COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, April 8, 2015
10:35 a.m.

PRESENT:
COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN ED NEILSON
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILMAN BRIAN J. O'NEILL
COUNCILMAN MARK SQUILLA
COUNCILWOMAN MARIAN B. TASCO

BILL 150162, 150163, and 150164
RESOLUTION 150179

- - -

COUNCIL PRESIDENT CLARKE: Good morning, everyone. This is the public hearing of the Committee of the Whole regarding Bills No. 150162, 150163, 150164, and Resolution No. 150179.

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

MR. STITT: Bill No. 150162, an ordinance to adopt a Capital Program for the six Fiscal Years 2016 through 2021 inclusive.

Bill No. 150163, an ordinance to adopt a Fiscal 2016 Capital Budget.

Bill No. 150164, an ordinance adopting the Operating Budget for Fiscal Year 2016.

Resolution No. 150179, providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2016 through 2020, and incorporating proposed changes with respect to Fiscal Year 2015, which is to be submitted by the Mayor to

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the Pennsylvania Intergovernmental Cooperation Authority pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3rd, 1992 by and between the City and the Authority.

COUNCIL PRESIDENT CLARKE:

Thank you.

Today we continue the public hearing on the Committee of the Whole to consider various bills read by the Clerk to constitute proposed operating and capital spending measures for Fiscal 2016, a Capital Program and a forward-looking Capital Plan for Fiscal 2016 through Fiscal 2021.

Today we will hear testimony from the following City departments: Finance, City Treasurer, Sinking Fund, and OPA. Pension and Retirement has been rescheduled.

Would the Administration please come forward.

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(Witness approached witness table.)

COUNCIL PRESIDENT CLARKE: Good morning.

MR. DUBOW: Good morning.

Good morning, Council President Clarke and members of Council. My name is Rob Dubow and I'm pleased to provide testimony today in support of the Department of Finance's proposed FY16 operating budget.

The Department is charged with overseeing our financial, accounting, and budgetary functions, including establishing fiscal policies, guidelines, and overseeing our budget and financial management programs, and recording and accounting all of our financial activities.

The proposed budget for the Office of Director of Finance supports a number of divisions, and there are representatives of those divisions in the audience today. The budget as proposed

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includes a total of $1.3 billion. A lot of that is not for the direct -- almost all of that is not for the direct Finance budget. The largest single area is for benefits, and there's an increase of $50 million over FY15 levels. The increase is caused by a $50 million increase in fringe benefit costs, including 35 million in pensions and 15 in other fringe benefit costs.

The direct General Fund appropriations for the Finance Department are about 13.3 million, which is a decrease of 1.3 from FY15. Our core budget has a Class 100 budget of 8.8 million. That's about a 180,000 decrease. We have about 4.5 million in Class 200, a decrease of about a million; 110,000 in Class 300 and 400, which is unchanged; and there's 142 million in Class 500. The largest single item in there is the $69 million contribution to the School District. There's also $30 million for Community College, which is

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an increase of 3.4 million over FY15 level.

And I think with that, I'll stop and I'm happy to answer any questions.

COUNCIL PRESIDENT CLARKE:
Thank you, Mr. Dubow.

Mr. Dubow, I can't recall. Earlier in our first -- I guess it was our Five Year Plan discussion, there was this question about sales tax and we had asked IHS to be available. Was that going to be for this or was it going --

MR. DUBOW: It was going to be for when the data revenue bills are heard, yes.

COUNCIL PRESIDENT CLARKE:
Okay. Testimony at Page 1, your testimony talks about 725,000 decrease in Class 500 for City contributions to various organizations. Could you detail what organizations will not be receiving funding and explain the reason behind the reduction.

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MR. DUBOW: Sure. Let me just find the right page.

So among the decreases are things that were put in -- well, I guess actually the biggest single decrease -- there was $2 million in our budget last year for the Fund for Philadelphia for the Summer Jobs program. That actually moved over to Recreation.

COUNCIL PRESIDENT CLARKE: Okay.

MR. DUBOW: There were also some items that we agreed with Council to put in the budget for '15 that don't recur, like the Wissahickon Boys Club, Germantown Boys Club. So a number of those too. So I think those are probably the two biggest areas of where there were decreases.

COUNCIL PRESIDENT CLARKE: Okay. On the Earned Income Tax Credit initiative that we actually did legislation, although we were told that we didn't need legislation, but we did it

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anyway, would that be best answered when Revenue comes up?

MR. DUBOW: Yes. And I think you sent a letter to the Revenue Commissioner, and I know she's putting together an answer for that that you'll have before they come up.

COUNCIL PRESIDENT CLARKE: Okay. And the other thing, the other income inequality initiative that Council has. We have these boards.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: I'm going to refer to them every day. We enacted a low-income wage tax reduction --

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: -- program. Where are we at with that?

MR. DUBOW: I think that was also in your letter. So she'll have -- you'll get a written response to all of that.

COUNCIL PRESIDENT CLARKE: That

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will come out of -- that would be a part of the Revenue conversation?

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: Okay. All right.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Good morning, Mr. Dubow.

MR. DUBOW: Good morning.

COUNCILMAN GOODE: Sort of an out-of-the-box policy question, but you're the one that would have to answer it. The first bill I introduced in City Council authorized the City to invest in promissory notes issued by community development financial institutions, and the purpose behind it was to find a source of revenue for investment that would jump-start small business lending in economically disadvantaged neighborhoods.

A more recent concept being

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advanced is the establishment of a local public bank that would invest in new economic opportunities using reserve funds to invest in things that would generate economic activity.

What are your thoughts about that policy of establishing a local public bank?

MR. DUBOW: I think if -- I understand the development reasons to want to do it. I think if we wanted to establish it, it would probably be better to do it through an appropriation rather than using our funds, because we have investment guidelines and how they're used, and we want relatively safe investments for them, and I imagine some of these investments wouldn't be as safe as our guidelines require.

COUNCILMAN GOODE: I'm sort of getting to that next, but so even before we get to the safety issues in terms of the funds, what amount of funds are actually available in reserves through

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various funds to actually capitalize the public bank?

MR. DUBOW: When you say "available," you mean kind of what is in our consolidated cash on a daily basis?

COUNCILMAN GOODE: Yes.

MR. DUBOW: So that varies dramatically by time of year.

COUNCILMAN GOODE: Because we used to just put it in the bank, and then we got smarter about it and started investing it.

MR. DUBOW: I'm sorry. I missed that.

COUNCILMAN GOODE: I said we used to just put it in the bank. We used to have hundreds of millions of dollars in banks, and now we are smart about it, we keep less cash and we invest it.

MR. DUBOW: Yeah. We actually try to make sure that it's all invested, but invested based on when we'll need certain amounts of cash. So there's some we can invest longer and some we can

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invest shorter.

In the spring after the business tax and property tax come in, then the cash we have on hand is much higher, probably hundreds of millions of dollars. This time of year as we're working there, it gets kind of tight, but it varies by month.

COUNCILMAN GOODE: The next question is talking about our deposits and/or investments. In terms of the business we do with large national banks, after we pay fees, essentially how much money do we make or lose on an annual basis in terms of the business we do with large national banks?

MR. DUBOW: I will have -- I don't have that off the top of my head. I'd have to get back to you on that.

COUNCILMAN GOODE: So wouldn't that be the standard we use to decide what we need in terms of a rate of return for a public bank?

MR. DUBOW: For that

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investment, right, but there's also -- whenever you do investment, you're looking at the risk that you're putting in for that return, and we generally try to avoid risk with the cash that we need for our daily operations.

COUNCILMAN GOODE: But the issue is, if you would get the same rate of return that you're getting after the fees you're paying large national banks, why not invest -- why not have a public bank that invests if it brings the same rate of return? And I think that we would need to know what that rate of return is after we pay fees to these large national banks.

MR. DUBOW: Right. And I guess what I'm saying is, the risk profile is different, which is why I'm saying I think you would want a different source of funding if you wanted to do that. I don't think you'd want to use the cash we have on hand for that.

COUNCILMAN GOODE: What's the

difference between that and an appropriation?

MR. DUBOW: Appropriation we're not relying on that for kind of -- we're assuming that that money is going to be gone. The daily cash, we assume that if it's invested, it's coming back.

COUNCILMAN GOODE: So are you familiar with successful public bank models?

MR. DUBOW: I have not studied it, so, no.

COUNCILMAN GOODE: Okay. So you're not familiar with the North Dakota model or any other models?

MR. DUBOW: I am not.

COUNCILMAN GOODE: So it could be successful; you just haven't researched it?

MR. DUBOW: I have not. You're just asking the question now, so right.

COUNCILMAN GOODE: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE:

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Thank you, Councilman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

Good morning, everyone.

MR. DUBOW: Good morning.

COUNCILMAN JONES: Good to see you again.

Last year you guys allocated 300,000 to fund a new Collections Office. It's my understanding through testimony yesterday we have about 20 different entities that actually collect money for the City of Philadelphia, and that I was wondering what was that about and have we made any sense of how we can collect better, particularly identifying stranded assets that we can kind of collect on.

MR. DUBOW: So the Collections Office that had shown in the Finance budget is kind of moved over to Revenue. Tom Knudsen was the first Chief Collections Officer. That's now been

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folded into Commissioner Tolson's title. So she's now Revenue Commissioner and Chief Collections Officer. So that's all run through Revenue.

COUNCILMAN JONES: So the 300,000 is there?

MR. DUBOW: Well, it's less now because we had a separate collections officer. So I think that money is really gone and the effort is being run out of Revenue.

COUNCILMAN JONES: And what efforts are being implemented to streamline all of the different -- I recall the EMS being one. How are we progressing on that?

MR. DUBOW: So Revenue is coordinating with each of the outside agencies and taking kind of a sequential approach to work with them to help them with their collections. So they started with commercial trash, and that's kind of moved -- they're not really doing that now. Their next big focus is EMS. I

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think they spent some time with Police on their collections. So, I mean, that's kind of the way they're doing it, is moving one entity at a time.

COUNCILMAN JONES: So will we be able to like measure? I know we made a substantial investment in Revenue.

MR. DUBOW: Yes.

COUNCILMAN JONES: By way of predictive dollars, things like that.

MR. DUBOW: Right. So the biggest -- one kind of big development in Revenue that's kind of in the process of happening is the establishment of a data warehouse. That will allow them to do a much better job of kind of gathering information on delinquents and figuring out kind of who is best to target and when. I think that will really help a lot, and that's happening kind of over the next year. I think we actually show some additional revenue in the budget from those efforts.

COUNCILMAN JONES: So we have

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had several articles dedicated to the stranded real estate assets, particularly with an eye towards those that are not inside the City of Philadelphia, yet they own properties here that they allow to be tax delinquent and, to add insult to injury, actually pay their real estate taxes at their home county.

Where are we on that kind of ability to go after folk where they live?

MR. DUBOW: So I think there are a couple of things there. I mean, one, it's obviously a focus of the Revenue Department. The other, I think there was legislation passed at the state level that allows us to do cross-liening with properties in other jurisdictions. So I think that's enhanced our ability to go after them.

COUNCILMAN JONES: So my question is, how much have we -- so it's been a year now. How much have we gotten out of that process?

MR. DUBOW: So I'll have to get

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back to you on that.

COUNCILMAN JONES: All right.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. President.

Good morning.

MR. DUBOW: Good morning.

COUNCILMAN GREENLEE: I know OPA is coming in later and Revenue will be coming in on another day, but this is sort of a -- and I know we talked about, I think, this problem, is the issue of what appears to be the disconnect between when somebody gets a decision at BRT. It seems to take a long time to get on the OPA record and then seems to take even longer to get on Revenue, and what we've seen now because of how long it takes to get to the hearing -- and I'm not criticizing the process -- the assessment

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at this point. It's just that --

MR. DUBOW: That will be later today.

COUNCILMAN GREENLEE: That will come later. But it's that people get a decision at BRT and it seems to take a heck of a long time to get to, I guess, the Revenue, and people are getting the wrong bills. And even now because some of these deal with the 2014, they're getting Sheriff Sale notices. Something seems wrong about that.

MR. DUBOW: Yes. There was something wrong about that, and both Revenue and OPA recognized the problem and have begun working since they've begun. They've been working together for maybe a month or so on -- and working with OIT to kind of resolve that, and they've shrunk the backlog, but there still is a backlog. So it's something that still needs work, but that they are working on.

COUNCILMAN GREENLEE: And I

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guess my question is, was there any thought -- I'm not trying to Monday morning quarterback here. But was there any thought that the fact that these people are getting these Sheriff Sale notices and a lot of people who came to me, our office, are older people, because they're kind of the ones that had some argument at BRT that maybe their property was not assessed properly, and now they think they did everything right and now they're being told that -- and when people are at Sheriff Sale, it's easy for us to say to them, Well, hold on, they're fixing it, but these folks think they're going to lose their house tomorrow, you know.

MR. DUBOW: I know. You're right.

COUNCILMAN GREENLEE: Was there any thought given to the fact that maybe holding up at least the Sheriff Sale notice until this connect happened better? I'm not trying to just, you

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know, criticize from the -- but I mean --

MR. DUBOW: You raise a good point. I think we've gotten there and probably should have been there earlier.

COUNCILMAN GREENLEE: Well, I think these notices are still going out, from what I understand. Relatively recently people are still getting notices that have Sheriff Sale notices on them.

MR. DUBOW: Okay. I'll look into that, because that's a good point.

COUNCILMAN GREENLEE: Okay. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Neilson.

COUNCILMAN NEILSON: Thank you, Mr. President.

Good morning. How are you today?

MR. DUBOW: Good morning. Good. How are you?

COUNCILMAN NEILSON: Good. I'm

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going to pose the same question I've posed to everybody else. I know you know it's coming.

If you had to make a 9 percent personnel cut in your department -- a 9 percent non-personnel cut, not cutting one job, where would you make it?

MR. DUBOW: So I did know that the question was coming. That's challenging for us because most of our 200 money falls into just a few categories. One is, we have a collection agency, and part of our 200 is giving them their portion of the collection. So if -- they get, I think, it's 11 percent of the collection. So we can't really cut that. If the revenue comes in, we have to pay it.

And then the rest are for insurance and claims management. I mean, all of which if we cut the budget for, we are increasing our exposure in the future, so that our costs are likely to go up in the future. I mean, that's

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really where our 200 money is.

COUNCILMAN NEILSON: So you have no wasteful funding or no wasteful spending within your budget?

MR. DUBOW: We try not to. So, I mean, the other areas, the smaller areas are things like training. We have a portion in our budget for analysis of legislation, because there was a Charter change that allows Council to ask for analyses of bills. So we have a little money for that. Other than that, there aren't any big pockets in our 200.

COUNCILMAN NEILSON: You talked about the collection agency fees at 11 percent of those fees. Is that bid on? So maybe we can save like 5 percent.

MR. DUBOW: Yeah, that is.

COUNCILMAN NEILSON: Is that how we contract that out, who collects the lowest fees from the City?

MR. DUBOW: We go through a competitive process, yes, and through the process last time, we were able to reduce

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that percentage.

COUNCILMAN NEILSON: Under Section 12, Page 3, if I can have you turn into the budget that you submitted of the big book. In Box 10, there's $20 million for advances and miscellaneous payments. Can you explain what that is, $20 million for advances and miscellaneous payments, Section 12, Page 3. It shows $20 million, Code 900, advances and miscellaneous payments.

MR. DUBOW: Oh, the Community Development Fund. That's not General Fund money. That's Community Development.

COUNCILMAN NEILSON: I'm just going off what you gave me.

MR. DUBOW: No. If you look over to the left, it tells you what fund it's in.

COUNCILMAN NEILSON: Okay.

MR. DUBOW: And it says Community Development. So none of that is in our General Fund budget.

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COUNCILMAN NEILSON: So you don't know --

MR. DUBOW: That's all -- that all comes in through grants.

COUNCILMAN NEILSON: All right. It's disbursed under your department, right, under department, Office of Director of Finance, and that's you?

MR. DUBOW: Yeah.

COUNCILMAN NEILSON: That's what you gave me. That's on your third page.

MR. DUBOW: Right.

COUNCILMAN NEILSON: Do we know what that's for? Do you know what that's for? You oversee revenue.

MR. DUBOW: Yeah. I guess --

COUNCILMAN NEILSON: Are we usually -- like do we give out money not knowing where it goes all the time, like $20 million worth?

MR. DUBOW: No. I think my point was, I think you were looking for places where you could cut the General

Fund?

COUNCILMAN NEILSON: Oh, no. I'm just asking. You answered that question.

MR. DUBOW: Oh, okay. You moved on to a different topic.

COUNCILMAN NEILSON: Now I'm going through stuff that I found where little questions, shaky at best.

MR. DUBOW: Yeah. So that is -- I think that's in anticipation of grants coming in to CDBG. And if you look in --

COUNCILMAN NEILSON: So we're thinking that's going to be some kind of grant program?

MR. DUBOW: Yeah.

COUNCILMAN NEILSON: Just leaving a hold slot on it?

MR. DUBOW: Yes.

COUNCILMAN NEILSON: That's the best to explain it?

MR. DUBOW: Yes.

COUNCILMAN NEILSON: All right.

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Let's go to Page 13. Is that something you can answer on Page 13?

MR. DUBOW: What's the question?

COUNCILMAN NEILSON: Well, the question would be non-travel meals and official entertaining in the tune of 66,000 a year. Who do we entertain at 66,000 a year?

MR. DUBOW: So a lot of what that is for is if there are, for example, kind arbitration hearings for Act 111 arbitration hearings for Police and Fire, for example, we have to rent out space in hotels for those hearings, and that's kind of the biggest portion of where that money goes.

COUNCILMAN NEILSON: So that's listed as official entertaining?

MR. DUBOW: Yeah.

COUNCILMAN NEILSON: We don't have facilities to do that within City Hall?

This is some of the stuff that

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we could cut out. I mean, they were spending $66,000 on renting rooms that we have plenty of City space to do. I mean, these are some of the stuff I'm looking at, Rob.

MR. DUBOW: Yeah. I mean, that's something we could look at. It's kind of -- I think the idea is that it would be at a neutral site, but we can look at it.

COUNCILMAN NEILSON: I guess I'm cut off for now or can I keep going? I got pages.

COUNCIL PRESIDENT CLARKE: You can keep --

COUNCILMAN NEILSON: Am I okay?

COUNCIL PRESIDENT CLARKE: I'm assuming you're not going to go on all day.

COUNCILMAN NEILSON: I know.

COUNCIL PRESIDENT CLARKE: We have one other member, but after that, there's nobody else teed up as of this moment.

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COUNCILMAN NEILSON: So we'll do round robin.

COUNCIL PRESIDENT CLARKE: We'll go to Councilwoman Blackwell and then come back to you, sir.

COUNCILWOMAN BLACKWELL: Thank you, Mr. President.

I was following up on the remarks of Councilman Greenlee, because I hear from my staff all the time about people from 2014 with Sheriff Sale notices and people who haven't been contacted, and even when they try, they don't hear back as to their status. So that's a real important issue.

Do you know if more people have been hired? I think we were told more people have been hired to deal with this.

MR. DUBOW: For OPA? Yeah. They have actually been increasing their staffing. So I know that that has been happening.

COUNCILWOMAN BLACKWELL: Well, we hope that something can be done with

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this because, I mean, Council has been willing to give them what they need. We just wonder if I'm getting the same problems Councilman Greenlee is getting, it means that all of us are getting them, and we wonder if there's some plan moving forward for community engagement or what we want to do to give people the confidence that we are moving forward in a clear and direct manner.

MR. DUBOW: Okay. That's a good point, and we should come up with a communications plan for that, and we will.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Councilman.

COUNCILMAN NEILSON: Thank you, Mr. President. I'll try not to take up too much time.

Rob, throughout your budget, I

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see miscellaneous class expenses and different -- like the forecasting consultants, and the one that came to mind is, because I'll cut it short, what is an addressing consultant?

MR. DUBOW: So one of the big challenges for the City is, different departments have different information sets for addresses of departments. So Fire might have a different address from Water, which might have a different address from Revenue, and then it causes a lot of confusion. It causes a lot of operational problems. We're trying to work to get to the point where that's all consistent, and we need outside help in doing that. That's what the addressing consultant would do.

COUNCILMAN NEILSON: So last year we spent 23,000 and this year we're expected to spend 160,000 additional dollars on that. It seems like a big jump to me, not knowing where our own buildings are.

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MR. DUBOW: We just went through a competitive selection process and selected somebody, and that's kind of the range of where the proposals came in in terms of kind of figuring out how to do that. It's actually a pretty big project.

COUNCILMAN NEILSON: Okay. And then my last question, I'll go back to the BRT and the assessments and how we just went through the whole reassessment deal. There's been some inconsistencies and I was wondering what we are going to do to address that on the value of the land and the improvements on the land. I could go by personal experience myself where my property land is valued $60,000 higher than anybody else on the block. However, my end number is good. I'm not complaining about my end number. That is good. However, the breakdown to get to that end number is something we discussed before, and I wonder if there's any means of addressing that before we go out and

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do reassessments and new assessments on other properties.

MR. DUBOW: So OPA plans kind of their next project, which will be for next year, is to do an assessment of land on every property in the City. So all 570,000 properties, they'll be looking at the land and what it should be valued at.

COUNCILMAN NEILSON: And how would that affect our people's taxes? Because right now it's not balanced properly. So if my land value goes down to what it should be, because I know I don't live on an $80,000 piece of land, everybody else is at like 30, 35, which is probably market value, what are you going to do, drop my improvement up a lot?

MR. DUBOW: No, because for the overall assessment, they're looking at what the property can sell for. So it will probably be a rebalancing of land and improvements. I think the place where it would have the biggest impact is

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for properties with abatements where they don't pay on the improvement but pay on the land. They would see an increase if the land portion went up.

COUNCILMAN NEILSON: And this is going to be done before we go back -- I mean, the Mayor has approved --

MR. DUBOW: No. This will take time. This won't be -- this will take until next year to get completed, because it's every property.

COUNCILMAN NEILSON: It's every property, all right.

Thank you, Mr. President. I have no further questions.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you, Mr. President.

Could you just talk briefly about your approach to the unfunded

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pension liability and the continuing problem on a yearly basis of pulling money out of the City's fund to fund the schools.

MR. DUBOW: I didn't understand the last part of your question. Sorry.

COUNCILMAN OH: The unfunded pension liability and funding the schools year after year.

MR. DUBOW: So two separate questions.

COUNCILMAN OH: Two separate questions.

MR. DUBOW: All right. I misunderstood. I thought you were connecting them in some way.

COUNCILMAN OH: I'm sorry. They're two separate questions, two separate issues.

MR. DUBOW: Okay. And either one of them could take a year to discuss, but I'll try to be brief.

On the unfunded pension liability, the funding percent now is a

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little under 46 percent. One of the reasons the funding percent has been going down over the last several years is that we've been changing our assumptions and making them more conservative. So our earnings assumption has gone down, our mortality assumption has actually gone up. We're assuming people live longer. So all of that makes the funding percent look weaker, but it means that it's more likely that we'll meet our assumptions. It also means that we have to put more money into the Pension Fund. So one of the ways that we're trying to ensure the health of the fund is putting more money in over time, and that's what having new assumptions does for us.

In every one of the collective bargaining agreements we reached, there was some kind of change either to contributions that employees make or to the benefits they receive or to both. And then the sales tax legislation that passed in Harrisburg last year included

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some funding for pensions, an amount that kind of starts off small and then will grow over time. The Governor's new proposal this year would actually put substantially more money into the Pension Fund and, by 2020, would put an additional $400 million. So you actually get kind of some benefits from changing the benefit and contributions structure and some benefit from putting additional resources in.

But the problem is enormous, $5.7 billion, so you're not going to fix it overnight. It will take, kind of in the best case scenario, at least a dozen years.

COUNCILMAN OH: Do you think we should not continue to do the MMO, the municipal minimum obligation?

MR. DUBOW: No. I think that would be a really bad mistake not to put in the MMO.

COUNCILMAN OH: Why is that?

MR. DUBOW: Well, one, because

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then it would exacerbate the pension problems over --

COUNCILMAN OH: Let me correct my -- because I think you misunderstand what I'm saying.

MR. DUBOW: Oh, you mean more?

COUNCILMAN OH: Yes. In other words --

MR. DUBOW: Oh, okay. Sorry. I thought you meant put in less.

COUNCILMAN OH: We should put more than the MMO and we should probably, though very challenging, try to approach putting in the amount that we should put in on a yearly basis. I know we can't do that right now, but...

MR. DUBOW: Well, just to take a step back. The MMO is an amount calculated by our actuary that gives us a defined number of years under which we will pay off the unfunded liability. So he gives us the amount that we should pay, and it's consistent with state law, and we pay it. So I think we want to be

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careful about what we should pay, saying what we should pay, because that's what the actuary says we should pay under state law.

But I agree with you that kind of to the extent we can, we should look for ways to put in more than that. So that's why we were -- we like the idea of money from the sales tax being above what our MMO is, and so that will help over time reduce our unfunded liability.

COUNCILMAN OH: Are you talking about the proposed sales tax that Governor Wolf is proposing in his budget?

MR. DUBOW: There are two separate things. There's the sales tax that was enacted, I think it was, last year. That has additional revenue that goes into pensions over time. And then Governor Wolf's proposal this year and particularly the base broadening portion of -- base broadening for the sales tax would put additional money into the Pension Fund, and that's the 400 million

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I was talking about.

COUNCILMAN OH: Right. So I understand about the base broadening, and for the average person that just means you're going to pay more taxes on more things that you used to not pay taxes on. So more sales tax for things that weren't there. So I'm not sure where that's -- in other words, that may pass; that may not. I'm not clear on that. But I'll finish up later.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

A couple of quick questions before we go to the next round. There was a discussion yesterday and I couldn't remember, because I'm getting close to that timeframe when memory starts to be somewhat challenging, but we were talking about the Delaware Loophole with some representatives from the state.

MR. DUBOW: Okay.

COUNCIL PRESIDENT CLARKE: And

my recollection is that there was a conversation in City Council a few years ago about us attempting on a local level to do something about that. Was it beyond the conversation or do you remember? For some reason I'm remembering Councilman Green and Councilwoman Sanchez.

MR. DUBOW: I think we may have had conversation about trying to get that changed and then there would be additional revenue for the state and then we could maybe benefit from that, but I don't know what we could do.

COUNCIL PRESIDENT CLARKE: So it was not a local attempt to do that?

MR. DUBOW: No. No. It's the definition of their corporate net income tax.

COUNCIL PRESIDENT CLARKE: Okay. All right. I remember.

In the conversation also with representatives from the state, there was an issue that -- and I know that you all have been discussing the implications of the state budget, proposed state budget, as it relates to Philadelphia. The issue around the eligibility for the poverty exemption, increasing it to 150 percent. Are you familiar with that?

MR. DUBOW: No. They haven't talked to us about that one.

COUNCIL PRESIDENT CLARKE: Well, the poverty exemption is essentially a state provision that allows local levels, municipalities and other townships, to enact legislation to support people. Now they're talking about below 150 percent poverty level, various relief measures. So you're not familiar with that?

MR. DUBOW: I have not been involved in conversations on that one.

COUNCIL PRESIDENT CLARKE: Okay. If you can have your people just kind of check and see what that would allow us to do on a local level --

MR. DUBOW: Right.

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COUNCIL PRESIDENT CLARKE: --
in terms of putting provisions in the
state -- because it was essentially
enabling legislation, but it's for a
category of individuals.

MR. DUBOW: Okay. Yeah. We'll
look into that.

COUNCIL PRESIDENT CLARKE:
Because we clearly need to continue on
along that theme.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE:
Thank you.

The Chair recognizes Councilman
Jones.

COUNCILMAN JONES: Thank you,
Mr. President.

Very quickly. What has been
our fund surplus for the last four years?

MR. DUBOW: Our fund balances
each year?

COUNCILMAN JONES: Fund
balance. I'm sorry. I shouldn't call
them a surplus. The balance.

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MR. DUBOW: Yeah. There's an accounting lesson in there, but I won't go through it.

COUNCILMAN JONES: You can do it.

MR. DUBOW: No. A surplus is what happens each year. Fund balance is cumulative.

COUNCILMAN JONES: That's a key provision to allow us the unexpected when it arises, and it's --

MR. DUBOW: Right. We need to have a fund balance.

I think Rebecca is looking it up right now.

So going back to FY10, we were at minus 114 million. In FY11, we were -- I think we were at 300,000. It shows it's a zero, but we were -- and then FY12, 147 million --

COUNCILMAN JONES: Say that again.

MR. DUBOW: FY12 was 147 million.

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COUNCILMAN JONES: Right.

MR. DUBOW: FY13 it got up to 257 million. FY14 to 202.

COUNCILMAN JONES: Got it.

MR. DUBOW: FY15, 145 million. Those are relatively thin fund balances compared to kind of other jurisdictions and compared to kind of what a jurisdiction with a fund -- with a revenue and expenditure amount as high as ours. I mean, we should be much higher than that.

COUNCILMAN JONES: Having said that, we were as low as what, negative what?

MR. DUBOW: Negative 114.

COUNCILMAN JONES: And we've been as high as what?

MR. DUBOW: We were as high as 257. We're projecting to end this year at 145, and then in FY16, we show 65.

COUNCILMAN JONES: So usually our projected fund balances, do we exceed them or meet them or fall below them on

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normal?

MR. DUBOW: So for the last couple of years, we've been doing better. Obviously during the recession, we did worse, and a lot of it kind of does depend on the trend in the economy. You know, when the economy is doing well, we usually do better. When it does poorly, we tend to do worse. The other thing we tend to see in our fund balances is, it builds up and then it goes away really quickly.

COUNCILMAN JONES: So in your budget presentation over the last four years, have we exceeded your projections or fallen on --

MR. DUBOW: I think in the last four years we've exceeded.

COUNCILMAN JONES: We've exceeded them, because you're a great Finance Director that is conservative --

MR. DUBOW: I think in FY10 we came in well below and then I think since then we've been exceeding.

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COUNCILMAN JONES: So as we approach the issue of the wonderful budget projection that Wolf has given for us -- and we had an excellent briefing yesterday, and thank Senator Hughes for that -- they're talking about a wide myriad of relief that may well, you know, be manna from heaven coming here. But one of the things that has been -- now, whether the politics of that catches up, we don't know. In a year we'll know. We'll know whether they're able to navigate the Legislature and these reliefs come.

My point to you is, though, we are always at a disadvantage because we have to make a decision in advance of them and we have to do our best job of guesstimating what will happen.

MR. DUBOW: That's correct.

COUNCILMAN JONES: But as it comes to the School District and what their needs are, could we look at a fund balance, do it through that, get the SRC

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to give the waiver of the Maintenance of Effort to allow that year of Wolf budget attempt to catch up with us and we would be on a lot firmer ground to know what to project by way of relief? Is that doable?

MR. DUBOW: I don't think so, and I can -- I mean, part of the reason is, they have an $84 million gap.

COUNCILMAN JONES: So they're asking us for?

MR. DUBOW: They're asking for 105, and they're asking the state -- well, they're asking the state now for 164. They're asking what's in the Mayor's budget and the Governor's budget. And that's to allow them to make investments to improve the quality of schools as opposed to kind of just staying where they are.

COUNCILMAN JONES: So a portion of our --

MR. DUBOW: To stay where they are, they would need 84 million.

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COUNCILMAN JONES: So a portion of our fund balance could not be used in a one-time effort to bridge that year gap to allow us to see what --

MR. DUBOW: So I think if what we gave them was the amount to just get rid of their deficit, to keep them where they are now, which I think everyone kind of agrees is inadequate, that would send us into deficit in FY16. Even if we got the waiver -- actually, if you look at our fund balances in the Five Year Plan, we would be negative every year until FY20 if we did enough just to get rid of their deficit.

COUNCILMAN JONES: So I don't -- you did hear me say that we would waive the Maintenance of Effort.

MR. DUBOW: That was just one time. If it was recurring, then it would be much worse than what I just said. That was just assuming we did it once.

COUNCILMAN JONES: All right. Fair enough.

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Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

Mr. Dubow, I want to restate my information request, but I also wanted to invite the City Treasurer to come to the table to address the issue as well.

MR. DUBOW: Okay. You know her hearing is next. We can do it now or we can do it then, whatever you prefer.

COUNCILMAN GOODE: I'd rather do it now.

MR. DUBOW: Okay.

(Witness approached witness table.)

COUNCILMAN GOODE: Good morning, Ms. Winkler.

MS. WINKLER: Good morning.

COUNCILMAN GOODE: I was having a discussion with the Finance Director

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about the possibility of establishment of a public bank, and he raised issues in terms of safety and security, but beyond that, we had a discussion about the return on our investment. So I'm very interested in knowing with the business we do with large national banks, after the fees are paid, do we make money or lose money in terms of those relationships?

MS. WINKLER: The City of Philadelphia has several major banking relationships. We go through a process, as you're aware, of selecting authorized depositories for the purposes of making deposits of the City's funds. Most of those funds are deposited for extremely short periods of time because we carry, as we've been discussing, extremely low fund balances, and during the course of the year, we are reliant on short-term borrowing from the capital markets in order to pay our bills and we deposit the -- and we do that TRAN, and we are

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going to be increasing the TRAN next year. The budget calls for an increase in the TRAN to 175 million.

COUNCILMAN GOODE: My question is --

MS. WINKLER: So what happens for us is, we incur transactions costs. The money is flowing in and out. We have revenues and expenditures, and pretty much we don't have -- we have large transaction costs.

COUNCILMAN GOODE: My question is very simple. My question is very simply, the business we do with large national banks, do we make money or lose money on an annual basis through those transactions and relationships? And I would like some accounting of that as we open the discussion of a public bank, because --

MS. WINKLER: It costs us. It costs us to maintain our extremely complex banking relationships, yes, about a million dollars a year.

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COUNCILMAN GOODE: I just want to put it on the record I need a formal response to that in writing. So as we look toward advancing this discussion of a public bank, if the safety and security issues were resolved, essentially those investments we make, we're not looking for a return on investment in most of the business we do with national banks; therefore, if we had a purpose for establishing a public bank, we should move forward with that purpose. And that's basically the argument that I'm making.

MS. WINKLER: Well, I think it's a very complex and challenging problem for us, our banking relationships, because, again, as I stated, the City has literally hundreds of bank accounts, very complex cash flows, extreme needs for electronic banking, very highly sophisticated banking.

COUNCILMAN GOODE: And none of

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that is what I'm discussing. What I'm discussing is whether we make money or lose money off of our banking relationships. And so when we resolve issues of safety and security, looking at the idea of a public bank in isolation, we're not -- as you said, we're simply not concerned with return on investment. That's not why we establish these relationships; is that correct?

MS. WINKLER: Our primary duty is to have enough money on hand each week at the end of the week to make payroll and to pay our vendors.

COUNCILMAN GOODE: I'm actually not talking about cash. I'm actually talking about investments beyond the cash.

MS. WINKLER: We don't really have any investments beyond cash. We don't have the ability because our cash position is so low. Our current -- I mean, for example, this week I believe we have $35,000 -- $35 million that's not

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bond proceeds. We don't have any other money.

COUNCILMAN GOODE: We invest other money. You missed that part of the discussion.

MS. WINKLER: I can sit down with your -- I'll be happy to sit down with your staff and show you.

COUNCILMAN GOODE: And, Mr. Dubow, you can respond to the question now.

MR. DUBOW: I actually have lost track of what the open question is.

COUNCILMAN GOODE: The question is whether if we look at the establishment of a public bank, whether we need to take into consideration our return on investment, and the answer I think is no based upon what the City Treasurer said.

MR. DUBOW: Yeah, and I think what her answer was, which is kind of consistent with what I said before, is there are a lot of issues we look at in

considering those relationships. But I
know what you're asking for, and we
can --
COUNCILMAN GOODE: The issue is
not return on investment.
MR. DUBOW: Right. So we
can -- that's not the only issue.
COUNCILMAN GOODE: That was the
simple question. It's not an issue on
return on investment.
MR. DUBOW: Correct.
COUNCILMAN GOODE: Thank you.
Thank you, Mr. President.
And I still need to know as --
MR. DUBOW: The net cost or
benefit of also the investments.
COUNCILMAN GOODE: The net cost
of the fees that we do with large
national banks.
MS. WINKLER: We have all that.
I can put a report together for you.
COUNCILMAN GOODE: Thank you.
MS. WINKLER: I'll be also
happy to meet with your staff too and you

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to walk through it.

COUNCILMAN GOODE: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much, Council President.

Would it be a good idea going into the future to ensure that the assumptions were more conservative? In other words, I understand that you are using more conservative assumptions, but the way that the Pension Board is set up, it appears that they can have much more generous assumptions, more so than what is the standard accounting practice.

MR. DUBOW: So the assumptions are much more conservative. So, for example, at the beginning of the Administration, the earnings assumption was 8 and three-quarters. Now it's 7.8. We have changed the mortality assumption

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to assume people live longer to kind of be consistent with national standards. So we have made the assumption more conservative.

COUNCILMAN OH: Yes, and what I'm saying is, that's what you did, but the next Administration may or may not use conservative assumptions.

MR. DUBOW: To be clear, it's not what we did. It's what the Pension Board did, and the Pension Board has four members from the Administration, four members who are elected by civil service employees, and the Controller. So even with a change in Administration, the majority of that Board stays the same, and I think that they will continue to press for changes in assumptions.

COUNCILMAN OH: To be more conservative?

MR. DUBOW: Yes.

COUNCILMAN OH: But in the past, the assumptions have been generous.

MR. DUBOW: I think, yeah, for

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a long time the earnings assumption was 9 percent, but that has not been the case for over eight years, and there's been a consistent pattern of reducing the earnings assumption and looking at all the assumptions.

I mean, the other thing -- the assumptions also have to be something that the actuary thinks is reasonable. So if the Pension Board said they actually want to increase the earnings assumption back to 9 percent, I'm pretty confident the actuary would say, No, that's not reasonable and I can't give you a report that says that that's reasonable. So there are checks too.

COUNCILMAN OH: If the actuary says that that's not reasonable, does that prevent the Board from going to 9 percent or that is just a report that says it shouldn't be 9 percent?

MR. DUBOW: I don't -- I think it wouldn't -- I don't think there's a legal prohibition, but I think if the

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actuary said no, I don't -- the Board wouldn't really do that. There's no way that would actually happen.

COUNCILMAN OH: Okay. All right. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Neilson.

COUNCILMAN NEILSON: Thank you.

I'd like to go back to the increase in education funding, the 105 from the City and the 180 from the state in the proposed. And that's to expand, I believe you said, expand on services?

MR. DUBOW: It's a combination. To maintain the current level of services, even to stay at that level, the District needs $84 million.

COUNCILMAN NEILSON: Eighty-four?

MR. DUBOW: Eighty-four. The request for the 264, which is the combined 159 from the state and 105 from

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the City, would be to enable the District to improve educational outcomes.

COUNCILMAN NEILSON: So if the state provides 180 million as currently -- is that --

MR. DUBOW: So there's two things in that 180. There's 159, which is straight revenue. There's another 25 million, which is from a change in reimbursement for cyber charters, and the state is estimating that would save the District 25 million. But what the District talks about in the 264 is its revenue ask.

COUNCILMAN NEILSON: So the 84 we need to maintain.

MR. DUBOW: Yes.

COUNCILMAN NEILSON: And we have 180 coming from the Commonwealth?

MR. DUBOW: We have --

COUNCILMAN NEILSON: And that will give 96 million to expand on what they do, right?

MR. DUBOW: If --

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COUNCILMAN NEILSON: I'm just doing basic math here.

MR. DUBOW: Yeah. Assuming that that came through at the Commonwealth level, there would be some investments that the District can make. Not at the level that they think they need for the outcomes in the Superintendent's Action Plan 3.0, but, yes, there would be some room for some improvement over where they are now.

COUNCILMAN NEILSON: Out of that 285 million that their request is, how much difference would we need to come up with next year on Maintenance of Effort due to the fact that this will increase the charter school reimbursements next year? The estimates I'm getting is we'll fall 40 million short next year.

MR. DUBOW: So I think they're two separate questions in what you asked. One was Maintenance of Effort --

COUNCILMAN NEILSON: If we give

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the School District this money, the amount that the School District of Philadelphia will have to reimburse charter schools next year will go up --

MR. DUBOW: That's correct.

COUNCILMAN NEILSON: -- significantly.

MR. DUBOW: Yes.

COUNCILMAN NEILSON: In the tune of $40 million.

MR. DUBOW: Right.

COUNCILMAN NEILSON: So that means next year if we do this this year, we're going to need an additional 40 million next year to maintain where they get to.

MR. DUBOW: We talked about this a little last week. One of the things that the District has done -- and it's a real issue. I don't want to say it's not. But one of the things that the District has done to try to kind of combat that issue is, they've asked principals, to the extent they can when

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they submit their budgets, to include some portion that would be for one-time investments that would then not have to be recurring, and to the extent that a portion of whatever investments they make this year are for one time, they could use that going away to help make up some of that 40 million.

COUNCILMAN NEILSON: So some of the fixes at a 9 percent real estate tax increase are only short-term, not long-term fixes because it's going to be a one-time?

MR. DUBOW: For some of them it could be things like IT investments that --

COUNCILMAN NEILSON: In the tune of $40 million.

MR. DUBOW: Let me just finish it. It could be things like IT investments that you have a one-time cost, but they have long-term benefits.

COUNCILMAN NEILSON: Okay. Thank you. I have nothing further.

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Thank you.

COUNCIL PRESIDENT CLARKE:
Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you very much, Council President.

In terms of trying to deal with the schools, the budget -- as you do the five-year budget, you don't include in that an anticipated amount of money that is going to come out of the operating fund to pay down the schools.

MR. DUBOW: Yeah. We actually -- each year there's a contribution that goes from our General Fund to the School District. It's about $69 million, and we show that each year in the Five Year Plan.

COUNCILMAN OH: Okay.

MR. DUBOW: What we don't show -- I think maybe what you're asking about is, we don't show the tax revenues that go directly to the District. That

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is included in their budget; it's not included in our ours because they're a separate government.

COUNCILMAN OH: I'm asking the first question which you answered.

MR. DUBOW: Yes, that is in our Five Year Plan.

COUNCILMAN OH: So there's a Five Year Plan that kind of anticipates about 69 million each year.

MR. DUBOW: It grows a little, but, yes.

COUNCILMAN OH: And we're generally coming up with -- I haven't been here long enough to know the average on that, but it seems that we're kind of recently in about 110, 120 million just in the last couple of years?

MR. DUBOW: So there was a one-time increase in that amount that related to a borrowing we did for the District, and there was an exemption from the state that allowed that to be one time. But the 69 million excluding that

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is actually the highest that it's been.

COUNCILMAN OH: In terms of policy, it appears that that's an amount of money we're going to have to come up with every year for the foreseeable future.

MR. DUBOW: And by state law because of the Maintenance of Effort requirement, we can't reduce the amount that we have in that line.

COUNCILMAN OH: Right. But the amount that we have to go above that, that seems to be, at least in my mind -- I'm asking you. You could correct me, because it's my impression and I don't know for sure -- that the School District is always going to be short about 350 million in the foreseeable future where it needs a certain contribution from the state and a certain contribution from the City. At least that's what it wants.

MR. DUBOW: So if it doesn't -- I mean, what tends to happen and what's particularly been happening the last few

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years is, the District does not get what it asks for from the state, and so it has needs the following year. If again this year it doesn't get the amount that it's requesting, yes, it will have needs next year.

COUNCILMAN OH: Right. I'm sorry. I'm just going to go a little further past the bell.

But, in other words, since you're dealing with this issue and it's likely that they will not get from the state what they want year after year, they come to us for an amount that we did not budget to make a contribution to the School District, and I think the City has pretty much done that, has gone above the amount of money budgeted for the School District.

MR. DUBOW: So we have increased taxes in a variety of ways to get additional funding for the District pretty consistently, and that amount has gone up by -- the total amount we give

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through the contribution, through taxes, through parking fees has gone up over $360 million. So the City has done a lot to help the District.

COUNCILMAN OH: Yeah. So I don't myself imagine we can keep doing that, is what I'm saying. I mean, we're running out of things to tax and to raise and to cut. So from a policy point of view, how do you think it is best to address that? I know that may fall on the new Administration, but given your experience here, what can we do for the future?

MR. DUBOW: I think any long-term solutions to the District's funding requires increases in state funding and really requires kind of the full and fair funding formula that we've been talking about. And I completely agree with you, if the state doesn't step up, we're never going to be able to do enough locally to get the District the kind of revenues it needs to make the

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investments it needs to have the kind of district that our kids deserve and that will help make the City more competitive.

COUNCILMAN OH: All right. Thank you.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

It appears there's no one else teed up. Thank you very much for your testimony.

MR. DUBOW: Thank you.

COUNCIL PRESIDENT CLARKE: And next up we will have the Treasurer.

(Witnesses approached witness table.)

COUNCIL PRESIDENT CLARKE: Good morning. Please proceed.

MS. WINKLER: Good morning. This is Nancy Winkler, City Treasurer. With me is Christopher Schwartz, Deputy City Treasurer for Cash and Investments and Accounting.

You have my testimony. I

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previously submitted it, so I won't go through it in detail. I would just highlight for you that the proposed budget for 2016 in Class 100 is $985,000 and the proposed budget for Class 200 is 118,400, which is equal to this year's Class 200 budget.

We have a total budgeted staff of 16. We filled 15 positions. I'd like to make one correction to my written testimony, which is that the minority, women, and disadvantaged business participation through current -- through December of 2014 is 19 percent. The written testimony had 17 percent and there was a formula error in an Excel spreadsheet and we checked that. It's actually 19 percent.

And I'm aware that Council is interested in finding out since the start of Fiscal '15 what our hiring has been. We've had very significant for our little department of 16 turn over, mostly from either transfers or retirements. We've

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hired two white men, one African American man, one Hispanic man, one Asian man, and one white female. I wish we could have hired more women, but there doesn't seem to be a lot of applicants coming through the door that are female.

COUNCIL PRESIDENT CLARKE: Okay.

MS. WINKLER: But overall I think that's a pretty good diversity outcome for us and with great staff, really happy with the people that we've been able to recruit.

COUNCIL PRESIDENT CLARKE: Thank you. Are you good?

MS. WINKLER: I can answer any questions you may have.

COUNCIL PRESIDENT CLARKE: Okay. Any questions?

(No response.)

COUNCIL PRESIDENT CLARKE: Thank you.

MS. WINKLER: Thank you.

COUNCIL PRESIDENT CLARKE: Get

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out of here while you can.

MS. WINKLER: Actually I'm going to stay for the Sinking Fund presentation.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you, Ms. Winkler.

(Witness approached witness table.)

COUNCIL PRESIDENT CLARKE: Good morning.

MR. JONES: Good morning, Council President. I'm Charlie Jones. I'm the Executive Director of the Sinking Fund Commission and I'm here today to make the request for the Sinking Fund Commission.

As I've told you in the past, the Sinking Fund Commission pays the debt service on the City's outstanding debt, which is approximately $8.2 billion. That's for the City General Fund, for PAID, PRA, PMA, the Water Department, and the airport. And I'm asking for $602 million for Fiscal '16. That's broken

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down in this way:

The General Fund is requesting about $246 million. That's split into two classes, Class 200 and Class 700. Two hundred is for payment of the City service agreements and lease obligations. That's about $104 and a half million. And for Class 700 for debt service is for principal and interest payments on the City's debt of $141 million. These are -- in total, these are a slight increase over last year's estimates, about up a million dollars.

For the Water Department, I'm requesting $227 million. That's all in Class 700, again debt service. That's about a $20 million increase over last year. That's due mainly to new issues in Fiscal '16. The Water Department has a heavy new borrowing budget based on their capital needs.

And the airport I'm asking for 123 and a half million, again all in Class 700. This is a decrease of about

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$6.3 million over the estimates for Fiscal Year '15.

And for the Car Rental Tax Fund, I am requesting $6 million to help defray some of the debt service on the stadium bonds that are outstanding through PAID.

That's the highlights of my testimony. I'm available for any questions from you or from other City Councilmembers.

COUNCIL PRESIDENT CLARKE: Thank you for your testimony.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you so much.

I was holding my question for this portion. If I read those numbers correctly, you've saved us a considerable amount of money over the last year. How much exactly was it?

MR. JONES: Well, our budget is up from last year's estimates.

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MS. WINKLER: Could I address that, Charlie?

MR. JONES: And I'm going to get to you.

So I'm going to let the Treasurer talk about that, because I know that is part of her duties in order to do that, and I think she's done an excellent job.

COUNCILMAN JONES: That's my point. I was trying to say that on the record.

MS. WINKLER: Thank you very much. We appreciate that.

The testimony that we submitted indicates that one of the accomplishments of the Treasurer's Office in recent years has been to seek to strategically refund at lower interest costs and to negotiate lower fees from banks, and we believe that in terms of total budget expenditures from the General Fund since 2011 we've saved $34 million. The total savings that will be realized over the

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life of those transactions thus far will be 146 million over the life of the borrowing.

COUNCILMAN JONES: So my colleague has been asking the question where to find savings, and I think you have in fact answered his question to some degree. And so can you elaborate? I mean, you got no questions about it. If any other department came here and said they saved us how much, 34 million?

MS. WINKLER: Yes.

COUNCILMAN JONES: We'd have a lot to say. So I want you to tell us how you did it.

MS. WINKLER: Well, some of it -- I guess there are two types of major areas where we've been able to realize substantial savings. One is in lowering our cost of letters of credit, and that's been accomplished -- I think the letters of credit costs have gone down about 75 percent. And that's been accomplished by -- I guess I don't really

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know how to say it other than a lot of hard work, of sitting down with the letter of credit banks themselves and walking them through the City's financials, talking about the credit with them. Certainly getting the bond rating upgrades has helped. It's nothing more than a lot of dialogue.

And I guess another thing that we've done is, we've radically rewritten the City's financial disclosures. So we have completely revised the City's Appendix A and Appendix B, which is what we put out to the financial market for them to understand the City's financial condition, and that has been a very significant amount of work, both with our financial advisors, with our bond counsels, and with many City departments. The Finance Department, the Accounting Unit, the Budget Office, the Revenue Department, the Office of Property Assessment have all participated in a complete reworking. We've done training.

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We brought in outside experts, and we get a lot of comments nationally from investors who think that the City's financial disclosure now is really helping them understand the City's condition, which is challenging because of our extremely low fund balance. So that's been one.

The other is just in the better bond rating and the dialogue with institutional investors.

COUNCILMAN JONES: I didn't want to let you get away without noticing that, if I read it correctly.

MR. JONES: You did.

COUNCILMAN JONES: And I did. You saved the City of Philadelphia through negotiations, through restructuring of debt $34 million.

MS. WINKLER: So far.

COUNCILMAN JONES: So far.

MS. WINKLER: And we will -- in the future multi-year plans, you'll realize 146 million.

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COUNCILMAN JONES: I'm just saying. I mean, to me that's more than quarters in the couch that we're -- we run around looking for small things, and you just -- 34 million. So I did not want you to leave this table --

MS. WINKLER: Thank you.

COUNCILMAN JONES: -- without saying thank you to you, because that's $34 million less of real estate taxes we have to raise. So I wanted that on the record.

Thank you very much.

MS. WINKLER: Thank you, Councilman.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Neilson.

COUNCILMAN NEILSON: And I thank you as well. My kids thank you, because we come up with $100 million. You just gave us 34 of it. So now if we can just find the other 70 million, maybe

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you could help the other department heads come up with that money.

MS. WINKLER: Well, we've already realized the $34 million.

COUNCILMAN NEILSON: Oh, we don't want to talk about that on the record. We want to realize it into our education, and that's what we're trying to do and that's what our focus is. I mean, we have our three posters up there, and that's why the Council President has been asking everybody to focus in on that when we come over and testify.

But thank you for all your hard work, and it's a pleasure to see you again.

MS. WINKLER: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

Thank you very much for your testimony.

We are going to have a 20-minute recess and OPA will then come in.

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(Short recess.)

COUNCIL PRESIDENT CLARKE:
Thank you. We are now reconvening the Committee of the Whole and the Operating Budget for Fiscal 2016. We will now have the department of OPA.

Good afternoon, sir.

MR. PIPER: Good afternoon, Council President Clarke.

COUNCIL PRESIDENT CLARKE:
Happy to see you.

MR. PIPER: Good to see you too, and pardon our tardiness.

COUNCIL PRESIDENT CLARKE: No problem.

MR. PIPER: Again, good afternoon, Council President Clarke and members of City Council. I'm Michael Piper, Chief Assessment Officer for the Office of Property Assessment. Here with me today are several of my senior management team. They are James Aros, Jr., Deputy Chief Assessment Officer; Deputy Administrators Herman Seward, Marc

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Candidi, Jay Divine, Joseph Solomon; Assistant Administrator Kate Drayer; Administrative Service Directors Veronica Daniel and Alicia Wilds; Kevin Keene, our Administrator of Mass Appraisal Analysis; Tom Dougherty, IT Director; and Drew Aldinger, legal counsel for the OPA. We are here to testify on the proposed 2016 fiscal year operating budget.

The OPA is primarily responsible for discovering, listing, and valuing all real property in the City of Philadelphia in a fair and equitable manner. Additionally, the OPA is charged with providing the response to real property tax appeal cases, applying real property tax exemptions, and administering the real property tax abatement program.

There are now approximately 579,000 parcels of real property in the City of Philadelphia. These include residential, condominium, multi-family, large apartment complexes, retail,

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hospitality, office, industrial warehouse, hospital, and government, and religious, exempt, and non-exempt property uses.

As a short-term goal, OPA will continue to respond to any outstanding first-level review in Board of Revision of Taxes appeal for tax year 2015 that has been filed. As a long-term goal, OPA will continue to collect valuable data on the characteristics of parcels located throughout the City and focus its efforts on improving all performance measurements of assessment uniformity through regular ongoing reassessments.

For 2016, we are requesting from Council a General Fund budget of $13,285,146.

Fiscal Year 2015 included the final stages of the Actual Value Initiative, AVI, during which the OPA completed the first complete citywide reassessment. Beginning in tax year 2014, the City simplified its property

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assessment formula by applying a 100 percent assessment ratio after decades of fractional assessments. The initiative, which began in 2010 and continued through 2014, resulted in the first major reassessment of all 579,000 parcels in the City of Philadelphia in several decades and will play a substantial role in removing the inequities in property assessment in the City.

The initial year of AVI saw a substantial improvement in the price-related differential, or the PRD, which is used to measure uniformity between lower and higher valued properties. As a result, closer to -- one is considered desirable, but as a result, our measurement improved from a pre-AVI level of 97 percent to 137 percent in 2014, and that's 1.037. Additionally, the citywide coefficient of dispersion, or the COD, which measures uniformity between different property groups and for which the goal is less than 15 percent, also improved from a pre-AVI level of 27 and a half percent to 13.9 percent for 2014, which is an improvement of 49 and a half percent.

The COD is the most commonly used measurement of overall uniformity in assessment ratio studies. Technically, it measures the extent to which the relationship between the assessment and the sale price deviate from the median.

Through the hard work of OPA's evaluators and the diligent efforts of the management staff that are here with me today, OPA completed the initial phase of AVI. However, in its quest to becoming a first-class assessment agency, the Office of Property Assessment faces several challenges.

The first year of AVI resulted in over 50,000 informal appeals or first-level reviews, a new process that allows taxpayers to contest an assessment due to valuation-based assertions related to an incorrect amount or level of

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assessment or missing exemptions. While the new informal appeal process was a success in that it facilitated greater access to taxpayer remedy, a record number of formal market value appeals were still filed with the Board of Revision of Taxes. OPA evaluators have been responsible for answering over 25,000 BRT appeals filed for tax year 2014 alone and are still for commercial properties addressing these appeals.

Among OPA's most daunting challenge, however, is its lack of a modern, robust, industry-accepted, computer-assisted mass appraisal system. Ongoing comprehensive citywide reassessments will require a CAMA system that will allow and support sophisticated mass appraisal methodology and statistical analysis as well as detailed property characteristic maintenance and facilitate a much more efficient assessment recertification process, resulting in the timely reissuing of

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property tax bills.

Another ongoing challenge that the OPA faces is the ability to increase its staffing levels that mirror industry standards. However, during the past year, the OPA has continued administering the homestead exemption, which was created to help mitigate taxpayer concerns over potential increases in the annual property taxes by offering owner-occupiers an exemption of up to $30,000. The OPA has worked with the Department of Revenue to implement the Longtime Owner-Occupants Program, the LOOP, which provides ten years of tax discounts to certain longtime homeowners whose taxable property assessments more than tripled in 2014. However, the OPA's role is fairly limited in the LOOP process. OPA provides Revenue with the initial assessment data for any property that experienced a tripling between tax years, then verifies a property's abatement history, if any. The

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Department of Revenue manages the overall program, including outreach, application processing, approval or denial, et cetera.

With the passing of the second year of the homestead exemptions implementation, approximately 215,819 properties have been enrolled in the program for tax year 2015. Although the number has decreased from the number reported last year, the decrease can be attributed to a number of factors. Effective 2015, for instance, properties with a ten-year residential tax abatement can no longer have the homestead exemption per state legislation. Therefore, approximately 5,700 homestead exemptions were removed. In these instances, letters were mailed to affected properties alerting the owners to the change. Property owners also have the option of removing the abatement and retaining the homestead exemption, for instance, if the abatement was less than

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the exemption. Otherwise, once an abatement ends, the homeowner can reapply for the homestead exemption, assuming they still meet program requirements.

As a result of an audit conducted by OPA, a total of 1,007 properties that did not meet the legislative requirements have had their homestead exemption removed. This is an ongoing process, and additional removals are expected to occur.

Based on the abated property legislation, homestead audit, as well as approximately 18,000 properties now enrolled in LOOP, the universe of homestead exemption-eligible properties is approximately currently 284,231 and may continue to decrease as a result of added abatements, ongoing audit efforts, and LOOP enrollments. With 215,819 properties approved, that means 76 percent of eligible Philadelphia households are enrolled in the homestead exemption.

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The OPA's website continues to offer property owners information regarding their property valuation data in addition to the homestead exemption. The available information includes applications, assistance regarding denials and reapplication, and answers to frequently asked questions. For those without Internet or more specific questions, the homestead hotline, which is 686-9200, continues to operate Monday to Friday 8:30 to 6:00. Non-English speaking property owners can conduct their call in any language.

While citywide measurements of uniformity have improved, many areas of the City include neighborhoods for which some degree of non-uniformity as measured by high CODs and/or high or low mean assessment ratios among single-family residential homes still exist. OPA will soon mail assessment notices citywide to approximately 131,000 parcels that will see some change of assessment due to one

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or more factors, including a revised assessment of neighborhood boundaries, improved data collection by OPA, and new construction or demolition. OPA will continue to seek property owners, either existing homeowners who have never applied or new home buyers who may be eligible for the homestead exemption or LOOP discount. Efforts also include the possibility of further simplifying the enrollment process for the homestead exemption as well as other tax relief programs. Auditing of already approved properties will also continue.

As a new initiative, OPA will be gathering data on factors affecting land values in anticipation of a citywide land reassessment. Additionally, OPA has gone forward with the process of acquiring a CAMA system. Together with the Office of Property Data within the Finance Department and the Office of Innovation and Technology, OPA has made substantial progress towards an

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anticipated goal of the issuance of an RFP by mid spring of 2015.

The budget that the Office of Property Assessment is requesting will allow the Department to ensure that it reaches its goal of fair and equitable assessments for all taxpayers using methodologies that employ industry standards.

Finally, thank you for the opportunity to testify before Council this afternoon. My staff and I will now be happy to answer any questions that you have.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you, Mr. Piper. I just have a couple of quick questions.

How many properties with new construction in FY15 were assessed? Do you know off the top of your head?

MR. PIPER: New construction?

COUNCIL PRESIDENT CLARKE: Yes.

MR. PIPER: We can find out. I know that in addition to the 125,000 or

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so properties that are in the project, the residential reassessment project, there are an additional 6,000 properties that will get reassessment notices, and many of those are new construction or substantial renovation. Now, we can find out exactly how many based on permits and the change in the assessments.

COUNCIL PRESIDENT CLARKE: On the new construction properties, how did you determine the land values of those properties, and was there some level of consistency on the land value?

MR. PIPER: Well, we look at the same way we attribute the value of the land on the new construction as we would on any type of property. We look at what we call the contributory value of the land. And even if someone is not asking us to separate the land value out from the improvement value, good standard appraisal and assessment practice demands that we do so for the land value.

COUNCIL PRESIDENT CLARKE: When

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you say nobody is asking you to do that --

MR. PIPER: Well, I said if no one is asking, which they are, of course. Now we do need to separate it out, but even if you're not, an appraiser is going to look to see how much value did the land contribute to the overall value of the entire parcel.

So to answer your question, how do we determine how much the land contributes to the value of, say, a new construction, that would depend on the area that the new construction took place in. That would depend on the type of new construction, what type of property it is.

COUNCIL PRESIDENT CLARKE: So there's really no consistency in terms of the value of the land versus the value of the structure?

MR. PIPER: There is --

COUNCIL PRESIDENT CLARKE: I mean, it's kind of all over the place.

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So you're saying depending on whatever neighborhood it is --

MR. PIPER: It's not -- if you're asking is it consistent in terms of --

COUNCIL PRESIDENT CLARKE: I guess I'm asking you, is there consistency with respect to the ratio?

MR. PIPER: The ratio, right.

COUNCIL PRESIDENT CLARKE: The percentage of the property versus the value of the entire properties.

MR. PIPER: No. The ratio is not necessarily going to be the same from one parcel to another land to building ratio, no, it wouldn't be.

COUNCIL PRESIDENT CLARKE: Why not?

MR. PIPER: Because, again, this is why I refer to good appraisal practice. We look at -- it would certainly be easier for us to do it like that. In fact, in the past, it has been done like that, and what that did was

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leave us open to criticism that we're not valuing properties based on valuation principles, and valuation principles demand that --

COUNCIL PRESIDENT CLARKE: Who criticized us about that?

MR. PIPER: Taxpayers that were appealing the value of their property.

COUNCIL PRESIDENT CLARKE: Okay. But it wouldn't matter what the total value of the property. I mean, if you just had a different ratio, it was a percentage of the property, it wouldn't change the end tax bill. It would just be shifting the value of the land versus the value of the structure, but it wouldn't change the tax bill at the end of the day, right?

MR. PIPER: It could. It could change the tax bill.

COUNCIL PRESIDENT CLARKE: How?

MR. PIPER: I'll give you a couple different examples, but, of course, the biggest one would be in a

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property that has an abatement on it. That's not the only one, but a property with an abatement -- and, by the way, when we were doing this, this was --

COUNCIL PRESIDENT CLARKE: I'm actually not talking about properties that have abatement.

MR. PIPER: We are.

COUNCIL PRESIDENT CLARKE: Go ahead. I'll let you explain.

MR. PIPER: For instance, on those -- and we were doing this, by the way, before the abatements really came online to the degree that they are today. But properties with abatements, for new construction if a taxpayer is appealing his or her value, what they're looking to have is a reduction in the value of the land because the improvement has been exempted. So if we say that, for instance, we put 20 percent on the land and 80 percent on the improvement, but the taxpayer can come in with an appraiser that has determined that the

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contributory value of the land is worth a lot more than that, that means we either have to raise the land or change the assessment total. And if we raise the land, we're creating inequities throughout similar properties, because we're putting a value on based on appraisal methodology for that one and a blanket percentage on the other ones. So that was starting to get us in trouble and it was pushing us towards where we may be looking at a class-action lawsuit, because we were doing something across the board that we could explain, but not justify.

COUNCIL PRESIDENT CLARKE: All right. Let me say it a little more simpler. So there are properties across in the block, and based on allegedly what's supposed to happen, these properties will be comparable values if they're all comparable properties, and there's a percentage, 20 percent of the entire property value is based on the

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land value and the other 80 percent is based on the structure. Why is that not something that we can do? In the next block down, it's 20 percent versus 80, yet those properties are higher in value, the entire properties are higher in value. Then the 20 percent would still be consistent across the board, but it wouldn't change the total value. And you know why I'm asking you this.

MR. PIPER: Yes.

COUNCIL PRESIDENT CLARKE: Because you have vacant lots and tax-abated properties that values on the land are extremely low, and that's, frankly speaking, a problem for me personally when you have properties that are extremely high value properties or not high value properties and people that are paying taxes in existing properties and the vacant lot in the neighborhood has a low value. Somebody builds on the vacant lot and they're paying the taxes based on that low value on the vacant

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lot, because we exempted the improvements. So if you had everything at a set rate, then that abated property, the value on that land, would be 20 percent of the value of the entire block.

MR. PIPER: I think what you just described, Council President Clarke, is an example of where the contributory value of the land to the entire parcel would need to be adjusted, because if on the entire block we're seeing same properties, similar properties, but different land values, I think that would be an example of something where we got it wrong and need it to be corrected. However, it wouldn't necessarily follow that the same -- and I apologize because I think -- and I've been thinking about your question all day. I think I may have misunderstood the question that you asked.

COUNCIL PRESIDENT CLARKE: For purposes of transparency, we had this conversation yesterday, so people know

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that it's not out of the sky.

MR. PIPER: Yeah. I believe I might have misunderstood you, because when I'm thinking about you -- I know you thought about this a lot, so I had to ask myself the question in a more objective way, and, that is, why can't we do it. Because, again, it would be a lot easier for us to be able to just say, you know, pick a percentage and just apply that across the board, be it in a particular neighborhood or a particular block.

So let me answer the question like this: On a particular block with all the properties being almost the same in terms of value and structure and condition and age and -- age is the most important thing, because, again, we're talking about the new construction lots of times where this is a problem.

If it was the same size lot, we would look to have that value of that land contribute the same on each of the properties. So to answer your question,

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it should reflect something like a set percentage on maybe that particular block, and on another block, however, it might be a different percentage.

COUNCIL PRESIDENT CLARKE: Why?

MR. PIPER: Because on another block, the contributory value of the land may be different. And I don't want to use the example of the block around the corner because then you're looking at a lot of still similar factors, locational factors. I'm going to use --

COUNCIL PRESIDENT CLARKE: But why would it matter? If the value around the block is existing homes and the value of the entire property is much lower, then it doesn't matter. It's not going to increase the tax bill at the end of the day because it's a percentage of a lower value property.

MR. PIPER: It wouldn't matter in terms of how we put it on the assessment that's going to be reflected on the tax bill. That's true. It would matter when, again, someone -- we're looking at how we valued the property and the different components of the property, the land being one, and what is it that we use to compare, what type of comps did we use. And "comps," I mean comps of vacant land, and if we didn't have any, what did we use. We have to have an answer for how we value things, I will have to say.

COUNCIL PRESIDENT CLARKE: Okay. So we have a full board and I'm not going to belabor the point.

COUNCILMAN NEILSON: On that, Mr. President, can I ask a question on the same point, and that's all I have to ask.

COUNCIL PRESIDENT CLARKE: Just say point of order.

COUNCILMAN NEILSON: Point of order, Mr. President. I would like to ask a question in the same regard right in line with this before he finishes his answer, because what he did is, he

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explained a problem situation, but he didn't tell any of us how to solve that problem. And in the previous hearing just with Rob, this is what I brought up.

So just three examples on one block. Three houses right in a row, all look alike, all same property, all same age, all same everything. Land - 152, 106, 110. Improvements - 87, 130, 118. How does that happen, and if it does happen to a particular block within our districts or communities, how do we get that fixed and resolved?

MR. PIPER: So what we're already working on now, because this is a process that takes a lot longer than sort of the small scale residential reassessment we're doing this year for next year, because land takes into consideration a lot of locational factors.

What we're working on now for next year is resolving that problem, and I'll give you some examples of how.

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What you described -- and I understand what you said in terms of the properties, in other words, being exactly the same with different land values on each property, and that's something that shouldn't be if the properties are truly all the same. And "the same," meaning, again, the age, the size, the location. And when we see that the land values are out of whack like that, we recognize also that we have a problem. But how could it be? It could have resulted -- and I don't know because, again, I'm just taking your statement that they're all exactly the same, but it could be that you have a property in which the assessments were set down the block across the board for everything, but then one taxpayer came in and got a reduction that got put on the taxable because that's what they were applying for a reduction in and the reduction was put on the land. Okay?

COUNCILMAN NEILSON: That's

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after they have already appealed it as an individual, but this is --

MR. PIPER: Yes.

COUNCILMAN NEILSON: So this situation was from day one, and it's something that I brought to the attention and I've even went down to court on it myself because I thought I didn't want -- the end numbers all line up, but these numbers do not, and it was brought to my attention from someone in the House of Representatives from Allegheny County, because what they did, Mr. President, was they went in at a later date and the Mayor of Pittsburgh said, I want to reassess not just -- just your land portion, not your improvement portion, and they raised the taxes just on that, just on the land value alone to take care of some of the vacant lots that you were referring to that aren't taxed properly and stuff, and that's what they did. And then they saw the influx of monies and they saw this happening already. So it's

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something that they happened -- they went through it about six, seven years ago. That was brought to my attention, and I tried to work through the process, and now we're beyond that process and now we're out reassessing, which I'm sure other members will talk about. I don't want to take their time, but without that right, how do we do a whole reassessment of properties when we don't even have the first part of AVI correct?

COUNCIL PRESIDENT CLARKE: Right.

COUNCILMAN NEILSON: That's kind of where I'm at. If we don't have it fixed now, we're just adding on to more problems down the road. So, I mean, our goal should be to fix it now when we have an opportunity rather than go in and reassess people and start reassessing before this problem is addressed, because it can't be just my block in the City of Philadelphia. It has to be -- this is a rampant problem that needs to be

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identified and addressed.

MR. PIPER: Sure. And the properties you mentioned -- and I hear what you're saying, but I think we'd have to look at those individually to figure out what happened there, because --

COUNCILMAN NEILSON: I live there and it's plain as day. If someone has an addition on their home, which happens, their assessment on the improvement end should be higher.

MR. PIPER: Right.

COUNCILMAN NEILSON: And that's not the case with these homes I just pointed out, because they're exactly the same, no additions. They're the same as when they were built 70 years ago.

MR. PIPER: That would probably require an inspection on our part and then we'd be in a better position to tell you why it happened at least, you know.

COUNCILMAN NEILSON: All right. Thank you, Mr. President. I'm sorry.

COUNCIL PRESIDENT CLARKE: No

problem. No problem, Councilman.

So I, like you, gave it some thought after yesterday's meeting and we talked to some people, myself and Mr. Wetzel, some people who were very well versed in this, and you probably know him, Walt. You know Walt is very knowledgeable of this issue. So we've come up with what we believe might be a reasonable approach to having some uniformity as it relates to land values.

MR. PIPER: Okay.

COUNCIL PRESIDENT CLARKE: As a part of the overall property value, and we'd like to have you take a look at it at some point.

MR. PIPER: Absolutely.

COUNCIL PRESIDENT CLARKE: It's apparently been done in a couple other municipalities and states, because I just don't -- it seems like you acknowledge that it's easier for you to simply implement a program as a percentage of the property be based on the land value

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and the property value a set percentage. It does not change the end game as it relates to the tax bill of existing residents, because we get a tax bill that does not basically reflect values, land, property, in terms of what we have to actually pay. We pay what we pay based on the assessment.

MR. PIPER: Sure.

COUNCIL PRESIDENT CLARKE: So we'd like to get that to you.

MR. PIPER: We would love to take a look at that, because like I said, it would be simpler, as I said, but it would only be easier on the beginning, on the front end. On the back end in trying to defend something -- that's why I'd love to take a look at what you guys have come up with, because I'm hoping that gets us there.

COUNCIL PRESIDENT CLARKE: Yeah. We always want to make things easier for you guys as long as it doesn't increase people's taxes.

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MR. PIPER: Right.

COUNCIL PRESIDENT CLARKE: But I just think, as you know -- and I'm going to stop talking in a minute -- that the simple reality is that this whole issue with respect to tax abatements and our inability to -- and I still don't know why we can't do a non-utilization tax on vacant land. It left a lot of money on the table, and when we can't collect that revenue, it increases the tax burden on people who actually pay.

All right. So I'll get that to you as soon as possible.

MR. PIPER: Thank you.

COUNCIL PRESIDENT CLARKE: All right. Thank you.

The Chair recognizes Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. President.

I want to talk about the money left on the table.

MR. PIPER: Okay.

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COUNCILMAN GOODE: What percentage of the City's property is tax exempt?

MR. PIPER: Percentage? I'm looking for my IT Director, because I do have a report that enumerates the properties and the value of the exempt property versus the taxable property.

COUNCILMAN GOODE: He should probably have a seat.

MR. PIPER: Thank you.

(Witness approached witness table.)

MR. PIPER: So for 2016, Councilman Goode, we have a total market value proposed of 136,295,463,236, and I know you asked me for percentages.

COUNCILMAN GOODE: That was the second question, but go ahead.

MR. PIPER: Right. You asked for a percentage. We haven't calculated the percentage, but I just want to tell you how we've broken this out and then I can calculate it based on what

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information you need from there.

COUNCILMAN GOODE: I'll jump to the second question. How much is the tax-exempt property worth?

MR. PIPER: How much are the taxes worth?

COUNCILMAN GOODE: How much are the tax-exempt property worth, which is the number I think you were giving me.

MR. PIPER: The taxable market value is --

COUNCILMAN GOODE: The tax-exempt properties.

MR. PIPER: The tax-exempt property is 44,758,939,483. Now, take into consideration, of course, this includes the value -- for this year, for 2016, it takes into consideration all the value of the homestead exemptions, because we have now included that as an exempt amount, so that's --

COUNCILMAN GOODE: That's not the question I'm asking.

MR. PIPER: I know.

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COUNCILMAN GOODE: I'm going to start over. I thought maybe you had a set of information that I could work with, but I'm actually just going to ask my questions for the record for you to get me the responses that I need.

MR. PIPER: Yes. Okay.

COUNCILMAN GOODE: So the first question is, what percentage of the City's property is tax exempt.

MR. PIPER: Okay.

COUNCILMAN GOODE: If you don't have that number, then just send it to me.

MR. PIPER: We can get that.

COUNCILMAN GOODE: How much is it worth. The third question is, what would be the total amount of taxes paid on that property.

MR. PIPER: Okay.

COUNCILMAN GOODE: If it was taxable.

The next question is, how much of it is owned by mega non-profits. And

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I'm going to allow you to define mega non-profit, because you can look at the information itself and determine what you believe a mega non-profit is in terms of the amount of tax-exempt properties they own.

MR. PIPER: Okay. Sure.

COUNCILMAN GOODE: Is that fair?

MR. PIPER: Yeah, I understand those. And so that would not include any of the abated properties or anything like that.

COUNCILMAN GOODE: No.

The next question is, how much would mega non-profits pay if their properties were not tax exempt.

MR. PIPER: Okay.

COUNCILMAN GOODE: And then the next question is, how much more property is not tax exempt as a result of the new information you have that they had to submit. In other words, for instance, I know that some of the universities had

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submitted information and there were properties that may have had a charitable use, they no longer have a charitable use. I want to know what amount of new property is no longer tax exempt.

MR. PIPER: I can tell you that most of the information you just asked for in terms of the amount of the exempted properties and how much the tax liability would be if the tax rate were as it is today and what the mega non-profits, as I guess we'll kind of have to define those, and I'll tell you what definition we're coming up with, I think most of that information we could get you within a week or so. The information pertaining to any of the non-profits that sent in information -- and a lot have sent in information, the big ones and small ones. I have a couple cubicles piled up with information. I can tell you because we, not knowing what direction this was going to go, we have not -- we extended the filing deadline.

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We have not even started to put that information into a database yet. It's going to be very helpful for us, but that's going to take a little longer, but I'll get you that also.

COUNCILMAN GOODE: Okay. And I guess I'll wait for all of that, but the big question is, based upon your direct working experience or based upon your knowledge of different jurisdictions, how do we rank in terms of the percentage of tax-exempt property? Do we have too much tax-exempt property compared to other cities and jurisdictions?

MR. PIPER: I would compare Philadelphia to a jurisdiction like Boston. Philadelphia probably has the largest amount of universities and colleges of any area in the country, except Boston. So I would make that comparison. And this is just based on what I've seen. It's not based on any calculations or any numbers, but I can tell you that the percentage of exempt

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properties may be similar, but the percentage of large universities and colleges that pay something towards taxes is probably a lot -- it's definitely a lot larger in other places like Boston than it is in Philadelphia.

COUNCILMAN GOODE: Boston has a PILOT program, but I wasn't jumping to the PILOTs yet. My question was just in general relating to the percentage of tax-exempt property within other cities.

MR. PIPER: Right.

COUNCILMAN GOODE: Not comparable cities, but just in general.

MR. PIPER: Just in general other cities, okay.

COUNCILMAN GOODE: I mean, we don't know yet what that percentage is, but I think you know about what it is. I think before you may have stated it's about 10 percent.

MR. PIPER: Yeah.

COUNCILMAN GOODE: Do most cities, other jurisdictions, large

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cities, do most people have about 10 percent of their properties tax exempt?

MR. PIPER: I believe most -- and I know you said not comparable, but I can only look in terms of what we would compare it to.

COUNCILMAN GOODE: Well, do this for me, then: Give me the top ten largest cities and give me the percentage of tax exempts.

MR. PIPER: We can find that out.

COUNCILMAN GOODE: Okay. Thank you. And then the last question is as part of this, so if we do have more tax-exempt property than other cities comparatively, what should we do about it?

MR. PIPER: I'm not sure that's a question for the assessor, but...

(Witness approached witness table.)

COUNCILMAN GOODE: So let me ask a different question, because I don't want Rob's answer. Let me ask --

MR. DUBOW: So you withdrew that question?

COUNCILMAN GOODE: No. I withdrew that question to you.

So what do other cities do about it?

MR. PIPER: In terms of bringing down the percentage --

COUNCILMAN GOODE: If they believe that they have too much tax-exempt property.

MR. PIPER: They keep a close eye on the use of the exempt property overall. And by "overall," I mean the exempt property owned by non-profits in which there could possibly or there is likely to be some alternative use that would not necessarily qualify as tax exempt.

COUNCILMAN GOODE: So what does Boston do?

MR. PIPER: What do we do?

COUNCILMAN GOODE: What does

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Boston do?

MR. PIPER: I'm not sure what Boston does as far as that goes.

COUNCILMAN GOODE: Okay.

You want to answer that question, Rob? What does Boston do?

MR. DUBOW: He wants you to say they have PILOTs.

MR. PIPER: Well, he's not asking about PILOTs now, so...

COUNCILMAN GOODE: Do either of you know how much money Boston brings in through PILOTs?

MR. DUBOW: I'm not sure. I think it's about 19 million.

COUNCILMAN GOODE: Okay. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. President.

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Good afternoon. This is actually an issue I brought up with the Finance Director this morning, and I guess I'm just looking at kind of process here to try to figure out how this became the problem it seems to have become.

I think a lot of us have heard from people who went to the BRT and got some adjustment off their assessment, but somehow months later they're getting a bill not reflecting that adjustment, and I'm just trying to figure out why it takes so long, and maybe walk me through this, because I assume after the BRT makes the decision, it gets to OPA, right?

MR. PIPER: Right.

COUNCILMAN GREENLEE: And then OPA sends it to Revenue?

MR. PIPER: Yes.

COUNCILMAN GREENLEE: Now, I said that in three seconds and I know it doesn't take quite that short of time.

MR. DUBOW: It takes five

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seconds.

COUNCILMAN GREENLEE: Yeah.
But I guess I don't see why it's taking as long as it seems to, because there's only so many -- and Councilman Squilla and I talked about this this morning. There's only so many hearings a day, right? I guess I can't see why Mr. Smith's property at 123 whatever street gets the adjustment, BRT sends that over to OPA, and OPA can't get their records and then can't send it right to Revenue, and then Revenue has their records right, and Mr. Smith doesn't get a bill five months later threatening all kind of stuff.

MR. PIPER: Councilman, I appreciate that question, because I do want to answer it candidly. And we give this answer, by the way, and probably a couple hundred times a week to Mr. Smith, and Mr. Smith understandably is still not satisfied with the answer because what we're saying is, we're aware of the problem and the good news is your adjustment is going to make it to Revenue, but the bad news is it won't make it there today. Meanwhile, your bank is escrowing your money, so understandably you're not happy with --

COUNCILMAN GREENLEE: Or you're getting threatening notices.

MR. PIPER: Or you're getting threatening notices, correct. So let me just briefly walk you through the process. I won't go step by step through the whole thing, but I can tell you how big of a problem we acknowledge it is and what we're doing to fix it going forward. Okay?

The idea that the tax assessment system needs to be fixed is something that although we agree on, we believe what we've done is make major strides in fixing it, and the way it's fixed, it's not really -- I mean, I can talk about CODs and mean ratios, but the truth is, we need to make assessments

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closer to sale prices. And this is what we're working on. However, the biggest problem that we saw this year and really for a year and a half after we initially implemented AVI for tax year 2014 was just what you spoke about, the time it takes for either BRT to make a decision or OPA to make a decision on the revision and for a taxpayer to get an adjusted bill.

So what happens is, BRT makes the decision in a typical year. I'll walk you through what happens in a typical year. In a typical year where we have 2,000 or 3,000 appeals, which that's a healthy amount, the system that we have in place can adequately handle the way recertifications are processed. The Board makes the decision or OPA makes the decision. Someone writes up a report and shows -- and this is something that has to be very carefully done because we're talking about money here -- shows what the adjustment is overall and in each

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component of the assessment. So that has to be done and someone has to check behind that, a supervisor. Those reports are then given to a unit, who electronically puts that into a database, and at the end of maybe 100 or a couple hundred, creates a file that is sent to another part of OPA that creates individual recertifications for each one of those adjustments.

So far what I just described is really not a time-consuming process, although it may seem like it. The biggest holdup in the process the way it exists today is just for, as a point of information, is the authorization and the oversight that has to go into each one of those changes. Understandably when the Board makes the decision, the Controller requires that when they audit us or the Board, there's proof that they made the decision. So when that certification goes back before the Board, the Board members are required to sign. So at

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least three Board members have to sign. And if it's for 2014, when it rolls over for 2015 too, so that's six signatures. Same thing if one of my evaluators makes the decision and it doesn't go to a hearing. I have to have either myself or three of my deputies sign. That's the biggest holdup in the process.

Once those certs are created and Revenue has that information, yes, the taxpayer gets a bill, but for 2,000 or 3,000 during the appeal season, the system that we have in place works just fine. For 50,000 informal appeals and 25,000 formal appeals, the system works about as well as a one-bathroom house for a single family versus a one-bathroom house for ten single families. Those ten single families still needed to use the bathroom, but the bathroom is not going to facilitate.

And I only use that analogy as to say what we do, we still have to do, and for the record just so you guys

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understand, this is not something that is not Revenue's problem. Revenue processes the bills as soon as they get the certifications from OPA. And it's not BRT not hearing the cases fast enough. They're hearing a lot of cases now. They're hearing, I don't know, 50 cases a day residential and maybe 20 cases commercial, even more residential. So it's not BRT. It's not Revenue. But it's not OPA sitting on the information or not being aware that a taxpayer needs to get a bill a lot quicker.

So, in other words, what I'm saying, the long way around it, and I apologize, is that the system we have in place now is not adequate to process that many changes. On the other side of that, a new CAMA system would process -- would take this process and make it instead of, say, a ten-step process, a three-step process, and that's what a state-of-the-art CAMA system does. And I only say that to say when this day comes again that we have to do a full reassessment, hopefully we will have the new CAMA system in place. I believe we will, but in the meantime, the type of assessments we're doing now are still going to require some adjustment in the process. What we're looking to do is streamline a part of the process that requires the most time, and that is all the signatures. It's a problem, because we're at this point probably a couple months behind in producing certifications so Revenue can send out the new tax bills.

So we're aware of it and it's probably one of the biggest operational problems that we're dealing with right now as a result of AVI.

COUNCILMAN GREENLEE: Okay. I'm sorry. I know my time is up. I'm sorry, but --

MR. DUBOW: And we knew from the earlier discussion we had that we have to kind of talk about how to

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communicate that to people so there's a better understanding, and we will do that and get back to you on that.

COUNCILMAN GREENLEE: And I guess just a suggestion. I know this is, as I used the term today, Monday morning quarterbacking, but it seems to me that if Revenue knew that there was an appeal pending, to send out a bill without knowing what the result of that action was -- I'm not blaming Revenue. I'm not sure who I'm blaming. It just seems like the whole thing is messed up. That's a technical term.

MR. PIPER: For the most part, just to address that part again, and I'll say it again, none of this is Revenue's problem, and Revenue actually -- we've worked together with Revenue to try to solve foreseeable issues like the one you just described, Councilman. So, for instance, on pending appeals, what we did was have BRT send a list of pending appeals to Revenue so that they

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understood not to tack on interest and penalties on accounts in which there were still pending appeals, and I think that has worked well for the most part.

COUNCILMAN GREENLEE: But they're getting delinquency notices.

MR. PIPER: I'm sorry?

COUNCILMAN GREENLEE: They're getting delinquency notices.

MR. PIPER: Delinquency notices?

COUNCILMAN GREENLEE: Yes. In other words, they're saying you didn't pay your bill yet. But they've done what they're supposed to do and since they paid last year's bill pending the appeal and they were waiting for an adjusted bill based on the BRT decision.

MR. PIPER: We'll look into that, because it doesn't make sense to me. You're right, I agree they shouldn't be getting delinquency notices.

MR. DUBOW: We're not questioning you. We're saying it doesn't

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make sense and we have to figure out what's happening.

COUNCILMAN GREENLEE: All right. I'm sorry. I took up more time. I'm sorry about that.

COUNCIL PRESIDENT CLARKE: No problem.

Real quick. If these departments were truly consolidated per the original intent of, I guess, the earlier Charter initiative where the BRT functions, the appeals functions, and the assessment functions were all in one department, do you think that would alleviate some of these issues?

MR. DUBOW: They were actually -- they were separate in the original legislation. It was just that the BRT as it is constructed now was going to be replaced by a Board of Appeals that was going to be appointed differently, but they weren't going to be together.

COUNCIL PRESIDENT CLARKE: So

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would it make more sense if all of that was together?

MR. DUBOW: I don't think so, because I think you want the assessment function and the appeals function to be independent of each other. I think you lose some credibility in the process if they're together, and that's part of what the old problem was.

COUNCIL PRESIDENT CLARKE: Some people didn't necessarily think the old way things were done were problematic.

MR. DUBOW: Well --

COUNCIL PRESIDENT CLARKE: I mean, we all know the reality is a couple people did some inappropriate things and they got in trouble and, Oh, we got to separate it, you know. Now we have an administrative issue that continues, and I don't see, frankly speaking, based on your explanation realistically that that's going to be resolved in the foreseeable future. I'm just wondering, you know. Sometimes this whole issue about departments not talking to each other and then we have these separate functions, and matter of fact, I'm sitting here now asking Mr. Stitt how come the BRT is not sitting here in the whole hearing process. It doesn't make any sense. And if we're responsible for that, then we are. It's just a thought.

MR. PIPER: I think one of the pieces that we kind of left out is when we talk about a CAMA system, what -- and you're right, the departments talking to each other and sort of being in the same part of the process is one of the things that a real CAMA system facilitates. A CAMA system is not something that just OPA uses to do statistical analysis. A CAMA system is an enterprise system that has OPA interact with Revenue and the Department of Records. So a lot of things that take, again, you know, ten or 12 steps to do now could be done into three steps.

COUNCIL PRESIDENT CLARKE:

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Okay. All right. Just a thought.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Actually, Mr. President, my colleague here asked most of the questions, but I will ask one question.

I'm looking at your wonderful analysis that you provided us on where the potential reassessments were, and I appreciate that. There's an area in my district called Upper Wissahickon, and it looks like from your map and on the GMA that they're going to experience a slight increase. Not just slight. Major. But my question becomes, how many sales happened in that area to warrant that assessment?

MR. PIPER: So we can answer your question. Of course, I have to go back and do some research, and if you give me a sort of general idea of what the boundaries are that include those GMAs --

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COUNCILMAN JONES: I think there is a GMA, but I don't need you to do -- my question is more general.

MR. PIPER: About the sales?

COUNCILMAN JONES: Yeah. So if it's one sale out of a hundred? Is it ten sales out of a hundred that automatically says, Oh, look, this anomaly happened and so we want to go back in and take a look at it. What is the tipping point that would warrant and justify --

MR. PIPER: That's a good question, because the other side to that, of course, if there are no sales, then we have no justification to do anything. And I think I had this conversation with, I think, Council President Clarke yesterday about a couple areas in which we saw substantial increases, what type of activity would be taking place there. And, again, I had to ask myself, because I know I don't know your district anywhere near as well you do, and I didn't mean to imply I did, but we did do some research, and just asking that same question, how many sales, and I think what we came up with was several hundred sales in just those small groups of GMAs over the past five years, and typically that's what we would be looking at. We would be looking at, in other words, enough sales that would indicate a trend.

COUNCILMAN JONES: And the reason I picked that area, not just because of the spike, it's the kind of area where people hold on to their homes for decades, and folk that originally migrated to that section of my district stay. I mean, there's lifelong residents.

So if one sale or ten sales or a hundred sales, where is -- so if there's one sale and it jumped up, does that trigger this reassessment? And I just don't know where that point is.

MR. PIPER: One sale couldn't trigger reassessment. That would be --

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that's the definition actually of spot assessment, and that's illegal. So we couldn't do that. And if there weren't enough sales and a taxpayer went to look at the limited amount of sales and still assert that we spot assessed his or her property, we need to steer clear of that also.

So I guess the answer is, I need to know what section it is, but if there is a general question about how many sales would trigger -- how much activity would trigger reassessment and within a GMA. We're looking at sales of particular types of properties within the GMA to indicate a trend. It could be a hundred, it could be a couple hundred. It depends on the size of the GMA and how many parcels we have in there.

COUNCILMAN JONES: So N-141, N-145, and N-151, areas right up around there are where that is, and I just really want to just know the standard. Because if my neighbor sells his house

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and that's going to trigger that instantly, I'm going to encourage him to stay. And I'm just saying that. I just need to know what the threshold is.

MR. PIPER: Sure.

COUNCILMAN JONES: And what the standard is, because in that area, there's not as much density as in other parts of my district. So it's single houses, blah, blah, blah. And if they're going up naturally, that's, in some people's opinion, a good thing when they go to the bank and refi, but it's not a good thing when they have to live on fixed incomes and then pay that.

MR. PIPER: Understandable.

COUNCILMAN JONES: Thank you, Mr. Chair.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Johnson.

COUNCILMAN JOHNSON: Thank you, Council President.

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I just had a couple of brief questions. Obviously when it comes to OPA and implementation of AVI, my district and my good friend from South Philadelphia and colleague Mark Squilla and Councilwoman Jannie Blackwell and also Council President Clarke have seen significant increases in some parts of our districts as a result of the rapid growth of development, and so we're still addressing some of those issues. And so I just wanted to follow up with you regarding -- I call it spot reassessment, but you said that's illegal?

MR. PIPER: Well, again, I was really referring more to the definition of spot reassessment, and it's illegal, but spot reassessment would be where one sale or two sales triggered a reassessment of that property or the one next door.

COUNCILMAN JOHNSON: All right. So I just want to briefly go through the market value changes for 2016

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reevaluation project.

MR. PIPER: Okay.

COUNCILMAN JOHNSON: Now, how did you arrive to the process to begin -- in the 2nd Councilmanic District, you all reassessed roughly 13,000 properties for 2016 and 8,000 will see -- and I'm rounding it off -- 8,000 will see increases on their assessments, 5,000 will see decreases. So can you, one, explain to me how you all arrived to the reevaluation project or reassessing certain neighborhoods throughout the 2nd Councilmanic District. That's one. And then, two, for those properties that will see assessment changes, primarily increases, will they be offered the first level of review similar to the process under AVI? How will that process be advertised, and then when will the residents be notified regarding the changes in their assessments? But I'm really more so concerned and want to understand how did you all come up with the actual reevaluation project process.

MR. PIPER: So I think what I understand the questions are, one about how we notify taxpayers but, more importantly, how did we come about --

COUNCILMAN JOHNSON: Y'all did reassessments and you say don't call them spot reassessments, but we went through a reassessment process. Talk to me about how we arrived there.

MR. PIPER: And particularly how we looked at certain areas?

COUNCILMAN JOHNSON: Yes, sir.

MR. PIPER: Yes. Okay. So I've asked my Director of Modeling to come up and explain it, because he's very closely -- in fact, he's actually the person that directs the reassessment efforts as far as that goes and let's us know what parts of the City we have problems at.

COUNCILMAN JOHNSON: Yes. And the problems were based upon the AVI implementation?

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MR. PIPER: Right. My Director of Mass Appraisal, Kevin Keene, is with me and I'm going to ask him to address that question, if you don't mind.

COUNCILMAN JOHNSON: Thank you very much.

How you doing, Kevin?

MR. KEENE: Fine. How are you this afternoon?

COUNCILMAN JOHNSON: Pretty good.

MR. KEENE: I'll try to make this as simple an explanation as possible, but we look at the areas of the City in terms of GMAs where our uniformity seems to be poor, and there are industry standards for what that measurement is and everything that falls outside of those industry standards were those areas that we initially looked at, said that we would look at. Out of 633 GMAs, there were, I think, 185 of them that qualified. So the rest of them were doing well, so we didn't feel that they

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needed to be addressed in this particular project.

So having identified those areas where we obviously weren't doing as well as we would like, we then looked at groups of properties and we looked specifically where the sales of those types of properties told us that they were either overvalued as a group or undervalued as a group. The ones that were overvalued, we put through the model, and in most cases they came down significantly. The ones that were undervalued, we ran them through the same models and they tended to come up. So we were trying to bring everything closer to being within a range of tolerance.

COUNCILMAN JOHNSON: All right. So the follow-up process regarding the same opportunities that residents had on the last assessment under AVI, one, first-level review, how are we going to go about advertising to our constituents that it's available for them to

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participate if they do want to do the appeal through first-level review and when will residents be notified regarding the changes in their assessment?

MR. PIPER: Okay. So the assessment notices for the 131,000 parcels that we just referred to, which would include those that were reassessed because of this, will be mailed April the 15th, and included in those notices will be a populated FLR application with the information about the account and the address and the owner already there and instructions on how to file that first-level review, including what the filing deadline is. And I can let you know what we're doing is just what we did when we did this with AVI. We will send these out and let taxpayers know they have essentially 30 days to respond with the FLR. The filing deadline will actually be a little bit more than 30 days because we're allowing for problems with the post office. We'll also have

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instructions on how to file a formal appeal with BRT.

COUNCILMAN JOHNSON: And you said 131,000? Because my paperwork said 125.

MR. PIPER: Just to explain that, 125,000 parcels were in this project that we're talking about, the reassessment. The other 6,000 or so were just routine changes that we would have done anyway, new construction that we're recognizing, demolition, catastrophic loss, different things that we would do on an annual basis anyway.

COUNCILMAN JOHNSON: Okay. All right. That's it for right now. Thank you.

MR. PIPER: You're welcome.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

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I'm following up as well on Councilman Greenlee's comments this morning. It seems to me since we finally have somebody good at this, Mr. Piper --

MR. PIPER: Thank you, Councilwoman.

COUNCILWOMAN BLACKWELL: -- and that we kind of have focused in on what the issues are, I think that it's unfair for us to raise taxes, and I think that as long as people who are getting billed and who are being contacted and they're catching those in terms of increasing their tax bills, but people are getting contacted twice. We don't have it worked out. We need a new process with these departments so that we can have a whole legitimate process that we feel comfortable. I hate thinking that people are going to get notices saying they're going to be increased again because of what I just said, and also we might not be straight by this time next year. It could take a year or two to put all the

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departments together, the assessors, et cetera, to get us straight so we can say this is right.

And Councilman Squilla last week talked about us not doing these assessments every year. I would not make -- I don't presume to be able to make that decision, but I sure would not mind us holding up and slowing down to give Mr. Piper and his people time to get all of this straight so we're comfortable when we go to the public, when we go to our constituents and neighbors that we're straight with what we're saying, because right now we really, really are not.

That's just my comment. You can comment or not, but that's my opinion. That's my two cents for it.

Thank you, Mr. President.

MR. PIPER: Council President, if I can just make a brief response to Councilwoman Blackwell, and I appreciate what you're saying in terms of making sure that we have things going in the right direction. I just want to -- what we did with AVI that resulted in 25,000, by far a record number of appeals, is something that none of us -- and I'm sure because of the calls and the anxiety-ridden complaints that you all have gotten -- none of us in this room want to have to go through again.

But I would submit that what happened with AVI wasn't -- we didn't do a reassessment and the reassessment caused the problem. We failed to do a reassessment for many years and that's what caused the problem when we finally did the reassessment, because ongoing reassessments tend to have the assessments closely mirror the values that the markets say, the sales prices say the values should be. When you go for years, two things happen. Number one, we don't adjust the assessments, but number two, taxpayers will continue to file an appeal anyway, because if they think they can get a better outcome,

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understandably they'll file an appeal whether it's been raised or not. And lots of times the problem with the assessments, the uniformity or the non-uniformity is exacerbated because decisions are made to make the adjustments. So now you have more uniformity, and over time not doing regular reassessments exacerbates the problem.

Doing regular reassessments -- and, again, I know we've said this before. I'm sure everyone understands that an assessment is not necessarily a change. It's us looking at everything and making sure our assessments are accurate, meaning they closely mirror what the market says they should be. The more often we do that, the better they're likely to be, and doing them annually makes sense because the tax bills are sent annually. If we waited every four years to do another assessment, that would make sense if the tax bill was sent

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every four years, but as long as the tax bill needs to be fair, it needs to be based on accurate and uniform assessments, and I think we have a better chance at least in doing that if we do them on an ongoing basis.

And the problems we talked about in terms of taxpayers getting updated bills notwithstanding, because we understand that in all fairness to taxpayers, we need to be able to fix that problem, and we're working on that also, but that's not the type of problem that we can't make an adjustment on to speed up that process in the interim. The mega problem that we have with AVI was one that stemmed from us not doing anything in decades.

COUNCILWOMAN BLACKWELL: My last comment, if I might, Mr. President, is, I can see us moving forward yearly once we're straight with that, but I just think that it's hard to tell somebody we're going to reassess you when they're

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stuck now, when they haven't heard anything from appeal or where they're getting new bills on top of that. I think that at least should be straight so that we can move forward. I hear what you're saying about if we don't assess, then we're not going to know what's happening, but I still think we need to get rid of that issue, that glitch, before we move forward. That's my opinion on where we are.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

And just let the record reflect early on in the process when the initial proposal was submitted to the City Council, it was said by a number of people that this whole implementation of AVI is a three- to five-year process. And matter of fact, Mr. McKeithen, the former OPA Director, acknowledged that, and it actually caused Council, this Council, to get an unprecedented

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legislation from Harrisburg, unanimous support from the House and Senate and signed by a republican governor, because we just simply weren't ready. So understanding the position of the Council at that time, we're now seeing the concerns that were raised have come to fruition as it relates to these many challenges as it relates to our ability to get accurate assessments before you implement full value. But I just wanted for the record, we kind of gave some sense that this was going to be a problem. So thank you.

Sometimes people forget the history of what happens around here.

The Chair recognizes Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. President.

I have a couple questions to follow up on some of my colleagues. One was with Councilman Greenlee with the process, and I know -- are you looking to

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change the process? Are you waiting for this new system to come in place to change the process or you're going to continue with this process?

MR. PIPER: No. We're looking -- well, two things. We're looking to change the process as it exists currently. Using the system that we have in place now, we're looking to make modifications to this process because --

COUNCILMAN SQUILLA: Right now.

MR. PIPER: Right now, right. That's what we're working on right now.

COUNCILMAN SQUILLA: And would that change the amount of time it takes for OPA to get the information to Revenue and when Revenue would be able to then inform the resident?

MR. PIPER: That's the goal, yes. Again, we're looking at the parts of the process that are the most time-consuming. Some parts of the process are easily shortened by, say,

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putting more people on the task, and we've addressed that already, but some parts of the process I think could be shortened by making sure that the current oversight and authorization, for instance, for changes is done a different way. We can't eliminate that need, because, again, we're talking about money and we're talking about necessarily the need for authorization and auditability when it comes to making assessment changes. But I think we need to look at how we do it now and see if there is a more abbreviated way we could do it.

COUNCILMAN SQUILLA: Well, are we looking at best practices in other municipalities how that works? I mean, I even see that Pittsburgh is implementing an online appeal process to do it online so that people can actually have that information right there. And that would seem like a way to actually turn these over quicker and have people doing -- if they go for a non-oral hearing, that

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could be done and processed immediately. Is that something that OPA would be interested in doing?

MR. PIPER: Sure. As a matter of fact -- and, again, that's a little bit -- the application process is a little bit of a different part of the process, and that's something that we're looking to have happen with the implementation of a new CAMA system, but in terms of the information that needs to go from BRT to OPA, OPA to Revenue in terms of speeding that process up, we're looking to make some adjustments in the current process now.

The issue is not so much of the technology or being able to do something online, because we understand that exists and that's something we could acquire and hope to acquire as part of the CAMA system. It's not so much that. It's because with different departments -- we understand, for instance, what it is that Revenue needs to issue a new tax bill.

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Right now it's not so simple as us to tell a taxpayer, We understand you got a revision, just talk to Revenue and they'll issue a new tax bill based on what I say or something that's on the website. There's certain parts to the process that are in place for a reason in terms of auditability. We just want to be able to streamline those parts of the process, because we think that's what's taking up a lot of time.

COUNCILMAN SQUILLA: Well, I think we would appreciate that, because we are receiving, like Councilman Greenlee said, people who have appeals in October, November and the assessments still aren't changed or the bills still aren't set forth, and that causes a problem because when they do get the bills, they are being charged interest and penalties and other things that cause a problem. We know that they're not accurate, but to the resident it's almost like a panic, you know.

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MR. PIPER: Sure.

COUNCILMAN SQUILLA: And thank God we're there to help them. And the staff has been great in rectifying these situations, but it would be easier if they didn't happen.

MR. PIPER: Yeah. I think we have daily conversations with just about every Council office about that same issue and, again, it's a problem, but it's one I think that we recognize as sort of a process problem.

COUNCILMAN SQUILLA: Okay. I want to reiterate what Council President Clarke was talking about, the land values, and we spoke about this a little bit yesterday. We know when the land values of sales that are going on, especially for new development. Is it possible because of the abated properties, is it possible to go into those new developments knowing what they're purchasing these lands for and saying that these properties in this area

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are going for $20,000, $30,000 a lot and they're still assessed at $5,000 a lot, is that considered spot assessment? I mean, is that considered a real value of the sale that we could then be able to accumulate those dollars that would be added dollars to the City because of they're paying tax on land even though they're not paying on the abated improvements. They're still paying tax on the land and that would generate a large income for the City of Philadelphia.

MR. PIPER: No, that wouldn't be spot assessment. As a matter of fact, that would be us recognizing the value of the land based on sale prices. But with land, again, it's a little bit more -- believe it or not, and this might seem counterintuitive because the vacant land is just the vacant land, it can't be moved and it is what it is, and the improvement has many features that we look at for value, but the vacant land is

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sometimes a little bit more complicated to value, because you're looking at locational factors. For instance, how close a parcel of land is to, let's just say, a park may make a difference in the value, but it may make a different type of difference in a different neighborhood. A park in one neighborhood might be desirable. A park in a different neighborhood because of the park or the neighborhood might make that piece of land less desirable.

So just to answer your question real quick, I think we look at sale prices and we look at what the land is zoned for and we also recognize what the zoning process is in Philadelphia and the fact that developers tend to know -- tend to be kind of savvy about the zoning change process, and that's factored into what they pay for land. We look at all those things, but it's not spot assessing for us to recognize that, though.

COUNCILMAN SQUILLA: Okay.

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Because I think there's a large -- I know you said in 2016 is when you're going to start your land reassessment?

MR. PIPER: 2016 for tax year 2017, correct.

COUNCILMAN SQUILLA: Right. So in that case, because there is revenue out there for the City of Philadelphia to actually capture on the land values, and if we change the land values of those other homes, you're not necessarily changing the value of those homes because that land value went up. That property may only sell for the same amount, but the land value on that in that area, saying you could buy a lot for 25,000, 30,000, that's what those lots are worth in those areas, so that's what the land value is worth. And I think the house may still be worth 117,000, but the land value has increased if they would knock it down and sell it as land. And I think that's the part we're missing here, and I think that would be a large increase in

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revenue to the City of Philadelphia if we went actually and took land consideration into effect, especially with the abated properties and all the development that is going on not only in my district but throughout the City of Philadelphia.

MR. PIPER: Sure, and --

COUNCILMAN JOHNSON: Point of information, please.

COUNCIL PRESIDENT CLARKE: Councilman Johnson.

COUNCILMAN JOHNSON: So just for clarity reasons, because I thought earlier in your testimony you talked about us moving toward reassessing land value. We aren't?

MR. PIPER: What we're looking at --

COUNCILMAN JOHNSON: And I guess the other question is, why aren't we?

MR. PIPER: We are. We are. In fact, that is one of our new initiatives. We're looking right now at

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a project for 2016 that would take effect for 2017, tax year 2017, at a comprehensive reassessment of land values.

COUNCILMAN JOHNSON: Okay. Is it too early to talk about projected level of revenue overall that you think we would bring in?

MR. PIPER: It's way too early, because, again, what we're looking at is getting the values right. So we're not looking at more or less. We're just trying to get the values right.

COUNCILMAN JOHNSON: Right. Thank you.

Thank you, Councilman.

COUNCILMAN SQUILLA: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you.

Before I call on Councilwoman Tasco, so Mr. Piper, you opened up another can of worms. You referenced the fact that the complications associated

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with land values and you said the magic word, zoning, because you know that people come in, they get a zoning classification for property and then they flip it, right?

MR. PIPER: Sure.

COUNCIL PRESIDENT CLARKE: Because they say, Oh, this is worth X. So when we give zoning, be it Council ordinance or variance, do we enact or assess that land immediately or do we charge a fee for the zoning classification change that increases the value of the property?

MR. PIPER: Are you asking me is there something that happens now?

COUNCIL PRESIDENT CLARKE: Yeah. I mean, you said it. I wasn't going to bring it up today, but you said it. The reality is because somebody actually suggested to me -- we got these smart people that work around here -- why do we give people zoning classifications that increases significantly in some

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cases the value of their property and we don't -- correct me if I'm wrong -- we don't assess and increase the value of it until it's sold and the person makes whatever and it gets built and then we go out and assess it based on that. It could be three, four, five, but once that zoning classification change happens, that value goes up on an annual basis and we don't do anything until the end use of the property.

MR. PIPER: What we try to do is, we look at what we can anticipate and we look at what building permits are filed through L&I that we get copies of to try to anticipate development.

COUNCIL PRESIDENT CLARKE: I'm not asking you to anticipate. I'm asking you that based on -- you said it -- the value is based on different things and you said zoning was one.

MR. PIPER: That is one.

COUNCIL PRESIDENT CLARKE: If we're rezoning a parcel of land -- and we

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all know that people do not come to us to ask us to change the zoning so they can decrease the value -- then we have immediately, the City has increased the value of the land for these people and we're not getting any additional revenue as a result of increasing the value of that land until you say pull the building permit and the building gets built, somebody cuts the ribbon, moves in, then we charge them based on that. Why don't we look at zoning classifications?

MR. PIPER: What I'm saying is, we're not necessarily waiting for the building to be built. We're looking at a combination of things. Number one, what the current zoning classification is, but because the assessor is looking -- particularly residential assessors who are assigned work geographically, they're looking at what other type of development has gone on in that area. And, yes, a lot of what we do is based on having to anticipate what's going to happen going

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forward.

So to answer your question, I think, ideally what we would want to do is be able to look at a vacant piece of ground even before it's sold, much less before a building permit is pulled to construct something, and get a better idea of what it's worth based on what its future use is going to be, and that is what we look to do.

COUNCIL PRESIDENT CLARKE: I'm not necessarily asking you to be responsible for the fee or --

MR. PIPER: You mean should the City charge a fee?

COUNCIL PRESIDENT CLARKE: Yeah, for zoning.

MR. PIPER: I can't answer that.

COUNCIL PRESIDENT CLARKE: Mr. Dubow.

(Witness approached witness table.)

MR. DUBOW: Can you repeat the

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question?

COUNCIL PRESIDENT CLARKE: The City regularly grants zoning changes, be it here in Council, a variance of the Zoning Board, and I say 99.9 and I got to say 100, but nothing is 100, that we immediately increase the value of the property, right? But the benefits associated with the increase in value are only realized by the applicant, but the City and the taxpayers don't get the benefit of being able to increase the tax liability for that property until it's built on or whatever. And my question was -- and I probably shouldn't ask Mr. Piper that -- is there some thought that the enhanced zoning should be a part of our assessment or should there be a fee, because that's quite immediate, in terms of enhancing the value of the property by virtue of us granting the zoning?

MR. DUBOW: That's an interesting question. I think I'd

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probably want to talk to Law and see kind of what we are allowed and not allowed to do in terms of charging fees, but I understand the question, so let me do that and get back to you.

COUNCIL PRESIDENT CLARKE: Can you please.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: Thank you.

I'm sorry. The Chair recognizes Councilwoman Tasco.

COUNCILWOMAN TASCO: Thank you.

Good afternoon.

MR. PIPER: Good afternoon, Councilwoman Tasco.

COUNCILWOMAN TASCO: I heard Councilman Jones -- I was watching him upstairs -- ask a question about a certain area of his district, and the map that we received where the changes are seem to me in my district are in a concentrated area. Now, they are going to get an increase, these little blue

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marks, right?

MR. PIPER: Yes.

COUNCILWOMAN TASCO: So I have a little bit in West Oak Lane and a lot over in East Oak Lane. And then you said probably based on sale.

MR. PIPER: Right.

COUNCILWOMAN TASCO: It's unfathomable to have this many sales in that concentrated area.

And the other thing is, there may be some -- could be some issue with homeowners move in their homes through predatory lending, and those sales for housing are being sold, but it just seems so -- you just assessed these people when we did the first assessment, right, the citywide assessment?

MR. PIPER: Yes.

COUNCILWOMAN TASCO: So what are we, a year or two years out?

MR. PIPER: Two years.

COUNCILWOMAN TASCO: And you're coming back and saying all the sudden we

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had an increase -- it says the legend says parcels with market value increase $11,000.

MR. PIPER: Yes.

COUNCILWOMAN TASCO: It seems that something is wrong there, because I'm not sure why that increase would take place in just that concentrated area.

MR. PIPER: Well, when we look at sales -- and we're aware of foreclosures and Sheriff Sales and different types of sales that are not considered by us, arm's length transactions. We don't look at those as being typical of any submarket in Philadelphia, because they're not. There are usually -- there may be some of those types of sales in every neighborhood in Philadelphia, but there are usually so many more arm's length transactions we don't need to look at those at all.

In some parts of, let's just say, Pennsylvania, rural, where they have problems and a lot of people have lost

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their homes, that might even make up the bulk of the market, but not in Philadelphia, not even in any particular neighborhood.

So in areas where there are, again, enough sales -- and how many are enough -- we have to recognize that the sales indicate a trend that means the market values are different for those types of properties than what we had on there already. So while we may have done better overall with the City with our coefficient of dispersion, in some of those areas we were a little high, and that's what that -- the map that you have indicates that.

So, I mean, we can -- I could give you a report that shows you how many sales took place in the last five years in those GMAs. That would be easy enough to do.

COUNCILWOMAN TASCO: Well, has it been five years since we did the initial --

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MR. PIPER: No. I said five years because we look at sales that are no older than five years.

COUNCILWOMAN TASCO: Well, it bothers me when I looked at this yesterday and I just -- there's something wrong with this, because my whole district is clear except that little pocket.

MR. PIPER: Right.

COUNCILWOMAN TASCO: And I just can't imagine that many sales going on in that community. I really can't. I mean, we're not doing -- we're not South Philly, North Philly. We don't have a whole lot of new construction. We have existing properties. So it's not a lot of that going on. I just think we need to investigate for me --

MR. PIPER: We can.

COUNCILWOMAN TASCO: -- why that's happening.

MR. PIPER: Sure. Absolutely. We can.

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COUNCILWOMAN TASCO: I appreciate that very much, because I don't know. I don't know. Okay?

MR. PIPER: We will. Thank you, Councilwoman.

COUNCILWOMAN TASCO: Thank you. You'll get back to us?

MR. PIPER: What we'll do is be in touch with your office and we can reproduce a copy of the map I gave you yesterday that show those major increases and look at the GMAs where those increases took place and then have a report produced that indicates all the sales in the last five years in those areas. Okay?

COUNCILWOMAN TASCO: All right. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

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Real quick. What part of town do you live in?

MR. PIPER: West Philadelphia.

COUNCILMAN JONES: What part?

MR. PIPER: Cobbs Creek.

COUNCILMAN JONES: Okay. That's not my district. All right. Just checking.

So if I understood you correctly, a part of this relook at Councilwoman Tasco's anomaly might be clerical error or input error as well as her intuition that -- so you're self-correcting in a way.

MR. PIPER: No, no. We're self-correcting by producing the proposed assessments for 2016 that are indicated on the map. What I'm saying, however, in terms of what type of research we're going to do, because we're going to come up with a report that shows how many arm's length transactions took place over the past five years.

COUNCILMAN JONES: So you're

going to determine if there was --

MR. PIPER: Well, we already have done that research, but I just don't have it with me today to show you what the sales are. That's what I'm saying.

COUNCILMAN JONES: So similar in my areas, those little spikes, I'd like to know what the contributing factors were and what the frequency, more important, of sales that would trigger something like that.

My question, however, to you is that I note that you have 32 vacancies.

MR. PIPER: Yes.

COUNCILMAN JONES: And Councilman Squilla already talked about not having CAMA.

MR. PIPER: Right.

COUNCILMAN JONES: Which is the calculating handheld device.

MR. PIPER: Yes.

COUNCILMAN JONES: So what do you think the reason why we are -- you said high skill levels required and low

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wages for the reason the vacancies are that way?

MR. PIPER: A couple things. What we're looking for is, yes, a certain level of knowledge from entry-level evaluators. And by "certain level," we're looking for people who have basic real estate skills and knowledge about the industry, if not appraisal, and then we're looking to have people come in who are going to be successful in being formally trained in assessment and appraisal standards.

What we've done over the past few years is, we've made -- and I know we talked about this last year also. We've made the certification mandatory for all assessors as it is already in the rest of the State of Pennsylvania. And right now I'm going to say a little over 65 percent of our assessors are certified, which is as high as it's ever been in the history of BRT or OPA, and the ones that aren't, they are taking classes, because you have

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two years from the date of hire to become certified. So the ones that aren't are either in the pipeline taking classes or have taken the classes and haven't taken the state exam yet or there's a handful that will never have it that are actually going to retire pretty soon.

COUNCILMAN JONES: Is a college degree required?

MR. PIPER: It was at one point, but we've removed that and we had the certification substitute for the college degree as a credential.

COUNCILMAN JONES: So what's your direct strategy to fill the 32 positions?

MR. PIPER: One of the things we knew we were having a problem with because we continued to give the entry-level assessor test, evaluator 1 test, and we noticed that we would typically get maybe 200 or so applicants, in which 80 percent were not even qualified to take the test. And that

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number got worse and worse every time we gave the test.

COUNCILMAN JONES: Is it the experience portion or --

MR. PIPER: It's both. It's the experience and the education.

COUNCILMAN JONES: So is there any thought to creating a training program dealing with income inequality to create a pipeline from one of our community colleges, or I know a great high school that would be willing to do that, but it's called Overbrook. You may have heard of it.

MR. PIPER: I have.

COUNCILMAN JONES: And to create a pipeline of assessors that could go on in the real estate. Temple I understand has a pretty good real estate course as well.

COUNCIL PRESIDENT CLARKE: Councilman, I recall I think Ms. Lynette Brown was at last year's hearing and she offered Community College's services to

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create a course, because we had a very difficult time, as we're talking about now, and I don't know what came of that. But there was an offer by the Community College to assist us in ensuring that we had a course established to be a pipeline for this particular position.

COUNCILMAN JONES: No age discrimination, but younger people like steps and don't mind doing that, and if we could create a pipeline like that, I think that would be truly appropriate.

(Witness approached witness table.)

COUNCILMAN JONES: You look really sad you had to come up. I just want you to know. I saw your face all the way over there. Don't play poker.

MR. PIPER: Councilman Jones and Council President Clarke, I'd like to bring up and introduce again my Administrative Service Director. I think she's a little sad because this is the last time she'll be doing this. She's retiring next month, and we're sad also. But while she's here, I need her.

COUNCIL PRESIDENT CLARKE: Did they reduce the retirement age? I need to know.

MR. PIPER: We did have conversations. We had several extensive meetings with Community College, as a matter of fact, in which they were very helpful in understanding what it was that we were looking for in terms of being able to create that pipeline. As a former student at Community College, I am very familiar with their real estate program and I know that they already have something on the books that provides basic real estate courses, fundamentals and practice and then basic technical writing skill courses and basic math courses that we would love to have entry-level evaluators coming in and going to Community College. And attending there, of course, gives them the opportunity to do it at a not so

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expensive tuition price. But right now I would say it's kind of on hold because Community College's business model sort of demanded that we be prepared to send people already working there right to Community College, and we sort of have people who fall into one of two categories. They're either already college graduates with a Bachelor's degree and not looking to go back for an Associate or they're at the stage in their career where going to college is a little difficult right now. We still think it's a good idea, but I think the pipeline would be better served for that information to get out to the general public and people who don't work there to be able to come in and take advantage of that.

But you mentioned the income inequality --

COUNCILMAN JONES: I was thinking younger -- new to the workforce people, not age, new to the workforce,

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young folk that see this as an opportunity that a career could be developed out of it.

MR. PIPER: That's why I brought up Ms. Daniel to speak about that, because we spoke about this earlier today.

MS. DANIEL: Good afternoon.

COUNCILMAN JONES: Good afternoon.

MS. DANIEL: So --

COUNCIL PRESIDENT CLARKE: Just state your name for the record.

MS. DANIEL: Oh, I'm sorry. My name is Veronica Daniel. I'm the Administrative Services Director.

So we had planned to discuss what the Department was doing in order to address the income inequality point. So we have a position. The very first position in the Department is an assessment clerk. So that position is actually equivalent to a regular clerk 1 position with the City. That position --

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what we have done in the last year, year and a half, I believe, is, we have changed the method in which that person moves forward with the Department. So in the past, that person would take the civil service exam and be promoted to the next position, which is assessment aide, and that's a relatively high-paid clerical position.

I want to back up, because the assessment clerk position is one that requires a high school diploma and a year of real estate experience. So a person is really kind of basic exposure to real estate. They could have worked as a receptionist or something in a real estate office or sold real estate for a year. So it's pretty basic qualifications for that position.

So in moving forward to the assessment aide position, which is actually higher pay for a clerk, for a typical clerk, because that second job pays higher than a clerk 2. So what we

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have done is, we made the assessment aide position an in-place promotion. So a person in our department would not have to test in order to move forward to the assessment aide. And so then the next step for the individual would be to move to the real -- and those are DC33 positions. So the next step for that person would be to move to the DC47 position, which is a professional job, as a real property evaluator 1.

What we have pending with HR right now is changing the specs so that the assessment aide will now be qualified to take the exam for the real property evaluator 1, and that qualification will be two years of working with the Department and obtaining their CPE. So the Department is already working -- well, the Department already takes care of all of the CPE training and costs for all of staff. And we have a class going on right now of 27 employees, and I believe in that class right now is about

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eight of the assessment aides. So at the conclusion of this class, there will be eight additional staff persons who will be eligible to sit for the CPE and this qualifies them for the real property evaluator 1 exam.

COUNCILMAN JONES: So if I understood you correctly, the 32 positions that are open are in that class?

MS. DANIEL: For the most part. We think that we could hire -- you mean "in that class," meaning real property evaluator?

COUNCILMAN JONES: Yes.

MS. DANIEL: Yes, for the most part. We could potentially make some adjustments just for clerical support depending on how the support needs are for the new professional staff, but for the most part, they are real property evaluator positions.

COUNCILMAN JONES: So I anticipate us being in taxation mode for

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decades to come, and it would be good to create a pipeline of qualified individuals that know the difference between Market Street and Main Street that we don't have to go far out of our standard metropolitan area to find and grow them in a way that takes into account sensitivities like South Philly and other places that are experiencing phenomenal growth.

And the other thing is that with all of these appeals, with all of these assessments, you need to tool up, because any break in the action causes a delay and more frustration with the taxpayer.

MS. DANIEL: Right. And we appreciate that, and the Department too really has -- we are focused on growing fast within the Department, which is why we have made the changes that we recently made, because we believe two things. We believe, number one, that it motivates staff in order to grow them internally.

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It's motivation for staff. And, two, we think that the Department benefits because the staff is already familiar with the policies and the practices, so they have an opportunity to really grow and to learn the job. It's almost like on-the-job training for employees.

COUNCILMAN JONES: So I appreciate internal promotions, but I guess what I'm emphasizing is the rung before that to recruit and to create these apprenticeships that lead them to these jobs, because -- and congratulations on your retirement, and I too don't think you're -- I might have to check your ID if you're old enough to qualify, but there's a high schooler somewhere that wants to be in that position some 20 years from now, and we have to create the first rung to get them to want to pursue a career in government, pursue a career in real estate and appraisal.

MS. DANIEL: Thank you.

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COUNCILMAN JONES: Thank you, Mr. Chair.

COUNCILMAN GREENLEE: Thank you, Councilman.

COUNCILMAN JONES: I figured I got extra time because you changed up there to redo the clock. I was wrong?

COUNCILMAN GREENLEE: We let it go.

COUNCILMAN JONES: Thank you, sir.

COUNCILMAN GREENLEE: Thank you.

Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. Chair.

We spoke about the land values and the process. Now, this year I believe the appeal process is now mostly completed for residents from 2014; is that correct?

MR. PIPER: Most of the residential appeals have been heard for 2014, that's correct.

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COUNCILMAN SQUILLA: And the 2014 values, if they had that appeal, had also transferred over to 2015?

MR. PIPER: That's correct.

COUNCILMAN SQUILLA: The businesses that still aren't heard, they're still awaiting for the appeals from 2014?

MR. PIPER: I think we're about, in terms of parcels, about halfway through the 2014 -- more than halfway through the 2014 -- and I'm looking at the Executive Director of BRT, who knows this better than I do, but I think we're about more than halfway through the 2014 commercial appeals, yes.

COUNCILMAN SQUILLA: And at this point, we talked about the non-uniformity created by some of the appeals.

MR. PIPER: Yes.

COUNCILMAN SQUILLA: That also is a reason maybe to look at some of the areas, and your coefficient of dispersion

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may be off because of the difference in values; is that correct?

MR. PIPER: That's correct. Again, when we look at the COD that is too high in some neighborhoods in the City and GMAs, what we're saying is we know what we did with AVI and we want to make sure we do better in certain -- in the areas that need us to do better to sort of -- I want the whole wall to be painted uniformly, but some parts of the wall might need a third coat. But we're not -- what happens with appeals is in itself not the thing we're necessarily saying we're looking to counteract. We're looking at values that don't represent what the market says they should be, no matter how they got there, you know, whether it's a BRT appeal or something we did.

COUNCILMAN SQUILLA: I know when we talked about reassessing the City when we first did this, we were going to reassess the City every year after the

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first year, and obviously last year we couldn't do it because of the number of appeals and the preparation that you needed to do for that. This year we know that you have done some of the areas that you're trying to correct, maybe not all that was captured in the original AVI.

MR. PIPER: And that's typically how an annual reassessment goes. It may look a little different from year to year, but what it does is, as a goal it looks at what it is we should do better in. It doesn't necessarily mean we're looking to make changes again with every property in the City.

COUNCILMAN SQUILLA: I know next year you're looking to incorporate a lot more land value assessments into the mix.

MR. PIPER: Yes.

COUNCILMAN SQUILLA: And I suggested maybe doing the whole year as if we could concentrate on a quadrant of

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the City every year and know that we have every quadrant right instead of spending every year trying to maybe fix the things that we don't see that are right or maybe they had a lot of sales in that area; therefore, their values are either up or down. And also it sends a sense of knowledge to the residents that we know every four years our area is going to be assessed. It may go up, it may go down, but there may be some areas that they say there's no sales in that area for ten years because that neighborhood is pretty stable, and just because there's no sales doesn't mean that the value stays stable in that area. So then we're missing out on that also.

Is that something that would be considered or no?

MR. PIPER: If there are no sales and the values that we currently show on those parcels are representative of the more recent sales of comparable properties in comparable areas because

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there's none in that particular area, then we would say we're okay and nothing needs to be changed. But, again, no sales -- I hesitate to use the term there are no sales in a particular area. Certainly if you look at very small sub-neighborhoods, you might find areas like Councilman Jones referred to where families hold on to the properties for several generations, and that might be a trend in certain areas, but it's our responsibility and you said, you know, looking at parts of the City where we find out things, but there may be some parts where we don't find out. It's our job to find out, and we're responsible for tracking arm's length transactions all over the City. That's part of our job. It's one of the first things that assessors are taught to do.

COUNCILMAN SQUILLA: I understand. I just think we should concentrate on -- the City is hard -- the City is big, and we know how hard it was to do it the first time. We know how hard it was because of the length of time in between the last three assessments of the whole City, and we're trying to fix it now. We're on the third year or fourth year because we delayed it a year of trying to do this, and we believe OPA is close to having these assessments right. But if we could concentrate on a specific area, it really minimizes, I think, the amount of effort to go through and look at the whole City and also gives you a chance to really dig down and really get into the information in that area, in that whole quadrant, whether we're looking at land, whether we're looking at property and other things, and it gets your whole group of people to really work on an area.

Now, I know you have certain assessors that are, I guess, particular to certain geographic areas?

MR. PIPER: For residential we do assign geographically, that's correct.

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An assessor may work in one ward or two wards for years, and we tend to try to want people to get experience in different parts of the City. But, yeah, that's the way we assign the work.

COUNCILMAN SQUILLA: So if that were to happen where you did quadrants, would you say that -- I mean, over that three-year period they could be able to accumulate all that data and have that information for that new assessment time there to really make sure it's right as far as land value, and every quadrant would have that every time. I mean, it's just a suggestion. I know you probably don't want to go that way, but at the end of the day, it makes more sense and it also makes sense to the residents that -- I mean, some people may get assessed every year. They may get an increase every year because their values are going up or more sales in that area are going. So the hot gentrifying areas may end up raising the taxes so much to move people

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out of those areas, and that's what I think we're trying to avoid.

MR. PIPER: I think not to get out of my lane too much, but good tax policy is one in which you as the taxing jurisdiction as well as the taxpayer can predict what the tax revenue and what the tax bill is going to be from year to year. And so predictability is manageability when it comes to that, as I understand what you're saying.

COUNCILMAN SQUILLA: Do we predict this year that it's going to be revenue neutral or would there be an increase? Not of raising the rates. I'm not talking about raising the rate. I'm talking about after the assessments are done. What is our prediction?

MR. PIPER: I'm going to ask Rob to come up to speak to that, because I'm not sure if we have one.

(Witness approached witness table.)

MR. DUBOW: I think the net

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impact would be a slight increase in assessed value, which would then lead to a slight increase in revenue.

COUNCILMAN SQUILLA: Well, not necessarily. I mean, if you have a slight increase in the assessed value, but it happened to be all increased on abated properties --

MR. DUBOW: No, no; in taxable value. Sorry.

COUNCILMAN SQUILLA: Oh, in taxable value. All right. So you're saying a slight increase in taxable value?

MR. DUBOW: Yeah. I think like 500 million, something like that.

MR. PIPER: Probably substantially less than that, because we kind of reduced the amount of properties that wind up with an increase in the universe that we --

MR. DUBOW: So very small, yeah.

COUNCILMAN SQUILLA: So we

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project a small increase even if the rate wasn't changed?

MR. DUBOW: Correct. Yes.

COUNCILMAN SQUILLA: And when you send -- can I ask one more question, Mr. Chair?

COUNCILMAN GREENLEE: Sure. You're it anyway.

COUNCILMAN SQUILLA: Oh, okay. I'm sorry.

MR. DUBOW: Now you've encouraged him.

COUNCILMAN GREENLEE: I know.

That means you can ask one more question.

MR. DUBOW: Thank you.

COUNCILMAN SQUILLA: The notices are going out April 15th?

MR. PIPER: April 15th.

COUNCILMAN SQUILLA: And on those notices will be what the current assessment is only for people who are changed or is this the whole City?

MR. PIPER: We're only sending

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notices out to changed parcels, right.

COUNCILMAN SQUILLA: On that notice, what else is on there? The previous assessment?

MR. PIPER: Previous year's assessment and the current year's assessment. And I'm going to call Kate Drayer up, because she's actually the person that oversees the notice form and everything. So the question is exactly what's on the notice this year.

(Witness approached podium.)

MS. DRAYER: Kate Drayer. I manage the Homestead Exemption Program at OPA, among other programs.

So for the assessment notice, it will be the same format as in '14. It will have the property characteristics, if it's a residential property or a multi-family, commercial; the current market value and the previous market value; if there's any type of assessment -- I'm sorry; abatement or exemption, including the homestead

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exemption; and then again information about how to appeal or file an FLR.

COUNCILMAN SQUILLA: First level, not a BRT appeal.

MS. DRAYER: It includes both. So it first includes information about the first-level review and it has a first-level review form in the mailing and then information about the deadline for the formal appeal.

COUNCILMAN SQUILLA: And once they get that notice, they will then decide -- the problem is, there's no tax amount on there, correct, because we don't know what the rate is?

MS. DRAYER: Correct. This is just a notice of the assessed value.

COUNCILMAN SQUILLA: Is it possible to put -- I mean, I guess it's too late now, but in the future -- what your taxes were this year and if it was the same rate, what it would be next year, or that's not possible?

MR. PIPER: What we did put on

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the notice, because the tax rate is not something that we have any control over, what we did put on the notice, I believe, is the fact that Council decides the tax rate by a certain date.

COUNCILMAN SQUILLA: Oh, great.

MR. PIPER: But we didn't put the rate.

COUNCILMAN SQUILLA: Thank you.

COUNCILMAN GREENLEE: Thanks a lot.

MR. PIPER: I just want you to know. I'm being honest with you.

COUNCILMAN SQUILLA: That's nice. So we appreciate you including us in the process.

The abatement, we talked about this yesterday a little bit. If you have an abatement, the first year I think they included homestead and if you had an abatement, they included it, but then they removed it after the first year. If a person -- the question that was asked to us, if they were approved for the

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homestead and their abatement expired the following year, do they then get the homestead?

MS. DRAYER: Yes. So the legislation said for starting tax year '15, you could no longer have an homestead and an abatement, but if the abatement ended in '14, then they could have the homestead exemption for '15. We only contacted residents where the abatement was '15 or later.

COUNCILMAN SQUILLA: Okay. So they don't have to reapply? Like say they had an abatement for two years and then that abatement ran out. Do they have to reapply for homestead again?

MS. DRAYER: They do.

COUNCILMAN SQUILLA: They do? Okay. So that's something we need to --

MS. DRAYER: We have that data, so we can certainly reach out to them as a reminder.

COUNCILMAN SQUILLA: Do you let homeowners know when their abatement has

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expired and that the homestead is available or that's something they just have to guess?

MS. DRAYER: We haven't, but we certainly can.

COUNCILMAN SQUILLA: I mean, I think if you could do that, that would be great for the public to be able to know, because a lot of people don't even know when their abatements do expire and that homestead is available to them, because that's a $400 savings at that point.

All right. Thank you very much. Thank you for your answers.

COUNCILMAN GREENLEE: Your questions generated Councilman Oh to ask a question.

Councilman Oh.

COUNCILMAN OH: Yes. Thank you very much.

I'm sorry. I didn't have a question, but something that you said just reminded me of a constituent issue. So since you're there, I have this

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question.

A property that was originally a rental property, someone lives there, they rent two floors, it's kind of built that way, and they have a rental license, but when the family moves in, they don't rent. They don't have any renters, but they keep getting a bill from the Streets Department or whomever that they got to pay $300 for trash pickup, and as many times as we write that they don't have any tenants there, they keep getting the bill. But what I'm not clear on is, does that information that they have renters, does that somehow go to OPA and you assess the property that because they have renters, they have a higher assessment?

MR. PIPER: Is the question whether or not there's a tenant there, does that determine what the assessment is?

COUNCILMAN OH: Yes.

MR. PIPER: As opposed to, for

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instance, us recognizing that something is a duplex and could be rented?

COUNCILMAN OH: Well, what I'm saying is the fact that some department of the City bills the owners of this building for having tenants, which they don't have, does that tie in to your ability to assess properties and they're assessed, I think, at a higher rate, maybe a lower rate for being a property that has commercial value?

MR. PIPER: We do have ongoing discussions, regular meetings with the Streets Department about the trash fee, and since this was instituted a few years ago, we understood that they were looking at our data to issue these bills. So we had to make -- we have to apply building codes as they have to be applied, but at the same time, we understand that it shouldn't generate a trash collection fee if there's not a tenant or someone there.

So I just brought up Joseph Solomon, my Deputy Administrator, who

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actually is the person who attends a lot of those meetings, to talk about that process a little bit.

COUNCILMAN OH: Could I just frame it this way? I'm dealing with constituents who say, I keep getting the same $300 year after year. I don't have any tenants. I keep doing it. After we talk to somebody, they keep getting the same $300 fee again and again. I only was thinking about the $300 fee. My question is, is that a red flag that they are overassessed as well?

MR. SOLOMON: No. What's happening there is, the Streets Department is using our building code or built-as code and imputing that there is -- if it's a multi-family dwelling, they're imputing that it's subject to the trash tax. What they're supposed to do is, A, on their notice of their bill, they have the capability of filing an appeal with the Solid Waste Refuse Department that says, yes, this was built

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as a duplex, but it is vacant or it is a single-family dwelling and I am exempt.

The other thing they can do is if they don't have any intention of using it as a multi-family dwelling, they can go to L&I and file a use registration permit that says they want that property classified as a single-family dwelling. It's not a zoning change. It's a use registration. And when they get that use registration, they can copy that use registration to the Solid Waste Disposal Unit and they should abate any of that trash fee.

COUNCILMAN OH: Okay. Thank you very much.

MR. SOLOMON: You're welcome.

COUNCILMAN GREENLEE: Thank you.

Councilman Squilla.

COUNCILMAN SQUILLA: Thank you, Mr. Greenlee, Mr. Chair.

Other municipalities that send the assessments out send out -- and I think New York does it, where they actually send what the current -- if you use the current rate, what the tax would be. My issues, when we send assessment notices out, people have no idea what that means to them in a tax value. They call and will say, All right, times it by 0.0134. That's what it would be, but if Council changes it, it will be different.

Is there any way that we could include that in the process, maybe not this year but in future years? And also is there a way to use quadrant-based assessment like other municipalities use?

MR. PIPER: Let me answer your first question first. In terms of the tax liability and how that could possibly appear on a change of assessment notice, it could. However, the timing makes it a little difficult right now, because the state has mandated March the 31st to be the certification date for the following tax year, and right now I believe again Council makes the decision on what the

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tax rate would be, even if it's the same rate as last year, but that decision is not made until May. So the assessment date would have -- the certification date would have to change and be what it used to be, and that is after the May date that Council talks about the rate.

COUNCILMAN SQUILLA: We're not saying certified. It's not a tax bill. It's just saying that if Council keeps the rate similar to what it was the previous year, this is how much your taxes would be or have changed. If Council decides to change it to another level, you would have to times that by the amount. Because when people get an assessment, they can't correlate that into a tax payment, and if we say that if Council doesn't change anything, this is the bill. If Council raises the rate, you're going to pay more than this. I mean, we could actually specifically say that in there. That also decides whether they should appeal or not. Some people

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may see a $10,000 increase in their assessment and say, Oh, my God, that's going to cost us a lot of money, but it's really not. So they don't see that it's only a couple dollars and, therefore, they're going to appeal when they wouldn't appeal.

MR. PIPER: Sure. And anything that would discourage unnecessarily, I would say, appeals from a taxpayer who is appealing because, like you said, they're confused, we like to see happen.

COUNCILMAN SQUILLA: Right. That may just be a thought in the future to consider the current -- you don't have to say this is your bill.

MR. PIPER: But if it stays the same.

COUNCILMAN SQUILLA: Right. If it stays the same, it's this. That's just a suggestion.

And like Maryland and other areas that do quadrant-based assessments to really dig down and get it right, is

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that something that's done by -- would you decide that or would that be an administrative decision or is that just a policy that OPA has?

MR. PIPER: Well, the way we do assessments going forward since OPA has been created -- I should say since we implemented the first year of AVI, is we're looking to do annual reassessments. So, of course, we couldn't do one last year because of lack of resources and the amount of the appeals that we received, but what we did this year is, again typically, what a reassessment would look like every year. It would address the portion of the assessments in the City that need to be addressed.

Now, could we do it geographically in a third or a fourth as you suggested in quadrants? Theoretically that could be something we could do, but in order to confidently say we're going to do it section by section as opposed to looking at the areas where

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we have an obvious need for a reassessment, I would have to say -- we would have to look down the road to say once we are in better shape overall, which as we've said would always take three to five years just to get there, then we could look at doing it at a more predictable way, I'll say. I don't want to say quadrants, but, you know, a more predictable way geographically.

COUNCILMAN SQUILLA: But that policy is decided by OPA. They dictate that or is that --

MR. PIPER: Yes.

COUNCILMAN SQUILLA: -- something that's legislated?

MR. PIPER: That's not legislated.

COUNCILMAN SQUILLA: And I appreciate it. We know it takes four or five years. That was why we wanted to phase the project in when we had the legislation, but unfortunately it didn't work out. But thank you for all your

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hard work, and hopefully we can get this all up and running and fixed by next year.

MR. PIPER: I think we will, Councilman. Thank you.

COUNCILMAN GREENLEE: Thank you.

Thank you, Mr. Piper.

MR. PIPER: Thank you.

COUNCILMAN GREENLEE: And I'll repeat what Councilwoman Blackwell said. I think we got the right person in that position. Thank you.

This Committee will stand in recess until Tuesday, April 14th, 2015 at 10:00 a.m., at which time we will reconvene here in Room 400, City Hall.

Thank you.

(Committee of the Whole adjourned at 2:45 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

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

City of Philadelphia

Recessed Hearing Notice

April 7, 2015

The **Committee of the Whole** of the Council of the City of Philadelphia held a Public Hearing on **Tuesday, April 7, 2015,** and recessed the public hearing until **Wednesday, April 8, 2015** at **10:00 AM**, in **Room 400, City Hall,** to hear further testimony on the following:

150162	An Ordinance to adopt a Capital Program for the six Fiscal Years 2016-2021 inclusive.
150163	An Ordinance to adopt a Fiscal 2016 Capital Budget.
150164	An Ordinance adopting the Operating Budget for Fiscal Year 2016.
150179	Resolution providing for the approval by the Council of the City of Philadelphia of a Revised Five Year Financial Plan for the City of Philadelphia covering Fiscal Years 2016 through 2020, and incorporating proposed changes with respect to Fiscal Year 2015, which is to be submitted by the Mayor to the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") pursuant to the Intergovernmental Cooperation Agreement, authorized by an ordinance of this Council approved by the Mayor on January 3, 1992 (Bill No. 1563-A), by and between the City and the Authority.

Immediately following the public hearing, a meeting of the Committee of the Whole, open to the public, will be held to consider the action to be taken on the above listed items.

Copies of the foregoing items are available in the Office of the Chief Clerk of the Council, Room 402, City Hall.

Michael Decker
Chief Clerk

OFFICE OF THE DIRECTOR OF FINANCE
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 8, 2015

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The Office of the Director of Finance is charged with overseeing the City's financial, accounting and budgetary functions, including establishing fiscal policy guidelines; overseeing the City's budget and financial management programs; and recording and accounting all City financial activities. The proposed budget for the Office of the Director of Finance supports a number of departmental divisions, including: Executive Direction, which is comprised of the Administrative Services Center, the Contracting Unit, the Mayor's Office of Grants, the Administrative Systems Modernization project (OnePhilly), and the Bureau of Administrative Adjudication; the Office of Budget and Program Evaluation; the Accounting Bureau; the Office of Administrative Review; Risk Management; and the Office of Property Data. Joining me here today are representatives from these divisions who are available to answer your questions.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The FY16 budget, as proposed, provides the necessary funding for the Office of the Director of Finance to accomplish its objectives.

The FY16 general fund budget, as proposed for the Office of the Director of Finance, totals $1,327,356,488, an increase of $50.3 million over FY15 estimated obligation levels. That increase is caused by a $50.5 million increase in fringe benefit costs, including a $35.6 million increase in pension costs and an increase of $14.9 million in other fringe benefit costs; a decrease of $180,233 in Class 100 salary costs; a decrease of $1.09 million in Class 200 costs; and an increase of $1.09 million in Class 500 costs. Direct general fund appropriations proposed for the Finance Department's core budget are $13,283,655, a decrease of $1,265,233 over FY15 estimated obligation levels in Class 100 and Class 200 as mentioned above. The Finance Department's proposed budget includes:

1. $1,180,984,315 in Class 100 funds, an increase of $50.3 million over estimated FY15 obligation levels. This funding will compensate 183 full-time Finance Department employees and fund fringe benefits for all City of Philadelphia General Fund employees. The $50.3 million increase is a result of a $35.6 million increase in Pension costs, a $14.9 million increase in other fringe benefit costs, and a $180,233 decrease in the proposed $8,801,920 core budget.

2. $4.5 million in Class 200 funds, a decrease of $1.09 million from the FY15 estimated obligation level. This decrease is the result of both a decrease in Professional Services contracts and the transfer of the expense for Excess Workers' Compensation insurance to Class 187 where all other Employee Benefit Workers' Compensation costs are funded.

3. $110,774 in Class 300/400 funding for materials, supplies and equipment, unchanged from FY15 estimated obligations.

4. $141.7 million in Class 500 funds for contributions, an increase of $1.09 million. This includes the City's $69.2 million contribution to the School District, an increase of $74,373 over the FY15 level; $30.3 million for Community College of Philadelphia, an increase of $3.4 million over the FY15 level; $4 million to fund City contributions to various organizations, a decrease of $725,000 from the FY15 level; and $38 million to fund indemnities, a decrease of $1.7 million over the FY15 estimated obligation level.

Financial Summary by Class - General Fund

	Fiscal 2014 Actual Obligations	Fiscal 2015 Original Appropriations	Fiscal 2015 Estimated Obligations	Fiscal 2016 Proposed Appropriations	Difference FY16-FY15
Class 100 - Employee Compensation	$1,203,929,766	$1,826,250,303	$1,130,641,173	$1,180,984,315	$50,343,142
Class 200 - Purchase of Services	$5,206,359	$5,302,479	$5,627,479	$4,542,479	($1,085,000)
Class 300 - Materials and Supplies	$68,095	$95,158	$95,158	$95,158	$0
Class 400 - Equipment	$39,257	$15,616	$15,616	$15,616	$0
Class 500 - Contributions	$144,852,416	$134,629,507	$140,629,507	$141,718,880	$1,089,373
Class 700 - Debt Service	$0	$0	$0	$0	$0
Class 800 - Payment to Other Funds	$0	$0	$0	$0	$0
Class 900 - Advances/Misc. Payments	$0	$0	$0	$0	$0
TOTAL	$1,354,095,893	$1,966,293,063	$1,277,008,933	$1,327,356,448	$50,347,515

Staff Demographics Summary (as of February 2015)

	Total	Minority	White	Female
Full-Time Staff	174	106	68	112
Executive Staff	26	11	15	17
Average Salary - Executive Staff	$105,582	$90,830	$116,400	$104,545
Median Salary - Executive Staff	$101,700	$89,010	$112,453	$98,751

Employment Levels (as of February 2015)

	Budgeted	Filled
Full-Time Positions	183	174
Part-Time Positions	1	1
Executive Positions	26	26

Contracts Summary (as of February 2015)

	FY10	FY11	FY12	FY13	FY14	FY15
Total amount of contracts	$8,615,255	$12,921,223	$13,931,823	$27,067,370	$16,732,149	$14,864,006
Total amount to M/W/DBE	$3,353,375	$5,229,801	$5,037,804	$7,683,758	$4,156,525	$4,212,657
Participation Rate	39%	40%	36%	28%	25%	28%

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Among the Office of the Director of Finance's operational highlights during the year were:

- Implementing changes to employee pay as a result of arbitration awards and collective bargaining agreements.
- Continuing the OnePhilly effort that will replace the current Human Resources, Payroll, Time & Attendance, Benefits, and Pensions systems, as well as the effort to implement a program based budgeting system.

DEPARTMENT CHALLENGES

- The Office of the Director of Finance will continue to work with agencies throughout the government to maintain the City's fiscal stability and increase its financial strength despite the uneven economic recovery, the City's relatively high level of fixed costs, and the City's large unfunded pension liability.
- The relatively narrow fund balances in the five year plan will limit the City's financial flexibility and require an added emphasis on cash management.
- The Office of the Director of Finance will continue to work with the Mayor's Office of Education, the School District of Philadelphia, City Council, the Governor's Office and state legislators towards securing financial stability for the District.

ACCOMPLISHMENTS & INITIATIVES

- The Office of the Director of Finance has maintained balanced annual and five year budgets through careful monitoring of all expenses and revenues. While governments around the country continued to face financial challenges since the recession, the City, through its five year planning process, has avoided one-time budget balancing actions and has made tough decisions necessary to bring relative stability to its finances. The City's strong budgeting practices were one factor leading to rating agency upgrades since FY08.
- The Accounting Division received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the 34th consecutive year.
- The Budget Office received the GFOA Distinguished Budget Presentation Award for the second consecutive year. Last year was the first time the City received this award in 25 years.
- Achieved efficiencies through the use of enhanced electronic means and increased on-line offerings:
    - The Accounting Bureau has increased the use of electronic Automated Clearing House (ACH) payments in lieu of paper checks. Accounting was able to achieve a 90% participation rate for foster parents and grandparents on ACH electronic payments. Additionally, effective May 1, 2015, all exempt and non-represented employees will be required to receive their paychecks through direct deposit or a new pay card program. In addition to reducing check printing and postage costs, this is a more secure method of payment allowing funds to be deposited directly into bank accounts, immediate access to the recipient, and eliminating the potential for lost or stolen checks and any need to wait for replacement checks.
    - In April 2011, the Bureau of Administrative Adjudication (BAA) began the use of the web for scheduling in-person parking ticket hearings. The BAA now provides an opportunity for users to submit information for parking ticket disputes online rather than attending a hearing in person;
    - The City's eContract Philly website is now compatible with all versions of the three major web browsers – Internet Explorer, Chrome and Safari. Previously, visitors were limited to using only version 5 or higher of Internet Explorer.
    - OAR developed an online option to submit administrative review requests for code violation notices and false alarm violations. Additionally, customers can now make payments online

through the City website and submit administrative review filings via email or mail from an electronic download.
    - The Tax Review Board transitioned to electronic transmission of monthly dockets and hearing schedules to reduce the use of paper and inter-office deliveries. Work is underway to make Tax Review Board formal opinions available to the public on-line, and to move to electronic storage and retention of Tax Review Board files.
- In large part due to the efforts of the Mayor's Office of Grants, which worked in cooperation with a number of agencies, Philadelphia is one of only two cities in the country that has been successful at receiving both a $30 million Choice Neighborhoods (North Philadelphia) grant and a Promise Zone designation (West Philadelphia) place based grant from the federal government.
- As a result of implementing recommendations in the FTI Consulting report, in FY14, the City collected an additional $17 million in revenues from the EMS Transport Fee, the Commercial Trash Fee, and the Police Department's Reimbursable Overtime Program. In FY15, the City will achieve cost savings from implementing FTI recommendations for a fuel hedging program and energy conservation initiative.
- From FY08 to present, Risk Management has contributed approximately $18.5 million dollars to the City's General Fund through its Property Damage Subrogation Program ($4 million) and the Employee Disability Program ($14.5 million) by recovering costs from insured losses, reimbursed property damage or unfounded work related injury claims.

STAFFING

The charts below include demographic information, broken down by gender and race, for all departmental staff, as well as for senior staff only; gender and race of new departmental hires in fiscal year 2015; and information on the number of bilingual employees in the department.

Staff Demographics (as of February 2015)

	Full-Time Staff			*Executive Staff*			*Newly-Hired Staff - FY15*	
	Male	**Female**		**Male**	**Female**		**Male**	**Female**
	African-American	African-American		African-American	African-American		African-American	African-American
Total	22	63	*Total*	4	4	*Total*	1	5
% of Total	12.6%	36.2%	*% of Total*	15.4%	15.4%	*% of Total*	7.7%	38.5%
	White	White		White	White		White	White
Total	31	37	*Total*	5	10	*Total*	3	2
% of Total	17.8%	21.3%	*% of Total*	19.2%	38.5%	*% of Totol*	23.1%	15.4%
	Hispanic	Hispanic		Hispanic	Hispanic		Hispanic	Hispanic
Total	5	5	*Total*	0	2	*Total*	0	1
% of Total	2.9%	2.9%	*% of Total*	0.0%	7.7%	*% of Total*	0.0%	7.7%
	Asian	Asian		Asian	Asian		Asian	Asian
Total	2	5	*Total*	0	0	*Total*	0	1
% of Total	1.1%	2.9%	*% of Total*	0.0%	0.0%	*% of Total*	0.0%	7.7%
	Other	Other		Other	Other		Other	Other
Total	2	2	*Total*	0	1	*Total*	0	0
% of Total	1.1%	1.1%	*% of Total*	0.0%	3.8%	*% of Total*	0.0%	0.0%
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual
Total	5	10	*Total*	0	3	*Total*	0	1
% of Total	2.9%	5.7%	*% of Total*	0.0%	11.5%	*% af Total*	0.0%	7.7%
	Male	Female		Male	Female		Male	Female
Total	62	112	*Total*	9	17	*Total*	4	9
% of Total	35.6%	64.4%	*% of Total*	34.6%	65.4%	*% of Total*	30.8%	69.2%

CONTRACTING

The Office of the Director of Finance is committed to supporting the Administration's FY16 goal of 30% minority, woman, and disabled-owned business (M/W/DSBE) participation in City contracting. For FY15 to date, the Office of the Director of Finance has an overall 28.3% participation rate in contracting opportunities for minority and female-owned businesses. Based on the availability of funding for contracting opportunities, the Office of the Director of Finance has a FY16 participation goal of 30%.

Included in this testimony is information regarding historical M/W/DBE participation, as well as participation rate information on the largest FY15 contracts in the Office of the Director of Finance's budget, whether those contracts were awarded through a RFP, and if the service providers are in compliance with the living wage requirements.

M/W/DBE Participation on Large Contracts
FY15 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Part. Achieved	$ Value of M/W/DBE Participation	Total % and $ Value Participation - All DSBEs	Living Wage Compliant?
Comp Services Inc.	Medical health care & claims and litigation management services related to employees who sustain service-connected injuries.	$5,820,000	1/27/14	7/1/14	MBE: 15-17%	20%	$1,148,000		
					WBE: 10-12%	3%	$168,000	23%	Yes
					DSBE: Best efforts	0%	$0	$1,316,000	
XEROX State & Local Solutions	Administer & collect code violation & alarm fees	$1,412,500	12/15/12	1/1/14	MBE: 20-25%	20%	$282,500		
					WBE: 20-25%	0%	$0	20%	Yes
					DSBE: Best efforts	0%	$0	$282,500	
CGI Technologies	Budget Formulation System	$938,320	2/21/13	3/17/14	MBE and/or WBE:	0%	$0		
					15-20%	0%	$0	0%	Yes
					DSBE: Best efforts	0%	$0	$0	
Lawton Associates	Insurance and Risk Management Services	$850,000	3/7/14	7/1/14	MBE and/or WBE:	100%	$850,000		
					25-30%	0%	$0	100%	Yes
					DSBE: Best efforts	0%	$0	$850,000	
Various	Legal services related to City's Employee Disability/Worker's Compensation Program	$4,000,000	3/20/13	7/6/13	MBE and/or WBE:	38%	$1,500,000		
					15-20%	0%	$0	38%	Yes
					DSBE: Best efforts	0%	$0	$1,500,000	(8 of 8 firms)
Various (TBD in FY16)	Legal services related to City's Aviation Liability Insurance Program	$1,000,000	1/24/11	10/1/11	MBE and/or WBE:	8%	$75,000		
					15-20%	0%	$0	8%	Yes
					DSBE: Best efforts	0%	$0	$75,000	(2 of 2 firms)

OFFICE OF THE CITY TREASURER
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 8, 2015

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

Mission: To manage the City's interactions with the capital markets for debt, liquidity and cash investments, and manage the City's commercial banking relationships and services. Additionally, the Treasurer's Office safeguards City funds, and serves as the disbursing agent for City payments.

Description of Major Services: The Office of the City Treasurer (CTO) manages new and outstanding City debt in accordance with the City's Debt Management Policies, maximizes the value received from new financings and minimizes interest and transaction costs, and interacts with and oversees the Sinking Fund. CTO manages the cash and investment balances of the City through its interaction with commercial banks, investment managers and custody banks, which includes management of operating and bond proceeds. CTO maximizes amounts of cash available for investment after meeting daily cash requirements. CTO serves as the disbursing agent for payments from the City Treasury by distribution of checks and electronic payments in the most modern, secure, effective, and efficient method.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Budget Highlights: The FY16 Proposed Budget increases the General Fund allocation for CTO by 19.5% as a result of an increased transfer from the Office of the Director of Finance.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	785,368	802,019	985,689	183,670	22.9%
	200	93,707	118,444	118,444	0	0.0%
	300/400	15,068	22,224	22,224	0	0.0%
	Total	894,143	942,687	1,126,357	183,670	19.5%
	Positions	14	16	16	0	0.0%

Staff Demographics Summary (as of April 2015)

	Total	Minority	White	Female
Full-Time Staff	15	6	9	6
Executive Staff	5	0	5	1
Average Salary - Executive Staff	$107,078	$0	$107,078	$148,523
Median Salary - Executive Staff	$103,500	$0	$103,500	$148,523

Employment Levels (as of April 2015)

	Budgeted	Filled
Full-Time Positions	16	15
Part-Time Positions	0	0
Executive Positions	5	5

Contracts Summary (*as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	3,453,425	$848,085	$2,488,601	$1,841,517	$2,292,640	$2,067,899
Total amount to M/W/DBE	$528,552	$205,773	$696,030	$598,456	$513,886	$350,261
Participation Rate	15%	24%	28%	32%	22%	17%

*Through December 2014 - Participation rate shows a decline for the first half of FY15 versus the full year for FY14. However, the majority of our bond transactions for the fiscal year will occur in the second half of FY15, and we anticipate being on target to approximate last year's performance when the full year is complete.

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Bonds – CTO is managing a very large debt issuance calendar for calendar year 2015 which may include up to ten bond and note issuances. CTO has added a dedicated bond analyst, providing needed staff support and analytical capabilities, but this substantially increased level of bond activity will still present a challenge.

Banking/Investments/Treasury Accounting – Leading into FY15, the CTO reworked job descriptions and reclassified positions enabling CTO to better meet the talent need within key roles. A Deputy City Treasurer for Banking, Investments and Treasury Accounting was hired. Additionally, during the first half of FY15 there has been an emphasis on cross-training staff to reduce the dependency on individuals and siloed processes within the department, and thus reducing operational and service delivery risks. With the cross-training of the group and the insights and experience from new hires filling the revamped roles the CTO has been delivering quality service and is establishing more comprehensive processes to better utilize and protect the City's monetary assets, in the banking , investment and treasury accounting areas.

DEPARTMENT CHALLENGES

CTO manages investments of the City's General Fund, Grants Fund, Special Funds and Enterprise Funds, accounting for both operating cash and bond proceeds accounts. These funds may not be commingled, meaning that there are a large number of accounts with their own underlying cash flows that must be managed and invested separately. The best way to manage this large responsibility efficiently would be to implement a Treasury Management System (TMS), to preserve principal and maximize returns. This will also mitigate operational risk, and will enable performance of management reviews and compliance, which are difficult to accomplish with current systems. This would also assist in monitoring banking services and expenses. The City's low operating cash balances pose daily monitoring and management needs.

On the bond side, CTO's biggest challenge will be implementing best practices in financial disclosure across every City issuing credit (a major goal) in conjunction with the heavy issuance calendar for this coming year. This process involves onboarding specialized counsel to dig through the underlying finances and operations of each issuing credit of the City, and requires substantial assistance from most departments in the City, as well as a need to continually review the rating agency and investor dialogue for the City.

ACCOMPLISHMENTS & INITIATIVES

Strategic Management of Bond Issuance, Refunding and Credit Strategies: CTO managed the City's bond issuance, refunding and credit strategies, saving approximately $34 million (General Fund) and $26 million (Enterprise Funds) since FY11 in budgeted debt service. This included renegotiating the City's letter of credit fees, reducing annual costs for the General Fund from $4.7 million in 2011 to $1.7 million in FY14. These transactions have resulted in overall net present value savings of approximately $146 million, which will be experienced over the term of the outstanding debt.

Monetizing the City's Improved Credit: The City issued nearly $750 million in bonds in calendar 2014, monetizing the City's improved credit with refundings generating $26.92 million in present value savings and providing unique solutions to capital needs for high-priority items such as the new Public Safety Complex and School District operating funding needs.

Bond Rating Upgrades: CTO manages the City's relationships with rating agencies, leveraging the City's improved economic picture into four rating upgrades since FY08:

- **Moody's** recalibrated the City's bond rating to "A1" in 2010 but this rating was subsequently downgraded to "A2" that fall, over concerns about the City's limited budgetary options in the midst of the recession.
- **Standard & Poor's (S&P)** upgraded the City from "BBB" to "A-" in June 2013 and gave the City a double upgrade to "A+" in December 2013, its highest level in 30 years, noting improved revenues and successful cost containment.

- **Fitch** recalibrated the City's rating from "BBB" to "A-" in April 2010. This was expressly not a credit rating upgrade.

For the first time, the City is rated in the "A" category by all three agencies.

Improving Investor Relations: CTO also worked to continue improving the City's Investor Relations, including hosting the City's first ever Investor Conference in April 2013, resulting in significantly lower interest costs for the City's bonds. The rate the city pays on its GO bonds has been reduced approximately 90 basis points, reducing the premium the City pays over a "AAA" rate from approximately 175 basis points to 85-90 basis points.

Contracting of Commercial, Investment and Custodial Services: The CTO is in the final leg of completing the contracting process for all of the City's commercial banking, investment management and safekeeping services provided by various vendors. Contracts for Investment Managers will provide for lower overall fees paid for the investment of the City's excess liquidity. Also, this initiative provides for the first time contracting for all banking services with Master agreements with various partners in the investment and banking area.

Implementing a Prepaid Debit Card Program: During FY15, CTO is implementing a Prepaid Debit Card program, as an additional benefit to all City employees. The first phase of the project is concentrated on providing an additional form of payment for non-represented and exempt employees to comply with the Civil Service and Administrative Board regulations which stipulate an end to paper bi-weekly payroll checks for employees in these classes. The program is expected to commence in May 2015.

Managing Considerable Number of Debt Issuances: CTO plans to manage 10 debt issuances in 2015, about double the typical five to seven issuances a year. While the level of savings will depend on market conditions, it is likely that refundings during 2015 will save substantial amounts for the General, Water and Aviation funds, and PGW.

Overhauling Financial Disclosure Processes: CTO is overhauling the City's financial disclosure processes and documents to ensure the City's continued compliance with increasingly complex Securities and Exchange Commission regulation and Internal Revenue Service (IRS) audits. CTO anticipates that the new policies and procedures will be in place for the 2015 issues.

Municipal Continuing Disclosure Cooperation ("MCDC") Initiative: In response to the unprecedented, SEC-mandated examination of results of continuing disclosure efforts over the past five years, CTO and the Sinking Fund Commission worked together to analyze the City's continuing disclosure. At the same time, all underwriters of municipal bonds had to examine the issuers' (for which they served as lead underwriter) continuing disclosure efforts, and if they found any deficiencies, the underwriters had to report them to the SEC separately from the issuer. After concerted efforts by CTO and the Sinking Fund Commission, as well as by a number of different parties throughout the City and outside counsel, the City's dissemination agent, and working closely with the underwriters engaged by the City, it was determined that the City had no material non-disclosures in the reporting of reportable events over the past five years, and as such, no reports were filed to the SEC by the City or any of its underwriters. Currently, the City is in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued. The City has reviewed and updated its disclosure policies and procedures to ensure that the City remains in compliance with its continuing disclosure undertakings in the future.

IRS Examinations: In late 2014, the City received a targeted audit from the IRS examining the Water & Wastewater Revenue Bonds Series 2010A. This was a targeted audit, meaning the IRS notified the City it had reason to believe that certain aspects of this bond issue might cause the IRS to rescind the tax-exempt status of the bonds. The IRS did not reveal to us what it was that led to the targeted audit. Working with outside counsel, the Water Department, the Law Department and the Director of Finance, CTO and the Sinking Fund Commission, with the assistance of outside counsel, answered the questionnaire and supplied the IRS with the information they needed in order for the IRS to deliver to the City a 'No Change' letter, meaning there was no change in the tax-exempt status of the bonds. This was the first targeted audit, and sixth overall audit since FY2010, and the City has received "no change" letters for each audit.

STAFFING

The staff of CTO is currently at 15 people. Of those, only 3 were with CTO on July 1, 2010. While the rapid turnover of staff has led to some growing pains, it along with the re-engineering of job descriptions, has also allowed the department to bring in staff with diverse opinions and significant external experience in their fields.

Staff Demographics (as of April 2015)

	Full-Time Staff			*Executive Staff*	
	Male	**Female**		**Male**	**Female**
	African-American	African-American		African-American	African-American
Total	1	2	*Total*	0	0
% of Total	6.7%	13.3%	*% of Total*	0.0%	0.0%
	White	White		White	White
Total	5	4	*Total*	4	1
% of Total	33.3%	26.7%	*% of Total*	80.0%	20.0%
	Hispanic	Hispanic		Hispanic	Hispanic
Total	1	0	*Total*	0	0
% of Total	6.7%	0.0%	*% of Total*	0.0%	0.0%
	Asian	Asian		Asian	Asian
Total	2	0	*Total*	0	0
% of Total	13.3%	0.0%	*% of Total*	0.0%	0.0%
	Other	Other		Other	Other
Total	0	0	*Total*	0	0
% of Total	0.0%	0.0%	*% of Total*	0.0%	0.0%
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual
Total	2	0	*Total*	0	0
% of Total	13.3%	0.0%	*% of Total*	0.0%	0.0%
	Male	Female		Male	Female
Total	9	6	*Total*	4	1
% of Total	60.0%	40.0%	*% of Total*	80.0%	20.0%

CONTRACTING

Please note that the majority of payments (including those listed in the Contract Summary on page 2) are for bonds/banking, for which the firms have zero dollar contracts. The contracts listed above are the only ongoing contracts funded above $1,000 per year.

M/W/DBE Participation on Large Contracts
FY15 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	$ Value of M/W/DBE Participation	Total % and $ Value Participation - All	Living Wage Compliant?
Econsult	Lending Report - Authorized City Depositories	$46,340	9/3/14	12/15/14	MBE:	50%	$23,170		Yes
					WBE:	0%	$0	50%	
					DSBE:	0%	$0	$23,170	
PFM Asset Management LLC	Arbitrage Rebate Services	$40,000	8/29/11	7/1/12	MBE:	0%	$0		Yes
					WBE:	0%	$0	0%	
					DSBE:	0%	$0	$0	
Swap Financial	Swap Advisor	$15,000	7/2/12	1/1/13	MBE:	0%	$0		Yes
					WBE:	0%	$0	0%	
					DSBE:	0%	$0	$0	
SS&C Technologies	Debt Management Software	$8,875	7/2/12	12/1/12	MBE:	0%	$0		Yes
					WBE:	0%	$0	0%	
					DSBE:	0%	$0	$0	
DAC	Dissemination Agent	$6,000	2014	2015	MBE:	0%	$0		Yes
					WBE:	100%	$6,000	100%	
					DSBE:	0%	$0	$6,000	

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

OTHER

N/A

Year	Moody's	S&P	Fitch
1984	Baa	BBB+	—
1985	Baa	BBB+	—
1986	Baa	BBB+	—
1987	Baa	BBB+	—
1988	Baa	BBB+	—
1989	Baa	BBB+	—
1990		CCC	—
1991		CCC	—
1992			—
1993	Ba	BB	—
1994	Ba	BB	—
1995	Baa	BBB-	—
1996	Baa	BBB-	BBB-
1997	Baa	BBB	BBB
1998	Baa2	BBB	BBB+
1999	Baa2	BBB	BBB+
2000	Baa1	BBB	A-
2001	Baa1	BBB	A-
2002	Baa1	BBB	A-
2003	Baa1	BBB	A-
2004	Baa1	BBB	BBB+
2005	Baa1	BBB	BBB+
2006	Baa1	BBB	BBB+
2007	Baa1	BBB	BBB+
2008	Baa1	BBB	BBB+
2009	Baa1	BBB	BBB
2010	A2	BBB	A-
2011	A2	BBB	A-
2012	A2	BBB+	A-
2013	A2	A+	A-
2014	A2	A+	A-

Investment Grade Ratings
Aaa/AAA Minimal Risk
Aa/AA Very Low Risk
A/A Low Risk
Baa/BBB Moderate Risk
Ba/BB Substantial Risk
B/B High Risk
Caa/CCC Very High Risk

SINKING FUND COMMISSION
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 8, 2015

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The Commission oversees the timely repayment of bond principal and interest (P&I) on City-related debt, city service agreements and lease obligations.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

The highlights of the debt service budget are as follows:

- The total budget is $602.5 million which is an increase of $12.6 million or 2.1% over the FY15 Current Projection.
- The FY16 Proposed budget for each of the funds and the change from the FY15 Adopted Budget are as follows:

	Budget (In millions)	Increase/(Decrease) (In millions)	
General	$245.9	$ 0.9	0.4%
Water	227.1	20.8	10.1%
Aviation	123.5	(6.3)	(4.9%)
Car Rental Tax	6.0	--	-- %
Total	$602.5	$15.4	2.6%

- The Commission oversees debt service on $7.9 billion of bonds for the city and related authorities and enterprise funds.
- The ratings on the general obligation bonds have remained the same since the most recent upgrade in December 2013 to A2/A+/A- by Moody's, S&P, and Fitch, respectively.

The highlights for each fund are discussed below.

- General Fund: The General Fund portion of this request totals $245.9 million, comprised of two classes: Class 200 for city service agreement obligation and lease payments and Class 700 for debt service. The Class 200 request of $104.5 million reflects a $6.7 million decrease from FY15 estimates due mainly to the final maturity of the lease obligation of the Municipal Services Building in FY15. The Class 700 request of $141.4 million is mainly for debt service on the City's general obligations. This is $7.5 million more than FY15 estimates due mainly to increases in estimates for interest on new issues as well as increases in interest on variable rate debt and an increase of $3.7 million of interest on the City's short-term borrowing (TRAN).
- Water Fund: The Commission's request for the Water Fund for FY15 totals $227.1 million, all in Class 700, for payment of debt service on Water and Sewer bonds. This represents a $20.8 million increase over FY15 due mainly to additional interest expense on new issues in FY16 of $13.8 million and additional principal payments on existing debt of $10.4 million.
- Aviation Fund: The Commission's request for the Aviation Fund for FY15 is $123.5 million, all Class 700. This amount is a decrease of $6.3 million over FY15. This decrease is due to decreases in both interest expense ($3.7 million) and principal payments ($2.1 million).
- Car Rental Tax Fund: The Commission's request of $6 million in the Car Rental Tax fund is to provide for lease revenue bond payments on the sports stadiums from vehicle rental tax revenues.

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)
All debt service was paid on a timely basis in FY15 and within budget.

DEPARTMENT CHALLENGES
The current Executive Director of the Sinking Fund Commission is retiring at the end of the calendar year 2015. The City Treasurer has begun the search process to replace him and plans to select a replacement for an appropriate dual incumbency period.

ACCOMPLISHMENTS & INITIATIVES
There were two items that the City Treasurer's Office and the Sinking Fund Commission responded to during the previous year:

1. The first was an industry-wide self-examination of the continuing disclosure process that all municipal bond issuers are subject to. This was an unprecedented experience in the industry. In a reaction to ongoing inadequacies of continuing disclosure made by certain issuers throughout the United States, the Securities and Exchange Commission (SEC) mandated the Municipal Continuing Disclosure Cooperation Initiative (MCDC) which required municipal bond issuers to examine their results of their continuing disclosure efforts over the past five years, and if material non-disclosures were discovered, the issuers had to self-report these shortcomings to the SEC. In conjunction with this, all underwriters of municipal bonds had to examine the issuers' (for which they served as lead underwriter) continuing disclosure efforts, and if they found any deficiencies, the underwriters had to report them to the SEC separately from the issuer. After concerted efforts by the City Treasurer's Office and the Sinking Fund Commission, as well as by a number of different parties throughout the City and outside counsel, and the City's dissemination agent, and working closely with the underwriters engaged by the City, it was determined that the City had no material non-disclosures in the reporting of reportable events over the past five years, and as such, no reports were filed to the SEC by the City or any of its underwriters. Currently, the City is in compliance in all material respects with its previous undertakings with regard to continuing disclosure for prior obligations issued. The City has reviewed and updated its disclosure policies and procedures to ensure that the City remains in compliance with its continuing disclosure undertakings in the future.
2. The second item that the Sinking Fund Commission participated in during the year was the IRS examination of Water & Wastewater Bond Series 2010A. This was a targeted audit, meaning the IRS notified the City it had reason to believe that certain aspects of this bond issue might cause the IRS to rescind the tax-exempt status of the bonds. The IRS did not reveal to us what it was that led to the targeted audit. Working with outside counsel, the Water Department, the Law Department and the Office of the Director of Finance, the City Treasurer's Office and the Sinking Fund Commission, with the assistance of outside counsel, answered the questionnaire and supplied the IRS with the information they needed in order for the IRS to deliver to the City a 'No Change' letter, meaning there was no change in the tax-exempt status of the bonds.

In addition to the regular duties of paying and managing the city's debt service, the Sinking Fund Commission attended training in continuing disclosure and post issuance compliance as well as increasing efficiency with Debt Manager.

STAFFING

The lone employee of the Sinking Fund Commission is budgeted in the City Treasurers Office.

Staff Demographics (as of December 2014)

	Full-Time Staff			*Executive Staff*	
	Male	**Female**		**Male**	**Female**
	African-American	African-American		African-American	African-American
Total	0	0	*Total*	0	0
% of Total	0.0%	0.0%	*% of Total*	0.0%	0.0%
	White	White		White	White
Total	1	0	*Total*	1	0
% of Total	100.0%	0.0%	*% of Total*	100.0%	0.0%
	Hispanic	Hispanic		Hispanic	Hispanic
Total	0	0	*Total*	0	0
% of Total	0.0%	0.0%	*% of Total*	0.0%	0.0%
	Asian	Asian		Asian	Asian
Total	0	0	*Total*	0	0
% of Total	0.0%	0.0%	*% of Total*	0.0%	0.0%
	Other	Other		Other	Other
Total	0	0	*Total*	0	0
% of Total	0.0%	0.0%	*% of Total*	0.0%	0.0%
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual
Total	0	0	*Total*	0	0
% of Total	0.0%	0.0%	*% of Total*	0.0%	0.0%
	Male	Female		Male	Female
Total	1	0	*Total*	1	0
% of Total	100.0%	0.0%	*% of Total*	100.0%	0.0%

CONTRACTING

Contracts Summary (*as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500
Total amount to M/W/DBE	$4,500	$4,500	$4,500	$4,500	$4,500	$4,500
Participation Rate	100%	100%	100%	100%	100%	100%

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

OTHER

N/A

OFFICE OF PROPERTY ASSESSMENT
FISCAL YEAR 2016 BUDGET TESTIMONY
APRIL 8, 2015

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

Mission: The Office of Property Assessment 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.

Description of Major Services: OPA conducts property assessments to determine the value of properties and certifies all assessments after their revision and equalization. OPA also offers property information through its property search application, allowing the public access to property valuation data in Philadelphia, and manages abatement and exemption programs that may reduce a property's Real Estate Tax bill. A Chief Assessment Officer, appointed by the Mayor and approved by City Council, directs the operation of the agency.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Budget Highlights: The Office of Property Assessment (OPA) was created in FY11 and has seen a significant increase in funding to prepare for, implement and maintain the Actual Value Initiative, the comprehensive change to the property tax system. In FY14, the General Fund budget for OPA was increased by approximately $1.7 million to cover the costs associated with outreach regarding Actual Value Initiative as well as First Level Review processing for assessment appeals. The FY16 Proposed Budget is slightly lower than the FY15 Current Estimate due to one-time costs in FY15.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	9,313,967	10,364,758	10,424,420	59,662	0.6%
	200	1,142,853	2,774,390	2,078,126	(696,264)	-25.1%
	300/400	411,464	794,600	782,600	(12,000)	-1.5%
	Total	10,868,285	13,933,748	13,285,146	(648,602)	-4.7%
	Positions	179	217	217	0	0.0%

Staff Demographics Summary (as of December 2014)

	Total	Minority	White	Female
Full-Time Staff	186	89	97	113
Executive Staff	12	5	7	4
Average Salary - Executive Staff	$94,814	$97,622	$94,418	$87,272
Median Salary - Executive Staff	$94,418	$91,520	$94,458	$88,523

Employment Levels (as of December 2014)

	Budgeted	Filled
Full-Time Positions	218	186
Part-Time Positions	0	0
Executive Positions	12	12

Contracts Summary (* as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	$202,333	$247,290	$322,525	$2,727,116	$912,288	$1,585,733
Total amount to M/W/DBE	$40,000	$40,000	$67,000	$579,000	$236,095	$520,000
Participation Rate	20%	16%	21%	21%	26%	33%

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

FY15 included the final stages of the first phase of the Actual Value Initiative ("AVI"). Beginning in tax year 2014, the City simplified its property assessment formula by applying a 100% assessment ratio after decades of fractional assessments. The initiative, which began in 2010 and continued through 2014, resulted in the first major reassessment of all 579,000 parcels in the City of Philadelphia in several decades, is playing a substantial role in removing the inequities in property assessment in the city. The initial year of AVI saw a substantial improvement in the Price Related Differential ("PRD"), a measure of uniformity between lower and higher valued properties. In mass appraisal, the PRD is a statistic for measuring the extent to which high value properties are assessed similarly to low value properties. The City's goal is for the measurement to be close to or slightly above 1, and the PRD saw improvement from a pre-AVI level of .970 to 1.037 in 2014.

Additionally, the citywide Coefficient of Dispersion (COD), which measures uniformity between different property groups (and for which the goal is less than .150) also improved from a pre-AVI level of .275 to .139 for 2014, an improvement of 49.5%. The COD is the most commonly used measure of overall uniformity in assessment ratio studies. Technically, it measures the extent to which the relationship between the assessment and sale price (the assessment ratio) deviates from the median. In general, a decrease in the deviation is considered an improvement in the COD.

DEPARTMENT CHALLENGES

Through the hard work of OPA's evaluators, and the diligent efforts of the management staff, OPA completed the initial phase of AVI. However, in its quest to become a first class assessment agency, the Office of Property Assessment faces several challenges.

The first year of AVI resulted in over 50,000 informal appeals or FLRs (First Level Reviews), a new process that allows taxpayers to contest an assessment due to valuation-based assertions related to an incorrect amount or level of assessment, or missing exemption. While the new informal appeal process was a success in that it facilitated greater access to taxpayer remedy, a record number of formal market value appeals were still filed with the Board of Revision of Taxes. OPA evaluators have been responsible for answering over 25,000 BRT appeals filed for Tax Year 2014 alone, and are still, for commercial properties, addressing these appeals. Responding to those appeals has limited the amount of time that evaluators can devote to assessments and has meant that the next full citywide assessment will not occur until FY17.

Among OPA's most daunting challenges is its lack of a modern, robust, industry-accepted Computer Assisted Mass Appraisal (CAMA) system. Ongoing comprehensive, citywide reassessments will require a CAMA system that will allow and support sophisticated mass appraisal methodology and statistical analysis as well as detailed property characteristic maintenance, and facilitate a much more efficient assessment recertification process, resulting in the timely reissuing of property tax bills. The Accomplishments and Initiatives section provides an update on the implementation of CAMA.

An ongoing challenge that the OPA faces is the ability to increase its staffing to levels that mirror industry standards.

ACCOMPLISHMENTS & INITIATIVES

Homestead Exemption: During the past year, the OPA has continued administering the Homestead Exemption, which was created to help mitigate taxpayer concerns over potential increases in annual property taxes by offering owner-occupiers an exemption of up to $30,000. The OPA has worked with the Department of Revenue to implement the Longtime Owner Occupants Program (LOOP), which provides 10 years of tax discounts to certain longtime homeowners whose taxable property assessments more than tripled in 2014. However, the OPA's role is fairly limited in the LOOP process: OPA provides Revenue with the initial assessment data for any property that experienced a tripling between tax years and then verifies a property's abatement history, if any. The Department of Revenue manages the overall program, including outreach, application processing, approval or denial, etc.

With the passing of the second year of the Homestead Exemption's implementation, approximately 215,819 properties have been enrolled in the program for Tax Year 2015. Although the total has decreased from the number reported last year, the decrease can be attributed to a number of factors described below.

Effective Tax Year 2015, properties with 10-year, residential tax abatements can no longer have the Homestead Exemption, per state legislation. Therefore, approximately 5,700 Homestead Exemptions were removed. In these instances, letters were mailed to affected properties, alerting the owners to the change. Property owners also have the option of removing the abatement and retaining the Homestead Exemption (for example, if the abatement was worth less than the Exemption). Otherwise, once an abatement ends, the homeowner can reapply for the Homestead Exemption, assuming they still meet the program requirements.

As a result of an audit conducted by the OPA, a total of 1,007 properties that did not meet the legislated requirements have had their Homestead Exemption removed. This is an ongoing process and additional removals are expected to occur.

The US Census Bureau's ACS 5-year (2009-2013) data was released on December 4, 2014, which provided more up-to-date figures with regards to owner-occupied properties in Philadelphia. The data indicates there are 308,931 owner-occupied units in Philadelphia. It is important to note that "owner-occupied" does not necessarily mean primary residence. For example, a person may own and occupy a property in Philadelphia but claims their primary residence in Florida.

Based on the abated property legislation, Homestead Exemption audit, as well as the approximately 18,000 properties now enrolled in LOOP, the universe of Homestead Exemption-eligible properties is approximately 284,231 (and may continue to decrease as a result of added abatements, ongoing audit efforts, LOOP enrollments, etc.). With 215,819 properties approved, this means 76% of eligible Philadelphia households are enrolled in the Homestead Exemption.

The OPA's website—www.phila.gov/OPA—continues to offer property owners information regarding their property valuation data, in addition to the Homestead Exemption. The available information includes applications, assistance regarding denials and reapplication, and answers to frequently asked questions. For those without Internet access or more specific questions, the Homestead Hotline—215-686-9200—continues to operate Monday through Friday, 8:30am – 6pm. Non-English speaking property owners can conduct their call in any language.

Current Initiatives

While citywide measurements of uniformity have improved, many areas of the city include neighborhoods for which some degree of non-uniformity as measured by high CODs or either low or high mean assessment ratios among single-family residential homes still exist. OPA will soon mail assessment notices citywide to approximately 131,000 parcels that will see some change of assessment due to one or more factors, including a revised assessment of neighborhood boundaries, improved data collection by OPA, and new construction or demolition.

OPA will continue to seek property owners (either existing homeowners who have simply never applied or new homebuyers) who may be eligible for the Homestead Exemption or LOOP discount Efforts also include the possibility of further simplifying the enrollment process for the Homestead Exemption as well as other tax relief programs. Auditing of already-approved properties will also continue.

New Initiatives

As a new initiative, OPA will be gathering additional data on factors affecting land values, in anticipation of a citywide land reassessment to take place in 2016, for Tax Year 2017.

Additionally, OPA has gone forward with the process of acquiring a CAMA system. Together with the Office of Property Data within the Finance Department and the Office of Innovation and Technology, OPA has made substantial progress toward an anticipated goal of the issuance of an RFP by mid-Spring of 2015.

The budget that the Office of Property Assessment is requesting will allow the department to ensure that it reaches its goal of fair and equitable assessments for all taxpayers, using methodologies that employ industry standards.

STAFFING

Staff Demographics (as of December 2014)

	Full-Time Staff			*Executive Staff*	
	Male	**Female**		**Male**	**Female**
	African-American	African-American		African-American	African-American
Total	22	52	*Total*	2	3
% of Total	11.8%	28.0%	*% of Total*	16.7%	25.0%
	White	White		White	White
Total	44	53	*Total*	6	1
% of Total	23.7%	28.5%	*% of Total*	50.0%	8.3%
	Hispanic	Hispanic		Hispanic	Hispanic
Total	1	5	*Total*	0	0
% of Total	0.5%	2.7%	*% of Total*	0.0%	0.0%
	Asian	Asian		Asian	Asian
Total	5	3	*Total*	0	0
% of Total	2.7%	1.6%	*% of Total*	0.0%	0.0%
	Other	Other		Other	Other
Total	1	0	*Total*	0	0
% of Total	0.5%	0.0%	*% of Total*	0.0%	0.0%
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual
Total	0	1	*Total*	0	0
% of Total	0.0%	0.5%	*% of Total*	0.0%	0.0%
	Male	Female		Male	Female
Total	73	113	*Total*	8	4
% of Total	39.2%	60.8%	*% of Total*	66.7%	33.3%

M/W/DBE Participation on Large Contracts
FY15 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	$ Value of M/W/DBE Participation	Total % and $ Value Participation - All DSBEs	Living Wage Compliant?
TBD	Full Value Project-Sketching, Measuring, etc	$1,000,000	n/a	n/a	MBE:	10%	$100,000		na
					WBE:	10%	$100,000	20%	na
					DSBE:	0%	$0	$200,000	na
Geraldine Dougherty	Real Estate Consultant	$20,000		7/1/15	MBE:	0%	$0		na
					WBE:	100%	$20,000	100%	na
					DSBE:	0%	$0	$20,000	na
Linebarger	FLR/ Abatement Application Processing	$228,378		7/1/15	MBE:	0%	$0		na
					WBE:	100%	$228,378	100%	na
					DSBE:	0%	$0	$228,378	na
Camins Associates	Lead Appraisal Consultant	$60,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
Robert Ludwig	Real Estate Consultant	$20,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
Robert Gloudemans	Modeling/ Valuation	$30,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
American Signature Associates	Commercial Land Valuation	$30,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
Commercial Appraisal Consultant	Appraisal Services	$30,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
Vanguard Direct	Customer Service and Application Processing	$120,000		7/1/15	MBE:	15%	$18,000		na
					WBE:	10%	$12,000	25%	na
					DSBE:	0%	$0	$30,000	na
TBD	Outreach	$25,000	n/a	7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
TBD	Office Security - Reception Area	$40,000	n/a	10/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
Assessors Association of PA	Instructor Training	$60,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
FLR Online Application	Online Application Development	$60,000		7/1/15	MBE:	0%	$0		na
					WBE:	0%	$0	0%	na
					DSBE:	0%	$0	$0	na
Total amount of contracts		$1,723,378							
Total amount to M/W/DBE		$478,378							
Participation Rate		28%							

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

N/A

OTHER

N/A