



CITY OF PHILADELPHIA

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ROB DUBOW
DIRECTOR OF FINANCE

May 7, 2018

The Honorable Darrell Clarke
City Council President
City Hall, Room 490
Philadelphia, PA 19107

Dear Council President Clarke:

This letter is in response to questions raised at the April 2, 2018 hearing before the Committee of the Whole on the Fiscal Year 2019 proposed budget for the Office of the Director of Finance. At this hearing, the following questions were asked:

Council President Clarke: Please provide the figures for any increase in Use & Occupancy regarding the property reassessment.

The School District has provided this information to Council and can discuss in further detail at their hearing on May 9th.

In the revised preliminary Five-Year Plan issued March 27, 2018, the District assumed a \$12 million increase in its current U&O projections starting in FY19, though the District has begun to revise that figure downward, closer to \$8 million in its most current internal projections. This number is continuing to be revised as the District receives better information from OPA for the breakdown of the assessment increase by property and commercial, as well as current year actuals, which impact the U&O base.

Councilwoman Bass: Please provide Finance's plan to address the fund balance.

The City's fund balance is one of the most important measures of its financial health. A healthy fund balance provides a cushion to protect against current and future financial risk, ensure predictability of services, and manage cashflow needs.

The City's general fund ended FY17 with a balance of \$189.2 million, or 4.6% of expenditures. While this was higher than originally expected, many of the factors that caused this improved performance are unlikely to recur. For FY19, the City of Philadelphia's projected fund balance is \$128 million, or 2.7% of projected expenditures. To put this number in context, the Government Finance Officers Association (GFOA) recommends a fund balance equivalent to two months or approximately 17% of annual revenues or expenditures, and the City's own fund balance target is 6-8% of expenditures.

As we enter each budget and five-year plan process, we are faced with making a number of tradeoffs. One of those tradeoffs is between growing the fund balance and making crucial investments. The proposed FY19-FY23 five-year plan includes a number of investments, including additional resources for the School District, public safety, and continued tax reductions. While those investments will have positive long-term impacts for the city, they will drain our fund balance in the short term.

Those lower fund balances will limit our financial flexibility to respond to any unexpected reductions in revenue or increases in costs without having to make painful cuts. In contrast to the two months of reserves that the GFOA recommends, the City would have reserves equal to less than a week at their low point in FY22.

We also believe, however, that the investments are necessary to grow the city’s economy equitably. That economic growth will lead to increased revenues for the City and is the single best way to increase the City’s fund balance over the long term.

Councilwoman Bass: Please provide the salaries of the new hires that appear on page 5 of Finance’s budget testimony.

Title	Gender	Race	Salary
Project Manager-One Philly (ADoF)*	F	Asian	120,000
Account	F	Afr Am	35,446
Clerk 1	F	Afr Am	29,310
Business Analyst (ADOF)*	M	White	85,000
Administrative Assistant (ADoF)*	F	Afr Am	50,000

	Total	Wh	AfrAm	Asian
Male	1	1		
Female	4		3	1

*Official Title is Assistant to the Director of Finance (ADoF). Title listed is working title reflective of the assigned duties. Testimony included six employees, but one was a Revenue employee included in error.

Councilman Domb: Please provide the credit rating agency’s report outlining the reasoning for our credit downgrade.

A copy of the Standard & Poor’s credit report downgrading the City from A-plus to A is attached.

Councilwoman Gym: How much revenue would be generated if large non-profits made a contribution equal to the taxes on 30 percent of the assessed value of their property?

The chart below shows non-profits in the City with properties that have market values of at least \$85 million and the amount of revenue the City would receive if those non-profits made a payment-in-lieu-of-taxes (PILOT) equal to the amount of taxes that would be paid on 30 percent of the value of their exempt property at the current tax rate of 1.3998%. Under those conditions, the amount generated would be approximately \$35 million for this grouping of non-profit entities.

Non-Profit Entities with Exempt Value of Greater than \$85M in Tax Year 2019						
Entity	Market Value	# of Properties	Total Taxable	Total Exempt	Estimated Tax Forgone on Exempt Value (@1.3998%)	Estimated PILOT on 30% of Total Exempt Value (@ 1.3998%)
UNIVERSITY OF PENNSYLVANIA	\$3,077,798,500	120	\$46,960,691	\$3,030,837,809	\$42,425,668	\$12,727,700
TEMPLE UNIVERSITY	\$1,389,754,400	98	\$7,163,185	\$1,382,591,215	\$19,353,512	\$5,806,054
DREXEL UNIVERSITY	\$966,277,900	102	\$4,450,046	\$961,827,854	\$13,463,666	\$4,039,100
ARCHDIOCESE OF PHILADELPHIA	\$670,230,700	244	\$12,839,344	\$657,391,356	\$9,202,164	\$2,760,649
THOMAS JEFFERSON UNIVERSITY	\$589,738,200	34	\$25,676,853	\$564,061,347	\$7,895,731	\$2,368,719
COMMUNITY COLLEGE OF PHILADELPHIA	\$319,463,300	9	\$5,439,805	\$314,023,495	\$4,395,701	\$1,318,710
CHILDREN'S HOSPITAL OF PHILADELPHIA	\$318,428,000	6	\$1,060,143	\$317,367,857	\$4,442,515	\$1,332,755
THE UNIVERSITY OF THE ARTS	\$173,041,400	10	\$3,294,596	\$169,746,804	\$2,376,116	\$712,835
WHYY INC	\$137,857,200	1	\$0	\$137,857,200	\$1,929,725	\$578,918
PHILADELPHIA COLLEGE OF PHARMACY AND SCIENCE	\$135,798,000	8	\$576,300	\$135,221,700	\$1,892,833	\$567,850
FRIENDS FIDUCIARY CORP	\$129,199,100	3	\$3,800,997	\$125,398,103	\$1,755,323	\$526,597
ST. JOSEPH'S UNIVERSITY	\$122,698,900	14	\$616,346	\$122,082,554	\$1,708,912	\$512,673
PENNSYLVANIA ACADEMY OF FINE ARTS	\$111,410,900	2	\$0	\$111,410,900	\$1,559,530	\$467,859
LA SALLE UNIVERSITY	\$107,473,400	27	\$341,996	\$107,131,404	\$1,499,625	\$449,888
ST JOSEPH'S PREPARATORY SCHOOL	\$96,107,300	21	\$0	\$96,107,300	\$1,345,310	\$403,593
PENNSYLVANIA COLLEGE OF PODIATRIC MEDICINE	\$90,401,400	3	\$0	\$90,401,400	\$1,265,439	\$379,632
Estimated Total						\$34,953,531

Notes:

Archdiocese of Philadelphia also operates K-12 schools

City provides contribution to Community College of Philadelphia

Friends Fiduciary Corp is the owner of Friends Select school and Friends Hospital

Councilwoman Gym: What are the state guidelines for KOZs?

State guidelines for Keystone Opportunity Zones (KOZs) have been provided by the Commerce Department and are attached.

Councilwoman Quinones-Sanchez: What U&O rate increase would be required to generate an additional \$10, \$20 or \$30 million in revenue?

Under separate cover, the Revenue Department supplied an Excel template that allows the user to insert rates, assessments and exemption amounts to determine what amount of revenue would be generated based on those variables. In response to the specific question, the rate increase would need to be 1.272% to generate an additional \$10 million (5.124% increase), 1.334% to generate an additional \$20 million (10.248% increase), and 1.396% to generate \$30 million (15.372% increase). These estimates assume the exempt assessment adjusts accordingly to reflect the new tax rate but that the \$2,000 exemption remains constant.

Councilman Johnson: Provide the plan(s) to help homeowners stay in their homes.


There are many programs available to homeowners who may be struggling to retain homeownership and care for their properties. The two documents attached include a list of these programs and a description of each. The first is a document provided by the Department of Planning & Development that lists programs offered by both City and non-City agencies that are designed to assist homeowners with property-related issues, including real estate taxes, homeowner repairs, utility assistance and rental assistance. The second is a document provided by the Revenue Department that is specific to the programs that they manage.

Councilwoman Bass: What is the median income of homeowners who have received abatements?

Unfortunately, since abatement applications don't require income information, we are unable to determine a methodology that would yield a reliable answer to this question. If there is other data that we are able to develop that would be helpful to Council, we would be happy to assist.

If you have any additional questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Dubow', with a long horizontal flourish extending to the right.

Rob Dubow
Director of Finance

Attachments