**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

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.

## 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 |

## 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.

## 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 | | | | |

## 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 |
| Total | 31 | 53 | Total | 2 | 3 |
| % of Total | 16% | 27% | % of Total | 22% | 33% |
| Average Salary | $49,634 | $42,400 | Average Salary | $135,816 | $94,107 |
| Median Salary | $51,553 | $48,941 | Median Salary | $135,816 | $94,418 |
| White | | White | White | | White |
| Total | 46 | 53 | Total | 4 | 0 |
| % of Total | 23% | 27% | % of Total | 44% | 0% |
| Average Salary | $61,664 | $53,753 | Average Salary | N/A | N/A |
| Median Salary | $58,431 | $51,553 | Median Salary | N/A | N/A |
| Hispanic | | Hispanic | Hispanic | | Hispanic |
| Total | 1 | 4 | Total | 0 | 0 |
| % of Total | 1% | 2% | % of Total | 0% | 0% |
| Average Salary | $55,608 | $59,661 | Average Salary | N/A | N/A |
| Median Salary | $55,608 | $55,305 | Median Salary | N/A | N/A |
| Asian | | Asian | Asian | | Asian |
| Total | 5 | 2 | Total | 0 | 0 |
| % of Total | 3% | 1% | % of Total | 0% | 0% |
| Average Salary | $55,188 | $38,294 | Average Salary | N/A | N/A |
| Median Salary | $51,553 | $38,294 | Median Salary | N/A | N/A |
| Other | | Other | Other | | Other |
| Total | 2 | 1 | Total | 0 | 0 |
| % of Total | 1% | 1% | % of Total | 0% | 0% |
| Average Salary | $44,659 | $48,116 | Average Salary | N/A | N/A |
| Median Salary | $44,659 | $48,116 | Median Salary | N/A | N/A |
| Bilingual | | Bilingual | Bilingual | | Bilingual |
| Total | 8 | 6 | Total | 0 | 0 |
| % of Total | 4% | 3% | % of Total | 0% | 0% |
| Average Salary | $50,679 | $51,862 | Average Salary | N/A | N/A |
| Median Salary | $51,553 | $51,862 | Median Salary | N/A | N/A |
| Male | | Female | Male | | Female |
| Total | 85 | 113 | Total | 6 | 3 |
| % of Total | 43% | 57% | % of Total | 67% | 33% |
| Average Salary | $51,426 | $52,727 | Average Salary | $115,837 | $94,107 |
| Median Salary | $58,431 | $51,553 | Median Salary | $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 | | | | | | | | |