local control of the School District in
21 addition to their continued need for
22 additional school funding? I think in
23 earlier testimony there was a question
24 about the City's \$5 billion budget, and
25 we had raised some concerns about that,

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 but in large part, that's because our
3 continued increase in contributions to
4 the School District.

5 And the second part of that
6 question, does it make any sense to
7 combine the borrowing power of the City
8 and the School District? So if you give
9 me the first one.

10 MR. DUBOW: So for the first
11 part, I think what the credit agencies
12 want -- if I can step back. Credit
13 agencies understand the importance of
14 having a fiscally stable School District
15 that's providing the outcomes that we all
16 want. So I think what they would want to
17 see is that happening within the context
18 of our maintaining our fund balances and
19 our solid fiscal condition. I think
20 that's really what they would want to
21 see.

22 I think it's important for
23 them, though, that the borrowing for each
24 entity stays separate. I think that's
25 when they would really start to get

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 concerned, if we tried to combine the
3 borrowing capacity of the two.

4 COUNCIL PRESIDENT CLARKE:

5 Okay. And talk about the borrowing power
6 again.

7 MR. DUBOW: So I think that
8 would raise some concerns for the rating
9 agencies, if we tried to combine the two
10 credits.

11 COUNCIL PRESIDENT CLARKE: I
12 just want to make sure I heard that
13 correctly. All right.

14 Let's talk about our infamous
15 federal reserve. So our Five Year Plan
16 includes a significant reserve projection
17 over the life of the Plan, including 92
18 million for the Rainy Day Fund, 286
19 million for federal cuts, and an ending
20 General Fund balance in FY24 of over 153
21 million, meaning that I guess we should
22 be, as the fiscal control people here, we
23 should be a little excited, but if the
24 City has projected its expenditures and
25 revenues are in line with the Five Year

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 Plan, the City will enter the FY24 with
3 significant reserves at a level that will
4 potentially exceed the City's internal
5 fund balance reserve policy. Could you
6 speak more to me on what you believe the
7 appropriate allocation/distribution
8 between the federal funding reserve, the
9 Rainy Day Fund, and the General Fund
10 balance should be.

11 MR. DUBOW: So I want to take
12 that in two separate chunks. One to talk
13 about the fund balance and the Budget
14 Stabilization Reserve Fund. I think
15 those two together should be in the 6 to
16 8 percent range to give us an appropriate
17 cushion against if there's an economic
18 downturn. If things go worse than we
19 expect, we need to have a cushion.

20 The Budget Stabilization
21 Reserve Fund I think is important because
22 there's still uncertainty about what
23 might happen in Washington and
24 Harrisburg. So having that kind of
25 cushion above our target 6 to 8 percent I

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 think is important.

3 COUNCIL PRESIDENT CLARKE: What
4 do you think is going to happen in
5 Washington?

6 MR. DUBOW: I think there's
7 still a chance that there could be cuts
8 that would have a negative impact on us.
9 We've seen the President within the last
10 few months take executive action to move
11 funds for a border wall and --

12 COUNCIL PRESIDENT CLARKE: But
13 that's money that's already appropriated
14 through other departments. That's not
15 going to -- I mean, a border wall funding
16 was federal --

17 MR. DUBOW: That's right.

18 So --

19 COUNCIL PRESIDENT CLARKE: In
20 defense, I don't think we had any of that
21 money allocated for the City.

22 MR. DUBOW: No, we didn't. So
23 at that time, it didn't wind up hurting
24 us, but there's always a risk that
25 something will happen that could hurt us.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCIL PRESIDENT CLARKE:

3 Yeah, but I understand the risk initially
4 when a certain party had control of all
5 three branches. That's not the case now.
6 Are we concerned that the democrats
7 wouldn't position themselves as a stopgap
8 in terms of some dramatic cuts?

9 MR. DUBOW: I think there's
10 still a risk that there are the things
11 the President can do on his own.

12 COUNCIL PRESIDENT CLARKE: All
13 right. What's PICA's position on that or
14 what do you anticipate PICA's position to
15 be on that?

16 MR. DUBOW: I think PICA views
17 that reserve fund as something positive.
18 I think they're happy that that's there.

19 COUNCIL PRESIDENT CLARKE: You
20 think so?

21 MR. DUBOW: Yes.

22 COUNCIL PRESIDENT CLARKE: You
23 think this year's PICA analysis will be
24 supportive of the continuation of the
25 federal reserve fund?

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MR. DUBOW: I think so.

3 COUNCIL PRESIDENT CLARKE: You
4 think so? All right.

5 So the next question, should we
6 adopt a formal policy of moving unspent
7 reserves into the Rainy Day Fund?

8 MR. DUBOW: So I think
9 there's -- there are two different
10 positives. One, for fund balance, so you
11 have a little more flexibility than you
12 have with money that goes into the Budget
13 Stabilization Reserve Fund.

14 COUNCIL PRESIDENT CLARKE:
15 Right.

16 MR. DUBOW: So I don't think
17 you'd want all of that money to fall to
18 the Budget Stabilization Reserve Fund,
19 because then you're limiting your
20 flexibility.

21 COUNCIL PRESIDENT CLARKE:
22 Right. Okay.

23 Wage tax, we slowed down the
24 reduction. Has there been any thought
25 given, given our relatively healthy fund

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 balances, of looking at possibly moving
3 that back to the earlier, I guess, two
4 fiscal years ago wage tax reduction
5 rates?

6 MR. DUBOW: So we have not had
7 those conversations. I mean, we still
8 think that our fund balances are lower
9 than where we want them to be,
10 particularly in some of the out years of
11 the Plan. We get below 100 million in
12 one of those years. So we had not really
13 had those conversations.

14 COUNCIL PRESIDENT CLARKE: But
15 that fund balance, I mean, all due
16 respect, I think it should include the
17 federal reserve fund. I mean, I know you
18 like to categorize it in a different way,
19 but that's the basis for having a \$5
20 billion budget, as you said earlier. So
21 as far as from my perspective, that's a
22 fund balance.

23 MR. DUBOW: Even with that fund
24 balance, we're still way below where the
25 GFOA thinks we should be. They say we

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 should have two months worth of reserve,
3 which would be like 16 percent. We never
4 get anywhere close to that.

5 COUNCIL PRESIDENT CLARKE:
6 Okay. One last question this round. So
7 on the budget, we include a 1.35 million
8 increase to the Community College of
9 Philadelphia. How do you think that
10 reflects on the possibility of reaching a
11 settlement?

12 MR. DUBOW: I think it doesn't
13 include the potential that a settlement
14 would have some additional cost.

15 COUNCIL PRESIDENT CLARKE: So
16 if there's a settlement reached, would it
17 essentially be a shortfall in the --

18 MR. DUBOW: I think we'd have
19 to have conversations.

20 COUNCIL PRESIDENT CLARKE: --
21 budget or will we entertain some
22 additional revenue?

23 MR. DUBOW: We'd have to have
24 conversations about that with them.

25 COUNCIL PRESIDENT CLARKE:

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 Okay. All right.

3 The Chair recognizes Councilman
4 Jones.

5 COUNCILMAN JONES: Thank you,
6 Mr. President.

7 And good morning.

8 MR. DUBOW: Good morning.

9 COUNCILMAN JONES: There was a
10 recent article about Philadelphia opening
11 up its checkbook and making all of its
12 expenditures known. I think it covered
13 FY17 but not '18. Why not?

14 MS. LAMB: So Cat Lamb, First
15 Deputy.

16 It's just the process to
17 actually make that data available is
18 pretty laborious. So we're in the
19 process of doing that process for Fiscal
20 '18. It was just that we had started the
21 process with '17 data and had anticipated
22 it would take us less time than it
23 actually did. So that's why we started
24 with Fiscal '17, but we're in the process
25 of releasing Fiscal '18 as well.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILMAN JONES: Second tier
3 to that is, under Risk Management and
4 payouts, do you have a list of
5 departments that have made settlements on
6 different liabilities, exposures,
7 payments?

8 MR. DUBOW: We can get you
9 something that breaks that out.

10 COUNCILMAN JONES: Does any
11 department in particular jump out at you?

12 MR. DUBOW: We'll just get you
13 that information. We'll get you
14 something in writing on how that breaks
15 out and what departments may be higher.

16 COUNCILMAN JONES: So we can't
17 find that now? Somebody back there
18 doesn't have that?

19 MR. DUBOW: I'd rather actually
20 kind of make sure we get it right and
21 give you solid information.

22 COUNCILMAN JONES: Okay. So,
23 for example, the Police Department, do we
24 know for different payouts by way of
25 liability, what generally is that? Is

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 that a larger department?

3 MR. DUBOW: Probably, but I'd
4 want to make sure I get you the right --

5 COUNCILMAN JONES: So I'm going
6 to keep getting that answer if I keep
7 asking?

8 MR. DUBOW: Yes.

9 COUNCILMAN JONES: Okay. So
10 when do you think you'll be able to
11 formulate an answer to that?

12 MR. DUBOW: That shouldn't take
13 long. I mean, we should be able to get
14 that back to you relatively quickly.

15 COUNCILMAN JONES: Okay. By
16 way of capital expenditures, how are we
17 doing on bridges and the infrastructure
18 stuff by way of above ground, not sewers
19 but by way of bridges that go across
20 neighborhoods? How is that?

21 MR. DUBOW: I think that
22 document I have with me.

23 COUNCILMAN JONES: All right.
24 I'll take it.

25 We have a significant backlog

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 in bridges repair. I always remember the
3 41st Street Bridge in the Third District
4 took ten years, ten years to fix, and as
5 we look, most of those bridges are over
6 100 years old, North Philly, West Philly,
7 South Philly, Northeast. Those bridges
8 that we crossed on our way to New York,
9 some of them are imminently dangerous,
10 and I wanted to know what the cooperation
11 level was from the federal, to the state,
12 to us on how we're repairing them.

13 MR. DUBOW: How they're working
14 together with --

15 COUNCILMAN JONES: No, not just
16 that. How are we doing for our
17 responsibility and then when it comes to
18 CSX and others, how we're cooperating to
19 find out a capital plan by year of what
20 we're going to see fixed. South Street
21 Bridge took a considerable amount of
22 time. 41st Street Bridge took ten years.
23 I just want to in my lifetime know which
24 ones to cross and which ones to avoid.

25 MR. DUBOW: Right. So I can

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 give you the dollar amounts, and then we
3 can have Streets give you kind of a
4 schedule of what bridges are going to be
5 done.

6 So we have in FY20, we show a
7 total of 200 million for bridges, and of
8 that, about 2.8 or so is from us and then
9 there's matching funds from the federal
10 government. And over the life of the
11 Plan, then that gets up to about 350
12 million total. About 14 million comes
13 from GO-backed borrowings. And we can
14 get you a schedule of what that looks
15 like.

16 COUNCILMAN JONES: In
17 particular, on the timetables provided to
18 District Councilmembers in particular as
19 to when these bridges are going to be
20 repaired.

21 The one that jumps in my mind
22 is the 59th Street Bridge in my district,
23 which is due to -- and if you have
24 specifics on that one, that would be
25 helpful, because the more advanced notice

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 you give us, the more we can prepare the
3 respective communities to know about the
4 disruption. Overbrook, Wynnefield,
5 Overbrook Farms are all going to be
6 impacted by that one bridge closure in
7 one way or another, diversion of traffic,
8 disruption of buses and mass transit. So
9 it's the kind of thing we would like to
10 get ahead of.

11 MR. DUBOW: Right. So we will
12 get you information for the 59th Street
13 Bridge. We'll get you information on
14 that.

15 COUNCILMAN JONES: Okay.
16 Thank you, Mr. President.

17 COUNCIL PRESIDENT CLARKE:
18 Thank you, Councilman.

19 The Chair recognizes Councilman
20 Domb.

21 COUNCILMAN DOMB: Thank you,
22 Mr. President.

23 And good morning.

24 MR. DUBOW: Good morning.

25 COUNCILMAN DOMB: I have a

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 couple of questions. On the departmental
3 summary by fund, the thick package that I
4 read through, I have a few questions on
5 that. I know you love that.

6 Would you go to Page 4. I just
7 want to make sure I'm understanding this.
8 Page 4 at the bottom, it says in Fiscal
9 '18, the actual obligations were 1.694
10 billion, 1.694 billion, and then it shows
11 in 2020 it's 2.3 billion. It's a 37
12 percent increase over four years. And I
13 know a lot of it probably is this
14 advances and other miscellaneous and
15 contributions. Could you just explain
16 those so we're clear on what that is?

17 MR. DUBOW: Yeah. So part of
18 that is, we include contingencies for if
19 we get grants. Sometimes it's spent and
20 sometimes it's not, but we need to have
21 appropriations in case grants come in.

22 COUNCILMAN DOMB: Because
23 that's a huge increase in four years.

24 MR. DUBOW: But it's not -- so
25 if you go to Page 77.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILMAN DOMB: Okay.

3 MR. DUBOW: You can see up
4 there in the Grants Revenue Fund 220
5 million.

6 COUNCILMAN DOMB: Yes.

7 MR. DUBOW: That is a
8 contingency for if grants comes in. So
9 if they don't, then that's not General
10 Fund money. That's not
11 taxpayer-supported money.

12 COUNCILMAN DOMB: So that's not
13 a guarantee every year?

14 MR. DUBOW: It is not. That's
15 right.

16 COUNCILMAN DOMB: Because in
17 '18 it looks like we got zero, and in '19
18 it looks like we got 250 million.

19 MR. DUBOW: That's the original
20 appropriation. The estimated obligations
21 actually are zero.

22 COUNCILMAN DOMB: Okay. And
23 then just a quick commentary. I've said
24 that it feels like the budget went up
25 \$855 million in four years. How much of

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 that was attributed to the School
3 District?

4 MR. DUBOW: So over 100 million
5 is the School District and another, I
6 think, 130 is pensions. So just those
7 two together are about 230 million.

8 COUNCILMAN DOMB: About 25
9 percent.

10 MR. DUBOW: Yeah. And then the
11 Budget Stabilization Reserve Fund and the
12 contingency for federal cuts is about
13 another 100 million, and other benefits
14 went up about another 100 million. So
15 those items account for most of that
16 increase.

17 COUNCILMAN DOMB: So I think
18 part of the concerns I have is that the
19 budget went up 855 million, 21 percent in
20 four years, and to my recollection, I
21 don't know another four-year period in
22 the history where we've seen that level
23 of increase in our budget.

24 MR. DUBOW: So I think there
25 have probably been other periods where

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 there has been high percentage increases,

3 so --

4 COUNCILMAN DOMB: Not of the
5 dollar figure of 855 million.

6 MR. DUBOW: Right, because
7 dollars today are worth different amounts
8 than what they were worth 20 years ago.

9 COUNCILMAN DOMB: But if we're
10 looking out the next four years, we're
11 not going to be looking at another 800
12 million over the next four years, are we?

13 MR. DUBOW: So if you look in
14 the Five Year Plan, so actually by FY24
15 more like a 5.4 billion in the Five Year
16 Plan.

17 COUNCILMAN DOMB: What would
18 the total be in --

19 MR. DUBOW: 5.4 billion
20 roughly.

21 COUNCILMAN DOMB: So 400
22 million over the next four years versus
23 855 over the last four.

24 MR. DUBOW: Yeah.

25 COUNCILMAN DOMB: And then the

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 other concern I have, I think we're
3 hearing this from the residents, because
4 I think in the last four years, the
5 inflation rate was like 5 and a quarter
6 percent in total, but when you look at
7 the increase in, for example, real estate
8 taxes across the board in the last -- as
9 a total of our collections at least, we
10 went up 21 percent, which is probably
11 just over 5 percent a year, 5 and a
12 quarter. I think people are feeling
13 those increases. And I think in
14 retrospect, if we had been going along at
15 1, 2 percent a year instead of this big
16 push a year or so of 10, 11 percent, we
17 wouldn't have this outcry.

18 MR. DUBOW: I understand. One
19 of the things that you pointed out when
20 you first got here is that our values
21 were under-assessed, and I think we're
22 catching up. But you're right, and
23 that's part of the reason that working
24 with Council and Council's suggestion
25 we've put in relief programs like the

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 OOPA program to help people who are
3 having trouble paying.

4 COUNCILMAN DOMB: And do you
5 think on the realty transfer tax -- the
6 last four years you've actually collected
7 32 percent more, which has been a big
8 increase. Do you think that's going to
9 continue?

10 MR. DUBOW: So we show that
11 over the Plan slowing down, not that kind
12 of rate of increase.

13 COUNCILMAN DOMB: Because
14 there's going to be a slowdown in 2020
15 probably.

16 MR. DUBOW: Yeah, and that's
17 built in.

18 COUNCILMAN DOMB: Okay. Let me
19 go to -- how are we doing on time? Am I
20 okay on time?

21 THE CLERK: Yes.

22 COUNCILMAN DOMB: So I want to
23 make sure I wanted to ask some questions
24 just so I gain knowledge on this, because
25 I need to learn more. But I understand

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 that there are two financial reports that
3 the federal government requires from any
4 city that receives federal funds. The
5 Schedule of Financial Assistance, also
6 known as SEFA.

7 MR. DUBOW: Yeah.

8 COUNCILMAN DOMB: And the
9 Comprehensive Annual Financial Report, or
10 CAFR.

11 MR. DUBOW: Right.

12 COUNCILMAN DOMB: On Page 163
13 of the fiscal year CAFR under the single
14 audit, it says we are not --

15 MR. DUBOW: Which fiscal year?
16 Sorry.

17 COUNCILMAN DOMB: Fiscal Year
18 '18.

19 Under the CAFR under the Single
20 Audit, it says we are not in compliance
21 with the Uniform Guidance Section
22 200-5.12, because these financial reports
23 haven't been submitted on time. It goes
24 on to say that this non-compliance could
25 affect future funding. Should we be

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 concerned about this as a city?

3 MR. DUBOW: So we have been
4 working closely -- it's really something
5 between us and the Controller's Office,
6 and we've been working closely with them
7 to speed up our schedule so that we can
8 make those deadlines. It's obviously
9 something that we had some concern about
10 or we wouldn't have put it in the
11 document, but it's a problem that we're
12 aware of and we're addressing.

13 COUNCILMAN DOMB: But right now
14 we're not in compliance?

15 MR. DUBOW: We are not, but
16 we're working towards getting in
17 compliance.

18 COUNCILMAN DOMB: And so what
19 exactly is keeping us from getting into
20 compliance? What is the issue?

21 MR. DUBOW: I think it's kind
22 of essentially a workload issue, and
23 we're trying to kind of figure out the
24 best way to address that.

25 COUNCILMAN DOMB: Is there

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 anything that you need from us in
3 appropriations for more people or
4 whatever to get this in compliance?

5 MR. DUBOW: I don't think so,
6 but if we do, we will let you know.

7 COUNCILMAN DOMB: And then why
8 was the fiscal year SEFA, the Schedule of
9 Financial Assistance, not submitted until
10 December 31, 2018, nine months after the
11 deadline?

12 MR. DUBOW: It's the issue we
13 were just talking about. It's the same
14 issue.

15 COUNCILMAN DOMB: Okay. I'll
16 yield to my colleagues and come back.

17 Thank you.

18 COUNCIL PRESIDENT CLARKE:

19 Thank you, Councilman.

20 The Chair recognizes
21 Councilwoman Reynolds Brown.

22 COUNCILWOMAN BROWN: Thank you,
23 Mr. President. Good morning.

24 COUNCIL PRESIDENT CLARKE:

25 You're welcome. Good morning.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILWOMAN BROWN: Good
3 morning, Administration.

4 MR. DUBOW: Good morning.

5 COUNCILWOMAN BROWN: On Page 2
6 of your testimony, you state, and I
7 quote, that work with the Mayor's Office
8 of Diversity and Inclusion, the Managing
9 Director's Office, the Department of
10 Commerce to promote, I quote, equitable
11 practices and inclusive policies
12 throughout the City's grant-seeking and
13 grant management practices.

14 So speak, if you will, to what
15 those new equitable practices may be and
16 inclusive policies that will guide the
17 grant-seeking and grant management
18 process in this new year.

19 MR. DUBOW: I'm going to ask
20 Ashley Del Bianco, our Chief Grants
21 Officer, to talk you through that.

22 COUNCILWOMAN BROWN: Okay.
23 (Witness approached witness
24 table.)

25 MS. DEL BIANCO: Good morning.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 Ashley Del Bianco, Chief Grants Officer
3 for the City.

4 COUNCILWOMAN BROWN: What is
5 your name again?

6 MS. DEL BIANCO: Ashley Del
7 Bianco.

8 COUNCILWOMAN BROWN: Okay. How
9 long have you been with the City?

10 MS. DEL BIANCO: Eight years.

11 COUNCILWOMAN BROWN: And how
12 long in this capacity?

13 MS. DEL BIANCO: Four years.

14 COUNCILWOMAN BROWN: All right,
15 then. Okay. If you could please speak
16 to what types of, quote, equitable
17 practices and inclusive policies will be
18 used to guide the grant-seeking and grant
19 management process and how does this
20 differ from where the Administration was
21 four years ago.

22 MS. DEL BIANCO: I'll answer
23 that in two categories. So we have two
24 types of grants that we pursue. One type
25 is competitive grants that are

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2 discretionary dollars that come from the
3 federal government under existing
4 appropriations but in which
5 Administration has the ability to
6 designate particular grant opportunities,
7 and those are competitive. We have to
8 apply against other municipalities or
9 other applicants. In those cases, our
10 ability to respond with equitable and
11 diverse proposals or including equitable
12 and diverse proposals is somewhat
13 opportunistic because we're responding to
14 a particular ask of the federal
15 government. And in those cases, we do
16 have a set of policies and procedures to
17 try to look at opportunities to promote
18 inclusion, equity, and diversity as we
19 respond to those opportunities.

20 We also have the opportunity to
21 pursue other grants that are private
22 philanthropic dollars, and in those
23 cases, we often are able to make a case
24 directly to a funder to look for ways to
25 promote diversity, equity, and inclusion.

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2 And so as stated in the
3 testimony, there are opportunities that
4 our office -- we play a support role to
5 various parts of the Administration,
6 various agencies, and what we do is, we
7 work with and advise them on how they
8 might be able to do that.

9 COUNCILWOMAN BROWN: So cite an
10 example where you've been successful in
11 making a case and the funding entity
12 bought your appeal.

13 MS. DEL BIANCO: One particular
14 case, a grant initially two years ago was
15 the Racial Equity Here opportunity. That
16 was a private funder, a philanthropy,
17 that was looking for opportunities to
18 support the City government in promoting
19 equity, diversity, and inclusion directly
20 in City practices and policies. That
21 grant opportunity we pursued in
22 coordination with the Mayor's Office of
23 Diversity, Equity, and Inclusion and
24 other agencies within the City, and
25 through that process, we received

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 funding. We also received technical
3 assistance so that the different agencies
4 were able to offer training and
5 development for staff.

6 COUNCILWOMAN BROWN: So those
7 dollars were used for training and
8 development?

9 MS. DEL BIANCO: They were, and
10 also for studies to look at some of the
11 diversity and inclusion policies of the
12 City.

13 COUNCILWOMAN BROWN: Okay. So
14 is that still in play or are those
15 dollars over?

16 MS. DEL BIANCO: That
17 particular opportunity sunsetted, but we
18 have pursued other subsequent
19 opportunities not just from that funder
20 but from other funders who are looking to
21 support the ongoing work and
22 implementation.

23 COUNCILWOMAN BROWN: So as a
24 result of that training, have you seen
25 any difference in the yield of the

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 training?

3 MS. DEL BIANCO: There have
4 been examples of that. I could get you
5 some more specific details on that, but
6 it certainly has included data analysis
7 on City policies that have been informed
8 how the Administration has shaped things,
9 but I could provide some more specific
10 details.

11 COUNCILWOMAN BROWN: That would
12 be useful, because training for
13 training's sake is empty.

14 MS. DEL BIANCO: Yes.

15 COUNCILWOMAN BROWN: We get the
16 funding dollars, but if we don't use the
17 data to indeed implement new practices,
18 then it's just been a waste of your time
19 and that funder's money.

20 MS. DEL BIANCO: Yes. We have
21 grant reports that I can provide to your
22 office.

23 COUNCILWOMAN BROWN: That would
24 be terrific. How soon can the President
25 get that?

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MS. DEL BIANCO: As soon as
3 possible.

4 COUNCILWOMAN BROWN: So is that
5 today? Is that the end of the week?

6 MS. DEL BIANCO: I will go back
7 today and find those grant reports.

8 COUNCILWOMAN BROWN: Okay. Are
9 there goals associated with this new
10 focus on diversity and inclusion with
11 respect to grants?

12 MS. DEL BIANCO: With respect
13 to grants in terms of how many grants we
14 apply for that have diversity, equity,
15 inclusion goals?

16 COUNCILWOMAN BROWN: Yes.

17 MS. DEL BIANCO: There is not a
18 specific number, but it is a priority for
19 us. We do seek opportunities and we also
20 try to, as I said in those opportunistic
21 situations, where we're replying to a
22 specific request for proposal, we try to
23 build some of those practices and themes
24 into the work.

25 COUNCILWOMAN BROWN: Lastly,

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2 with the federal grants -- I don't want
3 to misstate or misquote what I think I
4 heard and, that is, that with regards to
5 federal grants, they ask you to provide
6 data or information on diversity and
7 inclusion or not?

8 MS. DEL BIANCO: On some
9 occasions, yes. It really depends on the
10 particular grant opportunity.

11 COUNCILWOMAN BROWN: I see.

12 MS. DEL BIANCO: And the agency
13 that we're replying to.

14 COUNCILWOMAN BROWN: So you've
15 been there for four years.

16 MS. DEL BIANCO: Yes.

17 COUNCILWOMAN BROWN: Where do
18 you see a change, a difference of where
19 your department was when you got there
20 and where you are now 48 months later?

21 MS. DEL BIANCO: Specifically
22 related to?

23 COUNCILWOMAN BROWN:
24 Specifically to diversity and inclusion
25 with regards to grants.

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2 MS. DEL BIANCO: In terms of --
3 I can't say that it's a metric that we
4 are specifically able to track in a
5 straight line because we're trying to be
6 responsive and respond to the particular
7 opportunities.

8 COUNCILWOMAN BROWN: As they
9 come to you?

10 MS. DEL BIANCO: Yes. But if I
11 can provide some more information, I'll
12 try to do so.

13 COUNCILWOMAN BROWN: My five
14 minutes not up yet?

15 I'll wait for the next round.

16 COUNCIL PRESIDENT CLARKE:
17 Thank you, Councilwoman.

18 The Chair recognizes
19 Councilwoman Parker.

20 COUNCILWOMAN PARKER: Thank
21 you, Mr. President.

22 And good morning.

23 MR. DUBOW: Good morning.

24 COUNCILWOMAN PARKER: This
25 issue that I'm about to inquire about has

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 already come up in some of our hearings
3 this year, but I really want to drill
4 down on it and really get some answers on
5 the record.

6 You all know that my office has
7 inquired about the use of City capital
8 dollars on School District property. For
9 example, we constantly hear the public
10 and many others talk about the City being
11 much more innovative in trying to use
12 City dollars to leverage private
13 investment and/or charitable investment
14 in our works.

15 In my district, for example,
16 the Lindy Family Charitable Foundation
17 has created a very smart, impactful in a
18 transformative way to make over our
19 schoolyards, and many of them if you
20 drive through and you look at them or
21 walk them the way I do, it's just an
22 asphalt hardscape. It's just usually
23 blacktop and/or concrete with nothing
24 there. Their program is called Fiesta
25 Playgrounds, and it is beginning to be

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 rolled out citywide. So they're just not
3 making this investment in schools in the
4 Ninth Councilmanic District, but through
5 their data -- okay. It looks like
6 Councilman Jones may be a beneficiary
7 too, right, across the City of
8 Philadelphia. However, they could expand
9 more quickly and have an even bigger
10 impact if we could supplement their
11 foundation funding with City capital
12 dollars, yet your office has told us, no,
13 we cannot use City capital dollars on
14 School District property. And just for
15 me on the record, can you explain why
16 that is the case, especially now that we
17 have local control.

18 Now, I understood I think
19 earlier Council President Clarke had
20 asked a question about does it make sense
21 to combine the borrowing power of the
22 City and the School District given local
23 control. So while my question is not
24 exactly the same, because we have local
25 control now, tell me why we wouldn't or

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 shouldn't be able to use our City capital
3 dollars in this instance to match it with
4 this foundation funding.

5 MR. DUBOW: So I think it
6 depends on the usage. There are cases
7 where you can use City money for School
8 District facilities if you show that
9 there's a public purpose and that the
10 facility will be available. So it's
11 probably worth our talking about it in
12 more depth to understand the situation.

13 COUNCILWOMAN PARKER: Okay.
14 All right. We will make sure that we do
15 that. And for the record, you know the
16 public does use it, especially on the
17 weekends, right? Our kids are in there
18 and they're playing basketball and so
19 forth. So we'll definitely follow up
20 with you.

21 This next question is somewhat
22 related to my question about using the
23 capital dollars on School District
24 property. Help me to understand why we
25 cannot use capital dollars for

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 maintenance on items that we originally
3 used capital dollars to purchase. So,
4 for example, cameras and trash cans on
5 our commercial corridors. I'm just
6 trying to understand why we can't use
7 capital dollars, because we are trying to
8 maintain our investment. So how can we
9 do that?

10 MR. DUBOW: So you can use
11 operating dollars on maintenance, but for
12 capital dollars, you really want the
13 investment to last at least five years
14 and to be at least, I think it's,
15 \$15,000. So for items that don't meet
16 that criteria, you would want to use
17 operating dollars.

18 COUNCILWOMAN PARKER: So, for
19 example, the first corridor that I ever
20 worked on when I was elected, the first
21 one was the Wadsworth Avenue commercial
22 corridor, and every time I think about
23 that length of years, the banners that we
24 secured in 2005, right, are still
25 standing strong and some of the other

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 streetscape improvements we made. So
3 they have long outlived the five-year,
4 sort of ten-year requirements. And so
5 much like we'll follow up on the issue
6 relative to the schoolyards, I would like
7 to sit down and figure out a way to
8 hammer out a compromise on this issue.

9 MR. DUBOW: Right. And it may
10 just be in the end it's best to fund it
11 out of operating. I'm not saying that we
12 can't fund them. It's just a matter of
13 finding the right source.

14 COUNCILWOMAN PARKER: Okay.
15 Thank you, Mr. President.

16 COUNCIL PRESIDENT CLARKE:
17 Thank you, Councilwoman.

18 Real quick, the assessments
19 became public yesterday, OPA. Assuming
20 that those assessments continue as
21 proposed, what will be the impact on the
22 Five Year Plan?

23 MR. DUBOW: So not much at all.
24 They're basically around what we had
25 projected. We projected 3 percent

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 growth. They're a little higher, but
3 after the appeal process, they may be the
4 same. So really no impact on the Five
5 Year Plan.

6 COUNCIL PRESIDENT CLARKE: So
7 we don't anticipate any real --

8 MR. DUBOW: Yeah.

9 COUNCIL PRESIDENT CLARKE:
10 Okay.

11 The Chair recognizes Councilman
12 Oh.

13 COUNCILMAN OH: Thank you very
14 much, Council President.

15 Good morning. How are you?

16 MR. DUBOW: Good morning.

17 COUNCILMAN OH: The requested
18 amount for this year, not next year, that
19 was \$68 million; is that correct?

20 MR. DUBOW: Sorry. For what?

21 COUNCILMAN OH: For the current
22 year that we are in, not for the new year
23 coming up, the new fiscal year, but it
24 was \$68 million roughly. I'm not saying
25 to the penny, but 68 million.

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2 MR. DUBOW: I'm sorry. You're
3 talking about the Finance Department
4 budget?

5 COUNCILMAN OH: Yes, the
6 Finance budget.

7 MR. DUBOW: Finance budget for
8 FY?

9 COUNCILMAN OH: 2018.

10 MR. DUBOW: '18?

11 COUNCILMAN OH: Yes.

12 MR. DUBOW: Okay. So let me
13 get to the right page. I think the
14 amount was lower than that, but let me
15 find the appropriate page.

16 So the page you want to look
17 at -- I'm sorry.

18 COUNCILMAN OH: I could do it
19 another way if it makes it easier.

20 MR. DUBOW: If you look at Page
21 8, really you want to take out -- for '18
22 there's a 44 million, but 30 million of
23 that is payment to other funds, and
24 there's about 4.3 million that's
25 contributions, indemnities, and taxes,

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 which is really going to other places.

3 COUNCILMAN OH: Okay. I'm
4 sorry. You are correct. I said '18. I
5 meant '19. But starting with '18, the
6 budget amount was 14,151,000 roughly and
7 then the actual amount was 44 million,
8 but 30 million was for what?

9 MR. DUBOW: That 30 million is
10 payments to other funds, so it was
11 payments to capital.

12 COUNCILMAN OH: So money was
13 transferred to the Finance Department and
14 from there it went to?

15 MR. DUBOW: For capital
16 projects.

17 COUNCILMAN OH: For capital
18 projects, okay.

19 Then in '19, it was 68 million
20 was the budgeted amount, but 98 million
21 was the actual amount.

22 MR. DUBOW: I see original
23 appropriations of 78 on Page 8, right?
24 And the big difference there is the \$20
25 million again in Class 800, and that's

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 the payment to the Budget Stabilization
3 Reserve Fund.

4 COUNCILMAN OH: So I see that
5 in general since 2009 the Finance
6 Department spends about 33 percent more
7 of the budget than it requests, on
8 average 33 percent more. I'm not saying
9 there's anything wrong with that. What
10 I'm trying to understand, is that part of
11 like a common practice that money is
12 moved through the Finance Department to
13 then pay for other things?

14 MR. DUBOW: Yes. So throughout
15 this budget, there are -- most of the
16 payments that show in this budget are not
17 for the operations of the Office of the
18 Director of Finance.

19 COUNCILMAN OH: Right.

20 MR. DUBOW: So they're for
21 benefits, they're for payments to the
22 Budget Stabilization Reserve Fund,
23 they're for transfers over to capital.
24 So they're for kind of a hodgepodge of
25 things, but they're all showing up here.

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2 COUNCILMAN OH: Okay. So the
3 budget that I kind of must deal with
4 every year is always challenging because
5 it seems to me, at least from my
6 perspective, that it's not a very
7 detailed budget, that money is put into
8 certain places which it appears based on
9 past history that there's no intention to
10 actually spend it where it's being listed
11 and it will be transferred out later for
12 its actual purpose. My problem with that
13 is, just speaking for myself, is how do I
14 vote for a budget where I look at
15 numbers, I don't know what they're for,
16 they may be for something good, maybe
17 there's something better, how do I vote
18 for a budget where I don't believe that
19 the money listed under a category is
20 actually going to be spent within that
21 category?

22 I'm not saying you have an
23 answer to that. I'm just saying like I'm
24 challenged with that.

25 MR. DUBOW: So a couple of

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 things. One, on the detail for the kind
3 of direct expenditures in Finance, there
4 are more than 50 pages that lay out the
5 positions they'll go for, the contracts
6 they'll go for. The things you're seeing
7 that come in later, like the payment to
8 capital, always come back to Council.
9 They're always transfer ordinances. So
10 it's not like if there are additional
11 funds we want to spend and that we don't
12 come back to Council. So there is
13 transparency about all of it.

14 So the items that you're saying
15 are new are items that will happen if
16 budget performance is better than we
17 anticipated, but we always come back to
18 Council with those.

19 COUNCILMAN OH: So if there is
20 a department -- and I've put up charts
21 before where over the last nine years, it
22 typically gets, let's say, a million
23 dollars, and without any additional
24 people, materials, resources, the
25 budgeted amount is \$12 million. I'm

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 going to look at \$11 million with great
3 suspicion. I don't know what it's for,
4 but what I'm saying is, even though you
5 come back with a transfer ordinance, I
6 don't know that that money isn't better
7 left in the pockets of the taxpayers and,
8 therefore, for me, particularly as we
9 have discussed earlier, I don't think
10 that the budgeted amount based on these
11 unreliable tax assessments, that this
12 money should be collected by the City.
13 They should be returned or credited and,
14 therefore, what I'd really like to know
15 is, what is this money, all this money,
16 intended to be used for that I'm not
17 being told what it's for?

18 MR. DUBOW: So it is being --
19 it's intended to be used the way it's
20 shown in the budget. We do, though, want
21 departments to manage their budgets, and
22 we'd rather that they come in slightly
23 below rather than above. If they come in
24 slightly below, then our budget
25 performance is better than the initial

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 budget, and then we would come back and
3 ask to move it. But there's no guarantee
4 that they will come in below. We build
5 the budgets based on what departments say
6 they need.

7 COUNCILMAN OH: Thank you very
8 much, Council President.

9 COUNCIL PRESIDENT CLARKE:
10 Thank you, Councilman.

11 The Chair recognizes
12 Councilwoman Gym.

13 COUNCILWOMAN GYM: Good
14 morning, I think, still.

15 MR. DUBOW: Good morning.

16 COUNCILWOMAN GYM: So could you
17 talk a little bit -- I think we talked a
18 little bit about this with the Five Year
19 Plan, but some of the impacts that
20 recent -- things that have moved around
21 property taxes, how it relates to the
22 stability of the School District
23 finances.

24 MR. DUBOW: Right. So there
25 have been a couple of pieces of

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 legislation designed to help property
3 owners with the impact of the increase in
4 assessments. So there's a trade-off to
5 that. I mean, there are obviously
6 reasons you want to help people with
7 their bills. When you do that, it then
8 has an impact on the School District,
9 either in the District having less
10 revenue or having a delay in getting that
11 revenue.

12 COUNCILWOMAN GYM: So I'm aware
13 that these things have an impact on the
14 District. Have you calculated what the
15 impact will be over the course of five
16 years and whether there need to be any
17 adjustments made with the City's -- with
18 any other City funding?

19 MR. DUBOW: So we did those
20 calculations I think at the time the
21 bills were heard and testified to them.
22 So we can get that information back to
23 you, but we also knew about those before
24 we've made this budget proposal. So in
25 terms of what we thought the appropriate

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 amounts were to give to the District, the
3 impact of those bills was already
4 included.

5 COUNCILWOMAN GYM: So do you
6 think that there have been -- is there
7 any significant adjustment, in your
8 opinion, for the School District's
9 five-year finances moving forward in
10 order to assure us of the stability that
11 City Council worked so hard for in last
12 year's budget?

13 MR. DUBOW: I think the
14 District made those adjustments in the
15 plan that was presented to the School
16 Board last week. So I think --

17 COUNCILWOMAN GYM: Right, in
18 the Lump Sum Budget.

19 MR. DUBOW: Yes. And in their
20 Five Year Plan projection.

21 COUNCILWOMAN GYM: And are
22 there things out of there that you would
23 like to share -- because I don't know
24 that many of our Council colleagues here
25 today have paid -- we haven't gotten a

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 briefing on the Lump Sum Budget, for
3 example, from the School District
4 directly. So is there anything that you
5 think we ought to know right now that
6 came out of the Lump Sum Budget
7 presentation of the School District last
8 week that we ought to know?

9 MR. DUBOW: So the Lump Sum
10 showed balanced budgets through FY21,
11 starts to go negative in '22, and then
12 has substantial deficits by the end. And
13 I think the way the District framed that
14 was to say that they really wanted to get
15 two years of balance and have a plan that
16 framed the conversation for their funders
17 about how we need to approach getting
18 them to balance and ensuring that the
19 investments they make can continue. And
20 I think that's a conversation that we
21 have to have with the state and kind of
22 look at what happens with the state over
23 the next couple of years.

24 COUNCILWOMAN GYM: Okay. So I
25 know that the meetings between you and

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 the School District and the Parking
3 Authority have become more frequent, and
4 more data and information is being
5 shared. I'm curious about what your
6 strategy is to continue to increase their
7 contributions. Obviously, as you know,
8 when I came in in 2016, they were
9 projected to be at their lowest. It was
10 something like 3 million under former
11 Director Vince Fenerty. They're now at
12 the highest point, but given that's
13 obviously separate from the fact of what
14 their actual revenues have been. So do
15 you have a sense of what your strategy is
16 to improve or maximize the Parking
17 Authority's contribution to the school
18 system?

19 MR. DUBOW: Yeah, and I think
20 it's really a matter of working with them
21 and the District to make sure that we're
22 all focused on that and that that's kind
23 of one of their goals, is to make sure
24 that they run their finances in a way
25 that maximizes that number.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILWOMAN GYM: Do you think
3 that they -- do you have confidence that
4 they know how to run their finances?

5 MR. DUBOW: I think that they
6 have put a real focus on this and I think
7 the results have actually been somewhat
8 positive in terms of that number being
9 higher than it was originally projected
10 to be.

11 COUNCILWOMAN GYM: So as a near
12 quarter-billion-dollar entity that takes
13 people's -- takes in money from folks and
14 is meant to be a public trust, they
15 should have a focus on it. Do you have
16 confidence that they understand what
17 their financial responsibility -- what
18 their financial projections are and how
19 they plan to improve their finances to
20 the public trust?

21 MR. DUBOW: I do think they
22 understand that.

23 COUNCILWOMAN GYM: And you have
24 confidence in them to continue on the way
25 they are?

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MR. DUBOW: I think so long as
3 we kind of keep working with them and are
4 able to --

5 COUNCILWOMAN GYM: Do you have
6 oversight over their budget?

7 MR. DUBOW: No.

8 COUNCILWOMAN GYM: Would you
9 like oversight over their budget? Do you
10 think they could benefit from that?

11 MR. DUBOW: Yes. I think that
12 would be helpful.

13 COUNCILWOMAN GYM: Okay. Thank
14 you very much.

15 COUNCILMAN GREENLEE: Thank
16 you, Councilwoman.

17 Councilman Domb.

18 COUNCILMAN DOMB: Thank you,
19 Mr. Chairman.

20 I just want to go back to
21 questions from before. On the CAFR, the
22 Comprehensive Annual Financial Report,
23 can that be completed without the
24 Schedule of Financial Assistance, the
25 SEFA?

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MR. DUBOW: Yes. They're two
3 separate documents.

4 COUNCILMAN DOMB: Can be
5 completed without it?

6 MR. DUBOW: Yes.

7 COUNCILMAN DOMB: But doesn't
8 the CAFR contain vital information that
9 comes from the SEFA?

10 MR. DUBOW: So they are
11 interrelated, but the CAFR gets finished,
12 audited before the SEFA is finished.

13 COUNCILMAN DOMB: And then the
14 Fiscal Year '18 SEFA hasn't been
15 completed either. Is there any reason
16 why?

17 MR. DUBOW: It's the same
18 issue, and we're working to make sure
19 that it comes out earlier than this
20 year's did.

21 COUNCILMAN DOMB: And is there
22 a target date for the completion of that
23 SEFA?

24 MR. DUBOW: I want to get back
25 to you on that, because I had a date in

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 my mind, but I want to make sure that
3 it's right.

4 COUNCILMAN DOMB: And then did
5 we put any corrective action plan in
6 place for the future to try to meet the
7 federal requirements for next fiscal year
8 for the SEFA and the CAFR to make sure --

9 MR. DUBOW: Yeah. So Cat has
10 been working with the Controller's Office
11 on putting that together.

12 COUNCILMAN DOMB: So when I
13 looked over the CAFR, on Page 163 under
14 it says Single Audit, Paragraph 3, it
15 talks about that -- I'm just going to
16 read this one sentence. In the opinion
17 of City officials, the only significant
18 contingent liabilities related to matters
19 of compliance or the timely filing of the
20 City's audit report data collection form
21 and reporting package detail below an
22 unresolved and questioned cost on the
23 City's Schedule of Financial Assistance
24 to be issued for the year ended June
25 30th, which accounted for 519.3 million

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 for all open programs as of November
3 30th, 2018. Of this amount, of the 519
4 million, 427 million represents
5 unresolved costs due to the inability to
6 obtain audit reports from sub-recipients
7 for the year ended June 30th, 2018. The
8 remaining 92 million is City-funded
9 General Fund grants.

10 So that 427 million, that's
11 what we're talking about that is not
12 audited?

13 MR. DUBOW: No. Everything --
14 sorry. Read that again.

15 COUNCILMAN DOMB: It says, of
16 this amount, 427.2 million represents
17 unresolved costs due to the inability to
18 obtain audit reports from sub-recipients
19 for the year ended June 30th, 2018. This
20 is Page 163 in the CAFR.

21 MR. DUBOW: Yeah. No; that's a
22 separate issue on sub-recipients. That I
23 think is also being resolved.

24 COUNCILMAN DOMB: Tell me what
25 that is, Rob. What does that mean?

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2 MR. DUBOW: I need to get back
3 to you with more detail on that one.

4 COUNCILMAN DOMB: Okay. It
5 just sounds like a lot of money not
6 resolved.

7 MR. DUBOW: Yeah, but it's...

8 COUNCILMAN DOMB: Is the City
9 Controller's Office in compliance with
10 the single audit requirements?

11 MR. DUBOW: Well, it's kind of
12 both of us together. It's the same issue
13 that you're asking about.

14 COUNCILMAN DOMB: Another
15 question. Why is the HealthChoices'
16 Behavioral Health Fund audited by an
17 independent auditor?

18 MR. DUBOW: I'm not sure.

19 COUNCILMAN DOMB: Do you know
20 how big that fund is?

21 MR. DUBOW: Yeah. That's big.
22 I mean, that's --

23 COUNCILMAN DOMB: Like a
24 billion dollars or so?

25 MR. DUBOW: Yeah.

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2 COUNCILMAN DOMB: And we have a
3 separate auditor for that?

4 MR. DUBOW: (Nods head in the
5 affirmative.)

6 COUNCILMAN DOMB: And do you
7 think the City should have a cash
8 management policy?

9 MR. DUBOW: The City does have
10 a cash management policy, yes.

11 COUNCILMAN DOMB: So can you
12 share that with us?

13 MR. DUBOW: Yes.

14 COUNCILMAN DOMB: In our
15 current fund accounting structure, how
16 many funds actually does the City have at
17 this point and do they match the bank
18 accounts on the Treasurer's side?

19 MR. DUBOW: It's actually --
20 it's listed. If you have the CAFR,
21 they're all listed in there. We can get
22 you the list. Our cash accounts aren't
23 lined up with just funds. Some funds can
24 be commingled and others aren't. So, no,
25 they don't match up.

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2 COUNCILMAN DOMB: Okay. The
3 Community Development Fund shows a \$20
4 million appropriation that, according to
5 the Fiscal Year '19 estimates that we've
6 been provided, hasn't been spent.

7 MR. DUBOW: That's like that
8 \$200 million. It's a contingency for if
9 funds come in.

10 COUNCILMAN DOMB: But there's
11 another 20 million appropriation for this
12 year.

13 MR. DUBOW: That's right. In
14 case -- it's the same issue. In case
15 grants come in during the year.

16 COUNCILMAN DOMB: So is that 40
17 million or 20 million not spent?

18 MR. DUBOW: No. So the '19
19 appropriation would lapse, and so it's a
20 new appropriation.

21 COUNCILMAN DOMB: Just carried
22 over?

23 MR. DUBOW: It's new. It
24 doesn't -- it lapses. It goes away.

25 COUNCILMAN DOMB: So if we

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 don't use it, we don't --

3 MR. DUBOW: Correct, on the
4 operating side if you don't use --

5 COUNCILMAN DOMB: So we lost
6 that 20 million?

7 MR. DUBOW: We didn't receive
8 anything. We never got it.

9 COUNCILMAN DOMB: But we could
10 have received it?

11 MR. DUBOW: It's a contingency
12 in case we receive something.

13 COUNCILMAN DOMB: Okay.

14 MR. DUBOW: But if we don't
15 receive it, it's not like we had money
16 that we lost.

17 COUNCILMAN DOMB: In Fiscal
18 Year '19, the budget appropriated 250
19 million in grants funds, but was never
20 obligated. I'm just curious as to why,
21 and why wasn't this grant awarded.

22 MR. DUBOW: So that, again, is
23 a -- it's what we talked about earlier.
24 Those are contingencies in case grants
25 come in.

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2 COUNCILMAN DOMB: Okay. Let me
3 just ask the overall question that still
4 concerns me. I asked it before, so I'm
5 like repetitive.

6 The budget has gone up 21
7 percent in four years. Deep poverty has
8 gone up 12 to 14 percent in the last four
9 years. I think we went, according to
10 your information, from 186,000 to about
11 215,000 people in deep poverty. What are
12 we forecasting for deep poverty over the
13 next four years?

14 MR. DUBOW: So I don't have
15 specific projections for deep poverty,
16 but I will tell you that you're linking
17 two things that are important to link,
18 because one of the reasons that our
19 expenditures are going up is we're making
20 investments in things that will help with
21 deep poverty, and because deep poverty is
22 something that developed over decades,
23 it's not going to go away in one year.
24 But we're investing in schools. We're
25 investing in pre-K. We're investing in

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2 things to tackle the opioid crisis.
3 There are a number of investments here
4 that are all designed to tackle that in
5 the long term. And it's like when we
6 talk about pensions. It's not something
7 that you deal with in one year. So to
8 look at deep poverty in two years and
9 say, well, it's gone up, so these
10 investments aren't working, I don't think
11 that's the way it works. I think you
12 have to take a longer-term view.

13 COUNCILMAN DOMB: Right. I'm
14 all for the education and the Rebuild. I
15 have no issues. Supportive. But I think
16 we need to do more for the people that
17 are like age 20 or 19 that don't have
18 jobs up to age 50 or 55 that are
19 unemployed and aren't trained for this
20 economy. I think there's several legs of
21 poverty, and I think that's a big leg
22 that we're really not addressing as
23 aggressively as we can.

24 I know that my colleague
25 Councilwoman Parker has the Power Up

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 Program. We need to do way more on that
3 stuff than what we're doing.

4 MR. DUBOW: And one of the
5 investments we have is in workforce
6 development, and I think that gets at
7 what you're talking about. But Power Up
8 is a great program that definitely helps
9 with the issue.

10 COUNCILMAN DOMB: I guess what
11 I'd like to see -- my last question and
12 I'll be done -- is that tackle this in a
13 big way. If we wanted to get 50,000
14 people off the books of being in poverty,
15 what do we have to do? What are those
16 strategies and tactics to aggressively go
17 after cutting the poverty by 50,000 in
18 the next four years? I'd be willing to
19 work whatever time it takes to work on
20 that, but we need a plan of action to
21 accomplish that goal.

22 MR. DUBOW: Right, and I think
23 that's what you see throughout the Plan.
24 I mean, this Plan is really dedicated to
25 looking at those issues.

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2 COUNCILMAN DOMB: Okay. All
3 right. Thank you.

4 Thank you, Mr. Chairman.

5 COUNCILMAN GREENLEE: Thank
6 you, Councilman.

7 Councilwoman Reynolds Brown.

8 COUNCILWOMAN BROWN: Yes. Good
9 afternoon. I want to punctuate
10 Councilman Domb's point about what more
11 we can do and should do with those on the
12 opposite end of the continuum. And so
13 while we know Power Up matters, is making
14 a difference, is the idea proposed by
15 Councilman Domb a part of the continuing
16 discussions that the Administration is
17 having as we tackle this elephant called
18 deep poverty?

19 MR. DUBOW: Yeah. It's always
20 our focus. We're always talking about
21 ways to get at poverty and deep poverty,
22 so --

23 COUNCILWOMAN BROWN: I'm not
24 questioning that. Don't misunderstand
25 me. I'm talking specifically about those

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 citizens on the opposite end of the
3 continuum whom too often we don't make a
4 part of our strategic thinking.

5 MR. DUBOW: Yes. Yes, they are
6 part of our thinking.

7 COUNCILWOMAN BROWN: So cite
8 examples, separate from Power Up, where
9 the mission is achieved in a 2,000
10 percent way. Power Up and what else
11 might the Administration be thinking
12 about?

13 MR. DUBOW: Right. So if you
14 look at something like funding for pre-K,
15 right? So that helps kids get a head
16 start on their education, prepares them
17 better for school. Also --

18 COUNCILWOMAN BROWN: Rob Dubow,
19 we're clear about the front end of the
20 continuum, because we know we're going to
21 pay for it one way or the other. We're
22 going to pay for it on the front end or
23 we're going to pay for it on the back
24 end. So for those young people that we
25 miss on the front end, who end up being

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 handicapped, disenfranchised on the back
3 end, 18 to 24, what are we doing for that
4 contingency of young people?

5 MR. DUBOW: Right. So you're
6 talking about people who are past the
7 school age?

8 COUNCILWOMAN BROWN: Yes, yes,
9 yes, yes.

10 MR. DUBOW: Got it. So that's
11 where we have investments in things like
12 workforce development to help people
13 prepare for jobs. But I'm probably not
14 the best person to give you all the
15 details of that, so we should probably
16 get back to you with details.

17 COUNCILWOMAN BROWN: So who in
18 the Administration would be better suited
19 to address those questions?

20 MR. DUBOW: Probably on the
21 workforce development, it's probably
22 Sheila Ireland.

23 COUNCILWOMAN BROWN: Sheila
24 Ireland?

25 MR. DUBOW: Yeah. That's her

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 area.

3 COUNCILWOMAN BROWN: Okay.

4 MR. DUBOW: But we can
5 definitely get you something on that.

6 COUNCILWOMAN Brown: Please.
7 When?

8 MR. DUBOW: I would want to
9 check with her before I commit to her
10 timeline, but we will get something as
11 soon as --

12 COUNCILWOMAN BROWN: Is she a
13 part of the Administration?

14 MR. DUBOW: She is, yeah.

15 COUNCILWOMAN BROWN: Where is
16 she? In Commerce?

17 MR. DUBOW: Yes, I think that's
18 right. Yeah, she's in Commerce.

19 COUNCILWOMAN BROWN: Please
20 remember to do that, because this notion
21 of creating or at least focusing on young
22 people 18 to 21, sometimes 18 to 30, 18
23 to 50, I'm curious to know how the
24 Administration is tackling those
25 individuals, because if they contribute

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 to the tax base, then we move that
3 needle.

4 MR. DUBOW: Understood.

5 COUNCILWOMAN BROWN: Okay.

6 Page 9 of your testimony, quote, to
7 mitigate against the risk of future state
8 and federal funding cuts, the Plan
9 includes an annual federal funding
10 reserve of about 55 million. While this
11 reserve would help offset potential cuts,
12 it represents only a small fraction of
13 what the City projects to receive in
14 grants from the state and the feds.

15 So how has the reserve for
16 federal and state funding cuts grown in
17 the past five years? Can you speak to
18 that?

19 MR. DUBOW: Yeah. So that
20 reserve level has been fairly stable over
21 the years.

22 COUNCILWOMAN BROWN: Oh, okay.

23 MR. DUBOW: It hasn't moved
24 much.

25 COUNCILWOMAN BROWN: You say

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2 fairly stable.

3 MR. DUBOW: I think it may have
4 been in the low 50's and now it's 55.

5 COUNCILWOMAN BROWN: All right.
6 Where have we seen more cuts? At the
7 state level or at the federal level? I'm
8 just curious, because knowing how that
9 impacts --

10 MR. DUBOW: I think over time
11 we've seen more at the federal level.

12 COUNCILWOMAN BROWN: Okay. I
13 wonder why.

14 Okay. Let me go back to my
15 sticking point on diversity and
16 inclusion. And so I'm unclear on where
17 the thread happens with regards to the
18 grant-seeking and grant management piece
19 and the impact that those grants are
20 having on the Office of Diversity and
21 Inclusion in the Department of Commerce.
22 So when the Department of Commerce comes
23 before us, I will look to see some thread
24 that connects the work of the Grants
25 Office and the work of the Department of

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2 Commerce, because that completely went
3 over my head with regards to the answers
4 yielded by the professional who spoke
5 about that. Where is the thread that
6 connects the grant-seeking and grant
7 management to the Department of Commerce?

8 MS. DEL BIANCO: In many cases,
9 the Department of Commerce is an
10 applicant for grants. So officially the
11 Grants Office ourselves, we are not the
12 applicant. We consult and support a City
13 agency or office in applying.

14 COUNCILWOMAN BROWN: Okay.

15 MS. DEL BIANCO: Could you
16 clarify perhaps your question about the
17 thread?

18 COUNCILWOMAN BROWN: My
19 curiosity is, you receive the dollars,
20 but where is the work of those dollars
21 manifested in the Department of Commerce?
22 I'm missing it.

23 MS. DEL BIANCO: There may be
24 specific grants that are for specific
25 projects related to work that the

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2 Department of Commerce plans to
3 implement, and in the cases where
4 specific dollars are, one, under a grant,
5 we've proposed -- the City has proposed a
6 scope of work and must fulfill that scope
7 of work in order to receive and --

8 COUNCILWOMAN BROWN: Those
9 dollars.

10 MS. DEL BIANCO: -- use those
11 dollars.

12 COUNCILWOMAN BROWN: So where
13 is the diversity and inclusion factor in
14 what you just described?

15 MS. DEL BIANCO: If there are
16 diversity and inclusion factors written
17 into or proposed as part of the grant,
18 then they would be required as part of
19 the scope of work.

20 COUNCILWOMAN BROWN: Okay. All
21 right, then. Thank you. That clarifies
22 that.

23 That completes my questioning,
24 Mr. Chairman. Thank you.

25 COUNCILMAN GREENLEE: Thank

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 you, Councilwoman.

3 Councilwoman Parker.

4 COUNCILWOMAN PARKER: Thank

5 you, Mr. Chairman.

6 And I just want to follow up on
7 the issue that was raised a little
8 earlier regarding the City's credit
9 rating, and I just want to also just note
10 I remember there was a time when the City
11 of Philadelphia was in no way, shape or
12 form prepared for a black swan effect of
13 any kind. And so, one, we thank the
14 Administration for placing a very strong
15 focus on how we would function,
16 particularly in the case of any federal
17 crisis that could potentially come our
18 way in the next few years. But I wanted
19 to just note for the record that almost
20 exactly a year ago, I think it was March
21 23rd, 2018, S&P cut its credit rating for
22 Philadelphia's general obligation bonds
23 to A from A plus, and it cited concerns
24 about our pension liability uncertainty,
25 about revenue support for the School

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 District, and then those potential
3 federal policy changes. However, on a
4 positive note, in November 2018, Moody's
5 upgraded its outlook on the City's
6 general obligation credit from negative
7 to stable.

8 Very specifically, can you tell
9 us what does this mean for our borrowing
10 costs and specifically how is it going to
11 impact our operating budget and that debt
12 service line item in particular?

13 MR. DUBOW: Yes. So often your
14 bonds trade on your weakest rating.

15 COUNCILWOMAN PARKER: The
16 weakest rating?

17 MR. DUBOW: Yeah. So if the
18 weakest rating changes, then it has more
19 of an impact.

20 That being said, it's always a
21 good thing when something like a negative
22 watch comes off. It makes it easier to
23 tell the story of your bonds. So it's a
24 good thing. It helps reduce our costs in
25 the long term.

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2 COUNCILWOMAN PARKER: So while
3 we were excited about Moody's upgrade, it
4 ultimately doesn't usurp all of the --

5 MR. DUBOW: Right. So when a
6 rating agency puts you on negative watch,
7 two things can happen. One, they can
8 say, okay, things have gotten better,
9 we're taking you off, or they can
10 downgrade you, and that would have been a
11 real hit, and then our costs would have
12 gone up. So it's very good that it went
13 that way.

14 COUNCILWOMAN PARKER: In
15 addition to that, and I know we're going
16 to talk about it, go back, if you will,
17 to give me the explanation about the need
18 to maintain the fund balance compared to
19 the Rainy Day Fund. And I'll tell you
20 why. We've had legislation proffered in
21 this body and I've had to communicate
22 recently, this past Saturday, at a budget
23 briefing and town hall meeting with
24 members of the public sort of not
25 really -- or I'm not going to say not

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2 grasping. I just think some things have
3 been miscommunicated that weren't
4 accurate. With all of the challenges
5 that the City faces in a number of areas,
6 why is there a need to maintain such a
7 healthy fund balance and the Rainy Day
8 sort of fund? I mean, just explain that
9 for the record, please.

10 MR. DUBOW: Right. So the
11 Government Finance Officers Association,
12 which is kind of the leading authority on
13 local government finances, thinks you
14 should have a fund balance that's equal
15 to two months of expenditures. So almost
16 about 17 percent. And there are large
17 jurisdictions that get up there. We
18 decided that for us, that's not realistic
19 because of all the needs we have. If we
20 tried to get to a balance that high, we
21 would be making other sacrifices. So we
22 set a policy internally of being between
23 6 and 8 percent.

24 COUNCILWOMAN PARKER: 6 and 8?

25 MR. DUBOW: Yeah. So that's

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 where we tried to get. Last year we
3 actually ended the year at 8.1 percent,
4 so we got there.

5 There's a difference between
6 the Budget Stabilization Reserve Fund and
7 our fund balance. The Budget
8 Stabilization -- the Reserve Fund has
9 certain restrictions on when money can
10 come out. So it's not as flexible. Fund
11 balance is more flexible. So when you
12 look at the trade-off between the two,
13 you want to keep in mind how much
14 flexibility you want to have. And so
15 that's why you need to make sure there's
16 a healthy amount in your fund balance and
17 that there's some in the Rainy Day Fund.

18 COUNCILWOMAN PARKER: Because
19 you have had such a long history -- and I
20 say this as complimentary a manner as
21 possible -- you've been here through
22 multiple administrations, Rob, and your
23 institutional knowledge about the City's
24 finances is very well respected across
25 the board. What is your response to a

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 person who says we have a Rainy Day right
3 now and they start talking about all of
4 the issues that are facing the City and
5 why shouldn't we be spending those
6 dollars in other areas right now? And I
7 really want you to reflect back on when
8 you worked in different administrations
9 that did not have or didn't have dollars
10 in the Rainy Day Fund.

11 MR. DUBOW: So I think the best
12 example I think is where you're trying to
13 lead me is during the Great Recession.
14 So we actually had a fund balance then of
15 over \$200 million, but when that downturn
16 hit, it immediately hit our revenues. It
17 eventually hit our pension contribution
18 because of what happened with earnings.
19 So our fund balance just went negative.
20 We got to the point where we were worried
21 that we could even run out of cash. So
22 we had to make dramatic cuts. That's
23 really what you're trying to protect
24 against with the Rainy Day Fund, is
25 having to make those dramatic cuts when

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 the economy goes south and goes south
3 more quickly than you anticipated.

4 COUNCILWOMAN PARKER: Thank
5 you. Thank you for your response.

6 Thank you, Mr. Chairman.

7 COUNCILMAN GREENLEE: Thank
8 you, Councilwoman.

9 Councilwoman Gym.

10 COUNCILWOMAN GYM: Thank you.

11 So I'm interested in some of
12 the -- in the area of Risk Management and
13 notice that there's been a significant
14 increase in settlements that were
15 projected for Fiscal Year 2019 and then
16 to maintain it. It's almost a 50 percent
17 increase. And these are, I assume,
18 settlements related to civil actions
19 brought forth against the City.

20 MR. DUBOW: You're talking
21 about indemnities?

22 COUNCILWOMAN GYM: Risk
23 Management.

24 MR. DUBOW: But there are a
25 number of things that --

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2 COUNCILWOMAN GYM: It says
3 settlement costs for closed claims.

4 MR. DUBOW: Got it. Okay.

5 COUNCILWOMAN GYM: A 50 percent
6 increase from 2018 actual to 2019 target.

7 MR. DUBOW: Yeah.

8 COUNCILWOMAN GYM: So, one, can
9 you provide a list of settlements over
10 15,000 in the last year categorized by
11 department?

12 MR. DUBOW: Yeah. Yes.

13 COUNCILWOMAN GYM: And then,
14 two, is there a reason that you're
15 projecting such a significant increase in
16 the settlement costs, and are you looking
17 at these claims by category, and is there
18 something that we can do or are you
19 providing recommendations to either City
20 departments or more broadly so that we
21 can reduce the City's exposure to
22 liability?

23 MR. DUBOW: I'm going to ask
24 our Risk Manager to address that.

25 (Witness approached witness

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 table.)

3 COUNCILWOMAN GYM: Good
4 morning.

5 MR. SCOTT: Good morning. I'm
6 Barry Scott, Deputy Director of Finance
7 for Risk Management.

8 Yes, Councilwoman. Risk works
9 with departments to address issues which
10 are repetitive. In order to try to
11 control those costs, our Safety and Loss
12 Prevention Unit looks and works with our
13 Claims Unit in order to try to resolve
14 those issues as much as possible. So it
15 is something that we are looking at.

16 COUNCILWOMAN GYM: So is there
17 a reason you're projecting a 50 percent
18 increase in settlement costs for actions
19 against -- for settlements related to
20 civil actions against the City?

21 MR. SCOTT: So we've changed a
22 little bit how we are approaching some of
23 these matters, and what we are able to do
24 in a number of cases is to resolve these
25 matters before they become litigated.

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 Risk only handles pre-litigation claims.
3 And so what we're trying to do now is
4 target matters which we believe it's best
5 to resolve the claim before it goes into
6 litigation. And so we have been picking
7 up some matters which would otherwise
8 have gone to litigation, because what we
9 find is that -- and I'm sorry I don't
10 have the numbers, but that in fact those
11 matters which go to litigation settle a
12 resolve at a much higher value. And so
13 when we can resolve them in Risk, we can
14 save the City substantial dollars over
15 the ultimate cost if they were resolved
16 as litigated matters.

17 COUNCILWOMAN GYM: I think it
18 goes back to the request earlier then,
19 that it would help to understand like
20 whether you're categorizing -- whether
21 these claims are being categorized in any
22 way, like what areas that they're
23 happening and whether there's a
24 concurrent level of discussion or
25 dialogue within particular departments so

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 that we can avoid settlement or
3 litigation would be the most ideal
4 situation. I think we can both agree.

5 MR. SCOTT: Absolutely.
6 Absolutely. And we can look at that and
7 get something for you.

8 COUNCILWOMAN GYM: Okay. Thank
9 you.

10 I wanted to ask a little bit
11 about CAMA and its unrolling, also a
12 little bit about One Philly. I know the
13 rollout has not been all that smooth. So
14 as we look at One Philly's rollout and
15 then we're thinking about CAMA, what are
16 you seeing as things that we as a city
17 ought to be under consideration so we're
18 not caught off guard by, say, overtime
19 costs or can be helpful in terms of the
20 rollout period?

21 MR. DUBOW: So they're actually
22 kind of very different projects. So One
23 Philly was about payroll and benefits,
24 and CAMA is about the assessment process.
25 But I do think there have been lessons

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 from One Philly about making sure that we
3 communicate early and often, we
4 communicate effectively, that we do the
5 change management thoroughly throughout
6 the process. And I think that will
7 translate to all of our projects.

8 COUNCILWOMAN GYM: Can you talk
9 a little bit about CAMA? We assume that
10 it's on track, and can you talk a little
11 bit about what you think it can ideally
12 achieve and what we can see both in the
13 finances but also in sort of engagement
14 or projections going forward.

15 MR. DUBOW: Yeah. So CAMA is
16 still on track, still on the same
17 schedule, start to go live in about a
18 year, and it will make the --

19 COUNCILWOMAN GYM: Is it
20 January 2020 or July 2020?

21 MR. DUBOW: January.
22 It will make the assessment
23 process much smoother. It will make the
24 communication between the various
25 agencies involved much smoother. It will

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 make the process more efficient. It will
3 make it much easier for us to do the kind
4 of reporting that everybody, including
5 us, wants us to be able to do. So there
6 are a number of benefits from CAMA.

7 COUNCILWOMAN GYM: I think
8 that's it for right now. Thanks.

9 COUNCILMAN GREENLEE: Thank
10 you, Councilwoman.

11 Councilman Domb.

12 COUNCILMAN DOMB: Thank you,
13 Mr. Chairman.

14 I think you mentioned that the
15 220 million in Grants Revenue Funds is
16 for grants that the City might or might
17 not receive?

18 MR. DUBOW: Right.

19 COUNCILMAN DOMB: But it looks
20 like in Fiscal Year '18 and Fiscal Year
21 '19, there were no obligations associated
22 with the Grants Revenue advances.
23 However, in the mid-year appropriations
24 for Fiscal Year '18, we took 94 million
25 from Grants Revenue and distributed it to

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 departments mostly for unbudgeted payroll
3 expenses, and in Fiscal Year '19, we
4 appropriated 127 million from Grants
5 Revenue, again mostly for unbudgeted
6 payroll expenses. Were these
7 appropriations associated with the grants
8 that we received?

9 MR. DUBOW: No. Appropriations
10 in those cases were mostly related to
11 collective bargaining agreements and
12 really wound up coming out of our fund
13 balance, was kind of the net impact of
14 those.

15 COUNCILMAN DOMB: So the 94
16 million in '18 and the 127 million in '19
17 were from the labor negotiations?

18 MR. DUBOW: Well, you're
19 talking about the Class 100 portion of
20 it? Yes. That's primarily what they
21 were for.

22 COUNCILMAN DOMB: Okay. And
23 the other piece I wanted to just bring
24 up, I know that Councilwoman Parker was a
25 big proponent and I want to mention this

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 Power Up program again. We had a hearing
3 on it a while ago where --

4 MR. DUBOW: Sorry. The what?

5 COUNCILMAN DOMB: Power Up,
6 Community College. And we had a hearing
7 that said that the program was going to
8 produce for the City like a 13 percent
9 return in our investment per year for the
10 next ten years, and we're investing
11 \$800,000. This is to help people, I
12 guess, advance their business and open
13 business. Why wouldn't we dramatically
14 increase that program, considering its
15 return and considering the need of
16 especially people that are 18 to 50 who
17 need this opportunity?

18 MR. DUBOW: So I'm assuming
19 it's probably a capacity issue, but we
20 can look into it.

21 COUNCILMAN DOMB: I mean,
22 because there's an avenue where we can
23 maybe do better and dramatically change
24 people's lives.

25 The other piece I don't want

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 the Administration to lose sight of is
3 that we have the highest poverty, some of
4 the highest taxes, and the lowest
5 entrepreneurship rates of the top 20
6 cities. And when you look at the
7 breakdown of businesses owned in the
8 City, 78.6 percent are owned by white
9 people, 10 percent are owned by Asian,
10 and 2.4 are African American. So my
11 question is, what are we doing to create
12 entrepreneurship programs like Power Up
13 and others? How do we dramatically
14 change that equation? Because 41 percent
15 of our population is African American and
16 yet 2.4 percent of the businesses are
17 owned by African Americans. How do we
18 teach people about entrepreneurship?

19 This body put in a resolution
20 asking the state to provide mandatory
21 entrepreneurship courses 7th to 12th
22 grade in high school. We'll see what the
23 state does with that. But what else can
24 we do to advance that cause?

25 MR. DUBOW: Probably a better

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 question for Commerce.

3 COUNCILMAN DOMB: Commerce?

4 Okay. After I said all that, you said
5 Commerce.

6 One other question on the
7 credit rating. I want to compliment the
8 Finance Department, because I noticed
9 that our interest payments actually went
10 down, if I'm correct, in four years, from
11 795 million down to 656 million. That's
12 positive. We dropped our interest
13 payments 139 million. I'm assuming it's
14 because maybe we managed our portfolio
15 better and refinanced and have some lower
16 rates.

17 MR. DUBOW: That is definitely
18 part of it.

19 COUNCILMAN DOMB: Because the
20 flip side is, four years ago we had 7.25
21 billion of debt and now we have 8.6
22 billion of debt. So we've increased our
23 debt almost 20 percent, but we've dropped
24 our payments dramatically. Is that
25 pretty accurate?

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MR. DUBOW: I don't have the
3 numbers in front of me. I'm sure...

4 COUNCILMAN DOMB: So over the
5 next four years, are we anticipating to
6 continue to increase the debt load?

7 MR. DUBOW: So there are -- and
8 this is kind of the age-old trade-off we
9 have. We have an old infrastructure that
10 needs investment. So you'll see in the
11 Capital Program, for example, one of the
12 things we have in there is \$200 million
13 for paving, which I think everyone agrees
14 is desperately needed. So there will be
15 debt associated with that. And there's
16 debt associated with the Rebuild program.
17 So there will continue to be borrowings
18 over time, because there are
19 infrastructure needs.

20 COUNCILMAN DOMB: All these
21 increases, though, we're seeing in the
22 budget of 21 percent, the debt load of 20
23 percent, even though the interest rates
24 went down, don't you think against an
25 inflation backdrop of the same period of

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 5 and a quarter percent, it puts an undue
3 burden on those who can least afford it?

4 MR. DUBOW: So I think that a
5 great deal of expenditures are dedicated
6 to the people you're talking about. If
7 you look at the programs that we're
8 implementing, that's what they're
9 dedicated to handle.

10 COUNCILMAN DOMB: Okay. I
11 think I'm done with my questions for
12 today. Thanks, Rob. Thank you.

13 Thank you, Mr. Chairman.

14 COUNCILMAN GREENLEE: Thank
15 you, Councilman.

16 We have no further questions
17 here, so thank you very much.

18 MR. DUBOW: Thank you.

19 COUNCILMAN GREENLEE: Thank you
20 for your time here today.

21 Our next office is the
22 Treasurer.

23 (Witnesses approached witness
24 table.)

25 COUNCILMAN GREENLEE: I can say

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 good morning because it's 11:59, so good
3 morning.

4 MS. JOHNSON: So I'll say it
5 back quickly so I can say good morning as
6 well. Good morning.

7 COUNCILMAN GREENLEE: We have
8 your written testimony.

9 MS. JOHNSON: Rasheia Johnson.
10 I will just be quick.

11 COUNCILMAN GREENLEE: Thank
12 you.

13 MS. JOHNSON: Good morning.
14 I'm Rasheia Johnson, City Treasurer.
15 Joining me today is Raymond Hale, Deputy
16 Treasurer for Banking and Investment, as
17 well as Matthew Bowman, Executive
18 Director of the Sinking Fund. I'm
19 pleased to provide my testimony on the
20 City Treasurer's Office for Fiscal Year
21 2020 Operating Budget. You have my
22 written testimony. I'm happy to answer
23 any questions.

24 COUNCILMAN GREENLEE: Thank you
25 very much. Everybody is learning this

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 now. Just very quickly go to questions.

3 Okay.

4 Ms. Johnson, there was a lot of
5 talk last year about the whole
6 reconciliation of the bank accounts, and
7 I've seen you've come obviously way, way
8 down from about 40 million to about
9 500,000; is that correct?

10 MS. JOHNSON: That's correct.

11 COUNCILMAN GREENLEE: Can you
12 just briefly kind of go into how that was
13 all done, and do you feel confident that
14 now those procedures can stay in place to
15 keep the figures more in line, if you
16 will.

17 MS. JOHNSON: Yes. So
18 currently we are fully reconciled and
19 current on all of our accounts that the
20 City Treasurer's Office is responsible
21 for, and it's about approximately 77
22 accounts that we're responsible for. We
23 have processes in place in making sure
24 that all the accounts are assigned to an
25 accountant. They have backup when

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 they're out. There's cross-training, and
3 we also are in the process of putting
4 internal controls and procedures in place
5 in the Treasurer's Office to make sure
6 that what happened historically that we
7 inherited but took care of never happens
8 again.

9 COUNCILMAN GREENLEE: Okay.
10 Thank you. And I think there's a monthly
11 update to City Council on that?

12 MS. JOHNSON: Yes.

13 COUNCILMAN GREENLEE: And you
14 include the information on that, of those
15 procedures, so Council kind of knows
16 what's going on with that?

17 MS. JOHNSON: The procedures
18 are not finalized, but we can share the
19 finalized procedures once they're
20 completed, yes.

21 COUNCILMAN GREENLEE: Great.
22 Thank you.

23 Just one more question from me.
24 The Federal Reserve, as you know, has
25 been raising interest rates consistently

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 over the past two years, and how does
3 that policy impact our floating rate
4 bonds or swaps, or does it?

5 MS. JOHNSON: So right now
6 floating rate debt is -- the SEFA is --
7 it's not one for one with the fed raising
8 interest rates, but we've seen a small
9 uptick, but we've also been monitoring
10 our federal rate debt, which is a small
11 component of our outstanding debt, to see
12 where we can actually fix out some of our
13 variable rate debt with no additional
14 cost to the City versus carrying the
15 variable rate debt.

16 COUNCILMAN GREENLEE: Okay.
17 Thank you. All right. Thank you,
18 Ms. Johnson.

19 Councilman Domb.

20 COUNCILMAN DOMB: Thank you,
21 Mr. Chairman.

22 Good afternoon.

23 MS. JOHNSON: Good afternoon.

24 COUNCILMAN DOMB: First, I want
25 to say that I'm pleased that we accounted

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 for most of the money. We're down to a
3 very small amount of the 33, and the
4 seven accounts that were not reconciled,
5 which was one of my bigger concerns also,
6 I think through the Reconciliation Task
7 Force, we're down to like 99 or almost
8 100 percent of all accounts reconciled?

9 MS. JOHNSON: All the accounts
10 are reconciled.

11 COUNCILMAN DOMB: All of them
12 are reconciled?

13 MS. JOHNSON: Yes.

14 COUNCILMAN DOMB: Great. So
15 then I have some other questions. In the
16 consolidated cash account, roughly how
17 much goes through that account on a
18 monthly basis?

19 MS. JOHNSON: That is on -- the
20 consolidated cash account monthly
21 activity is about 1.3 billion just in and
22 out moving throughout that account.

23 COUNCILMAN DOMB: And currently
24 do all funds go into the consolidated
25 cash account, all receipts and

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 everything?

3 MS. JOHNSON: All receipts
4 related to the City itself, yes, but of
5 course like Airport and Water --

6 COUNCILMAN DOMB: Right; are
7 separate.

8 MS. JOHNSON: Are separate,
9 yes.

10 COUNCILMAN DOMB: Any idea how
11 many bank accounts we use to hold that
12 consolidated cash account?

13 MS. JOHNSON: The number of
14 bank accounts for our consolidated cash,
15 it's approximately four, but let me just
16 get the exact number of those accounts.

17 COUNCILMAN DOMB: Okay. And
18 one of the reasons why I ask that is
19 because that's such a big account in the
20 City, and I know that in the prior
21 reconciliations, I think there was, if I
22 recall, there were three years, like from
23 '14 to '17, a lot of it before your time,
24 that was not reconciled in that account,
25 and I want to make sure that we're on top

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 of that. That's a big account.

3 MS. JOHNSON: So there's some
4 small one-off accounts, but there's one
5 main account, but they are all reconciled
6 and continue to be reconciled.

7 COUNCILMAN DOMB: So I'm going
8 to just share the numbers that I saw that
9 I didn't really want to share last year
10 which concerned me, and that was that
11 this account had 1.3 billion going in,
12 and if it wasn't reconciled for 36
13 months, not you but the department was
14 behind 46 billion. Yeah; 1.3 billion a
15 year, times 12 months in a year, times
16 three years was 46 billion behind, just
17 this one account. That's why I want to
18 make sure we have a lot of focus on it.

19 MS. JOHNSON: Yeah. So since
20 the time when we had put a plan in place
21 and the plan is currently working where
22 we've added additional staff that have
23 responsibility with the consolidated cash
24 account, we do -- as we receive the
25 receipts, we do daily reconciliations,

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 and we have someone specifically assigned
3 to that, with backup, as well as we have
4 one person that's responsible for doing
5 the larger monthly reconciliation, with
6 backup as well, with an accounting
7 manager as well as the Deputy for Banking
8 and Investment that supervises the entire
9 process.

10 COUNCILMAN DOMB: Okay. And by
11 the way, I commend you and the department
12 and the -- was it the Reconciliation Task
13 Force, I think it was called? Because at
14 end of the day when you added up all the
15 accounts and multiplied it by the months
16 not reconciled, we had 113 billion, which
17 was a monumental task to reconcile, 113
18 billion. That was over a seven-year
19 period, some of the accounts. But, I
20 mean, the general disbursement account
21 was 43 billion not reconciled. So after
22 a while, it became like real money, but
23 I'm glad it got resolved. That's the
24 main thing. And you guys did a good job.
25 So I just want to put that on the record.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MS. JOHNSON: Thank you.

3 COUNCILMAN DOMB: Do we
4 commingle -- let me ask this question:
5 Do these bank accounts match up with how
6 funds are managed in FAMIS to make it
7 easier to reconcile?

8 MS. JOHNSON: So not exactly.
9 So it doesn't line up one for one with
10 the funds as well as the accounts.

11 COUNCILMAN DOMB: Is there any
12 way to fix that?

13 MS. JOHNSON: As we're looking
14 to get a new system and working closely
15 with the accounting department, Central
16 Accounting, I'm sure we can streamline it
17 as best as possible.

18 COUNCILMAN DOMB: That would
19 make it easier, though, wouldn't it?

20 MS. JOHNSON: It would.

21 COUNCILMAN DOMB: Do we
22 commingle any funds, like grants funds?
23 Are they held in separate accounts?

24 MS. JOHNSON: I'm sorry?

25 COUNCILMAN DOMB: Do we

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 commingle any funds, and are grant funds
3 held in separate bank accounts?

4 MS. JOHNSON: All of our grants
5 are deposited into the consolidated cash
6 account.

7 COUNCILMAN DOMB: We don't hold
8 the grants in separate escrow accounts?

9 MS. JOHNSON: Only in times
10 where they are required. Some grants
11 have special specifications and we would
12 do that, but because of the amount of
13 accounts that we have and we have to
14 monitor, mostly all grants go into our
15 consolidated cash account.

16 COUNCILMAN DOMB: Do you feel
17 as our Treasurer that you have enough
18 staff currently to handle the obligations
19 and duties of your department?

20 MS. JOHNSON: Currently, yes.
21 I'm in a position right now of hiring one
22 additional body, per the report that the
23 outside accounting put together, to be a
24 liaison between the treasury and the
25 accounting. So I think that will fully

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 complement the Treasurer's staff at that
3 point.

4 COUNCILMAN DOMB: How long does
5 it take you to hire somebody right now?

6 MS. JOHNSON: Sometimes it can
7 be a several-month process.

8 COUNCILMAN DOMB: Several
9 months?

10 MS. JOHNSON: Yes.

11 COUNCILMAN DOMB: Do people
12 wait to hear from you? I mean, if I was
13 applying for a job and you told me
14 several months, I'd be going somewhere
15 else.

16 MS. JOHNSON: We've been lucky
17 that the candidates that we thought will
18 be the best fit were available.

19 COUNCILMAN DOMB: Okay. In
20 your testimony on Page 4, it shows that
21 in Fiscal Year '18, there's an amount of
22 6.3 million in contracts, and it's almost
23 4 million higher than Fiscal Year '17. I
24 was wondering what that would be for. So
25 Fiscal Year '17 it shows roughly just

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 over 2 and then Fiscal Year '18 it goes
3 to 6.3 million. It's a \$4 million
4 increase. Do you know what that would be
5 for?

6 MS. JOHNSON: You said on Page
7 4? Let me just --

8 COUNCILMAN DOMB: Yeah. It's
9 in contracts.

10 MS. JOHNSON: So our contracts
11 increased, one, based upon the volume of
12 transactions we have with bonds, as well
13 as we had an additional one-time contract
14 with an outside accounting firm.

15 COUNCILMAN DOMB: Was that for
16 the reconciliation?

17 MS. JOHNSON: That's correct.

18 COUNCILMAN DOMB: But that was
19 like 500,000.

20 MS. JOHNSON: That's correct.

21 COUNCILMAN DOMB: This is like
22 4 million.

23 MS. JOHNSON: So, again, we
24 account for -- and our contracts are our
25 bond deals. The more bond deals we do in

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 a year, the more money that has gone out.

3 COUNCILMAN DOMB: Okay. Thank
4 you very much. Thank you for your
5 testimony.

6 MS. JOHNSON: Thank you.

7 COUNCILMAN DOMB: Thank you,
8 Mr. Chairman.

9 COUNCILMAN GREENLEE: Thank
10 you, Councilman.

11 Before we go to the other
12 Councilpeople, I'm going to make a
13 suggestion, if nobody has an objection.
14 Since the Sinking Fund is represented
15 here, they're next. Why don't you give
16 any testimony you have, just put
17 something on the record. Then if there's
18 questions for either/or, they can be
19 asked at the same time. Okay?

20 Sir, please identify yourself
21 and proceed.

22 MR. BOWMAN: Good afternoon.
23 Matthew Bowman, Executive Director of the
24 Sinking Fund Commission.

25 The Sinking Fund budget for

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 2020 has a proposed General Fund of 296.7
3 million, which is just an increase of
4 1.67 million compared to Fiscal Year
5 2019, and the all funds budget totals
6 656.65 million, which is actually a
7 decrease of approximately 22 million from
8 2019.

9 With that, I'd be happy to take
10 any additional questions.

11 COUNCILMAN GREENLEE: Great.
12 Thank you.

13 Let me go to Councilman Green.

14 COUNCILMAN GREEN: Thank you,
15 Mr. Chair.

16 I just want to state for the
17 record -- I just have a few questions,
18 but I just want to put on the record the
19 work that our City Treasurer has done
20 over the years in helping the City of
21 Philadelphia. Even prior to coming to
22 this current position, when you were in
23 the private sector and the City was going
24 through a process of trying to sell PGW,
25 but at that point, we still needed to

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 bring in new money into Philadelphia Gas
3 Works, you had suggested a commercial
4 paper program. That was something that
5 was beneficial for PGW. We could not go
6 to market because we were in the process
7 of the previous Administration trying to
8 sell PGW. So markets were somewhat
9 closed. So you recommended to the City
10 to use a commercial paper program that
11 was beneficial for the City in allowing
12 us to provide resources for PGW at that
13 time.

14 In addition, that concept was
15 also borrowed by the Airport, because the
16 Airport was in the process of trying to
17 do their capacity expansion project and
18 they also could not go to the market in
19 the type of way they would normally do
20 for bond offerings, and so the Airport
21 also borrowed that commercial paper
22 program idea. And so it was that type of
23 creative ideas that you brought to the
24 City even before you coming into City
25 Treasurer.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 Then in your early term as City
3 Treasurer, you noticed the reconciliation
4 issues, which from my observation came
5 from a lack of resources over the years.
6 Many administrations have been able to
7 balance budgets by not hiring people.
8 And so earlier in your term as City
9 Treasurer, you know that these
10 reconciliations issues were a concern and
11 brought that to the attention of the
12 Administration. From there, it became
13 additional media coverage, and I know
14 that you had spent a lot of time working
15 on that issue in spite of the fact you
16 were also going through a pregnancy at
17 the time.

18 So I just wanted to put that on
19 the record and thank you for the work
20 that you've done in that regard.

21 Also, some of the people in
22 this body know I've been working on the
23 issue of public banking for the past
24 couple years, working with your office in
25 that regard, and I want to thank you for

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 that perspective. We're now moving to a
3 selection process with a committee that's
4 a diverse committee from people in
5 different perspectives and backgrounds to
6 select a consultant to help us evaluate
7 and study the feasibility of public
8 banking in the City of Philadelphia and
9 how we can move forward in that regard.

10 I just have a few quick
11 questions I want to ask you. On Page 3
12 of your testimony, you talked about debt
13 management and how the Office will manage
14 new outstanding City debt. Can you give
15 me some numbers in reference to the
16 refunding for GO for spring of 2019,
17 summer 2019, which is new money, revenue
18 bonds, general obligation, as well as the
19 water and wastewater revenue bonds and
20 the PAID new money and then -- well,
21 hopefully we won't need a TRAN, but we
22 always do need a TRAN. But if you can
23 give me on those first four, the GO
24 refunding and also the new money, those
25 amounts.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 MS. JOHNSON: So the par
3 amounts of the transactions?

4 COUNCILMAN GREEN: Roughly the
5 range.

6 MS. JOHNSON: So the GO
7 refunding is approximately 190 million.
8 The new money GO bonds is approximately
9 356. Water/wastewater -- the water new
10 money is approximately 250 to 300.
11 Haven't finalized that yet. And then the
12 PAID, and that's not new money, that's
13 actually refunding with savings, and that
14 is approximately 180 million.

15 COUNCILMAN GREEN: Okay. And
16 then also I see you're going to be doing
17 an RFP for, I guess that's, an FA for
18 water?

19 MS. JOHNSON: That's correct.

20 COUNCILMAN GREEN: And then
21 also an FA for GO and also bond counsel
22 for the TRAN. But I just have one
23 question, one other question I have in
24 reference to on Page 9 of your budget
25 testimony, the contracting experience. I

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 see various firms, but there's one firm
3 I'm somewhat not as familiar with,
4 Hawkins Delafield and Wood, which was
5 used as disclosure counsel for GO.

6 MS. JOHNSON: Yes.

7 COUNCILMAN GREEN: What's that
8 background of that firm? Because that's
9 a firm I'm not as familiar with.

10 MS. JOHNSON: Hawkins Delafield
11 and Wood, we use them for disclosure
12 counsel here in the City. They have also
13 co-disclosure counsel, but the particular
14 person is one of the experts to help
15 write the regs with regard to disclosure.
16 So we thought he would be -- Hawkins
17 would be -- John McNally would be the
18 best one to help to assist the City in
19 crafting our disclosures.

20 COUNCILMAN GREEN: And where
21 are they based out of?

22 MS. JOHNSON: Out of
23 Washington, DC.

24 COUNCILMAN GREEN: Okay.

25 Thank you, Mr. Chair.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILMAN GREENLEE: Thank
3 you, Councilman.

4 Councilman Taubenberger.

5 COUNCILMAN TAUBENBERGER: Thank
6 you very much, Mr. Chairman.

7 Ms. Johnson, thank you very
8 much. Thank you for being available to
9 myself and my staff over the year. It's
10 appreciated greatly.

11 I'm just going to ask you and
12 comment on -- the reconciliation now
13 seems to be working very, very well. The
14 way it looks to me, you've done a super
15 job. There is 500,000 that is
16 unreconciled at this point. How does
17 that stand with other cities? Is that
18 better than most or are we about average?

19 MS. JOHNSON: Well, one,
20 there's always transactions in flux, so a
21 lot of it is timing. So talking with
22 other cities, there's always going to be
23 a time where you have some variance, but
24 we are working to see if we can chop away
25 at that. But there's always going to be

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 a little variance from month to month
3 because of timing and when transactions
4 go in and out of the bank and when the
5 bank closes their -- cut off their
6 statements.

7 COUNCILMAN TAUBENBERGER: But
8 other major cities would have the same
9 situation.

10 MS. JOHNSON: Yes.

11 COUNCILMAN TAUBENBERGER: And
12 we would be about, I guess, average or
13 maybe a little better?

14 MS. JOHNSON: I'm hoping that
15 we're average or a little better, yes.

16 COUNCILMAN TAUBENBERGER: Well,
17 I know it's hard work what you do.

18 You had said sometimes it takes
19 several months to hire someone. And why
20 do you think is the holdup? Is that
21 because you need to do a little more
22 investigation? It is the right person or
23 is -- if it takes several months to hire,
24 like Councilman Domb said, they may go
25 away, but is there a holdup on our end

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 that we could help you with?

3 MS. JOHNSON: Sometimes it
4 depends on -- sometimes the process can
5 go a little bit faster on the exempt side
6 because they have a little bit more
7 flexibility, but then also, for an
8 example, with our accountings, you have
9 to make sure that the lists are available
10 and the lists are current to pull someone
11 off, one of the civil service lists. So
12 sometimes that can take some time.

13 COUNCILMAN TAUBENBERGER: Okay.
14 And the last question I have, essentially
15 is there anything we can do in the City
16 Council with rules and regulations and
17 such that we're empowered with to help
18 your job become easier? This is a
19 dialogue, as far as I'm concerned. I
20 want to hear what's on your mind. How
21 can we help you become better?

22 MS. JOHNSON: I think working
23 closely with Council, as we have, has
24 been helpful and will continue to be
25 helpful to mitigate any roadblocks, but I

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 think right now we are moving in the
3 right direction with regards to making
4 the policies and procedures and having
5 them standardized for the Treasurer's
6 Office.

7 COUNCILMAN TAUBENBERGER:
8 Excellent. That's good to know.

9 I thank you very much, and
10 thank you for a good job.

11 MS. JOHNSON: Thank you.

12 COUNCILMAN TAUBENBERGER:
13 You're welcome.

14 COUNCIL PRESIDENT CLARKE:
15 Thank you.

16 I have around 12 questions.
17 I'm just playing. All right. We're
18 good. Thank you.

19 MS. JOHNSON: Thank you.

20 COUNCIL PRESIDENT CLARKE:
21 Thank you very much.

22 MS. JOHNSON: Thank you.

23 COUNCIL PRESIDENT CLARKE:
24 We're going to do Pensions next.

25 (Witnesses approached witness

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 table.)

3 COUNCIL PRESIDENT CLARKE: Good
4 morning -- good afternoon. I'm sorry.

5 MR. BIELLI: Good afternoon,
6 Council President, members of Council.
7 It's nice to be here again. Normally I
8 would dispense with the testimony, but
9 I'd like to read a brief summary, because
10 we did have a lot of changes this past
11 year, and just kind of give the Council a
12 summary.

13 To my left is CIO Christopher
14 DiFusco. My name is Francis Bielli,
15 Executive Director. To my right is
16 Deputy Executive Director Shamika
17 Taliaferro, and our executive staff
18 behind us and the Finance Director, of
19 course, Mr. Dubow.

20 So the Plan's funding
21 percentage increased from 45.3 percent to
22 46.8 percent as of July 1st, 2018.
23 That's a one and a half percent increase.
24 Important factors contributing to the
25 increased funding percentage are the

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2 recent changes and the decision to
3 dedicate the additional funds to paying
4 down the unfunded actuarial liability,
5 resulting in slashing the UAL by 2.1
6 percent in Fiscal Year '19. As part of
7 the strategy to strengthen the fund, any
8 additional pension contributions
9 resulting from the last round of
10 collective bargaining negotiations, along
11 with the proceeds the pension fund
12 receives from the sales tax, are held in
13 a separate notional account as part of
14 the adopted Revenue Recognition Policy.
15 The funds in the RRP notional account are
16 dedicated or mandated to paying down the
17 unfunded actuarial liability. The annual
18 City pension contribution is now based on
19 the higher RRP, not the lower Minimum
20 Municipal Obligation mandated by state
21 law. Accordingly, the dedicated stream
22 of RRP money will result in a continued
23 accelerated paydown of the UAL.

24 It should also be noted that
25 approximately 81 percent of that unfunded

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2 liability is for Plan 67, a plan which no
3 new employee has entered since 1987 for
4 exempts and non-reps, 1988 for Police and
5 Fire, and 1992 for DC 33 and 47. As the
6 RRP continues to pay down the UAL at an
7 accelerated pace, the effect of the Plan
8 67 legacy liability should continue to
9 decrease.

10 The improvements to the fund
11 also resulted in a positive annual cash
12 flow for the fund for the first time in
13 my memory. The gradual and continued
14 reduction of the assumed rate of return,
15 the adoption of the Revenue Recognition
16 Policy, and other responsible steps
17 explored and adopted by all parts of our
18 government interested in the health of
19 the fund reduces the fund's risk profile
20 and will continue to benefit the members
21 of the fund and the taxpayers.

22 The desire to adopt strategies
23 to further strengthen the fund among the
24 Board, City Administration, municipal
25 unions, and City Council resulted in the

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 adoption and formalization of a plan for
3 new non-uniformed municipal employees.
4 Plan 16 is a hybrid defined
5 benefit/defined contribution plan. An
6 employee in Plan 16 receives the
7 traditional Plan Y defined pension
8 benefit up to \$65,000 in annual
9 pensionable earnings, with the
10 opportunity to make additional
11 contributions for earnings above \$65,000
12 into a 457 plan including a partial City
13 match.

14 While new uniformed employees
15 are not members of Plan 16, new employees
16 pay an additional 2.5 percent towards
17 their base pension contribution, while
18 existing uniformed employees pay an
19 additional 1.84 percent to their baseline
20 rate.

21 All employees, including
22 uniformed employees, are required to make
23 additional employee pension contributions
24 as part of the new tiered contribution
25 tables. Tiered contributions require

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2 employees to make contributions above
3 their base contribution rate based on a
4 sliding salary scale. The additional
5 contribution sliding scale begins for
6 those making \$45,001 at 0.5 percent and
7 culminates at 2.75 percent for those
8 making above \$100,000. Additional tiered
9 contributions for those in Plan 16 are
10 capped at 1.5 percent, which is the rate
11 associated with their \$65,000 defined
12 benefit cap.

13 The Board voted again to reduce
14 the assumed rate of return to 7.60 for
15 the current fiscal year and 7.55 percent
16 for the following fiscal year. The Board
17 has reduced the assumed rate of return
18 for ten consecutive years, a total of 120
19 basis points or 1.20 percent over the
20 past 11 years.

21 Per the Board's actuary, while
22 the funding ratio may appear to reflect
23 lack of progress in funding, the decrease
24 in the assumed rate of return represents
25 improvement of the fund's risk profile,

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 improving the likelihood of achieving the
3 assumed rate in the future. Based on the
4 most recent actuarial analysis, the fund
5 is projected to reach 80 percent funding
6 by 2029, one full year ahead of previous
7 actuarial projections, and 100 percent
8 funding by 2033. The fund's investment
9 return for the fiscal year ending June
10 30th, 2018 was 9.01 percent net of fees.

11 You may also recall that the
12 fund's portfolio was restructured in
13 Fiscal 2016 to divest from all but one
14 hedge fund and other underperforming
15 high-cost investment products.
16 Accordingly, there has been a drastic
17 reduction in investment fees paid by the
18 Board from 33.5 million, which is a ratio
19 of 0.69 in Fiscal Year '14, to 15.7
20 million, an investment ratio of 0.31 in
21 FY18, an overall 55.1 percent reduction
22 during that timeframe. The Board and the
23 staff continues to monitor fees and
24 ensure the fund is operating efficiently,
25 in a cost-effective manner. Passively

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2 managed investments now account for
3 approximately 52 percent of the fund's
4 assets, up from roughly 29 percent just
5 four years ago.

6 Using our investment manager
7 database, the Board once again conducted
8 a utilization study to determine the
9 universe of diverse investment managers
10 that meet the fund's criteria, which is
11 having a three-year track record and at
12 least 100 million in assets under
13 management. The results are that 9.5
14 percent of firms and 5.2 percent of their
15 products had greater than 50 percent
16 minority or women ownership. Through
17 February 29th, 2019, the fund's current
18 lineup of investment managers includes
19 22.10 percent diversity managers, far
20 surpassing the universe that the
21 utilization study revealed. Diverse plus
22 local managers are approximately 30
23 percent of the fund. The Board continues
24 to seek high-quality, diverse, local, and
25 emerging managers for allocations across

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2 all asset classes.

3 Board members and staff
4 continue to participate in the
5 Mid-Atlantic Plan Sponsor, the National
6 Association of Security Professionals,
7 and other non-profit organizations that
8 are proponents of diversity in the
9 investment professional ranks. The Board
10 is an active member of an association
11 called the Thirty Percent Coalition,
12 which is an organization committed to the
13 goal of increasing women participation on
14 corporate boards. The Board supports
15 proxy initiatives promoting issues such
16 as inclusive corporate boards, equal pay,
17 and other important social issues.

18 The Board also encourages our
19 investment managers to create and/or
20 expand diversity outreach through
21 internships, mentoring, and hiring
22 programs. The Board is seeing real
23 results by investment firms in this area
24 as a result of our efforts.

25 Our investment staff

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2 participates in a local financial
3 education program for high school
4 students called Invest in Girls and
5 another school-based financial education
6 program called Operation Hope. The
7 mission of Operation Hope is to expand
8 economic opportunity in underserved
9 communities through financial literacy,
10 dignity, and empowerment. Topics include
11 basics of budgeting, banking,
12 fundamentals of credit, and introduction
13 to savings and investment. By all
14 accounts, the program is very successful
15 and well received. As a staff, we also
16 periodically are asked to be panel
17 members or guest lecturers at various
18 industry education conferences and at
19 local colleges, including graduate
20 classes at Temple University and the
21 University of Pennsylvania.

22 The Board is the recipient of a
23 Certificate of Transparency from the
24 National Conference of Public Employees
25 Retirement Systems in furtherance of our

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 level of public disclosure.

3 A large percentage of our
4 employees continue to use the deferred
5 compensation program to enhance their
6 retirement savings. There are currently
7 23,281 employees participating in the 457
8 plan administered by nationwide.
9 Starting this month -- actually, starting
10 yesterday, employees have greater
11 flexibility in bolstering their
12 retirement savings by participating in a
13 Roth 457, which allows after-tax
14 contributions to the 457 plan.

15 COUNCIL PRESIDENT CLARKE:

16 Excuse me. Mr. Bielli, are you reading
17 something other than the testimony that
18 was provided to us?

19 MR. BIELLI: Yes.

20 COUNCIL PRESIDENT CLARKE:

21 Okay.

22 MR. BIELLI: Yes. That's why I
23 wanted to read it, so you'd have it in
24 addition to the testimony.

25 COUNCIL PRESIDENT CLARKE: Was

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 there a reason you just didn't give it to
3 us?

4 MR. BIELLI: These were all
5 just recent additions. So I'll be glad
6 to send it to you.

7 COUNCIL PRESIDENT CLARKE: All
8 right. Yeah. Can you just give us a
9 copy?

10 MR. BIELLI: Yeah. So we just
11 got the actuarial report, the draft, last
12 week, and the Roth 457 just went through
13 last week. So these are all new
14 additions, and I'll be glad to send you
15 an electronic copy.

16 COUNCIL PRESIDENT CLARKE:
17 Yeah. Can you just give us a copy?

18 MR. BIELLI: Yes.

19 COUNCIL PRESIDENT CLARKE: And
20 you can summarize so we can get to
21 questions.

22 MR. BIELLI: And the last
23 thing, so the Roth 457, people can
24 participate after-tax money to the 457
25 plan. So it's not tax deferred. They

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 can get it tax free when they draw it out
3 of retirement. In addition, people can
4 set a percentage for that, so whenever
5 they get a raise, it automatically goes
6 up to that percentage for their deferred
7 compensation.

8 COUNCIL PRESIDENT CLARKE:
9 Okay. We appreciate the additional --

10 MR. BIELLI: A lot of changes
11 this year.

12 COUNCIL PRESIDENT CLARKE:
13 Hopefully in the future you can get it to
14 us beforehand so we can formulate our
15 questions based on the wealth of
16 knowledge as it relates to your
17 testimony.

18 MR. BIELLI: I'll be glad to
19 hand this up right now. You can have
20 this.

21 COUNCIL PRESIDENT CLARKE:
22 Thank you so much. We appreciate you.

23 MR. BIELLI: You got it.

24 COUNCIL PRESIDENT CLARKE: We
25 had a couple of questions, kind of a

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 three-parter.

3 So this fiscal year, good news,
4 we're projecting to be a net cash flow
5 positive, which means -- I'm assuming it
6 means money coming in is equivalent to
7 money going out, in layperson's terms,
8 and earnings -- and additional revenue
9 will be based on earnings. So that's
10 obviously a good thing. And if you can
11 talk about that as it relates to our
12 unfunded pension liability, how exactly
13 that plays into that. Part of that
14 question is, if you can tell me how the
15 trajectory of our fund compares to
16 comparable pension plans in comparable
17 cities, municipalities. And also how
18 have the changes to the pension's
19 investment strategy helped with long-term
20 stability? We'd like to hear some good
21 news, if you can give that to us.

22 MR. BIELLI: Okay. And I think
23 compared to other public pension funds, I
24 don't have their projections, I wouldn't
25 have that.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCIL PRESIDENT CLARKE: Pull
3 the mic down a little bit.

4 MR. BIELLI: I wouldn't have
5 their projections. So I wouldn't know
6 what their projections are. However, I
7 can tell you that for a couple periods of
8 time; for example, for the past year, we
9 outperformed SERS, Bucks County, Chester
10 County, Delaware County, and Montgomery
11 County. If you want to go out to a
12 further five-year period, go out to ten
13 years, we outperformed SERS, PSERS, and
14 other public pension funds. So our
15 returns have been good compared to other
16 public pension funds.

17 Concerning the projections, the
18 positive cash flow is a result of that
19 dedicated stream of money for the
20 additional contributions, the sales tax
21 and the tiered contributions, being
22 mandated to pay down that unfunded
23 actuarial liability. You may remember
24 that during the proposed sale of PGW and
25 during other proposals, buyouts of

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2 pensions, so on and so forth, the idea
3 behind the proposals was to get a lump
4 sum of money to try to pay down the
5 unfunded actuarial liability. The idea
6 of the Revenue Recognition Policy was
7 formalized, except for DC 33, was
8 formalized into all the collective
9 bargaining agreements. So that's not a
10 policy mandate that can go away very
11 easily now.

12 COUNCIL PRESIDENT CLARKE:

13 Right.

14 MR. BIELLI: It's subject to
15 collective bargaining. And I think the
16 unions and the City and City Council were
17 all happy with that, because paying down
18 2.1 percent of the unfunded actuarial
19 liability in this past fiscal year,
20 remember, only included DC 33 fully and
21 Police under the new contract. Next
22 fiscal year it will include exempts,
23 non-reps, DC 47, and Fire Department
24 employees. So the compounding or
25 exponential effect would be that much

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2 more dramatic as paying down the unfunded
3 actuarial liability. So the work that
4 the unions and Council, the
5 Administration did in order to effectuate
6 that change will have a very good,
7 positive effect.

8 As far as the cash flow --

9 COUNCIL PRESIDENT CLARKE: Real
10 quick, on the sales tax, because you
11 mentioned that. I know there was some
12 controversy around the sales tax. I know
13 my good friend and colleague locally now
14 but formerly up in the state, when there
15 was an issue about the sales tax and we
16 had anticipated being able to have all
17 that sales tax revenue going to Pensions
18 to pay down the unfunded liability much
19 quicker, and the formula that was worked
20 out was to save schools and we obviously
21 had to do that, but a little
22 disappointed. But the contribution from
23 the sales tax is increasing as
24 projected --

25 MR. BIELLI: It is increasing.

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2 COUNCIL PRESIDENT CLARKE: --

3 in the original Plan?

4 MR. BIELLI: And we do have the
5 actuary -- again, this is a draft report,
6 so we should be getting the final one
7 soon -- does have projections going out
8 to 2038, and that will be in the
9 actuarial report when it's finalized. So
10 they are projected to increase going
11 forward.

12 COUNCIL PRESIDENT CLARKE:

13 Okay. Thank you.

14 MR. BIELLI: By the way, we do
15 appreciate the Council President's
16 efforts on that behalf, as I tell Mr.
17 Stitt all the time on behalf of the
18 pension fund, and Councilwoman Parker.

19 COUNCIL PRESIDENT CLARKE:

20 Yeah. Collective effort by all of us and
21 our employees for agreeing to a more
22 robust contribution to a plan, and
23 municipal workers were really great.

24 I'm sorry. I interrupted you.

25 You had one last thing.

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2 MR. BIELLI: That's okay. As
3 far as the negative cash flow -- and,
4 again, this will be in the actuarial
5 report; this was in the draft report --
6 the cash flow has been negative for,
7 well, ever since I can remember. It's
8 never been positive. But the last three
9 years, four years has been trending
10 upwards because of the additional
11 contributions being made by the City,
12 because of the collective bargaining
13 changes that were made. We were a mature
14 pension plan long before many other
15 pension plans were and we made changes to
16 adapt to that. Some other pension plans
17 may not have made that change. So what
18 we're seeing is an evening out of us and
19 other pension plans, and I think we are
20 seeing a more positive cash flow. We are
21 seeing more stability in our pension plan
22 than other pension plans.

23 For example, if you look at
24 some comparable cities and the total
25 contribution ratio to benefits, ours is

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 the highest of any of these cities I'll
3 give you. Ours is at 95 percent. And I
4 wish I bought my glasses, so it's tough
5 to read, but I'm going to have Chris
6 assist me. So Baltimore is at 65
7 percent, Chicago 66 percent, 50 percent
8 for Houston, and 68 for Pittsburgh. So
9 what that means is that our fund is very
10 stable. We are almost a pay-as-you-go
11 sort of system, which means if we have a
12 down investment year, it won't be as big
13 of a hit on the General Fund as some of
14 these other comparable cities that aren't
15 contributing as high a percentage. In
16 fact, you may or may not see a report
17 coming out in the next month or so by Pew
18 applauding the stability of our pension
19 fund in a study that they're doing.

20 So I think we're seeing a lot
21 of positive things happening with the
22 pension fund and the culmination of
23 efforts over the last four to five years.

24 COUNCIL PRESIDENT CLARKE:

25 That's good news.

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2 The Chair recognizes
3 Councilwoman Parker.

4 COUNCILWOMAN PARKER: Thank
5 you. And, Mr. President, out of anybody
6 in this room, only you really know
7 heartfelt while when this Pension Board
8 comes before us and we hear about their
9 recent successes that we know have been
10 sort of growing and count-pounding over
11 the years because of their sound
12 management, you know why I smile, because
13 we made some very tough decisions under
14 your leadership here as President of this
15 Council and during my tenure in
16 Harrisburg as Chair of the Philadelphia
17 delegation.

18 And I just want you, Fran, and
19 your entire team to know that when
20 Philadelphia gets it wrong, when we get
21 it wrong, it is highlighted in every
22 newspaper. It's on every news station.
23 Everyone everywhere highlights what
24 happens when Philadelphia gets it wrong.
25 But when you are able to sit there and

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 for the record note that our pension fund
3 here in our City of Philadelphia has
4 outperformed SERS and PSERS and
5 Montgomery County and many of the regions
6 surrounding us, and I don't ever remember
7 reading maybe but one article or one line
8 about that. Tell me, if you will -- and
9 I'm going back to some questions from
10 last year. I want you to know that we
11 are proud that you outperformed them, but
12 when you think about why, what do you
13 attribute it to relative to your
14 management? Is it the continued
15 reduction in the assumed rate of return?
16 Is it because we've gotten out of some of
17 those more expensive investments and away
18 from hedge funds? I don't know. Tell us
19 what do you think is the secret to our
20 success? How are we outperforming these
21 others?

22 MR. BIELLI: And I'll let Chris
23 DiFusco also answer some of the specifics
24 of that, but, yes, it's all of those
25 things, but getting out of the high-cost,

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 low-performing investments was a key
3 turning point for us. We did that back
4 in 2016 when Michael Donatucci came to
5 the fund and he helped redo our asset
6 allocation, along with our consultants.
7 We did that, and we have kept that plan
8 in place. Chris has kept that plan in
9 place. The Board has kept that plan in
10 place. And what it did was not make us
11 an outlier. Prior to that, we operated,
12 I would say, more as an endowment as
13 opposed to a public pension fund, and the
14 high-fee investments that we were in not
15 only weren't returning well, but they
16 were costing us a lot of money. So
17 reducing our fees by over 55 percent was
18 key. But also the equity markets clearly
19 have helped. I mean, the equity markets
20 have done very well, and our fixed income
21 has done well for us also.

22 So, yes, I think it's been a
23 combination of the lower fees, more
24 judicious investment decisions, part of
25 those lower fees going to more passive

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 investment at the percentage of 52
3 percent at this point versus the percent
4 previously.

5 COUNCILWOMAN PARKER: You said
6 52 percent passive managed?

7 MR. BIELLI: That's correct.

8 COUNCILWOMAN PARKER: So that
9 means so it's going down. We were at 57
10 percent. Were we at 57 percent last
11 year?

12 MR. BIELLI: Yeah. Slightly
13 lower than last year. Part of that also
14 is because our active managers have
15 outperformed very well. So that
16 percentage goes up. It's not necessarily
17 because we have chosen more active
18 managers to hire versus the passive
19 managers.

20 COUNCILWOMAN PARKER: Tell me,
21 if you will, how many -- because although
22 we're doing well, we've outperformed
23 PSERS and SERS and a lot of the regions
24 in our area, but we still have that \$6
25 billion of unfunded liability. Tell me

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 what the actual number is now and walk
3 through it, if you will. Because it is
4 so frustrating when I hear people talk
5 about our unfunded liability and they
6 don't know the other half of the story,
7 Mr. President, and I think you summarized
8 it well. I just want you to walk back
9 through it for the record that is
10 attributed to legacy costs associated
11 with 67 and who's still in 67.

12 MR. BIELLI: Yeah. So the
13 unfunded -- 81 percent of that unfunded
14 actuarial liability is due to people who
15 have not been in those plans from 1992
16 backwards to 1987. On a positive note,
17 many of the recipients of those pensions
18 are still living, right? So that's a
19 good thing. However, it's not good for
20 the pension fund. But for the pension
21 fund, the longer people live -- and
22 that's also part of our funding
23 percentage. We increase the mortality
24 rate. We update that every three years,
25 at a minimum, when the experience study

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 comes out. So as people are living
3 longer, that assumption changes. So that
4 has an impact on the funding percentage,
5 just like reducing the assumed rate of
6 return does.

7 But, yes, there is
8 approximately, I'm going to say, 1,500 to
9 1,700 active employees that are still in
10 Plan 67. So we still have those people
11 that are active, but the paydown of that
12 unfunded actuarial liability through the
13 RRP will start to have a very cumulative
14 effect on that unfunded actuarial
15 liability. But if you look at the
16 funding percentages of the plans under
17 Plan 87, they're very high. The Police
18 and Fire are funded in the mid 80 percent
19 range, low to mid 80 percent ranges.
20 Even the municipal plan under Plan 87 is
21 funded in the high 60's, close to 70
22 percent. That's not even to mention Plan
23 10, which is at over 90 percent, and Plan
24 16, which is projected to have no funding
25 issues because of the type of benefits.

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2 So, again, it's that legacy,
3 it's that legacy issue, the unfunded
4 actuarial liability that is the main
5 driving force behind that \$6 billion.

6 COUNCILWOMAN PARKER: Well,
7 I'll tell you, I think you all have done
8 a yeoman's job in management, and I
9 welcome any revenue-generating ideas that
10 anyone has that can specifically tackle
11 the legacy costs associated with Plan 67,
12 because when we sort of think of the
13 300-pound gorilla in the room, that is it
14 for us, but that unfunded liability
15 sometimes overshadows even the greatest
16 successes that we've had in recent years.

17 With that being said, I also
18 want you to tell me, if you will, how
19 many of our employees are actively
20 contributing to Plan 457, and you
21 mentioned the Roth IRA as well. How many
22 are participating?

23 MR. BIELLI: So the Roth IRA
24 just started yesterday, so there actually
25 have been people who have already signed

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 up for it. It actually went live over
3 the weekend. So people are signing up
4 for that. I don't have those numbers
5 yet. I won't have those for a while.

6 I can get back to you on the
7 numbers of how many people are
8 contributing to Plan 10. However, in the
9 457 materials, they do mark that as a
10 separate. It's called a 401(a) account.
11 So whenever the employee contributes, we
12 call it a 457 just here, but when an
13 employee makes their own contributions
14 and the employer matches it, it's under
15 401(a). So the assets are growing and
16 there are more and more people
17 participating in that.

18 In order to ensure that people
19 either in Plan 10 or Plan 16 understand
20 the importance of contributing and
21 enhancing the defined benefit that they
22 have, Nationwide and staff does seminars
23 multiple days a week. Nationwide goes
24 out to the smallest of departments where
25 there might be five or six people at a

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 remote location, to the Airport. They
3 hold lunches at the Municipal Services
4 Building. They're always out there
5 trying to stress the importance of making
6 your own contributions to enhance the
7 defined benefit as part of that Plan 16
8 or Plan 10.

9 COUNCILWOMAN PARKER: Well,
10 Mr. President, my final question, and
11 thank you for your leeway and comment, is
12 that one of the toughest jobs in this
13 city and I think for municipalities
14 across the nation is balancing the
15 retirement security of its workers along
16 with the fiscal health of the City, and I
17 want you, if you will -- you commented
18 briefly, but when you think about the
19 plans that were just negotiated via
20 collective bargaining, I'm referring to
21 the stacked hybrid, assuring defined
22 benefit to what -- did we get to 60,
23 Mr. President? I'm so happy we got to
24 60, Mr. President.

25 So tell me, if you will, how

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 does Philadelphia compare to your
3 knowledge when you think about again that
4 delicate balance of the City's fiscal
5 health along with the retirement security
6 of its workforces.

7 MR. BIELLI: I think it's
8 improving greatly compared to other
9 cities. I think, more importantly, this
10 city is going in the right direction.
11 This city has made changes. Even dating
12 back to when Plan 10 was initiated, we
13 were maybe one of the first jurisdictions
14 in the country to have a hybrid defined
15 benefit/defined contribution plan. We
16 are definitely one of the first
17 jurisdictions to have a stacked hybrid
18 plan. People told us it wasn't possible,
19 people in other states, people in other
20 jurisdictions, that it wasn't possible.
21 I think that started when Sade was still
22 here, even before Matt. So that started
23 a while. That's been in the works for a
24 while.

25 And let me just give you the

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 projections for MMO, if the City just
3 made the MMO projection versus the
4 current Revenue Recognition Policy. The
5 actuary projected this. So by 2029 under
6 the MMO we would have been 76.7 percent
7 funded. Under the RRP, we're projected
8 to be 83.5 percent funded. By 2033 under
9 the MMO we would have been 89.9 percent
10 funded. Under the RRP, 102.9 percent
11 funded. The differences between the two
12 are dramatic.

13 Now, whether you get to 102
14 percent or not get to 102 percent, there
15 are variables in that, such as investment
16 return, and I think everyone gets that.
17 However, assuming all things are equal
18 with the assumed rate of return, which is
19 now 7.55, that's a roughly 13 percent
20 difference in funding percentage just
21 because of the collective bargaining
22 changes and the sales tax provisions.
23 That's exactly what this is. It's
24 nothing else. And so that's the effect
25 that those changes have had, and it's a

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 very positive, forward-looking effect.

3 COUNCILWOMAN PARKER: Thank
4 you.

5 Thank you, Mr. President.

6 COUNCIL PRESIDENT CLARKE:
7 Thank you, Councilwoman.

8 The Chair recognizes
9 Councilwoman Reynolds Brown.

10 COUNCILWOMAN BROWN: Thank you.
11 Good afternoon.

12 MR. BIELLI: Good afternoon.

13 COUNCILWOMAN BROWN: If you
14 could please allow the professionals on
15 each side of you to ID who they are, what
16 they do, and the team of professionals
17 you brought in the back, because you came
18 in here with major --

19 MR. BIELLI: Well, you know why
20 we did that? Because I don't do all the
21 work. We don't do all the work. We have
22 a good staff who does all the work and
23 many of which are not here.

24 So we have Administrator Stacey
25 White sitting here. Next to Stacey is

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 Shahied Lloyd, who runs the unit where
3 people purchase time and get their
4 letters when they're new employees; Dave
5 Fegan, Administrative Assistant. We have
6 the Reverend Tyrone Jordan in the back,
7 who is in our investment staff; Dominique
8 Cherry right there. We have Bern
9 Buckley, Deputy CIO; Kristyn Bair and
10 Adelle, both from our investment staff;
11 Bill Rubin, who is our Director of Audit;
12 and Jim Cousounis, who is our Chief
13 Compliance Officer.

14 COUNCILWOMAN BROWN: Okay. And
15 the two to your left and right?

16 MR. BIELLI: Christopher
17 DiFusco, our Chief Investment Officer,
18 and Shamika Taliaferro. She's the Deputy
19 Executive Director.

20 COUNCILWOMAN BROWN: Okay,
21 then. Thank you very, very much.

22 My questioning is focused on
23 the song that I sing for all departments
24 whenever you come before me, MBE/WBE
25 participation. And thank you for the

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 great improvement in our fiscal status,
3 as has been articulated by Councilwoman
4 Parker.

5 On Page 3 of your testimony,
6 you state that in FY18 for professional
7 services contracts, 3.6 million of the
8 13.9 went towards M/W/DSBEs, and based on
9 my calculation, that's 26 percent of the
10 firms. So is that to your satisfaction?
11 Is that -- well, here it says, for
12 example, in FY18, 30 percent of all
13 manager fees went to M/W/DSBE firms. So
14 are you where you want to be? Provide
15 background.

16 MR. BIELLI: No. So we are --
17 and those numbers, always our investment
18 fees are on a little bit of a lag. So
19 we're getting them in on a rolling basis.
20 So FY18 is still actually being
21 finalized. It's very strange in the
22 investment world. It takes a while for
23 real estate funds, closed-end real estate
24 funds, private equity funds, it takes
25 them a while to get the actual market

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 return into us.

3 COUNCILWOMAN BROWN: Very well.

4 MR. BIELLI: So for FY18, it's
5 actually -- the participation fees were
6 almost 5 million, 4.9.

7 COUNCILWOMAN BROWN: Okay,
8 then.

9 MR. BIELLI: That was out of
10 roughly 17. So it's about 28.10 percent.

11 COUNCILWOMAN BROWN: That's a
12 huge difference. Huge difference.

13 And now the MBE/WBE numbers for
14 public works, services, supplies, and
15 equipment is 25 percent. However, the
16 participation rate for professional
17 services is 26 percent. Why?

18 MR. BIELLI: Well, the
19 professional services are more of our
20 investment managers. And they are --
21 again, they're zero sum contracts when
22 they're initiated, and we don't know what
23 the amount is until the numbers actually
24 come in based on a percentage of the
25 assets under management.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILWOMAN BROWN: And you
3 spoke to in your testimony how you have
4 tackled the issue of diversity and the
5 demographics of your managers. Too often
6 we hear from departments answers that are
7 not accepted. So why don't you share
8 with us how you all have been intentional
9 in making sure that that mix of managers
10 is diverse.

11 MR. BIELLI: Our Board is not
12 shy, as Matt will attest to. So when we
13 bring in an investment manager, even an
14 existing investment manager, one of the
15 questions we always ask them is, tell us
16 about your diversity, but not just
17 strictly your staff diversity. We want
18 to know about the investment
19 professionals.

20 COUNCILWOMAN BROWN: Thank you.

21 MR. BIELLI: And also we want
22 to know what programs you have in place
23 in order to recruit diverse investment
24 professional candidates.

25 I won't use the name of the

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 firm, but we have a local firm that
3 invests with us, and they actually
4 started a program, brought in interns and
5 actually hired someone full time within
6 the nine-month period that we asked them
7 about -- they didn't have an existing
8 program until they got to the Pension
9 Board, and because of our questioning,
10 they started a program, they instituted
11 an intern program with local
12 universities, including Cheyney
13 University, and they brought in interns,
14 and they actually hired someone who was
15 born and raised in North Philadelphia, is
16 an investment professional now working
17 with that firm. So it's very, very
18 important to us, very, very important to
19 the Board, and we have seen real results
20 in doing that.

21 COUNCILWOMAN BROWN: That's a
22 great story, and that speaks to how you
23 have to be intentional and strategic,
24 because often it won't happen
25 organically. So tell that story to some

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 of your colleagues across government,
3 that it's possible when it's intentional.

4 MR. BIELLI: No; thank you, and
5 Chris and Dominique have spoken at
6 various seminars throughout the country
7 and talked about the program that we
8 have, and other pension funds, other
9 cities, other states are shocked that we
10 have --

11 COUNCILWOMAN BROWN: It's
12 doable.

13 MR. BIELLI: It is doable, and
14 otherwise you will get lip service, and
15 we were not interested in that.

16 COUNCILWOMAN BROWN: Amen to
17 that.

18 My last and final question
19 speaks to, my staff and I make it our
20 business to look to see how professionals
21 are being paid across the board all
22 wrapped up in this term called pay
23 equity, and I want to quote this
24 properly. As of November 2018, there
25 were 56 full-time staffers at the Board.

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 Of the 56 full-time staffers, 37 are
3 minority individuals and 19 are
4 non-minority minorities.

5 So why is it that an average
6 minority full-time staffer's salary
7 appears, based on the numbers that we've
8 looked at, is \$20,000 less than their
9 non-minority counterparts? And why do we
10 ask that question? Because there's an
11 ask for a 559,000 increase in the budget.
12 And so help us understand the need for
13 that and why those dollars -- or maybe
14 those dollars may go towards pay equity.

15 MR. BIELLI: So the first part
16 of the question I will answer. If you
17 exclude me from the salary, I think that
18 20,000 disappears. So I blame the Board
19 for that. No. I mean, if you exclude my
20 salary, it's public information. I think
21 my salary skews the results.

22 I think also for the additional
23 money is, there was a lot of changes as
24 far as collective bargaining and
25 increases, and that has to do with it.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 As far as the overall budget, when we
3 submitted the budget also, the cost for
4 One Philly was -- we budgeted that, but
5 then when the cost came in at a later
6 point, it was a little higher than we
7 thought.

8 COUNCILWOMAN BROWN: Very well.
9 Well, thank you for that explanation.
10 And so maybe the lesson for us as we look
11 at these docs and actually ask for the
12 information, maybe we should include a
13 line that removes the salary of the lead
14 professional for that office, because it
15 does tilt the numbers.

16 MR. BIELLI: It does skew it.

17 COUNCILWOMAN BROWN: Okay. All
18 right, then. Thank you very much.

19 MR. BIELLI: Okay.

20 COUNCIL PRESIDENT CLARKE:

21 Thank you, Councilwoman.

22 The Chair recognizes Councilman
23 Domb.

24 COUNCILMAN DOMB: Thank you,
25 Mr. President.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 Good afternoon.

3 MR. BIELLI: Good afternoon,
4 Councilman.

5 COUNCILMAN DOMB: I have a few
6 questions, not many.

7 It looks like from 2018 to
8 2020, there's an increase from 56 to 73
9 positions, a 32 percent increase,
10 according to Section 16, Page 5. It says
11 budgeted positions for 2020, 73.

12 MR. BIELLI: So when I came to
13 the Board, I think they were budgeted at
14 79 positions. We have never increased
15 it. We have reduced it. That could have
16 been on a different -- I don't know where
17 that number is coming from, but it's been
18 in that low 70's range since I've been
19 there.

20 COUNCILMAN DOMB: The page is
21 Page 5 of Section 16 of the budget, the
22 Fiscal 2020 Operating Budget, and it
23 shows that in '18 there were 56 full-time
24 people and in 2020 the request is 73.

25 MR. BIELLI: So, yeah. Even

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 last year, there was 55 out of 73.

3 COUNCILMAN DOMB: Last year you
4 still had budgeted 73, but I don't know
5 if you filled those positions.

6 MR. BIELLI: We filled -- I
7 think when you asked this question last
8 year, we said we had a couple vacancies
9 that we were waiting to fill. We did
10 fill those two vacancies. So, yeah. Now
11 it's 56 out of 73 instead of -- I think
12 it was 54 last year.

13 COUNCILMAN DOMB: So you have
14 56 filled right now?

15 MR. BIELLI: That's right.

16 COUNCILMAN DOMB: So you don't
17 need the 73 budgeted?

18 MR. BIELLI: Is that a trick
19 question? So, no. I think as I alluded
20 to last year, I think there's a right
21 size of employees. I don't think it's
22 56. I think it may be slightly higher
23 than that. I can't be sure yet, but it's
24 not 73.

25 COUNCILMAN DOMB: Okay. That's

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 no problem.

3 And then the other question I
4 have is, when you look at the -- that
5 also skews the whole budget, because when
6 you go back to Page 3 of Section 16, your
7 personal services in the budget are
8 increasing 13 and a half percent in two
9 years, and what I'm not clear on, why the
10 employee benefits in two years went from
11 4 million 89 to almost 5 million, a 24
12 percent increase.

13 MR. BIELLI: Right. So when we
14 submitted the budget last year, we
15 submitted a ratio that turned out to be a
16 little bit less than the benefits, the
17 fringe benefits, actually called for. So
18 that was right-sized this year as a
19 percentage, slightly over one percent.
20 Last year I think we put 0.92. So it
21 skewed the amount, and that's why we went
22 slightly over budget last year, first
23 time ever that we went over budget, and
24 that was because of a percentage that we
25 used that was not correct.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILMAN DOMB: But if we
3 were looking at your budget and said
4 basically, okay, we'll say 60 positions,
5 that would change a lot of these numbers,
6 I think, to a degree.

7 MR. BIELLI: Oh, sure.
8 Thirteen positions would have a big
9 effect.

10 COUNCILMAN DOMB: Let me ask
11 you just general questions. There's
12 66,000 people right now, I think, in the
13 pension program?

14 MR. BIELLI: Yes. Roughly 66,
15 that's right.

16 COUNCILMAN DOMB: And is there
17 29,000 employees?

18 MR. BIELLI: Slightly under 29,
19 that's right.

20 COUNCILMAN DOMB: And roughly
21 37,000 currently receiving payments.

22 MR. BIELLI: That's right.

23 COUNCILMAN DOMB: And I know my
24 colleague Councilwoman Parker talked
25 about the underfunded liability. Is it

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 still 6 billion or is it less than 6
3 billion?

4 MR. BIELLI: Right around 6
5 billion, that's right.

6 COUNCILMAN DOMB: And then in
7 the fund right now, how much are we
8 investing? Is it 4 and a half to 5
9 billion? What is that number?

10 MR. BIELLI: So we're investing
11 all but a certain percent, and Chris can
12 talk about that.

13 MR. DiFUSCO: So as of the end
14 of February, which is when we have the
15 most -- the official report that's on the
16 website, we had just over \$5 billion in
17 the fund.

18 COUNCILMAN DOMB: Invested?

19 MR. DiFUSCO: Invested, with
20 the exception of the -- we do keep a
21 certain amount of cash in reserve. So we
22 had about 1.2 percent in cash at the end
23 of February. All of the rest of the 5
24 billion and change is actively invested.

25 COUNCILMAN DOMB: So would you

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 say, just broad strokes, that 3.8 billion
3 is invested and 1.2 is roughly liquid?

4 MR. DiFUSCO: No. I may have
5 not been clear. Only 1.2 percent is in
6 cash. So 98.8 -- I may have not been
7 clear. 98.8 percent roughly at the end
8 of February was invested; 1.2 percent in
9 cash.

10 COUNCILMAN DOMB: That 5
11 billion is earning about 7 and a half
12 percent?

13 MR. DiFUSCO: So last fiscal
14 year it earned 9 percent. The year
15 before that, right around 13 percent.

16 COUNCILMAN DOMB: So maybe you
17 can explain this to me. I saw in the
18 paperwork the Board's returns for Fiscal
19 Year 2018 were at 9.01 percent, but it
20 said the returns for the Calendar Year
21 2018 were negative 4.2 net of fees. Can
22 you explain the difference?

23 MR. DiFUSCO: Sure. So the
24 fiscal year obviously ended on June 30th
25 of 2018. You may recall the month of

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 October and then December of 2018 were
3 extremely rough on the markets,
4 particularly in October when somewhat
5 unusually both bonds and stocks in terms
6 of their value dropped at the same time.
7 They're not normally as correlated as
8 they were in that month.

9 What I will say is while we
10 don't like losing money over any period,
11 it is inevitable when you're invested,
12 and if you look at some of the other
13 plans that Fran alluded to earlier, SERS
14 lost slightly more than that, about 10
15 basis points more. Bucks County lost
16 about 50 basis points more, Chester
17 almost 6 percent, Delco lost almost 7
18 percent. Montco County is often touted
19 because the Vanguard 90 percent passively
20 managed, they lost 5 and a half percent.

21 COUNCILMAN DOMB: What are you
22 projecting for '19 as a return for the
23 City?

24 MR. DiFUSCO: So I'm not in the
25 business of prognosticating. I can't

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 tell you what the markets are going to do
3 today, three months from now. What I can
4 tell you is that for the first three
5 months, so the estimated numbers for the
6 calendar year through March 31st, are
7 just under 8 percent. For the fiscal
8 year, they're at around 1.6 percent. And
9 for the month of March, we made about 90
10 basis points, just under 1 percent.

11 COUNCILMAN DOMB: Fiscal year
12 from July 1 of '18 through, let's say,
13 March 31 of '19, it's 1 point --

14 MR. DiFUSCO: 1.6.

15 COUNCILMAN DOMB: 1.6.

16 MR. DiFUSCO: Correct.

17 COUNCILMAN DOMB: So unless we
18 have a big pickup in the next three
19 months, we're going to be behind.

20 MR. DiFUSCO: Right. Although,
21 again, when you look at -- we have to
22 consider that again we're investing, as
23 you know, over the long term. You're
24 going to have years where you drastically
25 over-perform, as we did two years ago.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 You're going to have years where you come
3 in behind. The idea is to have steady,
4 stable performance that over 10, 20,
5 30-year cycles gets you at or above the
6 assumed rate of return.

7 COUNCILMAN DOMB: Another
8 question I just wanted to ask you. We're
9 paying out right now how much per year,
10 like 1.1 billion, or roughly what are we
11 paying out?

12 MR. BIELLI: In the standard
13 benefits, the annual rate of benefits --
14 this is through February 28th, 2019 -- is
15 771.9 million that were paid out. That
16 doesn't include DROP payments and
17 withdrawal of contributions.

18 COUNCILMAN DOMB: Give me the
19 total of everything that is taxed onto
20 the pension.

21 MR. BIELLI: That gets us into
22 the \$800 million, mid \$800 million.

23 COUNCILMAN DOMB: So in simple
24 terms, we're paying out 800 million.
25 We're contributing -- and this

1 4/2/19 - WHOLE - BILL 190152, ETC.
2 Administration and this Council have been
3 pretty aggressive in the last four years
4 in raising the contribution, because it's
5 right now like 15 percent of the new
6 budget, 746 million. So we're
7 contributing 746. We're paying out 800.
8 Then the interest on our investments, is
9 that like \$350 million or 375 million?

10 MR. DiFUSCO: So for the last
11 fiscal year, for Fiscal Year '18, the
12 amount that we gained from investment
13 returns was just under 464 million.

14 COUNCILMAN DOMB: So that's
15 where we're chipping away at that
16 liability basically.

17 MR. DiFUSCO: Correct.

18 COUNCILMAN DOMB: So what we
19 need is some of those interest payments
20 to make up the outflow. So we're not
21 really at -- our contribution is not
22 equal in the total outflow, but the
23 interest on the investments is helping us
24 make up for the difference.

25 MR. BIELLI: That's right.

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 COUNCILMAN DOMB: Well, I think
3 you guys are doing a good job. I just
4 want to make sure we stay on track. And
5 also I always like to plan for the worst
6 and hope for the best, and I do think we
7 will see a recession in the next few
8 years. So I just want to make sure we're
9 on top of that.

10 Thank you.

11 Thank you, Mr. President.

12 COUNCIL PRESIDENT CLARKE:

13 Thank you, Councilman.

14 That appears to be the end of
15 the questions for you. Thank you very
16 much.

17 MR. BIELLI: Thank you. Always
18 a pleasure.

19 COUNCIL PRESIDENT CLARKE:

20 There being none, the Committee will
21 stand in recess until Wednesday, April
22 3rd, 2019 at 10:00 a.m., at which time we
23 will reconvene in Room 400, City Hall.

24 Thank you very much.

25 (Committee of the Whole

1 4/2/19 - WHOLE - BILL 190152, ETC.

2 recessed at 1:10 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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April 2, 2019

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