

**DEPARTMENT OF REVENUE
FISCAL YEAR 2018 BUDGET TESTIMONY
MAY 9, 2017**

INTRODUCTION

Good morning, President Clarke and Members of City Council. I am Frank Breslin, Revenue Commissioner and Chief Collections Officer. Joining me today are Michelle Bethel, Deputy Revenue Commissioner and Marisa Waxman, First Deputy Revenue Commissioner. I am pleased to provide testimony on Revenue's Fiscal Year 2018 Operating Budget.

DEPARTMENT MISSION & PLANS

Mission: The Department of Revenue collects tax and non-tax revenue due to the City and tax revenue due to the School District of Philadelphia promptly and efficiently by increasing on-time payments and decreasing delinquency.

Plans for Fiscal Year 2018: In FY18, the Department of Revenue will collect nearly \$5 billion in taxes and fees to fund the operations of the City and School District of Philadelphia and provide efficient water and sewer collections. Additionally, the Department will provide over \$100 million in assistance to homeowners and residential water customers through relief programs.

To achieve these objectives, the Department will continue to focus on increasing voluntary compliance (the amount of money paid on time), collections of delinquent revenue, and enrollment of all eligible Philadelphians in the assistance programs to which they are entitled.

To encourage voluntary compliance in FY18, the Department will:

- Continue using feedback and technology to enhance customer service.
- Continue to expand eFile and ePay options.
- Add eBilling for Water accounts.

To increase delinquent collections in FY18, the Department will:

- Utilize the Data Warehouse and Case Management system launched in FY17 to identify new opportunities to collect revenue and make existing efforts more efficient.
- Utilize new contracts with collection agencies and law firms. New contracts will result in the automation and increased frequency of referrals, as well as allow for more types of delinquencies to be referred.
- Expand the use of Sheriff Sale for Water Delinquencies.
- Launch new payment plan options for businesses and commercial properties.

To expand access to assistance programs in FY18, the Department will:

- Launch the brand new Tiered Assistance Program to offer affordable rates to low-income water customers.
- Continue efforts to streamline enrollment processes and improve awareness for all assistance programs, including the Federal Earned Income Tax Credit program.

REVENUE

- Continue to utilize newly appointed Administrators of Taxpayer Assistance and Water Assistance Programs to manage the respective programs and ensure all eligible taxpayers and water customers are enrolled in relief programs.

To improve all tax administration functions, the Department will begin the process of replacing its 32-year old legacy computer system in FY18.

REVENUE

BUDGET SUMMARY & OTHER BUDGET DRIVERS

Staff Demographics Summary (as of December 31, 2016)*				
	Total	Minority	White	Female
Number of Full-Time Staff	636	489	147	471
Number of Civil Service Staff	577	463	114	435
Number of Exempt Staff	59	26	33	36
Number of Executive Staff (deputy level and above)	7	3	4	4
Average Salary, Full-Time Staff	\$45,831	\$43,619	\$53,456	\$45,560
Average Salary, Civil Service Staff	\$43,293	\$42,355	\$47,103	\$42,435
Average Salary, Exempt Staff	\$70,605	\$66,118	\$75,403	\$70,232
Average Salary, Executive Staff	\$123,203	\$114,032	\$130,081	\$122,186
Median Salary, Full-Time Staff	\$40,555	\$40,231	\$42,663	\$40,555
Median Salary, Civil Service Staff	\$40,555	\$39,930	\$41,155	\$39,930
Median Salary, Exempt Staff	\$60,000	\$57,118	\$65,000	\$61,904
Median Salary, Executive Staff	\$120,000	\$113,422	\$127,662	\$122,500

Employment Levels (as of December 31, 2016)*		
	Budgeted	Filled
Number of Full-Time Positions	721	636
Number of Part-Time Positions	0	0
Number of Civil-Service Positions	660	577
Number of Exempt Positions	61	59
Number of Executive Positions (deputy level and above)	7	7
Average Salary of All Full-Time Positions	\$40,365	\$45,831
Median Salary of All Full-Time Positions	\$40,555	\$40,555

*Staffing and employment numbers are All Funds.

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	\$19,617,564	\$18,570,671	\$21,657,214	\$21,235,848	\$22,231,193	\$995,345
Class 200 - Purchase of Services	\$5,352,949	\$5,823,985	\$7,523,149	\$8,292,683	\$7,350,349	(\$942,334)
Class 300 - Materials and Supplies	\$723,391	\$580,240	\$873,391	\$763,391	\$711,526	(\$51,865)
Class 400 - Equipment	\$77,585	\$23,094	\$150,085	\$150,085	\$199,450	\$49,365
Class 500 - Contributions	\$0	\$32,634	\$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
	\$25,771,489	\$25,030,624	\$30,203,839	\$30,442,007	\$30,492,518	\$50,511

Grants 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	\$0	\$0	\$0	\$0	\$0	\$0
Class 200 - Purchase of Services	\$21,150,000	\$16,600,000	\$21,425,000	\$21,425,000	\$26,425,000	\$5,000,000
Class 300 - Materials and Supplies	\$0	\$0	\$0	\$0	\$0	\$0
Class 400 - Equipment	\$0	\$0	\$0	\$0	\$0	\$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
	\$21,150,000	\$16,600,000	\$21,425,000	\$21,425,000	\$26,425,000	\$5,000,000

REVENUE

Professional Services Contracts Summary						
	FY12	FY13	FY14	FY15	FY16	FY17 YTD (Q1 & Q2)
Total amount of contracts	\$10,945,906	\$12,350,027	\$30,710,421	\$24,630,191	\$23,194,941	\$7,441,253
Total amount to M/W/DSBE	\$4,297,960	\$6,260,800	\$17,202,201	\$10,852,058	\$9,022,900	\$2,344,788
Participation Rate	39%	51%	56%	44%	39%	32% *

*3rd Quarter Participation Rate is 37% and the Department expects to meet the 45% goal by the end of the Fiscal Year.

M/W/DSBE Contract Participation Goal			
	FY16	FY17	FY18
M/W/DSBE Contract Participation Goal	45%	45%	45%

REVENUE

PROPOSED BUDGET OVERVIEW

Proposed Funding Request:

The proposed Fiscal Year 2018 General Fund budget totals \$30,492,518, a net increase of \$50,511 over Fiscal Year 2017 estimated obligation levels, a result of increases and decreases across classes 100, 200, 300, and 400. The most significant increases are \$250,345 in salary increases for District Council #33 and Exempt staff and \$450,000 to continue Title Company searches in support of Sheriff Sales. The most significant decrease is \$300,000 in Philly Beverage Tax one-time implementation funding that is no longer needed in FY18.

The proposed budget includes:

- \$22,231,193 in Class 100, an \$995,345 net increase over FY17. This increase is a result of returning \$745,000 in Class 200 (used to fund a Professional Services deficit in FY17) back to Class 100 and funding for District Council #33 and Exempt employee salary increases.
- \$7,350,349 in Class 200, an \$942,334 decrease over FY17. This decrease is primarily a result of moving FY17 mid-year transfer funding back to Class 100 and non-recurring implementation costs associated with the Philly Beverage Tax, mail center equipment support services and the Law Revenue Bureau expansion project.
- \$711,526 in Class 300, an \$51,865 decrease over FY17. The Department completed the Legal Service Division office renovation project in the current fiscal year; therefore, funding will not be needed in FY18.
- \$199,450 in Class 400, an \$49,365 increase over FY17. This funding is for the purchase of equipment and furniture for new and existing staff.

REVENUE

STAFFING LEVELS

The department is requesting 668 budgeted positions (All Funds) for FY18, a decrease of 53 positions over FY17.

The decrease is attributed to 53 positions in the Water Revenue Bureau Call Center that will merge into the Philadelphia Water Department Call center to create a one-stop calling experience for water customers. Water customers will be able to call one telephone number for water/sewer/storm water bill inquiries and water repair/service emergencies. The 53 positions will become Philadelphia Water Department employees on July 1, 2017.

NEW HIRES

New Hires (from December 31, 2016 to present)								
	Total Number of New Hires	Albanian	Arabic	Creole	Hindi	Malayalam	Spanish	Vietnamese
Black or African American	19	0	1	1	0	0	1	0
Asian	4	0	0	0	0	2	0	1
Hispanic or Latino	5	0	0	0	0	0	3	0
White	5	1	0	0	0	0	0	0
Other	1	0	0	0	1	0	0	0
Total	34	1	1	1	1	2	4	1

As of December 31, 2016, 636 positions were filled. We are actively filling positions and expect to reach staffing levels of approximately 95% by the end of FY17.

REVENUE

PERFORMANCE, CHALLENGES, AND INITIATIVES

FY18 Performance Measures: Policy, Analysis, Executive Direction & Administration				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Percent of revenue projection collected (General Fund)	101%	102.2%	100%	100%
Percent of revenue projection collected (School District)	98.0%	96.7%	100%	100%
Percent of revenue projection collected (Water Fund)	101.9%	100.5%	100%	100%
Cost per dollar collected – General Fund and School District *	\$0.01	N/A	\$0.01	\$0.01
Cost per dollar collected – Water Fund	\$0.03	\$0.03	\$0.03	\$0.03
Percent of positions filled	89%	86%	97%	97%

*Data tabulated on an annual basis.

FY18 Performance Measures: Tax Billing, Accounting, and Customer Service				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Percent of real estate tax collected within calendar year *	94.2%	Data not yet available	94.4%	94.6%
Current year dollar amount collected (General Fund)	\$2,624,251,308	\$1,008,061,395	\$2,750,656,000	\$2,899,376,000
Current year dollar amount collected (School District)	\$866,223,351	\$883,039,000	\$883,039,000	To Be Determined
Client satisfaction with customer service **	Baseline data not available	55.6%	57.0%	58.0%

*This number is for Calendar Year 2015, the most recent year for which 12 months of data is available. The FY17 YTD figure will represent Calendar Year 2016 when 12 months of data are available.

** This measure is the percent of respondents to email and paper surveys who reported either being very satisfied or somewhat satisfied with their service experience. Surveys were begun at the end of FY16, so FY16 actuals not available.

FY18 Performance Measures: Delinquent Tax Collection				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Dollar amount of delinquent taxes collected (General Fund)	\$107,895,372	\$38,594,642	\$103,884,000	\$106,142,000
Dollar amount of delinquent taxes collected (School District)	\$85,320,032	\$32,778,763	88,290,000	TBD
Percent change in delinquent principal outstanding *	-13.6%	N/A		-10.0%
Percent delinquent Real Estate Tax accounts in “not actionable” status (e.g. in payment agreements, bankruptcy, established within last 90 days, or under appeal) **	27.7%	N/A	27.5%	27.5%
Percent delinquent Real Estate Tax accounts in payment agreements **	25.5%	N/A	25.5%	25.5%

*This measure is reported annually. Historically, this measure has only been reported as an actual. No projections were made for FY17.

** This measure is reported annually.

REVENUE

FY18 Performance Measures: Taxpayer Assistance & Credit Programs				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Number of assistance applications processed	17,377	8,965	22,734	25,000
Percent of homeowners receiving relief	78%	78%	78%	79%
Dollar amount of homeowner relief	\$102,943,687	\$101,452,147	\$102,943,687	\$103,000,000
Number of Free Federal Tax Returns prepared to support the Earned Income Tax Credit *	17,224	0	25,600	25,600

*Tax season and EITC tax preparations begin on January 23rd, so the YTD number is 0.

FY18 Performance Measures: Water Billing, Accounting, and Customer Service				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Percent of water bills paid in 90 days	86%	86%	86%	87%
Dollar amount of current water bills collected *	\$558,886,280	\$234,400,034	\$581,951,080	N/A
Calls responded to within 24 hours **	99%	99%	99%	N/A

*FY18 estimate not available at time of publication of Five Year Plan.

*The Water Revenue Bureau (WRB) Call Center will be transferred to the Philadelphia Water Department (PWD) and merged with their Call Center in FY18. This will no longer be a Revenue performance measure.

FY18 Performance Measures: Delinquent Water Collections				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Dollar amount of delinquent payments owed to the Water Fund that are collected *	\$43,614,353	\$24,814,758	\$36,844,740	\$34,800,000
Percent change in delinquent principal outstanding **	-3%	Calculated at year-end	N/A	
Percent of Water accounts in payment agreements**	9%	9%	N/A	

*In FY18 a new low-income assistance program called the Tiered Assistance Program (TAP) will be launched

**Historically, this measure has only been reported as an actual. No projections were made for FY17. Revenue is still determining FY18 target.

FY18 Performance Measures: Water Assistance Programs				
Measure	FY16 Actual	FY17 YTD (Q1 & Q2)	FY17 Estimate	FY18 Target
Number of water assistance applications processed *	17,766	9,599	N/A	TBD
Number of water applications approved *	10,865	4,828	N/A	TBD
Number of water applications denied *	6,478	3,165	N/A	TBD
Percent of eligible water customers receiving relief *	N/A			TBD
Dollar amount of water discounts *	\$3,679,307	\$1,639,409	N/A	TBD

*Revenue does not conduct projections for these measures. In FY18, a new low-income assistance program called the Tiered Assistance Program (TAP) will be launched. An estimated 60,000 customers will be eligible. City Grants will no longer be provided. The existing low-income program Water Revenue Assistance Program (WRAP) will not accept any new enrollment.

REVENUE

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

Proposed state legislation altering the Sterling Act to require that non-resident Wage Taxes be remitted back to the home jurisdiction of the commuter working in Philadelphia could have a negative impact estimated at \$180 million annually if passed and surrounding jurisdictions all implemented a 1% Earned Income Tax.

REVENUE

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?
Goehring, Rutter & Boehm	Real Estate Tax Collection	\$8,000,000	7/30/2012	1/1/2013	MBE: 15% - 20%		\$0	2%	\$160,000	Yes	No
					WBE: 15% - 20%	2%	\$160,000				
					DSBE: Best Efforts		\$0				
Goehring, Rutter & Boehm	Real Estate Tax Collection	\$2,000,000	6/30/2016	1/1/2017	MBE: 17% - 22%	15%	\$300,000	18%	\$360,000	Yes	No
					WBE: 3% - 7%	3%	\$60,000				
					DSBE: Best Efforts		\$0				
Linebarger Goggan Blair & Simpson, LLP	Real Estate Tax Collection	\$4,000,000	7/30/2012	1/1/2013	MBE: 15% - 20%	23%	\$932,000	100%	\$4,000,000	Yes	No
					WBE: 15% - 20%	77%	\$3,068,000				
					DSBE: Best Efforts		\$0				
Linebarger Goggan Blair & Simpson, LLP	Real Estate Tax Collection	\$2,000,000	6/30/2016	1/1/2017	MBE: 17% - 22%	1%	\$20,000	100%	\$2,000,000	Yes	No
					WBE: 3% - 7%	99%	\$1,980,000				
					DSBE: Best Efforts		\$0				
Revenue Collection Bureau, Inc.	Discovery & Delinquent Tax Collection	\$1,500,000	2/23/2013	10/1/2013	MBE: 15% - 20%	98%	\$1,470,000	98%	\$1,470,000	Yes	No
					WBE: 15% - 20%		\$0				
					DSBE: Best Efforts		\$0				

REVENUE

EMPLOYEE DATA

Staff Demographics (as of December 31, 2016)					
Full-Time Staff			Executive Staff		
	Male	Female		Male	Female
	African-American	African-American		African-American	African-American
<i>Total</i>	85	335	<i>Total</i>	0	2
<i>% of Total</i>	13%	53%	<i>% of Total</i>	0%	29%
<i>Average Salary</i>	\$44,657	\$42,766	<i>Average Salary</i>	\$0	\$116,711
<i>Median Salary</i>	\$40,231	\$40,231	<i>Median Salary</i>	\$0	\$116,711
	White	White		White	White
<i>Total</i>	52	95	<i>Total</i>	2	2
<i>% of Total</i>	8%	15%	<i>% of Total</i>	29%	29%
<i>Average Salary</i>	\$44,657	\$42,766	<i>Average Salary</i>	\$132,500	\$127,662
<i>Median Salary</i>	\$40,231	\$40,231	<i>Median Salary</i>	\$132,500	\$127,662
	Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	7	23	<i>Total</i>	1	0
<i>% of Total</i>	1%	4%	<i>% of Total</i>	14%	0%
<i>Average Salary</i>	\$58,039	\$50,948	<i>Average Salary</i>	\$108,675	\$0
<i>Median Salary</i>	\$49,563	\$41,668	<i>Median Salary</i>	\$108,675	\$0
	Asian	Asian		Asian	Asian
<i>Total</i>	18	10	<i>Total</i>	0	0
<i>% of Total</i>	3%	2%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$49,627	\$47,461	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$48,116	\$43,437	<i>Median Salary</i>	\$0	\$0
	Other	Other		Other	Other
<i>Total</i>	3	8	<i>Total</i>	0	0
<i>% of Total</i>	0%	1%	<i>% of Total</i>	0%	0%
<i>Average Salary</i>	\$47,577	\$45,286	<i>Average Salary</i>	\$0	\$0
<i>Median Salary</i>	\$34,313	\$39,908	<i>Median Salary</i>	\$0	\$0
	Bilingual	Bilingual		Bilingual	Bilingual
<i>Total</i>	23	26	<i>Total</i>	1	0
<i>% of Total</i>	4%	4%	<i>% of Total</i>	14%	0%
<i>Average Salary</i>	\$58,066	\$48,000	<i>Average Salary</i>	\$108,675	\$0
<i>Median Salary</i>	\$51,186	\$41,512	<i>Median Salary</i>	\$108,675	\$0
	Male	Female		Male	Female
<i>Total</i>	165	471	<i>Total</i>	3	4
<i>% of Total</i>	26%	74%	<i>% of Total</i>	43%	57%
<i>Average Salary</i>	\$49,698	\$45,560	<i>Average Salary</i>	\$124,558	\$122,186
<i>Median Salary</i>	\$41,868	\$40,555	<i>Median Salary</i>	\$120,000	\$122,500

REVENUE

NUMBER OF BILINGUAL EMPLOYEES

Number of Bilingual Employees																								
	Afrikaans	Albanian	Arabic	Baole	Chinese	Dutch	Creole	French	German	Gujarati	Hindi	Indian	Italian	Malayalam	Marathi	Medumba	Portuguese	Russian	Spanish	Tagalog	Tamil	Vietnamese	Yiddish	Yoruba
Delinquent Tax Collection	-	-	-	-	-	1	-	1	1	-	2	-	2	2	-	-	2	-	8	1	-	1	-	-
Tax Billing, Accounting & Customer Service	-	-	-	-	1	-	1	3	-	1	3	-	-	3	1	-	-	-	4	-	-	1	-	1
Water Billing, Accounting & Customer Service	1	1	1	-	-	-	-	1	-	1	1	1	-	-	-	-	-	-	4	-	-	-	-	-
Executive Direction & Administration	-	-	-	1	1	-	-	2	-	-	1	-	-	2	-	1	-	1	2	-	1	-	1	-
Total - All Divisions	1	1	1	1	2	1	1	7	1	2	7	1	2	7	1	1	2	1	18	1	1	2	1	1
Total - # of Bilingual Employees	51																							
Total - # of Languages Spoken	24																							

*The Department of Revenue offers services in multiple languages through:

- Language line access for in-person and telephone customer service;
- Website fully translated into dozens of languages;
- Social media posts in multiple languages;
- Translation of documents and bills into multiple languages. This is an ongoing process and is prioritized to translate the most critical documents first (ex. the Warning of Risk of Foreclosure was translated early in this process);
- Bilingual staff.