

DEPARTMENT of REVENUE
FISCAL YEAR 2015 BUDGET TESTIMONY
April 22, 2014

EXECUTIVE SUMMARY

The mission of the Revenue Department is to optimize the collection of revenue to provide funding for Schools & 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.

The major strategies we have employed to support efforts in meeting our mission include:

- Create stronger consequences for non-compliance.
- Build partnerships to enhance collection activities
- Promote early action on delinquencies.
- Provide greater education to the public and business community
- Improve customer service
- Support those in financial need
- Integrate technology to improve efficiencies and effectiveness.

Over the last year we have seen progress on many fronts. I would like to highlight several key collection results as compared to last fiscal year.

- Total School Income Tax is up 104%
- Delinquent SIT collections increased by 275%
- Total Liquor Tax is up 23%
- Delinquent Liquor collections increased by 200%
- Delinquent Use & Occupancy collections increased by 29%
- 38% increase in total delinquent collections for School District
- Delinquent Real Estate collections are up 22%
- 94% collection rate for Real Estate for calendar year 2013

The Department's goals are complex but evident; assisting every taxpayer in paying their fair share, thereby enabling the city to fund services and meet School District obligations.

PROPOSED BUDGET HIGHLIGHTS/FUNDING REQUEST

- General Fund -General Fund appropriation request is \$22,103,231. This is a net increase of \$1,302,610 and primarily provides for additional staffing to support the Tax Collection Strategies.
- Water Fund - Water Fund appropriation request is \$15,361,371. This is a net decrease of \$717,599 as a result of the transfer of 19 positions from the Water Revenue Bureau to the Philadelphia Water Department.
- Additional Funding Request - Title Company Contract: Sheriff Sale activity continues to increase as the Department works with the Sheriff's Office to sell more delinquent properties. The average number of all properties placed in the Sheriff Sale process by the Law unit and co-counsel increased from 350 per month in FY11 to now more than 1000 per month. As a result, the demand and cost for title searches have increased, consequently, we are asking for an additional \$525,000 to fund title company contracts activities in FY15 to maintain current activity.

**REVENUE DEPARTMENT
BUDGET SUMMARY AND OTHER BUDGET DRIVERS**

Financial Summary by Class

	Fiscal 2013	Fiscal 2014	Fiscal 2014	Fiscal 2015	Difference
	Actual Obligations	Original Appropriations	Estimated Obligations	Proposed Appropriations	FY14 - FY15
Class 100 - Employee Compensation	\$14,479,641	\$16,387,696	\$15,987,696	\$17,430,706	\$1,443,010
Class 200 - Purchase of Services	\$3,535,297	\$3,570,349	\$4,210,349	\$4,101,449	(\$108,900)
Class 300 - Materials and Supplies	\$451,550	\$538,182	\$528,613	\$526,317	(\$2,296)
Class 400 - Equipment	\$190,591	\$64,394	\$73,963	\$44,759	(\$29,204)
Class 500 - Contributions	\$3,695	\$0	\$0	\$0	\$0
Class 700 - Debt Service	\$0	\$0	\$0	\$0	\$0
Class 800 - Payment to Other Funds	\$0	\$0	\$0	\$0	\$0
Class 900 - Advances/Misc. Payments	\$0	\$0	\$0	\$0	\$0
TOTAL	\$18,660,774	\$20,560,621	\$20,800,621	\$22,103,231	\$1,302,610

Staff Demographics Summary*

Total	Minority	White	Female
502	75%	25%	73%
9	56%	44%	44%
Average Salary - ES	\$112,970	\$112,406	\$123,181
Median Salary - ES	\$109,586	\$112,293	\$118,130

Employment Levels*

Budgeted	Approved	Filled
598	598	502
1	1	0
9	9	9

Contracts Summary*

	FY09	FY10	FY11	FY12	FY13	FY14*
Total amount of contracts	\$2,078,914	\$9,543,036	\$3,955,993	\$10,945,906	\$12,350,027	\$10,534,413
Total amount to M/W/DBE	\$508,894	\$1,857,805	\$145,000	\$4,297,960	\$6,260,800	\$6,027,200
Participation Rate	24%	19%	4%	39%	51%	57%

*As of December 2013

**REVENUE DEPARTMENT
PERFORMANCE, CHALLENGES AND INIATIVES**

DEPARTMENT PERFORMANCE (OPERATIONS)

The Revenue Department reports on the following performance measures in the Five Year Financial and Strategic Plan:

Tax Unit

Performance Measure	FY08	FY12	FY13	FY13- FY12 Change	FY13 Q1-Q2	FY14 Q1-Q2	FY14- FY13 Q1-Q2 Change	FY14 Goal	FY15 Goal
Incoming calls offered	298,644	233,839	214,082	-8.4%	96,592	109,972	13.9%	220,000	240,000
Incoming calls - average response rate	62.3%	65.4%	57.5%	-12.1%	75.3%	69.5%	-7.8%	70.0%	75.0%
Walk-in taxpayers	36,026	42,237	35,586	-15.7%	15,963	17,360	8.8%	35,000	40,000
Walk-in taxpayers average wait time	30:29	33:56	13:42	-59.6%	13:49	6:47	-50.9%	15:00	10:00
Audit - value of audit assessments (thousands)	\$15,313	\$28,896	\$11,513	-60.2%	\$6,788	\$6,356	-6.4%	\$16,000	\$19,000

Water Revenue Bureau

Performance Measure	FY08	FY12	FY13	FY13- FY12 Change	FY13 Q1-Q2	FY14 Q1-Q2	FY14- FY13 Q1-Q2 Change	FY14 Goal	FY15 Goal
Incoming calls offered	316,107	304,474	532,702	75.0%	140,856	321,194	128.0%	778,000	777,000
Incoming calls - average response rate	71.2%	84.4%	62.5%	-25.9%	82.9%	60.8%	-26.7%	55.0%	65.0%
Walk-in customers	81,840	102,445	99,699	-2.7%	53,482	49,768	-6.9%	99,980	99,000
Walk-in average waiting time	17:37	8:34	15:18	78.6%	13:55	17:26	25.3%	20:00	12:00
30 day pattern payment	N/A	69.7%	70.7%	1.4%	68.3%	66.6%	-2.4%	70.0%	70.0%

The Revenue Department’s Tax Unit and Water Revenue Bureau each have their own performance measures to meet:

- **Tax Unit:** The increased use of online services including emails has continued to lead to a decrease in the number of taxpayer calls and walk-ins in FY13 compared to FY12. In the first half of FY14, the incoming calls have increased by 14% compared to the same period in FY13. The response rate for incoming calls in FY13 was 57.5% compared to 64.4% in FY12. In the first half of FY14, the average response rate has improved to 69.5%. As the number of walk-in taxpayers has grown by 9% in the first half of FY14, the average wait time has dropped by 51% to below seven minutes. Assessments generated from audits of tax accounts in the first half of FY14 is about 6% lower than the assessments generated in the first half of FY13.
- **Water Revenue Unit:** The Water Revenue Bureau (WRB) received 532,702 calls in FY13, an increase of 75% from FY12. Over the last year, the WRB has received 128% more calls. The call response rate has decreased in the first half of FY14 to 60.8% from 82.9% during the same period in FY13. The WRB continues to see a decrease in walk-in customers from FY12, FY13, and the first half of FY14. The average waiting time increased from over 15 minutes at the end of FY13 to over 17 minutes as of the first half of FY14. The percentage of customers paying their water bill within 30 days has remained at 70% at the end of FY13, and is projected to remain at that rate for FY14.

DEPARTMENT CHALLENGES

The Department’s most significant challenge is changing the culture within the city that those who do not pay their fair share, whether for tax obligations or other fees, will not be held accountable. Though the vast majority of citizens and the business community meet their financial obligations to the city and the school district, there are those who feel they may continue to disregard their responsibility. In turn, they send a message to others that may want to disregard their obligations as well as to those who regularly act in a responsible manner.

From an operational perspective one of our major challenges is outdated systems to support revenue collections. Fortunately, working closely with the Office of Innovation and Technology, we have begun to address these deficiencies. , Two major technology initiatives are underway, a new cashiering system and a data warehouse.

STAFFING LEVELS

The Department's current budgeted staffing level is 598. We had 502 positions filled in December but have added another 24 positions as of March 24, and will add an additional 30 positions by 4/30 and 20 positions before the end of the fiscal year. We expect to reach staffing levels of approximately 97% during FY 15.

There were 46 new hires between July 1, 2014 and March 24 2014. Ethnicity breakdown is as follows:

Gender	African-American	White	Asian	Hispanic	Total
Female	24	6			30
Male	8	4	3	1	16
Total	32	10	3	1	46

PAST & CURRENT INITIATIVES

A centerpiece of new collection activity is the revocation of Commercial Activity Licenses for those establishments that have been delinquent on their business taxes. The goal of the program is to change behavior and communicate a strong message that we can no longer subsidize business at the expense of children and city services. Fortunately, we believe the message is being understood as we have had to shutter only 35 businesses with over 700 having paid their taxes or entered into payment agreements. In addition we have seen the number of liquor accounts, a key focus early in the program, increase by 9% in just one year.

Seventeen million dollars has been collected since its inception, with \$6.5 million from Liquor, \$6.3 million from BIRT and \$2.3 million from Wage tax. Another \$7 million is committed in payment agreements generated by the program.

Sequestration is an innovative program focusing on occupied properties with tenants where the Court appoints receivers to collect the rental income from the property and operate it until the net income has satisfied all delinquent taxes. We currently have 186 active petitions filed with the court and since October, over 260 accounts have remitted \$3.8 million with another \$860,000 pending under payment agreements. As with CAL Revocation, the goal is to create an incentive for businesses to pay their taxes.

Sheriff Sales continue to be an effective tool as we work in partnership with the Sheriff's Office toward improving the process. The average number of all properties placed in the Sheriff Sale process by the Law Unit and co-counsel has increased from 354 per month in FY11 and FY12 to 1,065 for FY13 and the first five months of FY14.

Both of these new initiatives coupled with the traditional Sheriff Sale process will continue to provide effective tools to assure that both businesses and individuals meet their obligations. We expect not only to increase revenues but to reduce first time delinquents through the use of these tools.

Another example of expanded collection initiatives is our continued work to bring parking garages into compliance. Revenue Investigators conduct street canvassing of various geographic areas ripe for unregistered parking lot operators including the stadium area, center city, Manayunk, and the universities areas. The canvassing operations are conducted during day, evening and nighttime hours so investigators were present during the most active periods for particular areas. Since 2010, Compliance efforts included audits of alleged violators have resulted in \$2.2 million in assessments. In addition, in 2014, a vendor was selected to conduct a project to assist the city in determining the level of non-reporting or underreporting of parking tax; this report is expected in 4th quarter of this fiscal year.

The department also continues to build partnerships. A key to our ability to create a culture of compliance is our ability to use all information available to identify those who owe taxes. Two important partners in this effort are the Federal and State governments. Each year we receive information from the IRS that assists in our collection efforts. In addition, over the last several months, we have built closer relationships with the state and have received information from them that will enable us to identify taxpayers that could owe significant School Income Tax. This would add to the success we have seen in our SIT initiatives that have resulted in a 132% increase in collections. We also continue to work with the state on initiatives such as the confiscation of personal property, specifically automobiles, of tax delinquents.

In addition to outside agencies we continue to work closely with City Departments, such as Streets and Licenses and Inspections to improve collections. For the first time we will be placing delinquent small commercial trash fee accounts with an outside collection agency. This, coupled with the enforcement efforts of the department, should have significant impact on the outstanding delinquency. We are also meeting with representatives of L&I on a regular basis to assure those businesses seeking various licenses and permits have the appropriate tax clearances. In addition, we are employing the Sheriff Sale process to deal with nuisance and dangerous buildings.

NEW INITIATIVES

To fully maximize our collections efforts, the Department recognizes the need for state of the art technology in both the processing of payments and the identification of delinquent accounts and management of collections. Working with the Office of Innovation and Technology, the Department of Revenue kicked off implementation of a new Cashiering and Remittance system, and a comprehensive Data Warehouse. We are well into implementation of a new cashiering system and expect testing to begin in July with full implementation to occur by the fall of 2014. The Department is currently in the final stage of selecting a vendor to develop and implement an integrated data warehouse. The system will allow the department to better use and mine taxpayer information to drive collections. We expect the final selection decision to be made in April with system design and implementation to take between 12 to 18 months; however, the Department continues to use available information to support collection strategies.

The department is also developing a more integrated outreach and communication strategy. We will increase our presence at community meetings, provide for clearer and more informative brochures and pamphlets, continue to improve our website and use technology such as virtual town hall meetings to reach more people and provide for greater opportunity for feedback. The department realizes the importance of improving customer service and held our first taxpayer appreciation day on February 28th. We have also participated in 26 community meetings over the last six months.

To further support excellent customer service the Department provided training to staff in our call centers as well as our walk in units. We trained approximately 80 employees and expect to train an additional 100 employees before the end of the Fiscal Year. Technical training in tax policy and legislation as well as leadership development will also be provided to employees who are in critical roles and required to provide technical information to our taxpayers.

Continuing with our customer service focus, the Department will restructure how customers are serviced in the concourse by implementing both new branding and technological improvements to the area. A new water bill design will go into effect by June 2014 which will be easier for customers to interpret information provided.

REVENUE DEPARTMENT

CONTRACTING EXPERIENCE

M/W/DBE Participation on Large Contracts

FY14 Contracts

Vendor	Service Provided	Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DBE Participation Achieved	\$ Value of M/W/DBE Participation	Total % and \$ Value Participation - All DSBEs	Living Wage Compliant?
Goehring, Rutter & Boehm	Real Estate Tax Collection	\$6,000,000	7/30/12	1/1/13	MBE:	15%	\$900,000		y
					WBE:	2%	\$120,000	17%	
					DSBE:	0%	\$0	\$1,020,000	
Linebarger Goggan Blair & Sampson, LLP	Real Estate Tax Collection	\$5,000,000	7/30/12	1/1/13	MBE:	23%	\$1,165,000		y
					WBE:	77%	\$3,855,000	100%	
					DSBE:	0%	\$0	\$5,020,000	
Revenue Collection Bureau, Inc.	Discovery & Delinquent Tax Collection	\$4,400,000	2/26/13	10/1/13	MBE:	98%	\$4,312,000		y
					WBE:	0%	\$0	98%	
					DSBE:	0%	\$0	\$4,312,000	
Pioneer Credit Recovery, Inc.	Tax and Debt Collection	\$2,000,000	5/21/12	9/1/12	MBE:	5%	\$100,000		y
					WBE:	5%	\$100,000	10%	
					DSBE:	0%	\$0	\$200,000	
Progressive Financial Services, Inc.	Discovery & Delinquent Tax Collection	\$1,500,000	2/26/13	10/1/13	MBE:	0%	\$0		y
					WBE:	17%	\$255,000	17%	
					DSBE:	0%	\$0	\$255,000	

DEPARTMENT EMPLOYEE DATA

Staff Demographics

Full-Time Staff

Executive Staff

	Male	Female	Male	Female
Total	136	366	5	4
% of Total	27%	73%	56%	44%
	African-American	African-American	African-American	African-American
Total	73	268	2	3
% of Total	15%	53%	22%	33%
	White	White	White	White
Total	48	76	3	1
% of Total	10%	15%	33%	11%
	Hispanic	Hispanic	Hispanic	Hispanic
Total	3	15	0	0
% of Total	1%	3%	0%	0%
	Asian	Asian	Asian	Asian
Total	11	2	0	0
% of Total	2%	0%	0%	0%
	Other	Other	Other	Other
Total	1	5	0	0
% of Total	0%	1%	0%	0%
	Bi-lingual	Bi-lingual	Bi-lingual	Bi-lingual
Total	13	8	1	0
% of Total	3%	2%	11%	0%