

City of Philadelphia Committee on Finance
January 28, 2015

Page 1

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, January 28, 2015
10:20 a.m.

PRESENT:

COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILL 140081 - An ordinance amending Title 19
of The Philadelphia Code, entitled "Finance,
Taxes and Collections," to provide for tax
rate reductions of the Wage and Earnings Tax
for Philadelphia Residents and the Tax on Net
Profits Earned in Businesses, Professions or
Other Activities of Philadelphia Residents.

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City of Philadelphia Committee on Finance
January 28, 2015

Page 2

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COUNCILWOMAN TASCO: Good morning. I do believe we have a quorum, and so now we'd like to call the Committee on Finance to order and we'd like to have our Clerk read the bill, please.

THE CLERK: Bill No. 140081, an ordinance amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," to provide for tax rate reductions of the Wage and Earnings Tax for Philadelphia Residents and the Tax on Net Profits Earned in Businesses, Professions or Other Activities for Philadelphia Residents.

COUNCILWOMAN TASCO: We now have -- is there anyone on the Committee would like to say anything before we begin?

Let me say that we have a quorum in the presence of Councilman Denny O'Brien, Councilman Greenlee, Councilman Jones, who is the Majority Leader, can always sit in for a

City of Philadelphia Committee on Finance
January 28, 2015

Page 3

1 1/28/15 - FINANCE - BILL 140081
2 committee, and Councilman Goode and
3 Councilwoman Tasco.

4 We'd like now to call Mr. Rob
5 Dubow, Director of Finance for the City
6 of Philadelphia.

7 (Witness approached witness
8 table.)

9 COUNCILWOMAN TASCO: Good
10 morning.

11 MR. DUBOW: Good morning,
12 Councilwoman Tasco and members of the
13 Committee. My name is Rob Dubow. I'm
14 the Finance Director and I'm here to
15 testify regarding Bill No. 140081, which
16 would amend the Wage, Earnings and Net
17 Profit tax for Residents in Philadelphia.

18 The bill reduces the resident
19 rate of the Wage and Earnings and Net
20 Profits tax from the current rate of 3.92
21 percent to 3.707 percent by FY19 after
22 the PICA tax of 1.5 percent is included.
23 The bill holds the non-resident portion
24 of the wage tax rate at 3.4915. It would
25 reduce City revenues by approximately

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1 1/28/15 - FINANCE - BILL 140081

2 \$115 million over the next four years and
3 there's no plan proposed to recoup that
4 lost revenue or to make the significant
5 budget reductions that would be needed.

6 COUNCILWOMAN TASCO: Could you
7 please speak into the mic.

8 MR. DUBOW: Sorry. Yes.

9 The Administration supports
10 reducing wage tax rates, and since the
11 end of the recession, we've worked with
12 Council to resume this important tax
13 relief. In the most recent Five Year
14 Plan approved by PICA, we included cuts
15 to both the resident and non-resident
16 wage tax with a cost of \$115 million over
17 the five years. Despite that significant
18 cost, we believe that reducing both
19 resident and non-resident rates are
20 important to improve our economic
21 competitiveness, reduce the tax burden on
22 families and individuals, and create
23 jobs.

24 Just as importantly, we've
25 planned for this tax expenditure and can

1 1/28/15 - FINANCE - BILL 140081

2 undertake these cuts with the expectation
3 that future budgets and Five Year Plans
4 will remain sustainable. We do not
5 believe the same can be said for this
6 bill, and the cuts to the budget or
7 increases in other taxes necessary to pay
8 for it would be significant.

9 While the Administration is
10 grateful to the sponsor, Councilman Oh,
11 for the important discussion this bill
12 raises regarding the City's tax
13 structure, we can't support it for two
14 significant reasons. First, as already
15 noted, the bill would double the cost of
16 the current wage tax reductions and leave
17 a Five Year Plan shortfall of
18 approximately \$115 million in the City's
19 General Fund. Closing that gap would be
20 extremely difficult. As an example, the
21 bill would create a gap in FY16 that
22 would be roughly equivalent to the Free
23 Library's General Fund budget.

24 The four-year \$115 million
25 price tag would likely result in

1 1/28/15 - FINANCE - BILL 140081

2 substantial service cuts to ensure the
3 City's budget remained balanced.

4 Secondly, from a tax policy and
5 competitiveness perspective, the
6 Administration believes that we should
7 continue to reduce the non-resident wage
8 tax rates. In 2009, the Task Force on
9 Tax Policy and Economic Competitiveness
10 recommended that the City continue to
11 incrementally reduce both portions of the
12 wage tax and said the non-resident wage
13 tax is particularly discouraging for firm
14 and job location in the City.

15 For those reasons, we request
16 the Committee hold this bill at this
17 time. I'm happy to answer any questions
18 you may have. And attached to the
19 testimony is an exhibit that compares
20 current wage tax rates, the rates in our
21 Five Year Plan, and the rates under this
22 bill.

23 Thank you.

24 COUNCILWOMAN TASC0: Thank you
25 very much.

1 1/28/15 - FINANCE - BILL 140081

2 Are there any questions on
3 behalf -- Chair recognizes Councilman
4 Goode.

5 COUNCILMAN GOODE: Thank you,
6 Madam Chair.

7 Good morning, Mr. Dubow.

8 MR. DUBOW: Good morning.

9 COUNCILMAN GOODE: Just a few
10 questions for the record. You talked
11 about the cost of wage tax cuts within
12 the current Five Year Plan. Can you tell
13 me the total cost of both business and
14 wage tax cuts within the Five Year Plan?

15 MR. DUBOW: I think it's 370
16 million, but we'll confirm that.

17 COUNCILMAN GOODE: So it's over
18 \$300 million in business and wage tax
19 cuts within the Five Year Plan?

20 MR. DUBOW: Yes.

21 COUNCILMAN GOODE: Will the
22 Administration propose more tax cuts?

23 MR. DUBOW: I think we will
24 propose tax cuts in FY20. So we'll
25 propose extending it.

1 1/28/15 - FINANCE - BILL 140081

2 COUNCILMAN GOODE: And are the
3 tax cuts working?

4 MR. DUBOW: So -- 360 was the
5 total of the cuts.

6 So what we've seen from studies
7 is that wage tax increases cost jobs and
8 that reductions will help keep jobs, but
9 I can't give a direct answer to what
10 these cuts have done.

11 COUNCILMAN GOODE: Let me ask a
12 different question then. I believe from
13 your most recent analysis, has there been
14 a net job gain or a net job loss within
15 Philadelphia?

16 MR. DUBOW: There's been a net
17 gain.

18 COUNCILMAN GOODE: So we have
19 stemmed the job loss?

20 MR. DUBOW: That's correct.

21 COUNCILMAN GOODE: Thank you.

22 COUNCILWOMAN TASC0: Thank you.

23 Any other questions?

24 (No response.)

25 COUNCILWOMAN TASC0: Thank you

1 1/28/15 - FINANCE - BILL 140081

2 very much.

3 MR. DUBOW: Thank you.

4 COUNCILWOMAN TASCO: Next we'll

5 call Mr. Lawrence Tabas, Chairman of

6 Pennsylvania Intergovernmental

7 Cooperation, PICA.

8 (Witness approached witness

9 table.)

10 MR. TABAS: Good morning, Madam

11 Chair, members of the Committee. My name

12 is Lawrence Tabas. I'm the Chairman of

13 the Pennsylvania Intergovernmental

14 Cooperation Authority. I'm here to

15 testify also about Bill No. 140081.

16 Start off, of course, by the

17 required disclaimer that the views that I

18 am expressing today are mine alone and do

19 not necessarily reflect the official

20 policy or the position of either PICA or

21 the other members of the PICA Board.

22 I'd like to start by saying

23 that I think it's clear that we probably

24 all agree with the goal of the bill, that

25 reducing the City's wage tax and the

1 1/28/15 - FINANCE - BILL 140081

2 business net profits tax is an important
3 factor in the economic well-being of our
4 City's future. I support that goal and a
5 strategy to do it. There are elements in
6 the bill that are attractive and there
7 are some other issues that, of course,
8 need to be considered by Council in their
9 review, and Mr. Dubow outlined some of
10 them in his testimony this morning.

11 Where I think the disagreement
12 amongst all of us is not that we need to
13 reduce these taxes, but the timing and
14 the schedule of doing it.

15 The wage tax is a regressive
16 tax. It hits the lower income residents
17 of this City the hardest. It takes a
18 larger percentage of their income,
19 because it is a flat tax. It is
20 penalizing those who can't necessarily
21 escape to the suburbs and relocate, and
22 it also is penalizing those who need the
23 City's critical services by making them
24 pay a disproportionate share.

25 The tax on the resident income

1 1/28/15 - FINANCE - BILL 140081

2 in Philadelphia is the largest in the
3 nation. It's larger than New York
4 City's. Forty-seven point six percent of
5 the City's revenue comes annually from
6 these taxes on the business, net profits,
7 and on the wage taxes. Most cities do
8 not even levy a personal income tax on
9 residents or commuters, and those that
10 do, it's mostly about 2 percent. In
11 addition, only Columbus, Ohio depends
12 more on income taxes on residents and net
13 profits from businesses than
14 Philadelphia. And the commuter tax in
15 this bill is not set to be affected by
16 it, and I do not believe that is a
17 practical solution to this issue. I
18 think that the pushback that will come,
19 if the commuter tax is not also addressed
20 in some fashion, could force more people
21 to reevaluate whether or not seeking
22 employment in the City of Philadelphia is
23 in their best interest.

24 Now, the net profits tax on
25 businesses has been significantly an

1 1/28/15 - FINANCE - BILL 140081

2 issue in terms of job and growth and
3 business expansion. Now, I know
4 Mr. Dubow said today that they have
5 stemmed some of the loss of jobs.
6 There's been even something of an
7 increase, and I applaud that, but we
8 don't know how much greater that increase
9 would have been if businesses realized
10 that it was more economically competitive
11 to expand in Philadelphia rather than
12 opening up in the suburbs.

13 Just anecdotally, I can tell
14 you that I'm an attorney. My law firm
15 and other businesses have looked at these
16 suburban and new office parks that are
17 developing. Look at Conshohocken. It
18 has become a major mecca for businesses
19 and offices, where they can attract law
20 firms, financial firms and other
21 businesses and basically give their
22 employees an automatic wage increase
23 because the lack of the tax and the lower
24 commuter cost. There's no parking
25 charges in these suburban areas when you

1 1/28/15 - FINANCE - BILL 140081

2 come in and go to work.

3 So I think we have to realize
4 that if we're going to be competitive, if
5 we're going to want businesses to expand
6 and grow, we have to make it so that they
7 can offer competitive wage packages and
8 have that incentive.

9 Now, Mr. Dubow correctly
10 pointed out that the proposal on the bill
11 would have an impact of \$115 million
12 extra, doubling what the already reduced
13 amount is from some of the reductions.
14 And part of the issue is that he
15 correctly points out how are we going to
16 pay for that. The bill talks about a
17 couple of ways. I will tell you PICA
18 sponsored in December a very
19 well-attended and very -- an excellent
20 presentation with the Revenue
21 Commissioner Tolson, the Deputy Secretary
22 for Taxation from the state, and a
23 representative of Pew Charitable Trusts
24 on revenue collection enhancement, and
25 the City of Philadelphia has several

1 1/28/15 - FINANCE - BILL 140081

2 hundred millions of dollars in
3 uncollected revenue, and increasing and
4 enhancing the collection of those
5 revenues will go a long way to closing
6 the difference between this bill's
7 proposal and what Mr. Dubow identified as
8 an additional \$115 million. The City, if
9 they focus and increase their efforts on
10 collections -- and I have to applaud
11 Revenue Commissioner Tolson. She
12 indicated many very positive strategies
13 that they are looking at -- will help to
14 close this important gap.

15 We need to create a stable
16 financial environment. I know Mr. Dubow
17 pointed out that the \$115 million
18 differential here would be the amount to
19 fund the Free Library of Philadelphia.
20 But just as equally, it's important to
21 fund snowplow removal from the big
22 blizzard we had yesterday, the three feet
23 that were dumped on us. It's easier to
24 clean it up if we have that extra money.

25 COUNCILMAN JONES: I missed it.

1 1/28/15 - FINANCE - BILL 140081

2 MR. TABAS: Yes, I missed it
3 too. I guess I slept through it.

4 This is an important
5 conversation that we're having today.
6 Again, I think it's an issue that we all
7 agree on the goal. It's the political
8 will to make Philadelphia a more
9 competitive city, and I believe that
10 Council working together will be able to
11 do that, and I do applaud at least his
12 efforts.

13 And if I can have your
14 indulgence for one second. Madam Chair,
15 I want to also say I read that you're
16 retiring. I first met you when you were
17 a City Commissioner. I always thought
18 you were a very fair, diligent,
19 hard-working public servant, and thank
20 you for your service to the City of
21 Philadelphia. Sorry about your
22 retirement, but I wish I was retiring as
23 well.

24 COUNCILWOMAN TASCO: Thank you
25 so much for the comments. I appreciate

1 1/28/15 - FINANCE - BILL 140081

2 it. I didn't realize we went back that
3 far.

4 MR. TABAS: I had a lot more
5 hair back then. Not as much as
6 Councilman O'Brien, but close.

7 COUNCILWOMAN TASCO: Thank you
8 so very much. Thank you for coming to
9 testify and thank you for your thoughtful
10 testimony.

11 MR. TABAS: Thank you, Madam
12 Chair.

13 COUNCILWOMAN TASCO: I'll be
14 here for a while.

15 There's a question here from
16 Councilman Goode.

17 COUNCILMAN GOODE: Thank you,
18 Madam Chair.

19 Good morning, Mr. Tabas. There
20 will be testimony today on one of my
21 favorite ideas, the idea of increasing
22 commercial and industrial property taxes
23 in order to lower wage and/or business
24 taxes. What is PICA's position on that
25 idea in terms of focusing on paying for

1 1/28/15 - FINANCE - BILL 140081

2 wage or business tax cuts with revenue
3 from something that's more predictable in
4 terms of commercial and industrial real
5 estate?

6 MR. TABAS: PICA is considering
7 that proposal. We've directed our staff
8 to review it and to meet with Mr. Levy
9 and others who are proponents. I find
10 there are many, personally, many
11 attractive elements in it, and I think
12 it's absolutely part of an overall plan
13 to shift, again, what is a regressive
14 flat tax on the lower income in a way
15 that will help the City grow and expand.

16 COUNCILMAN GOODE: Thank you.

17 MR. TABAS: Thank you.

18 COUNCILMAN GOODE: Thank you,
19 Madam Chair.

20 COUNCILWOMAN TASCO: Councilman
21 Henon, do you have a question?

22 COUNCILMAN HENON: No.

23 COUNCILWOMAN TASCO: I'm sorry.

24 He's here. He has joined the
25 Committee. Thank you. And Councilwoman

City of Philadelphia Committee on Finance
January 28, 2015

Page 18

1 1/28/15 - FINANCE - BILL 140081

2 Blackwell.

3 Any other questions or
4 comments?

5 (No response.)

6 COUNCILWOMAN TASC0: Thank you
7 so much.

8 MR. TABAS: Thank you.

9 COUNCILWOMAN TASC0: And
10 Councilman Kenyatta Johnson is here.
11 Thank you.

12 Next we'll have Mr. Robert
13 Inman.

14 (Witness approached witness
15 table.)

16 COUNCILWOMAN TASC0: Good
17 morning.

18 PROFESSOR INMAN: Good morning.

19 COUNCILWOMAN TASC0: Would you
20 state your name for the record, please.

21 PROFESSOR INMAN: Sure. Robert
22 Inman and I'm a Professor at the Wharton
23 School in the area of public finance.

24 COUNCILWOMAN TASC0: Thank you.
25 Would you please proceed.

1 1/28/15 - FINANCE - BILL 140081

2 PROFESSOR INMAN: Thank you.

3 I'm hoping you have a copy of my
4 testimony. There's a group of charts
5 that I'd like to walk through. That's
6 the problem of asking a professor to come
7 to testify, is he comes with charts.

8 COUNCILWOMAN TASCO: Yes.

9 PROFESSOR INMAN: My wife has a
10 rule that I can't bring charts to
11 different parties, so here we are.

12 I would like to make really two
13 points. The first point is that as is
14 clear on the very first page, asking the
15 question of whether taxes are going to
16 matter for the economic future of cities,
17 and I think the answer to that from a lot
18 of work that I've been doing over the
19 years is clearly yes, and the issue is
20 how indeed do those effects play out.

21 The first page lists the reason
22 why cities are strong, and Philadelphia
23 is in many ways a very special and
24 productive city, both in the area that we
25 economists will call industry or same

1 1/28/15 - FINANCE - BILL 140081

2 industry agglomeration or collecting, and
3 that would be healthcare, eds and meds.
4 We have very, very strong eds and meds
5 sectors. There's something called
6 cross-industry agglomeration, and that
7 would be what we have at the Science
8 Center, the medical sector and research,
9 engineering, industries that talk to each
10 other and, lastly, what we can think of
11 as the Avenue of the Arts, the
12 consumption advantages of having
13 consumption activities - music, theatre,
14 restaurants - all in single locations.

15 What this means is, there's a
16 lot of productive advantages by holding
17 industries and firms in single locations,
18 and that's what Philadelphia has to
19 offer. But the issue is that
20 Philadelphia is not alone and unique in
21 all of these attributes. In particular,
22 we're in competition with many other
23 cities and indeed with our suburbs as
24 well, and the question is how taxes
25 impact on that competitive position.

1 1/28/15 - FINANCE - BILL 140081

2 The bottom line, and not
3 shockingly, is if you pay a dollar of
4 taxes, you want at least a dollar back in
5 benefits and services. And the question
6 then is, let's find taxes that work well
7 within that context.

8 The property tax is going to be
9 largely felt through the property market,
10 impacting housing, construction, and
11 demand. The sales taxes, in particular
12 the gross receipts tax, which more
13 generally is known as a turnover tax, are
14 going to be a direct impact on business
15 activity and sales. It's a direct
16 bottom-line cost and hits particularly
17 small and new firms, firms that may not
18 yet have a significant profit margin, but
19 yet still will be responsible for the
20 gross receipts. And then what we're
21 talking about today specifically are
22 income and wage taxes, and as has been
23 mentioned by the two previous speakers,
24 there are two components to that, the
25 resident component and the non-resident

1 1/28/15 - FINANCE - BILL 140081

2 component. As an economist, we would see
3 the primary and direct effect on jobs as
4 coming primarily through the non-resident
5 component since that tax will typically
6 have to be shifted back onto businesses
7 as the non-residents demand compensation.
8 If you want me to work in Philadelphia,
9 you'll have to compensate me for the
10 higher tax. So it comes to be borne
11 directly by firms.

12 Resident taxes are also borne
13 by firms. As families leave the area,
14 jobs and labor supply leaves the area,
15 firms will have to offer higher wages.
16 So both taxes are going to have effects
17 on jobs.

18 The question is how does
19 Philadelphia stack up in a competitive
20 sense with the suburbs in particular and
21 more generally with the major cities in
22 the U.S., and that's what Figures 1
23 through 4 will provide you with some
24 evidence on. This is work that I have
25 been doing for the City over the past

1 1/28/15 - FINANCE - BILL 140081

2 many years in comparing the overall tax
3 burden of a Philadelphia resident to
4 those located in the major four
5 surrounding suburban counties. The taxes
6 that are considered are the wage tax, the
7 property tax, and the sales tax. What we
8 do is, we calculate the overall burden on
9 a typical median-income household, and
10 that's what you'll see in Figure No. 1.
11 That median-income household living in
12 Philadelphia and working in
13 Philadelphia -- so this is a resident
14 versus a resident comparison -- is about
15 15.7 percent. It seems high, but it
16 includes all the taxes. Not the state
17 tax but just the Philadelphia taxes.

18 The average suburban burden is
19 closer to 9 to 10 percent. That gap on
20 the order of 5 to 6 percent works out to
21 be about \$3,000 a year as a difference in
22 tax payment. So what one has to have is
23 a benefit to compensate for that of at
24 least \$3,000, otherwise we're going to be
25 facing competitive pressure from the

1 1/28/15 - FINANCE - BILL 140081

2 suburbs.

3 The second page indicates --
4 Figure 2 is the same comparison for the
5 family who has now moved to the suburbs,
6 but has chosen to keep their job within
7 the City. So what we've done is, we've
8 raised all the suburban tax rates by the
9 commuter tax. It's the commuter tax less
10 if they live in a suburb that has its own
11 residential tax. Then they're credited
12 for their Philadelphia tax in that regard
13 and the differences in the sales tax, and
14 here the gap is on the order of 3
15 percent, again, on that median household
16 income of only \$50,000. That's about
17 \$1,500 a year. And if you factor in, as
18 was mentioned by the previous speaker,
19 the commuter cost, that's another not
20 inconsiderable sum of funds, probably on
21 the order of \$4,000 a year. The sum of
22 those two, the tax differential and
23 commuter cost, can see why a family that
24 is living in the suburbs and working in
25 the City, why that employee might find it

1 1/28/15 - FINANCE - BILL 140081

2 very attractive to move to a suburban job
3 alternative, and indeed as was mentioned,
4 that's what Conshohocken now provides.

5 Figure 3 does the same
6 comparison for businesses, and what we've
7 been doing through the years so that
8 things are comparable is working with a
9 small business. This is a business with
10 about \$4 million in sales, and what we do
11 is, we calculate the impact of the
12 property tax, the gross receipts, the
13 profits tax. We include the state tax in
14 these calculations, because firms can
15 deduct their local taxes against their
16 state income tax. And, again, you see
17 that Philadelphia firms now are paying
18 approximately 17 percent on their profits
19 in this case of our hypothetical firm of
20 about \$350,000 in profits. The
21 differential is 4 percent. Four percent
22 times three hundred and some fifty
23 thousand dollars in profits ends up to be
24 about \$13,000 to \$14,000 a year. It may
25 not seem like much, yet if one were to do

1 1/28/15 - FINANCE - BILL 140081

2 what economists like to do, which is to
3 capitalize that back into the value of
4 the stock price or the value of the firm,
5 it turns out to be about \$260,000. So
6 this is a big impact on the overall value
7 of small Philadelphia firms.

8 Figure 4 takes advantage of
9 work that's been done in Washington, DC.
10 Comparing the 50 largest cities --
11 Pittsburgh is not in this comparison
12 because Philadelphia will be
13 Pennsylvania's largest city -- the 50
14 largest cities in the country as a whole
15 by income classes, 25, 50, 75, 100, and
16 150, and the bottom line in this
17 comparison is, Philadelphia is the second
18 highest taxed city for residents of all
19 cities in America. Only Birmingham for
20 the \$25,000 family -- by the way, they're
21 in bankruptcy. Only Birmingham is ranked
22 higher than Philadelphia. For the
23 average median-income family, Newark and
24 Bridgeport are the only two cities ranked
25 higher than Philadelphia, and then for

1 1/28/15 - FINANCE - BILL 140081

2 the higher income families, only
3 Bridgeport is ranked higher. Bridgeport,
4 Connecticut, as you know, is a city that
5 was flirting with bankruptcy itself.

6 The bottom line is, on all
7 those comparisons, Philadelphia is a
8 tax-expensive location, and the
9 implication is what does that mean for
10 overall location of economic activity. I
11 won't hit you with all the details,
12 except to summarize and perhaps answer
13 the questions that Councilman Goode put
14 to Mr. Dubow as to the impact of these
15 taxes on the City.

16 Exhibit No. 1 shows you the
17 impact of the property tax. What we're
18 looking at here, all these little stars
19 are things that are statistically
20 significant in the data. What we do is,
21 we've looked at Philadelphia alone in
22 these comparisons. We're not lumping
23 Philadelphia in with other cities, but
24 Philadelphia by itself from 1970 to 2012
25 is the data for these comparisons. We're

1 1/28/15 - FINANCE - BILL 140081

2 looking at the change in the real value
3 of City property values, and the bottom
4 line from this table is, we're not
5 significantly impacted -- home values are
6 not significantly impacted by
7 unemployment rate changes. We actually
8 are holding our own, where real value of
9 property is pretty much constant over
10 time, except when there is increases in
11 the property tax rate, which you see that
12 significant negative effect.

13 In that last column, the last
14 little starred item down below says that
15 if you were to have a 1 percent increase
16 in the property tax rate -- and no one is
17 proposing that, but it's used as an
18 example -- the bottom line would be about
19 a \$6,300 fall in home values from a mean
20 value of about \$31,000 per family, about
21 \$125,000 family home, to \$24,000. That's
22 a sizable loss in property value from the
23 effect of the property tax increase.

24 Exhibit No. 2 will do the same
25 thing with respect to the gross receipts

1 1/28/15 - FINANCE - BILL 140081

2 tax. And, again, what you'll see here
3 from our analysis, here the unemployment
4 rate is very big and significant in the
5 value of the property base. Our latest
6 struggle with the recession as that first
7 little starred item indicates, the
8 unemployment rate -- national
9 unemployment rate, by the way -- went
10 from 4.6 to 9.6. It basically cost the
11 City about 10 percent of its business
12 activity, about \$5 billion on an overall
13 base of about \$66 billion. So we're very
14 sensitive to swings in the national
15 economy. Happily, I think we're in the
16 process of returning back to where we had
17 been in 2007.

18 The analysis here then looks at
19 the impact of the gross receipts tax
20 rate, and, again, we find a statistically
21 significant and quantitatively important
22 impact on base. And I can take you
23 through the details, but won't hold you
24 at the moment to that.

25 The last Exhibit-3 is the

1 1/28/15 - FINANCE - BILL 140081

2 effect of the wage tax on jobs, and this
3 would be perhaps a chance to answer
4 Councilman Goode's specific question.
5 What we do in this analysis -- and
6 there's a particular reason for doing
7 it -- we put together the gross
8 receipts -- I'm sorry; the resident and
9 the non-resident wage tax are combined
10 here. The reason is, the taxes move
11 together for so many years, it's hard to
12 separate out their separated effects.

13 But the bottom line from this
14 is, again, you'll see a significant and
15 negative impact of increases on the wage
16 tax base on Philadelphia's share of
17 national jobs. Our share of national
18 jobs went from about 1.5 percent when we
19 began this study in the late -- with data
20 from the 1970's to now we're about
21 one-half of 1 percent of national jobs.
22 So we're losing against the national
23 economy in the aggregate.

24 The bottom line, Councilman, is
25 that the proposed cuts from 1996 and

1 1/28/15 - FINANCE - BILL 140081

2 onward have basically, as Mr. Dubow
3 implied, have basically offset the
4 secular decline in jobs. So we've been
5 able to hold our own on jobs largely
6 because of the reductions in the wage tax
7 rate.

8 So the evidence for
9 Philadelphia is that these taxes really
10 do matter and that they can have
11 significant effect. I was fortunate
12 enough to be part of the Mayor's 2009 Tax
13 Force on Tax Policy and Competitiveness
14 where the Commission made some very
15 specific recommendations, and I'll just
16 basically highlight two of our
17 recommendations, what we called Reform
18 No. 1 and Reform No. 2.

19 Reform No. 1 lowered the
20 resident and non-resident wage tax on the
21 order of roughly the magnitude of
22 Councilman Oh's proposal with respect to
23 the resident wage tax. It also lowered
24 the gross receipts tax, which is, of
25 course, going to improve business

1 1/28/15 - FINANCE - BILL 140081

2 activity and job opportunities. It paid
3 for these tax reductions in two ways. We
4 raised the property tax rate, but allowed
5 for a homestead exemption, which eased
6 the burden on families. So it is, I
7 think, to the proposal offered by
8 Councilman Goode or suggested by
9 Councilman Goode comparable in lowering
10 the wage, gross receipts rates, and
11 raising the commercial rate. That's part
12 of the proposal that was offered.

13 Reform No. 2 does the same, but
14 with a bit more aggressive stance on the
15 rate reductions. And Reform No. 3 is the
16 most regressive -- I'm sorry; aggressive
17 position.

18 Reforms 2 and 3, we did not
19 raise the property tax rate by --
20 balanced the budget totally through the
21 property tax rate. We did it by looking
22 for something on the order of a \$200
23 million savings in the \$4 billion budget.
24 And so, again, that's not different from
25 where I think Mr. Dubow's concerns about

1 1/28/15 - FINANCE - BILL 140081

2 the \$115 million hole. This proposal
3 would factor that in and would pay for --
4 help pay for the tax reductions through
5 savings reductions.

6 The bottom line you'll see in
7 those various projections, the short
8 story is that two good things happen and
9 one pretty good thing happens. Jobs go
10 up with Reform Proposals 1 and 2 against
11 what the trend would be. So we're
12 fighting a negative trend in all cases,
13 losing jobs over time. But the proposal
14 that Councilman Oh has put together as
15 part of this Reform Package No. 1 would
16 help stem the loss of jobs.

17 The gain in jobs gains us
18 population. Roughly every job adds about
19 2.5 people to the City's -- to the
20 overall population. So it's a way of
21 stabilizing the City's population.

22 And then we pay for these
23 proposals with an increase in the
24 property tax rate, again, mentioning the
25 homestead exemption for households. And

1 1/28/15 - FINANCE - BILL 140081

2 what you'll see in the last graph, market
3 value graph, is that home values are
4 still going up, but they won't go up as
5 much as if there had been no tax rate
6 increase.

7 So the bottom line is for me a
8 well-structured tax reform proposal --
9 and I would argue that such a proposal
10 would move tax burdens off of mobile tax
11 bases; that is, jobs and businesses which
12 can leave very easily, and on to immobile
13 bases, which would typically be property.
14 That kind of a tax proposal I think has
15 real advantages for the long-run
16 competitive position of the City, and my
17 analysis suggests that jobs population
18 will definitely be increased and ideally
19 not -- from the Commission's proposals,
20 not a big negative impact on home values.

21 Thank you very much.

22 COUNCILWOMAN TASCO: Thank you
23 very much for your testimony. I
24 appreciate it very much.

25 Any questions?

1 1/28/15 - FINANCE - BILL 140081

2 Councilman Goode.

3 COUNCILMAN GOODE: Thank you,
4 Madam Chair.

5 Good morning, Professor.

6 PROFESSOR INMAN: Good morning.

7 COUNCILMAN GOODE: Is it fair
8 to say that the Administration's strategy
9 within the Five Year Plan does move away
10 from mobile taxes?

11 PROFESSOR INMAN: Yes.
12 Absolutely.

13 COUNCILMAN GOODE: And in your
14 testimony and analysis today, were you
15 testifying specifically on this bill or
16 were you testifying on a broader tax
17 reform strategy?

18 PROFESSOR INMAN: A broader
19 strategy. I have not done the detailed
20 analysis of this particular bill.

21 COUNCILMAN GOODE: That's the
22 next question. Did you actually analyze
23 this particular bill?

24 PROFESSOR INMAN: No, I have
25 not.

1 1/28/15 - FINANCE - BILL 140081

2 COUNCILMAN GOODE: So you don't
3 know how many jobs would be saved from
4 this particular bill?

5 PROFESSOR INMAN: No. I
6 could -- you could do a
7 back-of-the-envelope calculation from
8 this bill by going to that Exhibit No. 3,
9 calculate what the fall in the wage tax
10 rate would be, and then you could
11 calculate the actual job gain from that.
12 And if that were something that you were
13 interested in, it would not be difficult
14 to do.

15 COUNCILMAN GOODE: But most of
16 your analysis has dealt with
17 comprehensive tax reform and reform the
18 total tax structure. So it includes
19 looking at property, business, and wage
20 tax at the same time. Is that not
21 correct?

22 PROFESSOR INMAN: Yes. It was
23 a combined package, and the important
24 objective when analyzing the package was
25 to be sure it was part of a balanced

1 1/28/15 - FINANCE - BILL 140081

2 budget.

3 COUNCILMAN GOODE: Thank you.

4 Thank you, Madam Chair.

5 COUNCILWOMAN TASC0: Any other

6 questions?

7 (No response.)

8 COUNCILWOMAN TASC0: Thank you

9 for your testimony. As you made your
10 presentation, I made some notes, and
11 since I've been around a long time, I
12 have some history in this City of dealing
13 with the -- not directly involved in City
14 government, but as a staffer at the Urban
15 Affairs Coalition, the Urban Coalition at
16 that time with Charlie Bowser. And I
17 remember back in those days when -- and
18 this is no negative comment about this
19 chamber, but it's a fact, that the
20 Philadelphia Chamber being a regional
21 chamber, Greater Philadelphia Chamber,
22 was encouraging people to move to the
23 Great Valley. So we began to lose
24 businesses, and then, of course, the
25 growth of the suburban area with the

1 1/28/15 - FINANCE - BILL 140081

2 companies opening in the suburban areas,
3 we lost a lot of population and people of
4 certain income levels. And at the other
5 point, there was a political decision to
6 raise the wage tax in the '70s to satisfy
7 a commitment to a labor union.

8 So there's some history here
9 about how we got where we are, and I
10 think -- I had to bring it up, though.
11 So we have a city here with -- and I
12 agree, we do need to lower the wage tax.
13 I think the taxes should be lowered, and
14 this Council has done -- not just this
15 Council, the Council before under
16 Councilman Street -- really tried very
17 hard to find a way to make Philadelphia
18 attractive for businesses to come to the
19 City, and also the decisions by the
20 Council to give certain benefits to
21 entice residents to move in the City came
22 as a result of the action of City
23 Council. There seems to be some action,
24 some thought that we've not done too much
25 to encourage the City, the development of

1 1/28/15 - FINANCE - BILL 140081

2 Philadelphia. But going back to that
3 history and looking at how companies left
4 this city and then, of course, the
5 manufacturing went to the south and then
6 to China and India. So we have a whole
7 history of how we got here, but that
8 doesn't give us an excuse for not trying
9 to make it better. And so I just wanted
10 to throw that out there so that we
11 can't -- we don't want to -- we're here
12 where we are because of past actions by
13 politicians and some business decisions.

14 PROFESSOR INMAN: Madam

15 Chairman, I would add only one little
16 thing to your story, which is
17 certainly -- looking at the data, your
18 story is in the numbers unequivocally.
19 The only thing I would add is, over the
20 years that I've been doing this work,
21 people said, Well, little changes don't
22 make a difference. And the bottom line
23 is little changes add up to make a
24 significant difference, and I absolutely
25 applaud the track record of the Council

1 1/28/15 - FINANCE - BILL 140081
2 from the mid '90s onward. It clearly has
3 made a significant difference to the
4 economy of the City of Philadelphia.

5 COUNCILWOMAN TASCO: Thank you
6 very much, but you would have some belief
7 that we're worthless. Thank you. I
8 appreciate your information.

9 Next now we have Mr. Paul Levy,
10 Mr. Steven Bradley, and Mr. Jerry
11 Sweeney. Where are the women?

12 (Witnesses approached witness
13 table.)

14 COUNCILWOMAN TASCO: Good
15 morning.

16 MR. LEVY: Good morning,
17 Councilwoman Tasco. My name is Paul Levy
18 with the Center City District. I'm
19 joined by Jerry Sweeney and Steve
20 Bradley. We've coordinated on this
21 testimony and would be prepared to
22 deliver it at this point. I have
23 additional copies if you need additional
24 copies. Thank you very much.

25 COUNCILWOMAN TASCO: You

1 1/28/15 - FINANCE - BILL 140081

2 submitted copies prior?

3 MR. LEVY: Yeah, we did. We
4 have some additional, same testimony.

5 COUNCILWOMAN TASCO: Thank you
6 very much.

7 MR. LEVY: We're pleased to
8 testify in favor of Bill 140081 and the
9 restoration of a more aggressive phased
10 schedule of wage tax reduction, but the
11 City probably can't afford to implement
12 these reductions unless they are part of
13 a comprehensive plan of tax restructuring
14 that enables Council to sustain needed
15 City services and programs while
16 simultaneously putting us on a path of
17 more robust job growth.

18 Philadelphia, as we all know,
19 faces three major challenges - poverty,
20 unemployment, and insufficient funds for
21 our schools.

22 Despite all the recent positive
23 developments, we have the third highest
24 poverty rate among major U.S. cities,
25 behind only Detroit and Memphis. From

1 1/28/15 - FINANCE - BILL 140081

2 1990 to 2013, the poverty rate in
3 Philadelphia increased from 20 to 27
4 percent, growing at two times the
5 national rate. We have a larger
6 percentage of people in poverty than in
7 Boston, New York, Washington or
8 Baltimore.

9 Between 1990 and 2013,
10 Philadelphia's unemployment rate
11 increased from 6.3 percent to 10 percent
12 while the national rate only rose from
13 5.6 to 7.4. And as you well know, we
14 spend far less per student on education
15 than most of our suburban neighbors.

16 Part of this has to do with the
17 state funding formula, but as the recent
18 Pew study, which the bar chart I've
19 reproduced in my testimony shows, the low
20 assessed value of our real estate
21 provides insufficient funds for our
22 schools.

23 These three challenges -
24 poverty, unemployment, and insufficient
25 funds for our schools - are profoundly

1 1/28/15 - FINANCE - BILL 140081

2 influenced by job loss.

3 On the front page of our
4 testimony, there are three very
5 disturbing charts. The first one shows
6 that Philadelphia has 23 percent fewer
7 jobs than in 1970. That's a loss of over
8 245,000 jobs. Since 92 percent of the
9 General Fund revenues come here in this
10 Council from local, not state or federal
11 sources, it's very hard for you to fund
12 adequate services on that declining job
13 base.

14 But this is what the second
15 chart says so profoundly. Job decline is
16 not the fate of old cities any longer.
17 We do look unfortunately like Detroit in
18 terms of the percentage of their jobs
19 that they lost, but our neighbors -
20 Boston, New York, and Washington - have
21 grown 22, 23, and 26 percent more jobs
22 since 1970. All of them lost the same
23 percentage of manufacturing jobs that we
24 did. They have just done a better job of
25 growing more jobs and new jobs.

1 1/28/15 - FINANCE - BILL 140081

2 Now, many things caused that
3 job loss, but as you just heard from Bob
4 Inman, tax structure looms large in that.
5 We share with Detroit the extraordinary
6 high dependence on a wage tax, making us
7 among the largest cities the highest wage
8 tax for those people who earn less than
9 100,000. We put a premium on businesses
10 within the City.

11 Now, Philadelphia is outpacing
12 lots of peer cities with a growing cadre
13 of self-employed individuals, but because
14 those individuals are trying to sell
15 services into a contracting economy, the
16 number of sole proprietors and African
17 American firms that has succeeded enough
18 to take on employees lags behind other
19 peer cities.

20 Now, this Council has
21 recognized the benefit of creating more
22 competitive and equitable tax structure.
23 Since 1997, you have approved wage tax
24 reductions that have brought us from 4.96
25 to 3.92. You have approved changes to

1 1/28/15 - FINANCE - BILL 140081

2 the business income and receipt tax
3 specifically to support job growth by
4 including exemptions for investment and
5 information technology firms and most
6 recently for small businesses. You
7 reduced taxes to grow jobs. You've
8 approved several Keystone Opportunity
9 Improvement Zones, all with the stated
10 goal of creating a climate for more job
11 growth. This Council did the heavy
12 lifting to analyze and improve a rational
13 and equitable plan for real estate taxes
14 through the Actual Value Initiative.

15 All of these are components of
16 the comprehensive plan that was
17 recommended by both the 2003 and 2009 tax
18 commission.

19 Today, 66 percent of municipal
20 tax revenue is derived by taxing highly
21 mobile things, wages and business
22 revenues, and that is driving business
23 and people out of the City. That growth
24 has constrained minority and
25 disadvantaged firms from growing, because

1 1/28/15 - FINANCE - BILL 140081

2 it's quite difficult for a disadvantaged
3 business or a startup manufacturer to
4 grow in a contracting economy with
5 minimal opportunity. Our peer cities
6 have done much better in African American
7 business formation.

8 So Council has approved small
9 steps, reducing the burden on some
10 businesses and in some places, but needs
11 to put all the pieces together into a
12 uniform comprehensive citywide plan.

13 Now, as you heard from previous
14 testimony, the primary reason that a more
15 comprehensive plan has not been adopted
16 is a very realistic concern that a gap
17 will open in the City budget between the
18 time when cuts are made in wage and BIRT
19 and we get the resulting growth in real
20 estate tax. So as we've looked at this,
21 we see four alternatives, some of which
22 you have looked at, all of which would
23 help us achieve those goals of the Tax
24 Reform Commission of getting the wage tax
25 below 3 percent and dramatically reducing

1 1/28/15 - FINANCE - BILL 140081

2 the business income and receipt tax.

3 Option 1 is find a way to cut
4 about 5 percent from the City's budget so
5 municipal government needs less revenues.
6 In a city with huge social needs and
7 county functions like courts and prisons,
8 that seems unlikely.

9 Option 2, reduce the City's
10 need for taxes by selling a large public
11 asset to pay down pension liabilities
12 which are eating our municipal budget.
13 Council knows well the challenges of that
14 path.

15 Three, raise the real estate
16 millage rate for all real estate taxes
17 throughout the City from 1.34 to 1.54 and
18 use those revenues to achieve both wage
19 and BIRT reduction and more funds for the
20 schools. Obviously having lived through
21 AVI, you know the challenges of trying to
22 increase residential real estate tax.

23 And that leads us to a
24 consideration of Option 4. Create a path
25 at the state level that allows the real

1 1/28/15 - FINANCE - BILL 140081

2 estate tax rate on business and
3 commercial property, but not on
4 homeowners, to go from 1.34 to 1.54.
5 That alone will cover the cost of the
6 wage tax reduction that is in this bill,
7 plus enable us to cut in half the net
8 income portion of the business income and
9 receipt tax.

10 Most importantly, we believe
11 based on multiple analyses that it will
12 not open any gap in the City budget, and
13 instead of being flat on jobs, it will
14 give us an ability to grow 40,000 to
15 50,000 jobs.

16 The three of us up here have
17 been working with many others and would
18 be eager to discuss with Council how we
19 achieve any one of these four options.

20 Thank you very much.

21 COUNCILWOMAN TASC0: Thank you
22 very much for your testimony.

23 Any comments or questions?

24 Councilwoman Brown.

25 COUNCILWOMAN BROWN: Good

1 1/28/15 - FINANCE - BILL 140081

2 morning. I'm struck by --

3 MR. LEVY: You're Councilman
4 Kenyatta Johnson based on where you're
5 sitting right now.

6 COUNCILWOMAN TASCO: We don't
7 know. We just come in and sit down.

8 MR. LEVY: Sorry.

9 COUNCILWOMAN BROWN: Thank you
10 for that alert. Good morning.

11 MR. LEVY: Good morning.

12 COUNCILWOMAN BROWN: And thank
13 you always for testimony that is backed
14 up by data and research, which I
15 appreciate.

16 I'm struck by your observation
17 on Page 2 -- maybe it wasn't Page 2. No.
18 It was actually only Page 3 and Bullet
19 No. 4 wherein you say expand the real
20 estate tax base for the schools. And so
21 with that as a backdrop, briefly can you
22 speak to the value or not of PILOTs and,
23 given what you know about PILOTs, where
24 and what or should Philadelphia do better
25 when it comes to this entire payment in

1 1/28/15 - FINANCE - BILL 140081

2 lieu of taxes effort?

3 MR. LEVY: I'd be glad to
4 address that. Before doing that, I just
5 want to indicate that most of the data
6 and most of the research indicates that
7 if you lower the wage tax and you lower
8 BIRT, you will have more businesses stay
9 in the City and grow in the City. That
10 will have the effect of increasing the
11 demand for commercial real estate. So we
12 believe that this plan will drive up the
13 demand and, therefore, rents. We always
14 talk about affordable rents in office
15 buildings. Jerry can address that, but
16 that's actually a sign of weak demand.
17 So we think this plan of lowering wage
18 and BIRT will see dramatically increasing
19 rents in commercial office buildings that
20 people will gladly pay for because those
21 other costs will be out of the way.
22 Small businesses will grow. So the real
23 estate tax base grows, benefiting both
24 the City as well as the School District.
25 I mean, I am not the expert on

1 1/28/15 - FINANCE - BILL 140081

2 PILOTs. I obviously know that many of
3 our academic institutions make
4 significant contributions. Clearly, I
5 will say this, that those organizations
6 that are tax exempt are the ones that are
7 growing fastest in the City. That should
8 tell us something.

9 I should say that if you look
10 at wage employees in the City, we are
11 actually down 2 percent. The sole growth
12 in employment we have had in this city is
13 among sole proprietors, who are exempt
14 from the wage tax. So our only growth
15 has come in the areas where we lowered
16 the barrier of taxes.

17 COUNCILWOMAN BROWN: I'll push
18 the pause button and reflect on that
19 answer. Thank you very much.

20 Thank you, Madam Chairwoman.

21 COUNCILWOMAN TASCO: I really
22 appreciate your thoughtful testimony and
23 appreciate your coming in.

24 The other gentleman, are you
25 going to testify? Would you identify

1 1/28/15 - FINANCE - BILL 140081

2 yourself for the record, please.

3 MR. BRADLEY: Good morning.

4 I'm Steven Scott Bradley, Chairman of the
5 African American Chamber of Commerce. As
6 Chair of the African American Chamber of
7 Commerce of Pennsylvania, New Jersey, and
8 Delaware, I've always focused our energy
9 on issues that will improve the City's
10 economy and create opportunities for
11 small and minority businesses in our
12 community to grow and create jobs.

13 That is why I'm here today to
14 testify jointly in support of this bill
15 that Paul explained a lot of the issues.
16 And I think an accelerated reduction in
17 the City's wage tax and net income
18 portion of the business income and
19 receipts tax, coupled with an increase in
20 the real estate tax on commercial
21 property, will be beneficial for the
22 region.

23 Philadelphia's high business
24 and personal income tax continue to be
25 impediments to small businesses trying to

1 1/28/15 - FINANCE - BILL 140081

2 grow and hire employees. This is of
3 particular concern for the African
4 American business community.

5 I believe that job creation is
6 the single most important goal that our
7 city should be striving towards. As more
8 people gain employment, other positive
9 results will naturally follow.

10 This bill being discussed today
11 is a good start towards creating a better
12 business community that we need that Paul
13 proposed in order to achieve real growth
14 and opportunities for the region, and I'm
15 here to lend my support.

16 COUNCILWOMAN TASCO: Thank you
17 very much.

18 Would you identify yourself,
19 please.

20 MR. SWEENEY: Good morning,
21 Madam Chairwoman. My name is Jerry
22 Sweeney. I'm President and Chief
23 Executive Officer of Brandywine Realty
24 Trust. Brandywine Realty Trust is a
25 publicly held real estate company with

1 1/28/15 - FINANCE - BILL 140081

2 significant holdings in Philadelphia. We
3 own and operate properties from the
4 Delaware Riverfront to Center City
5 Philadelphia to University City. We
6 currently have two projects under
7 construction in the City and have made an
8 investment of over \$2 billion in the
9 City's future. I'm here today to testify
10 in favor of Bill 140081 as a signal that
11 the City is open for business and wants
12 to expand its workforce.

13 As you heard from Paul and
14 Steven, the City, while having many
15 tremendous successes over the last decade
16 like population increase, growth in our
17 20- to 34-year-old population base, and a
18 solid employment base of educational and
19 medical anchor institutions, we are still
20 a city that needs to demonstrate a
21 continuing ability to grow our employment
22 base. This bill should be part of an
23 overall comprehensive tax reform strategy
24 that will enable the City to achieve the
25 greatness we all know that it can.

1 1/28/15 - FINANCE - BILL 140081

2 We are, however, standing in an
3 inflection point, but we do have the
4 opportunity, if we're smart, to position
5 Philadelphia for accelerated growth and
6 to take advantage of national demographic
7 trends. This bill should be part of an
8 overall legislative agenda to establish a
9 strategic goal around which all other
10 public policy tactics revolve and send a
11 clear message to both the neighborhoods
12 and the business community that
13 Philadelphia is ready to grow.

14 I am a member of the group of
15 business, labor, and civic organizations
16 who believe that the unifying goal to
17 drive all public policy in the City of
18 Philadelphia is creating jobs. Our
19 overriding objective is that Philadelphia
20 should be a top five job creator in the
21 United States. To change our trajectory
22 of 40 years of decline, we need focus, we
23 need discipline, and we need to change
24 our tax structure and we need to believe
25 that we can be successful.

1 1/28/15 - FINANCE - BILL 140081

2 As a city, we still suffer from
3 the burden of declining revenues,
4 unfunded pensions, anemic job growth,
5 undervalued real estate, and relatively
6 high unemployment.

7 Under some of the approaches
8 being considered, for the first time
9 business and commercial real estate
10 owners are proposing to pay more in real
11 estate taxes to create a dedicated
12 funding source that over ten years will
13 reduce the wage tax below 3 percent and
14 the net income, BIRT, by 50 percent.
15 Everybody in Philadelphia works benefits
16 and businesses get a green light to grow.

17 As Paul mentioned, our plan
18 could generate substantial job growth
19 over the next ten years, and our plan is
20 immediately revenue neutral to positive
21 for the City; therefore, no budget gap.

22 The City, as you all well know,
23 is at an exciting crossroads. So much
24 has been done. So much has been
25 accomplished, and we truly have a

1 1/28/15 - FINANCE - BILL 140081

2 platform for great success, but the ways
3 of the past won't ensure our future.
4 Growing jobs will enable us to reduce
5 unemployment, reverse poverty trend
6 lines, invest in infrastructure, and
7 begin implementing effective public
8 policy to ensure that our neighborhoods
9 directly benefit from the citywide
10 resurgence. We simply need to choose to
11 do that, and by proposing to pay for some
12 of these changes and making it revenue
13 neutral, the business and real estate
14 communities have already voted they
15 believe in our success.

16 So thank you very much.

17 COUNCILWOMAN TASCO: Thank you
18 very much.

19 Do I understand that you are
20 asking us to pass this bill today? I
21 thought maybe what I heard was that we
22 needed to have a comprehensive plan as
23 you outlined in your testimony, Paul.

24 MR. LEVY: I think it is the
25 latter. I think what Jerry was saying is

1 1/28/15 - FINANCE - BILL 140081

2 that this sends a signal, support for
3 this type of approach of lowering taxes,
4 but we believe it can't be done unless
5 it's part of a comprehensive plan.

6 COUNCILWOMAN TASCO: I think so
7 too.

8 Thank you very much.

9 Any other questions or
10 comments?

11 Councilman Goode.

12 COUNCILMAN GOODE: I'll defer
13 to Councilwoman Brown first.

14 COUNCILWOMAN TASCO:
15 Councilwoman Brown.

16 COUNCILWOMAN BROWN: So in this
17 forum, assumptions are always taboo. So
18 does your testimony reflect the sentiment
19 of the Greater Philadelphia Chamber of
20 Commerce as well?

21 MR. LEVY: I think the Chamber
22 is here today. They can speak for
23 themselves. We are in a conversation, a
24 dialogue. I think everyone needs to
25 analyze this proposal. We don't think

1 1/28/15 - FINANCE - BILL 140081
2 anybody should just say let's do it.
3 This requires careful thought and
4 analysis, but we want to put it on the
5 table, because having spent a great deal
6 of time talking to you and others, we
7 need to find a path. We think this is a
8 very interesting but, I should say,
9 difficult path to achieve.

10 COUNCILWOMAN BROWN: So to
11 underscore the remarks of the Chairwoman,
12 the record should always reflect that
13 members of this legislative body agree
14 fundamentally, philosophically that we
15 need to move in that direction. The
16 greater challenge is always how we do
17 that in a way that we hold all the
18 factors harmless. And I don't know that
19 that's possible because we've never
20 attempted it before, but the notion that
21 there are members of this body, A, who
22 philosophically don't get it is false,
23 and we're prepared to work in a very
24 deliberative, intentional strategic way
25 to get to where we all want to be.

1 1/28/15 - FINANCE - BILL 140081

2 Thank you very much.

3 COUNCILWOMAN TASCO: Councilman
4 Goode.

5 COUNCILMAN GOODE: Thank you,
6 Madam Chair.

7 Thank you for your testimony.
8 Your testimony is very consistent with
9 the recommendations that I pushed through
10 the Jobs Commission and the conversations
11 that I've had both with Mr. Levy and
12 Mr. Bradley. So I just thank you for
13 coming around to my way of thinking.

14 MR. LEVY: We're just slow
15 learners.

16 COUNCILWOMAN TASCO: Well, the
17 other part to this is trying to, your
18 fourth point, creating a path to the
19 state, because they play a major role.
20 So that is something that should begin.

21 I don't know who is going to be
22 the moving party on this, whether it's
23 the Mayor, and I think he has his whole
24 Tax Commission to begin to think about
25 how we move forward to address the whole

1 1/28/15 - FINANCE - BILL 140081

2 issue of our whole tax structure, and the
3 state will be crucial. I was just asking
4 Councilman Greenlee could we have a
5 lottery just for Philadelphia. He said
6 no. Because I'm concerned about as we
7 move to the real estate tax, you have a
8 lot of seniors who are people who have
9 been in their homes a long time and
10 probably could not afford a huge tax
11 increase. So we want to be mindful of
12 that. But I think you have made some
13 good points, and I believe this Council
14 will work with you and other parties to
15 move in the direction so that we can make
16 Philadelphia a more attractive city.

17 MR. LEVY: We'd welcome that
18 opportunity. Just to underscore what you
19 said, this would be -- we're at a very
20 interesting time in the City, as Jerry
21 said. We're obviously at a potential
22 change in leadership within the City.
23 We've had a change in Harrisburg. This
24 will require a partnership with the state
25 to achieve. We have to do that together.

1 1/28/15 - FINANCE - BILL 140081

2 So comprehensive in not only addressing
3 all the taxes but comprehensive in terms
4 of the city-state plan.

5 MR. SWEENEY: If I might just
6 add on to that, it certainly requires a
7 lot of interaction with the Commonwealth,
8 but I certainly think the seminal point
9 is really the City taking a leadership
10 role on agreeing that this is a good path
11 to go down, that it's a way to really
12 change the messaging to the job growth
13 part of the City, and it's really very
14 important I think for the City to take
15 the leadership role here. I think the
16 Commonwealth certainly is a key
17 stakeholder, but whether it be the
18 Administration or City Council, I think
19 it's now time for the City to make a
20 statement that it's prepared to
21 fundamentally address some of the
22 inequities inherent in its tax structure,
23 whether it be the high cost of the wage
24 tax on lower income folks or the blocking
25 nature of the business tax structure.

1 1/28/15 - FINANCE - BILL 140081

2 There are clearly impediments that have
3 been known for some time and, frankly, we
4 have talked about it for over a
5 generation, and during that period of
6 time, as Paul testified and Dr. Inman
7 testified, other cities have gone far
8 beyond us in terms of their ability to
9 create jobs and transition to a
10 non-manufacturing employment base.

11 So we would certainly look
12 forward to working with members of
13 Council, the Administration, the various
14 chambers to make sure that this platform
15 gets a great level of support from the
16 City that creates a compelling case to
17 the Commonwealth that this is a key
18 strategic goal of the City of
19 Philadelphia, from which the Commonwealth
20 can only benefit.

21 MR. BRADLEY: I just wanted to
22 add one important item, is the Coalition
23 is comprised of small, large, private and
24 public, and labor. So the Coalition
25 represents the demographics of the City,

1 1/28/15 - FINANCE - BILL 140081

2 and I think that's very monumental, the
3 impact that this can have on small
4 businesses. So everybody is working
5 together on one agenda to try to move
6 this forward.

7 COUNCILWOMAN TASCO: I think
8 that's a great idea, and we thank you for
9 your comments, your testimony, your
10 thoughtfulness, and we'll take your
11 advice. Thank you.

12 MR. LEVY: Thank you very much.

13 COUNCILWOMAN TASCO: Councilman
14 Oh.

15 COUNCILMAN OH: Thank you very
16 much, Chairwoman. I just would like to
17 make just a comment as opposed to a
18 question to state that yesterday I was in
19 Harrisburg and I met with Speaker Mike
20 Turzai. This Council had approved a
21 resolution to support 300 taxi medallions
22 and modern things like that. It's not a
23 conflict with Lyft or Uber. But
24 fundamentally the idea was that if there
25 was a buyer -- and we have a buyer -- it

1 1/28/15 - FINANCE - BILL 140081

2 would generate about \$150 million. It's
3 a one-time influx of money for the state.
4 The issue is, would the state create a
5 fund, and from that fund at the basis of
6 approximately 25 million a year the
7 offset of a reduction in wage tax. And
8 it is positive at this point in time,
9 details going forward.

10 This is a \$50 million cut right
11 off the bat, 5 million over ten years
12 following -- the Administration says it
13 is about a \$115 million deficit in the
14 budget over five years, a little higher
15 number, about 40 million to start, and
16 the lowering number, about 23 million per
17 year for the first five years. The
18 reason the number gets smaller is because
19 when we do a cut like this, our bond
20 rating, our interest rates, other things
21 get better and jobs sustained, job growth
22 investment. I also met with Senator
23 Farnese.

24 And so this is a bipartisan
25 effort. One of the things our Council

1 1/28/15 - FINANCE - BILL 140081

2 did was to approve a resolution and a
3 bill -- not approve, but we have
4 forwarded a Charter change on an
5 international investment entity in
6 coordination with the state that would
7 receive overseas dollars.

8 My point isn't that those are
9 perfect solutions. My point is that when
10 we make a positive step forward to
11 enhance our economy -- and, yes, it does
12 involve a reduction of the business
13 taxes -- it does automatically stabilize
14 business, create growth and, as
15 importantly said -- look, a lot of the
16 jobs that are leaving Philadelphia are
17 back-office jobs. Those are jobs that
18 used to be a young lady graduated from
19 high school, could type, was able to get
20 a job in Center City, become a secretary,
21 become a manufacturer, a supervisor, have
22 health insurance. Those jobs are in the
23 suburbs, and that is affecting
24 opportunities in our neighborhoods.

25 The goal of our Administration,

1 1/28/15 - FINANCE - BILL 140081

2 the Mayor's Office, our City Council has
3 been not just to try to increase taxes
4 while we lower taxes, is to aggressively
5 move forward and find new revenues and
6 enhance the capabilities of our private
7 sector, our non-profit sector to increase
8 jobs and other things. This discussion
9 is, I think, critically important, as was
10 said, but I just want to put into place
11 it's \$115 million over five years. I
12 think that's quite doable even within the
13 budget, in addition to which we can take
14 action to increase our revenues in a
15 number of ways.

16 I would point out also, looking
17 at Councilman Henon there and the members
18 of the Manufacturing Task Force,
19 affirmative steps to grow the economy,
20 and I think that has been a critical
21 issue. But if we make this step to
22 reduce this crippling wage tax, we have
23 to match it with the same amount of will
24 and creativity to grow our economy.

25 But I appreciate your testimony

1 1/28/15 - FINANCE - BILL 140081

2 today. Thank you.

3 COUNCILWOMAN TASC0: Thank you
4 very much.

5 MR. LEVY: Thank you.

6 COUNCILWOMAN TASC0: Okay.

7 Moving along, we have Mr. Saul Behar,
8 Mr. Chet Riddick, Mr. Joe Grace, and
9 Mr. Ben Connors.

10 (Witnesses approached witness
11 table.)

12 COUNCILWOMAN TASC0: Good
13 morning.

14 (Good morning.)

15 COUNCILWOMAN TASC0: Who is
16 going first? Would you state your name
17 for the record, please.

18 MR. BEHAR: My name is Saul
19 Behar and I am Vice President and General
20 Counsel of the University City Science
21 Center.

22 Good morning, Madam Chairwoman
23 and members of the Finance Committee. On
24 behalf of our President and CEO, Stephen
25 Tang, my Science Center colleagues, and

1 1/28/15 - FINANCE - BILL 140081

2 our Board of Directors and shareholders,
3 I am honored to address this Committee
4 and I thank you for the opportunity.

5 Today I'd like to express the
6 Science Center's support for wage tax
7 reform. Reducing the wage tax is one
8 very important step we can take to
9 support our city's growing innovation and
10 entrepreneurship ecosystem and to make
11 Philadelphia even more attractive to the
12 technology sector.

13 As the oldest and largest urban
14 research park in the nation, the Science
15 Center has supported innovation and
16 entrepreneurship here in Philadelphia and
17 the surrounding region for more than 50
18 years. We are a 501(c)(3) non-profit
19 corporation owned by 31 of the leading
20 universities, hospitals, and research
21 institutions throughout Pennsylvania, New
22 Jersey, and Delaware, including
23 institutions here in Philadelphia such as
24 the University of Pennsylvania, Drexel
25 University, the Children's Hospital of

1 1/28/15 - FINANCE - BILL 140081

2 Philadelphia, Temple University, Thomas
3 Jefferson University, Philadelphia
4 University, and the University of the
5 Sciences.

6 The Science Center began with
7 one building at the corner of 34th and
8 Market Streets. Today our campus is made
9 up of 16 buildings on 17 acres along the
10 stretch of Market Street from 34th to
11 38th Streets designated as the Avenue of
12 Technology.

13 Last September, we officially
14 opened our 16th building, 3737 Market, at
15 the corner of 38th and Market Streets.
16 3737 Market is home to Penn Medicine
17 University City as well as Spark
18 Therapeutics, a gene therapy startup that
19 spun out of Children's Hospital, and Good
20 Shepherd Penn Partners, which operates
21 the Penn Institute for Rehabilitative
22 Medicine. And opening on the ground
23 floor this winter will be a new Corner
24 Bakery Cafe.

25 Our 17th building, 3601 Market

1 1/28/15 - FINANCE - BILL 140081

2 Street, the first residential project in
3 Science Center history, is nearing
4 completion. When the 28-story apartment
5 tower at the corner of 36th and Market
6 Streets opens this summer with 363
7 apartment units, the Science Center will
8 truly be a place to live, work, and play.

9 At the Science Center, we've
10 been incubating startups since long
11 before the term "business incubation" was
12 coined. Since we opened in 1963, more
13 than 350 companies have gotten their
14 start at the Science Center. The 93 that
15 remain in the region today account for
16 15,000 direct jobs that pay an average
17 annual salary of \$89,000. Nearly half of
18 those companies are located in the City
19 and employ close to 5,000 people.

20 Current Science Center
21 residents include 100 established
22 companies and startups that collectively
23 employ around 8,000 people. These
24 companies are developing solutions for a
25 host of problems, including food

1 1/28/15 - FINANCE - BILL 140081

2 contamination, traumatic brain injury,
3 and Alzheimer's Disease.

4 Changes in the City's tax
5 structure are essential to attract more
6 companies like these in innovative,
7 high-tech fields such as the life
8 sciences and healthcare IT to locate here
9 in Philadelphia.

10 We believe that a gradual
11 increase in the City's tax revenues from
12 property taxes and a corresponding
13 decrease in the City's tax revenues from
14 wage taxes paid by residents and workers
15 in the City as proposed in Councilman
16 Oh's bill will lead to long-term job
17 creation and economic growth.

18 And it is absolutely critical
19 that the City does more to encourage
20 these types of companies to come to
21 Philadelphia and stay in Philadelphia.
22 The high-paying, high-quality jobs that
23 they will bring will have a
24 transformative effect on the City from
25 both an economic and innovation

1 1/28/15 - FINANCE - BILL 140081

2 perspective. Tax reform is an essential
3 element of this strategy.

4 If we don't compete with other
5 cities on taxes, we will certainly fall
6 behind.

7 Consider the area of science
8 and technology. With more than 100
9 colleges, universities, hospitals, and
10 research institutions in the City and
11 surrounding areas, Philadelphia is a true
12 eds and meds powerhouse. Our
13 institutions are world class and rank
14 right up there with Boston and San
15 Francisco. But unlike those cities, we
16 haven't done a good job of using tax
17 policy to help leverage our natural
18 strength in eds and meds.

19 Consequently, unlike Boston and
20 San Francisco, the cutting-edge research
21 being done at our hospitals and
22 universities is not resulting in the
23 formation of pharma, biotech, and medical
24 device companies here in Philadelphia to
25 the same extent as in those other cities.

1 1/28/15 - FINANCE - BILL 140081

2 We also do a great job of
3 attracting research dollars to
4 Philadelphia. Our region ranks
5 relatively high in funding from federal
6 agencies such as the National Institutes
7 of Health and the National Science
8 Foundation, but we don't do such a great
9 job of translating this research into
10 startup companies that grow and prosper.
11 We rank on the lower end of the scale in
12 terms of patents and invention
13 disclosures, around which new companies
14 are formed.

15 We also need to attract more
16 venture capital firms to locate here in
17 Philadelphia. The VC firms that are
18 based here can easily learn about what's
19 happening in our universities and
20 research institutions and will then be
21 more likely to invest more of their
22 dollars in new technologies being
23 developed here, just like Boston VC firms
24 invest in Boston companies and San
25 Francisco and Silicon Valley VC companies

1 1/28/15 - FINANCE - BILL 140081

2 invest in Bay Area companies.

3 As we've seen before, changes
4 in tax policy that are targeted at
5 specific industries or sectors can be
6 useful. For example, in 2011, City
7 Council passed legislation giving startup
8 companies a two-year exemption from the
9 business privilege tax and from other
10 fees associated with licensing and
11 zoning. A year later, in 2012, Council
12 passed legislation that exempted general
13 partners of private equity firms from
14 paying the net profits tax.

15 Soon after this second piece of
16 legislation was passed, First Round
17 Capital, a nationally known VC firm,
18 moved its headquarter from the suburbs to
19 West Philadelphia. First Round Capital's
20 move into the City is proof that tax
21 reform can work as intended.

22 And the City can always do
23 more. Targeted payroll tax credits for
24 industries such as biotech and clean
25 technology, for example.

1 1/28/15 - FINANCE - BILL 140081

2 But the key is that the City
3 and all of us in this room must work
4 together, using tax reform and other
5 tools, to support a true, broad-based
6 innovation economy right here in
7 Philadelphia.

8 Together we can build on our
9 great wealth of colleges, universities,
10 and hospitals to create and bring in more
11 companies and investment firms that will
12 enable us to grow our own version of
13 Kendall Square in Cambridge or Mission
14 Bay in San Francisco.

15 The Science Center believes
16 that structural tax reform, with a
17 gradual shift of the relative tax burden
18 from wage taxes to property taxes, is the
19 right strategy for the City in the long
20 term.

21 It's a virtuous circle. If we
22 can revise the City's tax structure to
23 make the City more attractive to
24 business, then more businesses will come
25 here, which will drive up rents and

1 1/28/15 - FINANCE - BILL 140081

2 property values, which will create more
3 tax revenues for schools and City
4 services, which will lead to more
5 economic growth and prosperity for
6 everyone.

7 Thank you.

8 COUNCILWOMAN TASCO: Thank you
9 very much.

10 Who is going next?

11 MR. RIDDICK: Good morning,
12 Councilwoman Tasco.

13 COUNCILWOMAN TASCO: Good
14 morning.

15 MR. RIDDICK: How are you this
16 morning and the Finance Committee as
17 well? My name is Chester A. Riddick, Jr.
18 I'm the President and CEO of Alpha
19 Enterprise Group, formerly known as Alpha
20 Office Supplies, and it was founded by
21 the great James L. Brown, who is now
22 deceased, some 30 years ago.

23 I am here today to testify
24 regarding Bill No. 140081, which would
25 also amend the wage, earnings, and net

1 1/28/15 - FINANCE - BILL 140081
2 profits tax for residents and
3 non-residents in Philadelphia. In
4 addition, I am truly honored this morning
5 to testify to this Committee on what I
6 believe is a most important and vital
7 change in the wage tax structure from the
8 current rate of 3.92 percent to 3.7070
9 percent. I am also aware that this bill
10 will hold the non-resident portion of the
11 wage tax at a rate of 3.4915.

12 First and foremost, it is
13 important to note that as a business
14 owner who employs and affects the lives
15 of over 240 people, any form of tax
16 reduction is music to the ears of those
17 folks who are struggling to make ends
18 meet within their households. Many times
19 over I listen to my employees who are
20 trying to find a way to take home more of
21 their earnings to pay for basic life
22 necessities such as milk, food, water,
23 bread, and rent. My employees tell me
24 that they are facing increasing costs
25 that is becoming almost unbearable and

1 1/28/15 - FINANCE - BILL 140081

2 they look to some type of relief to help
3 them with their daily everyday lives.

4 The bill proposal sponsored by
5 Councilman Oh seems like a bill that is
6 moving in the right direction. Any
7 reduction in the tax burden on families,
8 individuals, and businesses' net profits
9 is indeed moving in the right direction
10 that will create an economic impact most
11 suited for the Philadelphia region.

12 In my opinion, the bill
13 represents a bold and challenging
14 discussion, not just for this Committee
15 on Finance, but for every resident, every
16 non-resident, local business that pay net
17 profit earnings tax. A decrease in wage
18 tax will most definitely have an economic
19 impact on all Philadelphia workers and
20 businesses.

21 When an employee takes home
22 more of his or her pay, they have more
23 discretionary income to spend in the
24 Philadelphia region. As we all know and
25 are aware, when people have more money at

1 1/28/15 - FINANCE - BILL 140081

2 their disposal, they will spend that
3 revenue for additional goods and services
4 in the Philadelphia region. This will
5 create additional tax revenues from those
6 purchases to more than cover the loss in
7 revenues from a reduction in the proposed
8 wage tax. Again, any tax is a burden to
9 our residents, non-residents, and
10 businesses that remains in this great
11 City of Philadelphia simply because we
12 all have a vested interest for what this
13 great City of Philadelphia represents and
14 means to the GNP of this region and
15 country.

16 Therefore, for all of the
17 aforementioned reasons, I request that
18 this Committee approve and pass Bill No.
19 140081 sponsored by Councilman Oh.
20 Again, it is my pleasure to come before
21 this Finance Committee chaired by the
22 Honorable Marian B. Tasco.

23 Thank you.

24 COUNCILWOMAN TASCO: Thank you
25 very much for your testimony.

1 1/28/15 - FINANCE - BILL 140081

2 Next, Mr. Grace.

3 MR. GRACE: Thank you,
4 Chairwoman.

5 Good morning, Chairwoman Tasco,
6 members of the City Council's Finance
7 Committee, Councilman Oh. I'm Joe Grace,
8 the Director of Public Policy for the
9 Greater Philadelphia Chamber of Commerce.

10 You've heard much testimony
11 this morning, generally in favor of this
12 legislation. I think you'll hear similar
13 testimony from the Chamber of Commerce.

14 At the Greater Philadelphia
15 Chamber of Commerce, we advocate to help
16 our members grow their businesses, create
17 jobs, and compete successfully in our
18 City's marketplace in the City and across
19 the region. We have over 2,000 member
20 businesses here in the City.

21 The City's wage tax, along with
22 the business income and receipts tax that
23 is levied upon both gross receipts and
24 net income, unfortunately help make
25 Philadelphia one of the highest taxed

1 1/28/15 - FINANCE - BILL 140081

2 cities in the country, a ranking that
3 none of us seek to hold on to.

4 Beginning in the Rendell

5 Administration and continuing through the
6 Street Administration and the Nutter
7 Administration, City government has
8 followed a sound policy of small but
9 incremental reductions in the wage tax as
10 an incentive to businesses to remain here
11 and to attract new businesses to our city
12 as well. We wholeheartedly support that
13 policy, and we must commend City Council
14 for following that policy through
15 literally three different mayoral
16 administrations.

17 From its high-water market of
18 4.96 in 1991, the wage tax on City
19 residents has been slowly reduced to its
20 present rate of 3.92, which includes the
21 1.5 percent PICA tax. That is progress.
22 The Chamber places reducing the wage and
23 business privilege tax at the top of its
24 list of highest public policy priorities.

25 Under the proposed tax rate

1 1/28/15 - FINANCE - BILL 140081

2 schedule in this bill, the wage tax on
3 City residents would be reduced further
4 still to 3.59 percent, including the PICA
5 tax, over the next ten City fiscal years.

6 We understand from some of the
7 other testimony this morning that the
8 reduction in wage tax revenues from this
9 tax cut presents significant, real
10 budgetary and fiscal issues which City
11 government must address in managing the
12 budget and delivering essential City
13 services. That was addressed in the
14 earlier testimony from Finance Director
15 Dubow.

16 But we also know, as you heard
17 in earlier testimony from Paul Levy, that
18 Philadelphia has lost several hundred
19 thousand jobs over the last several
20 decades as the City has shed
21 manufacturing jobs, lost population, and
22 transitioned to a more service economy.

23 Three different tax reform
24 commissions studying Philadelphia's tax
25 structure over the past decade have

1 1/28/15 - FINANCE - BILL 140081

2 recommended reductions in the City's wage
3 and business taxes in an effort to keep
4 businesses and jobs here and lure new
5 enterprises and jobs to our city, to
6 reverse that very same jobs and
7 population drain of recent decades.

8 Whether the specific tax reform
9 proposal that the City chooses to follow
10 is the two-tiered property tax approach
11 with wage and business tax reductions
12 that Paul Levy, Jerry Sweeney and others
13 are advocating and which the Chamber of
14 Commerce is carefully considering and
15 which we believe has merit, or this
16 robust approach to further reductions in
17 the wage tax envisioned by Bill 140081,
18 we should all agree on one imperative:
19 Philadelphia needs tax reform. It needs
20 lower wage and business taxes. It needs
21 more businesses here, more jobs created
22 here, and more citizens wanting to call
23 Philadelphia home.

24 And then lastly, Madam
25 Chairwoman, as the Greater Philadelphia

1 1/28/15 - FINANCE - BILL 140081
2 Chamber, we do advocate equally for
3 reductions in the non-resident portion of
4 the City wage tax. Tax reform experts
5 have long noted that reducing the
6 non-resident portion of the wage tax is a
7 very strong incentive to attracting more
8 businesses, workers, and jobs to come
9 into Philadelphia.

10 Thank you for the opportunity
11 to be here this morning and to testify on
12 this important bill concerning our
13 economic future.

14 COUNCILWOMAN TASCO: Thank you
15 very much.

16 Mr. Connors.

17 MR. CONNORS: Good morning,
18 Chairwoman Tasco and members of the
19 Finance Committee. My name is Ben
20 Connors. I am the Director of Government
21 Relations for the General Building
22 Contractors Association. GBCA has a
23 membership of over 350 commercial,
24 industrial, and institutional general
25 contractors, subcontractors, material

1 1/28/15 - FINANCE - BILL 140081
2 suppliers, and construction service firms
3 throughout the greater Philadelphia
4 region.

5 We would like to thank
6 Councilwoman Tasco and the Finance
7 Committee for allowing us to testify
8 today and Councilman Oh for sponsoring
9 this important proposal to encourage
10 business activity and growth in the City.

11 Philadelphia's reliance on the
12 wage and net profits taxes shrinks the
13 labor market within the City and imposes
14 a competitive disadvantage on businesses
15 operating here, as repeated studies have
16 shown, experts have said, and legislation
17 from this body has attempted to address.
18 Unfortunately, the progress towards
19 eliminating that disadvantage has tapered
20 off in recent years, and GBCA strongly
21 believes that now is the time for this
22 vital work to begin again.

23 Councilman Oh's bill would
24 recommit the City to weaning itself from
25 this counterproductive tax by creating a

1 1/28/15 - FINANCE - BILL 140081

2 schedule for a slow but steady reduction
3 in the tax rate over the next decade. By
4 setting a reasonable date for achieving
5 rough parity with the surrounding
6 municipalities, this legislation will
7 provide certainty for businesses planning
8 to grow or maintain a presence in
9 Philadelphia and provide an incentive for
10 businesses that are considering
11 Philadelphia for future business
12 operations.

13 We greatly appreciate the
14 Finance Committee giving consideration to
15 reforming the City's tax structure, which
16 in this instance will make it more
17 attractive to conduct business in
18 Philadelphia. Bill No. 140081 is an
19 important step forward in support of the
20 City's ongoing efforts to increase
21 economic development and job creation.

22 The General Building Contractors
23 Association wholeheartedly supports this
24 initiative and we urge you to issue a
25 favorable report.

1 1/28/15 - FINANCE - BILL 140081

2 Thank you.

3 COUNCILWOMAN TASCO: Thank you
4 very much.

5 I have a question for you,
6 Mr. Grace. In Mr. Levy's testimony, one
7 of his recommendations was to create a
8 path at the state level that allows the
9 real estate rate on business and
10 commercial property but not homeowners to
11 go from 1.34 to 1.54. Have you all had
12 any discussion about that?

13 MR. GRACE: We have had
14 extensive discussions, Madam Chairwoman.
15 We're conducting a technical review of
16 every element of that proposal right now
17 that includes Mr. Levy, Mr. Sweeney.
18 Actually, there are some members of City
19 Council's staff that have participated in
20 those discussions with us, other
21 businesses in the City. We're talking to
22 legislators in Harrisburg, former senior
23 legislative counsel to the state Senate
24 to better understand how could we get
25 this proposal to move forward, because I

1 1/28/15 - FINANCE - BILL 140081

2 don't know if we have time today to go
3 into the technicalities, but because it
4 would amend the Constitution on the
5 Uniformity Clause under the State
6 Constitution, it would have to be
7 approved by two sessions of the
8 Legislature. So consecutive two sessions
9 of Legislature. And then it would have
10 to be submitted to voters as well of the
11 state.

12 So there's any number of
13 serious steps that need to occur. We're
14 looking at it very carefully. We held a
15 lengthy meeting, I think, about two weeks
16 ago with the creators of the plan and
17 some of these other stakeholders that I
18 just mentioned to you. We're continuing
19 that process. As I mentioned in my
20 testimony and I added it to my testimony,
21 we believe that the plan has merit, but
22 we think there's a lot of technical hoops
23 that need to be jumped through in order
24 to make it a reality, and we're working
25 toward that goal now.

1 1/28/15 - FINANCE - BILL 140081

2 COUNCILWOMAN TASCO: Okay.

3 Any other questions?

4 Councilwoman Brown.

5 COUNCILWOMAN BROWN: Good

6 morning, gentlemen. I would be remiss
7 not to first salute Mr. Jim Brown in his
8 absence for having a vision to create a
9 succession plan with Alpha Office Supply
10 that is now Alpha Enterprise Group and to
11 congratulate you for being the bearer of
12 that baton to carry on his vision that's
13 now 30 years old. Congratulations.

14 MR. RIDDICK: Thank you very
15 much.

16 COUNCILWOMAN BROWN: Secondly,
17 in listening and reflecting on both Paul
18 Levy and Mr. Sweeney's testimony in how
19 we proceed, what is the view of this
20 group and, most specifically Joe Grace,
21 in how we as a city, as a Council proceed
22 with regards to the recommendations that
23 were initially put forth by Councilman
24 Goode?

25 MR. GRACE: Councilwoman, I

1 1/28/15 - FINANCE - BILL 140081

2 think -- forgive me. I was following you
3 until the very last moment when you said
4 as it pertained to the provisions put
5 forward by Councilman Goode. I had you
6 until the last moment. Forgive me.

7 COUNCILWOMAN BROWN: No problem
8 at all. Councilman Goode stipulated in
9 his final remarks that the four wage tax
10 reduction recommendations, that he was a
11 part of that commission and in many ways
12 these reflect his thinking that we're now
13 discussing here today. So with that
14 said, what is the view and the "how" we
15 should proceed?

16 MR. GRACE: So now I understand
17 your question. Thank you. So with
18 regard to the Jobs Commission, which is
19 what I think Councilman Goode was
20 referring to, we supported wholeheartedly
21 the conclusions and recommendations of
22 the Jobs Commission. So that's point
23 number one.

24 Point No. 2, and I'm not sure
25 who said it this morning. I'm not sure

1 1/28/15 - FINANCE - BILL 140081

2 if it was Paul Levy, Jerry Sweeney. I'm
3 just not certain who said it, but I think
4 it would be helpful if the City came
5 together as a united front, whether that
6 is the current Mayor, the next Mayor, the
7 current City Council, to be united around
8 this big tax reform plan, two levels of
9 property tax in exchange for wage and
10 business tax reductions. The state,
11 trying to be responsive to your question,
12 the state is going to want to see that.
13 The state is going to want to see that
14 the City has unanimity around this plan.

15 So the actual steps of how it
16 moves forward next, we're conducting,
17 we're hard in discussion with Mr. Levy,
18 Mr. Sweeney, others as what I'm calling a
19 technical review, for lack of a better
20 phrase, of the actual steps to try to
21 move forward on a state level.

22 COUNCILWOMAN BROWN: I see.

23 MR. GRACE: But it would help
24 at the appropriate time to know that
25 everybody on the City side agrees that

1 1/28/15 - FINANCE - BILL 140081
2 this is the right tax reform plan to move
3 forward with.

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

6 MR. GRACE: I hope that's
7 helpful.

8 COUNCILWOMAN BROWN: Yes.
9 Thank you, Madam Chairwoman.

10 COUNCILWOMAN TASCO: Thank you.
11 Councilman Squilla.

12 COUNCILMAN SQUILLA: Thank you,
13 Madam Chair.

14 I see this a little different
15 too as every intention of reducing a tax
16 which gives us, it seems like, a little
17 revenue shortfall. I think instead of
18 looking at it as a shortfall, looking at
19 it as an opportunity to how, as the City
20 Council, to not force us but to challenge
21 us to come up with different ways to
22 raise revenue without the taxes. I mean,
23 our Council President has been a great
24 leader on this, looking for different
25 revenue sources to come into the City of

1 1/28/15 - FINANCE - BILL 140081

2 Philadelphia, and this could also be a
3 way of coming up with different revenue
4 sources in that, yes, we are helping our
5 local residents, people who we want to
6 promote, people who we want to have jobs
7 for, we're lowering their taxes. And I
8 think that sends a message too for people
9 to move into the City of Philadelphia,
10 because if you move into the City of
11 Philadelphia, your tax will go down. And
12 also it challenges us to go forward and
13 to say what different ways can we raise
14 revenue to maybe have a -- fill in that
15 little shortfall or even increase the
16 money coming into the General Fund;
17 therefore, eliminating the shortfall that
18 we would have.

19 Now, whether it's Council
20 President's proposal to maybe have
21 signage on public buildings or a
22 different proposal or is it continuing to
23 collect additional delinquent taxes, is
24 it ways that challenge us to go after
25 these extra additional resources and also

1 1/28/15 - FINANCE - BILL 140081

2 grow the City at the same time, it would
3 help if people like you, the Chamber, and
4 other people here who spoke today come up
5 with maybe other additional revenue
6 sources that they think Council can maybe
7 promote and an Administration together
8 can promote, because you're right, we
9 need to do this together with the
10 Administration and Council to make things
11 like this work. And I think it's also a
12 challenge for the Chamber and other
13 organizations to come up with additional
14 revenue ideas that we as a city can move
15 forward to fill these gaps. And if you
16 have any of those ideas, now would be
17 great to hear also. David had an idea
18 about taxi medallions, but, I mean, we
19 could use a lot more ideas into filling
20 these gaps.

21 MR. GRACE: Councilman, just
22 three very quick responses. One, just
23 recapping, the Chamber supported and
24 still supports placing advertising on
25 municipal buildings, number one. We came

1 1/28/15 - FINANCE - BILL 140081

2 and testified in support of that. It's a
3 good idea.

4 Number two, we testified
5 strongly in support and it was this
6 Council collectively that said we needed
7 to do a much better job collecting
8 delinquent tax revenues. We testified
9 last year strongly in support.

10 And, third, I heard something
11 that Paul Levy said as one of his options
12 this morning, but then there wasn't too
13 much discussion about it. One option to
14 somehow find some further reductions
15 carefully in expenditures at the City
16 level. I think Paul said if you cut 5
17 percent, that would figure out a way to
18 pay for further wage tax reductions now
19 to further jump-start the economy and
20 create more jobs. I'm not saying that
21 would be easy. I suspect that would be
22 difficult, but we think also it's an idea
23 that has merit, to work collectively
24 together with you to see are there not
25 ways to find some further careful

1 1/28/15 - FINANCE - BILL 140081

2 reductions in City spending as a way to
3 free up some funding and revenue to pay
4 for wage tax reductions.

5 COUNCILMAN SQUILLA: And I
6 would agree with you. It always seems
7 like the easiest way to get things is
8 either to raise taxes or cut spending.
9 I'm looking a little differently, because
10 we could do both, and it's something that
11 Council and the Administration has been
12 doing along, but we want to raise
13 revenue. And beside -- I know you have
14 supported those two initiatives. One was
15 by collecting delinquent taxes and one by
16 signage on publicly owned buildings, but
17 are there other resources that we could
18 tap into? Is there something that
19 Council is not looking at that maybe
20 could bring additional dollars into the
21 City, things like that? Because a lot of
22 ideas we get too from Council come from
23 the general public, come from people like
24 yourselves and your organizations. So
25 we're looking for those type of ideas

1 1/28/15 - FINANCE - BILL 140081

2 also, because we want to grow the City,
3 realizing that the better the City has
4 and the more workforce we have, the
5 higher tax base we'll have and,
6 therefore, we'll have additional revenue
7 to do a lot of the social services and
8 things that we need in the City. So it's
9 a challenge not only to us, but also a
10 challenge to the organizations that are
11 here today. And you don't have to have
12 ideas today, but if you do have them,
13 that would be great to forward them up
14 through us, through Council, through the
15 Administration, and I think then we would
16 be going in the right direction.

17 MR. GRACE: Thank you.

18 COUNCILWOMAN TASCO: Thank you
19 very much.

20 MR. GRACE: Thank you, Madam
21 Chair.

22 COUNCILWOMAN TASCO: That
23 adjourns -- Mr. Dubow, I hear you want to
24 make some comments. The floor is open to
25 you.

1 1/28/15 - FINANCE - BILL 140081

2 MR. DUBOW: I think I just
3 wanted to reemphasize the cost of the
4 bill, the \$115 million over five years,
5 and the costs are front-loaded. So it
6 would present a significant challenge for
7 us in trying to balance our plan. The
8 first year it's about \$40 million, which
9 obviously is a big hit to our Five Year
10 Plan.

11 COUNCILWOMAN TASCO: Okay.

12 Thank you.

13 The Chair recognizes Councilman
14 Goode.

15 COUNCILMAN GOODE: Thank you,
16 Madam Chair.

17 We've heard a lot of good
18 testimony today. Councilman Oh has done
19 good work on this issue. There's been a
20 lot of work done on this issue, dating
21 back to the Tax Reform Commission in the
22 early 2000's, the Mayor's Task Force on
23 Tax Competitiveness, the Jobs Commission,
24 which I referenced.

25 The particular idea that was

1 1/28/15 - FINANCE - BILL 140081

2 raised today about looking at increasing
3 revenue from commercial and industrial
4 properties is not a new idea. It's an
5 idea which I actually talked with Paul
6 Levy about two or three years ago. It's
7 an idea which I've talked to Steve
8 Bradley about directly. It's an idea
9 already supported by all the Chambers of
10 Commerce through the Jobs Commission.

11 There is only one responsible
12 way to do tax reform, and that is to do
13 it as comprehensive tax reform, as
14 Professor Inman said. You have to take
15 property taxes, business taxes, and wage
16 taxes in consideration at the same time.
17 That's what the Tax Reform Commission
18 did. That's what the Mayor's Task force
19 did. That's what the Jobs Commission
20 did. So you cannot piecemeal this. It's
21 irresponsible to piecemeal this.

22 The truth of the matter is, we
23 are for business and wage tax reform. We
24 are for doing something about mobile
25 taxes. That's evidenced by the \$360

1 1/28/15 - FINANCE - BILL 140081

2 million of business and wage tax cuts
3 already within the Five Year Plan.

4 I left here to go down to my
5 office to take care of something for a
6 second, got into a short meeting with
7 Paul Levy and Steve Bradley and others,
8 who want to continue work on this issue
9 and go to Harrisburg as united voices, as
10 was testified to by Joe Grace from the
11 Chamber.

12 This is a monumental feat to
13 change the State Constitution, but which
14 is achievable. It will take approval in
15 two different sessions and a vote by the
16 voters, but it's something that we can go
17 for and achieve. It's going to take some
18 time. But as long as we commit to that
19 publicly, there's no reason to push a
20 bill out of Committee when no one
21 testified here today that said that they
22 agreed with the schedule. No one
23 testified here today and said that wage
24 taxes should be looked at separate from
25 business tax and property taxes. It's

1 1/28/15 - FINANCE - BILL 140081
2 the wrong thing to do in terms of tax
3 policy not to go at it comprehensively.
4 So if this Committee does call for a
5 vote, which we should not, I have to vote
6 no, because that's the responsible thing
7 to do. It's not because I'm against wage
8 taxes. I voted for wage tax decreases.
9 I voted for business tax decreases. I
10 voted for business tax credits. So this
11 is not about where we stand on the issue.
12 This Council does not make a stronger
13 statement by doing something that is
14 fundamentally wrong, which is piecemeal
15 tax reform.

16 Thank you.

17 COUNCILWOMAN TASCO: The Chair
18 recognizes Councilman Greenlee.

19 COUNCILMAN GREENLEE: Thank
20 you, Madam Chair.

21 I certainly agree with
22 Councilman Goode's statements, and I
23 think I also want to add, I think it was
24 you that asked the question of Mr. Levy
25 and the panel that was there, are you

1 1/28/15 - FINANCE - BILL 140081

2 looking to have a vote on this bill
3 today, and I thought they all said no.
4 So, I mean, even the advocates for the
5 issue are not looking to move it today.

6 I think we all agree, as
7 Councilman Goode said, that we want to
8 have -- that we want to look at this and
9 certainly the reduction in wage taxes is
10 something we all would like to do, but
11 it's going to be a long process, and I
12 just don't think moving the bill today
13 makes sense or is consistent with all the
14 things that we have to do. So I would
15 certainly urge the Committee to hold the
16 bill today.

17 Thank you.

18 COUNCILWOMAN TASCO:

19 Councilwoman Brown.

20 COUNCILWOMAN BROWN: Thank you,
21 Madam Chairwoman.

22 I will only add a context.
23 When I reflect on other bills that we've
24 passed that only involved in many ways
25 two constituents, where we look at the

1 1/28/15 - FINANCE - BILL 140081

2 merger of Parks and Recreation, that took
3 eight years to do, eight years to do with
4 just two primary constituencies involved,
5 City government and Parks and Recreation.
6 This is an issue that has a multitude of
7 layers and constituencies that all have
8 to be factored in and policy decisions,
9 wage tax versus property tax, et cetera.

10 So given that -- and that only
11 happened because of a task force of
12 individuals meeting to see how we do that
13 merger in a comprehensive fashion. So
14 with that as a back story, I would be
15 supportive of holding the bill in
16 Committee for all the reasons stated by
17 my colleagues and that as well.

18 Thank you, Madam Chairwoman.

19 COUNCILWOMAN TASCO: The Chair
20 recognizes Councilman Squilla.

21 COUNCILMAN SQUILLA: Thank you,
22 Madam Chair.

23 I hear what a lot of members on
24 the Committee are saying, and what I
25 understand is what we did in the past and

1 1/28/15 - FINANCE - BILL 140081

2 what we do in the future are two
3 different things. But when we raised and
4 increased taxes, whether it was a
5 specific tax, a real estate tax or
6 whether it was U&O tax, we did that
7 individually also. That was not part of
8 a comprehensive plan. So we looked to
9 raise taxes on an individual at a time
10 where we needed additional revenue, and
11 we did do that.

12 COUNCILMAN GOODE: No, we did
13 not.

14 COUNCILMAN SQUILLA: We did not
15 raise U&O tax?

16 COUNCILMAN GOODE: I'll wait
17 for you to finish.

18 COUNCILMAN SQUILLA: Okay.

19 So what I think is, we have an
20 opportunity here to do comprehensive tax
21 planning, but we also have an opportunity
22 to show the City, to show the state, and
23 to show the people around this area that
24 we are serious about attracting new
25 business here in the City of Philadelphia

1 1/28/15 - FINANCE - BILL 140081

2 and we are serious about having local
3 people who live in the City of
4 Philadelphia get a little bit of a break.
5 And I think we need to weigh in on that,
6 and if this vote was taken today, I would
7 vote in favor of it. And I would like to
8 see that if we do vote on this, that
9 people take into consideration all the
10 aspects of the growth of the City of
11 Philadelphia and then also challenges us
12 to come in with additional revenue and
13 can still work to do tax reform in a
14 broad base that could actually even make
15 the City even better.

16 COUNCILWOMAN TASCO: Councilman
17 Goode.

18 COUNCILMAN GOODE: Thank you,
19 Madam Chair.

20 The truth of the matter is,
21 when we consider tax bills, we are not
22 allowed to raise or lower taxes within
23 the current fiscal year by law. And so
24 we consider tax bills for the following
25 fiscal year, which we're actually doing

1 1/28/15 - FINANCE - BILL 140081

2 here and which we usually do as part of
3 the budget process, which is more
4 appropriate. Because I did not believe
5 this bill was going to move out of
6 Committee, I didn't raise that issue.
7 But we should not be considering this
8 bill outside of the budget process at
9 all, particularly with a \$50 million
10 price tag. And the truth of the matter
11 is, when we do consider the budget and
12 the Five Year Plan, we consider a number
13 of different tax bills at the same time.
14 So we do consider property taxes,
15 business taxes, and wage taxes
16 comprehensively as part of the budget
17 process, and that's the way to do it.

18 Thank you.

19 COUNCILWOMAN TASCO: Councilman

20 Oh.

21 COUNCILMAN OH: Thank you very
22 much. Could I first say that I truly
23 appreciate and commend this Committee.
24 As the sponsor of the bill, I'd like to
25 point out that each person here has

1 1/28/15 - FINANCE - BILL 140081

2 agreed with the main purpose of creating
3 jobs, moving the economy forward, and we
4 may have different opinions on that, but
5 that's the important thing.

6 Entertaining this conversation
7 in this hearing today, Chairwoman, I
8 appreciate you scheduling this, because
9 we've had some very serious people here
10 talk about an impactful opportunity.
11 What I would like to say publicly is that
12 I would request that this bill be moved
13 out. Of course, that is up to the
14 Committee. If it were moved out, I would
15 put it on the Suspension Calendar, work
16 with the Administration, our witnesses,
17 and Councilmembers to establish a task
18 force so we could be comprehensive.

19 My concern is that, one, the
20 Mayor's Administration -- I think it was
21 Mayor Street in 2003, Mayor Nutter in
22 2009 -- basically made these
23 recommendations. There has been nothing
24 that has moved forward for us to consider
25 in the budget. Therefore, as a

1 1/28/15 - FINANCE - BILL 140081

2 legislative body, we at times put
3 legislation forward to implement what has
4 been identified by the business
5 community, the Administration, financial
6 experts, and others, and one of them is
7 in piecemeal this bill. However, this
8 bill would signify to Harrisburg -- and
9 as I said, I'm saying that because I
10 spoke with Speaker of the House Michael
11 Turzai on the issue of would we get new
12 revenues to back up some of the things
13 that we do. If we signal -- if we go
14 ahead to begin to do a wage tax
15 reduction, which is important to the
16 state because it produces state revenues,
17 would we be able to see some additional
18 support in terms of money that does not
19 come to Philadelphia such as, for
20 example, the taxi medallions would go to
21 the state, but whether that money could
22 be set aside.

23 I believe a bill makes things
24 happen. Holding the conversation I don't
25 think makes it happen, at least

1 1/28/15 - FINANCE - BILL 140081

2 historically. It hasn't moved forward
3 since the time of these committees and
4 commissions have been held. We can put
5 another task force together, but I think
6 a centerpiece has to be something that we
7 as a legislative body move forward. And
8 with that, that's my request.

9 Thank you.

10 COUNCILWOMAN TASCO: Thank you.

11 Councilman Goode.

12 COUNCILMAN GOODE: Thank you,
13 Madam Chair.

14 We have actually moved on the
15 Tax Reform Commission recommendation of
16 2003. We've actually moved on
17 recommendations from the Mayor's task
18 force. We have actually moved on
19 recommendations from the Jobs Commission
20 with real legislation, whether some
21 members missed it or not.

22 Furthermore, the Greater
23 Philadelphia Chamber of Commerce, the
24 Center City District, any number of
25 people who came here to talk here about

1 1/28/15 - FINANCE - BILL 140081

2 comprehensive tax reform said that this
3 should not be done today. That's not the
4 purpose of their talking about
5 comprehensive tax reform today. The
6 truth of the matter is that we should go
7 to Harrisburg, try to achieve it the
8 right way, with a unified voice, not
9 one-on-one conversations with whoever is
10 in leadership up in Harrisburg, but as a
11 Council, as a Mayor, whether this Mayor
12 or the next Mayor, or the new Council,
13 but take on this issue for real, which we
14 have done, and because we have taken it
15 on since the Tax Reform Commission, since
16 the Mayor's task force, since the Jobs
17 Commission and we have lowered business
18 and wage taxes and there are \$360 million
19 worth of business and wage tax cuts
20 within this Five Year Plan and we're
21 talking about going further, but we're
22 talking about paying for it in the right
23 way. One of the recommendations was to
24 raise property taxes across the board
25 from 1.34 percent to 1.5 percent for

1 1/28/15 - FINANCE - BILL 140081

2 everybody. The compromise that was made,
3 which was not agreed to years ago when I
4 originally talked to Paul Levy and
5 others, was that the way to do it is to
6 have business and commercial property
7 owners agree to it, which now they are
8 agreeing to it. They're ready to move
9 forward. So let's move forward in the
10 right way.

11 Thank you.

12 COUNCILMAN OH: Could I respond
13 to that, Chairwoman?

14 COUNCILWOMAN TASCO: Yes.

15 COUNCILMAN OH: Thank you. I
16 don't disagree with Councilman Goode. I
17 agree with him. This action does not
18 pass this bill. It just moves it out of
19 Committee for consideration of the
20 Council body as a whole. It doesn't mean
21 it's going to pass. It just means it
22 moves from Committee to the Council body,
23 from which we now have a bill that could
24 be voted on, which means we can have that
25 overall conversation with Harrisburg and

1 1/28/15 - FINANCE - BILL 140081

2 others. But the bill, in order to be
3 relevant to this conversation or to
4 signal that, from our end we have to
5 produce legislation that is something
6 that could be voted on.

7 COUNCILMAN GOODE: Mr. Dubow.

8 COUNCILWOMAN TASCO: I call the
9 people to the Chair.

10 COUNCILMAN GOODE: Sorry, Madam
11 Chair.

12 COUNCILWOMAN TASCO: Mr. Dubow.

13 COUNCILMAN GOODE: The
14 Administration will be interested in
15 introducing a wage tax bill to add an
16 additional year?

17 MR. DUBOW: Yes. That's
18 correct.

19 COUNCILMAN GOODE: So there
20 will be a wage tax bill that will be
21 introduced as part of the budget process?

22 MR. DUBOW: That is correct.

23 COUNCILMAN GOODE: So that's
24 the vehicle for discussion as well?

25 MR. DUBOW: Yes.

City of Philadelphia Committee on Finance
January 28, 2015

Page 114

1 1/28/15 - FINANCE - BILL 140081

2 COUNCILMAN GOODE: Thank you.

3 COUNCILWOMAN TASCO: All right.

4 That said, I think we will move to hold
5 this bill. Thank you very much.

6 MR. DUBOW: Thank you.

7 COUNCILWOMAN TASCO: All in
8 favor?

9 (Aye.)

10 COUNCILWOMAN TASCO: Any
11 opposition?

12 COUNCILMAN SQUILLA: Aye.

13 COUNCILWOMAN TASCO:
14 Mr. Squilla voted not to hold it. Thank
15 you.

16 I appreciate it. The
17 discussion has been interesting, and I
18 think we have a lot to look forward to as
19 we move to address the whole issue of
20 taxes, real estate as well as wage and
21 other taxes for the City.

22 Thank the Committee and thank
23 you, Councilman Oh, for your fight. We
24 appreciate it. We love you. Thank you.

25 COUNCILMAN OH: Thank you.

City of Philadelphia Committee on Finance
January 28, 2015

Page 115

1 1/28/15 - FINANCE - BILL 140081

2 Thank you very much.

3 (Committee on Finance concluded
4 at 12:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the
proceedings, evidence and objections are
contained fully and accurately in the
stenographic notes taken by me upon the
foregoing matter, and that this is a true and
correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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City of Philadelphia Committee on Finance
January 28, 2015

Page 1

A	additional	84:13	46:21	approached	82:11	29:22 30:16	50:23
ability 48:14	14:8 40:23	affairs 37:15	alzheimers	3:7 9:8	attracting	43:13 49:20	benefits 21:5
54:21 63:8	40:23 41:4	affirmative	72:3	18:14 40:12	74:3 85:7	50:23 54:17	38:20 56:15
able 15:10	80:3,5	67:19	amend 3:16	68:10	105:24	54:18,22	best 11:23
31:5 66:19	94:23,25	afford 41:11	77:25 89:4	approaches	attractive	63:10 98:5	better 39:9
109:17	95:5,13	61:10	amending	56:7	10:6 17:11	106:14	43:24 46:6
absence 90:8	97:20 98:6	affordable	1:16 2:9	appropriate	25:2 38:18	based 48:11	49:24 53:11
absolutely	105:10	50:14	america	92:24 107:4	61:16 69:11	49:4 74:18	65:21 88:24
17:12 35:12	106:12	aforementi...	26:19	approval	76:23 87:17	bases 34:11	92:19 96:7
39:24 72:18	109:17	80:17	american	101:14	attributes	34:13	98:3 106:15
academic	113:16	african 44:16	44:17 46:6	approve 66:2	20:21	basic 78:21	beyond 63:8
51:3	address 50:4	46:6 52:5,6	52:5,6 53:4	66:3 80:18	authority	basically	big 14:21
accelerated	50:15 60:25	53:3	amount 13:13	approved	9:14	12:21 29:10	26:6 29:4
52:16 55:5	62:21 69:3	agencies 74:6	14:18 67:23	4:14 44:23	automatic	31:2,3,16	34:20 92:8
accomplished	83:11 86:17	agenda 55:8	analyses	44:25 45:8	12:22	108:22	99:9
56:25	114:19	64:5	48:11	46:8 64:20	automatical...	basis 65:5	bill 1:16 2:6,8
account	addressed	agglomerat...	analysis 8:13	89:7	66:13	bat 65:11	3:1,15,18
71:15	11:19 83:13	20:2,6	29:3,18	approximat...	avenue 20:11	baton 90:12	3:23 4:1 5:1
accurately	addressing	aggregate	30:5 34:17	3:25 5:18	70:11	bay 75:2	5:6,11,15
116:5	62:2	30:23	35:14,20	25:18 65:6	average	76:14	5:21 6:1,16
achievable	adds 33:18	aggressive	36:16 59:4	area 18:23	23:18 26:23	bearer 90:11	6:22 7:1 8:1
101:14	adequate	32:14,16	analyze 35:22	19:24 22:13	71:16	becoming	9:1,15,24
achieve 46:23	43:12	41:9	45:12 58:25	22:14 37:25	avi 47:21	78:25	10:1,6 11:1
47:18 48:19	adjourns	aggressively	analyzing	73:7 75:2	aware 78:9	began 30:19	11:15 12:1
53:13 54:24	98:23	67:4	36:24	105:23	79:25	37:23 70:6	13:1,10,16
59:9 61:25	administrat...	ago 77:22	anchor 54:19	areas 12:25	aye 114:9,12	beginning	14:1 15:1
101:17	4:9 5:9 6:6	89:16 100:6	anecdotaly	38:2 51:15		82:4	16:1 17:1
111:7	7:22 62:18	112:3	12:13	73:11	B	behalf 7:3	18:1 19:1
achieving	63:13 65:12	agree 9:24	anemic 56:4	argue 34:9	b 1:10 80:22	68:24	20:1 21:1
87:4	66:25 82:5	15:7 38:12	annual 71:17	arts 20:11	back 16:2,5	behar 68:7,18	22:1 23:1
acres 70:9	82:6,7 95:7	59:13 84:18	annually 11:5	aside 109:22	21:4 22:6	68:19	24:1 25:1
action 38:22	95:10 97:11	97:6 102:21	answer 6:17	asked 102:24	26:3 29:16	belief 40:6	26:1 27:1
38:23 67:14	98:15	103:6 112:7	8:9 19:17	asking 19:6	37:17 39:2	believe 2:3	28:1 29:1
112:17	108:16,20	112:17	27:12 30:3	19:14 57:20	99:21	4:18 5:5	30:1 31:1
actions 39:12	109:5	agreed	51:19	61:3	104:14	8:12 11:16	32:1 33:1
activities 1:19	113:14	101:22	anybody 59:2	aspects	109:12	15:9 48:10	34:1 35:1
2:16 20:13	administrat...	108:2 112:3	apartment	106:10	backdrop	50:12 53:5	35:15,20,23
activity 21:15	35:8 82:16	agreeing	71:4,7	assessed	49:21	55:16,24	36:1,4,8
27:10 29:12	adopted	62:10 112:8	applaud 12:7	42:20	backed 49:13	57:15 58:4	37:1 38:1
32:2 86:10	46:15	agrees 92:25	14:10 15:11	asset 47:11	backoffice	61:13 72:10	39:1 40:1
actual 36:11	advantage	ahead 109:14	39:25	associated	66:17	78:6 84:15	41:1,8 42:1
45:14 92:15	26:8 55:6	alert 49:10	apply 116:20	75:10	backofthee...	89:21 107:4	43:1 44:1
92:20	advantages	allowed 32:4	appreciate	association	36:7	109:23	45:1 46:1
add 39:15,19	20:12,16	106:22	15:25 34:24	85:22 87:23	bakery 70:24	believes 6:6	47:1 48:1,6
39:23 62:6	34:15	allowing 86:7	40:8 49:15	assumptions	balance 99:7	76:15 86:21	49:1 50:1
63:22	advertising	allows 47:25	51:22,23	58:17	balanced 6:3	ben 68:9	51:1 52:1
102:23	95:24	88:8	67:25 87:13	attached 6:18	32:20 36:25	85:19	52:14 53:1
103:22	advice 64:11	alpha 77:18	107:23	attempted	baltimore	beneficial	53:10 54:1
113:15	advocate	77:19 90:9	108:8	59:20 86:17	42:8	52:21	54:10,22
added 89:20	81:15 85:2	90:10	114:16,24	attorney	bankruptcy	benefit 23:23	55:1,7 56:1
addition	advocates	alternative	approach	12:14	26:21 27:5	44:21 57:9	57:1,20
11:11 67:13	103:4	25:3	58:3 84:10	attract 12:19	bar 42:18	63:20	58:1 59:1
78:4	advocating	alternatives	84:16	72:5 74:15	barrier 51:16	benefiting	60:1 61:1
					base 29:5,13		

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 2

62:1 63:1	26:19,21	38:10 72:23	21:14 25:9	c 69:18	110:6	99:6	26:10,14,19
64:1 65:1	birt 46:18	76:10 97:20	25:9 29:11	cadre 44:12	centers 69:6	challenges	26:24 27:23
66:1,3 67:1	47:19 50:8	broad 106:14	31:25 36:19	cafe 70:24	ceo 68:24	41:19 42:23	41:24 43:16
68:1 69:1	50:18 56:14	broadbased	39:13 45:2	calculate 23:8	77:18	47:13,21	44:7,12,19
70:1 71:1	bit 32:14	76:5	45:21,22	25:11 36:9	certain 38:4	94:12	46:5 63:7
72:1,16	106:4	broader	46:3,7 47:2	36:11	38:20 92:3	106:11	73:5,15,25
73:1 74:1	blackwell	35:16,18	48:2,8	calculation	certainly	challenging	82:2
75:1 76:1	1:10 18:2	brought	52:18,23	36:7	39:17 62:6	79:13	citizens 84:22
77:1,24	blizzard	44:24	53:4,12	calculations	62:8,16	chamber	city 1:2,6 3:5
78:1,9 79:1	14:22	brown 1:14	54:11 55:12	25:14	63:11 73:5	37:19,20,21	3:25 6:10
79:4,5,12	blocking	48:24,25	55:15 56:9	calendar	102:21	37:21 52:5	6:14 10:17
80:1,18	62:24	49:9,12	57:13 62:25	108:15	103:9,15	52:6 58:19	11:22 13:25
81:1 82:1	blondell 1:14	51:17 58:13	66:12,14	call 2:4 3:4	certainty	58:21 81:9	14:8 15:9
83:1,2 84:1	board 9:21	58:15,16	71:11 75:9	9:5 19:25	87:7	81:13,15	15:17,20
84:17 85:1	69:2 111:24	59:10 77:21	76:24 78:13	84:22 102:4	certificate	82:22 84:13	17:15 19:24
85:12 86:1	bob 44:3	90:4,5,7,16	79:16 81:22	113:8	116:2	85:2 95:3	22:25 24:7
86:23 87:1	bobby 1:12	91:7 92:22	82:23 84:3	called 20:5	certification	95:12,23	24:25 26:13
87:18 88:1	body 59:13	93:4,8	84:11,20	31:17	116:19	101:11	26:18 27:4
89:1 90:1	59:21 86:17	103:19,20	86:10 87:11	calling 92:18	certify 116:3	110:23	27:15 28:3
91:1 92:1	109:2 110:7	budget 4:5	87:17 88:9	cambridge	certifying	chambers	29:11 34:16
93:1 94:1	112:20,22	5:6,23 6:3	92:10	76:13	116:23	63:14 100:9	37:12,13
95:1 96:1	bold 79:13	32:20,23	100:15,23	campus 70:8	cetera 104:9	chance 30:3	38:11,19,21
97:1 98:1	bond 65:19	37:2 46:17	101:2,25	cant 5:13 8:9	chair 1:10 7:3	change 28:2	38:22,25
99:1,4	borne 22:10	47:4,12	102:9,10	10:20 19:10	7:6 9:11	55:21,23	39:4 40:4
100:1 101:1	22:12	48:12 56:21	105:25	39:11 41:11	15:14 16:12	61:22,23	40:18 41:11
101:20	boston 42:7	65:14 67:13	107:15	58:4	16:18 17:19	62:12 66:4	41:15 44:10
102:1 103:1	43:20 73:14	83:12 107:3	109:4	capabilities	35:4 37:4	78:7 101:13	45:23 46:17
103:2,12,16	73:19 74:23	107:8,11,16	111:17,19	67:6	52:6 60:6	changes 28:7	47:6,17
104:1,15	74:24	108:25	112:6	capital 74:16	93:13 98:21	39:21,23	48:12 50:9
105:1 106:1	bottom 21:2	113:21	businesses	75:17	99:13,16	44:25 57:12	50:9,24
107:1,5,8	26:16 27:6	budgetary	1:19 2:15	capitalize	102:17,20	72:4 75:3	51:7,10,12
107:24	28:3,18	83:10	11:13,25	26:3	104:19,22	charges 12:25	53:7 54:4,5
108:1,12	30:13,24	budgets 5:3	12:9,15,18	capitals 75:19	106:19	charitable	54:7,11,14
109:1,7,8	33:6 34:7	build 76:8	12:21 13:5	care 101:5	110:13	13:23	54:20,24
109:23	39:22	building 70:7	22:6 25:6	careful 59:3	113:9,11	charlie 37:16	55:17 56:2
110:1 111:1	bottomline	70:14,25	34:11 37:24	96:25	chaired 80:21	chart 42:18	56:21,22
112:1,18,23	21:16	85:21 87:22	38:18 44:9	carefully	chairman 9:5	43:15	61:16,20,22
113:1,2,15	bowser 37:16	buildings	45:6 46:10	84:14 89:14	9:12 39:15	charter 66:4	62:9,13,14
113:20	bradley 40:10	50:15,19	50:8,22	96:15	52:4	charts 19:4,7	62:18,19
114:1,5	40:20 52:3	70:9 94:21	52:11,25	carry 90:12	chairwoman	19:10 43:5	63:16,18,25
115:1	52:4 60:12	95:25 97:16	56:16 64:4	case 25:19	51:20 53:21	chester 77:17	66:20 67:2
billion 29:12	63:21 100:8	bullet 49:18	76:24 79:8	63:16	59:11 64:16	chet 68:8	68:20 70:17
29:13 32:23	101:7	burden 4:21	79:20 80:10	cases 33:12	68:22 81:4	chief 53:22	71:18 72:15
54:8	brain 72:2	23:3,8,18	81:16,20	caused 44:2	81:5 84:25	childrens	72:19,24
bills 14:6	brandywine	32:6 46:9	82:10,11	center 20:8	85:18 88:14	69:25 70:19	73:10 75:6
103:23	53:23,24	56:3 76:17	84:4,21	40:18 54:4	93:9 103:21	china 39:6	75:20,22
106:21,24	bread 78:23	79:7 80:8	85:8 86:14	66:20 68:21	104:18	choose 57:10	76:2,19,23
107:13	break 106:4	burdens	87:7,10	68:25 69:15	108:7	chooses 84:9	77:3 80:11
biotech 73:23	bridgeport	34:10	88:21	70:6 71:3,7	112:13	chosen 24:6	80:13 81:6
75:24	26:24 27:3	business 7:13	button 51:18	71:9,14,20	challenge	circle 76:21	81:18,20
bipartisan	27:3	7:18 10:2	buyer 64:25	76:15	59:16 93:20	cities 11:7	82:7,11,13
65:24	briefly 49:21	11:6 12:3	64:25	110:24	94:24 95:12	19:16,22	82:18 83:3
birmingham	bring 19:10	16:23 17:2		centerpiece	98:9,10	20:23 22:21	83:5,10,12
			C				

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 3

83:20 84:5	code 1:17	52:5,7	110:3	44:22 86:14	27:4	89:18 94:22	38:23 39:25
84:9 85:4	2:10	58:20 81:9	commonwe...	competitive...	connors 68:9	contracting	41:14 43:10
86:10,13,24	coined 71:12	81:13,15	62:7,16	4:21 6:5,9	85:16,17,20	44:15 46:4	44:20 45:11
88:18,21	colleagues	84:14	63:17,19	31:13 99:23	consecutive	contractors	46:8 47:13
90:21 92:4	68:25	100:10	communities	completion	89:8	85:22,25	48:18 61:13
92:7,14,25	104:17	110:23	57:14	71:4	consequently	87:22	62:18 63:13
93:19,25	collect 94:23	commercial	community	component	73:19	contributions	64:20 65:25
94:9,10	collecting	16:22 17:4	52:12 53:4	21:25 22:2	conshohock...	51:4	67:2 75:7
95:2,14	20:2 96:7	32:11 48:3	53:12 55:12	22:5	12:17 25:4	control	75:11 82:13
96:15 97:2	97:15	50:11,19	109:5	components	consider 73:7	116:22	90:21 92:7
97:21 98:2	collection	52:20 56:9	commuter	21:24 45:15	106:21,24	conversation	93:20,23
98:3,8	13:24 14:4	85:23 88:10	11:14,19	comprehen...	107:11,12	15:5 58:23	94:19 95:6
104:5	collections	100:3 112:6	12:24 24:9	36:17 41:13	107:14	108:6	95:10 96:6
105:22,25	1:17 2:11	commission	24:9,19,23	45:16 46:12	108:24	109:24	97:11,19,22
106:3,10,15	14:10	31:14 45:18	commuters	46:15 54:23	consideration	112:25	98:14
110:24	collectively	46:24 60:10	11:9	57:22 58:5	47:24 87:14	113:3	102:12
114:21	71:22 96:6	60:24 91:11	companies	62:2,3	100:16	conversations	111:11,12
citys 5:12,18	96:23	91:18,22	38:2 39:3	100:13	106:9	60:10 111:9	112:20,22
6:3 9:25	colleges 73:9	99:21,23	71:13,18,22	104:13	112:19	cooperation	councilman
10:4,23	76:9	100:10,17	71:24 72:6	105:8,20	considered	9:7,14	1:11,11,12
11:4,5	columbus	100:19	72:20 73:24	108:18	10:8 23:6	coordinated	1:12,13,13
33:19,21	11:11	110:15,19	74:10,13,24	111:2,5	56:8	40:20	1:14,15
47:4,9 52:9	column 28:13	111:15,17	74:25 75:2	comprehen...	considering	coordination	2:22,23,24
52:17 54:9	combined	commissioner	75:8 76:11	102:3	17:6 84:14	66:6	3:2 5:10 7:3
69:9 72:4	30:9 36:23	13:21 14:11	company	107:16	87:10 107:7	copies 40:23	7:5,9,17,21
72:11,13	come 11:18	15:17	53:25	comprised	consistent	40:24 41:2	8:2,11,18
76:22 81:18	13:2 19:6	commissions	comparable	63:23	60:8 103:13	copy 19:3	8:21 14:25
81:21 84:2	38:18 43:9	34:19 83:24	25:8 32:9	compromise	constant 28:9	corner 70:7	16:6,16,17
87:15,20	49:7 51:15	110:4	compares	112:2	constituenci...	70:15,23	17:16,18,20
citystate 62:4	72:20 76:24	commit	6:19	concern	104:4,7	71:5	17:22 18:10
citywide	80:20 85:8	101:18	comparing	46:16 53:3	constituents	corporation	27:13 30:4
46:12 57:9	93:21,25	commitment	23:2 26:10	108:19	103:25	69:19	30:24 31:22
civic 55:15	95:4,13	38:7	comparison	concerned	constitution	correct 8:20	32:8,9
class 73:13	97:22,23	committee	23:14 24:4	61:6	89:4,6	36:21	33:14 35:2
classes 26:15	106:12	1:3 2:5,18	25:6 26:11	concerning	101:13	113:18,22	35:3,7,13
clause 89:5	109:19	3:2,13 6:16	26:17	85:12	constrained	116:8	35:21 36:2
clean 14:24	comes 11:5	9:11 17:25	comparisons	concerns	45:24	correctly 13:9	36:15 37:3
75:24	19:7 22:10	68:23 69:3	27:7,22,25	32:25	construction	13:15	38:16 49:3
clear 9:23	49:25	77:16 78:5	compelling	concluded	21:10 54:7	correspondi...	58:11,12
19:14 55:11	coming 16:8	79:14 80:18	63:16	115:3	86:2	72:12	60:3,5 61:4
clearly 19:19	22:4 51:23	80:21 81:7	compensate	conclusions	consumption	cost 4:16,18	64:13,15
40:2 51:4	60:13 94:3	85:19 86:7	22:9 23:23	91:21	20:12,13	5:15 7:11	67:17 72:15
63:2	94:16	87:14	compensati...	conduct	contained	7:13 8:7	79:5 80:19
clerk 2:6,8	commend	101:20	22:7	87:17	116:5	12:24 21:16	81:7 86:8
climate 45:10	82:13	102:4	compete 73:4	conducting	contaminat...	24:19,23	86:23 90:23
close 14:14	107:23	103:15	81:17	88:15 92:16	72:2	29:10 48:5	91:5,8,19
16:6 71:19	comment	104:16,24	competition	confirm 7:16	context 21:7	62:23 99:3	93:11,12
closer 23:19	37:18 64:17	107:6,23	20:22	conflict 64:23	103:22	costs 50:21	95:21 97:5
closing 5:19	comments	108:14	competitive	congratulate	continue 6:7	78:24 99:5	99:13,15,18
14:5	15:25 18:4	112:19,22	12:10 13:4	90:11	6:10 52:24	council 1:2	102:18,19
coalition	48:23 58:10	114:22	13:7 15:9	congratulat...	101:8	4:12 10:8	102:22
37:15,15	64:9 98:24	115:3	20:25 22:19	90:13	continuing	15:10 38:14	103:7
63:22,24	commerce	committees	23:25 34:16	connecticut	54:21 82:5	38:15,15,20	104:20,21

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 4

105:12,14	106:16	102:10	december	detailed	37:13 57:9	97:12	2:14
105:16,18	107:19	crippling	13:18	35:19	100:8	100:24	earnings 1:18
106:16,18	110:10	67:22	decision 38:5	details 27:11	director 3:5	102:13	2:13 3:16
107:19,21	112:14	critical 10:23	decisions	29:23 65:9	3:14 81:8	106:25	3:19 77:25
110:11,12	113:8,12	67:20 72:18	38:19 39:13	detroit 41:25	83:14 85:20	dollar 21:3,4	78:21 79:17
112:12,15	114:3,7,10	critically 67:9	104:8	43:17 44:5	directors 69:2	dollars 14:2	ears 78:16
112:16	114:13	crossindustry	decline 31:4	developed	disadvantage	25:23 66:7	eased 32:5
113:7,10,13	counsel 68:20	20:6	43:15 55:22	74:23	86:14,19	74:3,22	easier 14:23
113:19,23	88:23	crossroads	declining	developing	disadvanta...	97:20	easiest 97:7
114:2,12,23	counterpro...	56:23	43:12 56:3	12:17 71:24	45:25 46:2	dont 12:8	easily 34:12
114:25	86:25	crucial 61:3	decrease	development	disagree	36:2 39:11	74:18
councilme...	counties 23:5	current 3:20	72:13 79:17	38:25 87:21	112:16	39:21 49:6	easy 96:21
108:17	country	5:16 6:20	decreases	developments	disagreement	58:25 59:18	eating 47:12
councils 81:6	26:14 80:15	7:12 71:20	102:8,9	41:23	10:11	59:22 60:21	economic
88:19	82:2	78:8 92:6,7	dedicated	device 73:24	discipline	73:4 74:8	4:20 6:9
countylwom...	county 47:7	106:23	56:11	dialogue	55:23	89:2 98:11	10:3 19:16
1:10,10,14	couple 13:17	currently	deduct 25:15	58:24	disclaimer	103:12	27:10 72:17
2:2,17 3:3,9	coupled	54:6	defer 58:12	didnt 16:2	9:17	109:24	72:25 77:5
3:12 4:6	52:19	curtis 1:13	deficit 65:13	107:6	disclosures	112:16	79:10,18
6:24 8:22	course 9:16	cut 47:3 48:7	definitely	difference	74:13	double 5:15	85:13 87:21
8:25 9:4	10:7 31:25	65:10,19	34:18 79:18	14:6 23:21	discouraging	doubling	economically
15:24 16:7	37:24 39:4	83:9 96:16	delaware	39:22,24	6:13	13:12	12:10
16:13 17:20	108:13	97:8	52:8 54:4	40:3	discretionary	dr 63:6	economist
17:23,25	courts 47:7	cuts 4:14 5:2	69:22	differences	79:23	drain 84:7	22:2
18:6,9,16	cover 48:5	5:6 6:2 7:11	deliberative	24:13	discuss 48:18	dramatically	economists
18:19,24	80:6	7:14,19,22	59:24	different 8:12	discussed	46:25 50:18	19:25 26:2
19:8 34:22	create 4:22	7:24 8:3,5	delinquent	19:11 32:24	53:10	drexel 69:24	economy
37:5,8 40:5	5:21 14:15	8:10 17:2	94:23 96:8	82:15 83:23	discussing	drive 50:12	29:15 30:23
40:14,17,25	47:24 52:10	30:25 46:18	97:15	93:14,21,24	91:13	55:17 76:25	40:4 44:15
41:5 48:21	52:12 56:11	101:2	deliver 40:22	94:3,13,22	discussion	driving 45:22	46:4 52:10
48:24,25	63:9 65:4	111:19	delivering	101:15	5:11 67:8	dubow 3:5,11	66:11 67:19
49:6,9,12	66:14 76:10	cuttingedge	83:12	105:3	79:14 88:12	3:13 4:8 7:7	67:24 76:6
51:17,21	77:2 79:10	73:20	demand	107:13	92:17 96:13	7:8,15,20	83:22 96:19
53:16 57:17	80:5 81:16		21:11 22:7	108:4	113:24	7:23 8:4,16	108:3
58:6,13,14	88:7 90:8	D	50:11,13,16	differential	114:17	8:20 9:3	ecosystem
58:15,16	96:20	daily 79:3	demographic	14:18 24:22	discussions	10:9 12:4	69:10
59:10 60:3	created 84:21	data 27:20,25	55:6	25:21	88:14,20	13:9 14:7	eds 20:3,4
60:16 64:7	creates 63:16	30:19 39:17	demograph...	differently	disease 72:3	14:16 27:14	73:12,18
64:13 68:3	creating	49:14 50:5	63:25	97:9	disposal 80:2	31:2 83:15	education
68:6,12,15	44:21 45:10	date 87:4	demonstrate	difficult 5:20	disproporti...	98:23 99:2	42:14
77:8,12,13	53:11 55:18	dating 99:20	54:20	36:13 46:2	10:24	113:7,12,17	educational
80:24 85:14	60:18 86:25	david 1:14	dennis 1:13	59:9 96:22	district 40:18	113:22,25	54:18
86:6 88:3	108:2	95:17	denny 2:23	diligent 15:18	50:24	114:6	effect 22:3
90:2,4,5,16	creation 53:5	days 37:17	dependence	direct 8:9	110:24	dubows 32:25	28:12,23
90:25 91:7	72:17 87:21	dc 26:9	44:6	21:14,15	disturbing	dumped	30:2 31:11
92:22 93:4	creativity	deal 59:5	depends	22:3 71:16	43:5	14:23	50:10 72:24
93:8,10	67:24	dealing 37:12	11:11	116:22	doable 67:12		effective 57:7
98:18,22	creator 55:20	dealt 36:16	deputy 13:21	directed 17:7	doesnt 39:8	E	effects 19:20
99:11	creators	decade 54:15	derived 45:20	direction	112:20	eager 48:18	22:16 30:12
102:17	89:16	83:25 87:3	designated	59:15 61:15	doing 10:14	earlier 83:14	effort 50:2
103:18,19	credited	decades	70:11	79:6,9	19:18 22:25	83:17	65:25 84:3
103:20	24:11	83:20 84:7	despite 4:17	98:16	25:7 30:6	early 99:22	efforts 14:9
104:19	credits 75:23	deceased	41:22	directly 22:11	39:20 50:4	earn 44:8	15:12 87:20
		77:22				earned 1:19	

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 5

eight 104:3,3	entitled 1:17	exciting	fact 37:19	1:17 2:5,10	99:1 100:1	flat 10:19	87:19 88:25
either 9:20	2:10	56:23	factor 10:3	3:1,5,14 4:1	101:1 102:1	17:14 48:13	91:5 92:16
97:8	entity 66:5	excuse 39:8	24:17 33:3	5:1 6:1 7:1	103:1 104:1	flirting 27:5	92:21 93:3
element 73:3	entreprene...	executive	factored	8:1 9:1 10:1	105:1 106:1	floor 70:23	94:12 95:15
88:16	69:10,16	53:23	104:8	11:1 12:1	107:1 108:1	98:24	98:13 108:3
elements 10:5	environment	exempt 51:6	factors 59:18	13:1 14:1	109:1 110:1	focus 14:9	108:24
17:11	14:16	51:13	fair 15:18	15:1 16:1	111:1 112:1	55:22	109:3 110:2
eliminating	envisioned	exempted	35:7	17:1 18:1	113:1 114:1	focused 52:8	110:7 112:9
86:19 94:17	84:17	75:12	fall 28:19	18:23 19:1	115:1,3	focusing	112:9
employ 71:19	equally 14:20	exemption	36:9 73:5	20:1 21:1	financial	16:25	114:18
71:23	85:2	32:5 33:25	false 59:22	22:1 23:1	12:20 14:16	folks 62:24	forwarded
employee	equitable	75:8	families 4:22	24:1 25:1	109:5	78:17	66:4
24:25 79:21	44:22 45:13	exemptions	22:13 27:2	26:1 27:1	find 17:9 21:6	follow 53:9	foundation
employees	equity 75:13	45:4	32:6 79:7	28:1 29:1	24:25 29:20	84:9	74:8
12:22 44:18	equivalent	exhibit 6:19	family 24:5	30:1 31:1	38:17 47:3	followed 82:8	founded
51:10 53:2	5:22	27:16 28:24	24:23 26:20	32:1 33:1	59:7 67:5	following	77:20
78:19,23	escape 10:21	36:8	26:23 28:20	34:1 35:1	78:20 96:14	65:12 82:14	four 4:2 23:4
employment	essential 72:5	exhibit3	28:21	36:1 37:1	96:25	91:2 106:24	25:21 46:21
11:22 51:12	73:2 83:12	29:25	far 16:3	38:1 39:1	finish 105:17	food 71:25	48:19 91:9
53:8 54:18	establish 55:8	expand 12:11	42:14 63:7	40:1 41:1	firm 6:13	78:22	fourth 60:18
54:21 63:10	108:17	13:5 17:15	farnese 65:23	42:1 43:1	12:14 25:19	force 6:8	fouryear 5:24
employs	established	49:19 54:12	fashion 11:20	44:1 45:1	26:4 75:17	11:20 31:13	francisco
78:14	71:21	expansion	104:13	46:1 47:1	firms 12:20	67:18 93:20	73:15,20
enable 48:7	estate 17:5	12:3	fastest 51:7	48:1 49:1	12:20 20:17	99:22	74:25 76:14
54:24 57:4	42:20 45:13	expectation	fate 43:16	50:1 51:1	21:17,17	100:18	frankly 63:3
76:12	46:20 47:15	5:2	favor 41:8	52:1 53:1	22:11,13,15	104:11	free 5:22
enables 41:14	47:16,22	expenditure	54:10 81:11	54:1 55:1	25:14,17	108:18	14:19 97:3
encourage	48:2 49:20	4:25	106:7 114:8	56:1 57:1	26:7 44:17	110:5,18	front 43:3
38:25 72:19	50:11,23	expenditures	favorable	58:1 59:1	45:5,25	111:16	92:5
86:9	52:20 53:25	96:15	87:25	60:1 61:1	74:16,17,23	foregoing	frontloaded
encouraging	56:5,9,11	expert 50:25	favorite	62:1 63:1	75:13 76:11	116:7,19	99:5
37:22	57:13 61:7	experts 85:4	16:21	64:1 65:1	86:2	foremost	fully 116:5
ends 25:23	88:9 105:5	86:16 109:6	feat 101:12	66:1 67:1	first 5:14	78:12	functions
78:17	114:20	explained	federal 43:10	68:1,23	15:16 19:13	forgive 91:2,6	47:7
energy 52:8	et 104:9	52:15	74:5	69:1 70:1	19:14,21	form 78:15	fund 5:19,23
engineering	everybody	express 69:5	fees 75:10	71:1 72:1	29:6 43:5	formation	14:19,21
20:9	56:15 64:4	expressing	feet 14:22	73:1 74:1	56:8 58:13	46:7 73:23	43:9,11
enhance	92:25 112:2	9:18	felt 21:9	75:1 76:1	65:17 68:16	formed 74:14	65:5,5
66:11 67:6	everyday	extending	fewer 43:6	77:1,16	71:2 75:16	former 88:22	94:16
enhancement	79:3	7:25	fields 72:7	78:1 79:1	75:19 78:12	formerly	fundament...
13:24	evidence	extensive	fifty 25:22	79:15 80:1	90:7 99:8	77:19	59:14 62:21
enhancing	22:24 31:8	88:14	fight 114:23	80:21 81:1	107:22	formula	64:24
14:4	116:4	extent 73:25	fighting	81:6 82:1	fiscal 83:5,10	42:17	102:14
ensure 6:2	evidenced	extra 13:12	33:12	83:1,14	106:23,25	forth 90:23	funding
57:3,8	100:25	14:24 94:25	figure 23:10	84:1 85:1	five 4:13,17	fortunate	42:17 56:12
enterprise	example 5:20	extraordina...	24:4 25:5	85:19 86:1	5:3,17 6:21	31:11	74:5 97:3
77:19 90:10	28:18 75:6	44:5	26:8 96:17	86:6 87:1	7:12,14,19	fortyseven	funds 24:20
enterprises	75:25	extremely	figures 22:22	87:14 88:1	35:9 55:20	11:4	41:20 42:21
84:5	109:20	5:20	fill 94:14	89:1 90:1	65:14,17	forum 58:17	42:25 47:19
entertaining	excellent		95:15	91:1 92:1	67:11 99:4	forward	further 83:3
108:6	13:19	F	filling 95:19	93:1 94:1	99:9 101:3	60:25 63:12	84:16 96:14
entice 38:21	exchange	faces 41:19	final 91:9	95:1 96:1	107:12	64:6 65:9	96:18,19,25
entire 49:25	92:9	facing 23:25	finance 1:3	97:1 98:1	111:20	66:10 67:5	111:21
		78:24					

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 6

furthermore 110:22	33:9 34:4 48:4 62:11	27:13 32:8 32:9 35:2,3	54:25 green 56:16	74:19 happens 33:9	44:6 52:23 56:6 62:23	honored 69:3 78:4	49:2,16 52:4,13
future 5:3 10:4 19:16 54:9 57:3 85:13 87:11 105:2	88:11 89:2 94:11,12,24 101:4,9,16 102:3 109:13,20 111:6	35:7,13,21 36:2,15 37:3 58:11 58:12 60:4 60:5 90:24 91:5,8,19 99:14,15	greenlee 1:11 2:23 61:4 102:18,19 gross 21:12 21:20 25:12 28:25 29:19 30:7 31:24 32:10 81:23	happily 29:15 happy 6:17 hard 30:11 38:17 43:11 92:17 hardest 10:17 hardworking 15:19 harmless 59:18	66:19 74:5 higher 22:10 22:15 26:22 26:25 27:2 27:3 65:14 98:5 highest 26:18 41:23 44:7 81:25 82:24	hoops 89:22 hope 93:6 hoping 19:3 hospital 69:25 70:19 hospitals 69:20 73:9 73:21 76:10 host 71:25 house 109:10 household 23:9,11 24:15 households 33:25 78:18 housing 21:10 huge 47:6 61:10 hundred 14:2 25:22 83:18 hypothetical 25:19	53:14,22 54:9 61:6 77:18 81:7 91:24,25 92:2,18 96:20 97:9 102:7 109:9 immediately 56:20 immobile 34:12 impact 13:11 20:25 21:14 25:11 26:6 27:14,17 29:19,22 30:15 34:20 64:3 79:10 79:19 impacted 28:5,6 impactful 108:10 impacting 21:10 impediments 52:25 63:2 imperative 84:18 implement 41:11 109:3 implementi... 57:7 implication 27:9 implied 31:3 important 4:12,20 5:11 10:2 14:14,20 15:4 29:21 36:23 53:6 62:14 63:22 67:9 69:8 78:6,13 85:12 86:9 87:19 108:5 109:15 importantly 4:24 48:10 66:15
fy16 5:21 fy19 3:21 fy20 7:24	goal 9:24 10:4 15:7 45:10 53:6 55:9,16 63:18 66:25 89:25 goals 46:23 going 13:4,5 13:15 19:15 21:8,14 22:16 23:24 31:25 34:4 36:8 39:2 51:25 60:21 65:9 68:16 77:10 92:12 92:13 98:16 101:17 103:11 107:5 111:21 112:21	103:7 105:12,16 106:17,18 110:11,12 112:16 113:7,10,13 113:19,23 114:2 goodes 30:4 102:22 goods 80:3 gotten 71:13 government 37:14 47:5 82:7 83:11 85:20 104:5 grace 68:8 81:2,3,7 88:6,13 90:20,25 91:16 92:23 93:6 95:21 98:17,20 101:10 gradual 72:10 76:17 graduated 66:18 graph 34:2,3 grateful 5:10 great 37:23 57:2 59:5 63:15 64:8 74:2,8 76:9 77:21 80:10 80:13 93:23 95:17 98:13 greater 12:8 37:21 58:19 59:16 81:9 81:14 84:25 86:3 110:22 greatly 87:13 greatness	ground 70:22 group 19:4 55:14 77:19 90:10,20 grow 13:6 17:15 45:7 46:4 48:14 50:9,22 52:12 53:2 54:21 55:13 56:16 67:19 67:24 74:10 76:12 81:16 87:8 95:2 98:2 growing 42:4 43:25 44:12 45:25 51:7 57:4 69:9 grown 43:21 grows 50:23 growth 12:2 37:25 41:17 45:3,11,23 46:19 51:11 51:14 53:13 54:16 55:5 56:4,18 62:12 65:21 66:14 72:17 77:5 86:10 106:10 guess 15:3	hasnt 110:2 havent 73:16 headquarter 75:18 health 66:22 74:7 healthcare 20:3 72:8 hear 81:12 95:17 98:23 104:23 heard 44:3 46:13 54:13 57:21 81:10 83:16 96:10 99:17 hearing 108:7 heavy 45:11 held 53:25 89:14 110:4 help 8:8 14:13 17:15 33:4,16 46:23 73:17 79:2 81:15 81:24 92:23 95:3 helpful 92:4 93:7 helping 94:4 henon 1:12 17:21,22 67:17 hes 17:24 high 23:15	highlight 31:16 highly 45:20 highpaying 72:22 highquality 72:22 hightech 72:7 highwater 82:17 hire 53:2 historically 110:2 history 37:12 38:8 39:3,7 71:3 hit 27:11 99:9 hits 10:16 21:16 hold 6:16 29:23 31:5 59:17 78:10 82:3 103:15 114:4,14 holding 20:16 28:8 104:15 109:24 holdings 54:2 holds 3:23 hole 33:2 home 28:5,19 28:21 34:3 34:20 70:16 78:20 79:21 84:23 homeowners 48:4 88:10 homes 61:9 homestead 32:5 33:25 honorable 80:22	id 9:22 19:5 50:3 69:5 107:24 idea 16:21,25 64:8,24 95:17 96:3 96:22 99:25 100:4,5,7,8 ideally 34:18 ideas 16:21 95:14,16,19 97:22,25 98:12 identified 14:7 109:4 identify 51:25 53:18 ill 16:13 31:15 51:17 58:12 105:16 im 3:13,14 6:17 9:12 9:14 12:14 17:23 18:22 19:3 30:8 32:16 40:18	immobile 34:12 impact 13:11 20:25 21:14 25:11 26:6 27:14,17 29:19,22 30:15 34:20 64:3 79:10 79:19 impacted 28:5,6 impactful 108:10 impacting 21:10 impediments 52:25 63:2 imperative 84:18 implement 41:11 109:3 implementi... 57:7 implication 27:9 implied 31:3 important 4:12,20 5:11 10:2 14:14,20 15:4 29:21 36:23 53:6 62:14 63:22 67:9 69:8 78:6,13 85:12 86:9 87:19 108:5 109:15 importantly 4:24 48:10 66:15
G						I	
gain 8:14,17 33:17 36:11 53:8 gains 33:17 gap 5:19,21 14:14 23:19 24:14 46:16 48:12 56:21 gaps 95:15,20 gbca 85:22 86:20 gene 70:18 general 5:19 5:23 43:9 68:19 75:12 85:21,24 87:22 94:16 97:23 generally 21:13 22:21 81:11 generate 56:18 65:2 generation 63:5 gentleman 51:24 gentlemen 90:6 getting 46:24 give 8:9 12:21 38:20 39:8 48:14 given 49:23 104:10 gives 93:16 giving 75:7 87:14 glad 50:3 gladly 50:20 gnp 80:14 go 13:2 14:5	good 2:2 3:9 3:11 7:7,8 9:10 16:19 18:16,18 33:8,9 35:5 35:6 40:14 40:16 48:25 49:10,11 52:3 53:11 53:20 61:13 62:10 68:12 68:14,22 70:19 73:16 77:11,13 81:5 85:17 90:5 96:3 99:17,19 goode 1:11 3:2 7:4,5,9 7:17,21 8:2 8:11,18,21 16:16,17 17:16,18		H hair 16:5 half 48:7 71:17 hall 1:6 happen 33:8 109:24,25 happened 104:11 happening				

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 7

imposes 86:13	78:24 100:2	18:18,21,22	invention 74:12	8:14,19	77:17	law 12:14,19	58:21 60:11
improve 4:20	82:9	19:2,9 35:6	invest 57:6	12:2 24:6	jumped 89:23	106:23	60:14 61:17
31:25 45:12	incremental...	35:11,18,24	74:21,24	25:2 32:2	jumpstart	lawrence 9:5	64:12 68:5
52:9	6:11	36:5,22	75:2	33:18 36:11	96:19	9:12	83:17 84:12
improvement	incubating	39:14 44:4	investment	41:17 43:2	K	layers 104:7	88:17 90:18
45:9	71:10	63:6 100:14	45:4 54:8	43:12,15,24	k 1:11	lead 72:16	92:2,17
incentive	incubation	innovation	65:22 66:5	44:3 45:3	keep 8:8 24:6	77:4	96:11 100:6
13:8 82:10	71:11	69:9,15	76:11	45:10 53:5	84:3	leader 2:25	101:7
85:7 87:9	india 39:6	72:25 76:6	involve 66:12	55:20 56:4	kendall 76:13	93:24	102:24
include 25:13	indicate 50:5	innovative	involved	56:18 62:12	kenyatta 1:12	leadership	112:4
71:21	indicated	72:6	37:13	65:21 66:20	18:10 49:4	61:22 62:9	levys 88:6
included 3:22	14:12	instance	103:24	72:16 73:16	key 62:16	62:15	liabilities
4:14	indicates 24:3	87:16	104:4	74:2,9	63:17 76:2	111:10	47:11
includes	29:7 50:6	institute	irresponsible	87:21 96:7	keystone 45:8	leading 69:19	library 14:19
23:16 36:18	individual	70:21	100:21	jobs 4:23 8:7	kind 34:14	leads 47:23	librarys 5:23
82:20 88:17	105:9	institutes	isnt 66:8	22:3,14,17	know 12:3,8	learn 74:18	licensing
including	individually	74:6	issue 11:17	30:2,17,18	14:16 27:4	learners	75:10
45:4 69:22	105:7	institutional	12:2 13:14	30:21 31:4	36:3 41:18	60:15	lieu 50:2
71:25 83:4	individuals	85:24	15:6 19:19	31:5 33:9	42:13 47:21	leave 5:16	life 72:7
income 10:16	4:22 44:13	institutions	20:19 61:2	33:13,16,17	49:7,23	22:13 34:12	78:21
10:18,25	44:14 79:8	51:3 54:19	65:4 67:21	34:11,17	51:2 54:25	leaves 22:14	lifting 45:12
11:8,12	104:12	69:21,23	87:24 99:19	36:3 43:7,8	56:22 59:18	leaving 66:16	light 56:16
17:14 21:22	indulgence	73:10,13	99:20 101:8	43:18,21,23	60:21 79:24	left 39:3	line 21:2
24:16 25:16	15:14	74:20	102:11	43:25,25	83:16 89:2	101:4	26:16 27:6
26:15 27:2	industrial	41:20 42:21	103:5 104:6	45:7 48:13	92:24 97:13	legislation	28:4,18
38:4 45:2	16:22 17:4	42:24	107:6	48:15 52:12	known 21:13	75:7,12,16	30:13,24
47:2 48:8,8	85:24 100:3	insurance	109:11	55:18 57:4	63:3 75:17	81:12 86:16	33:6 34:7
52:17,18,24	industries	66:22	111:13	60:10 63:9	77:19	87:6 109:3	39:22
56:14 62:24	20:9,17	intended	114:19	65:21 66:16	knows 47:13	110:20	lines 57:6
79:23 81:22	75:5,24	intention	issues 10:7	66:17,17,22	L	113:5	list 82:24
81:24	industry	75:21	52:9,15	67:8 71:16	l 77:21	legislative	listening
inconsidera...	19:25 20:2	intentional	83:10	72:22 81:17	116:14	55:8 59:13	88:23 109:2
24:20	inequities	59:24	item 28:14	83:19,21	labor 22:14	110:7	110:7
increase 12:7	62:22	interaction	29:7 63:22	84:4,5,6,21	38:7 55:15	legislators	lists 19:21
12:8,22	inflection	62:7	ive 19:18	85:8 91:18	63:24 86:13	88:22	literally
14:9 28:15	55:3	interest 11:23	37:11 39:20	91:22 94:6	lack 12:23	legislature	82:15
28:23 33:23	43:2	65:20 80:12	42:18 52:8	96:20 99:23	92:19	89:8,9	little 27:18
34:6 47:22	influx 65:3	interested	60:11 100:7	100:10,19	lady 66:18	lend 53:15	28:14 29:7
52:19 54:16	information	36:13	J	108:3	lags 44:18	lengthy 89:15	39:15,21,23
61:11 67:3	40:8 45:5	113:14	james 77:21	110:19	large 44:4	level 47:25	65:14 93:14
67:7,14	infrastruct...	interesting	jannie 1:10	111:16	47:10 63:23	63:15 88:8	93:16 94:15
72:11 87:20	57:6	59:8 61:20	january 1:7	joe 68:8 81:7	largely 21:9	92:21 96:16	97:9 106:4
94:15	inherent	114:17	jefferson 70:3	90:20	31:5	levels 38:4	live 24:10
increased	62:22	intergovern...	jerry 40:10	101:10	larger 10:18	92:8	71:8 106:3
34:18 42:3	initially 90:23	9:6,13	40:19 50:15	johnson 1:12	11:3 42:5	leverage	47:20
42:11 105:4	initiative	international	53:21 57:25	18:10 49:4	largest 11:2	73:17	lives 78:14
increases 5:7	45:14 87:24	66:5	61:20 84:12	joined 17:24	26:10,13,14	levied 81:23	79:3
8:7 28:10	initiatives	introduced	92:2	40:19	44:7 69:13	levy 11:8 17:8	living 23:11
30:15	97:14	113:21	jersey 52:7	jointly 52:14	lastly 20:10	40:9,16,17	24:24
increasing	injury 72:2	introducing	69:22	jones 1:13	84:24	41:3,7 49:3	local 25:15
14:3 16:21	inman 18:13	113:15	jim 90:7	2:24 14:25	late 30:19	49:8,11	43:10 79:16
50:10,18			job 6:14 8:14	jr 1:11,13	latest 29:5	50:3 57:24	94:5 106:2
							locate 72:8

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 8

74:16 located 23:4 71:18 location 6:14 27:8,10 locations 20:14,17 long 14:5 37:11 61:9 71:10 76:19 85:5 101:18 103:11 longer 43:16 longrun 34:15 longterm 72:16 look 12:17 43:17 51:9 63:11 66:15 79:2 103:8 103:25 114:18 looked 12:15 27:21 46:20 46:22 101:24 105:8 looking 14:13 27:18 28:2 32:21 36:19 39:3,17 67:16 89:14 93:18,18,24 97:9,19,25 100:2 103:2 103:5 looks 29:18 looms 44:4 lose 37:23 losing 30:22 33:13 loss 8:14,19 12:5 28:22 33:16 43:2 43:7 44:3 80:6 lost 4:4 38:3 43:19,22 83:18,21 lot 16:4 19:17 20:16 38:3 52:15 61:8	62:7 66:15 89:22 95:19 97:21 98:7 99:17,20 104:23 114:18 lots 44:12 lottery 61:5 love 114:24 low 42:19 lower 10:16 12:23 16:23 17:14 38:12 50:7,7 62:24 67:4 74:11 84:20 106:22 lowered 31:19,23 38:13 51:15 111:17 lowering 32:9 50:17 58:3 65:16 94:7 lumping 27:22 lure 84:4 lyft 64:23 M m 1:7 115:4 madam 7:6 9:10 15:14 16:11,18 17:19 35:4 37:4 39:14 51:20 53:21 60:6 68:22 84:24 88:14 93:9,13 98:20 99:16 102:20 103:21 104:18,22 106:19 110:13 113:10 magnitude 31:21 main 108:2 maintain 87:8 major 12:18 22:21 23:4	41:19,24 60:19 majority 2:24 making 10:23 44:6 57:12 managing 83:11 manufactur... 46:3 66:21 manufactur... 39:5 43:23 67:18 83:21 margin 21:18 marian 1:10 80:22 mark 1:15 market 21:9 34:2 70:8 70:10,14,15 70:16,25 71:5 82:17 86:13 marketplace 81:18 match 67:23 material 85:25 matter 19:16 31:10 100:22 106:20 107:10 111:6 116:7 mayor 60:23 92:6,6 108:21,21 111:11,11 111:12 mayoral 82:15 mayors 31:12 67:2 99:22 100:18 108:20 110:17 111:16 mean 27:9 28:19 50:25 93:22 95:18 103:4 112:20 means 20:15 80:14	112:21,24 116:21 mecca 12:18 medallions 64:21 95:18 109:20 median 24:15 medianinco... 23:9,11 26:23 medical 20:8 54:19 73:23 medicine 70:16,22 meds 20:3,4 73:12,18 meet 17:8 78:18 meeting 89:15 101:6 104:12 member 55:14 81:19 members 3:12 9:11 9:21 59:13 59:21 63:12 67:17 68:23 81:6,16 85:18 88:18 104:23 110:21 membership 85:23 memphis 41:25 mentioned 21:23 24:18 25:3 56:17 89:18,19 mentioning 33:24 merger 104:2 104:13 merit 84:15 89:21 96:23 message 55:11 94:8 messaging 62:12 met 15:16 64:19 65:22 mic 4:7	michael 109:10 michele 116:14 mid 40:2 mike 64:19 milk 78:22 millage 47:16 million 4:2,16 5:18,24 7:16,18 13:11 14:8 14:17 25:10 32:23 33:2 65:2,6,10 65:11,13,15 65:16 67:11 99:4,8 101:2 107:9 111:18 millions 14:2 mindful 61:11 mine 9:18 minimal 46:5 minority 45:24 52:11 missed 14:25 15:2 110:21 mission 76:13 mobile 34:10 35:10 45:21 100:24 modern 64:22 moment 29:24 91:3 91:6 money 14:24 65:3 79:25 94:16 109:18,21 monumental 64:2 101:12 morning 2:3 3:10,11 7:7 7:8 9:10 10:10 16:19 18:17,18 35:5,6 40:15,16 49:2,10,11 52:3 53:20	68:13,14,22 77:11,14,16 78:4 81:5 81:11 83:7 85:11,17 90:6 91:25 96:12 move 25:2 30:10 34:10 35:9 37:22 38:21 59:15 60:25 61:7 61:15 64:5 67:5 75:20 88:25 92:21 93:2 94:9 94:10 95:14 103:5 107:5 110:7 112:8 112:9 114:4 114:19 moved 24:5 75:18 108:12,14 108:24 110:2,14,16 110:18 moves 92:16 112:18,22 moving 60:22 68:7 79:6,9 103:12 108:3 multiple 48:11 multitude 104:6 municipal 45:19 47:5 47:12 95:25 municipalit... 87:6 murphy 116:14 music 20:13 78:16 N name 3:13 9:11 18:20 40:17 53:21 68:16,18 77:17 85:19 nation 11:3	69:14 national 29:8 29:14 30:17 30:17,21,22 42:5,12 55:6 74:6,7 nationally 75:17 natural 73:17 naturally 53:9 nature 62:25 nearing 71:3 nearly 71:17 necessarily 9:19 10:20 necessary 5:7 necessities 78:22 need 10:8,12 10:22 14:15 38:12 40:23 47:10 53:12 55:22,23,23 55:24 57:10 59:7,15 74:15 89:13 89:23 95:9 98:8 106:5 needed 4:5 41:14 57:22 96:6 105:10 needs 46:10 47:5,6 54:20 58:24 84:19,19,20 negative 28:12 30:15 33:12 34:20 37:18 neighborho... 55:11 57:8 66:24 neighbors 42:15 43:19 net 1:18 2:14 3:16,19 8:14,14,16 10:2 11:6 11:12,24 48:7 52:17 56:14 75:14 77:25 79:8	79:16 81:24 86:12 neutral 56:20 57:13 never 59:19 new 11:3 12:16 21:17 42:7 43:20 43:25 52:7 67:5 69:21 70:23 74:13 74:22 82:11 84:4 100:4 105:24 109:11 111:12 newark 26:23 nonmanufa... 63:10 nonprofit 67:7 69:18 nonresident 3:23 4:15 4:19 6:7,12 21:25 22:4 30:9 31:20 78:10 79:16 85:3,6 nonresidents 22:7 78:3 80:9 note 78:13 noted 5:15 85:5 notes 37:10 116:6 notion 59:20 number 44:16 65:15 65:16,18 67:15 89:12 91:23 95:25 96:4 107:12 110:24 numbers 39:18 nutter 82:6 108:21 O o 105:6,15 objections 116:4 objective
---	---	--	--	--	---	---	--

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 9

36:24 55:19 obrien 1:13 2:23 16:6 observation 49:16 obviously 47:20 51:2 61:21 99:9 occur 89:13 offer 13:7 20:19 22:15 offered 32:7 32:12 office 12:16 50:14,19 67:2 77:20 90:9 101:5 officer 53:23 offices 12:19 official 9:19 officially 70:13 offset 31:3 65:7 oh 1:14 5:10 33:14 64:14 64:15 79:5 80:19 81:7 86:8 99:18 107:20,21 112:12,15 114:23,25 ohio 11:11 ohs 31:22 72:16 86:23 okay 68:6 90:2 93:4 99:11 105:18 old 43:16 90:13 oldest 69:13 onehalf 30:21 oneonone 111:9 ones 51:6 onetime 65:3 ongoing 87:20 onward 31:2 40:2 open 46:17 48:12 54:11	98:24 opened 70:14 71:12 opening 12:12 38:2 70:22 opens 71:6 operate 54:3 operates 70:20 operating 86:15 operations 87:12 opinion 79:12 opinions 108:4 opportunities 32:2 52:10 53:14 66:24 opportunity 45:8 46:5 55:4 61:18 69:4 85:10 93:19 105:20,21 108:10 opposed 64:17 opposition 114:11 option 47:3,9 47:24 96:13 options 48:19 96:11 order 2:5 16:23 23:20 24:14,21 31:21 32:22 53:13 89:23 113:2 ordinance 1:16 2:9 organizations 51:5 55:15 95:13 97:24 98:10 originally 112:4 outlined 10:9 57:23 outpacing 44:11	outside 107:8 overall 17:12 23:2,8 26:6 27:10 29:12 33:20 54:23 55:8 112:25 overriding 55:19 overseas 66:7 owned 69:19 97:16 owner 78:14 owners 56:10 112:7 P p 115:4 package 33:15 36:23 36:24 packages 13:7 page 19:14,21 24:3 43:3 49:17,17,18 paid 32:2 72:14 panel 102:25 parity 87:5 park 69:14 parking 12:24 parks 12:16 104:2,5 part 13:14 17:12 31:12 32:11 33:15 36:25 41:12 42:16 54:22 55:7 58:5 60:17 62:13 91:11 105:7 107:2,16 113:21 participated 88:19 particular 20:21 21:11 22:20 30:6 35:20,23 36:4 53:3 99:25 particularly 6:13 21:16	107:9 parties 19:11 61:14 partners 70:20 75:13 partnership 61:24 party 60:22 pass 57:20 80:18 112:18,21 passed 75:7 75:12,16 103:24 patents 74:12 path 41:16 47:14,24 59:7,9 60:18 62:10 88:8 paul 40:9,17 52:15 53:12 54:13 56:17 57:23 63:6 83:17 84:12 90:17 92:2 96:11,16 100:5 101:7 112:4 pause 51:18 pay 5:7 10:24 13:16 21:3 33:3,4,22 47:11 50:20 56:10 57:11 71:16 78:21 79:16,22 96:18 97:3 paying 16:25 25:17 75:14 111:22 payment 23:22 49:25 payroll 75:23 peer 44:12,19 46:5 penalizing 10:20,22 penn 70:16 70:20,21 pennsylvania 1:6 9:6,13 52:7 69:21	69:24 pennsylvan... 26:13 pension 47:11 pensions 56:4 people 11:20 33:19 37:22 38:3 39:21 42:6 44:8 45:23 50:20 53:8 61:8 71:19,23 78:15 79:25 94:5,6,8 95:3,4 97:23 105:23 106:3,9 108:9 110:25 113:9 percent 3:21 3:21,22 11:4,10 23:15,19,20 24:15 25:18 25:21,21 28:15 29:11 30:18,21 42:4,11,11 43:6,8,21 45:19 46:25 47:4 51:11 56:13,14 78:8,9 82:21 83:4 96:17 111:25,25 percentage 10:18 42:6 43:18,23 perfect 66:9 period 63:5 person 107:25 personal 11:8 52:24 personally 17:10 perspective 6:5 73:2 pertained 91:4	pew 13:23 42:18 pharma 73:23 phased 41:9 philadelphia 1:2,6,17,18 1:19 2:10 2:13,16 3:6 3:17 8:15 11:2,14,22 12:11 13:25 14:19 15:8 15:21 19:22 20:18,20 22:8,19 23:3,12,13 23:17 24:12 25:17 26:7 26:12,17,22 26:25 27:7 27:21,23,24 31:9 37:20 37:21 38:17 39:2 40:4 41:18 42:3 43:6 44:11 49:24 54:2 54:5 55:5 55:13,18,19 56:15 58:19 61:5,16 63:19 66:16 69:11,16,23 70:2,3 72:9 72:21,21 73:11,24 74:4,17 75:19 76:7 78:3 79:11 79:19,24 80:4,11,13 81:9,14,25 83:18 84:19 84:23,25 85:9 86:3 87:9,11,18 94:2,9,11 105:25 106:4,11 109:19 110:23 philadelphias	30:16 42:10 52:23 83:24 86:11 philosophic... 59:14,22 phrase 92:20 pica 3:22 4:14 9:7,20 9:21 13:17 17:6 82:21 83:4 picas 16:24 piece 75:15 piecemeal 100:20,21 102:14 109:7 pieces 46:11 pilots 49:22 49:23 51:2 pittsburgh 26:11 place 67:10 71:8 places 46:10 82:22 placing 95:24 plan 4:3,14 5:17 6:21 7:12,14,19 17:12 35:9 41:13 45:13 45:16 46:12 46:15 50:12 50:17 56:17 56:19 57:22 58:5 62:4 89:16,21 90:9 92:8 92:14 93:2 99:7,10 101:3 105:8 107:12 111:20 planned 4:25 planning 87:7 105:21 plans 5:3 platform 57:2 63:14 play 19:20 60:19 71:8 please 2:7 4:7	18:20,25 52:2 53:19 68:17 pleased 41:7 pleasure 80:20 plus 48:7 point 11:4 19:13 38:5 40:22 55:3 60:18 62:8 65:8 66:8,9 67:16 91:22 91:24 107:25 pointed 13:10 14:17 points 13:15 19:13 61:13 policy 6:4,9 9:20 31:13 55:10,17 57:8 73:17 75:4 81:8 82:8,13,14 82:24 102:3 104:8 political 15:7 38:5 politicos 39:13 population 33:18,20,21 34:17 38:3 54:16,17 83:21 84:7 portion 3:23 48:8 52:18 78:10 85:3 85:6 portions 6:11 position 9:20 16:24 20:25 32:17 34:16 55:4 positive 14:12 41:22 53:8 56:20 65:8 66:10 possible 59:19 potential 61:21
---	---	---	--	--	---	--	---

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 10

poverty 41:19 41:24 42:2 42:6,24 57:5 powerhouse 73:12 practical 11:17 predictable 17:3 premium 44:9 prepared 40:21 59:23 62:20 presence 2:22 87:8 present 1:9 82:20 99:6 presentation 13:20 37:10 presents 83:9 president 53:22 68:19 68:24 77:18 93:23 presidents 94:20 pressure 23:25 pretty 28:9 33:9 previous 21:23 24:18 46:13 price 5:25 26:4 107:10 primarily 22:4 primary 22:3 46:14 104:4 prior 41:2 priorities 82:24 prisons 47:7 private 63:23 67:6 75:13 privilege 75:9 82:23 probably 9:23 24:20 41:11 61:10 problem 19:6	91:7 problems 71:25 proceed 18:25 90:19 90:21 91:15 proceedings 116:4 process 29:16 89:19 103:11 107:3,8,17 113:21 produce 113:5 products 109:16 productive 19:24 20:16 professions 1:19 2:15 professor 18:18,21,22 19:2,6,9 35:5,6,11 35:18,24 36:5,22 39:14 100:14 profit 3:17 21:18 79:17 profits 1:19 2:14 3:20 10:2 11:6 11:13,24 25:13,18,20 25:23 75:14 78:2 79:8 86:12 profoundly 42:25 43:15 programs 41:15 progress 82:21 86:18 project 71:2 projections 33:7 projects 54:6 promote 94:6 95:7,8 proof 75:20 properties	54:3 100:4 property 16:22 21:8 21:9 23:7 25:12 27:17 28:3,9,11 28:16,22,23 29:5 32:4 32:19,21 33:24 34:13 36:19 48:3 52:21 72:12 76:18 77:2 84:10 88:10 92:9 100:15 101:25 104:9 107:14 111:24 112:6 proponents 17:9 proposal 13:10 14:7 17:7 31:22 32:7,12 33:2,13 34:8,9,14 58:25 79:4 84:9 86:9 88:16,25 94:20,22 proposals 33:10,23 34:19 propose 7:22 7:24,25 proposed 4:3 30:25 53:13 72:15 80:7 82:25 proposing 28:17 56:10 57:11 propriators 44:16 51:13 prosper 74:10 prosperity 77:5 provide 1:17 2:11 22:23 87:7,9	provides 25:4 42:21 provisions 91:4 public 15:19 18:23 47:10 55:10,17 57:7 63:24 81:8 82:24 94:21 97:23 116:15 publicly 53:25 97:16 101:19 108:11 purchases 80:6 purpose 108:2 111:4 push 51:17 101:19 pushback 11:18 pushed 60:9 put 27:13 30:7 33:14 44:9 46:11 59:4 67:10 90:23 91:4 108:15 109:2 110:4 putting 41:16 Q quantitativ... 29:21 question 8:12 16:15 17:21 19:15 20:24 21:5 22:18 30:4 35:22 64:18 88:5 91:17 92:11 102:24 questions 6:17 7:2,10 8:23 18:3 27:13 34:25 37:6 48:23 58:9 90:3 quick 95:22 quite 46:2 67:12 quorum 2:3	2:22 R raise 32:19 38:6 47:15 93:22 94:13 97:8,12 105:9,15 106:22 107:6 111:24 raised 24:8 32:4 100:2 105:3 raises 5:12 raising 32:11 rank 73:13 74:11 ranked 26:21 26:24 27:3 ranking 82:2 ranks 74:4 rate 1:18 2:12 3:19,20,24 28:7,11,16 29:4,8,9,20 31:7 32:4 32:11,15,19 32:21 33:24 34:5 36:10 41:24 42:2 42:5,10,12 47:16 48:2 78:8,11 82:20,25 87:3 88:9 rates 4:10,19 6:8,20,20 6:21 24:8 32:10 65:20 rating 65:20 rational 45:12 read 2:6 15:15 ready 55:13 112:8 real 17:4 28:2 28:8 34:15 42:20 45:13 46:19 47:15 47:16,22,25 49:19 50:11 50:22 52:20	53:13,25 56:5,9,10 57:13 61:7 83:9 88:9 105:5 110:20 111:13 114:20 realistic 46:16 reality 89:24 realize 13:3 16:2 realized 12:9 realizing 98:3 really 19:12 31:9 38:16 51:21 62:9 62:11,13 realty 53:23 53:24 reason 19:21 30:6,10 46:14 65:18 101:19 reasonable 87:4 reasons 5:14 6:15 80:17 104:16 recapping 95:23 receipt 45:2 47:2 48:9 receipts 21:12,20 25:12 28:25 29:19 30:8 31:24 32:10 52:19 81:22 81:23 receive 66:7 recession 4:11 29:6 recognized 44:21 recognizes 7:3 99:13 102:18 104:20 recommend... 110:15 recommend...	31:15,17 60:9 88:7 90:22 91:10 91:21 108:23 110:17,19 111:23 recommend... 6:10 45:17 84:2 recommit 86:24 record 7:10 18:20 39:25 52:2 59:12 68:17 recoup 4:3 recreation 104:2,5 reduce 3:25 4:21 6:7,11 10:13 47:9 56:13 57:4 67:22 reduced 13:12 45:7 82:19 83:3 reduces 3:18 reducing 4:10 4:18 9:25 46:9,25 69:7 82:22 85:5 93:15 reduction 41:10 47:19 48:6 52:16 65:7 66:12 78:16 79:7 80:7 83:8 87:2 91:10 103:9 109:15 reductions 1:18 2:12 4:5 5:16 8:8 13:13 31:6 32:3,15 33:4,5 41:12 44:24 82:9 84:2 84:11,16 85:3 92:10 96:14,18	97:2,4 reemphasize 99:3 reevaluate 11:21 referenced 99:24 referring 91:20 reflect 9:19 51:18 58:18 59:12 91:12 103:23 reflecting 90:17 reform 31:17 31:18,19 32:13,15 33:10,15 34:8 35:17 36:17,17 46:24 54:23 69:7 73:2 75:21 76:4 76:16 83:23 84:8,19 85:4 92:8 93:2 99:21 100:12,13 100:17,23 102:15 106:13 110:15 111:2,5,15 reforming 87:15 reforms 32:18 regard 24:12 91:18 regarding 3:15 5:12 77:24 regards 90:22 region 52:22 53:14 69:17 71:15 74:4 79:11,24 80:4,14 81:19 86:4 regional 37:20 regressive
---	--	---	--	---	---	--	---

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 11

10:15 17:13 32:16 rehabilitative 70:21 relations 85:21 relative 76:17 relatively 56:5 74:5 relevant 113:3 reliance 86:11 relief 4:13 79:2 relocate 10:21 remain 5:4 71:15 82:10 remained 6:3 remains 80:10 remarks 59:11 91:9 remember 37:17 remiss 90:6 removal 14:21 rendell 82:4 rent 78:23 rents 50:13 50:14,19 76:25 repeated 86:15 report 87:25 reporter 116:23 representat... 13:23 represents 63:25 79:13 80:13 reproduced 42:19 reproduction 116:20 request 6:15 80:17 108:12 110:8 require 61:24	required 9:17 requires 59:3 62:6 research 20:8 49:14 50:6 69:14,20 73:10,20 74:3,9,20 resident 3:18 4:15,19 10:25 21:25 22:12 23:3 23:13,14 30:8 31:20 31:23 79:15 residential 24:11 47:22 71:2 residents 1:18,19 2:13,16 3:17 10:16 11:9,12 26:18 38:21 71:21 72:14 78:2 80:9 82:19 83:3 94:5 resolution 64:21 66:2 resources 94:25 97:17 respect 28:25 31:22 respond 112:12 response 8:24 18:5 37:7 responses 95:22 responsible 21:19 100:11 102:6 responsive 92:11 restaurants 20:14 restoration 41:9 restructuring 41:13 result 5:25	38:22 resulting 46:19 73:22 results 53:9 resume 4:12 resurgence 57:10 retirement 15:22 retiring 15:16 15:22 returning 29:16 revenue 4:4 11:5 13:20 13:24 14:3 14:11 17:2 45:20 56:20 57:12 80:3 93:17,22,25 94:3,14 95:5,14 97:3,13 98:6 100:3 105:10 106:12 revenues 3:25 14:5 43:9 45:22 47:5 47:18 56:3 67:5,14 72:11,13 77:3 80:5,7 83:8 96:8 109:12,16 reverse 57:5 84:6 review 10:9 17:8 88:15 92:19 revise 76:22 revolve 55:10 reynolds 1:14 riddick 68:8 77:11,15,17 90:14 right 49:5 65:10 73:14 76:6,19 79:6,9 88:16 93:2 95:8 98:16 111:8,22	112:10 114:3 riverfront 54:4 rob 3:4,13 robert 18:12 18:21 robust 41:17 84:16 role 60:19 62:10,15 room 1:6 76:3 rose 42:12 rough 87:5 roughly 5:22 31:21 33:18 round 75:16 75:19 rprnotary 116:15 rule 19:10 S s 22:22 41:24 salary 71:17 sales 21:11,15 23:7 24:13 25:10 salute 90:7 san 73:14,20 74:24 76:14 satisfy 38:6 saul 68:7,18 saved 36:3 savings 32:23 33:5 saying 9:22 57:25 96:20 104:24 109:9 says 28:14 43:15 65:12 scale 74:11 schedule 10:14 41:10 83:2 87:2 101:22 scheduling 108:8 school 18:23 50:24 66:19 schools 41:21 42:22,25 47:20 49:20	77:3 science 20:7 68:20,25 69:6,14 70:6 71:3,7 71:9,14,20 73:7 74:7 76:15 sciences 70:5 72:8 scott 52:4 second 15:14 24:3 26:17 43:14 75:15 101:6 secondly 6:4 90:16 secretary 13:21 66:20 sector 20:8 67:7,7 69:12 sectors 20:5 75:5 secular 31:4 see 22:2 23:10 24:23 25:16 28:11 29:2 30:14 33:6 34:2 46:21 50:18 92:12,13,22 93:14 96:24 104:12 106:8 109:17 seek 82:3 seeking 11:21 seen 8:6 75:3 selfemployed 44:13 sell 44:14 selling 47:10 seminal 62:8 senate 88:23 senator 65:22 send 55:10 sends 58:2 94:8 senior 88:22 seniors 61:8 sense 22:20 103:13	sensitive 29:14 sentiment 58:18 separate 30:12 101:24 separated 30:12 september 70:13 serious 89:13 105:24 106:2 108:9 servant 15:19 service 6:2 15:20 83:22 86:2 services 10:23 21:5 41:15 43:12 44:15 77:4 80:3 83:13 98:7 sessions 89:7 89:8 101:15 set 11:15 109:22 setting 87:4 share 10:24 30:16,17 44:5 shareholders 69:2 shed 83:20 shepherd 70:20 shift 17:13 76:17 shifted 22:6 shockingly 21:3 short 33:7 101:6 shortfall 5:17 93:17,18 94:15,17 show 105:22 105:22,23 shown 86:16 shows 27:16 42:19 43:5 shrinks 86:12	side 92:25 sign 50:16 signage 94:21 97:16 signal 54:10 58:2 109:13 113:4 significant 4:4,17 5:8 5:14 21:18 27:20 28:12 29:4,21 30:14 31:11 39:24 40:3 51:4 54:2 83:9 99:6 significantly 11:25 28:5 28:6 signify 109:8 silicon 74:25 similar 81:12 simply 57:10 80:11 simultaneo... 41:16 single 20:14 20:17 53:6 sit 2:25 49:7 sitting 49:5 six 11:4 sizable 28:22 slept 15:3 slow 60:14 87:2 slowly 82:19 small 21:17 25:9 26:7 45:6 46:8 50:22 52:11 52:25 63:23 64:3 82:8 smaller 65:18 smart 55:4 snowplow 14:21 social 47:6 98:7 sole 44:16 51:11,13 solid 54:18 solution 11:17	solutions 66:9 71:24 soon 75:15 sorry 4:8 15:21 17:23 30:8 32:16 49:8 113:10 sound 82:8 source 56:12 sources 43:11 93:25 94:4 95:6 south 39:5 spark 70:17 speak 4:7 49:22 58:22 speaker 24:18 64:19 109:10 speakers 21:23 special 19:23 specific 30:4 31:15 75:5 84:8 105:5 specifically 21:21 35:15 45:3 90:20 spend 42:14 79:23 80:2 spending 97:2,8 spent 59:5 spoke 95:4 109:10 sponsor 5:10 107:24 sponsored 13:18 79:4 80:19 sponsoring 86:8 spun 70:19 square 76:13 squilla 1:15 93:11,12 97:5 104:20 104:21 105:14,18 114:12,14 stabilize 66:13 stabilizing
---	--	---	--	--	---	---	---

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

January 28, 2015

Page 12

stable 14:15	stemmed	55:24 61:2	27:12	tabas 9:5,10	34:22 37:5	22:5,10	84:17,19
stack 22:19	8:19 12:5	62:22,25	summer 71:6	9:12 15:2	37:8 40:5	23:2,6,7,7	85:4,4,6
staff 17:7	stenographic	72:5 76:22	supervision	16:4,11,19	40:14,17,25	23:17,22	86:25 87:3
88:19	116:6	78:7 83:25	116:22	17:6,17	41:5 48:21	24:8,9,9,11	87:15 91:9
staffer 37:14	step 66:10	87:15	supervisor	18:8	49:6 51:21	24:12,13,22	92:8,9,10
stakeholder	67:21 69:8	struggle 29:6	66:21	table 3:8 9:9	53:16 57:17	25:12,13,13	93:2,15
62:17	87:19	struggling	suppliers	18:15 28:4	58:6,14	25:16 27:17	94:11 96:8
stakeholders	stephen 68:24	78:17	86:2	40:13 59:5	60:3,16	28:11,16,23	96:18 97:4
89:17	steps 46:9	student 42:14	supplies	68:11	64:7,13	29:2,19	98:5 99:21
stance 32:14	67:19 89:13	studies 8:6	77:20	taboo 58:17	68:3,6,12	30:2,9,16	99:23
stand 102:11	92:15,20	86:15	supply 22:14	tactics 55:10	68:15 77:8	31:6,12,13	100:12,13
standing 55:2	steve 40:19	study 30:19	90:9	tag 5:25	77:12,13	31:20,23,24	100:17,23
starred 28:14	100:7 101:7	42:18	support 5:13	107:10	80:22,24	32:3,4,19	101:2,25
29:7	steven 40:10	studying	10:4 45:3	take 29:22	81:5 85:14	32:21 33:4	102:2,8,9
stars 27:18	52:4 54:14	83:24	52:14 53:15	44:18 55:6	85:18 86:6	33:24 34:5	102:10,15
start 9:16,22	stipulated	subcontract...	58:2 63:15	62:14 64:10	88:3 90:2	34:8,10,10	104:9,9
53:11 65:15	91:8	85:25	64:21 69:6	67:13 69:8	93:10 98:18	34:14 35:16	105:5,5,6
71:14	stock 26:4	submitted	69:9 76:5	78:20	98:22 99:11	36:9,17,18	105:15,20
startup 46:3	story 33:8	41:2 89:10	82:12 87:19	100:14	102:17	36:20 38:6	106:13,21
70:18 74:10	39:16,18	substantial	96:2,5,9	101:5,14,17	103:18	38:12 41:10	106:24
75:7	104:14	6:2 56:18	109:18	106:9	104:19	41:13 44:4	107:13
startups	strategic 55:9	suburb 24:10	supported	111:13	106:16	44:6,8,22	109:14
71:10,22	59:24 63:18	suburban	69:15 91:20	taken 106:6	107:19	44:23 45:2	110:15
state 13:22	strategies	12:16,25	95:23 97:14	111:14	110:10	45:17,20	111:2,5,15
18:20 23:16	14:12	23:5,18	100:9	116:6	112:14	46:20,23,24	111:19
25:13,16	strategy 10:5	24:8 25:2	supportive	takes 10:17	113:8,12	47:2,22	113:15,20
42:17 43:10	35:8,17,19	37:25 38:2	104:15	26:8 79:21	114:3,7,10	48:2,6,9	taxation
47:25 60:19	54:23 73:3	42:15	supports 4:9	talk 20:9	114:13	49:20 50:7	13:22
61:3,24	76:19	suburbs	87:23 95:24	50:14	task 6:8	50:23 51:6	taxed 26:18
64:18 65:3	street 38:16	10:21 12:12	sure 18:21	108:10	67:18 99:22	51:14 52:17	81:25
65:4 66:6	70:10 71:2	20:23 22:20	36:25 63:14	110:25	100:18	52:19,20,24	taxes 1:17
68:16 88:8	82:6 108:21	24:2,5,24	91:24,25	110:25	104:11	54:23 55:24	2:11 5:7
88:23 89:5	streets 70:8	66:23 75:18	surrounding	talked 7:10	108:17	56:13 60:24	10:13 11:6
89:11 92:10	70:11,15	succeeded	23:5 69:17	63:4 100:5	110:5,17	61:2,7,10	11:7,12
92:12,13,21	71:6	44:17	73:11 87:5	100:7 112:4	111:16	62:22,24,25	16:22,24
101:13	strength	success 57:2	suspect 96:21	59:6 88:21	tax 1:17,18	65:7 67:22	19:15 20:24
105:22	73:18	57:15	suspension	111:4,21,22	1:18 2:12	69:6,7 72:4	21:4,6,11
109:16,16	stretch 70:10	successes	108:15	talks 13:16	2:13,14	72:11,13	21:22 22:12
109:21	striving 53:7	54:15	sustain 41:14	tang 68:25	3:17,20,22	73:2,16	22:16 23:5
stated 45:9	strong 19:22	successful	sustainable	tap 97:18	3:24 4:10	75:4,9,14	23:16,17
104:16	20:4 85:7	55:25	5:4	tapered 86:19	4:12,16,21	75:20,23	25:15 27:15
statement	stronger	successfully	sustained	targeted 75:4	4:25 5:12	76:4,16,17	30:10 31:9
62:20	102:12	81:17	65:21	75:23	5:16 6:4,8,9	76:22 77:3	35:10 38:13
102:13	strongly	succession	sweeney	tasco 1:10 2:2	6:12,13,20	78:2,7,11	45:7,13
statements	86:20 96:5	90:9	40:11,19	2:17 3:3,9	7:11,14,18	78:15 79:7	47:10,16
102:22	96:9	suffer 56:2	53:20,22	3:12 4:6	7:22,24 8:3	79:17,18	50:2 51:16
states 55:21	struck 49:2	suggested	62:5 84:12	6:24 8:22	8:7 9:25	80:5,8,8	56:11 58:3
statistically	49:16	32:8	88:17 92:2	8:25 9:4	10:2,15,16	81:21,22	62:3 66:13
27:19 29:20	structural	suggests	92:18	15:24 16:7	10:19,25	82:9,18,21	67:3,4
stay 50:8	76:16	34:17	sweeneys	16:13 17:20	11:8,14,19	82:23,25	72:12,14
72:21	structure	suiting 79:11	90:18	17:23 18:6	11:24 12:23	83:2,5,8,9	73:5 76:18
steady 87:2	5:13 36:18	sum 24:20,21	swings 29:14	18:9,16,19	17:2,14	83:23,24	76:18 84:3
stem 33:16	44:4,22	summarize		18:24 19:8	21:8,12,13	84:8,10,11	84:20 86:12
			T				

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 13

93:22 94:7	78:5 85:11	102:16,19	64:22 65:20	25:23 83:19	totally 32:20	89:7,8,15	unifying
94:23 97:8	86:7	103:17,20	65:25 67:8	three 14:22	tower 71:5	92:8 96:4	55:16
97:15	testifying	104:18,21	95:10 97:7	25:22 41:19	track 39:25	97:14 100:6	union 38:7
100:15,15	35:15,16	106:18	97:21 98:8	42:23 43:4	trajectory	101:15	unique 20:20
100:16,25	testimony	107:18,21	103:14	47:15 48:16	55:21	103:25	united 55:21
101:24,25	6:19 10:10	110:9,10,12	105:3	82:15 83:23	transcript	104:4 105:2	92:5,7
102:8 103:9	16:10,20	112:11,15	109:12,23	95:22 100:6	116:8,20	twotiered	101:9
105:4,9	19:4 34:23	114:2,5,6	think 7:15,23	throw 39:10	transforma...	84:10	units 71:7
106:22	35:14 37:9	114:14,22	9:23 10:11	time 6:17	72:24	twoyear 75:8	universities
107:14,15	40:21 41:4	114:22,24	11:18 13:3	28:10 33:13	transition	type 58:3	69:20 73:9
107:15	42:19 43:4	114:25	15:6 17:11	36:20 37:11	63:9	66:19 79:2	73:22 74:19
111:18,24	46:14 48:22	115:2	19:17 20:10	37:16 46:18	transitioned	97:25	76:9
114:20,21	49:13 51:22	thats 8:20	29:15 32:7	56:8 59:6	83:22	types 72:20	university
taxexpensive	57:23 58:18	17:3 19:5	32:25 34:14	61:9,20	translating	typical 23:9	54:5 68:20
27:8	60:7,8 64:9	20:18 22:22	38:10,13	62:19 63:3	74:9	typically 22:5	69:24,25
taxi 64:21	67:25 80:25	23:10 24:16	50:17 52:16	63:6 65:8	traumatic	34:13	70:2,3,4,4
95:18	81:10,13	24:19 25:4	57:24,25	86:21 89:2	72:2		70:17
109:20	83:7,14,17	26:9 28:21	58:6,21,24	92:24 95:2	tremendous	U	urban 37:14
taxing 45:20	88:6 89:20	32:11,24	58:25 59:7	100:16	54:15	u 22:22 41:24	37:15 69:13
technical	89:20 90:18	35:21 43:7	60:23,24	101:18	trend 33:11	105:6,15	urge 87:24
88:15 89:22	99:18	50:16 59:19	61:12 62:8	105:9	33:12 57:5	uber 64:23	103:15
92:19	thank 6:23,24	64:2,8	62:14,15,18	107:13	trends 55:7	unanimity	use 47:18
technicalities	7:5 8:21,22	67:12 90:12	64:2,7 67:9	110:3	tried 38:16	92:14	95:19
89:3	8:25 9:3	91:22 93:6	67:12,20	times 25:22	true 73:11	unbearable	useful 75:6
technologies	15:19,24	100:17,18	81:12 89:15	42:4 78:18	76:5 116:7	78:25	usually 107:2
74:22	16:7,8,9,11	100:19,25	89:22 91:2	109:2	truly 56:25	uncollected	
technology	16:17 17:16	102:6	91:19 92:3	timing 10:13	71:8 78:4	14:3	V
45:5 69:12	17:17,18,25	107:17	93:17 94:8	title 1:16 2:9	107:22	underscore	valley 37:23
70:12 73:8	18:6,8,11	108:5 110:8	95:6,11	today 9:18	trust 53:24	59:11 61:18	74:25
75:25	18:24 19:2	111:3	96:16,22	12:4 15:5	53:24	understand	value 26:3,4,6
tell 7:12	34:21,22	113:17,23	98:15 99:2	16:20 21:21	trusts 13:23	57:19 83:6	28:2,8,20
12:13 13:17	35:3 37:3,4	theatre 20:13	102:23,23	35:14 45:19	truth 100:22	88:24 91:16	28:22 29:5
51:8 78:23	37:8 40:5,7	therapeutics	103:6,12	52:13 53:10	106:20	104:25	34:3 42:20
temple 70:2	40:24 41:5	70:18	105:19	54:9 57:20	107:10	undertake	45:14 49:22
ten 56:12,19	48:20,21	therapy	106:5	58:22 68:2	111:6	5:2	values 28:3,5
65:11 83:5	49:9,12	70:18	108:20	69:5 70:8	try 64:5 67:3	undervalued	28:19 34:3
term 71:11	51:19,20	theres 4:3	109:25	71:15 77:23	92:20 111:7	56:5	34:20 77:2
76:20	53:16 57:16	8:16 12:6	110:5 114:4	86:8 89:2	trying 39:8	unemploy...	various 33:7
terms 12:2	57:17 58:8	12:24 16:15	114:18	91:13 95:4	44:14 47:21	28:7 29:3,8	63:13
16:25 17:4	60:2,5,7,12	19:4 20:5	thinking	98:11,12	52:25 60:17	29:9 41:20	vc 74:17,23
43:18 62:3	64:8,11,12	20:15 30:6	60:13 91:12	99:18 100:2	78:20 92:11	42:10,24	74:25 75:17
63:8 74:12	64:15 68:2	38:8 89:12	third 41:23	101:21,23	99:7	56:6 57:5	vehicle
102:2	68:3,5 69:4	89:22 99:19	96:10	103:3,5,12	turnover	unequivoca...	113:24
109:18	77:7,8	101:19	thomas 70:2	103:16	21:13	39:18	venture 74:16
testified 63:6	80:23,24	theyre 24:11	thought	106:6 108:7	turns 26:5	unfortunat...	version 76:12
63:7 96:2,4	81:3 85:10	26:20 112:8	15:17 38:24	111:3,5	turzai 64:20	43:17 81:24	versus 23:14
96:8 101:10	85:14 86:5	thing 28:25	57:21 59:3	tolson 13:21	109:11	86:18	104:9
101:21,23	88:2,3	33:9 39:16	103:3	14:11	two 5:13	unfunded	vested 80:12
testify 3:15	90:14 91:17	39:19 102:2	thoughtful	tools 76:5	19:12 21:23	56:4	vice 68:19
9:15 16:9	93:5,9,10	102:6 108:5	16:9 51:22	top 55:20	21:24 24:22	unified 111:8	view 90:19
19:7 41:8	93:12 98:17	things 25:8	thoughtfuln...	82:23	26:24 31:16	uniform	91:14
51:25 52:14	98:18,20	27:19 33:8	64:10	total 7:13 8:5	32:3 33:8	46:12	views 9:17
54:9 77:23	99:12,15	44:2 45:21	thousand	36:18	42:4 54:6	uniformity	virtuous
						89:5	76:21

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 14

vision 90:8,12	92:9 96:18	57:2 67:15	witnesses	111:20	23:10 24:1	10 1:7 23:19	76:1 77:1
vital 78:6	97:4 100:15	91:11 93:21	40:12 68:10	113:16	24:17 25:1	29:11 42:11	77:24 78:1
86:22	100:23	94:13,24	108:16	years 4:2,17	26:1 27:1	100 26:15	79:1 80:1
voice 111:8	101:2,23	96:25	women 40:11	19:19 23:2	27:16 28:1	44:9 71:21	80:19 81:1
voices 101:9	102:7,8	103:24	wont 27:11	25:7 30:11	28:15 29:1	73:8	82:1 83:1
vote 101:15	103:9 104:9	weak 50:16	29:23 34:4	39:20 55:22	30:1,18,21	115 4:2,16	84:1,17
102:5,5	107:15	wealth 76:9	57:3	56:12,19	31:1,18,19	5:18,24	85:1 86:1
103:2 106:6	109:14	weaning	work 13:2	65:11,14,17	32:1 33:1	13:11 14:8	87:1,18
106:7,8	111:18,19	86:24	19:18 21:6	67:11 69:18	33:10,15	14:17 33:2	88:1 89:1
voted 57:14	113:15,20	wed 2:4,5 3:4	22:8,24	77:22 83:5	34:1 35:1	65:13 67:11	90:1 91:1
102:8,9,10	114:20	61:17	26:9 39:20	86:20 90:13	36:1 37:1	99:4	92:1 93:1
112:24	wages 22:15	wednesday	59:23 61:14	99:4 100:6	38:1 39:1	12 115:4	94:1 95:1
113:6	45:21	1:7	71:8 75:21	104:3,3	40:1 41:1	125 28:21	96:1 97:1
114:14	wait 105:16	weeks 89:15	76:3 86:22	112:3	42:1 43:1	13 25:24	98:1 99:1
voters 89:10	walk 19:5	weigh 106:5	95:11 96:23	yesterday	44:1 45:1	14 25:24	100:1 101:1
101:16	want 13:5	welcome	99:19,20	14:22 64:18	46:1 47:1,3	140081 1:16	102:1 103:1
	15:15 21:4	61:17	101:8	york 11:3	47:17,17	2:8 3:1,15	104:1 105:1
W	22:8 39:11	wellattended	106:13	42:7 43:20	48:1,4,4	4:1 5:1 6:1	106:1 107:1
w 1:11	50:5 59:4	13:19	108:15	youll 22:9	49:1 50:1	7:1 8:1 9:1	108:1 109:1
wage 1:18	59:25 61:11	wellbeing	worked 4:11	23:10 29:2	51:1 52:1	9:15 10:1	110:1 111:1
2:12 3:16	67:10 92:12	10:3	workers	30:14 33:6	53:1 54:1	11:1 12:1	112:1 113:1
3:19,24	92:13 94:5	wellstructu...	72:14 79:19	34:2 81:12	55:1 56:1	13:1 14:1	114:1 115:1
4:10,16	94:6 97:12	34:8	85:8	young 66:18	57:1 58:1	15:1 16:1	15 3:1 4:1 5:1
5:16 6:7,12	98:2,23	went 16:2	workforce	youre 15:15	59:1 60:1	17:1 18:1	6:1 7:1 8:1
6:12,20	101:8	29:9 30:18	54:12 98:4	49:3,4 95:8	61:1 62:1	19:1 20:1	9:1 10:1
7:11,14,18	102:23	39:5	working 8:3	youve 45:7	63:1 64:1	21:1 22:1	11:1 12:1
8:7 9:25	103:7,8	west 75:19	15:10 23:12	81:10	65:1 66:1	23:1 24:1	13:1 14:1
10:15 11:7	wanted 39:9	weve 4:11,24	24:24 25:8		67:1 68:1	25:1 26:1	15:1 16:1
12:22 13:7	63:21 99:3	8:6 17:7	48:17 63:12	Z	69:1 70:1	27:1 28:1	17:1 18:1
16:23 17:2	wanting	24:7,7 25:6	64:4 89:24	zones 45:9	71:1 72:1	29:1 30:1	19:1 20:1
21:22 23:6	84:22	27:21 31:4	works 23:20	zoning 75:11	73:1 74:1	31:1 32:1	21:1 22:1
30:2,9,15	wants 54:11	38:24 40:20	56:15		75:1 76:1	33:1 34:1	23:1,15
31:6,20,23	washington	46:20 59:19	world 73:13	0	77:1 78:1	35:1 36:1	24:1 25:1
32:10 36:9	26:9 42:7	61:23 71:9	worth 111:19	000 23:21,24	79:1 80:1	37:1 38:1	26:1 27:1
36:19 38:6	43:20	75:3 99:17	worthless	24:16,21	81:1 82:1	39:1 40:1	28:1 29:1
38:12 41:10	wasnt 49:17	103:23	40:7	25:20,24,24	82:21 83:1	41:1,8 42:1	30:1 31:1
44:6,7,23	96:12	108:9	wrong 102:2	26:5,20	84:1 85:1	43:1 44:1	32:1 33:1
46:18,24	water 78:22	110:16	102:14	28:20,21,21	86:1 87:1	45:1 46:1	34:1 35:1
47:18 48:6	way 14:5	wharton		43:8 44:9	88:1,11,11	47:1 48:1	36:1 37:1
50:7,17	17:14 26:20	18:22	X	48:14,15	89:1 90:1	49:1 50:1	38:1 39:1
51:10,14	29:9 33:20	whats 74:18	Y	71:16,17,19	91:1 92:1	51:1 52:1	40:1 41:1
52:17 56:13	38:17 47:3	wholeheart...	yeah 41:3	71:23 81:19	93:1 94:1	53:1 54:1	42:1 43:1
62:23 65:7	50:21 59:17	82:12 87:23	year 4:13 5:3	1	95:1 96:1	54:10 55:1	44:1 45:1
67:22 69:6	59:24 60:13	91:20	5:17 6:21	1 3:1,22 4:1	97:1 98:1	56:1 57:1	46:1 47:1
69:7 72:14	62:11 78:20	wife 19:9	7:12,14,19	5:1 6:1 7:1	99:1 100:1	58:1 59:1	48:1 49:1
76:18 77:25	94:3 96:17	william 1:11	23:21 24:17	8:1 9:1 10:1	101:1 102:1	60:1 61:1	50:1 51:1
78:7,11	97:2,7	wilson 1:11	24:21 25:24	11:1 12:1	103:1 104:1	62:1 63:1	52:1 53:1
79:17 80:8	100:12	winter 70:23	35:9 65:6	13:1 14:1	105:1 106:1	64:1 65:1	54:1 55:1
81:21 82:9	107:17	wish 15:22	65:17 75:11	15:1 16:1	107:1 108:1	66:1 67:1	56:1 57:1
82:18,22	111:8,23	witness 3:7,7	96:9 99:8,9	17:1 18:1	109:1 110:1	68:1 69:1	58:1 59:1
83:2,8 84:2	112:5,10	9:8,8 18:14	101:3	19:1 20:1	111:1,25,25	70:1 71:1	60:1 61:1
84:11,17,20	ways 13:17	18:14 40:12	106:23,25	21:1 22:1	112:1 113:1	72:1 73:1	62:1 63:1
85:4,6	19:23 32:3	68:10	107:12	22:22 23:1	114:1 115:1	74:1 75:1	64:1 65:1
86:12 91:9							

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

City of Philadelphia Committee on Finance
January 28, 2015

Page 15

66:1 67:1	2000s 99:22	63:1 64:1	360 8:4	7070 78:8			
68:1 69:1	2003 45:17	65:1 66:1	100:25	70s 38:6			
70:1 71:1	108:21	67:1 68:1	111:18	75 26:15			
71:16 72:1	110:16	69:1 70:1	3601 70:25				
73:1 74:1	2007 29:17	71:1 72:1	363 71:6	<u>8</u>			
75:1 76:1	2009 6:8	73:1 74:1	36th 71:5	8 71:23			
77:1 78:1	31:12 45:17	75:1 76:1	370 7:15	89 71:17			
79:1 80:1	108:22	77:1 78:1	3737 70:14				
81:1 82:1	2011 75:6	79:1 80:1	70:16	<u>9</u>			
83:1 84:1	2012 27:24	81:1 82:1	38th 70:11,15	9 23:19 29:10			
85:1 86:1	75:11	83:1 84:1		90s 40:2			
87:1 88:1	2013 42:2,9	85:1 86:1	<u>4</u>	92 3:20 43:8			
89:1 90:1	2015 1:7	87:1 88:1	4 22:23 24:21	44:25 78:8			
91:1 92:1	22 43:21	89:1 90:1	25:10,21	82:20			
93:1 94:1	23 43:6,21	91:1 92:1	26:8 29:10	93 71:14			
95:1 96:1	65:16	93:1 94:1	32:23 42:13	96 44:24			
97:1 98:1	24 28:21	95:1 96:1	44:24 47:24	82:18			
99:1 100:1	240 78:15	97:1 98:1	49:19 82:18				
101:1 102:1	245 43:8	99:1 100:1	40 48:14				
103:1 104:1	25 26:15,20	101:1 102:1	55:22 65:15				
105:1 106:1	65:6	103:1 104:1	99:8				
107:1 108:1	26 43:21	105:1 106:1	400 1:6				
109:1 110:1	260 26:5	107:1 108:1	4915 3:24				
111:1 112:1	27 42:3	109:1 110:1	78:11				
113:1 114:1	28 1:7 3:1 4:1	111:1 112:1	<u>5</u>				
115:1,4	5:1 6:1 7:1	113:1 114:1	5 3:22 23:20				
150 26:16	8:1 9:1 10:1	115:1	29:12 30:18				
65:2	11:1 12:1	28story 71:4	33:19 42:13				
16 70:9	13:1 14:1		47:4 65:11				
16th 70:14	15:1 16:1	<u>3</u>	71:19 82:21				
17 25:18 70:9	17:1 18:1	3 3:20,21,24	96:16				
17th 70:25	19:1 20:1	23:21,24	111:25				
19 1:16 2:9	21:1 22:1	24:14 25:5	50 24:16				
1963 71:12	23:1 24:1	32:15,18	26:10,13,15				
1970 27:24	25:1 26:1	36:8 42:11	48:15 56:14				
43:7,22	27:1 28:1	44:25 46:25	65:10 69:17				
1970s 30:20	29:1 30:1	49:18 56:13	107:9				
1990 42:2,9	31:1 32:1	69:18 78:8	500 24:17				
1991 82:18	33:1 34:1	78:8,11	501 69:18				
1996 30:25	35:1 36:1	82:20 83:4	54 47:17 48:4				
1997 44:23	37:1 38:1	30 77:22	88:11				
	39:1 40:1	90:13	59 83:4				
<u>2</u>	41:1 42:1	300 7:18					
2 11:10 24:4	43:1 44:1	28:19 64:21	<u>6</u>				
28:24 31:18	45:1 46:1	31 28:20	6 23:20 28:19				
32:13,18	47:1 48:1	69:19	29:10,10				
33:10,19	49:1 50:1	34 47:17 48:4	42:11,13				
47:9 49:17	51:1 52:1	88:11	66 29:13				
49:17 51:11	53:1 54:1	111:25	45:19				
54:8 81:19	55:1 56:1	34th 70:7,10					
91:24	57:1 58:1	34yearold					
20 1:7 42:3	59:1 60:1	54:17	<u>7</u>				
54:17	61:1 62:1	350 25:20	7 23:15 42:13				
200 32:22		71:13 85:23	707 3:21				

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