

**DEPARTMENT OF REVENUE
FISCAL YEAR 2016 BUDGET TESTIMONY
MAY 21, 2015**

EXECUTIVE SUMMARY

DEPARTMENT MISSION AND FUNCTION

The mission of the Department of Revenue is to optimize the collection of revenue to provide funding for Schools and Services, assuring that everyone pays their fair share while assisting those who are in true need of financial assistance. Our goal is to create a culture of compliance by sending strong messages that the City cannot subsidize businesses and individuals at the expense of children and citizens.

Description of Major Services: The Department of Revenue (Revenue) is charged with the collection of all tax revenues, water payments, and various fees for services. In addition to current year collections, a major responsibility is the collection of delinquent accounts through a variety of enforcement strategies and tools. The department also manages a wide range of tax and water payment assistance programs to provide relief for those in need.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

Budget Highlights: The FY16 General Fund Proposed Budget increase of 9.5% is primarily driven by funds for the Earned Income Tax Credit program and \$1 million more for increased staffing for improved revenue collection.

Fund	Class	FY14 Actual	FY15 Current Projection	FY16 Proposed Budget	FY16-FY15 Change	FY16-FY15 Percent Change
General	100	15,368,046	18,166,344	19,617,564	1,451,220	8.0%
	200	4,192,789	4,726,449	5,352,949	626,500	13.3%
	300/400	599,825	646,076	800,976	154,900	24.0%
	Total	20,160,660	23,538,869	25,771,489	2,232,620	9.5%
	Positions	290	339	357	18	5.3%
Other*	100	9,731,251	10,801,283	11,168,839	367,556	3.4%
	200	25,170,853	25,380,017	25,639,480	259,463	1.0%
	300/400	688,157	488,972	650,920	161,948	33.1%
	Total	35,590,741	36,672,114	37,464,239	792,125	2.2%
	Positions	229	251	251	0	0.0%
All	100	25,099,297	28,967,627	30,786,403	1,818,776	6.3%
	200	29,363,642	30,106,466	30,992,429	885,963	2.9%
	300/400	1,287,982	1,135,048	1,451,896	316,848	27.9%
	Total	55,751,402	60,210,983	63,235,728	3,024,745	5.0%
	Positions	519	590	608	18	3.1%

* Other Funds includes: County Liquid Fuels Tax Fund, Special Gasoline Tax Fund, Healthchoices Behavioral Health Fund, Hotel Room Rental Tax Fund, Grants Revenue Fund, Community Development Fund, Car Rental Tax Fund, Housing Trust Fund, Water Fund, Water Residual Fund, Aviation Fund, and Acute Care Hospital Assessment Fund.

Staff Demographics Summary (as of December 2014)

	Total	Minority	White	Female
Full-Time Staff	529	411	118	395
Executive Staff	13	7	6	5
Average Salary - Executive Staff	\$109,611	\$110,851	\$108,164	\$113,750
Median Salary - Executive Staff	\$108,675	\$108,675	\$111,049	\$108,675

Employment Levels (as of December 2014)

	Budgeted	Filled
Full-Time Positions	590	529
Part-Time Positions	0	0
Executive Positions	12	13

Contracts Summary (*as of December 2014)

	FY10	FY11	FY12	FY13	FY14	FY15*
Total amount of contracts	\$9,543,036	\$3,955,993	\$10,945,906	\$12,350,027	\$30,710,421	\$8,653,021
Total amount to M/W/DBE	\$1,857,805	\$145,000	\$4,297,960	\$6,260,800	\$17,202,201	\$3,231,958
Participation Rate	19%	4%	39%	51%	56%	37%

PERFORMANCE, CHALLENGES AND INITIATIVES

DEPARTMENT PERFORMANCE (OPERATIONS)

Revenue's Tax and Water Revenue Bureaus each have their own performance measures. The tracking features of the taxpayer services telephone system were out of service in the second quarter of FY15. From FY14 to FY13, the number of incoming calls offered and the percent of calls answered increased by 16.4% and 20.3% respectively. The number of walk-in taxpayers has grown by 13.6% in the first half of FY15 compared to the same time period in FY14, which, coupled with staffing issues, lead to an increased wait time. Assessments generated from audits of tax accounts in the first half of FY15 are about 60% higher than the assessments generated in the first half of FY14.

Performance Measure	FY08	FY13	FY14	FY14- FY13 Change	FY14 Q1-Q2	FY15 Q1-Q2	FY15- FY14 Q1-Q2 Change	FY15 Goal	FY16 Goal
Incoming calls offered	298,644	214,082	249,263	16.4%	109,972	53,230*	N/A	240,000	240,000
Percent of calls answered	62.3%	57.5%	69.2%	20.3%	69.5%	76.7%*	N/A	70.0%	80.0%
Walk-in taxpayers	36,026	35,586	37,522	5.4%	17,360	19,724	13.6%	40,000	40,000
Walk-in taxpayers average wait time	30:29	13:42	8:12	-40.1%	6:15	10:19	65.1%	10:00	8:00
Audit - value of audit assessments (thousands)	\$15,313	\$11,513	\$18,764	63.0%	\$6,356	\$10,167	60.0%	\$18,000	\$20,000

*Tax payer services telephone system was down during FY15 Q2. Data represents Q1 only.

The Water Revenue Bureau (WRB) received 263,821 calls in first half of FY15, which is a decrease of 17.9% from the same period in FY14. The Revenue Department anticipates the number of incoming calls to decline in FY16 because of the improved residential bill format which provides additional information for customers. The call response rate continued to improve in the first half of FY15 increasing to 86.4% relative to 60.8% during the first half of FY14 (42.2% increase). The WRB continued to see a decrease in walk-in customers from FY13 to FY14 and in the first half of FY15. The average waiting time increased slightly from 15 minutes and 18 seconds in FY13 to 16 minutes and 27 seconds in FY14 but decreased to 11 minutes and 25 seconds during the first half of FY15. The percentage of customers paying their water bill within 30 days has improved 2.8% for the first half of FY15 when compared to first half of FY14.

Performance Measure	FY08	FY13	FY14	FY14- FY13 Change	FY14 Q1-Q2	FY15 Q1-Q2	FY15- FY14 Q1-Q2 Change	FY15 Goal	FY16 Goal
Incoming calls offered	316,107	532,702	553,399	3.9%	321,194	263,821	-17.9%	777,000	500,000
Percent of calls answered	71.2%	62.5%	70.3%	12.5%	60.8%	86.4%	42.2%	65.0%	85.0%
Walk-in customers	81,840	99,699	96,284	-3.4%	49,768	44,022	-11.5%	99,000	99,000
Walk-in average waiting time	17:37	15:18	16:27	7.5%	17:26	11:35	-33.6%	12:00	11:00
30 day pattern payment	N/A	70.7%	67.3%	-4.8%	66.6%	68.4%	2.8%	70.0%	70.0%

DEPARTMENT CHALLENGES

- Last year Revenue noted as a major challenge the need to change the culture where a limited number of citizens feel there are no consequences for failing to pay their fair share. Fortunately, through increased collection efforts, Revenue believes that this perspective is beginning to change though there is still much to do.
- Revenue is also making progress on the challenge of outdated supports systems. Working with the Office of Innovation and Technology, Revenue is completing full implementation of a new cashing and remittance system and have begun development and implementation of a comprehensive data warehouse.

ACCOMPLISHMENTS & INITIATIVES

Enhanced Revenue Collections: In FY14, Revenue collected \$910 million in tax revenue for the School District of Philadelphia, \$16 million above target, through improvements in current collection practices and the implementation of innovative programs which included expanding and improving partnerships with the State & Federal government to share information. As a part of this effort, the Department:

- Collected over \$100 million in delinquent Real Estate Taxes for the first time ever using a variety of collection tools with early action on late accounts, new enforcement tools, leveraging data to find delinquents and expansion of proven collection programs in FY14.
- Increased filings of Real Estate Tax foreclosures from an average of 106 filings per month during the first six months of 2009 to an average of over 1,000 foreclosures per month during the last 6 months of 2014; an increase of nearly 900%.
- Institutionalized two innovative collection efforts, Commercial Activity License (CAL) Revocation and Sequestration, which increased delinquent tax collections by over \$30 million in FY14. CAL Revocation provides incentives for businesses to pay their delinquency to avoid revocation of their business license. Sequestration is a strategy by which the City petitions the courts to appoint a receiver to collect rents from tenants to pay the taxes of delinquent rental property owners. Each program established strong negative consequences for businesses that chose to ignore their tax obligations by revoking their commercial activity license or placing real property into receivership.

Revenue is also in the process of implementing a state of the art Cashiering & Remittance system which can capture document and check images, search taxpayer's accounts more efficiently, accept in-person credit card payments, and deposit checks electronically. With the new system, Revenue is better able to service taxpayers and more efficiently process payments. The previous system had components that were over 20 years old and posed significant risk to the City should the system fail. The Cashiering component went live in December and remittance processing is in system testing.

Earned Income Tax Credit Program: This initiative assists city residents in applying for the Earned income Tax Credit (EITC), one of the federal government's most successful antipoverty programs. The program provides support to low- and moderate income city residents, helping them take advantage of the credit which averages \$2,400. In collaboration with The Campaign for Working Families, Revenue will initiate a program to provide tax preparation support in FY15, and expand the program in FY16 with \$1.3 million in additional general fund support.

Modernized Electronic Filing: In April 2014, the Department enabled taxpayers to file and pay the Business Income & Receipts Tax and Net Profits Tax electronically and partnered with tax software providers who modified their products to further expand electronic filing. Over 17,000 taxpayers filed electronically. In addition, Revenue implemented mandatory Electronic Filing and Payment of Use and Occupancy Tax which will increase the speed of both depositing funds into the bank and the processing of tax returns in the Department's system.

Implement Data Warehouse: Revenue is implementing an integrated data warehouse in order to provide more accurate analysis of taxpayer information to drive collection efforts. The \$7.5 million system is expected to take 18 to 24 months to fully implement; however, Revenue expects increases in delinquent collections to be realized from this project in FY15. The innovative contract design requires the vendor to meet mutually agreed upon performance benchmarks measured in additional dollars collected for the City and School District prior to receiving payments under the contract.

Customer Service Improvements: The Department made significant customer service improvements which include implementation of the new cashiering system, installation of new tax payer services phone system and development and piloting of new Real Estate Tax bills. The Department will continue to develop and expand on processes to improve customer service and convenience. In 2015 and 2016, the Department expects to expand payment options for customers, make it easier to apply for tax and water bill assistance programs, implement new and easier-to-understand tax and water bills, and continue improving customer service skills through department training and coaching.

STAFFING

<i>Full-Time Staff</i>			<i>Executive Staff</i>			<i>Full-Time Staff Appointed in FY15</i>		
	Male	Female		Male	Female		Male	Female
	African-American	African-American		African-American	African-American		African-American	African-American
<i>Total</i>	71	295	<i>Total</i>	2	4	<i>Total</i>	6	20
<i>% of Total</i>	13.4%	55.8%	<i>% of Total</i>	15.4%	30.8%	<i>% of Total</i>	1.1%	3.8%
	White	White		White	White		White	White
<i>Total</i>	45	73	<i>Total</i>	5	1	<i>Total</i>	2	7
<i>% of Total</i>	8.5%	13.8%	<i>% of Total</i>	38.5%	7.7%	<i>% of Total</i>	0.4%	1.3%
	Hispanic	Hispanic		Hispanic	Hispanic		Hispanic	Hispanic
<i>Total</i>	3	12	<i>Total</i>	1	0	<i>Total</i>	0	0
<i>% of Total</i>	0.6%	2.3%	<i>% of Total</i>	7.7%	0.0%	<i>% of Total</i>	0.0%	0.0%
	Asian	Asian		Asian	Asian		Asian	Asian
<i>Total</i>	13	3	<i>Total</i>	0	0	<i>Total</i>	1	2
<i>% of Total</i>	2.5%	0.6%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.2%	0.4%
	Other	Other		Other	Other		Other	Other
<i>Total</i>	2	12	<i>Total</i>	0	0	<i>Total</i>	0	2
<i>% of Total</i>	0.4%	2.3%	<i>% of Total</i>	0.0%	0.0%	<i>% of Total</i>	0.0%	0.4%
	Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual		Bi-lingual	Bi-lingual
<i>Total</i>	13	8	<i>Total</i>	2	0	<i>Total</i>	1	0
<i>% of Total</i>	2.5%	1.5%	<i>% of Total</i>	15.4%	0.0%	<i>% of Total</i>	0.2%	0.0%
	Male	Female		Male	Female		Male	Female
<i>Total</i>	134	395	<i>Total</i>	8	5	<i>Total</i>	9	31
<i>% of Total</i>	25.3%	74.7%	<i>% of Total</i>	61.5%	38.5%	<i>% of Total</i>	1.7%	5.9%

CONTRACTING

**M/W/DBE Participation on Large Contracts
FY15 Contracts**

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All	Living Wage Compliant?
Goehring, Rutter & Boehm	Real estate tax collection	\$8,850,000	7/30/12	1/1/13	MBE: 15% - 20%	15%	\$1,327,500	17%	Yes
					WBE: 15% - 20%	2%	\$177,000		
					DSBE:	0%	\$0		
Linebarger Goggan Blair & Sampson, LLP	Real estate tax collection	\$6,500,000	7/30/12	1/1/13	MBE:15% - 20%	23%	\$1,495,000	100%	Yes
					WBE:15% - 20%	77%	\$5,005,000		
					DSBE:	0%	\$0		
Revenue Collection Bureau, Inc.	Discovery and delinquent tax collection	\$2,400,000	2/26/13	10/1/13	MBE:15% - 20%	98%	\$2,352,000	98%	Yes
					WBE:15% - 20%	0%	\$0		
					DSBE:	0%	\$0		
Pioneer Credit Recovery, Inc.	Tax and Debt Collection	\$2,000,000	5/21/12	9/1/13	MBE: 10% -15%	5%	\$100,000	10%	Yes
					WBE: 10% -15%	5%	\$100,000		
					DSBE:	0%	\$0		
Progressive Financial Services, Inc	Discovery and delinquent tax collection	\$1,000,000	2/26/13	10/1/13	MBE:15% - 20%	17%	\$170,000	17%	Yes
					WBE:15% - 20%	0%	\$0		
					DSBE:	0%	\$0		

OTHER BUDGETARY IMPACTS

FEDERAL AND STATE (WHERE APPLICABLE)

Not applicable.

OTHER

Not applicable.