

**OFFICE OF PROPERTY ASSESSMENT
FISCAL YEAR 2018 BUDGET TESTIMONY
APRIL 5, 2017**

INTRODUCTION

Good afternoon, President Clarke and Members of City Council. I am Michael Piper, Chief Assessment Officer. Joining me today are James Aros Jr., Deputy Chief Assessment Officer and Delicsha Wilds, Administrative Services Director. I am pleased to provide testimony on the Office of Property Assessment's Fiscal Year 2018 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Office of Property Assessment (OPA) is responsible for determining the value of all real property in Philadelphia and is dedicated to doing so in a fair, accurate, and understandable way. OPA's primary goal is, through ongoing assessments, to improve the accuracy and uniformity of all property values and to instill confidence in Philadelphia taxpayers regarding the fairness of the property tax system, as well as the competency and professionalism of Philadelphia's assessment office.

Plans for Fiscal Year 2018: For Tax Year 2018, OPA recently completed a reassessment of the entire city that focused on all commercial, industrial, and institutional properties, with a goal of not only ensuring that assessed values more accurately reflect sales and market forces, but also reducing the value inequities among comparable properties. This involved a thorough analysis of some of Philadelphia's most complex and high-valued parcels, including hotels, office buildings, apartment buildings, all retail properties (from shopping centers and malls to big box establishments, department stores and corner grocery stores), as well as restaurants, movie theatres, warehouses, commercially-zoned vacant land, and those properties with multiple uses. Since assessment increases have been proposed for many of these parcels, and because many of the increases are on high-value properties, many of these property owners will likely file formal appeals and OPA expects to spend much of Fiscal Year 2018 providing property-specific reports in defense of the proposed revisions at market value appeal hearings. However, due to the extensive research and analysis conducted by OPA's evaluation staff and statistical modeling experts in producing the proposed 2018 assessments, and thanks to the additional outside resources provided to OPA at council's recommendation, we are confident that the final product will represent a substantial improvement to the accuracy and uniformity of the city's assessment rolls.

Additionally, OPA will continue to pursue the goal of assessment accuracy and uniformity for all classifications of property throughout the City of Philadelphia through ongoing and regular assessment efforts. During Fiscal Year 2018, our reassessment project will include a comprehensive review of the entire universe of residential, commercial, and industrial real estate in the city with the immediate goal of tying assessments to actual values based on an analysis of the market through a time-trended accounting of sales over the past several years. This reassessment, effective for Tax Year 2019, is necessary in order to enhance the relationship between market values and assessments.

As part of our overall goal of increasing the quality of property tax assessments through accurate assessments that are fair to all property owners, OPA seeks during the upcoming fiscal year to engage with other City agencies as well as City Council, large institutional property owners of the city's many hospitals

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and universities, and the non-profit community-at-large, to seek a better way to accurately assess the many statutorily exempt properties as they relate to both value and taxable status.

Finally, OPA hopes to begin the initial stages of implementation of the long-awaited Computer Assisted Mass Appraisal (CAMA) system. This will involve not only many hours devoted to technical issues such as data integration and the consolidation and/or elimination of existing, redundant data silos, but also extensive process modification that will ensure that the City of Philadelphia realizes the full value potential of an off-the-shelf, state of the art CAMA system.

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BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 2016)				
	Total	Minority	White	Female
Number of Full-Time Staff	198	99	99	113
Number of Civil Service-Exempt Staff	10	5	5	4
Number of Executive Staff (deputy level and above)	9	5	4	3
Average Salary, Full-Time Staff	\$55,924	\$49,687	\$56,342	\$52,727
Average Salary, Civil Service-Exempt Staff	\$99,060	\$102,694	\$95,028	\$73,897
Average Salary, Executive Staff	\$108,594	\$110,790	\$105,848	\$94,107
Median Salary, Full-Time Staff	\$54,983	\$51,553	\$54,983	\$51,553
Median Salary, Civil Service-Exempt Staff	\$94,418	\$94,418	\$94,418	\$74,709
Median Salary, Executive Staff	\$94,418	\$94,418	\$101,986	\$94,418

Employment Levels (as of December 2016)		
	Budgeted	Filled
Number of Full-Time Positions	210	198
Number of Part-Time Positions	0	0
Number of Civil-Service Exempt Positions	10	10
Number of Executive Positions	9	9
Average Salary of All Full-Time Positions	\$54,872	\$55,924
Median Salary of All Full-Time Positions	\$54,983	\$54,983

General Fund Financial Summary by Class						
	FY16 Original Appropriations	FY16 Actual Obligations	FY17 Original Appropriations	FY17 Estimated Obligations	FY18 Proposed Appropriations	Difference: FY18-FY17
Class 100 - Employee Compensation	\$10,424,420	\$10,675,256	\$10,434,139	\$10,527,806	\$11,313,100	\$785,294
Class 200 - Purchase of Services	\$2,078,126	\$1,242,200	\$1,578,126	\$1,578,126	\$1,828,126	\$250,000
Class 300 - Materials and Supplies	\$716,600	\$237,680	\$716,600	\$716,600	\$716,600	\$0
Class 400 - Equipment	\$66,000	\$98,896	\$66,000	\$66,000	\$66,000	\$0
Class 500 - Contributions	\$0	\$0	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0	\$0
	\$13,285,146	\$12,254,032	\$12,794,865	\$12,888,532	\$13,923,826	\$1,035,294

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Professional Services Contracts Summary						
	FY12	FY13	FY14	FY15	FY16	FY17 YTD (Q1 & Q2)
Total amount of contracts	\$254,211	*\$2,485,353	\$1,302,345	\$919,935	\$641,229	**\$907,878
Total amount to M/W/DSBE	\$85,750	\$1,779,100	\$622,733	\$520,000	\$288,378	\$228,378
Participation Rate	34%	72%	48%	57%	45%	31%

* The Fiscal Year 2013 total contract amount is due to the costs associated with AVI.

** The Fiscal Year 2017 mid-year contract amount is due to the addition of the RCDH consultant contract for commercial, industrial and institutionally-owned parcels.

M/W/DSBE Contract Participation Goal			
	FY16	FY17	FY18
M/W/DSBE Contract Participation Goal	65%	65%	65%

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2018 General Fund budget totals \$13,923,826, an increase of \$1,035,294 over Fiscal Year 2017 estimated obligation levels. This increase is primarily due to the anticipation of reaching recommended staffing levels and preparing for appeals associated with the Commercial, Industrial and Institutionally-Owned Parcels.

The proposed budget includes:

- \$11,313,100 in Class 100, a \$785,294 increase over FY17. This funding will support the achievement of the full staffing level of 223 employees for the Office of Property Assessment.
- \$1,828,126 in Class 200, a \$250,000 increase over FY17. This funding will provide the necessary resources to purchase services, provide training and maintain the required professional licenses of the evaluation staff.
- \$716,600 in Class 300, level funding compared to FY17. This funding will primarily cover the expenditures associated with the printing and mailing of notices to the taxpayers of Philadelphia.
- \$66,000 in Class 400, level funding compared to FY17. This funding will cover the cost associated with maintaining and replacement of current office equipment and furniture.

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STAFFING LEVELS

The department is requesting 223 budgeted positions for FY18, an increase of 13 Real Property Evaluator positions over FY17. The increase is attributed to the department approaching our recommended hiring goals.

New Hires

New Hires			
	Total Number	English	Hindi
Black or African American	10	10	0
Asian	1	1	0
White	3	3	0
Other	1	1	1
Total	15	15	1

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PERFORMANCE, CHALLENGES, AND INITIATIVES

FY18 Performance Measures				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate *	FY18 Target **
Coefficient of Dispersion ***	0.145	0.15	N/A	≤ 0.15
Overall Single Family Price Related Differential ****	1.055	1.042	N/A	> .98 & < 1.05

* The FY17 estimate for each measure must take into account all 2016 sales that have been recorded and reviewed as “arms-length” or valid. Analysis will not be completed until May 2017, after which time OPA will calculate accurate measurements.

** The FY18 estimate for each measure must take into account all 2017 sales that have been recorded and reviewed as “arms-length” or valid. Analysis will not be completed until May 2018, after which time OPA will calculate accurate measurements. FY18 targets are best guesses.

*** Some 2017 data will not be available until FY17 appeals are decided and all 2016 sales are accounted for and validated. The Coefficient of Dispersion (COD) is considered the most reliable, and therefore is the most frequently used measure of assessment uniformity in ratio studies. It is based on an average absolute deviation, but expresses it as a percentage and provides a more objective measure of uniformity that is independent of the level of appraisal. While a COD of between .14 and .15 is considered good for a jurisdiction with the number of single-family parcels and the level of parcel heterogeneity that exists in Philadelphia, in general low CODs are associated with a more uniform level of assessment.

**** This measures assessment progressivity or regressivity. Assessments are considered progressive if high-value properties are relatively over-appraised, and regressive if high-value properties are under-appraised relative to low-value properties. While no differential (a PRD of 1) is considered perfect, PRDs tend to have an upward bias due in part to assessment time lags. A PRD between .98 and 1.05 is considered acceptable.

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OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

N/A.

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CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY17											
Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE Participation Achieved	\$ Value of M/W/DSBE Participation	Total % Participation - All DSBES	Total \$ Value Participation - All DSBES	Local Business (principal place of business located within City limits)	Waiver for Living Wage Compliance?
RCDH of PA	Commercial Consultant	\$350,000	7/27/2016	10/25/2016	MBE: 0-15%	0%	\$0	0%	\$0	Yes	No
					WBE: 0-15%	0%	\$0				
					DSBE: 0-15%	0%	\$0				
Linebarger	Customer Service and Application Processing	\$228,378	5/24/2016	7/1/2016	MBE: 10-15%	0%	\$0	100%	\$228,378	Yes	No
					WBE: 5-10%	100%	\$228,378				
					DSBE: 0%	0%	\$0				
Doyle Real Estate Advisors	Chief Appraisal Consultant	\$90,000	5/4/2016	7/1/2016	MBE: 0-15%	0%	\$0	0%	\$0	Yes	No
					WBE: 0-15%	0%	\$0				
					DSBE: 0-15%	0%	\$0				
Vanguard Direct	Customer Service and Application Processing	\$190,000	7/8/2012	9/1/2012	MBE: 15-20%	0%	\$0	0%	\$0	Yes	No
					WBE: 10-15%	0%	\$0				
					DSBE: 0%	0%	0				

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EMPLOYEE DATA

Staff Demographics (as of December 2016)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	31	53	<i>Total</i>	2	3
<i>% of Total</i>	16%	27%	<i>% of Total</i>	22%	33%
<i>Average Salary</i>	\$49,634	\$42,400	<i>Average Salary</i>	\$135,816	\$94,107
<i>Median Salary</i>	\$51,553	\$48,941	<i>Median Salary</i>	\$135,816	\$94,418
	White	White		White	White
<i>Total</i>	46	53	<i>Total</i>	4	0
<i>% of Total</i>	23%	27%	<i>% of Total</i>	44%	0%
<i>Average Salary</i>	\$61,664	\$53,753	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$58,431	\$51,553	<i>Median Salary</i>	N/A	N/A
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	1	4	<i>Total</i>	0	0
<i>% of Total</i>	1%	2%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$55,608	\$59,661	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$55,608	\$55,305	<i>Median Salary</i>	N/A	N/A
	Asian	Asian		Asian	Asian
<i>Total</i>	5	2	<i>Total</i>	0	0
<i>% of Total</i>	3%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$55,188	\$38,294	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$51,553	\$38,294	<i>Median Salary</i>	N/A	N/A
	Other	Other		Other	Other
<i>Total</i>	2	1	<i>Total</i>	0	0
<i>% of Total</i>	1%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$44,659	\$48,116	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$44,659	\$48,116	<i>Median Salary</i>	N/A	N/A
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	8	6	<i>Total</i>	0	0
<i>% of Total</i>	4%	3%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$50,679	\$51,862	<i>Average Salary</i>	N/A	N/A
<i>Median Salary</i>	\$51,553	\$51,862	<i>Median Salary</i>	N/A	N/A
	Male	Female		Male	Female
<i>Total</i>	85	113	<i>Total</i>	6	3
<i>% of Total</i>	43%	57%	<i>% of Total</i>	67%	33%
<i>Average Salary</i>	\$51,426	\$52,727	<i>Average Salary</i>	\$115,837	\$94,107
<i>Median Salary</i>	\$58,431	\$51,553	<i>Median Salary</i>	\$114,290	\$94,418

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NUMBER OF BILINGUAL EMPLOYEES

Number of Bilingual Employees									
	Spanish	French	Lithuanian	Russian	Malayalam	Hindi	Creole	Mongolian	Bengali
Management and Support	0	1	0	0	0	0	0	0	0
Real Property	2	1	1	2	3	3	0	1	0
Assessment Support	1	0	0	0	0	1	1	0	1
Total - All Divisions	3	2	1	2	3	4	1	1	1
Total - # of Bilingual Employees	14								
Total - # of Languages Spoken	9								