COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE OF THE WHOLE

Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, March 29, 2016
10:40 a.m.

PRESENT:

COUNCIL PRESIDENT DARRELL L. CLARKE
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN DEREK S. GREEN
COUNCILMAN WILLIAM K. GREENLEE
COUNCILWOMAN HELEN GYM
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COUNCILMAN AL TAUBENBERGER

BILLS 160170, 160171, and 160172
RESOLUTION 160180

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

Thank you very much. We are starting our long and arduous process called the budget, and I want to welcome everyone this morning. I promise you we will pretty much have a lot of fun. There will probably be a couple of days we'll get a little testy, but it's business, it's not personal.

So, folks, thank you very much. Good morning, everyone. We will start our process. We do have a quorum present. This is a public hearing of the Committee of the Whole regarding Bills No. 160170, 160171, 160172, and Resolution No. 160180.

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

THE CLERK: Bill No. 160170, an ordinance to adopt a Capital Program for the six Fiscal Years 2017 through 2022 inclusive.

Bill No. 160171, an ordinance

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to adopt a Fiscal 2017 Capital Budget.

Bill No. 160172, an ordinance adopting the Operating Budget for Fiscal Year 2017.

Resolution No. 160180, 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 2017 through 2021, and incorporating proposed changes with respect to Fiscal Year 2016, 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.

COUNCIL PRESIDENT CLARKE:

Thank you, Mr. Stitt.

Today we begin public hearings

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of the Committee of the Whole to consider the bills read by the Clerk that constitute proposed operating and capital spending measures for Fiscal 2017, a Capital Program, and a forward-looking Capital Plan for Fiscal 2017 through Fiscal 2022.

Today we will hear testimony from the Administration on the Five Year Plan. The first person to testify, Mr. Stitt, is?

THE CLERK: Jane Slusser.

COUNCIL PRESIDENT CLARKE: Please approach the table.

(Witnesses approached witness table.)

MS. SLUSSER: Good morning, Council President and members of City Council.

COUNCIL PRESIDENT CLARKE: Good morning.

MS. SLUSSER: I'm Jane Slusser, Chief of Staff in the Office of Mayor Jim Kenney. On behalf of the Mayor, I am

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pleased to provide testimony on the Mayor's first Proposed Operating Budget for FY17 and our Proposed FY17 through FY21 Five Year Financial and Strategic Plan. I am joined today by Rob Dubow, Finance Director, and Anna Adams, Budget Director, and a number of our city's top officials are also here in the audience and are able to answer any questions that you all may have.

The Mayor's focus on investing in opportunity for all children and families, in all neighborhoods across Philadelphia are made clear by the choices in this Budget and in this Five Year Plan. The Mayor's Proposed Budget and Five Year Plan includes the expenses for four key initiatives that will help us tackle our largest and most crippling problems head-on. This Budget and Five Year Plan also contains a new revenue source, a tax on sugary drinks, that will cover all of the costs of these vital programs over the Five Year Plan, as well

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as additional contributions to the City's Pension Fund.

Despite recovering from the recession of 2007 to 2009, the City still operates with very narrow margins, and any moderate change in revenues or expenditures can create real challenges within the City's budget. Each fiscal year of the Plan ends with much lower fund balances than recommended by government experts. In FY18, the fund balance reaches a low of 37.7 million, less than 1 percent of revenues, and peaks in FY21 at $127 million, 2.8 percent of revenues, still less than half of the City's 6 to 8 percent goal. Having a healthy fund balance would allow the City to have greater flexibility, mitigate current and future financial risks, and to ensure predictability of services. With high fixed costs such as our contribution to the Pension Fund, projected at over 15 percent of the City's budget in FY17, as well as our

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contribution to the School District, debt service and indemnities, all other important services and programs upon which residents depend are squeezed for resources.

Major taxes are projected to show moderate base growth throughout the Five Year Plan. For the wage tax, the base growth values are projected at between 3 and 4 percent annually. The Plan includes wage tax rate reductions, costing $214.6 million over the five years, and rates are proposed to decline from the current resident rate of 3.9102 percent to 3.7276 percent in FY21 and current non-resident rate of 3.4828 percent to 3.3202 percent in FY21. The reform of the Business Income and Receipts Tax is also included in the Plan, with legislated reductions in the rate, exclusions, and single sales factor apportionment costing $270.6 million. Base growth fluctuates throughout the Plan, from 1.5 percent to 4 percent

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depending on the year, although there has been a rise in the number of credits taken by businesses in recent years, causing some concerns about the total revenue collected for this fiscal year. Largely because of those credits, BIRT collections are projected to be about $60 million lower than they were projected to be a year ago.

For the real property tax, the City remains committed to ensuring that real estate assessments are both fair and accurate. For FY17, the OPA reassessed all land values in the City, and the Budget Office assumes that will result in an additional 3 percent growth of residential taxable market values in our projections. For FY18, OPA will reassess all commercial properties, projected to produce 3 percent in commercial taxable market values. And then for FY19 and beyond, once a new Computer-Assisted Mass Appraisal, or CAMA, system is in place, OPA will be able to complete a full

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reassessment annually.

The sales tax is also showing moderate growth of between 3.3 percent and 3.7 percent annually. As a reminder, the first 1 percent of the local portion of the sales tax goes to the City's General Fund and is projected to bring in $150 million in FY17. The second percent is shared between the City and the School District, with 120 million going to the School District and the remainder to the City, first through FY18 to pay off debt service for a School District borrowing and then to the Pension Fund. In the last year of this Five Year Plan, an additional 52.6 million is projected to be available for the Pension Fund due to the sales tax proceeds. The remaining taxes are also showing moderate growth. The City's real estate transfer tax is now projected at pre-recession values, showing Philadelphia's recovery from the economic downturn.

In order to provide the ability

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to make important investments, the Proposed Five Year Plan sought a number of efficiencies throughout City agencies and looked at the ways that we could improve our delinquent collections. Almost 170 million in -- sorry; almost 70 million in additional collections are expected to be collected from the FY15 baseline by the end of the Plan due to a variety of initiatives within the Revenue Department. These investments include doubling the number of billings to inform taxpayers on a more frequent basis, increasing the number of service representatives assisting taxpayers, and adding technical programming to their IT system. By more broadly publicizing the list of top business tax delinquents, Revenue also expects to boost collection activities, and another tax lien sale is planned for FY17, building off the prior two highly successful sales. City managers in every department have also been tasked with carefully controlling

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spending, most notably through the management of overtime in a variety of departments across the City.

Despite these initiatives and revenue enhancements, in order to meaningfully tackle long-term challenges such as poverty, education, and neighborhood inequity, we have to look outside of the existing budgetary resources. With low fund balances, the Administration examined other revenues that could provide recurring funding for programs that are proven to make an impact in the lives of children and families. We believe that taxing sugary drinks will provide the City with the necessary funding to deliver critical services, without raising a broad-based tax that would be a challenge for all residents and families across Philadelphia. The tax is proposed to be levied on the distributors of sugary drinks at 3 cents per ounce and is expected to generate 96 million annually

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when fully implemented.

The largest investment funded by the sugary drinks tax is the expansion of quality pre-kindergarten to thousands of families across the City. Currently, 46 percent of Philadelphia's kindergartners show up to their first day of school unprepared to learn. At that point, they are already behind their peers, and they often stay behind them for their entire academic careers. But studies show that children who complete quality pre-K are more likely to stay on track in the early grades, graduate high school, complete college, and become employed adults.

As a city continually seeking cost-effective ways to better support local schools, quality pre-K expansion is the solution. It presents a tremendous cost-saving potential for the School District by dramatically reducing the need for special education services. The Commission on Universal Pre-K found the

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District could save as much as 72 million per cohort. Additionally, affordable, quality pre-K benefits families just as much as students. In a state where childcare costs rival college tuition rates, publicly funded, quality pre-K enables parents to achieve participation in the workforce, with reduced absenteeism and higher productivity. By committing 256 million in this Five Year Plan, when combined with state and federal funding, we can reach almost 25,000 quality, publicly funded pre-K seats in Philadelphia in the next three years.

The tax on sugary drinks would also enable the City to pay debt service on the cost of borrowing for rebuilding community infrastructure. With a 348 million investment from the City, of which 48 million is from the City's Capital Program, combined with state and private philanthropic donations, our parks, libraries, recreation centers, and trails can improve significantly and become safe havens for our children and families to enjoy. We know that students who participate in extracurricular activities have a 15 percent higher school attendance rate than non-participating students, and our students, seniors, and all residents, for that matter, deserve quality spaces that they can enjoy.

The Five Year Plan also proposes an additional 39 million to create 25 community schools. Community schools provide services such as healthcare, job training, and other programs, directly in the school where residents can access them most easily. These services are organized by a dedicated coordinator who works with the community to determine which services are most needed. As a result, the services in each community school vary, but the goal is the same. We allow educators to focus on teaching and students to focus

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on learning instead of concentrating on hunger, sickness or even in some cases shelter. The community schools approach is having a positive impact in cities all across the nation. Low-performing schools in Los Angeles, Cincinnati, Austin, and Baltimore are all reducing the barriers to student success, thereby increasing academic achievement.

The sugary drinks tax also provides revenue to cover the costs of debt service related to the borrowings for the Philadelphia Energy Campaign, a cause championed by the Council President. Through these investments, City buildings will become more sustainable and energy efficient, saving the City utility costs. These up-front investments have a high return on investment and will pay for themselves after a few years through utility savings.

And, finally, the sugary drinks tax will enable the City to add more

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funds to our biggest fiscal challenge, the City's Pension Fund. The contribution to the Pension Fund is now projected to take up 15.4 percent of all City General Fund expenditures, 641 million in FY17, squeezing out many other critical expenditures. However, the fund is only 45 percent funded, meaning that we have more liabilities than assets. While the 26 million from the sugary drinks tax is a small number compared to the size of our pension challenge, improving the funding level of the Pension Fund is critical, and this contribution shows that any opportunity that we have to add additional resources, even when relatively small, the Administration plans to take. That's an important signal for us to send to both our creditors as well as to our citizens and our workforce.

Thank you all very much for the opportunity to testify today. As mentioned before, members of the

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Administration are here and we are glad to answer any questions that you may have.

COUNCIL PRESIDENT CLARKE: Thank you very much for your testimony.

One quick -- I'm not sure it's a -- on Page 8 of your Budget in Brief, you show a $4.5 billion fund balance for FY17. Is that an error?

MR. DUBOW: Yes. There's a typo in the FY17 numbers. We picked up just the Aviation Fund instead of the combination of all funds on the expenditure side. So we'll correct that.

COUNCIL PRESIDENT CLARKE: All right. And that's a public document. It's kind of --

MR. DUBOW: Right.

COUNCIL PRESIDENT CLARKE: I don't want to give people the impression we have more money than we have.

MR. DUBOW: Got it.

COUNCIL PRESIDENT CLARKE: I'm sure those municipal contract

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negotiations will be quite different if we in fact had a 4.5 --

MR. DUBOW: That would make them much easier.

COUNCIL PRESIDENT CLARKE: Yeah. Thank you. That will be corrected, okay.

In your testimony -- and I want to preface this by saying that we agree with the laudable goals of the Administration in terms of pre-K and fixing up neighborhood rec centers and all the other good things that we like to take credit for, but, you know, there's always -- what do they say, the devil is in the detail, how do you pay for it. So I wanted to ask you a couple of quick questions.

When you talked about without raising a broad-based tax, it will be challenging for all residents, and you know we don't like that since we've been having a significant number of challenges over the last several fiscal years

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because we've had to raise some broad-based taxes to support schools. But can you talk about or have you given an analysis in terms of who the sugary drink tax will actually affect the most?

MR. DUBOW: So if you're asking have we looked kind of neighborhood by neighborhood, we haven't done that kind of analysis. I mean, we know that there's usage throughout the City. We know that it's more heavily concentrated probably in low-income neighborhoods, because that's where the advertising is targeted. So we do know that that's where the heaviest usage is.

MS. SLUSSER: I would also add that unlike other previous proposals for a sugary drinks tax, we have chose to put this on the distributors. So in other cities such as Berkeley, we've seen that they did not actually pass the entire tax onto the consumer. So it's a tax on the distributor, and it's unclear if all of that goes through to the consumer, which

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Rob does have more information about.

COUNCIL PRESIDENT CLARKE: So it's your position that unlike most tax increases, it's not passed through to the consumer? I'm not clear that there's ever been an increase in taxes that wasn't ultimately passed on to the consumer.

MR. DUBOW: If you look at what happened, I guess, both in Berkeley and in Mexico, the increase in price at the end was much smaller than the percentage increase in cost from the tax at the distributor. So in Berkeley, depending on the product, it ranged from a little less than half to a little more than half of the increase, and you saw kind of a similar thing happen in Mexico. So we have seen in other places it's not all passed on.

COUNCIL PRESIDENT CLARKE: What was the increase in taxes in Berkeley?

MR. DUBOW: It was 1 cent per ounce.

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COUNCIL PRESIDENT CLARKE: So do you --

MR. DUBOW: Smaller increase, but --

COUNCIL PRESIDENT CLARKE: Do you think that might have something to do with the fact that the passthrough or the pass-on was not as dramatic as opposed to 3 cents?

MR. DUBOW: I think that kind of the larger dynamics are the same. It's a decision kind of at every end of the distribution line about what you want to do with that price, and I think that you'll see a similar reaction.

COUNCIL PRESIDENT CLARKE: And I, frankly speaking, have been beating back most of the anti-sugary drink coalition folks, because, frankly speaking, I say, well, you know, I kind of have like two and a half months to make a decision. But there were some people that talked about the realities of having a much higher increase on one

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particular product, that what ultimately happens on retailers is that they spread that cost among all of the products that they sell, because the reality is you can't sell a particular product at a significant price. That just wouldn't be good business. So when you talk about broad-based nature, to some degree if that's factual -- because I don't know, that's why we're going to have this series of hearings -- wouldn't that be broad based as it relates to costs being spread among all of the groceries or --

MR. DUBOW: It's not necessarily that it would be spread among all the groceries. It may be that the distributor takes some of the hit themselves, passes some of it on, so --

COUNCIL PRESIDENT CLARKE: I guess fundamentally I don't believe that. I'm just saying, Rob. I believe at the end of the day they're going to pass that on, because people talk about, well, we have to keep our profits. You know, that

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means, in other words, I'm not paying for this. You are.

MR. DUBOW: I mean, that's not what we saw in the other couple of places. I mean, the dynamic could be different everywhere, but that's not what we saw.

COUNCIL PRESIDENT CLARKE: I'm just saying, the 3 cents versus 1 cent, that's a big difference. That's why I'm saying if you're going to analyze what happened in Berkeley and you're talking about what would happen in Philly, that's a big difference in terms of the numbers. So a person might be able to, quote/unquote, eat the difference to some degree if it's 1 cent versus 3 cents. I just think nobody is going to eat the difference as it relates to a 3 cent. That's going to be passed on.

MR. DUBOW: I don't think that we're saying that they eat the entire difference. I think that there's a portion they would, which is kind of what happened out there too.

COUNCIL PRESIDENT CLARKE:
Okay.

MS. SLUSSER: I would additionally add that in our first year -- I don't know the numbers from Berkeley, but in our first year, we look at a 55 percent decrease in consumption. So part of the idea is that people will also have a choice to make here and they can change to other beverage consumption.

COUNCIL PRESIDENT CLARKE: All right. So I wasn't going to bring that up. Apparently there is somewhere in some documents where you reference a 55 decrease in consumption, but in another document there is a reference of 14 percent -- 36. So what's the accurate number? I mean, you have different numbers.

MR. DUBOW: So there was a request at the briefings we did last week to show the impact at 2 cents and 3 cents. And the way we got to that is

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measuring the elasticity, and we looked at the tax increase as a percent of the cost. At 3 cents, the tax increase is 55 percent of the cost. So there's a 55 percent decrease. At 2 cents, it's a 36 percent increase. So there's a 36 percent decrease. So in between the 55 and the 36 was different assumptions about --

COUNCIL PRESIDENT CLARKE: So it's a different number, okay.

MR. DUBOW: Yes.

COUNCIL PRESIDENT CLARKE: All right. Real quick, and I'm going to open it up to my colleagues, but when you have the first mic, you tend to abuse the privilege of having the first opportunity to ask questions.

Real quick, on Page 3 of your testimony, you talked about the sugary tax providing revenue to cover the cost of that service for the Energy Campaign, and it talks about the up-front investments having a high rate of return

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and will pay for themselves after project completion through utility savings. However, these projects can be funded through the use of ESCOs, and we've talked about this, the relationship in any tax versus what has traditionally happened with retrofits of energy.

Is there a reason why we're looking at tying the sugary tax to the Energy Campaign? Because our premise is that the debt service associated with the savings on the retrofit will more than pay for -- be paid for by those particular savings.

MR. DUBOW: Yeah, and the reason is that we think the interest rate that we would pay on a bond issue that we did ourselves would be less expensive than going through an ESCO where you're essentially using private financing. So that to the extent that the savings repay the investment, the payback would be even better if we do the borrowing ourselves than if we do it through an ESCO.

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COUNCIL PRESIDENT CLARKE: So why are we paying it back with the sugary drink tax? That's my question.

MR. DUBOW: It kind of goes back to kind of the original reason why we're doing the tax in the first place. We don't have enough resources in our base budget to pay for the new initiatives. So we're paying for it through the new tax.

COUNCIL PRESIDENT CLARKE: Rob, I don't understand that. If the ESCO is going to borrow the money to do the retrofit, you dedicate the savings based on the utility costs, reduction in utility costs to pay back, you dedicate that to the ESCO. Why do we need to --

MR. DUBOW: You're still paying it back and you're paying it back at a higher rate than you pay it back if you borrow on your own.

COUNCIL PRESIDENT CLARKE: Okay. But it's not going to be a high rate that requires that we go in the red.

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MR. DUBOW: Over the long term, that's right. It will pay for itself, but there are still up-front investments that we have to make.

COUNCIL PRESIDENT CLARKE: I don't see where that's the case. I've seen no scenario where we have to borrow money. And we may decide to do that, but that it be based on an increase in the tax.

I guess what I'm saying, I don't -- a program that we propose that is clearly a net benefit as it relates to savings, as it relates to -- actually in the case when we did the quadplex, we actually made a little bit of money. I don't want to tie that to a tax. I don't know why we would even entertain that.

MR. DUBOW: Well, I think the reason is in the long term, that's clearly right. In the short term, we need resources for it.

COUNCIL PRESIDENT CLARKE: I'd like to see something that shows where

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that's a necessity.

MR. DUBOW: Sure.

COUNCIL PRESIDENT CLARKE: I just haven't seen that, and these folks from the Energy Campaign have been working on this for a long time.

MR. DUBOW: We can show you that, and we're happy to -- as we said, we're happy to meet with them again and kind of walk through it.

COUNCIL PRESIDENT CLARKE: All right. Okay. I'm going to turn it over to my colleagues. I'll be back for a couple more questions. Thank you.

We're going to start out, if it's okay with my friends and colleagues, with seven minutes. Is that cool? All right. So we can make sure -- we got a pretty lengthy list here.

The Chair recognizes Councilman Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. President. I think I'll be less than seven minutes.

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Good morning, everybody.

(Good morning.)

COUNCILMAN GREENLEE: My question, on top of Page 2, you talk about OPA and the new CAMA system, and you say from FY19 and beyond, once it's in place. Is that pushing it back? I thought at one time the plan was to have it earlier than that. Is there a reason? If that's true, is there a reason why?

MR. DUBOW: I think that's been -- I mean, it may have been back in '12 or '13 we thought that we'd be done sooner, but I think that's been the plan for a while.

COUNCILMAN GREENLEE: Can you explain just briefly why it takes -- it seems like a long time.

MR. DUBOW: Yeah. I can tell you the process we went through. I can tell you the process we went through to select. We put out an RFP to kind of get -- that went to all the kind of leading providers in the field, leading vendors, got responses and really asked them for their best timeline, and that's what we got. So, I mean, this is what the industry is telling us is the pace at which it should be done.

COUNCILMAN GREENLEE: Okay. Somewhat along those same lines, I know our offices are still hearing the kind of problems that are a disconnect between BRT, OPA, and Revenue. Maybe that got fixed, so it's not in the Five Year Plan, but is there something that you know that it's continuing to try to make those more married, if you will?

MR. DUBOW: Right. They continue to kind of meet with each other and talk. There are still things that slip through, as you know, but they are working hard to make sure that they can minimize the number of things that slip through.

COUNCILMAN GREENLEE: Again, I guess my question is, why is that -- it seems like that's taking a long time.

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You would think if any department should be together, it should be those three.

MR. DUBOW: I think this is one of those things that CAMA will really help with, because there's not a great information system for the three of them to communicate.

COUNCILMAN GREENLEE: Okay. All right. Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Gym.

COUNCILWOMAN GYM: Hi. Thank you very much.

I'm going to follow up a little bit with my colleague Councilman Greenlee and just repeat that -- so residential properties then are not fully reassessed for five years, is that right, 2019?

MR. DUBOW: So what we've done on residential properties is the reassessment, the full reassessment. The

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following year we looked at all of our --

COUNCILWOMAN GYM: The land values.

MR. DUBOW: What we call GMA, the geographic market areas, to see whether there were places where the variation kind of didn't fit within industry standards. Went back in those and changed those values. And I think there were about 120,000 values that changed. And this year we're just completing a full land value reassessment.

So while there hasn't been a full residential reassessment, we have been kind of making changes as we go along so that the next time we do, we don't think there'll be big changes in values because we've been kind of keeping up with them.

COUNCILWOMAN GYM: So I guess one of the concerns is can we do it faster than 2019?

MR. DUBOW: We don't think so.

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I mean, that's what we asked the vendors to do, to give us their fastest time.

COUNCILWOMAN GYM: Is that a technical problem or is that a personnel issue?

MR. DUBOW: I think it's a combination of technical problems and work process changes and kind of -- there are certain things where the expertise required is only in-house. There's some where it's kind of -- it's only with vendors. So there's just a lot of different steps that go into the process.

COUNCILWOMAN GYM: And so I guess one of the concerns around it is that as a result of not fully reassessing, is that our values on property remain at this relatively stable 3 percent rate, whereas property values and valuation given growth in particular areas may significantly increase within a five-year period. Then we re-loop back into the problem that we had in 2013 and 2014, which is that people get really

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angry about the differentials when they're not getting timely tax assessments, while growth in the City and construction in the City is going -- is significant.

MR. DUBOW: Right.

COUNCILWOMAN GYM: How do we plan to address that?

MR. DUBOW: So I think on the residential side, you won't see that kind of big increase because of the steps we've taken to kind of keep up with what's been going on.

The commercial side, we're doing a full reassessment next year, so for the next tax year. So we should be then kind of up to date on the commercial side. So by the time we do that full reassessment in '19, I don't think we'll see kind of major increases like we did back in '13.

COUNCILWOMAN GYM: And do you feel like the 2017, 2018, and 2019 schedule that you have listed in your

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Five Year Plan, is that like pushing the Administration or is that kind of like -- it's what the general timeline of things would be or do you think that this is a big push on behalf of the Administration's part to make sure that our assessments are well --

MR. DUBOW: I think it's a push to get the --

COUNCILWOMAN GYM: So it will be hard to do the 2017 land value?

MR. DUBOW: Well, that's finished, so, yeah.

COUNCILWOMAN GYM: Or the 2018 commercial?

MR. DUBOW: Yes, I think that will be a push and getting the CAMA. I think this will all be a push, and I think we'll get it all done, but I do think it will be a push.

COUNCILWOMAN GYM: Are you inflexible on trying to speed up that timeline?

MR. DUBOW: No. I mean, we're

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very flexible, but we haven't found anything to speed it up. If there's some great idea that does that, you know, we'd love to work with you on it.

COUNCILWOMAN GYM: And personnel and staffing is not the problem here?

MR. DUBOW: I don't think so, but, you know, happy to have other discussions about it.

COUNCILWOMAN GYM: The second question is about the School District of Philadelphia. So the City has chosen to flat rate funding to the schools other than the natural increases through tax revenue, but at any time -- I mean, obviously in the last five years, if we were to look back to FY12 and see the Five Year Plan from FY12, we would have been in a precarious state if we had continually projected out flat five-year funding for the District. We raised local revenue. I think the City has been very vocal about saying that we've raised

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local revenue to the tune of almost $400 million, but done pretty much on an annualized ad hoc kind of basis.

Here we have a Five Year Plan presented before us. We have a new Administration. We have a School District that may see some stability, though one would argue that the fund balance is based off of massive vacancies and real problems that are evident in our City schools. But what is the City's plan? Because surely you know that according to the District's own financial projections, they are not going to be fiscally stable over the next five years. I would argue that given their projections, particularly that charter expansion will grow by 50 percent in revenues -- in cost expenditures over five years to become a $1.1 billion industry in the School District, that the District is rapidly moving on massive expansion that's not accurately even reflected in its own plans. And so like

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where -- how is the City really thinking genuinely about a five-year spending approach towards the District and why not consider incremental types of measures that we can do right now that are not hurtful to City residents or dramatic in scale, but steadily kind of shore up the District on other things?

MR. DUBOW: Right. And as you know, I mean, the District is projecting over $130 million --

COUNCILWOMAN GYM: Based off of vacancies, no teacher contract for three years.

MR. DUBOW: -- both this year and next year. In the end, I guess they start to go negative in '19.

I think from our perspective, we obviously want to keep working with them and talking to them, but we've been in a situation over the years where we go first and then the state goes based on what we've done. I think because we have a little bit of room, we can actually see

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what happens with the state over the long term, and that can help inform what we do, which I think is kind of a better position for us to be in than we've been in over the last few years.

COUNCILWOMAN GYM: The state currently, though, is -- we're almost at a one to one, right? I mean --

MR. DUBOW: That's right.

COUNCILWOMAN GYM: -- we are very close to being at an even level with the state. We've got a Harrisburg Legislature that's been intractable for 266 days and we ended up with very little revenue at the end of it. I'm asking like why the City isn't planning out for five years rather than doing it on an incremental year-by-year basis?

MR. DUBOW: And part of that is we've been having ongoing conversations with the District. I think that kind of over time they'll come to a place where they know what they specifically need from us. I don't --

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COUNCILWOMAN GYM: Their Five Year Plan indicates that they will be -- they will be bankrupt.

MR. DUBOW: It doesn't indicate they'll be bankrupt. It has projections for where their fund balance is given the investments that they're planning to make over the next five years and not including any substantial increases from the state after this year. So there are both sides where it doesn't include changes over time, and I think we want to see how that plays out before we make further commitments.

COUNCILWOMAN GYM: And I would just end by saying that I hope that we can work with the Administration just not to see a year-to-year approach to School District funding, that we really need to shore up a long-term approach from the City and figure this thing out on a more long-term basis.

MR. DUBOW: And we're happy to have those discussions.

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COUNCILWOMAN GYM: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Mr. President.

Madam Chief of Staff, welcome to government.

MS. SLUSSER: Thank you.

COUNCILMAN JONES: To your colleagues, welcome back. And couple of questions. Number one, a statement. The Mayor gave a very ambitious budget address and really intrigued most of Council. Even those who may be cynical about proposed taxes were excited about some of the usage and what it could mean in a big picture way for the City of Philadelphia. If it were me, I would have took the vote right then for the sugary drink tax. It might have had a really good opportunity to pass, but as we sobered up a little bit, some of the

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questions started to pop up and some of them I'm going to preview today.

I'm very glad that you brought government with you today, because there are going to be some themes that this Council is going to kind of constantly reinforce department by department. So as they prepare their budget testimony, we would like you to consider these answers:

One, how do we create -- and if you had nothing better to do but to watch our eight-hour gun violence hearing yesterday, it was compelling, riveting testimony from the people in neighborhoods who not from a 50,000 foot view have to deal with government from boots-on-the-ground view. And some of the questions we're going to, in a public safety way, in a prevention way on crime prevention, which is a priority that this President has set forth, ask each department what you are doing to prevent violence, what you are doing to create

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jobs, how do we create a pipeline from our schools to our City departments, similar to a CEDA program back in the day. Many of you in Council here are too young to remember the CEDA program, but some of the actual participants in that early entry program are matriculating and retiring from government today and had good middle-class careers.

So by department, we're going to ask that question, what is your contribution to that.

I would ask you, Rob, in retrospect on some of our tax policies, we aggressively went after a cigarette tax. Looking back now, was it successful?

MR. DUBOW: So it has generated, I guess, about 50 million a year for the School District. So I think for their finances, it did what it was supposed to do. I think there's --

COUNCILMAN JONES: It's okay to be successful.

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MR. DUBOW: Yeah. I think the issue is that it has a sunset, and so we have to figure out whether that stays in place after '19.

COUNCILMAN JONES: So that tax policy that we pursued as a body actually helped them out, and it is preventing us from having to necessarily go back to the well once more on real estate.

MR. DUBOW: Right. It is part of the reason that -- yeah.

COUNCILMAN JONES: Okay. Establishing that.

You're now looking at a sugary drinks tax, whether we say 3 percent, 1 percent, whatever it is projected to have, in addition to the borrowing somewhere in the neighborhood of $348 million worth of new revenue to do some worthwhile things like pre-K but also aggressively go after libraries, recreation centers that many of our municipal workforce have to live in, work in, and provide services in, and that's a

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lofty goal, correct?

MR. DUBOW: Correct.

COUNCILMAN JONES: So as we look at retrospectively that we've had a capital budget that has had a ten-year backlog and now we're going to add on every library, every rec center, parks, public buildings, how do you fix the systemic problem of procurement in the City of Philadelphia, A, and then, B, how do you create a pipeline from neighborhoods? Because I know many of my colleagues want to hear that part, that the kid in the barber shop that has to make a choice of what kind of human being he's going to be has an opportunity to have the optimism that some day he will either work in the City of Philadelphia or work on a public works project here. How do we fix that problem?

MR. DUBOW: I think the Managing Director is going to come up to address that.

(Witnesses approached witness

table.)

MR. DiBERARDINIS: Good morning --

COUNCILMAN JONES: Good morning.

MR. DiBERARDINIS: -- Councilman Jones.

We have been spending a lot of time in recent weeks in trying to sort of not only have this rebuild program, improve the physical characteristics of our rec centers, libraries, and playgrounds, not only to provide citizens and children with safe places and really quality places to recreate and learn, but to make sure there's an enduring impact on young people and their prospects for work in the future.

So we have begun conversations, beginning conversations, with the trades to make really a substantial step forward in creating a pre-apprentice program, which recruits young people from disadvantaged neighborhoods that

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establishes a path not only for some temporary work but to find a path into the skills trades.

So we think this is a very important part of what we're doing. We think it's -- we're not only going to transform the facilities, we're going to be transformational in how this work gets set up in the City and how it affects folks who have not ordinarily had the possibilities of working in the trades.

MR. EPPS: So good morning.

COUNCILMAN JONES: Good morning.

MR. EPPS: My first chance to speak --

COUNCILMAN JONES: Welcome.

MR. EPPS: -- among Council. Thank you. But in addition, the size of these opportunities --

COURT STENOGRAPHER: Can you state your name.

MR. EPPS: I'm sorry. Harold Epps, the Director of Commerce for the

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City of Philadelphia.

The size of the libraries, the park and rec centers provide unique opportunity to increase a level of direct Tier 1 participation of minority and women-owned contractors, and we have been working to get a plan together to make sure that that is the outcome if we are so successful with the project.

MR. ABERNATHY: And just to add a little bit of flesh, I think there is -- Brian Abernathy, Deputy Managing Director.

COUNCILMAN JONES: We know you, Brian.

MR. ABERNATHY: Understood, Councilman.

In order to meet our inclusion goals, this isn't just a program about MBE/WBE contractors, nor is it just about getting additional diversity within the trades. It's also about how we handle our professional service contracts. So we're looking at this as a holistic

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program and being very, very aggressive in how we meet those goals. You know, historically we've looked at 30 to 35 percent participation. That's not good enough. We need to do better, and we need to do that across the board, and that's going to take partnership with the trades through project-labor agreements. That's going to take being aggressive and creating an aggressive enforcement strategy and figuring out how to move this forward, and I think we're going to welcome your input as we drive this forward.

COUNCILMAN JONES: I actually trust the good faith of our Mayor. I really do. I actually trust the good faith of our trades that they want to do something different. I get that. I want to know how we fix Procurement to take care of the 200 steps in between bid and award so that we don't have a ten-year backlog of projects that will be proposed in this Administration that the ribbon-cutting might be in the next Administration by the time we get it done if there's a ten-year lag.

MR. DiBERARDINIS: A very important question, and although there's going to be and is a serious effort to reform the Capital Program, we're considering moving outside of that system and working with PAID. This is what we're trying to figure out now, so we can build the speed and the efficiency and the cost savings that we would get from that process. So we would both get speed and efficiency and move the projects and hire owners rep to drive -- to get the bid work done through PIDC, then hire owners rep to drive these projects forward and make sure they're on time. It's not to diminish the importance of the work being done right now, to reform the Capital Program as well.

MS. RHYNHART: Rebecca Rhynhart, Chief Administrative Officer.

To address the issues that you

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raise, the issues that you raise that are obviously real and very important to us to fix, the problems with capital projects as well as the procurement process, so we're taking steps to fix it. On the procurement side, right now all of the processes are paper based. We are moving towards an e-procurement system, which will be up and running within the next year, which will actually allow bid initiations from departments as well as companies to bid online. It seems like we should be there already, but we're not and we are going to get there.

We're also doing reverse auction bidding, which you might have seen, to try to spur competition.

The other thing we're looking at is the number of bids -- the number of opportunities we have that don't have many bidders coming back, and we are meeting with the Chambers of Commerce, met with the Chamber of Commerce about two weeks ago, small business, the

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supplier series, and also going to be reaching out to the other chambers to say if you're a small business, we want to help you partner with us.

So those are steps we're taking on procurement. In terms of on the other aspects of capital projects, we're working with the Law Department to lessen the requirements for vendors to submit -- they have to submit all these forms every time they bid. We are working with Public Property to focus on project management to get things done on time within budget. So we are making this an absolute top priority to fix.

COUNCILMAN JONES: So --

COUNCIL PRESIDENT CLARKE: Councilman?

COUNCILMAN JONES: And I'm going to end.

COUNCIL PRESIDENT CLARKE: You're up to ten minutes.

COUNCILMAN JONES: All right. So one last thing. You've already done

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some work increasing the workforce in Recreation to do jobs. If you could hone that in on a couple of departments that we could take some of those contracts, break them down and hire some people from neighborhoods, that would be a long way to take care of that.

Thank you.

MR. DiBERARDINIS: We agree.

COUNCIL PRESIDENT CLARKE: Before you leave, I'm sorry to break in. So I've been here as a Councilperson for 16 years and a member of staff a lot of years, and every time a new program comes up, the conversation and the proposed remedy to participation is always after the fact. And the reality is that this program was being discussed in the last Administration last year, and at what point -- and I only saw it happen once when we did NTI. As you pull together a program of any type, does the participation actually be a part of the front side of the conversation and not the aftermath of the conversation?

I'm sitting in here every year. It's like something new comes up and then we have to make a determination as to whether or not we're going to be supportive and they say, Oh, well, we're going to work on that. It's like, Well, why wasn't it worked on before we even got to this point? The fact we're running around here trying to create a new entity and a new process that will establish different bid processes, I mean, give me a break. I mean, come on. When are we going to get beyond that?

MR. ABERNATHY: Well, Councilman, I actually think we're in the process of creating this program now. I don't think the program has been created.

COUNCIL PRESIDENT CLARKE: The program started --

MR. ABERNATHY: The initial analysis --

COUNCIL PRESIDENT CLARKE: Brian, Brian, this goes back to the last

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Administration. Trust me, I know when the conversation started around this. So don't go there.

MR. ABERNATHY: Councilman, I'm actually aware of when the conversation started around the analysis.

COUNCIL PRESIDENT CLARKE: Brian, you weren't even working in your current capacity.

MR. ABERNATHY: I understand that.

COUNCIL PRESIDENT CLARKE: You were in the RDA, and this started with Mike in conversations in the Nutter Administration, right? I mean --

MR. ABERNATHY: Well, Councilman, if you don't want me to answer the question, that's fine, but I do think we're in the --

COUNCIL PRESIDENT CLARKE: Well, I'm not going to let you give me a bunch of you know what.

MR. ABERNATHY: I'm not going to give you a bunch of you know what. I

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actually want this program to be put together with your input. We haven't put together the entire program. We don't have all the details worked through.

COUNCIL PRESIDENT CLARKE: But my point is, that should be the first conversation, is how do we have a full and inclusive process when we first decide we're going to do anything, and it's always in the aftermath.

MR. ABERNATHY: Councilman, it's always been --

COUNCIL PRESIDENT CLARKE: Brian, come on.

MR. EPPS: Again, Harold Epps, Director of Commerce.

I can only speak from January 4th of this year going forward. I will say to you that two people brought into the Administration from outside, myself and Nolan Atkinson, bring a fresh perspective. We were on the other side. I ran the largest minority-owned company. I come with one agenda and one agenda

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only, and that's to make sure neighborhoods and diversity are at a level never seen before in Philadelphia. I can assure you this is getting full attention, and we will ensure a better outcome than the City has seen in the past.

COUNCIL PRESIDENT CLARKE: And that's not my point. My point is, it should get full attention from the onset of the thought.

MR. EPPS: And I'm just saying January 4th is my only --

COUNCIL PRESIDENT CLARKE: It should be a systemic approach to making sure that we have an inclusive project, so when we come up with something else --

MR. EPPS: We are completely in agreement.

COUNCIL PRESIDENT CLARKE: Excuse me. Excuse me.

When we have a process, that you basically have a template on how we have significant participation. We

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shouldn't have to think about it how we do it every time we come up with a process. And you weren't here. I'm not casting anything on anybody up here, but at the end of the day, I don't understand. Every time, in all my years in government, every time we come up with something, once we say, okay, we're going to do this thing, oh, by the way. It's like it shouldn't be a conversation, oh, by the way, we got to have an inclusion in this process.

MR. DiBERARDINIS: Well, we don't think it's an oh, by the way. Look, before you guys vote, you'll know -- we'll have something before you. We're not going to ask you to vote and then say, oh, here it is. So that's number one.

Number two is, we will present some aspirational ambitious numbers and we will live by them and we will sink or swim with them. We won't be ducking. We'll be right here. So you can whip us

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if we're -- if we don't do it right, we're going to be here. But we're committed to doing it right. We're committed to working with you guys. We're committed to breaking the rules to get it right. And, again, I agree you can't -- we can't ask you to vote on a measure until you see how we're going to do this. We understand that, and we'll have it to you before then.

COUNCIL PRESIDENT CLARKE: All right.

COUNCILWOMAN BLACKWELL: Question, Mr. President.

COUNCIL PRESIDENT CLARKE: Yes, Councilwoman.

COUNCILWOMAN BLACKWELL: We want to note that this is really important, and as I said last week during the hearing, I got a $3.9 billion program going in my area, and we still have questions about what we're going to do about 4601.

So our process has to be tight

and we have to deal with this monitoring from start to finish so that we know we have a way to make sure that something gets done.

We do know that something is wrong. We do know it's not working. We do know that the people who elect us who put us here are very, very upset about what's happening and that life hasn't changed.

So I can't tell you where the problem is, but I've been around too long not to know there is a problem. I remember when it was good, when Lucien Blackwell was here, and then we got the Richmond decision and knocked out inclusion.

But after all these years that the President has been here, that I have, that many of us have, we know that -- we can't justify when our people say, I don't have a job, I only see tags from out of town. Every time I pass the job, I see people I don't know, not from my neighborhood and certainly people who don't look like me. It's just that we are just there. You know how in history there are times -- and all of you, you know, are fine. As you know, I work closely with all of you and appreciate your efforts. I just want to say to reiterate that the President knows, as I know, you feel it because you're out here in the streets every day. You hear it from the people every day, and we are just there in history. Here at the end of March 2016, we have got to on these projects -- our city is booming, but we have to make sure that as it's booming, that we're not only doing business in the right way and we can measure this stuff, and we want low and moderate-income housing too while I'm talking about things we need.

COUNCIL PRESIDENT CLARKE: Right.

COUNCILWOMAN BLACKWELL: So I thank you for being able to make that

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remark, just to reiterate what we see the problem is.

COUNCIL PRESIDENT CLARKE: All right.

COUNCILWOMAN BLACKWELL: And I'll still come back later, because I need to --

COUNCIL PRESIDENT CLARKE: I'll tee you back up, Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you very much.

MR. DiBERARDINIS: Thank you.

COUNCIL PRESIDENT CLARKE: The Chair recognizes Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you, Mr. President.

Good morning. Welcome to Budget the Marathon 2016.

MR. DUBOW: Good morning.

COUNCILWOMAN BROWN: I join the chorus that is -- frustrated doesn't even

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begin to capture the sentiment with this broken record about ensuring MBE/WBE participation. So on that, let's go back to the soda tax wherein it was stated that it is intended to fall on the distributor. So let's follow that best-case scenario. What triggers or protocols or red flags are in the system to ensure that it will indeed fall to the distributor?

MR. DUBOW: So one of the things we've done is put in an additional $1.8 million in the Revenue Department's budget for implementation and enforcement of this new tax. So that will enable them to make sure that distributors are complying.

COUNCILWOMAN BROWN: Okay. And I appreciate the brief answers, because we want to get as much in as possible.

Back to the MBE/WBE song. It will be unacceptable and insufficient just to present numbers, aspirational numbers. For me, they say nothing. I

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said privately and I will now say publicly, my philosophy is if it's not in writing, it doesn't exist. So if there are not plans in the legislation or the document or whatever that will tell us and inform us how we're going to indeed make this real and make it happen given the systemic issues, it will be a hard sell.

MR. ABERNATHY: Thank you, Councilwoman, and I absolutely agree. And I think to the Council President's point, we must do better. We have every -- we have not done well enough. We haven't worked with the trades well enough. The project-labor agreement, we need to lay forth our expectations in what we think are the number of apprentices that will be brought into the trades, what the number of apprentices to journeymen will be through the trades.

Through our contracts, there has to be enforcement, and we've already started to have a conversation about what

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is that enforcement mechanism, how do we staff it, how do we fund it, and that would actually be a portion of the bond proceeds.

COUNCILWOMAN BROWN: Repeat your last statement.

MR. ABERNATHY: It would be a portion of the bond proceeds to pay for the enforcement at the outset.

So everything you're saying I think we have been thinking about from the outset. We are trying to put together a program. This is relatively complicated. It's a generational issue that's been going on for some time. We want to tackle it. We have to -- as Councilwoman Blackwell said, this is the day. This is the time to do better, and we are committed to making sure that not only do we just put aspirational goals, that we hit those goals and that we make our workforce working on these projects look more like the City of Philadelphia.

MR. EPPS: So, Councilwoman

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both Blackwell and Reynolds Brown -- I happen to be looking at Councilwoman Blackwell. So in your district, there will be somewhere between six and ten million square feet of additional space built in the next five to seven years. At least that's the target. This program that we're talking about is much bigger than the rebuild. We've got to make sure that we got a workforce ready for all of those projects that are planned for west of the river and in North Broad Street and beyond, such that our people are ready for the next phase of growth. And so we are going to work on it, rebuild. It will be where we start, but it will not be where we end.

MR. ABERNATHY: And just to piggyback off of Mr. Epps, rebuild gives us an opportunity to build an infrastructure, an infrastructure of enforcement and an infrastructure of inclusion. We want to make sure that that program lives on beyond rebuild. We

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want to redo the way Philadelphia is doing business as it relates --

COUNCILWOMAN BROWN: It's called paradigm shift.

MR. ABERNATHY: Yes, ma'am.

COUNCILWOMAN BROWN: And I know well the work of you, Mr. Epps. What I have experienced in being here is that if you don't have department heads that philosophically are where you are, then we'll be here four years from now having the same conversation and debate. So where is leadership going to be with helping folk get it who don't get it? Because that's the challenge.

MR. EPPS: I would say to you that we are the leadership, and I have been in conversations with two of the three presidents of the universities right now to make sure that before they start those projects and even before construction, there's so many dollars spent on the pre-construction phase and in professional services, we also want to make sure that that phase of the development has the right levels of diversity and spending also. So it's way before we get to the construction phase.

COUNCILWOMAN BROWN: Okay. So let me underscore the importance of the number of members who want to make sure that young people from our School District, that there's a pipeline and a linkage with the school system. Philadelphia OIC, which is in the business of training young people and those who have been underserved and locked out, needs to be in that pipeline. That's a part of this full new picture that we're talking about here.

MR. EPPS: I had a conversation with Otis Hackney yesterday about that very same subject. We got to go into the elementary and junior high schools to begin to inform young men and women that there's another pathway to success.

Now, you know, I've got two degrees. I'm not talking about four-year

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colleges, but there are other ways that people can have sustainable livelihoods, and we've got to educate them that those opportunities are going to be available as we move forward.

COUNCILWOMAN BROWN: Yes. Speak about the local bidding preference. How is that going to work? Because that continues to be a frustration for some of us as well.

MR. EPPS: The local bidding preference? I need to call on Angela.

You want to come talk about that?

I have not learned that one yet.

COUNCILWOMAN BROWN: Okay.

(Witness approached witness table.)

COUNCILWOMAN BROWN: And the context of that is what Councilwoman Blackwell just referenced, coming up on City Hall Courtyard and seeing zip codes of vendors and is not 191. It's

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unacceptable. So speak to that and the status of that as you know it.

MS. DOWD-BURTON: So Angela Dowd-Burton, Executive Director, Office of Economic Opportunity.

I'm going to speak on behalf of the Local Business Enterprise Program that is run by the City's Procurement Department, where there is a local preference given to companies that are based in the City of Philadelphia, 191. There is a 5 percent preference on their bid price for transactions over a million dollars and a 10 percent preference for businesses submitting bids on transactions that are less than a million dollars.

COUNCILWOMAN BROWN: The bell has rung. I need to know how well are we doing with that new piece.

MS. DOWD-BURTON: So I don't have the data. I'll be happy to work with the Procurement Department and provide that to you.

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COUNCILWOMAN BROWN: So I would ask that you make that a part of your budget testimony when your department comes to speak before City Council.

MS. DOWD-BURTON: Okay.

COUNCILWOMAN BROWN: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilwoman Bass.

COUNCILWOMAN BASS: Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: You're welcome.

COUNCILWOMAN BASS: I just wanted to follow up on the other comments that have been made regarding participation on these jobs, particularly when we're talking about spending about $600 million on new recreation centers, playgrounds and the like and seeing that building boom coming to all neighborhoods. Obviously it's incumbent

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upon all of us, particularly as District Councilmembers, to make sure that when we see building -- when I see building happening in the 8th District, that there is a workforce that is inclusive, that is local, and that really does in a number of different ways just make sense, and we haven't seen that so far to date. So I think -- and I'm going to remove the Commerce Secretary, because I know he's newer here.

MR. EPPS: So thank you.

COUNCILWOMAN BASS: But I know that, Michael, you and I have had this conversation and certainly Brian and I have had this conversation in the past about minority participation on these public jobs. And I guess the way to sum it up beyond just frustrating is that if the City of Philadelphia wanted to do it, we could have done it by now. There's no doubt in my mind. We are the fifth largest city in the nation. If we wanted to do it, if we were committed to doing it, it would have been done, period, end of story.

And so I just think that it's time that we get on a fast track to make sure that it happens. What's happened in the past, everybody -- even though there's a slight change in the mix here, some people were here in the past, some people are new, but moving forward, we need to make sure that it happens. And if it doesn't happen, once again, it speaks to the priorities of this Administration. And I can certainly tell you that I know that in the Northwest, well, at least in my part of the Northwest, there's not going to continue to be, in my opinion, a real disregard and disrespect of the people who are local who can participate economically in what happens in their community who are shut out completely.

And so we're going to be looking to you all for these sorts of answers and want to hear more about it.

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So I don't know if you have anything you wanted to add on to that.

MR. EPPS: Yes, yes, and yes.

MR. DiBERARDINIS: We agree.

COUNCILWOMAN BASS: All right. All right.

If we could have Mr. Dubow. I had a question -- or actually Jane. I wanted to switch really quickly to the sugary drink tax. And I know that, Mr. Dubow, you mentioned that you had not done a neighborhood by neighborhood sort of analysis, but you did know that it is more heavily consumed in poorer areas. So there is some analysis that's been done in terms of who actually would be the main folks who would be paying this tax, would you say?

MR. DUBOW: Yeah. I think there's some knowledge of the main consumers of sugary drinks.

COUNCILWOMAN BASS: Correct. So who would that be? What neighborhoods would it be?

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MR. DUBOW: I mean, from everything we've seen, it's in poor neighborhoods, which is kind of where the advertising is targeted too.

COUNCILWOMAN BASS: So basically in a lot of our neighborhoods, a lot of our neighborhoods that are vulnerable, that have populations whose children would likely be able to benefit from early childhood education, but what it sounds like we're saying is that, okay, well, we are going to make sure that we get the resources that our young people desperately need, but also what we're saying is that this is the particular population that is primarily going to pay for it and that it's not going to be evenly distributed throughout the City of Philadelphia. It's really going to be a tax that's going to be, for the most part, concentrated in particular neighborhoods, would you say?

MR. DUBOW: So I'm going to go back to the conversation before where

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it's different from a sales tax in that it's on the distributor, and what we've seen in other places is that they weren't passing all of the increase on in terms of prices.

COUNCILWOMAN BASS: Okay. So how much of the tax was passed on?

MR. DUBOW: About half roughly in the --

COUNCILWOMAN BASS: So if we go with 3 percent, then 1 and a half percent will be passed on.

MR. DUBOW: If it follows what happened in Berkeley, that's about right.

COUNCILWOMAN BASS: So there still would be a significant increase?

MR. DUBOW: And that also -- part of our assumption too is that there's a dramatic reduction in consumption and partly that's people choosing other products too. So it's not necessarily that the cost of purchase will go up. People may move to other products too.

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COUNCILWOMAN BASS: Okay. All right. But generally you believe that the distributor is going to consume or absorb a majority or at least half of the tax?

MR. DUBOW: I'd say I think that's a possibility.

COUNCILWOMAN BASS: It's a possibility?

MR. DUBOW: Right. We're looking at what happened in other places.

COUNCILWOMAN BASS: Okay. One other question for you. As we're using these funds to pay for again high-quality pre-K, which we all want, no question about that, very important, and my question is about the Keystone STARS. Obviously the certification programs that ensure high-quality Keystone STARS childcare costs more to implement. And so how do you see that as a factor in providing this high-quality childcare? How do you see that working into the mix here?

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MR. DUBOW: So part of what we have in the budget is support for providers to move up in the STARS system so that more providers would be 3 and 4 star. Does that answer -- is that what you're asking?

COUNCILWOMAN BASS: Well, I see Otis Hackney here, so I didn't know if he had more to add to the equation.

MR. HACKNEY: Good morning. Otis Hackney, Chief Education Officer.

Can you repeat your question, so that way, I can just make sure I fully understand.

COUNCILWOMAN BASS: Generally I just wanted to know if we know that the Keystone STARS is the higher quality early childcare educational system that we're looking for, that we're looking to implement, we want to make sure not just that every child has access to childcare, but that it's not a baby-sitting service. So when I drop my child off, even though right now it may say Cindy's Learning

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Academy, there's no sort of standard beyond the Keystone STARS. So we want to make sure that as many of these programs as possible fit into that category and that they are high quality. And so we want to know how does that work with your planning and implementation of early childhood education in Philadelphia?

MR. HACKNEY: So first thing, in terms of expansion of these, we are looking for those Keystone STAR providers that are at the 3 and 4 level, but focusing or starting or prioritizing, I should say, in areas of highest need. So that way, we can expand seats for those providers -- within those providers for children in those communities. So, I mean, so it's going to be built in in terms of making sure that we assure that they are quality centers, so that way that parents do feel comfortable, that it is not a day care center or that it is an actual academically rich environment for their child.

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COUNCILWOMAN BASS: Okay. Has there been an assessment into staff salaries that are necessary to assure the higher quality that we're looking for?

MR. HACKNEY: Yes. We are doing that assessment, and we're still in that process in terms of looking at what that salary range should be.

COUNCILWOMAN BASS: Okay. And so -- I know I ran out of time, so I'll come back. I'll come back. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Five Year Plan, you know, we probably should be focused on the Five Year Plan, but it's the first bite at the apple, so you will be given ample opportunity to answer a lot of very detailed questions. So this is kind of preparatory course for your department testimony. So please be ready.

MR. HACKNEY: Looking forward to it.

COUNCIL PRESIDENT CLARKE:

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Thank you.

Thank you, Councilwoman.

The Chair recognizes Councilman Henon.

COUNCILMAN HENON: Thank you, Council President.

And before my time starts, I want to take a point of personal privilege to wish my colleague, our colleague, a happy 40th birthday, Councilman Greenlee. Happy birthday.

(Applause.)

COUNCILMAN HENON: I figured we'd break it up a little bit here.

And I just want to echo the same statement that Council President just said. I think we'll have ample amount of time through the remaining two months of this budget process to really get down to the details, which -- and I'm going to start off just on a broader sense as opposed to getting down to the weeds on some very specific questions, but I'm going to start off with the sugar

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beverage. My question, there's been comments about what is different. Is it going to be a pass-on? Is it going to be targeted towards the end user, and is it different than U&O? So why is sugar -- how is sugar different than, let's just say, the liquor by the drink and U&O?

MS. ADAMS: Hi. I'm Anna Adams. I'm the Budget Director.

So there's a few key differences, and the Revenue Department can come and answer more of this if you need more info, but the liquor tax is by the drink and, as the Finance Director mentioned, the sugary drink tax is on the distributor. So that's one key difference. It's a point-of-sale tax, liquor tax, so it's a very different tax. And I think the other big part is, we mentioned about what's being passed on to the consumer. Obviously with the liquor tax, everything is passed straight on to the consumer because of the type of tax it is. The liquor tax is also much more

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challenging to collect than this tax, we believe, because it's more difficult to audit. People use the liquor tax -- bars and restaurants use it in recipes. There are happy hour specials. It's much more complicated to figure out the amount of tax. And because of the volume of bars and restaurants in the City, there are about over 1,800 bars and restaurants in the City who pay the liquor tax, whereas much fewer distributors. So that's where we think it's actually going to be an easier tax to collect.

COUNCILMAN HENON: And one of the comments today was enforcement. So would it be easier to enforce?

MS. ADAMS: We believe so, yes.

COUNCILMAN HENON: And I understand as the studies that -- the marketing targeted on the industries geared towards certain constituencies, certain neighborhoods. I just find it why are we treating this any different than we treat predatory lending? And we

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just had a hearing on the reverse mortgages. It is a marketing strategy for distributors, and a distributor has a right to pass on or to incur the costs themselves; is that correct? So if they shared costs, would there be -- is there the ability to have a legal like memorandum of understanding or something like that with the City that they would incur X amount of cost and not pass it on legally or would that be legislated?

MS. ADAMS: The distributor will still be paying the tax, but whether they'll pass it on in increase in prices is where we just don't have the control over what they charge retailers. I'm not sure we would have the ability -- I'm no lawyer. I'm not sure we would have the ability to do that.

COUNCILMAN HENON: Okay. We'll have plenty of time over the next two months to get into that.

The conversation is a great conversation when we talk about creating

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economic opportunities for Philadelphians and Philadelphia businesses. I see in the unemployment projections, and just a couple of quick questions about it. So relatively speaking, the unemployment projections are flat in the Plan, but then there's a gradual growth from 6 percent to 7 percent. Why is the unemployment rate going up in the Plan as well as the revenues across the Plan? Can you explain that a little bit? Because I could tell you right now, there are a lot of cranes in the City visibly, but there's also more unemployment than people think. Some of the trades unions have some significant unemployment. I wouldn't say significant, but there is unemployment in spite of the cranes.

So when we're talking about creating our own economy through different procurement methods and being able to control some of Philadelphians being able to get to work, I'm hoping that through some of these initiatives,

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the unemployment rate doesn't grow from 6 to 7, so we could capture more of our revenue rates here in the City.

MS. ADAMS: We use -- to help us with our forecasting for our revenues, we use an outside consulting firm called IHS Global Insight. They study the national and global economy and give us national trends and global trends and also kind of regional trends that they think impact our major taxes. And so they have helped make these projections. So some of -- unfortunately, some of sort of the unemployment rate is outside of our control. There are things that we try and do as a city, but it sort of follows national and global economy.

The wage tax is related to the amount of income, not just the unemployment rate. So it's based on how well you are being paid. That's how we do well with the wage tax, as well as the number of people employed. And so all of these factors go in to come out with our

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wage tax rates.

COUNCILMAN HENON: Well, you can go back and take a look at the Plan and see the annual average median income. I mean, we're not doing all that great.

MS. ADAMS: Right.

COUNCILMAN HENON: So we are having an increase in revenues. I just think we have an opportunity to control our own economy, to a sense, and we want to get it right and we want to make sure that it's inclusive, especially when -- and I think it should be a significant signal that the Administration wants to get this right, as Council has been stating for the last four, some of us, or 16 years, in the last five years that we need enforcement. So having the opportunity to create our own economy and budgeting the proper enforcement, I just want to make sure that we get it right, because people want to make sure that the law and the programs are being enforced across the board, and we're going to be

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voting on the allocation of budget resources to ensure that Philadelphians are getting their fair share.

So I just wanted to make that statement, because I know it's a commitment from both this Council, especially this Council, and the Administration.

Other job outlook, on Page 23 you talk about through the Plan that specifically -- what jobs are we projecting growth in transportation, warehousing, and utilities?

MS. ADAMS: So --

COUNCILMAN HENON: Is that anything to do with energy?

MS. ADAMS: I can see if we can get kind of a narrow breakdown by NAICS code to see if we have this. So we know -- this is kind of broadly based on IHS's projections, and so we can break it down more narrowly for you and tell you the types of jobs that they have, and I can get that to you.

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COUNCILMAN HENON: We'll have time through this process.

I'll yield my time. It's over anyway.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Green.

COUNCILMAN GREEN: Thank you, Council President.

On Page 2 of the Administration's testimony in the Five Year Plan, you talk about an increase in the residential assessment based on the land value assessment increase and also a 3 percent increase in FY18 on commercial properties. What value number can you give to that?

MR. DUBOW: I'm sorry. I didn't understand.

COUNCILMAN GREEN: On Page 3 you talked about you're going to a land value -- you're doing your increased assessment on the land perspective.

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MR. DUBOW: On the land portion of the --

COUNCILMAN GREEN: Land portion of the assessment.

MR. DUBOW: Yes.

COUNCILMAN GREEN: And then FY18 you're doing all commercial properties.

MR. DUBOW: Yes.

COUNCILMAN GREEN: You're talking about 3 percent growth in both areas.

MR. DUBOW: Right.

COUNCILMAN GREEN: What numerical number can you give to that amount?

MR. DUBOW: Oh, with the property tax increase?

COUNCILMAN GREEN: Right; the increase in value.

MR. DUBOW: So the property tax is projected to go from 536 in '17 to 551 in '18, and that's really tied to the commercial reassessment.

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MS. ADAMS: So do you want just the taxable assessed values, projection of that, or just are you talking about just the dollars?

COUNCILMAN GREEN: The assessed value.

MS. ADAMS: So we would assume it would grow from -- '16 to '17 it would grow by about $3 million worth of assessed value. So from --

MR. DUBOW: 3 billion.

MS. ADAMS: Sorry; 3 billion.

71.6 billion for residential values to 74.2 billion.

COUNCILMAN GREEN: Okay.

MS. ADAMS: And that's from the residential side.

COUNCILMAN GREEN: That's on '17.

MS. ADAMS: That's going from '16 to '17.

COUNCILMAN GREEN: Then what about on the commercial side?

MS. ADAMS: So when we get to

the commercial changes from FY17 to FY18, it would go from 18.3 billion to 19.4 billion.

COUNCILMAN GREEN: And then --

MS. ADAMS: Taxable market -- that's the taxable market.

COUNCILMAN GREEN: And then what are your projections for FY19 once we go to the full assessment?

MS. ADAMS: So when we get to the full reassessment, we assume there's an annual 3 percent increase on both sides. So by the time we get to FY20 and '21, the commercial is approximately 20.8 billion and the residential is 81 billion. And so it sort of grows -- we show that growth in our --

COUNCILMAN GREEN: So I guess my question is that -- Rob, the questions were asked earlier by Councilman Greenlee and Councilwoman Gym about not getting the CAMA quick enough, and we just went through this whole process talking about Earned Income Tax Credit and not leaving

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money on the table, but we're leaving money on the table by not increasing our ability to get dollars. And I don't get the perspective that -- I mean, you talked about is it a technical issue, is it a resource issue, but what's the bottom line? Why can't we do a full assessment now as opposed to later?

MR. DUBOW: So, I mean, we want -- we need to wait until the CAMA is in place to do a full assessment, because the CAMA system is what will help us get it accurate. We are moving forward as quickly as we can with that. That's why we went out kind of to the marketplace, asked vendors to give us their best times, which is what they did. So that's kind of why we are where we are.

COUNCILMAN GREEN: So you're saying that's the best that we can do based on the market?

MR. DUBOW: On the timing, yes.

COUNCILMAN GREEN: Say again.

MR. DUBOW: Yes. For the

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timing of the CAMA system, that's right.

COUNCILMAN GREEN: So in other jurisdictions, they have been able to do a similar process in a quicker time period?

MR. DUBOW: They have not, no.

COUNCILMAN GREEN: I mean, having been in this room for a period of time, it just seems like we're always just delaying and delaying and delaying, and when something is a priority, we can get it done, and when we're leaving money on the table and having to use other types of resources to provide things like universal pre-K, like more money for pensions, like community schools, and we're not implementing all the things that we can do to get these things done.

MR. DUBOW: This is a priority and we are moving it as quickly as we can.

COUNCILMAN GREEN: Okay. I'll revisit that during the budget testimony. Let's go to procurement. Council

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President, a number of Councilmembers have talked about procurement. From my experience, the City of Philadelphia has never had a Maynard moment. When I say "Maynard," I'm talking about Maynard Jackson. We are going to be the owner of rebuilds, and so if the owner wants to get something done, it will have inclusion. If the University of Pennsylvania, if a private entity wants to get something done in reference to inclusion, it will get done. Now, granted, we have certain legal restrictions that restrict our ability to do certain things because of caselaw, but you talked about doing procurement through PIDC. So are some of the same legal restrictions like Croson going to impact us to doing procurement for rebuilds with PIDC?

MR. ABERNATHY: Thank you, Councilman. We believe that we are likely to set up an outside organization to run rebuilds, and we believe that

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while these certain procurement requirements that do attach because it's City money, we think the procurement process and requirements will be less restrictive than going through the regular City process.

For example, sealed bids. We believe we will have stronger negotiating power, and we think we can make inclusion a stronger priority.

COUNCILMAN GREEN: So based on that information, you should be able to have better participation ranges because we're now using a more effective entity in doing procurement?

MR. ABERNATHY: That's the goal.

COUNCILMAN GREEN: So when you come back to us in reference to rebuild, when you ask us to vote, we assume that the participation ranges for rebuild will be better than what the City currently has done through its Procurement Office.

MR. ABERNATHY: Yes, sir.

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That's the expectation.

COUNCILMAN GREEN: Okay. I want to also ask a question in reference to the Pension Fund. Based on the testimony, we're going to be paying about $641 million this year for pension expenses?

MR. DUBOW: Correct.

COUNCILMAN GREEN: Which is about 15 percent.

Is that the MMO?

MR. DUBOW: That's a combination of the General Fund portion of the MMO and the payment on the pension obligation.

COUNCILMAN GREEN: What's the ARC amount?

MR. DUBOW: So the MMO is an ARC. An ARC is an annual required contribution. You're asking what the Pension Fund funding policy amount would be?

COUNCILMAN GREEN: Correct.

MR. DUBOW: Yeah. So that

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would be, I think, about $250 million higher, so substantially higher.

COUNCILMAN GREEN: Right. So we should be doing more like 851.

MR. DUBOW: Well, I wouldn't say "should" is the right term. We're paying what the state requires us to pay and what our actuary determines we should pay under the state requirement.

COUNCILMAN GREEN: But we're not getting to a better level of funding by just doing the MMO.

MR. DUBOW: So the MMO gets us to full funding at 2037, about 2037. So it's a series of payments that the actuary determines gets us to fully fund the Pension Fund. The difference between the MMO and the funding policy is the funding policy gets us there faster.

COUNCILMAN GREEN: Okay. Let me ask one last question. Outside of the additional money that may come from the sales tax or the $26 million that may come from the sugar tax, what strategies

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is the Administration taking to bring our Pension Fund back to a fully funded level in a quicker period?

MR. DUBOW: So a couple of things. One is through the collective bargaining process, we will want to work through that to bring about changes. There was a proposal from the Controller that the actuary is looking at. So we'll want to see what that produces too.

COUNCILMAN GREEN: And you're referring to the pension buyout?

MR. DUBOW: Yeah. And there are kind of a couple different ways you can do that. One is to actually have the buyout move people more towards Plan '87, so that you buy them out into a lower plan rather than buying out their whole pension. So the actuary is looking at that, and we'll see what that produces.

COUNCILMAN GREEN: And just to follow up quickly, when you said collective bargaining, my understanding you have an RFP right now for a new labor counsel?

MR. DUBOW: That's correct.

COUNCILMAN GREEN: So you're probably taking a different strategy in reference to collective bargaining than the previous Administration?

MR. DUBOW: I would say that every Administration has different strategies towards collective bargaining.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Domb.

COUNCILMAN DOMB: Thank you, Council President.

And thank you, Finance, I guess, Rob, Jane, and Anna, thank you. And I also want to comment that I've been meeting with you guys. You've been very supportive, informative, and helpful to me, and I appreciate that support.

MR. DUBOW: We appreciate your interest, and you've been very helpful to us too.

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COUNCILMAN DOMB: So that's all been good.

So I just have four things, and I know I have about 105 seconds for each one in seven minutes. So I'm going to be quick, and some of these don't require comment, but I just want to put a laser focus, not just for your benefit, for my colleagues' benefit. And I know that Councilman Greenlee and Councilwoman Gym and Councilman Green all commented about this, but OPA. And we have to look at OPA in a different light. We have to look at it as an entity that has $134 billion of real estate, of which 103 billion is taxed and 31 billion is not taxed. And we need to apply -- if you need more money from us, we need to know that, because we should be applying more money to the management of those assets to make sure we have the proper numbers, whether it's land values, whether it's land values on abated properties or commercial values or residential values.

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Whatever it is, we need to address that as a body and make sure you have the resources. It's very, very important that we tax property correctly.

MR. DUBOW: Appreciate that.

COUNCILMAN DOMB: That's number one.

Number two is our tax delinquencies. When I was running for office, that's what I talked about, tax delinquencies a lot, and I have this sheet from, I guess, Revenue. It's pretty cleaned up from what I thought it originally was, but it's about still $750 million from tax delinquencies spread over 20 different taxes. I think real estate is still the biggest, and when you count the real estate taxes, there are about 353 million and water and sewer is about 150 million, and that's the bulk of it, 500 million. There's other taxes on there too. And I know they were working together to try to increase our tax collections on the real estate and on the water and sewer, but I also would like to see if possible in this process that we have a plan to attack all the other delinquencies, whether it's the wage taxes of 43 million delinquent, counting interest and penalty, whatever it is. Can we possibly get a plan of how we're going to go about getting those monies collected or written off in the next 12 months so we have a program?

MR. DUBOW: And I think probably the best way to do that is when Revenue comes for their hearing, to walk you through that. We have slightly different numbers from yours, but it's still -- the point is the same.

COUNCILMAN DOMB: Well, mine might be from December 2015. Maybe it's old.

The tax lien sales, I appreciate you guys did that. You did two sales last year. The interesting information I just want to share is that on pre-sale payments, $10 million was

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collected. On pre-sale payment agreement balances, agreements made, 3.9, almost 4 million. On the actual sale, 3.2 million. And I think if we do another one, whatever program we use, it's the last piece we probably have to adjust some of our values on to encourage more sales on that piece.

MR. DUBOW: And the goal really isn't to sell the liens. It's to get people to pay.

COUNCILMAN DOMB: Absolutely.

MR. DUBOW: So if it encourages people to come in before the sale, that's good too.

COUNCILMAN DOMB: Great.

The third piece -- I think I'm okay with time -- is the sugar tax. I just got the numbers. I just want to make sure I understand the numbers. For a 1 cent tax -- there's a 3 cent proposed, but for 1 cent, we generate over the projected time period of five years 260 million, which is 52 million a

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year. For 2 cents, we project 403 million, which is 80 million a year. For the additional penny, it only produces 28 million more. The first penny gives us 52 million, the second gives us another 28 million. Three cents produces 432 million, which means that last penny only produces an extra 6 million per year, roughly.

MR. DUBOW: One just point to make. The first year is half a year. So your division should be about four and a half rather than five.

COUNCILMAN DOMB: That's fine. But what it shows me is that the first cent is really huge in numbers, and that diminishes as we go down.

By the way, just for the record, I watched this great movie I want to mention over the weekend called Fed Up. And I didn't know that much about this stuff, but everyone should watch it. It's all about sugar. It's not just about soda, by the way. It's about how

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bad sugar is for our body and what it's doing to our young people, and I am a convert now against sugar, and for me, my weight, that's pretty unusual.

(Applause.)

COUNCILMAN DOMB: Last piece, and I don't know if you can address this. Helen brought it to my attention too today. We slipped to seventh. The Inquirer wrote an article that we're now seventh in the country for population, I guess, and every time I see a slip --

MR. DUBOW: For the metro area. For the City, I think we're still fifth.

COUNCILMAN DOMB: But every time I see that, it bothers me that we're slipping, and it talks about slipping to maybe nine or ten with Atlanta and Miami taking us over. Clearly -- and this is just my biased opinion, but I think our future to a large degree is in technology. When you look at New York City, they have 543,000 jobs in tech, and we have 14,000. We need to expand that

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base, because really this is all about making ourselves more efficient and, as the Council President is telling me, growing the base, and that technology is a tremendous job multiplier, five to one, versus any other job that we know.

So if you could maybe down the road in the next two months come up with a plan that we can really embrace and encourage more tech companies and encourage that area of our economy.

That's it. I didn't hear the bell ring.

MR. DUBOW: So I think the Commerce Department will address that during their hearing.

COUNCILMAN DOMB: I'm sure Harold will get it covered good. That's good to know. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilman Oh.

COUNCILMAN OH: Thank you,

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Council President.

Okay. Good morning.

(Good morning.)

COUNCILMAN OH: So could you talk just a little bit about the wage reduction. Why is there a wage reduction for non-residents? How does that work into the wage reduction?

MR. DUBOW: Sure. So the wage tax reductions that we have are in part based on studies we've seen about the impact of the wage tax on job growth in the City, and those analyses say that both the resident and non-resident wage tax have a negative impact on job growth. So that's why we propose reducing them both.

COUNCILMAN OH: Okay. So what you're saying is that the studies that you have seen indicate that if you reduce the wage tax for non-residents, it will increase the number of jobs created in the City?

MR. DUBOW: Correct.

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COUNCILMAN OH: Okay. As opposed to if you just take that portion of the wage tax reduction and put it for residents only, deepening the reduction in the wage tax for residents at an earlier stage, that doesn't have a greater increase in job creation within the City as opposed to outside the City?

MR. DUBOW: That's not what we've seen in the studies.

COUNCILMAN OH: Okay. I haven't seen that myself, but we've had this discussion --

MR. DUBOW: We did, yes.

COUNCILMAN OH: We have this like yearly.

MR. DUBOW: We do, the exact same discussion.

COUNCILMAN OH: So here's the other yearly portion of it then --

MR. DUBOW: The Commerce Director wants to comment.

COUNCILMAN OH: Sure.

MR. EPPS: Councilman, prior to

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taking this job, I thought that was theoretical, but I've seen two situations where people have already chosen not to come to Philadelphia because of the wage tax, and it was both for citizens and non-citizens. So because we are so fluid with the five counties -- and I won't even mention New Jersey -- for us to be able to retain and recruit employers, we need to reduce the wage tax, and it is both for citizens -- residents and non-residents. And, again, I've learned in 75 days it's not theoretical. It is real. People make those decisions on a daily basis.

COUNCILMAN OH: So if we -- so from your personal experience, what you're saying is by reducing the wage tax for people who choose to live and work outside the City, that will increase the number of jobs created in the City?

MR. EPPS: That is correct.

MR. DUBOW: That work in the City.

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MS. ADAMS: They have to work in the City.

MR. EPPS: They have to work in the City.

COUNCILMAN OH: So they're living outside the City and they're working --

MR. EPPS: And working in Philadelphia.

MS. ADAMS: That's for the non-resident taxes, that you're living outside of the City but you work within the City boundaries.

COUNCILMAN OH: Okay.

MR. EPPS: So for them to be competitive to recruit a workforce, we need to reduce both the people who live in Philadelphia and the people who don't but work here.

COUNCILMAN OH: Okay. So --

COUNCIL PRESIDENT CLARKE: Excuse me. Councilman, excuse me.

So if the wage tax was such an incentive, if you had a significantly

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higher decrease if you lived in the City, wouldn't that create an incentive for the people to move into the City?

MR. EPPS: It would reduce the level of the gap that exists today and it may be one of the contributors, but people are leaving -- wage tax is one of the reasons. Of course education is another.

COUNCIL PRESIDENT CLARKE: All right. No, but I'm saying you put such emphasis on the reduction in the wage tax both inside and outside. If the person already works here and the Councilman's question sounds like he said why wouldn't we have a more aggressive --

MR. EPPS: But they --

COUNCIL PRESIDENT CLARKE: Can I ask the question, please, sir.

The Councilman's question suggested that if we decrease the resident wage tax, then it would create more of an incentive, right? It would be more helpful. And also if the person

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already works here, why wouldn't they move to the City and take advantage of that decreased wage tax?

MR. EPPS: It's still higher in the City than it is in the suburbs. It's still about a half a point higher.

COUNCIL PRESIDENT CLARKE: I understand that.

MR. EPPS: But the employer will need to be comfortable that they've got the ability to recruit both Philadelphia citizens and those that live in the suburbs, and they want to get that wage tax --

COUNCIL PRESIDENT CLARKE: Why do they want to have somebody in the suburbs if the same person --

MR. EPPS: Because --

COUNCIL PRESIDENT CLARKE: And the same person moves into the City.

MR. EPPS: Because they need --

COUNCIL PRESIDENT CLARKE: Would they get penalized because they move into the City?

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MR. EPPS: Well, Philadelphia might not always have the residents that will support their employer needs.

COUNCIL PRESIDENT CLARKE: But I'm saying if you create an incentive to move into the City, like the ten-year tax abatement, a lot of people are saying, Well, we get this ten-year tax abatement here, so people are moving into the City, take advantage of the ten-year tax abatement. You may not get it outside in the other county, so people are making that decision.

So if there's an increased reduction in taxes if you live in the City, wouldn't that incentivize people who actually work here --

MR. EPPS: It would.

COUNCIL PRESIDENT CLARKE: -- to also move here?

MR. EPPS: It would reduce the obstacle, yes.

COUNCILMAN OH: So in conjunction with that, in 2023 the PICA

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portion of the wage tax ends. That is, I think, a 1.54 percent of that wage tax --

MR. DUBOW: 1.5 percent, right.

COUNCILMAN OH: 1.5 percent. There's a huge percent decrease in 2023.

MR. DUBOW: Correct.

COUNCILMAN OH: Okay. And so the overall reduction of the wage tax would be a much bigger incentive, wouldn't it, for then creating jobs and hiring folks?

MR. DUBOW: Well, it would be if we could maintain services, but if that 1 and a half percent goes away, we would lose over $350 million a year from our budget, and at that level, we wouldn't be able to maintain services. So it wouldn't have the kind of economic benefit. We need to kind of maintain that portion of the tax to maintain budget stability.

COUNCILMAN OH: So the 1.54 --

MR. DUBOW: 1.5.

COUNCILMAN OH: 1.5. I'm

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sorry. The 1.5 does not come here.

MR. DUBOW: So here's how the 1.5 works. Under the PICA Act, that portion of the wage tax, which already existed, was split off, used to pay the debt service on the PICA bonds and then the remainder comes back to the City's General Fund.

COUNCILMAN OH: Right.

MR. DUBOW: So the amount that goes to the debt service declining over time, it's about 60 million now. Anything above that already comes to our General Fund. So it would be a big cut in revenues to our General Fund if that goes away.

COUNCILMAN OH: Right. And it is scheduled to -- it sunsets, it's going away.

MR. DUBOW: It is scheduled to go away after 2023, but I would argue that we need to make sure that doesn't happen.

COUNCILMAN OH: Okay. So we've

had this discussion before.

MR. DUBOW: Yes.

COUNCILMAN OH: So my question is, being that it sunsets, being that it goes away --

MR. DUBOW: Unless we take action to make sure it doesn't.

COUNCILMAN OH: Which is what I always hear. So my question is, how much of this Five Year Plan, which ends in 2021, is based on that 1.5 percent not going away? Do you calculate in your borrowings, your bond issuances and all of these other things that you're doing, do you calculate that that 1.5 percent is now going to be producing $350 million a year for the General Fund?

MR. DUBOW: Yeah. That is assumed in our Five Year Plan. So over our Five Year Plan, that's going to be 1.8 billion or so of the revenues that we have in our Five Year Plan are from that PICA tax.

COUNCILMAN OH: Right. So I

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have real difficulties comprehending the Five Year Plan because it is based on something that is due to disappear.

MR. DUBOW: It doesn't disappear until after the Plan is over.

COUNCILMAN OH: Well, I mean, it disappears shortly thereafter.

MR. DUBOW: Right, but the revenues still come in, and this Plan should show those revenues coming in because that's what current law shows. There's no discussion of it going away earlier than 2023.

COUNCILMAN OH: Right, but my point is that this current budget includes borrowings, bond issuance, interest rates, calculations based on a certain amount of revenues that are going to continue into the future.

MR. DUBOW: Right. And, again, that's why we need to make sure that tax continues.

COUNCILMAN OH: And how would that be done?

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MR. DUBOW: We need legislation.

COUNCILMAN OH: From Harrisburg.

MR. DUBOW: Correct.

COUNCILMAN OH: Okay. So thank you. We have this discussion periodically.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Parker.

COUNCILWOMAN PARKER: Thank you, Mr. President.

And good afternoon.

(Good afternoon.)

COUNCILWOMAN PARKER: Let me go back to the issue of OPA and just want to go back to your Five Year Plan. It reflects a 3.6 percent decrease from the FY16 projected. I see 13.3 million for FY16, 12.8 million for FY17, and then 12.5 million for FY18.

And now with that being said, I

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need you to just clarify the record for me and tell me how many commercial assessments have to be done and how many residential assessments have to be done? Would that be something that you know just in general? I mean, obviously we'll get in the weeds when we begin the budget process, but do we know how many assessments have to be conducted?

MR. DUBOW: Yes. I think there are about 570,000 total properties and about 470,000 of those roughly are residential.

COUNCILWOMAN PARKER: Okay. Good. Thank you, Rob. That's what I needed. Four hundred thousand residential and then probably about a hundred thousand commercial.

MR. DUBOW: I think that's right. And Mike Piper is nodding his head, so...

COUNCILWOMAN PARKER: Okay. So with that in mind -- and, again, the reason why this projected reduction in

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OPA's budget sort of raised my eyebrows, and you'll have to correct me on this one, I was under the belief or understanding that we had actually 38 commercial assessors, commercial and industrial assessors in OPA, and 82 residential assessors. And I don't know whether or not that is accurate. Is that something you would be able to tell us today? You just shared with us, Rob, that we have 470,000 residential properties to assess and approximately 100,000, and the numbers I have reflect that we only have 38 commercial and industrial assessors in OPA and 82 residential assessors.

MR. DUBOW: Right.

COUNCILWOMAN PARKER: And then, Rob, I want you to tell me based on industry standards, is there a certain ratio for assessors to commercial property or assessors to residential properties?

MR. DUBOW: So that gets beyond

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my knowledge. I can ask Mike Piper to answer that now or we can do it during his hearing, whichever.

COUNCILWOMAN PARKER: It would be interesting, just because it would help lead into my next question.

MR. DUBOW: And I should say while he's coming up that we actually assume an increase in the number of positions. The big decreases -- we had support on the consulting side that we had anticipated over the years using that we've never actually used. So I think a million dollars. Instead we have $500,000 in there to actually hire outside help to help us with commercial appeals, but --

COUNCILWOMAN PARKER: So 500,000 to help with commercial appeals?

MR. DUBOW: Yes.

COUNCILWOMAN PARKER: Now, thank you.

MR. DUBOW: At the suggestion of Councilman Domb.

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COUNCILWOMAN PARKER: We're going in the right direction, and that was my issue, Rob, is that there has been no secret that we have not done a great job in the collection, particularly on the commercial side. And so thank you for sort of reaffirming the City's efforts and making sure that we have more commercial assessors.

I just want to say before Mr. Piper answers the question about the ratio of assessors to residential properties to assessors for commercial and industrial properties, that I also hope that we institutionalize some sense of training for those who are already internally working in the department so that they can, through sort of professional development, find a way to gain the skills that they need so that we don't have to always pay for outside services to come and help us get those commercial assessments, right, particularly in the case of appeals.

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And, Mike, you were going to respond.

MR. PIPER: Good afternoon, members of City Council and Councilwoman Parker. Thanks for asking questions about what it is that we do. We've seen a lot of interest over the past few months, particularly with one of the newer members of Council, and what it is that we do concerning commercial assessments, and I do want to thank Councilman Domb for that. We appreciate the expertise you bring into it. And some of the same questions that we've had conversations with the Councilman are what you're asking now.

So concerning a ratio, typically the ratio of parcels to assessors is based on overall parcels, not just commercial or just residential. It's based on the size of the jurisdiction. The types of parcels, yes, are important, but we look at how many assessors we need to do all assessments,

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including support responsibilities. So the numbers that we gave included residential assessors, residential supervisors, clerical staff who work in residential divisions, and the same thing for commercial. So you mentioned training for --

COUNCILWOMAN PARKER: I'm sorry, Mr. Piper. Go back and help me here. Rob was very explicit in sort of his analysis of the numbers, 570,000 properties approximately total citywide, 470,000 residential and 100,000 commercial. I noted that we have 38 commercial and industrial assessors in OPA and 82 residential. So with that being said -- again, because I'm trying to understand it, just like other lay people understand it, we have 38 commercial and industrial assessors whose primary task would be to assess the 100,000 commercial properties?

MR. PIPER: Correct.

COUNCILWOMAN PARKER: Okay.

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Then that would also mean that we have 82 residential assessors whose primary responsibility would be to assess the 470,000 residential properties?

MR. PIPER: Essentially that's correct. I'll just correct that to say, again, including support staff. The more parcels you're referring to, the more support staff you have that are responsible for things that have nothing directly to do with assessment - clerical responsibilities, IT responsibilities, responsibility for contact with other City agencies and other external agencies. But they're counted in those numbers.

COUNCILWOMAN PARKER: Okay. Well, listen, thank you for your response. I just want to note for the record as we move forward through this process, it's something I'll be paying very close attention to and particularly with the Administration's foresight to budget to ensure that we could bring in some more technical support. That's extremely important, but I also want to make sure that we keep the training of our institutional employees in mind throughout that process.

My next question is with the issue of -- with respect to diversity and inclusion. So I don't think, Mr. Piper --

MR. PIPER: Thank you, Councilwoman.

COUNCILWOMAN PARKER: Thank you.

Mr. President, if we may, I have a final question regarding diversity and inclusion.

COUNCIL PRESIDENT CLARKE: Councilwoman, absolutely.

COUNCILWOMAN PARKER: Thank you, Mr. President.

(Witness approached witness table.)

COUNCILWOMAN PARKER: Thank you, Mr. Atkinson, for coming forward.

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I'm not going to beat a dead horse here. I thought Councilwoman Blondell Reynolds Brown did an outstanding job connecting the importance of diversity and inclusion to the pipeline.

If we find a way to hire more people of color, to ensure that we are incentivizing local hiring, but we do absolutely nothing to increase the pipeline, be it career technical education and connecting that to what we're doing, I think we would be missing a very huge, huge opportunity.

In addition to that, it was mentioned earlier by Mr. Abernathy that we are going to hear some very specific firm numbers and that the enforcement, the enforcement of those who would not be in compliance would be extremely important and enforceable. And with that being said, I'm thinking about the rubric regarding those companies that don't pay prevailing wage. I think everybody is really clear. If you don't pay

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prevailing wage, the job will stop if you are not paying prevailing wage. When we design our goals and objectives, I hope that the enforcement mechanism that we establish is as clear as it is for companies that are not paying prevailing wage. And I just wanted to know sort of what was your thinking from an enforcement perspective regarding that matter.

MR. ATKINSON: Thank you, Councilwoman Parker. I'm Nolan Atkinson, and I'm happy to be here, and I agree with your statements that these programs that the Council has discussed throughout this morning with regard to rebuild and with regard to how we're going to make this different than other programs are very key to the Administration, in that there will be enforcement mechanisms built into these programs to make sure that what was promised is done.

COUNCILWOMAN PARKER: Thank you.

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And thank you, Mr. President. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilwoman Quinones-Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

Good afternoon. I want to ask about some of the decisions we make or some would say some of the choices we make regarding our revenue stream.

Of the projected wage reductions, how much of those are tied in to casino revenues and how much of it is a choice by the Administration and the value of --

MR. DUBOW: You mean going forward in the Five Year Plan?

COUNCILWOMAN SANCHEZ: Yes.

MR. DUBOW: It's all a choice by the Administration.

COUNCILWOMAN SANCHEZ: So essentially the Administration has chosen

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that they will reduce $214 million over the Five Year Plan?

MR. DUBOW: Yes. And going back to the earlier conversation, we think that's important in terms of job growth.

COUNCILWOMAN SANCHEZ: I think pre-K is important. I think community schools is important.

MR. DUBOW: We agree.

COUNCILWOMAN SANCHEZ: Okay. In terms of the BIRT reductions, most of these are legislated or is there anything in here that's by choice?

MR. DUBOW: I think it's all legislated.

MS. ADAMS: It's all legislated.

COUNCILWOMAN SANCHEZ: All of those are --

MS. ADAMS: Yeah. All 270.6 million is legislated.

COUNCILWOMAN SANCHEZ: So I think for the record, our colleagues, as we talk about the whole issue of business tax reform, we are essentially through this Plan committing to $485 million in business tax reductions.

MR. DUBOW: In wage and business tax reductions, yes.

COUNCILWOMAN SANCHEZ: That's pretty generous. Some would say it's pro business, right?

MR. DUBOW: Pro job growth.

COUNCILWOMAN SANCHEZ: Let's hope. Okay.

One of the things that was highlighted in the testimony was that there was a $60 million unexpected shortfall in BIRT. Is that because of our projection or because more people are taking advantage of it?

MR. DUBOW: So that is from '15 to '17, it's $60 million less than we anticipated in the projections we made last year, and it's because more people were taking credits than we anticipated. That's before actually the big kind of

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changes hit, so it's not really related, we don't think, to the changes in the tax structure. It's more people are taking credit.

COUNCILWOMAN SANCHEZ: Just the collections piece. Is that reflected now in our projections moving forward?

MS. ADAMS: I'm sorry?

COUNCILWOMAN SANCHEZ: Did we adjust our projections?

MS. ADAMS: That becomes the base, yeah, for our growth from the lower -- it reduced the amount we assume we'll collect this year, and then that becomes a new base from which you grow everything else.

COUNCILWOMAN SANCHEZ: In terms of -- I just want to reemphasize some of the OPA discussion around the three-year delay, and I've mentioned this to all of you in the past. We're going to be in a three-year potential sticker shock for residents around receiving it. Do we have a sense year by year of what we're foregoing by doing the three-year delay?

MR. DUBOW: So we actually don't think that you'll have that big a sticker shock because we've been doing things with those assessments in the interim. So one year we looked at kind of all the assessments to see what was outside the standard industry ranges and then changed assessments where people were outside those ranges, and this year we're doing the land reassessment. So we're updating that. And to the extent that people are making improvements to their houses, that gets captured too.

COUNCILWOMAN SANCHEZ: That's automatic.

MR. DUBOW: Yeah. All that happens. So we don't think that there will be a big sticker shock on residential properties.

COUNCILWOMAN SANCHEZ: How about in the areas that are quickly gentrifying? Are we concerned about that kind of delay?

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MR. DUBOW: So I think kind of in that first year, that would have been caught by looking at things outside their range. And so there may be like one year where we're not capturing that, but not kind of a long term. It's not like it was before.

COUNCILWOMAN SANCHEZ: Yeah. I really believe -- and, again, we're elected officials. Doing a three-year delay puts us right before an election cycle on approving a CAMA system that's not going to be perfect, because we don't legislate for the perfect here, and potentially could be very troubling if we don't start making adjustments sooner.

MR. DUBOW: It would be much better -- I agree, nothing is perfect. It will be much more accurate than anything we've had before, and part of the reason that we're trying to keep up with things in the interim is so that there isn't a big sticker shock in any year.

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COUNCILWOMAN SANCHEZ: Okay. So let's talk a little bit about -- in the liquor tax compliance, according to your numbers, we have a compliance rate of 96.7 percent and notwithstanding the $9 million in delinquency. What is the revenue that we're foregoing and not increasing our collection rate?

MR. DUBOW: So I think the total is about 60 million a year.

COUNCILWOMAN SANCHEZ: No. That's what we're collecting.

MR. DUBOW: Right.

COUNCILWOMAN SANCHEZ: What are we not collecting?

MR. DUBOW: So if we look at kind of what we looked at the last three years and what's left outstanding, it's that 9.6 million, whatever the number. That's the number that we haven't received.

COUNCILWOMAN SANCHEZ: So we have not done an analysis of the 3 percent of folks who are not paying, what

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potential revenue that is?

MR. DUBOW: No. The way that we did the analysis, it's the roughly $10 million that we're --

COUNCILWOMAN SANCHEZ: So we have $10 million, going back to the term, what money we're leaving on the table, $10 million in --

MR. DUBOW: And that, as you know, that's for the School District.

COUNCILWOMAN SANCHEZ: No, no. I understand that. That's for education.

So as we go to the -- I was looking at the sugar beverage thing. I noticed that in your analysis to us you guys said that you did not look at the powder drinks, but you would consider it. Is anybody doing an analysis of what that would be?

MR. DUBOW: We have not started that analysis, but, I mean, we're happy to.

COUNCILWOMAN SANCHEZ: Yeah. We would hope that we would include that.

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We all know that we're dealing with a regressive tax, but good tax policy is the wider you spread it, the lower the rate. So we want to figure that out for those of us who would entertain something for the priorities.

We talked about the impact, the negative impact, that it would have on some neighborhoods. How long do you think it would take for you to get us an analysis of what that means neighborhood to neighborhood?

MR. DUBOW: Not sure. We can get -- let's figure that out and let you know, but I don't want to give you an answer and then be off. So we'll figure it out.

COUNCILWOMAN SANCHEZ: You'll have an idea about when we can get that analysis.

I know that the Administration has been meeting with obviously everyone talking about this with the industry folks. Have you guys met with small

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businesses and talked about some of this stuff?

MS. SLUSSER: Yeah. We have been meeting with small businesses, with all of the chambers, various business networks. So we've been bringing groups of small business owners together. In addition, the Commerce Department has been talking with the business owners that they normally deal with that the commercial folks work with to talk to them about the implications of the tax.

COUNCILWOMAN SANCHEZ: So have they been honest to you about the fact that they're going to put this down on consumers?

MS. SLUSSER: It's been a variety of responses depending on the various businesses that are there.

COUNCILWOMAN SANCHEZ: I've been doing an unscientific review of the bodegas, and I suggest that all of us, as we ponder with this discussion, we look at it. There are not a whole lot of diet

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options in the bodegas, if you notice most of them on the shelving. In fact, I'll start taking pictures. And other than water, there are no non-sugary options at the store as it relates to bodegas and particularly folks who live in a food desert, and where there are options, the cost is twice as much. So if I look at a juice, I'm going from a can of very nasty soda at 75 cents, because it's the cheap brand, we're not even talking about the big guys, to $1.89 for a juice. So we talk about the disproportionate impact. Even as we ask people to drink healthier, it's going to have a sticker shock for them in that, and as we do -- as we're looking at this stuff. So I'd be interested as you're talking to the industry folks what are the options at the stores. I was very surprised at the limited options at the stores.

So for my colleagues, go to the bodega, go to see what the options are

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and you'll see that it is very limited.

And then I want to go to the capital stuff, but I know my time is up. One of the things -- and I know you don't have the plan yet, and I don't want to misquote her, but Councilwoman Blackwell often says, I'm not voting against myself. And I have a real concern about us saying that we're committed to fixing a system and then creating a different system that is not accountable to this Board, which I consider Council the Board of Directors of the City government. So I just want to put that out as a cautionary note, and we'll have that discussion on the capital side.

Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

The Chair recognizes Councilman Taubenberger and then Councilwoman Blackwell, and then we're going to take a break, if it's okay with the members.

COUNCILMAN TAUBENBERGER: Thank

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you, Mr. President.

Question for Rob Dubow. If the soda tax doesn't bring in the projected revenue -- this is all projected revenues, and I'm not totally convinced it's going to happen. This is also a statement. I'm not convinced that the businessman, the distributor, doesn't pass this along. It's the cost of doing business, and it's built into a profit margin that his investors will demand.

But getting back to the question at hand, if the soda tax doesn't bring in the projected revenue, will you have another source of revenue or will you withhold any increases that are needed year to year to run the pre-K program or the community schools or will you cut from other programs?

MR. DUBOW: So I think we have to actually see as the revenue came in what it looked like. I mean, all of these initiatives are being phased in.

COUNCILMAN TAUBENBERGER: Sure.

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MR. DUBOW: So I think we have to kind of see what happens.

COUNCILMAN TAUBENBERGER: I understand that, but let's say for the sake of argument it doesn't. Do you have a Plan B of sorts?

MR. DUBOW: No. I think the Plan B would be to look at where the revenue actually is, see what it could support, and then figure out where we would go from there.

COUNCILMAN TAUBENBERGER: Okay.

Council President, that's all. Thank you.

COUNCIL PRESIDENT CLARKE: Thank you, Councilman.

The Chair recognizes Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you, Mr. President.

I too want to just mention a few things or ask questions about pre-K, and Councilman Taubenberger just talked about was there another alternative, and

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we've been hearing that there is none that we're aware of at this point. But we want to ask questions. I'll just throw a few out there, and you can let us know later what your answers are. But we want to know how it's going to be equal and fair; that is, how are the centers getting funding going to be chosen? What neighborhoods will they come from? Who is going to make these decisions? Which children will be picked? And for the 25 community schools, we want to know as well if there has already been decisions made with regard to that, if there are people who have asked for them. About the five schools that are to be converted this year, have they been chosen? Are they being discussed? And what will it look like? Many of us have some in our areas. I certainly have Sayre School. It's an exciting proposition, but we need to know details about these community schools.

And I'm really concerned that

about -- I'm going back now to the community schools, but to pre-K to really say it is very, very important that District Councilpeople know what's happening in their areas. How do we know that people who -- I'm on the Board of pre-K. I'm Chair of the Education Committee, and we try to stay on top of this. I have someone at every meeting, and still there are issues, all the issues -- I go to the meetings in my area even for that, but the issues still exist. There's a big push to make this happen, but Council can't afford -- even before the Governor with the budget from K to 12, and as everyone knows, we've been worried about K to 12, and we know we need pre-K, but who and how and where. And those are very, very important issues to make sure that everything is straight. We don't need people within the system who get to pick their friends or who have their own companies and they get to choose the children. And the children

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can be from public, they can be from private, they can be from anything. And that is absolutely too open to expect us to fund and ask the public for money or for us to transfer money. We've got to have details about this pre-K program if we're expected to vote for it.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

Mr. Hackney.

MR. HACKNEY: Yes. Once again, Otis Hackney, Chief Education Officer.

Thank you for those questions. We are preparing right now to make sure that on the 5th that we can address all of these issues, because you just gave us a number of questions that we're already exploring to make sure that we have the appropriate answers for you, so that way, people can feel comfortable about this bold and ambitious initiative, especially around pre-K.

So I don't know. I mean, you

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asked about eight questions. I don't know if you want me to go through each one or that would be something that we would wait until our hearing.

COUNCILWOMAN BLACKWELL: We're happy to wait until you have answers. It's too late in the game for us to ask you to guess at it. We want specific answers before we are asked to vote on this important issue.

MR. HACKNEY: Yes. And we will have those answers for you when we present next week.

COUNCILWOMAN BLACKWELL: Thank you.

Thank you, Mr. President.

COUNCIL PRESIDENT CLARKE: Thank you, Councilwoman.

If it's okay with the members, we want to take a break until like 1:30 when we will reconvene. Thank you.

(Short recess.)

COUNCILMAN GREENLEE: Thank you. We're going to continue our

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hearing.

Councilwoman Gym, do you have questions?

COUNCILWOMAN GYM: Yes. Thank you very much.

So I wanted to ask a couple of questions. I did want to go back and ask Mr. Dubow whether he felt like a flat-funded School District expectation will continue next year and the year after.

MR. DUBOW: You mean for FY17?

COUNCILWOMAN GYM: Yes.

MR. DUBOW: Yes. For FY17 --

COUNCILWOMAN GYM: No. I meant will I see a Five Year Plan next year that is likely to see it being flat-funded for the next five years?

MR. DUBOW: I think that's something that we're actually going to talk about during the course of the year and figure out where we go.

COUNCILWOMAN GYM: I just did want to make a note that the School

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District of Philadelphia plans to start closing three public schools a year starting in FY18, which means they'll start making decisions for next year.

MR. DUBOW: My understanding about that is that they're projecting that because they're basing it on the number of kids they think will be going to charter schools, that that's the primary driver behind that, that that's not financially driven, it's driven by where they think the kids are going to go.

COUNCILWOMAN GYM: But the argument is, with all due respect, is that the reason why families are leaving our public schools to go to charters is because of deficient services and the issue of safety and climate in our schools that has a lot to do with the lack of support and funding for the District, and that's if we're not seeing --

MR. DUBOW: And really support

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from the state for the District. We have done a lot to support the District.

COUNCILWOMAN GYM: Agreed.

MR. DUBOW: An additional $400 million a year over where it was five years ago.

COUNCILWOMAN GYM: And I guess my question is is that no matter what happens around this, is there a scenario where you would see the District being flat-funded from the City even with some additional investments from the state over the next five years? Is that either realistic or responsible?

MR. DUBOW: I think we'd have to see what happens with the state.

COUNCILWOMAN GYM: And is that realistic, that we wouldn't see a funding change?

MR. DUBOW: I guess, again, it depends on kind of what we see from the state.

COUNCILWOMAN GYM: Has there been a five-year period in which we

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haven't raised revenues for the School District in a significant way?

MR. DUBOW: I think there has. We did some comparisons of kind of the last 24 years, and there were stretches about that length where there weren't substantial additional investments.

COUNCILWOMAN GYM: Over what time period?

MR. DUBOW: We looked over the last 24 years, and I think during that stretch, there were some stretches where we had years consecutive, multiple years without --

COUNCILWOMAN GYM: But not since the takeover?

MR. DUBOW: Not since the takeover? I don't think since the takeover it's been five years.

COUNCILWOMAN GYM: So not likely to be realistic that we would see five years flat-funded?

MR. DUBOW: Well, if you had asked me five years ago whether it was

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realistic that the state would do what it did, I would have said that was unrealistic.

COUNCILWOMAN GYM: My next question I guess is about immigration and diversity, and I think this is one area where the Mayor has been such a great leader on the issue of diversity and also my colleague Councilwoman Quinones-Sanchez as well. But City growth in part has happened or in part has happened due to the presence and growth of immigrants in our region. And so what has been the City's plan and how is it like reflected in the Five Year Budget Plan about expansion in terms of language access services to the broader immigrant community?

MS. SLUSSER: I can talk a little bit about this. I'm just going to see -- oh, good. Brian is right there to come in and talk a little bit about the plans that we're putting together with the Office of Immigrant Affairs right now

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that's currently working on language access plans and how we're going to be implementing that for every department.

MR. ABERNATHY: Good afternoon, Councilwoman. The Office of Immigrant Affairs is currently engaged in expanding our language access program. As part of their work, they have developed a metric and a template for all departments to expand language access going forward. We're optimistic that we would be able to meet the June 30th deadline, recognizing that we may miss on a handful of departments, but it is definitely something that we are committed to and that we're resourcing better to make sure that we are able to provide language access for all of our City services across the City.

MR. EPPS: Councilwoman Gym, Harold Epps, Director of Commerce.

Many of our new immigrants moved to neighborhoods and opened up small businesses, and as a result of

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that, we recognize that and we have and will continue to hire unique languages for those neighborhoods, Spanish, Korean, Vietnamese and French, to name a few, that will be in Commerce that will facilitate their support to small business.

COUNCILWOMAN GYM: And how about in terms of other City hiring? I mean, the City has promised to grow the registry for OEO by 50 percent, and can you point to line items in the budget that demonstrate how that's actually going to happen in terms of outreach?

MR. EPPS: We are pretty well staffed on the OEO side, and we think through technology we can get a lot of that outreach done. We do not have additional hires in this budget to do that. We've also done some analysis, and to reach that target, it will take us outside of Philadelphia and so, quite frankly, we are questioning whether that is really a rate of outreach that really

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is consistent with the goals of providing additional opportunity for Philadelphians. We don't think that outreach going into the deep counties or into New Jersey is beneficial to us. We just might not do that.

COUNCILWOMAN GYM: All right. Thank you.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

Councilman Domb.

COUNCILMAN DOMB: My question is regarding the pensions. So just in general, stating the facts, which are obvious, our Pension Fund is about 6 billion, I think, roughly, 5.9 to 6 billion, underfunded and we're close to the second worst city in the country, and clearly that's a big problem for the City and one that we need to tackle now versus push down the path. And I recognize that a lot of the issues occurred from, I think, 1967 to 1987 under the first Plan, which caused probably 90 percent of our

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problem, but it leaves us with having to tackle that problem. And in this current budget, I think it's 26 million is going towards the pension of the new tax and 641 million, as Councilman Green pointed out, of the current budget is going towards it. But what else should we be doing as a city to tackle this issue in the way of should we be adding more money in, other potentially future opportunities down the road that we can add more money? What programs or what policies can we enact to really tackle this problem and get us the 75 to 80 percent level?

MR. DUBOW: Right. I mean, part of it is, as you pointed out, of the roughly $5.9 billion in unfunded liability, 5.1 billion of that goes to a plan that hasn't been in place since 1990. So a lot of it is kind of a legacy issue that will take a while to work off. I think it means that we have to take every opportunity we can either through

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collective bargaining or through looking at additional resources going into the new Plan whenever that's possible.

So, for example, Jane talked a little bit in her testimony about the sales tax money and how by the end of the Plan period, that will be over $50 million more going into the Plan, and what we've done in cases like that is we've made sure that that's on top of our MMO. So, in other words, we're not using that to replace City funding.

So I think we just have to look for every opportunity to make a difference, and when someone comes up with an idea like the Controller came up with, we have to examine it and see whether it works.

COUNCILMAN DOMB: Are there any other items that we should be doing to tackle this issue?

MR. DUBOW: It's hard to say no because we should be doing everything that we can, and we're doing the things

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that we can think of. That doesn't mean there aren't things that members of Council would think of that we hadn't thought of that would be really good ideas and that we should pursue.

COUNCILMAN DOMB: And does the Mayor have a task force he's working on with the pension? Is that going on? I heard a rumor about that.

MR. DUBOW: Yes, he does, with members representing unions, representing the Controller, and representing Council.

COUNCILMAN DOMB: Can I ask one more question?

COUNCILMAN GREENLEE: You can.

COUNCILMAN DOMB: The PICA issue -- and not to put you on the spot, but PICA in 2023 expires, and if I heard earlier this morning, you said you need legislation to continue that program?

MR. DUBOW: State legislation, correct.

COUNCILMAN DOMB: Is that something that we should work on now?

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MR. DUBOW: Yes.

COUNCILMAN DOMB: And is that something that if PICA expires could be applied to a pension issue?

MR. DUBOW: So they're -- not the PICA tax itself, because that is already spoken for.

COUNCILMAN DOMB: But something along those lines?

MR. DUBOW: Yes.

COUNCILMAN DOMB: Okay. Thank you.

COUNCILMAN GREENLEE: Thank you, Councilman.

I know the gentleman that usually sits here, one of his issues he asks a lot about, the issue of municipal advertising for street furniture, municipal buildings. I didn't see any mention. Where does that stand? Is there any plan? And hopefully you're going to tell me yes, because if not, he may come running in the room right now.

MR. ABERNATHY: Thank you,

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Councilman. Yes, there is a plan.

COUNCILMAN GREENLEE: Yes, sir.

MR. ABERNATHY: So specifically on municipal buildings, we --

COUNCILMAN GREENLEE: Pardon me? I'm sorry.

MR. ABERNATHY: On municipal buildings, there was a procurement process under the Nutter Administration. A vendor was selected. I can get you the details of that contract. I don't have them today.

COUNCILMAN GREENLEE: Okay. Please.

MR. ABERNATHY: But unfortunately the outdoor advertising is regulated by the state and so we have had to ask the Secretary of Transportation for a waiver to allow that advertising to move forward, and that is in process now.

COUNCILMAN GREENLEE: You're saying it is in the process?

MR. ABERNATHY: It is in the process, yes.

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COUNCILMAN GREENLEE: Do you know when that was done, when the request was made?

MR. ABERNATHY: The request was made actually probably within the last 30 days.

COUNCILMAN GREENLEE: Okay.

MR. ABERNATHY: But it is moving forward.

COUNCILMAN GREENLEE: Okay. I guess his follow-up question would be, we knew this was going to be something -- I mean, this is something that's been brought up for a long time. Why was it just done as recently as 30 days ago; do you know?

MR. ABERNATHY: The changes were as a result of the Keep America Beautiful Act. I'm going to stumble over this a little bit and, again, I can get details back.

COUNCILMAN GREENLEE: Okay.

MR. ABERNATHY: So the state took back control over billboards.

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COUNCILMAN GREENLEE: Just recently?

MR. ABERNATHY: Just recently.

COUNCILMAN GREENLEE: Okay. Right. Right.

MR. ABERNATHY: So that's why the request was made later. Obviously the billboard company, the advertising company, wanted to wait for the new Administration to take forth -- or to come forward, and it did take us a little bit of time to catch up on kind of the initiative itself.

COUNCILMAN GREENLEE: Is it fair to say -- because there seemed to be a lot of delay with the last Administration. I'll just leave it at that. Would it be an accurate statement to say this Administration wants to move forward on the program?

MR. ABERNATHY: Yes, the Kenney Administration wants to move forward.

COUNCILMAN GREENLEE: Okay. Good enough. If you could get the

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Council President whatever detail you could.

MR. ABERNATHY: Yes, sir.

COUNCILMAN GREENLEE: And I predict that he will bring it up again.

MR. ABERNATHY: No problem.

COUNCILMAN GREENLEE: Thank you.

And just one other question. I don't know who this will go to. In 2014, Council passed legislation providing for a low-income wage tax credit to residents and non-residents. It was passed in conjunction with the Earned Income Tax Credit legislation. I didn't see any mention of that tax credit in the Plan. Do you know where that --

MR. DUBOW: I mean, it's in place. So it exists. And so, yeah, we didn't specifically highlight it in the Plan. I think we put a lot of focus on the Earned Income Tax Credit, trying to get people to sign up for that.

COUNCILMAN GREENLEE: So it's

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spread in there somewhere is basically what you're saying?

MR. DUBOW: Yeah.

COUNCILMAN GREENLEE: Okay. Thank you.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you, Mr. Chair.

In preparation for us to begin to talk around the capital stuff, I wanted to ask the Administration if they could prepare for us kind of a fact sheet around what they foresee to be the administrative imperatives around the procurement problems that we've been talking about for all these years and why they are choosing in the rebuild to go to an outside source. I'd like to see -- in preparation for that discussion, I know we're going to have it. So if you guys could share what you see are the legal impediments.

MR. DUBOW: Okay. Yes.

MS. SLUSSER: Yes. We'll have

them prepared.

COUNCILWOMAN SANCHEZ: So we can have a more kind of robust conversation about that.

In terms of the pension stuff, just for the record, because I think it's important, and I really appreciate the Administration being very forthright about the loss of $200 million in revenue. For the record, moving forward, because it's such an important issue that's going to keep popping up and particularly as our numbers grow, I know we reduce our projection numbers on the Pension Fund, but in terms of our strategy for investments, is there anything additional to the conversation we've had before that's going to change in our investment strategy?

MR. DUBOW: So one of the things that the Board has put a heavy emphasis on in the last several months is making sure that we reduce costs as much as possible. I mean, it's always been an emphasis, but we put extra emphasis on it, and one of the conclusions we've reached is that hedge funds in particular as a class either weren't performing or were performing at a really expensive cost. So we've actually gotten out of most of our hedge funds and are trying to renegotiate these with the ones that we're keeping. So I think you'll see our costs coming down substantially.

COUNCILWOMAN SANCHEZ: And because of our rating situation, we've not made a choice to pursue any bond deal to put money into our Pension Fund. The Administration has made a choice that that's not a route we're willing to take at this point?

MR. DUBOW: We haven't really discussed that. I mean, I think part of the proposal that the Controller put forth might include some type of borrowing, but we have not had any real discussions about that.

COUNCILWOMAN SANCHEZ: Okay.

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So no decision has been made one way or the other. It's just no one has really --

MR. DUBOW: We haven't really talked about that. I really doubt, though, that we would do a pension obligation bond to just put the proceeds into the fund.

COUNCILWOMAN SANCHEZ: Okay. And we have no other major prospect -- I know last time there was a PGW discussion. You don't foresee anything in the next year that could potentially lead to --

MR. DUBOW: You mean major asset sale?

COUNCILWOMAN SANCHEZ: Yes.

MR. DUBOW: No.

COUNCILWOMAN SANCHEZ: So essentially other than the $26 million you're proposing here, we're not going to change our strategy around the money for the Pension Fund?

MR. DUBOW: Well, we've talked

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about a few things, one being going through collective bargaining, the other examining the Controller's proposal, and both of those could have substantial impacts.

COUNCILWOMAN SANCHEZ: So one of the questions I had asked before and I hope that before the budget ends we can get a quantitative number on it is, in our privatizing of some of our work, the CUAs and others, one of the reasons you have the disparity is you got more people taking from the Pension Fund than contributing in. Is anyone going to do an impact so that as we look at any other services being privatized, we could measure the impact on our Pension Fund?

MR. DUBOW: Yes. We're doing that analysis.

COUNCILWOMAN SANCHEZ: Are we using any analysis, doing any analysis on the CUA piece? Because we essentially put out a hundred million dollars in the private market.

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MR. DUBOW: Right. We're looking at the impact of contracted employees versus City employees on the Pension Fund.

COUNCILWOMAN SANCHEZ: Okay. And you expect to have that data analysis any time soon for us to kind of look at?

MR. DUBOW: Yes.

COUNCILWOMAN SANCHEZ: So we're going to analyze everything that we've kind of privatized now?

MR. DUBOW: I don't know -- no, I don't think we're going to look at every position we've privatized. I think we're going to look at what the impact of privatizing is, and then I think we'll be able to use that analysis to kind of make it larger -- to draw larger conclusions.

COUNCILWOMAN SANCHEZ: And as we move forward?

MR. DUBOW: Yeah. It will apply to any -- it should be applicable to any situation.

COUNCILWOMAN SANCHEZ: Okay.

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Thank you, Mr. Chair.

COUNCILMAN GREENLEE: Okay. Thank you, Councilwoman.

Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Thank you.

Welcome back.

MR. DUBOW: Thank you.

COUNCILWOMAN BROWN: Follow-up from this morning. Councilman Domb did a brilliant job in articulating the big picture macro of our taxes and what they are and all the nuances about it. What I'd like to know is, what percentage of municipal taxes are we currently collecting?

MR. DUBOW: So it varies by tax. I mean, the one that people focus on most is the property tax, and that's around 93 percent.

COUNCILWOMAN BROWN: Is around?

MR. DUBOW: 93 percent is collected within the year that it's due, and then we continue collecting against it as years go on. So that percent -- if

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you looked at the percent of taxes due two years ago, for example, that were collected, you might see it closer to 97 percent.

COUNCILWOMAN BROWN: Okay. So of the 20 different taxes, which tax are we struggling to collect at the 90 percent level?

MR. DUBOW: Can I ask the Revenue Commissioner to come up.

COUNCILWOMAN BROWN: Like which tax is presenting the biggest hurdle?

MR. DUBOW: Okay.

(Witness approached witness table.)

COMMISSIONER BRESLIN: Frank Breslin, Revenue Commissioner.

COUNCILWOMAN BROWN: Good afternoon.

COMMISSIONER BRESLIN: Hi. I think one of the biggest challenges is with the business taxes, because we end up with receivables where the business is no longer active.

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COUNCILWOMAN BROWN: No longer?

COMMISSIONER BRESLIN: No longer active. So we have a business that ran up liabilities and it may have been a corporate entity, an entity like that, and then they close up shop and there's no assets left. And so there's a receivable on the books, but there's no real ability to collect that. Then what we really have to look at is if there's any ability to go after the responsible parties, which in some cases there's not, and if that's the case, then it becomes something that we have to write off.

COUNCILWOMAN BROWN: I see.

COMMISSIONER BRESLIN: That's really the biggest challenge, because there's no one to go after for that receivable.

COUNCILWOMAN BROWN: Okay. I believe this morning Councilwoman Sanchez spoke about the BIRT credits. How much monies in BIRT credits have businesses taken in the last fiscal year?

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MR. DUBOW: The number we were talking about was actually that 60 million is a three-year number. When we said that we are seeing a shortfall in business tax of about 60 million because of credits taken against the BIRT, that 60 million was over three years.

COUNCILWOMAN BROWN: Okay. All right.

Someone at the table talked about how we are in many ways -- can we say that the foundation money is there, period, as it relates to the vision of parks and rec and universal pre-K and the like? Is the foundation money in place, period, or is it contingent on the City delivering X amount from the proposal?

MR. DiBERARDINIS: Councilwoman, Mike DiBerardinis, Managing Director.

Although there's no formulaic equation that the potential funders have -- we've worked out with them, but I think it's safe to say that their

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investment would be in somewhat a response to what the City's investment is. So hypothetically if this becomes a much, much, much smaller program, then their proposed or contemplated investments would shrink as well.

COUNCILWOMAN BROWN: So that --

MR. DiBERARDINIS: But I don't have an exact -- but that's clearly our understanding.

COUNCILWOMAN BROWN: So is that in writing or is that based on discussion, or what?

MR. DiBERARDINIS: Well, that's based on discussion. Nothing is in writing. There's been a series of high-level conversations with leadership of a handful of foundations who are interested.

COUNCILWOMAN BROWN: Okay.

COUNCILWOMAN SANCHEZ: Point of information.

COUNCILMAN GREENLEE: Councilwoman Sanchez.

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COUNCILWOMAN SANCHEZ: From your expectation, there'll be a dollar-for-dollar match from philanthropy?

MR. DiBERARDINIS: No. Right now, given the proposed size of the potential bond, the regional and local foundations have indicated that their investment could be as high as $150 million based on what is currently being proposed.

COUNCILWOMAN SANCHEZ: Based on the 348? The 348 or the 300?

MR. DiBERARDINIS: Well, right now it's three-five roughly given the bond and the City's existing capital dollars. So that would get us roughly to around 350 million.

COUNCILWOMAN SANCHEZ: So that's almost a dollar-to-dollar match.

MR. DiBERARDINIS: It's 50 cents to the buck more or less.

COUNCILWOMAN SANCHEZ: Okay. I'm sorry. I don't want to take up any

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of your time, but --

COUNCILWOMAN BROWN: That's all right. Seize the moment.

COUNCILWOMAN SANCHEZ: How much of this are they willing to commit to to the Board of Directors of the City of Philadelphia that they're asking us to borrow for?

MR. DiBERARDINIS: I'm sorry?

COUNCILWOMAN SANCHEZ: How committed are they? One thing is high-level discussions. Are we going to get to a point that before the end of this budget cycle, there's some hard numbers on the table?

MR. DiBERARDINIS: Yes. There's a very serious commitment. There's processes they have to go through. But the conversations with the leadership of these various foundations have been at the highest level and have been -- I say there's a deep commitment to the initiative.

COUNCILWOMAN SANCHEZ: Okay.

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I'm sorry.

COUNCILMAN GREENLEE: Thank you.

Councilwoman Reynolds Brown.

COUNCILWOMAN BROWN: Yes. Thank you.

Not now, but whomever the appropriate department head is when they come to speak by department, I would like detailed or subsequent evidence about how OT is going to be managed, overtime is going to be managed across the system since that's expected to yield cost savings in a dramatic way.

MR. DiBERARDINIS: Yes, and we'll be prepared. Thank you.

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

Thank you, Mr. Chairman.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

Councilwoman Gym.

COUNCILWOMAN GYM: A couple of quick questions. Can you talk about how

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the prison budget growth over the next five years relates to the Administration's commitment to reducing the overall prison population?

MS. ADAMS: Prisons?

COUNCILWOMAN GYM: Yes, the growth, which is 5 percent, it looks like.

MR. ABERNATHY: Can you start.

MS. ADAMS: I'm sorry. Let me get my detail.

So we have -- the budget assumes $258 million to the Prison System, which is actually an increase over the prior -- the current target and the adopted budget for about 5 million. This assumes that we continue within the current census, I believe. Obviously any attempt we have to work within keeping reducing that census -- we've been making progress on that -- saves money. A lot of our cost drivers are things like healthcare for inmates, food, big costs. So any time that we have any ability to

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reduce the census, it saves us money in the long term, but it's a very census -- every time the census increases, the costs go up in the Prisons.

We do assume a reduction in overtime in the Prison System through management of overtime, and we do fully expect them to be able to achieve that as long as the census doesn't grow dramatically. If it grows, it becomes very difficult for the Prison System to manage that.

MR. ABERNATHY: Correct. And just to follow up on what Ms. Adams said, the largest driver of overtime is the census, and the census -- at its current rate, the largest expense that our current census has is based on overtime. Even by reducing the census, you're still going to see a number of these costs be maintained, hence the 5 percent increase.

COUNCILWOMAN GYM: I guess I'm questioning, because the goal is to reduce the jail population by almost a

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third.

MR. ABERNATHY: Yes.

COUNCILWOMAN GYM: Or over a third. And if that's the goal, then how does that get reflected in the Five Year Budget?

MS. ADAMS: If that happens, costs will go down, but it's not -- and we would love to see costs go down in the Prison System. I think what we have to be aware of is that the census fluctuates, and so we have to make sure that we have the staffing and the contractual needs to be able to manage the inmates properly. If there are savings, we will take those savings and we will be able to adjust accordingly.

COUNCILWOMAN GYM: So the FY15 articulated goals are not matched up with the numbers in the budget.

MS. ADAMS: The goals are there and we actually assume reduction in overtime, and we will be able to monitor this as it goes along, and hopefully with

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the grant funding that we hopefully will get, there will be other things that we can use to help drive down the inmate census. We've been investing in things --

COUNCILWOMAN GYM: The 34 percent reduction in the population, though, is not really factored into the budget.

MR. ABERNATHY: To be fair, the 34 percent reduction is dependent on a MacArthur grant, which we haven't received yet. So I think there is some question about whether we'll be able to achieve that census decrease without that grant in hand.

And additionally, while it's not a dollar-for-dollar reduction based on census and so, again, many of the expenses that the Prisons see, whether that's utilities, whether that is healthcare, whether that is staffing, many of those expenses will be maintained. Overtime will be the biggest

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decrease.

COUNCILWOMAN GYM: So I thought that the City would have an articulated goal for reduction of the jail population overall, recognizing kind of historic injustices around that, exclusive of a grant, though. I understand the importance of the grant.

MR. ABERNATHY: Right. And I do believe that we will be able to maintain many of those reductions without the grant, but I don't believe that -- we still have work to do on establishing that goal, and we certainly can talk about that in larger detail, both in the Prison's budget as well as the Managing Director's budget.

COUNCILWOMAN GYM: Okay. And then a quick question. What is the current contribution of the Parking Authority to the City? It's about 41 million; is that right? And how has that kind of evolved?

And so my colleague here who

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actually is going to know the numbers, so I won't ask you to look through it, but could you clarify a little bit about how that number is sort of achieved? Is that independent -- is that just provided for on behalf of the PPA and has there ever been thought about how the City takes a look at independently PPA's numbers or just to make sure that these numbers are consistent with the rise in ticket prices and other types of things that have been going on with PPA? As you know, obviously the School District of Philadelphia's revenues have been declining and it is kind of important to understand that this is a good revenue-generating agency and I'm just wondering if you look at it independently.

MR. DUBOW: So we do look at it, but I think, as you know, we used to have oversight of their budget. We used to be able to approve their budget, and there was a change at the state level

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that took that authorization away, which obviously changes our leverage with the Parking Authority.

COUNCILWOMAN GYM: And you don't run any independent numbers?

MR. DUBOW: We look at their numbers, but we don't have any authority over their budget.

MS. ADAMS: So we have assumed 39.5 million in the General Fund budget coming from the Parking Authority's violations and fines, the on-street parking, and that's up a little bit from the current year estimate of 38.8.

COUNCILWOMAN GYM: And SDP has kind of fallen by a third over that and the City has grown.

MS. ADAMS: It's varied. Actually if you look at the School District's Parking Authority, it's actually gone up and down a little bit. So you can see it's changed over time.

COUNCILWOMAN GYM: The last three years, though, has dropped.

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MS. ADAMS: I haven't seen the recent numbers.

COUNCILWOMAN GYM: By a third. So I'm just wondering if you look at it independently.

MR. DUBOW: We do, but, again, there's not --

COUNCILWOMAN GYM: And maybe we can follow up with that of what you find. Thank you.

MR. DUBOW: Okay.

COUNCILMAN GREENLEE: Thank you, Councilwoman.

Before I recognize Councilman Green, just, Rob, a quick follow-up on that issue I raised with the low-income wage tax credit --

MR. DUBOW: Yes.

COUNCILMAN GREENLEE: -- the bill. I think if you look at it, there's some things in there, and I'm not sure if it's being done or not. There's supposed to be a feasibility report given back to Council periodically, and I think there's

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supposed to be downloadable forms on the website and a form sent to employees to include with their W-2's. I wonder if you could look at that. I understand it's Bill 140140. If you could look at that and let the Council President's office know what is being attended to and if there's still things that need to be done, I'd appreciate it.

MR. DUBOW: We will, yes.

COUNCILMAN GREENLEE: All right. Thank you very much.

Councilman Green.

COUNCILMAN GREEN: Thank you, Councilman Greenlee.

In looking at the Five Year Plan, I see for FY18 the fund balance will go down to about 38 million and then FY19 about 48 million. Is there any concern in reference to what impact that will have on our credit rating, considering that the former City Treasurer and the Administration, previous Administration, spent a lot of

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work on trying to improve our credit rating, which ultimately helps us to borrow dollars at a lower amount, and considering we've got a significant amount of potential debt obligations going out, what impact do you think that may have going forward?

MR. DUBOW: Yeah. We are concerned about that. We're concerned that the fund balances get that low that it will put pressure on our ratings. A change in rating from -- we're an A category. If we went down to BBB over the life of a hundred million dollar borrowing, that could be a $4 million additional cost. So, I mean, there's cost. It's something that we are concerned about, and I think it's one of the things that Jane actually mentioned in her testimony, the balances are lower than we'd like them to be.

COUNCILMAN GREEN: And a follow-up to that, also my concern is in reference to -- I think Councilwoman Gym

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had raised the issue regarding the School District, which once they get into FY19, FY20, they have some significant fund challenges. So they may have a need to come to the City asking for additional dollars and how we'll be able to balance the need for possible funding for the School District when we have such a low fund balance.

MR. DUBOW: Yeah. And we'd probably kind of be back to one of the questions that we had over the last five years, where do you look to find additional resources if you have to for the District.

COUNCILMAN GREEN: Right. Which goes back to my earlier question in reference to doing a better job with assessments and not leaving dollars on the table. But I'll leave that point to a later part of the budget hearing process and want to go to -- I know there were some questions and some commentary earlier regarding better tax collections.

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Are we looking at trying to do a better job on U&O collections as well?

MR. DUBOW: Yeah. We are looking at better collections kind of across the board, but, yeah. And we have -- U&O was one of the areas that has improved over the last couple years.

COUNCILMAN GREEN: And in addition to just doing a better job of collections, I know Ms. Rhynhart and I had talked previously about just making it easier for businesses to be able to pay taxes in the City of Philadelphia and just streamlining that process. Where is that -- are there any initiatives in that regard that's going to be part of the budget process and Five Year Plan?

MR. DUBOW: Yeah. I mean, part of the emphasis, if you look in the kind of Revenue tabs on the Five Year Plan, is improving customer service. So making it easier for people to pay. If you go into the concourse now, you see there are kiosks and terminals that people know how long they have to wait. So we're doing a lot of things in general to make payment easier and to make the whole process easier for people.

COUNCILMAN GREEN: But are there any resources dedicated to that process?

MR. DUBOW: Yeah. I mean, actually you can go there and see some of the results from the investment, like the kiosks.

COUNCILMAN GREEN: When I say "resource," I'm talking about either dollars being allocated for either someone to come in or put in departments to really focus on how we make things more efficient for a business to operate in the City of Philadelphia.

MR. DUBOW: Yeah. I mean, if you look in Revenue, you'll see there are investments in doing that, and they're laid out in the Plan.

COUNCILMAN GREEN: Okay.

COUNCILMAN GREENLEE: Thank

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you, Councilman.

Councilman Domb.

COUNCILMAN DOMB: Thank you.

Two questions on the soda tax. I know that's your favorite one to talk about. One is just a general question just so I can understand, I guess, and my colleagues can. For a small consumer, let's say a corner store, for a mid-sized store, and a large supermarket, do we have any data that says the percentage of soda sales, sugary soda sales, to the gross, as to what the percentage is, or can we get that data so we know the impact on these supermarket people?

MR. DUBOW: Yeah. We don't, and I don't think that would be easy for us to get. We can see, but I think that would be difficult to get.

COUNCILMAN DOMB: Okay. And the other question is, I just want to make sure I understand it correctly. If you're looking at the chart we received for 1 cent, 2 cents, and 3 cents, is it

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accurate to say that for -- you had mentioned this morning if it's a 1 cent tax on sugary soda sales, what would be the full year revenue received from 1 cent?

MR. DUBOW: I think it's in the 50's, but --

COUNCILMAN DOMB: Like 52 million maybe?

MR. DUBOW: Yeah. It's in the 50's.

COUNCILMAN DOMB: And then when we go to 2 cents, we add an extra 28 million.

MR. DUBOW: It's in the 80's then.

COUNCILMAN DOMB: That's because we're thinking that people are going to drink less soda, I guess, right?

MR. DUBOW: Yeah. Right. That's right.

COUNCILMAN DOMB: And then when we go to 3 cents, we only add another 6 million?

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MR. DUBOW: We get into the mid 90's, so 7-ish.

COUNCILMAN DOMB: So really the extra penny from 2 to 3 gives us very little money.

MR. DUBOW: Gives us, I'm sorry, what?

COUNCILMAN DOMB: Gives us very little revenue going from 2 to 3.

MR. DUBOW: Seven million a year.

COUNCILMAN DOMB: But the 1 cent gives us 52.

MR. DUBOW: Right.

COUNCILMAN DOMB: The other question -- I don't know if we can do this or not -- has to do with pensions. I know the last year --

MR. DUBOW: I always like when you say, I don't know whether we can do this or not. That's when the interesting ideas come out.

COUNCILMAN DOMB: I know that we've -- look, the whole market has struggled with investments in the past 12 months, not just Philadelphia, the whole world, but I know that we also have a lot of money that we owe where we pay out 5 percent or 5 and a half percent or 6 percent in bonds, for example. Is it possible to have the pension money invest in our own bonds and we pay that interest to the pension?

MR. DUBOW: So the 1 cent is actually 56 million, just to clarify.

So we have actually a fair number of fixed income investments. In general, they return more than our bonds would.

COUNCILMAN DOMB: Okay. Okay. Thank you. Thanks very much. Thank you.

COUNCILMAN GREENLEE: Thank you, Councilman.

Councilwoman Sanchez.

COUNCILWOMAN SANCHEZ: Thank you.

For the purposes of choices again, if we -- in our previous

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discussions when we were talking about school funding, we talked about establishing a City rate for U&O. What rate would that require us to generate the same amount of money that you're proposing with sugar?

MR. DUBOW: Let us get back to you on that.

COUNCILWOMAN SANCHEZ: If we can have that analysis. We spoke about that.

MR. DUBOW: Yeah. We should talk, because then there's the whole kind of exclusion thing, where you'd want that to be. You want that to be the same as it is, no change in that?

COUNCILWOMAN SANCHEZ: Right.

MR. DUBOW: Okay.

COUNCILWOMAN SANCHEZ: I think it would be good to do that analysis if we did use and occupancy, because it has been getting better and it is a reliable funding source; has it not been?

MR. DUBOW: It would have to be

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a fairly substantial increase, but we'll get you the exact --

COUNCILWOMAN SANCHEZ: To get the number, what would --

MR. DUBOW: Because I think the U&O generates about 140-ish, I think, but I'm not sure. So it would have to be a really large percentage increase.

COUNCILWOMAN SANCHEZ: Okay. And then is there any way as part of this discussion that we could have -- and I know the Chamber hasn't taken a position on this. One of my concerns that I've expressed in the past is, particularly the restaurant businesses and so forth, we really have been trying to get all of these industries to do sick leave, to do a living wage, and what an impact of this on those particular industries where we have 140,000 employees, the impact of sugar -- of this sugar piece on them would be, and their willingness to do the other things we've been asking them to do.

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MR. DUBOW: I understand the question. I'm not sure how we get at it.

COUNCILWOMAN SANCHEZ: Right. So I'm interested in seeing if we could have somebody kind of look at that assessment, particularly the restaurant industry that we've acknowledged we've wanted to push the sick leave and living wage piece of it, because it's part of the conversation we've been having --

MR. DUBOW: We'll talk and see if there's anything we can do.

COUNCILWOMAN SANCHEZ: Thank you.

Thank you, Mr. Chair.

COUNCILMAN GREENLEE: Councilman Green.

COUNCILMAN GREEN: Thank you, Councilman Greenlee.

This is a follow-up to the colloquy with Councilman Domb. So the difference between 2 cents and 3 cents, it seems --

MR. DUBOW: For a year?

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COUNCILMAN GREEN: Right.

MR. DUBOW: Yeah. It's about 88 to 95.

COUNCILMAN GREEN: So is it -- and my analysis may be off, but when you look at the elasticity as well as the drop-off, is it possible that we actually will be bringing in more at 2 cents as opposed to 3 cents?

MR. DUBOW: No. I mean, we're showing more at 3 than at 2. Are you saying if the elasticity was different, with a different elasticity?

COUNCILMAN GREEN: Well, I'm just saying in reference to all the factors, elasticity and drop-off, that we actually may bring in more revenue at 2 cents as opposed to 3 cents.

MR. DUBOW: No. That's not what our projections show based on the elasticity that we're using.

COUNCILMAN GREEN: Okay.

COUNCILMAN GREENLEE: See, I told you he'd be back.

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COUNCIL PRESIDENT CLARKE: Thank you. I understand that they were trying to expedite the process before I got back.

No. A couple of quick ones. I understand that Councilman Greenlee referenced the advertisement, municipal marketing, the whole nine yards, and I'm not sure if he asked a specific question about street furniture.

MS. SLUSSER: I think that we were answering in answer to municipal advertising on buildings, but I'm going to have Brian come up to answer that, because he was more closely involved with that. But I know that what we've looked at so far has been buildings, but --

COUNCIL PRESIDENT CLARKE: Let me tell you the reason I ask that question.

MS. SLUSSER: He'll answer in a second.

COUNCIL PRESIDENT CLARKE: During the contractual process where we

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entered into an agreement, I think it was a 20-year agreement with Titan, I believe it was, to do street furniture, and one of the things in the conversation during the Mayor's, I guess it was, the Chamber of Commerce speech, he referenced commercial corridors as a priority, and what I was trying to get the last Administration to entertain but Ms. Cutler wasn't trying to hear it, is that could we look into the possibility of creating revenue which will happen as a result of municipal marketing with the bus shelters -- and it could be significant over time -- that we would allow some of that revenue to actually stay on that particular commercial corridor to help enhance special service districts?

One of the challenges of special service districts, that in the case where Mr. Levy has a special service district in Center City, you know, the ability to pay an additional tax for

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services is somewhat enhanced. But up on Frankford Avenue or Cecil B. Moore or 52nd Street, it's not as much. So the premise was that if we created revenue as a result of marketing through bus shelters and other street furniture, that some of that revenue would actually stay on that commercial corridor that then would allow us to put that in special services, having people clean the streets and do all the other things that they do on special services, and unfortunately you couldn't get any reasonable response. So my question is now to the new Administration, having a fresh face as it relates to approaches to figuring out a way to support initiatives without, as I say, sticking your hand in the taxpayers' pocket; i.e., taxes, would that be something that the Administration would entertain as we move ahead? Because while the revenue was dedicated, it wasn't -- it was dedicated to the General Fund. So it wasn't dedicated to a

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specific end use. So we had the flexibility of deciding that we could actually spend that money on neighborhood commercial corridors, and it could be like rebates for storefronts. I mean, there's a lot of things. We want to keep that money in those commercial corridors.

MR. ABERNATHY: I think that's something we can absolutely look at, Councilman. We haven't looked at it yet, but we can certainly look at that.

COUNCIL PRESIDENT CLARKE: Is that coming from the Managing Director?

MS. SLUSSER: Yeah. We would definitely be interested in looking --

COUNCIL PRESIDENT CLARKE: I'm trying to get the understanding of Harold, because, Brian, what's your position? Deputy?

MR. ABERNATHY: First Deputy Managing Director that's working for --

COUNCIL PRESIDENT CLARKE: I'd like to hear that from the Managing Director.

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Is he the Managing Director or are you the Managing Director?

MR. DiBERARDINIS: No, but I'm saying yes.

COUNCIL PRESIDENT CLARKE: You got to come up here, please.

MR. DiBERARDINIS: Yeah. I thought I understood. Yes. Yes.

COUNCIL PRESIDENT CLARKE: Okay. I just want to -- you're the Managing Director, sir.

MR. DiBERARDINIS: I appreciate it. Yeah. And, yes, we could -- we would consider parsing out the revenue to try to support the local commercial districts, absolutely.

COUNCIL PRESIDENT CLARKE: So we will consider?

MR. DiBERARDINIS: Well, I'm not sure -- again, here's where I might have to back up.

COUNCIL PRESIDENT CLARKE: See, this is why I wanted you up here.

MR. DiBERARDINIS: But I'm not

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intimate with the terms of the deal. So in the future, yes, but if we have some current deals with some shelters in the City. So I don't know if we could -- what the terms and conditions of that particular contract are. If I understood them, I'd be willing to, you know, say that regarding that contract. In the future, yes. In the ones that we currently have, I'd have to understand the details of the contract.

COUNCIL PRESIDENT CLARKE: Okay. That's fair.

MR. DiBERARDINIS: All right.

COUNCIL PRESIDENT CLARKE: But my understanding -- and if I'm wrong, I'm wrong -- is that the terms and conditions were the revenue stream from the provider to the City, that money went to the General Fund.

MR. DiBERARDINIS: That's correct.

COUNCIL PRESIDENT CLARKE: It wasn't a dedicated source end game. So

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the question would be as opposed to simply going into the abyss; i.e., the General Fund, that revenue could -- some of that revenue can be dedicated to a particular program in a commercial corridor. So that's basically --

MR. DiBERARDINIS: That's right. I think we're in --

COUNCIL PRESIDENT CLARKE: And I'm assuming if that's the case, you would be supportive?

MR. DiBERARDINIS: Yes.

COUNCIL PRESIDENT CLARKE: All right. Thank you. I'm good. Thank you.

Councilman Domb.

COUNCILMAN DOMB: One other question.

I don't know if this has been considered. I think we talked about it earlier today. I think Councilman Oh talked about it. On the wage taxes, if we were to lower the wage taxes for residents that live in Philadelphia but not change the rate for the

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non-residents, what would that economic impact be?

MR. DUBOW: So from the studies that we've looked at -- we did talk about some of it -- there is a benefit to both lowering the resident and the non-resident side of the wage tax.

COUNCILMAN DOMB: But the non-resident side is going from 3.48 to 3.32, which is small.

MR. DUBOW: I mean, the reductions on both sides are relatively small each year. Over time they wind up being a big reduction, and they send the signal to the business community that we're serious about wage tax reduction and it's something we're going to keep doing.

COUNCILMAN DOMB: What would the numbers be if we kept it at 3.48 and didn't go down 3.32? Because here's what I see in the market. Forget the budget for a minute. I see companies having a hard time in the suburbs hiring young

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people, because they don't live there, and they want to start opening offices in Philadelphia and to attract young talent. And so I don't know that we need to lower that outside -- people who live outside the City coming into the City as much as we had to in the past. I think the problem is more for businesses in the suburbs hiring young people to work in their companies and commuting outside. So I think they're coming in town and I think -- maybe we could just look at it. I don't know if it's not a big number, no big deal, but I don't know what the numbers mean.

MR. DUBOW: Yeah, we can look at the numbers.

COUNCILMAN DOMB: Thanks.

COUNCIL PRESIDENT CLARKE: Thank you. Thank you, Councilman.

Councilman Oh.

COUNCILMAN OH: Yeah. I just wanted to -- thank you. I just wanted to give a response to my colleague

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Councilman Allan Domb.

So at least there are many different types of information to look at, and certainly from what I've looked at as a City Councilman, not a regional employer, is that the benefits to the City are dramatically better when you lower the wage tax for City residents. And the other aspect of that is you're not taking into consideration so much your highest end earners who live in Malvern and travel to Philadelphia. What you're primarily looking at is people in the middle class and the need for them in Philadelphia to have as much of the income that they earn to be able to maintain their efforts here in the City. And so companies, for example, typically like Nabisco or Cardone Industries, both of which are closing in Philadelphia, are critical because they provide good wages to people without a college degree. That is our biggest burden in the City to deal with employment for folks in our neighborhoods.

A lot of -- kind of some of these concepts or policies, I think, are generally high wage earners, that if they're going to live in Malvern, they're going to live in Malvern. The employers may have an incentive or reason why they want to lessen the amounts that they got to make up for them traveling to Philadelphia, but from a city perspective, we're looking at lower-end jobs, middle-income jobs, factory workers, Cardone Industries, those type of things. So those wage reductions are geared towards the demographic that we need to increase employment for.

That's my take on it, but, you know, I guess we have to look at this.

COUNCIL PRESIDENT CLARKE: Thank you.

Councilwoman Quinones-Sanchez.

COUNCILWOMAN SANCHEZ: I just wanted to add to that. I think it's a discussion worth having. I know the

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traditional paradigm of we're going to lower both for them has been something that's been consistent. It's a debate we've had with the Chamber. We're responsible for Philadelphians and we're the region, and many times when we're establishing these tax policies, we're thinking for the region as opposed to leading the region. And I think this is one of those timely discussions that we have to look at if we're going to invest that amount of money into those types of reductions.

So I agree with Councilman Oh. I think we keep doing the same thing because it's what we've done and no one ever wants to look at is there another way we could do this, is there a better way. Just like as we tabled the tax credit for low-income folks, when we know that that was something that we were committed to, but the number became higher. We kicked the bucket down the road. And I really -- if we're going to

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do these types of reductions, I really want to look at that credit that we talked about for low-wage workers as opposed to the folks who live outside, who live in Malvern and can afford to do other things. So I think this is a very timely discussion and one that we should not minimize.

Thank you.

COUNCIL PRESIDENT CLARKE:

Thank you, Councilwoman. I agree, and I'll finish on this note, and we'll get -- I just had one question I wanted to ask you, Mr. Dubow. There are a lot of questions, speaking personally, that I have on the sugary drink tax, and I'm looking at the calendar. Would it be best to ask those questions, because I think we've kind of exhausted the conversation today, during the Finance Department's testimony? Because I'm looking down the line. We don't get to the pre-K and the recreation until sometime later.

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MR. DUBOW: It may make more sense to do it on the Revenue day.

COUNCIL PRESIDENT CLARKE: That's at the end.

MR. DUBOW: You want to do it earlier than that?

COUNCIL PRESIDENT CLARKE: Yeah. I mean, you know, because I'm inclined to think that you're going to say, We got to get back to you. So what I don't want to do is have us waiting for you to get back to us at the end and then it's time to vote and, you know, we have limitations in terms of --

MR. DUBOW: Yeah. I mean, do you want to send us questions and we get them back to you by a certain --

COUNCIL PRESIDENT CLARKE: No.

MR. DUBOW: No? I'm just worried that next week, our hearing is next week, and I'm just worried that by next week we're not going to have full answers either.

COUNCIL PRESIDENT CLARKE:

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That's fine, but you'll get responses quicker.

MR. DUBOW: Okay. Fine.

COUNCIL PRESIDENT CLARKE: I mean, there's a reason why we always push Revenue to the end, because that's crunch time and it makes people have to make a decision. I mean, that's just -- I didn't structure it that way. It was that way when I got here.

MR. DUBOW: Okay. As long as it's okay --

COUNCIL PRESIDENT CLARKE: Something like this that touches so many various proposals throughout the budget, you probably want to have a better grasp of the likelihood that this will happen early on in the process, so we can --

MR. DUBOW: Right. I mean, that's fine, so long as you're comfortable with our saying "we don't know that yet," because there will be a lot of that next week.

COUNCIL PRESIDENT CLARKE: So

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we'll do that next year.

MR. DUBOW: Next week.

COUNCIL PRESIDENT CLARKE: Next week. And also --

MR. DUBOW: Hopefully not next year.

COUNCIL PRESIDENT CLARKE: Yeah. That's true. I'm sorry. I'm not even going to call that a Freudian slip, because somebody will suggest that Clarke made his mind up.

And then with respect to a follow-up on the Councilwoman's and the Councilman's conversation about taxes. In your Five Year Plan, there is some reference to the, quote/unquote, Tax Coalition or whatever these people call themselves.

MR. DUBOW: Yeah, the Coalition -- or whatever, yeah.

COUNCIL PRESIDENT CLARKE: And it kind of -- it doesn't say that you all support it in the document, but it kind of gives examples of that. Would that be

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better discussed in the Finance or would you want to wait? Because I know we're now starting to talk among --

MR. DUBOW: Yeah. And, I mean, I think what we can say on that right now is that the idea of a bifurcated rate we support. The question is in the details.

COUNCIL PRESIDENT CLARKE: We do too.

MR. DUBOW: Yeah.

COUNCIL PRESIDENT CLARKE: All right. Because I referenced that because when we looked at -- as we had to do an analysis on their proposal, we realized how much, quote/unquote, business tax we have reduced over the last 20 years. It is like, wow. I mean, a serious amount of money. And we're talking in the billions that we've reduced over a period of time versus real estate, which is actually going up. So we will have that conversation. So we'll continue the process that we established the other day.

MR. DUBOW: Okay.

COUNCIL PRESIDENT CLARKE: All right. Thank you.

There are no additional questions. The Committee will stand in recess until Wednesday, March 30th at 10:00 a.m.

Thank you all very much.

(Committee of the Whole adjourned at 2:50 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

MICHELE L. MURPHY
RPR-Notary Public

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City of Philadelphia

Public Hearing Notice

March 21, 2016

The **Committee of the Whole** of the Council of the City of Philadelphia will hold a Public Hearing on **Tuesday, March 29, 2016**, at **10:00 AM**, in **Room 400**, **City Hall**, to hear testimony on the following items:

160170	An Ordinance to adopt a Capital Program for the six Fiscal Years 2017-2022 inclusive.
160171	An Ordinance to adopt a Fiscal 2017 Capital Budget.
160172	An Ordinance adopting the Operating Budget for Fiscal Year 2017.
160180	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 2017 through 2021, and incorporating proposed changes with respect to Fiscal Year 2016, 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

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

City of Philadelphia

RESOLUTION NO. 160180

Introduced March 3, 2016

**Councilmember Henon
for
Council President Clarke**

Committee of the Whole

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 2017 through 2021, and incorporating proposed changes with respect to Fiscal Year 2016, 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.

WHEREAS, The General Assembly of the Commonwealth of Pennsylvania has enacted the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (Act of June 5, 1991, P.L. No. 6) (the "Act"); and

WHEREAS, In accordance with the Act, the Pennsylvania Intergovernmental Cooperation Authority (the "Authority") has been created and an Intergovernmental Cooperation Agreement (the "Agreement") has been entered into by the Authority and the City; and

WHEREAS, The Agreement provides, in Section 4.01 ("Submission of Financial Plan"), that at least one hundred (100) days prior to the beginning of each fiscal year the Mayor shall submit to the Authority a revised Financial Plan (the "Revised Plan") prepared in accordance with the provisions of the Agreement and the Act which shall include revenues and expenditures of the Covered Funds (as defined in the Agreement and the Act) for five (5) fiscal years of the City consisting of the fiscal year beginning on the July 1, next following the date such Plan is required to be submitted to the Authority and the next four (4) fiscal years thereafter; and

WHEREAS, On March 3, 2016 the Mayor has submitted a Revised Plan to City Council covering Fiscal Years 2017 through 2021, and incorporating proposed changes with respect to Fiscal Year 2016 as well, which Plan is attached hereto as Exhibit "A"; now, therefore, be it

RESOLVED, BY THE COUNCIL OF THE CITY OF PHILADELPHIA, That the Council does hereby provide its approval of the Revised Plan as submitted by the Mayor on March 3, 2016.

[Note: Exhibits to this Resolution are on file in the Office of the Chief Clerk]

FY17 Operating Budget and FY17-FY21 Five Year Plan Testimony
Jane Slusser, Chief of Staff
Office of the Mayor

Presented before the City Council Committee of the Whole
March 29, 2016

Good morning Council President Clarke and Members of City Council. I am Jane Slusser, Chief of Staff in the Office of Mayor Jim Kenney. On behalf of the Mayor, I am pleased to provide testimony on the Mayor's first Proposed Operating Budget for FY17 and our Proposed FY17-FY21 Five Year Financial and Strategic Plan (Five Year Plan). I am joined today by Rob Dubow, Finance Director, and Anna Adams, Budget Director. A number of the City's top officials are also in the audience, and can answer any questions that you may have.

The Mayor's focus on investing in opportunity for <u>all</u> children and families, in <u>all</u> neighborhoods across Philadelphia are made clear with the choices in this Budget and Five Year Plan. The Mayor's proposed Budget and Five Year Plan includes the expenses for four key initiatives that will help us tackle our largest and most crippling problems head-on. This Budget and Five Year Plan also contains a new revenue source, a tax on sugary drinks, that will cover all of the costs of these vital programs over the Five Year Plan, as well as allow additional contributions to the City's pension fund.

Despite recovering from the recession of 2007-2009, the City still operates with very narrow margins, and any moderate change in revenues or expenditures can create real challenges within the City's budget. Each fiscal year of the Plan ends with much lower fund balances than recommended by government experts. In FY18, the fund balance reaches a low of $37.7 million, less than 1% of revenues -- and peaks in FY21 at $127 million -- 2.8% of revenues – still less than half of the City's 6-8% goal. Having a healthy fund balance would allow the City to have greater flexibility, mitigate current and future financial risks, and to ensure predictability of services. With high fixed costs such as our contribution to the Pension Fund (projected at over 15% of the City's budget in FY17), as well as our contribution to the School District, debt service, and indemnities, all other important services and programs upon which residents depend are squeezed for resources.

Major taxes are projected to show moderate base growth throughout the Five Year Plan. For the Wage Tax, the base growth values are projected at between 3 and 4% annually. The Plan includes wage tax rate reductions costing $214.6 million over the five years, and rates are proposed to decline from the current resident rate of 3.9102% to 3.7276% in FY21, and current non-resident rate of 3.4828% to 3.3202% in FY21. The reform of the Business Income and Receipts Tax is also included in the Plan, with legislated reductions in the rate, exclusions, and single sales factor apportionment costing $270.6 million. Base growth fluctuates throughout the Plan, from 1.5% to 4% depending on the year, although there has been a rise in the number of credits taken by businesses in recent years, causing some concerns about the total revenue collected for this fiscal year. Largely because of those credits, BIRT collections are projected to be about $60 million lower than they were projected to be a year ago.

For the Real Property Tax, the City remains committed to ensuring that real estate assessments are fair and accurate. For FY17, the OPA reassessed all land values in the city, and the Budget Office assumes that will result in an additional 3% growth of residential taxable market values in our projections. For FY18, OPA will reassess all commercial properties (projected to produce 3% growth in commercial taxable market values), and then for FY19 and beyond, once a new Computer Assisted Mass Appraisal (CAMA) system is in place, OPA will complete a full reassessment annually.

The Sales Tax is also showing some moderate growth of between 3.3% and 3.7% annually. As a reminder, the first 1% of the local portion of the Sales Tax goes to the City's general fund, and is projected to bring $150 million in FY17. The second 1% is shared between the City and the School District, with $120 million going to the School District and the remainder to the City – first, through FY18, to pay off debt service for a school district borrowing, and then to the Pension Fund. In the last year of this Five Year Plan, an additional $52.6 million is projected to be available for the Pension Fund due to the Sales tax proceeds. The remaining taxes are also showing moderate growth. The City's Real estate transfer tax is now projected at pre-recession levels, showing Philadelphia's recovery from the downturn in 2009-2010.

In order to provide the ability to make important investments, the proposed Five Year Plan sought a number of efficiencies throughout City agencies, and looked at ways that we could improve our delinquent collections. Almost $70 million in additional collections are expected to be collected from the FY15 baseline by the end of the Plan, due to a variety of initiatives within the Revenue Department. These investments include doubling the number of billings to inform taxpayers on a more frequent basis, increasing the number of service representatives assisting taxpayers, and adding technical programming to their IT system. By more broadly publicizing the list of top business tax delinquents, Revenue also expects to boost collection activities, and another Tax Lien sale is planned for FY17, building off the prior two highly successful sales. City managers have also been tasked with carefully controlling spending, most notably through management of overtime in a variety of departments across the City.

Despite these efficiencies and revenue enhancements, in order to meaningfully tackle long-term challenges such as poverty, education, and neighborhood inequity, we have to look outside of the existing budgetary resources. With low fund balances, the Administration examined other revenues that could provide recurring funding for programs that are proven to make an impact in the lives of children and families. We believe that taxing sugary drinks will provide the City with the necessary funding to deliver critical services, without raising a broad-based tax that would be challenging for all residents and families across Philadelphia. The tax is proposed to be levied on the distributors of sugary drinks, at 3 cents per ounce, and is expected to generate approximately $96 million annually when fully implemented.

The largest investment funded by the sugary drinks tax is the expansion of quality Pre-Kindergarten to thousands of families across the city. Currently, 46% of Philadelphia's Kindergarteners show up to their first day of school unprepared to learn. At that point, they are already behind their peers, and they often stay behind for their entire academic careers. But studies show that children who complete quality pre-

K are more likely to stay on track in the early grades, graduate high school, complete college and become employed adults.

As a City continually seeking cost-effective ways to better support local schools, quality pre-K expansion is the solution. It presents a tremendous cost saving potential for the School District by dramatically reducing the need for special education services. The Commission on Universal Pre-K found the District could save as much as $72 million per cohort. Additionally, affordable, quality pre-K benefits families just as much as students. In a state where childcare costs rival college tuition rates, publicly-funded, quality pre-K enables parents to actively participate in the workforce with reduced absenteeism and higher productivity. By committing $256 million in this Five Year Plan, when combined with State and Federal funding, we can reach almost 25,000 quality, publicly-funded pre-K seats in Philadelphia in the next 3 years.

The tax on sugary drinks would also enable the City to pay debt service on the cost of borrowing for Rebuilding Community Infrastructure. With a $348 million investment from the City (of which $48 million is from the City's Capital Program), combined with State and private philanthropic donations, our parks, libraries, recreation centers and trails can improve significantly and become safe havens for children and families to enjoy. We know that students who participate in extracurricular activities have a 15% higher school attendance rate than non-participating students, and our students, seniors, and all residents for that matter, deserve quality spaces that they can enjoy.

The Five Year Plan also proposes an additional $39 million to create 25 Community Schools. Community Schools provide services such as healthcare, job training, and other programs, directly in the school where residents can access them most easily. These services are organized by a dedicated coordinator who works with the community to determine which services are most needed. As a result, the services in each community school vary, but the goal is the same: we allow educators to focus on teaching, and students to focus on learning, instead of concentrating on hunger, sickness, or even in some cases, shelter. The community schools approach is having a positive impact in cities all across the nation. Low performing schools in Los Angeles, Cincinnati, Austin and Baltimore are reducing the barriers to student success, thereby increasing academic achievement.

The sugary drinks tax also provides revenue to cover the costs of debt service related to borrowings for the Philadelphia Energy Campaign, a cause championed by the Council President. Through these investments, City buildings will become more sustainable and energy efficient, saving the City utility costs. These upfront investments have a high return on investment, and will pay for themselves after the projects have been completed through utility savings.

And finally, the sugary drinks tax will enable the City to add more funds to our biggest fiscal challenge: the City's Pension Fund. The contribution to the Pension fund is now projected to take up 15.4% of all City General Fund expenditures -- $641 million in FY17 -- squeezing out many other critical expenditures. However, the Fund is only 45% funded, meaning that we have more liabilities than assets. While the $26 million from the sugary drinks tax is small compared to the size of our pension challenge, improving the funding level of the Pension Fund is critical – and this contribution shows that any opportunity that we have to add additional resources, even when relatively small, the Administration plans to take. That is an important signal to send to both our creditors as well as to our citizens and our workforce.

Thank you for the opportunity to testify today. Members of the Administration are here, and we would be glad to answer any questions that you may have.